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WALL STREET AND THE FINANCIAL CRISIS: ANATOMY OF A FINANCIAL COLLAPSE

REPORT AND APPENDIX

BEFORE THE

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

OF THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

VOLUME 5 OF 5—PART IV

APRIL 13, 2011

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WALL STREET AND THE FINANCIAL CRISIS: ANATOMY OF A FINANCIAL COLLAPSE REPORT AND APPENDIX VOLUME 5 OF 5—PART IV

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FOOTNOTE LOCATOR LIST and BATES LOCATOR LIST

The following two lists, *Footnote Locator List* starting below, and the following *Bates Locator List*, reference documents referred to in the Report's footnotes. Footnotes which are not contained in either list are explanative, reference Subcommittee interviews for which records are not available to the public, or reference a widely available public document.

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Goldman Sachs counsel email to the Subcommittee regarding supplemental response to questions for the record (4/7/2011)		5881
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GS MBS-E-012523933	1699	3570
GS MBS-E-012551460	1760	3644
GS MBS-E-012551726	1759	3643
GS MBS-E-012553986	1597	3216
GS MBS-E-012561798	1743	3619
GS MBS-E-012568089	2812	5835
GS MBS-E-012570169	1748	3622
GS MBS-E-012606879	1818	3720
GS MBS-E-012681410	2221	4169
GS MBS-E-012683946	1609	3361
GS MBS-E-012684557	2243	4184
GS MBS-E-012685289	2217	4160
GS MBS-E-012685645	2241	4182
GS MBS-E-012689798	2266	4233
GS MBS-E-012695030	2271	4326
GS MBS-E-012744553	1650	3496
GS MBS-E-012776557	1650	3505
GS MBS-E-012868698	1905	3820
GS MBS-E-012890599	1709	3578
GS MBS-E-012891722	1750	3624
GS MBS-E-012900708	1773	3667
GS MBS-E-012927140	1824	3725
GS MBS-E-012927198	1916	3825
GS MBS-E-012927200	1827	3729
GS MBS-E-012927202	1891	3814
GS MBS-E-012929469	1864	3788
GS MBS-E-012962076	1995	3885
GS MBS-E-013349723	2136	4096
GS MBS-E-013411815	2031	3916
GS MBS-E-013427046	2472	4609
GS MBS-E-013449641	2438	4578
GS MBS-E-013458155	2566	5244
GS MBS-E-013475756	2295	4338
GS MBS-E-013492538	1622	3419
GS MBS-E-013648130	2207	4146
GS MBS-E-013668603	1967	3868
GS MBS-E-013693128	1861	3759
GS MBS-E-013746511	1998	3892
GS MBS-E-013746516	2664	5426
GS MBS-E-013782989	2169	4126
GS MBS-E-013797964	2802	5833

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GS MBS-E-013821884	2793	5830
GS MBS-E-013870906	2298	4345
GS MBS-E-014038810	1615	3363
GS MBS-E-014042217	2252	4191
GS MBS-E-014042218	2252	4192
GS MBS-E-014042220	2252	4194
GS MBS-E-014055117	2562	5242
GS MBS-E-014335388	2302	4349
GS MBS-E-014338525	2578	5259
GS MBS-E-014367160	2253	4195
GS MBS-E-014367161	2253	4196
GS MBS-E-014419176	2344	4444
GS MBS-E-014597705	2305	4352
GS MBS-E-014605918	2304	4351
GS MBS-E-015192547	2628	5319
GS MBS-E-015232129	2639	5327
GS MBS-E-015240358	2571	5253
GS MBS-E-015550857	2331	4363
GS MBS-E-015646485	1515	2782
GS MBS-E-015653681	1781	3690
GS MBS-E-015654036	1781	3675
GS MBS-E-015712249	1781	3691
GS MBS-E-015732147	2666	5430
GS MBS-E-015738973	2583	5262
GS MBS-E-015863620	1853	3748
GS MBS-E-016034495	2188	4132
GS MBS-E-016067482	1601	3269
GS MBS-E-016087363	1622	3447
GS MBS-E-016165580	1683	3551
GS MBS-E-016165784	1553	2902
GS MBS-E-016187625	2800	5831
GS MBS-E-016209254	1608	3360
GS MBS-E-016344758	1892	3816
GS MBS-E-016445770	1629	3478
GS MBS-E-016473768	2306	4355
GS MBS-E-017237596	1688	3554
GS MBS-E-017250218	1697	3561
GS MBS-E-017502983	2244	4186
GS MBS-E-017504075	2253	4232
GS MBS-E-018209595	2231	4176
GS MBS-E-018321286	2277	4332
GS MBS-E-018921924	2101	4046
GS MBS-E-018936137	2320	4359
GS MBS-E-018938493	1699	3562
GS MBS-E-018940734	1699	3564
GS MBS-E-018947548	1763	3647
GS MBS-E-019164799	2015	3899
GS MBS-E-019164806	1593	3211
GS MBS-E-019460848	1699	3567
GS MBS-E-019642797	1574	2959

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GS MBS-E-019645932	2053	3934
GS MBS-E-019648100	2085	3958
GS MBS-E-019654926	2099	4044
GS MBS-E-019659221	1571	2950
GS MBS-E-019794071	1661	3540
GS MBS-E-021821196	1584	3004
GS MBS-E-021822056	2267	4234
GS MBS-E-021825371	2724	5460
GS MBS-E-021825583	2622	5306
GS MBS-E-021876172	2598	5275
GS MBS-E-021876334	2590	5267
GS MBS-E-021876502	2594	5273
GS MBS-E-021878556	2596	5274
GS MBS-E-021880171	2353	4445
GS MBS-E-021880596	2617	5302
GS MBS-E-021881029	2609	5296
GS MBS-E-021881077	2654	5390
GS MBS-E-021881084	2656	5397
GS MBS-E-021887795	1746	3621
GS MBS-E-021890868	1779	3673
GS MBS-E-021893369	1663	3541
GS MBS-E-021895601	2079	3955
GS MBS-E-021905440	1780	3674
GS MBS-E-022012805	2616	5301
GS MBS-E-022023387	2406	4472
GS MBS-E-022138816	2644	5375
GS MBS-E-022141026	2665	5428
GS MBS-E-022164848	2603	5276
GS MBS-E-023604868		5895
GS MBS-E-023604874		5897
GS MBS-E-023604914		5898
GS MBS-E-023604917		5899
GS MBS-E-023604918		5900
GS MBS-E-023605099		5889
GS MBS-E-023605102		5890
GS MBS-E-023605104		5891
GS MBS-E-023605107		5892
GS MBS-E-023605108		5893
GS MBS-E-023605114		5894
GS MBS-E-023605301		5901
GS MBS-E-023605304		5902
GS MBS-E-023605308		5903
GS MBS-E-099775568	1833	3740
GSC-CDO-FCIC-0029698	2307	4356
GS-PSI-00172	1541	2796
GS-PSI-01310	2130	4081
GS-PSI-03157	1561	2930
GS-PSI-04064	1619	3374
GS-PSI-04100	1619	3394
GW 107909	2646	5382

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GW 108645	2667	5431
HBK's counsel letter to PSI (10/12/2010)	1383	1688
HBK's counsel letter to PSI (8/20/2010)	1352	1555
HUD-CDO-00003155	2618	5303
HUD-CDO-00004378	2616	5300
HUD-CDO-00004851	2605	5278
HUD-CDO-00004852	2606	5279
HUD-CDO-00004882	2612	5297
HUD-CDO-00005125	2291	4337
HUD-CDO-00005146	1585	3191
HUD-CDO-00005147	1586	3192
HUD-CDO-00006877	2591	5269
HUD-CDO-00006881	2615	5298
HUD-CDO-00006894	2609	5280
JPM_WM00616783	301	61
JPM_WM00652762	424	190
JPM_WM00665373	197	45
JPM_WM00783315	534	202
JPM_WM01022322	686	314
JPM_WM01265462	393	89
JPM_WM01311922	303	63
JPM_WM01407692	218	52
JPM_WM02095572	217	48
JPM_WM02406624	422	188
JPM_WM02414318	474	192
JPM_WM02446549	572	211
JPM_WM02548447	625	213
JPM_WM02656967	422	92
JPM_WM03077089	378	87
JPM_WM03077747	376	84
JPM_WM03117796	477	199
JPM_WM03190673	315	71
JPM_WM03246053	372	78
JPM_WM03277758	375	83
JPM_WM03277786	374	81
JPM_WM03627448	377	85
JPM_WM03960778	307	65
JPM_WM03985880	333	74
JPM_WM04471136	373	79
JPM_WM04473292	824	402
JPM_WM04656627	226	53
JPM_WM05382127	311	69
JPM_WM05385579	148	8
JPM_WM06293964	158	40
JUL 000685	2412	4489
JUL 002027	2413	4493
JUL 003958	2439	4584
MIS-OCIE-RMBS-0035460	1151	723
MIS-OCIE-RMBS-0364942	1159	728
MIS-OCIE-RMBS-0419014	1113	642

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Moody's "Structured Finance - Rating Methodology" (3/232007)	2235	4177
Moody's 2008 Global CDO Review (3/3/2008)	1264	771
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OTSWME04-0000004883	648	302
OTSWME04-0000004889	649	308
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OTSWME06-039 0000205	694	323
OTSWME06-039 0000214	691	319
OTSWME07-067 0001082	704	350
OTSWME07-075 0000780	868	412
OTSWMEF-0000032053	855	411
OTSWMEN-0000000274	703	328
OTSWMEN-0000020983	700	326
OTSWMS06-007 0001020	729	397
OTSWMS07-011 0001294	708	384
OTSWMS08-015 0001216	628	261
PAULSON ABACUS 0234459	1331	1014
PAULSON-ABACUS 0250401	2548	5225
PAULSON-ABACUS 0252736	2515	4764
PAULSON-ABACUS 0253248	2522	4810
PSI Chart: "Abacus 2007-AC1 Reference Portfolio"	2522	4788
PSI Chart: "Fact Sheet for Three Examples of Failed AAA Ratings"	1034	595
PSI Chart: "Goldman Sachs Expected Profit from RMBS Securitizations"	1238	769
PSI email exchange with Goldman counsel (1/7/2011)	2653	5388
PSI_QFR_GS0001-548 [Redacted]	1512	2291
PSI-Basis_Capital_Group-02-0001	2426	4533
PSI-Basis_Capital_Group-03-0001	2419	4515
PSI-Deutsche Bank-31-0004	1278	848
PSI-Deutsche Bank-32-0001	1278	844
PSI-Deutsche_Bank-02-0005	1267	811
PSI-DeutscheBank-17-Gemstone7-0001	1347	1489
PSI-FDIC-10-0001	776	399
PSI-FDIC-13-000001	947	477
PSI-M&T_Bank-02-0001	1393	1698
PSI-MOODYS-RFN-000001	1046	613
PSI-MOODYS-RFN-000007	1123	666
PSI-MOODYS-RFN-000009	1046	611
PSI-MOODYS-RFN-000011	1089	640
PSI-MOODYS-RFN-000013	1084	625
PSI-MOODYS-RFN-000019	1087	631
PSI-MOODYS-RFN-000022	1193	754
PSI-MOODYS-RFN-000029	1159	726
PSI-MOODYS-RFN-000031	1083	624
PSI-MOODYS-RFN-000032	1081	621

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PSI-MOODYS-RFN-000035	1212	765
PSI-MOODYS-RFN-000039	1056	615
PSI-MOODYS-RFN-000040	1175	742
PSI-MOODYS-RFN-000044	1003	582
PSI-MOODYS-RFN-000045	1003	583
PSI-Paulson&Co-02-0001	1011	588
PSI-Paulson-04 (Pellegrini Depo)-0001	2501	4739
PSI-Paulson-04 (Shu Depo)-0001	2515	4758
PSI-S&P-RFN-000001	1191	753
PSI-S&P-RFN-000002	1088	633
PSI-S&P-RFN-000003	1046	607
PSI-S&P-RFN-000006	1046	605
PSI-S&P-RFN-000008	1088	636
PSI-S&P-RFN-000012	1190	750
PSI-S&P-RFN-000015	1172	740
PSI-S&P-RFN-000017	1167	733
PSI-S&P-RFN-000021	1171	737
PSI-S&P-RFN-000024	1080	616
PSI-S&P-RFN-000029	1042	596
PSI-S&P-RFN-000032	1085	630
PSI-S&P-RFN-000034	1189	746
PSI-S&P-RFN-000038	1046	599
PSI-S&P-RFN-000044	1152	724
PSI-SEC (Moodys Exam Report)-14-0001	975	519
PSI-SEC (S&P Exam Report)-14-0001	1145	699
PSI-Standard&Poor's-04-0001	1131	674
Quigley_Lori-00231631_001	716	387
Reich_John-00040045_001	710	385
S&P Response to PSI Questions (2/10/2011)	1128	671
S&P SEN-PSI 0001945	962	482
S&P SEN-PSI 0007442	1201	760
S&P-PSI 0000028	991	568
S&P-PSI 0000036	991	575
S&P-SEC 067708	1004	584
S&P-SEC 067733	1004	585
S&P-SEC 067740	1004	586
S&P-SEC 067747	1004	587
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SEC_OCIE_CRA 011212	981	535
SEC_OCIE_CRA_011214	981	544
SEC_OCIE_CRA_011217	981	545
SEC_OCIE_CRA_011218	982	546
Statement submitted to PSI by David Lehman (1/26/2011)	2657	5407
Statement submitted to PSI by Jordan Horvath (1/7/2011)	2657	5406
Statement submitted to PSI by Susan Helfrick (1/7/2011)	2657	5405
Statement submitted to PSI by Timothy Saunders (12/22/2010)	2657	5404
Transcript-Blankfein on CNBC Power Lunch (5/7/2010)	2706	5455
Wachovia counsel email to PSI (11/19 & 23/2010)	1488	2272

From: Swenson, Michael
Sent: Wednesday, July 25, 2007 7:41 PM
To: Kao, Kevin J.; Jha, Arbind
Cc: Turok, Michael; Lehman, David A.; Birnbaum, Josh; McAndrew, Thomas R.; Primer, Jeremy; Gao, Renyuan
Subject: Re: Cash bonds

Kevin -

Thank you

----- Original Message -----
From: Kao, Kevin J.
To: Jha, Arbind
Cc: Turok, Michael; Swenson, Michael; Lehman, David A.; Birnbaum, Josh; McAndrew, Thomas R.; Primer, Jeremy; Gao, Renyuan
Sent: Wed Jul 25 19:38:48 2007
Subject: RE: Cash bonds

Arbind - ABS cash bond durations are from Intex. So as long as the cash bonds are marked appropriately the spreads and durations should get reflected accordingly.

I will also watch the jobs closely tonight. Thanks.

-----Original Message-----
From: Jha, Arbind
Sent: Wednesday, July 25, 2007 7:11 PM
To: Kao, Kevin J.
Cc: Turok, Michael; Swenson, Michael; Lehman, David A.; Birnbaum, Josh; McAndrew, Thomas R.; Primer, Jeremy; Gao, Renyuan
Subject: Cash bonds

Kevin,
Given the huge changes in marks today, we expect Mortgage Trading VaR to shoot through the roof if we do not reflect mark/spread changes correctly on the cash ABS and CDO bonds in the risk feed tonite. Please let us know if we perceive this to a major problem tomorrow.
Thanks,
Arbind

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2146

Confidential Treatment Requested by Goldman

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 00037 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

66052.033

From: Sparks, Daniel L
Sent: Sunday, July 29, 2007 10:19 PM
To: Montag, Tom
Subject: RE: Problem

We are in an absolute war - been that way for awhile. We probably should have taken more time to put through the CDO monster remark and check it/filter it all the way through. But we rushed it because of Basis and a desire to protect ourselves against counter-parties.

-----Original Message-----
From: Montag, Tom
Sent: Sunday, July 29, 2007 10:05 PM
To: Wiesel, Elisha; Sparks, Daniel L
Cc: Mullen, Donald
Subject: Re: Problem

Why no problems before on marking? What procedures caught it before?

----- Original Message -----
From: Wiesel, Elisha
To: Sparks, Daniel L; Cohn, Gary (EO 85B30); Mullen, Donald; Montag, Tom; Lee, Brian-J (FI Controllers); McMahon, Bill; Smith, Sarah; Avanessians, Armen
Cc: Viniar, David
Sent: Sun Jul 29 21:58:43 2007
Subject: RE: Problem

Slightly more color around Dan's message below:

There are two standard ways in which ABS CDO positions are currently marked. Either it's a cash bond, and the traders mark the price in M5, or it's a CDS, and the traders mark the CDS CDO price in SecDb. The system booking issue we're experiencing is because Hout Bay was booked using a different mechanism from either of these two ways.

Trade #1: When the Hout Bay mezz tranche was sold, GS bought back the risk in total return swap form. The trade was booked using a 3rd approach which is not widely used by the secondary desk. This approach was to create an underlying CDS-style credit market to represent Hout Bay Mezz, and to then book a generic TRS against that market in SecDb.

Trade #2: GS then did another trade, which was to buy protection on the top 2/3 of the mezzanine tranche, further tranching the position. This 3rd-order tranche trade was booked using the ABACUS tradable, which applies a SecDb-based model to an underlying. The underlying was specified as a CDS CDO (rather than the TRS actually used to book Hout Bay Mezz). So this means we now had two things in SecDb representing the same total return swap -- (a) a standard CDS CDO which the desk marked as part of it's usual sweep, which informed the model-based value of the protection purchase, and (b) a credit market to mark the TRS.

When CDS CDOs (but not the TRS) were re-marked in last week's sweep, pnl noise was created as Trade #2's value changed, but Trade #1's was not.

-----Original Message-----
From: Sparks, Daniel L
Sent: Sunday, July 29, 2007 9:10 PM
To: Cohn, Gary (EO 85B30); Mullen, Donald; Montag, Tom; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah
Cc: Viniar, David
Subject: RE: Problem

Booked through TAP into secDB, but one leg of position is TROR swap format and one is in CDS format.

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2147

Confidential Treatment Requested by Goldm

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 00038 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

66052.034

Traders are responsible to get it marked correctly and are working with right people to fix systematically going forward.

-----Original Message-----
From: Cohn, Gary (EO 85B30)
Sent: Sunday, July 29, 2007 9:01 PM
To: Sparks, Daniel L; Mullen, Donald; Montag, Tom; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah
Cc: Viniar, David
Subject: Re: Problem

What system are they in

----- Original Message -----
From: Sparks, Daniel L
To: Mullen, Donald; Montag, Tom; Lee, Brian-J; McMahon, Bill; Wiesel, Elisha; Smith, Sarah
Cc: Viniar, David; Cohn, Gary
Sent: Sun Jul 29 20:59:01 2007
Subject: RE: Problem

Our CDO trading team is. This week has had significant moves in CDOs, especially super-seniors, and activity has been crazy. We missed this position, and the form it's in and the systems issues we have make it challenging.
We're working hard to trade in this market and manage the position - and the team had a very good week.

That doesn't mean this error is acceptable, but we found it within a few days of the massive adjustment.

We are working to make the system better.

-----Original Message-----
From: Mullen, Donald
Sent: Sunday, July 29, 2007 8:26 PM
To: Sparks, Daniel L; Montag, Tom; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah
Cc: Viniar, David; Cohn, Gary (EO 85B30)
Subject: Re: Problem

We clearly need to have a stale mark report. Who was responsible to mark this?

----- Original Message -----
From: Sparks, Daniel L
To: Montag, Tom; Mullen, Donald; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah
Cc: Viniar, David; Cohn, Gary (EO 85B30)
Sent: Sun Jul 29 19:54:23 2007
Subject: RE: Problem

It's 2 positions: long $1.275BB, short $825mm. Net long is $450mm.
We're looking into the history on AIG mark Yes, mark had not been updated this month We don't have a stale mark report CDO origination book

-----Original Message-----
From: Montag, Tom
Sent: Sunday, July 29, 2007 7:42 PM
To: Sparks, Daniel L; Mullen, Donald; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah
Cc: Viniar, David; Cohn, Gary (EO 85B30)
Subject: Re: Problem

Confidential Treatment Requested by Goldman Sachs

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 00039 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

66052.035

Its a 1.2 billion dollar position? Is that correct? How have we been marking AIG ? Both controllers and the desk hadn't looked at it all month? Wouldn't there be a report of large positions where marks hadn't changed. Whose book was it in?

----- Original Message -----
From: Sparks, Daniel L
To: Mullen, Donald; Montag, Tom; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah
Cc: Viniar, David; Cohn, Gary (EO 85B30)
Sent: Sun Jul 29 18:49:48 2007
Subject: Problem

One large synthetic position has not been marked since last month and has not been flowing through the position system, and the problem is large with the dramatic remark we made this week to CDOs. The trading team scrubbed everything this weekend with controllers and strat, and found this - Hout Bay 1 super senior (roughly $1.2BB off a CDO of AA-ish paper done in March 2006 and without much CDO^2). It's funded with another counterparty, and AIG wrote credit protection on the top 65%, GS has the remaining 35% credit risk), and a mark of 25 points needs to go through. There are various causes for our mistake (none good), but the form of the trade had a lot to do with it.

That's about $100mm loss that we need to take.

The team has gone through everything else and does not feel there is anything else like this not feeding through, although there is a $50mm senior pic swap the needs to be better analyzed in light of the market.

We can either put it in the estimate Monday, or put it in Friday as a large variance.

I'd rather I posted you live, but I just got the information and wanted to post this group quickly with month-end.

I'm around tonight 203-972-1346 or in the morning 2-2914.

Confidential Treatment Requested by Goldman Sachs

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 00040 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

66052.036

From: Sparks, Daniel L
Sent: Sunday, July 29, 2007 9:28 PM
To: Mullen, Donald
Subject: RE: Problem

He's overseeing cmbs, correlation and cdo's. There are responsible line people in each. There is a systems issue in how this was evaluated that when corrected will prevent this. We made massive mark adjustments this week, pushed them through because of basis and counterparty exposure, and probably should have waited to work through everything.

-----Original Message-----
From: Mullen, Donald
Sent: Sunday, July 29, 2007 9:23 PM
To: Sparks, Daniel L
Subject: Re: Problem

I am sympathetic to his scheduke but this can't happen. what exactly is he naking markets in?

----- Original Message -----
From: Sparks, Daniel L
To: Mullen, Donald
Sent: Sun Jul 29 21:19:33 2007
Subject: RE: Problem

Lehman, it is in retained cdo position

-----Original Message-----
From: Mullen, Donald
Sent: Sunday, July 29, 2007 9:14 PM
To: Sparks, Daniel L
Subject: Re: Problem

Who is the single person responsible to mark egol? And is it in his pnl?

----- Original Message -----
From: Sparks, Daniel L
To: Cohn, Gary (EO 85B30); Mullen, Donald; Montag, Tom; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah
Cc: Viniar, David
Sent: Sun Jul 29 21:10:19 2007
Subject: RE: Problem

Booked through TAP into secDB, but one leg of position is TROR swap format and one is in CDS format.
Traders are responsible to get it marked correctly and are working with right people to fix systematically going forward.

-----Original Message-----
From: Cohn, Gary (EO 85B30)
Sent: Sunday, July 29, 2007 9:01 PM
To: Sparks, Daniel L; Mullen, Donald; Montag, Tom; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah
Cc: Viniar, David

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2148

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66052.037

Subject: Re: Problem

What system are they in

----- Original Message -----
From: Sparks, Daniel L
To: Mullen, Donald; Montag, Tom; Lee, Brian-J; McMahon, Bill; Wiesel, Elisha; Smith, Sarah
Cc: Viniar, David; Cohn, Gary
Sent: Sun Jul 29 20:59:01 2007
Subject: RE: Problem

Our CDO trading team is. This week has had significant moves in CDOs, especially super-seniors, and activity has been crazy. We missed this position, and the form it's in and the systems issues we have make it challenging.
We're working hard to trade in this market and manage the position - and the team had a very good week.

That doesn't mean this error is acceptable, but we found it within a few days of the massive adjustment.

We are working to make the system better.

-----Original Message-----
From: Mullen, Donald
Sent: Sunday, July 29, 2007 8:26 PM
To: Sparks, Daniel L; Montag, Tom; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah
Cc: Viniar, David; Cohn, Gary (EO 85B30)
Subject: Re: Problem

We clearly need to have a stale mark report. Who was responsible to mark this?

----- Original Message -----
From: Sparks, Daniel L
To: Montag, Tom; Mullen, Donald; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah
Cc: Viniar, David; Cohn, Gary (EO 85B30)
Sent: Sun Jul 29 19:54:23 2007
Subject: RE: Problem

It's 2 positions: long $1.275BB, short $825mm. Net long is $450mm.
We're looking into the history on AIG mark Yes, mark had not been updated this month We don't have a stale mark report CDO origination book

-----Original Message-----
From: Montag, Tom
Sent: Sunday, July 29, 2007 7:42 PM
To: Sparks, Daniel L; Mullen, Donald; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah
Cc: Viniar, David; Cohn, Gary (EO 85B30)
Subject: Re: Problem

Its a 1.2 billion dollar position? Is that correct? How have we been marking AIG ? Both controllers and the desk hadn't looked at it all month? Wouldn't there be a report of large positions where marks hadn't changed. Whose book was it in?

----- Original Message -----
From: Sparks, Daniel L
To: Mullen, Donald; Montag, Tom; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah
Cc: Viniar, David; Cohn, Gary (EO 85B30)

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66052.038

Sent: Sun Jul 29 18:49:48 2007
Subject: Problem

One large synthetic position has not been marked since last month and has not been flowing through the position system, and the problem is large with the dramatic remark we made this week to CDOs. The trading team scrubbed everything this weekend with controllers and strat, and found this - Hout Bay 1 super senior (roughly $1.2BB off a CDO of AA-ish paper done in March 2006 and without much CDO^2). It's funded with another counterparty, and AIG wrote credit protection on the top 65%, GS has the remaining 35% credit risk), and a mark of 25 points needs to go through. There are various causes for our mistake (none good), but the form of the trade had a lot to do with it.

That's about $100mm loss that we need to take.

The team has gone through everything else and does not feel there is anything else like this not feeding through, although there is a $50mm senior pic swap the needs to be better analyzed in light of the market.

We can either put it in the estimate Monday, or put it in Friday as a large variance.

I'd rather I posted you live, but I just got the information and wanted to post this group quickly with month-end.

I'm around tonight 203-972-1346 or in the morning 2-2914.

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66052.039

From: McHugh, John
Sent: Friday, July 13, 2007 11:11 PM
To: Swenson, Michael; Lehman, David A.
Cc: Sparks, Daniel L
Subject: RE: Talking Points Needed for Gary Cohn
Attachments: PMD speaking notes July 2007 for Gary Cohn.doc

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Talking points pasted below and attached...pls review

Market Commentary

- Subprime mortgage market continues to be dislocated and illiquid
- spreads tightened from March-May for technical reasons (supply & short covering)
- Increases in delinquencies, slower prepayment speeds and interest rates rising continued to weigh on the market in the face of weaker housing prices
- BSAM & other hedge fund managers (most recently Basis Capital) announced they were halting fund redemptions and/or liquidating holdings, with some likely to fail
- Rating agencies announced a series of downgrades and/or securities placed on negative watch. Agencies also adopted significant changes in rating and surveillance methodologies using more punitive stress assumptions which will result in more aggressive downgrade actions on existing deals and require greater credit enhancement on new deals.
- ABX prices dropped dramatically in reaction with new issue residential and CDO prices following suit. At Dec 31, 2006, ABX 06-2 BBB- synthetics tranche was trading at $95, it bottomed at $53 on July 13, 2007
- [redacted]

Subprime loan & securitization commentary:

- Industry wide, subprime loan origination is down 40% in 2007 and headed lower
- 7 of the top 10 subprime lenders in '06 are either out of business or have changed ownership
- Subprime loan bids began to stabilize in the mid-102s in late May and early June as dealers bid more aggressively to feed inventory into their securitization platforms but have since fallen more than a point in the face of worse fundamentals
- Spread volatility returned, loan and new issue pricing has come under pressure with dealers having particular difficulty placing lower rated securities
- Goldman's subprime loan purchases were less than $50mm for April and May, but in June we were successful in bidding on a $1bn subprime loan package from HSBC (seasoned loans ('05 production) so has some HPA embedded and strong payment histories)
- More stringent due diligence procedures resulted in lower pull-through rates, reduced market share and pushback from originators, but results are difficult to argue against
- CDO securitization market is coming to a standstill, GS has zero in warehouse
- Non-prime loan inventory is currently at $3bn, down from $12bn at fiscal year-end
- Warehouse secured lending in this space has been reduced from just under $1bn at fiscal year-end to $50mm currently

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66052.040

($mm's)	07/01/06	11/25/06	05/15/07	Current
Loan Inventory:				
Subprime	5,525	6,200	156	1,175
Alt A	5,683	3,333	1,897	1,599
S&D	827	768	665	643
2nds	865	1,505	62	57
Resi Warehouse	852	848	51	53
CDO Warehouse	8,245	5,720	1,740	-
Retained CDO Bonds	200	360	4,570	2,530
ABX 06-2 BBB- dollar price	99	98	76	53

- ABX 06-2 and 07-1 series hit all-time lows of 53 and 49, respectively, on July 13th

-----Original Message-----
From: Sparks, Daniel L
Sent: Friday, July 13, 2007 7:37 PM
To: White, Eileen (EO 85B30); Scherr, Stephen (IB NYP48); Hickey, Steve; Lehman, David A.; Swenson, Michael; McHugh, John
Cc: Black, Jennifer (IB NYP48); Jannetti, Eileen; Bellcour, Dominique (DewAnn); Lipnick, Allison (EO 85B30)
Subject: Re: Talking Points Needed for Gary Cohn

John, please update what you had prepared for montag - shoot it by swenson and lehman, and address below

----- Original Message -----
From: White, Eileen (EO 85B30)
To: Scherr, Stephen (IB NYP48); Sparks, Daniel L; Hickey, Steve
Cc: Black, Jennifer (IB NYP48); Jannetti, Eileen; Bellcour, Dominique (DewAnn); Lipnick, Allison (EO 85B30)
Sent: Fri Jul 13 16:28:04 2007
Subject: Talking Points Needed for Gary Cohn

All,
Lloyd has asked Gary to provide a 5-minute update on credit markets at the Monthly Partner Meeting this Tuesday, July 17th.

Would you be able to provide talking points for Gary? I would be grateful if you might be able to forward to me as soon as possible. (Gary is traveling to Asia.)

Sorry for the last-minute request; this was just put on the agenda.

Best.
Eileen

Goldman, Sachs & Co.
85 Broad Street | 30th Floor | New York, NY | 10004
Tel 212 902 1163 | Fax 212 902 5445
email: Eileen.White@GS.com

Eileen M. White
Managing Director
Office of the Chairman

Goldman
Sachs

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66052.041

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From: Blankfein, Lloyd (EO 85B30)
Sent: Tuesday, July 31, 2007 6:55 PM
To: Montag, Tom
Subject: Re: Mortgage Derivative Collateral Disputes - 7/31 Update (COB 7/27 marks)

Make sure they prioritize weaker credits where our risk is threatening.

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----- Original Message -----
From: Montag, Tom
To: Blankfein, Lloyd
Sent: Tue Jul 31 18:52:53 2007
Subject: Fw: Mortgage Derivative Collateral Disputes - 7/31 Update (COB 7/27 marks)

7 billion of collateral disputes!!!

----- Original Message -----
From: Simpson, Michael
To: Viniar, David; Montag, Tom; Mullen, Donald; Sparks, Daniel L; Smith, Sarah; Lee, Brian-J (FI Controllers); Broderick, Craig; Rapfogel, Alan; Vince, Robin
Cc: O'Connor, Gavin; Armstrong, Phil; Kane, Nicola; Brafman, Lester R
Sent: Tue Jul 31 18:51:04 2007
Subject: Mortgage Derivative Collateral Disputes - 7/31 Update (COB 7/27 marks)

Over the past week the market has experienced continued volatility. As a result, there were a significant number of mark updates.
The overall derivative collateral dispute amount is now $7.0 billion.

The following reflects a high level reconciliation from our last update:

Date	Amount (in billions)	Comments
7/24	3.0	Previous total derivative dispute level on GS calls
	(0.9)	Resolved disputes
	1.2	New disputes
	3.7	Net increase in previous disputes
7/31	7.0	Current total derivative dispute level on GS calls

The following table represents the 10 largest disputes and their respective increases/decreases since our last update. All numbers are in millions.

Risk Party	Current Dispute	Inc/(Dec)
AIG FINANCIAL PRODUCTS CORP	1,891	1,770
CANADIAN IMPERIAL BANK OF COMMERCE...	[redacted]	[redacted]
CALYON...	[redacted]	[redacted]
UBS AG...	[redacted]	[redacted]
MORGAN STANLEY CAPITAL SERVICES INC.	[redacted]	348
IXIS CORPORATE & INVESTMENT BANK	118	[redacted]
DEUTSCHE BANK AKTIENGESELLSCHAFT...	[redacted]	[redacted]
ABN AMRO BANK N.V....	215	161
SOCIETE GENERALE...	[redacted]	[redacted]
CITIBANK, N.A....	[redacted]	[redacted]
Sub-Total on Top 10 disputes	4,855	3,665

The team is focused on all of these. The bulk of the disputes have detailed

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GS MBS-E-009691545

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66052.042

reconciliations as of COB 7/27 and we are in the process of reaching out to each of the counterparties.

We will update this distribution as we make progress.

If there are any question, please contact me directly.

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GS MBS-E-009691546

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66052.043

From: Lehman, David A.
Sent: Tuesday, August 28, 2007 9:37 AM
To: Sparks, Daniel L
Subject: RE: Mark changes which are greater than 5% / greater than 10%

[redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

-----Original Message-----
From: Sparks, Daniel L
Sent: Tuesday, August 28, 2007 8:44 AM
To: Lehman, David A.
Subject: Re: Mark changes which are greater than 5% / greater than 10%

Yes - say I reviewed and am ok, and show him and ask for sign off from him

----- Original Message -----
From: Lehman, David A.
To: Sparks, Daniel L
Sent: Tue Aug 28 07:28:52 2007
Subject: RE: Mark changes which are greater than 5% / greater than 10%

Do you want me to reach out to Don on the greater than 10% ones?

From: Sparks, Daniel L
Sent: Monday, August 27, 2007 11:30 PM
To: Lehman, David A.
Subject: RE: Mark changes which are greater than 5% / greater than 10%

I got your v-mail and I'm fine

From: Lehman, David A.
Sent: Monday, August 27, 2007 6:44 PM
To: Sparks, Daniel L
Subject: Mark changes which are greater than 5% / greater than 10%

RMBS Mark changes which are greater than 5%

Description	Price Chg	client
LBMLT 2005-[redacted]	(5.0)	boc beijing
GSR 2005-[redacted]	(8.0)	boc beijing
GSAMP 2007-[redacted]	(8.0)	CCB CN
GSAMP 2006-[redacted]	(9.0)	bochk
GSAMP 2006-[redacted]	(8.0)	boc beijing
GSAMP 07[redacted]	(9.0)	bochk
GSAA 2005-[redacted]	(9.5)	boc beijing
GSAA 2006-[redacted]	(9.0)	boc beijing
GSR 2005-[redacted]	(7.0)	boc beijing

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66052.044

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LBMLT 2006-[redacted]	(7.0)	boc beijing
GSAA 2006-[redacted]	(9.1)	CCB CN
GSAA 2006-[redacted]	(7.1)	boc beijing
GSAMP 2006-[redacted]	(5.5)	boc beijing
GSAMP 2006-[redacted]	(5.5)	boc beijing
GSAMP 2006-[redacted]	(5.0)	boc beijing
FNR 05-[redacted]	5.7	Chunghwa Post
GSR 2005-[redacted]	(35)	State Street
GSAA 2006-[redacted]	(22)	Axon Financial
GSAA 2006-[redacted]	(20)	Calyon ABS
FFML 2005-[redacted]	(20)	Hong Kong ME
CBASS 2006-[redacted]	(15)	Aladdin Capital
GSAMP 2006-[redacted]	(13)	Swiss Re
GSAMP 2006-[redacted]	(12)	E-SEC Lending
GSAMP 2006-[redacted]	10	*UBS 3
CBASS 2006-[redacted]	10	Delaware
GSAA 2007-[redacted]	15	FSA
RFMS2 2006-[redacted]	15	AIG (ME)
GSAMP 2005-[redacted]	(5)	ACA
LBMLT 2006-[redacted]	(5)	Hong Kong ME
NCHET 2006-[redacted]	(5)	HK Daily
GSAA 2006-[redacted]	5	Hong Kong ME
GSAMP 2006-[redacted]	7	AIG (ME)

[redacted] = Redacted by the Permanent Subcommittee on Investigations

RMBS Mark changes which are greater than 10%

Description	Price Chg	client
LBMLT 2006-[redacted]	(19)	boc beijing
GSAMP 2006-[redacted]	(20)	boc beijing
CWL 06-[redacted]	(18)	ICBC China
MSHEL 2006-[redacted]	(15)	ICBC China
CWL 06-[redacted]	(14)	ICBC China
CARR 2006-[redacted]	(14)	ICBC China
GSAMP 2006-[redacted]	(12)	ICBC China
GSAMP 2006-[redacted]	(12)	ICBC China
WFHET 06-[redacted]	(10)	ICBC China
INDX 2005-[redacted]	(17)	uob asset mgmt
LBMLT 2005-[redacted]	(15)	boc beijing
GSR 06-[redacted]	(17)	uob asset mgmt
GSAA 2006-[redacted]	(17)	CCB CN
RALI 2006-[redacted]	(16)	boc beijing
INDX 2005-[redacted]	(12)	uob asset mgmt
GSAA 2006-[redacted]	(13)	CCB CN
MABS 2005-[redacted]	(13)	ICBC China
INDX 2005-[redacted]	(12)	uob asset mgmt
GSAA 2006-[redacted]	(11)	boc beijing
GSAA 2005-[redacted]	(12)	CCB CN
BSABS 2005-[redacted]	(10)	ICBC China
GSAA 2006-[redacted]	(10)	boc beijing

CDO mark changes (5 and 10pts)

Description	CLIENT	Prc Chg
ADROC 2005-[redacted]	HongKong	(10.0)
ADROC 2005-[redacted]	Winchester	(5.0)
CAMBR 7A [redacted]	CIBC	(5.0)
FORTD 2007-[redacted]	CIBC	(5.0)

ABACUS mark changes (5 and 10 pts)
ABAC 2006-10A J Win Cap (10pts)

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GS MBS-E-010623780

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66052.045

From: Sparks, Daniel L
Sent: Thursday, June 21, 2007 7:53 AM
To: Brafman, Lester R
Subject: Re: Repo

Kind of stunning - but we are hearing it

----- Original Message -----
From: Brafman, Lester R
To: Sparks, Daniel L
Sent: Thu Jun 21 07:51:13 2007
Subject: Re: Repo

Would have thot that bsam event would provide reasonable explanation as to why our marking and haircuts r ok

---
Sent from my BlackBerry Wireless Handheld

----- Original Message -----
From: Sparks, Daniel L
To: Mullen, Donald; Lehman, David A.; Gasvoda, Kevin; Swenson, Michael; Brafman, Lester R
Sent: Thu Jun 21 07:46:50 2007
Subject: Re: Repo

There are a few positions where repo either feels a put was agreed to or the department actually has agreed to it. Whether we do it or money mkts does it - the firm still has it and we need to be diligent on marks and haircuts. We also finance people in the warehouse business - notably basis and cbass who we have been margin calling (appropriately) a fair amount lately.

For very important trades, we should consider it. Kevin, can you circulate the list of bonds to this group.

Also, sales is making significant noise about gs notable conservatism in marking and haircuts.

----- Original Message -----
From: Mullen, Donald
To: Lehman, David A.; Sparks, Daniel L; Gasvoda, Kevin; Swenson, Michael; Brafman, Lester R
Sent: Thu Jun 21 07:37:52 2007
Subject: Re: Repo

We should discuss. Wjat kind of cdo?

----- Original Message -----
From: Lehman, David A.
To: Sparks, Daniel L; Mullen, Donald; Gasvoda, Kevin; Swenson, Michael; Brafman, Lester R
Sent: Thu Jun 21 07:23:01 2007
Subject: Repo

Yesterday we asked the repo desk to finance a CDO position that we were looking to sell to a client. While the trade with the client did not happen, the repo desk would have wanted

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66052.046

the mortgage department to write a "put" on the CDO bonds where we would own the bonds @ the mark price minus the haircut in the event the bonds went south and the risk was put back to GS.

I know this issue has come up in the past but we should discuss.

Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-493-9681 | Mob: 917-[redacted]
e-mail: david.lehman@gs.com

Goldman
Sachs

David Lehman
Fixed Income, Currency & Commodities

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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66052.047

From: Deng, Daniel
Sent: Monday, May 21, 2007 9:39 PM
To: Chaudhary, Omar; Chin, Edwin; Swenson, Michael; Gasvoda, Kevin; Lehman, David A.; Lee, Jay
Cc: Yang, Zhenyu; Shao, Wenbo; Deng, Daniel
Subject: RE: Mark to market prices

Dear comrades, thanks vm for help on this... cheers

-----Original Message-----
From: Chaudhary, Omar
Sent: Tuesday, May 22, 2007 9:38 AM
To: Deng, Daniel; Chin, Edwin; Swenson, Michael; Gasvoda, Kevin; Lehman, David A.; Lee, Jay
Cc: Yang, Zhenyu; Shao, Wenbo
Subject: RE: Mark to market prices

Will send to you in a second via FICC-opps

-----Original Message-----
From: Deng, Daniel
Sent: Tuesday, May 22, 2007 10:35 AM
To: Chin, Edwin; Swenson, Michael; Gasvoda, Kevin; Lehman, David A.; Lee, Jay; Chaudhary, Omar
Cc: Yang, Zhenyu; Shao, Wenbo; Deng, Daniel
Subject: RE: Mark to market prices

Thanks vm for the efforts and we do appreciate. Will make sure client understand we made great effort here.

And Cud u pls show indicative MTM price for the following bonds as well?

NCHET 06-[redacted]
GSAMP 06-[redacted]
GSAMP 06-[redacted]
CBASS 06-[redacted]
GSAMP 06-[redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

thanks

-----Original Message-----
From: Chin, Edwin
Sent: Tuesday, May 22, 2007 7:40 AM
To: Deng, Daniel; Swenson, Michael; Gasvoda, Kevin; Lehman, David A.; Lee, Jay; Chaudhary, Omar
Cc: Yang, Zhenyu; Shao, Wenbo
Subject: RE: Mark to market prices

After much discussion internally, we will improve our bid to 98-00 given the market color we have observed in the past two days. The markdown was mostly a reaction to the rating agency downgrade and partly reflected the illiquidity of the position, but upon further analysis we have gotten more comfortable with the risk position and agree it should be marked at a higher price. However, we reserve the right to revisit the valuation for month-end upon the full release of the May trustee report.

-----Original Message-----
From: Deng, Daniel
Sent: Monday, May 21, 2007 11:58 AM

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VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 00052 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

66052.048

To: Chin, Edwin; Swenson, Michael; Gasvoda, Kevin; Lehman, David A.; Lee, Jay; Chaudhary, Omar
Cc: Yang, Zhenyu; Deng, Daniel; Shao, Wenbo
Subject: Fw: Mark to market prices

Pls see below request from BOC HK. We understand it s tough time for ABS trading, but as BOC HK is one of the key supporters for our ABS new business in the past, especially it bought second lien stuff mostly from GS with the belief that we have best asset/risk management in this area, can we try our best to show " better " indicative prices for them? As u can see in the the message below, client is under pressure of being questioned that they bought something looks really bad. I think we are not asking off the market price for them, but for a AAA bond with half year AVL, we showed a price of LBMLT 06 A A1 as of 95-00, it turns to be a spread of 1025 at 25 cpr, this is something hard for client to believe... It s hard time for both ABS investors and trading desk now, but for reputation and long run business relationship, we would like you to take these request seriously, we need them to think of GS as the best firm, and we need them to be our best client when next biz boom comes... Once agsin, we understand that market risk is always the key issue for trading desk, but PLS try to do something possible to make sure clients won't dissapointed on us when comparing us with our competitors. We discussed with Jay Lee and Omar on this, and also shared the key points with client this morning, seems client is still unhappy with our explanation... We would highly appreciate if a slightly aggressive price can be showed from trading desk. At least we can tell client that we tried our best we can for them in current market circumstance. Thanks vm and pls let us know how we can solve this more constructively... China team

----- Original Message -----
From: Yang, Zhenyu
To: Deng, Daniel
Sent: Mon May 21 23:06:48 2007
Subject: FW: Mark to market prices

Hi Zhenyu,

According to the instruction from our management, please kindly provide the following mark to market prices for our 2nd lien holdings (all GS as lead mgr):

NCHET 06-[redacted]
GSAMP 06-[redacted]
GSAMP 06-[redacted]
CBASS 06-[redacted]
GSAMP 06-[redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

For the bid quote of LBMLT 06-A A1 your trader gave us earlier today, can you also ask for the 2-way bid-ask price for our reference?

Thanks and regards.

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66052.049

From: Lehman, David A.
Sent: Monday, August 06, 2007 11:25 AM
To: Lee, Jay; Creed, Christopher J; Williams, Geoffrey
Cc: Chaudhary, Omar
Subject: RE: Tokyo Star

If we have not traded TWOLF or PTPLS recently (which we have not...), I think it makes the most sense for us to speak to the underlying portfolio moves. We have seen several "A" CDOs which back either deal trade since the past month.

I think it is important to point out that while our prices are actionable levels where they can buy/sell a specific amount if risk, other dealers do not price that way. In fact, we have been told by other accounts that other dealer's prices are not even indicative of the market

We cannot put this on paper - It concerns me that they want something specifically in writing

From: Lee, Jay
Sent: Monday, August 06, 2007 11:18 AM
To: Lehman, David A.; Creed, Christopher J; Williams, Geoffrey
Cc: Chaudhary, Omar
Subject: RE: Tokyo Star

Hm. If we have trade spots to point to, that's probably fine. However, if we just say "it's the market price, here's our bid for protection, step up or clam up", that will lead to a response along this vein:

1) Assuming Twolf itself hasn't traded recently and there are not markets on the security itself, what is the last CDO^2 price spot,
2) What characteristics do we focus on when comparing Twolf to the more transparent bond (eg, the number of underlying CDO's that have "tight triggers", the number of underlyers on the downgrade list and in risk of PIKing, market value coverage, attachment/detachment points, etc), and
3) Why do the other dealers all have higher marks on their CDO^2 if it's something as simple as "market price"?

From: Lehman, David A.
Sent: Tuesday, August 07, 2007 12:05 AM
To: Lee, Jay; Creed, Christopher J; Williams, Geoffrey
Cc: Chaudhary, Omar
Subject: RE: Tokyo Star

Our marking policy is a market price (bid and/or offer) -- We do not have a written methodology for pricing and we should tell them that

From: Lee, Jay
Sent: Monday, August 06, 2007 10:09 AM
To: Creed, Christopher J; Lehman, David A.; Williams, Geoffrey
Cc: Chaudhary, Omar
Subject: RE: Tokyo Star

I can ask, but I think other dealers have actually provided writeups on the specifics of the CDO^2, instead of general terms
We can ask for the general level of their marks from other dealers as well

From: Creed, Christopher J
Sent: Monday, August 06, 2007 11:07 PM
To: Lee, Jay; Lehman, David A.; Williams, Geoffrey
Cc: Chaudhary, Omar
Subject: RE: Tokyo Star

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2165

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66052.050

Will they share w/ us the written material given to them by the other banks?

What about the marks?

From: Lee, Jay
Sent: Monday, August 06, 2007 10:07 AM
To: Lehman, David A.; Creed, Christopher J; Williams, Geoffrey; ficc-spcdo
Cc: Chaudhary, Omar; Sugioka, Hirotaka
Subject: FW: Tokyo Star

FYI, Tokyo Star Bank continues to put a lot of pressure on us for something written on pricing methodology. They say they need something by **Tuesday NYC COB**, because they have a meeting on Wednesday morning with management.

We have made it clear that we cannot provide anything specifically related to Timberwolf or Point Pleasant, and that we can only provide methodology in general terms. We offered a conference call where we have the freedom to discuss the marks more specifically, but they insist that they need something written to show to their management when they provide their marks. They also say that other dealers have already sent information on their pricing methodology, and their marks are higher despite lower ratings.

From: Wada, Koji (FI)
Sent: Monday, August 06, 2007 11:13 AM
To: Lee, Jay; Chaudhary, Omar; Sugioka, Hirotaka
Cc: Ozawa, Fumiko
Subject: Tokyo Star

I talked with Mr. Lee today.

I proposed conference call with NY traders tomorrow morning but he denied and said they need our answer in writing first...

Tokyo Star will have their internal meeting with management side on this Wednesday, so pls push NY traders and compliance so that we can send it on **Wednesday morning Tokyo time**.

FYI, other dealers have already sent their pricing methods and MTMs.
Basically the prices were higher than ours even though the ratings are AA.
That is why they need our pricing method information as soon as possible.

I totally understand that this request is special and difficult for us to answer quickly but pls do your best.

Regards,

Koji Wada

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66052.051

From: Lehman, David A.
Sent: Wednesday, June 06, 2007 7:10 AM
To: Sugioka, Hirotaka
Subject: Re: Point Pleasant merks - request from Tokyo Star Bank

I can talk abt the credit tranches if need be. They are broadly off as well, as one woulkd expect.

[redacted] Redacted by the Permanent Subcommittee on Investigations

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-[redacted]
e-mail: david.lehman@gs.com

----- Original Message -----
From: Sugioka, Hirotaka
To: Lehman, David A.
Sent: Wed Jun 06 07:07:18 2007
Subject: RE: Point Pleasant marks - request from Tokyo Star Bank

Thanks

-----Original Message-----
From: Lehman, David A.
Sent: Wednesday, June 06, 2007 8:05 PM
To: Sugioka, Hirotaka
Subject: Re: Point Pleasant marks - request from Tokyo Star Bank

The other AAAs perhaps, I thk the credit bonds are too subjective.

The A2s were around 93 in April and 91 in May

Let me know if this is enough

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917[redacted]
e-mail: david.lehman@gs.com

----- Original Message -----
From: Sugioka, Hirotaka
To: Lehman, David A.
Sent: Wed Jun 06 06:58:13 2007
Subject: RE: Point Pleasant marks - request from Tokyo Star Bank

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2167

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66052.052

Are we able to show our thoughts on market levels (April end and May end) for other tranches?

-----Original Message-----
From: Lehman, David A.
Sent: Wednesday, June 06, 2007 7:55 PM
To: Sugioka, Hirotaka
Subject: Re: Point Pleasant marks - request from Tokyo Star Bank

Let me know if u need anything else

[redacted] = Redacted by the Permanent Subcommittee on Investigations

---

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917[redacted]
e-mail: david.lehman@gs.com

----- Original Message -----
From: Sugioka, Hirotaka
To: Lehman, David A.
Sent: Wed Jun 06 06:41:22 2007
Subject: RE: Point Pleasant marks - request from Tokyo Star Bank

Thanks

-----Original Message-----
From: Lehman, David A.
Sent: Wednesday, June 06, 2007 7:40 PM
To: Sugioka, Hirotaka; Case, Benjamin
Cc: Chaudhary, Omar; Lee, Jay; Bieber, Matthew G.
Subject: Re: Point Pleasant marks - request from Tokyo Star Bank

Verbal only

Want to give them our thots on market levels, not "marks"

Ptpls Als were valued +/- 95 @ the end of April and -/- 94 @ the end of May...similar to TWOLF, this bond has come off a bit

---

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-[redacted]
e-mail: david.lehman@gs.com

----- Original Message -----
From: Sugioka, Hirotaka
To: Case, Benjamin
Cc: Chaudhary, Omar; Lee, Jay; Lehman, David A.; Bieber, Matthew G.

615

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66052.053

Sent: Wed Jun 06 06:17:58 2007
Subject: Point Pleasant marks - request from Tokyo Star Bank

Tokyo Star is requesting April-end and May-end marks on Point Pleasant.
Can you please provide what you can share?

Thanks.

-----Original Message-----
From: Case, Benjamin
Sent: Friday, May 25, 2007 9:30 AM
To: Sugioka, Hirotaka
Cc: Bieber, Matthew G.; Chaudhary, Omar; Lee, Jay; Lehman, David A.
Subject: RE: CDO spread request from Tokyo Star Bank

Sugi,

As requested, attached is a list of CDO-squared programs in the market over the past few years, along with the Bloomberg ticker for each deal:

Tricadia CDO - TRIC 2003-1A, TRIC 2004-2A, TRIC 2005-3A, TRIC 2005-4A, TRIC 2006-5A, TRIC 2006-6A, TRIC 2006-7A, TRIC 2007-8A Zais - ZING 1A, ZING 2A, ZING 3A, ZING 4A, ZING 5A, ZING 6A, ZING 7A, ZING 8A, ZING 9A Porter Square - PS 1A, PS 2A, PS 3A Stockbridge CDO - STKB 2004-1A Lenox CDO - LNX 2005-1A Class V Funding - CLSVF 2005-1A, CLSVF 2006-2A, CLSVF 2007-3A IMAC CDO - IMACC 2006-1A, IMACC 2007-2 Tahoma CDO - THOM 2006-1A, THOMA 2007-2A, THOM 2007-3A Visage CDO - VSGE 2006-1A, VSGE 2006-2A Centre Square - CENTS 2006-1A Mantoloking - MANTO 2006-1A Port Jackson - PORTJ 2007-1A Bantry Bay - BANTR 2007-1A Mars CDO - MARSC 2007-1A Neo CDO - NEOCD 2007-1A Squared CDO - SQRD 2007-1A

Also, here are the April month-end marks for the Timberwolf A1 tranches -- please relay verbally (only the valuations team is allowed to send valuations externally in email form):

TWOLF 2007-1A	A1A	100
TWOLF 2007-1A	A1B	100
TWOLF 2007-1A	A1C	99.7109375
TWOLF 2007-1A	A1D	99.69921875

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66052.054

From: John.Nash@thomson.com
Sent: Tuesday, November 20, 2007 9:10 AM
Subject: ABS: Market Tense As Goldman Predicts RMBS CDO Problems To Drag On

New York, November 20. The US structured finance markets remained in a state of quasi paralysis with minimal liquidity and poor sentiment. The jitteriness of market participants was escalated by a report from Goldman Sachs analysts predicting that the mortgage markets crisis is likely to drag on and will have serious implications for a significant number of financial institutions.

"Write-downs and losses will continue to mount, fueling negative investor sentiment and keeping (equity) valuations under pressure," said William Tanona, Lori Applebaum and other GS analysts in a report to their clients. "Some companies will have to raise capital, others will have preserve capital, and managements will need to repair some seriously damaged balance sheets."

Citing the problems of the residential mortgage market and RMBS CDOs, Goldman downgraded Citigroup to SELL and recommended that investors avoid mortgage insurers and financial guarantors. The GS research staff estimated that industry-wide losses reflecting marking down of values in subprime mortgage CDO"s will approach $150 billion; reflecting $18bn of write-downs by financial firms for 2007.Q3; $22bn in Q4 and a remaining balance of $108bn in additional losses based on evaluations of current market prices.

The analysis assumes $221.4bn of subprime mortgage CDO exposure across the gamut of financial institutions: $82.1bn for US brokers plus C, JPM; $68.1bn financial guarantors, $35.9bn non-life insurers, $23.4bn US banks, $11.7bn mtge insurers and $0.2bn life insurers.

"The patient remains in the hospital," quipped a portfolio manager for a major buy-side shop. Asked by IFRmarkets if the ABS CDO sector will be able to retool, he said: "Sorry to say that the CDO market is dead." The ABX indices finished lower as market participants worried that the negative impact of the subprime debacle will be widespread. The closely followed [ABX 07-1 "BBB-" 389] lost 8.6/32nds to $17-27+. The [ABX 06-2 "BBB-" 242] declined 10.9/32nds to $17-16. Elsewhere, the [LCDX-9] leveraged loan index was down 0.33pt to $95.65, raising the yield by 11bp to 355bp. (John Nash).

****

John Nash
Senior Analyst
Thomson IFR - ABS
John.Nash@Thomson.com
Phone # : (646) 822 - 3575

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2169

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66052.055

From: Lehman, David A.
Sent: Thursday, June 21, 2007 10:27 AM
To: Tourre, Fabrice; Gerst, David
Subject: RE: Post on ACA

great job getting this done

From: Tourre, Fabrice
Sent: Thursday, June 21, 2007 9:46 AM
To: Sparks, Daniel L; Cornacchia, Thomas; Bash-Polley, Stacy; Swenson, Michael; Lehman, David A.
Cc: ficc-mtgcorr-desk
Subject: Post on ACA

We are buying $5mm 10yr CDS protection on ACA Financial Guaranty Corp, monoline supplement, at 146bps. Thanks to Paul Mutter for the trade. This leaves us with $2.7mm of 3yr ACA CDS exposure following the large ABACUS 07-AC1 trade we executed last month.

Goldman, Sachs & Co.
85 Broad Street | 26th Floor | New York, NY 10004
Tel: 212-902-5891 | Fax: 212-493-0106 | Cell: 917[redacted]
Email: fabrice.tourre@gs.com

Goldman
Sachs

Fabrice Tourre
Structured Products Group

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66052.056

From: Swenson, Michael
Sent: Friday, April 27, 2007 3:58 PM
To: Salem, Deeb
Subject: Re:

Yes

----- Original Message -----
From: Salem, Deeb
To: Swenson, Michael
Sent: Fri Apr 27 15:56:37 2007
Subject: RE:

are you available?

-----Original Message-----
From: Swenson, Michael
Sent: Friday, April 27, 2007 3:55 PM
To: Salem, Deeb; Chin, Edwin
Subject: Re:

Was that today?

----- Original Message -----
From: Salem, Deeb
To: Swenson, Michael; Chin, Edwin
Sent: Fri Apr 27 15:52:08 2007
Subject: RE:

6 of the BB's have been put on watch or downgraded by FITCH. many of the other deals such as CWL and BSABS are not rated by Fitch

sail, mabs, lbmlt, arsi, svhe, and heats

-----Original Message-----
From: Swenson, Michael
Sent: Friday, April 27, 2007 3:48 PM
To: Salem, Deeb; Chin, Edwin
Subject:

Is this true?

----- Original Message -----
From: kadler@bloomberg.net <kadler@bloomberg.net>
To: Swenson, Michael
Sent: Fri Apr 27 14:37:25 2007
Subject: IS IT TRUE THAT 5 OUT OF 20 DEALS IN ABX 06-1 HAVE HAD RATING A

IS IT TRUE THAT 5 OUT OF 20 DEALS IN ABX 06-1 HAVE HAD RATING AC TIONS BY FITCH?

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Report Footnote #2185

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 00061 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

66052.057

From: Bieber, Matthew G.
Sent: Tuesday, July 10, 2007 10:14 PM
To: Lin, Shelly
Subject: RE: INTERNAL USE ONLY: GS Cashflow/ABACUS CDOs Mentioned in S&P Report on CDO Exposure to Subprime RMBS

Can you send me the list of names that gets you to 35%?

From: Lin, Shelly
Sent: Tuesday, July 10, 2007 10:14 PM
To: Sugioka, Hirotaka
Cc: Case, Benjamin; Bieber, Matthew G.
Subject: RE: INTERNAL USE ONLY: GS Cashflow/ABACUS CDOs Mentioned in S&P Report on CDO Exposure to Subprime RMBS

Sugi -- Verbal only for now. We need to check with compliance tomorrow morning if they really want the spreadsheet.

From: Lin, Shelly
Sent: Tuesday, July 10, 2007 9:31 PM
To: Sugioka, Hirotaka
Cc: Case, Benjamin; Bieber, Matthew G.
Subject: RE: INTERNAL USE ONLY: GS Cashflow/ABACUS CDOs Mentioned in S&P Report on CDO Exposure to Subprime RMBS

INTERNAL USE ONLY

TWolf actually has closer to 35% exposure to the list of CDOs in the SP Report.
Pt. Pleasant has around 21%.
Please see the attached spreadsheets. Do not forward externally.

<< File: INTERNAL ONLY - Timberwolf Closing Portfolio - SP Exposure.xls >> << File: INTERNAL ONLY Copy of SP exposure -Point Pleasant 2007-1 Warehouse AssetsClosing.xls >>

From: Sugioka, Hirotaka
Sent: Tuesday, July 10, 2007 8:53 PM
To: Lin, Shelly
Subject: FW: INTERNAL USE ONLY: GS Cashflow/ABACUS CDOs Mentioned in S&P Report on CDO Exposure to Subprime RMBS

Found a new version on the web. Can you use this?

<< File: ArticlePDF.pdf >>

From: Sugioka, Hirotaka
Sent: Wednesday, July 11, 2007 9:39 AM
To: Lin, Shelly
Subject: FW: INTERNAL USE ONLY: GS Cashflow/ABACUS CDOs Mentioned in S&P Report on CDO Exposure to Subprime RMBS

Can you provide the lists of CDOs (19% of Point Pleasant and 25% of Timberwolf mentioned below)?

From: Case, Benjamin
Sent: Wednesday, July 11, 2007 8:13 AM
To: Maltezos, George (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW)
Cc: Lehman, David A.; Egol, Jonathan; Bieber, Matthew G.; Chaudhary, Omar; Lee, Jay; Sugioka, Hirotaka
Subject: FW: INTERNAL USE ONLY: GS Cashflow/ABACUS CDOs Mentioned in S&P Report on CDO Exposure to Subprime RMBS

INTERNAL USE ONLY

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GS-13

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66052.058

George,

Below are some talking points for you related to today's price movements for Basis. Please note that the price moves sent to Basis (and the notes below) reflect the S&P actions that were announced this morning, but did not take into account the Moody's actions that were announced very late in the day here. We are still in the process of working through the Moody's actions.

Point Pleasant
- 19% of the total portfolio was listed in the attached S&P paper as having "material exposure" to the 612 RMBS that S&P placed on negative credit watch today (and stated on a conference call that they would be downgraded within days). If a portion of the assets with material exposure PIK (due to OC tests failing in the underlying CDOs from the RMBS downgrades and resulting OC haircuts), the Point Pleasant BBBs will be shut off from cashflow.

Timberwolf
- Approximately 25% of the total portfolio was listed in the attached S&P paper as having "material exposure" to the 612 RMBS that S&P placed on negative credit watch today (and stated on a conference call thet they would be downgraded within days).

Fort Denison
- 17 RMBS assets (21% of the overall portfolio and 43% of the total RMBS component of the portfolio) were placed on negative credit watch today. In addition, 10 CDO assets (10% of the overall portfolio and 23% of the total CDO component of the portfolio) were on the list in the S&P paper. Asset downgrades in the Fort Denison portfolio cause a diversion of all principal proceeds and a portion (approximately 40%) of excess interest proceeds away from the equity to amortize down the Class C Loan. Depending on the amount of principal amortization on the asset portfolio in each period, this will cause an overall reduction of projected payments to the Fort Denison equity by 45-60%. Additionally, if/when the CDO assets in the portfolio PIK (due to OC tests failing in the underlying CDOs from to the RMBS downgrades and resulting OC haircuts), that will cause additional reduction in payments that will be borne by the equity.

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From: Egol, Jonathan
Sent: Tuesday, July 10, 2007 10:46 AM
To: ficc-mtgsales; ficc-fisales; ficc-creditsales
Cc: Mullen, Donald; Sparks, Daniel L; Brafman, Lester R; Saunders, Tim; ficc-mtgcdstrat; ficc-spgtrading; ficc-spcdo
Subject: INTERNAL USE ONLY: GS Cashflow/ABACUS CDOs Mentioned in S&P Report on CDO Exposure to Subprime RMBS

INTERNAL USE ONLY

From the tape:
*S&P IS REVIEWING "GLOBAL UNIVERSE" OF SUBPRIME CDOS
*S&P SAYS 218 CDOS HAVE SUBPRIME BONDS THAT MAY BE CUT
*S&P SAYS 168 RATED CDOS ARE BACKED BY BBB SUBPRIME BONDS

In connection with today's S&P report today on subprime RMBS criteria changes and associated credit review, the following Goldman Sachs CDO transaction have been flagged by S&P as having exposure to subprime RMBS. S&P has stated that is reviewing the global universe of CDOs for

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66052.059

such exposure. Full report (PDF) attached.

<< File: ArticlePDF.pdf >>

Mezzanine ABS Cashflow CDOs:

- Fortius II
- Hudson Mezz I

High Grade ABS Cashflow CDOs:

- GSC ABS Funding 2006-3g
- West Coast Funding I

ABACUS Synthetic ABS CDOs:

- ABACUS 2006-11
- ABACUS 2006-14
- ABACUS 2007-AC1

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Goldman
Sachs

Jonathan M. Egol
Structured Products Trading

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From: Gaddi, Robert
Sent: Friday, October 26, 2007 5:00 PM
To: Swenson, Michael
Subject: ABACUS 2007-AC1 -- Marketing Points (INTERNAL ONLY) [T-Mail]

This deal was number 1 in the universe of CDO's that were downgraded by Moodys and S&P. 99.89% of the underlying assets were downgraded.

INTERNAL ONLY

ABACUS 2007-AC1 - 2bn synthetic RMBS CDO

OVERVIEW
- Static portfolio consisting entirely of "Baa2"-rated midprime/subprime RMBS selected by ACA
- ACA is one of the largest and most experienced CDO managers in the world (see Overview of ACA below)
- Goldman's market-leading ABACUS program currently has $5.1bn in outstanding CLNs with strong secondary trading desk support

RELATIVE VALUE
- Reference Portfolio more conservative (360 WARF) than traditional mezz ABS CDOs (450-500 WARF)
- Capital Structure less aggressive than traditional mezz ABS CDOs (see comp below)
- Attractive spreads relative to ABS CDOs currently in the market (see comps below)

PORTFOLIO
- Granular portfolio of 90 equally-sized reference obligations selected by ACA
- Static reference portfolio fully-identified, with no reinvestment, removals, substitutions or discretionary trading
- 100% Baa2 Moody's-rated subprime/midprime (360 Moody's WARF)
- Diversified across 30 shelves and 24 servicers

STRUCTURE
- Tranches offered across the entire capital structure
- No IC/OC tests: ABACUS notes will be uncapped and non-deferrable
- Sequential Principal Paydown Sequence: no subordination is leaked to residual tranches under any circumstance
- No upfront structuring fees
- Investors will not bear WAC and/or available funds cap risk
- Projected 4- to 5- year tranche WALs at the reference portfolio pricing speed
- Tranches available in unfunded CDS format as well as in CLN format (in all major currencies)

OVERVIEW OF ACA MANAGEMENT LLC
- One of the largest CDO managers in the world
- Currently manages approximately $16bn in collateral assets across 22 CDOs
- No rated notes in any ACA's CDOs have ever been downgraded
- ACA team consists of 30 dedicated credit and portfolio management professionals with on average 13 years of relevant experience
- Portfolio Selection Fee structure aligns manager's incentive with investors'

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2188

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COMPs:

	ABACUS 2007-AC1	TABS 2007-7	Alpha Mezz CDO	Draco 2007-1
Pricing Date		Feb-07	Feb-07	Jan-07
Portfolio Advisor Declaration	ACA	Tricadia	Countrywide	
Underlying Portfolio				
WARF:	360	450	525	450
Lowest Moody's:	Baa2	Ba2	Ba2	
% NIG:	0%	5%	5%	0%
% ABS CDOs:	0%	22%	15%	3%
% RMBS:	100%	78%	85%	97%
Reinvestment Period:	N/A	4 years	4 years	5 years
Principal Repayments:	Sequential	Mod Pro-Rata	Mod Pro-Rata	Mod Pro-Rata
Interest Shorfalls:	N/A	Fixed Cap	Fixed Cap	Fixed Cap
Capital Structure				
Aaa/AAA C/E:	21.0%	25.7%	21.0%	23.4%
Aa2/AA C/E:	18.0%	15.0%	15.0%	17.4%
Aa3/AA- C/E:	13.0%		14.0%	
A2/A C/E:	10.0%	11.9%	9.4%	11.2%
Pricing				
Aaa/AAA Pricing:	L+[ ]	L+55	L+44	L+48
Aa2/AA Pricing:	L+[ ]	L+65	L+55	L+58
Aa3/AA- Pricing:	L+[ ]		L+62	
A2/A Pricing:	L+[ ]	L+275	L+160	L+225

Expected Timing:
Price Guidance & Red - w/o March 5, 2007

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66052.062

Footnote Exhibit Page 4134

Goldman Sachs

MEMORANDUM

To: Mortgage Capital Committee

From: Marc Flamino
Anthony Preisano
Erin Conroy

Cc:

Jonathan Sobel	Robyn Huffman
Dan Sparks	David Stiepleman
Kevin Gasvoda	Andrew Waskow
Michelle Gill	Patrick Welch
Carey Baker	Dmitri Ponomarev

Date: February 13, 2006

Re: Request for renewal of the existing $1 billion ($500 committed, $500 uncommitted, 1-year, revolving warehouse facility secured by subprime residential mortgage loans for Fremont Investment and Loan

---

I. **Transaction Summary**
We are requesting approval for the renewal of the existing $1 billion ($500 committed, $500 uncommitted), 1-year, revolving warehouse facility secured by subprime residential mortgage loans (the "Facility") for a 1-year term for Fremont Investment and Loan ("Fremont"). The current Facility matures February 27, 2006. Fremont is an important relationship for Goldman Sachs ("GS"), and renewing the Facility will enable GS to lock in warehouse revenue and maintain our opportunities for purchasing whole loan packages and securitization mandates through 2006.

II. **Economics**
GS has generated revenue totaling $7.01 million in 2005 as detailed below. We generated $540,000 in warehouse usage and commitment fees in 2005. GS generated significant ancillary revenue throughout 2005 from 6 whole loans purchases and 5 deal mandates (2005-D revenue is recognized in 2006). We project increased revenue in 2006 of $9.54 million, attributable to the same warehouse commitment fee and a slightly lower usage fee, 3 securitization mandates (1 lead, 2 Co-Manager) and 5 to 7 whole loan package purchases. We anticipate average warehouse usage to be 5% to10% in 2006, consistent with the low usage (8% average) throughout 2005.

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Report Footnote #2190

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Current Warehouse Facilities and Funded Balances

GS Warehouse Facilities

Current Outstanding as of 2/9/06

Commercial Clients

Client	Facility Size	Commitment Status	Current Outstanding

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Residential Clients

Client	Facility Size	Commitment Status	Current Outstanding
[redacted]			
Countywide	1,000.00	Uncommitted	0.00
Fremont	1,000.00	$500 Committed	0.00
Long Beach	2,000.00	Committed	1,563.51
New Century (b)	350.00	Committed	0.00
[redacted]	150.00	Committed	0.00
[redacted]	50.00	Committed	0.00
Totals	**$8,660.00**		**$2,815.71**

ABS Clients

Client	Facility Size	Commitment Status	Current Outstanding
[redacted]			
Totals			
Grand Totals	**$9,352.66**		**$3,792.27**

(a) Facility partially assigned to Commerzbank
(b) Facility approved by Capital Committee, not yet closed

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66052.064

From: Morris, Loren
Sent: Wednesday, March 14, 2007 3:22 PM
To: Gasvoda, Kevin; Murray, Kelli; Gething, Christopher; Gill, Michelle
Cc: Flamino, Marc; Dente, Michael
Subject: RE: NC Visit

x-gs-classification: Internal-GS

I like the idea of DQ patterns. I'd like to list all deals of a certain status and use it as an inclusive list for prioritization. Thanks

From: Gasvoda, Kevin
Sent: Wednesday, March 14, 2007 4:17 PM
To: Morris, Loren; Murray, Kelli; Gething, Christopher; Gill, Michelle
Cc: Flamino, Marc; Dente, Michael
Subject: RE: NC Visit

Great Loren, thanks. Delinq triggers may be one way to look at it but early deals are going to be so far from triggering I'd prefer, once we clear thru the emergency list, focusing on DQ pattern the first 4 months of a deal.

From: Morris, Loren
Sent: Wednesday, March 14, 2007 12:51 PM
To: Morris, Loren; Gasvoda, Kevin; Murray, Kelli; Gething, Christopher; Gill, Michelle
Cc: Flamino, Marc; Dente, Michael
Subject: RE: NC Visit

Kelli informs us that the data is being loaded today for 06 FM 2 and then a sample can be pulled. Working with HBK on NC2 should not be distracting. Assuming the confidentiality agreement was signed, they can work more closely with Clayton. We're off to other vendors at this point. Bohan in next week.

Results of the Digital Risk review will be provided next Tuesday. Over 2,600 loans were reviewed, a significant amount of those are Long Beach and Fremont seconds. Seconds from FM1 are being re- reviewed internally. Contrary to Clayton's initial review, on average, about 50% of about 200 files look to be repurchase obligations. Tom Winslow is looking at the Long Beach loans that Long Beach rejected repurchase. He is finding fraud that had not initially been alleged. We'll forward those a flow basis to WaMu contact.

Looking to develop a comprehensive deal sheet, perhaps based on delinquency triggers to use for prioritization and status tracking. Envision this centralized in Repurchase Group. Let me know if you have any other questions or comments. Thanks

From: Morris, Loren
Sent: Wednesday, March 14, 2007 11:10 AM
To: Gasvoda, Kevin; Murray, Kelli; Gething, Christopher; Gill, Michelle
Cc: Flamino, Marc; Dente, Michael
Subject: RE: NC Visit

Kevin, I'll be able to update you shortly. Thank You for sending along this information.

From: Gasvoda, Kevin
Sent: Wednesday, March 14, 2007 10:13 AM
To: Murray, Kelli; Gething, Christopher; Gill, Michelle
Cc: Flamino, Marc; Dente, Michael; Morris, Loren
Subject: RE: NC Visit

Yes and thank you regarding 2nd liens, I think priority s/b on Fremont and Long Beach vs. NC on 2nd lien deals. Fremont first since they still have cash but may not for long. Do we have any early returns on Fremont 2nd lien deal scrubs?

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W/ HBK on NC2 we need to not halt that entirely but should pull back resources there. We should also move 06FM2 up the priority list.

From: Murray, Kelli
Sent: Wednesday, March 14, 2007 10:06 AM
To: Gasvoda, Kevin; Gething, Christopher; Gill, Michelle
Cc: Flamino, Marc
Subject: RE: NC Visit

As you know, we have an extensive re-underwrite review underway on 06 NC2, and also other NC loans in the 2nds deals that are in the pipeline for scrubs. Should we change course at all here given the fact NC can't pay? Keep in mind, we're spending ~ $250/loan for these scrubs. Please give us some guidance here.

Thanks.

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From: Gasvoda, Kevin
Sent: Tuesday, March 13, 2007 10:45 PM
To: Larson, Erika L.; Gething, Christopher; Murray, Kelli; Gill, Michelle
Cc: Knox, Deana C..; Flamino, Marc
Subject: RE: NC Visit

Good report, thanks. I spoke to Richard Cimino (runs servicing) and he was very constructive and wants to be helpful.

Assume they will not be able to buy back any epd's so we need to work w/ them to make sure our loans are getting the epd attention.

Thanks

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From: Larson, Erika L.
Sent: Tuesday, March 13, 2007 9:31 PM
To: Gasvoda, Kevin; Gething, Christopher; Murray, Kelli; Gill, Michelle
Cc: Knox, Deana C..; Flamino, Marc
Subject: RE: NC Visit

On-Site Visit

- Very receptive & accommodating to my visit ([redacted]collection mgmt), in an office w/system access & freedom to come & go and to meet w/department managers
- Overall feeling I received on-site is "normal servicing environment". Per[redacted] let 100 + employees go about a month ago - decent amount of empty cubicles & offices…
  - Collection mgr trying to keep employees focused on job at hand - met in small groups today to let them ask their questions (most likely not get answers) so they can get back to focusing on collecting
- Front end collections (FPD & <31 day dlq) -
  - FPD - tenured collectors - overall cure ratio = 87%
  - At day 17 & no contact - Skip tracing data file out to vendor, Marketing dept contacting brokers for add'l contact info & Door Knocker campaign (NCCI) starts
- Delinquency/Collection #s - received some initial rpting numbers (see below). Meeting w/Default Rpting Wed morn to discuss specific rpting requests

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- Also, going to setup details around special call campaign for our FPDs & EPDs
- Investor Acctg/Rpting -
  - Appears issue with the wires coming to GS are due to delays in moving loans into 07-NC1 inv code - loans did not get moved from GS to 07-NC1 until 3/8/07
  - Meeting w/mgr tomorrow afternoon to ensure all loans moved to appropriate investor code for rpting & remitting to Master Servicing going forward.
  - Also need to determine how we want to handle the rpting for the Dec15 group of loans that transferred to Avelo - normally NC should be responsible for 1st rpting since they were servicing as of 2/28.

DAILY DELINQUENCY REPORT BY INVESTOR
#133 - Goldman whole loans (Feb28 & Mar5) & dlq securitized loans (Dec28 & Jan30)
#437 - 07 NC1

[redacted]						
31-59	303	59,897,913	7.63%	7.47%		
60-89	91	19,215,315	2.29%	2.40%		
90+	20	4,512,134	0.50%	0.56%		
CUR	2,232	423,222,984	56.22%	52.77%	3,374	566,952,
FPD	516	125,248,513	13.00%	15.62%		
Total	3,970	801,987,499	2.40%	2.64%	6,684	1,272,666,

[redacted]						
31-59	289	57,545,409	7.31%	7.21%	6	1773
60-89	92	19,268,271	2.33%	2.42%	2	161
90+	20	4,512,134	0.51%	0.56%		
CUR	2,498	480,767,979	63.16%	60.20%	3995	706935
FPD	405	99,407,179	10.24%	12.45%		
Total	3,955	796,683,093	2.40%	2.64%	6695	1,274,018,

Let me know if you have any questions or requests.

Thanks.

Erika Larson
Goldman, Sachs & Co
727[redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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From: Gasvoda, Kevin
Sent: Tuesday, March 13, 2007 6:34 PM

3

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66052.067

Footnote Exhibits - Page 4139

To: Larson, Erika L.; Gething, Christopher; Murray, Kelli; Knox, Deana C..
Cc: Flamino, Marc; Gill, Michelle
Subject: RE: NC Visit

Terrific thanks. Since they are not going to pay our epd's we need to have fewer EPD's! Pls push them to make the special calls.

thnx

From: Larson, Erika L.
Sent: Tuesday, March 13, 2007 6:30 PM
To: Gething, Christopher; Murray, Kelli; Knox, Deana C..
Cc: Gasvoda, Kevin; Flamino, Marc; Gill, Michelle
Subject: RE: NC Visit

Deana,
I spoke with the FPD/EPD Collection VP & he can run a special campaign on our EPD loans. I know you're still working on a settlement for the DEC28 trade but it would be benefical to run these through. He's going to pull the loans he shows as EPD for GS but I would like to compare to our list. Can you send me the loan level for the Dec28 EPD's?
I'm also having him include the loans from the Jan30 trade that tentative qualify today - they have through Thursday (45 days) to pay.

All,
I'll send an update on other items regarding my visit later tonight.

Thanks.

Erika Larson
Goldman, Sachs & Co
727-[redacted]

[redacted] = **Redacted by the Permanent Subcommittee on Investigations**

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From: Gething, Christopher
Sent: Saturday, March 10, 2007 8:45 AM
To: Murray, Kelli; Knox, Deana C..
Cc: Larson, Erika L.; Gasvoda, Kevin; Flamino, Marc; Gill, Michelle
Subject: RE: NC Visit

Thanks Kelli, keep these guys on all email in this regard

From: Murray, Kelli
Sent: Friday, March 09, 2007 9:41 PM
To: Knox, Deana C..
Cc: Gething, Christopher; Larson, Erika L.
Subject: NC Visit

Deana,

We're scheduled for Erika to be on site at NC Tues-Thurs of next week. Don't know if you have any EPD needs she can help you with while on site, but to the extent you need anything, we should get together first thing Mon morning.

4

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Thanks.

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GS MBS-E-002048054

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66052.069

Goldman Sachs

MEMORANDUM

To: Mortgage Capital Committee

From: Marc Flamino, Jin Kim, Anthony Preisano, Matthew Viani, Ibrahim Majeed

Cc: Dan Sparks, David Stiepleman, Kevin Gasvoda, Andrew Waskow, Michelle Gill, Patrick Welch, Carey Baker

Date: February 20, 2007

Re: Request for renewal of the existing $1 billion ($500 committed, $500 uncommitted), 1-year, revolving warehouse facility secured by subprime residential mortgage loans for Fremont Investment & Loan

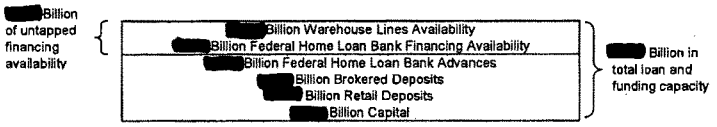
---

I. Transaction Summary

We are requesting approval for the renewal of the existing $1 billion ($500 committed, $500 uncommitted), 1-year, revolving warehouse facility secured by subprime residential mortgage loans (the "Facility") for a 1-year term for Fremont Investment & Loan ("Fremont"). The current Facility matures February 26, 2007.

Fremont relies primarily on deposits and advances from Federal Home Loan Bank of San Francisco ("FHLB") to finance its originations. Because these sources offer less costly sources of funds compared to Fremont's existing warehouse facilities, Fremont uses the Facility as backup liquidity and does not expect to draw on the Facility in normal course of business to finance its loan originations. In the past, Fremont has used the Facility in cases where they have sold whole loans to Goldman Sachs Mortgage Company ("GSMC") by temporarily moving the purchased loans onto the Facility for a week or less prior to settlement of the loan purchase to facilitate the settlement process. In addition, Fremont has also used the Facility to move loans prior to transferring them to a securitization where GS is the lead underwriter. Below is a summary of Fremont's sources of funds as of September 30, 2006.

Capital and Liquidity Capacity (as of 9/30/06)



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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2202

GS MBS-E-001157942

Fremont is an important relationship for Goldman Sachs ("GS"), and renewing the Facility will enable GS to lock in warehouse revenue and maintain our opportunities for purchasing whole loan packages and securitization mandates through 2007.

II. Current Warehouse Facility Terms

Fremont will report origination volume of $32.6 billion for 2006. Their warehouse terms are below:

- Annual Commitment Fee: 10 bps on the committed amount of $500mm ($500K)
- Advance Rate: 90% of market value, capped at par (10% haircut is three times our normal level)
- Wet Funding: None
- Usage fee: L + 40 bps
- Recourse: Full recourse to Fremont Investment & Loan
- Mark-to-Market: GS has ability to mark collateral to market at its sole discretion

III. Economics

GS has generated revenues totaling $13.38 million in 2006 of which $620,000 came in the form of warehouse usage and commitment fees (see below). We project revenue in 2007 of $11.25 million, attributable to the same warehouse commitment fee and usage fee, as well as 3 securitization mandates (1 lead, 2 Co-Manager) and $3 billion in whole loan package purchases. We anticipate average warehouse usage to be 5% to10% in 2007, consistent with the low usage (9.2% average) throughout 2006.

2006 Warehouse & Ancillary Revenue

($mm) Warehouse	Revenue
Commitment Fees	[redacted]
Warehouse Usage (2)	[redacted]
Whole Loans (1)	
6 packages from GSAMP 2006-FM1 ([redacted])	[redacted]
1 package from GSAMP 2006-FM3 ([redacted])	[redacted]
Securitizations	
FHLT 2006-A (Co-Manager)	[redacted]
FHLT 2006-C (Co-Manager)	[redacted]
FHLT 2006-E II (Co-Manager)	[redacted]
FHLT 2006-D (Co-Manager)	[redacted]
FHLT 2006-E (Lead-Manager)	[redacted]
Total	[redacted]

2007 Projected Warehouse & Ancillary Revenue

($mm) Warehouse	Revenue
Commitment Fees	[redacted]
Warehouse Usage (2)	[redacted]
Whole Loans (1)	
Projected Subprime/Second Lien Purchases ($3 billion)	[redacted]
Securitizations	
Projected: 1 Lead Manager mandate (3)	[redacted]
Projected: 2 Co-Manager mandates (3)	[redacted]
Total	[redacted]

(1) Assuming 0.25% revenue
(2) Average usage in 2006 was 9.2%, at a spread of L + 40 bps. Same usage and terms assumed for 2007
(3) Revenue assuming average size $1BN at 25 weighted average bps per deal and 12.5% allocation on co-manager deals

IV. Pull-Through Rates

Below is a summary of the pull-through rates for the last three pools GSMC has purchased from Fremont.

Pull Through Rates (3 packages):

	# of loans	Dollar Value ($MM)	Drops as % of the Pool					
MS Name			Total	Credit	Compl.	Credit/Compl.	Value	Other
FMT NOV 292006 COLLAT	3,218	738.57	9.56%	1.65%	1.27%	2.79%	4.52%	2.42%
FMT Dec282006	3,573	766.27	9.83%	2.68%	1.57%	4.19%	3.64%	2.32%
FMT Dec282006 2	894	265.73	10.93%	2.79%	1.59%	4.18%	4.43%	2.67%

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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Fremont's pull-through rates are within range of other sub-prime originators that we have purchased significant sub-prime pools from in the past 3-6 months. Below are some weighted average pull-through rates for different originators.

Pull-Through Rates ($ millions)

Fremont		LoanHome		New Century		NovaStar		Sendera		SouthStar	
Size	Pull-Through	Size	Pull-Through	Size	Pull-Through	Size	Pull-Through	Size	Pull-Through	Size	Pull-Through
$1,771	90%	$140	98%	$2,017	80%	$978	77%	$157	94%	$328	93%

To address issues relating to pull-through rates and EPD rates, Fremont has proactively established programs and underwriting guideline changes to enhance the quality of the loans they originate. Some of these changes include:

- Tightening of underwriting criteria, including elimination of 80/20 loans and greater restrictions on first-time homebuyers.
- Fraud training for its underwriters and establishment of an underwriter certification program.
- Implementation of Core Logic's LoanSafe system to help detect fraud.
- Review and identification of brokers with higher default rates.
- Running of AVM's for each loan.
- In-house appraiser review and additional diligence.
- Use of lesser of purchase price or appraised value for properties owned less than 12 months.
- Greater restrictions on maximum allowable LTV for properties listed for sale for greater than 90 days.

As a result of these changes, Fremont hopes to realize a decreasing level of first payment defaults on its loans production, which will result in lower levels of loan repurchases in 2007.

V. Credit Review

	Fremont General Corporation	Fremont Investment & Loan	Recent Actions
S&P	B+ / Stable	BB- / Stable	Upgrade – Sept 20, 2005
Moody's	B2 Stable	B1 / Stable	Upgrade – Sept 20, 2005
Fitch	B+ / Negative	BB / Negative	Outlook Stable to Negative – Jan 25, 2007

Key credit strengths include:

- **Diversified sources funding.** The company has a more diversified funding mix relative to other warehouse borrowers given its access to FDIC-insured deposits and FHLB borrowings. Although jumbo (non-core) deposits comprise slightly higher portion of total deposits every year, the total amount of deposit funding has grown each year and reached $9.61bn as of 09/06 (or 76% of total funding).
- **High levels of capital.** Fremont holds substantially more capital against its operations than most peers [redacted] although capital levels have come down in recent periods. As of 09/06, Fremont Investment & Loan had a Tier 1 Leverage ratio of [redacted] (normal FDIC requirement for this ratio is [redacted]).
- **Regulatory oversight.** As an industrial bank Fremont Investment & Loan is regulated by the California Department of Financial Institutions and the FDIC.
- **Strong asset quality metrics.** [redacted] On the residential real estate side, interest-only loans declined to 7.6% of production from 25.7% in 09/05 and the 40/30 and 50/30 products were 21% and 20.6% of production respectively in 09/06. The average FICO score of their residential portfolio is 627, which is on the high side for a sub-prime lender.

Key concerns:

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- **Declining profitability.** Profitability metrics deteriorated significantly in 2006; return on average assets dropped to 0.87% for 09/06, from 3.63% in 09/05 and 4.20% in 2004. The company has informed us that they will post a loss of $27.7mm at the bank for 4Q2006 (results will be published on Feb 26) due primarily to a reserve build for EPD claims (there will be an additional loss posted on a consolidated basis due to write downs of residual values at the holding company). They have also informed us they expect to post a loss in 1Q07 because of low gain on sale margins. The company is forecasting to be modestly profitable again in 2Q07 but that is heavily dependent on a rebound in market pricing for loans.
- **Traditionally high risk lines of business.** Fremont operates in two traditionally high risk lines of business: commercial real estate (especially transition properties) and sub-prime residential real estate. Performance in these two business lines is somewhat correlated although the commercial side of the business remains profitable in the current market.
- **Minor geographic concentration in California and high single borrower concentrations in the CRE portfolio.** Although in the past years, commercial real estate loan concentration in California raised concern, portfolio has become more diversified recently with California accounting for 19%, Florida 15%, and New York 12%. Single borrower concentrations still exist as well; however they are somewhat less of a concern as Fremont's capital base has grown 30% since 2004 and over 90% since 2003.

VI. **Recommendation**

Based on the strong sponsorship, expected future revenues and GS' significant relationship with Fremont, we recommend Mortgage Capital Committee approve the renewal of the Facility.

Team Member	Department
Marc Flamino	FICC
Anthony Preisano	FICC
Ibrahim Majeed	FICC
Jin Kim	FICC
Matthew Viani	FICC

Confidential Treatment Requested by Goldman Sachs GS MBS-E-001157945

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Redacted By The Permanent Subcommittee on Investigations

GS MBS-E-001157946

GS MBS-E-001157947

From: Bruns, William
Sent: Wednesday, March 21, 2007 5:49 PM
To: Birnbaum, Josh
Subject: RMBS CDS Trade History 19Jan06 - 19Mar07 v3.xls
Attachments: RMBS CDS Trade History 19Jan06 - 19Mar07 v3.xls

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2207

Confidential Treatment Requested by Goldm

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Footnote Exhibits - Page 4147

GS MBS-E-013648131

	Total Volume	GS Long Risk Volume	GS Short Risk Volume	Difference
AAA	2,505,000,000	700,000,000	-1,805,000,000	-1,105,000,000
AA	521,550,000	95,000,000	-426,550,000	-331,550,000
AA-	150,000,000	150,000,000	0	150,000,000
A+	155,800,000	0	-155,800,000	-155,800,000
A	3,427,190,000	1,843,020,000	-1,584,170,000	258,850,000
A-	1,953,152,000	724,652,000	-1,228,500,000	-503,848,000
BBB+	968,394,050	340,494,050	-627,900,000	-287,405,950
BBB	14,119,325,957	6,716,738,457	-7,402,587,500	-685,849,043
BBB-	19,414,222,469	9,122,937,500	-10,291,284,969	-1,168,347,469
BB+	62,500,000	8,000,000	-54,500,000	-46,500,000
BB	15,000,000	0	-15,000,000	-15,000,000
Total	43,292,134,476	19,700,842,007	-23,691,292,469	-3,890,450,462
Checks	[illegible]	[illegible]	[illegible]	[illegible]

GS MBS-E-013648131

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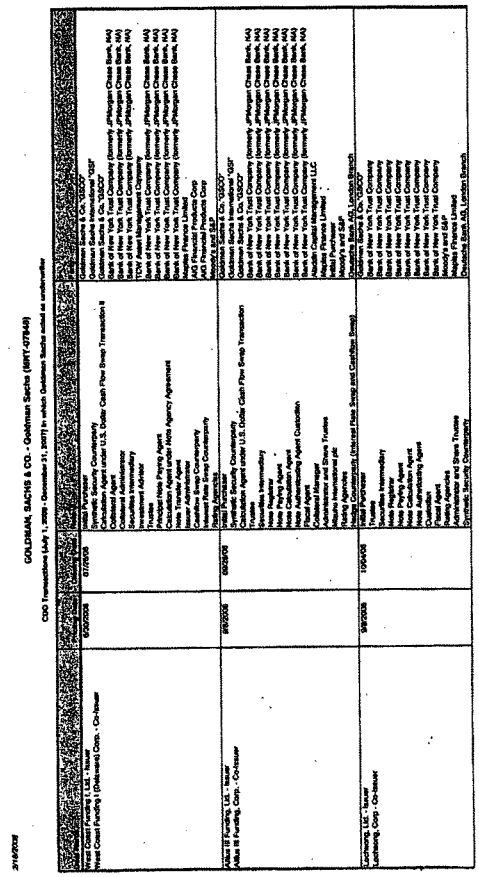
Footnote Exhibits - Page 4149

2/18/2008



GOLDMAN, SACHS & CO. - Goldman Sachs (MNT-07848)

CDO Transactions (July 1, 2006 - December 31, 2007) in which Goldman Sachs acted as underwriter

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
West Coast Funding I, Ltd. - Issuer West Coast Funding I (Delaware) Corp. - Co-Issuer	6/30/2006	07/26/06	Initial Purchaser Synthetic Security Counterparty Calculation Agent under U.S. Dollar Cash Flow Swap Transaction II Collateral Agent Collateral Administrator Securities Intermediary Investment Advisor Trustee Principal Note Paying Agent Calculation Agent under Note Agency Agreement Note Transfer Agent Issuer Administrator Cashflow Swap Counterparty Interest Rate Swap Counterparty Rating Agencies	Goldman Sachs & Co."GSCO" Goldman Sachs International "GSI" Goldman Sachs & Co."GSCO" Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA) Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA) Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA) TCW Asset Management Company Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA) Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA) Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA) Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA) Maples Finance Limited AIG Financial Products Corp AIG Financial Products Corp Moody's and S&P
Altius III Funding, Ltd. - Issuer Altius III Funding, Corp. - Co-Issuer	9/8/2006	09/28/06	Initial Purchaser Synthetic Security Counterparty Calculation Agent under U.S. Dollar Cash Flow Swap Transaction Trustee Securities Intermediary Note Registrar Note Paying Agent Note Calculation Agent Note Authenticating Agent Custodian Fiscal Agent Collateral Manager Administrator and Share Trustee Mizuho International plc Rating Agencies Hedge Counterparty (Interest Rate Swap and Cashflow Swap)	Goldman Sachs & Co."GSCO" Goldman Sachs International "GSI" Goldman Sachs & Co."GSCO" Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA) Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA) Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA) Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA) Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA) Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA) Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA) Aladdin Capital Management LLC Maples Finance Limited Initial Purchaser Moody's and S&P Deutsche Bank AG, London Branch
Lochwong, Ltd. - Issuer Lochwong, Corp - Co-Issuer	9/8/2006	10/04/06	Initial Purchaser Trustee Securities Intermediary Note Registrar Note Paying Agent Note Calculation Agent Note Authenticating Agent Custodian Fiscal Agent Rating Agencies Administrator and Share Trustee Synthetic Security Counterparty	Goldman Sachs & Co."GSCO" Bank of New York Trust Company Bank of New York Trust Company Bank of New York Trust Company Bank of New York Trust Company Bank of New York Trust Company Bank of New York Trust Company Bank of New York Trust Company Bank of New York Trust Company Moody's and S&P Maples Finance Limited Deutsche Bank AG, London Branch

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2215

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GOLDMAN, SACHS & CO. - Goldman Sachs (#INT-07844)

CDO Transactions (July 1, 2005 - December 31, 2007) in which Goldman Sachs acted as underwriter

Hudson High Grade Funding 2004-1 Ltd. Issuer Hudson High Grade Funding 2004-1 Corp. Co-Issuer	2/25/2004	11/4/2005	Initial Purchaser Liquidation Agent Credit Default Swap Counterparty (U.S. Dollar Cash Flow Swap Transaction Synthetic Security Counterparty Trustee Custody Intermediary Note Registrar Note Paying Agent Note Calculation Agent Note Authenticating Agent Custodian Paying Agent Income Notes Transfer Agent Administrator and Share Trustee Credit Counterparty (Floored Rate Swap and Cashflow Swap) Rating Agencies	Goldman Sachs & Co. ("GSCO") Goldman Sachs & Co. ("GSCO") Goldman Sachs & Co. ("GSCO") Goldman Sachs International ("GSI") Bank of New York Trust Company Bank of New York Trust Company Bank of New York Trust Company Bank of New York Trust Company Bank of New York Trust Company Bank of New York Trust Company Bank of New York Trust Company Bank of New York Trust Company HSBC Bank USA, National Association HSBC Bank plc HSBC Bank plc HSBC Bank plc

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2/15/2008

GOLDMAN, SACHS & CO. - Goldman Sachs (NNY-07E4S)

CDO Transactions (July 1, 2006 - December 31, 2007) in which Goldman Sachs acted as underwriter

Davis Square Funding VII, Ltd. - Issuer Davis Square Funding VII (Delaware) Corp. - Co-Issuer	11/3/2006	12/05/06	Note Purchaser Calculation Agent under U.S. Dollar Cash Flow Swap Transaction Synthetic Security Counterparty Initial Purchaser Initial Purchaser Cashflow Swap Counterparty Interest Rate Swap Counterparty Trustee Collateral Agent Collateral Administrator Securities Intermediary Principal Note Paying Agent Investment Advisor Rating Agencies Issuer Administrator	Goldman Sachs & Co."GSCO" Goldman Sachs & Co."GSCO" Goldman Sachs International "GSI" SG Americas Securities, L.L.C Societe Generale UBS AG, London Branch UBS AG, London Branch Bank of New York Trust Company Bank of New York Trust Company Bank of New York Trust Company Bank of New York Trust Company Bank of New York Trust Company TCW Asset Management Company Moody's and S&P Maples Finance Limited
Fortius II Funding, Ltd. - Issuer Fortius II Funding, Corp. - Co-Issuer	11/3/2006	12/07/06	Initial Purchaser Synthetic Security Counterparty Calculation Agent under U.S. Dollar Cash Flow Swap Transaction Trustee Securities Intermediary Note Registrar Note Paying Agent Note Calculation Agent Note Authenticating Agent Custodian Collateral Manager Fiscal Agent Administrator and Share Trustee Hedge Counterparty (Interest Rate Swap and Cashflow Swap) Rating Agencies	Goldman Sachs & Co."GSCO" Goldman Sachs International "GSI" Goldman Sachs & Co."GSCO" Bank of New York Trust Company Bank of New York Trust Company Bank of New York Trust Company Bank of New York Trust Company Bank of New York Trust Company Bank of New York Trust Company Bank of New York Trust Company Alcadia Capital Management LLC Bank of New York Trust Company Maples Finance Limited UBS AG, London Branch Moody's and S&P

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GOLDMAN, SACHS & CO. - Goldman Sachs (MNY-07848)

CDO Transactions (July 1, 2006 - December 31, 2007) in which Goldman Sachs acted as underwriter

GSC ABS Funding 2006-3g, Ltd. - Issuer GSC ABS Funding 2006-3g (Delaware) Corp - Co-Issuer	12/7/2006	01/18/07	Initial Purchaser Synthetic Security Counterparty CP Note Placement Agent Calculation Agent under U.S. Dollar Cash Flow Swap Transaction II Calculation Agent under U.S. Dollar Cash Flow Swap Transaction I Trustee Securities Intermediary Note Registrar Note Paying Agent Note Calculation Agent Note Authenticating Agent Custodian Collateral Manager Fiscal Agent Administrator and Share Trustee Hedge Counterparty (Interest Rate Swap and Cashflow Swap) CP Put Counterparty Rating Agencies	Goldman Sachs & Co."GSCO" Goldman Sachs International "GSI" Goldman Sachs & Co."GSCO" Goldman Sachs & Co."GSCO" Goldman Sachs & Co."GSCO" Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) GSCP (NJ) L.P. Bank of America (formerly LaSalle Bank National Association) Maples Finance Limited AIG Financial Products Corp Nordea Bank Finland Plc Moody's and S&P
Hudson Mezzanine Funding 2006-2, Ltd. - Issuer Hudson Mezzanine Funding 2006-2, Corp - Co-Issuer	12/21/2006	02/08/07	Initial Purchaser Liquidation Agent Collateral Put Provider Credit Protection Buyer Rating Agencies Trustee Securities Intermediary Note Registrar Note Paying Agent Note Calculation Agent Note Authenticating Agent Custodian Fiscal Agent Income Notes Transfer Agent Administrator and Share Trustee	Goldman Sachs & Co."GSCO" Goldman Sachs & Co."GSCO" Goldman Sachs International "GSI" Goldman Sachs International "GSI" Moody's and S&P Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Maples Finance Limited

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2/19/2008

GOLDMAN, SACHS & CO. - Goldman Sachs (MNY-07848)

CDO Transactions (July 1, 2006 - December 31, 2007) in which Goldman Sachs acted as underwriter

Fort Denison Funding, Ltd.- Issuer Fort Denison Funding, Corp. - Co-Issuer	2/10/2007	02/14/07	Initial Purchaser Calculation Agent under U.S. Dollar Cash Flow Swap Transaction Trustee Securities Intermediary Note Registrar Note Paying Agent Calculation Agent Note Authenticating Agent Custodian Collateral Manager Income Note Paying Agent Income Note Transfer Agent Administrator and Note Trustee Hedge Counterparty (Interest Rate Swap and Cashflow Swap) Rating Agencies	Goldman Sachs & Co."GSCO" Goldman Sachs & Co."GSCO" Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Maples Finance Limited AIG Financial Products Corp Moody's and S&P
Camber 7 plc - Issuer Camber 7 Corp - Co-Issuer		02/28/07	Initial Purchaser Portfolio CDS Counterparty CDS Put Provider Collateral Manager Trustee Securities Intermediary Note Registrar Note Paying Agent Note Calculation Agent Note Authenticating Agent Custodian Fiscal Agent Income Note Transfer Agent Administrator Rating Agencies	Goldman Sachs & Co."GSCO" Goldman Sachs International "GSI" Goldman Sachs International "GSI" Cambridge Place Collateral Management LLC Wells Fargo Bank, National Association Wells Fargo Bank, National Association Wells Fargo Bank, National Association Wells Fargo Bank, National Association Wells Fargo Bank, National Association Wells Fargo Bank, National Association Wells Fargo Bank, National Association Wells Fargo Bank, National Association Wells Fargo Bank, National Association Deutsche International Corporate Services (Ireland) Limited Moody's and S&P

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2/16/2008

GOLDMAN, SACHS & CO. - Goldman Sachs (MNY-07848)

CDO Transactions (July 1, 2006 - December 31, 2007) in which Goldman Sachs acted as underwriter

Issue Name	Announce Date	Closing Date		
Anderson Mezzanine Funding 2007-1, Ltd. - Issuer Anderson Mezzanine Funding 2007-1, Corp - Co-Issuer	3/16/2007	03/20/07	Initial Purchaser Liquidation Agent Credit Protection Buyer Rating Agencies Trustee Securities Intermediary Note Registrar Note Paying Agent Note Calculation Agent Note Authenticating Agent Custodian Fiscal Agent Income Note Transfer Agent Administrator and Share Trustee	Goldman Sachs & Co."GSCO" Goldman (transferred duties on 1/24/08 to another party) Goldman Sachs International "GSI" Moody's and S&P Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Maples Finance Limited
Timberwolf I, Ltd. - Issuer Timberwolf I, Ltd. - Co-Issuer	3/13/2007	05/27/07	Initial Purchaser Synthetic Security Counterparty Hedge Counterparty - Cashflow Swap Trustee Securities Intermediary Collateral Administrator Note Registrar Note Paying Agent Note Calculation Agent Note Authenticating Agent Custodian Collateral Manager Fiscal Agent Administrator and Share Trustee Rating Agencies	Goldman Sachs & Co."GSCO" Goldman Sachs International "GSI" Goldman Sachs International "GSI" Bank of New York Bank of New York Bank of New York Bank of New York Bank of New York Bank of New York Bank of New York Greywolf Capital Management LLC Bank of New York Maples Finance Limited Moody's and S&P

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GOLDMAN, SACHS & CO. - Goldman Sachs (MNY-07848)

CDO Transactions (July 1, 2006 - December 31, 2007) to which Goldman Sachs acted as underwriter

Deal Name	Pricing Date	Closing Date	Role	Parties
Point Pleasant Funding 2007-1, Ltd. - Issuer Point Pleasant Funding 2007-1, Corp. - Co-Issuer	4/10/2007	04/19/07	Initial Purchaser Collateral Put Provider Initial Placement Agent Credit Protection Buyer Liquidation Agent Cashflow Swap Counterparty Rating Agencies Administrator and Share Trustee Trustee Securities Intermediary Note Registrar Note Paying Agent Note Calculation Agent Note Authenticating Agent Custodian Fiscal Agent Income Notes Transfer Agent	Goldman Sachs & Co."GSCO" Goldman Sachs International "GSI" 00S Corporate and Investment Bank 00S Corporate and Investment Bank Dillon Read Capital Management Rabobank Moody's and S&P Maples Finance Limited Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association)
Altius IV Funding, Ltd. - Issuer Altius IV Funding, Corp. - Issuer	4/27/2007	05/31/07	Initial Purchaser Synthetic Security Counterparty Calculation Agent under U.S. Dollar Cash Flow Swap Transaction Trustee Securities Intermediary Note Registrar Note Paying Agent Note Calculation Agent Note Authenticating Agent Custodian Collateral Manager Fiscal Agent Hedge Counterparty (Rate Swap and Cashflow Swap) Administrator and Share Trustee Rating Agencies	Goldman Sachs & Co."GSCO" Goldman Sachs International "GSI" Goldman Sachs & Co."GSCO" Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Bank of America (formerly LaSalle Bank National Association) Aladdin Capital Management LLC Bank of America (formerly LaSalle Bank National Association) AIG Financial Products Corp Maples Finance Limited Moody's and S&P
ABACUS 2005-1	03/02/05	6/2006	Initial Purchaser Protection Buyer Basis Swap Counterparty Collateral Put Provider Collateral Disposal Agent Notifying Party Credit Default Swap Calculation Agent Basis Swap Calculation Agent Trustee/Issuing & Paying Agent	Goldman Sachs & Co."GSCO" Goldman Sachs Capital Markets, L.P. "GSCM" Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP" Goldman Sachs International "GSI" Goldman Sachs & Co."GSCO" Goldman Sachs Capital Markets, L.P. "GSCM" Goldman Sachs Capital Markets, L.P. "GSCM" Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP" Bank of America (formerly LaSalle Bank National Association)

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GOLDMAN, SACHS & CO. - Goldman Sachs (MNY-07848)

CDO Transactions (July 1, 2006 - December 31, 2007) in which Goldman Sachs acted as underwriter

Deal Name	Pricing Date	Closing Date	Role	Name
ABACUS 2005-3	07/06/05	2,4,6,9/2006	Initial Purchaser	Goldman Sachs & Co."GSCO"
			Protection Buyer	Goldman Sachs Capital Markets, L.P. "GSCM"
			Basis Swap Counterparty	Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"
			Collateral Put Provider	Goldman Sachs International "GSI"
			Collateral Disposal Agent	Goldman Sachs & Co."GSCO"
			Notifying Party	Goldman Sachs Capital Markets, L.P. "GSCM"
			Credit Default Swap Calculation Agent	Goldman Sachs Capital Markets, L.P. "GSCM"
			Basis Swap Calculation Agent	Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"
			Collateral Put Calculation Agent	Goldman Sachs International "GSI"
			Trustee/Issuing & Paying Agent	Bank of America (formerly LaSalle Bank National Association)
ABACUS 2005-CB1	11/10/05	4,8/2006	Initial Purchaser	Goldman Sachs & Co."GSCO"
			Protection Buyer	Goldman Sachs Capital Markets, L.P. "GSCM"
			Basis Swap Counterparty	Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"
			Collateral Put Provider	Goldman Sachs International "GSI"
			Collateral Disposal Agent	Goldman Sachs & Co."GSCO"
			Notifying Party	Goldman Sachs Capital Markets, L.P. "GSCM"
			Credit Default Swap Calculation Agent	Goldman Sachs Capital Markets, L.P. "GSCM"
			Basis Swap Calculation Agent	Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"
			Collateral Put Calculation Agent	Goldman Sachs International "GSI"
			Portfolio Advisor	C-Bass Investment Management LLC
			Trustee/Issuing & Paying Agent	Bank of America (formerly LaSalle Bank National Association)
ABACUS 2006-14	09/27/06	10/2006, 5/2007	Initial Purchaser	Goldman Sachs & Co."GSCO"
			Protection Buyer	Goldman Sachs Capital Markets, L.P. "GSCM"
			Basis Swap Counterparty	Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"
			Collateral Put Provider	Goldman Sachs International "GSI"
			Collateral Disposal Agent	Goldman Sachs & Co."GSCO"
			Notifying Party	Goldman Sachs Capital Markets, L.P. "GSCM"
			Credit Default Swap Calculation Agent	Goldman Sachs Capital Markets, L.P. "GSCM"
			Basis Swap Calculation Agent	Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"
			Collateral Put Calculation Agent	Goldman Sachs International "GSI"
			Trustee/Issuing & Paying Agent	Bank of America (formerly LaSalle Bank National Association)

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2/18/2008

GOLDMAN, SACHS & CO. - Goldman Sachs (MNY-07846)

CDO Transactions (July 1, 2006 - December 31, 2007) in which Goldman Sachs acted as underwriter

ABACUS 2006-11	09/18/06	9/2006	Initial Purchaser	Goldman Sachs & Co."GSCO"
			Protection Buyer	Goldman Sachs Capital Markets, L.P. "GSCM"
			Basis Swap Counterparty	Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"
			Collateral Put Provider	Goldman Sachs International "GSI"
			Collateral Disposal Agent	Goldman Sachs & Co."GSCO"
			Notifying Party	Goldman Sachs Capital Markets, L.P. "GSCM"
			Credit Default Swap Calculation Agent	Goldman Sachs Capital Markets, L.P. "GSCM"
			Basis Swap Calculation Agent	Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"
			Collateral Put Calculation Agent	Goldman Sachs International "GSI"
			Trustee/Issuing & Paying Agent	Bank of America (formerly LaSalle Bank National Association)
ABACUS 2006-15	09/29/06	10/2006	Initial Purchaser	Goldman Sachs & Co."GSCO"
			Protection Buyer	Goldman Sachs Capital Markets, L.P. "GSCM"
			Basis Swap Counterparty	Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"
			Collateral Put Provider	Goldman Sachs International "GSI"
			Collateral Disposal Agent	Goldman Sachs & Co."GSCO"
			Notifying Party	Goldman Sachs Capital Markets, L.P. "GSCM"
			Credit Default Swap Calculation Agent	Goldman Sachs Capital Markets, L.P. "GSCM"
			Basis Swap Calculation Agent	Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"
			Collateral Put Calculation Agent	Goldman Sachs International "GSI"
			Trustee/Issuing & Paying Agent	Bank of America (formerly LaSalle Bank National Association)
ABACUS 2006-9	09/22/06	1/2007, 6/2006	Initial Purchaser	Goldman Sachs & Co."GSCO"
			Protection Buyer	Goldman Sachs Capital Markets, L.P. "GSCM"
			Basis Swap Counterparty	Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"
			Collateral Put Provider	Goldman Sachs International "GSI"
			Collateral Disposal Agent	Goldman Sachs & Co."GSCO"
			Notifying Party	Goldman Sachs Capital Markets, L.P. "GSCM"
			Credit Default Swap Calculation Agent	Goldman Sachs Capital Markets, L.P. "GSCM"
			Basis Swap Calculation Agent	Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"
			Collateral Put Calculation Agent	Goldman Sachs International "GSI"
			Trustee/Issuing & Paying Agent	Bank of America (formerly LaSalle Bank National Association)

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GOLDMAN, SACHS & CO. - Goldman Sachs (MNY-07848)

CDO Transactions (July 1, 2006 - December 31, 2007) in which Goldman Sachs acted as underwriter

Deal Name	Pricing Date	Closing Date	Role	Name
ABACUS 2006-HGS1	11/03/06	11/2006	Initial Purchaser	Goldman Sachs & Co."GSCO"
			Protection Buyer	Goldman Sachs Capital Markets, L.P. "GSCM"
			Basis Swap Counterparty	Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"
			Collateral Put Provider	Goldman Sachs International "GSI"
			Collateral Disposal Agent	Goldman Sachs & Co."GSCO"
			Notifying Party	Goldman Sachs Capital Markets, L.P. "GSCM"
			Credit Default Swap Calculation Agent	Goldman Sachs Capital Markets, L.P. "GSCM"
			Basis Swap Calculation Agent	Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"
			Collateral Put Calculation Agent	Goldman Sachs International "GSI"
			Portfolio Advisor	Bear Stearns Asset Management Inc
			Trustee/Issuing & Paying Agent	Bank of America (formerly LaSalle Bank National Association)
ABACUS 2006-12	04/05/06	4/2006	Initial Purchaser	Goldman Sachs & Co."GSCO"
			Protection Buyer	Goldman Sachs Capital Markets, L.P. "GSCM"
			Basis Swap Counterparty	Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"
			Collateral Put Provider	Goldman Sachs International "GSI"
			Collateral Disposal Agent	Goldman Sachs & Co."GSCO"
			Notifying Party	Goldman Sachs Capital Markets, L.P. "GSCM"
			Credit Default Swap Calculation Agent	Goldman Sachs Capital Markets, L.P. "GSCM"
			Basis Swap Calculation Agent	Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"
			Collateral Put Calculation Agent	Goldman Sachs International "GSI"
			Trustee/Issuing & Paying Agent	Bank of America (formerly LaSalle Bank National Association)
ABACUS 2006-8	02/17/06	4/2006	Initial Purchaser	Goldman Sachs & Co."GSCO"
			Protection Buyer	Goldman Sachs Capital Markets, L.P. "GSCM"
			Basis Swap Counterparty	Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"
			Collateral Put Provider	Goldman Sachs International "GSI"
			Collateral Disposal Agent	Goldman Sachs & Co."GSCO"
			Notifying Party	Goldman Sachs Capital Markets, L.P. "GSCM"
			Credit Default Swap Calculation Agent	Goldman Sachs Capital Markets, L.P. "GSCM"
			Basis Swap Calculation Agent	Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"
			Collateral Put Calculation Agent	Goldman Sachs International "GSI"
			Trustee/Issuing & Paying Agent	Bank of America (formerly LaSalle Bank National Association)

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3/18/2008

GOLDMAN, SACHS & CO. - Goldman Sachs (MNY-07848)

CDO Transactions (July 1, 2006 - December 31, 2007) in which Goldman Sachs acted as underwriter

ABACUS 2007-AC1	04/19/07	4/2007	Initial Purchaser	Goldman Sachs & Co."GSCO"
			Protection Buyer	Goldman Sachs Capital Markets, L.P. "GSCM"
			Basis Swap Counterparty	Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"
			Collateral Put Provider	Goldman Sachs International "GSI"
			Collateral Disposal Agent	Goldman Sachs & Co."GSCO"
			Notifying Party	Goldman Sachs Capital Markets, L.P. "GSCM"
			Credit Default Swap Calculation Agent	Goldman Sachs Capital Markets, L.P. "GSCM"
			Basis Swap Calculation Agent	Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"
			Collateral Put Calculation Agent	Goldman Sachs International "GSI"
			Trustee/Issuing & Paying Agent	Bank of America (formerly LaSalle Bank National Association)
			Portfolio Selection Agent	ACA Management

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From: Jha, Arbind
Sent: Wednesday, September 20, 2006 4:32 PM
To: Birnbaum, Josh
Subject: Tried calling you

Sobel this morning mentioned in the Firmwide Risk Committee meeting that we are looking at CDO exit for our long ABX risk. Wanted to get some color on this, particularly in relation to how we are going to assemble/manufacture 80-100 names typically needed as CDO collateral (synthetic). Thanks.

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Wall Street & The Financial Crisis
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66052.089

Goldman Sachs

Date: September 20th, 2006

To: Firmwide Risk Committee

Re: September 20th FRC Minutes

The September 20th Firmwide Risk Committee meeting commenced at 7:30am. The meeting was chaired by David Viniar and Jerry Corrigan. Apologies were received from Lloyd Blankfein, Gary Cohn, Mark McGoldrick, Liz Beschel, Bob Litterman, Braham Cramer, Randy Cowen, and Don Mullen.

Divisional Reports

The businesses updated the committee on the [redacted]. A general discussion followed the updates.

Bill McMahon

- [redacted]

Rich Ruzika

- [redacted]

Jon Sobel

- ABX position underperforming by widening 50bp while single name BBB CDS are 10bp wider and cash is roughly flat. Divergence due to Macro Hedge Funds shorting the sector.
- Business working on first ever synthetic CDO with indices. May consist of 40 to 60 names.
- ABX risk down 30% to $1.6MM/bp. Business may increase position if arbitrage opportunity presents itself.
- Noted active securitization calendar.

Justin Gmelich

- [redacted]

Ed Eisler

- [redacted]

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Dave Heller

- [redacted]

Marc Spilker

- [redacted]

Raanan Agus

- [redacted]

Any Other Business

[redacted]

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From: Sobel, Jonathan
Sent: Tuesday, October 24, 2006 6:26 PM
To: Sparks, Daniel L
Subject: Re:

I am upset by this email from Tom. Who do you think is feeding him the incorrect "chatter"?

----- Original Message -----
From: Sparks, Daniel L
To: Montag, Tom; Sobel, Jonathan; Bash-Polley, Stacy
Sent: Tue Oct 24 18:07:00 2006
Subject: RE:

There's a lot more to it than the chatterers are factoring in. The team knows the mandate is to reduce, and that they better not miss trades by letting price get in the way. That said, there is an arb to cdo and we plan to be commercial about it.

From: Montag, Tom
Sent: Tuesday, October 24, 2006 6:03 PM
To: Sobel, Jonathan; Bash-Polley, Stacy; Sparks, Daniel L
Subject: RE:

there is always a trade missed on pricing :)

that said i just heard some chatter about people trying to make money out of the cdo and slowing down process etc and i think myself and others think we need to be less nickel and dime and more dollar based in reducing the risk

From: Sobel, Jonathan
Sent: Tuesday, October 24, 2006 4:28 PM
To: Montag, Tom; Bash-Polley, Stacy; Sparks, Daniel L
Subject: RE:

CDO should price tomorrow and is in good shape. P&L release should be in the neighborhood of $15mm. We also are starting to see some short covering, which we will sell into to further reduce our risk toward your 50% goal.

Is there something specific you're referring to in terms of our being too picky? Is there a trade we missed due to price?

From: Montag, Tom
Sent: Tuesday, October 24, 2006 4:19 PM
To: Bash-Polley, Stacy; Sobel, Jonathan; Sparks, Daniel L
Subject:

great on the this CDO getting rid of our ABX risk? when is the next one? lets be aggressive--when we are down 50% in risk then we can be pickier about making money

let me know

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66052.092

Goldman Sachs

Date: August 9th, 2006

To: Firmwide Risk Committee

Re: August 9th FRC Minutes

The August 9th Firmwide Risk Committee meeting commenced at 7:30am. The meeting was chaired by David Viniar and Jerry Corrigan. Apologies were received from Gary Cohn, Robert Litterman, Isabelle Ealet, Jacob Rosengarten, Rich Ruzika, Tom Riggs, Robin Vince, and Randy Cowen.

Divisional Reports

Ed Eisler

- [redacted]

Don Mullen

- [redacted]

Driss Ben-Brahim

- [redacted]

Jon Sobel

- ABX continues to perform well, but business feels it has run its course and so will reduce exposures.
- Business purchased $6BN prime residential loans and sold Alt-A residuals last week as well as CLO equity position.
- Business to come back to committee on 3 potential opportunities which include 2 European deals one a CMBS warehouse funding opportunity to both originators and purchasers, one a mortgage conduit, and the third a U.S. sale of commercial loans to REITS.

Dave Heller

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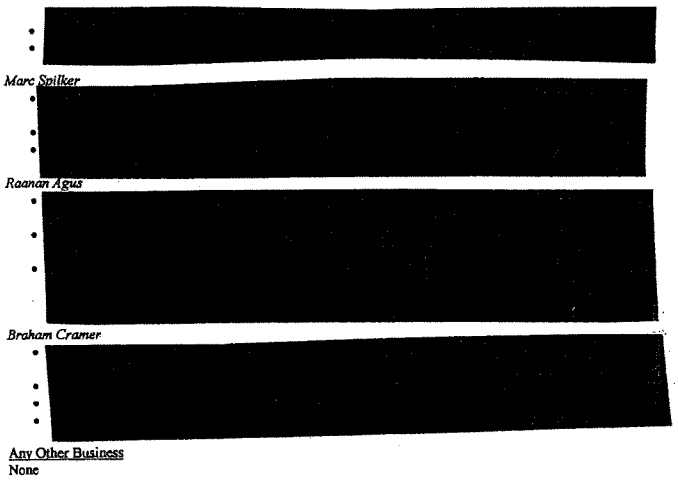

Any Other Business
None

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From: Viniar, David
Sent: Wednesday, September 20, 2006 4:18 PM
To: Montag, Tom
Subject: RE: ABX wider again today.

I believe $7mm

-----Original Message-----
From: Montag, Tom
Sent: Wednesday, September 20, 2006 4:15 PM
To: Viniar, David
Subject: Fw: ABX wider again today.

Fyi. How much was global macro down today

----- Original Message -----
From: Sobel, Jonathan
To: Montag, Tom
Sent: Thu Sep 21 03:09:34 2006
Subject: RE: ABX wider again today.

I think most hedge funds have been right on this (i.e. they've been short), so it's a piling on effect that we're seeing rather than a risk unwind. We have reduced our risk by about 30% over the past week, but it's starting to feel overdone to me. The synthetic CDO seems like a viable takeout here; the feedback we've received has been positive thus far. To give you a perspective on relative performance over the past month or so:

--BBB- ABX index +55bp wider
--BBB- cash sub prime virtually unchanged with deals pricing and selling (similar to index)
--BBB- single name sub prime CDS +10 wider --Equities up --CMBS unchanged --Corp credit tighter

I believe the divergence has been caused by macro hedge funds shorting the index. A CDO would enable us to exploit the cheapening in the index vs. cash and single names.

-----Original Message-----
From: Montag, Tom
Sent: Wednesday, September 20, 2006 2:25 PM
To: Sobel, Jonathan
Subject: Re: ABX wider again today.

I thought u were selling

This will continue for awhile won't it

----- Original Message -----
From: Sobel, Jonathan
To: Montag, Tom
Sent: Thu Sep 21 02:11:39 2006
Subject: ABX wider again today.

Down about $10mm. I think this is getting overdone, and I will look to buy in the manager's account if this continues. Saw some buying from PIMCO yesterday, JPM Arb looking at some size now, CDO execution will take some time but seems quite reasonable.

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66052.095

Goldman Sachs

Date: September 9th, 2006

To: Firmwide Risk Committee

Re: September 9th FRC Minutes

The September 9th Firmwide Risk Committee meeting commenced at 7:30am. The meeting was chaired by David Viniar and Jerry Corrigan. Apologies were received from Mark McGoldrick.

Divisional Reports

Jon Sobel

- Risks at the lower end of their range.
- Securitization calendar picking up next week.
- Business continuing to reduce volatile ABX position.
- Business bid on $12BN sub-prime loans last week.

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Don Mullen

- [redacted]

Rich Ruzika

- [redacted]

Ed Eisler

- [redacted]

Dave Heller

- [redacted]

Marc Spilker

- [redacted]

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Raanan Agus

- [redacted]

Any Other Business
Two presentations were given to the committee, one on High Risk Derivatives and one on the firm's [redacted]

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66052.097

From: Swenson, Michael
Sent: Tuesday, September 12, 2006 6:21 PM
To: Birnbaum, Josh
Subject: FW: ABX

From: Sobel, Jonathan
Sent: Tuesday, September 12, 2006 6:00 PM
To: Swenson, Michael
Cc: Sparks, Daniel L
Subject: ABX

The last post you gave me was this morning when you thought things were "firm". Now I find out that we're down $6mm on the day. I understand that things move, but you need to post me.

Also, I want to reduce this position.

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66052.098

Goldman Sachs

Date: August 23rd, 2006

To: Firmwide Risk Committee

Re: August 23rd FRC Minutes

The August 23rd Firmwide Risk Committee meeting commenced at 7:30am. The meeting was chaired by Craig Broderick. Apologies were received from David Viniar, Jerry Corrigan, Sarah Smith, Raanan Agus, Braham Cramer, Bob Litterman, Jonathan Sobel, Marc Spilker and Robin Vince.

Divisional Reports

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Driss Ben-Brahim

- [redacted]

Bill McMahon

- Mortgages sold down another net 15% of their large ABX position. ABX liquidity has improved.
- Mortgages will bid on $12BN sub prime whole loans this week.
- [redacted]trade (whole loans) converted to agencies and sold.

Isabelle Ealet

- [redacted]

Rich Ruzika

- [redacted]

Don Mullen

- [redacted]

Dave Heller

- [redacted]

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[redacted]

Robert Howard

[redacted]

Jacob Rosengarten

[redacted]

Any Other Business
None

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66052.100

From: Sobel, Jonathan
Sent: Tuesday, September 19, 2006 4:16 PM
To: Swenson, Michael
Subject: ABX

We need to reach a conclusion on the viability of a structured exit.

1

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FILENAME : Updated ABX and Single -Name Opportunities.msg
FILEEXT : msg
SUBJECT : Updated: ABX and Single -Name Opportunities
AUTHOR : Swenson, Michael
RECIPIENT : Kamilla, Rajiv
Nagel, Kyle
Birnbaum, Josh
Salem, Deeb
Lehman, David A.
Egol, Jonathan
Rosenblum, David J.
Ostrem, Peter L
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FILEMODTIME = 13:46:42
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EMAILRECDATE = 09/19/2006
EMAILRECTIME = 13:23:38
FULLTEXT : ï»¿Subject: Updated: ABX and Single -Name Opportunities
Location: TBD

Start: 9/19/2006 4:00:00 PM
End: 9/19/2006 4:30:00 PM

Show Time As: Tentative

Recurrence: (none)

Meeting Status: Not Responded

Required Attendees: Swenson, Michael; Kamilla, Rajiv; Nagel, Kyle
Optional Attendees:

Importance: Normal

ACCESSID = 1293
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66052.102

Subject:	Updated: ABX and Single -Name Opportunities
Location:	TBD
Start:	Tue 9/19/2006 4:00 PM
End:	Tue 9/19/2006 4:30 PM
Show Time As:	Tentative
Recurrence:	(none)
Meeting Status:	Not yet responded
Required Attendees:	Swenson, Michael; Birnbaum, Josh; Salem, Deeb; Lehman, David A.; Egol, Jonathan; Rosenblum, David J.; Ostrem, Peter L; Nagel, Kyle; Kamilla, Rajiv

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66052.103

From: Swenson, Michael
Sent: Tuesday, September 19, 2006 9:35 PM
To: Sobel, Jonathan
Subject: ABX

Proceeding with the CDO solution, the CDO team has 60 single-names that they will be able to begin to build a deal around.

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85 Broad Street | New York, NY 10004
tel: +1 212 902 5090 | mobile: +1 917 [redacted] fax: +1 212 902 1691
e-mail: michael.swenson@gs.com

Goldman
Sachs

Michael J. Swenson
Fixed Income, Currency & Commodities

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66052.104

From: Li, John X
Sent: Monday, October 16, 2006 10:15 AM
To: Herrick, Darryl K
Subject: Call Arbind Jha 7-6356

Regarding Hudson Mezz risk issue

Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2592 | Fax: 212-493-0251
e-mail: john.x.li@gs.com

John X. Li
Structured Products Group
Fixed Income, Currencies & Commodities

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66052.105

STRUCTURED FINANCE — Rating Methodology

CDO *RatingFactors*
Inclusion of Tranched ABX Indices in ABS CDOs

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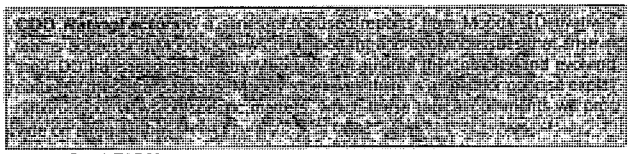
1 Jeremy Gluck contributed to this report as a research consultant.



INTRODUCTION

The advent of tranched ABS credit indices represents another milestone for the credit derivatives market. But while the trading of standardized tranches on a portfolio of ABS (exclusively Home Equity securities) provides new strategic opportunities for market participants, the inclusion of these new instruments in ABS CDO portfolios poses certain challenges.

These challenges revolve around the potential degree of overlap in ABS CDO collateral pools that can sharply increase pool-wide correlation. Coupled with the current environment, in which the new ABX-based tranches are trading at extremely wide spreads relative to similarly enhanced ABS CDO tranches, there is a risk that many ABS CDOs will see sharp increases in average pool-wide correlation through the purchase of the standardized ABX tranches in either synthetic or cash (credit-linked note) form.

What Are the New Tranched ABS Index Instruments?

The ABX credit indices were launched in January 2006. Each index includes 20 liquid Home Equity securities issued in the prior six months. The ABX 06-01 index is based on HE securities underwritten during the second half of 2005, the ABX 06-2 index on securities underwritten during the first half of 2006 and the ABX 07-1 index on securities underwritten during the second half of 2006. Unlike corporate credit indices, there is no overlap in underlying instruments between different series as each ABX series is associated with a single vintage.

The first tranched ABX indices ("TABX") began trading on February 14 of this year. At least initially, only the BBB and BBB- ABX sub-indices have been tranched. The standardized tranches reference the combination of the ABX 06-2 and ABX 07-1 collateral pools, for a total of 40 credits. The attachment/detachment points are set as follows:

Table 1
TABX Attachment/Detachment Points

BBB Reference Portfolio	BBB- Reference Portfolio
35-100	40-100
20-35	25-40
12-20	15-25
7-12	10-15
3-7	5-10
0-3	0-5

Moody's Investors Service

March 23, 2007

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
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The Incentive to Include TABX in ABS CDOs

With the recent turmoil in the subprime mortgage market-the prices of the ABX indices have fallen dramatically over the past few months--the new TABX tranches are trading at very wide yields.

Given the yields at which the TABX tranches have been priced, CDO structurers and managers may perceive an opportunity to add the instruments to ABS CDO portfolios in order to enhance portfolio-average spreads. The tranches could potentially be added directly to synthetic and hybrid ABS CDOs in credit default swap form, or transformed into credit-linked notes for inclusion in cash-flow CDOs.

Moody's View About the Addition of TABX Tranches

So long as they are properly treated, the addition of TABX tranches to ABS CDO portfolios may not raise any concerns.

As with the inclusion of the ABX, our primary concern is with correlation. In the case of the TABX, our immediate focus is on capturing the correlation within the CDO. For example, Moody's wants to make sure that any CLNs that reference TABX are classified as being correlated to one another and to other related single name or index exposures in the CDO.

The key to capturing intra-CDO correlation is that any TABX exposure be properly identified. In general, collateral managers have wide discretion in classifying instruments that are incorporated into ABS CDO collateral pools. TABX tranches might, for example, simply be classified by the name of the vehicle which issued the CLN. Such a designation would fail to recognize that there could be other CLNs from other shelves which reference the same risk or that the CDO's portfolio could already be exposed to the names in the TABX, either through single name CDS or through direct exposure to the ABX.

Given the novelty of TABX, neither existing CDO indentures, nor Moody's CDOROM™ software that is used to model ABS CDO asset correlations, provides for a "TABX" category to address Moody's concerns on correlation. Thus even the most conscientious collateral manager may not have an existing mechanism to accurately characterize the correlations associated with TABX tranches.

Treatment in CDOs

In light of the potentially significant correlation impact of adding TABX tranches to ABS CDO collateral pools, Moody's will review such proposals on a case-by-case basis. The review will ensure that an appropriate set of asset correlations (e.g., 100% for TABX tranches based on the same collateral pools) is reflected in CDOROM. Therefore, Moody's asks that CDOs and other rated vehicles that wish to offer protection on the TABX either through a CLN or swap first come to Moody's to discuss the appropriate treatment within the CDO.

In the months ahead, we anticipate that we will modify CDOROM in order to facilitate the appropriate correlation treatment for TABX tranches. Until that time, we propose the following guidelines for existing and recent CDOs:

1. The aggregate exposure of the CDO to the TABX and the ABX should not exceed 2% for High Grade deals and 5% for Mezzanine deals. Additionally, the exposure to any vintage should not exceed 2%. The determination of vintage for the TABX should be on a look through basis. For example, a 2% exposure to the current TABX would imply a 1% exposure to each of the ABX 06-2 and the ABX 07-1.
2. To measure the correlation within the purchasing CDO:
   a. The TABX may be entered into CDOROM as a bespoke CDO (i.e., using a look-through approach in which each underlying HE tranche is entered into CDOROM individually) if such a CDO has the ability to add bespoke CDOs, or
   b. All products related to the ABX (TABX CLNs and swaps, ABX, single name CDS referenced in the various ABX) should use the term "ABX" in the "Transaction Name" field in CDOROM. (The Issue Date and the Key Agent fields may have to adjust to a single value in order for the CDOROM to function properly.)
3. All other indenture restrictions/rules, such as the discount purchase rules must apply.

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Inter-CDO Correlations

In addition to intra-CDO correlations, Moody's is also concerned about the impact of the ABX and TABX on correlations between ABS CDOs (e.g., in a CDO squared or the CDO basket of an ABS CDO). The asset correlations assumed in CDOROM between ABS CDOs were developed using the data that was available at the time we performed the original correlation analysis - i.e., based on transactions backed by cash collateral, which is not easily replicated across deals.[2] More recently, with the growth of synthetics in ABS CDOs, it has become easier for multiple deals to have exposure to the same reference obligation. With the popularity of the ABX index, it comes as no surprise that Moody's has found that many recent transactions have exposure to the ABX in both index and single name form. Essentially, this means that inter-CDO correlations are increasing.

While intra-CDO correlation concerns can be treated using a look-through approach as mentioned earlier, addressing correlations between ABS CDOs is more difficult. When an ABS CDO contains both ABS-related positions as well as tranches of other actively managed CDOs, it is difficult to perform a look-through analysis on an ongoing basis because of the dynamic nature of each underlying CDO's portfolio. Moody's is currently undergoing a research project to study the overlaps in ABS CDOs and will adjust our ABS CDO correlations accordingly. Until the research project is completed, Moody's may consider look-through correlations for ABS CDOs in the initial rating process.

CONCLUSION

Moody's believes that the proliferation of standardized index products may increase the correlation within and between CDOs. Because the models currently used by Moody's do not contemplate products such as the ABX and TABX that may be infinitely replicated, we will shortly introduce refinements to our correlation framework and will solicit market comment on the proposal.

2 "Moody's Revisits its Assumptions Regarding Structured Finance Default (and Asset) Correlations for CDOs" June 27, 2005

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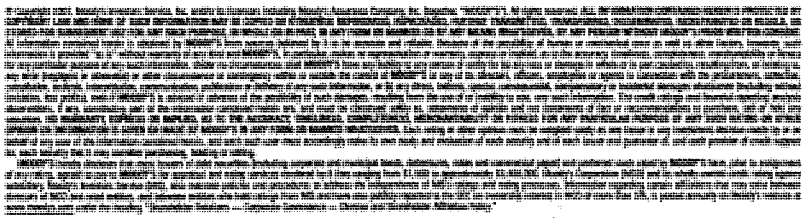

From: Salem, Deeb
Sent: Sunday, April 29, 2007 2:33 PM
To: Swenson, Michael
Subject: Fw: AIG FP ABX basis trade

So annoying...its our book not his

Sent from my BlackBerry Wireless Device

----- Original Message -----
From: Tourre, Fabrice
To: Swenson, Michael; Salem, Deeb; Chin, Edwin
Cc: ficc-mtgcorr-desk
Sent: Sun Apr 29 11:46:43 2007
Subject: RE: AIG FP ABX basis trade

Deeb/Ed/Mike: do you guys have any thought on this ? would like to be able to get back to AIG FP first thing Monday morning if possible. I think offering this trade at 1/2 point makes sense (can't imagine people would do a lot of work/go through this brain dammage for less than that), and just as an FYI, color from Andy Forster at AIG FP is the following (email that Neil forwarded to me on Friday, coming from Andy Forster and I quote):

"i think this is the basic version where you pay us like 50bps. the issue though is that this has some real risk and i wantto understand what the risks are. for example i think some bonds can step up but the index does not? also the single names all trade at different spreads so if a high spread name defaults we lose more in income than we stop paying on teh index etc etc . also something about delivery with the index only allowing one method?"

From: Tourre, Fabrice
Sent: Friday, April 27, 2007 5:40 PM
To: Swenson, Michael; Salem, Deeb; Chin, Edwin
Cc: ficc-mtgcorr-desk
Subject: AIG FP ABX basis trade

See attached the trade we could show to AIG FP to close the Hudson Mezz account. This account is long ABX and short single-name CDS. On a running basis, the account is net positive carry by 3bps -- however when looking closely at the combination of trades, the account is positive carry on 06-1 index and negative carry on 06-2 index. Question is at what price do we sell this position to remove the MtM vol risk of that account, as well as the basis risk -- the basis risks are the following:

-- positive basis: the single-name CDS are cancellable individually by the protection buyer at the step-up date
-- negative/positive basis: if 06-1 index amortizes / suffers writedowns faster than 06-2 index, the trade can become negative carry

I am suggesting we offer this trade to AIG at an upfront payment of $6mm to have AIG FP take the MtM risk (and we know it is a pretty big risk) as well as the amortization differential risk (pretty small in my mind).

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66052.110

From: Herrick, Darryl K
Sent: Thursday, September 21, 2006 8:41 AM
To: Salem, Deeb; Swenson, Michael; Birnbaum, Josh; Ostrem, Peter L; Chin, Edwin
Subject: Locked Levels

We are close in talks with our counterparty on the super senior for the ABX CDO
Before we get execution, we need to show them levels on where we expect to lock in asset levels

So far we have levels from CMBS at +112

On ABX we want to show 1bp inside mids
ABX 2006-1 BBB @ +137
ABX 2006-1 BBB- @+250
ABX 2006-2 BBB @ +149
ABX 2006-2 BBB- @ +271

For the CDS given spread widening this week, we want to go with +120 for BBB flat and +220 for BBB-

Can you confirm we are good on the above levels?
This is key to complete our work today on the Super Senior tranche

DH

Darryl K. Herrick
CDO Structuring, Marketing and Principal Investments
Goldman, Sachs & Co.
85 Broad Street
New York, NY 10004
Tel: 212-902-9305
Mobile: [redacted]
E-mail: darryl.herrick@gs.com

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66052.111

From: Herrick, Darryl K
Sent: Monday, October 02, 2006 2:15 PM
To: Swenson, Michael; Birnbaum, Josh; Salem, Deeb
Cc: Ostrem, Peter L; Sparks, Daniel L
Subject: RE: Hudson Mezz CDO: Agreed Upon Portfolio and Levels

That works
Given even composition between ABX 1 and 2, will get to the same spot from CDO investor's viewpoint

From: Swenson, Michael
Sent: Monday, October 02, 2006 1:53 PM
To: Herrick, Darryl K; Birnbaum, Josh; Salem, Deeb
Cc: Ostrem, Peter L; Sparks, Daniel L
Subject: RE: Hudson Mezz CDO: Agreed Upon Portfolio and Levels

Darryl we should use the 265 and 245 spread for ABX2 and ABX1 triple-B minus spreads and 145 and 130 for triple-B ABX2 and ABX1 triple-B spreads

From: Herrick, Darryl K
Sent: Monday, October 02, 2006 1:49 PM
To: Swenson, Michael; Birnbaum, Josh; Salem, Deeb
Cc: Ostrem, Peter L; Sparks, Daniel L
Subject: Hudson Mezz CDO: Agreed Upon Portfolio and Levels

<< File: Asset Portfolio 2006-10-2.xls >>
We plan to announce Hudson Mezzanine Funding tomorrow in the am for Europe, Asia and the US
I'm circulating around to everyone the CDO portfolio and spreads we will be showing investors and agencies, based on our agreed upon amounts and levels from last week
Please let me know if you have questions or comments
Darryl

Darryl K. Herrick
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E-mail: darryl.herrick@gs.com

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From: Swenson, Michael
Sent: Tuesday, September 19, 2006 9:31 PM
To: Cornacchia, Thomas
Cc: Birnbaum, Josh; Swenson, Michael
Subject: RE: Abx

Here are the points for your discussion:

On the ABX Side

1. Very crowded trade - guys talking their position in the media (ie Grants, NY Post). Could be very violent short covering rally because most of the shorts facing non-market to market vehicles (ie CDOs).

2. Expensive break-evens. Despite the recent sell-off most macro players are at best flat given the carry hurdle.

3. Relative Value - Underperform stocks, and corporate credit by 2 points/65bp in the past 6 weeks. Also, CMBX is 5bp tighter over the same period. The Philadelphia Housing Index is up approx 10% over this period.

4. Basis - Index to single-name basis is at the wides (ie 40bp at BBB- level). Index to cash is even more extreme at 70bp. Bids for cash deals remain strong and have barely widened.

5. CDO - we are going to price an innovative full capital structure $1+bb CDO deal with 60% of the risk in ABX (no one has done this before). At the current levels we produce equity at levels that are approximately 10% (in return) cheaper than a typical CDO.

6. Property Derivatives - press release tommorrow. More direct way for the macro community to express their negative views on house prices. We expect existing shorts to explore swapping out of ABX shorts into Prop Derivatives

Natural Buyers of Property Derivatives

1. Pension Funds

2. REITS

3. Insurance Companies

4. CDOs - we are going to create rated CDS-like contracts and do a CDO using these contracts - similar structure to CRISP

-----Original Message-----
From: Cornacchia, Thomas
Sent: Tuesday, September 19, 2006 5:20 PM
To: Swenson, Michael
Subject: Re: Abx

He wants to know who we believe will be natural buyer of new product

----- Original Message -----

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66052.113

Footnote Exhibits - Page 4185

From: Swenson, Michael
To: Cornacchia, Thomas; Birnbaum, Josh
Sent: Tue Sep 19 17:15:32 2006
Subject: RE: Abx

We are ready

-----Original Message-----
From: Cornacchia, Thomas
Sent: Tuesday, September 19, 2006 4:43 PM
To: Swenson, Michael; Birnbaum, Josh
Subject: Abx

I had conversation today - we have a 10 am call tomorrow morning - need to prep ahead of time

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66052.114

From: Herrick, Darryl K
Sent: Sunday, October 08, 2006 1:12 PM
To: Shimonov, Roman; Chaudhary, Omar
Cc: Lee, Jay; Sugioka, Hirotaka; Mishra, Deva R.; Ganapathy, Mahesh; West, Ariane; Lee, Jung H.
Subject: RE: Hudson Mezz- VERBAL ONLY

Omar, I realize lack of manager may be tough hurdle for them. May be helpful to let Deeb and I get on a call with the investor and discuss our asset selection criteria and I can go through asset sale criteria. Let me know if that would be useful

From: Shimonov, Roman
Sent: Sunday, October 08, 2006 1:09 PM
To: Chaudhary, Omar
Cc: Lee, Jay; Sugioka, Hirotaka; Mishra, Deva R.; Herrick, Darryl K; Ganapathy, Mahesh; West, Ariane; Lee, Jung H.
Subject: Hudson Mezz- VERBAL ONLY

VERBAL ONLY

If we have not already responded to the inquiry below, the dollar price of the BBs assuming a spread of 600bps and a DM of 650bps is 98.30.

From: Chaudhary, Omar
Sent: Thursday, October 05, 2006 3:03 AM
To: Mishra, Deva R.; Herrick, Darryl K; Shimonov, Roman
Cc: Lee, Jay; Sugioka, Hirotaka
Subject: RE: Hudson Mezzanine Funding, 2006-1 Ltd. -- New Issue Announcement (144a/RegS) (internal)

What is the approximate discount dollar price that equates to a par value coupon of L+600 on the Class E's with a DM of L+650?

Low delta chance we have interest from a private bank in Taiwan for this sort of security (though lack of manager is a big issue for them)...

From: GS Syndicate
Sent: Tuesday, October 03, 2006 10:54 AM
To: ficc-spgasia
Cc: ficc-spgsyn; Ostrem, Peter L; Herrick, Darryl K; Mishra, Deva R.
Subject: Hudson Mezzanine Funding, 2006-1 Ltd. -- New Issue Announcement (144a/RegS) (external)

Hudson Mezzanine Funding, 2006-1 Ltd. -- New Issue Announcement (144a/RegS) (external)
Lead Manager & Sole Bookrunner: Goldman Sachs
Liquidation Agent: Goldman, Sachs & Co.
$2.0bn Static Mezzanine Structured Product CDO

Class	Size($mm)	%Deal	Mdy/S&P	WAL(y)	Init OC	Guidance
S	[ ]	N/A	Aaa/AAA	[2.8]	N/A	N/A
Sen Swp	1,200	60.0%	Aaa/AAA	[3.7]	166.7%	N/A
A1	150	7.5%	Aaa/AAA	[2.0]	133.3%	1mL+TBD
A2	150	7.5%	Aaa/AAA	[6.0]	133.3%	1mL+TBD
B	160	8.0%	Aa2/AA	[5.1]	120.5%	1mL+TBD
C	100	5.0%	A2/A	[5.2]	113.6%	1mL+TBD
D	150	7.5%	Baa2/BBB	[5.2]	104.7%	1mL+TBD
E	30	1.5%	Ba1/BB+	[5.3]	103.1%	1ML+TBD
PS	60	3.0%	Not Rated	N/A	N/A	**CALL DESK**

Termsheet, Debt Marketing Book & Warehouse Portfolio - Attached

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<< File: Hudson Mezz Debt Book Announcement.pdf >> << File: Hudson Mezz Termsheet Announcement.pdf >> << File: Hudson Mezz Funding 2006-1 WH Asset Portfolio.xls >>

Expected Timing:
Price Guidance & Red - w/o Oct 16
Pricing - w/o Oct 23

GS Structured Products Global Syndicate
Asia: Omar Chaudhary, Jay Lee, & Hirotaka Sugioka +81 (3) 6437-7198
Europe: Mitch Resnick & Tets Ishikawa +44 (0)20 7774-3068
N. America: Bunty Bohra, Scott Wisenbaker, Scott Walter, Tony Kim & Malcolm Mui + 1 (212) 902-7645

Structured Product CDO Desk:
Peter Ostrem +1 (212) 357-4617 // Darryl Herrick +1 (212) 902-9305

Risk Factors: An investment in the securities presents certain risks, please see the Preliminary Offering Circular for a description of certain risk factors.

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66052.116

From: Herrick, Darryl K
Sent: Tuesday, September 19, 2006 9:53 PM
To: Salem, Deeb; Ostrem, Peter L
Cc: Swenson, Michael; Birnbaum, Josh; Chin, Edwin; Kamilla, Rajiv; Lehman, David A.
Subject: Re: Ref Obs for Prop CDO

Deeb, we'll take at look these. On adding Alt A, I would suggest an initial bucket of around 10 - 15 names to start. We could add some more later on depending on appetite, but that will be a good start.
Thanks, Darryl

----- Original Message -----
From: Salem, Deeb
To: Ostrem, Peter L; Herrick, Darryl K
Cc: Swenson, Michael; Birnbaum, Josh; Chin, Edwin; Salem, Deeb; Kamilla, Rajiv; Lehman, David A.
Sent: Tue Sep 19 21:31:47 2006
Subject: Ref Obs for Prop CDO

<<Book6.xls>> Pete/Darryl,
Attached are 60 RMBS Ref Obs and 5 CMBS/CRE CDO ref obs for the CDO we're discussing. On the RMBS side, we chose 30 Baa2 and 30 Baa3 CUSIPs evenly split btw 2005 and 2006 vintage. We can add a few alt-a names as well. How many of those would you like?

Let us know what else you need

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GSMBS-E-011403442

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RMBS

Ref Ob	CUSIP	Size	Moody	S&P	Fitch	Spread
ABSHE 2005-HE6 M8	04541GTS1	10,000,000	Baa2	BBB	BBB	110
ABSHE 2006-HE5 M8	04544PAN9	10,000,000	Baa2	BBB	BBB	110
AMIT 2005-2 M8	126673L75	10,000,000	Baa2	-	A	110
AMSI 2005-R3 M8	03072SA62	10,000,000	Baa2	BBB	BBB	110
BSABS 2006-EC1 M7	07387UAK7	10,000,000	Baa2	-	BBB	110
CARR 2005-FRE1 M8	144531EN6	10,000,000	Baa2	-	BBB+	110
CARR 2006-RFC1 M8	14453EAM4	10,000,000	Baa2	BBB+	A	110
CWL 2005-10 MV8	126670BC1	10,000,000	Baa2	-	BBB	110
FFML 2005-FF7 M8	32027NUT8	10,000,000	Baa2	BBB+	BBB+	110
FHLT 2006-1 M7	35729PPJ3	10,000,000	Baa2	-	BBB+	110
FHLT 2006-2 M7	35729PQF0	10,000,000	Baa2	-	BBB+	110
GSAMP 2005-AHL M5	36242D2E2	10,000,000	Baa2	-	BBB	110
GSAMP 2005-AHL2 B1	362341D30	10,000,000	Baa2	-	BBB+	110
GSAMP 2005-HE6 M8	362341H36	10,000,000	Baa2	-	A-	110
GSAMP 2006-HE1 M8	3623415A3	10,000,000	Baa2	-	A-	110
HASC 2006-OPT4 M7	40430KAP6	10,000,000	Baa2	BBB+	BBB	110
JPMAC 2006-ACC1 M8	46628RAN5	10,000,000	Baa2	BBB	BBB	110
JPMAC 2006-HE1 M8	46626LGP9	10,000,000	Baa2	BBB	BBB	110
MSHEL 2006-2 B2	61744CYX8	10,000,000	Baa2	BBB+	BBB+	110
NCHET 2005-C M8	64352VPG0	10,000,000	Baa2	-	BBB+	110
NHEL 2005-2 M8	66987WCU9	10,000,000	Baa2	A	BBB+	110
NHEL 2006-2 M7	66988VAM0	10,000,000	Baa2	A	A	110
OOMLT 2006-2 M8	68402CAN4	10,000,000	Baa2	-	BBB	110
OWNIT 2006-2 B2	69121PDP5	10,000,000	Baa2	-	A-	110
RASC 2006-EMX2 M8	75406AAL3	10,000,000	Baa2	-	A-	110
SABR 2005-EC1 B2	81375WDJ2	10,000,000	Baa2	-	BBB+	110
SABR 2005-OP1 B2	81375WCX2	10,000,000	Baa2	BBB+	BBB	110
SASC 2005-WMC1 M4	86359B6K2	10,000,000	Baa2	BBB	BBB	110
SAST 2005-2 B2	805564SK6	10,000,000	Baa2	BBB	BBB	110
SURF 2006-BC1 B2A	84751PKL2	10,000,000	Baa2	-	BBB+	110
ABSHE 2005-HE3 M9	04541GRC8	10,000,000	Baa3	BBB-	BBB-	210
ACCR 2006-2 M9	00437NAN2	10,000,000	Baa3	-	BBB-	210
ACE 2006-ASP2 M9	004421XQ1	10,000,000	Baa3	-	A	210
AMSI 2005-R8 M9	03072SM85	10,000,000	Baa3	BBB+	BBB	210
ARSI 2005-W3 M9	040104PL9	10,000,000	Baa3	BBB+	BBB+	210
BSABS 2005-EC1 M8	0738795K0	10,000,000	Baa3	-	BBB-	210
BSABS 2006-PC1 M8	07387UBE0	10,000,000	Baa3	-	BBB+	210
CARR 2005-OPT2 M8	144531CR9	10,000,000	Baa3	BBB+	BBB	210
CARR 2006-NC2 M9	14453FAN9	10,000,000	Baa3	BBB-	BBB-	210
CBASS 2006-CB4 B3	12498QAN6	10,000,000	Baa3	BBB-	BBB	210
CMLTI 2005-OPT4 M9	17307GUZ9	10,000,000	Baa3	BBB	BBB	210
ECR 2005-2 B	126673J94	10,000,000	Baa3	-	BBB-	210
EMLT 2005-1 M9	29445FCW6	10,000,000	Baa3	BBB-	BBB-	210
FFML 2005-FF3 M9	86359DBT3	10,000,000	Baa3	BBB	BBB	210
FFML 2006-FF8 M9	320278AN4	10,000,000	Baa3	-	BBB	210
FHLT 2005-B M10	35729PKE9	10,000,000	Baa3	-	BBB-	210
FMIC 2006-1 M9	31659TFJ9	10,000,000	Baa3	-	BBB	210
FMIC 2006-2 M9	31659EAN8	10,000,000	Baa3	-	BBB	210
GEWMC 2005-1 B3	36791QAN6	10,000,000	Baa3	BBB+	BBB+	210
GSAMP 2006-NC2 M9	362463AP6	10,000,000	Baa3	-	BBB-	210
JPMAC 2005-FRE1 M9	46626LCL2	10,000,000	Baa3	BBB-	BBB-	210
JPMAC 2006-CW2 MV9	46629BBB4	10,000,000	Baa3	BBB-	BBB-	210
OOMLT 2006-1 M9	68389FKZ6	10,000,000	Baa3	A-	A	210
POPLR 2006-A M6	73316PKB5	10,000,000	Baa3	-	BBB	210
RAMP 2005-EFC2 M9	76112BVX5	10,000,000	Baa3	-	BBB	210
RAMP 2006-RZ2 M9	75156UAM9	10,000,000	Baa3	-	BBB+	210
RASC 2005-EMX2 M9	76110W2Q8	10,000,000	Baa3	-	BBB-	210
SASC 2006-WF2 M9	86360LAN6	10,000,000	Baa3	-	BBB-	210
SVHE 2006-OPT2 M8	83611MMU9	10,000,000	Baa3	-	BBB+	210
WFHET 2006-1 M9	9497EUAR8	10,000,000	Baa3	-	BBB+	210

CMBS

Ref Ob	CUSIP	Size	Moody	S&P	Fitch	Spread	WAL
GSMS 2006-RR2 J	36298JAU7	20,000,000	Baa2	BBB		105	11.71
JPMCC 2006-RR1A F	48123HAG8	20,000,000	Baa2	BBB		115	10.63
LNR 2006-1A FFX	53944MAT6	20,000,000	Baa2	BBB	BBB	185	9.42
MARRE 2006-1A G	565853AQ1	20,000,000	Baa2	BBB	BBB	115	7.7
RREF 2006-1A F	76122VAG9	20,000,000	Baa2	BBB	BBB	140	7.93

From: Young, Crystal D.
Sent: Wednesday, September 27, 2006 3:03 PM
To: Swenson, Michael
Subject: RE:

I you would like to stay on the 26th floor, There is 1hr available from 1-2pm... Maybe I can switch Egol's review and switch the meeting at from 1-2pm.e.

From: Young, Crystal D.
Sent: Wednesday, September 27, 2006 2:58 PM
To: Swenson, Michael
Subject: RE:

Unfortunately, the large conf room is booked most of the day.
The only time it is available tomorrow is, from11 -11:30am, or 2- 2:45pm: I can check the 27th will that work?

From: Swenson, Michael
Sent: Wednesday, September 27, 2006 2:46 PM
To: Young, Crystal D.
Subject:

Can set up a meeting for tomorrow at 10am in the 26th floor conference room?
The meeting should be titled the "Marketing Strategy for the ABX CDO Trade"

The invitees are:

Sparks
Sobel
Harvey Schwartz
Stacy Bash
Tom Cornacchia
Sarah Recktenwald
Sclomi Raz
Kyle Nagel
Steve Pinkos
Lorin Radtke
Bunty Bohra
Scott Wisenbaker
Steve Ricciardi
Josh Birnbaum
Pete Ostrem
David Rosenblum
Darryl Herrick
Deeb Salem

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Michael J. Swenson
Fixed Income, Currency & Commodities

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66052.119

From: Herrick, Darryl K
Sent: Thursday, September 28, 2006 10:04 AM
To: Swenson, Michael; Sparks, Daniel L; Sobel, Jonathan; Schwartz, Harvey; Bash-Polley, Stacy; Cornacchia, Thomas; Raz, Shlomi; Nagel, Kyle; Pinkos, Steve; Radtke, Lorin; Bohra, Bunty; Wisenbaker, Scott; Ricciardi, Steven; Birnbaum, Josh; Ostrem, Peter L; Rosenblum, David J.; Salem, Deeb; Siegel, Mike
Subject: HUDSON - INTERNAL ONLY

Attachments: Hudson Mezz Termsheet 2006-09-27 Sales.doc; Hudson Mezz Overview.ppt

Hudson Mezz Termsheet 2006-09-.

Hudson Mezz Overview.ppt

INTERNAL ONLY

Please find the Term Sheet and Marketing Points for today's call at 10am. Please let me know if you have any questions

---

From: Young, Crystal D. **On Behalf Of** Swenson, Michael
Sent: Thursday, September 28, 2006 8:41 AM
To: Sparks, Daniel L; Sobel, Jonathan; Schwartz, Harvey; Bash-Polley, Stacy; Cornacchia, Thomas; Raz, Shlomi; Nagel, Kyle; Pinkos, Steve; Radtke, Lorin; Bohra, Bunty; Wisenbaker, Scott; Ricciardi, Steven; Birnbaum, Josh; Ostrem, Peter L; Rosenblum, David J.; Herrick, Darryl K; Salem, Deeb; Siegel, Mike
Subject: Updated: Marketing Strategy for the ABX CDO Trade
When: Thursday, September 28, 2006 10:00 AM-10:30 AM (GMT-05:00) Eastern Time (US & Canada).
Where: 26L/Call in details

```
Conference Details:
   Moderator Name:     Michael Swenson
   Company Name:       Goldman Sachs & Co./#58062 (Main)
   Client ID:          347235

Conference Passcodes:
   Moderator Passcode: 7488558
   Passcode:           748855

Conference Access:
  Toll free:   1-866-319-4553 International
  Toll:        1-212-902-4079 Domestic
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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2252

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Preliminary Termsheet

September [ ], 2006

Goldman Sachs

Hudson Mezzanine Funding 2006-1, LTD.

$2.0 Billion Static Mezzanine Structured Product CDO

Note: The Class S, Senior Swap, A, B, C, D and E Notes (the "Notes") have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and are being sold (a) in the United States only to qualified institutional buyers ("QIBs") in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A who are also qualified purchasers as defined in the Investment Company Act of 1940, and (b) outside the United States to non- U.S. persons in reliance on Regulation S.

Security	Expected Par Amount	% of Par	Initial Over-Collateralization	Expected Ratings (Moody's/S&P)	Coupon	Expected Avg Life
Class S	[ ]	N/A	N/A	Aaa/AAA	Not Offered	[2.8]
Senior Swap	$1,200.0 MM	60.00%	166.7%	Aaa/AAA	Not Offered	[3.7]
Class A1	$150.0 MM	7.50%	133.3%	Aaa/AAA	1mL+[ ] bps	[2.0]
Class A2	$150.0 MM	7.50%	133.3%	Aaa/AAA	1mL+[ ] bps	[6.0]
Class B	$160.0 MM	8.00%	120.5%	Aa2/AA	1mL+[ ] bps	[5.1]
Class C	$100.0 MM	5.00%	113.6%	A2/A	1mL+[ ] bps	[5.3]
Class D	$150.0 MM	7.50%	104.7%	Baa2/BBB	1mL+[ ] bps	[5.1]
Class E	$30.0 MM	1.50%	103.1%	Ba1/BB+	1mL+[ ]bps	[5.3]
Income Notes	$60.0 MM	3.00%	N/A	NR	N/A	N/A

Transaction Overview

- Hudson Mezzanine Funding 2006-1 will be a static $2.0 billion cashflow CDO consisting of a diversified portfolio of single-name credit default swaps on RMBS securities.
- Goldman Sachs, & Co. ("Goldman") selects the assets.
- 60% of the assets will be single name CDS referencing all forty obligors in ABX 2006-1 and ABX 2006-2.
- The portfolio consists of collateral which is rated at least Baa3 and BBB- with an average rating of Baa2/Baa3. 100% will be real-estate related securities.
- Low fee structure and less "bac-bellied" portfolio than other mezzanine CDOs in the current market
- Goldman, as Liquidation Agent, will liquidate any asset determined to be a "credit risk" within 12 months of said determination. Credit Risk assets will include:
  - Any asset downgraded by Moody's or S&P below Ba3 or BB-
  - Any asset that is defaulted or would be experiencing a credit event as defined by the PAUG confirm
- There will be no reinvestment, substitution, discretionary trading or discretionary sales. After closing, assets that are determined to be "credit risk" will be sold by the Liquidation Agent within one year of such determination.
- Goldman will invest in a portion of the Income Notes at closing.

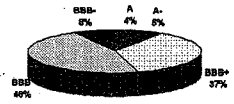
Structural Highlights

- Pure static structure eliminates reinvestment risk and shortens expected weighted average lives on liabilities
  - No reinvestment, substitution, or discretionary trading
  - Proceeds from credit-risk sales will be treated as principal paydowns or notional reduction of the Senior Swap
- Liquidation Agent Fees: 10 bps per annum
- 100% ramped at closing and 100% certainty of all assets in collateral portfolio to be included in transaction
- No fixed rate assets in the portfolio eliminates possibility of an interest rate swap hedge mismatch

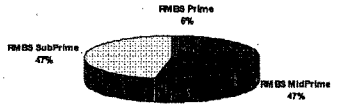
Current Portfolio Characteristics

Par Value of Collateral ($MM)	$2,000
Total Expected Portfolio Size ($MM)	$2,000
% Ramped	100%
Moody's Weighted Average Rating Factor	485
Weighted Average Life	[4.0] years
Number of Positions	140
Distinct Obligors	100
Duration Weighted DM	[184] bps

Ratings Composition of Target Warehouse Portfolio (1)



Sector Composition of Target Warehouse Portfolio



(1) Based on S&P Ratings

CDO Structuring, Marketing and Principal Investments
Peter Osborn +1 (212) 357-4617
Darryl Herrick +1 (212) 902-9305

Syndicate
Dusty Bahra +1 (212) 357 4517
Scott Wisenbaker +1 (212) 902 2858
Mitch Resnick +44 20 7774 3068
Omer Chaudhary +81 3 6437 7198

[redacted boilerplate]

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Transaction Details

Issuer:	Hudson Mezzanine Funding 2006-1, LTD, incorporated with limited liability in the Cayman Islands
Co-Issuer:	Hudson Mezzanine Funding 2006-1, Corp, corporation organized under the laws of the State of Delaware
Liquidation Agent:	Goldman, Sachs & Co.
Trustee:	[ ]
Initial Purchaser:	Goldman Sachs & Co.
Offering Type:	Reg S (Non-U.S. Persons only), Rule 144A. Rule 144A purchasers must be qualified purchasers under the Investment Company Act of 1940
Listing, Clearing & Settlement:	Application may be made to admit the securities on a stock exchange at the Issuer's choice, if practicable. There can be no assurance that any such application will be made and that any such admission will be granted. The Class S, A, B, C, D and E Notes will settle through Euroclear/Clearstream/DTC. Notes will settle with accrued interest, if any, from the Closing Date. The initial LIBOR Rate on the S, A, B, C, D and E Notes will be set two business days prior to the Closing Date
Reinvestment Period:	None
Non-Call Period:	Approximately three years. Callable in whole on or after April 2010 by a majority vote of the Income Notes
Auction Call Date:	Starting April 2015 and annually in April thereafter
Minimum Call Price:	Class S, A, B, C, D and E Notes (if issued) at par plus accrued interest. There is no call premium to the Income Notes
Legal Final Maturity:	April 2042 for the [Senior Swap], Class A, B, C, D and E Notes. April [2015] for the Class S
Payment Frequency:	The Senior Swap, Class S, A, B, C, D and E Notes will receive premium and interest payments monthly, commencing April 2007. The Senior Swap, Class S, A, B, C, D and E Notes will receive principal payments and reduce outstanding principal amounts monthly, commencing April 2007. Income Notes will receive distributions according to the payment waterfall quarterly, commencing April 2007
Liquidation Agent Fee:	10 bps per annum, payable senior to premium on the Senior Swap and payable monthly, commencing April 2007
ERISA Eligible:	The Class S, A, B, C, and D Notes are expected to be ERISA eligible, assuming that the purchase is not a prohibited transaction for the purchaser
Tax Treatment:	Class S, Senior Swap, A, B, C, and D Notes will be treated as debt
Controlling Class:	The Class S, Senior Swap and A Notes (the "Senior Notes") voting in the aggregate until paid in full, then Class B, Class C, Class D and Class E Notes in that order until each Class is paid in full
Collateral:	Single name credit default swaps referencing RMBS securities

Coverage Tests

Coverage Test	Expected Closing Date Values	Target OC Coverage Required	Minimum Ongoing OC Coverage Requirement
Senior Overcollateralization Ratio[1]	[120.5]%	[122.5]%	[114.0]%
Class C Note Overcollateralization Ratio	[113.6]%	[115.0]%	[108.0]%
Class D Note Overcollateralization Ratio	[104.7]%	[106.1]%	[101.6]%
Class E Note Overcollateralization Ratio	[103.1]%	[104.3]%	[101.0]% [2]

[1] The Senior Swap, Class A and Class B ratios will be combined and known as Senior OC ratios

[2] Class E Interest Diversion Test set at 101.0%. After regular payments of premium, interest, amortization and principal to the Senior Swap, Class S, A, B, C, D and E Notes but before any payment to the Income Notes, if the Class E Note Overcollateralization Ratio is less than [101.0]%, then all excess interest proceeds will be paid to amortize the principal balance of the Class E Notes

Synthetic Securities

Synthetic Securities:	Pay-As-You-Go ("PAUG") ISDA
Interest Shortfall Basis:	Fixed Cap Applicable
Credit Events:	Writedown Failure to Pay Principal Distressed Ratings Downgrade
Default Swap Collateral:	Proceeds from the issuance of the securities deposited with Goldman Sachs in exchange for Default Swap Collateral. Default Swap Collateral will be delivered to Goldman, (i) to settle any Credit Events, (ii) to pay Physical Settlement Amounts, (iii) to pay certain Synthetic Security Termination Payments and in exchange for Synthetic Security Counterparty Principal Payments. If the Default Swap Collateral is not sufficient to settle any Credit Event, pay any Physical Settlement Amount, or to pay any such Synthetic Security Termination Payment, generally, the Senior Swap Counterparty will pay such amounts.

[redacted]

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Hudson Mezzanine Funding 2006-1

Transaction Overview

- Hudson CDO program was developed by the CDO Desk in 2006 to create a consistent, programmatic approach to invest in attractive relative value opportunities in the RMBS and structured product market
  - We successfully launched Hudson High Grade which is in the market now. This is a continuation of this program with mezzanine quality RMBS
- The CDO is an Alpha Generator / Term Non-recourse with other non-ABX names. 60% of the portfolio will consist of single name CDS from the ABX 2006-1 and ABX 2006-2 index to pass through the relative value pickup between the Index vs. single name CDS. Term non-recourse execution of Hudson will lock in the arbitrage for the benefit of debt and equity investors
- Goldman will buy equity and is long this risk via warehouse: 100% ramped
- This is not a tranched Index CDO. CDO will utilize a cashflow waterfall with traditional O/C tests
- Super Seniors are done with one large sophisticated Wall Street CDO buyer
- Focus will be on the BBBs and BBs
  - ➢ No CDOs
  - ➢ No negative convexity (fixed rate)
  - ➢ No BBs

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Footnote Exhibits - Page 4195

From: Herrick, Darryl K
Sent: Saturday, September 30, 2006 11:54 AM
To: Ostrem, Peter L; Case, Benjamin; Bieber, Matthew G.
Subject: Hudson Mezz

Attachments: Hudson Mezz Debt Book 2006-09-283.ppt; Hudson Mezz Termsheet 2006-09-27 Sales.doc


Hudson Mezz Debt Book 2006-09-...


Hudson Mezz ermsheet 2006-09-.

Team, We are planning to begin marketing Hudson Mezz this week

I have attached is the marketing book and term sheet as it currently stands (still updating stress runs)

Would appreciate any feedback/comments you have on this because it discusses tha current CDO and more importantly what our desk's strategy is with Hudson program for the future. Be interested in getting everyone's color

I am in the office tomorrow so can talk then or whenever you get a chance can reach me on my cell (646) 526-8256
Darryl

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2253

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Hudson Mezzanine Funding 2006-1, LTD.

A $2.0 Billion Static Mezzanine Structured Product CDO

Goldman, Sachs & Co. – Liquidation, Structuring, and Placement Agent

September [ ], 2006

The information contained herein is indicative only and the actual terms of any transaction will be set forth in the definitive Offering Circular.

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II. Transaction Details

III. Portfolio Growth and Composition

IV. Scenario Analysis and Modeling Assumptions

Appendix

- Portfolio Asset List
- Goldman Sachs Contact Information

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Disclaimer

The information contained herein is confidential information regarding securities that may in the future be offered by Hudson High Grade Funding 2006-1, LTD ("Hudson Funding" or the "Issuer"). The information is being delivered to a limited number of sophisticated prospective institutional investors in order to assist them in determining whether they have an interest in the type of securities described herein and is solely for their internal use. By accepting this information, the recipient agrees that it will use and it will cause its directors, partners, officers, employees and representatives to use the information only to evaluate its potential interest in the securities described herein and for no other purpose and will not divulge any such information to any other party. Any reproduction of this information, in whole or in part, is prohibited. Notwithstanding the foregoing, each recipient (and each employee, representative, or other agent of such recipient) may disclose to any and all other persons, without limitation of any kind, the tax treatment and tax structure of the issuer, the securities described herein and any future offering thereof and the ownership and disposition of such securities and all materials of any kind (including opinions or other tax analyses) that are provided to such recipient relating to such tax treatment and tax structure. However, any such information relating to such tax treatment or tax structure is required to be kept confidential to the extent reasonably necessary to comply with any applicable securities laws. For this purpose, the tax treatment of a transaction is the purported or claimed U.S. federal income tax treatment of the transaction, and the tax structure of a transaction is any fact that may be relevant to understanding the purported or claimed U.S. federal income tax treatment of the transaction.

The information contained herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any trading strategy. The information contained herein is preliminary and material changes to the proposed terms of the securities described herein may be made at any time. If any offer of securities is made, it shall be made pursuant to a definitive offering circular (the "Offering Circular") prepared by or on behalf of the Issuer, which would contain material information not contained herein and which shall supersede, amend and supplement this information in its entirety. Any decision to invest in the securities described herein should be made after reviewing the Offering Circular, conducting such investigations as the investor deems necessary or appropriate and consulting the investor's own legal, accounting, tax, and other advisors in order to make an independent determination of the suitability and consequences of an investment in the securities.

The securities described herein will not be registered under the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction and neither the Issuer nor the pool of securities held by the Issuer will be registered under the Investment Company Act of 1940, as amended. The securities offered herein will not be recommended by any United States federal or state securities commission or any other regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense. The securities described herein will be subject to certain restrictions on transfers as described in the Offering Circular.

None of the Issuer, Goldman Sachs (as used herein, such term shall include Goldman, Sachs & Co. and all of its affiliates), nor any of their respective affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein and nothing contained herein shall be relied upon as a promise or representation whether as to the past or future performance. The information includes hypothetical illustrations and involves modeling components and assumptions that are required for purposes of such hypothetical illustrations. No representations are made as to the accuracy of such hypothetical illustrations or that all assumptions relating to such hypothetical illustrations have been considered or stated or that such hypothetical illustrations will be realized. The information contained herein does not purport to contain all of the information that may be required to evaluate such securities, and each recipient is encouraged to read the Offering Circular and should conduct its own independent analysis of the data referred to herein. The Issuer, Goldman Sachs, and their respective affiliates disclaim any and all liability relating to this information, including, without limitation, any express or implied representation or warranty for statements contained in and omissions from this information. None of the Issuer, Goldman Sachs, or any of their respective affiliates expects to update or otherwise revise the information contained herein except by means of the Offering Circular. Additional information may be available on request. The securities and obligations of the Issuer are not issued by, obligations of, or guaranteed by Goldman Sachs, or their respective affiliates, or other organizations. In particular, the obligations of the Issuer are not deposit obligations of any financial institution. The securities and obligations of the Issuer are complex, structured securities and there is no assurance that a secondary market for such securities will exist at any time. Accordingly, prospective investors should be prepared, and have the ability, to hold such securities until their respective stated maturities or stated redemption dates.

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HYPOTHETICAL ILLUSTRATIONS AND PRO FORMA INFORMATION

These materials contain statements that are not purely historical in nature. These include, among other things, hypothetical illustrations, sample or pro forma portfolio structures or portfolio composition, scenario analysis of returns and proposed or pro forma levels of diversification or sector investment. These hypothetical illustrations of returns illustrate a range of potential outcomes based upon certain assumptions. Such potential outcomes are not a prediction by the Issuer, Goldman Sachs or their respective affiliates of the performance of the securities described herein. Actual events are difficult to predict and are beyond the control of the Issuer, Goldman Sachs, or their respective affiliates. Actual events may differ from those assumed and such differences may be material. There can be no assurance that illustrated returns will be realized or materialized or that actual returns or results will not be materially lower than those presented. All statements included are based on information available on the date hereof, and none of the Issuer, Goldman Sachs or their respective affiliates assumes any duty to update any such statement. Some important factors which could cause actual results to differ materially from those in any statements contained herein include the actual composition of the collateral and the price at which such collateral is actually purchased by the Issuer, any defaults on the collateral, the timing of any defaults and subsequent recoveries, changes in interest rates, and any weakening of the specific credits included in the collateral, among others. The Offering Circular will contain other risk factors, which an investor should also consider in connection with an investment in the securities described herein.

PRIOR INVESTMENT RESULTS

Any prior investment results or returns are presented for illustrative purposes only and are not indicative of the future returns on the securities and obligations of the Issuer. Because of portfolio restrictions that apply to the Issuer and differences in market conditions, the investments selected by Goldman Sachs on behalf of the Issuer may differ substantially from prior investments made by Goldman Sachs. The Issuer has no operating history.

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Risk Factors

Note: The Offering Circular will include more extensive descriptions of the risks described herein as well as additional risks relating to, among other things, conflicts of interest. Any decision to invest in the securities described herein should be made after reviewing such Offering Circular, conducting such investigations as the investor deems necessary and consulting the investor's own legal, accounting and tax advisors in order to make an independent determination of the suitability and consequences of an investment in the securities. The Offering Circular will supersede this document in its entirety.

- Limited Liquidity, Restrictions on Transfer and Limited Recourse
  - There is currently no market for the Secured Notes or Income Notes and it is unlikely that any secondary market will develop. The Secured Notes and the Income Notes should be viewed as a long-term investment, not as a trading vehicle. The value of the Secured Notes and the Income Notes may vary and the Secured Notes and the Income Notes, if sold, may be worth less than their original cost.
  - In addition, as the Secured Notes and the Income Notes will be sold in transactions exempt from SEC registration pursuant to Section 4(2), Rule 144A, and/or Reg S and the Issuer will not be registered under the Investment Company Act of 1940 pursuant to the Section 3(c)(7). Related restrictions, as well as other restrictions on transfer of the Income Notes will apply.
  - All liabilities are payable solely from the cash flow available from the collateral pledged by the Issuer to secure all classes of Notes. No other assets will be available for payment in the event of any deficiency. The Income Notes represent equity in the Issuer and as such are subordinated to the Secured Notes. The Income Notes are payable from the collateral (which represent the only assets of the Issuer) only after payment in full of amounts due on the Secured Notes.
- Leveraged Credit Risk
  - The Income Notes are in a first loss position with respect to defaults on the underlying collateral. The leveraged nature of the Income Notes magnifies the adverse impact of any collateral defaults.
- Subordination
  - The Income Notes are subordinated to the Class A, Class B, Class C, Class D and Class E Notes and certain payments of expenses. The Class E Notes are subordinated to the Class A, Class B, Class C and Class D Notes and certain payments of expenses. The Class D Notes are subordinated to the Class A, Class B and Class C Notes and certain payments of expenses. The Class C Notes are subordinated by the Class A and Class B Notes and certain payments of expenses. The Class B Notes are subordinated to the Class A Notes and certain payments of expenses. No distributions of interest proceeds received on the collateral will be made to the Income Notes until interest on the Secured Notes and certain other expenses have been paid. In addition, in the event of a default, holders of the most senior class of Secured Notes will generally be entitled to determine the remedies to be exercised; such remedies could include the sale and the liquidation of the collateral and have an adverse effect on the Income Notes. The Income Notes will not be able to exercise any remedies following an event of default and will not receive payments after an event of default until the Secured Notes are paid in full.

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Risk Factors

- Volatility of Collateral and of Secured Notes' and Income Notes' Market Value
  - The Income Notes represent a leveraged investment in the Collateral Assets. The use of leverage generally magnifies an issuer's opportunities for gain and risk of loss. Therefore, changes in the market value of the Secured Notes and the Income Notes can be expected to be greater than changes in the market value of the underlying assets included in the collateral, which themselves are subject to credit, liquidity and, with respect to the fixed rate portion of the portfolio, interest rate risk.
  - Changes in the market value of issues from one sector or industry may impact the market value of issues from one or more of other sectors or industries included in the collateral.
- Collateral Risk
  - Collateral Assets inherently bear significant credit risks because issuers are primarily private entities.
  - The structure of Collateral Assets and the terms of the issuer's interest in the collateral can vary widely depending on the type of collateral, investor sentiment and the use of credit enhancements.
  - Adverse changes in the financial condition of the collateral obligor or in general economic conditions may adversely affect the obligor's ability to pay principal and interest on its debt.
- Illiquidity of Collateral Assets
  - Some of the Collateral Assets purchased by the Issuer will have no, or only a limited, trading market. This illiquidity may restrict the Issuer's ability to dispose of investments in a timely fashion or for a fair price.
  - Illiquid debt securities may also trade at a discount to comparable, more liquid investments. In addition, the Issuer may invest in privately placed Collateral Assets that are non-transferable or are transferable only at prices less than the fair value or the original purchase price of the securities.
- Nature of Collateral
  - The Collateral Assets are subject to credit, liquidity and interest rate risk. In addition, the financial performance of the Issuer may be affected by the price and availability of Collateral Assets to be purchased.
  - Some or all of the Collateral Assets may be subordinated securities which may be subject to leveraged credit risk.
  - The ability of the Issuer to sell Collateral Assets prior to maturity is subject to certain restrictions and limitations under the Indenture.

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Risk Factors

- No Collateral Manager
  - The Issuer will not engage a Collateral Manager. As a result, (i) the Collateral Assets held by the Issuer on the Closing Date will be retained by the Issuer even if it would be in the best interests of the Issuer and the holders of the Income Notes and Secured Notes to dispose of certain Collateral Assets unless the Collateral Assets are required to be sold by the Liquidation Agent as described in the previous paragraph and (ii) the Indenture will eliminate the ability of the Issuer to exercise discretion in contexts where a collateral manager in a managed or static collateralized debt obligation transaction typically would have discretion to exercise such discretion on behalf of the Issuer and holders of Income Notes and Secured Notes. The inability of the Issuer to exercise discretion in these contexts could adversely impact the Issuer and the holders of the Income Notes and Secured Notes.
- Timing and Amount of Recoveries
  - Only Collateral Assets that meet the liquidation criteria (see page 12) may be sold. If a Collateral Asset meets the liquidation criteria, the Liquidation Agent is required to sell such affected collateral in accordance with the terms of the Liquidation Agency Agreement. There can be no assurance as to the timing of the Liquidation Agent's sale of affected assets, or if there will be any market for such assets or as to the rates of recovery on such affected collateral. The inability to realize immediate recoveries at the recovery levels assumed herein may result in lower cash flow and a lower yield to the Income Notes and Secured Notes as compared to the returns generated using the Modeling Assumptions.
- Impairment of Credit Quality and/or Defaults on the Collateral
  - Decline in credit quality of the collateral or defaults could result in losses which would adversely affect the Income Notes and Secured Notes. The Collateral Assets are expected to have a Moody's weighted average rating of at least Aa3/A1 at the Closing Date.
  - There may be certain industry or sector concentrations in the CDO, all of which could have a material adverse impact on the Income Notes in the event of economic downturns or other events affecting the credit quality of any of the collateral.

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Risk Factors

- Timing of Receipt of Accrued Interest Income
  - On an ongoing basis, the receipt by the Issuer of accrued interest income may affect the availability of cash which may be distributed to the Holders of Secured Notes and Income Notes.
- International Investing
  - Investing outside the U.S. may involve greater risks which may include (1) less publicly available information, (2) varying levels of governmental regulation and supervision, (3) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws, (4) less stringent accounting practices, (5) different clearance and settlement procedures, (6) economic and political conditions and instability, (7) exchange control and foreign currency risk, (8) insolvency and (9) expropriation risk.
  - A portion of the Collateral Assets may consist of obligations of an issuer organized under the laws of the Bahames, Bermuda, the Cayman Islands, the Channel Islands, the Netherlands Antilles or other jurisdictions offering favorable tax treatment.
- Tax Treatment of Income Notes
  - Since the Issuer will be a passive foreign investment company, a U.S. person holding Income Notes may be subject to additional taxes unless it elects to treat the Issuer as a qualified electing fund and to recognize currently its proportionate share of the Issuer's income. The Income Notes will be treated as equity for tax purposes.
  - Income Notes holders should consult their tax advisers about the special U.S. tax regimes that apply to shareholders of passive foreign investment companies, controlled foreign corporations and foreign personal holding companies.
  - Special tax considerations may apply to certain types of investors. Prospective investors should consult their own tax advisors regarding the tax implications of their investments.
- Material Tax Considerations
  - There is a possibility that the Issuer will be found to be engaging in a U.S. trade or business. In such a case, it would be subject to substantial U.S. income tax on its income.

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Risk Factors

- Hypothetical Illustrations and Estimates
  - Estimates of the weighted average lives of the Class S, A, B, C, D and E Notes and the returns and duration of the Income Notes included herein, together with any other hypothetical illustrations and estimates provided to prospective purchasers of the Class S, A, B, C, D and, E Notes, are forward-looking statements. See "Hypothetical Illustrations and Pro Forma Information" on disclaimer page in the beginning of this book.
  - The hypothetical illustrations are only estimates. Actual results may vary, and the variations may be material. See "Hypothetical Illustrations and Pro Forma Information" on disclaimer page in the beginning of this book.
- Yield Due to Prepayments
  - The yield to maturity on the Income Notes could be affected by the rate of prepayment of the Collateral Assets. Payments to the Income Notes at a rate slower than the rate anticipated by investors purchasing the Income Notes at a discount will result in an actual yield that is lower than anticipated by such investors. Conversely, payments to the Income Notes at a rate faster than the rate anticipated by investors purchasing the Income Notes at a premium will result in an actual yield that is lower than anticipated by such investors.
- Changes in Tax Laws
  - The Collateral Assets are not permitted to be subject to withholding tax at the time of purchase, unless the issuer thereof is required to make "gross-up" payments. There can be no assurance that, as a result of any change in any applicable law, treaty, rule or regulation or interpretation thereof, the payments on the collateral might not in the future become subject to withholding tax which could adversely affect the amounts that would be available to make payments on the Income Notes and Secured Notes.
  - In case of a Withholding Tax Event (as defined in the Offering Circular), holders of more then 50% of any affected Note may require the issuer to liquidate the collateral on any Payment Date, and redeem the Class S, A, B, C, D and E Notes, prior to any distributions to holders of Income Notes.

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I. Transaction Overview

Note: The information in this section is preliminary and subject to change

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Hudson Mezzanine Funding 2006-1

Transaction Overview

- Hudson CDO program was developed by Goldman Sachs in 2006 to create a consistent, programmatic approach to invest in attractive relative value opportunities in the RMBS and structured product market
  - We successfully launched Hudson High Grade in September. This is a continuation of the program using mezzanine quality RMBS
- Hudson CDOs are non-managed and static in nature and provide term non-recourse funding where Goldman Sachs acts as Liquidation Agent on an ongoing basis
- The portfolio composition of Hudson Mezzanine Funding 2006-1 will consist of 100% CDS on RMBS.
  - 60% of the RMBS will be single name CDS on all 40 obligors in ABX 2006-1 and ABX 2006-2
  - 40% of the will consist of single name CDS on 2005 and 2006 vintage RMBS
- ABX Baa2 and Bea3 tranches trade approximately 30bps wider than the single name CDS on the 40 obligors representing the ABX
  - Hudson Funding will capture this basis arbitrage and the single name CDS will be put in at current ABX market levels. Term non-recourse execution of Hudson will lock in the arbitrage for the benefit of debt and equity investors
- Goldman Sachs has aligned incentives with the Hudson program by investing in a portion of equity and playing the ongoing role of Liquidation Agent. The Liquidation Agent will be responsible for efficiently selling credit risk assets

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Hudson Mezzanine Funding 2006-1, LTD

Transaction Overview

- Super Seniors have been executed with one large, sophisticated Wall Street investor in unfunded form
- This is a typical CASHFLOW CDO with O/C triggers. This is NOT a tranched Index CDO
- Goldman Sachs, in the role of Liquidation Agent, will:
  - Warehouse assets during the portfolio aggregation phase prior to closing
  - Liquidate any asset within one year after such asset performs below certain threshold levels determined prior to closing
- Goldman Sachs expects to invest in a portion of the Income Notes
- Goldman Sachs' objective is to develop a long term association with selected partners that can adapt to and take advantage of market opportunities
  - The goal is to create attractive proprietary investments by leveraging expertise of both Goldman Sachs CDO and Mortgage Desks while maintaining a consistent approach and creating a unified issuance program across multiple transactions

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Hudson Mezzanine Funding 2006-1, LTD

Transaction Overview

- Hudson Funding is a "static" mezzanine structured product CDO with the following features:
  - No exposure to reinvestment spread risk or reliance on reinvestment to generate excess interest to cover debt
  - No fixed rate assets
  - 100% RMBS
  - No assets without an initial rating of at least Baa3 by Moody's or BBB- by S&P. Average WARF in the portfolio is expected to be 485
  - Overall transaction cost structure is significantly less than comparable mezzanine structured product CDOs in the market
- There will be no reinvestment, substitution, discretionary trading or discretionary sales. After closing, assets that are determined to be "credit risk" securities will be sold by the Liquidation Agent within one year of such determination
- Goldman Sachs will act as Structuring, Placement and Liquidation Agent for Hudson Funding and will warehouse the portfolio prior to closing
  - Goldman Sachs will charge 10 bps ongoing fee for its role as Liquidation Agent
- Goldman Sachs' portfolio selection process:
  - Assets sourced from the Street. Hudson Funding is **NOT** a Balance Sheet CDO
  - Goldman Sachs CDO desk pre-screens and evaluates non ABX related assets for portfolio suitability
  - Goldman Sachs CDO desk reviews individual assets in conjunction with respective mortgage trading desks (Subprime , Midprime, Prime, etc.) and makes decision to add or decline
  - All CDS use rating agency approved confirms (pay as you go)

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Hudson Mezzanine Funding 2006-1, LTD
Transaction Overview - Asset Selection / Asset Liquidation

- Portfolio Aggregation Strategy:
  - 60% of portfolio will consist of the 40 obligors in ABX 2006-1 and ABX 2006-2
  - Select only assets rated explicitly Baa3/BBB- (Moody's / S&P) and above. No notched rating of below Baa3 in the portfolio
  - No Fixed rate assets allowed decreasing interest rate swap basis mismatch
  - Maximum obligor concentrations is 1.5% creating a very granular portfolio with 100 distinct obligors
  - Target portfolio with Weighted Averege Rating Factor of 485 and duration weighted average spread of 184 bps

- Goldman Sachs, as Liquidation Agent, will liquidate any asset determined to be a "credit risk" asset within 12 months of such determination. "Credit risk" assets will include:
  - Any asset downgraded by Moody's or S&P to below Ba3 or BB-
  - Any asset that is defaulted or would be experiencing a credit event as defined by the PAUG confirm

- Expected collateral quality statistics at closing
  - WARF: 485
  - Moody's Asset Correlation ("MAC") at closing: [23]
  - Duration weighted average portfolio spread: 184 bps
  - Weighted Average Duration: 4.0 years

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Hudson Mezzanine Funding 2006-1, LTD

Transaction Overview – Preliminary Capital Structure

Classes	Ratings (M/S)	Expected Principal Balance	% of Capital Structure	Coupon	Expected AL	Initial OC
Class S	Aaa/AAA	$12.10 MM	N/A	Not Offered	2.8 yrs	N/A
Senior Swap	Aaa/AAA	$1,200 MM	60.00%	Not Offered	3.9 yrs	166.7%
Class A-1	Aaa/AAA	$150 MM	7.5%	1M LIBOR + [ ]%	5.0 yrs	133.3%
Class A-2	Aaa/AAA	$150 MM	7.5%	1M LIBOR + [ ]%	5.1 yrs	133.3%
Class B	Aa2/AA	$160 MM	7.5%	1M LIBOR + [ ]%	5.1 yrs	120.5%
Class C	A2/A	$100 MM	5.0%	1M LIBOR + [ ]%	5.2 yrs	113.6%
Class D	Baa2/BBB	$150 MM	5.0%	1M LIBOR + [ ]%	5.1 yrs	104.7%
Class E	Ba1/BB+	$30 MM	7.5%	1M LIBOR + [ ]%	5.3 yrs	103.1%
Income Notes	N/A	$60 MM	1.5%	N/A	N/A	N/A

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Hudson Mezzanine Funding 2006-1

Transaction Overview

- Hudson Mezzanine CDO is a pure RMBS CDO and will look very different than most mezzanine deals currently in the market. Hudson will have none of the following:
  - CDO bucket
  - Negative convexity product (fixed rate RMBS)
  - BB bucket

	Cairn Mezz ABS CDO II	Octans CDO II	Gemstone VI	Longwood	Hudson Mezz CDO
Ongoing Fees (bps)	25	15		40	10
Max CDO bucket	10%	10%	5%	5%	NONE
Fixed rate bucket	5%	NONE	10%	10%	NONE
BB bucket	NONE	3%	8%	5%	NONE
Covenant/Expected WARF	525	500	520	450	485
Covenant/Expected Spread	1.64%	1.46%	1.60%	1.75%	1.54%

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II. Transaction Details

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Transaction Details

General Information

Issuers:	Hudson Mezzanine Funding 2006-1, LTD, and Hudson Mezzanine Funding 2006-1, Corp.
Liquidation Agent, Structuring and Placement Agent:	Goldman, Sachs & Co.
Trustee:	[ ]
Liquidation Agent Fee:	10 bps per annum payable senior to all the Notes
Reinvestment Period:	None
Discretionary Trading:	None. Liquidation Agent will sell credit-risk assets based on pre-determined rules and the clean proceeds will be treated as principal paydowns
Ramp-Up Period:	None
Non-Call Period:	Approximately 3 years. Callable in whole on or after April 2010 by a majority vote of the Income Notes
Auction Call:	Commences on April 2015. Conducted annually thereafter
Call Price:	Par plus all accrued for Secured Notes and unpaid principal balance of the equity. There is no call premium to the Income Notes
Payment Frequency:	Monthly on Class S, Senior Swap, Class A, B, C, D and Class E Notes, Quarterly for Income Notes
Controlling Class:	Class S, Senior Swap and Class A Notes (the "Senior Notes") voting in the aggregate until paid in full, then Class B, Class C, D and Class E Notes in that order until each Class is paid in full

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Transaction Details
Collateral Profile

Moody's WARF	485
Purchased Collateral	All collateral assets can be classified as RMBS, CDO or CLO Securities
Ratings Profile	■ 100% of the assets are rated at least Baa3 and BBB- by Moody's and S&P
Target Obligor Concentration Profile	■ Maximum Obligor concentration: 1.5%
Collateral Haircuts:	■ 20% applied to Double-B Assets prior to sale ■ 40% applied to Single-B Assets prior to sale ■ 75% applied to Triple-C Assets prior to sale ■ 100% applied to Defaulted Obligations

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III. Portfolio Composition

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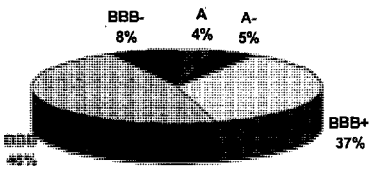
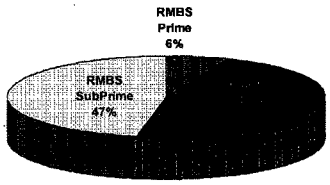
Portfolio Composition

Target Portfolio

Collateral[2]



Credit Ratings[1][2]



1 Based on higher of S&P and Moody's rating for each asset.
2 Represents the Current Portfolio as of September 26 2006. Please refer to the final Offering Circular for final portfolio details.

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Portfolio Highlights

- Portfolio WARF is 485
- No CDOs
- All investment grade rated RMBS. No BBs
- No fixed rate assets
- No Option ARM assets

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IV. Scenario Analysis and Modeling Assumptions

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Scenario Analysis
Debt Breakeven Analysis

- REVISING

Note: Default Rate is assumed to be a percentage of outstanding collateral. Defaults begin occurring beginning of month 18 through the life of the transaction. See the "Modeling Assumptions" page in the marketing book for further details.

Potential investors should review the definitive Offering Circular relating to the Notes, including the descriptions of Risk Factors contained in such Offering Circular prior to making a decision to invest in the Notes. The definitive Offering Circular will supersede this document in its entirety.

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Scenario Analysis
Modeled CDO Paydown Structure

- REVISING

Note: Assumes no losses. See "Modeling Assumptions." Actual paydown may vary significantly from that shown. Assumes Auction call in year 8.

Potential investors should review the definitive Offering Circular relating to the Notes, including the descriptions of Risk Factors contained in such Offering Circular prior to making a decision to invest in the Notes. The definitive Offering Circular will supersede this document in its entirety.

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Modeling Assumptions [Revising]

Assumptions applicable to modeling runs (there can be no assurance that the transaction will reflect these assumptions):

Liability Structure	Par %	Initial OC	Target OC
Class S Notes	NA	NA	NA
Senior Swap	60.00%		
Class A-1 Notes	7.50%		
Class A-2 Notes	7.50%		
Class B Notes	4.05%		
Class C Notes	1.35%		
Class D Notes	60.00%		
Class E Notes	8.25%		
Income Notes	4.05%		

- LIBOR rates are based on the forward curve as of September 1, 2006.
- The deal's amortizing interest rate swap is put into place on the Closing Date.
- The Closing Date is November 1, 2006, and the first Payment Date on the Class S, A and B Notes is February 2, 2007 and the first Payment Date on the Class C and D Notes and Income Notes is March 2, 2007.
- The CDO is 100% invested on the Closing Date.
- Collateral average coupon and spread in each period are calculated based on the weighted average expected coupon and spread on each Collateral Asset outstanding during such period
- Coupon, margin over LIBOR, and fixed and floating rate percentages listed above are based on composition of actual warehouse assets as of September 5, 2006.

Potential investors should review the definitive Offering Circular relating to the Notes, including the descriptions of Risk Factors contained in such Offering Circular prior to making a decision to invest in the Notes. The definitive Offering Circular will supersede this document in its entirety.

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Modeling Assumptions

Assumptions applicable to modeling runs (there can be no assurance that the transaction will reflect these assumptions):

- Expenses are paid at the end of each period at 0.01% per annum of the outstanding collateral balance. Analysis also includes, among other things, structuring fees, surveillance fees, underwriting fees and upfront legal plus other expenses totaling approximately [ ]% of the total collateral pool payable upfront and [ ]% of the outstanding collateral pool payable ongoing
- Asset payments received in CDO payment month are paid in that same applicable payment period
- Any sale proceeds and scheduled and unscheduled Principal Proceeds will be used, first, to redeem the Class A Notes until the Class A Note Target Overcollateralization Ratio is met, second, to redeem the Class B Notes until the Class B Note Target Overcollateralization Ratio is met, third, to redeem the Class C Notes until the Class C Note Target Overcollateralization Ratio is met and then will be paid to the Class D Notes
- Pro-rata payment among classes is assumed once the Target Overcollateralization levels are met unless defaults reduce Overcollateralization Ratios below Target Overcollateralization levels or if the collateral balance falls below $450mm
- After current interest (including interest on deferred and capitalized interest) is paid, the Class D Notes receive a scheduled principal payment (the "Class D Amortizing Principal Payment") equal to $[75,000] per quarter for the first 12 months and $[50,000] per quarter thereafter
- OC Test Levels: Class A/B – 101.5[ ] made on the 2nd of each month, and all collateral payments are assumed to be received 7.5 days prior to each payment
- While held in cash, all interest and principal receipts are assumed to earn a per annum rate of 1m LIBOR minus 0.25%
- No trading gains or call premiums are assumed
- Defaults, if applicable, start 18 months after issuance and default rate is assumed to be a percentage of outstanding collateral, unless otherwise specified
- Recoveries are realized immediately upon default at a 60% recovery rate

Potential investors should review the definitive Offering Circular relating to the Notes, including the descriptions of Risk Factors contained in such Offering Circular prior to making a decision to invest in the Notes. The definitive Offering Circular will supersede this document in its entirety.

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Appendix A – Portfolio Asset List

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Portfolio Composition

Comprehensive CDO Collateral Asset List:

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Portfolio Composition

Comprehensive CDO Collateral Asset List:

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Portfolio Composition

Comprehensive CDO Collateral Asset List:

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Portfolio Composition

Comprehensive CDO Collateral Asset List:

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Appendix B – Goldman Sachs Contact Information

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Hudson High Grade Funding 2006-1, LTD

Team Contact Information [TO REVISE]

Goldman, Sachs & Co. – Structuring, Placement and Liquidation Agent

Structured Product CDOs – Structuring, Marketing and Principal Investments	
Peter Ostrem	(212) 357-4617
Darryl K. Herrick	(212) 902-9305
Deva Mishra	(212) 902-1378
Roman Shimonov	(212) 902-2592

Syndication	
Bunty Bohra	(212) 902-7645
Scott Wisenbaker	(212) 902-2858
Mitchell Resnick (London)	+44 (20) 7774-3088
Omar Chaudhary (Tokyo)	+81 (3) 6437-7198
Scott Walter	(212) 357-8910
Tetsuya Ishikawa(London)	+44 (20) 7774-1025

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All information in this Term Sheet, whether regarding the assets backing any securities discussed herein or otherwise, will be superseded by the information contained in the final Offering Circular for any securities actually sold to you. The securities have not been and will not be registered under the Securities Act of 1933, as amended, and the issuers will not be registered under the Investment Company Act of 1940, as amended. This Term Sheet is furnished to prospective investors on a confidential basis solely for the purposes of evaluating the investment offered hereby. The information contained herein may not be reproduced or used in whole or in part for any other purposes.

Preliminary Termsheet

September [ ], 2006

Goldman Sachs

Hudson Mezzanine Funding 2006-1, LTD.

$2.0 Billion Static Mezzanine Structured Product CDO

Note: The Class S, Senior Swap, A, B, C, D and E Notes (the "Notes") have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and are being sold (a) in the United States only to qualified institutional buyers ("QIBs") in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A who are also qualified purchasers as defined in the Investment Company Act of 1940, and (b) outside the United States to non- U.S. persons in reliance on Regulation S.

Security	Expected Par Amount	% of Par	Initial Over-Collateralization	Expected Ratings (Moody's/S&P)	Coupon	Expected Avg Life
Class S	[ ]	N/A	N/A	Aaa/AAA	Not Offered	[2.8]
Senior Swap	$1,200.0 MM	60.00%	166.7%	Aaa/AAA	Not Offered	[3.7]
Class A1	$150.0 MM	7.50%	133.3%	Aaa/AAA	1mL+[ ] bps	[2.0]
Class A2	$150.0 MM	7.50%	133.3%	Aaa/AAA	1mL+[ ] bps	[6.0]
Class B	$160.0 MM	8.00%	120.5%	Aa2/AA	1mL+[ ] bps	[5.1]
Class C	$100.0 MM	5.00%	113.6%	A2/A	1mL+[ ] bps	[5.3]
Class D	$150.0 MM	7.50%	104.7%	Baa2/BBB	1mL+[ ] bps	[5.1]
Class E	$30.0 MM	1.50%	103.1%	Ba1/BB+	1mL+[ ]bps	[5.3]
Income Notes	$60.0 MM	3.00%	N/A	NR	N/A	N/A

Transaction Overview

- Hudson Mezzanine Funding 2006-1 will be a static $2.0 billion cashflow CDO consisting of a diversified portfolio of single-name credit default swaps on RMBS securities.
- Goldman Sachs, & Co. ("Goldman") selects the assets.
- 60% of the assets will be single name CDS referencing all forty obligors in ABX 2006-1 and ABX 2006-2.
- The portfolio consists of collateral which is rated at least Baa3 and BBB- with an average rating of Baa2/Baa3. 100% will be real-estate related securities.
- Low fee structure and less "bar-bellied" portfolio than other mezzanine CDOs in the current market
- Goldman, as Liquidation Agent, will liquidate any asset determined to be a "credit risk" within 12 months of said determination. Credit Risk assets will include:
  - Any asset downgraded by Moody's or S&P below Ba3 or BB-
  - Any asset that is defaulted or would be experiencing a credit event as defined by the PAUG confirm
- There will be no reinvestment, substitution, discretionary trading or discretionary sales. After closing, assets that are determined to be "credit risk" will be sold by the Liquidation Agent within one year of such determination.
- Goldman will invest in a portion of the Income Notes at closing.

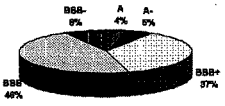
Structural Highlights

- Pure static structure eliminates reinvestment risk and shortens expected weighted average lives on liabilities
  - No reinvestment, substitution, or discretionary trading
  - Proceeds from credit-risk sales will be treated as principal paydowns or notional reduction of the Senior Swap
- Liquidation Agent Fees: 10 bps per annum
- 100% ramped at closing and 100% certainty of all assets in collateral portfolio to be included in transaction
- No fixed rate assets in the portfolio eliminates possibility of an interest rate swap hedge mismatch

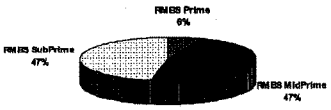
Current Portfolio Characteristics

Par Value of Collateral ($MM)	$2,000
Total Expected Portfolio Size ($MM)	$2,000
% Ramped	100%
Moody's Weighted Average Rating Factor	485
Weighted Average Life	[4.0] years
Number of Positions	140
Distinct Obligors	100
Duration Weighted DM	[184] bps

Ratings Composition of Target Warehouse Portfolio (1)



Sector Composition of Target Warehouse Portfolio



(1) Based on S&P Ratings

CDO Structuring, Marketing and Principal Investments	
Peter Ostrem	+1 (212) 357-4617
Daryl Herrick	+1 (212) 902-9305

Syndicate	
Bunny Bahra	+1 (212) 357 4617
Scott Waemhiker	+1 (212) 902 2858
Mitch Resnick	+44 20 7774 3068
Omar Chaudhary	+81 3 6437 7198

No securities are being offered by these summary materials. If the securities described herein or other securities are ultimately offered, they will be offered only pursuant to a definitive Offering Circular, and prospective investors who consider purchasing any such securities should make their investment decisions based only upon the information provided therein (including the "Risk Factors" section contained therein) and consultation with their own advisers. This material is for your private information and we are not soliciting any action based upon it. This material is not to be construed as an offer to sell or the solicitation of any offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. This material is based on information that we consider reliable, but we do not represent that it is accurate or complete and it should not be relied upon as such. By accepting this material the recipient agrees that it will not distribute or provide the material to any other person. The information contained in this material may not pertain to any securities that will actually be sold. The information contained in this material may be based on assumptions regarding market conditions and other matters as reflected therein. We make no representations regarding the reasonableness of such assumptions or the likelihood that any of such assumptions will coincide with actual market conditions or events, and this material should not be relied upon for such purpose. We and our affiliates, officers, directors, partners and employees, including persons involved in the preparation or issuance of this material may, from time to time, have long or short positions in, and buy and sell, the securities mentioned therein or derivatives thereof (including options). Information contained in this material is current as of the date appearing on this material only. Information in this material regarding any assets backing any securities discussed herein supersedes all prior information regarding such assets. All information in this Term Sheet, whether regarding the assets backing any securities discussed herein or otherwise, will be superseded by the information contained in any final Offering Circular for any securities actually sold to you. Goldman Sachs does not provide accounting, tax or legal advice. In addition, we mutually agree that, subject to applicable law, you may disclose any and all aspects of any potential transaction or structure described herein that are necessary to support any U.S. federal income tax benefits expected to be claimed with respect to such transactions, and all materials of any kind (including tax opinions and other tax analyses) relating to those benefits, without Goldman Sachs imposing limitation of any kind.

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All information in this Term Sheet, whether regarding the assets backing any securities discussed herein or otherwise, is preliminary and is superseded by the information contained in the final Offering Circular for any securities actually sold to you. The securities have not been and will not be registered under the Securities Act of 1933, as amended, and the issuers will not be registered under the Investment Company Act of 1940, as amended. This Term Sheet is furnished to prospective investors on a confidential basis solely for the purposes of evaluating the investment offered hereby. The information contained herein may not be reproduced or used in whole or in part for any other purposes.

Transaction Details

Issuer:	Hudson Mezzanine Funding 2006-1, LTD, incorporated with limited liability in the Cayman Islands
Co-Issuer:	Hudson Mezzanine Funding 2006-1, Corp, corporation organized under the laws of the State of Delaware
Liquidation Agent:	Goldman, Sachs & Co.
Trustee:	[ ]
Initial Purchaser:	Goldman Sachs & Co.
Offering Type:	Reg S (Non-U.S. Persons only), Rule 144A. Rule 144A purchasers must be qualified purchasers under the Investment Company Act of 1940
Listing, Clearing & Settlement:	Application may be made to admit the securities on a stock exchange at the Issuer's choice, if practicable. There can be no assurance that any such application will be made and that any such admission will be granted. The Class S, A, B, C, D and E Notes will settle through Euroclear/Clearstream/DTC. Notes will settle with accrued interest, if any, from the Closing Date. The initial LIBOR Rate on the S, A, B, C, D and E Notes will be set two business days prior to the Closing Date
Reinvestment Period:	None
Non-Call Period:	Approximately three years. Callable in whole on or after April 2010 by a majority vote of the Income Notes
Auction Call Date:	Starting April 2015 and annually in April thereafter
Minimum Call Price:	Class S, A, B, C, D and E Notes (if issued) at par plus accrued interest. There is no call premium to the Income Notes
Legal Final Maturity:	April 2042 for the [Senior Swap], Class A, B, C, D and E Notes. April [2015] for the Class S
Payment Frequency:	The Senior Swap, Class S, A, B, C, D and E Notes will receive premium and interest payments monthly, commencing April 2007. The Senior Swap, Class S, A, B, C, D and E Notes will receive principal payments and reduce outstanding principal amounts monthly, commencing April 2007. Income Notes will receive distributions according to the payment waterfall quarterly, commencing April 2007
Liquidation Agent Fee:	10 bps per annum, payable senior to premium on the Senior Swap and payable monthly, commencing April 2007
ERISA Eligible:	The Class S, A, B, C, and D Notes are expected to be ERISA eligible, assuming that the purchaser is not a prohibited transaction for the purchaser
Tax Treatment:	Class S, Senior Swap, A, B, C, and D Notes will be treated as debt
Controlling Class:	The Class S, Senior Swap and A Notes (the "Senior Notes") voting in the aggregate until paid in full, then Class B, Class C, Class D and Class E Notes in that order until each Class is paid in full
Collateral:	Single name credit default swaps referencing RMBS securities

Coverage Tests

Coverage Test	Expected Closing Date Values	Target OC Coverage Required	Minimum Ongoing OC Coverage Requirement
Senior Overcollateralization Ratio[1]	[120.5]%	[122.5]%	[114.0]%
Class C Note Overcollateralization Ratio	[113.6]%	[115.0]%	[108.0]%
Class D Note Overcollateralization Ratio	[104.7]%	[106.1]%	[101.5]%
Class E Note Overcollateralization Ratio	[103.1]%	[104.3]%	[101.0]%[2]

[1] The Senior Swap, Class A and Class S ratios will be combined and known as Senior OC ratios

[2] Class E Interest Diversion Test set at 101.0%. After regular payments of premium, interest, amortization and principal to the Senior Swap, Class S, A, B, C, D and E Notes but before any payment to the Income Notes, if the Class E Note Overcollateralization Ratio is less than [101.0]%, then all excess interest proceeds will be paid to amortize the principal balance of the Class E Notes

Synthetic Securities

Synthetic Securities:	Pay-As-You-Go ("PAUG") ISDA
Interest Shortfall Basis:	Fixed Cap Applicable
Credit Events:	Writedown Failure to Pay Principal Distressed Ratings Downgrade
Default Swap Collateral:	Proceeds from the issuance of the securities deposited with Goldman Sachs in exchange for Default Swap Collateral. Default Swap Collateral will be delivered to Goldman, (i) to settle any Credit Events, (ii) to pay Physical Settlement Amounts, (iii) to pay certain Synthetic Security Termination Payments and in exchange for Synthetic Security Counterparty Principal Payments. If the Default Swap Collateral is not sufficient to settle any Credit Event, pay any Physical Settlement Amount, or to pay any such Synthetic Security Termination Payment, generally, the Senior Swap Counterparty will pay such amounts.

[redacted boilerplate]

From: Herrick, Darryl K
Sent: Saturday, September 30, 2006 7:17 PM
To: Bieber, Matthew G.
Subject: Re: Hudson Mezz

Thanks

----- Original Message -----
From: Bieber, Matthew G.
To: Herrick, Darryl K
Sent: Sat Sep 30 19:13:55 2006
Subject: RE: Hudson Mezz

Left some comments on your chair.

From: Herrick, Darryl K
Sent: Saturday, September 30, 2006 11:54 AM
To: Ostrem, Peter L; Case, Benjamin; Bieber, Matthew G.
Subject: Hudson Mezz

<< File: Hudson Mezz Debt Book 2006-09-283.ppt >> << File: Hudson Mezz Termsheet 2006-09-27 Sales.doc >>

Team, We are planning to begin marketing Hudson Mezz this week

I have attached is the marketing book and term sheet as it currently stands (still updating stress runs)

Would appreciate any feedback/comments you have on this because it discusses the current CDO and more importantly what our desk's strategy is with Hudson program for the future. Be interested in getting everyone's color

I am in the office tomorrow so can talk then or whenever you get a chance can reach me on my cell (646) 526-8256

Darryl

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2253

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From: Swenson, Michael
Sent: Wednesday, September 27, 2006 6:32 PM
To: Birnbaum, Josh
Subject: Abx cdo

I am concerned that the levels we put on the abx cdo for single-a and triple-bs do not compare favorably with the single-a off of a abx 1 + abx 2 trade.

We need a goog story as to why we think the risk is different.

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2266

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(Multicurrency—Cross Border)

ISDA®

International Swap Dealers Association, Inc.

MASTER AGREEMENT

dated as of December 1, 2006

among

GOLDMAN SACHS INTERNATIONAL and HUDSON MEZZANINE FUNDING 2006-1, LTD.

have entered and/or anticipate entering into one or more transactions (each a "Transaction") that are or will be governed by this Master Agreement, which includes the schedule (the "Schedule"), and the documents and other confirming evidence (each a "Confirmation") exchanged between the parties confirming those Transactions. Accordingly, the parties agree as follows: —

1. Interpretation

(a) ***Definitions.*** The terms defined in Section 14 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.

(b) ***Inconsistency.*** In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purpose of the relevant Transaction.

(c) ***Single Agreement.*** All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "Agreement"), and the parties would not otherwise enter into any Transactions.

2. Obligations

(a) General Conditions.

(i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.

(ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.

(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2267

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(b) *Change of Account.* Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the scheduled date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) *Netting.* If on any date amounts would otherwise be payable:—

(i) in the same currency; and

(ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount will be determined in respect of all amounts payable on the same date in the same currency in respect of such Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or a Confirmation by specifying that subparagraph (ii) above will not apply to the Transactions identified as being subject to the election, together with the starting date (in which case subparagraph (ii) above will not, or will cease to, apply to such Transactions from such date). This election may be made separately for different groups of Transactions and will apply separately to each pairing of Offices through which the parties make and receive payments or deliveries.

(d) *Deduction or Withholding for Tax.*

(i) *Gross-Up.* All payments under this Agreement will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If a party is so required to deduct or withhold, then that party ("X") will:—

(1) promptly notify the other party ("Y") of such requirement;

(2) pay to the relevant authorities the full amount required to be deducted or withheld (including the full amount required to be deducted or withheld from any additional amount paid by X to Y under this Section 2(d)) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;

(3) promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities; and

(4) if such Tax is an Indemnifiable Tax, pay to Y, in addition to the payment to which Y is otherwise entitled under this Agreement, such additional amount as is necessary to ensure that the net amount actually received by Y (free and clear of Indemnifiable Taxes, whether assessed against X or Y) will equal the full amount Y would have received had no such deduction or withholding been required. However, X will not be required to pay any additional amount to Y to the extent that it would not be required to be paid but for:—

(A) the failure by Y to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d); or

(B) the failure of a representation made by Y pursuant to Section 3(f) to be accurate and true unless such failure would not have occurred but for (I) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (II) a Change in Tax Law.

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(ii) ***Liability***. If: —

(1) X is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding in respect of which X would not be required to pay an additional amount to Y under Section 2(d)(i)(4);

(2) X does not so deduct or withhold; and

(3) a liability resulting from such Tax is assessed directly against X,

then, except to the extent Y has satisfied or then satisfies the liability resulting from such Tax, Y will promptly pay to X the amount of such liability (including any related liability for interest, but including any related liability for penalties only if Y has failed to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d)).

(e) ***Default Interest; Other Amounts***. Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party that defaults in the performance of any payment obligation will, to the extent permitted by law and subject to Section 6(c), be required to pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed. If, prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party defaults in the performance of any obligation required to be settled by delivery, it will compensate the other party on demand if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

3. Representations

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into and, in the case of the representations in Section 3(f), at all times until the termination of this Agreement) that:—

(a) ***Basic Representations***.

(i) ***Status***. It is duly organised and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing;

(ii) ***Powers***. It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorise such execution, delivery and performance;

(iii) ***No Violation or Conflict***. Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

(iv) ***Consents***. All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and

(v) ***Obligations Binding***. Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

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(b) ***Absence of Certain Events.*** No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.

(c) ***Absence of Litigation.*** There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

(d) ***Accuracy of Specified Information.*** All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.

(e) ***Payer Tax Representation.*** Each representation specified in the Schedule as being made by it for the purpose of this Section 3(e) is accurate and true.

(f) ***Payee Tax Representations.*** Each representation specified in the Schedule as being made by it for the purpose of this Section 3(f) is accurate and true.

4. Agreements

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:—

(a) ***Furnish Specified Information.*** It will deliver to the other party or, in certain cases under subparagraph (iii) below, to such government or taxing authority as the other party reasonably directs:—

(i) any forms, documents or certificates relating to taxation specified in the Schedule or any Confirmation;

(ii) any other documents specified in the Schedule or any Confirmation; and

(iii) upon reasonable demand by such other party, any form or document that may be required or reasonably requested in writing in order to allow such other party or its Credit Support Provider to make a payment under this Agreement or any applicable Credit Support Document without any deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document would not materially prejudice the legal or commercial position of the party in receipt of such demand), with any such form or document to be accurate and completed in a manner reasonably satisfactory to such other party and to be executed and to be delivered with any reasonably required certification,

in each case by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.

(b) ***Maintain Authorisations.*** It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.

(c) ***Comply with Laws.*** It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

(d) ***Tax Agreement.*** It will give notice of any failure of a representation made by it under Section 3(f) to be accurate and true promptly upon learning of such failure.

(e) ***Payment of Stamp Tax.*** Subject to Section 11, it will pay any Stamp Tax levied or imposed upon it or in respect of its execution or performance of this Agreement by a jurisdiction in which it is incorporated,

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organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting for the purpose of this Agreement is located ("Stamp Tax Jurisdiction") and will indemnify the other party against any Stamp Tax levied or imposed upon the other party or in respect of the other party's execution or performance of this Agreement by any such Stamp Tax Jurisdiction which is not also a Stamp Tax Jurisdiction with respect to the other party.

5. Events of Default and Termination Events

(a) *Events of Default.* The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes an event of default (an "Event of Default") with respect to such party:—

(i) *Failure to Pay or Deliver.* Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party;

(ii) *Breach of Agreement.* Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) or to give notice of a Termination Event or any agreement or obligation under Section 4(a)(i), 4(a)(iii) or 4(d)) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party;

(iii) *Credit Support Default.*

(1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document to be in full force and effect for the purpose of this Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document;

(iv) *Misrepresentation.* A representation (other than a representation under Section 3(e) or (f)) made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) *Default under Specified Transaction.* The party, any Credit Support Provider of such party or any applicable Specified Entity of such party (1) defaults under a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction, (2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment on early termination of, a Specified Transaction (or such default continues for at least three Local Business Days if there is no applicable notice requirement or grace period) or (3) disaffirms, disclaims, repudiates or rejects, in whole or in part, a Specified Transaction (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) *Cross Default.* If "Cross Default" is specified in the Schedule as applying to the party, the occurrence or existence of (1) a default, event of default or other similar condition or event (however

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described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) in an aggregate amount of not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable or (2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such agreements or instruments (after giving effect to any applicable notice requirement or grace period);

(vii) ***Bankruptcy***. The party, any Credit Support Provider of such party or any applicable Specified Entity of such party: —

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) ***Merger Without Assumption***. The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer: —

(1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) ***Termination Events***. The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes an Illegality if the event is specified in (i) below, a Tax Event if the event is specified in (ii) below or a Tax Event Upon Merger if the event is specified in (iii) below, and, if specified to be applicable, a Credit Event

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Upon Merger if the event is specified pursuant to (iv) below or an Additional Termination Event if the event is specified pursuant to (v) below:—

(i) ***Illegality***. Due to the adoption of, or any change in, any applicable law after the date on which a Transaction is entered into, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful (other than as a result of a breach by the party of Section 4(b)) for such party (which will be the Affected Party): —

(1) to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

(2) to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction;

(ii) ***Tax Event***. Due to (x) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (y) a Change in Tax Law, the party (which will be the Affected Party) will, or there is a substantial likelihood that it will, on the next succeeding Scheduled Payment Date (1) be required to pay to the other party an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount is required to be deducted or withheld for or on account of a Tax (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) and no additional amount is required to be paid in respect of such Tax under Section 2(d)(i)(4) (other than by reason of Section 2(d)(i)(4)(A) or (B));

(iii) ***Tax Event Upon Merger***. The party (the "Burdened Party") on the next succeeding Scheduled Payment Date will either (1) be required to pay an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount has been deducted or withheld for or on account of any Indemnifiable Tax in respect of which the other party is not required to pay an additional amount (other than by reason of Section 2(d)(i)(4)(A) or (B)), in either case as a result of a party consolidating or amalgamating with, or merging with or into, or transferring all or substantially all its assets to, another entity (which will be the Affected Party) where such action does not constitute an event described in Section 5(a)(viii);

(iv) ***Credit Event Upon Merger***. If "Credit Event Upon Merger" is specified in the Schedule as applying to the party, such party ("X"), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or

(v) ***Additional Termination Event***. If any "Additional Termination Event" is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties shall be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) ***Event of Default and Illegality***. If an event or circumstance which would otherwise constitute or give rise to an Event of Default also constitutes an Illegality, it will be treated as an Illegality and will not constitute an Event of Default.

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6. Early Termination

(a) ***Right to Terminate Following Event of Default.*** If at any time an Event of Default with respect to a party (the "Defaulting Party") has occurred and is then continuing, the other party (the "Non-defaulting Party") may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, "Automatic Early Termination" is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) ***Right to Terminate Following Termination Event.***

(i) ***Notice.*** If a Termination Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction and will also give such other information about that Termination Event as the other party may reasonably require.

(ii) ***Transfer to Avoid Termination Event.*** If either an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there is only one Affected Party, or if a Tax Event Upon Merger occurs and the Burdened Party is the Affected Party, the Affected Party will, as a condition to its right to designate an Early Termination Date under Section 6(b)(iv), use all reasonable efforts (which will not require such party to incur a loss, excluding immaterial, incidental expenses) to transfer within 20 days after it gives notice under Section 6(b)(i) all its rights and obligations under this Agreement in respect of the Affected Transactions to another of its Offices or Affiliates so that such Termination Event ceases to exist.

If the Affected Party is not able to make such a transfer it will give notice to the other party to that effect within such 20 day period, whereupon the other party may effect such a transfer within 30 days after the notice is given under Section 6(b)(i).

Any such transfer by a party under this Section 6(b)(ii) will be subject to and conditional upon the prior written consent of the other party, which consent will not be withheld if such other party's policies in effect at such time would permit it to enter into transactions with the transferee on the terms proposed.

(iii) ***Two Affected Parties.*** If an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice thereof is given under Section 6(b)(i) on action to avoid that Termination Event.

(iv) ***Right to Terminate.*** If: —

(1) a transfer under Section 6(b)(ii) or an agreement under Section 6(b)(iii), as the case may be, has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(2) an Illegality under Section 5(b)(i)(2), a Credit Event Upon Merger or an Additional Termination Event occurs, or a Tax Event Upon Merger occurs and the Burdened Party is not the Affected Party,

either party in the case of an Illegality, the Burdened Party in the case of a Tax Event Upon Merger, any Affected Party in the case of a Tax Event or an Additional Termination Event if there is more than one Affected Party, or the party which is not the Affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, by not more than 20 days notice to the other party and provided that the relevant Termination Event is then

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continuing, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(c) ***Effect of Designation.***

(i) If notice designating an Early Termination Date is given under Section 6(a) or (b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 2(e) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date shall be determined pursuant to Section 6(e).

(d) ***Calculations.***

(i) ***Statement.*** On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including all relevant quotations and specifying any amount payable under Section 6(e)) and (2) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation obtained in determining a Market Quotation, the records of the party obtaining such quotation will be conclusive evidence of the existence and accuracy of such quotation.

(ii) ***Payment Date.*** An amount calculated as being due in respect of any Early Termination Date under Section 6(e) will be payable on the day that notice of the amount payable is effective (in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default) and on the day which is two Local Business Days after the day on which notice of the amount payable is effective (in the case of an Early Termination Date which is designated as a result of a Termination Event). Such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment) in the Termination Currency, from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(e) ***Payments on Early Termination.*** If an Early Termination Date occurs, the following provisions shall apply based on the parties' election in the Schedule of a payment measure, either "Market Quotation" or "Loss", and a payment method, either the "First Method" or the "Second Method". If the parties fail to designate a payment measure or payment method in the Schedule, it will be deemed that "Market Quotation" or the "Second Method", as the case may be, shall apply. The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off.

(i) ***Events of Default.*** If the Early Termination Date results from an Event of Default: —

(1) *First Method and Market Quotation.* If the First Method and Market Quotation apply, the Defaulting Party will pay to the Non-defaulting Party the excess, if a positive number, of (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party over (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party.

(2) *First Method and Loss.* If the First Method and Loss apply, the Defaulting Party will pay to the Non-defaulting Party, if a positive number, the Non-defaulting Party's Loss in respect of this Agreement.

(3) *Second Method and Market Quotation.* If the Second Method and Market Quotation apply, an amount will be payable equal to (A) the sum of the Settlement Amount (determined by the

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Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party less (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(4) *Second Method and Loss.* If the Second Method and Loss apply, an amount will be payable equal to the Non-defaulting Party's Loss in respect of this Agreement. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(ii) ***Termination Events.*** If the Early Termination Date results from a Termination Event: —

(1) *One Affected Party.* If there is one Affected Party, the amount payable will be determined in accordance with Section 6(e)(i)(3), if Market Quotation applies, or Section 6(e)(i)(4), if Loss applies, except that, in either case, references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and the party which is not the Affected Party, respectively, and, if Loss applies and fewer than all the Transactions are being terminated, Loss shall be calculated in respect of all Terminated Transactions.

(2) *Two Affected Parties.* If there are two Affected Parties: —

(A) if Market Quotation applies, each party will determine a Settlement Amount in respect of the Terminated Transactions, and an amount will be payable equal to (I) the sum of (a) one-half of the difference between the Settlement Amount of the party with the higher Settlement Amount ("X") and the Settlement Amount of the party with the lower Settlement Amount ("Y") and (b) the Termination Currency Equivalent of the Unpaid Amounts owing to X less (II) the Termination Currency Equivalent of the Unpaid Amounts owing to Y; and

(B) if Loss applies, each party will determine its Loss in respect of this Agreement (or, if fewer than all the Transactions are being terminated, in respect of all Terminated Transactions) and an amount will be payable equal to one-half of the difference between the Loss of the party with the higher Loss ("X") and the Loss of the party with the lower Loss ("Y").

If the amount payable is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of that amount to Y.

(iii) ***Adjustment for Bankruptcy.*** In circumstances where an Early Termination Date occurs because "Automatic Early Termination" applies in respect of a party, the amount determined under this Section 6(e) will be subject to such adjustments as are appropriate and permitted by law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) ***Pre-Estimate.*** The parties agree that if Market Quotation applies an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of such losses.

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7. Transfer

Subject to Section 6(b)(ii), neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that: —

(a) a party may make such a transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and

(b) a party may make such a transfer of all or any part of its interest in any amount payable to it from a Defaulting Party under Section 6(e).

Any purported transfer that is not in compliance with this Section will be void.

8. Contractual Currency

(a) ***Payment in the Contractual Currency.*** Each payment under this Agreement will be made in the relevant currency specified in this Agreement for that payment (the "Contractual Currency"). To the extent permitted by applicable law, any obligation to make payments under this Agreement in the Contractual Currency will not be discharged or satisfied by any tender in any currency other than the Contractual Currency, except to the extent such tender results in the actual receipt by the party to which payment is owed, acting in a reasonable manner and in good faith in converting the currency so tendered into the Contractual Currency, of the full amount in the Contractual Currency of all amounts payable in respect of this Agreement. If for any reason the amount in the Contractual Currency so received falls short of the amount in the Contractual Currency payable in respect of this Agreement, the party required to make the payment will, to the extent permitted by applicable law, immediately pay such additional amount in the Contractual Currency as may be necessary to compensate for the shortfall. If for any reason the amount in the Contractual Currency so received exceeds the amount in the Contractual Currency payable in respect of this Agreement, the party receiving the payment will refund promptly the amount of such excess.

(b) ***Judgments.*** To the extent permitted by applicable law, if any judgment or order expressed in a currency other than the Contractual Currency is rendered (i) for the payment of any amount owing in respect of this Agreement, (ii) for the payment of any amount relating to any early termination in respect of this Agreement or (iii) in respect of a judgment or order of another court for the payment of any amount described in (i) or (ii) above, the party seeking recovery, after recovery in full of the aggregate amount to which such party is entitled pursuant to the judgment or order, will be entitled to receive immediately from the other party the amount of any shortfall of the Contractual Currency received by such party as a consequence of sums paid in such other currency and will refund promptly to the other party any excess of the Contractual Currency received by such party as a consequence of sums paid in such other currency if such shortfall or such excess arises or results from any variation between the rate of exchange at which the Contractual Currency is converted into the currency of the judgment or order for the purposes of such judgment or order and the rate of exchange at which such party is able, acting in a reasonable manner and in good faith in converting the currency received into the Contractual Currency, to purchase the Contractual Currency with the amount of the currency of the judgment or order actually received by such party. The term "rate of exchange" includes, without limitation, any premiums and costs of exchange payable in connection with the purchase of or conversion into the Contractual Currency.

(c) ***Separate Indemnities.*** To the extent permitted by applicable law, these indemnities constitute separate and independent obligations from the other obligations in this Agreement, will be enforceable as separate and independent causes of action, will apply notwithstanding any indulgence granted by the party to which any payment is owed and will not be affected by judgment being obtained or claim or proof being made for any other sums payable in respect of this Agreement.

(d) ***Evidence of Loss.*** For the purpose of this Section 8, it will be sufficient for a party to demonstrate that it would have suffered a loss had an actual exchange or purchase been made.

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9. Miscellaneous

(a) ***Entire Agreement.*** This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.

(b) ***Amendments.*** No amendment, modification or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.

(c) ***Survival of Obligations.*** Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.

(d) ***Remedies Cumulative.*** Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.

(e) ***Counterparts and Confirmations.***

(i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.

(ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex or electronic message constitutes a Confirmation.

(f) ***No Waiver of Rights.*** A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.

(g) ***Headings.*** The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

10. Offices; Multibranch Parties

(a) If Section 10(a) is specified in the Schedule as applying, each party that enters into a Transaction through an Office other than its head or home office represents to the other party that, notwithstanding the place of booking office or jurisdiction of incorporation or organisation of such party, the obligations of such party are the same as if it had entered into the Transaction through its head or home office. This representation will be deemed to be repeated by such party on each date on which a Transaction is entered into.

(b) Neither party may change the Office through which it makes and receives payments or deliveries for the purpose of a Transaction without the prior written consent of the other party.

(c) If a party is specified as a Multibranch Party in the Schedule, such Multibranch Party may make and receive payments or deliveries under any Transaction through any Office listed in the Schedule, and the Office through which it makes and receives payments or deliveries with respect to a Transaction will be specified in the relevant Confirmation.

11. Expenses

A Defaulting Party will, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees and Stamp Tax, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document

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to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

12. Notices

(a) ***Effectiveness.*** Any notice or other communication in respect of this Agreement may be given in any manner set forth below (except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system) to the address or number or in accordance with the electronic messaging system details provided (see the Schedule) and will be deemed effective as indicated:—

(i) if in writing and delivered in person or by courier, on the date it is delivered;

(ii) if sent by telex, on the date the recipient's answerback is received;

(iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine);

(iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; or

(v) if sent by electronic messaging system, on the date that electronic message is received,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Local Business Day.

(b) ***Change of Addresses.*** Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it.

13. Governing Law and Jurisdiction

(a) ***Governing Law.*** This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) ***Jurisdiction.*** With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably:—

(i) submits to the jurisdiction of the English courts, if this Agreement is expressed to be governed by English law, or to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, if this Agreement is expressed to be governed by the laws of the State of New York; and

(ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.

Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction (outside, if this Agreement is expressed to be governed by English law, the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction.

(c) ***Service of Process.*** Each party irrevocably appoints the Process Agent (if any) specified opposite its name in the Schedule to receive, for it and on its behalf, service of process in any Proceedings. If for any

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reason any party's Process Agent is unable to act as such, such party will promptly notify the other party and within 30 days appoint a substitute process agent acceptable to the other party. The parties irrevocably consent to service of process given in the manner provided for notices in Section 12. Nothing in this Agreement will affect the right of either party to serve process in any other manner permitted by law.

(d) *Waiver of Immunities.* Each party irrevocably waives, to the fullest extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

14. Definitions

As used in this Agreement:—

"Additional Termination Event" has the meaning specified in Section 5(b).

"Affected Party" has the meaning specified in Section 5(b).

"Affected Transactions" means (a) with respect to any Termination Event consisting of an Illegality, Tax Event or Tax Event Upon Merger, all Transactions affected by the occurrence of such Termination Event and (b) with respect to any other Termination Event, all Transactions.

"Affiliate" means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"Applicable Rate" means:—

(a) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;

(b) in respect of an obligation to pay an amount under Section 6(e) of either party from and after the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable, the Default Rate;

(c) in respect of all other obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate; and

(d) in all other cases, the Termination Rate.

"Burdened Party" has the meaning specified in Section 5(b).

"Change in Tax Law" means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law (or in the application or official interpretation of any law) that occurs on or after the date on which the relevant Transaction is entered into.

"consent" includes a consent, approval, action, authorisation, exemption, notice, filing, registration or exchange control consent.

"Credit Event Upon Merger" has the meaning specified in Section 5(b).

"Credit Support Document" means any agreement or instrument that is specified as such in this Agreement.

"Credit Support Provider" has the meaning specified in the Schedule.

"Default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

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"Defaulting Party" has the meaning specified in Section 6(a).

"Early Termination Date" means the date determined in accordance with Section 6(a) or 6(b)(iv).

"Event of Default" has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

"Illegality" has the meaning specified in Section 5(b).

"Indemnifiable Tax" means any Tax other than a Tax that would not be imposed in respect of a payment under this Agreement but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the recipient of such payment or a person related to such recipient (including, without limitation, a connection arising from such recipient or related person being or having been a citizen or resident of such jurisdiction, or being or having been organised, present or engaged in a trade or business in such jurisdiction, or having or having had a permanent establishment or fixed place of business in such jurisdiction, but excluding a connection arising solely from such recipient or related person having executed, delivered, performed its obligations or received a payment under, or enforced, this Agreement or a Credit Support Document).

"law" includes any treaty, law, rule or regulation (as modified, in the case of tax matters, by the practice of any relevant governmental revenue authority) and ***"lawful"*** and ***"unlawful"*** will be construed accordingly.

"Local Business Day" means, subject to the Schedule, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) (a) in relation to any obligation under Section 2(a)(i), in the place(s) specified in the relevant Confirmation or, if not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, in the place where the relevant account is located and, if different, in the principal financial centre, if any, of the currency of such payment, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), in the city specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(v)(2), in the relevant locations for performance with respect to such Specified Transaction.

"Loss" means, with respect to this Agreement or one or more Terminated Transactions, as the case may be, and a party, the Termination Currency Equivalent of an amount that party reasonably determines in good faith to be its total losses and costs (or gain, in which case expressed as a negative number) in connection with this Agreement or that Terminated Transaction or group of Terminated Transactions, as the case may be, including any loss of bargain, cost of funding or, at the election of such party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain resulting from any of them). Loss includes losses and costs (or gains) in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the relevant Early Termination Date and not made, except, so as to avoid duplication, if Section 6(e)(i)(1) or (3) or 6(e)(ii)(2)(A) applies. Loss does not include a party's legal fees and out-of-pocket expenses referred to under Section 11. A party will determine its Loss as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable. A party may (but need not) determine its Loss by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets.

"Market Quotation" means, with respect to one or more Terminated Transactions and a party making the determination, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to such party (expressed as a negative number) or by such party (expressed as a positive number) in consideration of an agreement between such party (taking into account any existing Credit Support Document with respect to the obligations of such party) and the quoting Reference Market-maker to enter into a transaction (the "Replacement Transaction") that would have the effect of preserving for such party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under Section 2(a)(i) in respect of such Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have

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been required after that date. For this purpose, Unpaid Amounts in respect of the Terminated Transaction or group of Terminated Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included. The Replacement Transaction would be subject to such documentation as such party and the Reference Market-maker may, in good faith, agree. The party making the determination (or its agent) will request each Reference Market-maker to provide its quotation to the extent reasonably practicable as of the same day and time (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the party obliged to make a determination under Section 6(e), and, if each party is so obliged, after consultation with the other. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined.

"***Non-default Rate***" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Non-defaulting Party (as certified by it) if it were to fund the relevant amount.

"***Non-defaulting Party***" has the meaning specified in Section 6(a).

"***Office***" means a branch or office of a party, which may be such party's head or home office.

"***Potential Event of Default***" means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

"***Reference Market-makers***" means four leading dealers in the relevant market selected by the party determining a Market Quotation in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

"***Relevant Jurisdiction***" means, with respect to a party, the jurisdictions (a) in which the party is incorporated, organised, managed and controlled or considered to have its seat, (b) where an Office through which the party is acting for purposes of this Agreement is located, (c) in which the party executes this Agreement and (d) in relation to any payment, from or through which such payment is made.

"***Scheduled Payment Date***" means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

"***Set-off***" means set-off, offset, combination of accounts, right of retention or withholding or similar right or requirement to which the payer of an amount under Section 6 is entitled or subject (whether arising under this Agreement, another contract, applicable law or otherwise) that is exercised by, or imposed on, such payer.

"***Settlement Amount***" means, with respect to a party and any Early Termination Date, the sum of: —

(a) the Termination Currency Equivalent of the Market Quotations (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation is determined; and

(b) such party's Loss (whether positive or negative and without reference to any Unpaid Amounts) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation cannot be determined or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result.

"***Specified Entity***" has the meanings specified in the Schedule.

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"Specified Indebtedness" means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

"Specified Transaction" means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions), (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

"Stamp Tax" means any stamp, registration, documentation or similar tax.

"Tax" means any present or future tax, levy, impost, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority in respect of any payment under this Agreement other than a stamp, registration, documentation or similar tax.

"Tax Event" has the meaning specified in Section 5(b).

"Tax Event Upon Merger" has the meaning specified in Section 5(b).

"Terminated Transactions" means with respect to any Early Termination Date (a) if resulting from a Termination Event, all Affected Transactions and (b) if resulting from an Event of Default, all Transactions (in either case) in effect immediately before the effectiveness of the notice designating that Early Termination Date (or, if "Automatic Early Termination" applies, immediately before that Early Termination Date).

"Termination Currency" has the meaning specified in the Schedule.

"Termination Currency Equivalent" means, in respect of any amount denominated in the Termination Currency, such Termination Currency amount and, in respect of any amount denominated in a currency other than the Termination Currency (the "Other Currency"), the amount in the Termination Currency determined by the party making the relevant determination as being required to purchase such amount of such Other Currency as at the relevant Early Termination Date, or, if the relevant Market Quotation or Loss (as the case may be), is determined as of a later date, that later date, with the Termination Currency at the rate equal to the spot exchange rate of the foreign exchange agent (selected as provided below) for the purchase of such Other Currency with the Termination Currency at or about 11:00 a.m. (in the city in which such foreign exchange agent is located) on such date as would be customary for the determination of such a rate for the purchase of such Other Currency for value on the relevant Early Termination Date or that later date. The foreign exchange agent will, if only one party is obliged to make a determination under Section 6(e), be selected in good faith by that party and otherwise will be agreed by the parties.

"Termination Event" means an Illegality, a Tax Event or a Tax Event Upon Merger or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

"Termination Rate" means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.

"Unpaid Amounts" owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii)) to such party under Section 2(a)(i) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date and (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market

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value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the Termination Currency Equivalents of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

Goldman Sachs International *(Party A)*	**Hudson Mezzanine Funding 2006-1, Ltd.** *(Party B)*
By: _____	By: _____
Name:	Name:
Title: Matthew Flett Authorised Signatory	Title:

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value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the Termination Currency Equivalents of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

	Goldman Sachs International *(Party A)*		**Hudson Mezzanine Funding 2006-1, Ltd.** *(Party B)*
By:	_____	By:	_____
	Name:		Name: Carrie Bunton
	Title:		Title: Director

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SCHEDULE

to the

ISDA MASTER AGREEMENT

dated as of

December 1, 2006

between

GOLDMAN SACHS INTERNATIONAL,

a company organized under the law of England and Wales

("GSI"),

and

HUDSON MEZZANINE FUNDING 2006-1, LTD.,

a corporation incorporated under the laws of the Cayman Islands

("Counterparty")

Part 1. Termination Provisions

(a) **"Specified Entity"**

(i) means, in relation to GSI, Goldman, Sachs & Co., Goldman Sachs Capital Markets, L.P., J. Aron & Company, Goldman Sachs (Japan) Ltd., Goldman Sachs International Bank, Goldman Sachs (Asia) Finance, Goldman Sachs Financial Markets, L.P., Goldman Sachs Paris Inc. et Cie, Goldman Sachs Mitsui Marine Derivative Products, L.P., Goldman, Sachs & Co. oHG, and J. Aron & Company (Singapore) Pte. for the purpose of Section 5(a)(v), and shall not apply for purposes of Sections 5(a)(vi), 5(a)(vii) and 5(b)(iv); and

(ii) means, in relation to Counterparty, none for the purpose of Sections 5(a)(v), 5(a)(vi), 5(a)(vii) and 5(b)(iv).

(b) **"Specified Transaction"**. The term "Specified Transaction" in Section 14 of the Agreement is amended in its entirety as follows:

"***Specified Transaction***" means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such

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party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) (i) which is a rate swap transaction, swap option, basis swap, forward rate transaction, commodity swap, commodity option, commodity spot transaction, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, weather swap, weather derivative, weather option, credit protection transaction, credit swap, credit default swap, credit default option, total return swap, credit spread transaction, repurchase transaction, reverse repurchase transaction, buy/sell-back transaction, securities lending transaction, or forward purchase or sale of a security, commodity or other financial instrument or interest (including any option with respect to any of these transactions) or (ii) which is a type of transaction that is similar to any transaction referred to in clause (i) that is currently, or in the future becomes, recurrently entered into the financial markets (including terms and conditions incorporated by reference in such agreement) and that is a forward, swap, future, option or other derivative on one or more rates, currencies, commodities, equity securities or other equity instruments, debt securities or other debt instruments, or economic indices or measures of economic risk or value, (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this agreement or the relevant confirmation."

(c) The "**Breach of Agreement**" provisions of Section 5(a)(ii) will not apply to GSI and will not apply to Counterparty

(d) The "**Credit Support Default**" provisions of Section 5(a)(iii) will apply to GSI and will apply to Counterparty, but, in respect of Counterparty, shall be amended as follows:

(i) Section 5(a)(iii)(1) shall take effect with the words "relating to payment, delivery of collateral or the establishment or maintenance of, deposit to or withdrawal from the Collateral Account (as defined in the Indenture)" inserted after the words "any agreement or obligation" and by inserting the words " and, for the avoidance of doubt, a default in the payment of any interest on a Class E Note while the Senior Swap or a Class S Note, Class A Note, Class B Note, Class C Note or Class D Note is outstanding or, a default in the payment of any interest on a Class D Note while the Senior Swap or a Class S Note, Class A Note, Class B Note or Class C Note is outstanding or, a default in the payment of any interest on a Class C Note while the Senior Swap or a Class S Note, Class A Note or Class B Note is outstanding will not constitute a "Credit Support Default' hereunder" at the end of such Section 5(a)(iii)(1).

(ii) Section 5(a)(iii)(2) shall be replaced in its entirety by the following: "the expiration or termination of such Credit Support Document or the failure or ceasing of such Credit Support Document, or any security interest granted by such party or such Credit Support Provider to the other party pursuant to any such Credit Support Document, to be in full force and effect for the purpose of this Agreement (in each case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or".

(e) The "**Misrepresentation**" provisions of Section 5(a)(iv) will not apply to GSI and will not apply to the Counterparty.

(f) The "**Default Under Specified Transaction**" provisions of Section 5(a)(v) will not apply to GSI and will not apply to the Counterparty.

(g) The "**Cross Default**" provisions of Section 5(a)(vi) will not apply to GSI and will not apply to Counterparty.

(h) The "**Bankruptcy**" provisions of Section 5(a)(vii) will apply to GSI and will apply to Counterparty, but, in respect of Counterparty, shall be amended as follows:

(i) Sections 5(a)(vii)(2) shall not apply,

(ii) Section 5(a)(vii)(3) shall take effect with the words "the Noteholders" substituted for "its creditors",

(iii) The words "(which, for the avoidance of doubt, shall not be construed as meaning the Trustee appointed pursuant to the issue of the Notes)" shall be added after the word "trustee" in Section 5(a)(vii)(6),

(iv) Section 5(a)(vii)(6) and (7) shall take effect with the words "its assets comprised in the Pledged Assets (as defined in the Indenture)" substituted for "all or substantially all its assets", and

(v) Section 5(a)(vii)(8) shall take effect with reference to the other clauses of Section 5(a)(vii) as amended by this Part 1(h) of the Schedule.

(i) The "**Credit Event Upon Merger**" provisions of Section 5(b)(iv) will not apply to GSI and will not apply to Counterparty.

(j) The "**Automatic Early Termination**" provision of Section 6(a) will not apply to GSI and will not apply to Counterparty.

(k) **Payments on Early Termination**. For the purpose of Section 6(e):

(i) Market Quotation will apply.

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(ii) The Second Method will apply.

(l) **"Termination Currency"** means United States Dollars.

(m) The parties agree to amend the following subsections of Section 5(a) as follows:

(i) clause (i): in the third line of this clause, delete the word "third" and insert the word "first;"

(ii) clause (ii): in the fifth line of this clause, delete the word "thirtieth" and insert the word "fifth;" and

(iii) clause (vii)(4): delete, following the word "liquidation" in line 9, the clause beginning with "and, in the case of" and ending with the word "thereof" in line 13; and in Clause (vii)(7): delete, following the word "assets" in line 19, the clause beginning with "and such secured party" and ending with the word "thereafter" in line 21, to eliminate the 30-day grace period.

(n) **Additional Termination Event** will apply.

(l) Each of the following shall constitute an Additional Termination Event with respect to Counterparty:

a. It shall be an Additional Termination if an Event of Default (as defined in the Indenture) with respect to the Notes occurs and is continuing and there has been a liquidation (in whole), or the commencement of a liquidation (in whole), of the assets of Counterparty as set forth in the Indenture.

b. It shall be an Additional Termination Event if Counterparty redeems the Secured Notes in full pursuant to the Indenture (from proceeds at least equal to the applicable Secured Redemption Price) or the outstanding principal balance of the Secured Notes amortizes down to zero.

c. It shall be an Additional Termination Event if, the Indenture is supplemented or amended without the consent of GSI and such supplement or amendment affects the provisions governing the rights of the Credit Protection Buyer (as such term is defined in the Indenture) and has, in the reasonable judgment of GSI, a material adverse effect on GSI, provided, however that such consent shall not be unreasonably withheld or delayed by GSI, provided further that GSI has notified the Counterparty that such supplement or amendment would have a material adverse effect on GSI after GSI has received notice of any such supplement or amendment in accordance with Section 8.1(g) of the Indenture.

d. It shall be an Additional Termination Event if GSI, in its capacity as Credit Protection Buyer is no longer a Secured Party under the Indenture

or if the Trustee's security interest in the Collateral and the Collateral Account is impaired or no longer existing.

For the purpose of each of the foregoing Additional Termination Events, the Affected Party shall be the Counterparty.

(II) The following shall constitute an Additional Termination Event with respect to GSI.

Failure by GSI to take any action required under the ratings downgrade provision set forth below, unless the Rating Agency Condition (as defined herein) has been satisfied notwithstanding such failure.

(i) In the event that any Notes rated by S&P remain outstanding and the unsecured, unsubordinated debt rating of GSI or GSI's Credit Support Provider, whichever is higher, assigned by S&P at any time falls below "AA-" (or is on downgrade watch at "AA-") for its long term rating, and GSI shall fail to make the Expected Fixed Payment as set forth in the related Confirmation, GSI shall, or shall cause its Credit Support Provider to, within 30 days of the date of such downgrade:

(A) transfer all of its rights and obligations under this Agreement to another entity which has such required ratings; or

(B) cause an entity with such required ratings to guarantee or provide an indemnity in respect of GSI's or its Credit Support Provider's obligations under this Agreement in a manner which satisfies the Rating Agency Condition with respect to S&P.

(ii) In the event that any Notes rated by Moody's remain outstanding and the unsecured, unsubordinated debt rating of GSI or GSI's Credit Support Provider, whichever is higher, assigned by Moody's at any time falls below "Aa3" for its long term rating (or is on downgrade watch at "Aa3"), and GSI shall fail to make the Expected Fixed Payment as set forth in the related Confirmation, GSI shall, or shall cause its Credit Support Provider to within 30 days of the date of such downgrade:

(A) transfer all of its rights and obligations under this Agreement to another entity which has such required ratings; or

(B) cause an entity with such required ratings to guarantee or provide an indemnity in respect of GSI's or its Credit Support Provider's obligations under this Agreement in a manner which satisfies the Rating Agency Condition with respect to Moody's.

(iii) For the avoidance of doubt, GSI shall be responsible for:

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(i) locating a party with the required ratings to transfer (within 30 days and at its own cost) all its interest in and obligations under this Agreement or to guarantee or provide an indemnity in respect of, its obligations under this Agreement or to post collateral in accordance with the CSA; and

(ii) any cost incurred by it in complying with its obligations under this Part 1(n).

(iv) In the event that any Notes rated by S&P remain outstanding and the unsecured, unsubordinated debt rating of GSI or GSI's Credit Support Provider, whichever is higher, assigned by S&P at any time falls below "BBB+" for its long term rating and GSI or GSI's Credit Support Provider posts collateral under a CSA, GSI shall, or shall cause its Credit Support Provider to, within 30 days of the date of such downgrade to provide to Counterparty an opinion as to the enforceability of such CSA, subject to customary and usual assumptions, carveouts and exceptions.

For the purpose of each of the foregoing Additional Termination Events, the Affected Party shall be GSI and all Transactions shall be Affected Transactions.

(o) **Early Termination.** Notwithstanding anything to the contrary in Section 6(a) or Section 6(b), the parties agree that, except with respect to Transactions (if any) that are subject to Automatic Early Termination under Section 6(a), the Non-defaulting Party or the party that is not the Affected Party (in a case where a Termination Event under Section 5(b)(iv) has occurred) is not required to terminate the Transactions on a single day, but rather may terminate the Transactions over a commercially reasonable period of time (not to exceed ten days) (the "Early Termination Period"). The last day of the Early Termination Period shall be the Early Termination Date for purposes of Section 6; provided, however, that interest shall accrue on the Transactions terminated during the Early Termination Period prior to the Early Termination Date at the Non-default Rate.

Part 2. Tax Representations

(a) **Payer Tax Representations.** For the purposes of Section 3(e), GSI and Counterparty make the following representation:

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 2(e), 6(d)(ii), or 6(e) of this Agreement) to be made by it to the other party under this Agreement. In making this representation, it may rely on (i) the accuracy of any representations made by the other party pursuant to Section 3(f) of this Agreement, (ii) the satisfaction of the agreement contained in Section 4(a)(i) or 4(a)(iii) of this Agreement, and the accuracy and effectiveness of

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any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of this Agreement, and (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of this Agreement, provided that it shall not be a breach of this representation where reliance is placed on clause (ii) and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.

(b) **Payee Tax Representations.** For the purpose of Section 3(f), GSI and Counterparty make the following representation: Not Applicable.

Part 3. Agreement to Deliver Documents

(a) For the purpose of Section 4(a), Tax forms, documents, or certificates to be delivered are:

none

(b) Other documents to be delivered are:

Party required to deliver	Form/Document/Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
GSI and Counterparty	Evidence of authority of signatories	Upon or promptly following execution of this Agreement	Yes
GSI and Counterparty	Any Credit Support Document specified in Part 4(f) herein	Upon execution of this Agreement	No
GSI	Most recent annual audited and quarterly financial statements of the Credit Support Provider	Promptly following reasonable demand by the other party	Yes
Counterparty	Certified resolutions of its board of directors or other governing body	Upon execution of this Agreement	Yes
Counterparty	Legal opinion with respect to Counterparty	Upon execution of this Agreement	No
Counterparty	A copy of the Note Valuation Report (as defined in the Indenture)	Upon request from GSI	Yes

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Party required to deliver	Form/Document/Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
Counterparty	A duly executed copy of the Indenture and a copy of the final Offering Memorandum	As soon as practicable after the execution of this Agreement	No

Part 4. Miscellaneous

(a) **Addresses for Notices.** For the purpose of Section 12(a):

(i) Address for notices or communications to GSI:

Address: Peterborough Court
133 Fleet Street
London EC4A 2BB

Fixed Income / Credit Derivatives: Facsimile No. 44-20-7774 5115
Equity Derivatives: Facsimile No. 44-20-7774 1500
Foreign Exchange Facsimile No. 44-20-7774 1201
Legal Department: Facsimile No. 44-20-7774 1313
Telephone No. 44-20-7774-1000

(ii) Address for notices or communications to Counterparty:

Hudson Mezzanine Funding 2006-1, Ltd.
Maples Finance Limited
P.O. Box 1093 GT
Queensgate House, South Church Street
George Town, Grand Cayman
Cayman Islands
Tel: (345) 945-7099
Fax: (345) 945-7100
Attention: Directors

with a copy to:

The Bank of New York Trust Company, National Association
601 Travis Street, 16th Floor
Houston, Texas 77002
Attention: Global Corporate Trust-Hudson
Mezzanine Funding 2006-1, Ltd.
Tel: (713) 483-6000
Fax: (713) 483-6001

Confidential Treatment Requested by Goldman Sachs GS MBS-E-021822082

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(b) **Process Agent**. For the purpose of Section 13(c):

GSI appoints as its Process Agent:

Not applicable.

Counterparty appoints as its Process Agent:

CT Corporation, 111 Eighth Avenue, New York, New York 10011

(c) **Offices**. The provisions of Section 10(a) will apply to this Agreement.

(d) **Multibranch Party**. For the purpose of Section 10(c):

GSI is not a Multibranch Party.

Counterparty is not a Multibranch Party.

(e) **Calculation Agent**. The Calculation Agent is GSI.

(f) **Credit Support Document**. The Indenture shall constitute a Credit Support Document with respect to the obligations of Counterparty. Details of any other Credit Support Document, each of which is incorporated by reference in, and made part of, this Agreement and each Confirmation (unless provided otherwise in a Confirmation) as if set forth in full in this Agreement or such Confirmation:

(i) Each of the Guaranty by The Goldman Sachs Group, Inc. ("Goldman Group") in favor of Counterparty as beneficiary thereof, and, if a Credit Support Annex is entered into between Counterparty and GSI, such Credit Support Annex, shall constitute a Credit Support Document with respect to the obligations of GSI.

(g) **Credit Support Provider**.

Credit Support Provider means in relation to GSI, Goldman Group.

Credit Support Provider means in relation Counterparty, none.

(h) **Governing Law**. Section 13(a) is hereby replaced with the following:

(a) **Governing Law**. This Agreement and each Transaction entered into hereunder will be governed by, and construed and enforced in accordance with, the law of the State of New York.

(i) **Jurisdiction**. Section 13(b) is hereby amended by:

(i) deleting in the second line of subparagraph (i) thereof the word "non-"; and

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(ii) deleting the final paragraph thereof.

(j) **Netting of Payments.** Subparagraph (ii) of Section 2(c) will not apply to Transactions. Notwithstanding anything to the contrary in Section 2(c), unless otherwise expressly agreed by the parties, the netting provided for in Section 2(c) will not apply separately to any pairings of branches or Offices through which the parties make and receive payments or deliveries.

(k) **"Affiliate"** will have the meaning specified in Section 14 of this Agreement; provided that Counterparty shall be deemed to have no Affiliates other than Hudson Mezzanine Funding 2006-1, Corp.

(l) Notwithstanding any provision of this Agreement or any other existing or future agreement, each party irrevocably waives any and all rights it may have to set off, net, recoup or otherwise withhold or suspend or condition payment or performance of any obligation between it and the other party hereunder against any obligation between it and the other party under any other agreements.

Part 5. Other Provisions

(a) **Accuracy of Specified Information.** Section 3(d) is hereby amended by adding in the third line thereof after the word "respect" and before the period, the phrase "or, in the case of audited or unaudited financial statements, a fair presentation of the financial condition of the relevant person."

(b) **[Reserved].**

(c) **Additional Representations.** The parties agree to amend Section 3 by adding new Sections 3(g), (h), and (i) as follows:

(g) **Non-Reliance.** It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction.

(h) **Assessment and Understanding.** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.

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(i) **Status of Parties.** The other party is not acting as a fiduciary for or an adviser to it in respect of that Transaction.

(d) **Non-Petition.** GSI agrees that it will not, prior to the date following the payment in full of all of the Notes and the expiration of a period of one year and one day thereafter and any additional applicable preference periods then in effect under the United States Bankruptcy Code or other applicable law relating to any such payment, acquiesce, petition or otherwise invoke the process of any governmental authority for the purpose of commencing a case (whether voluntary or involuntary) against Counterparty under any bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of Counterparty or any substantial part of its property or ordering the winding up or liquidation of the affairs of Counterparty; provided, however, that this shall not restrict or prohibit GSI from joining in any existing bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings or other analogous proceedings under applicable laws. This "Non-Petition" paragraph shall survive termination of this Agreement.

Limited Recourse to Counterparty. Notwithstanding anything to the contrary contained herein, the obligations of Counterparty under this Agreement will constitute limited recourse obligations of Counterparty payable solely from the Collateral in accordance with the Indenture and following realization of the Collateral any obligations of Counterparty and any claim against Counterparty under this Agreement shall be extinguished and shall not thereafter revive. None of the agents, partners, beneficiaries, officers, directors, employees, shareholders or any Affiliate of Counterparty or any of their respective successors or assigns shall be personally liable for any amounts payable, or performance due, under this Agreement. It is understood that the foregoing provisions of this paragraph shall not (i) prevent recourse to the Collateral for the sums due or to become due under any security, instrument or agreement which is part of the Collateral or (ii) constitute a waiver, release or discharge of any obligation under this Agreement until all such Collateral has been realized and applied in accordance with the Indenture, whereupon any outstanding obligation shall be extinguished and shall not thereafter revive. It is further understood that the foregoing provisions of this paragraph shall not limit the right of GSI to declare an Event of Default with respect to Counterparty or to name Counterparty as a party defendant in any action or suit or in the exercise of any other remedy under this Agreement, so long as no judgment in the nature of a deficiency judgment or seeking personal liability shall be asked for or (if obtained) enforced against Counterparty. This "Limited Recourse to Counterparty" paragraph shall survive termination of this Agreement.

(e) **No Transfer without Prior Satisfaction of the Rating Agency Condition.** Section 7 of this Agreement is hereby amended by inserting (i) the following immediately after the words "other party" and immediately before the words ", except that:" "and unless the Rating Agency Condition (as defined herein) is satisfied with respect to such transfer," (ii) in clause (a) the words "or

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reorganization, incorporation, reincorporation, reincorporation or reconstitution into or as," immediately before the word "another."

The last paragraph of Section 6(b)(ii) of this Agreement is hereby deleted in its entirety and replaced with the following paragraph:

"Any such transfer by a party under this Section 6(b)(ii) will be subject to and conditional upon the prior written consent of the other party and satisfaction of the Rating Agency Condition, which consent will not be withheld or delayed if such other party's policies in effect at such time would permit it to enter into transactions with the transferee on the terms proposed."

(f) **Counterparty Pledge.** Notwithstanding Section 7 of this Agreement to the contrary, GSI acknowledges that Counterparty will pledge its rights under this Agreement to the Trustee (as defined herein) for the benefit of the Secured Parties (as defined in the Indenture) pursuant to the Indenture, agrees to such pledge and acknowledges and agrees that the Trustee may directly enforce the rights of Counterparty hereunder. GSI shall be entitled to conclusively rely (without independent investigation) on any notice or communication from the Trustee.

(g) **No Amendment without Prior Confirmation by Rating Agencies.** Section 9(b) of this Agreement is hereby amended by adding the following at the end of such Section: ", and the Rating Agency Condition is satisfied with respect to such amendment".

(h) **Additional Definitions.** All capitalized terms used but not otherwise defined in this Agreement shall have the means assigned to them in the Indenture.

"***Credit Support Annex***" or "***CSA***" means the credit support annex, if any, entered into between GSI and Counterparty pursuant to Part 1(n), which credit support annex shall satisfy the Rating Agency Condition.

"***Indenture***" means the Indenture dated as of December 5, 2006, among Hudson Mezzanine Funding 2006-1, Ltd., Hudson Mezzanine Funding 2006-1, Corp. and The Bank of New York Trust Company, National Association, as Trustee and Securities Intermediary, as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof.

"***Moody's***" means Moody's Investors Service.

"***Notes***" means any Class of Notes issued pursuant to the Indenture rated by any Rating Agency.

"***Rating Agency Condition***" shall have the meaning assigned to it in the Indenture.

"***S&P***" means Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

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"*Trustee*" means The Bank of New York Trust Company, National Association, as trustee, pursuant to the Indenture.

(i) **Consent to Recording.** Each party consents to the recording of telephone conversations between the trading, marketing and other relevant personnel of the parties, with or without the use of a warning tone, and their Affiliates in connection with this Agreement or any potential Transaction.

(j) **Definitions.** The definition of "Termination Currency Equivalent" in Section 14 is hereby amended by deleting in its entirety the text after the first three lines thereof and replacing it with the following:

> "by the party making the relevant determination in any commercially reasonable manner as being required to purchase such amount of such Other Currency as at the relevant Early Termination Date, or, if the relevant amount determined in accordance with Section 6(e) is determined as of a later date, that later date, for value on the date the payment or settlement payment is due."

The definition of "Affected Transactions" in Section 14 is hereby amended by deleting in its entirety the text after the word "means" in the first line thereof and replacing it with the following:

> "with respect to any Termination Event, all Transactions which are Transactions under which such Termination Event occurs."

IN WITNESS WHEREOF, the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

GOLDMAN SACHS INTERNATIONAL	HUDSON MEZZANINE FUNDING 2006-1, LTD.
Name:	Name:
Title: Matthew Flett Authorised Signatory	Title
Date:	Date:

Schedule to Credit Default Swap

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IN WITNESS WHEREOF, the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

GOLDMAN SACHS INTERNATIONAL	HUDSON MEZZANINE FUNDING 2006-1, LTD.
Name:	Name: Carrie Bunton
Title:	Title Director
Date:	Date:

Schedule to Credit Default Swap

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CONFIRMATION

DATE: December 1, 2006

TO: Hudson Mezzanine Funding 2006-1, Ltd.

FROM: Goldman Sachs International
Credit Derivatives Middle Office
Telephone No.: 1 212 357 2610
Facsimile No.: 1 212 428 9189

RE: Credit Derivative Transaction on Asset-Backed Securities with Pay-As-You-Go or Physical Settlement (RMBS)

REF NO: See Annex C

The purpose of this letter (the "Confirmation") is to confirm the terms and conditions of the Credit Derivative Transactions entered into on the Trade Date specified below (each, a Component Transaction, and collectively, the "Transaction") by Goldman Sachs International ("GSI"), guaranteed by The Goldman Sachs Group, Inc. ("Goldman Group"), and Hudson Mezzanine Funding 2006-1, Ltd. ("Counterparty"). This Confirmation constitutes a "Confirmation" as referred to in the ISDA Master Agreement specified below.

This Confirmation is subject to, and incorporates by reference, the 2003 ISDA Credit Derivatives Definitions (the "Credit Derivatives Definitions"), as published by the International Swaps and Derivatives Association, Inc. ("ISDA"). This Confirmation supplements, forms a part of and is subject to the ISDA Master Agreement dated as of December 1, 2006 (the "Agreement") between GSI and Counterparty. All provisions contained in, or incorporated by reference to, the Agreement shall govern this Confirmation except as expressly modified below. In the event of any inconsistency between this Confirmation, the Credit Derivatives Definitions, or the Agreement, as the case may be, this Confirmation will control for purposes of each Component Transaction to which this Confirmation relates.

References in this Confirmation to a "Reference Obligation" shall be to the terms of such Reference Obligation (as defined below) set out in the related Underlying Instruments (as defined below) as amended from time to time unless otherwise specified below.

GSI and Counterparty agree that, by entering into this Transaction, they have entered into a separate and independent Credit Derivative Transaction (a "Component Transaction") in respect of each Reference Obligation listed in Annex C attached hereto. A confirmation in the form of this Confirmation shall be deemed to be entered into in respect of each such Component Transaction evidencing the provision of credit default protection with respect to a Credit Event of each such Reference Entity and each such Reference Obligation and that accordingly there may be more than one Credit Event, more than one Physical Settlement amount and more than one Physical Settlement Date and that the Definitions (and in particular the definition of "Termination Date") should, for the purposes of this Confirmation, be interpreted accordingly. Thus relevant sections of the Definitions (including but not limited to Sections 1.8, 3.2 and 7.8)

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shall be construed to apply separately with respect to each Reference Entity or Reference Obligation, as applicable, except as otherwise provided in this Confirmation.

Each Component Transaction (a) constitutes a separate and independent Credit Derivative Transaction between GSI and Counterparty with respect to a Reference Obligation listed in Annex C attached hereto, (b) shall not be affected by any other Credit Derivative Transaction between GSI and Counterparty and (c) shall operate independently of each other Component Transaction in all respects.

The terms of the each Component Transaction to which this Confirmation relates are as follows:

1. General Terms:

Trade Date:	December 1, 2006
Effective Date:	December 5, 2006
Scheduled Termination Date:	Subject to paragraph 5, for each Reference Obligation, the Legal Final Maturity Date set forth in Annex C attached hereto, subject to adjustment in accordance with the Following Business Day Convention.
Termination Date:	The last to occur of: (a) the fifth Business Day following the Effective Maturity Date; (b) the last Floating Rate Payer Payment Date; (c) the last Delivery Date; and (d) the last Additional Fixed Amount Payment Date.
Floating Rate Payer:	Counterparty (the "Seller").
Fixed Rate Payer:	GSI (the "Buyer").
Calculation Agent:	GSI
Calculation Agent City:	New York
Business Day:	New York, Houston and London

Business Day Convention:	Following (which, with the exception of the Effective Date, the Final Amortization Date, each Reference Obligation Payment Date and the period end date of each Reference Obligation Calculation Period, shall apply to any date referred to in this Confirmation that falls on a day that is not a Business Day).
Reference Entity:	The relevant Reference Entity identified in Annex C attached hereto. References herein to "Issuer" shall mean the Reference Entity for the relevant Component Transaction.
Reference Obligation:	The obligation identified in Annex C attached hereto for the relevant Reference Entity. "Original Principal Amount" shall mean the amount set forth in Annex C hereto for the relevant Reference Obligation. "Initial Factor" shall mean the amount set forth in Annex C hereto for the relevant Reference Obligation. Insurer: Not Applicable. Section 2.30 of the Credit Derivatives Definitions shall not apply.
Reference Policy:	Not Applicable.
Reference Price:	100%
Applicable Percentage:	On any day, a percentage equal to A divided by B. "A" means the product of the Initial Face Amount and the Initial Factor as decreased on each Delivery Date by an amount equal to (a) the outstanding principal balance of Deliverable Obligations Delivered to Seller (as adjusted by the Relevant Amount, if any) divided by the Current Factor on such day multiplied by (b) the Initial Factor. "B" means the product of the Original Principal Amount and the Initial Factor: (a) as increased by the outstanding principal balance of any further issues by the Reference Entity that are fungible with and form part of

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	the same legal series as the Reference Obligation; and (b) as decreased by any cancellations of some or all of the Outstanding Principal Amount resulting from purchases of the Reference Obligation by or on behalf of the Reference Entity.
Initial Face Amount:	For each Reference Obligation, the Initial Face Amount set forth in Annex C attached hereto.
Reference Obligation Notional Amount:	On the Effective Date, the product of: (a) the Original Principal Amount; (b) the Initial Factor; and (c) the Applicable Percentage. Following the Effective Date, the Reference Obligation Notional Amount will be: (i) decreased on each day on which a Principal Payment is made by the relevant Principal Payment Amount; (ii) decreased on each day on which a Failure to Pay Principal occurs by the relevant Principal Shortfall Amount; (iii) decreased on each day on which a Writedown occurs by the relevant Writedown Amount; (iv) increased on each day on which a Writedown Reimbursement occurs by any Writedown Reimbursement Amount in respect of a Writedown Reimbursement within paragraphs (ii) or (iii) of the definition of "Writedown Reimbursement"; and (v) decreased on each Delivery Date by an amount equal to the relevant Exercise Amount minus the amount determined pursuant to paragraph (b) of "Physical Settlement Amount" below, provided that if any Relevant Amount is applicable, the Exercise Amount will also be deemed to be decreased by such

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Relevant Amount (or increased by the absolute value of such Relevant Amount if such Relevant Amount is negative) with effect from such Delivery Date;

provided that if the Reference Obligation Notional Amount would be less than zero, it shall be deemed to be zero.

Initial Payment:	Not applicable

2. Fixed Payments:

Fixed Rate Payer:	Buyer
Fixed Rate:	The relevant Fixed Rate (expressed on a per annum basis) set forth in Annex C attached hereto corresponding to the relevant Reference Obligation; subject to adjustment in accordance with paragraph 5 below.
Fixed Rate Payer Period End Date:	The first day of each Reference Obligation Calculation Period.
Fixed Rate Payer Payment Dates:	Each day falling five Business Days after a Reference Obligation Payment Date; provided that the final Fixed Rate Payer Payment Date shall fall on the fifth Business Day following the Effective Maturity Date.
Fixed Amount:	(I) With respect to any Fixed Rate Payer Payment Date on which the senior unsecured debt ratings of GSI or the Goldman Group, whichever is higher, is at least "AA-" by S&P, (and, if rated "AA-" is not on downgrade watch) and at least "Aa3" by Moody's (and, if rated "Aa3", is not on downgrade watch), an amount equal to the product of:

(a) the Fixed Rate;

(b) an amount determined by the Calculation Agent equal to (i) the sum of the Reference Obligation Notional Amount at 5:00 p.m. in the Calculation Agent City on each day in the related Fixed Rate Payer Calculation Period divided by (ii) the actual number of days in the related Fixed Rate Payer Calculation Period; and

(c) the actual number of days in the related Fixed

Rate Payer Calculation Period divided by 360.

(II) With respect to any Fixed Rate Payer Payment Date on which the senior unsecured debt ratings of GSI or the Goldman Group, whichever is higher, is below "AA-" by S&P (or, if rated "AA-", is on downgrade watch) or below "Aa3" by Moody's (or, if rated "Aa3", is on downgrade watch), an amount equal to the greater of (a) zero and (b) the Expected Fixed Amount with respect to such Fixed Rate Payer Payment Date.

(III) With respect to the Fixed Rate Payer Payment Date immediately following the downgrade of the senior unsecured debt ratings of GSI or the Goldman Group, whichever is higher, to lower than "AA-" by S&P or "Aa3" by Moody's (or if rated "AA-" or "Aa3", the placement on watch for possible downgrade by S&P or Moody's, respectively), the sum of the amounts calculated pursuant to (I) and (II) above shall be payable with respect to such Fixed Rate Payer Payment Date only.

Expected Fixed Amount: With respect to any Fixed Rate Payer Payment Date, an amount equal to (a) the Fixed Amount for the next succeeding Fixed Rate Payer Calculation Period as calculated pursuant to clause (I) under "Fixed Amount" above, assuming that the Reference Obligation Notional Amount on each day in such Fixed Rate Payer Calculation Period is equal to the Reference Obligation Notional Amount on the last day of the Fixed Rate Payer Calculation Period relating to the Fixed Rate Payer Payment Date on which the payment is being made, plus (b) the difference (which may be positive or negative) between the Expected Fixed Amount paid on the prior Fixed Rate Payer Payment Date, if any, over the Fixed Amount for such Fixed Rate Payer Payment Date as calculated pursuant to clause (I) under "Fixed Amount" above.

Additional Fixed Amount Payment Dates: (a) Each Fixed Rate Payer Payment Date; and

(b) in relation to each Additional Fixed Payment Event occurring after the second Business Day prior to the last Fixed Rate Payer Payment Date, the fifth Business Day after Buyer has received notification

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	from Seller or the Calculation Agent of the occurrence of such Additional Fixed Payment Event.
Additional Fixed Payments:	Following the occurrence of an Additional Fixed Payment Event in respect of the Reference Obligation, Buyer shall pay the relevant Additional Fixed Amount to Seller on the first Additional Fixed Amount Payment Date falling at least two Business Days (or in the case of an Additional Fixed Payment Event that occurs after the second Business Day prior to the last Fixed Rate Payer Payment Date, the fifth Business Day) after the delivery of a notice by the Calculation Agent to the parties or by Seller to Buyer stating that the related Additional Fixed Amount is due and showing in reasonable detail how such Additional Fixed Amount was determined; provided that any such notice must be given on or prior to the fifth Business Day following the day that is one calendar year after the Effective Maturity Date.
Additional Fixed Payment Event:	The occurrence on or after the Effective Date and on or before the day that is one calendar year after the Effective Maturity Date of a Writedown Reimbursement, Principal Shortfall Reimbursement or an Interest Shortfall Reimbursement.
Additional Fixed Amount:	With respect to each Additional Fixed Amount Payment Date, an amount equal to the sum of: (a) the Writedown Reimbursement Payment Amount (if any); (b) the Principal Shortfall Reimbursement Payment Amount (if any); and (c) the Interest Shortfall Reimbursement Payment Amount (if any).
Writedown Reserve Requirement:	Upon receipt of any Writedown Amount, if the long-term rating of Buyer or any guarantor of Buyer's obligations under this Confirmation (whichever is higher) is below "AA-" by S&P (or such rating has been withdrawn), Buyer shall reserve with Seller the related Writedown Reserve Amount, if any.
Writedown Reserve Amounts:	With respect to any Writedown Amount received with respect to which there is a Writedown Reserve Requirement, the excess, if any, of (i) the product of

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	(1) the related Reference Obligation Amortized Amount of such Reference Obligation and (2) the Current Market Price of such Reference Obligation over (ii) the Reference Obligation Notional Amount. If on any date Buyer shall be obligated to pay to Seller any Additional Fixed Amount in respect of such Reference Obligation but Buyer fails to do so, the Writedown Reserve Amount, if any, reserved with Seller shall be applied to pay such Additional Fixed Amounts..

3. Floating Payments:

Floating Rate Payer:	Seller
Floating Rate Payer Payment Dates:	In relation to a Floating Amount Event, the first Fixed Rate Payer Payment Date falling at least two Business Days (or in the case of a Floating Amount Event that occurs on the Legal Final Maturity Date or the Final Amortization Date, the fifth Business Day) after delivery of a notice by the Calculation Agent to the parties or a notice by Buyer to Seller that the related Floating Amount is due and showing in reasonable detail how such Floating Amount was determined; provided that in the case of a Floating Amount Event that occurs on the Legal Final Maturity Date or the Final Amortization Date, such notice must be given on or prior to the fifth Business Day following the Legal Final Maturity Date or the Final Amortization Date, as applicable.
Floating Payments:	If a Floating Amount Event occurs, then on the relevant Floating Rate Payer Payment Date, Seller will pay the relevant Floating Amount to Buyer. For the avoidance of doubt, the Conditions to Settlement are not required to be satisfied in respect of a Floating Payment.
Floating Amount Event:	A Writedown, Failure to Pay Principal or an Interest Shortfall.
Floating Amount:	With respect to each Floating Rate Payer Payment Date, an amount equal to the sum of: (a) the relevant Writedown Amount (if any); (b) the relevant Principal Shortfall Amount (if any); and

	(c) the relevant Interest Shortfall Payment Amount (if any). For the avoidance of doubt, each Writedown Amount, Principal Shortfall Amount or Interest Shortfall Payment Amount (as applicable) shall be calculated using the Applicable Percentage which takes into account the aggregate adjustment made to the Applicable Percentage in respect of all Delivery Dates that have occurred prior to the date of such calculation.
Conditions to Settlement:	Credit Event Notice
Notifying Party:	Buyer Notice of Physical Settlement
Notice of Publicly Available Information:	Applicable
Public Sources:	The public sources listed in Section 3.7 of the Credit Derivatives Definitions; provided that Servicer Reports in respect of the Reference Obligation and, in respect of a Distressed Ratings Downgrade Credit Event only, any public communications by any of the Rating Agencies in respect of the Reference Obligation shall also be deemed Public Sources.
Specified Number:	1 provided that if the Calculation Agent has previously delivered a notice to the parties or Buyer has previously delivered a notice to Seller pursuant to the definition of "Floating Rate Payer Payment Dates" above in respect of a Writedown or a Failure to Pay Principal, the only Condition to Settlement with respect to any Credit Event shall be a Notice of Physical Settlement. The parties agree that with respect to each Component Transaction and notwithstanding anything to the contrary in the Credit Derivatives Definitions: (a) the Conditions to Settlement may be satisfied on more than one occasion;

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(b) multiple Physical Settlement Amounts may be payable by Seller;

(c) Buyer, when providing a Notice of Physical Settlement, must specify an Exercise Amount and an Exercise Percentage;

(d) if Buyer has delivered a Notice of Physical Settlement that specifies an Exercise Amount that is less than the Reference Obligation Notional Amount as of the date on which such Notice of Physical Settlement is delivered (calculated as though Physical Settlement in respect of all previously delivered Notices of Physical Settlement has occurred in full), the rights and obligations of the parties under the Component Transaction shall continue and Buyer may deliver additional Notices of Physical Settlement with respect to the initial Credit Event or with respect to any additional Credit Event at any time thereafter; and

(e) any Notice of Physical Settlement shall be delivered no later than 30 calendar days after the fifth Business Day following the earlier of the Effective Maturity Date and the Optional Step-up Early Termination Date.

Section 3.2(d) of the Credit Derivatives Definitions is amended to delete the words "that is effective no later than thirty calendar days after the Event Determination Date".

Credit Events: The following Credit Events shall apply to each Component Transaction (and the first sentence of Section 4.1 of the Credit Derivatives Definition shall be amended accordingly):

Failure to Pay Principal

Writedown

Distressed Ratings Downgrade

Obligation: Reference Obligation Only

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4. Interest Shortfall

Interest Shortfall Payment Amount:	In respect of an Interest Shortfall, the relevant Interest Shortfall Amount; provided that, if Interest Shortfall Cap is applicable and the Interest Shortfall Amount exceeds the Interest Shortfall Cap Amount, the Interest Shortfall Payment Amount in respect of such Interest Shortfall shall be the Interest Shortfall Cap Amount.
Interest Shortfall Cap:	Interest Shortfall Cap shall apply only in respect of those Component Transactions, if any, for which Interest Shortfall Cap is specified as being applicable on Annex C attached hereto.
Interest Shortfall Cap Amount:	As set out in Annex A attached hereto.
Actual Interest Amount:	With respect to any Reference Obligation Payment Date, payment by or on behalf of the Issuer of an amount in respect of interest due under the Reference Obligation including, without limitation, any deferred interest or defaulted interest, but excluding payments in respect of prepayment penalties or principal (except that the Actual Interest Amount shall include any payment of principal representing capitalized interest) paid to the holder(s) of the Reference Obligation in respect of the Reference Obligation.
Expected Interest Amount:	With respect to any Reference Obligation Payment Date, the amount of current interest that would accrue during the related Reference Obligation Calculation Period calculated using the Reference Obligation Coupon on a principal balance of the Reference Obligation equal to: (a) the Outstanding Principal Amount taking into account any reductions due to a principal deficiency balance or realized loss amount (howsoever described in the Underlying Instruments) that are attributable to the Reference Obligation, minus (b) the Aggregate Implied Writedown Amount (if any), and that will be payable on the related Reference Obligation Payment Date assuming for this purpose that sufficient funds are available therefor in

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accordance with the Underlying Instruments.

Except as provided in (a) in the previous sentence, the Expected Interest Amount shall be determined without regard to (i) unpaid amounts in respect of accrued interest on prior Reference Obligation Payment Dates, or (ii) any prepayment penalties or yield maintenance provisions, and in any case without regard to the effect of any provisions (however described) of the Underlying Instruments that otherwise permit the limitation of due payments or distributions of funds available from proceeds of the Underlying Assets, or that provide for the capitalization or deferral of interest on the Reference Obligation, or that provide for the extinguishing or reduction of such payments or distributions (but, for the avoidance of doubt, taking account of any Writedown within paragraph (i) of the definition of "Writedown" occurring in accordance with the terms of the Underlying Instruments).

Interest Shortfall: With respect to any Reference Obligation Payment Date, either (a) the non-payment of an Expected Interest Amount or (b) the payment of an Actual Interest Amount that is less than the Expected Interest Amount.

For the avoidance of doubt, the occurrence of an event within (a) or (b) shall be determined taking into account any payment made under the Reference Policy, if applicable.

Interest Shortfall Amount: With respect to any Reference Obligation Payment Date, an amount equal to the greater of:

(a) zero; and

(b) the amount equal to the product of:

(i) (A) the Expected Interest Amount;

minus

(B) the Actual Interest Amount; and

(ii) the Applicable Percentage;

provided that, with respect to the first Reference Obligation Payment Date only, the Interest Shortfall Amount shall be the amount determined in accordance with (a) and (b) above multiplied by a fraction equal to:

(x) the number of days in the first Fixed Rate Payer Calculation Period; over

(y) the number of days in the first Reference Obligation Calculation Period.

Interest Shortfall Reimbursement:	With respect to any Reference Obligation Payment Date, the payment by or on behalf of the Issuer of an Actual Interest Amount in respect of the Reference Obligation (including, for the avoidance of doubt, any payment of principal representing capitalized interest) that is greater than the Expected Interest Amount.
Interest Shortfall Reimbursement Amount:	With respect to any Reference Obligation Payment Date, the product of (a) the amount of any Interest Shortfall Reimbursement on such day and (b) the Applicable Percentage.
Interest Shortfall Reimbursement Payment Amount:	If Interest Shortfall Cap is not applicable, the relevant Interest Shortfall Reimbursement Amount. If Interest Shortfall Cap is applicable, the amount determined pursuant to Annex A attached hereto.

5. Consequences of Step-up of the Reference Obligation Coupon

Step-up provisions:	The Step-up provisions shall apply only in respect of those Component Transactions, if any, for which the Step-up provisions are specified as being applicable on Annex C attached hereto.
	If the Step-up provisions are applicable, then the following provisions of this paragraph 5 shall apply.
Step-up:	On any day, an increase in the Reference Obligation Coupon due to the failure of the Issuer or a third party to redeem, cancel or terminate the Reference Obligation, as the case may be, in accordance with the Underlying Instruments.
Non-Call Notification Date:	The date of delivery by the Calculation Agent to the parties or by Buyer to Seller of a Non-Call Notice.

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Non-Call Notice:	A notice given by the Calculation Agent to the parties or by Buyer to Seller that the Reference Obligation has not been purchased, redeemed, cancelled or terminated by the issuer or a third party, in accordance with the Underlying Instruments, pursuant to a "clean-up call" or other right to purchase, redeem, cancel or terminate (however described in the Underlying Instruments) the Reference Obligation, which failure will result in the occurrence of a Step-up.
Increase of the Fixed Rate:	Subject to "Optional Step-up Early Termination" below, upon the occurrence of a Step-up, the Fixed Rate will be increased by the number of basis points by which the Reference Obligation Coupon is increased due to the Step-up, such increase to take effect as of the Fixed Rate Payer Payment Date immediately following the fifth Business Day after the Non-Call Notification Date.
Optional Step-up Early Termination:	No later than five Business Days after the Non-Call Notification Date, Buyer shall notify Seller (such notification, a "Buyer Step-up Notice") whether Buyer wishes to continue each affected Component Transaction at the increased Fixed Rate or to terminate such Component Transaction. If Buyer elects to terminate a Component Transaction pursuant to the above, the date of delivery of the Buyer Step-up Notice shall be the Scheduled Termination Date (such date, the "Optional Step-up Early Termination Date") and in such case "Increase of the Fixed Rate" in this paragraph 5 shall not apply. No amount shall be payable by either party in respect of the Optional Step-up Early Termination Date other than any Fixed Amount, Additional Fixed Amount, Floating Amount or Physical Settlement Amount due in respect of such date. For the avoidance of doubt, the obligation of a party to pay any amount that has become due and payable under a Component Transaction and remains unpaid as at the Optional Step-up Early Termination Date shall not be affected by the occurrence of the Optional Step-up Early Termination Date.

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If Buyer fails to deliver the Buyer Step-up Notice by the fifth Business Day after the Non-Call Notification Date, Buyer shall be deemed to have elected to continue each affected Component Transaction at the increased Fixed Rate as described under "Increase of the Fixed Rate".

If Buyer elects, or is deemed to have elected, to continue a Component Transaction at the increased Fixed Rate, such Component Transaction shall continue.

6. Settlement Terms

Settlement Method:	Physical Settlement
Terms Relating to Physical Settlement:	
Physical Settlement Period:	Five Business Days
Deliverable Obligations:	Exclude Accrued Interest
Deliverable Obligations:	Deliverable Obligation Category: Reference Obligation Only
Physical Settlement Amount:	An amount equal to:

(a) the product of the Exercise Amount and the Reference Price, minus

(b) the sum of:

(i) if the Aggregate Implied Writedown Amount is greater than zero, the product of (A) the Aggregate Implied Writedown Amount, (B) the Applicable Percentage, each as determined immediately prior to the relevant Delivery and (C) the Exercise Percentage; and

(ii) the product of (A) the aggregate of all Writedown Amounts in respect of Writedowns within paragraph (i)(B) of the definition of "Writedown", minus the aggregate of all Writedown Reimbursement Amounts in respect of

Writedown Reimbursements within paragraph (ii)(B) of the definition of "Writedown Reimbursement" and (B) the Exercise Percentage;

provided that if the Physical Settlement Amount would exceed the product of:

(1) the Reference Obligation Notional Amount as of the date on which the relevant Notice of Physical Settlement is delivered calculated as though Physical Settlement in respect of all previously delivered Notices of Physical Settlement has occurred in full; and

(2) the Exercise Percentage;

then the Physical Settlement Amount shall be deemed to be equal to such product.

Delayed Payment: With respect to a Delivery Date, if a Servicer Report that describes a Delayed Payment is delivered to holders of the Reference Obligation or to the Calculation Agent on or after such Delivery Date, Buyer will pay the applicable Delayed Payment Amount to Seller no later than five Business Days following such Delayed Payment.

Escrow: Applicable

Non-delivery by Buyer: If Buyer has delivered a Notice of Physical Settlement and

(a) Buyer does not Deliver in full the Deliverable Obligations specified in that Notice of Physical Settlement on or prior to the Physical Settlement Date, or

(b) the Effective Maturity Date occurs after delivery of the Notice of Physical Settlement but before Buyer Delivers the Deliverable Obligations specified in that Notice of Physical Settlement,

then such Notice of Physical Settlement shall be deemed not to have been delivered and any reference in this Confirmation to a previously delivered Notice of Physical Settlement shall exclude any Notice of Physical Settlement that is deemed not to have been

delivered. Sections 9.2(c)(ii) (except for the first sentence thereof), 9.3, 9.4, 9.5, 9.6, 9.9 and 9.10 of the Credit Derivatives Definitions shall not apply.

7. Additional Provisions:

(a) *Delivery of Servicer Report*

If either party makes a reasonable request in writing, the Calculation Agent agrees to provide such party with a copy of the most recent Servicer Report promptly following receipt of such request, if and to the extent such Servicer Report is reasonably available to the Calculation Agent (whether or not the Calculation Agent is a holder of the Reference Obligation). In addition, if a Floating Payment or an Additional Fixed Payment is due hereunder, then the Calculation Agent or the party that notifies the other party that the relevant Floating Payment or Additional Fixed Payment is due, as applicable, (the "Notifying Party") shall deliver a copy of any Servicer Report relevant to such payment that is requested by the party that is not the Notifying Party or by either party where the Notifying Party is the Calculation Agent, if and to the extent that such Servicer Report is reasonably available to the Notifying Party (whether or not the Notifying Party is a holder of the Reference Obligation).

(b) *Calculation Agent and Buyer and Seller Determinations*

The Calculation Agent shall be responsible for determining and calculating (i) the Fixed Amount payable on each Fixed Rate Payer Payment Date; (ii) the occurrence of a Floating Amount Event and the related Floating Amount and (iii) the occurrence of an Additional Fixed Payment Event and the related Additional Fixed Amount; provided that notwithstanding the above, each of Buyer and Seller shall be entitled to determine and calculate the above amounts to the extent that Buyer or Seller, as applicable, has the right to deliver a notice to the other party demanding payment of such amount. The Calculation Agent or Buyer or Seller, as applicable, shall make such determinations and calculations based solely on the basis of the Servicer Reports, to the extent such Servicer Reports are reasonably available to the Calculation Agent or such party. The Calculation Agent or Buyer or Seller, as applicable, shall, as soon as practicable after making any of the determinations or calculations specified in (i) and (ii) above, notify the parties or the other party, as applicable, of such determinations and calculations.

(c) *Adjustment of Calculation Agent Determinations*

To the extent that a Servicer furnishes any Servicer Reports correcting information contained in previously issued Servicer Reports, and such corrections impact calculations pursuant to any Component Transaction, the calculations relevant to such Component Transaction shall be adjusted retroactively by the Calculation Agent to reflect the corrected information (provided that, for the avoidance of doubt, no amounts in respect of interest shall be payable by either party and provided that the Calculation Agent in performing the calculations pursuant to this paragraph will assume that no interest has accrued on any adjusted amount), and the Calculation Agent shall promptly

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notify both parties of any corrected payments required by either party. Any required corrected payments shall be made within five Business Days of the day on which such notification by the Calculation Agent is effective.

(d) *Collateral*

On the Effective Date, Counterparty shall deposit Collateral Securities and Eligible Investments with a face value equal to $800,000,000 on the Effective Date to the Collateral Account. Counterparty hereby agrees to maintain any principal proceeds received with respect to the Collateral in the Collateral Account unless another disposition is otherwise authorized hereunder or under the Indenture.

The Counterparty agrees to pledge the Collateral (and the principal proceeds therefrom) deposited from time to time in the Collateral Account and its rights under the Senior Swap and the Collateral Put Agreement to GSI as security for its obligations under the Transaction and grants to GSI a first priority security interest in and lien on all Collateral (and the principal proceeds therefrom) in the Collateral Account in accordance with the Indenture. If at any time an Event of Default or Termination Event with respect to Counterparty has occurred and is continuing, GSI shall have all rights and remedies available to a secured party under applicable law with respect to the Collateral, including, without limitation, the right to direct the liquidation of Collateral and apply the proceeds from such liquidation to any amounts payable by Counterparty in respect of the Component Transactions hereunder.

Notwithstanding anything to the contrary in this Confirmation, GSI acknowledges and agrees that in accordance with the terms of the Indenture, Counterparty's obligations (other than any obligation of Counterparty to pay to GSI any Defaulted Swap Termination Payments) under each Component Transaction will be satisfied by the assets deposited to the Collateral Account. Amounts owing to the GSI will be due and payable in accordance with the terms of this Transaction and will be drawn (i) from the Collateral Account in accordance with the Collateral Liquidation Procedure, and with the benefit of Counterparty's rights under the Collateral Put Agreement, where applicable, and (ii) once the balance of the Collateral Account has been reduced to zero, by demanding payment under the Senior Swap in an amount equal to the lesser of Counterparty's obligations due and the Senior Swap Notional Amount. Counterparty's obligation to pay GSI any Defaulted Swap Termination Payment will not be paid in accordance with the foregoing, but instead will be satisfied only by Proceeds available therefor in accordance with the Priority of Payments. If the Collateral Assets and Counterparty's rights under the Senior Swap are insufficient to satisfy Counterparty's obligations in respect of any Component Transaction hereunder, any such residual obligations of Counterparty shall be extinguished and of no further force or effect.

(e) *Additional Tax Representations*

The parties hereto confirm that this Transaction is not intended to be and does not constitute a contract of surety, insurance, guarantee or indemnity. The parties acknowledge that the payments to be made by the Counterparty will be made

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independently and are not conditional upon GSI sustaining or being exposed to risk or loss and that the rights and obligations of the parties hereunder are not dependent upon GSI owning or having (and do not effectively require GSI to have) any legal, equitable or other interest in the Reference Obligations.

It is the intention of the parties that this Transaction be characterized as a notional principal contract (and not a surety bond, guarantee, insurance or similar contract) for all legal, regulatory and tax purposes. The terms of this Transaction shall be interpreted to further this intention of the parties. Further, each of the parties shall treat this Transaction accordingly for all legal, regulatory and tax reporting purposes and each party waives any right to assert any claim or defense that is inconsistent with this intention of the parties.

(f) *Additional Termination Events*

Subclause (ii) of Part 1(k) of the Schedule to the Master Agreement shall be replaced with the following: "With respect to any Event of Default or Termination Event under the terms of this Transaction where GSI is the Defaulting or Affected Party, the Market Quotation and First Method shall apply, otherwise, the Second Method will apply.

(g) *Failure to Pay*

Section 5(a)(i) of the Master Agreement shall be replaced by the following:

"(i) *Failure to Pay or Deliver.* Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party; *provided however*, that any such failure by the Counterparty to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) required to be made by it shall not constitute an Event of Default under this Section 5(a)(i) if such failure is a result of the Senior Swap Counterparty's failure to pay to the Counterparty any amount due under the Senior Swap."

8. Notice and Account Details:

Telephone, Telex and/or
Facsimile Numbers and
Contact Details for Notices:

Goldman Sachs International
Attention: Credit Derivatives Middle Office London
Tel: 1 212 357 0167
Fax: 1 212 428 9189

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Hudson Mezzanine funding 2006-1, Ltd.
c/o The Bank of New York Trust
Company, National Association
Attention: Global Corporate Trust/Hudson Mezzanine
Funding 2006-1, Ltd.
Tel: 713-483-6000
Fax: 713-483-6001

Account Details:

Account Details of GSI:	For the Account of: Goldman Sachs International Name of Bank: CITIBANK, NEW YORK Account No: 40616408 Fed ABA No: 021000089 SWIFT Code: CITIUS33
Account Details of Counterparty:	For the Account of: Hudson Mezzanine Funding 2006-1, Ltd. JPMorgan Chase Bank ABA No.: 021000021 A/C: 00102619468 BNF Name: Asset Backed Structured #2 BNF Address: JPMorgan Chase Tower, Houston, Texas FC: HUDSON MEZZANINE FUNDING 2006-1, Ltd. /A/C#: 10228527.2 OBI: Jose Rodriguez / Ref.

9. **Additional Definitions and Amendments to the Credit Derivatives Definitions**

(a) References in Sections 4.1, 8.2, 9.1 and 9.2(a) of the Credit Derivatives Definitions as well as Section 3(a)(iv) of the form of Novation Agreement set forth in Exhibit E to the Credit Derivatives Definitions to the Reference Entity shall be deemed to be references to both the Reference Entity and the Insurer in respect of the Reference Policy, if applicable.

(b) (i) The definition of "Publicly Available Information" in Section 3.5 of the Credit Derivatives Definitions shall be amended by (i) inserting the words "the Insurer in respect of the Reference Policy, if applicable" at the end of subparagraph (a)(ii)(A) thereof, (ii) inserting the words "servicer, sub-servicer, master servicer" before the words "or paying agent" in subparagraph (a)(ii)(B) thereof and (iii) deleting the word "or" at the end of subparagraph (a)(iii) thereof and inserting at the end of subparagraph (a)(iv) thereof the following: "or (v) is information contained in a notice or on a website published by an internationally recognized rating agency that has at any time rated the Reference Obligation".

(ii) The definition of "Physical Settlement" in Section 8.1 of the Credit Derivatives Definitions shall be amended by (i) deleting the words "Physical Settlement Amount" from the last line of the second paragraph thereof and (ii) inserting in lieu thereof the words "Exercise Amount".

(iii) The definition of "Physical Settlement Date" in Section 8.4 of the Credit Derivatives Definitions shall be amended by deleting the last sentence thereof.

(c) For the purposes of each Component Transaction only, the following terms have the meanings given below:

"Actual Principal Amount" means, with respect to the Final Amortization Date or the Legal Final Maturity Date, payment on such day by or on behalf of the Issuer of an amount in respect of principal (excluding any capitalized interest) to the holder(s) of the Reference Obligation in respect of the Reference Obligation.

"Aggregate Implied Writedown Amount" means the greater of (i) zero and (ii) the aggregate of all Implied Writedown Amounts minus the aggregate of all Implied Writedown Reimbursement Amounts.

"Approved Dealer": Any of the Persons set forth below or their affiliates set forth below (including the successor to any such Person):

ABN AMRO Bank N.V.;

Banc of America Securities LLC;

Barclays Bank PLC;

Bear, Stearns & Co. Inc.;

BNP Paribas;

Canadian Imperial Bank of Commerce;

Citigroup, Inc.;

Commerzbank AG;

Countrywide Securities Corporation;

Credit Suisse Group;

Deutsche Bank AG;

Dresdner Bank AG;

First Tennessee Bank National Association;

Goldman, Sachs & Co.

Greenwich Capital Markets, Inc.;

HSBC Bank plc;

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JP Morgan Chase & Co.;

Legg Mason, Inc.;

Lehman Brothers, Inc.;

Merrill Lynch & Co., Inc.;

Morgan Stanley & Co., Inc.;

Nomura Securities Co., Ltd.;

Raymond James Financial, Inc.;

Société Generale Group;

TD Bank Financial Group;

UBS AG;

United Capital Markets Inc.;

Wachovia Securities, LLC;

Washington Mutual, Inc; or

WestLB AG.

"Collateral Account" has the meaning set forth in the Indenture.

"Collateral Liquidation Procedure" has the meaning set forth in the Indenture.

"Collateral Put Agreement" means the put agreement entered into by Counterparty and Goldman Sachs International on or prior to the Effective Date.

"Collateral Securities" has the meaning set forth in the Indenture.

"Collateral Securities Eligibility Criteria" has the meaning set forth in the Indenture.

"Current Factor" means the factor of the Reference Obligation as specified in the most recent Servicer Report; provided that if the Current Factor is not specified in the most recent Servicer Report, the Current Factor shall be the ratio equal to (i) the Outstanding Principal Amount as of such date, determined in accordance with the Servicer Report over (ii) the Original Principal Amount.

"Current Market Price" means, at any time of determination, with respect to a Reference Obligation, a percentage price determined by the Calculation Agent and confirmed by the Collateral Administrator by (a) using the pricing service used by the Collateral Administrator in its normal course of business for so long as the quote obtained from such pricing service has been provided by such pricing service within two Business Days of the time of such determination or (b) (1) if subclause (a) above is not applicable, asking five Approved Dealers to quote the offered-side price (excluding accrued interest) for such Reference Obligation (in an amount equal to its Reference Obligation Notional Amount) and (2) for so long as the Collateral Administrator is able to obtain one such quote from one such Approved Dealer, taking the arithmetic average of such quotation(s).

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"Current Period Implied Writedown Amount" means, in respect of a Reference Obligation Calculation Period, an amount determined as of the last day of such Reference Obligation Calculation Period equal to the greater of:

(i) zero; and

(ii) the product of:

(A) the Implied Writedown Percentage; and

(B) the greater of:

(1) zero; and

(2) the Pari Passu Amount plus the Senior Amount minus the aggregate outstanding asset pool balance securing the payment obligations on the Reference Obligation (all such outstanding asset pool balances as obtained by the Calculation Agent from the most recently dated Servicer Report available as of such day), calculated based on the face amount of the assets in such pool, whether or not any such asset is performing

"Delayed Payment" means, with respect to a Delivery Date, a Principal Payment, Principal Shortfall Reimbursement or a Writedown Reimbursement within paragraph (i) of the definition of "Writedown Reimbursement" that is described in a Servicer Report delivered to holders of the Reference Obligation or to the Calculation Agent on or after such Delivery Date.

"Delayed Payment Amount" means, if persons who are holders of the Reference Obligation as of a date prior to a Delivery Date are paid a Delayed Payment on or after such Delivery Date, and amount equal to the product of (i) the sum of all such Delayed Payments, (ii) the Reference Price, (iii) the Applicable Percentage immediately prior to such Delivery Date and (iv) the Exercise Percentage.

"Distressed Ratings Downgrade" means that the Reference Obligation:

(i) if publicly rated by Moody's, (A) is downgraded to "Caa2" or below by Moody's or (B) has the rating assigned to it by Moody's withdrawn and, in either case, not reinstated within five Business Days of such downgrade or withdrawal; provided that if such Reference Obligation was assigned a public rating of "Baa3" or higher by Moody's immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "Caa1" by Moody's within three calendar months of such withdrawal; or

(ii) if publicly rated by Standard & Poor's, (A) is downgraded to "CCC" or below by Standard & Poor's or (B) has the rating assigned to it by Standard & Poor's withdrawn and, in either case, not reinstated within five Business Days of such downgrade or withdrawal; provided that if such

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Reference Obligation was assigned a public rating of "BBB-" or higher by Standard & Poor's immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "CCC+" by Standard & Poor's within three calendar months of such withdrawal; or

(iii) if publicly rated by Fitch, (A) is downgraded to "CCC" or below by Fitch or (B) has the rating assigned to it by Fitch withdrawn and, in either case, not reinstated within five Business Days of such downgrade or withdrawal; provided that if such Reference Obligation was assigned a public rating of "BBB-" or higher by Fitch immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "CCC+" by Fitch within three calendar months of such withdrawal.

"Effective Maturity Date" means the earlier of (a) the Scheduled Termination Date and (b) the Final Amortization Date.

"Eligible Investments" has the meaning set forth in the Indenture.

"Exercise Amount" means, for purposes of a Component Transaction, an amount to which a Notice of Physical Settlement applies equal to the product of (i) the original face amount of the Reference Obligation to be Delivered by Buyer to Seller on the Physical Settlement Date; and (ii) the Current Factor. The Exercise Amount to which a Notice of Physical Settlement relates shall (A) be equal to or less than the Reference Obligation Notional Amount (determined, for this purpose, without regard to the effect of any Writedown or Writedown Reimbursement within paragraphs (i)(B) or (iii) of "Writedown" or paragraphs (ii)(B) or (iii) of "Writedown Reimbursement", respectively) as of the date on which the relevant Notice of Physical Settlement is delivered calculated as though the Physical Settlement of all previously delivered Notices of Physical Settlement has occurred in full and (B) not be less than the lesser of (1) the Reference Obligation Notional Amount as of the date on which the relevant Notice of Physical Settlement is delivered calculated as though Physical Settlement in respect of all previously delivered Notices of Physical Settlement has occurred in full and (2) USD100,000. The cumulative original face amount of Deliverable Obligations specified in all Notices of Physical Settlement shall not at any time exceed the Initial Face Amount.

"Exercise Percentage" means, with respect to a Notice of Physical Settlement, a percentage equal to the original face amount of the Deliverable Obligations specified in such Notice of Physical Settlement divided by an amount equal to (i) the Initial Face Amount minus (ii) the aggregate of the original face amount of all Deliverable Obligations specified in all previously delivered Notices of Physical Settlement.

"Expected Principal Amount" means, with respect to the Final Amortization Date or the Legal Final Maturity Date, an amount equal to (i) the Outstanding Principal Amount of the Reference Obligation payable on such day assuming for this purpose that sufficient funds are available for such payment, where such amount shall be determined in accordance with the Underlying Instruments, minus (ii) the sum of (A) the Aggregate Implied Writedown Amount (if any) and

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(B) the net aggregate principal deficiency balance or realized loss amounts (however described in the Underlying Instruments) that are attributable to the Reference Obligation. The Expected Principal Amount shall be determined without regard to the effect of any limited recourse provisions (however described) of the Underlying Instruments that permit the limitation of due payments or distributions of funds in accordance with the terms of such Reference Obligation or that provide for the extinguishing or reduction of such payments or distributions.

"Failure to Pay Principal" means (i) a failure by the Reference Entity (or any Insurer) to pay an Expected Principal Amount on the Final Amortization Date or the Legal Final Maturity Date, as the case may be or (ii) payment on any such day of an Actual Principal Amount that is less than the Expected Principal Amount; provided that the failure by the Reference Entity (or any Insurer) to pay any such amount in respect of principal in accordance with the foregoing shall not constitute a Failure to Pay Principal if such failure has been remedied within any grace period applicable to such payment obligation under the Underlying Instruments or, if no such grace period is applicable, within three Business Days after the day on which the Expected Principal Amount was scheduled to be paid.

"Final Amortization Date" means the first to occur of (i) the date on which the Reference Obligation Notional Amount is reduced to zero and (ii) the date on which the assets securing the Reference Obligation or designated to fund amounts due in respect of the Reference Obligation are liquidated, distributed or otherwise disposed of in full and the proceeds thereof are distributed or otherwise disposed of in full.

"Fitch" means Fitch Ratings or any successor to the rating business thereof.

"Implied Writedown Amount" means, (i) if the Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (i) of the definition of "Writedown" to occur in respect of the Reference Obligation, on any Reference Obligation Payment Date, an amount determined by the Calculation Agent equal to the excess, if any, of the Current Period Implied Writedown Amount over the Previous Period Implied Writedown Amount, in each case in respect of the Reference Obligation Calculation Period to which such Reference Obligation Payment Date relates, and (ii) in any other case, zero.

"Implied Writedown Percentage" means (i) the Outstanding Principal Amount divided by (ii) the Pari Passu Amount.

"Implied Writedown Reimbursement Amount" means, (i) if the Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (i) of the definition of "Writedown" to occur in respect of the Reference Obligation, on any Reference Obligation Payment Date, an amount determined by the Calculation Agent equal to the excess, if any, of the Previous Period Implied Writedown Amount over the Current Period Implied Writedown Amount, in each case in respect of the Reference Obligation Calculation Period to which such Reference Obligation Payment Date relates, and (ii) in any other case, zero.

"Legal Final Maturity Date" means the legal final maturity date for the relevant Reference Obligation set forth in Annex C attached hereto (subject, for the avoidance of doubt, to any business day convention applicable to the legal final maturity date of the Reference Obligation),

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provided that if the legal final maturity date of the Reference Obligation is amended, the Legal Final Maturity Date shall be such date as amended.

"Moody's" means Moody's Investors Service, Inc. or any successor to the rating business thereof.

"Outstanding Principal Amount" means, as of any date of determination with respect to the Reference Obligation, the outstanding principal balance of the Reference Obligation as of such date, which shall take into account:

(iv) all payments of principal;

(v) all writedowns or applied losses (however described in the Underlying Instruments) resulting in a reduction in the outstanding principal balance of the Reference Obligation (other than as a result of a scheduled or unscheduled payment of principal);

(vi) forgiveness of any amount by the holders of the Reference Obligation pursuant to an amendment to the Underlying Instruments resulting in a reduction in the outstanding principal balance of the Reference Obligation;

(vii) any payments reducing the amount of any reductions described in (ii) and (iii) of this definition; and

(viii) any increase in the outstanding principal balance of the Reference Obligation that reflects a reversal of any prior reductions described in (ii) and (iii) of this definition).

"Pari Passu Amount" means, as of any date of determination, the aggregate of the Outstanding Principal Amount of the Reference Obligation and the aggregate outstanding principal balance of all obligations of the Reference Entity secured by the Underlying Assets and ranking pari passu in priority with the Reference Obligation.

"Previous Period Implied Writedown Amount" means, in respect of a Reference Obligation Calculation Period, the Current Period Implied Writedown Amount as determined in relation to the last day of the immediately preceding Reference Obligation Calculation Period.

"Principal Payment" means, with respect to any Reference Obligation Payment Date, the occurrence of a payment of an amount to the holders of the Reference Obligation in respect of principal (scheduled or unscheduled) in respect of the Reference Obligation other than a payment in respect of principal representing capitalized interest, excluding, for the avoidance of doubt, any Writedown Reimbursement or Interest Shortfall Reimbursement.

"Principal Payment Amount" means, with respect to any Reference Obligation Payment Date, an amount equal to the product of (i) the amount of any Principal Payment on such date and (ii) the Applicable Percentage.

"Principal Shortfall Amount" means, in respect of a Failure to Pay Principal, an amount equal to the greater of:

(ix) zero; and

(x) the amount equal to the product of:

(A) the Expected Principal Amount minus the Actual Principal Amount;

(B) the Applicable Percentage; and

(C) the Reference Price.

If the Principal Shortfall Amount would be greater than the Reference Obligation Notional Amount immediately prior to the occurrence of such Failure to Pay Principal, then the Principal Shortfall Amount shall be deemed to be equal to the Reference Obligation Notional Amount at such time.

"Principal Shortfall Reimbursement" means, with respect to any day, the payment by or on behalf of the Issuer of an amount in respect of the Reference Obligation in or toward the satisfaction of any deferral of or failure to pay principal arising from one or more prior occurrences of a Failure to Pay Principal.

"Principal Shortfall Reimbursement Amount" means, with respect to any day, the product of (i) the amount of any Principal Shortfall Reimbursement on such day, (ii) the Applicable Percentage and (iii) the Reference Price.

"Principal Shortfall Reimbursement Payment Amount" means, with respect to an Additional Fixed Amount Payment Date, the sum of the Principal Shortfall Reimbursement Amounts in respect of all Principal Shortfall Reimbursements (if any) made during the Reference Obligation Calculation Period relating to such Additional Fixed Amount Payment Date, provided that the aggregate of all Principal Shortfall Reimbursement Payment Amounts at any time shall not exceed the aggregate of all Floating Amounts paid by Seller in respect of occurrences of Failure to Pay Principal prior to such Additional Fixed Amount Payment Date.

"Rating Agencies" means Fitch, Moody's and Standard & Poor's.

"Reference Obligation Amortized Amount" means, with respect to a Reference Obligation and any date of determination, (i) the product of (a) the Original Principal Amount, the Initial Factor and the Applicable Percentage minus (ii) the aggregate of Principal Payment Amounts with respect to such Reference Obligation on or prior to such date of determination.

"Reference Obligation Calculation Period" means, with respect to each Reference Obligation Payment Date, a period corresponding to the interest accrual period relating to such Reference Obligation Payment Date pursuant to the Underlying Instruments.

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"Reference Obligation Coupon" means the periodic interest rate applied in relation to each Reference Obligation Calculation Period on the related Reference Obligation Payment Date, as determined in accordance with the terms of the Underlying Instruments as at the Effective Date, without regard to any subsequent amendment.

"Reference Obligation Payment Date" means (i) each scheduled distribution date for the Reference Obligation occurring on or after the Effective Date and on or prior to the Scheduled Termination Date, determined in accordance with the Underlying Instruments and (ii) any day after the Effective Maturity Date on which a payment is made in respect of the Reference Obligation.

"Relevant Amount" means, with respect to any Reference Obligation, if a servicer report that described a Principal Payment, Writedown or Writedown Reimbursement (other than a Writedown Reimbursement within paragraph (i) of "Writedown Reimbursement"), in each case that has the effect of decreasing or increasing the interest-accruing principal balance of such Reference Obligation as of a date prior to a Delivery Date but such servicer report is delivered to holders of such Reference Obligation or to the Calculation Agent on or after such Delivery Date, an amount equal to the product of (i) the sum of any such Principal Payment (expressed as a positive amount), Writedown (expressed as a positive amount) or Writedown Reimbursement (expressed as a negative amount), as applicable; (ii) the Reference Price; (iii) the Applicable Percentage immediately prior to such Delivery Date; and (iv) the Exercise Percentage.

"Senior Amount" means, as of any day, the aggregate outstanding principal balance of all obligations of the Reference Entity secured by the Underlying Assets and ranking senior in priority to the Reference Obligation.

"Senior Swap" means the swap agreement entered into on the Effective Date between Counterparty and Goldman Sachs International with an initial notional amount of $1,200,000,000.

"Senior Swap Notional Amount" has the meaning set forth in the Senior Swap.

"Servicer" means any trustee, servicer, sub servicer, master servicer, fiscal agent, paying agent or other similar entity responsible for calculating payment amounts or providing reports pursuant to the Underlying Instruments.

"Servicer Reports" means periodic statements or reports regarding the Reference Obligation provided by the Servicer to holders of the Reference Obligation.

"Standard & Poor's" means Standard & Poor's Rating Services, a division of McGraw-Hill Companies, Inc. or any successor to the rating business thereof.

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

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"Underlying Instruments" means the indenture, trust agreement, pooling and servicing agreement or other relevant agreement(s) setting forth the terms of the Reference Obligation.

"Writedown" means the occurrence at any time on or after the Effective Date of:

(i) (A) a writedown or applied loss (however described in the Underlying Instruments) resulting in a reduction in the Outstanding Principal Amount (other than as a result of a scheduled or unscheduled payment of principal); or

(B) the attribution of a principal deficiency or realized loss (howsoever described in the Underlying Instruments) to the Reference Obligation resulting in a reduction of the current interest payable on the Reference Obligation;

(ii) the forgiveness of any amount of principal by the holders of the Reference Obligation pursuant to an amendment to the Underlying Instruments resulting in a reduction in the Outstanding Principal Amount; or

(iii) if the Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (i) above to occur in respect of the Reference Obligation, an Implied Writedown Amount being determined in respect of the Reference Obligation by the Calculation Agent, as applicable.

"Writedown Amount" means, with respect to any day, the product of (i) the amount of any Writedown on such day, (ii) the Applicable Percentage and (iii) the Reference Price.

"Writedown Reimbursement" means, with respect to any day, the occurrence of either:

(i) a payment by or on behalf of the Issuer of an amount in respect of the Reference Obligation in reduction of any prior Writedowns;

(ii) (A) an increase by or on behalf of the Issuer of the Outstanding Principal Amount of the Reference Obligation to reflect the reversal of any prior Writedowns; or

(B) a decrease in the principal deficiency balance or realized loss amounts (howsoever described in the Underlying Instruments) attributable to the Reference Obligation; or

(iii) if the Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (ii) above to occur in respect of the Reference Obligation, an Implied Writedown Reimbursement Amount being determined in respect of the Reference Obligation by the Calculation Agent.

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"Writedown Reimbursement Amount" means, with respect to any day, an amount equal to the product of:

(i) the sum of all Writedown Reimbursements on that day;

(ii) the Applicable Percentage; and

(iii) the Reference Price.

"Writedown Reimbursement Payment Amount" means, with respect to an Additional Fixed Amount Payment Date, the sum of the Writedown Reimbursement Amounts in respect of all Writedown Reimbursements (if any) made during the Reference Obligation Calculation Period relating to such Additional Fixed Amount Payment Date, provided that the aggregate of all Writedown Reimbursement Payment Amounts at any time shall not exceed the aggregate of all Floating Amounts paid by Seller in respect of Writedowns occurring prior to such Additional Fixed Amount Payment Date.

Counterparty hereby agrees (a) to check this Confirmation carefully and immediately upon receipt so that errors or discrepancies can be promptly identified and rectified and (b) to confirm that the foregoing correctly sets forth the terms of the agreement between GSI and Counterparty with respect to the Component Transactions to which this Confirmation relates, by manually signing this Confirmation and providing the other information requested herein and immediately returning an executed copy to Swap Administration, Facsimile No.: 1 212 428 9189.

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Goldman Sachs International is authorized and regulated by The Financial Services Authority and has entered into this transaction as principal. The time at which the above transaction was executed will be notified to Counterparty on request.

Yours sincerely,

GOLDMAN SACHS INTERNATIONAL

By: _____
Name:
Title: Matt Seager
Executive Director

Agreed and Accepted by:

HUDSON MEZZANINE FUNDING 2006-1, LTD.

By: _____
Name:
Title:

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Goldman Sachs International is authorized and regulated by The Financial Services Authority and has entered into this transaction as principal. The time at which the above transaction was executed will be notified to Counterparty on request.

Yours sincerely,

GOLDMAN SACHS INTERNATIONAL

By: _____
Name:
Title:

Agreed and Accepted by:

HUDSON MEZZANINE FUNDING 2006-1, LTD.

By: _____
Name: Carrie Bunton
Title: Director

Confirmation for RMBS to Credit Default Swap

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Annex A

If Interest Shortfall Cap is applicable, then the following provisions will apply:

Interest Shortfall Cap Basis:	Fixed Cap
Interest Shortfall Cap Amount:	If the Interest Shortfall Cap Basis is Fixed Cap, the Interest Shortfall Cap Amount in respect of an Interest Shortfall shall be the Fixed Amount calculated in respect of the Fixed Rate Payer Payment Date immediately following the Reference Obligation Payment Date on which the relevant Interest Shortfall occurred. If the Interest Shortfall Cap Basis is Variable Cap, the Interest Shortfall Cap Amount applicable in respect of a Floating Rate Payer Payment Date shall be an amount equal to the product of: (a) the sum of the Relevant Rate and the Fixed Rate applicable to the Fixed Rate Payer Calculation Period immediately preceding the Reference Obligation Payment Date on which the relevant Interest Shortfall occurs; (b) an amount determined by the Calculation Agent equal to: (i) the sum of the Reference Obligation Notional Amount as at 5:00 p.m. in the Calculation Agent City on each day in such Fixed Rate Payer Calculation Period divided by (ii) the actual number of days in such Fixed Rate Payer Calculation Period; and (c) the actual number of days in such Fixed Rate Payer Calculation Period divided by 360.
Interest Shortfall Reimbursement Payment Amount:	If Interest Shortfall Cap is applicable, then with respect to the first Additional Fixed Amount Payment Date, zero, and with respect to any subsequent Additional Fixed Amount Payment Date and calculated as of the Reference Obligation Payment Date immediately preceding such Additional Fixed Amount Payment Date, as specified by the Calculation Agent in its notice to the parties or by Seller in its notice to Buyer of the existence of an Interest Shortfall Reimbursement, an amount equal to the greater

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of:

(a) zero; and

(b) the amount equal to:

(i) the product of:

(A) the Cumulative Interest Shortfall Payment Amount as of the Additional Fixed Amount Payment Date immediately preceding such Reference Obligation Payment Date; and

(B) the relevant Cumulative Interest Shortfall Payment Compounding Factor for the Fixed Rate Payer Calculation Period immediately preceding such Additional Fixed Amount Payment Date (or 1.0 in respect of any Additional Fixed Amount Payment Date occurring after the final Fixed Rate Payer Payment Date);

minus

(ii) the Cumulative Interest Shortfall Amount as of such Reference Obligation Payment Date;

provided that if the Interest Shortfall Reimbursement Payment Amount on an Additional Fixed Amount Payment Date would exceed the Interest Shortfall Reimbursement Amount in respect of the related Reference Obligation Payment Date, then such Interest Shortfall Reimbursement Payment Amount shall be deemed to be equal to such Interest Shortfall Reimbursement Amount.

Cumulative Interest Shortfall Amount: With respect to any Reference Obligation Payment Date, an amount equal to the greater of:

(a) zero; and

(b) an amount equal to:

(i) the Cumulative Interest Shortfall Amount as of the Reference Obligation Payment Date

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immediately preceding such Reference Obligation Payment Date or, in the case of the first Reference Obligation Payment Date, zero; plus

(ii) the Interest Shortfall Amount (if any) in respect of such Reference Obligation Payment Date; plus

(iii) an amount determined by the Calculation Agent as the amount of interest that would accrue on the Cumulative Interest Shortfall Amount immediately preceding such Reference Obligation Payment Date during the related Reference Obligation Calculation Period pursuant to the Underlying Instruments or, in the case of the first Reference Obligation Payment Date, zero; minus

(iv) the Interest Shortfall Reimbursement Amount (if any) in respect of such Reference Obligation Payment Date.

Upon the occurrence of each Delivery, the Cumulative Interest Shortfall Amount shall be multiplied by a fraction equal to (a) the Applicable Percentage immediately following such Delivery divided by (b) the Applicable Percentage immediately prior to such Delivery; provided, however, that if more than one Delivery is made during a Reference Obligation Calculation Period, the Cumulative Interest Shortfall Amount calculated as of the Reference Obligation Payment Date occurring immediately after such Reference Obligation Calculation Period shall be multiplied by a fraction equal to (a) the Applicable Percentage immediately following the final Delivery made during such Reference Obligation Calculation Period and (b) the Applicable Percentage immediately prior to the first Delivery made during such Reference Obligation Calculation Period.

Cumulative Interest Shortfall Payment Amount:

The Cumulative Interest Shortfall Payment Amount with respect to any Fixed Rate Payer Payment Date and any Additional Fixed Amount Payment Date falling on such Fixed Rate Payer Payment Date shall be an amount equal to the greater of:

(a) zero; and

(b) the amount equal to:

(i) the sum of:

(A) the Interest Shortfall Payment Amount for the Reference Obligation Payment Date corresponding to such Fixed Rate Payer Payment Date; and

(B) the product of:

(1) the Cumulative Interest Shortfall Payment Amount as of the Fixed Rate Payer Payment Date immediately preceding such Fixed Rate Payer Payment Date (or zero in the case of the first Fixed Rate Payer Payment Date); and

(2) the relevant Cumulative Interest Shortfall Payment Compounding Factor;

minus

(ii) any Interest Shortfall Reimbursement Payment Amount paid on such Fixed Rate Payer Payment Date.

With respect to any Additional Fixed Amount Payment Date falling after the final Fixed Rate Payer Payment Date, the Cumulative Interest Shortfall Payment Amount shall be equal to:

(x) the Cumulative Interest Shortfall Payment Amount as of the Additional Fixed Amount Payment Date immediately preceding such Additional Fixed Amount Payment Date (or as of the final Fixed Rate Payer Payment Date in the case of the first Additional Fixed Amount Payment Date occurring after the final Fixed Rate Payer Payment Date); minus

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(y) any Interest Shortfall Reimbursement Payment Amount paid on such Additional Fixed Amount Payment Date.

Upon the occurrence of each Delivery, the Cumulative Interest Shortfall Payment Amount shall be multiplied by a fraction equal to (a) the Applicable Percentage immediately following such Delivery divided by (b) the Applicable Percentage immediately prior to such Delivery; provided, however, that if more than one Delivery is made during a Reference Obligation Calculation Period, the Cumulative Interest Shortfall Payment Amount calculated as of the Reference Obligation Payment Date occurring immediately after such Reference Obligation Calculation Period shall be multiplied by a fraction equal to (a) the Applicable Percentage immediately following the final Delivery made during such Reference Obligation Calculation Period and (b) the Applicable Percentage immediately prior to the first Delivery made during such Reference Obligation Calculation Period.

Cumulative Interest Shortfall Payment Compounding Factor:

With respect to any Fixed Rate Payer Calculation Period, an amount equal to the sum of:

(a) 1.0;

plus

(b) the product of:

(i) the sum of (A) the Relevant Rate plus (B) the Fixed Rate; and

(ii) the actual number of days in such Fixed Rate Payer Calculation Period divided by 360;

provided, however, that the Cumulative Interest Shortfall Payment Compounding Factor shall be deemed to be 1.0 during the period from but excluding the Effective Maturity Date to and including the Termination Date.

Relevant Rate:

With respect to a Fixed Rate Payer Calculation Period, the Floating Rate, expressed as a decimal number with seven decimal places, that would be determined if:

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(a) the 2000 ISDA Definitions (and not the 2003 ISDA Credit Derivatives Definitions) applied to this paragraph;

(b) the Fixed Rate Payer Calculation Period were a "Calculation Period" for purposes of such determination; and

(c) the following terms applied:

(i) the Floating Rate Option were the Rate Source;

(ii) the Designated Maturity were the period that corresponds to the usual length of a Fixed Rate Payer Calculation Period; and

(iii) the Reset Date were the first day of the Calculation Period;

provided, however, that the Relevant Rate shall be deemed to be zero during the period from but excluding the Effective Maturity Date to and including the Termination Date.

Rate Source: USD-LIBOR-BBA

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Annex B – Additional Provisions

1. Credit Support Documents:

(a) Standard Guaranty of The Goldman Sachs Group, Inc.

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Annex C

CUSIP	Bloomberg ID	Reference Number	Legal Maturity Date	Fixed Rate	Reference Obligation Coupon	Original Outstanding Principal Amount	Initial Face Amount	Initial Factor	Payment Frequency	Payment Date	Step-up provision	Interest Shortfall Cap	WAC Cap Interest Provision
04541GBC8	ABSHE 2005-HE9 M9	SDB9840877972	4/25/2035	2.10%	LIBOR030M + 1.65%	7,955,000	13,200,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
04541GTS1	ABSHE 2005-HE4 M8	SDB9840877947	7/25/2035	1.15%	LIBOR030M + 1.63%	15,739,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
04544PAM9	ABSHE 2006-HE5 M8	SDB9840877948	7/25/2036	1.17%	LIBOR030M + 1.80%	8,455,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
04637MAF1	ACCR 2004-1 M9	SDB9840877973	9/25/2034	2.10%	LIBOR030M + 1.95%	21,700,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
04642UBK7	ACE 2005-HE3 M8	SDB9840877864	11/25/2035	1.30%	LIBOR030M + 1.70%	21,571,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
04642UCL3	ACE 2005-HE7 M9	SDB9840877866	11/25/2035	2.45%	LIBOR030M + 2.50%	19,774,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
04642UCQ2	ACE 2006-ASP2 M9	SDB9840877874	3/25/2036	2.10%	LIBOR030M + 2.00%	5,412,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
04642UCV1	ACE 2006-HE1 M8	SDB9840877896	12/25/2035	1.45%	LIBOR030M + 1.85%	16,553,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
04642UCZ4	ACE 2006-HE1 M9	SDB9840877926	12/25/2035	2.65%	LIBOR030M + 2.50%	13,243,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
126673LJ5	AMIT 2005-3 M8	SDB9840877949	7/25/2035	1.15%	LIBOR030M + 1.25%	14,479,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
02672SAY3	AMSI 2005-R11 M8	SDB9840877867	1/25/2036	1.30%	LIBOR030M + 2.80%	15,540,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
02672SAY3	AMSI 2005-R11 M9	SDB9840877867	1/25/2036	2.45%	LIBOR030M + 2.80%	14,648,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
02672SAZ0	AMSI 2005-R2 M8	SDB9840877950	4/25/2035	1.15%	LIBOR030M + 1.41%	10,000,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
02672SAB3	AMSI 2005-R8 M9	SDB9840877773	10/25/2035	2.10%	LIBOR030M + 1.75%	10,631,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
040104HL1	ARSI 2005-W2 M8	SDB9840877846	10/25/2035	1.30%	LIBOR030M + 1.65%	27,000,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
040104HM9	ARSI 2005-W2 M9	SDB9840877848	10/25/2035	1.45%	LIBOR030M + 1.75%	14,500,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
040104RQ4	ARSI 2006-W1 M8	SDB9840877907	2/25/2036	1.45%	LIBOR030M + 1.50%	31,500,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
040104RR2	ARSI 2006-W1 M9	SDB9840877927	2/25/2036	2.65%	LIBOR030M + 2.50%	22,700,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
07387PBK0	BSABS 2005-SC1 M8	SDB9840877976	11/25/2035	2.10%	LIBOR030M + 2.00%	8,671,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
07387PBL8	BSABS 2005-SC1 M9	SDB9840877977	11/25/2035	2.10%	LIBOR030M + 2.00%	8,334,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
07387PBV8	BSABS 2005-HE11 M8	SDB9840877849	11/25/2035	2.45%	LIBOR030M + 2.15%	7,033,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
07387UAD7	BSABS 2006-HE2 M8	SDB9840877908	4/25/2036	1.45%	LIBOR030M + 1.65%	11,500,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
07387UAE5	BSABS 2006-HE2 M9	SDB9840877928	4/25/2036	2.65%	LIBOR030M + 2.15%	9,174,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
07387UBE0	BSABS 2006-FC1 M8	SDB9840877977	12/25/2035	2.10%	LIBOR030M + 1.75%	4,241,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
14543EFZ1	CARR 2006-HC1 M8	SDB9840877909	1/25/2036	1.45%	LIBOR030M + 1.55%	13,553,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
14543FCG0	CARR 2006-HC1 M9	SDB9840877929	1/25/2036	2.65%	LIBOR030M + 2.65%	14,419,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
14543FAR9	CARR 2006-NC2 M9	SDB9840877978	4/25/2036	2.10%	LIBOR030M + 1.85%	8,473,000	12,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
14465EAM4	CARR 2006-NC1 M9	SDB9840877951	9/25/2036	1.35%	LIBOR030M + 1.05%	10,756,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
12498QAN6	CBASS 2004-CB4 B3	SDB9840877979	2/25/2034	2.10%	4.00%	5,104,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
17307GU29	CMLTI 2005-OPT4 M9	SDB9840877980	7/25/2035	2.10%	LIBOR030M + 1.60%	7,776,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
12547BBC1	CWL 2005-10 MV8	SDB9840877952	2/25/2036	1.15%	LIBOR030M + 1.22%	6,000,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
12547BNH4	CWL 2005-BC5 B	SDB9840877890	1/25/2036	3.45%	LIBOR030M + 3.80%	11,875,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
12547BNN6	CWL 2006-BC3 M9	SDB9840877930	1/25/2036	1.30%	LIBOR030M + 1.80%	11,400,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
04543TAM3	CWL 2006-3 M8	SDB9840877910	1/25/2046	1.45%	LIBOR030M + 1.15%	22,000,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
04543TAP1	CWL 2006-3 M9	SDB9840877930	1/25/2046	2.45%	LIBOR030M + 1.15%	17,000,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
12547JJN4	ECR 2005-3 B	SDB9840877981	11/25/2035	2.10%	LIBOR030M + 1.85%	14,000,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
29448PCW4	EMLT 2005-1 M9	SDB9840877942	4/25/2035	2.10%	LIBOR030M + 1.7%	7,473,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
33037KVD7	FFML 2005-FF12 B1	SDB9840877871	11/25/2036	1.30%	LIBOR030M + 1.75%	21,614,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
33037KVE5	FFML 2005-FF12 B2	SDB9840877891	11/25/2036	2.45%	LIBOR030M + 1.75%	15,651,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable

Annex C

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CUSIP	Bloomberg ID	Reference Number	Legal Maturity Date	Fixed Rate	Reference Obligation Coupon	Original Outstanding Principal Amount	Initial Face Amount	Initial Factor	Payment Frequency	Payment Date	Step up provision	Interest Shortfall Cap	WAC Cap Interest Provision
86359DBT3	FFML 2005-FF3 M9	SDB9468T7993	4/25/2035	2.10%	LIBOR01M + 2.00%	7,783,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
32027NUT6	FFML 2005-FF7 M8	SDB9468T7953	7/25/2035	1.15%	LIBOR01M + 1.35%	14,731,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
32027CAF1	FFML 2006-FF11 M9	SDB9468T7995	9/25/2036	2.10%	LIBOR01M + 1.90%	8,833,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
34230AG27	FFML 2006-FF4 B1	SDB9468T7951	3/25/2036	2.45%	LIBOR01M + 2.25%	11,961,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
34230CGC1	FFML 2006-FF4 M8	SDB9468T7911	3/25/2036	1.45%	LIBOR01M + 1.25%	11,278,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
32027BAN4	FFML 2006-FF9 M9	SDB9468T7934	7/25/2036	2.10%	LIBOR01M + 1.90%	5,574,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
35729PKE9	FHLT 2005-B M10	SDB9468T7965	4/25/2035	2.10%	LIBOR01M + 1.75%	11,269,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
35729PJ23	FHLT 2006-1 M7	SDB9468T7954	4/25/2036	1.15%	LIBOR01M + 1.25%	11,635,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
35729PQY0	FHLT 2006-2 M7	SDB9468T7955	7/25/2036	1.15%	LIBOR01M + 1.15%	13,273,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
31659TFJ0	FMIC 2006-1 M9	SDB9468T7994	5/25/2036	2.10%	LIBOR01M + 2.30%	2,340,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
31659EAN8	FMIC 2006-2 M9	SDB9468T7947	7/25/2036	2.10%	LIBOR01M + 1.90%	8,900,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
34979WAN6	GCVFMC 2005-1 B3	SDB9468T7988	10/25/2035	2.10%	LIBOR01M + 1.95%	11,232,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
36242DWY5	GSAA 2005-3 B3	SDB9468T8001	12/25/2034	2.10%	LIBOR01M + 2.15%	7,918,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
36241DAC4	GSAA 2005-5 B2	SDB9468T7999	6/25/2035	1.15%	LIBOR01M + 1.30%	5,370,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
36241CCZ0	GSAA 2005-8 B2	SDB9468T8000	9/25/2035	1.15%	LIBOR01M + 1.35%	3,919,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
36241AAK1	GSAA 2006-12 B2	SDB9468T7804	9/25/2036	2.10%	LIBOR01M + 1.85%	8,177,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
36239YAJ9	GSAA 2006-14 B1	SDB9468T8047	9/25/2036	1.15%	LIBOR01M + 1.10%	13,641,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
36239AAL3	GSAA 2006-18 B2	SDB9468T8006	10/25/2036	2.10%	LIBOR01M + 1.85%	7,262,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
36235ACB8	GSAA 2006-3 B3	SDB9468T8002	3/25/2036	2.10%	LIBOR01M + 2.00%	5,034,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
36236AAJ3	GSAA 2006-4 B1	SDB9468T8003	3/25/2036	1.15%	LIBOR01M + 1.10%	7,828,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
36236KKK4	GSAMP 2005-HE4 B1	SDB9468T7871	8/25/2035	1.30%	LIBOR01M + 1.20%	10,316,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
36236KKL2	GSAMP 2005-HE4 B2	SDB9468T7872	8/25/2035	2.45%	LIBOR01M + 1.75%	13,791,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
36241UAJ1	GSAMP 2006-HE1 M8	SDB9468T7936	1/25/2036	1.15%	LIBOR01M + 1.45%	13,538,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
36244AAN5	GSAMP 2006-HE3 M8	SDB9468T7913	5/25/2036	1.45%	LIBOR01M + 1.10%	12,348,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
36244AAP0	GSAMP 2006-HE3 M9	SDB9468T7932	5/25/2036	2.65%	LIBOR01M + 1.85%	11,196,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
36244AAP5	GSAMP 2006-HCI M9	SDB9468T7919	6/25/2036	2.10%	LIBOR01M + 2.05%	7,051,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
46638KAP4	HASC 2006-OPT4 M7	SDB9468T7957	5/25/2036	1.15%	LIBOR01M + 1.15%	11,432,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
43708QMJ2	HEAT 2005-4 B1	SDB9468T7893	1/25/2036	2.45%	LIBOR01M + 1.70%	12,790,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
43708QQ64	HEAT 2005-8 M8	SDB9468T7873	10/25/2035	1.30%	LIBOR01M + 1.27%	15,000,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
43708AYZ6	HEAT 2006-4 B1	SDB9468T7933	8/25/2036	2.45%	LIBOR01M + 2.15%	11,200,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
43708AYY9	HEAT 2006-4 M8	SDB9468T7913	8/25/2036	1.45%	LIBOR01M + 1.20%	14,000,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
44654AAM2	JPMAC 2005-OPT1 M8	SDB9468T7874	6/25/2035	1.30%	LIBOR01M + 1.40%	10,876,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
46616LAN1	JPMAC 2006-OPT1 M9	SDB9468T7894	6/25/2035	2.45%	LIBOR01M + 1.85%	15,011,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
46618MAN5	JPMAC 2006-ACC1 M8	SDB9468T7958	5/25/2036	1.15%	LIBOR01M + 1.05%	7,560,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
46632BBB4	JPMAC 2006-CW1 M9	SDB9468T7990	8/25/2036	2.10%	LIBOR01M + 1.90%	8,346,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
46626LPY7	JPMAC 2005-FRE1 M8	SDB9468T7914	5/25/2035	1.45%	LIBOR01M + 1.45%	14,174,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
46626LPW5	JPMAC 2005-FRE1 M9	SDB9468T7934	5/25/2035	2.65%	LIBOR01M + 2.15%	11,116,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
46626LGP9	JPMAC 2006-HE1 M8	SDB9468T7959	1/25/2036	1.15%	LIBOR01M + 1.90%	7,123,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
54315AXJ1	LBMLT 2005-WL2 M8	SDB9468T7875	8/25/2035	1.30%	LIBOR01M + 1.40%	10,915,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
54315AXK8	LBMLT 2005-WL2 M9	SDB9468T7895	8/25/2035	2.45%	LIBOR01M + 1.60%	12,557,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
54315AWY8	LBMLT 2006-1 M8	SDB9468T7915	2/25/2036	1.45%	LIBOR01M + 1.45%	15,000,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
54315AWW2	LBMLT 2006-1 M9	SDB9468T7935	2/25/2036	2.65%	LIBOR01M + 2.50%	20,000,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable

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Confidential Treatment Requested by Goldman Sachs

GS MBS-E-021822130

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CUSIP	Bloomberg ID	Reference Number	Legal Maturity Date	Fixed Rate	Reference Obligation Coupon	Original Outstanding Principal Amount	Initial Face Amount	Initial Factor	Payment Frequency	Payment Date	Step up provision	Interest Shortfall Cap	WAC Cap Interest Provision
57643JAM1	MABS 2005-HE1 M5	SDB9868T7876	11/25/2035	1.20%	LIBOR01M + 1.95%	4,376,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
57643JAN9	MABS 2005-HE1 M6	SDB9868T7959	11/25/2035	2.45%	LIBOR01M + 2.50%	9,627,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
57643JAP4	MABS 2005-HE1 M7	SDB9868T7926	11/25/2035	1.45%	LIBOR01M + 1.60%	11,497,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
57643JAQ2	MABS 2006-HE1 M1	SDB9868T793A	1/25/2036	1.45%	LIBOR01M + 1.55%	7,774,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
59020UCG6	MLMI 2005-A11 B1	SDB9868T7877	6/25/2036	1.30%	LIBOR01M + 1.45%	10,528,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
59020UCH4	MLMI 2005-A11 B2	SDB9868T7877	6/25/2036	2.45%	LIBOR01M + 1.80%	11,782,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
59020UJH3	MLMI 2006-HE1 B2A	SDB9868T7917	12/25/2036	1.45%	LIBOR01M + 1.45%	4,251,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
59020UJQ6	MLMI 2006-HE1 B3A	SDB9868T7927	12/25/2036	2.65%	LIBOR01M + 2.25%	5,679,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
617446CU7	MSAC 2005-HE3 B3	SDB9868T787B	9/25/2035	1.80%	LIBOR01M + 1.80%	19,333,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
617446CV5	MSAC 2005-HE3 B4	SDB9868T7888	9/25/2035	2.45%	LIBOR01M + 1.75%	15,616,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
617498AQ6	MSAC 2006-WMC1 B2	SDB9868T7918	7/25/2036	1.65%	LIBOR01M + 1.95%	27,331,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
617498AQ6	MSAC 2006-WMC1 B3	SDB9868T793A	7/25/2036	2.85%	LIBOR01M + 2.80%	26,004,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
617451FB6	MSC 2006-HE1 B2	SDB9868T7819	1/25/2036	1.45%	LIBOR01M + 1.20%	19,469,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
617451FE0	MSC 2006-HE2 B3	SDB9868T7929	3/25/2036	2.65%	LIBOR01M + 2.15%	23,802,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
617446CY8	MSHEL 2006-2 B2	SDB9868T7940	2/25/2036	1.15%	LIBOR01M + 1.85%	14,444,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
64035YVB3	NCHET 2005-4 M8	SDB9868T7979	9/25/2035	1.95%	LIBOR01M + 1.30%	22,861,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
64035YWC1	NCHET 2005-4 M9	SDB9868T7997	9/25/2035	2.65%	LIBOR01M + 1.80%	21,900,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
64035YPG0	NCHET 2005-C M8	SDB9868T7961	12/25/2035	1.15%	LIBOR01M + 1.55%	21,024,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
64970VCU9	NHEL 2005-1 M8	SDB9868T7962	10/25/2035	1.15%	LIBOR01M + 1.77%	21,309,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
64985VAM0	NHEL 2006-2 M7	SDB9868T7945	6/25/2036	1.15%	LIBOR01M + 1.05%	6,117,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
64989YKZ6	OOMLT 2006-1 M9	SDB9868T7991	1/25/2036	2.15%	LIBOR01M + 2.20%	25,444,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
6640JCAN4	OOMLT 2006-1 M10	SDB9868T7944	3/25/2036	1.15%	LIBOR01M + 1.15%	13,000,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
69121EDF5	OWHT 2006-2 B1	SDB9868T7945	1/25/2037	1.15%	6.00%	9,941,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
733149KB5	POPLR 2006-A M8	SDB9868T7995	2/25/2036	1.10%	LIBOR01M + 1.15%	3,500,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
761118VX5	RAMP 2005-EFC1 M9	SDB9868T7993	7/25/2035	2.10%	LIBOR01M + 1.80%	7,727,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
761118DA1	RAMP 2005-EFC4 M8	SDB9868T7880	9/25/2035	1.30%	LIBOR01M + 1.35%	6,197,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
761118DA9	RAMP 2005-EFC4 M9	SDB9868T7960	9/25/2035	2.45%	LIBOR01M + 1.75%	9,154,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
75156YAL4	RAMP 2006-HE1 M8	SDB9868T7939	1/25/2036	1.45%	LIBOR01M + 1.40%	7,600,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
75156YAM2	RAMP 2006-HE1 M9	SDB9868T7941	1/25/2036	2.15%	LIBOR01M + 1.65%	7,600,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
75156UAN9	RAMP 2006-RZ3 M9	SDB9868T79M	5/25/2036	2.10%	LIBOR01M + 2.05%	3,575,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
761109W98	RASC 2005-EMX3 M9	SDB9868T7994	7/25/2035	2.10%	LIBOR01M + 1.80%	6,419,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
761109W54	RASC 2006-KS11 M8	SDB9868T7841	12/25/2035	1.30%	LIBOR01M + 1.80%	16,560,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
761109W96	RASC 2006-KS11 M9	SDB9868T7901	12/25/2035	2.45%	LIBOR01M + 2.50%	15,150,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
75406AAL3	RASC 2006-EMX1 M8	SDB9868T7904	2/25/2036	1.15%	LIBOR01M + 1.65%	6,550,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
76113AB77	RASC 2006-KS3 M8	SDB9868T7921	4/25/2036	1.45%	LIBOR01M + 1.10%	12,450,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
76113AB94	RASC 2006-KS3 M9	SDB9868T7942	4/25/2036	2.65%	LIBOR01M + 2.15%	11,500,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
81375WDA1	SABR 2005-EC1 B2	SDB9868T7947	1/25/2035	1.15%	LIBOR01M + 1.55%	3,580,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
81375WGK6	SABR 2006-HE1 B3	SDB9868T7881	10/25/2036	1.30%	LIBOR01M + 1.05%	14,753,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
81375WGL4	SABR 2006-HE1 B4	SDB9868T7901	10/25/2036	2.45%	LIBOR01M + 2.15%	14,903,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
81375WCX2	SABR 2005-OP1 B2	SDB9868T7948	1/25/2035	1.15%	LIBOR01M + 1.30%	11,213,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
81375WJN7	SABR 2006-OP1 B2	SDB9868T7912	10/25/2035	1.45%	LIBOR01M + 1.40%	11,207,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
81375WJP2	SABR 2006-OP1 B3	SDB9868T79A3	10/25/2035	2.65%	LIBOR01M + 1.90%	12,207,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable

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CUSIP	Bloomberg ID	Reference Number	Legal Maturity Date	Fixed Rate	Reference Obligation Coupon	Original Outstanding Principal Amount	Initial Face Amount	Initial Factor	Payment Frequency	Payment Date	Step up provisions	Interest Shortfall Cap	WAC Cap Interest Provision
86358EXE1	SAIL 2005-HE3 M8	SDB980877883	9/25/2035	1.30%	LIBOR01M + 1.40%	30,147,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
86358EXF8	SAIL 2005-HE3 M9	SDB980877903	9/25/2035	2.45%	LIBOR01M + 1.80%	18,962,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
86360WAM4	SAIL 2006-4 M7	SDB980877913	7/25/2036	1.45%	LIBOR01M + 1.20%	19,571,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
86360WAN2	SAIL 2006-4 M8	SDB980877944	7/25/2036	2.65%	LIBOR01M + 2.00%	18,348,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
863576DN1	SASC 2005-WF4 M8	SDB980877884	11/25/2035	1.30%	LIBOR01M + 1.75%	14,717,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
863576DP6	SASC 2005-WF4 M9	SDB980877904	11/25/2035	2.45%	LIBOR01M + 2.50%	14,717,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
86359B6K2	SASC 2005-WMC1 M4	SDB980877969	1/25/2035	1.15%	LIBOR01M + 1.35%	8,544,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
86360LAM8	SASC 2006-WF2 M8	SDB980877924	7/25/2036	1.45%	LIBOR01M + 1.05%	12,341,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
86360LAN6	SASC 2006-WF2 M9	SDB980877945	7/25/2036	2.65%	LIBOR01M + 1.90%	18,189,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
805564SK8	SAST 2005-2 B2	SDB980877970	10/25/2035	1.15%	LIBOR01M + 1.30%	9,800,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
84751FKL2	SURF 2006-BC1 B2A	SDB980877971	12/25/2036	1.15%	LIBOR01M + 1.45%	12,000,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
83611MKM9	SVHE 2005-4 M8	SDB980877885	3/25/2036	1.30%	LIBOR01M + 2.50%	11,921,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
83611MKN7	SVHE 2005-4 M9	SDB980877905	3/25/2036	2.45%	LIBOR01M + 2.50%	10,155,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
83611MMU9	SVHE 2006-OPT2 M8	SDB980877996	5/25/2036	2.10%	LIBOR01M + 2.15%	15,200,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
83612CAN9	SVHE 2006-OPT5 M8	SDB980877925	7/25/2036	1.45%	LIBOR01M + 1.10%	38,750,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
83612CAP4	SVHE 2006-OPT5 M9	SDB980877946	7/25/2036	2.65%	LIBOR01M + 2.00%	34,100,000	15,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable
9497EUAR8	WFHET 2006-1 M9	SDB980877997	5/25/2036	2.10%	LIBOR01M + 1.90%	5,481,000	13,000,000	1.0000	Monthly	25th	Applicable	Applicable	Not Applicable

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Reference Entity & Primary Obligor	Cusip	Reference Number
ASSET BACKED SECURITIES CORP HOME EQUITY LN TRST	04541GRC9	SDB980877972
ASSET BACKED SECURITIES CORP HOME EQUITY LN TRST	04541GT59	SDB980877947
ASSET BACKED SECURITIES CORP HOME EQUITY LN TRST	04544PAN9	SDB980877948
ACCREDITED MORTGAGE LOAN TRUST	00437NAN2	SDB980877973
ACE SECURITIES CORP.	004421UK7	SDB980877866
ACE SECURITIES CORP.	004421UL5	SDB980877886
ACE SECURITIES CORP.	004421XQ1	SDB980877974
ACE SECURITIES CORP.	004421VB6	SDB980877906
ACE SECURITIES CORP.	004421VC4	SDB980877926
AAMES MORTGAGE INVESTMENT TRUST	126473L75	SDB980877949
AMERIQUEST MORTGAGE SECURITIES INC.	03072SV85	SDB980877867
AMERIQUEST MORTGAGE SECURITIES INC.	03072SV93	SDB980877887
AMERIQUEST MORTGAGE SECURITIES INC.	03072SA62	SDB980877950
AMERIQUEST MORTGAGE SECURITIES INC.	03072SM85	SDB980877975
ARGENT SECURITIES INC.	040104NL1	SDB980877868
ARGENT SECURITIES INC.	040104NM9	SDB980877888
ARGENT SECURITIES INC.	040104RQ6	SDB980877907
ARGENT SECURITIES INC.	040104RR4	SDB980877927
BEAR STEARNS ASSET BACKED SECURITIES, INC.	07387953K0	SDB980877976
BEAR STEARNS ASSET BACKED SECURITIES, INC.	07387953U0	SDB980877869
BEAR STEARNS ASSET BACKED SECURITIES, INC.	07387953V8	SDB980877889
BEAR STEARNS ASSET BACKED SECURITIES, INC.	07387UHZ7	SDB980877908
BEAR STEARNS ASSET BACKED SECURITIES, INC.	07387UJA0	SDB980877928
BEAR STEARNS ASSET BACKED SECURITIES, INC.	07387UDE0	SDB980877977
CARRINGTON MORTGAGE LOAN TRUST	144531FF2	SDB980877909
CARRINGTON MORTGAGE LOAN TRUST	144531FG0	SDB980877919
CARRINGTON MORTGAGE LOAN TRUST	144531AN9	SDB980877978
CARRINGTON MORTGAGE LOAN TRUST	14453EAM4	SDB980877951
CREDIT-BASED ASSET SERVICING AND SECURITIZATION	12498QAN6	SDB980877979
CITIGROUP MORTGAGE LOAN TRUST, INC.	17307GUZ9	SDB980877980
COUNTRYWIDE ASSET-BACKED CERTIFICATES	126670BC3	SDB980877952
COUNTRYWIDE ASSET-BACKED CERTIFICATES	126670NN4	SDB980877890
COUNTRYWIDE ASSET-BACKED CERTIFICATES	126670NM6	SDB980877870
COUNTRYWIDE ASSET-BACKED CERTIFICATES	045427AM3	SDB980877910
COUNTRYWIDE ASSET-BACKED CERTIFICATES	045427AN1	SDB980877930
ENCORE CREDIT RECEIVABLES TRUST	126673J94	SDB980877981
EQUIFIRST MORTGAGE LOAN TRUST	29445FCW6	SDB980877982

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Footnote Exhibits - Page 4312

Reference Entity & Primary Obligor	Cusip	Reference Number
FIRST FRANKLIN MTG LOAN ASSET BACKED CERTIFICATES	32027NYD7	SDB980877871
FIRST FRANKLIN MTG LOAN ASSET BACKED CERTIFICATES	32027NYE5	SDB980877891
FIRST FRANKLIN MTG LOAN ASSET BACKED CERTIFICATES	33359DBT3	SDB980877983
FIRST FRANKLIN MTG LOAN ASSET BACKED CERTIFICATES	32027NUT6	SDB980877953
FIRST FRANKLIN MTG LOAN ASSET BACKED CERTIFICATES	32027GAP4	SDB980877995
FIRST FRANKLIN MTG LOAN ASSET BACKED CERTIFICATES	362334GF7	SDB980877931
FIRST FRANKLIN MTG LOAN ASSET BACKED CERTIFICATES	362334GC2	SDB980877911
FIRST FRANKLIN MTG LOAN ASSET BACKED CERTIFICATES	32027BAN4	SDB980877984
FREMONT HOME LOAN TRUST	35729PKE9	SDB980877965
FREMONT HOME LOAN TRUST	35729PPJ5	SDB980877954
FREMONT HOME LOAN TRUST	35729PQF0	SDB980877955
FIELDSTONE MORTGAGE INVESTMENT CORP.	31659TYJ9	SDB980877986
FIELDSTONE MORTGAGE INVESTMENT CORP.	31659EAN8	SDB980877987
GE-WMC MORTGAGE SECURITIES LLC	367910AN6	SDB980877988
GSAA HOME EQUITY TRUST	36242DWY5	SDB980878001
GSAA HOME EQUITY TRUST	36242D4C4	SDB980877999
GSAA HOME EQUITY TRUST	362341CZ0	SDB980878000
GSAA HOME EQUITY TRUST	362341AK1	SDB980878004
GSAA HOME EQUITY TRUST	36298YAJ9	SDB980878005
GSAA HOME EQUITY TRUST	362256AL3	SDB980878006
GSAA HOME EQUITY TRUST	362334CB8	SDB980878002
GSAA HOME EQUITY TRUST	362348AJ3	SDB980878003
GSAMP TRUST	362341KK4	SDB980877871
GSAMP TRUST	362341KL2	SDB980877892
GSAMP TRUST	362341SA3	SDB980877956
GSAMP TRUST	36244KAN5	SDB980877912
GSAMP TRUST	36244KAP0	SDB980877932
GSAMP TRUST	362463AP6	SDB980877989
HSI ASSET SECURITIZATION CORPORATION TRUST	40430KAP6	SDB980877957
HOME EQUITY ASSET TRUST	437084QH2	SDB980877893
HOME EQUITY ASSET TRUST	437084QG4	SDB980877873
HOME EQUITY ASSET TRUST	437084VZ6	SDB980877933
HOME EQUITY ASSET TRUST	437084VY9	SDB980877913
JP MORGAN MORTGAGE ACQUISITION CORP	46626LAM2	SDB980877874
JP MORGAN MORTGAGE ACQUISITION CORP	46626LAN0	SDB980877894
JP MORGAN MORTGAGE ACQUISITION CORP	46628RAN5	SDB980877958
JP MORGAN MORTGAGE ACQUISITION CORP	46629BBB4	SDB980877990
JP MORGAN MORTGAGE ACQUISITION CORP	46626LFV7	SDB980877914
JP MORGAN MORTGAGE ACQUISITION CORP	46626LFW5	SDB980877934

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Confidential Treatment Requested by Goldman Sachs

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Footnote Exhibits - Page 4313

Reference Entity & Primary Obligor	Cusip	Reference Number
JP MORGAN MORTGAGE ACQUISITION CORP	46626LGP9	SDB980877959
LONG BEACH MORTGAGE LOAN TRUST	542514NJ9	SDB980877875
LONG BEACH MORTGAGE LOAN TRUST	542514NK6	SDB980877895
LONG BEACH MORTGAGE LOAN TRUST	542514RV8	SDB980877915
LONG BEACH MORTGAGE LOAN TRUST	542514RW6	SDB980877935
MASTR ASSET BACKED SECURITIES TRUST	57643LMX1	SDB980877876
MASTR ASSET BACKED SECURITIES TRUST	57643LMY9	SDB980877896
MASTR ASSET BACKED SECURITIES TRUST	57643LNP7	SDB980877916
MASTR ASSET BACKED SECURITIES TRUST	57643LNQ5	SDB980877936
MERRILL LYNCH MORTGAGE INVESTORS TRUST	59020UG58	SDB980877877
MERRILL LYNCH MORTGAGE INVESTORS TRUST	59020UG66	SDB980877897
MERRILL LYNCH MORTGAGE INVESTORS TRUST	59020U3N3	SDB980877917
MERRILL LYNCH MORTGAGE INVESTORS TRUST	59020UJQ6	SDB980877937
MORGAN STANLEY ABS CAPITAL I	61744CUZ7	SDB980877878
MORGAN STANLEY ABS CAPITAL I	61744CVA1	SDB980877898
MORGAN STANLEY ABS CAPITAL I	61749KAP8	SDB980877918
MORGAN STANLEY ABS CAPITAL I	61749KAQ6	SDB980877938
MORGAN STANLEY CAPITAL I	617451PD6	SDB980877919
MORGAN STANLEY CAPITAL I	617451FE4	SDB980877939
MORGAN STANLEY HOME EQUITY LOANS	61744CYX8	SDB980877960
NEW CENTURY HOME EQUITY LOAN TRUST	64352VNB3	SDB980877879
NEW CENTURY HOME EQUITY LOAN TRUST	64352VNC1	SDB980877899
NEW CENTURY HOME EQUITY LOAN TRUST	64352VPG0	SDB980877961
NOVASTAR HOME EQUITY LOAN	66987WCU9	SDB980877962
NOVASTAR HOME EQUITY LOAN	66988YAM0	SDB980877963
OPTION ONE MORTGAGE LOAN TRUST	68349FKZ6	SDB980877991
OPTION ONE MORTGAGE LOAN TRUST	68402CAN4	SDB980877964
OWNIT MORTGAGE LOAN ASSET-BACKED CERTIFICATES	69121PDP5	SDB980877965
POPULAR ABS MORTGAGE PASS-THROUGH TRUST	73316PKB5	SDB980877992
RESIDENTIAL ASSET MORTGAGE PRODUCTS, INC.	76112BVX5	SDB980877993
RESIDENTIAL ASSET MORTGAGE PRODUCTS, INC.	76112BD31	SDB980877880
RESIDENTIAL ASSET MORTGAGE PRODUCTS, INC.	76112BD49	SDB980877900
RESIDENTIAL ASSET MORTGAGE PRODUCTS, INC.	75156TAL4	SDB980877920
RESIDENTIAL ASSET MORTGAGE PRODUCTS, INC.	75156TAM2	SDB980877941
RESIDENTIAL ASSET MORTGAGE PRODUCTS, INC.	75156UAM9	SDB980877998
RESIDENTIAL ASSET SECURITIES CORPORATION	76110W2Q8	SDB980877994
RESIDENTIAL ASSET SECURITIES CORPORATION	76110W7L4	SDB980877881
RESIDENTIAL ASSET SECURITIES CORPORATION	76110W7M2	SDB980877901
RESIDENTIAL ASSET SECURITIES CORPORATION	75406AAL3	SDB980877964

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NY1 5962904v.11

Confidential Treatment Requested by Goldman Sachs

GS MBS-E-021822135

Footnote Exhibits - Page 4314

Reference Entity & Primary Obligor	Cusip	Reference Number
RESIDENTIAL ASSET SECURITIES CORPORATION	76113ABT7	SDB980877921
RESIDENTIAL ASSET SECURITIES CORPORATION	76113ABU4	SDB980877942
SECURITIZED ASSET BACKED RECEIVABLES LLC TRUST	81375WDJ2	SDB980877967
SECURITIZED ASSET BACKED RECEIVABLES LLC TRUST	81375WGK6	SDB980877882
SECURITIZED ASSET BACKED RECEIVABLES LLC TRUST	81375WGL4	SDB980877902
SECURITIZED ASSET BACKED RECEIVABLES LLC TRUST	81375WCK2	SDB980877968
SECURITIZED ASSET BACKED RECEIVABLES LLC TRUST	81375WJN7	SDB980877922
SECURITIZED ASSET BACKED RECEIVABLES LLC TRUST	81375WJP2	SDB980877943
STRUCTURED ASSET INVESTMENT LOAN TRUST	86358EXE1	SDB980877883
STRUCTURED ASSET INVESTMENT LOAN TRUST	86358EXF8	SDB980877903
STRUCTURED ASSET INVESTMENT LOAN TRUST	86360WAM4	SDB980877923
STRUCTURED ASSET INVESTMENT LOAN TRUST	86360WAN2	SDB980877944
STRUCTURED ASSET SECURITIES CORPORATION	863576DN1	SDB980877884
STRUCTURED ASSET SECURITIES CORPORATION	863576DP6	SDB980877904
STRUCTURED ASSET SECURITIES CORPORATION	86359B4K2	SDB980877969
STRUCTURED ASSET SECURITIES CORPORATION	86360LAM8	SDB980877924
STRUCTURED ASSET SECURITIES CORPORATION	86360LAN6	SDB980877945
SAXON ASSET SECURITIES TRUST	805564SK8	SDB980877970
SPECIALTY UNDERWRITING & RESIDENTIAL FINANCE	84751PKL1	SDB980877971
SOUNDVIEW HOME EQUITY LOAN TRUST	83611MKM9	SDB980877885
SOUNDVIEW HOME EQUITY LOAN TRUST	83611MKN7	SDB980877905
SOUNDVIEW HOME EQUITY LOAN TRUST	83611MMU9	SDB980877996
SOUNDVIEW HOME EQUITY LOAN TRUST	83612CAN9	SDB980877925
SOUNDVIEW HOME EQUITY LOAN TRUST	83612CAP4	SDB980877946
WELLS FARGO HOME EQUITY TRUST	9497EUAR8	SDB980877997

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Confidential Treatment Requested by Goldman Sachs

GS MBS-E-021822136

The Goldman Sachs Group, Inc. | One New York Plaza | New York, New York 10004
Tel. 212-902-4001 | Fax: 212-357 2227

Goldman Sachs

December 5, 2006

Hudson Mezzanine Funding 2006-1, Ltd.
c/o Maples Finance Limited
Queensgate House
South Church Street
George Town, Grand Cayman
Cayman Islands

Ladies and Gentlemen:

For value received, The Goldman Sachs Group, Inc. (the "Guarantor"), a corporation duly organized under the laws of the State of Delaware, hereby unconditionally guarantees the prompt and complete payment when due, whether by acceleration or otherwise, of all obligations and liabilities, whether now in existence or hereafter arising, of Goldman Sachs International, a subsidiary of the Guarantor and an unlimited liability company duly organized under the laws of England (the "Company"), to **Hudson Mezzanine Funding 2006-1, Ltd.** (the "Counterparty") arising out of or under the ISDA Master Agreement between the Company and the Counterparty dated as of December 1, 2006 (the "Obligations"). This Guaranty is one of payment and not of collection.

The Guarantor hereby waives notice of acceptance of this Guaranty and notice of the Obligations, and waives presentment, demand for payment, protest, notice of dishonour or non-payment of the Obligations, suit or the taking of other action by Counterparty against, and any other notice to, the Company, the Guarantor or others.

The Counterparty may at any time and from time to time without notice to or consent of the Guarantor and without impairing or releasing the obligations of the Guarantor hereunder: (1) agree with the Company to make any change in the terms of the Obligations; (2) take or fail to take any action of any kind in respect of any security for the Obligations; (3) exercise or refrain from exercising any rights against the Company or others in respect of the Obligations; or (4) compromise or subordinate the Obligations, including any security therefor. Any other suretyship defenses are hereby waived by the Guarantor.

This Guaranty shall continue in full force and effect until the opening of business on the fifth business day after Counterparty receives written notice of termination from the Guarantor. It is understood and agreed, however, that notwithstanding any such termination this Guaranty shall continue in full force and effect with respect to all Obligations which shall have been incurred prior to such termination.

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Hudson Mezzanine Funding 2006-1, Ltd.
c/o Maples Finance Limited
December 5, 2006
Page 2

The Guarantor may not assign its rights nor delegate its obligations under this Guaranty, in whole or in part, without prior written consent of the Counterparty, and any purported assignment or delegation absent such consent is void, except for an assignment and delegation of all of the Guarantor's rights and obligations hereunder in whatever form the Guarantor determines may be appropriate to a partnership, corporation, trust or other organization in whatever form that succeeds to all or substantially all of the Guarantor's assets and business and that assumes such obligations by contract, operation of law or otherwise. Upon any such delegation and assumption of obligations, the Guarantor shall be relieved of and fully discharged from all obligations hereunder, whether such obligations arose before or after such delegation and assumption.

THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW. GUARANTOR AGREES TO THE EXCLUSIVE JURISDICTION OF COURTS LOCATED IN THE STATE OF NEW YORK, UNITED STATES OF AMERICA, OVER ANY DISPUTES ARISING UNDER OR RELATING TO THIS GUARANTY.

Very truly yours,

THE GOLDMAN SACHS GROUP, INC.

By: _____ /ms
Authorized Officer

c:\Guaranty\2006\29\Hudson Mezzanine Funding 2006-1 Ltd 12-05

From: Sparks, Daniel L
Sent: Monday, October 16, 2006 4:11 PM
To: Ostrem, Peter L
Cc: Rosenblum, David J.
Subject: Re: Cambridge Place deal

Poor client mgmt

[redacted] = Redacted by the Permanent Subcommittee on Investigations

----- Original Message -----
From: Ostrem, Peter L
To: Sparks, Daniel L
Cc: Rosenblum, David J.
Sent: Mon Oct 16 14:20:28 2006
Subject: Cambridge Place deal

Cambridge is upset that we are delaying their deal. They know that Hudson Mezz (GS prop deal) is pushing their deal back.
We are calling the PM at Cambridge ([redacted]) and [redacted] today to discuss their deal and timing.
Are you ok if we upsize their deal to $800mm from $600mm? This allows them to continue ramping and we take additional equity placement risk (beyond the 60% of equity going into ORCA). Deal is in good shape and we have pre-interest in the entire AA class and half the BBBs and a third of the super seniors. This will price in Dec. or January.

Confidential Treatment Requested by Goldma

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2270

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66052.246

Goldman Sachs

Date: September 27th, 2006

To: Firmwide Risk Committee

Re: September 27th FRC Minutes

The September 27th Firmwide Risk Committee meeting commenced at 7:30am. The meeting was chaired by David Viniar and Jerry Corrigan. Apologies were received from Isabelle Ealet, Raanan Agus, Mark McGoldrick, and Marc Spilker.

Divisional Reports

Driss Ben-Brahim

- [redacted]

Rich Ruzika

- [redacted]

Jon Sobel

- ABX stable since last week.
- Business progressing with synthetic ABX CDOs. Noted DB also working on synthetic ABX CDOs.
- Busy securitization calendar beginning tomorrow (e.g., several CDO deals, etc.).
- [redacted]

Don Mullen

- [redacted]

Ed Eisler

- [redacted]

Ed Wilson

- [redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Confidential Treatment Requested by Goldman Sachs

GS MBS 0000004474

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2271

Ken Eberts

- [redacted]

Jacob Rosengarten

- [redacted]

Any Other Business
Credit Risk management presented the quarterly Credit Risk Profile.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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66052.248

Goldman Sachs

Date: October 4th, 2006

To: Firmwide Risk Committee

Re: October 4th FRC Minutes

[redacted] = Redacted by the Permanent Subcommittee on Investigations

The October 4th Firmwide Risk Committee meeting commenced at 7:30am. The meeting was chaired by Jerry Corrigan. Apologies were received from Lloyd Blankfein and David Viniar.

Divisional Reports

The committee discussed the general decrease in Hedge Fund activity and the potential implications.

Driss Ben-Brahim

- [redacted]

Ed Eisler

- [redacted]

Jon Sobel

- Business continuing to work on ABX CDO structure.
- VaR up due to stickiness of ABX position and as actual volatility is higher than expected. Business in discussion with Divisional Risk on possibly altering risk limits.
- Securitization calendar robust over the next 6 weeks.

Dave Heller

- [redacted]

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GS MBS 0000004476

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2271

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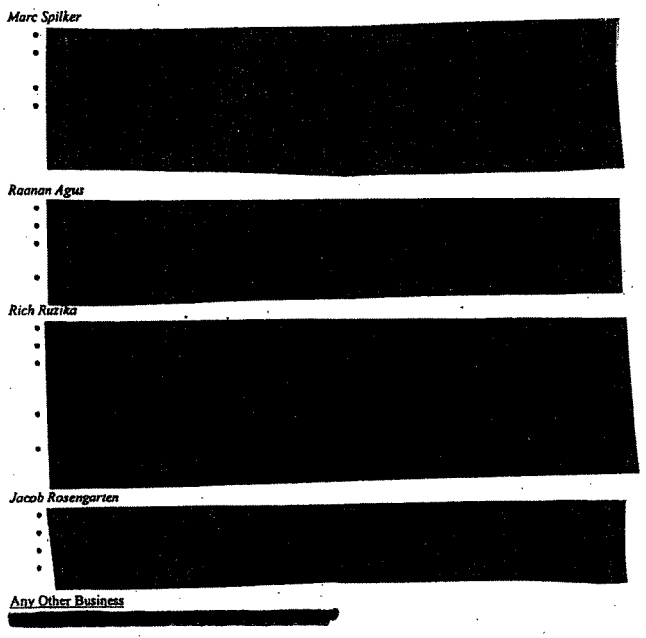

Confidential Treatment Requested by Goldman Sachs

GS MBS 0000004477

Goldman Sachs

Date: October 11th, 2006

To: Firmwide Risk Committee

Re: October 11th FRC Minutes

The October 11th Firmwide Risk Committee meeting commenced at 7:30am. The meeting was chaired by David Viniar. Apologies were received from Lloyd Blankfein, Jerry Corrigan, Dave Heller and Bob Litterman.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Divisional Reports

Driss Ben-Brahim

- [redacted]

Rich Ruzika

- [redacted]

Justin Gmelich

- [redacted]

Jon Sobel

- Noted Business has buyers line-up for various ABX CDO tranches.
- Cash deals will continue to do well over the next month.
- Noted diminished Hedge Fund activity.
- Business working on large commercial mortgage loan deal that may require increase in risk limit.

Ed Eisler

- [redacted]

Marc Spilker

- [redacted]

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GS MBS 0000004478

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Confidential Treatment Requested by Goldman Sachs

GS MBS 0000004479

Goldman Sachs

Date: November 1st, 2006

To: Firmwide Risk Committee

Re: November 1st FRC Minutes

The November 1st Firmwide Risk Committee meeting commenced at 7:30am. The meeting was chaired by Jerry Corrigan. Apologies were received from David Viniar, Lloyd Blankfein, Mark McGoldrick, Bob Zoellick, and Liz Beshel

Divisional Reports

Driss Ben-Brahim

- [redacted]

Ed Eisler

- [redacted]

Isabelle Ealet

- [redacted]

Jon Sobel

- ABX CDO priced last week with $1.6BN sold. Risks down from a high of $2.0MM/bp to $1.0MM/bp.
- Noted strong calendar over the next weeks as there is a demand for cash products.
- Noted risks to business if CDO market slows or if there is a material repricing of residuals.

Don Mullen

- [redacted]

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Confidential Treatment Requested by Goldman Sachs

GS MBS 0000004484

Dave Heller

[redacted]

Raanan Agus

[redacted]

Jacob Rosengarten

[redacted]

Any Other Business
None.

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GS MBS 0000004485

From: Jha, Arbind
Sent: Wednesday, October 11, 2006 9:14 AM
To: Birnbaum, Josh
Subject: RE: Hudson Mezzanine Funding, 2006-1 Ltd. -- New Issue Announcement (144a/RegS) (external) [T-Mail]

Josh,

Tried calling. Sobel this morning in the firmwide risk committee mentioned that we have circled up the junior and some of the equity tranches.

Would like to get an update on this and have some follow up questions.

Please let me know when is a good time to call.

Thanks.

-----Original Message-----
From: Birnbaum, Josh
Sent: Tuesday, October 03, 2006 9:22 AM
To: Jha, Arbind
Subject: FW: Hudson Mezzanine Funding, 2006-1 Ltd. -- New Issue Announcement (144a/RegS) (external) [T-Mail]

here is the info on the CDO

-----Original Message-----
From: GS Syndicate
Sent: Tuesday, October 03, 2006 7:24 AM
To: 'T-Mail Subscribers'
Subject: Hudson Mezzanine Funding, 2006-1 Ltd. -- New Issue Announcement (144a/RegS) (external) [T-Mail]

Hudson Mezzanine Funding, 2006-1 Ltd. -- New Issue Announcement (144a/RegS) (external)
Lead Manager & Sole Bookrunner: Goldman Sachs Liquidation Agent: Goldman, Sachs & Co.
$2.0bn Static Mezzanine Structured Product CDO

Class	Size($mm)	%Deal	Mdy/S&P	WAL(y)	Init OC	Guidance
S	[ ]	N/A	Aaa/AAA	[2.8]	N/A	N/A
Sen Swp	1,200	60.0%	Aaa/AAA	[3.7]	166.7%	N/A
A1	150	7.5%	Aaa/AAA	[2.0]	133.3%	1mL+TBD
A2	150	7.5%	Aaa/AAA	[6.0]	133.3%	1mL+TBD
B	160	8.0%	Aa2/AA	[5.1]	120.5%	1mL+TBD
C	100	5.0%	A2/A	[5.2]	113.6%	1mL+TBD
D	150	7.5%	Baa2/BBB	[5.2]	104.7%	1mL+TBD
E	30	1.5%	Ba1/BB+	[5.3]	103.1%	1ML+TBD
PS	60	3.0%	Not Rated	N/A	N/A	**CALL DESK**

Termsheet, Debt Marketing Book & Warehouse Portfolio - Attached

Expected Timing:
Price Guidance & Red - w/o Oct 16
Pricing - w/o Oct 23

GS Structured Products Global Syndicate
Asia: Omar Chaudhary, Jay Lee, & Hirotaka Sugioka +81 (3) 6437-7198
Europe: Mitch Resnick & Tets Ishikawa +44 (0)20 7774-3068 N. America: Bunty Bohra, Scott Wisenbaker, Scott Walter, Tony Kim & Malcolm Mui +1 (212) 902-7645

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66052.255

Structured Product CDO Desk:
Peter Ostrem +1 (212) 357-4617 // Darryl Herrick +1 (212) 902-9305

Risk Factors: An investment in the securities presents certain risks, please see the Preliminary Offering Circular for a description of certain risk factors.

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66052.256

From: Sobel, Jonathan
Sent: Wednesday, October 25, 2006 1:25 PM
To: Viniar, David; Cohn, Gary (EO 85B30)
Subject: ABX CDO will price this afternoon.

Gain today is $8mm, with another $16mm in various reserves ($24mm total vs $15mm total that we had discussed). $1.6bn of the $2bn sold, with the majority of the unsold bonds being investment grade. Equity more than 85% sold.

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Wall Street & The Financial Crisis
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66052.257

From: Swenson, Michael <Michael.Swenson@ny.email.gs.com>
Sent: Thursday, October 12, 2006 11:06 AM
To: Rosenblum, David J. <david.rosenblum@ny.email.gs.com>
Subject: RE: Polygon

we sell this at 70-00, 80-00 or 85-00 . . . i need to go raise a fund and buy the other half

From: Rosenblum, David J.
Sent: Thursday, October 12, 2006 11:04 AM
To: Swenson, Michael; Bohra, Bunty; Wisenbaker, Scott; Birnbaum, Josh
Cc: Sparks, Daniel L; Herrick, Darryl K; Ostrem, Peter L
Subject: FW: Polygon

fyi

From: Cornacchia, Thomas
Sent: Thursday, October 12, 2006 10:38 AM
To: Ostrem, Peter L; Rosenblum, David J.
Cc: Herrick, Darryl K
Subject: RE: Polygon

keep in mind the overall objective - this is not about one trade - having said that, i agree that 70 may be too low

From: Ostrem, Peter L
Sent: Thursday, October 12, 2006 10:19 AM
To: Cornacchia, Thomas; Rosenblum, David J.
Cc: Herrick, Darryl K
Subject: Polygon

70 is NOT going to work on Hudson Mezz equity. 90 would work.

100 is a no-loss yield of 22%
95 is a no-loss yield of 24%
90 is a no-loss yield of 26%.
85 is a no-loss yield of 29%

We have a 6mm of firm equity orders at par and we have only been marketing this equity for two weeks (60mm of total equity).

We see value in a large 30mm order and can offer 90 dollar price to help achieve that. We are reasonable and will listen to levels around 90.

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VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 00262 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

66052.258

From: Swenson, Michael <Michael.Swenson@ny.email.gs.com>
Sent: Thursday, October 26, 2006 10:54 AM
To: McMahon, Bill <bill.mcmahon@ny.email.gs.com>
Cc: Sobel, Jonathan <jonathan.sobel@ny.email.gs.com>; Sparks, Daniel L <dan.sparks@ny.email.gs.com>; Birnbaum, Josh <josh.birnbaum@ny.email.gs.com>; Swenson, Michael <Michael.Swenson@ny.email.gs.com>
Subject: ABX Update

Bill-

Since the pricing of the CDO yesterday we have moved a significant amount of risk:

BBB- DV01 is now down to $1.1mm/bp

In addition to $2bb of risk that was placed into the CDO, we have sold to retail since 4pm yesterday $2bb of BBB- risk.

Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
tel: +1 212 902 5090 | mobile: +1 917[redacted] | fax: +1 212 902 1691
e-mail: michael.swenson@gs.com

Goldman Sachs

Michael J. Swenson
Fixed Income, Currency & Commodities

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66052.259

From: Egol, Jonathan
Sent: Thursday, October 19, 2006 6:52 AM
To: Tourre, Fabrice; Williams, Geoffrey
Subject: Fw: BBB RMBS

Pls get looped in in case they have anything

----- Original Message -----
From: Rosenblum, David J.
To: Resnick, Mitchell R; Egol, Jonathan; Herrick, Darryl K
Cc: Brazil, Alan; Marschoun, Michael; Swenson, Michael; Birnbaum, Josh; Primer, Jeremy; Bieber, Matthew G.; Case, Benjamin; Ostrem, Peter L
Sent: Thu Oct 19 06:42:24 2006
Subject: Re: BBB RMBS

So amazing you should ask -- we had this convo for an hour last night-- brazil and marschoun and primer-- THIS IS WHAT WE'RE TALKING ABOUT! Can you come to the rescue here?

Thx
D

----- Original Message -----
From: Resnick, Mitchell R
To: Egol, Jonathan; Herrick, Darryl K
Cc: Rosenblum, David J.
Sent: Thu Oct 19 04:54:25 2006
Subject: BBB RMBS

do we have anything talking about how great the BBB sector of RMBS is at this point in time... a common response I am hearing on both Hudson & HGS1 is a concern about the housing market and BBB in particular?

We need to arm sales with a bit more - do we have anything?

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66052.260

From: Carrett, Paul (GSJBW)
Sent: Friday, October 20, 2006 6:40 PM
To: Herrick, Darryl K
Cc: Chaudhary, Omar; Maltezos, George (GSJBW)
Subject: Hudson Mezz - arguments required

The guy at Schroders looking at this deal has one main issue has has to get over:

He is worried about how he is going to convince his boss to invest in a pool of sub prime mortgages with probably their greatest exposures in California and Florida. He is nervous on US house prices.
Pretty fundamental question, but do we have a couple of key massages I shuld prepare him with?
I have some background material on the mortgage market from Gasvoda's team, but anything specific material beyond this we can offer?
I have made the point repeatedly (to the point where he should be able to repeat it verbatim to his boss) that he has structural protenction underneath each BBB seculty in the pool, and same again in the CDO. Also discussed the value of diversity and the fact that most property price crashes and mass mortgage defaults tend to be localised, which should give him further comfort.
Anything else you would offer? He is not a big believer in the Moody's data and ratings system.
I WANT THIS GUY THERE AND IN SIZE! Please help if you can – just three bullet points would help.

Cheers
Paul

Paul Carrett
Executive Director
Structured Asset Solutions
Telephone 612 9320 1241
Facsimile 612 9320 1222
Mobile 61[redacted]
paul.carrett@gsjbw.com
www.gsjbw.com

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66052.261

From: Rosenblum, David J. <david.rosenblum@ny.email.gs.com>
Sent: Thursday, October 12, 2006 7:07 AM
To: Swenson, Michael <Michael.Swenson@ny.email.gs.com>; Ostrem, Peter L <Peter.Ostrem@ny.email.gs.com>
Cc: Herrick, Darryl K <Darryl.Herrick@ny.email.gs.com>
Subject: RE: Hudson Mezzanine Funding 2006-1 Ltd.: Computational Materials for UBS (144a/Reg S) (external)

---

swennie/darryl can you come by this AM to walk through where we are on the whole cap structure and we can rope in pete by phone if he is avail

thanks
d

-----Original Message-----
From: Swenson, Michael
Sent: Thursday, October 12, 2006 7:05 AM
To: Rosenblum, David J.; Ostrem, Peter L
Subject: Fw: Hudson Mezzanine Funding 2006-1 Ltd.: Computational Materials for UBS (144a/Reg S) (external)

I am extremely impressed by darryl *nd the rest of your team.

Thanks

----- Original Message -----
From: Herrick, Darryl K
To: Swenson, Michael
Sent: Thu Oct 12 01:11:59 2006
Subject: RE: Hudson Mezzanine Funding 2006-1 Ltd.: Computational Materials for UBS (144a/Reg S) (external)

Thanks Mike. This is an awesome challenge, but excited about getting to the goal line

-----Original Message-----
From: Swenson, Michael
Sent: Wednesday, October 11, 2006 8:46 PM
To: Herrick, Darryl K; Lehman, David A.; Birnbaum, Josh
Subject: Re: Hudson Mezzanine Funding 2006-1 Ltd.: Computational Materials for UBS (144a/Reg S) (external)

Darryl you are doing an awesome job keep it up

----- Original Message -----
From: Herrick, Darryl K
To: Swenson, Michael; Lehman, David A.; Birnbaum, Josh
Sent: Wed Oct 11 20:03:47 2006
Subject: FW: Hudson Mezzanine Funding 2006-1 Ltd.: Computational Materials for UBS (144a/Reg S) (external)

This clears the team of majority the senior risk Equity and BBs we are hammering away on and hope to get traction tomorrow/Friday

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66052.262

-----Original Message-----
From: Kelly, Ryan
Sent: Wednesday, October 11, 2006 7:58 PM
To: Herrick, Darryl K
Subject: Fw: Hudson Mezzanine Funding 2006-1 Ltd.: Computational Materials for UBS (144a/Reg S) (external)

Darryl,
Please see ubs' feedback below. By the A1's.....they mean the 2.6yr. Hopeful <<Legal Disclaimer>> ly this helps. It's a start.

RK

Sent from my BlackBerry Wireless Handheld

----- Original Message -----
From: Joseph.Shropshire@ubs.com <Joseph.Shropshire@ubs.com>
To: Kelly, Ryan
Sent: Wed Oct 11 17:54:22 2006
Subject: RE: Hudson Mezzanine Funding 2006-1 Ltd.: Computational Materials for UBS (144a/Reg S) (external)

Called you back. We are interested in the A1. Think the size will be half the tranche. We can discuss tomorrow.

From: Kelly, Ryan [mailto:Ryan.Kelly@gs.com]
Sent: Wednesday, October 11, 2006 2:24 PM
To: Meneret, David; Shropshire, Joseph
Subject: Hudson Mezzanine Funding 2006-1 Ltd.: Computational Materials for UBS (144a/Reg S) (external)

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Attached is the portfolio with CUSIPs requested by UBS.

<<Hudson_Mezz_Investor_Port.xls>>

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From: Tourre, Fabrice
Sent: Sunday, March 04, 2007 5:11 PM
To: Maltezos, George (GSJBW); Carrett, Paul (GSJBW); Egol, Jonathan; Williams, Geoffrey
Cc: Case, Benjamin
Subject: RE: Hedging

We should discuss this live, but I think their likelihood of getting principal back is almost zero, given market implied pricings for ABX:

-- ABX.HE.BBB.06-1 @ 91 px
-- ABX.HE.BBB-.06-1 @ 86 px
-- ABX.HE.BBB.06-2 @ 81 px
-- ABX.HE.BBB-.06-2 @ 71 px

The blended price of the ABX component of that portfolio (60% of the transaction) is approx 82, meaning that the equity has no NAV coverage. This piece of risk should trade like an IO, and the the main risk at this point is downgrade risk that could cause triggers to fail and cause their equity cashflows to shutoff for good.

Ben will give you more insight as to how the triggers are structured, and how much downgrades could cause those triggers to be activated...

-----Original Message-----
From: Maltezos, George (GSJBW)
Sent: Sunday, March 04, 2007 5:04 PM
To: Tourre, Fabrice; Carrett, Paul (GSJBW); Egol, Jonathan; Williams, Geoffrey
Subject: Re: Hedging

They own Hudson mezz 1 cdo equity.

George Maltezos
Structured Asset Solutions
Tel: 612 9320 1431
Mob: [redacted]

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----- Original Message -----
From: Tourre, Fabrice <Fabrice.Tourre@gs.com>
To: Carrett, Paul; Egol, Jonathan M - GS; Williams, Geoffrey - GS
Cc: Maltezos, George
Sent: Mon Mar 05 08:56:01 2007
Subject: RE: Hedging

can you remind us what they own ?

From: Carrett, Paul (GSJBW)
Sent: Sunday, March 04, 2007 4:36 PM
To: Egol, Jonathan; Tourre, Fabrice; Williams, Geoffrey
Cc: Maltezos, George (GSJBW)
Subject: Hedging

Team

Mariner is interested in ideas for hedging their Hudson exposure. Could you please provide

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66052.264

some thoughts on the following:

1. Putting aside current pricing, I would have thought a form of delta hedging their exposures to either troublesome single names, or the ABX indices as a whole might work to some extent. In "normal" conditions, what sorts of strategies would you suggest?

2. In the context of current pricing, is there some compromise or variation on the above that might be helpful to them. Their main objective is ensuring recovery of principal. Presumably very challenging in the context of current markets.

I should have prefaced the above with the fact that I do not believe that they are about to hedge this position – the horse has bolted in pricing terms. They are no doubt getting questions from the company's board as to what could be done, as a learning exercise, and potentially as a complete downside case.

We will also point out that if they put on a hedge on the ABX and the index started screaming in they would have a very serious mark to market issue on their hands.

All thoughts welcome.

Cheers

Paul

Paul Carrett
Executive Director
Structured Asset Solutions

Fixed Income, Currency and Commodities
Goldman Sachs JBWere Pty Ltd

Telephone 612 9320 1241
Facsimile 612 9320 1222
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66052.265

November 21, 2008

Via Fax, E-mail and Courier

To: Morgan Stanley Capital Services, Inc.
1585 Broadway
New York, New York 10036
Telephone: 212-761-2996
Facsimile: 212-507-4563
E-mail: msnyccreditevent@morganstanley.com

Re: Senior Swap Confirmation (Reference Number SDB980892555), dated as of October 25, 2006 (the "Senior Swap Confirmation") between Goldman Sachs Capital Markets, LP ("GSCM") and Morgan Stanley Capital Services, Inc. ("Counterparty")

Reference is made to the attached notice, dated November 21, 2008, from MSCS to GSCM. The Senior Swap Funding Payment was calculated by the Calculation Agent under the Senior Swap as the difference between (i) the payment due the Credit Protection Buyer under the Credit Default Swap of $931,628,133.63 and (ii) the proceeds from the liquidation of the remaining collateral of $627,883.65, resulting in the Senior Swap Funding Payment of $931,000,249.98.

Capitalized terms used but not defined herein have the respective meanings ascribed thereto in the Senior Swap Confirmation.

GOLDMAN SACHS CAPITAL MARKETS, LP

NY1 6802168v.2

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Wall Street & The Financial Crisis
Report Footnote #2291

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MEMORANDUM

Goldman Sachs

To: Mortgage Capital Committee

From: Peter Ostrem
Matthew Bieber
Ariane West
Shelly Lin
Eric Siegel

Cc: Jonathan Sobel
Dan Sparks
David Rosenblum
Tim Saunders
Pat Welch

Date: September 25, 2006

Re: **Placing debt and equity on a static mezzanine structured prodoct CDO with GSC Partners ("GSC")**

I. Introduction

We have been asked to structure a $500 million mezzanine structured product CDO backed by a portfolio of RMBS, CMBS, CDO and ABS with an average rating of Baa2/Baa3 ("Hudson Mezzanine Funding II"). Goldman will be engaged by Hudson Mezzanine Funding II as Liquidation Agent and in this role will have the responsibility of liquidating "Credit Risk Assets" (defined below in section III). Goldman and GSC Partners ("GSC") will co-select the portfolio that will collateralize the CDO. GSC Eliot Bridge, a CDO equity fund managed by GSC, has pre-committed to purchase 50% of the equity in the CDO (total equity will be approx. $17.0 MM) upon closing of the transaction. GSC Eliot Bridge will share 50% of the warehouse risk on the first $20 MM of potential loss exposure during the portfolio ramp-up and will initially post $5.0 MM to collateralize this commitment, with additional posting up to $10.0 MM as the portfolio ramps.

We do not expect to charge any upfront fee and similarly, GSC will not charge any ongoing management fee. Without fees, the equity yield is expected to be approximately 35%. We expect to retain a senior IO security which will reduce the CDO equity's yield to approximately 20%. This is the level we intend to offer equity to third parties.

In return for our role as Liquidation Agent, Goldman will receive an ongoing fee of 0.10% of the CDOs par portfolio balance. Total economics to Goldman are expected to be $5.5 MM upfront (includes the premium sale on equity and net carry from the warehouse) and $500k per annum over a 4 duration (the ongoing P&L of 0.10% for acting as liquidation agent which we cannot recognize upfront).

As Liquidation agent, Goldman will liquidate assets determined by the Trustee to be "Credit Risk Assets" based on specific guidelines. Goldman will have 12 months to sell these assets. Sales will be made under a competitive bidding process whereby we will solicit three outside bids and select the highest. Goldman's role in this transaction is comparable to the role we currently assume in the Hout Bay and Hudson HG transactions. Prior to executing Hout Bay I, in which we also played the Liquidation Agent role, we spoke with multiple counterparties as to our role as Liquidation Agent. We received approval for our role in this transaction from legal and accounting. We spoke with outside counsel, Orrick Herrington, and they were comfortable providing true sale and non-consolidation opinions for the transaction. We spoke with Mary Marr in Accounting Policy and John Little in Product Control, and they in collaboration with PricewaterhouseCoopers were comfortable that the Hout Bay transaction met true sale and non-consolidation conditions from an accounting perspective. Finally, we spoke with outside counsel, Wilmer Cutler, about potential issues related to the Investment Advisor Act. They are of the opinion that our role of Liquidation Agent does not cause us to be deemed an Investment Advisor based on an exception to

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the Advisors Act for a "limited grant of discretion". For a more detailed account of Goldman's role as Liquidation Agent and related discussions with legal and accounting counterparts please see section III, "The Liquidation Agent: Goldman".

We expect to offer the subordinate triple-A, double-A, single-A and triple-B debt to the market through our syndicate. Goldman has no commitment on any of the offered notes, but Goldman may be subject to warehouse losses in the event the CDO does not close.

Goldman Sachs has a strong relationship with GSC. We closed a $300 MM middle market CLO with GSC in January 2006 (equity in the CLO was purchased by GSC Capital Corp.), earning $2.4 MM in structuring fees. We are currently marketing a high grade transaction with GSC and have a single-A focused structured product CDO ramping. In addition Goldman and GSC are working together on a CDO equity sponsorship vehicle, ORCA Funding. The head of the structured products team at GSC worked with us at [redacted] to moving to GSC, mandating us on the [redacted] high grade CDO transactions, totaling $6 billion in issuance and $40mm in fees to GS.

II. Transaction Overview

A Cayman Islands limited liability company (the "Issuer") will be established which will purchase the warehoused portfolio at closing and will issue the following notes and equity:

Class	Balance	% of Capital Structure	Expected Ratings (Moody's/S&P)	Expected Spread	Expected Average Life
Class A-1 Notes	$325.0 MM	65.0%	Aaa/AAA	L+30bp	5.0
Class A-2 Notes	50.0 MM	10.0%	Aaa/AAA	L+45bp	5.0
Class B Notes	40.0 MM	8.0%	Aa2/AA	L+60bp	5.5
Class C Notes	35.0 MM	7.0%	A2/A	L+145bp	6.0
Class D Notes	28.5 MM	5.7%	Baa2/BBB	L+325bp	7.0
Class E Notes	4.5 MM	0.9%	Ba2/BBB	L+650bp	7.8
Income Notes	17.0 MM	3.4%	NR	NA	NA
Portfolio	**$500.0 MM**	**100.0%**	**Avg. A1/A2**	**L+165bp**	**5.5**

The transaction will have a legal maturity of 35 years, however the expected average life of the Notes will be approximately 5-7 years. The equity will also have the option to call the transaction after a 3 year non-call period.

P&L to Goldman will be approximately $5.5 MM upfront and $500k per annum thereafter over a 4 duration. In return for fees and 50% of the net warehouse carry (50% of the net carry will be approx. $0.5 MM), Goldman will (a) take half of the warehouse risk on the first $40 MM of losses and 100% of the warehouse risk if losses exceed $40 MM and (b) place the Class A, B, C, D, and E Notes and may place a portion of the Income Notes (the Income Notes are the equity class) on a "best efforts" basis (Goldman has committed to purchase 50% of the Income Notes and GSC has committed to purchase the other 50%). GSC would like to hold only 25% of the Income Notes upon closing, but we have agreed to sell down our commitments pro-rata and equally purchase any remaining equity.

Collateral Description

- 100% of the CDO portfolio will be identified at closing.
- 100% of the portfolio will be rated at least Baa3 by Moody's or BBB- by S&P.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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- The portfolio is expected to be approximately 80% subprime RMBS, 15% prime and Alt-A RMBS, 5% CMBS and SP CDOs. Up to 100% of the portfolio may be single-name synthetic exposures.

III. **Collateral Manager**

GSC Partners was established in 1994 by Alfred C. Eckert, III, former Partner and Head of Private Equity/Distressed Debt Investing and Corporate Finance at Goldman Sachs. The team consists of 80 persons worldwide, 36 of whom are investment professionals.

GSC Partners has over $7.2bn in assets under management, with over $3.3bn invested in structured credit. Six CDO/CLO funds have been raised since 2000.

In early 2005, Frederick H. Horton joined GSC Partners from TCW to build a structured products platform at GSC. Since joining GSC, the structured products group has issued a private mortgage REIT, GSC Capital Corp, and two synthetic mezzanine structured product CDOs.

For GSC, this CDO is an opportunity to grow their existing structured product CDO platform. For Goldman, the CDO will provide an opportunity to enhance our strategic relationship with GSC and maintain our leadership in the high grade structured product CDO market.

IV. **Underwriting Commitments:**

Goldman Sachs will act as sole placement agent of the Class A, B, C, D, and E Notes and the Income Notes and will be working on a "best efforts" basis on all of the debt and has a firm commitment on 50% of the Income Notes. GSC Capital Corp. is pre-committed to purchase 50% of the Income Notes.

The primary demand for mezzanine notes / equity in these types of transactions comes from European, Australian, and Asian banking and insurance institutions, US asset managers, other structured investment vehicles, and CDO equity funds. These various accounts continue to express interest in gaining a leveraged exposure to the U.S. structured product market. The structured product CDO vehicle allows them to gain this exposure on a diversified basis.

We expect to purchase approximately $2-8 MM of the equity on the pricing date, but we will have no commitment to hold such position after closing.

Goldman's current portfolio of CDO and CLO equity held within the CDO group is detailed in Appendix B.

V. **Portfolio Ramp-Up and Equity Marketing**

Initially, Goldman will assume 50% of first loss risk in the warehouse on the first $40 MM of losses and 100% of second loss risk above $40 MM in the event the CDO fails to close. GSC Capital Corp. will be taking 50% of first loss risk in the warehouse on the first $40 MM and will initially post $5.0 MM to collateralize this commitment. Goldman will have full recourse to GSC Capital Corp. (currently $150-200 MM in capital) for losses in excess of the posted amount but not to exceed $20 MM and will have the right to liquidate the portfolio upon any material negative mark-to-market.

Additionally, we will continue to pursue early equity and mezzanine debt commitments from additional investors to reduce the risk of a failed closing. Appendix A details our current warehouse exposures across the CDO group.

The general terms of the portfolio ramp-up are as follows:

- GS has the right to veto all asset purchases and GSC has the right to veto all asset purchases;
- GS has unilateral right to liquidate an asset or the warehouse;
- All assets are sold-forward to the CDO at time of purchase and the forward price covers any hedge or trading gains/losses on assets during the warehouse phase;

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- 50% of positive carry will be paid to GS (positive carry is equal to any net income in excess of Goldman's cost of financing during the warehousing period). Net carry is expected to be approximately $1.0 MM which will be shared 50/50 between Goldman and GSC Capital Corp.
- Position sizes will be limited to $20 MM for assets rated single-A or higher and $10 MM for triple-B assets.

VI. Expected Fees

Goldman expects to recognize P&L equal to 1.0% times the par balance of the collateral portfolio. We expect a $500 MM transaction and the P&L, in that case, would be $5.0 MM. Additionally, Goldman expects to earn profits by selling assets into the CDO and from Goldman's share of warehouse net carry (which is estimated to be $0.5 MM) and from our ongoing role as liquidation agent (which will be $500k per annum on a 4 duration).

VII. Reasons to Pursue

We are pursuing this transaction for the following reasons:

1. Goldman is approving every asset going into the warehouse. The respective trading desks are posted on each asset offered into the CDO by GSC from the street and we do not accept any asset that is not approved by the respective trading desk. In addition, we expect that 30-40% of the portfolio by closing will come from Goldman's offerings.

2. Although we will be marketing a $500 MM transaction, Goldman can price the transaction earlier with a lower balance if we are concerned about future market conditions or we can upsize the transaction if there are reasons to merit that action.

3. We will be offering the equity to third party investors with a no-loss yield of 18-20% which is consistent with CDO equity from mezzanine structured product CDOs currently being sold into the market.

4. We expect to generally market the debt and equity once the transaction is approximately 70% ramped. We expect to offer the equity and debt on an early commitment basis (we will commence those discussions upon initial portfolio ramp).

5. GSC Capital Corp. is taking half of the first loss risk in the warehouse and is committed to half of the equity, Goldman has a "best efforts" underwriting commitment on the debt, and Goldman's expect's total P&L of approximately $5.5 MM.

VIII. Strengths / Issues to Consider

Strengths

- **Pre-Sold Equity:** GSC Capital Corp. has pre-committed to purchase half of the equity.
- **Repeat Collateral Manager:** This transaction would represent GSC's fourth CDO with Goldman in 2006 and GSC's third structured product CDO.
- **Collateral:** 100% of the portfolio will have a rating of investment grade.
- **Pre-Marketing:** We will begun discussions with numerous investors on early commitments on equity and debt (TCW Equity Fund, Commerzbank, Basis Capital, Sendelman, Magnetar, and Mariner).

Issues to Consider

- **Warehouse:** Goldman Sachs will be exposed to half of any first loss exposure on the first $40 MM and 100% of any second loss exposure above $40 MM if the deal fails to close. GSC Capital Corp. is

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initially posting $5.0 MM to collateralize its risk sharing commitment and will make additional posts up to $20 MM as the warehouse ramps.

IX. Recommendation

GSC is a repeat CDO issuer and is one of Goldman's strongest relationships in the structured product CDO market. Goldman Sachs will be involved in structuring the transaction, selling assets into the transaction, placing the Notes and the equity of the CDO and in return, will recognize P&L of approx. $5.5 MM.

In light of the above, we request that the Capital Committee approve our proposal to enter into a "best efforts" underwriting of the CDO debt, firm commitment on half the equity, and to move forward with the warehouse risk sharing arrangement with GSC.

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Appendix A: Current CDO Warehouses

Structured Product CDO Warehouses

Deal Name	Size / Current Warehouse	Collateral Description	GS Warehouse Risk	Cost of Financing	Expected Pricing	Approx. Fees
[redacted]	$1.5 Billion / $600 MM	Aa2/Aa3 – RMBS, CMBS, ABS, CDO	Nordes: 50% to GS, all asset purchases funded [redacted]	LIBOR flat	Apr-06	$5.25 MM
[redacted]	$2.0 Billion/ $1.5 Billion	Aa2/Aa3 – RMBS, CMBS, ABS, CDO	100% to GS	NA	Jul-06	$10 MM
[redacted]	$2.0 Billion/ $1.2 Billion	Aa2/Aa3 – RMBS, CMBS, ABS, CDO	[redacted] 1st Loss – 50% up to $6 MM 2nd Loss – 100% above $6 MM	NA	Jul-06	$10 MM
[redacted]	$3.0 Billion/ $1.9 Billion	Aa2/Aa3 – Prime and Alt-A RMBS	100% to GS	NA	Aug-06	$10 MM
[redacted]	$2.0 Billion/ $127 Million	Aa2/Aa3 – RMBS, CMBS, ABS, CDO	100% to GS	NA	Aug-06	$10 MM

CLO Warehouses

Deal Name	Size / Current Warehouse	Collateral Description	GS Warehouse Risk	Cost of Financing	Expected Pricing	Approx. Fees
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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Appendix B: CDO Equity Positions

Transaction	Face ($MM)	Deal Type	Currency	Market Price	Market Value ($MM)
FC CBO III Limited	1.29	CLO	USD	-	-
FC CBO II Limited	1.86	CLO	USD	-	-
First Dominion Funding I	0.57	CLO	USD	45	0.26
First Dominion Funding III	1.04	CLO	USD	15	0.16
Halyard CBO I limited	0.77	CLO	USD	-	-
Pennant CBO Limited	0.83	CLO	USD	-	-
Ballyrock II	1.62	CLO	USD	75	1.21
Signature 7 LP	0.97	CLO	USD	60	0.58
Victoria Falls CLO, Ltd	3.00	CLO	USD	90	2.70
Ballyrock III	2.10	CLO	USD	90	1.89
Harch CLO Ltd.	6.00	CLO	USD	90	5.40
Ares VR	6.30	CLO	USD	90	5.67
Putnam Structured Product CDO 2002-1, Ltd	4.00	SP CDO	USD	75	3.00
Davis Square Funding I, Ltd	2.00	SP CDO	USD	75	1.50
NYLIM Stratford CDO 2001-1, Ltd	3.25	SP CDO	USD	1	0.03
Sierra Madre Funding, Ltd.	3.73	SP CDO	USD	67	2.49
Davis Square Funding III, Ltd	1.50	SP CDO	USD	75	1.13
Camber III plc	8.90	SP CDO	USD	75	6.68
Adirondack 2005-1 Funding, Ltd	3.95	SP CDO	USD	80	3.16
Coolidge Funding, Ltd.	2.40	SP CDO	USD	80	1.92
Altius I Funding, Ltd.	2.00	SP CDO	USD	80	1.60
Davis Square Funding V, Ltd.	4.00	SP CDO	USD	80	3.20
G Street Finance Ltd.	4.00	SP CDO	USD	80	3.20
Adirondack 2005-2 Funding, Ltd	4.64	SP CDO	USD	80	3.71
Winston Funding LTD	1.80	SP CDO	USD	25	0.45
Davis Square Funding IV, Ltd.	3.03	SP CDO	USD	80	2.43
Davis Square Funding VI, Ltd.	2.80	SP CDO	USD	80	2.24
Fortius I Funding, Ltd.	2.00	SP CDO	USD	80	1.60
Total	79.95				66.21

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From: Sparks, Daniel L
Sent: Sunday, May 14, 2006 1:01 PM
To: Willing, Curtis
Subject: RE: GSC - Prime Brokerage

I've run a bunch of traps for them in the past.

You should know what I need to be posted on, not leave it to the client to decide

-----Original Message-----
From: Willing, Curtis
Sent: Wednesday, May 10, 2006 8:47 AM
To: Sparks, Daniel L
Subject: RE: GSC - Prime Brokerage

I asked Ed and Josh early on if they wanted me to get you and Cornacchia involved to get this moving and they said it was more of an inquiry at that point. When I relayed to them that the team here had multiple points of contact with GSC already they asked me to just hold off until they had a better sense of who at Goldman was talking to various contacts at GSC. Yesterday they asked me to move forward again...I just received that response this morning.

-----Original Message-----
From: Sparks, Daniel L
Sent: Wednesday, May 10, 2006 8:40 AM
To: Willing, Curtis
Subject: Re: GSC - Prime Brokerage

Mistake not to involve me from early on

-----Original Message-----
From: Willing, Curtis <Curtis.Willing@ny.email.gs.com>
To: Sparks, Daniel L <dan.sparks@ny.email.gs.com>; Ostrem, Peter L <Peter.Ostrem@ny.email.gs.com>; Cornacchia, Thomas <Thomas.Cornacchia@ny.email.gs.com>
Sent: Wed May 10 08:37:42 2006
Subject: GSC - Prime Brokerage

Let me know if there is something more you think I could be doing here per Steffelin's request

-----Original Message-----
From: Solomon, David Z (GSS)
Sent: Wednesday, May 10, 2006 8:05 AM
To: Willing, Curtis; Holland, Dan
Subject: RE: GSC - Prime Brokerage

We don't work with ABS funds (no PB revs), what we can do is circulate their materials to the team (in case any investor inquire about ABS funds opportunistically), hope this will be helpful. Call either of us if you have any questions.

-----Original Message-----
From: Willing, Curtis
Sent: Wednesday, May 10, 2006 7:47 AM
To: Solomon, David Z (GSS); Holland, Dan
Subject: RE: GSC - Prime Brokerage

Ed Steffelin, Fred Horton and Josh Bissu would like to talk to us about raising money for them in their Elliot Bridge Fund. It's a fixed income arb fund focusing primarily on ABS

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using cash and synthetics, long/short strategies. 43mm currently looking to get to $150-200mm over the next 9-12 months. There is one investor and GSC in the fund. Please let me know how we could go about arranging a meeting.

Thanks

[redacted] = Redacted by the Permanent Subcommittee on Investigations

-----Original Message-----
From: Solomon, David Z (GSS)
Sent: Monday, April 17, 2006 5:31 PM
To: Willing, Curtis; Holland, Dan
Subject: Re: GSC - Prime Brokerage

Know them well, was just there with [redacted] their IBD coverage and a bunch of bankers including [redacted], [redacted] etc.

Also our team recently hosted a dry-run for their new credit fund.

Also introducing John Lipton to equities and PB folks iin Asia.

How can we help?

Sent from my BlackBerry Wireless Handheld

-----Original Message-----
From: Willing, Curtis <Curtis.Willing@ny.email.gs.com>
To: Holland, Dan <dan.holland@ny.email.gs.com>; Solomon, David Z (GSS) <David.Z.Solomon@ny.email.gs.com>
Sent: Mon Apr 17 17:24:48 2006
Subject: GSC - Prime Brokerage

Are either of you familiar with GSC Partners? Several Ex-Goldman Partners involved. They currently have ~$9.2Billion in AUM.....although the fund they would like us to have discussions on is currently $43mm in size. They are a strategic partner with the Synthetic desk and have handed us multiple CDO/CLO mandates. Please let me know if we can arrange a discussion on this account.

Thanks

Curt Willing

From: Kamilla, Rajiv
Sent: Monday, April 17, 2006 10:37 AM
To: Willing, Curtis; Egol, Jonathan; Tourre, Fabrice; Ostrem, Peter L
Cc: Holland, Dan; Solomon, David Z (GSS)
Subject: RE: GSC - Prime Brokerage

Ccing...Holland, Dan; Solomon, David Z (GSS)

From: Willing, Curtis
Sent: Monday, April 17, 2006 10:34 AM
To: Egol, Jonathan; Tourre, Fabrice; Ostrem, Peter L; Kamilla, Rajiv
Subject: GSC - Prime Brokerage

What is my best option for getting dialogue started on this front?

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From: Steffelin, Edward [esteffelin@gscpartners.com]
Sent: Tuesday, August 08, 2006 1:25 PM
To: Ostrem, Peter L; Bissu, Joshua
Cc: Bieber, Matthew G.; Case, Benjamin; Horton, Fred
Subject: RE: GS/GSC EB Prop deal

We concur.

Ed Steffelin
212-884-6190
GSC Partners

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From: Ostrem, Peter L [mailto:Peter.Ostrem@gs.com]
Sent: Tuesday, August 08, 2006 12:34 PM
To: Bissu, Joshua; Steffelin, Edward
Cc: Bieber, Matthew G.; Case, Benjamin; Horton, Fred
Subject: FW: GS/GSC EB Prop deal

Gentlemen,
Here is what we would do:
- $500mm deal
- 50/50 on the equity. Any equity sales reduce our allocation pro-rata.
- no OC/IC tests is ok. Suggest OC test diverting excess spread if BBB OC is less than 100.0% (no haircuts).
- No underwriting fee
- No cap on expenses (we share that risk). But agree we try to keep it low (will definitely be higher than $1mm given agencies alone)
- GS earns 10bp PA on the NOPCB as Asset Liquidation Agent
- 2% position size limit
- 3 yr non-call
- No reinvestment
- Offer to sell protection on BBBs to GSC at market for 0.75% times notional
- Happy to source assets via GSC
- Not sure we can leverage equity, but we will try to sell some BB debt if that helps

Let me know if that works.
Thanks.
Peter

Gentlemen,

Here's what we were thinking to make sure we are all on the same page, let us know what you think.

-500 million deal (~4.5% non-IG notes and equity)

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-No OC/IC tests
-GSC commits to 50% of the equity
-There is no underwriting fee on the deal
-Try to cap upfront expenses (legal, rating agencies, audit) at 1 million
-GS earns 10bps pa on the NOPCB as Asset Liquidation Agent
-Portfolio Composition

RMBS HEL/BC	Baa2	30.00%
RMBS HEL/BC	Baa3	30.00%
SP CDO	A2	20.00%
SP CDO	Baa2	20.00%

-1% target position size

-3 year non call
-No reinvestment
-GSC EB have the right will source up to 50 million of the Baa2 CDOs directly
-GS will use best efforts to source [12] million of the BBBs for GSC EB to short; GS will earn [0.75]% on the notional amount of the short paid upfront
(fixed cap, with implied writedown)
-GS will leverage the equity 50% forGSC

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From: Bieber, Matthew G.
Sent: Wednesday, September 27, 2006 9:36 AM
To: Bissu, Joshua
Cc: Case, Benjamin; Ostrem, Peter L; Steffelin, Edward; Shieh, Will
Subject: RE: Names for tomorrow.....

ok on list...$5mm per name.

From: Bissu, Joshua [mailto:jbissu@gscpartners.com]
Sent: Tuesday, September 26, 2006 10:24 PM
To: Bieber, Matthew G.
Cc: Case, Benjamin; Ostrem, Peter L; Steffelin, Edward; Shieh, Will
Subject: Names for tomorrow.....

Matt,

As discussed here are the names we wanted to send out for tomorrow's bid. Please let us know if you have any comments. thanks
Rgds,
Josh

Cusip	Name	Moody's	S&P
004375FE6	ACCR 2006-1 M8	Baa2	BBB
29445FCV8	EMLT 2005-1 M8	Baa2	BBB
362341QW2	FFML 2005-FF8 B2	Baa2	A
40430HEH7	HASC 2006-OPT2 M8	Baa2	BBB+
46626LBA7	JPMAC 2005-FLD1 M8	Baa2	BBB
59020U3N3	MLMI 2006-HE1 B2A	Baa2	BBB+
61744CMS2	MSAC 2005-NC1 B2	Baa2	BBB
64352VLA7	NCHET 2005-2 M8	Baa2	BBB
76112BZA1	RAMP 2005-EFC3 M6	Baa2	BBB+
04541GQH8	ABSHE 2005-HE2 M7	Baa3	BBB-
004375DM0	ACCR 2005-2 M9	Baa3	BBB
004421VC4	ACE 2006-NC1 M9	Baa3	BBB+

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03072SM85	AMSI 2005-R8 M9	Baa3	BBB
073879VL9	BSABS 2005-TC1 M6	Baa3	BBB
144531BK5	CARR 2005-NC1 M8	Baa3	BBB-
22237JAP2	CWL 2006-BC2 M9	Baa3	BBB-
61744CPQ3	MSAC 2005-NC2 B3	Baa3	BBB-
61744CYK6	MSAC 2006-NC1 B3	Baa3	BBB
64352VKJ9	NCHET 2005-1 M9	Baa3	BBB-
64352VLS8	NCHET 2005-3 M9	Baa3	BBB-
76112BD49	RAMP 2005-EFC4 M9	Baa3	BBB
76112BJ43	RAMP 2005-EFC5 M9	Baa3	BBB
76112BL24	RAMP 2005-EFC6 M9	Baa3	BBB
76110W6H4	RASC 2005-EMX4 M9	Baa3	BBB+

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66052.279

From: Bieber, Matthew G.
Sent: Monday, March 05, 2007 7:45 PM
To: Bissu, Joshua
Subject: RE: Anderson Mezzanine Portfolio as of 3 2 07 (2).xls

we're going to need to execute remaining portfolio wider than 193

From: Bissu, Joshua [mailto:jbissu@gsc.com]
Sent: Monday, March 05, 2007 10:59 AM
To: Bieber, Matthew G.
Subject: Anderson Mezzanine Portfolio as of 3 2 07 (2).xls

some levels we did these names on friday for another trade

the index names will also probably trade

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66052.280

From: Bieber, Matthew G.
Sent: Tuesday, March 06, 2007 2:56 PM
To: Chitson, Michele; Chitson, Michele; Lin, Shelly; Siegel, Eric
Subject: W: Talking Points on New Century

INTERNAL

From: Bissu, Joshua [mailto:jbissu@gsc.com]
Sent: Tuesday, March 06, 2007 2:26 PM
To: Bieber, Matthew G.; Ostrem, Peter L
Cc: Steffelin, Edward; Zhu, Wenbo; Savai, Rajiv
Subject: Talking Points on New Century

* Historically New Century has on average displayed much better performance in terms of delinq and default data
* Prepayments have tended to be higher lowering the extension risk
* Losses and REO are historically lower than the rest of the market
* Traditionally the structures have strong enhancement/subordination

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66052.281

From: Shah, Poonam
Sent: Monday, September 18, 2006 2:46 PM
To: Shah, Poonam; Williams, Geoffrey; Ficc-cdmtg
Cc: ficc-mtgcorr-desk; Riso, Max
Subject: RE: Expected Tranche Trades with GSC on Monday

x-gs-classification: Internal-GS

Tranche trades ranamed - pls see below for updated ref numbers:

$10.6250mm of 8.625-12.875% (Class B) @ 200bps upfront and 120bps running - NUUQ60914003
$6.2500mm of 6.125-8.625% (Class C) @ @ 200bps upfront 230bps running - NUUQ60915003
$5.9375mm of 3.750-6.125% (Class D) @ 200bps upfront and 405bps running - NUUQ60916003

Thanks.

From: Shah, Poonam
Sent: Monday, September 18, 2006 2:17 PM
To: Williams, Geoffrey; Ficc-cdmtg
Cc: ficc-mtgcorr-desk; Riso, Max
Subject: RE: Expected Tranche Trades with GSC on Monday

Will book the tranche trades now and rename in tap - willl let you know once completed - thanks.

From: Williams, Geoffrey
Sent: Monday, September 18, 2006 2:01 PM
To: Ficc-cdmtg
Cc: ficc-mtgcorr-desk; Riso, Max
Subject: FW: Expected Tranche Trades with GSC on Monday

GSC tranche tredes booked in TAP. Also, have information on the ABX trades they did last week. Can you please rename and revert ASAP so we can get to collateral and have all the trades linked? Thanks.

GS sells 25 mm ABX 06-1 BBB index 9/13 @ 100-26 -- SDB2013041281
GS sells 15mm ABX 06-1 BBB index 9/13 @ 100-28 - SDB201304263

From: Williams, Geoffrey
Sent: Friday, September 15, 2006 4:48 PM
To: ficc-mtgcorr-tradeapproval
Subject: FW: Expected Tranche Trades with GSC on Monday

Follow-ups on tranched swaps with GSC / DB Prop / Magnetar; let us know if you have any questions or need anything else:

Strats -- I will send an updated TAP setup file for this portfolio (which is ABACUS 06-11) since this trade will not have reinvestment like the protection buy side.
Ops -- can we please discuss how to link GSC's ABX longs to their tranche shorts when booked so that they receive appropriate margin credit?
Credit -- please note updated sizes that GSC will do in their long/short strategy; can you please refresh the initial margin based on this?
Controllers -- can we please discuss what will be released on Mon?
Drafting -- find a draft confirm that we have sent to GSC / DB Prop / Magnetar below; we will let you know when we have finalized with GSC / DB Prop / Magnetar.

<< File: Draft GSC CDS Confirmation 20060830.doc >>

From: Williams, Geoffrey

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66052.282

Sent: Friday, September 15, 2006 4:24 PM
To: ficc-mtgcom-tradeapproval
Cc: Willing, Curtis
Subject: Expected Tranche Trades with GSC on Monday

We expect to write protection to GSC on each of the following tranches off of the static reference portfolio attached below; GSC will pay to GS the premiums detailed below:

$10.6250mm of 8.625-12.875% (Class B) @ 200bps upfront and 120bps running
$6.2500mm of 6.125-8.625% (Class C) @ @ 200bps upfront 230bps running
$5.9375mm of 3.750-6.125% (Class D) @ 200bps upfront and 405bps running

Against this, GSC has already bought $40mm of ABX.HE.BBB.06-1 from the ABS Trading desk; we need to link this trade to their tranche shorts so that they get margin credit for the long/short.

Other Key Terms:

Trade date: Monday, September 18, 2006
Effective date: Tuesday, September 26, 2006
Protection Seller: [Goldman Sachs International]
Protection Buyer: [GSC entity]
Termination Date: September 28, 2045
Non-Call Period: ends on September 28, 2009
Amortization Type: Modified Sequential

Reference portfolio:

<< File: Bespoke Portfolio 1 20060915.xls >>

Goldman, Sachs & Co.
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e-mail: geoffrey.williams@gs.com

Goldman
Sachs

Geoff Williams
Structured Products Trading

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From: Lin, Shelly
Sent: Tuesday, October 31, 2006 12:21 PM
To: Bissu, Joshua; Bieber, Matthew G.
Cc: Steffelin, Edward; Dial, Thomas; Shieh, Will
Subject: RE: Book3 (7).xls
Attachments: Book3 (7) (2).xls
x-gs-classification: External

Attached are the names/levels that our desk would like to trade.

CUSIP	Deal	Rating	GSC Hedge Amount	Amt For Bid	
040104TS0	ARSI 2006-W4 M9	Baa3	2,000,000	3,000,000	265
04541GRT1	ABSHE 2005-HE4 M9	Baa3	1,000,000	4,000,000	
04541GWQ1	ABSHE 2006-HE2 M9	Baa3	2,000,000	3,000,000	255
126670UD8	CWL 2006-1 MV8	Baa2		5,000,000	
144531FV7	CARR 2006-OPT1 M8	Baa2		5,000,000	
46802WAN4	IXIS 2006-HE2 B3	Baa3	1,000,000	4,000,000	225
57645FAS6	MABS 2006-AM2 M8	Baa2		5,000,000	
59021AAM0	MLMI 2006-FM1 B2	Baa2	1,000,000	4,000,000	170
64352VRB9	NCHET 2006-1 M9	Baa3	1,000,000	4,000,000	275
64360YAM7	NCHET 2006-2 M9	Baa2		5,000,000	
83611MEE4	SVHE 2005-DO1 M8	Baa2		5,000,000	110
86360PAR8	SASC 2006-NC1 M9	Baa3	1,000,000	4,000,000	245
86361KAM9	SAIL 2006-BNC3 M7	Baa2		5,000,000	170

From: Bissu, Joshua [mailto:jbissu@gscpartners.com]
Sent: Monday, October 30, 2006 7:11 PM
To: Bieber, Matthew G.; Lin, Shelly
Cc: Steffelin, Edward; Dial, Thomas; Shieh, Will
Subject: FW: Book3 (7).xls

Matt/Shelly -

Attached pls find the next list of names we wanted to ramp for Hudson Mezz. The amount we would like to short into the deal is noted in the GSC hedge amount column. The amount out for bid is noted in the following column (5M - GSC Hedge Amount).

We would love if your desk wanted to trade some of the ones we want to hedge as well.

Let us know what your levels are if you want to bid, and if we have approval to trade the names.

Thanks

Josh

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66052.284

Footnote Exhibits - Page 4356

From: Willing, Curtis <curtis.willing@gs.com>
Sent: Tuesday, October 31, 2006 10:29 PM (GMT)
To: Ficc-cdmtg <Ficc-cdmtg@ny.email.gs.com>; Hancock, Samuel <Samuel.Hancock@gs.com>; Chin, Edwin <Edwin.Chin@gs.com>; Salem, Deeb <Deeb.Salem@gs.com>
Cc: SF_Confirms <confirms_sf@gscpartners.com>; Bissu, Joshua <jbissu@gscpartners.com>
Subject: GSC Trades

GSC ELIOT BRIDGE MASTER FUND I, Ltd., buys protection on the following facing GS (Goldman Sachs International)

040104TS0	ARSI 2006-W4 M9	Baa3	2,000,000	285
04541GWQ1	ABSHE 2006-HE2 M9	Baa3	2,000,000	255
46602WAN4	IXIS 2006-HE2 B3	Baa3	1,000,000	225
59021AAM0	MLMI 2006-FM1 B2	Baa2	1,000,000	170
64352VRB9	NCHET 2006-1 M9	Baa3	1,000,000	275
86360PAR8	SASC 2006-NC1 M9	Baa3	1,000,000	245

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Report Footnote #2307

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66052.285

From: Salem, Deeb
Sent: Tuesday, October 31, 2006 12:17 PM
To: Lin, Shelly; Chin, Edwin
Cc: Bieber, Matthew G.
Subject: RE: RE: GSC- Hudson Mezz 2

that is cool

From: Lin, Shelly
Sent: Tuesday, October 31, 2006 12:14 PM
To: Salem, Deeb; Chin, Edwin
Cc: Bieber, Matthew G.
Subject: RE: GSC- Hudson Mezz 2

Do you want to do up to $5mm? GSC wants to short into the deal the amounts listed below. They'd like to trade the ones they want to hedge with your desk as well. I think they also did this with your desk a few weeks ago.

CUSIP	Deal	Rating	GSC Hedge Amount	Amt For Bid	
040104TS0	ARSI 2006-W4 M9	Baa3	2,000,000	3,000,000	285
04541GRT1	ABSHE 2005-HE4 M9	Baa3	1,000,000	4,000,000	
04541GWQ1	ABSHE 2006-HE2 M9	Baa3	2,000,000	3,000,000	255
126670UD8	CWL 2006-1 MV8	Baa2		5,000,000	
144531FV7	CARR 2006-OPT1 M8	Baa2		5,000,000	
46602WAN4	XIS 2006-HE2 B3	Baa3	1,000,000	4,000,000	225
57645FAS6	MABS 2006-AM2 M8	Baa2		5,000,000	
59021AAM0	MLMI 2006-FM1 B2	Baa2	1,000,000	4,000,000	170
64352VRB9	NCHET 2006-1 M9	Baa3	1,000,000	4,000,000	275
64360YAM7	NCHET 2006-2 M9	Baa2		5,000,000	
83611MEE4	SVHE 2005-DO1 M8	Baa2		5,000,000	110
86360PAR8	SASC 2006-NC1 M9	Baa2	1,000,000	4,000,000	245
86361KAM9	SAIL 2006-BNC3 M7	Baa2		5,000,000	170

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Wall Street & The Financial Crisis
Report Footnote #2307

From: Broderick, Craig
Sent: Thursday, February 08, 2007 11:55 AM
To: Viniar, David; Forst, Edward (85B030)
Cc: Rapfogel, Alan; Wildermuth, David; Sparks, Daniel L
Subject: New Century - restatement of earnings, 4th qtr loss, , material control weakness, shares down 30%

Per the below, this is a meterially adverse development. The issues involve inadequate EPD provisions and marks on residuals. The company reports substantial liquidity and the charges are non-cash in nature, but in a confidence sensitive industry it will be ugly even if all problems have been identified.

We have relatively significant exposure - $13mm in prospective losses from EPD claims alone, and $70mm or so in potential exposure, under substantial mortgage warehouse and whole loan trading lines to this entity. With $1.6bn in market cap and $2bn in book equity, they were considered one of the stronger sub-prime originators.

We have a call with the company in a few minutes (to be lead by Dan Sparks) and will follow up with a posting later today on our conclusions and action plan.

++

Feb. 8 (Bloomberg) -- Shares of New Century Financial Corp., the second-largest home lender to the riskiest borrowers, plunged 28 percent, the most since October 1998, when the Russian debt crisis was cutting off sales of such loans in securities.

Shares of the Irvine, California-based company tumbled $8.58 to $21.58 at 9:57 a.m. in New York Stock Exchange composite trading. New Century late yesterday said it probably lost money last quarter, will need to restate other 2006 earnings lower, and won't make as many loans this year as it had previously forecast.

Also today, HSBC Holdings PLC announced a management shake up and changes to lending policies, after saying it was setting aside 20 percent more for bad-loan provisions than analyst had estimated because of rising problems in its U.S. mortgage business. Problems with new subprime loans increased last year as a result of a slumping housing and looser lending standards.

``It's kind of a watershed moment where the magnitude of the problems really are starting to come to the surface,'' said Brian Horey, general partner at Aurelian Partners LP in New York, which has sold short shares of New Century. ``If you could fog a mirror, you could get a loan.''

Contributing to New Century's restatement and fourth-quarter loss are repurchases of previously sold loans, the company said.

Subprime loan buyers typically can force lenders to buy back the mortgages they sell if borrowers miss their first few payments, any type of fraud is discovered, or the loans otherwise fail to meet the guidelines laid out in a sales contract.

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66052.287

From: Chin, Edwin
Sent: Saturday, February 24, 2007 2:41 PM
To: Swenson, Michael
Subject: RE: Hudson mezz

He is right next to me - going through the anderson marks now.

-----Original Message-----
From: Swenson, Michael
Sent: Saturday, February 24, 2007 2:39 PM
To: Chin, Edwin
Subject: Re: Hudson mezz

Deeb is there right?

----- Original Message -----
From: Chin, Edwin
To: Swenson, Michael
Sent: Sat Feb 24 14:35:59 2007
Subject: RE: Hudson mezz

In the office. Will go over it with Markowski.

-----Original Message-----
From: Swenson, Michael
Sent: Saturday, February 24, 2007 12:02 PM
To: Salem, Deeb; Chin, Edwin
Cc: Birnbaum, Josh
Subject: Hudson mezz

Here is what I am thinking on hudson mezz - we fix the marks that for the hudson mezz that did not get in. I have barret looking into how to get the npv's to flow downstream through it to controllers - that would eliminate variance which will get focused on big time.

At the same time mark anderson positions we are facing the warehouse at the right level.

What do you think?

Prefer to have the discussions over the phone.

----- Original Message -----
From: Salem, Deeb
To: Swenson, Michael; Chin, Edwin
Cc: Birnbaum, Josh
Sent: Sat Feb 24 11:06:01 2007
Subject: RE: Current Anderson Positions

Ran a few quick numbers...average is gonna be north of 800. which would imply a 60mm writedown im guessing

-----Original Message-----
From: Swenson, Michael
Sent: Saturday, February 24, 2007 9:40 AM
To: Salem, Deeb; Chin, Edwin
Cc: Birnbaum, Josh
Subject: Re: Current Anderson Positions

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66052.288

"Fair" is this better be marked at harbert levels in our book if not and we are forced to liquidate them on monday we really have no case.

We need to make sure all internal positions are marked appropriately because we will be asked to let people out of positions over the next few days

----- Original Message -----
From: Swenson, Michael
To: Salem, Deeb; Chin, Edwin
Cc: Birnbaum, Josh
Sent: Sat Feb 24 09:27:09 2007
Subject: FW: Current Anderson Positions

Let's discuss we will need to be fair they are under water big time on this one

----- Original Message -----
From: Bieber, Matthew G.
To: Sparks, Daniel L; Ostrem, Peter L; Swenson, Michael; Birnbaum, Josh; Case, Benjamin; Salem, Deeb; Chin, Edwin
Sent: Fri Feb 23 22:20:02 2007
Subject: Current Anderson Positions

See attached. $140mm out of $305mm total are trades between the CDO warehouse and ABS trading.

<<Anderson WH.xls>>

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66052.289

From: Ostrem, Peter L
Sent: Saturday, February 24, 2007 2:35 PM
To: Case, Benjamin; Swenson, Michael; Rosenblum, David J.; Sparks, Daniel L
Subject: Fw: Quarter End Marks

Any comments on below before I send to Sal per Dan's request?

CDO Warehouses Outstanding
- Each warehouse is marked by either (a) MTM on each asset or (b) mark to model which involves taking the portfolio through the expected CDO execution and calculating Goldman's P&L given current market yields on debt and equity. MTM is preferred if CDO execution is highly uncertain or portfolio is small. Both the MTM and the MTModel take into account risk sharing arrangements with 3rd parties.

As CDO execution has become more uncertain we have moved a couple warehouses closer to their MTM which has significantly increased our losses. Also, our MTModel results have shown losses as expected liability spreads have widened significantly and the overall strength of the CDO market has waned due to fundamental credit decline in 06/07 in RMBS subprime (90+% of assets) and increased coorelation between ABX/TABX levels and mezz debt levels in CDOs. We expect this coorelation to increase volatility in our warehouse marks for the a while (this series of events have happened quickly within the last month and the coorelation is getting closer to 1 as global markets get more familiar with fundamentals in subprime and trading levels in ABX/TABX).

Additional losses have also resulted from the liquidation of 3 warehouses. In each case, the realized loss from the sale of assets has been higher than our MTM or MTModel. This is attributable to both volatility in subprime markets and that our competitors are closing their CDO warehouse accounts from buying our subprime or CDO positions. The buyer base has suddenly shrunk significantly. As this continues, we expect this lack of liquidity to further weaken our MTMs and feeds into our losses in our remaining warehouse marks.

----- Original Message -----
From: Sparks, Daniel L
To: Fortunato, Salvatore
Cc: Lee, Brian-J (FI Controllers); Simpson, Michael; Leventhal, Robert; Gasvoda, Kevin; Swenson, Michael; Lehman, David A.; Rosenblum, David J.; Case, Benjamin; Ostrem, Peter L; Birnbaum, Josh; Nichols, Matthew; Pouraghabagher, Dariush; Pouraghabagher, Cyrus
Sent: Fri Feb 23 22:17:07 2007
Subject: RE: Quarter End Marks

OK, I suggest that Swenson, Case and ostrem work together on the CDO all CDO items. Guys, please provide a brief write-up this weekend as allocated and detailed below. I'd like to review each write-up.

Daniel L. Sparks
Goldman, Sachs & Co.
(212) 902-2914 (o)
(917) 680-4822 (m)
dan.sparks@gs.com

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66052.290

contents to you.

From: Fortunato, Salvatore
Sent: Friday, February 23, 2007 10:11 PM
To: Sparks, Daniel L
Cc: Lee, Brian-J (FI Controllers); Simpson, Michael; Leventhal, Robert
Subject: Quarter End Marks

Dan,

Given the magnitude and frequency of market swings over the past few weeks, we'd like to request some assistance from your team with regard to quarter end pricing levels. Specifically, we'd like to get a write-up of the fundamental or quantitative analysis, coupled with the market technicals, that support today's closing levels for general groups of positions (for example, all BBB flats) for the following area's:

* CDO Warehouse (Ostrem)
* CDO Warehouse collapsed (Ostrem)
* Secondary cash positions (Swenson)
* Subprime whole loans (Nichols)
* Subprime retained (Nichols)
* CDO retained (Case)
* Subprime resids (Nichols)
* 2nds liquidity reserve (Swenson or Dariush)

This feedback will be extremely helpful for us, especially when you consider how many sectors are effected by the recent market events.

Thanks in advance for supporting this request.

Sal

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66052.291

From: Davilman, Andrew
Sent: Thursday, May 31, 2007 2:15 PM
To: Bieber, Matthew G.
Subject: RE: Anderson Mezz Funding 2007-1 -- Final Offering Circular (144a/RegS) (external)

He knew that we have A1a, A1b and Bs. I'll check, but given the portfolio I suspect he's looking for a cleaner start.

From: Bieber, Matthew G.
Sent: Thursday, May 31, 2007 1:57 PM
To: Davilman, Andrew; Wisenbaker, Scott; Creed, Christopher J
Cc: Lehman, David A.
Subject: RE: Anderson Mezz Funding 2007-1 -- Final Offering Circular (144a/RegS) (external)

may be interesting for him to look at the A-1b's if he's concerned about downgrades. No triggers above the bonds. back-ended cash flow super senior risk (so trades wider than A-1a's) but the trenche gets paid pro-rata with the A-1a's in the event an OC test fails. Way to pick up wider spread super senior risk which is likely to prepay due to OC test failures/downgrades.

From: Davilman, Andrew
Sent: Thursday, May 31, 2007 1:43 PM
To: Wisenbaker, Scott; Bieber, Matthew G.; Creed, Christopher J
Cc: Lehman, David A.
Subject: Anderson Mezz Funding 2007-1 -- Final Offering Circular (144a/RegS) (external)

Jim Burke's feedback on Anderson. He is in the market for AAA and AA cashflows off of mezz ABS CDO deals. I'll try Fortius next, tho he isn't fond of the manager.

From: Burke, James [mailto:james.burke1@wachovia.com]
Sent: Thursday, May 31, 2007 1:38 PM
To: Davilman, Andrew
Cc: Burke, James
Subject: RE: Anderson Mezz Funding 2007-1 -- Final Offering Circular (144a/RegS) (external)

Andy,

We're going to pass on this deal for a number of reasons:

- Two bonds (FMIC 06-3 M8 and HASC 06-NC1 M9) have been downgraded or are on negative watch
- Another 12 bonds in the portfolio are negatively impacted by downgrades lower in the capital structure
- 28% of the portfolio is failing delinquency triggers
- We show that a lot of these bonds will take principal hits
- Not crazy about deal structure give the quality of the portfolio
  - Upon a breach of Class D OC test, interest is used to pay down Class D notes (I would rather see the A and B notes get paid down)
  - Upon a breach of the Class C OC test, interest is used to pay down Classes A, B, and C pro-rata until 50% factor. (again, I would prefer to see A and B notes get paid out first)
  - If Senior tests are in compliance, Class D and C interest shortfalls are paid from principal
  - Pro-rata paydown until 40% factor, not the standard 50%

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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2331

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[redacted] = Redacted by the Permanent Subcommittee on Investigations

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From: Davilman, Andrew [mailto:andrew.davilman@gs.com]
Sent: Thursday, May 31, 2007 9:53 AM
To: Burke, James
Subject: Anderson Mezz Funding 2007-1 -- Final Offering Circular (144a/RegS) (external)

Jim,

Here is a mezz deal we printed in March. We time-tranched the senior AAAs for pay-downs. They are pro-rata for losses. Static portfolio. Levels are:

Class	Coupon	DM
A1a	32	50
A1b	65	125
B	175	300

I'll send you the portfolio in XL format.

<<Anderson Mezzanine Funding 2007-1 OFFERING CIRCULAR With Notice.pdf>>

The attached electronic version of the confidential Offering Circular is for your personal use only. Any reproduction or distribution of the Offering Circular, in whole or in part (including by forwarding of this e-mail to any person) is prohibited. Any disclosure of its contents or use of any information therein for any purpose other than considering an investment in the Securities described therein is also prohibited.

Upon receipt of the paper version of the attached Offering Circular please destroy the electronic version of the Offering Circular attached to this email. By receipt of this email, you agree to the foregoing.

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Anderson Mezzanine Funding 2007-1, Ltd.

A $500 Million Static Mezzanine Structured Product CDO
Goldman, Sachs & Co. – Liquidation, Structuring, and Placement Agent

Debt Marketing Book

February 2007

The information contained herein is indicative only and the actual terms of any transaction will be set forth in the definitive Offering Circular.

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Wall Street & The Financial Crisis
Report Footnote #2339

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[redacted]

I. Executive Summary

Note: The information in this section is preliminary and subject to change

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Anderson Mezzanine Funding 2007-1, Ltd.

Executive Summary

- Anderson Mezzanine Funding 2007-1, Ltd. ("Anderson Funding") is a static $500 million cashflow CDO consisting of a diversified portfolio of RMBS and CDO securities.
- Anderson Funding will be a static, non-managed transaction. Anderson Funding will provide term non-recourse funding. Goldman Sachs will:
  - Warehouse assets during the portfolio aggregation phase prior to closing
  - In its role as Liquidation Agent, Goldman Sachs will liquidate any asset within one year after such asset performs below certain threshold levels determined prior to closing
- The portfolio consists of collateral which is rated at least Baa3 (if rated by Moody's) and BBB- (if rated by S&P) with an average rating of Baa2/Baa3. 100% of the portfolio will be real-estate related securities.
- Low fee structure and less "barbelled" portfolio than other mezzanine CDOs in the current market.
- Transaction co-sponsored by Goldman Sachs and GSC Eliot Bridge (an ABS and CDO hedge fund managed by GSC Group).

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[redacted]

II. Disclaimer and Risk Factors

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Disclaimer

The information contained herein is confidential information regarding securities that may in the future be offered by Anderson Mezzanine Funding 2007-1, Ltd. ("Anderson Funding"). Anderson or the "Issuer"). The information is being delivered to a limited number of sophisticated institutional investors in order to assist them in determining whether they have an interest in purchasing the securities described herein and is solely for their internal use. By accepting this information, the recipient agrees that it will use such information only for the purpose described herein and will not divulge any such information to any other party. Any reproduction of this information, in whole or in part, is prohibited. Notwithstanding the foregoing, each recipient (and each employee, representative, or other agent of each recipient) may disclose to any and all other persons, without limitation of any kind, the tax treatment and tax structure of the Issuer, the securities described herein and any future offering thereof and the ownership and disposition of such securities and all materials of any kind (including opinions or other tax analyses) that are provided to such recipient relating to such tax treatment and tax structure. However, any such information relating to such tax treatment or tax structure is required to be kept confidential to the extent reasonably necessary to comply with any applicable securities laws. For this purpose, the tax treatment of a transaction is the purported or claimed U.S. federal income tax treatment of the transaction, and the tax structure of a transaction is any fact that may be relevant to understanding the purported or claimed U.S. federal income tax treatment of the transaction.

The information contained herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any trading strategy. The information contained herein is preliminary and material changes to the proposed terms of the securities described herein may be made at any time. If any offer of securities is made, it shall be made pursuant to a definitive offering circular (the "Offering Circular") prepared by or on behalf of the Issuer, which would contain material information not contained herein and which shall supersede, amend and supplement this information in its entirety. Any decision to invest in the securities described herein should be made after reviewing the Offering Circular, conducting such investigations as the investor deems necessary or appropriate and consulting the investor's own legal, accounting, tax, and other advisors in order to make an independent determination of the suitability and consequences of an investment in the securities.

The securities described herein will not be registered under the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction and neither the Issuer nor the pool of securities held by the Issuer will be registered under the Investment Company Act of 1940, as amended. The securities offered herein will not be recommended by any United States federal or state securities commission or any other regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense. The securities described herein will be subject to certain restrictions on transfers as described in the Offering Circular.

None of the Issuer, Goldman Sachs (as used herein, such term shall include Goldman, Sachs & Co. and all of its affiliates), nor any of their respective affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein and nothing contained herein shall be relied upon as a promise or representation whether as to the past or future performance. The information includes hypothetical illustrations and involves modeling components and assumptions that are required for purposes of such hypothetical illustrations. No representations are made as to the accuracy of such hypothetical illustrations or that all assumptions relating to such hypothetical illustrations have been considered or stated or that such hypothetical illustrations will be realized. The information contained herein does not purport to contain all of the information that may be required to evaluate such securities, and each recipient is encouraged to read the Offering Circular and should conduct its own independent analysis of the data referred to herein. The Issuer, Goldman Sachs and their respective affiliates disclaim any and all liability relating to the information contained herein, including without limitation any express or implied representations or warranty for, statements contained in and omissions from the information. None of the Issuer, Goldman Sachs, or any of their respective affiliates expects to update or otherwise revise the information contained herein except by means of the Offering Circular. Additional information may be available on request. The securities and obligations of the Issuer are not issued by, obligations of, or guaranteed by Goldman Sachs, or their respective affiliates, or other organizations. In particular, the obligations of the Issuer are not deposit obligations of any financial institution. The securities and obligations of the Issuer are complex, structured securities and there is no assurance that a secondary market for such securities will exist at any time. Accordingly, prospective investors should be prepared, and have the ability, to hold such securities until their respective stated maturities or stated redemption dates.

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Disclaimer

HYPOTHETICAL ILLUSTRATIONS AND PRO FORMA INFORMATION

These materials contain statements that are not purely historical in nature. These include, among other things, hypothetical illustrations, sample or pro forma portfolio structures or portfolio composition, scenario analysis of returns and proposed or pro forma levels of diversification or sector investment. These hypothetical illustrations of returns illustrate a range of potential outcomes based upon certain assumptions. Such potential outcomes are not a prediction by the Issuer, Goldman Sachs or their respective affiliates of the performance of the securities described herein. Actual events are difficult to predict and are beyond the control of the Issuer, Goldman Sachs, or their respective affiliates. Actual events may differ from those assumed and such differences may be material. There can be no assurance that illustrated returns will be realized or materialized or that actual returns or results will not be materially lower than those presented. All statements included are based on information available on the date hereof, and none of the Issuer, Goldman Sachs or their respective affiliates assumes any duty to update any such statement. Some important factors which could cause actual results to differ materially from those in any statements contained herein include the actual composition of the collateral and the price at which such collateral is actually purchased by the Issuer, any defaults on the collateral, the timing of any defaults and subsequent recoveries, changes in interest rates, and any weakening of the specific credits included in the collateral, among others. The Offering Circular will contain other risk factors, which an investor should also consider in connection with an investment in the securities described herein.

PRIOR INVESTMENT RESULTS

Any prior investment results or returns are presented for illustrative purposes only and are not indicative of the future returns on the securities and obligations of the Issuer. Because of portfolio restrictions that apply to the Issuer and differences in market conditions, the investments selected by Goldman Sachs on behalf of the Issuer may differ substantially from prior investments made by Goldman Sachs. The Issuer has no operating history.

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Risk Factors

Note: The Offering Circular will include more extensive descriptions of the risks described herein as well as additional risks relating to, among other things, conflicts of interest. Any decision to invest in the securities described herein should be made after reviewing such Offering Circular, conducting such investigations as the investor deems necessary and consulting the investor's own legal, accounting and tax advisors in order to make an independent determination of the suitability and consequences of an investment in the securities. The Offering Circular will supersede this document in its entirety.

- Limited Liquidity, Restrictions on Transfer and Limited Recourse
  - There is currently no market for the Secured Notes or Income Notes and it is unlikely that any secondary market will develop. The Secured Notes and the Income Notes should be viewed as a long-term investment, not as a trading vehicle. The value of the Secured Notes and the Income Notes may vary and the Secured Notes and the Income Notes, if sold, may be worth less than their original cost.
  - In addition, as the Secured Notes and the Income Notes will be sold in transactions exempt from SEC registration pursuant to Section 4(2), Rule 144A, and/or Reg S and the Issuer will not be registered under the Investment Company Act of 1940 pursuant to the Section 3(c)(7), Related restrictions, as well as other restrictions on transfer of the Income Notes will apply.
  - All liabilities are payable solely from the cash flow available from the collateral pledged by the Issuer to secure all classes of Notes. No other assets will be available for payment in the event of any deficiency. The Income Notes represent equity in the Issuer and as such are subordinated to the Secured Notes. The Income Notes are payable from the collateral (which represent the only assets of the Issuer) only after payment in full of amounts due on the Secured Notes.
- Leveraged Credit Risk
  - The Income Notes are in a first loss position with respect to defaults on the underlying collateral. The leveraged nature of the Income Notes magnifies the adverse impact of any collateral defaults.
- Subordination
  - The Secured Notes and the Income Notes are issued in a senior-subordinated structure, with the Class S Notes ranking the highest in the priority of payments and the Income Notes ranking the lowest in the priority of payments. In the event of a default, holders of the Class S and Class A Notes, will generally be entitled to determine the remedies to be exercised; such remedies could be adverse to the other Notes and the Income Notes. The Income Notes will not be able to declare an event of default and will not receive any payments after the occurrence of an event of default unless and until the Class S, A-1, A-2, B, C, and D Notes (the "Notes") are paid in full.
- Volatility of Collateral and of Secured Notes' and Income Notes' Market Value
  - The Income Notes represent a leveraged investment in the Collateral Assets. The use of leverage generally magnifies an issuer's opportunities for gain and risk of loss. Therefore, changes in the market value of the Secured Notes and the Income Notes can be expected to be greater than changes in the market value of the underlying assets included in the collateral, which themselves are subject to credit, liquidity and, with respect to the fixed rate portion of the portfolio, interest rate risk.
  - Changes in the market value of issues from one sector or industry may impact the market value of issues from one or more of other sectors or industries included in the collateral.
- Collateral Risk
  - Collateral Assets inherently bear significant credit risks because issuers are primarily private entities.
  - The structure of Collateral Assets and the terms of the Issuer's interest in the collateral can vary widely depending on the type of collateral, investor sentiment and the use of credit enhancements.
  - Adverse changes in the financial condition of the collateral obligor or in general economic conditions may adversely affect the obligor's ability to pay principal and interest on its debt.

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Risk Factors

- Illiquidity of collateral assets
  - Some of the collateral assets purchased by the Issuer will have no, or only a limited, trading market. This illiquidity may restrict the Issuer's ability to dispose of investments in a timely fashion and for a fair price as well as its ability to take advantage of market opportunities.
  - Illiquid debt securities may also trade at a discount to comparable, more liquid investments. In addition, the Issuer may invest in privately placed collateral assets that are non-transferable or are transferable only at prices less than the fair value or the original purchase price of the securities.
- Nature of Collateral
  - The Collateral Assets are subject to credit, liquidity and interest rate risk. In addition, the financial performance of the Issuer may be affected by the price and availability of Collateral Assets to be purchased.
  - Some or all of the Collateral Assets may be subordinated securities which may be subject to leveraged credit risk.
  - The ability of the Issuer to sell Collateral Assets prior to maturity is subject to certain restrictions and limitations under the Indenture.
- No Collateral Manager
  - The Issuer will not engage a Collateral Manager. As a result, (i) the Collateral Assets held by the Issuer on the Closing Date will be retained by the Issuer even if it would be in the best interests of the Issuer and the holders of the Income Notes and Secured Notes to dispose of certain Collateral Assets unless the Collateral Assets are required to be sold by the Liquidation Agent as described in the previous paragraph and (ii) the Indenture will eliminate the ability of the Issuer to exercise discretion in contexts where a Collateral Manager in a managed or static collateralized debt obligation transaction typically would have discretion to exercise such discretion on behalf of the Issuer and holders of Income Notes and Secured Notes. The inability of the Issuer to exercise discretion in these contexts could adversely impact the Issuer and the holders of the Income Notes and Secured Notes.
- Timing and Amount of Recoveries
  - Only Collateral Assets that meet the liquidation criteria may be sold. If a Collateral Asset meets the liquidation criteria, the Liquidation Agent is required to sell such affected collateral in accordance with the terms of the Liquidation Agency Agreement. There can be no assurance as to the timing of the Liquidation Agent's sale of affected assets, or if there will be any market for such assets or as to the rates of recovery on such affected collateral. The inability to realize immediate recoveries at the recovery levels assumed herein may result in lower cash flow and a lower yield to the Income Notes and Secured Notes as compared to the returns generated using the Modeling Assumptions.
- Limited Activities of the Co-Issuers
  - The Co-Issuers are recently formed legal entities and have no prior operating history or prior business, other than warehousing the collateral assets and related financing arrangements. The Issuer will have no significant assets other than the collateral which will be pledged to secure the Issuer's obligations under the Notes. The Issuer will not engage in any business activity other than the issuance of the Notes, Co-Issuing the Income Notes, the acquisition, investment and reinvestment of the collateral and other prescribed activities relating to each of the foregoing. The Co-Issuer has and will not have any substantial assets. The Co-Issuer has no business activities other than the co-issuance of the Notes and its own common shares
- Impairment of Credit Quality and/or Defaults on the Collateral
  - Decline in credit quality of the collateral or defaults could result in losses which would adversely affect the Income Notes and Secured Notes.
  - There may be certain industry or sector concentrations in the CDO, all of which could have a material adverse impact on the Income Notes in the event of economic downturns or other events affecting the credit quality of any of the collateral.
- Yield Due to Prepayments
  - The yield to maturity on the Income Notes could be affected by the rate of prepayment of the Collateral Assets. Payments to the Income Notes at a rate slower than the rate anticipated by investors purchasing the Income Notes at a discount will result in an actual yield that is lower than anticipated by such investors. Conversely, payments to the Income Notes at a rate faster than the rate anticipated by investors purchasing the Income Notes at a premium will result in an actual yield that is lower than anticipated by such investors.

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Risk Factors

- Investment Decisions
  - In making an investment decision, investors must rely on consultations with their own legal, accounting and audit advisors to determine whether and to what extent they should invest in the Notes or the Income Notes.
- Changes in the rate of interest paid on the Class S, A-1, A-2, B, C, and D Notes
  - There will be a basis and timing mismatch between the Notes and the collateral assets, since the interest rates on such collateral assets may adjust more frequently or less frequently, on different dates and based on different indices, than the interest rate on the Notes. The fixed rates and the margins over LIBOR or other floating rates borne by collateral assets may be lower than those on sold or amortized collateral assets which could cause a significant decline in interest coverage for the Notes.
  - The Issuer may enter into cashflow swap agreements to limit exposure to this risk, but no assurance can be given that such cashflow swap agreements will be executed or will be successful in reducing the exposure to this risk. However, there may be a termination payment related to one or more cashflow swap agreement in the event of a redemption of the deal prior to the expiration of the cashflow swap agreement.
- Credit Exposure to Portfolio of Reference Obligations
  - On the closing date, the Issuer will enter into pay-as-you-go credit default swaps (the "Synthetic Securities") with Goldman Sachs International, ("GSI" and in such capacity, the "Counterparty"), pursuant to which the Issuer will sell credit default protection with respect to a portfolio of Reference Obligations. If a credit event occurs with respect to any of the Reference Obligations, the Issuer will pay the Counterparty the amount of the write-down or principal loss, or if the Counterparty elects to deliver the reference obligation, the notional amount of the Synthetic Security times the reference price. In return for the credit default protection, the Counterparty will pay the Issuer a premium which may be reduced (but not below zero) if certain Reference Obligations experience interest shortfalls. Credit events and interest shortfalls may adversely affect the Issuer's ability to make payments on the Notes and the Income Notes.
  - All Notes and Income Notes are subordinated to credit default protection payments under the Synthetic Securities and to certain termination payments payable to the Counterparty in connection with a termination event. The magnitude of such losses will be affected by the number of credit events and the recovery amount of any delivered Reference Obligations and timing of such credit events.
- Nature of Reference Obligations
  - The Reference Obligations are expected to consist of RMBS and CDO securities. The Reference Obligations are subject to the credit, market, structural, legal, prepayment and interest rate risks associated with RMBS and CDO securities respectively. The economic return on the Synthetic Securities will depend substantially upon the performance of the related Reference Obligation.
- Termination of the Synthetic Securities
  - Pursuant to the Synthetic Securities, the Issuer or the Counterparty will each have the right to terminate the Synthetic Securities in specified circumstances. In such event, the Issuer also may be required to make substantial termination payments to the Counterparty and such payments will reduce the amounts available to make payments on the Notes and the Income Notes. As a result, the Issuer may not have sufficient funds to make payments when due on the Notes and Income Notes and may not have sufficient funds to redeem the Notes and Income Notes.
- Credit Exposure to Counterparty
  - The ability of the Issuer to meet its obligations under the Secured Notes and the Income Notes will be dependent on its receipt of payments from the Counterparty under the Synthetic Securities. Consequently, Noteholders will be exposed not only to the creditworthiness of the Reference Obligations but also to the creditworthiness of the Counterparty to perform its obligations under the Synthetic Securities. The insolvency of the Counterparty or a default by it under a Synthetic Security would adversely affect the ability of the Issuer to pay amounts when due under the Secured Notes and make distributions on the Income Notes and could result in a withdrawal or downgrade of the ratings on the Secured Notes.

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Risk Factors

- Tax Treatment of Income Notes
  - Since the Issuer will be a passive foreign investment company, a U.S. person holding Income Notes may be subject to additional taxes unless it elects to treat the Issuer as a qualified electing fund and to recognize currently its proportionate share of the Issuer's income. The Issuer has agreed, and, by its acceptance of an Income Note, each holder of an Income Note will be deemed to have agreed, to treat the Income Notes as equity for tax purposes.
  - Income Note holders should consult their tax advisers about the special U.S. tax regimes that apply to shareholders of passive foreign investment companies and controlled foreign corporations.
  - Special tax considerations may apply to certain types of investors. Prospective investors should consult their own tax advisors regarding the tax implications of their investments.
- Subordination
  - The Income Notes are subordinated to the Class S, Class A, Class B, Class C and Class D Notes and certain payments of expenses. The Class D Notes are subordinated to the Class S, Class A, Class B and Class C Notes and certain payments of expenses. The Class C Notes are subordinated to the Class S, Class A and Class B Notes and certain payments of expenses. The Class B Notes are subordinated to the Class S Notes, Class A Notes and certain payments of expenses. No distributions of interest proceeds received on the collateral will be made to the Income Notes until interest on the Secured Notes and certain other expenses have been paid. In addition, in the event of a default, holders of the most senior class of Secured Notes will generally be entitled to determine the remedies to be exercised; such remedies could include the sale and the liquidation of the collateral and have an adverse effect on the Income Notes. The Income Notes will not be able to exercise any remedies following an event of default and will not receive payments after an event of default until the Secured Notes are paid in full.
- Impairment of Credit Quality and/or Defaults on the Collateral Assets
  - Decline in credit quality of the collateral or defaults could result in losses which would adversely affect the Notes and the Income Notes.
  - There may be certain industry or sector concentrations in the CDO, all of which could have a material adverse impact on the Notes and the Income Notes in the event of economic downturns or other events affecting the credit quality of any of the collateral.
- Redemption of Class S, A-1, A-2, B, C, and D Notes.
  - If certain over collateralization or interest coverage tests are not met, redemptions of the Class S, A-1, A-2, B, C, and D Notes would be required, which may affect the yields on more subordinated classes of Notes and the Income Notes and will be paid from amounts which otherwise be available for payment to holders of the Income Notes.
  - Mandatory redemption could result in an elimination, deferral or reduction in the amount paid to the Income Notes, which would adversely and materially affect their returns.
- Auction of the Collateral Assets
  - There can be no assurance that an auction of the collateral assets will be successful; a successful auction will shorten the duration of the Notes and the Income Notes and is not required to result in any proceeds for distribution to the holder of the Income Notes.

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Risk Factors

- Timing of Receipt of Accrued Interest Income
  - On an ongoing basis, the receipt by the Issuer of accrued interest income may affect the availability of cash which may be distributed to the Holders of Secured Notes and Income Notes.
- International Investing
  - Investing outside the U.S. may involve greater risks which may include (1) less publicly available information, (2) varying levels of governmental regulation and supervision, (3) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws, (4) less stringent accounting practices, (5) different clearance and settlement procedures, (6) economic and political conditions and instability, (7) exchange control and foreign currency risk, (8) insolvency and (9) expropriation risk.
  - A portion of the Collateral Assets may consist of obligations of an Issuer organized under the laws of the Bahamas, Bermuda, the Cayman Islands, the Channel Islands, the Netherlands Antilles or other jurisdictions offering favorable tax treatment.
- Tax Treatment of Income Notes
  - Since the Issuer will be a passive foreign investment company, a U.S. person holding Income Notes may be subject to additional taxes unless it elects to treat the Issuer as a qualified electing fund and to recognize currently its proportionate share of the Issuer's income. The Income Notes will be treated as equity for tax purposes.
  - Income Notes holders should consult their tax advisers about the special U.S. tax regimes that apply to shareholders of passive foreign investment companies, controlled foreign corporations and foreign personal holding companies.
  - Special tax considerations may apply to certain types of investors. Prospective investors should consult their own tax advisers regarding the tax implications of their investments.
- Material Tax Considerations
  - There is a possibility that the Issuer will be found to be engaging in a U.S. trade or business. In such a case, it would be subject to substantial U.S. income tax on its income.
- Hypothetical Illustrations and Estimates
  - Estimates of the weighted average lives of the Class S, A, B, C and D Notes and the returns and duration of the Income Notes included herein, together with any other hypothetical illustrations and estimates provided to prospective purchasers of the Class S, A, B, C and D Notes, are forward-looking statements. See "Hypothetical Illustrations and Pro Forma Information" on disclaimer page in the beginning of this book.
  - The hypothetical illustrations are only estimates. Actual results may vary, and the variations may be material. See "Hypothetical Illustrations and Pro Forma Information" on disclaimer page in the beginning of this book.
- Changes in Tax Laws
  - The Collateral Assets are not permitted to be subject to withholding tax at the time of purchase, unless the Issuer thereof is required to make "gross-up" payments. There can be no assurance that, as a result of any change in any applicable law, treaty, rule or regulation or interpretation thereof, the payments on the collateral might not in the future become subject to withholding tax which could adversely affect the amounts that would be available to make payments on the Income Notes and Secured Notes.
  - In case of a Withholding Tax Event (as defined in the Offering Circular), holders of more than 50% of any affected Note may require the Issuer to liquidate the collateral on any Payment Date, and redeem the Class S, A, B, C and D Notes, prior to any distributions to holders of Income Notes

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Goldman Sachs

Risk Factors

- Anti Money Laundering Provisions
  - Uniting and Strengthening America By Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act"), signed into law on and effective as of October 26, 2001, imposes anti money laundering obligations on different types of financial institutions, including banks, broker dealers and investment companies. The USA PATRIOT Act requires the Secretary of the United States Department of the Treasury (the "Treasury") to prescribe regulations to define the types of investment companies subject to the USA PATRIOT Act and the related anti money laundering obligations. It is not clear whether Treasury will require entities such as the Issuer to enact anti money laundering policies. It is possible that Treasury will promulgate regulations requiring the Issuers or the initial Purchaser or other service providers to the Issuers, in connection with the establishment of anti money laundering procedures, to share information with governmental authorities with respect to investors in the Notes and/or the Income Notes. Such legislation and/or regulations could require the Issuers to implement additional restrictions on the transfer of the Notes and/or the Income Notes. As may be required, the Issuer reserves the right to request such information and take such actions as are necessary to enable it to comply with the USA PATRIOT Act.
- Investment Company Act
  - Neither of the Issuers has registered with the United States Securities and Exchange Commission as an investment company pursuant to the Investment Company Act. The Issuer has not so registered in reliance on an exception for investment companies organized under the laws of a jurisdiction other than the United States whose investors resident in the United States are solely Qualified Purchasers and which do not make a public offering of their securities in the United States. Counsel for the Issuers will opine, in connection with the sale of the Securities by the Initial Purchaser, that neither the Issuer nor the Co-Issuer is on the Closing Date an investment company required to be registered under the Investment Company Act (assuming, for the purposes of such opinion, that the Securities are sold by the Initial Purchaser in accordance with the terms of the Purchase Agreement). No opinion or no-action position has been requested of the SEC.
- ERISA Regulations
  - Investor must review the "ERISA Considerations" section of the Offering Circular to determine their eligibility to hold the Notes and the Income Notes for purposes of the ERISA restrictions. Prospective investors should consult their own advisors regarding the ERISA-related implications of their investments.
- European Securities Regulations
  - The listing of Notes or Income Notes on any European Union stock exchange would subject the Issuer to regulation under certain European regulations, although the requirements applicable to the Issuer are not yet fully clarified. The Indenture will not require the Issuer to apply for, list or maintain a listing for any Class of Notes or the Income Notes on a European Union stock exchange if compliance with these regulations becomes burdensome. Should the Notes or Income Notes be delisted from any exchange, the ability of the holders of such Notes or Income Notes to sell such Notes or Income Notes in the secondary market may be negatively impacted.
- Material Tax Considerations
  - The Issuer does not expect to be subject to net income taxation in the United States. If the Issuer were treated as engaged in a United States trade or business, it would be subject to substantial U.S. income tax on its income.

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III. Transaction Overview

Note: The information in this section is preliminary and subject to change

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Anderson Mezzanine Funding 2007-1, Ltd.

Transaction Overview

- Anderson Mezzanine Funding is a static mezzanine structured product CDO with the following features:
  - No exposure to reinvestment spread risk or reliance on reinvestment to generate excess interest to cover debt service
  - No fixed rate assets
  - No assets without an initial rating of at least Baa3 by Moody's and BBB- by S&P. Average WARF in the portfolio is expected to be 500
  - Overall fee structure is significantly less than comparable mezzanine structured product CDOs in the market
- There will be no reinvestment, substitution, discretionary trading or discretionary sales. After closing, assets that are determined to be "credit risk" securities will be sold by the Liquidation Agent within one year of such determination
- Goldman Sachs will act as Structuring, Placement and Liquidation Agent for Anderson Funding and will warehouse the portfolio prior to closing
  - Goldman Sachs will receive 5 bps ongoing fee for its role as Liquidation Agent
- Portfolio selection process:
  - Assets sourced from the Street at then market levels
  - Assets pre-screened and evaluated for portfolio suitability
  - Goldman Sachs CDO desk reviews individual assets in conjunction with respective mortgage trading desks
  - All CDS use rating agency approved confirms (pay as you go)

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Anderson Mezzanine Funding 2007-1, Ltd.

Transaction Overview - Asset Selection / Asset Liquidation

- Portfolio Aggregation Strategy:
  - Select only assets rated explicitly Baa3/BBB- (Moody's / S&P) and above. No notched rating of below Baa3 in the portfolio
  - No Fixed rate assets allowed, eliminating fixed/ floating basis mismatch
  - Maximum obligor concentration is 1.5%, creating a very granular portfolio with 100 distinct obligors
  - Target portfolio with Weighted Average Rating Factor of [475] and duration weighted average spread of [205] bps
- Goldman Sachs, as Liquidation Agent, will liquidate any asset determined to be a "credit risk" asset within 12 months of such determination. "Credit risk" assets will include:
  - Any asset downgraded by Moody's or S&P to below B3 or B-
  - Any asset that is defaulted and experiences a credit event as defined by the PAUG confirm
- Expected collateral quality statistics at closing
  - WARF: [475]
  - [100] Distinct Obligors
  - Moody's Asset Correlation ("MAC") at closing: [26]
  - Duration weighted average portfolio spread: [205] bps
  - Weighted Average Duration: 3.1 years

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Anderson Mezzanine Funding 2007-1, Ltd.

Transaction Overview - Capital Structure[1]

Classes	Ratings (Moody's/S&P)	Principal Balance	% of Capital Structure	Coupon	Expected WAL	Initial OC
Class S	Aaa/AAA	[ ] MM	N/A	1M LIBOR + [ ]%	[3.0]	N/A
Class A-1	Aaa/AAA	$[300.0] MM	[60.00]%	1M LIBOR + [ ]%	[3.7]	[168.7]%
Class A-2	Aaa/AAA	$[75.0] MM	[15.00]%	1M LIBOR + [ ]%	[3.7]	[133.3]%
Class B	Aa2/AA	$[55.0] MM	[11.00]%	1M LIBOR + [ ]%	[4.5]	[116.3]%
Class C	A2/A	$[25.0] MM	[5.00]%	1M LIBOR + [ ]%	[4.8]	[109.8]%
Class D	Baa2/BBB	$[27.0] MM	[5.40]%	1M LIBOR + [ ]%	[4.3]	[103.7]%
Income Notes	NR	$[18.0] MM	[3.60]%	NA	NA	NA

1 *This information is preliminary and subject to change.*

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Anderson Mezzanine Funding 2007-1, Ltd.

Structural Overview

- Anderson Mezzanine Funding is a cashflow CDO with:
  - A fully issued capital structure
  - Traditional overcollateralization tests
- Structure has the ability to tailor average life profile of senior tranches upon investor request
- Class A-1 Notes may be issued either in funded form or as an unfunded swap, depending on investor preference
- The deal will use a "modified sequential" principal paydown structure
- No Minimum Income Note IRR required to effect an auction call
  - Increases the likelihood of a successful auction call or optional redemption
  - Mitigates the back ended pressure on transaction as costs of financing increases
- Turbo to Class D Notes from excess interest shortens the tranche's expected average life

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Transaction Details

General Information

Issuers:	Anderson Mezzanine Funding 2007-1, Ltd. and Anderson Mezzanine Funding 2007-1, Corp.
Liquidation Agent, Structuring and Placement Agent:	Goldman, Sachs & Co.
Liquidation Agent Fee:	5 bps per annum payable senior to all the Notes (other than the Class S Notes).
Reinvestment Period:	None.
Discretionary Trading:	None. Liquidation Agent will sell credit-risk assets based on pre-determined rules and the clean proceeds will be treated as principal paydowns.
Ramp-Up Period:	None. Transaction will be completely ramped at closing.
Non-Call Period:	3 years.
Auction Call:	8 years. There is no minimum IRR requirement for successful Auction Call.
Call Price:	Par plus all accrued for Class S, A-1, A-2, B, C and D Notes.
Payment Frequency:	Monthly for Class S, A-1, A-2, B, C and D Notes, Quarterly for Income Notes.
Controlling Class:	Class S and Class A Notes (the "Senior Notes") voting in the aggregate until paid in full, then Class B, Class C and Class D Notes in that order until each Class is paid in full.

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IV. Portfolio Composition and Highlights

Note: The information in this section is preliminary and subject to change

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Portfolio Composition

Target Portfolio[1]

Collateral

Credit Ratings

[1] This information is preliminary and subject to change.

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Transaction Details

Target Collateral Profile[1]

Moody's WARF	[475]
Moody's Asset Correlation	[26]%
Ratings Profile	■ 100% of the assets are rated at least Baa3 and BBB- by Moody's and S&P
Target Obligor Concentration Profile	■ Maximum Obligor concentration: [1.5%]
Collateral Haircuts for Overcollateralization Tests:	■ 10% applied to Double-B Assets prior to sale ■ 20% applied to Single-B Assets prior to sale ■ 50% applied to Triple-C Assets prior to sale ■ 100% applied to Defaulted Obligations

1. *This information is preliminary and subject to change.*

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Transaction Overview

Current Warehouse Statistics[1]

Statistics	
Current Warehouse Size	$305.0 mm
WARF	506
WAL	3.64
Moody's Correlation	27%
WAS	2.00%
Number of Obligors	61
Moody's WA Recovery Rate	25.0%
S&P AAA WA Recovery Rate	30.8%
S&P AA WA Recovery Rate	35.7%
S&P A WA Recovery Rate	41.1%
S&P BBB WA Recovery Rate	46.8%
S&P BB WA Recovery Rate	52.8%
% Fixed	0.0%
% Floating	100.0%
% Cash	1.8%
% Synthetic	98.4%

Vintage Breakdown of RMBS Assets

1 *Represents the current portfolio as of February 22, 2007. Goldman Sachs does not represent or provide any assurance that the actual portfolio on the Closing Date or any future date will have the same characteristics as provided above.*

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Loan-Level Characteristics of RMBS Assets

Bloomberg Ticker	Issue Date	Curr WALA	Curr Net WAC	FICO	LTV	Geo 1st	Geo 2nd	Fixed %	First Lien %	Vac/ Inv %	Purch %
ACCR 2006-1 M8	3/28/2006	12	7.23	633	78	CA 19%	FL 13%	33.0	100.0	7.9	33.2
HASC 2006-OPT2 M8	2/28/2006	16	7.00	625	79	CA 26%	FL 10%	27.9	100.0	6.7	36.4
MLMI 2006-HE1 B2A	2/7/2006	16	6.91	630	82	CA 36%	FL 12%	24.5	100.0	6.0	49.5
MSAC 2005-NC1 B2	2/25/2005	26	7.42	617	79	CA 22%	TX 10%	43.7	99.7	6.6	31.3
NCHET 2005-2 M8	4/22/2005	21	6.55	623	78	CA 32%	FL 9%	24.0	100.0	8.8	35.8
ACE 2006-NC1 M9	1/30/2006	16	6.80	627	81	CA 36%	FL 12%	25.0	100.0	8.8	49.5
AMSI 2005-R8 M9	9/28/2005	17	6.94	614	78	CA 33%	FL 13%	22.2	100.0	2.7	12.7
CARR 2005-NC1 M9	2/3/2005	25	7.19	635	79	CA 41%	FL 9%	NA	99.8	4.2	43.2
CWL 2005-BC2 M9	5/30/2006	14	6.90	625	80	CA 35%	FL 9%	6.1	100.0	4.6	40.6
MSAC 2005-NC2 B3	4/29/2005	21	6.70	618	80	CA 31%	FL 8%	20.0	100.0	5.7	34.4
MSAC 2006-NC1 B3	1/27/2006	15	6.73	622	78	CA 37%	FL 11%	24.8	100.0	7.9	38.1
NCHET 2005-1 M9	2/25/2005	24	6.63	623	85	CA 32%	FL 8%	26.0	100.0	8.0	98.4
NCHET 2005-3 M9	6/24/2005	20	6.50	630	79	CA 32%	FL 9%	22.6	100.0	8.2	41.3
RAMP 2005-EFC6 M9	11/22/2005	15	6.52	632	82	CA 15%	FL 7%	14.2	100.0	1.9	43.7
NCHET 2005-4 M8	8/17/2005	18	6.58	628	81	CA 38%	FL 9%	21.6	100.0	8.6	44.0
ACE 2005-HE2 M9	6/29/2005	20	6.60	629	81	CA 36%	FL 10%	23.5	100.0	8.3	50.8
AMSI 2005-R10 M9	11/23/2005	15	6.69	631	78	CA 27%	NY 11%	30.9	100.0	3.2	24.2
AMSI 2005-R11 M9	12/28/2005	14	7.10	622	79	CA 14%	FL 11%	24.2	99.8	0.5	3.1
ABSHE 2005-HE2 M9	11/4/2005	24	6.70	631	79	CA 31%	FL 10%	24.1	100.0	5.5	68.4
CARR 2005-NC1 M9	2/3/2005	25	6.99	633	80	CA 32%	NY 7%	15.2	100.0	5.5	19.8
CMLTI 2005-OPT3 M9	7/7/2005	21	6.92	613	78	CA 19%	FL 10%	21.0	100.0	6.7	33.1
GSAMP 2006-NC2 M9	6/29/2006	8	7.70	626	80	CA 36%	FL 11%	13.0	100.0	9.2	43.7
HASC 2006-OPT1 M9	2/3/2006	15	6.68	644	79	CA 30%	NY 10%	32.2	100.0	9.8	36.2
HASC 2006-NC1 M9	3/7/2006	16	6.09	666	82	CA 43%	FL 7%	0.0	100.0	3.5	56.3
JPMAC 2006-HE1 M9	2/28/2006	15	7.38	641	73	CA 48%	IL 11%	19.5	100.0	7.5	64.1
JPMAC 2006-CW2 MV9	8/8/2006	9	7.67	615	78	CA 41%	FL 14%	25.4	100.0	7.4	65.0
MSAC 2005-HE3 B3	12/6/2005	28	6.83	612	79	CA 41%	NY 9%	48.0	99.4	6.4	39.6
MSAC 2005-HE2 B3	3/30/2005	26	7.57	646	79	CA 12%	NY 10%	38.4	99.8	7.0	21.3
NCMT 2006-3 MV9	10/6/2006	7	6.99	612	78	CA 27%	FL 12%	37.7	99.9	0.5	22.5
CMLTI 2006-NC1 M9	6/29/2006	9	7.91	620	77	CA 44%	FL 10%	17.6	100.0	10.9	71.0

Source: Bloomberg, Intex, Prospectuses; Data as of February 22, 2007

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Loan-Level Characteristics of RMBS Assets

Bloomberg Ticker	Issue Date	Curr WALA	Curr Net WAC	FICO	LTV	Geo 1st	Geo 2nd	Fixed %	First Lien %	Vac/ Inv %	Purch %
FHLT 2006-B M8	8/3/2006	7	8.72	627	76	CA 26%	FL 15%	19.3	100.0	4.4	50.2
SABR 2006-FR3 B2	8/3/2006	10	7.91	619	75	CA 25%	FL 17%	11.8	100.0	5.8	47.1
WMABS 2006-HE2 M9	5/25/2006	11	7.75	625	76	CA 36%	FL 14%	15.4	100.0	3.4	53.3
SVHE 2006-OPT2 M7	4/7/2006	11	8.07	622	79	CA 25%	FL 13%	16.9	100.0	10.9	35.8
CWL 2005-BC5 B	12/28/2005	18	6.53	620	78	CA 29%	FL 10%	31.9	100.0	2.3	35.3
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
MSAC 2005-HE6 B2	11/29/2005	18	6.71	633	77	CA 27%	FL 12%	26.8	100.0	4.5	46.5
ACE 2006-HE4 M9	9/28/2006	7	7.95	627	82	CA 35%	FL 14%	14.9	99.8	5.6	51.6
FHLT 2006-C M9	9/7/2006	6	7.97	628	76	CA 27%	FL 15%	23.7	100.0	6.9	42.2
ACE 2006-OP1 M8	5/25/2006	11	7.93	626	80	CA 30%	NY 12%	17.9	100.0	9.3	39.2
ARSI 2006-W4 M9	4/25/2006	10	7.72	616	80	CA 28%	FL 14%	14.7	100.0	9.2	47.4
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
SASC 2006-NC1 M9	6/22/2006	11	7.63	617	81	CA 26%	FL 12%	23.5	100.0	8.3	37.9
CWL 2006-1 MV8	2/10/2006	13	6.75	618	78	CA 33%	FL 19%	0.0	100.0	5.4	38.5
MABS 2006-AM2 M8	7/28/2006	9	7.60	608	75	FL 31%	CA 18%	12.2	100.0	3.4	37.3
NCHET 2006-2 M9	6/29/2006	8	7.65	621	85	CA 29%	FL 9%	24.3	100.0	9.9	35.3
SAIL 2006-BNC3 M7	8/25/2006	7	7.73	618	74	CA 43%	FL 8%	18.5	100.0	8.4	35.2
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Source: Bloomberg, Intex, Prospectuses, Data as of February 22, 2007

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Loan-Level Characteristics of RMBS Assets

Bloomberg Ticker	Primary Servicer	Current Support(%)	Orig Support(%)	Bankrupt	REO	Foreclosure	Delinq 30-59	Delinq 60+	Delinq 90+
ACCR 2006-1 M8	Accredited	3.8	1.6	0.3	0.7	2.8	2.0	0.9	0.1
HASC 2006-OPT2 M8	OptionOne	7.2	5.4	0.5	0.5	3.8	2.7	2.1	0.8
MLMI 2006-HE1 B2A	Wilshire	8.8	6.8	1.2	1.3	3.0	5.2	4.4	2.3
MSAC 2005-NC1 B2	HomeEquity	13.4	4.5	2.7	2.5	4.0	3.4	2.8	1.6
NCHET 2005-2 M8	NewCentury	8.6	4.4	1.5	1.5	4.0	2.5	2.8	1.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MSAC 2006-NC1 B3	HomeEquity	6.1	4.4	1.0	1.5	3.9	3.8	1.8	0.9
NCHET 2005-1 M8	NewCentury	7.6	3.2	2.0	1.6	4.4	2.6	2.5	1.4
NCHET 2005-3 M8	NewCentury	7.2	4.2	1.3	1.3	3.9	3.2	2.8	1.6
RAMP 2005-EFC6 M9	HomeComings	3.9	3.1	0.7	1.1	3.7	4.2	1.6	0.6
NCHET 2005-4 M8	NewCentury	9.5	6.0	1.4	1.8	4.3	2.8	3.1	1.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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CMLTI 2005-OPT3 M9	OptionOne	7.7	4.3	1.4	2.0	4.2	1.7	2.2	1.4
GSAMP 2006-NC2 M9	Ocwen	3.7	3.1	0.4	0.0	5.0	4.6	4.0	1.1
HASC 2006-OPT1 M8	OptionOne	5.0	3.8	0.8	0.6	3.0	2.2	2.1	1.0
HASC 2006-NC1 M8	Chase	3.1	2.4	0.5	0.5	2.7	3.2	1.0	0.0
JPMAC 2006-HE1 M9	Chase	6.9	5.1	0.5	1.0	6.1	5.6	2.7	0.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: Bloomberg, Intex, Prospectuses; Data as of February 22, 2007

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Loan-Level Characteristics of RMBS Assets

Bloomberg Ticker	Primary Servicer	Current Support(%)	Orig Support(%)	Bankrupt	REO	Foreclosure	Delinq 30-59	Delinq 60+	Delinq 90+
FHLT 2006-B M8	Fremont	5.1	4.6	0.3	0.1	3.7	4.6	5.4	2.6
SABR 2006-FR3 B2	HomeEquity	6.4	5.2	0.4	0.4	7.9	6.0	4.2	2.0
WMABS 2006-HE2 M9	WaMu	4.9	4.1	n/a	n/a	3.8	4.6	4.7	1.6
SVHE 2006-OPT2 M7	OptionOne	6.0	4.6	0.3	0.2	3.4	3.3	3.5	1.9
CWL 2005-BC5 B	Countrywide	4.7	3.0	0.9	2.1	3.6	5.2	2.4	1.0
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
MSAC 2005-HE6 B2	Chase	7.1	5.0	1.4	1.7	3.9	3.6	2.2	1.0
ACE 2006-HE4 M8	Ocwen	4.2	4.0	0.1	0.1	2.9	6.1	4.8	1.6
FHLT 2006-C M9	Fremont	4.3	4.0	0.2	0.0	2.4	3.6	3.2	1.0
ACE 2006-OP1 M8	OptionOne	5.9	4.7	0.3	0.4	3.0	4.2	3.5	1.9
ARSI 2006-W4 M9	Ameriquest	3.9	3.1	0.4	1.2	7.2	3.7	5.2	2.9
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
SASC 2006-NC1 M9	WellsFargo	3.9	3.2	0.5	0.9	5.2	4.3	4.5	1.7
CWL 2006-1 MV8	Countrywide	4.8	3.6	0.3	0.8	1.1	3.1	2.2	1.8
MABS 2006-AM2 M8	WellsFargo	6.0	5.2	0.9	0.4	5.9	5.4	3.9	1.1
NCHET 2006-2 M9	NewCentury	3.9	3.5	0.4	0.2	2.8	3.2	3.6	1.8
SAIL 2006-BNC3 M7	Chase	5.1	4.6	0.1	0.0	2.3	4.5	3.3	1.0
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[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
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[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Source: Bloomberg, Intex, Prospectuses; Data as of February 22, 2007

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V. Levered RMBS Structural Alternatives

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Levered RMBS Structural Alternatives

Transaction Variant Summary

- Given that there are a variety of products allowing investors to take levered exposure to RMBS, it is important to understand structural similarities and differences
- Three distinct types of transactions are considered for this comparison:

NAME	GENERAL DESCRIPTION
Cashflow CDO	Fully issued transaction in which a selection agent or third party collateral manager selects the assets to be repackaged through CDO. Cash proceeds from collateral assets flow through a waterfall to pay the issued Notes and Income Notes, which are broadly syndicated.
Bespoke Transaction	Customized transaction negotiated between the correlation desk and a "sponsor" investor/ portfolio manager, who generally takes credit risk at one or more layers of the capital structure. Layers of risk not assumed by "sponsor" investor/ portfolio manager are either hedged by the structured product correlation desk or distributed in subsequent offerings.
Tranched ABX	Standardized ABX tranche trading referencing both the Baa2 and Baa3 variants of the on-the-run and immediately off-the-run ABX.HE indices. The product has sponsorship from all ABX dealers and uses a market standard confirm.

- Anderson Mezzanine Funding 2007-1, Ltd. is a cashflow CDO

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Levered RMBS Structural Alternatives

Transaction Variant Comparison

	Cashflow CDO	Bespoke Transaction	Tranched ABX
Type	Cashflow Structured Product CDO	Structured Product Correlation Trade	Structured Product Correlation Trade
Assets	Cash Bonds or Single-Name CDS	Tranched CDS	Tranched CDS
Amortizations	Modified Sequential	Varies	Sequential
Callability	NC3 @ Option of Majority of Equity Holders	NC3 @ Option of Protection Buyer	No Call Rights
Cashflow Waterfall / Triggers	Yes	No	No
Manager	Varies	Varies	No
PfKable	Single-A Debt and Below	No	No
Trading / Reinvestment Period or Static	*Managed Deals*: Trading/Reinvestment *Defensively Managed*: Trading (only credit sales) *Static*: Liquidation after an asset downgrade or credit event	Static / Revolving	Static
Standardized Documentation	No	No	Yes
Credit Enhancement	Excess spread/ subordination	Subordination	Subordination

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Levered RMBS Structural Alternatives

Transaction Variant Comparison (Continued)

	Cashflow CDO	Bespoke Transaction	Tranched ABX
Typical Number of Obligors in Collateral / Reference Portfolio	100+	70+	40
Non-Dollar Offerings	No	Yes	No
Customizability at Different Layers of Capital Structure	Yes	Yes	No
Factors Affecting First Dollar of Loss Breakeven	Losses, loss timing, interest rates, collateral ratings and other features	Losses Only	Losses Only
Deleveraging Risk, Interest Rate Mismatch Risk and Interest Shortfall / Available Funds Cap Risk	Borne by Equity and Potentially Rated Debt If Severe	Borne by Structured Product Correlation Book	Borne by Structured Product Correlation Book

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Levered RMBS Structural Alternatives

Comparison of Key Structural Differences

Feature	Alternatives	Description
Portfolio Amortizations	Sequential	Amortizations allocated sequentially
	Modified Sequential	Amortizations allocated sequentially to each tranche until the target OC ratio (set at a level greater than initial OC ratio) is reached, then amortizations are allocated to subordinate tranche
	Modified Pro-Rata	Amortizations allocated in a pro-rata fashion until total portfolio amortizations total 50% of initial balance
Callability	No Call	Transaction may not be optionally terminated in part or in whole
	Equity Call	Transaction may be terminated in whole after the non-call period given a majority vote of the equity holders
	Tranche by Tranche	Transaction may be terminated either in part or in whole at the option of the protection buyer
Triggers	Yes	Built-in mechanism that diverts cashflows from equity and potentially junior debt to senior debt should overcollateralization and/or interest coverage metrics underperform initial expectations
	No	No cashflow diversion based on metric underperformance

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Appendix A – Portfolio Asset List

Note: The information in this section is preliminary and subject to change

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Portfolio Composition[1]

Comprehensive Collateral Asset List:

CUSIP	Asset Name	Original Face	Factor	Current Face	Moody's	S&P	Fitch	Avg Life	Asset Type
64352VLA7	NCHET 2005-2 M8	5,000,000	1.000	5,000,000	Baa2	BBB	-	2.53	RMBS Subprime
03072SM85	AMSI 2005-R8 M9	5,000,000	1.000	5,000,000	Baa3	BBB	BBB+	3.48	RMBS Subprime
61744CPQ3	MSAC 2005-NC2 B3	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	2.61	RMBS Subprime
61744CYK6	MSAC 2006-NC1 B3	5,000,000	1.000	5,000,000	Baa3	BBB	BBB	3.90	RMBS Subprime
64352VKJ9	NCHET 2005-1 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	2.22	RMBS Subprime
03072SV83	AMSI 2005-R11 M9	5,000,000	1.000	5,000,000	Baa3	BBB+	BBB	3.97	RMBS Subprime
04541GQH8	ABSHE 2005-HE2 M7	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	2.20	RMBS Subprime
17307GSS8	CMLTI 2005-OPT3 M9	5,000,000	1.000	5,000,000	Baa3	BBB	BBB	3.24	RMBS Subprime
46629BBB4	JPMAC 2006-CW2 MV9	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	4.12	RMBS Subprime
61744CKW5	MSAC 2005-HE1 B3	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	2.17	RMBS Subprime
61744CNK8	MSAC 2005-HE2 B3	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	2.57	RMBS Subprime
65106AAW3	NCMT 2006-1 M9	5,000,000	1.000	5,000,000	Baa3	BBB+	-	4.32	RMBS Subprime
172983AN8	CMLTI 2006-NC1 M8	5,000,000	1.000	5,000,000	Baa2	BBB	-	3.67	RMBS Subprime
81376BAH7	SABR 2006-FR3 B2	5,000,000	1.000	5,000,000	Baa2	BBB	BBB+	4.69	RMBS Subprime
83611MMT2	SVHE 2006-OPT2 M7	5,000,000	1.000	5,000,000	Baa2	A-	-	3.43	RMBS Subprime
126670NN4	CWL 2005-BC5 B	5,000,000	1.000	5,000,000	Baa3	BBB	-	3.76	RMBS Subprime
14453FAN9	CARR 2006-NC2 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	3.55	RMBS Subprime
46626LJZ4	JPMAC 2006-NC1 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	3.97	RMBS Subprime
46629FAN0	JPMAC 2006-NC2 M8	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	4.02	RMBS Subprime
65536MAN7	NHELI 2006-HE2 M9	5,000,000	1.000	5,000,000	Baa3	BBB	BBB-	3.51	RMBS Subprime
040104TS0	ARSI 2006-W4 M9	5,000,000	1.000	5,000,000	Baa3	BBB	BBB	3.86	RMBS Subprime
59021AAM0	MLMI 2006-FM1 B2	5,000,000	1.000	5,000,000	Baa2	BBB	-	3.87	RMBS Subprime
83611MEE4	SVHE 2005-OD1 M8	5,000,000	1.000	5,000,000	Baa2	A-	BBB+	3.00	RMBS Subprime
86360PAR8	SASC 2006-NC1 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	4.06	RMBS Subprime
126670UD8	CWL 2006-1 MV8	5,000,000	1.000	5,000,000	Baa2	A-	-	3.74	RMBS Subprime
57645FAS6	MABS 2006-AM2 M6	5,000,000	1.000	5,000,000	Baa2	-	-	3.73	RMBS Subprime
64366YAM7	NCHET 2006-2 M9	5,000,000	1.000	5,000,000	Baa2	BBB-	-	4.03	RMBS Subprime
86361KAM9	SAIL 2006-BNC3 M7	5,000,000	1.000	5,000,000	Baa2	BBB	BBB	4.36	RMBS Subprime
126670LW6	CWL 2005-14 M8	5,000,000	1.000	5,000,000	Baa2	BBB	-	3.65	RMBS Subprime
59023AAN6	MLMI 2006-MLN1 B2	5,000,000	1.000	5,000,000	Baa2	BBB+	-	4.19	RMBS Subprime

[1] As of February 22, 2007. Goldman Sachs does not represent or provide any assurance that the actual portfolio on the Closing Date or any future date will have the same characteristics as provided above. All Face amounts listed above are US Dollar denominated.

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GS MBS-E-000855385

Goldman Sachs

Portfolio Composition[1]

Comprehensive Collateral Asset List:

CUSIP	Asset Name	Original Face	Factor	Current Face	Moody's	S&P	Fitch	Avg Life	Asset Type
004375FE6	ACCR 2006-1 M8	5,000,000	1.000	5,000,000	Baa2	BBB	-	3.86	RMBS Midprime
40430HEH7	HASC 2006-OPT2 M8	5,000,000	1.000	5,000,000	Baa2	BBB+	BBB+	3.77	RMBS Midprime
59020U3N3	MLMI 2006-HE1 B2A	5,000,000	1.000	5,000,000	Baa2	BBB+	-	3.55	RMBS Midprime
004421VC4	ACE 2006-NC1 M9	5,000,000	1.000	5,000,000	Baa3	BBB+	-	3.56	RMBS Midprime
144531BK5	CARR 2005-NC1 M8	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	2.72	RMBS Midprime
22237JAP2	CWL 2006-BC2 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	-	3.61	RMBS Midprime
64352VLS8	NCHET 2005-3 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	2.77	RMBS Midprime
76112BL24	RAMP 2005-EFC6 M9	5,000,000	1.000	5,000,000	Baa3	BBB	-	4.40	RMBS Midprime
64352VNB3	NCHET 2005-4 M8	5,000,000	1.000	5,000,000	Baa2	BBB	BBB	2.99	RMBS Midprime
004421PY3	ACE 2005-HE4 M9	5,000,000	1.000	5,000,000	Baa3	BBB	BBB	3.13	RMBS Midprime
03072ST62	AMSI 2005-R10 M9	5,000,000	1.000	5,000,000	Baa3	BBB	BBB	3.99	RMBS Midprime
144531FG0	CARR 2006-NC1 M9	5,000,000	1.000	5,000,000	Baa3	BBB+	BBB-	3.77	RMBS Midprime
362463AP6	GSAMP 2006-NC2 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	-	3.66	RMBS Midprime
40430HDN5	HASC 2006-OPT1 M9	5,000,000	1.000	5,000,000	Baa3	BBB+	BBB+	3.67	RMBS Midprime
40430HFA1	HASC 2006-NC1 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	-	3.10	RMBS Midprime
46626LGQ7	JPMAC 2006-HE1 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	4.45	RMBS Midprime
35729QAN8	FHLT 2006-B M8	5,000,000	1.000	5,000,000	Baa2	BBB	BBB+	4.19	RMBS Midprime
93934JAN4	WMABS 2006-HE2 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	-	3.67	RMBS Midprime
57643LMX1	MABS 2005-NC2 M8	5,000,000	1.000	5,000,000	Baa2	A+	BBB+	2.96	RMBS Midprime
61744CWE2	MSAC 2005-HE6 B2	5,000,000	1.000	5,000,000	Baa2	BBB+	BBB+	3.80	RMBS Midprime
00442BAP6	ACE 2006-HE4 M9	5,000,000	1.000	5,000,000	Baa3	BBB	-	4.70	RMBS Midprime
35729TAP7	FHLT 2006-C M9	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB	4.07	RMBS Midprime
00442PAP5	ACE 2006-OP1 M8	5,000,000	1.000	5,000,000	Baa2	BBB+	-	3.83	RMBS Midprime
04541GWQ1	ABSHE 2006-HE2 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	3.54	RMBS Midprime
46602WAN4	IXIS 2006-HE2 B3	5,000,000	1.000	5,000,000	Baa3	BBB	BBB-	4.17	RMBS Midprime
64352VRB9	NCHET 2006-1 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	3.69	RMBS Midprime
61744CUZ7	MSAC 2005-HE5 B2	5,000,000	1.000	5,000,000	Baa2	BBB+	BBB+	3.54	RMBS Midprime
31659EAM0	FMIC 2006-2 M8	5,000,000	1.000	5,000,000	Baa2	BBB+	-	3.35	RMBS Midprime
437097AP3	HEAT 2006-6 M8	5,000,000	1.000	5,000,000	Baa2	A-	A-	4.06	RMBS Midprime
61744CMS2	MSAC 2005-NC1 B2	5,000,000	1.000	5,000,000	Baa2	BBB	BBB	2.42	RMBS Subprime
92534FAE8	VRGO 2006-1A B1	5,000,000	1.000	5,000,000	Baa1	BBB+	-	6.61	RMBS CDO

[1] As of February 22, 2007. Goldman Sachs does not represent or provide any assurance that the actual portfolio on the Closing Date or any future date will have the same characteristics as provided above. All Face amounts listed above are US Dollar denominated.

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Appendix B – Goldman Sachs Contact Information

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Anderson Mezzanine Funding 2007-1, Ltd.

Team Contact Information

Goldman, Sachs & Co. – Structuring and Placement Agent

Structured Product CDOs – Structuring, Marketing, and Principal Investments

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Anderson Mezzanine Funding 2007-1, Ltd.

A $500 Million Static Mezzanine Structured Product CDO
Goldman, Sachs & Co. – Liquidation, Structuring, and Placement Agent

Equity Marketing Book

February 2007

The information contained herein is indicative only and the actual terms of any transaction will be set forth in the definitive Offering Circular.

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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2340

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B. Goldman Sachs Contact Information

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I. Executive Summary

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Anderson Mezzanine Funding 2007-1

Executive Summary

- Anderson Mezzanine Funding 2007-1 ("Anderson Funding") will be a static $500 million cashflow CDO consisting of a diversified portfolio of RMBS and CDO securities.
- Goldman Sachs and GSC Group ("GSC") co-selected the assets.
- Anderson Funding will be non-managed and static in nature. Anderson Funding will provide term non-recourse funding. In its role as Liquidation Agent, Goldman Sachs will:
  - Warehouse assets during the portfolio aggregation phase prior to closing
  - Liquidate any asset within one year after such asset performs below certain threshold levels determined prior to closing
- The portfolio consists of collateral which is rated at least Baa3 (if rated by Moody's) and BBB- (if rated by S&P) with an average rating of Baa2/Baa3. 100% of the portfolio will be real-estate related securities.
- Low fee structure and less "barbelled" portfolio than other mezzanine CDOs in the current market.
- Transaction co-sponsored by Goldman and GSC Eliot Bridge (an ABS and CDO hedge fund managed by GSC Group). Goldman Sachs and GSC has aligned incentives with Anderson Funding by investing in a portion of equity.

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II. Disclaimer and Risk Factors

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Disclaimer

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The information contained herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any trading strategy. The information contained herein is preliminary and material changes to the proposed terms of the securities described herein may be made at any time. If any offer of securities is made, it shall be made pursuant to a definitive offering circular (the "Offering Circular") prepared by or on behalf of the Issuer, which would contain material information not contained herein and which shall supersede, amend and supplement this information in its entirety. Any decision to invest in the securities described herein should be made after reviewing the Offering Circular, conducting such investigations as the investor deems necessary or appropriate and consulting the investor's own legal, accounting, tax, and other advisors in order to make an independent determination of the suitability and consequences of an investment in the securities.

The securities described herein will not be registered under the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction and neither the Issuer nor the pool of securities held by the Issuer will be registered under the Investment Company Act of 1940, as amended. The securities offered herein will not be recommended by any United States federal or state securities commission or any other regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense. The securities described herein will be subject to certain restrictions on transfers as described in the Offering Circular.

None of the Issuer, Goldman Sachs (as used herein, such term shall include Goldman, Sachs & Co. and all of its affiliates), nor any of their respective affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein and nothing contained herein shall be relied upon as a promise or representation whether as to the past or future performance. The information includes hypothetical illustrations and involves modeling components and assumptions that are required for purposes of such hypothetical illustrations. No representations are made as to the accuracy of such hypothetical illustrations or that all assumptions relating to such hypothetical illustrations have been considered or stated or that such hypothetical illustrations will be realized. The information contained herein does not purport to contain all of the information that may be required to evaluate such securities, and each recipient is encouraged to read the Offering Circular and should conduct its own independent analysis of the data referred to herein. The Issuer, Goldman Sachs, and their respective affiliates disclaim any and all liability relating to the information, including, without limitation, any express or implied representation or warranty for statements contained in and omissions from this information. None of the Issuer, Goldman Sachs, or any of their respective affiliates expects to update or otherwise revise the information contained herein except by means of the Offering Circular. Additional information may be available on request. The securities and obligations of the Issuer are not issued by, obligations of, or guaranteed by Goldman Sachs, or their respective affiliates, or other organizations. In particular, the obligations of the Issuer are not deposit obligations of any financial institution. The securities and obligations of the Issuer are complex, structured securities and there is no assurance that a secondary market for such securities will exist at any time. Accordingly, prospective investors should be prepared, and have the ability, to hold such securities until their respective stated maturities or stated redemption dates.

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HYPOTHETICAL ILLUSTRATIONS AND PRO FORMA INFORMATION

These materials contain statements that are not purely historical in nature. These include, among other things, hypothetical illustrations, sample or pro forma portfolio structures or portfolio composition, scenario analysis of returns and proposed or pro forma levels of diversification or sector investment. These hypothetical illustrations of returns illustrate a range of potential outcomes based upon certain assumptions. Such potential outcomes are not a prediction by the Issuer, Goldman Sachs or their respective affiliates of the performance of the securities described herein. Actual events are difficult to predict and are beyond the control of the Issuer, Goldman Sachs, or their respective affiliates. Actual events may differ from those assumed and such differences may be material. There can be no assurance that illustrated returns will be realized or materialized or that actual returns or results will not be materially lower than those presented. All statements included are based on information available on the date hereof, and none of the Issuer, Goldman Sachs or their respective affiliates assumes any duty to update any such statement. Some important factors which could cause actual results to differ materially from those in any statements contained herein include the actual composition of the collateral and the price at which such collateral is actually purchased by the Issuer, any defaults on the collateral, the timing of any defaults and subsequent recoveries, changes in interest rates, and any weakening of the specific credits included in the collateral, among others. The Offering Circular will contain other risk factors, which an investor should also consider in connection with an investment in the securities described herein.

PRIOR INVESTMENT RESULTS

Any prior investment results or returns are presented for illustrative purposes only and are not indicative of the future returns on the securities and obligations of the Issuer. Because of portfolio restrictions that apply to the Issuer and differences in market conditions, the investments selected by Goldman Sachs on behalf of the Issuer may differ substantially from prior investments made by Goldman Sachs. The Issuer has no operating history.

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Risk Factors

Note: The Offering Circular will include more extensive descriptions of the risks described herein as well as additional risks relating to, among other things, conflicts of interest. Any decision to invest in the securities described herein should be made after reviewing such Offering Circular, conducting such investigations as the investor deems necessary and consulting the investor's own legal, accounting and tax advisors in order to make an independent determination of the suitability and consequences of an investment in the securities. The Offering Circular will supersede this document in its entirety.

- Limited Liquidity, Restrictions on Transfer and Limited Recourse
  - There is currently no market for the Secured Notes or Income Notes and it is unlikely that any secondary market will develop. The Secured Notes and the Income Notes should be viewed as a long-term investment, not as a trading vehicle. The value of the Secured Notes and the Income Notes may vary and the Secured Notes and the Income Notes, if sold, may be worth less than their original cost.
  - In addition, as the Secured Notes and the Income Notes will be sold in transactions exempt from SEC registration pursuant to Section 4(2), Rule 144A, and/or Reg S and the Issuer will not be registered under the Investment Company Act of 1940 pursuant to the Section 3(c)(7). Related restrictions, as well as other restrictions on transfer of the Income Notes will apply.
  - All liabilities are payable solely from the cash flow available from the collateral pledged by the Issuer to secure all classes of Notes. No other assets will be available for payment in the event of any deficiency. The Income Notes represent equity in the Issuer and as such are subordinated to the Secured Notes. The Income Notes are payable from the collateral (which represent the only assets of the Issuer) only after payment in full of amounts due on the Secured Notes.
- Leveraged Credit Risk
  - The Income Notes are in a first loss position with respect to defaults on the underlying collateral. The leveraged nature of the Income Notes magnifies the adverse impact of any collateral defaults
- Volatility of Collateral and of Secured Notes' and Income Notes' Market Value
  - The Income Notes represent a leveraged investment in the Collateral Assets. The use of leverage generally magnifies an issuer's opportunities for gain and risk of loss. Therefore, changes in the market value of the Secured Notes and the Income Notes can be expected to be greater than changes in the market value of the underlying assets included in the collateral, which themselves are subject to credit, liquidity and, with respect to the fixed rate portion of the portfolio, interest rate risk.
  - Changes in the market value of issues from one sector or industry may impact the market value of issues from one or more of other sectors or industries included in the collateral.
- Collateral Risk
  - Collateral Assets inherently bear significant credit risks because issuers are primarily private entities.
  - The structure of Collateral Assets and the terms of the Issuer's interest in the collateral can vary widely depending on the type of collateral, investor sentiment and the use of credit enhancements.
  - Adverse changes in the financial condition of the collateral obligor or in general economic conditions may adversely affect the obligor's ability to pay principal and interest on its debt.

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Risk Factors

- Nature of Collateral
  - The Collateral Assets are subject to credit, liquidity and interest rate risk. In addition, the financial performance of the Issuer may be affected by the price and availability of Collateral Assets to be purchased.
  - Some or all of the Collateral Assets may be subordinated securities which may be subject to leveraged credit risk.
  - The ability of the Issuer to sell Collateral Assets prior to maturity is subject to certain restrictions and limitations under the Indenture.
- No Collateral Manager
  - The Issuer will not engage a Collateral Manager. As a result, (i) the Collateral Assets held by the Issuer on the Closing Date will be retained by the Issuer even if it would be in the best interests of the Issuer and the holders of the Income Notes and Secured Notes to dispose of certain Collateral Assets unless the Collateral Assets are required to be sold by the Liquidation Agent as described in the previous paragraph and (ii) the Indenture will eliminate the ability of the Issuer to exercise discretion in contexts where a collateral manager in a managed or static collateralized debt obligation transaction typically would have discretion to exercise such discretion on behalf of the Issuer and holders of Income Notes and Secured Notes. The inability of the Issuer to exercise discretion in these contexts could adversely impact the Issuer and the holders of the Income Notes and Secured Notes.
- Timing and Amount of Recoveries
  - Only Collateral Assets that meet the liquidation criteria may be sold. If a Collateral Asset meets the liquidation criteria, the Liquidation Agent is required to sell such affected collateral in accordance with the terms of the Liquidation Agency Agreement. There can be no assurance as to the timing of the Liquidation Agent's sale of affected assets, or if there will be any market for such assets or as to the rates of recovery on such affected collateral. The inability to realize immediate recoveries at the recovery levels assumed herein may result in lower cash flow and a lower yield to the Income Notes and Secured Notes as compared to the returns generated using the Modeling Assumptions.
- Impairment of Credit Quality and/or Defaults on the Collateral
  - Decline in credit quality of the collateral or defaults could result in losses which would adversely affect the Income Notes and Secured Notes.
  - There may be certain industry or sector concentrations in the CDO, all of which could have a material adverse impact on the Income Notes in the event of economic downturns or other events affecting the credit quality of any of the collateral.
- Yield Due to Prepayments
  - The yield to maturity on the Income Notes could be affected by the rate of prepayment of the Collateral Assets. Payments to the Income Notes at a rate slower than the rate anticipated by investors purchasing the Income Notes at a discount will result in an actual yield that is lower than anticipated by such investors. Conversely, payments to the Income Notes at a rate faster than the rate anticipated by investors purchasing the Income Notes at a premium will result in an actual yield that is lower than anticipated by such investors.
- Timing of Receipt of Accrued Interest Income
  - On an ongoing basis, the receipt by the Issuer of accrued interest income may affect the availability of cash which may be distributed to the Holders of Secured Notes and Income Notes.

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Risk Factors

- International Investing
  - Investing outside the U.S. may involve greater risks which may include (1) less publicly available information, (2) varying levels of governmental regulation and supervision, (3) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws, (4) less stringent accounting practices, (5) different clearance and settlement procedures, (6) economic and political conditions and instability, (7) exchange control and foreign currency risk, (8) insolvency and (9) expropriation risk.
  - A portion of the Collateral Assets may consist of obligations of an issuer organized under the laws of the Bahamas, Bermuda, the Cayman Islands, the Channel Islands, the Netherlands Antilles or other jurisdictions offering favorable tax treatment.
- Tax Treatment of Income Notes
  - Since the issuer will be a passive foreign investment company, a U.S. person holding Income Notes may be subject to additional taxes unless it elects to treat the issuer as a qualified electing fund and to recognize currently its proportionate share of the issuer's income. The Income Notes will be treated as equity for tax purposes.
  - Income Notes holders should consult their tax advisers about the special U.S. tax regimes that apply to shareholders of passive foreign investment companies, controlled foreign corporations and foreign personal holding companies.
  - Special tax considerations may apply to certain types of investors. Prospective investors should consult their own tax advisors regarding the tax implications of their investments.
- Material Tax Considerations
  - There is a possibility that the issuer will be found to be engaging in a U.S. trade or business. In such a case, it would be subject to substantial U.S. income tax on its income.
- Hypothetical Illustrations and Estimates
  - Estimates of the weighted average lives of the Class S, A, B, C, D and E Notes and the returns and duration of the Income Notes included herein, together with any other hypothetical illustrations and estimates provided to prospective purchasers of the Class S, A, B, C, D and, E Notes, are forward-looking statements. See "Hypothetical Illustrations and Pro Forma Information" on disclaimer page in the beginning of this book.
  - The hypothetical illustrations are only estimates. Actual results may vary, and the variations may be material. See "Hypothetical Illustrations and Pro Forma Information" on disclaimer page in the beginning of this book.
- Changes in Tax Laws
  - The Collateral Assets are not permitted to be subject to withholding tax at the time of purchase, unless the issuer thereof is required to make "gross-up" payments. There can be no assurance that, as a result of any change in any applicable law, treaty, rule or regulation or interpretation thereof, the payments on the collateral might not in the future become subject to withholding tax which could adversely affect the amounts that would be available to make payments on the Income Notes and Secured Notes.
  - In case of a Withholding Tax Event (as defined in the Offering Circular), holders of more than 50% of any affected Note may require the issuer to liquidate the collateral on any Payment Date, and redeem the Class S, A, B, C, D and E Notes, prior to any distributions to holders of Income Notes

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Risk Factors

- Subordination
  - The Income Notes are subordinated to the Class S, Class A, Class B, Class C, Class D and Class E Notes and certain payments of expenses. The Class E Notes are subordinated to the Class A, Class B, Class C and Class D Notes and certain payments of expenses. The Class D Notes are subordinated to the Class A, Class B and Class C Notes and certain payments of expenses. The Class C Notes are subordinated by the Class A and Class B Notes and certain payments of expenses. The Class B Notes are subordinated to the Class A Notes and certain payments of expenses. No distributions of interest proceeds received on the collateral will be made to the Income Notes until interest on the Secured Notes and certain other expenses have been paid. In addition, in the event of a default, holders of the most senior class of Secured Notes will generally be entitled to determine the remedies to be exercised; such remedies could include the sale and the liquidation of the collateral and have an adverse effect on the Income Notes. The Income Notes will not be able to exercise any remedies following an event of default and will not receive payments after an event of default until the Secured Notes are paid in full.
- Credit Exposure to Portfolio of Reference Obligations
  - On the closing date, the Issuer will enter into pay-as-you-go credit default swaps (the "Synthetic Securities") with Goldman Sachs International, ("GSI" and in such capacity, the "Counterparty"), pursuant to which the Issuer will sell credit default protection with respect to a portfolio of Reference Obligations. If a credit event occurs with respect to any of the Reference Obligations, the Issuer will pay the Counterparty the amount of the write-down or principal loss, or if the Counterparty elects to deliver the reference obligation, the notional amount of the Synthetic Security times the reference price. In return for the credit default protection, the Counterparty will pay the Issuer a premium which may be reduced (but not below zero) if certain Reference Obligations experience interest shortfalls. Credit events and interest shortfalls may adversely affect the Issuer's ability to make payments on the Notes and the Income Notes.
  - All Notes and Income Notes are subordinated to credit default protection payments under the Synthetic Securities and to certain termination payments payable to the Counterparty in connection with a termination event. The magnitude of such losses will be affected by the number of credit events and the recovery amount of any delivered Reference Obligations and timing of such credit events

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[redacted]

III. Transaction Overview

Note: The information in this section is preliminary and subject to change

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Anderson Mezzanine Funding 2007-1, Ltd.

Transaction Overview

- Anderson Mezzanine Funding is a "static" mezzanine structured product CDO with the following features:
  - No exposure to reinvestment spread risk or reliance on reinvestment to generate excess interest to cover debt
  - No fixed rate assets
  - No assets without an initial rating of at least Baa3 by Moody's and BBB- by S&P. Average WARF in the portfolio is expected to be 500
  - Overall transaction cost structure is significantly less than comparable mezzanine structured product CDOs in the market
- There will be no reinvestment, substitution, discretionary trading or discretionary sales. After closing, assets that are determined to be "credit risk" securities will be sold by the Liquidation Agent within one year of such determination
- Goldman Sachs will act as Structuring, Placement and Liquidation Agent for Anderson Funding and will warehouse the portfolio prior to closing
  - Goldman Sachs will charge 10 bps ongoing fee for its role as Liquidation Agent
- Goldman Sachs and GSC's portfolio selection process:
  - Assets sourced from the Street at then market levels
  - GSC pre-screens and evaluates assets for portfolio suitability
  - Goldman Sachs CDO desk reviews individual assets in conjunction with respective mortgage trading desks (Subprime, Midprime, Prime, etc.) and makes decision to add or decline
  - All CDS use rating agency approved confirms (pay as you go)

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Anderson Mezzanine Funding 2007-1, Ltd.

Transaction Overview - Asset Selection / Asset Liquidation

- Portfolio Aggregation Strategy:
  - Select only assets rated explicitly Baa3/BBB- (Moody's / S&P) and above. No notched rating of below Baa3 in the portfolio
  - No Fixed rate assets allowed, eliminating interest rate swap basis mismatch
  - Maximum obligor concentration is 1.5%, creating a very granular portfolio with 100 distinct obligors
  - Target portfolio with Weighted Average Rating Factor of 500 and duration weighted average spread of 202 bps
- Goldman Sachs, as Liquidation Agent, will liquidate any asset determined to be a "credit risk" asset within 12 months of such determination. "Credit risk" assets will include:
  - Any asset downgraded by Moody's or S&P to below Ba3 or BB-
  - Any asset that is defaulted and experiences a credit event as defined by the PAUG confirm
- Expected collateral quality statistics at closing
  - WARF: 500
  - 100 Distinct Obligors
  - Moody's Asset Correlation ("MAC") at closing: 27
  - Duration weighted average portfolio spread: 202 bps
  - Weighted Average Duration: 3.1 years

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Anderson Mezzanine Funding 2007-1, Ltd.

Transaction Overview - Capital Structure[1]

Classes	Ratings (Moody's/S&P)	Principal Balance	% of Capital Structure	Coupon	Expected WAL	Initial OC
Class S	Aaa/AAA	[ ] MM	N/A	1M LIBOR + [ ]%	[3.0]	N/A
Class A-1	Aaa/AAA	$300.0 MM	60.00%	1M LIBOR + [ ]%	[3.6]	166.7%
Class A-2	Aaa/AAA	$75.0 MM	15.00%	1M LIBOR + [ ]%	[4.1]	133.3%
Class B	Aa2/AA	$40.0 MM	8.00%	1M LIBOR + [ ]%	[4.5]	120.5%
Class C	A2/A	$35.0 MM	7.00%	1M LIBOR + [ ]%	[4.7]	111.1%
Class D	Baa2/BBB	$26.5 MM	5.70%	1M LIBOR + [ ]%	[4.5]	104.5%
Class E	Ba1/BB+	$6.0 MM	1.20%	1M LIBOR + [ ]%	[6.1]	103.2%
Income Notes	NR	$15.5 MM	3.10%	NA	NA	NA

[1] *This information is preliminary and subject to change.*

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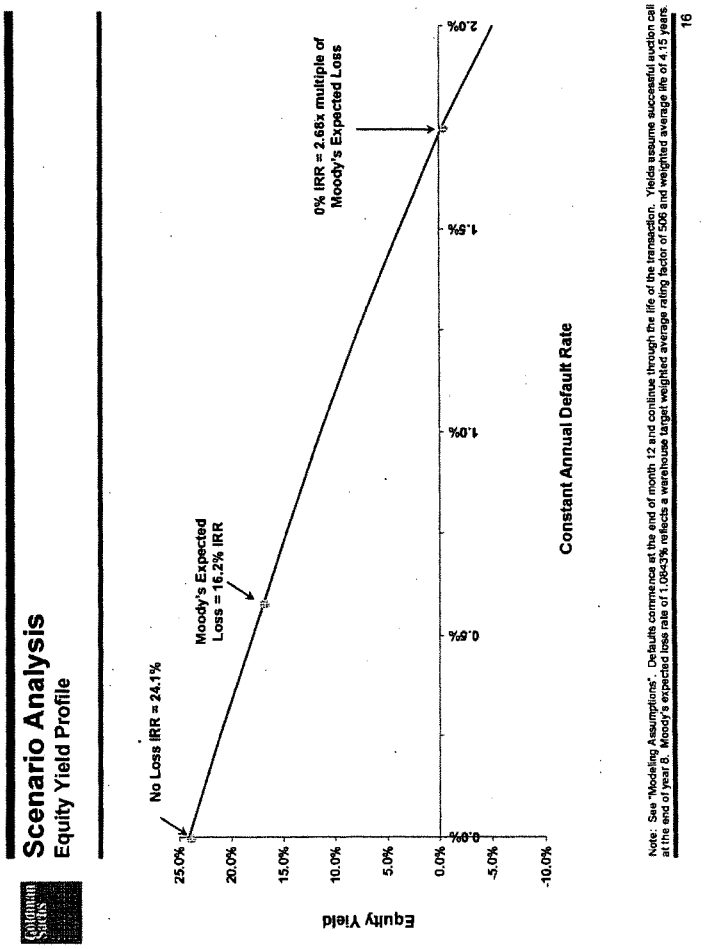
Scenario Analysis

Equity Yield Profile



Note: See "Modeling Assumptions". Defaults commence at the end of month 12 and continue through the life of the transaction. Yields assume successful auction call at the end of year 8. Moody's expected loss rate of 1.0843% reflects a warehouse target weighted average rating factor of 506 and weighted average life of 4.15 years.

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IV. Transaction Details

Note: The information in this section is preliminary and subject to change

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Goldman Sachs

Transaction Details

General Information

Issuers:	Anderson Mezzanine Funding 2007-1, Ltd. and Anderson Mezzanine Funding 2007-1, Corp.
Liquidation Agent, Structuring and Placement Agent:	Goldman, Sachs & Co.
Liquidation Agent Fee:	10 bps per annum payable senior to all the Notes
Reinvestment Period:	None
Discretionary Trading:	None. Liquidation Agent will sell credit-risk assets based on pre-determined rules and the clean proceeds will be treated as principal paydowns
Ramp-Up Period:	None
Non-Call Period:	3 years
Auction Call:	8 years. There is no minimum IRR requirement for successful Auction Call.
Call Price:	Par plus all accrued for Class S, A-1, A-2, B, C, D and E Notes
Payment Frequency:	Monthly for Class S, A-1, A-2 , B, C, D and Class E Notes, Quarterly for Income Notes
Controlling Class:	Class A Notes (the "Senior Notes") voting in the aggregate until paid in full, then Class B, Class C, D and Class E Notes in that order until each Class is paid in full.

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V. Portfolio Composition

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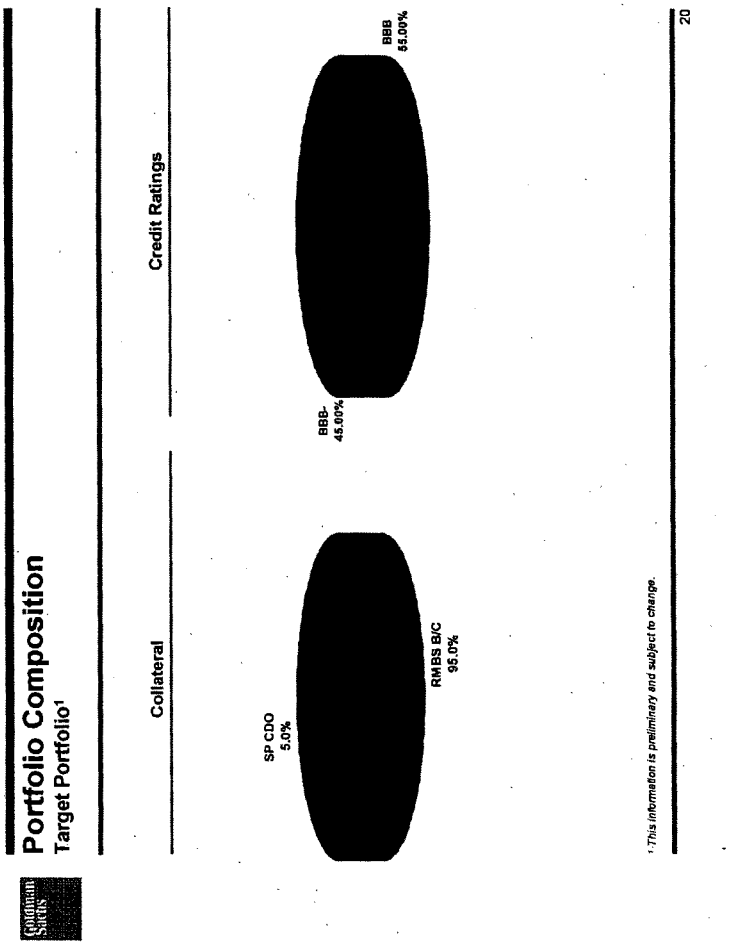

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Transaction Details
Collateral Profile

Moody's WARF	500
Moody's Asset Correlation	[27]%
Ratings Profile	■ 100% of the assets are rated at least Baa3 and BBB- by Moody's and S&P
Target Obligor Concentration Profile	■ Maximum Obligor concentration: 1.5%
Collateral Haircuts:	■ 10% applied to Double-B Assets prior to sale (20% for Senior Overcollateralization test) ■ 20% applied to Single-B Assets prior to sale (40% for Senior Overcollateralization test) ■ 50% applied to Triple-C Assets prior to sale (75% for Senior Overcollateralization test) ■ 100% applied to Defaulted Obligations

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Loan-Level Characteristics of RMBS Assets

Bloomberg Ticker	Issue Date	Curr WALA	Curr Net WAC	FICO	LTV	Geo 1st	Geo 2nd	Fixed %	First Lien %	Vac/ Inv %	Purch %
ACCR 2006-1 M8	3/28/2006	12	7.23	633	78	CA 19%	FL 13%	33.0	100.0	7.9	33.2
HASC 2006-OPT2 M8	2/28/2006	16	7.00	625	79	CA 26%	FL 10%	27.9	100.0	6.7	36.4
MLMI 2006-HE1 B2A	2/7/2006	16	6.91	630	82	CA 36%	FL 12%	24.5	100.0	6.0	49.5
MSAC 2005-NC1 B2	2/25/2005	28	7.42	617	79	CA 22%	TX 10%	43.7	99.7	6.6	31.3
NCHET 2005-2 M8	4/22/2005	21	6.55	623	78	CA 32%	FL 9%	24.0	100.0	8.8	35.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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Loan-Level Characteristics of RMBS Assets

Bloomberg Ticker	Issue Date	Curr WALA	Curr Net WAC	FICO	LTV	Geo 1st	Geo 2nd	Fixed %	First Lien %	Vac/ Inv %	Purch %
FHLT 2006-B M8	8/3/2006	7	8.72	627	76	CA 26%	FL 15%	19.3	100.0	4.4	50.2
SABR 2006-FR3 B2	8/3/2006	10	7.91	619	75	CA 25%	FL 17%	11.8	100.0	5.8	47.1
WMABS 2006-HE2 M9	5/25/2006	11	7.75	625	76	CA 36%	FL 14%	15.4	100.0	3.4	53.3
SVHE 2006-OPT2 M7	4/7/2006	11	8.07	622	78	CA 25%	FL 13%	16.9	100.0	10.8	35.8
CWL 2005-BC5 B	12/28/2005	18	8.53	620	78	CA 23%	FL 10%	31.9	100.0	2.3	35.3
CARR 2006-NC2 M9	4/27/2006	9	7.73	623	80	CA 32%	FL 15%	13%	100.0	8.9	44.0
GPMAC 2006-NC1 M9	4/27/2006	9	7.94	623	78	CA 40%	FL 15%	23%	100.0	10.3	42.3
FMAC 2006-FFC2 M9	3/28/2006	9	7.93	619	77	CA 35%	FL 17%	22%	100.0	19.1	47.5
MABS 2006-NC2 M8	2/28/2006	10	8.09	617	77	CA 32%	FL 12%	19%	100.0	5.7	44.6
NHEL 2006-HE2 M9	3/30/2006	9	8.24	617	75	CA 45%	FL 11%	23%	100.0	9.8	46.8
MSAC 2005-HE6 B2	11/29/2005	18	6.71	633	77	CA 27%	FL 12%	26.8	100.0	4.5	46.5
ACE 2006-HE4 M9	9/28/2006	7	7.95	627	82	CA 35%	FL 14%	14.9	99.6	5.6	51.6
FHLT 2006-C M9	9/7/2006	6	7.97	628	76	CA 27%	FL 15%	23.7	100.0	6.9	42.2
ACE 2006-OP1 M8	5/25/2006	11	7.93	626	80	CA 30%	NY 12%	17.9	100.0	9.3	39.2
ARSI 2006-W4 M9	4/25/2006	10	7.72	616	80	CA 28%	FL 14%	14.7	100.0	9.2	47.4
RASHE 2006-HE2 M7	4/27/2006	9	7.58	625	80	CA 30%	FL 13%	18%	100.0	10.9	44.1
XSLT 2006-HE3 B2	4/28/2006	11	7.82	625	77	CA 44%	FL 11%	0%	100.0	5.4	55.4
MLMI 2006-HE1 B2	2/28/2006	11	7.86	618	77	CA 26%	FL 13%	11%	100.0	5.8	45.0
NCHET 2006-1 M9	1/30/2006	11	7.94	622	80	CA 27%	FL 13%	11%	100.0	6.0	44.4
SVHE 2005-OPT1 M8	11/30/2005	13	8.01	622	80	CA 28%	FL 13%	11%	100.0	2.6	35.8
SASC 2006-NC1 M8	6/22/2006	11	7.63	617	81	CA 26%	FL 12%	23.5	100.0	8.3	37.9
CWL 2006-1 MV8	2/10/2006	13	6.75	618	78	CA 33%	FL 19%	0.0	100.0	5.4	38.5
MABS 2006-AM2 M8	7/28/2006	9	7.60	608	75	FL 31%	CA 19%	12.2	100.0	3.4	37.3
NCHET 2006-2 M9	6/29/2006	8	7.65	621	85	CA 29%	FL 9%	24.3	100.0	9.9	35.3
SAIL 2006-BNC3 M7	8/25/2006	7	7.73	618	74	CA 43%	FL 8%	18.5	100.0	9.4	35.2
CWL 2005-BC4 M8	12/27/2005	13	8.59	620	75	CA 28%	FL 12%	28%	100.0	9.9	37.5
NHEL 2005-HE1 B2	10/20/2005	15	8.56	631	78	CA 35%	FL 9%	13%	100.0	7.1	51.8
FMIC 2006-2 M9	7/6/2006	9	7.71	624	82	CA 32%	FL 12%	12%	100.0	6.0	47.4
FFML 2006-FF6 M8	8/1/2006	8	7.62	626	81	CA 25%	FL 12%	15%	100.0	5.3	51.2
MLMI 2006-HE1 B2	1/26/2006	11	7.83	618	77	CA 28%	NY 11%	18%	100.0	5.8	46.5

Source: Bloomberg, Intex, Prospectuses; Current data used where available

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Loan-Level Characteristics of RMBS Assets

Bloomberg Ticker	Primary Servicer	Current Support(%)	Orig Support(%)	Bankrupt	REO	Foreclosure	Delinq 30-59	Delinq 60+	Delinq 90+
ACCR 2006-1 M8	Accredited	3.8	1.6	0.3	0.7	2.8	2.0	0.9	0.1
HASC 2006-OPT2 M8	OptionOne	7.2	5.4	0.5	0.5	3.8	2.7	2.1	0.8
MLMI 2006-HE1 B2A	Wilshire	8.8	6.8	1.2	1.3	3.0	5.2	4.4	2.3
MSAC 2005-NC1 B2	HomeEquity	13.4	4.5	2.7	2.5	4.0	3.4	2.8	1.6
NCHET 2005-2 M8	NewCentury	8.6	4.4	1.5	1.5	4.0	2.5	2.8	1.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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MSAC 2006-NC1 B3	HomeEquity	6.1	4.4	1.0	1.5	3.9	3.8	1.8	0.9
NCHET 2005-1 M9	NewCentury	7.6	3.2	2.0	1.6	4.4	2.6	2.5	1.4
NCHET 2005-3 M9	NewCentury	7.2	4.2	1.3	1.3	3.9	3.2	2.8	1.6
RAMP 2005-EFC5 M9	HomeComings	3.9	3.1	0.7	1.1	3.7	4.2	1.6	0.6
NCHET 2005-4 M8	NewCentury	9.5	6.0	1.4	1.8	4.3	2.8	3.1	1.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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CMLTI 2005-OPT3 M9	OptionOne	7.7	4.3	1.4	2.0	4.2	1.7	2.2	1.4
GSAMP 2006-NC2 M9	Ocwen	3.7	3.1	0.4	0.0	5.0	4.6	4.0	1.1
HASC 2006-OPT1 M8	OptionOne	5.0	3.8	0.8	0.6	3.0	2.2	2.1	1.0
HASC 2006-NC1 M9	Chase	3.1	2.4	0.5	0.5	2.7	3.2	1.0	0.0
JPMAC 2006-HE1 M9	Chase	6.9	5.1	0.5	1.0	6.1	5.6	2.7	0.4
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Source: Bloomberg, Intex, Prospectuses; Current data used where available

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Loan-Level Characteristics of RMBS Assets

Bloomberg Ticker	Primary Servicer	Current Support(%)	Orig Support(%)	Bankrupt	REO	Foreclosure	Delinq 30-59	Delinq 60+	Delinq 90+
FHLT 2006-B M8	Fremont	5.1	4.6	0.3	0.1	3.7	4.6	5.4	2.6
SABR 2006-FR3 B2	HomeEquity	6.4	5.2	0.4	0.4	7.9	6.0	4.2	2.0
WMABS 2006-HE2 M9	WaMu	4.9	4.1	n/a	n/a	3.8	4.6	4.7	1.6
SVHE 2006-OPT2 M7	OptionOne	6.0	4.6	0.3	0.2	3.4	3.3	3.5	1.9
CWL 2005-BC5 B	Countrywide	4.7	3.0	0.9	2.1	3.6	5.2	2.4	1.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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MSAC 2005-HE6 B2	Chase	7.1	5.0	1.4	1.7	3.9	3.8	2.2	1.0
ACE 2006-HE4 M9	Ocwen	4.2	4.0	0.1	0.1	2.9	6.1	4.8	1.6
FHLT 2006-C M9	Fremont	4.3	4.0	0.2	0.0	2.4	3.8	3.2	1.0
ACE 2006-OP1 M8	OptionOne	5.9	4.7	0.3	0.4	3.0	4.2	3.5	1.9
ARSI 2006-W4 M9	Ameriquest	3.9	3.1	0.4	1.2	7.2	3.7	5.2	2.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SASC 2006-NC1 M8	WellsFargo	3.9	3.2	0.5	0.9	5.2	4.3	4.5	1.7
CWL 2006-1 MV8	Countrywide	4.8	3.6	0.3	0.6	1.1	3.1	2.2	1.8
MABS 2006-AM2 M8	WellsFargo	6.0	5.2	0.9	0.4	5.9	5.4	3.9	1.1
NCHET 2006-2 M9	NewCentury	3.9	3.5	0.4	0.2	2.8	3.2	3.6	1.8
SAIL 2006-BNC3 M7	Chase	5.1	4.6	0.1	0.0	2.3	4.5	3.3	1.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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Source: Bloomberg, Intex, Prospectuses; Current data used where available

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VI. Comparison of Levered RMBS Structures

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Comparison of Levered RMBS Structures

Transaction Variant Summary

- Given that there are a variety of products allowing investors to take levered exposure to RMBS, it is important to understand structural similarities and differences
- We will consider three distinct types of transactions in this comparison:

NAME	GENERAL DESCRIPTION
Cashflow CDO	Fully issued transaction in which a selection agent or third party collateral manager selects the assets to be repackaged through CDO. Cash proceeds from collateral assets flow through a waterfall to pay the issued Notes, which are broadly syndicated
Bespoke Transaction	Customized transaction negotiated between the correlation desk and a "sponsor" investor/ portfolio manager, who generally takes credit risk at one or more layers of the capital structure. Layers of risk not assumed by "sponsor" investor/ portfolio manager are either hedged by the structured product correlation desk or distributed in subsequent offerings.
Tranched ABX	Standardized ABX tranche trading referencing both the Baa2 and Baa3 variants of the on-the-run and immediately off-the-run ABX.HE indices. The product has sponsorship from all ABX dealers and uses a market standard confirm.

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Comparison of Levered RMBS Structures

Transaction Variant Comparison

- Anderson is a cashflow CDO

	Cashflow CDO	Bespoke Transaction	Tranched ABX
Type	Cashflow Structured Product CDO	Structured Product Correlation Trade	Structured Product Correlation Trade
Assets	Cash Bonds or Single-Name CDS	Tranched CDS	Tranched CDS
Amortizations	Modified Sequential	Varies	Sequential
Callability	NC3 @ Option of Majority of Equity Holders	NC3 @ Option of Protection Buyer	No Call Rights
Cashflow Waterfall / Triggers	Yes	No	No
Manager	Varies	Varies	No
PIKable	Single-A Debt and Below	No	No
Trading / Reinvestment Period or Static	*Managed Deals:* Trading/Reinvestment *Defensively Managed:* Trading (only credit sales) *Static:* Liquidation after an asset downgrade	Static / Revolving	Static
Standardized Documentation	No	No	Yes
Transparent Marking / Market Making	No	No	Yes

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Comparison of Levered RMBS Structures

Transaction Variant Comparison (Continued)

	Cashflow CDO	Bespoke Transaction	Tranched ABX
Typical Number of Obligors in Collateral / Reference Portfolio	100+	70+	40
Non-Dollar Offerings	No	Yes	No
Customizability at Different Layers of Capital Structure	No	Yes	No
Marking Policy	Bid for $1mm Original Face	Bid for $1mm Original Face	Mid-Market Based on Two-Way Flows
Factors Affecting First Dollar of Loss Breakeven	Losses, loss timing, interest rates, collateral ratings and other features	Losses Only	Losses Only
Deleveraging Risk, Intererest Rate Mismatch Risk and Interest Shortfall / Available Funds Cap Risk	Borne by Equity and Potentially Rated Debt if Severe	Borne by Structured Product Correlation Book	Borne by Structured Product Correlation Book

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Comparison of Levered RMBS Structures

Comparison of Key Structural Differences

Feature	Alternatives	Description	Comment*
Portfolio Amortizations	Sequential	Amortizations allocated sequentially	Best for senior debt holders, worst for equity holders
	Modified Sequential	Amortizations allocated sequentially to each tranche until the target OC ratio (set at a level greater than initial OC ratio) is reached, then amortizations are allocated to subordinate tranche	Generally used for non-sequential GS transactions
	Modified Pro-Rata	Amortizations allocated in a pro-rata fashion until total portfolio amortizations total 50% of initial balance	Worst for senior debt holders, best for equity holders
Callability	No Call	Transaction may not be optionally terminated in part or in whole	Best for debt holders
	Equity Call	Transaction may be terminated in whole after the non-call period given a majority vote of the equity holders	
	Tranche by Tranche	Transaction may be terminated either in part or in whole at the option of the protection buyer	Worst for debt holders
Triggers	Yes	Built-in mechanism that diverts cashflows from equity and potentially junior debt to senior debt should overcollateralization and/or interest coverage metrics underperform initial expectations	Generally good for repayment of debt; can be detrimental to junior debt holders if performance metrics deteriorate too quickly
	No	No cashflow diversion based on metric underperformance	Simple to model when compared to transactions with triggers; debt cashflows only reduced when subordination has fully eroded

*Assumes all else equal

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VII. Equity Yield Scenarios

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Equity Yield Profile -- Interest Rate Sensitivity

LIBOR Interest Rate Sensitivity [1,2]
(Assuming 0.0% CDR, 8 Year Auction Call)

	-200 bps	-100 bps	Forward LIBOR	+100 bps	+200 bps
Equity Yield	21.3%	22.7%	24.1%	25.6%	27.0%

1 Interest rate shifts occur immediately upon Closing Date.
2 All assumptions are based on the Modeling Assumptions except for LIBOR rates as specified in the tables. See "Modeling Assumptions."

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Equity Yield Profile – Prepayment Sensitivity

Prepayment Rate Sensitivity [1,2,3,4]
(Assuming 0.0% CDR, 8 Year Auction Call)

	Fast Case	Base Case	Slow Case
	Prepayment Scenario[2,4]	Prepayment Scenario[1,4]	Prepayment Scenario[3,4]
Equity Yield	23.0%	24.1%	27.8%

1 Base Case Prepayment Scenario assumes: pricing prepayment speed
2 Fast Case Prepayment Scenario assumes: 150% of the pricing prepayment speed
3 Slow Case Prepayment Scenario assumes: 30% of the pricing prepayment speed
4 See "Modeling Assumptions" for additional assumptions used.

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Equity Yield Profile – Option Call Sensitivity

Option Call Sensitivity [1]
(Assuming 0.0% CDR)

Call Year:	3	4	5	6	7	8
Equity Yield (Assets called at 0 bps tighter)	28.1%	28.4%	27.3%	25.8%	24.5%	24.1%
Equity Yield (Assets called at 20 bps tighter)	29.4%	28.9%	27.5%	25.8%	24.5%	24.1%
Equity Yield (Assets called at 40 bps tighter)	30.8%	29.4%	27.6%	25.9%	24.5%	24.1%
Equity Yield (Assets called at 60 bps tighter)	32.1%	29.9%	27.8%	25.9%	24.5%	24.1%
Equity Yield (Assets called at 80 bps tighter)	33.3%	30.3%	28.0%	25.9%	24.5%	24.1%
Equity Yield (Assets called at 100 bps tighter)	34.6%	30.6%	28.1%	26.0%	24.5%	24.1%

[1] All assumptions are based on the Modeling Assumptions except for call dates and spread tightening as specified in the tables. See "Modeling Assumptions."

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VII. Modeling Assumptions

Note: The information in this section is preliminary and subject to change

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Modeling Assumptions

Assumptions applicable to modeling runs (there can be no assurance that the transaction will reflect these assumptions):

Liability Structure	Par
Class S Notes	$3.9 MM
Class A-1 Notes	$300.0 MM
Class A-2 Notes	$75.0 MM
Class B Notes	$40.0 MM
Class C Notes	$35.0 MM
Class D Notes	$28.5 MM
Class E Notes	$6.0 MM
Income Notes	$15.0 MM

- LIBOR rates are based on the forward curve as of February 20, 2007.
- The Equity yields are calculated using the XIRR function in Microsoft Excel.
- The Closing Date is May 12, 2007; the first Payment Date is October 12, 2007.
- The CDO is 100% invested at the Closing Date.
- Coupon and margin over LIBOR are based on the portfolio composition as of February 20, 2007 and are calculated based on the weighted average expected coupon and spread on the projected remaining asset pool outstanding during each period.
- Expenses are paid at the end of each period at 4.125 bps per annum of the outstanding collateral balance.

Potential investors should review the final Offering Circular relating to the Preferred Shares, including the descriptions of Risk Factors contained in such Offering Circular prior to making a decision to invest in the Income Notes. The Offering Circular will supersede this document in its entirety.

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Modeling Assumptions

Assumptions applicable to modeling runs (there can be no assurance that the transaction will reflect these assumptions):

- Any sale proceeds and scheduled and unscheduled Notional Reductions will be used, first, to redeem the Class A Notes until the Senior Overcollateralization ratio reaches [136.7%], second, to redeem the Class B Notes until the Class B Note Overcollateralization reaches [122.5%], third, to redeem the Class C Notes until the Class C Note Overcollateralization reaches [112.2%], fourth, to redeem the Class D Notes until Class D Note Overcollateralization reaches [105.8%], fifth to redeem the Class E notes until the Class E Note Overcollateralization reaches [103.8%]. Once each respective target overcollateralization level is reached, proceeds are passed to the Income Notes. When the principal balance of Collateral Assets reaches $[200,000,000], the Notes remaining at that point are amortized sequentially.
- Class A/B OC Test level is [116.0%], Class C OC Test level is [107.2%], the Class D OC Test level is [103.00%], and the Class E OC Test level is [101.4%].
- Payments to the Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes are made on the 12th of each month; payments to the Income Notes are made on the 12th day of every April, July, October, and January.
- All proceeds from collateral are assumed to be received 12 days prior to each payment date.
- While held in cash, all proceeds from collateral are assumed to earn a per annum rate of 1mL-25bps.
- No trading gains or call premiums are assumed.
- Defaults commence at the end of month 12 and continue through the life of the transaction.
- Recoveries are realized immediately upon default. The assumed recovery rate is 35%

Potential investors should review the Offering Circular relating to the Preferred Shares, including the descriptions of Risk Factors contained in such Offering Circular prior to making a decision to invest in the Income Notes. The Offering Circular will supersede this document in entirety.

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[redacted]

Appendix A – Portfolio Asset List

Note: The information in this section is preliminary and subject to change

[redacted]

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Goldman Sachs

Portfolio Composition[1]

Comprehensive Collateral Asset List:

CUSIP	Asset Name	Original Face	Factor	Current Face	Moody's	S&P	Fitch	Avg Life	Asset Type
64352VLA7	NCHET 2005-2 M8	5,000,000	1.000	5,000,000	Baa2	BBB	-	2.53	RMBS Subprime
03072SM85	AMSI 2005-R8 M9	5,000,000	1.000	5,000,000	Baa3	BBB	BBB+	3.48	RMBS Subprime
61744CPQ3	MSAC 2005-NC2 B3	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	2.61	RMBS Subprime
61744CYK6	MSAC 2005-NC1 B3	5,000,000	1.000	5,000,000	Baa3	BBB	BBB	3.90	RMBS Subprime
64352VKJ8	NCHET 2005-1 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	2.22	RMBS Subprime
03072SV93	AMSI 2005-R11 M9	5,000,000	1.000	5,000,000	Baa3	BBB	BBB	3.97	RMBS Subprime
04541GQH8	ABSHE 2005-HE2 M7	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	2.20	RMBS Subprime
17307GSS8	CMLTI 2005-OPT3 M9	5,000,000	1.000	5,000,000	Baa3	BBB	BBB	3.24	RMBS Subprime
466286BB4	JPMAC 2006-CW2 MV9	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	4.12	RMBS Subprime
61744CKW5	MSAC 2005-HE1 B3	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	2.17	RMBS Subprime
61744CNV8	MSAC 2005-HE2 B3	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	2.57	RMBS Subprime
85108AAW3	NCMT 2006-1 M9	5,000,000	1.000	5,000,000	Baa3	BBB+	-	4.32	RMBS Subprime
172983AN6	CMLTI 2006-NC1 M8	5,000,000	1.000	5,000,000	Baa2	BBB	-	3.67	RMBS Subprime
8137F5AH7	SABR 2006-FR3 B2	5,000,000	1.000	5,000,000	Baa2	BBB	BBB+	4.69	RMBS Subprime
83611MMT2	SVHE 2006-OPT2 M7	5,000,000	1.000	5,000,000	Baa2	A-	-	3.43	RMBS Subprime
126670NN4	CWL 2005-BC5 B	5,000,000	1.000	5,000,000	Baa3	BBB	-	3.76	RMBS Subprime
14453FAN9	CARR 2006-NC2 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	3.55	RMBS Subprime
46626LJZ4	JPMAC 2006-NC1 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	3.97	RMBS Subprime
46629FAN0	JPMAC 2006-NC2 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	4.02	RMBS Subprime
65536MAN7	NHELI 2006-HE2 M9	5,000,000	1.000	5,000,000	Baa3	BBB	BBB-	3.51	RMBS Subprime
040104TS0	ARSI 2006-W4 M9	5,000,000	1.000	5,000,000	Baa3	BBB	BBB	3.86	RMBS Subprime
59021AAM0	MLMI 2006-FM1 B2	5,000,000	1.000	5,000,000	Baa2	BBB	-	3.67	RMBS Subprime
83611MEE4	SVHE 2005-DO1 M8	5,000,000	1.000	5,000,000	Baa2	A-	BBB+	3.00	RMBS Subprime
86360PAR8	SASC 2006-NC1 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	4.06	RMBS Subprime
126670UD8	CWL 2006-1 MV8	5,000,000	1.000	5,000,000	Baa2	A-	-	3.74	RMBS Subprime
57645FAS6	MABS 2006-AM2 M8	5,000,000	1.000	5,000,000	Baa2	-	-	3.73	RMBS Subprime
64360YAM7	NCHET 2006-2 M9	5,000,000	1.000	5,000,000	Baa2	BBB-	-	4.03	RMBS Subprime
863611KAM9	SAIL 2006-BNC3 M7	5,000,000	1.000	5,000,000	Baa2	BBB	BBB	4.36	RMBS Subprime
126670LW6	CWL 2005-14 M8	5,000,000	1.000	5,000,000	Baa2	BBB	-	3.65	RMBS Subprime
59023AAN6	MLMI 2006-MLN1 B2	5,000,000	1.000	5,000,000	Baa2	BBB+	-	4.19	RMBS Subprime

[1] *Portfolio as of February 22, 2007*

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Goldman Sachs

Portfolio Composition[1]

Comprehensive Collateral Asset List:

CUSIP	Asset Name	Original Face	Factor	Current Face	Moody's	S&P	Fitch	Avg Life	Asset Type
004375FE6	ACCR 2006-1 M8	5,000,000	1.000	5,000,000	Baa2	BBB	-	3.96	RMBS Midprime
40430HEH7	HASC 2006-OPT2 M8	5,000,000	1.000	5,000,000	Baa2	BBB+	BBB+	3.77	RMBS Midprime
59020U3N3	MLMI 2006-HE1 B2A	5,000,000	1.000	5,000,000	Baa2	BBB+	-	3.55	RMBS Midprime
004421VC4	ACE 2006-NC1 M9	5,000,000	1.000	5,000,000	Baa3	BBB+	-	3.58	RMBS Midprime
144531BK5	CARR 2005-NC1 M8	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	2.72	RMBS Midprime
22237JAP2	CWL 2006-BC2 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	-	3.61	RMBS Midprime
64352VLS8	NCHET 2005-3 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	2.77	RMBS Midprime
76112BL24	RAMP 2005-EFC8 M9	5,000,000	1.000	5,000,000	Baa3	BBB	-	4.40	RMBS Midprime
64352VNB3	NCHET 2005-4 M8	5,000,000	1.000	5,000,000	Baa2	BBB	BBB	2.89	RMBS Midprime
004421PY3	ACE 2005-HE4 M9	5,000,000	1.000	5,000,000	Baa3	BBB	BBB	3.13	RMBS Midprime
03072ST62	AMSI 2005-R10 M9	5,000,000	1.000	5,000,000	Baa3	BBB	BBB	3.99	RMBS Midprime
144531FG0	CARR 2006-NC1 M9	5,000,000	1.000	5,000,000	Baa3	BBB+	BBB-	3.77	RMBS Midprime
362463AP6	GSAMP 2006-NC2 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	-	3.66	RMBS Midprime
40430HDN5	HASC 2006-OPT1 M9	5,000,000	1.000	5,000,000	Baa3	BBB+	BBB+	3.67	RMBS Midprime
40430HFA1	HASC 2006-NC1 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	-	3.10	RMBS Midprime
46626LGQ7	JPMAC 2006-HE1 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	4.45	RMBS Midprime
35729QAN8	FHLT 2006-B M8	5,000,000	1.000	5,000,000	Baa2	BBB	BBB+	4.19	RMBS Midprime
93934JAN4	WMABS 2006-HE2 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	-	3.67	RMBS Midprime
57643LMX1	MABS 2005-NC2 M8	5,000,000	1.000	5,000,000	Baa2	A+	BBB+	2.96	RMBS Midprime
61744CWE2	MSAC 2005-HE6 B2	5,000,000	1.000	5,000,000	Baa2	BBB+	BBB+	3.80	RMBS Midprime
00442BAP6	ACE 2006-HE4 M9	5,000,000	1.000	5,000,000	Baa3	BBB	-	4.70	RMBS Midprime
35729TAP7	FHLT 2006-C M9	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB	4.07	RMBS Midprime
00442PAP5	ACE 2006-OP1 M8	5,000,000	1.000	5,000,000	Baa2	BBB+	-	3.83	RMBS Midprime
04541GWC1	ABSHE 2006-HE2 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	3.54	RMBS Midprime
46602WAN4	IXIS 2006-HE2 B3	5,000,000	1.000	5,000,000	Baa3	BBB	BBB-	4.17	RMBS Midprime
64352VRB9	NCHET 2006-1 M9	5,000,000	1.000	5,000,000	Baa3	BBB-	BBB-	3.69	RMBS Midprime
61744CUZ7	MSAC 2005-HE5 B2	5,000,000	1.000	5,000,000	Baa2	BBB+	BBB+	3.54	RMBS Midprime
31659EAM0	FMIC 2006-2 M8	5,000,000	1.000	5,000,000	Baa2	BBB+	-	3.35	RMBS Midprime
437097AP3	HEAT 2006-6 M8	5,000,000	1.000	5,000,000	Baa2	A-	A-	4.06	RMBS Midprime
61744CMS2	MSAC 2005-NC1 B2	5,000,000	1.000	5,000,000	Baa2	BBB	BBB	2.42	RMBS Subprime
92534FAE8	VRGO 2006-1A B1	5,000,000	1.000	5,000,000	Baa1	BBB+	-	6.61	RMBS CDO

[1] *Portfolio as of February 22, 2007*

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[redacted]

Appendix B – Goldman Sachs Contact Information

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Anderson Mezzanine Funding 2007-1, Ltd.

Team Contact Information

Goldman, Sachs & Co. – Structuring and Placement Agent

Structured Product CDOs – Structuring, Marketing, and Principal Investments

Peter Ostrem, Managing Director	(212) 357-4617
Matt Bieber, Vice President	(212) 357-9193
Michele Chilson, Vice President	(212) 902-2881
John X. Li, Associate	(212) 902-2592
Shelly Lin, Analyst	(212) 357-9944
Eric Siegel, Analyst	(212) 357-9753

Syndication

Bunty Bohra, Managing Director	(212) 902-7645
Scott Wisenbaker, Vice President	(212) 902-2858
Omar Chaudhary, Vice President	+81 (3) 6437-7198
Mitchell Resnick, Executive Director	+44 (20) 7774-3068
Tetsuya Ishikawa, Associate	+44 (20) 7774-1025

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From: Bieber, Matthew G.
Sent: Wednesday, March 28, 2007 3:49 PM
To: Steffelin, Edward
Subject: RE: ACA Meeting

"ANDY" is Bberg ticker for Anderson. Let me come back with a few times on Monday. Would be good to have Wenbo there.

-----Original Message-----
From: Steffelin, Edward [mailto:esteffelin@gsc.com]
Sent: Wednesday, March 28, 2007 4:37 PM
To: Bieber, Matthew G.
Subject: Re: ACA Meeting

Who is ANDY - monday we are pretty open and wenbo is out on friday

---

Edward Steffelin - esteffelin@gscpartners.com GSC Group
12 East 49th Street, Suite 3200
New York, New York 10017
212-884-6190
212-884-6184 FAX

-----Original Message-----
From: Bieber, Matthew G. <matthew.bieber@gs.com>
To: Steffelin, Edward
Sent: Wed Mar 28 15:36:03 2007
Subject: ACA Meeting

They came back and asked to do meeting in person. Doesn't have to be this Friday, if that's no good for you - they can also do early next week. Questions on ANDY - but also want to do manager due diligence. They've heard the GSC team shows well - so want to meet you in person.

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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2344

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From: Lin, Shelly
Sent: Thursday, January 03, 2008 6:08 PM
To: Case, Benjamin
Subject: RE: LAA Deal Summary for Dan

Attachments: Deal Summary.xls

Please use this version -- the other one had external links to the TAP output. This version is saved in the folder.



Deal Summary.xls

From: Lin, Shelly
Sent: Thursday, January 03, 2008 6:06 PM
To: Case, Benjamin
Subject: LAA Deal Summary for Dan

See attached. It's also saved in the Liquidation Agent Information Folder:
V:\FICCS\Market_Research_NT\Mortgage Credit Derivatives\Liquidation Agent Information\Deal Summary

I'm still trying to get marks for the cash bonds in the Hout Bay and Hudson High Grade. I'll send you an updated spreadsheet when I have the levels.

<< File: Deal Summary.xls >>

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2353

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GS MSB-E-021860171

Permanent Subcommittee on Investigations

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Deal Summary

Deal Name	Original Asset Balance	Current Asset Balance	Credit Risk Assets (#)	Credit Risk Assets ($)	Credit Risk/Assets (%)	Credit Risk Definitions
Anderson Mezzanine Funding 2007-1	305,000,000	305,000,000	17	85,000,000	27.87%	Below B- or B3
Hout Bay 2006-1	1,500,000,000	1,448,848,456	9	41,799,000	2.88%	Below BBB- or Baa3
Hudson High Grade Funding 2006-1	1,500,000,000	1,474,567,149	10	71,397,000	4.84%	Below BBB- or Baa3
Hudson Mezzanine Funding 2006-1	2,000,000,000	1,990,628,749	44	625,000,000	31.39%	Below BB- or Ba3
Hudson Mezzanine Funding 2006-2	400,000,000	400,000,000	24	120,000,000	30.00%	Below BB- or Ba3

Credit Risk Assets ($) - Time Series

Report Date	Anderson	Hout Bay	Hudson High Grade	Hudson Mezz 1	Hudson Mezz 2
1-Jul-07	0	0	0	0	0
15-Jul-07	5,000,000	0	0	73,000,000	20,000,000
1-Aug-07	5,000,000	0	0	73,000,000	20,000,000
15-Aug-07	5,000,000	0	0	73,000,000	20,000,000
1-Oct-07	5,000,000	0	0	103,000,000	30,000,000
15-Oct-07	85,000,000	0	37,000,000	560,000,000	120,000,000
1-Nov-07	85,000,000	19,000,000	50,050,000	581,000,000	120,000,000
15-Nov-07	85,000,000	33,375,000	55,434,000	586,500,000	120,000,000
1-Dec-07	85,000,000	33,375,000	55,434,000	586,500,000	120,000,000
15-Dec-07	85,000,000	33,375,000	55,434,000	586,500,000	120,000,000
1-Jan-08	85,000,000	41,799,000	71,397,000	625,000,000	120,000,000

Credit Risk Assets (%) - Time Series

As % of current asset balance

Report Date	Anderson	Hout Bay	Hudson High Grade	Hudson Mezz 1	Hudson Mezz 2
1-Jul-07	0.00%	0.00%	0.00%	0.00%	0.00%
15-Jul-07	1.64%	0.00%	0.00%	3.67%	5.00%
1-Aug-07	1.64%	0.00%	0.00%	3.67%	5.00%
15-Aug-07	1.64%	0.00%	0.00%	3.67%	5.00%
1-Oct-07	1.64%	0.00%	0.00%	5.17%	7.50%
15-Oct-07	27.87%	0.00%	2.51%	28.53%	30.00%
1-Nov-07	27.87%	1.10%	3.39%	25.18%	30.00%
15-Nov-07	27.87%	2.30%	3.76%	29.96%	30.00%
1-Dec-07	27.87%	2.30%	3.76%	29.96%	30.00%
15-Dec-07	27.87%	2.30%	3.76%	29.96%	30.00%
1-Jan-08	27.87%	2.88%	4.84%	31.39%	30.00%

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Moody's Recovery Rates

Residential Mortgage Backed Securities

Tranche Type	Aaa	A	Baa	Ba	B
5<=x<10	55.00%	45.00%	40.00%	30.00%	20.00%
2<=x<5	45.00%	40.00%	35.00%	25.00%	15.00%
x<2	35.00%	30.00%	25.00%	15.00%	10.00%

Time Series - Weighted Average Levels

As of Date	Anderson	Hoxt Bay	Hudson High Grade	Hudson Mezz 1	Hudson Mezz 2
16-Jul-07	56.30%			45.36%	44.19%
1-Aug-07	45.61%			31.24%	31.08%
15-Aug-07	44.20%			29.89%	28.84%
4-Sep-07	43.71%			31.89%	31.75%
17-Sep-07	43.78%			31.54%	31.80%
1-Oct-07	38.05%			24.33%	24.29%
15-Oct-07	31.05%			28.87%	24.08%
1-Nov-07	15.05%			15.02%	14.65%
15-Nov-07	14.01%			15.34%	13.57%
3-Dec-07	15.05%			18.15%	17.53%
17-Dec-07	15.43%			19.07%	18.55%
2-Jan-08	15.10%			19.97%	17.49%

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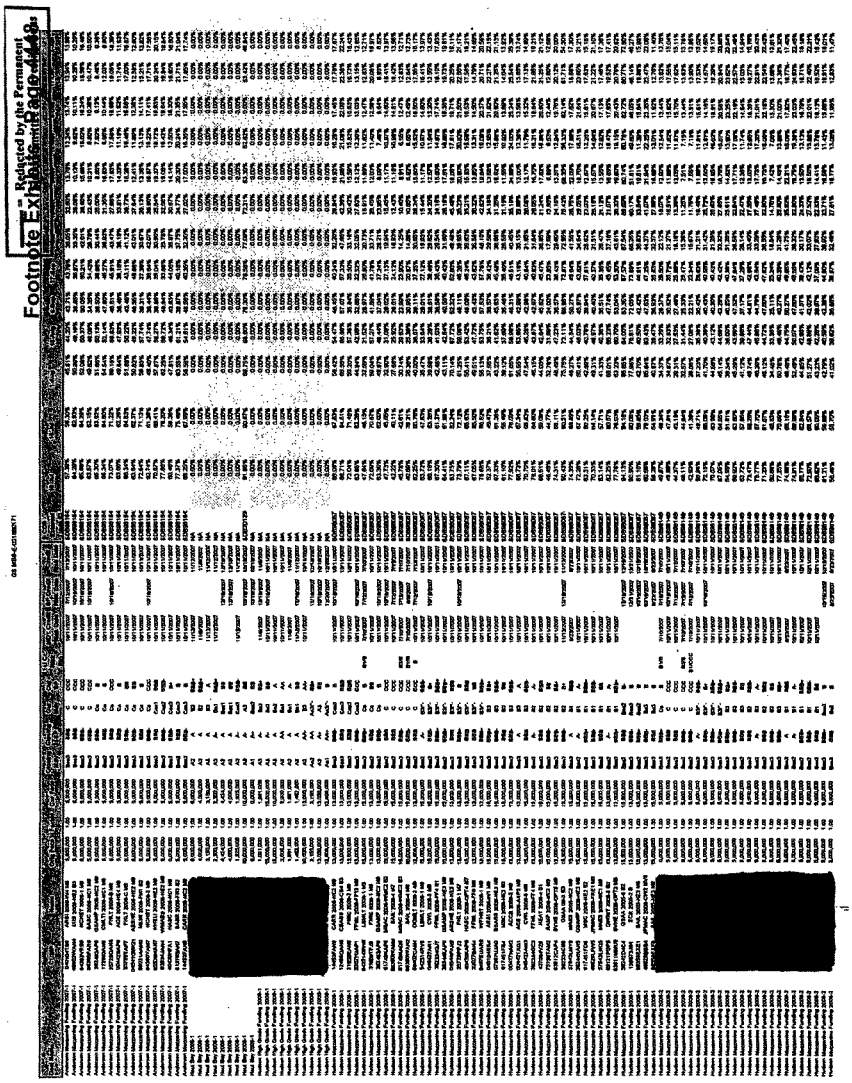
Redacted by the Permanent Subcommittee on Investigations
Footnote Exhibit #1

From: Lee, Jay
Sent: Wednesday, August 22, 2007 9:27 PM
To: Bieber, Matthew G.; Lehman, David A.; Creed, Christopher J; Williams, Geoffrey; ficc-spcdo
Cc: Chaudhary, Omar; Resnick, Mitchell R; Sugioka, Hirotaka
Subject: Re: Asia requests

For #2, let's get whatever marks we provided on any tranches on The Wolf and Point Pleasant in the below time range (doesn't have to be on those precise dates) and we will go from there.

----- Original Message -----
From: Bieber, Matthew G.
To: Lee, Jay; Lehman, David A.; Creed, Christopher J; Williams, Geoffrey; ficc-spcdo
Cc: Chaudhary, Omar; Resnick, Mitchell R; Sugioka, Hirotaka
Sent: Thu Aug 23 03:13:18 2007
Subject: RE: Asia requests

1) All the WARF's for each deal were pulled from Intex. Spot checked a few that were missing from the attached spreadsheet and was unable to pull them up manually - looks like we're going to have to go with what was sent.

2) LDL

3) I took a look back at the total number of CUSIPs from a look through back in May - and I still see approximately 4500 CUSIPs. They may be looking at total CUSIPs rather than unique CUSIPs. If that's the case, then the 7000 number sounds close to correct - although I think the number back in May was 8050. The marketing book for the deal also mentions approx 4200 unique CUSIPS (though I don't recall whether this was sent to them)

4) Shelly is sending

From: Lee, Jay
Sent: Wednesday, August 22, 2007 1:45 PM
To: Lehman, David A.; Creed, Christopher J; Williams, Geoffrey; ficc-spcdo
Cc: Chaudhary, Omar; Resnick, Mitchell R; Sugioka, Hirotaka
Subject: Asia requests

Apologies for any requests that have already been sent over separately --

1) HK Life asking again on Timberwolf whether we can get WARF's for deals that were not sent in the triggers file. Please see attached on the "WARF" tab to see what I sent. There were WARF's for 40 of the 55 CDO deals. I originally told them we could not when I first sent the file, but they want to check again.
<< File: Timberwolf CDO Data 2007-08-08.xls >>
2) Tokyo Star wants historical offer-side DM's on Point Pleasant and Timberwolf for the following dates across the capital structure. The purpose is to get more color on how the CDO^2 market has changed since when we marketed the deals to them, and we've already rejected their request to provide generic DM's on all CDO^2 deals on the grounds that the market is too differentiated. Regarding this request, we have already told them the following: a) we might be able to provide anything in writing (verbal only), b) if we can provide levels they will probably be dollar prices (not DM's) and they can use Bloomberg to estimate DM's on a no-loss basis if that's what they really want, c) we might not be able to provide offer-side levels for all dates.
Can we do the best we can to get them what they want?
<Offer DM on Timberwolf>

	1-Apr	15-Apr	30-Apr	1-May	15-May	30-May	1-Jun	15-Jun	30-Jun
AAA(senior)									
AAA(junior)									

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2367

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66052.378

AA
A
BBB
BB

<Offer DM of Point Pleasant>

	15-May	30-May	1-Jun	15-Jun	30-Jun
AAA(senior)					
AAA(junior)					
AA					
A					
BBB					
BB					

3) Tokyo Star is asking why there is such a big discrepency between CUSIP counts from May (before they bought) and August (after they bought) on Timberwolf. May's CUSIP counts were much higher (7000+) compared to the data we are now providing (4000+). We told them there is changes in data from third party sources as well as our own techniques for exploding the data. Was wondering if there was any incremental information that you have on this -- if not, we should be able to handle.

4) Orix Life, who is looking at GSC 06-3HG, is asking if we can show the updated ratings on the underlying portfolio (given the recent rating changes, especially the ones announced August 16th on Alt-A downgrades)

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From: Sparks, Daniel L
Sent: Monday, February 26, 2007 8:48 AM
To: Montag, Tom
Subject: Re: Questions you had asked

Dillon read: 1 bb deal, 50/50 risk.
Greywolf: 1 bb deal, now basically gs risk because losses thru the greywolf upfront 50 percent first loss

----- Original Message -----
From: Montag, Tom
To: Sparks, Daniel L
Sent: Mon Feb 26 08:33:46 2007
Subject: Re: Questions you had asked

Is that our half of the warehouse. Who is doing them with us or is it all ours

----- Original Message -----
From: Sparks, Daniel L
To: Montag, Tom
Sent: Mon Feb 26 08:32:06 2007
Subject: Re: Questions you had asked

Roughly 2 bb, and they are the deals to worry about. Focus is super- senior, which if we get done will make them work

----- Original Message -----
From: Montag, Tom
To: Sparks, Daniel L
Sent: Mon Feb 26 07:43:29 2007
Subject: RE: Questions you had asked

cdo squared--how big and how dangerous

-----Original Message-----
From: Sparks, Daniel L
Sent: Monday, February 26, 2007 7:37 AM
To: Montag, Tom
Subject: Re: Questions you had asked

Roughly 2 bb high grade deals and 2 bb cdo's squared

In client meeting in greenwich and can give more details in hour and half

----- Original Message -----
From: Montag, Tom
To: Sparks, Daniel L
Sent: Mon Feb 26 07:31:49 2007
Subject: Re: Questions you had asked

So what is total of cdo warehouse after liquidation by sector

----- Original Message -----
From: Sparks, Daniel L
To: Montag, Tom

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2369

Confidential Treatment Requested by Goldm

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 00384 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

66052.380

Sent: Mon Feb 26 06:47:43 2007
Subject: Re: Questions you had asked

Still subprime, but only outright bbb subprime is in gsc deal we may liquidate. Other subprime in form of a, aa, aaa subprime and in form of a-rated cdo's (greywolf and dillon read).

----- Original Message -----
From: Montag, Tom
To: Sparks, Daniel L
Sent: Sun Feb 25 22:49:48 2007
Subject: Re: Questions you had asked

Thanks. So no warehouse in subprime? What about greywolf-what is in that

----- Original Message -----
From: Sparks, Daniel L
To: Montag, Tom
Cc: Ruzika, Richard
Sent: Sun Feb 25 20:34:19 2007
Subject: Questions you had asked

Last week the trading desks did the following:

(1) Cover around $1.5 billion single name subprime BBB- CDS and around $700mm single name subprime BBB CDS. The desk also net sold over $400mm BBB- ABX index. Desk is net short, but less than before. Shorts are in senior tranches of indexes sold and in single names. Plan is to continue to trade from short side, cover more single names and sell BBB- index outright.

(2) The CDO business liquidated 3 warehouses for deals of $530mm (about half risk was subprime related). Business also began liquidation of [redacted] - all synthetics done, cash bonds will be sold in next few days. One more CDO warehouse may be liquidated this week - approximately $300mm with GSC as manager. That will leave us with 2 large CDOs of A-rated CDOs, 2 high grade deals with limited subprime mezz risk, and 2 other small warehouses that are on hold. Getting super-senior done on CDOs is the critical path, and that is where the focus is - for the CDOs of CDOs, NATIXIS (Paris) on Dillion Reed deal and Wincap (London) on Greywolf deal.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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66052.381

From: Egol, Jonathan
Sent: Monday, May 14, 2007 8:20 AM
To: Wiesel, Elisha
Subject: RE: Gameplan - asset model analysis

Of course -- will you be circulating a draft of the email for Gary?

-----Original Message-----
From: Wiesel, Elisha
Sent: Monday, May 14, 2007 8:08 AM
To: Egol, Jonathan
Subject: Re: Gameplan - asset model analysis

Tks. Would value your taking a close look at the email to Gary, want to be 100pct in sync w trading desk in our description of how we think w're going to value the portfolios.

----- Original Message -----
From: Egol, Jonathan
To: Wiesel, Elisha; Burchard, Paul; Lehman, David A.; Sparks, Daniel L; Swenson, Michael; Birnbaum, Josh; Primer, Jeremy; Turok, Michael
Cc: Brafman, Lester R
Sent: Mon May 14 08:05:33 2007
Subject: RE: Gameplan - asset model analysis

I think we can look at the 2x CDO CDS scenario Paul provided below as a proxy.

-----Original Message-----
From: Wiesel, Elisha
Sent: Monday, May 14, 2007 7:57 AM
To: Egol, Jonathan; Burchard, Paul; Lehman, David A.; Sparks, Daniel L; Swenson, Michael; Birnbaum, Josh; Primer, Jeremy; Turok, Michael
Cc: Brafman, Lester R
Subject: RE: Gameplan - asset model analysis

Can we not incorporate the cds bid/offer by running Paul's analysis on #2 below at shocked RMBS cds levels?

-----Original Message-----
From: Egol, Jonathan
Sent: Monday, May 14, 2007 5:28 AM
To: Burchard, Paul; Wiesel, Elisha; Lehman, David A.; Sparks, Daniel L; Swenson, Michael; Birnbaum, Josh; Primer, Jeremy; Turok, Michael
Cc: Brafman, Lester R
Subject: Re: Gameplan - asset model analysis

This correlation analysis does not incorporate 2 things:
- cds bid/offer
- cashflow triggers (underlying level)

For names where the underlying longs were externalized, the cdo cds offered side spread is going to be close to 2x the current marked spread for many underliers. It will be important to use the cdo cds trading franchise to source hedges at the bid side of the market.

The downgrade sensitivity of the underlying cdo cashflow triggers means that there is some (hard to quantify) probability that some or all names essentially jump to default.

----- Original Message -----
From: Burchard, Paul

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Report Footnote #2386

GS MBS-E-003361238

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66052.382

To: Wiesel, Elisha; Lehman, David A.; Sparks, Daniel L; Swenson, Michael; Birnbaum, Josh; Egol, Jonathan; Primer, Jeremy; Turok, Michael
Cc: Brafman, Lester R
Sent: Mon May 14 00:45:22 2007
Subject: Re: Gameplan - asset model analysis

One point of this correlation analysis is that it provides a relative value argument about how to hedge the cdo^2 risk. It indicates (as the desk is aware) that it is currently cheaper to buy protection against the cdo^2 at the cdo level than at the rmbs level. To the extent that we can put on this hedge, we can recover the higher (72 cent) price, no matter how bad rmbs looks.

Sent from my BlackBerry Wireless Handheld

----- Original Message -----
From: Wiesel, Elisha
To: Burchard, Paul; Lehman, David A.; Sparks, Daniel L; Swenson, Michael; Birnbaum, Josh; Egol, Jonathan; Primer, Jeremy; Turok, Michael
Cc: Brafman, Lester R
Sent: Mon May 14 00:01:17 2007
Subject: RE: Gameplan - asset model analysis

David - We spoke briefly to Ben and Edwin earlier this evening and asked them if it would be possible to come up with CDS marks for any missing BBB/BBB- RMBS deals as well as a heuristic for marking any high-grade tranches by vintage. As Paul says below, this would really help us run results through the asset model (as well as through the NAV analysis we'd discussed doing) for CDOs. I realize this might be painful (several thousand underlying RMBS deals might need to be marked) but we'd like to come back to you when we have some stats on what we're missing and brainstorm on a good way to do this.

From: Burchard, Paul
Sent: Sunday, May 13, 2007 11:05 PM
To: Lehman, David A.; Sparks, Daniel L; Wiesel, Elisha; Swenson, Michael; Birnbaum, Josh; Egol, Jonathan; Primer, Jeremy; Turok, Michael
Cc: Brafman, Lester R
Subject: RE: Gameplan - asset model analysis

We can estimate the value of the Timberwolf CDO^2 by applying a correlation model (the asset model). We have three questions to answer:

1. Based on marks for the single-A CDOs under the CDO^2, what should be the value of the Timberwolf CDO^2?
2. Based on marks for the RMBS under the single-A CDOs, what should be the marks on the CDOs that went into (1)?
3. In both (1) and (2), what market evidence do we have for the correlation that takes us from underlier valuation to the valuation one level up?

In brief, the answers we find are:

1. Based on current single-A CDO marks, the A2 tranche of Timberwolf would have a price of 72 cents on the dollar. The price is not sensitive to correlation at these levels.
2. Based on a small sample of single-A CDOs for which we have complete underlier marks, we believe that the risks of the RMBS underliers are frequently not fully reflected in the marks on the CDOs. If the trends in this small sample are extrapolated, the fair spreads on the CDOs could even be double where they are marked now; if that were the case, the price of the A2 tranche of Timberwolf would actually be 35-41 cents on the dollar, depending on the correlation.
3. Recent Abacus CDOs and CDO^2 have been marked with correlations in the 30-50% range. Median sector marks for mezzanine CDOs imply a correlation of 22%.

Clearly, the next step is to get marks on more of the RMBS underliers in order to be

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able to run more of the CDOs in Timberwolf through a model.

For (1), we find the following relationship between price of the A2 tranche of Timberwolf, and the correlation. The results are also shown when all the underlier spreads are multiplied by a factor of two, based on the results of (2).

CDO	Underlier Spread Multiple	Model Price 30%	Model Price 50%	Model Price 70%	Model Price 100%
TWOLF 2007-1 A2	1	72	72	72	73
TWOLF 2007-1 A2	2	37	41	44	48

For (2), we have the following comparison between current spread marks on single-A CDOs, and Gaussian copula model spreads computed from the current spread marks on their underliers (mostly RMBS). The first three CDOs are Timberwolf underliers. In general, this analysis shows that at current underlier marks, single-A CDOs are equity-like (long correlation). However, per (3), market-implied correlations are low, in the range 20-50%.

CDO	Sector	Mark	Model 30%	Model 50%	Model 70%	Model 100%
ABAC 2006-HG1A C	CDO^2 Mezzanine	520	1667	1336	1077	710
ADROC 2005-2A C	CDO High Grade	275	185	201	192	140
CAMBR 7A C	CDO Mezzanine	665	1096	938	804	579
FORTS 2006-1A C	CDO Mezzanine	440	527	527	499	425
HUDMZ 2006-1A C	CDO Mezzanine	160*	1643	1378	1168	880
HUDMZ 2006-2A C	CDO Mezzanine	250*	2209	1794	1490	1105

*No trades currently on these ref obs, so marks may be stale.

From: Lehman, David A.
Sent: Friday, May 11, 2007 7:37 PM
To: Sparks, Daniel L; Wiesel, Elisha; Swenson, Michael; Birnbaum, Josh; Egol, Jonathan; Primer, Jeremy; Burchard, Paul; Turok, Michael
Cc: Brafman, Lester R; Lehman, David A.
Subject: Gameplan

Following up from this afternoon's meeting -

We are going to better evaluate the CDO^2 risk using three distinct frameworks

1) Blended scenario analysis using HPA (Primer)
2) Risk neutral/correlation framework, consistent with our current synthetic ABS CDOs (Burchard)
3) Simplistic loss assumptions on underlyings / Market Value Coverage (Turok)

Let's look to have something on #1 and #2 to discuss Monday. # 3 will likely take some more time give the low coverage…Turok, pls let us know if you can cuff #3 with our current coverage.

To quote Elisha -

"Am thinking we want a concise write-up of each methodology (one paragraph), with a rank-ordered list of assumptions that show directionality and estimated impact of each assumption. Also think we want to see results of bounding analysis in writing using each methodology, with a description of what knobs we turned, and how far, to come up the bounding analysis."

In addition, the specific trading desks are taking a more detailed look @ the ABS/CMBS/CLO/Option Arm/SP CDO assets in the warehouse and in the retained position account (outside of the CDO^2).

Pls add/comment if there is anything I missed

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Tel: 212-902-2927 | Fax: 212-493-9681 | Mob: 917-[redacted]
e-mail: david.lehman@gs.com

Goldman Sachs

David Lehman
Fixed Income, Currency & Commodities

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66052.385

From: Burchard, Paul
Sent: Sunday, May 20, 2007 1:08 AM
To: Swenson, Michael; Birnbaum, Josh; Lehman, David A.; Egol, Jonathan
Cc: Wiesel, Elisha; Turok, Michael; Primer, Jeremy
Subject: FW: Materials for meeting

FYI - business has asked us for some model prices as part of the discussion about CDO^2 marking.

From: Burchard, Paul
Sent: Sunday, May 20, 2007 1:03 AM
To: Brafman, Lester R; Kaprelian, Michael; Alexander, Lee
Cc: Wiesel, Elisha; Turok, Michael; Primer, Jeremy
Subject: Materials for meeting

Here are some model prices for the CDO^2 trades based on two different replication strategies, one hedging one level down at the CDO level, the other hedging two levels down at the RMBS level. The model is a correlation model (the asset model), and we are assuming 30% correlation at the RMBS level and 30% correlation at the CDO level. For tranches this low in the capital structure (except perhaps PTPLS 07-1 A1), given expected losses, a lower correlation like this is appropriate.

	Price based on CDO Marks	Price based on RMBS Marks
TWOLF 2007-1 A2	66	24
TWOLF 2007-1 B	38	15
PTPLS 2007-1 A1	90	
PTPLS 2007-1 A2	65	
PTPLS 2007-1 B	43	
PTPLS 2007-1 C	43	
PTPLS 2007-1 D	43	

(We will supply PTPLS RMBS numbers on Sunday.)

Initial results from other modeling approaches based on RMBS marks or fundamentals are generally consistent with the much lower RMBS marks found for Timberwolf.

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66052.386

From: Ostrem, Peter L
Sent: Monday, January 15, 2007 2:27 PM
To: Bieber, Matthew G.
Subject: Re: Basis Cap

In an hour. Boarding to Canberra now.

----- Original Message -----
From: Bieber, Matthew G.
To: Ostrem, Peter L
Sent: Mon Jan 15 14:26:55 2007
Subject: Re: Basis Cap

I'm on the train - will call your cell

----- Original Message -----
From: Ostrem, Peter L
To: Bieber, Matthew G.
Sent: Mon Jan 15 14:25:49 2007
Subject: Re: Basis Cap

Let's discuss. Are you in office?

[redacted] = Redacted by the Permanent Subcommittee on Investigations

----- Original Message -----
From: Bieber, Matthew G.
To: Ostrem, Peter L
Sent: Mon Jan 15 14:24:47 2007
Subject: Re: Basis Cap

Did you have a chance to talk to george about sales credits? I've gotten a few inquiries so far [redacted] and think people are expecting something this week.

As it is right now - we're paying out around 100% in gross p&l, but in light of Dans pushback on friday, I'm not sure what I should pay - or tell salespeople when they ask what they're getting paid.

----- Original Message -----
From: Ostrem, Peter L
To: Bieber, Matthew G.
Sent: Mon Jan 15 14:09:55 2007
Subject: Re: Basis Cap

Wambulance. They even tried to claim we never covered the 1mm loss. These guys are paranoid and not very sharp. Let's be nice and just sell them stuff going forward.

----- Original Message -----
From: Bieber, Matthew G.
To: Ostrem, Peter L
Sent: Mon Jan 15 13:45:57 2007
Subject: Re: Basis Cap

What happened in the meeting? I take it that it did not go well.

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Report Footnote #2399

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----- Original Message -----
From: Ostrem, Peter L
To: Bieber, Matthew G.; Rosenblum, David J.; Herrick, Darryl K; Case, Benjamin; Wisenbaker, Scott
Sent: Mon Jan 15 13:43:34 2007
Subject: Basis Cap

They are acting very unprofessional. Disappointed in their inability to comprehend simple math. Anyways, not a good principal partner for near term. However, they are very interested in TCW managed index equity and want meeting at ASF.

Let's discuss this account when I return.

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66052.388

From: Swenson, Michael
Sent: Saturday, May 26, 2007 6:03 PM
To: Chin, Edwin; Salem, Deeb; Bruns, William; Kaufman, Jordan
Subject: Fw: ABS Sec_0525.xls v1.xls

Attachments: ABS Sec_0525.xls v1.xls

P and l looks a little low we expected at least 90 but let's call it good for qtr end - I say we are approved

----- Original Message -----
From: Fredman, Sheara
To: Swenson, Michael; Bruns, William; Chin, Edwin; Kaufman, Jordan; Case, Benjamin
Cc: Vodola, Matthew
Sent: Sat May 26 17:57:04 2007
Subject: ABS Sec_0525.xls v1.xls

ABS Sec_0525.xls v1.xls

<<ABS S c_0525.xls v1.xls>>

Attached is ABS PNL - PNL is +$89M

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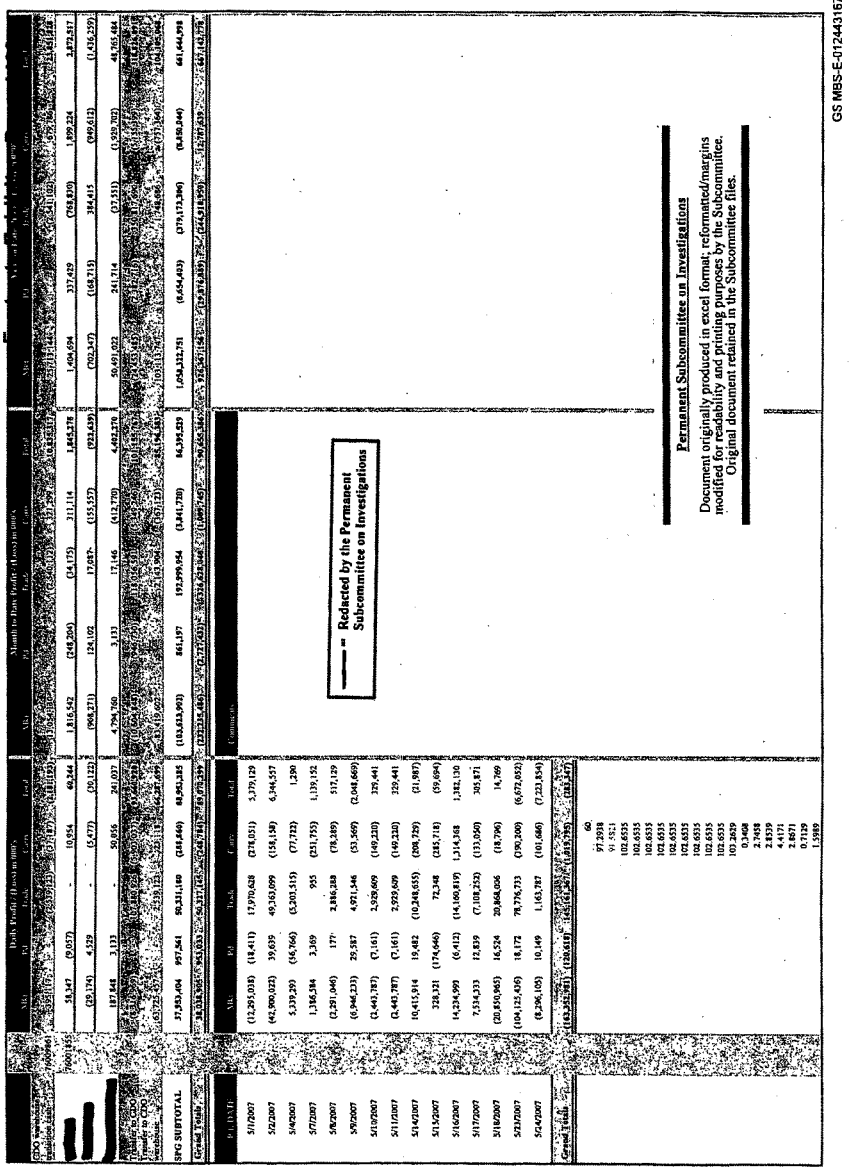
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Retained & Warehouse - Risk

7/12/2007

Current Face

	Sector	[redacted]	[redacted]	Difference
		Notionals ($mm)		
Retained CDOs	"S" tranche	65	49	17
	Super Senior	1,421	1,421	-
	Mezz AAA	458	291	167
	AA	379	274	105
	A	185	164	22
	BBB	146	146	-
	BB	29	29	-
	Equity	159	156	3
	Total - Retained	2,843	2,530	313
Warehouse Transition	WH Assets - SP CDO cash + CDS	742	599	143
	WH Assets - RMBS	390	67	323
	WH Assets - CMBS	119	-	119
	WH Assets - CLO	70	-	70
	Total - WH Transition	1,320	666	654
Hedges	Hedges - SP CDO CDS	153	341	(188)
	Hedges - ABX AAA	1,550	1,550	-
	Hedges - ABX AA and A	1,109	662	447
	Hedges - ABX BBB/BBB-	649	219	430
	Hedges - CMBX BBB	50	-	50
	Total - Hedges	3,511	2,772	739

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B/S	Qty ($mm)	Bond	Price	Trade Date	Ctr Prty Client	
S	1.7	TWOLF 0701 B REGS	78.25	7/11/2007	BANK HAPOAL/	
S	6.8	TWOLF 0701 B REGS	78.25	7/5/2007	BANK HAPOAL/	
S	20	PTPLS 0701 A1 REGS	90.70	6/19/2007	TOKYO STAR /	
S	50	TWOLF 0701 A2 144A	84.33	6/13/2007	BASIS CAPITAL	* in CDS format
S	50	TWOLF 0701 B 144A	77.31	6/13/2007	BASIS CAPITAL	* in CDS format
S	3	COOLIDGE EQUITY	87.00	6/11/2007	[redacted]	
S	20	TWOLF 0701 A2 144A	84.00	6/11/2007	CARLYLE BLU/	
S	10	ALTIUS I C REGS	94.00	6/11/2007	[redacted]	
S	56	TWOLF 0701 A2 REGS	84.50	6/11/2007	HUNGKUK LIFE	
S	17.5	ALTIUS III S 144A	100.07	6/8/2007	[redacted]	
S	10	ALTIUS IV B REGS	100.00	6/5/2007	[redacted]	
S	11.625	ALTIUS IV C REGS	92.68	6/4/2007	[redacted]	
S	36	ALTIUS IV B REGS	98.41	6/4/2007	[redacted]	
S	1.4	BNLI 061A A2	96.93	6/1/2007	[redacted]	
S	20	TWOLF 0701 A2 REGS	83.90	5/30/2007	TOKYO STAR /	
S	11	TWOLF 0701 INCOME NOTE REGS	70.00	5/24/2007	GREYWOLF CA/	
S	40	PTPLS 0701 A2 144A	91.00	5/24/2007	PARAMAX CAP/	
S	40	TWOLF 0701 A2 144A	87.00	5/24/2007	PARAMAX CAP/	
S	10	FORTIUS II A2 144A	92.60	5/23/2007	[redacted]	
S	800	DSQF VII A1A 144A	99.37	5/22/2007	[redacted]	
S	620	DSQF VII A1A 144A	99.45	5/22/2007	[redacted]	
S	150	DSQF VII A1A 144A	99.50	5/18/2007	[redacted]	
S	30	ALTIUS IV A2B 144A	99.765	5/16/2007	[redacted]	
S	20	ALTIUS IV B 144A	100	5/16/2007	[redacted]	
S	3	ALTIUS IV D REGS	100	5/16/2007	[redacted]	
S	2	ALTIUS IV INC NOTES REGS	100	5/16/2007	[redacted]	
S	50	ALTIUS IV A2A REGS	100	5/15/2007	[redacted]	
S	13	ALTIUS IV A2B 144A	100	5/15/2007	[redacted]	
S	13	ALTIUS IV A2B 144A	100	5/15/2007	[redacted]	
S	5	ALTIUS IV C 144A	97.131	5/15/2007	GM PENSION	
S	3	ALTIUS IV C REGS	97.131	5/15/2007	[redacted]	
S	5	ALTIUS IV D 144A	88.939	5/15/2007	[redacted]	
S	3	ALTIUS IV INC NOTES 144A	100	5/15/2007	[redacted]	
S	10	WESTC 061A B	95.85	5/11/2007	[redacted]	
S	1.6	CAMBER 7 E REGS	54.95	5/10/2007	[redacted]	
S	13	CAMBER 7 INC NOTES REGS	48.00	5/10/2007	[redacted]	
S	2	GSC 063G C 144A	85.50	5/9/2007	[redacted]	
S	50	TWOLF 0701 A1A 144A	99.47	5/2/2007	RABOBANK -	
S	20	PTPLS 0701 A2 144A	91.3	4/24/2007	MONEYGRAM I	
S	6	DSQF VII A3 144A	95.39	4/24/2007	[redacted]	
S	20	TWOLF 0701 A2 144A	87.79	4/23/2007	MONEYGRAM I	
S	15	PTPLS 0701 D REGS	81.72	4/19/2007	BASIS CAPIT	
S	4	HUDMZ 061 INCOME NOTES REGS	81	4/16/2007	DILLON READ	
S	3	ANDY 0701 S 144A	100	4/13/2007	MBIA CAPITA	
S	7	GSC 063G C 144A	84.79	4/12/2007	[redacted]	
S	128	PTPLS 0701 A1 144A	100	4/11/2007	DILLON READ	
S	85	PTPLS 0701 A2 144A	100	4/11/2007	DILLON READ	
S	50	PTPLS 0701 B 144A	100	4/11/2007	DILLON READ	
S	14	PTPLS 0701 C 144A	100	4/11/2007	DILLON READ	
S	16	PTPLS 0701 D REGS	100	4/11/2007	DILLON READ	
S	10	PTPLS 0701 INCOME NOTES REGS	100	4/11/2007	DILLON READ	
S	8	PTPLS 0701 C REGS	87.57	4/10/2007	PLENUM ASSE	
S	11	PTPLS 0701 D REGS	88.39	4/10/2007	MARINER BRI	
S	15	LOCH 0601 B 144A	90	4/6/2007	[redacted]	
S	20	TWOLF 0701 C REGS	95.15	4/4/2007	GREYWOLF CA	
S	2	ANDY 0701 A1B 144A	97.39	4/3/2007	BENEFICIAL	
S	16	TWOLF 0701 C REGS	72.5	3/28/2007	POLYGON INV	
S	4	FORTIUS II D REGS	83.11	3/28/2007	[redacted]	

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S	5	HUDMZ 061 D REGS	83.23	3/28/2007	MARINER BRI
S	5	COOL C 144A	87.45	3/27/2007	[redacted]
S	11	ANDY 0701 A2 144A	97.24	3/26/2007	PRINCETON A
S	3	BNLI 061A A2	96.93	3/22/2007	[redacted]
S	5	ANDY 0701 A2 144A	96.23	3/21/2007	PIMCO - USA
S	10	ANDY 0701 C 144A	92.38	3/21/2007	GREYWOLF CA
S	9	BNLI 061A A2	96.93	3/21/2007	[redacted]
S	15	ANDY 0701 A2 144A	96.54	3/20/2007	MONEYGRAM I
S	5	ANDY 0701 B 144A	95.5	3/20/2007	MONEYGRAM I
S	50	TWOLF 0701 A1A 144A	99.45	3/13/2007	MBIA CAPITA
S	200	TWOLF 0701 A1B 144A	100	3/13/2007	BEAR STEARN
S	100	TWOLF 0701 A1C 144A	99.71	3/13/2007	BEAR STEARN
S	100	TWOLF 0701 A1D 144A	99.7	3/13/2007	BEAR STEARN
S	30	TWOLF 0701 D REGS	92.41	3/13/2007	GREYWOLF CA
S	11	TWOLF 0701 INCOME NOTE REGS	100	3/13/2007	GREYWOLF CA
S	11	ANDY 0701 D REGS	108.21	3/12/2007	GSCP (NJ) L
S	32	GSC 063G A1B 144A	99.07	3/9/2007	[redacted]
S	40	DSQF VII A2 144A	99.01	3/8/2007	[redacted]
S	15	FORTIUS II A2 144A	97.91	3/2/2007	[redacted]
S	5	FORTIUS II B 144A	94.24	3/2/2007	[redacted]
S	1	CAMBER 7 INC NOTES REGS	100	2/28/2007	[redacted]
S	4	DSQF VII A3 144A	99.44	2/28/2007	[redacted]
S	125	HUDMZ 062 A1 144A	98.51	2/21/2007	[redacted]
S	1	DSQF VII E 144A	90	2/20/2007	[redacted]
S	365	CAMBER 7 A1 144A	100	2/16/2007	[redacted]
S	8	HUDMZ 061 C 144A	93.9	2/14/2007	DILLON READ

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Hedges - ABX AAA	1,550	100.13	1,552		
Hedges - ABX AA and A	662	92.75	614		
Hedges - ABX BBB/BBB-	219	68.24	149	68.237	
Hedges - CMBX BBB	-				
Hedges - ABX BBB/BBB- Bkdown			06-2 BBB	60	63
			06-2 BBB-	54	54.75
			06-1 BBB	56	82.25
			06-1 BBB-	49	73.5

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SF CDO Debt

Tranche	CUSIP	Deal	Class	Moyn	S&P	Deal Type	6/23/07 Price	Current Face	Change	Change (10.7)	Scen A 6/29/07 Mark	Current Mark	Change	Market Value 6/25	Current Mid Value	
"S" tranche		Timberwolf	S1	Aaa	AAA	High grade	100.0	1.9	-	-	100.0%	100.0%	n/a	1.72	1.72	9.0 "S" tranche High grade
"S" tranche	89714PAA7	Timberwolf	S2	Aaa	AAA	CDO-squared	100.0	6.3	-	-	100.0%	99.5%	(0.01)	8.08	8.08	8.3 "S" tranche CDO-squared
"S" tranche	89714PAC3		S2	Aaa	AAA	CDO-squared	100.0	6.3	-	-	100.0%	99.5%	(0.01)	8.30	8.30	8.3 "S" tranche CDO-squared
"T" tranche			B	Aaa	AAA	High grade	100.0	20.0	-	-	100.0%	99.5%	(0.01)	26.00	26.00	19.9 "T" tranche High grade
"T" tranche	73095AAA8		B	Aaa	AAA	Mezz	100.0	4.3	-	-	100.0%	99.5%	(0.01)	5.30	5.30	4.3 "T" tranche Mezz
"T" tranche			B	Aaa	AAA	CDO-squared	100.0	6.0	-	-	100.0%	99.5%	(0.01)	8.00	8.00	6.0 "T" tranche CDO-squared
Super Senior			A1-a	Aaa	AAA	High grade	1,053.0	1,053.0	-	-	99.5%	95.5%	(0.03)	1078.56	1,047.0	Super Senior High grade
Super Senior			A1	Aaa	AAA	Mezz	115.0	115.0	-	-	99.5%	95.5%	(0.03)	117.88	114.57	Super Senior Mezz
Super Senior			A1	Aaa	AAA	Mezz	40.0	40.0	-	-	99.5%	96.0%	(0.01)	39.92	39.92	Super Senior Mezz
Super Senior			A1-b	Aaa	AAA	Mezz	130.0	130.0	-	-	99.5%	96.7%	(0.09)	128.31	117.9	Super Senior Mezz
Super Senior			A1-b	Aaa	AAA	Mezz	51.0	51.0	-	-	99.5%	94.9%	(0.11)	48.33	42.8	Super Senior Mezz
Mezz AAA			A2	Aaa	AAA	High grade	1.9	1.9	-	-	97.3%	91.0%	(0.06)	1.75	1.6	Mezz AAA High grade
Mezz AAA			A2	Aaa	AAA	Mezz	15.0	15.0	-	-	88.8%	70.0%	(0.20)	13.47	10.5	Mezz AAA Mezz
Mezz AAA			A2	Aaa	AAA	High grade	32.3	32.3	-	-	88.8%	70.0%	(0.19)	29.03	23.1	Mezz AAA High grade
Mezz AAA			A2	Aaa	AAA	High grade	3.9	3.9	(1.4)	-	85.0%	80.0%	(0.13)	3.08	1.2	Mezz AAA High grade
Mezz AAA		Timberwolf	A2	Aaa	AAA	CDO-squared	245.0	89.0	(140.0)	-	85.0%	80.0%	(0.20)	198.00	89.4	Mezz AAA CDO-squared
Mezz AAA		Pole Pleasant	A1	Aaa	AAA	CDO-squared	127.3	107.5	(20.0)	-	85.0%	77.0%	(0.13)	114.72	82.8	Mezz AAA CDO-squared
Mezz AAA		Pole Pleasant	A2	Aaa	AAA	CDO-squared	35.0	35.0	-	-	85.0%	82.0%	(0.18)	38.88	32.8	Mezz AAA CDO-squared
AA			A2	Aaa	AA	Mezz	40.0	40.0	-	-	90.0%	82.5%	(0.19)	32.00	25.0	AA Mezz
AA			A2	Aa1	AA	High grade	7.0	7.0	(46.0)	-	98.0%	93.0%	(0.06)	43.68	-	AA High grade
AA			A2	Aa1	AA	Mezz	5.5	5.5	-	-	95.0%	90.0%	(0.05)	4.95	4.1	AA Mezz
AA			A2	Aa1	AA	High grade	10.0	10.0	-	-	89.5%	82.5%	(0.27)	8.95	6.3	AA High grade
AA			A2	Aa2	AA	Mezz	37.7	37.7	-	-	87.0%	75.0%	(0.18)	33.19	25.4	AA Mezz
AA		Timberwolf	A2	Aa2	AA	CDO-squared	107.0	45.0	(54.5)	-	87.0%	80.0%	(0.25)	85.60	68.4	AA CDO-squared
AA		Hudson Mz 05-1	A2	Aa2	AA	Mezz	51.0	51.0	-	-	92.0%	80.0%	(0.22)	41.82	30.6	AA Mezz
AA		Pole Pleasant	A2	Aa2	AA	Mezz	24.9	24.9	-	-	92.0%	71.0%	(0.21)	17.40	12.3	AA Mezz
AA			A2	Aa2	AA	CDO-squared	50.0	50.0	-	-	92.0%	65.0%	(0.10)	32.50	25.0	AA CDO-squared
A			A2	A	A	High grade	10.0	-	(10.0)	-	83.5%	0.0%	n/a	9.38	-	A High grade
A			A2	A	A	High grade	11.8	-	(11.8)	-	83.5%	0.0%	n/a	10.90	-	A High grade
A			A2	A	A	Mezz	6.0	-	-	-	83.5%	85.0%	(0.15)	10.38	0.0	A Mezz
A			A2	A	A	High grade	8.0	-	-	-	84.0%	90.0%	(0.34)	5.04	3.0	A High grade
A			A2	A	A	High grade	24.8	-	-	-	87.0%	50.0%	(0.37)	21.40	12.3	A High grade
A			A2	A	A	Mezz	8.8	-	-	-	91.7%	50.0%	(0.50)	4.31	1.8	A Mezz
A		Hudson Mz 05-1	A2	A	A	Mezz	10.0	-	-	-	91.7%	11.0%	(0.89)	1.10	1.1	A Mezz
A		Pole Pleasant	A2	A	A	Mezz	6.0	-	-	-	91.7%	29.0%	(0.52)	1.74	1.5	A Mezz
A			A2	A	A	CDO-squared	10.1	10.1	-	-	91.7%	30.0%	(0.25)	5.56	3.0	A CDO-squared
BBB			Bal2	BBB	BBB	High grade	12.9	12.9	-	-	70.7%	40.0%	(0.31)	8.13	5.2	BBB High grade
BBB			Bal2	BBB	BBB	High grade	3.9	3.9	-	-	89.9%	50.0%	(0.36)	3.47	1.2	BBB High grade
BBB			Bal2	BBB	BBB	High grade	16.4	16.4	-	-	75.0%	40.0%	(0.36)	12.30	8.6	BBB High grade
BBB			Bal2	BBB	BBB	High grade	4.7	4.7	-	-	75.0%	40.0%	(0.31)	3.68	2.3	BBB High grade
BBB			Bal2	BBB	BBB	High grade	5.0	5.0	-	-	82.3%	50.0%	(0.52)	3.88	1.3	BBB High grade
BBB			Bal2	BBB	BBB	High grade	1.9	1.9	-	-	81.5%	65.0%	(0.17)	1.59	1.0	BBB High grade
BBB			Bal2	BBB	BBB	High grade	1.4	1.4	-	-	83.0%	55.0%	(0.28)	1.18	0.8	BBB High grade
BBB			Bal2	BBB	BBB	CDO-squared	14.0	14.0	-	-	83.0%	45.0%	(0.23)	6.46	2.9	BBB CDO-squared
BBB			Bal2	BBB	BBB	Mezz	1.7	1.7	-	-	85.0%	55.0%	(0.12)	0.95	0.5	BBB Mezz
BBB			Bal2	BBB	BBB	High grade	2.7	2.7	-	-	85.5%	85.5%	(0.22)	2.31	1.7	BBB High grade
BBB			Bal2	BBB	BBB	Mezz	58.0	58.0	-	-	52.0%	10.0%	(0.42)	30.45	5.8	BBB Mezz
BBB			Bal2	BBB-	BBB-	Mezz	15.3	15.3	-	-	52.0%	10.0%	(0.33)	8.04	1.5	BBB- Mezz
BBB			Bal2	BBB-	BBB-	Mezz	2.0	2.0	-	-	40.0%	10.0%	(0.30)	0.90	0.2	BBB- Mezz
BBB			Bal2	BBB	BBB	CDO-squared	3.0	3.0	-	-	90.0%	25.0%	(0.20)	1.30	0.8	BBB CDO-squared
BBB			Bal1			Mezz	5.0	5.0	-	-	15.0%	15.0%	-	-	0.75	BBB Mezz
BB			Ba1	BB+	BB+	Mezz	7.7	7.7	-	-	50.0%	10.0%	(0.40)	3.83	0.8	BB Mezz
BB			Ba1	BB+	BB+	Mezz	15.0	15.0	-	-	35.0%	10.0%	(0.33)	5.19	1.5	BB Mezz
BB		Hudson Mz 05-1	Ba2	BB	BB	Mezz	11.0	11.0	-	-	47.0%	10.0%	(0.37)	5.17	1.1	BB Mezz
BB			Ba2	BB	BB	Mezz	6.0	6.0	-	-	6.5%	0.5%	-	0.04	0.0	BB Mezz
Total / Weighted Avg								2,564.1								

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SP CDO Equity

	Transaction	6/15/07 Face	Current Face	Change	Seat A 6/15/07 Mark	Current Mark	Change	6/15/07 Model Value	Current Mkt Value	Comments
2002-2004 High Grade		4.0	4.0	-	50.0%	40.0%	(0.1)	2.0	1.0	2002-2004 vintage high grade - seasoned portfolio in good shape
2002-2004 High Grade		2.0	2.0	-	50.0%	40.0%	(0.1)	1.0	0.8	2002-2004 vintage high grade - seasoned portfolio in good shape
2002-2004 High Grade		1.2	1.2	-	50.0%	48.0%	(0.1)	0.7	0.5898	2002-2004 vintage high grade - seasoned portfolio in good shape
2002-2004 High Grade		1.5	1.5	-	60.0%	45.0%	(0.2)	0.9	0.675	2002-2004 vintage high grade - seasoned portfolio in good shape
2005-2006 High Grade		2.0	2.0	-	70.0%	55.7%	(0.1)	1.4	1.134	2005 vintage high grade - no exposure to 2006 subprime
2005-2006 High Grade		4.0	4.0	-	50.0%	45.0%	(0.1)	2.4	1.8	2005 vintage high grade - no exposure to 2006 subprime
2005-2006 High Grade		4.0	4.0	-	50.0%	39.0%	(0.1)	1.5	0.94	2005-2006 vintage high grade - single-A minimum, no problems in portfolio
2005-2006 High Grade		2.7	2.7	-	55.0%	44.0%	(0.1)	1.5	1.19070	2005-2006 vintage high grade - single-A minimum, no problems in portfolio
2005-2006 High Grade		3.5	3.5	-	55.0%	44.0%	(0.1)	1.9	1.54	2006 vintage high grade - single-A minimum, no problems in portfolio
2005-2006 High Grade		4.5	4.5	-	55.0%	20.0%	(0.4)	2.6	0.894	2006 vintage high grade - single-A minimum, no problems in portfolio
2005-2006 High Grade		5.0	5.0	-	57.0%	25.0%	(0.3)	2.6	1.25	2006 vintage high grade - single-A minimum, no problems in portfolio
2005-2006 High Grade		4.5	4.5	-	60.0%	25.0%	(0.5)	3.9	1.13	2006 vintage high grade - single-A minimum, no problems in portfolio
2005-2006 High Grade		4.0	4.0	-	60.0%	48.5%	(0.1)	2.8	1.9197	2004-2005 vintage high grade - credit is in good shape, but has experienced cashflow problems
2005-2006 High Grade		3.0	3.0	-	20.0%	30.0%	0.1	0.8	0.8999	2004-2005 vintage high grade - credit is in good shape, but has experienced cashflow problems
2005-2006 High Grade		4.0	4.0	-	20.0%	19.2%	(0.0)	0.8	0.648	2003 vintage high grade - credit is in good shape, but has experienced cashflow problems related to
2005-2006 High Grade		4.6	4.6	-	60.0%	49.0%	(0.1)	2.8	2.23004	2003 vintage high grade - credit is in good shape, but has experienced cashflow problems related to
2005-2006 High Grade		2.8	2.8	-	81.8%	15.0%	(0.7)	2.2	0.4125	2005
2005-2006 High Grade		2.0	2.0	-	55.0%	15.0%	(0.4)	1.1	0.3	2006 vintage high grade -- portfolio has 0.6% in single-A second liens
2001-2005 Mezz		3.3	3.3	-	1.0%	0.6%	(0.0)	0.0	0.020335	2001 vintage mezz deal -- likely no further distributions to equity
2001-2005 Mezz		4.9	4.9	-	10.0%	10.0%	(0.0)	2.0	1.94	2004-2005 vintage mezz deal -- seasoned portfolio in good shape
2001-2005 Mezz		5.4	2.4	(3.0)	57.0%	46.2%	(0.1)	3.1	1.10928	2004-2005 vintage mezz deal -- seasoned portfolio in good shape
2001-2005 Mezz		2.0	2.0	-	58.0%	47.0%	(0.1)	1.2	0.9398	2004-2005 vintage mezz deal -- seasoned portfolio in good shape
2005 Mezz		9.0	9.0	-	56.0%	1.0%	(0.9)	5.0	0.09	2006 vintage mezz deal -- 40% RMBS double-B
2006 Mezz		5.0	5.0	-	67.0%	5.0%	(0.6)	3.4	0.25	2006 vintage mezz deal -- 60% ABX 06-1 BBB and BBB-
2006 Mezz	Hudson Mezzanine 2006-1, Ltd.	2.5	2.5	-	50.0%	5.0%	(0.5)	1.3	0.125	2006 vintage mezz deal -- 60% ABX 06-1 and 06-1 BBB and BBB-
2006 Mezz		12.4	12.4	-	50.0%	20.0%	(0.3)	6.2	2.484	2006 vintage mezz deal -- 100% RMBS portfolio
2006 Mezz	Anderson	20.9	20.9	-	57.0%	10.0%	(0.5)	11.9	2.0939	2006 vintage mezz deal -- 100% RMBS portfolio
CDO-squared		12.0	12.0	-	68.0%	50.0%	(0.2)	8.2	6	2005-2006 vintage single-A deal -- quasi-CDO squared with 40% single-A CDOs in portfolio
CDO-squared	Point Pleasant	13.5	13.5	-	71.0%	20.0%	(0.5)	9.6	2.7	2005-2006 vintage mezz deal -- quasi-CDO squared with 40% triple-B CDOs in portfolio
CDO-squared		10.1	10.1	-	71.0%	15.0%	(0.6)	7.2	1.51275	2005-2006 vintage 100% single-A CDO-squared
Total / Weighted Avg		159.0	156.0		62.2	37.0				

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Warehouse Transition Account

CUSIP	NAME	Sector	Original Face	Current F	Current Face	Moody's	S&P	Warehouse	Synthetic?	Coupon / Premium / Margin	Current Mark
00389PAC9	ACABS 2006-2A A2L	SP CDO	8,500,000	1.00	8,475,953	Aa2	AA	[redacted]	no	0.53%	50.00%
11838WAC8	BUCK 2006-3A D	SP CDO	5,000,000	1.00	5,000,000	A2	A		no	1.25%	44.00%
13188BAF8	Camber 7 Plc C	SP CDO	10,000,000	1.00	10,000,000	A2	A		no	2.00%	30.00%
13188BAF8	CAMBR 7A C	SP CDO	5,000,000	1.00	5,000,000	A2	A		no	2.00%	30.00%
13189BAF8	CAMBR 7A C	SP CDO	8,000,000	1.00	8,000,000	A2	A		no	2.00%	30.00%
12777CAE9	CRNMZ 2006-2A C	SP CDO	2,750,000	1.00	2,750,000	A2	A		no	1.35%	30.00%
26442AAD0	DUKEF 2006-12A A3	SP CDO	15,000,000	1.00	15,000,000	A2	A		no	1.50%	50.00%
23811AAE7	DVSQ 2006-7A B	SP CDO	11,000,000	1.00	11,000,000	Aa2	AA		no	0.90%	73.00%
36521TAJ5	GRAND 2006-2A B	SP CDO	6,000,000	1.00	6,000,000	Aa2	AA		no	0.53%	82.00%
40536UAC8	HLCDO 2006-1A B	SP CDO	8,400,000	1.00	8,400,000	Aa2	AA		no	0.54%	83.00%
44386QAD3	HUDMZ 2006-1A B	SP CDO	15,000,000	1.00	15,000,000	Aa2	AA		no	0.52%	80.00%
44386QAE1	HUDMZ 2006-1A C	SP CDO	15,000,000	1.00	15,000,000	A2	A		no	1.50%	10.00%
46603EAD5	IXCBO 2006-3A A3L	SP CDO	9,000,000	1.00	9,000,000	A2	A		no	1.40%	47.00%
467520AJ7	KEFT 2006-1A 5	SP CDO	6,000,000	1.00	6,000,000	A2	A		no	1.35%	37.00%
53959PAB0	LOCH 2006-1A A	SP CDO	5,000,000	0.99	4,949,488	Aaa	AAA		no	0.45%	80.00%
53959PAC8	LOCH 2006-1A B	SP CDO	15,000,000	0.99	14,840,899	Aa2	AA		no	0.55%	62.00%
59802RAL0	MIDOR 2006-1A C	SP CDO	5,000,000	1.00	5,000,000	A2	A		no	1.30%	30.00%
62884UAL2	MYSPT 06I A C	SP CDO	5,000,000	1.00	5,000,000	A2	A		no	1.45%	30.00%
68630QAF4	ORIN 2006-2 C1	SP CDO	10,000,000	1.00	10,000,000	A2	A		no	1.50%	25.00%
74732AAD9	PYXIS 2006-1A C	SP CDO	14,000,000	1.00	14,000,000	A2	A		no	1.40%	30.00%
87337YAD6	TABS CDO 06B A3	SP CDO	15,000,000	1.00	15,000,000	A2	A		no	1.40%	30.00%
89054BAE3	TOPQ 06-2A B	SP CDO	12,000,000	1.00	12,000,000	A2	A		no	1.40%	30.00%
215444AE9	COOL D 144A	SP CDO	2,000,000	0.90	1,802,966	Baa2	BBB		no	2.75%	45.00%
23810WAA0	DSGF VI D 144A	SP CDO	3,125,000	0.99	3,096,875	Baa2	BBB		no	3.00%	43.00%
38293XAH0	GSTREET D 144A	SP CDO	5,000,000	0.94	4,722,483	Baa2	BBB		no	3.00%	80.00%
52902YAN5	LEXN 073A E	SP CDO	8,000,000	1.00	8,000,000	A3	A-		no	2.00%	42.00%
85234AAJ5	STACK 05ZA VI	SP CDO	5,000,000	1.00	5,000,000	Baa2	BBB		no	4.00%	21.00%
85788TAG4	START 05CA D	SP CDO	5,000,000	0.98	4,923,175	A2	A-		no	2.40%	57.00%
053500AQ9	AVNTI 2006-1A B	SP CDO	10,000,000	1.00	10,000,000	A2	A	[redacted]	yes	2.00%	
12777CAE9	CRNMZ 2006-2A C	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	1.85%	
13188BAF8	CAMBR 7A C	SP CDO	5,000,000	1.00	5,000,000	A2	A		yes	2.65%	
13189TAE2	CAMBR 8A D	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	2.18%	
36247GAC0	GSCSF 2005-1A A3	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	2.01%	
46426RAE9	ICM 2005-2A C	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	1.75%	
49615RAE9	KNOLL 2006-3A C	SP CDO	10,000,000	1.00	8,978,220	A2	A		yes	2.20%	
53015GAL3	LBRTS 2006-1A D	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	2.65%	
53180QAC1	LBRAC 2005-1A C	SP CDO	7,500,000	1.00	7,500,000	A2	A		yes	2.60%	
576325AD4	MAYF 2006-1A A3L	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	2.10%	
59802RAL0	MIDOR 2005-1A C	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	2.20%	
612181AJ6	MNPT 2006-2A A4	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	2.05%	
62884UAL2	MYSPT 2006-1A C	SP CDO	5,000,000	1.00	5,000,000	A2	A		yes	1.75%	
83743LAJ0	SCF 5A C	SP CDO	10,000,000	0.96	9,613,457	A2	A		yes	2.10%	
89643PAD2	TRNTY 2005-1A B	SP CDO	10,000,000	1.00	10,000,000	A3	A-		yes	2.20%	
925338AD7	VERT 2006-2A A3	SP CDO	5,000,000	1.00	5,000,000	A2	A		yes	2.00%	
000829AD3	ACABS 2005-AQA A3	SP CDO	30,000,000	1.00	30,000,000	A2	A		yes	1.79%	
14214BAE9	CACDO 2006-1A C1	SP CDO	15,000,000	1.00	15,000,000	A2	A		yes	1.55%	
26136UAD4	DRACO 2007-1A A3	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	2.85%	
531800AC1	LBRAC 2006-1A C	SP CDO	15,000,000	1.00	15,000,000	A2	A		yes	1.70%	
55862WAE5	MCOVE 2006-3A C	SP CDO	7,500,000	0.88	7,338,888	A3	A-		yes	1.85%	
68628VAC6	ORIN 2006-1 C	SP CDO	15,000,000	1.00	15,000,000	A2	A		yes	1.70%	
74732AAD9	PYXIS 2006-1A C	SP CDO	15,000,000	1.00	15,000,000	A2	A		yes	1.70%	
11838WAC8	BUCK 2006-3A D	SP CDO	5,000,000	1.00	5,000,000	A2	A		yes	1.50%	
13189LAD1	CAMBR 8A B	SP CDO	10,000,000	1.00	10,000,000	A3	A-		yes	2.25%	
12777CAE9	CRNMZ 2006-2A C	SP CDO	7,750,000	1.00	7,750,000	A2	A		yes	1.82%	
17305CAD1	CTIUS 2006-1A C	SP CDO	10,000,000	0.91	9,072,787	A2	A		yes	1.61%	
23910VAH6	DVSQ 2006-6A C	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	1.47%	
361068AD1	FRLNG 2006-1A A3	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	1.76%	
36521TAL0	GRAND 2006-2A C	SP CDO	10,000,000	1.00	10,000,000	A3	A-		yes	1.51%	
454287AD6	ICM 2005-HG1A A3	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	1.52%	
46265BAJ7	IPSW 2006-1A C	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	1.75%	
490562AG0	KENT 2006-2A C	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	1.80%	
59802RAL0	MIDOR 2006-1A C	SP CDO	5,000,000	1.00	5,000,000	A2	A		yes	1.87%	
68618PAA2	ORPT 2006-1A D	SP CDO	10,000,000	1.00	10,000,000	A3	A		yes	1.35%	
89054BAE3	TOPQ 2006-2A B	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	2.00%	
87337YAF3	TABS 2006-6A B2	SP CDO	5,000,000	1.00	5,000,000	BBB	Baa2		yes	4.55%	
CDS that have been unwound:											
531800AC1	LBRAC 2006-1A C	SP CDO	7,500,000	1.00	7,500,000	A2	A	[redacted]	yes	2.60%	
925338AD7	Vertical ABS CDO 2006-2 A3	SP CDO	10,000,000	1.00	10,000,000	A3	A		yes	1.91%	
925345AE0	Vertical ABS CDO 2006-1 A3	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	1.91%	
13189TAE2	CAMBR 8A D	SP CDO	15,000,000	1.00	15,000,000	A2	A		yes	1.73%	
12776YAD4	CRNMZ 2006-1A 5	SP CDO	15,000,000	1.00	15,000,000	A2	A		yes	1.67%	
26441NAD3	DUKEF 06-10A A3	SP CDO	15,000,000	1.00	15,000,000	A2	A		yes	1.47%	
37636NAD3	GLCR 2006-4A C	SP CDO	15,000,000	0.99	14,904,457	A2	A		yes	1.67%	
45072HAJ9	IXCBO 2006-2A C	SP CDO	15,000,000	1.00	15,000,000	A2	A		yes	1.67%	
13189TAE2	CAMBR 8A D	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	2.13%	
12776YAD4	CRNMZ 2006-1A 5	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	1.86%	
46426YAC8	ICM 2006-8ZA-A3L	SP CDO	7,500,000	1.00	7,500,000	A2	A		yes	2.30%	
467520AJ7	KEFT 2006-1A 5	SP CDO	4,000,000	1.00	4,000,000	A2	A		yes	1.89%	
62884UAL2	MYSPT 2006-1A C	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	2.27%	
85233TAD8	STAK 2006-1A 5	SP CDO	7,500,000	1.00	7,500,000	A2	A		yes	2.20%	
87337YAC9	TABS 2006-6A A2	SP CDO	10,000,000	1.00	10,000,000	Aa2	AA		yes	0.86%	
94769WAG8	WEBS 2006-1A A3L	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	1.82%	

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WH Summary RMBS

Bond	Pos (MM)	C/F (MM)	Spread Bid	Cusip	Mkt Value
ACCR 071 M6	3	3	65	00438QAK0	1.95
JPMAC 06RM1 M8	7.278	7.278	65	46629NAM5	4.7307
LBMLT 067 M8	10.378	10.378	80	54251TAL3	8.2288
LBMLT 068 M6	3.33	3.33	60	54251UAL0	1.998
LBMLT 069 M6	6	6	60	54251WAL6	3.6
MLMI 06MLN1 M6	4	4	72	59023AAL0	2.88
SABR 06NC3 M5	2	2	82	81377CAH1	1.64
SAST 063 M6	4	4	62	80556AAK3	2.48
BLTN 061A A1	27	27	98	058521AA3	26.46
		66.986			51.9655

77.57666

86.966

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SP CDO Hedges

CUSIP	NAME	Sector	Original Face	Current Factor	Current Face	Coupon / Premium / Margin
88714PAF3	TWOLF 2007-1A A2	CDO Squared	$ 50,000,000.00	1	$ 50,000,000.00	90
88714PAG1	TWOLF 2007-1A B	CDO Squared	$ 50,000,000.00	1	$ 50,000,000.00	140
878046AE1	TAZ 2006-1A B	CDO Mezzanine	$ 15,000,000.00	1	$ 15,000,000.00	305
08861KAB2	BFCSL 2006-1A C	CDO Mezzanine	$ 15,000,000.00	1	$ 15,000,000.00	260
464267AC7	ICM 2006-HG1A A2	CDO Mezzanine	$ 15,000,000.00	1	$ 15,000,000.00	125
413358AC8	HARP 2006-1A B	CDO High Grade	$ 15,000,000.00	1	$ 15,000,000.00	50
296605AD0	ESPF 2006-1A A4	CDO High Grade	$ 15,000,000.00	1	$ 15,000,000.00	350
26450BAC9	DUKEF 2006-HG5A I	CDO High Grade	$ 15,000,000.00	1	$ 15,000,000.00	250
068325AB5	BARM 2006-1A A2	CDO Mezzanine	$ 12,500,000.00	1	$ 12,500,000.00	177
13189TAE2	CAMBR 6A D	CDO Mezzanine	$ 10,000,000.00	1	$ 10,000,000.00	145
92534FAD0	VRGO 2006-1A A3	CDO Mezzanine	$ 10,000,000.00	1	$ 10,000,000.00	274
80918HAE5	SCORP 2006-1A B	CDO Mezzanine	$ 10,000,000.00	1	$ 10,000,000.00	65
402552AE3	GSATL 2007-1A B	CDO Mezzanine	$ 10,000,000.00	1	$ 10,000,000.00	375
53160QAC1	LBRAC 2006-1A C	CDO Mezzanine	$ 10,000,000.00	1	$ 10,000,000.00	645
13189BAE1	CAMBR 7A B	CDO Mezzanine	$ 10,000,000.00	1	$ 10,000,000.00	275
82864UAL2	MYSPT 2006-1A C	CDO Mezzanine	$ 7,500,000.00	1	$ 7,500,000.00	575
02076YAC4	ALPHA 2007-1A 3	CDO Mezzanine	$ 7,500,000.00	1	$ 7,500,000.00	400
00081NAC5	ACABS 2005-1A A2	CDO Mezzanine	$ 7,500,000.00	1	$ 7,500,000.00	102
26441EAE1	DUKEF 2005-HG1A I	CDO High Grade	$ 7,500,000.00	1	$ 7,500,000.00	185
02076YAA8	ALPHA 2007-1A 2	CDO Mezzanine	$ 6,250,000.00	1	$ 6,250,000.00	231
26450AAA5	DUKEF 2005-9A A1	CDO Mezzanine	$ 6,250,000.00	1	$ 6,250,000.00	102
45072HAJ9	IXCBO 2006-2A C	CDO Mezzanine	$ 5,000,000.00	1	$ 5,000,000.00	132
45072HAJ9	IXCBO 2006-2A C	CDO Mezzanine	$ 5,000,000.00	1	$ 5,000,000.00	132
26442AAD0	DUKEF 2006-12A A3	CDO Mezzanine	$ 5,000,000.00	1	$ 5,000,000.00	202
45072HAJ9	IXCBO 2006-2A C	CDO Mezzanine	$ 5,000,000.00	1	$ 5,000,000.00	145
50011PAC0	KDIAK 2006-1A B	CDO High Grade	$ 5,000,000.00	1	$ 5,000,000.00	65
925338AC9	VERT 2006-2A A2	CDO Mezzanine	$ 4,776,000.00	1	$ 4,776,000.00	137
053500AE4	AVNTI 2006-1A A3	CDO Mezzanine	$ 4,776,000.00	1	$ 4,776,000.00	77
13189BAE1	CAMBR 7A B	CDO Mezzanine	$ 4,776,000.00	1	$ 4,776,000.00	77
49916RAD2	KNOLL 2006-2A B	CDO Mezzanine	$ 4,350,000.00	0.997621988	$ 4,339,655.65	213
925338AC9	VERT 2006-2A A2	CDO Mezzanine	$ 3,000,000.00	1	$ 3,000,000.00	137
13189BAE1	CAMBR 7A B	CDO Mezzanine	$ 3,000,000.00	1	$ 3,000,000.00	77
053500AE4	AVNTI 2006-1A A3	CDO Mezzanine	$ 3,000,000.00	1	$ 3,000,000.00	77
00082NAC4	ACABS 2005-2A A2V	CDO Mezzanine	$ 2,500,000.00	0.876414657	$ 2,191,036.64	312
068325AC3	BARM 2006-1A B	CDO Mezzanine	$ 2,500,000.00	1	$ 2,500,000.00	312
12777CAC3	CRNMZ 2006-2A B1	CDO Mezzanine	$ 2,500,000.00	1	$ 2,500,000.00	312
85233XAB3	STAK 2005-2A C	CDO Mezzanine	$ 2,500,000.00	1	$ 2,500,000.00	312
00082NAC4	ACABS 2005-2A A2V	CDO Mezzanine	$ 2,500,000.00	0.876414657	$ 2,191,036.64	312
053500AE4	AVNTI 2006-1A A3	CDO Mezzanine	$ 2,500,000.00	1	$ 2,500,000.00	312
14167CAC7	CABAY 2006-1A A2	CDO Mezzanine	$ 2,500,000.00	1	$ 2,500,000.00	312
12498YAC3	CBCL 16A B	CDO Mezzanine	$ 2,500,000.00	1	$ 2,500,000.00	312
925338AC9	VERT 2006-2A A2	CDO Mezzanine	$ 2,224,000.00	1	$ 2,224,000.00	137
13189BAE1	CAMBR 7A B	CDO Mezzanine	$ 2,224,000.00	1	$ 2,224,000.00	77
053500AE4	AVNTI 2006-1A A3	CDO Mezzanine	$ 2,224,000.00	1	$ 2,224,000.00	77
49916RAD2	KNOLL 2006-2A B	CDO Mezzanine	$ 2,025,000.00	0.997621988	$ 2,020,184.53	213
82864UAL2	MYSPT 2006-1A C	CDO Mezzanine	$ 2,000,000.00	1	$ 2,000,000.00	575
49916RAD2	KNOLL 2006-2A B	CDO Mezzanine	$ 1,125,000.00	0.997621988	$ 1,122,324.74	213
05539MAD2	BFCGE 2006-1A A3L	CDO Mezzanine	$ 500,000.00	0.99068516	$ 495,442.58	225
085558AE4	BNLI 2006-1A A2	CDO High Grade	$ 5,000,000.00	0.977047155	$ 4,885,235.77	250
85768PAB3	START 2005-AA B	CDO Mezzanine	$ 10,000,000.00	1	$ 10,000,000.00	407
74956AAC0	RFCCD 2005-3A C	CDO Mezzanine	$ 5,000,000.00	1	$ 5,000,000.00	585
61239QAD9	MONT 2006-1A A3	CDO Mezzanine	$ 5,000,000.00	0.978072085	$ 4,890,360.42	250
13189BAE1	CAMBR 7A B	CDO Mezzanine	$ 5,000,000.00	1	$ 5,000,000.00	572
92534EAD3	VERT 2005-1A C	CDO Mezzanine	$ 5,000,000.00	1	$ 5,000,000.00	445
85233VAC5	STACK 2004-1A C	CDO Mezzanine	$ 5,000,000.00	1	$ 5,000,000.00	405
722694AD8	PINEM 2005-A C	CDO Mezzanine	$ 10,000,000.00	1	$ 10,000,000.00	175
417214AC7	HARTS 2007-1A A2	CLO	$ 1,600,000.00	1	$ 1,599,642.12	380
					$ 340,734,919.09	

310.48

From: ficc-ops-cdopricing
Sent: Thursday, July 05, 2007 12:08 PM
To: jkrause@moneygram.com; njones@moneygram.com
Cc: ficc-ops-cdopricing; Gilligan, Brendan [Sec Div]
Subject: MoneyGram Marks from GS as of 06/29/07

Description	Identifier	Cash Bid Price	Bid for Protection	Size
ANDY 2007-1A A2	034050AD6	90.16295	91.91295	3mm
ANDY 2007-1A B	034050AE4	82.15	85.15	3mm
[redacted]	[redacted]	92.14	93.64	3mm
[redacted]	[redacted]	86.3	88.3	3mm
[redacted]	[redacted]	80.2052	83.2052	3mm
PTPLS 2007-1A A2	730594AC2	81	84	3mm
[redacted]	[redacted]	98.3125	NA	3mm
TWOLF 2007-1A A2	88714PAF3	83	86	3mm
[redacted]	[redacted]	80.32	83.32	3mm
[redacted]	[redacted]	70.37	73.37	3mm

Disclaimer: The attached information regarding the valuation of instruments is being provided at your request for your consideration and internal use only and not for the purpose of soliciting or recommending any action by you. You should carefully review the explanations that are included with the attached information and ensure that you understand the information that is being provided. Any questions regarding the nature of this information should be raised promptly with your Goldman Sachs contact person. The valuation listed in the attached information represents (i) the bid price at which Goldman, Sachs or one of its affiliates ("Goldman Sachs") would have been prepared to buy the specified instrument; and, (ii) if applicable, the price at which Goldman Sachs would have been prepared to enter into a credit default product by which Goldman Sachs would buy protection on the specified instrument. In each case, the valuation is valid only as of the open of business in New York on the date of the information; such valuation is not applicable at any other time. Moreover, such valuation may be affected by orders entered or transactions executed by us or other market participants after the time of the valuation. In addition, the valuations listed in the attached information are expressed in terms of a position in the relevant instrument of a specified size, which is not necessarily the size of any actual position, and the valuation is applicable only with respect to the specified size. The valuation does not indicate a price at which Goldman Sachs would be willing to enter into a transaction with respect to any other size, nor does it reflect a valuation that relates to (or may be extrapolated to) a position or transaction of any other size. In the future, Goldman Sachs may change the transaction size for which valuations are provided without notice. Because the valuations included in the attached information relate to different types of instruments, these valuations should not be used as the basis for determining a mid-market valuation. The valuations listed in the attached information do not necessarily reflect your entire portfolio. In determining the valuation of an instrument, Goldman Sachs might not take into account certain factors, including, without limitation, liquidity adjustments appropriate given the position size. In addition, the considerations and approach utilized in preparing such valuations may differ from those utilized by Goldman Sachs in valuing positions for purposes of its own books and records. Without limitation of the foregoing, Goldman Sachs may utilize valuation models for its own books to generate mid-market valuations that differ from the mid-point between bids and offers used to value client positions.

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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2406

Confidential Treatment Requested by Goldma

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 00405 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

66052.401

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Retained & Warehouse - Risk

6/29/2007

Current Face

	Sector	[redacted] Notionals ($mm)	[redacted]	Difference
Retained CDOs	"S" tranche	65	49	17
	Super Senior	1,421	1,421	-
	Mezz AAA	458	291	167
	AA	379	283	96
	A	185	164	22
	BBB	146	146	-
	BB	29	29	-
	Equity	159	156	3
	Total - Retained	2,843	2,538	305
Warehouse Transition	WH Assets - SP CDO cash + CDS	742	600	142
	WH Assets - RMBS	390	67	323
	WH Assets - CMBS	119	-	119
	WH Assets - CLO	70	-	70
	Total - WH Transition	1,320	667	653
Hedges	Hedges - SP CDO CDS	153	341	(188)
	Hedges - ABX AAA	1,550	1,550	-
	Hedges - ABX AA and A	1,109	662	447
	Hedges - ABX BBB/BBB-	649	359	290
	Hedges - CMBX BBB	50	-	50
	Total - Hedges	3,511	2,912	599

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2406

GS MBS-E-010809241

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Retained & Warehouse - Risk

6/29/2007

Market Value

	Sector	5/25/2007 Notionals ($mm)	Today	Difference
Retained CDOs	"S" tranche	65	49	17
	Super Senior	1,405	1,389	16
	Mezz AAA	386	237	150
	AA	291	200	92
	A	128	89	39
	BBB	88	66	22
	BB	11	8	3
	Equity	92	71	21
	Total - Retained	2,467	2,108	359
Warehouse Transition	WH Assets - SP CDO cash + CDS	518	407	111
	WH Assets - RMBS	341	49	291
	WH Assets - CMBS	104	-	104
	WH Assets - CLO	54	-	54
	Total - WH Transition	1,016	456	560
Hedges	Hedges - SP CDO CDS	142	301	(160)
	Hedges - ABX AAA	1,553	1,553	-
	Hedges - ABX AA and A	1,094	631	464
	Hedges - ABX BBB/BBB-	530	262	267
	Hedges - CMBX BBB	52	-	
	Total - Hedges	3,371	2,748	571

Permanent Subcommittee on Investigations
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SP CDO Debt

Tranche	CUSIP	Deal	Class	Mdys	S&P	Deal Type	5/25/07 Face	Current Face	Change	Scen A 5/25/07 Mark	Current Mark	Change	Market Value 5/25	Current Mid Value	
"S" tranche	[redacted]	[redacted]	S	Aaa	AAA	High grade	16.7	-	(16.7)	100.0%	100.0%	-	16.72	-	"S" tranche High grade
"S" tranche	88714PAA4	Timberwolf	S1	Aaa	AAA	CDO-squared	9.0	9.0	-	100.0%	100.0%	-	9.00	9.0	"S" tranche CDO-squared
"S" tranche	88714PAK2	Timberwolf	S2	Aaa	AAA	CDO-squared	8.3	8.3	-	100.0%	100.0%	-	8.30	8.3	"S" tranche CDO-squared
"S" tranche	[redacted]	[redacted]	S	Aaa	AAA	High grade	20.0	20.0	-	100.0%	100.0%	-	20.00	20.0	"S" tranche High grade
"S" tranche	[redacted]	[redacted]	S	Aaa	AAA	Mezz	5.3	5.3	-	100.0%	100.0%	-	5.30	5.3	"S" tranche Mezz
"S" tranche	730594AA8	Point Pleasant	S	Aaa	AAA	CDO-squared	6.0	6.0	-	100.0%	100.0%	-	6.00	6.0	"S" tranche CDO-squared
									-				0.00	-	
Super Senior	[redacted]	[redacted]	A1-a	Aaa	AAA	High grade	1,085.0	1,085.0	-	99.5%	98.5%	(0.01)	1079.56	1,069.1	Super Senior High grade
Super Senior	[redacted]	[redacted]	A1	Aaa	AAA	Mezz	115.0	115.0	-	95.0%	92.5%	(0.03)	109.25	106.3	Super Senior Mezz
Super Senior	[redacted]	[redacted]	A1	Aaa	AAA	Mezz	40.0	40.0	-	99.8%	99.3%	(0.01)	39.92	39.7	Super Senior Mezz
Super Senior	034050A90	Anderson	A1-a	Aaa	AAA	Mezz	130.0	130.0	-	98.7%	97.3%	(0.01)	128.31	126.4	Super Senior Mezz
Super Senior	034050AC6	Anderson	A1-b	Aaa	AAA	Mezz	51.0	51.0	-	94.8%	93.0%	(0.02)	48.35	47.4	Super Senior Mezz
													0.00	-	
Mezz AAA	[redacted]	[redacted]	A2	Aaa	AAA	High grade	1.8	1.8	-	97.5%	96.0%	(0.01)	1.75	1.7	Mezz AAA High grade
Mezz AAA	[redacted]	[redacted]	A2	Aaa	AAA	Mezz	15.0	15.0	-	89.8%	83.3%	(0.06)	13.47	12.5	Mezz AAA Mezz
Mezz AAA	[redacted]	[redacted]	A2	Aaa	AAA	High grade	30.5	30.5	-	93.5%	86.4%	(0.07)	29.52	26.4	Mezz AAA High grade
Mezz AAA	[redacted]	[redacted]	A2	Aaa	AAA	High grade	3.2	1.9	(1.4)	95.0%	92.4%	(0.03)	3.09	1.7	Mezz AAA High grade
Mezz AAA	[redacted]	Timberwolf	A2	Aaa	AAA	CDO-squared	248.0	99.0	(146.0)	80.0%	75.0%	(0.05)	198.00	74.3	Mezz AAA CDO-squared
Mezz AAA	730594AB4	Point Pleasant	A1	Aaa	AAA	CDO-squared	127.5	107.5	(20.0)	90.0%	87.0%	(0.03)	114.72	93.5	Mezz AAA CDO-squared
Mezz AAA	730594AC2	Point Pleasant	A2	Aaa	AAA	CDO-squared	35.0	35.0	-	82.6%	76.0%	(0.06)	28.88	26.6	Mezz AAA CDO-squared
													0.00	-	
AA	[redacted]	[redacted]	B	Aa2	AA	Mezz	40.0	40.0	-	80.0%	72.1%	(0.08)	32.00	28.8	AA Mezz
AA	[redacted]	[redacted]	B	Aa2	AA	High grade	46.0	-	(46.0)	99.0%	0.0%	(0.99)	45.08	-	AA High grade
AA	34720AE1	Fort Denison	B	Aa2	AA	Mezz	7.0	7.0	-	76.3%	68.4%	(0.10)	5.48	4.8	AA Mezz
AA	[redacted]	[redacted]	A3	Aa2	AA	Mezz	5.5	5.5	-	95.0%	90.4%	(0.05)	5.23	5.0	AA Mezz
AA	[redacted]	[redacted]	B	Aa1	AA	High grade	10.0	10.0	-	89.5%	75.9%	(0.14)	8.95	7.9	AA High grade
AA	034050AE4	Anderson	B	Aa2	AA	Mezz	37.7	37.7	-	87.6%	82.9%	(0.05)	33.10	31.2	AA Mezz
AA	88714PAQ1	Timberwolf	B	Aa2	AA	CDO-squared	107.0	57.0	(50.0)	65.0%	66.3%	0.01	69.55	37.8	AA CDO-squared
AA	443860AD3	Hudson Mz 05-1	B	Aa2	AA	Mezz	51.0	51.0	-	82.0%	74.2%	(0.08)	41.82	37.9	AA Mezz
AA	[redacted]	[redacted]	B	Aa2	AA	Mezz	24.5	24.5	-	71.0%	63.2%	(0.08)	17.40	15.5	AA Mezz
AA	730594AD0	Point Pleasant	B	Aa2	AA	CDO-squared	50.0	50.0	-	65.0%	62.0%	(0.03)	32.50	31.0	AA CDO-squared
													0.00	-	
A	[redacted]	[redacted]	C	A2	A	High grade	10.0	-	(10.0)	93.5%	0.0%	(0.94)	9.35	-	A High grade
A	[redacted]	[redacted]	C	A2	A	High grade	11.6	-	(11.6)	93.8%	0.0%	n/a	10.90	-	A High grade
A	[redacted]	[redacted]	C	A3	A-	Mezz	0.8	0.8	-	92.5%	92.5%	-	0.66	0.6	A Mezz
A	[redacted]	[redacted]	C	A2	A	High grade	6.0	6.0	-	84.0%	67.0%	(0.17)	5.04	4.0	A High grade
A	[redacted]	[redacted]	C	A2	A	High grade	24.6	24.6	-	87.0%	67.2%	(0.20)	21.40	16.5	A High grade
A	034050AF1	Anderson	C	A2	A	Mezz	6.8	6.8	-	91.7%	78.8%	(0.13)	6.21	5.3	A Mezz
A	443860AE1	Hudson Mz 05-1	C	A2	A	Mezz	109.5	109.5	-	66.0%	50.8%	(0.05)	65.70	55.8	A Mezz
A	[redacted]	[redacted]	C	A2	A	Mezz	6.0	6.0	-	56.0%	40.8%	(0.14)	3.32	2.5	A Mezz
A	730594AE8	Point Pleasant	C	A2	A	CDO-squared	10.1	10.1	-	55.0%	46.0%	(0.07)	5.56	4.8	A CDO-squared
													0.00	-	
BBB	[redacted]	[redacted]	D	Baa2	BBB	High grade	12.9	12.9	-	70.7%	59.4%	(0.14)	9.13	7.3	BBB High grade
BBB	[redacted]	[redacted]	D	Baa2	BBB	High grade	3.9	3.9	-	89.0%	74.9%	(0.14)	3.47	2.9	BBB High grade
BBB	[redacted]	[redacted]	D	Baa2	BBB	High grade	16.4	16.4	-	75.9%	55.7%	(0.19)	12.30	9.1	BBB High grade
BBB	[redacted]	[redacted]	D	Baa2	BBB	High grade	4.7	4.7	-	85.5%	83.3%	(0.02)	3.99	3.9	BBB High grade
BBB	[redacted]	[redacted]	D	Baa2	BBB	High grade	5.0	5.0	-	80.2%	36.4%	(0.44)	3.86	1.8	BBB High grade
BBB	[redacted]	[redacted]	D	Baa2	BBB	High grade	1.9	1.9	-	81.5%	73.7%	(0.08)	1.59	1.4	BBB High grade
BBB	[redacted]	[redacted]	D	Baa2	BBB	High grade	1.4	1.4	-	83.0%	69.8%	(0.13)	1.18	1.0	BBB High grade
BBB	[redacted]	[redacted]	D	Baa2	BBB	CDO-squared	14.0	14.0	-	67.8%	53.1%	(0.15)	9.46	7.4	BBB CDO-squared
BBB	[redacted]	[redacted]	C1	Baa2	BBB	Mezz	1.7	1.7	-	55.0%	55.0%	-	0.93	0.9	BBB Mezz
BBB	[redacted]	[redacted]	C	Baa2	BBB	High grade	2.7	2.7	-	86.5%	73.2%	(0.14)	2.31	1.9	BBB High grade
BBB	443860AF8	Hudson Mz 05-1	D	Baa2	BBB	Mezz	56.6	56.6	-	52.0%	37.3%	(0.16)	30.49	21.9	BBB Mezz
BBB	[redacted]	[redacted]	D	Baa1	BBB+	Mezz	13.2	13.2	-	46.0%	30.3%	(0.15)	5.94	4.0	BBB Mezz
BBB	[redacted]	[redacted]	E	Baa3	BBB-	Mezz	2.0	2.0	-	40.0%	26.4%	(0.14)	0.80	0.5	BBB Mezz
BBB	730591AA2	Point Pleasant	D	Baa2	BBB	CDO-squared	3.0	3.0	-	50.0%	40.0%	(0.10)	1.50	1.2	BBB CDO-squared
BBB	[redacted]	[redacted]	B	Baa1		Mezz	5.0	5.0	-	15.0%	15.0%	-	0.75	0.8	BBB Mezz
											0.0%		0.00	-	
BB	[redacted]	[redacted]	E	Ba1	BB+	Mezz	7.7	7.7	-	50.0%	31.9%	(0.18)	3.83	2.4	BB Mezz
BB	[redacted]	[redacted]	D	Ba1	BB+	Mezz	2.8	2.8	-	56.0%	50.4%	(0.06)	1.56	1.4	BB Mezz
BB	443860AG6	Hudson Mz 05-1	E	Ba1	BB+	Mezz	11.0	11.0	-	47.0%	33.4%	(0.14)	5.17	3.7	BB Mezz
BB	[redacted]	[redacted]	B	Ba2	BB	Mezz	8.0	8.0	-	0.5%	0.5%	-	0.04	0.0	BB Mezz
Total / Weighted Avg							2,884.1	2,605.0							

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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Permanent Subcommittee on Investigations
Footnote Exhibits - Page 4476
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Warehouse Transition Account

67.78%

CUSIP	NAME	Sector	Original Face	Current F	Current Face	Moody's	S&P	Warehouse	Synthetic?	Coupon / Premium / Margin		Current Mark	MV
00389PAC9	ACABS 2006-2A A2L	SP CDO	8,500,000	1.00	8,500,000	Aa2	AA	[redacted]	no	0.53%		70.84%	$ 6,021,255.03
11836WAC8	BUCK 2006-3A D	SP CDO	5,000,000	1.00	5,000,000	A2	A		no	1.25%		67.24%	$ 3,361,679.17
13189BAF9	Camber 7 Plc C	SP CDO	10,000,000	1.00	10,000,000	A2	A		no	2.00%		80.28%	$ 8,028,375.00
13189BAF9	CAMBR 7A C	SP CDO	5,000,000	1.00	5,000,000	A2	A		no	2.00%		80.28%	$ 3,014,187.50
13189BAF9	CAMBR 7A C	SP CDO	9,000,000	1.00	9,000,000	A2	A		no	2.00%		80.28%	$ 3,617,025.00
12777CAE9	CRNMZ 2006-2A C	SP CDO	2,750,000	1.00	2,750,000	A2	A		no	1.35%		55.98%	$ 1,539,447.71
26442AAD0	DUKEF 2006-12A A3	SP CDO	15,000,000	1.00	15,000,000	A3	A		no	1.50%		74.46%	$ 11,169,421.88
23911AAE7	DYSQ 2006-7A B	SP CDO	11,000,000	1.00	11,000,000	Aa2	AA		no	0.80%		75.83%	$ 8,340,660.00
36521TAJ5	GRAND 2006-2A B	SP CDO	6,000,000	1.00	6,000,000	Aa2	AA		no	0.53%		72.24%	$ 4,334,549.10
40535LAC6	HLCDO 2006-1A B	SP CDO	8,400,000	1.00	8,400,000	Aa2	AA		no	0.54%		69.40%	$ 5,745,812.10
44385BAD3	HUDMZ 2006-1A B	SP CDO	15,000,000	1.00	15,000,000	Aa2	AA		no	0.62%		76.32%	$ 11,448,000.00
44386BAE1	HUDMZ 2006-1A C	SP CDO	15,000,000	1.00	15,000,000	A2	A		no	1.50%		49.70%	$ 7,455,000.00
48603EAD5	JCDO 2006-3A A3L	SP CDO	9,000,000	1.00	9,000,000	A3	A		no	1.40%		54.77%	$ 4,929,436.25
487520AJ7	KEFT 2006-1A 5	SP CDO	8,000,000	1.00	8,000,000	A3	A		no	1.35%		48.17%	$ 2,890,298.25
53950PAB0	LOCH 2006-1A A	SP CDO	5,000,000	1.00	4,990,245	Aaa	AAA		no	0.45%		89.43%	$ 4,463,000.39
53950PAC8	LOCH 2006-1A B	SP CDO	15,000,000	0.99	14,871,156	Aa2	AA		no	0.55%		71.84%	$ 10,853,576.37
59802RAL0	MIDOR 2006-1A C	SP CDO	5,000,000	1.00	5,000,000	A3	A		no	1.30%		51.89%	$ 2,594,283.89
62884UAL2	MYSPT 06A C	SP CDO	5,000,000	1.00	5,000,000	A2	A		no	1.45%		50.46%	$ 2,523,015.00
66833QAF4	ORIN 2006J C1	SP CDO	10,000,000	1.00	10,000,000	A2	A		no	1.50%		34.07%	$ 3,407,305.56
74732AAD6	PYXIS 2006-1A C	SP CDO	14,000,000	1.00	14,000,000	A2	A		no	1.40%		50.52%	$ 7,072,381.94
87337YAD8	TABS CDO 06A A3	SP CDO	15,000,000	1.00	15,000,000	A2	A		no	1.40%		43.18%	$ 6,778,283.42
89054BAE3	TOPG 06A B	SP CDO	12,000,000	1.00	12,000,000	A2	A		no	1.45%		48.74%	$ 5,848,364.17
21644AAE9	COOL D 144A	SP CDO	2,000,000	0.91	1,821,457	Baa2	BBB		no	2.75%		54.50%	$ 992,894.02
23910WAA8	DSQF VI D 144A	SP CDO	5,125,000	0.99	5,096,875	Baa2	BBB		no	3.00%		58.90%	$ 3,833,960.58
26253XAH0	DSTREET D 144A	SP CDO	5,000,000	0.95	4,745,317	Baa2	BBB		no	3.00%		69.50%	$ 3,296,604.69
52902YAN5	LEXN 073A E	SP CDO	5,000,000	1.00	5,000,000	A3	A-		no	2.00%		47.30%	$ 2,375,000.00
85294AAJ5	STACK 06JA V5	SP CDO	5,000,000	1.00	5,000,000	Baa2	BBB		no	4.00%		32.48%	$ 1,624,083.33
85768TAG4	START 05CA D	SP CDO	5,000,000	0.98	4,923,175	A2	A-		no	2.40%		73.50%	$ 3,618,533.82
053500AG9	AVNTI 2005-1A B	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	2.00%		72.75%	$ 7,275,349.00
12777CAE9	CRNMZ 2006-2A C	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	1.85%		84.58%	$ 8,552,491.81
13189BAF8	CAMBR 7A C	SP CDO	5,000,000	1.00	5,000,000	A2	A		yes	2.55%		67.37%	$ 3,368,284.00
13189TAE2	CAMBR 8A D	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	2.10%		80.56%	$ 8,056,015.00
36247GAC0	GSCSF 2005-1A A3	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	2.01%		84.23%	$ 8,423,144.00
46426RAE9	ICM 2005-2A C	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	1.75%		82.15%	$ 8,215,018.00
49916RAE0	KNOLL 2005-2A C	SP CDO	10,000,000	1.00	9,997,415	A2	A		yes	2.20%		76.81%	$ 7,679,035.88
53015GAL5	LBRTS 2005-1A D	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	2.65%		80.68%	$ 8,067,963.00
53160QAC1	LBRAC 2005-1A C	SP CDO	7,500,000	1.00	7,500,000	A2	A		yes	2.60%		74.29%	$ 5,571,999.00
5783ZSAD4	MAYF 2005-1A A3L	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	2.10%		59.80%	$ 5,980,198.00
59802RAL0	MIDOR 2006-1A C	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	2.20%		83.02%	$ 8,301,736.00
612161AJ6	MMPT 2006-2A A4	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	2.05%		67.78%	$ 6,778,442.00
62884UAL2	MYSPT 2006-1A C	SP CDO	5,000,000	1.00	5,000,000	A2	A		yes	1.75%		66.01%	$ 3,300,420.00
83743LAJ0	SCF 5A C	SP CDO	10,000,000	0.93	9,855,282	A2	A		yes	2.10%		86.58%	$ 8,530,831.00
89643PAD2	TRNTY 2005-1A B	SP CDO	10,000,000	1.00	10,000,000	A3	A-		yes	2.20%		89.59%	$ 8,958,884.00
92553MAD7	VERT 2006-2A A3	SP CDO	5,000,000	1.00	5,000,000	A2	A		yes	2.00%		68.18%	$ 3,408,838.00
00082PAD3	ACABS 2005-HQA A3	SP CDO	30,000,000	1.00	30,000,000	A2	A		yes	1.70%		65.14%	$ 19,541,254.00
142146AE9	CACDO 2006-1A C1	SP CDO	15,000,000	1.00	15,000,000	A2	A		yes	1.55%		58.75%	$ 8,812,999.00
26139QAD4	DRACO 2007-1A A3	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	2.85%		68.25%	$ 6,824,978.00
53160QAC1	LBRAC 2006-1A C	SP CDO	15,000,000	1.00	15,000,000	A3	A		yes	1.70%		74.32%	$ 11,147,536.00
65682WAE5	NCOVE 2006-3A C	SP CDO	7,600,000	0.99	7,398,986	A3	A-		yes	1.85%		88.08%	$ 6,367,348.82
88826VAC6	ORIN 2006-1 C	SP CDO	15,000,000	1.00	15,000,000	A2	A		yes	1.70%		59.14%	$ 8,870,948.00
74732AAD6	PYXIS 2006-1A C	SP CDO	15,000,000	1.00	15,000,000	A2	A		yes	1.70%		65.41%	$ 9,811,183.00
11836WAC8	BUCK 2006-3A D	SP CDO	5,000,000	1.00	5,000,000	A2	A		yes	1.50%		98.48%	$ 3,472,648.00
13189LAD1	CAMBR 5A B	SP CDO	10,000,000	1.00	10,000,000	A3	A-		yes	2.20%		89.56%	$ 8,955,578.00
12777CAE9	CRNMZ 2006-2A C	SP CDO	7,750,000	1.00	7,750,000	A2	A		yes	1.62%		68.58%	$ 5,315,331.00
17305CAD1	CTIJS 2006-1A C	SP CDO	10,000,000	0.94	9,398,598	A2	A		yes	1.81%		86.58%	$ 8,325,227.32
23910VAH5	DVSQ 2006-5A C	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	1.47%		79.92%	$ 7,991,530.00
36108SAD1	FRLNG 2006-1A A3	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	1.76%		70.58%	$ 7,057,598.00
36521TAL0	GRAND 2006-2A C	SP CDO	10,000,000	1.00	10,000,000	A2	A-		yes	1.51%		66.43%	$ 7,103,838.00
46426TAD5	ICM 2006-HG1A A3	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	1.52%		78.48%	$ 7,846,398.00
46265BAJ7	IPSW 2005-1A C	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	1.75%		77.52%	$ 7,761,852.00
49056ZAG8	KENT 2006-2A C	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	1.60%		79.71%	$ 7,970,999.00
59802RAL0	MIDOR 2006-1A C	SP CDO	5,000,000	1.00	5,000,000	A2	A		yes	1.67%		63.06%	$ 3,152,389.00
68619PAA2	ORPT 2006-1A D	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	1.35%		77.80%	$ 7,780,081.00
89054BAE3	TOPG 2006-2A B	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	2.00%		84.97%	$ 8,496,525.00
87337YAF3	TABS 2006-8A B2	SP CDO	5,000,000	1.00	5,000,000	BBB	Baa2		yes	4.55%		51.30%	$ 2,565,245.00
CDS that have been unwound:													
53160QAC1	LBRAC 2006-1A C	SP CDO	7,500,000	1.00	7,500,000	A2	A		yes	2.60%	700	80.43%	
82533MAD7	Vertical ABS CDO 2006-2 A3	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	1.81%	550	80.22%	
82534SAE0	Vertical ABS CDO 2006-1 A3	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	1.91%	580	84.57%	
13189TAE2	CAMBR 8A D	SP CDO	15,000,000	1.00	15,000,000	A2	A		yes	1.73%	525	87.00%	
12776YAD4	CRNMZ 2006-1A 5	SP CDO	15,000,000	1.00	15,000,000	A2	A		yes	1.67%	550	76.58%	
26441NAD3	DUKEF 06-10A A3	SP CDO	15,000,000	1.00	15,000,000	A2	A		yes	1.47%	350	92.80%	
37938MAD3	GLCR 2006-4A C	SP CDO	15,000,000	0.99	14,904,457	A2	A		yes	1.67%	500	90.95%	
45072HAJ9	ICCBO 2006-2A C	SP CDO	15,000,000	1.00	15,000,000	A2	A		yes	1.67%	700	84.31%	
13189TAE2	CAMBR 8A D	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	2.13%	825	82.22%	
12776YAD4	CRNMZ 2006-1A 5	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	1.88%	550	84.53%	
46426YAC8	ICM 2006-S2A-A3L	SP CDO	7,500,000	1.00	7,500,000	A2	A		yes	2.30%	725	78.24%	
487520AJ7	KEFT 2006-1A 5	SP CDO	4,000,000	1.00	4,000,000	A2	A		yes	1.88%	825	85.37%	
62884UAL2	MYSPT 2006-1A C	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	2.37%	700	77.30%	
85233TAD5	STAK 2006-1A 5	SP CDO	7,500,000	1.00	7,500,000	A2	A		yes	2.20%	550	81.68%	
87337YAC0	TABS 2006-6A A2	SP CDO	10,000,000	1.00	10,000,000	Aa2	AA		yes	0.68%	500	81.17%	
94769WAG9	WEBS 2006-1A A3L	SP CDO	10,000,000	1.00	10,000,000	A2	A		yes	1.82%	625	71.14%	

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SP CDO Equity

	Transaction	6/25/07 Face	Current Face	Change	Scen A 6/25/07 Mark	Current Mark	Change	6/25/07 Market Value	Current Mkt Value	Comments
2002-2004 High Grade		4.0	4.0	-	50.0%	40.5%	(0.1)	2.0	1.6	2002-2004 vintage high grade - reasoned portfolio in good shape
2002-2004 High Grade		2.0	2.0	-	50.0%	40.5%	(0.1)	1.0	0.81	2002-2004 vintage high grade - reasoned portfolio in good shape
2002-2004 High Grade		1.3	1.3	-	60.0%	48.6%	(0.1)	0.7	0.6561	2002-2004 vintage high grade - reasoned portfolio in good shape
2002-2004 High Grade		1.5	1.5	-	60.0%	48.6%	(0.1)	0.9	0.729	2002-2004 vintage high grade - reasoned portfolio in good shape
2005-2006 High Grade		2.0	2.0	-	70.0%	56.7%	(0.1)	1.4	1.134	2005 vintage high grade - no exposure to 2006 subprime
2005-2006 High Grade		4.0	4.0	-	55.0%	47.8%	(0.1)	2.2	1.9116	2005 vintage high grade - no exposure to 2006 subprime
2005-2006 High Grade		2.8	2.8	-	55.0%	47.8%	(0.1)	1.5	1.3377	2005 vintage high grade - single-A minimum, no problems in portfolio
2005-2006 High Grade		2.7	2.7	-	55.0%	44.6%	(0.1)	1.5	1.204832	2005-2006 vintage high grade - single-A minimum, no problems in portfolio
2005-2006 High Grade		3.5	3.5	-	55.0%	44.6%	(0.1)	1.9	1.56925	2006 vintage high grade - single-A minimum, no problems in portfolio
2005-2006 High Grade		4.5	4.5	-	58.0%	47.1%	(0.1)	2.6	2.130213	2006 vintage high grade - single-A minimum, no problems in portfolio
2005-2006 High Grade		5.0	5.0	-	62.0%	52.1%	(0.1)	2.8	2.3506	2006 vintage high grade - single-A minimum, no problems in portfolio
2005-2006 High Grade		4.5	4.5	-	85.0%	36.5%	(0.3)	3.9	1.64025	2006 vintage high grade - 100% prime and AA RMBS
2005-2006 High Grade		4.0	4.0	-	50.0%	49.6%	(0.1)	2.4	1.9197	2004-2005 vintage high grade - credit is in good shape, but has experienced cashflow problems
2005-2006 High Grade		3.0	3.0	-	20.0%	16.2%	(0.0)	0.6	0.491348	2004-2005 vintage high grade - credit is in good shape, but has experienced cashflow problems
2005-2006 High Grade		4.0	4.0	-	20.0%	16.2%	(0.0)	0.8	0.649	2004-2005 vintage high grade - single-A minimum, no problems in portfolio
2005-2006 High Grade		4.6	4.6	-	50.0%	48.6%	(0.1)	2.3	2.23504	2005 vintage high grade - credit is in good shape, but has experienced cashflow problems related to
2005-2006 High Grade		2.8	2.8	-	81.0%	66.1%	(0.2)	2.2	1.81764	2005 vintage high grade - credit is in good shape, but has experienced cashflow problems related to
2005-2006 High Grade		2.0	2.0	-	55.0%	16.2%	(0.4)	1.1	0.324	2006 vintage high grade -- portfolio has 0.5% in single-A second liens
2001-2005 Mezz		3.3	3.3	-	1.0%	0.8%	(0.0)	0.0	0.026323	2001 vintage mezz deal -- likely no further distributions to equity
2001-2005 Mezz		4.9	4.9	-	50.0%	47.8%	(0.1)	2.9	2.34171	2004-2005 vintage mezz deal -- reasoned portfolio in good shape
2001-2005 Mezz		3.4	2.4	(3.0)	57.0%	46.2%	(0.1)	3.1	1.10908	2004-2005 vintage mezz deal -- reasoned portfolio in good shape
2001-2005 Mezz		2.3	2.3	-	58.0%	47.0%	(0.1)	1.2	0.9396	2004-2005 vintage mezz deal -- reasoned portfolio in good shape
2006 Mezz		9.0	9.0	-	58.0%	45.4%	(0.1)	5.0	4.0824	2006 vintage mezz deal -- 40% RMBS stacks-5
2006 Mezz	Hudson Mezzanine 2006-1, Ltd.	5.0	5.0	-	67.0%	54.3%	(0.1)	3.4	2.7135	2006 vintage mezz deal -- 100% ABX 06-1 and 06-1 BBB and BBB-
2006 Mezz		2.3	2.3	-	60.0%	40.5%	(0.1)	1.3	1.0125	2006 vintage mezz deal -- 60% ABX 06-1 and 06-1 BBB and BBB-
2006 Mezz	Anflerton	12.4	12.4	-	62.0%	49.4%	(0.1)	8.3	6.1609	2006 vintage mezz deal -- 100% RMBS portfolio
2006 Mezz		20.9	20.9	-	57.0%	45.2%	(0.1)	11.9	9.6656985	2006 vintage mezz deal -- 100% RMBS portfolio
CDO-squared		12.0	12.0	-	78.0%	58.1%	(0.1)	8.2	6.9096	2003-2006 vintage single-A deal -- quasi-CDO squared with 40% single-A CDOs in portfolio
CDO-squared		13.5	13.5	-	71.0%	57.3%	(0.1)	9.6	7.78365	2003-2006 vintage mezz deal -- quasi-CDO squared with 40% triple-B CDOs in portfolio
CDO-squared	Point Pleasant	10.1	10.1	-	71.0%	57.3%	(0.1)	7.2	5.7958833	2003-2006 vintage 100% single-A CDO-squared
Total / Weighted Avg		150.0	150.0		62.2	71.2				

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WH Summary RMBS

Bond	Pos (MM)	C/F (MM)	Spread Bid	Cusip	Mkt Value
ACCR 071 M6	3	3	65	00438QAK0	1.95
JPMAC 06RM1 M6	7.278	7.278	65	46629NAM5	4.7307
LBMLT 067 M6	10.378	10.378	45	54251TAL3	4.6701
LBMLT 068 M6	3.33	3.33	45	54251UAL0	1.4985
LBMLT 069 M6	6	6	45	54251WAL6	2.7
MLMI 06MLN1 M6	4	4	72	59023AAL0	2.88
SABR 06NC3 M5	2	2	62	81377CAH1	1.24
SAST 063 M6	4	4	82	80556AAK3	3.28
BLTN 061A A1	27	27	98	058521AA3	26.46
		66.986			49.4093

73.76064

66.986

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Hedges - ABX AAA	1,550	100.22	1,553		
Hedges - ABX AA and A	662	95.25	631		
Hedges - ABX BBB/BBB-	359	73.08	262	73.08	
Hedges - CMBX BBB					
Hedges - ABX BBB/BBB- Bk			06-2 BBB	90	70
			06-2 BBB-	94	60.5
			06-1 BBB	86	85.5
			06-1 BBB-	89	77.5

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B/S	Qty ($mm)	Bond	Price	Trade Date	Ctr Prty Client	
S	20	PTPLS 0701 A1 REGS	90.70	6/19/2007	TOKYO STAR /	
S	50	TWOLF 0701 A2 144A	84.33	6/13/2007	BASIS CAPITAL	* in CDS format
S	50	TWOLF 0701 B 144A	77.31	6/13/2007	BASIS CAPITAL	* in CDS format
S	3	COOLIDGE EQUITY	87.00	6/11/2007	[redacted]	
S	20	TWOLF 0701 A2 144A	84.00	6/11/2007	CARLYLE BLU/	
S	10	ALTIUS I C REGS	94.00	6/11/2007	[redacted]	
S	56	TWOLF 0701 A2 REGS	84.50	6/11/2007	HUNGKUK LIFE	
S	17.5	ALTIUS III S 144A	100.07	6/8/2007	[redacted]	
S	10	ALTIUS IV B REGS	100.00	6/5/2007	[redacted]	
S	11.625	ALTIUS IV C REGS	92.68	6/4/2007	[redacted]	
S	36	ALTIUS IV B REGS	98.41	6/4/2007	[redacted]	
S	1.4	BNLI 061A A2	96.93	6/1/2007	[redacted]	
S	20	TWOLF 0701 A2 REGS	83.90	5/30/2007	TOKYO STAR /	
S	11	TWOLF 0701 INCOME NOTE REGS	70.00	5/24/2007	GREYWOLF CA/	
S	40	PTPLS 0701 A2 144A	91.00	5/24/2007	PARAMAX CAP/	
S	40	TWOLF 0701 A2 144A	87.00	5/24/2007	PARAMAX CAP/	
S	10	FORTIUS II A2 144A	92.80	5/23/2007	[redacted]	
S	800	DSQF VII A1A 144A	99.37	5/22/2007	[redacted]	
S	620	DSQF VII A1A 144A	99.45	5/22/2007	[redacted]	
S	150	DSQF VII A1A 144A	99.50	5/18/2007	[redacted]	
S	30	ALTIUS IV A2B 144A	99.765	5/16/2007	[redacted]	
S	20	ALTIUS IV B 144A	100	5/16/2007	[redacted]	
S	3	ALTIUS IV D REGS	100	5/16/2007	[redacted]	
S	2	ALTIUS IV INC NOTES REGS	100	5/16/2007	[redacted]	
S	50	ALTIUS IV A2A REGS	100	5/15/2007	[redacted]	
S	13	ALTIUS IV A2B 144A	100	5/15/2007	[redacted]	
S	13	ALTIUS IV A2B 144A	100	5/15/2007	[redacted]	
S	5	ALTIUS IV C 144A	97.131	5/15/2007	GM PENSION	
S	3	ALTIUS IV C REGS	97.131	5/15/2007	[redacted]	
S	5	ALTIUS IV D 144A	88.939	5/15/2007	[redacted]	
S	3	ALTIUS IV INC NOTES 144A	100	5/15/2007	[redacted]	
S	10	WESTC 061A B	95.85	5/11/2007	[redacted]	
S	1.6	CAMBER 7 E REGS	54.95	5/10/2007	[redacted]	
S	13	CAMBER 7 INC NOTES REGS	48.00	5/10/2007	[redacted]	
S	2	GSC 063G C 144A	85.50	5/9/2007	[redacted]	
S	50	TWOLF 0701 A1A 144A	99.47	5/2/2007	RABOBANK -	
S	20	PTPLS 0701 A2 144A	91.3	4/24/2007	MONEYGRAM I	
S	6	DSQF VII A3 144A	95.39	4/24/2007	[redacted]	
S	20	TWOLF 0701 A2 144A	87.79	4/23/2007	MONEYGRAM I	
S	15	PTPLS 0701 D REGS	81.72	4/19/2007	BASIS CAPIT	
S	4	HUDMZ 061 INCOME NOTES REGS	81	4/16/2007	DILLON READ	
S	3	ANDY 0701 S 144A	100	4/13/2007	MBIA CAPITA	
S	7	GSC 063G C 144A	84.79	4/12/2007	[redacted]	
S	128	PTPLS 0701 A1 144A	100	4/11/2007	DILLON READ	
S	85	PTPLS 0701 A2 144A	100	4/11/2007	DILLON READ	
S	50	PTPLS 0701 B 144A	100	4/11/2007	DILLON READ	
S	14	PTPLS 0701 C 144A	100	4/11/2007	DILLON READ	
S	16	PTPLS 0701 D REGS	100	4/11/2007	DILLON READ	
S	10	PTPLS 0701 INCOME NOTES REGS	100	4/11/2007	DILLON READ	
S	8	PTPLS 0701 C REGS	87.57	4/10/2007	PLENUM ASSE	
S	11	PTPLS 0701 D REGS	88.39	4/10/2007	MARINER BRI	
S	15	LOCH 0601 B 144A	90	4/6/2007	[redacted]	
S	20	TWOLF 0701 C REGS	95.15	4/4/2007	GREYWOLF CA	
S	2	ANDY 0701 A1B 144A	97.39	4/3/2007	BENEFICIAL	
S	16	TWOLF 0701 C REGS	72.5	3/28/2007	POLYGON INV	
S	4	FORTIUS II D REGS	83.11	3/28/2007	[redacted]	
S	5	HUDMZ 061 D REGS	83.23	3/28/2007	MARINER BRI	
S	5	COOL C 144A	87.45	3/27/2007	[redacted]	

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S	11	ANDY 0701 A2 144A	97.24	3/26/2007	PRINCETON A
S	3	BNLI 061A A2	98.93	3/22/2007	[redacted]
S	5	ANDY 0701 A2 144A	96.23	3/21/2007	PIMCO - USA
S	10	ANDY 0701 C 144A	92.38	3/21/2007	GREYWOLF CA
S	9	BNLI 061A A2	96.93	3/21/2007	[redacted]
S	15	ANDY 0701 A2 144A	96.54	3/20/2007	MONEYGRAM I
S	5	ANDY 0701 B 144A	95.5	3/20/2007	MONEYGRAM I
S	50	TWOLF 0701 A1A 144A	99.45	3/13/2007	MBIA CAPITA
S	200	TWOLF 0701 A1B 144A	100	3/13/2007	BEAR STEARN
S	100	TWOLF 0701 A1C 144A	99.71	3/13/2007	BEAR STEARN
S	100	TWOLF 0701 A1D 144A	99.7	3/13/2007	BEAR STEARN
S	30	TWOLF 0701 D REGS	92.41	3/13/2007	GREYWOLF CA
S	11	TWOLF 0701 INCOME NOTE REGS	100	3/13/2007	GREYWOLF CA
S	11	ANDY 0701 D REGS	108.21	3/12/2007	GSCP (NJ) L
S	32	GSC 063G A1B 144A	99.07	3/9/2007	[redacted]
S	40	DSQF VII A2 144A	99.01	3/8/2007	[redacted]
S	15	FORTIUS II A2 144A	97.91	3/2/2007	[redacted]
S	5	FORTIUS II B 144A	94.24	3/2/2007	[redacted]
S	1	CAMBER 7 INC NOTES REGS	100	2/28/2007	[redacted]
S	4	DSQF VII A3 144A	99.44	2/28/2007	[redacted]
S	125	HUDMZ 062 A1 144A	98.51	2/21/2007	[redacted]
S	1	DSQF VII E 144A	90	2/20/2007	[redacted]
S	365	CAMBER 7 A1 144A	100	2/16/2007	[redacted]
S	8	HUDMZ 061 C 144A	93.9	2/14/2007	DILLON READ

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From: Fredman, Sheara
Sent: Wednesday, June 06, 2007 4:51 PM
To: Finck, Greg; Gasvoda, Kevin; Swenson, Michael; Lehman, David A.; Birnbaum, Josh
Cc: Sparks, Daniel L; Simpson, Michael; Fortunato, Salvatore; gs-mtgctrlrs
Subject: Tonight's Estimate to Reflect Changes in Bid Offer Spreads

Importance: High

Attachments: Book19.xls

Traders-

We have decided to adjust bid offer spreads based upon where we are currently trading. This will impact the trading desks as follows. Please incorporate into your estimates tonight. We've attached the new bid offer spreads.

Thanks,
S

Correlation	+2.9M
CDO	-3.5M
ABS	-1.6M
Resi Prime	-4.0M
Resi Credit	-8.1M
Managers	+3.1M



Book19.xls

Goldman, Sachs & Co.
180 Malden Lane | New York, NY 10005
Tel: (212) 357-3579 | e-mail: sheara.fredman@gs.com

Sheara Fredman
Vice President
Finance Division

Goldman
Sachs

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2406

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Combo	Sector	Rating	spread
ABS Auto Prime A	ABS Auto Prime	A	7.50 bps
ABS Auto Subprime A	ABS Auto Subprime	A	7.50 bps
ABS Auto Subprime BBB	ABS Auto Subprime	BBB	7.50 bps
ABS Credit Card Prime AAA	ABS Credit Card Prime	AAA	5.00 bps
ABS Credit Card Prime A	ABS Credit Card Prime	A	7.50 bps
ABS Credit Card Prime BBB	ABS Credit Card Prime	BBB	7.50 bps
ABS Credit Cards Subprime AAA	ABS Credit Cards Subprime	AAA	5.00 bps
ABS Credit Cards Subprime A	ABS Credit Cards Subprime	A	7.50 bps
ABS Credit Cards Subprime BBB	ABS Credit Cards Subprime	BBB	7.50 bps
ABS Student Loans Private A	ABS Student Loans Private	A	7.50 bps
ABS Student Loans Private BBB	ABS Student Loans Private	BBB	7.50 bps
CDO Commercial Real Estate AAA	CDO Commercial Real Estate	AAA	1.00 bps
CDO Commercial Real Estate AA	CDO Commercial Real Estate	AA	1.50 bps
CDO Commercial Real Estate A	CDO Commercial Real Estate	A	2.00 bps
CDO Commercial Real Estate A-	CDO Commercial Real Estate	A-	2.50 bps
CDO Commercial Real Estate BBB	CDO Commercial Real Estate	BBB	12.50 bps
CDO Commercial Real Estate BBB-	CDO Commercial Real Estate	BBB-	12.50 bps
CDO Commercial Real Estate BBB+	CDO Commercial Real Estate	BBB+	12.50 bps
CDO High Grade AAA	CDO High Grade	AAA	3.00 bps
CDO High Grade AA+	CDO High Grade	AA+	5.00 bps
CDO High Grade AA	CDO High Grade	AA	5.00 bps
CDO High Grade A	CDO High Grade	A	12.50 bps
CDO High Grade A-	CDO High Grade	A-	12.50 bps
CDO Mezzanine SS	CDO Mezzanine	SS	5.00 bps
CDO Mezzanine AAA	CDO Mezzanine	AAA	5.00 bps
CDO Mezzanine AA	CDO Mezzanine	AA	4.00 bps
CDO Mezzanine A	CDO Mezzanine	A	12.50 bps
CDO Mezzanine A-	CDO Mezzanine	A-	12.50 bps
CDO Mezzanine BBB	CDO Mezzanine	BBB	20.00 bps
CDO Mezzanine BBB-	CDO Mezzanine	BBB-	20.00 bps
CLO AAA	CLO	AAA	3.00 bps
CLO AA	CLO	AA	5.00 bps
CLO A	CLO	A	12.50 bps
CLO BBB	CLO	BBB	12.50 bps
CMBS AAA	CMBS	AAA	0.50 bps
CMBS AA+	CMBS	AA+	1.00 bps
CMBS AA-	CMBS	AA-	1.00 bps
CMBS AA	CMBS	AA	1.00 bps
CMBS A	CMBS	A	1.00 bps
CMBS A-	CMBS	A-	1.00 bps
CMBS BBB+	CMBS	BBB+	2.50 bps
CMBS BBB	CMBS	BBB	2.50 bps
CMBS BBB-	CMBS	BBB-	3.50 bps
CMBS BB+	CMBS	BB+	10.00 bps
CMBS BB	CMBS	BB	10.00 bps
GTR AMBAC ASSURANCE CORPORATION AAA	GTR AMBAC ASSURANCE CORPORATION	AAA	3.00 bps
GTR FINANCIAL GUARANTY INSURANCE COMPANY AAA	GTR FINANCIAL GUARANTY INSURANCE COMPANY	AAA	5.00 bps
GTR FINANCIAL SECURITY ASSURANCE INC. AAA	GTR FINANCIAL SECURITY ASSURANCE INC.	AAA	3.00 bps
GTR MBIA INSURANCE CORPORATION AAA	GTR MBIA INSURANCE CORPORATION	AAA	3.00 bps
GTR XL CAPITAL ASSURANCE INC. AAA	GTR XL CAPITAL ASSURANCE INC.	AAA	3.00 bps
RMBS Prime A	RMBS Prime	A	4.00 bps
RMBS Prime AA	RMBS Prime	AA	5.00 bps
RMBS Prime AA-	RMBS Prime	AA-	5.00 bps

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RMBS Prime BBB	RMBS Prime	BBB	10.00	bps
RMBS Prime BBB+	RMBS Prime	BBB+	10.00	bps
RMBS Prime BBB-	RMBS Prime	BBB-	10.00	bps
RMBS Subprime AAA	RMBS Subprime	AAA	3.00	bps
RMBS SubprimeLCF AAA	RMBS SubprimeLCF	AAA	3.00	bps
RMBS Subprime AA+	RMBS Subprime	AA+	5.00	bps
RMBS Subprime AA-	RMBS Subprime	AA-	5.00	bps
RMBS Subprime AA	RMBS Subprime	AA	5.00	bps
RMBS Subprime A+	RMBS Subprime	A+	6.00	bps
RMBS Subprime A-	RMBS Subprime	A-	6.00	bps
RMBS Subprime A	RMBS Subprime	A	6.00	bps
RMBS Subprime BBB+	RMBS Subprime	BBB+	8.00	bps
RMBS Subprime BBB	RMBS Subprime	BBB	8.00	bps
RMBS Subprime BBB-	RMBS Subprime	BBB-	9.00	bps
RMBS Subprime BB+	RMBS Subprime	BB+	50.00	bps
RMBS Subprime BB	RMBS Subprime	BB	50.00	bps
RMBS Alt-A A-	RMBS Alt-A	A-	2.50	bps
RMBS Alt-A BBB+	RMBS Alt-A	BBB+	7.50	bps
RMBS Alt-A A	RMBS Alt-A	A	2.50	bps
RMBS Alt-A BBB	RMBS Alt-A	BBB	10.00	bps
RMBS Alt-A BBB-	RMBS Alt-A	BBB-	10.00	bps
CMBS Index AAA	CMBS Index	AAA	0.50	bps
CMBS Index AA	CMBS Index	AA	1.00	bps
CMBS Index A	CMBS Index	A	1.00	bps
CMBS Index BBB	CMBS Index	BBB	1.50	bps
CMBS Index BBB-	CMBS Index	BBB-	1.50	bps
RMBS Subprime Index AAA	RMBS Subprime Index	AAA	8.0000	Tics
RMBS Subprime Index AA	RMBS Subprime Index	AA	8.0000	Tics
RMBS Subprime Index A	RMBS Subprime Index	A	8.0000	Tics
RMBS Subprime Index BBB	RMBS Subprime Index	BBB	8.0000	Tics
RMBS Subprime Index BBB-	RMBS Subprime Index	BBB-	8.0000	Tics
RMBS Subprime Index T AAA	RMBS Subprime Index T	AAA	0.5000	Tics
RMBS Subprime Index T AA	RMBS Subprime Index T	AA	1.0000	Tics
RMBS Subprime Index T A	RMBS Subprime Index T	A	1.0000	Tics
RMBS Subprime Index T BBB	RMBS Subprime Index T	BBB	2.0000	Tics
RMBS Subprime Index T BBB-	RMBS Subprime Index T	BBB-	2.0000	Tics
CDO High Grade BBB	CDO High Grade	BBB	20.0000	bps
CMBS Index BB	CMBS Index	BB	10.00	bps
RMBS Subprime Index TABX BBB SuperSenior	RMBS Subprime Index TABX	BBB SuperSenior	48.0000	Tics
RMBS Subprime Index TABX BBB	RMBS Subprime Index TABX	BBB	96.0000	Tics
RMBS Subprime Index TABX BBB- SuperSenior	RMBS Subprime Index TABX	BBB- SuperSenior	16.0000	Tics
RMBS Subprime Index TABX BBB- Junior	RMBS Subprime Index TABX	BBB- Junior	16.0000	Tics
RMBS Subprime Index TABX BBB-	RMBS Subprime Index TABX	BBB-	32.0000	Tics
Euro CMBS United Kingdom A	Euro CMBS United Kingdom	A	1	bps
Euro CMBS United Kingdom BBB-	Euro CMBS United Kingdom	BBB-	3.5	bps
Euro RMBS United Kingdom Subprime BBB	Euro RMBS United Kingdom Subprime	BBB	10.00	bps
Euro RMBS United Kingdom Subprime BBB-	Euro RMBS United Kingdom Subprime	BBB-	10.00	bps
CMBS Index T BBB-	CMBS Index T	BBB-	1.50	bps
RMBS Alt-A AA	RMBS Alt-A	AA	2.50	bps
Euro RMBS BBB	Euro RMBS	BBB	10.00	bps
CMBS BB-	CMBS	BB-	10.00	bps
CMBS B+	CMBS	B+	10.00	bps
CMBS A+	CMBS	A+	1.00	bps

From: Lehman, David A.
Sent: Wednesday, June 06, 2007 9:04 PM
To: Swenson, Michael; Mullen, Donald
Cc: Sparks, Daniel L
Subject: Re: Moneygram marks

Not @ all - This is our shot to get this done - we want to stay on the offer and be aggressive

Thk abt this - if we establish a defined + healthy supply/demand dynamic in this product we can always CREATE more CDO^2 at a significant profit vs current levels

[redacted] = Redacted by the Permanent Subcommittee on Investigations

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-[redacted]
e-mail: david.lehman@gs.com

----- Original Message -----
From: Swenson, Michael
To: Mullen, Donald; Lehman, David A.
Cc: Sparks, Daniel L
Sent: Wed Jun 06 20:41:19 2007
Subject: Re: Moneygram marks

No pause evryone else is afraid to execute at these levels and they will be wishing for these prices by the end of the summer

----- Original Message -----
From: Mullen, Donald
To: Lehman, David A.
Cc: Swenson, Michael; Sparks, Daniel L
Sent: Wed Jun 06 20:28:44 2007
Subject: Re: Moneygram marks

Does that give any one pause about our selling prices?

----- Original Message -----
From: Lehman, David A.
To: Mullen, Donald
Cc: Swenson, Michael; Sparks, Daniel L
Sent: Wed Jun 06 18:42:48 2007
Subject: Re: Moneygram marks

This is consistent with what we hear - maybe not the only offer, but certainly the most aggressive

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Wall Street & The Financial Crisis
Report Footnote #2409

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66052.414

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-[redacted]
e-mail: david.lehman@gs.com

----- Original Message -----
From: Mullen, Donald
To: Lehman, David A.
Sent: Wed Jun 06 18:26:02 2007
Subject: Re: Moneygram marks

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Sounds like we are the only offer

----- Original Message -----
From: Lehman, David A.
To: Mullen, Donald; Brafman, Lester R
Sent: Wed Jun 06 17:41:18 2007
Subject: FW: Moneygram marks

fyi

From: Wisenbaker, Scott
Sent: Wednesday, June 06, 2007 4:24 PM
To: Case, Benjamin; Bieber, Matthew G.; Lehman, David A.
Subject: RE: Moneygram marks

have heard from others on the street that citi and ml in particular are holding on to stuff... and that the market feels that GS is being more aggressive than other dealers moving CDO^2 paper

From: Case, Benjamin
Sent: Wednesday, June 06, 2007 4:22 PM
To: Wisenbaker, Scott; Bieber, Matthew G.; Lehman, David A.
Subject: FW: Moneygram marks

Brendan Gilligan called and said Moneygram may be interested in buying more Timberwolf A2 and Point Pleasant A2 in the context of their marks. He said Moneygram knows the market has moved wider from when they bought these bonds, so they were expecting their marks to be down (these are down 4-5 points from where they purchased). Also, interestingly he said Moneygram have been trying to get offer levels from other dealers on CDO^2 debt the other dealers own in inventory, but he said most won't give them offering levels and seem to want to hold the paper instead.

From: Case, Benjamin
Sent: Wednesday, June 06, 2007 4:17 PM
To: Gilligan, Brendan
Subject: Moneygram marks

INTERNAL/VERBAL ONLY - please relay verbally (can be send by email externally only from the valuations group)

Timberwolf A2 - 83.5 - 450 dm
Point Pleasant A2 - 86.0 - 420 dm

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From: Sparks, Daniel L
Sent: Wednesday, June 06, 2007 8:58 PM
To: Swenson, Michael; Mullen, Donald; Lehman, David A.
Subject: Re: Moneygram marks

There is real market meltdown potential (although far from certain). The market isn't yet pricing it in - but the scenario is liquidity gets worse, downgrades/losses occur, and forced liquidations begin to happen - spiral down that has steep drops.

Flip side is liquidity and demand for risk and cheap assets overwhelm concerns. These are pretty much the only distressed assets out there in size.

But the upside/downside makes it seem way to early - especially for us mark-to market types.

----- Original Message -----
From: Swenson, Michael
To: Mullen, Donald; Lehman, David A.
Cc: Sparks, Daniel L
Sent: Wed Jun 06 20:41:19 2007
Subject: Re: Moneygram marks

No pause evryone else is afraid to execute at these levels and they will be wishing for these prices by the end of the summer

----- Original Message -----
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To: Lehman, David A.
Cc: Swenson, Michael; Sparks, Daniel L
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To: Mullen, Donald
Cc: Swenson, Michael; Sparks, Daniel L
Sent: Wed Jun 06 18:42:48 2007
Subject: Re: Moneygram marks

This is consistent with what we hear - maybe not the only offer, but certainly the most aggressive

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David A. Lehman
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85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-[redacted]
e-mail: david.lehman@gs.com

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----- Original Message -----
From: Mullen, Donald
To: Lehman, David A.
Sent: Wed Jun 06 18:26:02 2007
Subject: Re: Moneygram marks

Sounds like we are the only offer

----- Original Message -----
From: Lehman, David A.
To: Mullen, Donald; Brafman, Lester R
Sent: Wed Jun 06 17:41:18 2007
Subject: FW: Moneygram marks

fyi

From: Wisenbaker, Scott
Sent: Wednesday, June 06, 2007 4:24 PM
To: Case, Benjamin; Bieber, Matthew G.; Lehman, David A.
Subject: RE: Moneygram marks

have heard from others on the street that citi and ml in particular are holding on to stuff... and that the market feels that GS is being more aggressive than other dealers moving CDO^2 paper

---

From: Case, Benjamin
Sent: Wednesday, June 06, 2007 4:22 PM
To: Wisenbaker, Scott; Bieber, Matthew G.; Lehman, David A.
Subject: FW: Moneygram marks

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From: Case, Benjamin
Sent: Wednesday, June 06, 2007 4:17 PM
To: Gilligan, Brendan
Subject: Moneygram marks

INTERNAL/VERBAL ONLY - please relay verbally (can be send by email externally only from the valuations group)

Timberwolf A2 - 83.5 - 450 dm
Point Pleasant A2 - 86.0 - 420 dm

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Unknown

From: Maltezos, George [george.maltezos@gsjbw.com]
Sent: 22 May 2007 06:50
To: John Murphy
Subject: FW: leveraged AAAs and AAs
Attachments: oledata.mso; 20070313_TIMBERWOLF I, mgd by Greywolf Capital.zip; 20070424_ROI calcs__AAA and AAs.xls; 070501_TS_Basis Cap.doc

I appreciate you are flat chat at the moment, but pls keep in mind GS is an aggressive seller of risk for QTR end purposes (last day of quarter is this Friday).

We would certainly appreciate your support, and equally help create something where the return on invested capital for Basis is over 60% (assume AAAs at 400dm; AAs at 500dm; 7.5% haircut and L+30bps funding).

George

George Maltezos, CFA
Executive Director
Head of Structured Asset Solutions

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Facsimile 612 9320 1222
Mobile 61[redacted]
george.maltezos@gsjbw.com
www.gsjbw.com

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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From: Maltezos, George
Sent: Tuesday, 22 May 2007 3:11 PM
To: 'John Murphy'
Cc: Stuart Fowler
Subject: FW: leveraged AAAs and AAs

Murph – I hope you are getting your legs back. When are you free to re-visit this trade with the Greywolf deal?

As indicated, I have been able to obtain approvals for a 6mth evergreen financing facility for this trade, which sits separate to the US$100mm facility we set up last year (and hence leaves some powder dry for other things).

Tks,
gm

From: Maltezos, George
Sent: Tuesday, 24 April 2007 4:02 PM
To: John Murphy
Cc: Stuart Fowler
Subject: leveraged AAAs and AAs

Murph,

Further to our email traffic yesterday, I wanted to discover what might be possible in the levered AAA space.

To that end, I spoke with Dan Sparks and Peter Ostrem about potentially offering Basis a block of cheap highly rated ABS CDOs on a levered basis.

04/05/2008

Permanent Subcommittee on Investigations
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JUL 000685

They were constructive with the enquiry & supportive to help structure something that should offer Basis an attractive risk-adjusted return on capital proposition. We are still mapping through the terms, but I wanted to highlight some broad thoughts on a trade idea.

Are you free to discuss this?

CDO Transaction Details:
Deal: Timberwolf I, Ltd
CDO Manager: Greywolf Capital Management LP
Description: US$1bn Single-A Structured Product CDO
(see attached zipped file containing final OC, term sheet, presentation, portfolio, cashflows, etc)

Indicative Financing Terms:
Haircut: 5-10%
Funding Rate: Libor plus 35-50bps
Return on Capital is in the 40-55% area
(see attached indicative calculations I prepared)

Investment Details:
Notional: US$100,000,000 (hence capital invested by Basis is $5 to $10mm)
Split across two tranches:
Class A2 (Aaa/AAA) +400dm (traded half the tranche originally at 100dm)
Class B (Aa2/AA) +300dm (traded half the tranche originally at 200dm)
(deal was originally priced 13 March)

...

Timberwolf, a $1bln Single-A SP CDO Squared

- Portfolio selected and to be defensively managed by Greywolf (Greg Mount).
- Goldman and Greywolf each took half the equity.
- Higher in credit trade (portfolio is 100% rated at least single-A) with a focus on Mezz and High Grade SP CDO debt.
- No reinvestment risk. Greywolf has ability to sell assets that they feel are underperforming vs. expectations but all principal proceeds paydown debt.
- The two main portfolio managers have outstanding experience in the structured products markets: **Greg Mount**: Previously a Partner at Goldman Sachs who founded Goldman Sachs' CDO business in 1996 and initiated their proprietary CDO investing activity; & **Joe Marconi**: Previously a Managing Director and co-head of ABS Finance at Goldman Sachs.

Other transaction highlights
- Structural features
  - Legal maturity of [14] years
  - Non-call period of [3] years
  - Auction call at [8] years
- Greywolf has the discretion to sell "credit risk" and "defaulted" assets and the proceeds will be treated as principal paydowns.
- The portfolio is expected to be [100]% ramped at closing
- Fees:
  - Collateral Management Fee: [4] bps pa
  - Deferred Structuring Fee: [4] bps pa

Greywolf Capital Management

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- Founded in 2003, now with 50 employees, including 27 investment professionals
- Greywolf principals previously held senior positions in credit trading at various sell-side institutions
- Greywolf has approximately $3.5bn AUM, including approximately $1bn in structured product exposures

Timberwolf I Break-Evens

Assumptions:
Defaults are assumed to commence in September 2008; Recoveries occur immediately upon default.
Loss of interest and principal (discounted).

	CDR	Cum Default	Cum Loss 60% Severity	CDR	Cum Default	Cum Loss 60% Severity	CDR
A-2							
B							
C							
D							

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Fixed Income, Currency and Commodities
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Level 48
Governor Phillip Tower
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Australia

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66052.421

From: Maltezos, George
Date Sent: Wednesday, 30 May 2007 09:34:26
Date Received: Wednesday, 30 May 2007 09:34:26
To: John Murphy
CC: Stuart Fowler
BCC:
Subject: RE:
Attachment Count: 0
Attachment: None

We have been working on a SIV-lite structure for structured product CDO product, but this still requires a great deal of work from here....not to mention upfront expenses to establish such vehicles. The key guy working on this from our end is Rajiv Kamilla, who is actually going to be in Sydney next week. Rajiv is a senior and experienced structuring and trading guy devoted to new product development. Perhaps we should set up a meeting when he is here next week to discuss such broader exotic solutions. At this stage, however, this is still in design mode and the agencies are still non committal. The money market desks/repo counterparts for this sort of thing are also in early stages. I'm just trying to be realistic on this side....

We also looked at a non-par swap and found issues from a credit and extension / tail risk perspective, hence not a no-brainer.

On your question below about taking the AAA paper in isolation, the issue we face (from a trading and risk management perspective) is on being able to properly model, mark, & value this jump risk. I think the current market environment is suggesting clarity on this is not there. I can tell you Goldman is not doing any non-recourse financing at the moment on structured product CDOs.

From a pricing perspective, we have been trading Timberwolf AAA and AA bonds. 550dm on AAAs and north of 700dm on AAs is considered too wide for Timberwolf. We appreciate you are seeing other stuff, and keen to know which deals these are, but in this case I don't think the trading desk shares the sentiment with regard to such spread levels. To be constructive, however, I know the desk is entertaining block size trades at the moment from real money accounts in the US and Asia at wide levels (much wider than what they have traded before). To give you a sense, I think these represent 400-450dm and 650-700dm respectively (for size) at the widest level of such enquiries.

Overall, the 6mth evergreen financing proposal with recourse to the funds is the most efficient way I can see Goldman play here (at this point in time). As you can see from above, some flexibility on price can be afforded, which should help create a very positively convex & buffered position for you.

Again, I appreciate your focus....I just don't want to lead you up the garden path.

Your thoughts?

George
9320 1431

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Executive Director
Head of Structured Asset Solutions

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www.gsjbw.com <http://www.gsjbw.com/>

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From: John Murphy [mailto:jmurphy@basiscap.com.au]
Sent: Tuesday, 29 May 2007 6:05 PM
To: Maltezos, George

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Report Footnote #2413

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Cc: Stuart Fowler
Subject: Re:

From our side we want to look at this like a conduit or SIV type arrangement.
If you take the AAA paper in isolation, what is the volatility of the mark to market (from current levels) that needs to be covered ?? And what equity sizing would be needed?? Would a non-par swap help bring forward the DM and convert it into current cash flow ??
John Murphy
Sent from my BlackBerry
Disclaimer:
This message is subject to the Disclaimer on <http://www.basiscap.com.au/emaildisclaimer.htm>
----- Original Message -----
From: Maltezos, George <george.maltezos@gsjbw.com>
To: John Murphy
Cc: Stuart Fowler
Sent: Tue May 29 17:55:42 2007
Subject: RE:
I have taken a look at this, and can ask again, but on earlier discussions internally "non-recourse" was far worse than what was shown with recourse.
Two key drivers:
1 – the work done by the business unit and credit department to get comfortable with Basis Capital [redacted] NR [redacted] is thrown out the window, and as such you are treated no better than a $2 bucket shop… hence, credit terms worsen significantly.
2 – the excess cash here is actually minimal. The AAA has a L+90bps coupon, so if funding is L+35bps, you end up with 55bps of excess income. Assuming you sweep all of this to build excess credit support, this could potentially build an extra 5% in 3 years. That's clearly not a lot of buffer.
I'm just trying to highlight the issues, rather than over-promise. Any and all feedback is welcome.
George
George Maltezos, CFA
Executive Director
Head of Structured Asset Solutions

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From: John Murphy [<mailto:jmurphy@basiscap.com.au>]
Sent: Tuesday, 29 May 2007 5:35 PM
To: Maltezos, George
Cc: Stuart Fowler
Subject: RE:
we are very keen to explore a vehicle where we fund these bonds on a non-recourse basis
off the top of my head I look at it as 5% "equity" upfront and then trap the excess income each period to build extra credit support over time
can you and the team put your thinking hats on and see what is do-able?
John Murphy
Director - Funds Management
Direct: 02 - 8234 5514
Mobile: [redacted]
www.basiscap.com.au
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66052.423

From: Maltezos, George [<mailto:george.maltezos@gsjbw.com>]
Sent: Tuesday, 29 May 2007 4:38 PM
To: John Murphy
Subject: RE:
Wow...
This is obviously good colour, but clearly illustrates the sporadic nature of the market.
Can you mention which deal? I am happy to go back to NY and force a response.
Do you think 550 and 700+ are the right levels for this trade?

From: John Murphy [<mailto:jmurphy@basiscap.com.au>]
Sent: Tuesday, 29 May 2007 4:32 PM
To: Maltezos, George
Subject: RE:
the reason I ask is we are seeing similar paper at much wider levels ...we are seeing, in equivalent managers 550DM on AAA and north of 700 on AA.. thoughts plse
John Murphy
Director - Funds Management
Direct: 02 - 8234 5514
Mobile: [redacted]
www.basiscap.com.au
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From: Maltezos, George [<mailto:george.maltezos@gsjbw.com>]
Sent: Tuesday, 29 May 2007 4:23 PM
To: John Murphy
Subject: RE:
As of quarter end (end of last week), they were: AAAs at 400dm; and AAs at 500dm.
We last traded a block at 350 and 450 respectively.
What do you think? I can double check tonight.

From: John Murphy [<mailto:jmurphy@basiscap.com.au>]
Sent: Tuesday, 29 May 2007 4:18 PM
To: Maltezos, George
Subject: RE:
what are the refreshed offer levels on the AAA and AA notes??
John Murphy
Director - Funds Management
Direct: 02 - 8234 5514
Mobile: [redacted]
www.basiscap.com.au
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From: Maltezos, George [<mailto:george.maltezos@gsjbw.com>]
Sent: Tuesday, 29 May 2007 3:12 PM
To: John Murphy
Subject: RE:
Ok mate - thanks
George Maltezos, CFA

[redacted] = Redacted by the Permanent Subcommittee on Investigations

JUL 002034

Executive Director
Head of Structured Asset Solutions

Telephone 612 9320 1431
Facsimile 612 9320 1222
Mobile 61 403 189 116
george.maltezos@gsjbw.com <<mailto:george.maltezos@gsjbw.com>>
www.gsjbw.com <<http://www.gsjbw.com/>>

From: John Murphy [<mailto:jmurphy@basiscap.com.au>]
Sent: Tuesday, 29 May 2007 3:04 PM
To: Maltezos, George
Subject: RE:
I got our guys looking at the repo terms to see if that causes them any grief
other than that nothing to discuss as yet
John Murphy
Director - Funds Management
Direct: 02 - 8234 5514
Mobile: [redacted]
www.basiscap.com.au
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From: Maltezos, George [<mailto:george.maltezos@gsjbw.com>]
Sent: Tuesday, 29 May 2007 3:03 PM
To: John Murphy
Subject:
Murph – shall we set a time aside to discuss the levered Timberwolf AAA and AA trade idea?
George Maltezos, CFA
Executive Director
Head of Structured Asset Solutions
Fixed Income, Currency and Commodities
Goldman Sachs JBWere Pty Ltd

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Telephone 612 9320 1431
Facsimile 612 9320 1222
Mobile [redacted]
george.maltezos@gsjbw.com
www.gsjbw.com
Level 48
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1 Farrer Place
Sydney NSW 2000
Australia

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66052.425

From: Molloy, Macdara
Sent: Wednesday, May 02, 2007 3:37 AM
To: Maltezos, George (GSJBW)
Cc: Hammatt, Julie; Cao, Joanna J
Subject: RE: Updated Calls and reports

In that case it seems we were fed the wrong price. We will follow up.

From: Maltezos, George (GSJBW)
Sent: Wednesday, May 02, 2007 8:35 AM
To: Molloy, Macdara
Cc: Hammatt, Julie; Cao, Joanna J
Subject: RE: Updated Calls and reports

Not sure I agree. The desk had confirmed marking this at the 81.72 level. Not sure when it was lower.

George Maltezos, CFA
Executive Director
Head of Structured Asset Solutions

Telephone 612 9320 1431
Facsimile 612 9320 1222
Mobile 61[redacted]
george.maltezos@gsjbw.com
www.gsjbw.com

[redacted] = **Redacted by the Permanent Subcommittee on Investigations**

From: Molloy, Macdara [mailto:macdara.molloy@gs.com]
Sent: Wednesday, 2 May 2007 5:30 PM
To: Maltezos, George
Cc: Hammatt, Julie - GS; Cao, Joanna J - GS
Subject: RE: Updated Calls and reports

Thanks George.

That's fine we can update the reports today with the new prices.

They should really meet the original call as the price dropped creating the call and has now gone back up to the 81.72 level decreasing the call.
We will apply the new prices today and see where we are which should reduce the call.

Regards,

Macdara

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2415

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66052.426

From: Maltezos, George (GSJBW)
Sent: Wednesday, May 02, 2007 8:25 AM
To: Molloy, Macdara
Cc: Hammatt, Julie; Cao, Joanna J
Subject: RE: Updated Calls and reports

I did, but I think they want to see it confirmed in the reports....

Call me if its helpful.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

George Maltezos, CFA
Executive Director
Head of Structured Asset Solutions

Telephone 612 9320 1431
Facsimile 612 9320 1222
Mobile 61 [redacted]
george.maltezos@gsjbw.com
www.gsjbw.com

From: Molloy, Macdara [mailto:macdara.molloy@gs.com]
Sent: Wednesday, 2 May 2007 5:23 PM
To: Maltezos, George
Cc: Hammatt, Julie - GS; Cao, Joanna J - GS
Subject: RE: Updated Calls and reports

Thanks George,

Were you able to pass this information on to Basis?

Regards,

Macdara

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From: Maltezos, George (GSJBW)
Sent: Wednesday, May 02, 2007 8:21 AM
To: Molloy, Macdara
Cc: Hammatt, Julie; Cao, Joanna J
Subject: RE: Updated Calls and reports

This is what I have from NY....Ben Case.

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George Maltezos, CFA
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[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Molloy, Macdara [mailto:macdara.molloy@gs.com]
Sent: Wednesday, 2 May 2007 4:54 PM
To: Maltezos, George
Cc: Hammatt, Julie - GS; Cao, Joanna J - GS
Subject: FW: Updated Calls and reports

George,

Not sure if you have been involved with this price query but have you spoken to anyone in NY on this?
If not we will follow up.

Regards,

Macdara

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From: John Murphy [mailto:jmurphy@basiscap.com.au]
Sent: Wednesday, May 02, 2007 7:52 AM
To: Molloy, Macdara; Phillipa Chen
Cc: Sahil Sachdev; Hammatt, Julie; Maltezos, George (GSJBW); Fei An; Trades; Peter Dobson; Cao, Joanna J
Subject: RE: Updated Calls and reports

Macdara

For you guide we did flag this discrepancy with your Sydney office yesterday (Tue) morning.

Regards

John

John Murphy
Director - Funds Management

Direct: 02 - 8234 5514

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66052.428

Mobile: 04[redacted]

www.basiscap.com.au

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From: Molloy, Macdara [mailto:macdara.molloy@gs.com]
Sent: Wednesday, 2 May 2007 4:48 PM
To: Phillipa Chen
Cc: Sahil Sachdev; Hammatt, Julie; Maltezos, George (GSJBW); Fei An; Trades; John Murphy; Peter Dobson; Cao, Joanna J
Subject: RE: Updated Calls and reports

Phillipa,

Thanks we will book to receive the $280,000 on Pac Rim for value 3rd of May.

We will investigate the price move on the Point Pleasant however as the traders/valuations are in New York we will have to speak to them later today.

Regards,

Macdara

Margin Valuations & Pricing
Goldman Sachs International
Christchurch Court | 10-15 Newgate Hill | London EC1A 7HD
T: +44 (0) 207 774 6829
F: +44 (0) 207 552 7323
E: Macdara.Molloy@gs.com

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From: Phillipa Chen [mailto:pchen@basiscap.com.au]
Sent: Wednesday, May 02, 2007 12:50 AM
To: Molloy, Macdara
Cc: Sahil Sachdev; Hammatt, Julie; Maltezos, George (GSJBW); Fei An; Trades; John Murphy; Peter Dobson
Subject: RE: Updated Calls and reports

Hi Macdara, Julie and George,

Thanks a lot for your emails and clarifications.

We agree with Pac-Rim's Margin call USD $280,000 and will instruct our custodian to pay in the morning.

As to Yield Alpha I still have further concerns (sorry):

It seems that nearly $600,000 out of the $720,000 can be attributed to the mark down of our recent purchase Point Pleasant (which was marked from 81.72 down to 76.72). However, the end of month price mark that we just received from GS indicated that the price of the security remains at 81.72 --Please see attached the end of month mark.

Could you please kindly and urgently check this for us?

Many thanks.

Kind Regards,

Phillipa Chen

Basis

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F: +61-(0) 2-8234 5501
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From: Molloy, Macdara [mailto:macdara.molloy@gs.com]
Sent: Tuesday, May 01, 2007 3:19 AM
To: Phillipa Chen
Cc: Sahil Sachdev; Hammatt, Julie; Maltezos, George (GSJBW); Peter O'Donnell; Fei An; Trades
Subject: Updated Calls and reports

Phillipa,

I thought it would be helpful to send updated reports and calls for both funds.

We have updated the 25% HC for Yield Alpha and hopefully you are happy with George's explanation of the new price on the NYFLAT attached.

We now see the following calls with details attached:

BASIS PAC-RIM OPPORTUNITY FUND (MASTER) - $280,000

BASIS YIELD ALPHA FUND (MASTER) - $720,000

Please let me know if you agree and the value date you will be paying the funds for.

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66052.430

Regards,

Macdara

Margin Valuations & Pricing
Goldman Sachs International
Christchurch Court | 10-15 Newgate Hill. | London EC1A 7HD
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F: +44 (0) 207 552 7323
E: Macdara.Molloy@gs.com

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From: Hammatt, Julie
Sent: Monday, April 30, 2007 2:43 PM
To: Maltezos, George (GSJBW); Phillipa Chen; Peter O'Donnell; Fei An; Trades
Cc: Molloy, Macdara; ssachdev@basiscap.com.au
Subject: RE: BASIS YIELD ALHA MARGIN CALL 25 APR 07

Phillipa,

Do you agree with the below, if so please can you confirm your proposed margin movement.

Thanks
Julie

From: Maltezos, George (GSJBW)
Sent: Monday, April 30, 2007 8:53 AM
To: Phillipa Chen; Hammatt, Julie; Peter O'Donnell; Fei An; Trades
Cc: Molloy, Macdara; ssachdev@basiscap.com.au
Subject: RE: BASIS YIELD ALHA MARGIN CALL 25 APR 07

Hi Phillipa,

I checked with the secondary trader (Philip Ha) in NY and he confirmed the mark on NYFLAT. He said this was due to the 6.7% distribution on April 20.

I hope this helps.

Rgds,
George

George Maltezos, CFA
Executive Director
Head of Structured Asset Solutions

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66052.431

Telephone 612 9320 1431
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Mobile 61 [redacted]
george.maltezos@gsjbw.com
www.gsjbw.com

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Phillipa Chen [mailto:pchen@basiscap.com.au]
Sent: Monday, 30 April 2007 4:42 PM
To: Hammatt, Julie - GS; Peter O'Donnell; Fei An; Maltezos, George; Trades
Cc: Molloy, Macdara - GS
Subject: RE: BASIS YIELD ALHA MARGIN CALL 25 APR 07

Thank you very much for that Julie.

We'll be grateful if you could come back with the price for NYFLAT and will meet the call as soon as we hear back from you.

Thank you and have a nice day.

Kind Regards,

Phillipa Chen
Basis
P: +61-(0) 2-8234 5500
D: +61-(0) 2-8234 5553
P: +61-(0) 2-8234 5501
E: pchen@basiscap.com.au
W: www.basiscap.com.au

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From: Hammatt, Julie [mailto:julie.hammatt@gs.com]
Sent: Friday, April 27, 2007 11:26 PM
To: Phillipa Chen; Peter O'Donnell; Fei An; Maltezos, George (GSJBW); Trades
Cc: Molloy, Macdara
Subject: RE: BASIS YIELD ALHA MARGIN CALL 25 APR 07

Hi Phillipa,

The haircut for Pleasant Point has been amended to 25%, resulting in a margin call to you for USD 700,000. I have attached the PDF file containing the new marks, please confirm your agreement.

We are continuing to investigate the price query for Pac Rim.

Best regards
Julie

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66052.432

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From: Phillipa Chen [mailto:pchen@basiscap.com.au]
Sent: Friday, April 27, 2007 12:55 AM
To: Hammatt, Julie; Peter O'Donnell; Fei An; Maltezos, George (GSJBW); Trades
Subject: RE: BASIS YIELD ALHA MARGIN CALL 25 APR 07

Hi Julie,

Hope you are well.

We have some questions regarding the call amount: the major contribution for the US 3.2m call is our recent purchase, Pleasant Point (3.091million call amount); We only recently bought this security and the haircut amount should be 25% instead of 50% as shown in the margin call statement. Could you please double check for us?

Also could you please kindly review the price for NYFLAT [redacted]? As of the end of March the price was 74 and it is now priced at 67. Could you please kindly review this price with your pricing team and advise?

Many thanks.

Kind Regards,

Phillipa Chen
Basis
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D: +61-(0) 2-8234 5553
F: +61-(0) 2-8234 5501
E: pchen@basiscap.com.au
W: www.basiscap.com.au

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From: Hammatt, Julie [mailto:julie.hammatt@gs.com]
Sent: Friday, April 27, 2007 2:24 AM
To: Peter O'Donnell; Phillipa Chen; Fei An; Maltezos, George (GSJBW); Trades
Cc: Hammatt, Julie
Subject: BASIS YIELD ALHA MARGIN CALL 25 APR 07

Hello,

We are exposed by USD 3,200,000 today – please see attached for trade details and advise if you are able to meet our call.

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66052.433

From: Sharma, Nityanand
Sent: Wednesday, May 16, 2007 9:24 AM
To: Lehman, David A.; ficc-spcdo
Subject: RE: Yld tables

Attachments: Timberwolf I, Price-DM Table 05-16-2007.xls

Attached is a price DM table for Timberwolf I.



Timberwolf I, Price-DM Table 0...

From: Lehman, David A.
Sent: Wednesday, May 16, 2007 8:41 AM
To: ficc-spcdo
Subject: Yld tables

Would it be possible to get px/dm tables for the following positions:

TWOLF A2 Centered @ +500 DM, up and down 10 pts by 2 pt increments
TWOLF B Centered @ +750 DM, up and down 10 pts by 2 pt increments

PTPLS A1 Centered @ +250 DM, up and down 5 pts by 1 pt increments
PTPLS A2 Centered @ +400 DM, up and down 10 pts by 2 pt increments
PTPLS B Centered @ +600 DM, up and down 10 pts by 2 pt increments

Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-493-9681 | Mob: 917[redacted]
e-mail: david.lehman@gs.com

Goldman
Sachs

David Lehman
Fixed Income, Currency & Commodities

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66052.434

Footnote Exhibits - Page 4506

Timberwolf I, Ltd.

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Timberwolf I, Ltd.

Modeling Assumptions

Liability-Related Assumptions

- Modeling assumes a $1,000,000,000 transaction with the following capital structure:

Classes	Expected Ratings (Moody's/S&P)	Beginning Balance	% of Capital Structure at Issuance	Stated Margin	Initial OC	Target OC
Class S-1	Aaa / AAA	$9.00 MM	N/A	3mL + 0.20%	N/A	N/A
Class S-2	Aaa / AAA	$8.30 MM	N/A	3mL + 0.35%	N/A	N/A
Class A-1-a	Aaa / AAA	$100.0 MM	10.0%	3mL + 0.05%	1000.0%	N/A
Class A-1-b	Aaa / AAA	$200.0 MM	20.0%	3mL + 0.50%	333.3%	N/A
Class A-1-c	Aaa / AAA	$100.0 MM	10.0%	3mL + 0.80%	250.0%	N/A
Class A-1-d	Aaa / AAA	$100.0 MM	10.0%	3mL + 1.30%	200.0%	N/A
Class A-2	Aaa / AAA	$305.0 MM	30.5%	3mL + 0.90%	124.2%	126.7%
Class B	Aa2/AA	$107.0 MM	10.7%	3mL + 1.40%	109.6%	110.6%
Class C	A2/A	$36.0 MM	3.6%	3mL + 4.00%	105.5%	106.0%
Class D	Baa2/BBB	$30.0 MM	3.0%	3mL + 10.00%	102.2%	102.7%
Income Notes	NR	$22.0 MM	2.2%	N/A	N/A	NA

- The payment date for each class of notes takes place on the 3rd day of each March, June, September, and December, commencing on September 2007
- Ongoing Fees and Expenses:
  - Base Collateral Management Fee - 4 bps p.a.
  - Deferred Structuring Expense - 4bps p.a.
  - Trustee and Administrative Fees & Expenses - for each Payment Date, the sum of (i) $35,500 and (ii) the maximum of (a) 0.00725% p.a. of the outstanding collateral balance and (b) $48,252 p.a.
- The transaction is expected to have a Cash Flow Swap (PIK Swap) with a maximum notional amount of $50mm and a commitment fee equal to 26 bps p.a.

- OC Tests

Classes	OC Test
Class A/B	106.4%
Class C	103.3%
Class D	101.1%

Asset-Related Assumptions

- The spreads / coupons on the assets in the portfolio used for modeling purposes in every period are based on the expected spreads / coupons for each asset in the warehouse, based on such asset's expected amortization profile (and net of the 5 bps p.a. fee to GS as put provider)
- Default Swap Collateral is assumed to accrue interest at 1m L + 10 bps
- No trading gains or call premiums are assumed
- All interest proceeds are held in cash for 30 days, and all principal proceeds are held in cash for 50 days, each earning a rate of 1 month LIBOR minus 30 bps prior to distribution on each quarterly payment date
- All principal proceeds are used to pay down the liabilities; there is no reinvestment period in this transaction
- Defaults (if any) commence in September 2008; Recoveries are 40% and take place immediately upon default

Other Assumptions

-Runs assume Auction Call in Pd 97

Footnote Exhibits - Page 4508

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Timberwolf I, Ltd

Price/DM Table

Class A2

DM	Price
71.65%	7.78%
73.65%	7.18%
75.65%	6.61%
77.65%	6.05%
79.65%	5.52%
81.65%	5.00%
83.65%	4.50%
85.65%	4.01%
87.65%	3.54%
89.65%	3.08%
91.65%	2.63%

Class B

DM	Price
62.68%	10.52%
64.68%	9.87%
66.68%	9.24%
68.68%	8.64%
70.68%	8.06%
72.68%	7.50%
74.68%	6.96%
76.68%	6.44%
78.68%	5.94%
80.68%	5.45%
82.68%	4.97%

From: Montag, Tom
Sent: Wednesday, June 13, 2007 9:06 PM
To: Lehman, David A.
Cc: Sparks, Daniel L; Mullen, Donald
Subject: RE: Basis - done on 50mm Twolf AAA and 50mm Twolf AA in CDS format

great

-----Original Message-----
From: Lehman, David A.
Sent: Thursday, June 14, 2007 10:06 AM
To: Montag, Tom
Cc: Sparks, Daniel L; Mullen, Donald
Subject: Re: Basis - done on 50mm Twolf AAA and 50mm Twolf AA in CDS format

If u assume cds = cash, we have 99mm Twolf AAAs and 57mm AAs in cash bond left

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David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-[redacted]
e-mail: david.lehman@gs.com

----- Original Message -----
From: Montag, Tom
To: Lehman, David A.
Cc: Sparks, Daniel L; Mullen, Donald
Sent: Wed Jun 13 21:02:19 2007
Subject: RE: Basis - done on 50mm Twolf AAA and 50mm Twolf AA in CDS format

how much is left of each now?

-----Original Message-----
From: Lehman, David A.
Sent: Thursday, June 14, 2007 10:00 AM
To: Montag, Tom
Cc: Sparks, Daniel L; Mullen, Donald
Subject: Re: Basis - done on 50mm Twolf AAA and 50mm Twolf AA in CDS format

$65

David A. Lehman
Goldman, Sachs & Co.
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Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-[redacted]
e-mail: david.lehman@gs.com

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2417

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66052.438

----- Original Message -----
From: Montag, Tom
To: Lehman, David A.
Sent: Wed Jun 13 20:10:28 2007
Subject: Re: Basis - done on 50mm Twolf AAA and 50mm Twolf AA in CDS format

Where did we have AA marked?

----- Original Message -----
From: Lehman, David A.
To: Montag, Tom
Cc: Sparks, Daniel L; Mullen, Donald
Sent: Wed Jun 13 05:25:19 2007
Subject: Re: Basis - done on 50mm Twolf AAA and 50mm Twolf AA in CDS format

Basis Capital is an AUS (sydney) account which has been both a CDO buyer and CDO issuer/sponsor

They are big and real in the sector

Trading prices imply appr 84 on the AAAs and 76 on the AAs assuming 0bp cash/cds basis

Acct wanted to trade in CDS b/c of the term "funding" GS is supplying through buying protection vs. taking the month-to-month financing risk in the repo market if they owned the bonds

We pushed them towards cash but this was their preferred format

---

[redacted] = Redacted by the Permanent Subcommittee on Investigations

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-[redacted]
e-mail: david.lehman@gs.com

----- Original Message -----
From: Montag, Tom
To: Lehman, David A.
Sent: Wed Jun 13 05:15:59 2007
Subject: Re: Basis - done on 50mm Twolf AAA and 50mm Twolf AA in CDS format

Is it from basis? I don't know them
Why would they write protection vs buying the underlyer What price does this imply

----- Original Message -----
From: Lehman, David A.
To: Swenson, Michael; Mullen, Donald; Brafman, Lester R; Sparks, Daniel L; Montag, Tom
Sent: Wed Jun 13 04:14:54 2007
Subject: Basis - done on 50mm Twolf AAA and 50mm Twolf AA in CDS format

Great job by george maltezos - we have bot 50mm of TWOLF AAA protection @ 450 and 50mm of TWOLF AA protection @ 650, fixed cap w/ implied writedown

Confidential Treatment Requested by Goldman Sachs

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66052.439

From: Maltezos, George (GSJBW)
Sent: Tuesday, June 12, 2007 8:31 AM
To: Lehman, David A.; Egol, Jonathan
Cc: Chaudhary, Omar; Bohra, Bunty; Sparks, Daniel L
Subject: Re: Point Pleasant mark

Tks David.

I have been exchanging messages with Stuart Fowler over the last hour or so.

Indeed they need to be synched with GS on such issues. He claims we have marked point pleasant down 3 times since they bought the bonds. I believe he is mistaken. I feel I have been progressing things, to get to a resolution, but not officially there as yet. I have oferred them time on the phone with you/trading to clariffy all but no word back from Stuart. Its now 1030pm here.

Let's get the final legal issue (re isda) resolved and hit them back.

Rgds
George

George Maltezos
Structured Asset Solutions
Tel: 612 9320 1431
Mob: 61[redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

----- Original Message -----
From: Lehman, David A. <david.lehman@gs.com>
To: Maltezos, George; Egol, Jonathan M - GS
Cc: Chaudhary, Omar J - GS; Bohra, Bunty B - GS; Sparks, Dan L - GS
Sent: Tue Jun 12 21:21:58 2007
Subject: Re: Point Pleasant mark

They need to be comfortable with their mark

Mkt has moved since their purchase, as evidenced by the pricing we r showing them on the offered side of the timberwolf AAA and AA

I am happy to get on the phone and discuss

Should be no disconnect here b/w basis and the desk

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-[redacted]
e-mail: david.lehman@gs.com

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2418

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66052.440

----- Original Message -----
From: Maltezos, George (GSJBW)
To: Lehman, David A.; Egol, Jonathan
Cc: Chaudhary, Omar; Bohra, Bunty
Sent: Tue Jun 12 06:47:39 2007
Subject: FW: Point Pleasant mark

For Mr. Lehman….tks

From: Maltezos, George
Sent: Tuesday, 12 June 2007 8:46 PM
To: 'Stuart Fowler'
Cc: John Murphy; Sahil Sachdev
Subject: RE: Point Pleasant mark

Stuart – I assure you no foul here.

You bought these bonds at 1200dm / 81.75 dollar price on April 19 and the 75 mark for end-May is the first adjustment we've made since you bought the bonds.

I can also confirm we traded an original large block at 1000dm/88.33 dollar price at time of pricing the deal (April 10).

At just a week after the official pricing of the Pt Pleasant deal, we deemed 1200dm to be fair & reasonable – reflecting a "fair & reasonable" premium for the lack of liquidity for a block trade, and I can assure you each of John Niblo, Dan Sparks & I sincerely appreciated your support.

I want to offer you some 1-on-1 time with the trading desk at your earliest convenience to walk through their trading activities and how the MTM movements have been reflected. This can also be used to discuss the Timberwolf paper.

Please let me know how I can help address these issues.

gm

George Maltezos, CFA

Executive Director

Head of Structured Asset Solutions

GS MBS-E-001912399

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Telephone 612 9320 1431

Facsimile 612 9320 1222

Mobile 61 [redacted]

<mailto:george.maltezos@gsjbw.com> george.maltezos@gsjbw.com

<http://www.gsjbw.com/> www.gsjbw.com

From: Stuart Fowler [mailto:sfowler@basiscap.com.au]
Sent: Tuesday, 12 June 2007 7:41 PM
To: Maltezos, George
Cc: John Murphy; Sahil Sachdev
Subject: Re: Point Pleasant mark

George why is this happening each month?

Did we buy the bonds over a GS mark and that keeps coming back at us?

Is there some sort of internal price wedge between us, GS NY and through you?

I need to be very clear on this and are we going to see a similar problem on timberwolf?

Stuart

-
Stuart Fowler
Managing Director
Basis Capital
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From: Sahil Sachdev [mailto:ssachdev@basiscap.com.au]
Sent: Tuesday, 12 June 2007 5:47 PM
To: Maltezos, George
Cc: Carrett, Paul; John Murphy; Chris Collins; Peter Dobson
Subject: Point Pleasant mark

Hey GM,

Our Point Pleasant bonds have been marked down from a purchase price of 81.7 to 75 (for month end marks and for margin call).
Considering we just bought this, why the significant move?!
Also what should we do about the margin call whist this issue is pending?

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66052.442

Regards,
Sahil Sachdev

Structured Credit
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66052.443

From: george.maltezos@gsjbw.com
To: sfowler@basiscap.com.au
Cc: jmurphy@basiscap.com.au; ssachdev@basiscap.com.au
Subject: Re: Point Pleasant mark

Ok. It is my understanding it only got marked down once, but this should be easy to clear up.

I want to be constructive Stuart. I know its getting late, and I apologise for chewing up your evening. I still think a conversation with the trading desk should clariffy all. Let me know when it suits you to do this call.

I am at your disposal.

George Maltezos
Structured Asset Solutions
Tel: 612 9320 1431
Mob: 61[redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

----- Original Message -----
From: Stuart Fowler <sfowler@basiscap.com.au>
To: Maltezos, George
Cc: John Murphy <jmurphy@basiscap.com.au>; Sahil Sachdev <ssachdev@basiscap.com.au>
Sent: Tue Jun 12 21:42:56 2007
Subject: Re: Point Pleasant mark

We saw a reval in the first week of buying them - down - then April month end and now May month end. - I recall each time taking the bonds under 90.

Maybe the Basia guys can confirm this?

-
Stuart Fowler
Managing Director
Basis Capital
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----- Original Message -----
From: Maltezos, George <george.maltezos@gsjbw.com>
To: Stuart Fowler
Cc: John Murphy; Sahil Sachdev
Sent: Tue Jun 12 21:30:04 2007
Subject: Re: Point Pleasant mark

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2419

PSI-Basis_Capital_Group-03-0001

I'm not sure I understand what you mean by 3 times since you bought the bonds. point pleasant BBB have been marked down once since you've bought....reflecting overall softness in the market.

I want to resolve this Stuart.

We don't want to have a disconnect between Basis and GS. Let's do a call with our trading desk. Ok? This can happen now if you are free, or first thing in the morning.

Let me know how we can resolve.

George Maltezos
Structured Asset Solutions
Tel: 612 9320 1431
Mob: 61 [redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

----- Original Message -----
From: Stuart Fowler <sfowler@basiscap.com.au>
To: Maltezos, George
Cc: John Murphy <jmurphy@basiscap.com.au>; Sahil Sachdev <ssachdev@basiscap.com.au>
Sent: Tue Jun 12 21:11:33 2007
Subject: Re: Point Pleasant mark

Why have we seen this happen 3 times now since buying them at 'fair' price?

Surely the market has generally improved - not backed up 6 points - every time we get to a pricing date?

I am still not convinced nor happy.

Stuart Fowler
Managing Director
Basis Capital
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----- Original Message -----
From: Maltezos, George <george.maltezos@gsjbw.com>
To: Stuart Fowler
Cc: John Murphy; Sahil Sachdev

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66052.445

Sent: Tue Jun 12 20:45:31 2007
Subject: RE: Point Pleasant mark

Stuart – I assure you no foul here.

You bought these bonds at 1200dm / 81.75 dollar price on April 19 and the 75 mark for end-May is the first adjustment we've made since you bought the bonds.

I can also confirm we traded an original large block at 1000dm/88.33 dollar price at time of pricing the deal (April 10).

At just a week after the official pricing of the Pt Pleasant deal, we deemed 1200dm to be fair & reasonable – reflecting a "fair & reasonable" premium for the lack of liquidity for a block trade, and I can assure you each of John Niblo, Dan Sparks & I sincerely appreciated your support.

I want to offer you some 1-on-1 time with the trading desk at your earliest convenience to walk through their trading activities and how the MTM movements have been reflected. This can also be used to discuss the Timberwolf paper.

Please let me know how I can help address these issues.

gm

George Maltezos, CFA

Executive Director

Head of Structured Asset Solutions

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66052.446

Mobile 61 403 189 116

george.maltezos@gsjbw.com <mailto:george.maltezos@gsjbw.com>

www.gsjbw.com <http://www.gsjbw.com/>

From: Stuart Fowler [mailto:sfowler@basiscap.com.au]
Sent: Tuesday, 12 June 2007 7:41 PM
To: Maltezos, George
Cc: John Murphy; Sahil Sachdev
Subject: Re: Point Pleasant mark

George why is this happening each month?

Did we buy the bonds over a GS mark and that keeps coming back at us?

Is there some sort of internal price wedge between us, GS NY and through you?

I need to be very clear on this and are we going to see a similar problem on timberwolf?

Stuart

-
Stuart Fowler
Managing Director
Basis Capital
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----- Original Message -----
From: Sahil Sachdev
To: Stuart Fowler
Sent: Tue Jun 12 18:14:21 2007
Subject: Fw: Point Pleasant mark

FYI

Sahil Sachdev

(C

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Basis Capital

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----- Original Message -----
From: Maltezos, George <george.maltezos@gsjbw.com>
To: Sahil Sachdev
Cc: Carrett, Paul <paul.carrett@gsjbw.com>; John Murphy; Chris Collins; Peter Dobson
Sent: Tue Jun 12 18:11:09 2007
Subject: RE: Point Pleasant mark

Hi Sahil – there has certainly been further softening in the market since the Point Pleasant trade was put on 8 weeks ago. We have infact traded some Point Pleasant BBBs at this level in the last 2 weeks, as compared to much worse levels we are hearing/seeing being done in the market on other AA-CDOsqd deals. This is regarded consistent with the marked down Timberwolf paper, and the current offer (to Basis) at ~84% (for AAAs) and ~77% (for AAs).

I hope this is helpful.

Tks,

George

George Maltezos, CFA

Executive Director

Head of Structured Asset Solutions

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Facsimile 612 9320 1222

Mobile 61 [redacted]

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66052.448

From: Sahil Sachdev [mailto:ssachdev@basiscap.com.au]
Sent: Tuesday, 12 June 2007 5:47 PM
To: Maltezos, George
Cc: Carrett, Paul; John Murphy; Chris Collins; Peter Dobson
Subject: Point Pleasant mark

Hey GM,

Our Point Pleasant bonds have been marked down from a purchase price of 81.7 to 75 (for month end marks and for margin call).

Considering we just bought this, why the significant move?!

Also what should we do about the margin call whist this issue is pending?

Regards,

--

Sahil Sachdev

Structured Credit

PSI-Basis_Capital_Group-03-0006

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Sydney, Australia

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. ssachdev@basiscap.com.au <mailto:ssachdev@basiscap.com.au>

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From: Maltezos, George (GSJBW)
Sent: Tuesday, June 12, 2007 6:27 AM
To: Lehman, David A.; Egol, Jonathan
Cc: Chaudhary, Omar
Subject: for David Lehman

Basis questioning the 75 mark on their Pt Pleasant BBBs.
As you know they bought 15mm at 81.75 (1200dm) and Mariner bought 11mm at 88.33(1000dm).
I am curious – where did you trade the last 6mm? (there were 32mm in the BBB class)

Does the 75 mark reflect actual trading or overall softness in the market?
I know you had indicated 70 was more like the number.

I would really appreciate your urgent attention here as Basis are crying foul...we may need to get on the phone with them NOW

Tks,
Gm
+61 403 189 116

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Head of Structured Asset Solutions
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From: Rothery, Simon (GSJBW)
Sent: Wednesday, June 13, 2007 7:11 AM
To: Maltezos, George (GSJBW); Sparks, Daniel L; Lehman, David A.
Cc: Egol, Jonathan; Bohra, Bunty; Case, Benjamin
Subject: Re: URGENT: Basis

Awesome job George

----- Original Message -----
From: Maltezos, George
To: Sparks, Dan L - GS; Lehman, David A - GS
Cc: Egol, Jonathan M - GS; Bohra, Bunty B - GS; Rothery, Simon; Case, Benjamin C - GS
Sent: Wed Jun 13 18:09:59 2007
Subject: RE: URGENT: Basis

We are done!

I have just spoken to Stuart Fowler.

100mm trade is confirmed with Basis.

Thank you to all for your enormous focus & help to get this trade over the line.

Tks,
George

-----Original Message-----
From: Sparks, Daniel L [mailto:dan.sparks@gs.com]
Sent: Wednesday, 13 June 2007 10:38 AM
To: Maltezos, George; Lehman, David A - GS
Cc: Egol, Jonathan M - GS; Bohra, Bunty B - GS
Subject: Re: URGENT: Basis

Let me know if you need help tonight - or feel free to wake up the boys in spain. I'd love to tell the senior guys on 30 at risk comm wednesday morning that you moved 100mm

----- Original Message -----
From: Maltezos, George (GSJBW)
To: Sparks, Daniel L; Lehman, David A.
Cc: Egol, Jonathan; Bohra, Bunty
Sent: Tue Jun 12 18:58:03 2007
Subject: RE: URGENT: Basis

Dan - from what I can tell, we have credit & legal approvals in place.
We will document under Long Form Confo.

I have sent to Basis an update of all the trade details & will look to execute today for 18/June settlement.

The only pending issue is related to Point Pleasant marks and helping them get comfortable with this.

I will post you on any & all updates.

George
612 9320 1431

-----Original Message-----

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From: Sparks, Daniel L [mailto:dan.sparks@gs.com]
Sent: Wednesday, 13 June 2007 8:32 AM
To: Maltezos, George; Lehman, David A - GS; Purswani, Hema - GS
Cc: Egol, Jonathan M - GS; Chan, Joanna - GS; Koblihova, Olga - GS
Subject: RE: URGENT: Basis

How's it going

-----Original Message-----
From: Maltezos, George (GSJBW)
Sent: Tuesday, June 12, 2007 4:58 PM
To: Lehman, David A.; Purswani, Hema
Cc: Egol, Jonathan; Chan, Joanna; Koblihova, Olga - GS; Sparks, Daniel L
Subject: RE: URGENT: Basis

Hema,
As you know, this language is standard for Basis on all their ISDAs, including the one we currently have with their other fund.

This language is a "must have" for Basis. They will not sign an ISDA otherwise. To give you an idea, this point was negotiated for about 3 months last year.

Given the above, and David's comments below, the only solution I see is to trade under Long Form Confirmation.

Can we pls move forward on that basis please?

Rgds,
George
612 9320 1431

-----Original Message-----
From: Lehman, David A. [mailto:david.lehman@gs.com]
Sent: Wednesday, 13 June 2007 2:29 AM
To: Purswani, Hema - GS
Cc: Egol, Jonathan M - GS; Maltezos, George; Chan, Joanna - GS; Koblihova, Olga - GS; Sparks, Dan L - GS
Subject: Re: URGENT: Basis

We r fine with the below language for the current trades, but not sure we want to commit to this language for the ISDA @ this time

Can we carve these trades out and document under a LFC?

George, can u also pls push the client to agree to standard MQ where they get unwound @ the appropriate side of the mkt? If not, as stated, we agree to the mid language for these trades, but need to think abt it more for the ISDA.

[redacted] - Redacted by the Permanent Subcommittee on Investigations

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-[redacted]

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e-mail: david.lehman@gs.com

----- Original Message -----
From: Purswani, Hema
To: Lehman, David A.
Cc: Egol, Jonathan; Maltezos, George (GSJBW); Chan, Joanna; Koblihova, Olga
Sent: Tue Jun 12 11:31:27 2007
Subject: URGENT: Basis

David,

I refer to the below correspondence re: the ISDA with Basis Yield Alpha Fund (Master), and your email which George has kindly forwarded to us for reference.

As we understand that this is fairly urgent for tomorrow morning Sydney time, in order to facilitate the process, we would just like to clarify that the Market Quotation applied in the existing ISDA with Basis Pac-Rim and also for this Fund is not the standard MQ per 1992 ISDA, but the amended version of MQ (copied below for your reference). I also attach for your reference the previous discussions about this from late last year.

"The Market Quotation will apply; provided that where an Early Termination Date is designated due to the occurrence of any Additional Termination Event, any quotation from a Reference Market-maker shall be a Mid-market Quotation. For these purposes, a "Mid-market Quotation"
means a quotation from a Reference Market-maker that has been adjusted to exclude any spread; provided that, if the Reference Market-maker will not reveal the spread included in its quotation, the Calculation Agent shall determine the appropriate adjustment in good faith and a commercially reasonable manner."

Accordingly, we would appreciate if you could kindly confirm that you are OK with the above amended version of Market Quotation to apply for the ISDA with Basis Yield Alpha Fund (Master) as well.

Many thanks, Hema

Goldman Sachs (Asia) L.L.C.
68/F Cheung Kong Center | 2 Queen's Road Central | Hong Kong
Tel: 852-2978 1662 | Fax: 852-2978 1966
email: hema.purswani@gs.com

Hema Purswani Goldman
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-----Original Message-----
From: Maltezos, George (GSJBW)
Sent: Tuesday, June 12, 2007 9:58 PM
To: Purswani, Hema; Koblihova, Olga - GS
Subject: FW: Basis

Hema - as per a vmail, please find below the OK from the business (David LEHMAN is Jon EGOL's boss).

I am keen to hear from you how to translate this to a GREEN LIGHT to trade the risk with Basis Capital.

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66052.457

Pls email/call me with your advice.

Tks,
gm
612 9320 1431

-----Original Message-----
From: Lehman, David A. [mailto:david.lehman@gs.com <mailto:david.lehman@gs.com>]
Sent: Tuesday, 12 June 2007 11:56 PM
To: Maltezos, George
Cc: Sparks, Dan L - GS; Egol, Jonathan M - GS
Subject: Basis

As discussed, we r comfortable with "market quotation" for the ISDA with Basis Yield Alpha and the CDO^2 trade we r discussung.

Pls trade in the a.m. Syndey time @ the agreed upon levels

Don't hesitate to call me if things change.

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917[redacted]
e-mail: david.lehman@gs.com

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From: Maltezos, George (GSJBW)
Sent: Wednesday, June 13, 2007 2:24 AM
To: John Murphy; Stuart Fowler
Cc: Lehman, David A.; Sahil Sachdev
Subject: Timberwolf

Murph & Stuart - I just wanted to mention David LEHMAN is in Barcelona and available for the next 60minutes to discuss the trading activities of Goldman and more specifically the Point Pleasant BBB notes.

He is en route to the airport, after which he will be flying to NY.

I wanted to ensure you had the opportunity to speak with him while he was available on any outstanding issues.

Pls call/email me your thoughts re next steps to help finalise the Timberwolf trade.

George
+612 9320 1431

-----Original Message-----
From: Stuart Fowler [mailto:sfowler@basiscap.com.au]
Sent: Wednesday, 13 June 2007 10:07 AM
To: Maltezos, George
Subject: RE: Stuart - are you free to talk?

No - I am going into a 2 hour DD session ....it will have to be late this afternoon..

-----Original Message-----
From: Maltezos, George [mailto:george.maltezos@gsjbw.com]
Sent: Wednesday, 13 June 2007 10:05 AM
To: Stuart Fowler
Subject: Stuart - are you free to talk?

From: Maltezos, George
Sent: Wednesday, 13 June 2007 7:24 AM
To: 'Stuart Fowler'; John Murphy; Sahil Sachdev
Cc: Lehman, David A - GS; Carrett, Paul; Harris, Kate; Rolleston, Jeremy
Subject: Timberwolf I, Ltd. -- PAUG trade with Basis Cap (YIELD ALPHA FUND)

Good Morning Stuart.

Not sure how you want to deal with the Point Pleasant marks/discussion.
FYI - David Lehman (cc:ed above), who runs our CDO trading business in NY is currently in Barcelona (conference) and available this morning to take your call to clarify any and all questions you have on the marking policy of Goldman, the actual marking of Point Pleasant, and the overall trading that has been seen by the GS desk in the last 1-6 months.

Please find below and attached updated trade details and cashflows on the $100mm Timberwolf PAUG trade. We are looking to trade this under Long Form Confirmation, incorporating all of the negotiated terms with Peter Dobson (which obviously reflects the standard language used by Basis on all of its ISDAs with the street).

Following the resolution of docs & credit, these are FIRM LEVELS (BID SIDE PROTECTION).

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We would look to agree & trade this with Basis today for settlement Mon June 18, 2007.

You can reach me (at any time) on 0403 189 116 / (02) 9320 1431.

TWOLF 07-1 A2 Trade Details ("AAA" notes):
* Protection Seller: Basis Capital (Yield Alpha Fund)
* Protection Buyer: GSI
* Trade Date: June 13, 2007
* Effective Date: June 18, 2007
* Reference Obligation: TWOLF 2007-1A A2
* CUSIP: 88714PAF3
* Legal Final Maturity: December 3, 2047
* Fixed Rate: 0.90%
* Initial Payment: 15.67% (as per attachment) from Buyer to Seller (held until final payment date)
* Reference Obligation Coupon: LIBOR 03M + 0.90%
* Initial Face: USD 50,000,000
* Initial Factor: 1.0000
* Reference Obligation Payment Date: 3rd
* Credit Events: Failure to Pay Principal; Writedown; Failure to Pay Interest; Distressed Ratings Downgrade
* Implied Writedown: Applicable
* Interest Shortfall Cap: Applicable
* Interest Shortfall Cap Basis: Fixed Cap
* Interest Shortfall Compounding: Applicable
* Reference Entity: Timberwolf Ltd
* Scheduled Termination Date: December 3, 2047
* Calculation Agent: Protection Buyer
* Notifying Party: Protection Buyer
* Initial Margin Amount: 7.5% of Initial Face

TWOLF 07-1 B Trade Details ("AA" notes):
* Protection Seller: Basis Capital (Yield Alpha Fund)
* Protection Buyer: GSI
* Trade Date: June 13, 2007
* Effective Date: June 18, 2007
* Reference Obligation: TWOLF 2007-1A B
* CUSIP: 88714PAG1
* Legal Final Maturity: December 3, 2047
* Fixed Rate: 1.40%
* Initial Payment: 22.69% (as per attachment) from Buyer to Seller (held until final payment date)
* Reference Obligation Coupon: LIBOR 03M + 1.40%
* Initial Face: USD 50,000,000
* Initial Factor: 1.0000
* Reference Obligation Payment Date: 3rd
* Credit Events: Failure to Pay Principal; Writedown; Failure to Pay Interest; Distressed Ratings Downgrade
* Implied Writedown: Applicable
* Interest Shortfall Cap: Applicable
* Interest Shortfall Cap Basis: Fixed Cap
* Interest Shortfall Compounding: Applicable
* Reference Entity: Timberwolf Ltd
* Scheduled Termination Date: December 3, 2047
* Calculation Agent: Protection Buyer
* Notifying Party: Protection Buyer
* Initial Margin Amount: 15% of Initial Face

Tks,

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George

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From: Sharma, Nityanand [mailto:Nityanand.Sharma@gs.com]
Sent: Wednesday, 13 June 2007 2:40 AM
To: Maltezos, George
Cc: Case, Benjamin C - GS; Bieber, Matthew G - GS; Lehman, David A - GS; Chaudhary, Omar J - GS; Bohra, Bunty B - GS; Carrett, Paul; Rolleston, Jeremy; Harris, Kate; Creed, Christopher J - GS; Egol, Jonathan M - GS
Subject: Timberwolf I, Ltd. -- Computational Materials for Basis Cap (144a/Reg S) (external) -- confidential

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Attached are the Price/DM/Avg. Life/Duration on the Class A2 and Class B notes of the Timberwolf I transaction assuming the trade settle on 06/18/2007. Also are attached the base case cash flows. Runs assume that trade settles on 06/18/2007.

<<Timberwolf I Cash Flows 06-12-2007.xls>> <<Final Offering Circular (disclaimed).pdf>>

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From:	Maltezos, George
To:	Sahil Sachdev; John Murphy; Stuart Fowler;
CC:	
Subject:	RE: Point Pleasant mark
Date:	Wednesday, June 13, 2007 3:32:37 AM
Attachments:	image001.jpg

Stuart,
Please accept my sincerest apologies for the mis-information below.
As David mentioned, the 75 mark on Pt Pleasant BBB was more relfective of an interpretation of softer AAA-AA rated CDO-sqd paper translating to BBB part of the curve.

George

From: Maltezos, George
Sent: Tuesday, 12 June 2007 6:11 PM
To: 'Sahil Sachdev'
Cc: Carrett, Paul; John Murphy; Chris Collins; Peter Dobson
Subject: RE: Point Pleasant mark

Hi Sahil – there has certainly been further softening in the market since the Point Pleasant trade was put on 8 weeks ago. We have infact traded some Point Pleasant BBBs at this level in the last 2 weeks, as compared to much worse levels we are hearing/seeing being done in the market on other AA-CDOsqd deals. This is regarded consistent with the marked down Timberwolf paper, and the current offer (to Basis) at ~84% (for AAAs) and ~77% (for AAs).

I hope this is helpful.

Tks,
George

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2426

PSI-Basis_Capital_Group-02-0001

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george.maltezos@gsjbw.com
www.gsjbw.com

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Sahil Sachdev [mailto:ssachdev@basiscap.com.au]
Sent: Tuesday, 12 June 2007 5:47 PM
To: Maltezos, George
Cc: Carrett, Paul; John Murphy; Chris Collins; Peter Dobson
Subject: Point Pleasant mark

Hey GM,

Our Point Pleasant bonds have been marked down from a purchase price of 81.7 to 75 (for month end marks and for margin call).

Considering we just bought this, why the significant move?!

Also what should we do about the margin call whist this issue is pending?

Regards,

Sahil Sachdev

Structured Credit

Basis

Level 37, Gateway Building,

1 Macquarie Place

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From: Case, Benjamin
Sent: Wednesday, July 11, 2007 8:22 PM
To: Bieber, Matthew G.
Subject: FW: Basis

-----Original Message-----
From: Sparks, Daniel L
Sent: Wednesday, July 11, 2007 8:20 PM
To: Sheppard, Shaun; Messina, Michaela Leti; Tamman, Maurice; Hammatt, Julie; Kane, Nicola; Molloy, Macdara; Lam, Desiree; Maltezos, George (GSJBW); Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Ouderkirk, Gerald
Cc: Case, Benjamin; Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Pynt, Benjamin; Vince, Robin; Riggs, Tom; Carrett, Paul; Huffman, Robyn; Waskow, Andrew; Tribolati, John; Lamb, Rob; Swann, Brian
Subject: RE: Basis

It they default, can we apply any excess from repo to swaps?

-----Original Message-----
From: Sheppard, Shaun
Sent: Wednesday, July 11, 2007 4:54 PM
To: Sheppard, Shaun; Messina, Michaela Leti; Tamman, Maurice; Hammatt, Julie; Kane, Nicola; Molloy, Macdara; Lam, Desiree; Maltezos, George (GSJBW); Sparks, Daniel L; Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Ouderkirk, Gerald
Cc: Case, Benjamin; Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Pynt, Benjamin; Vince, Robin; Riggs, Tom; Carrett, Paul; Huffman, Robyn; Waskow, Andrew; Tribolati, John; Lamb, Rob; Swann, Brian
Subject: RE: Basis

Update following conf call trading/legal(Ldn&NY)/Ops (credit unable to join – have left an update v-m for Greg):

-Estimated clean funds available to meet call requirements approx USD13.5mm if Basis accepts GS bids.
-estimated surplus after meeting repo margin requirement USD5mm approx
- documentation does not allow us to automatically use this to cover swaps collateral requirement. Client agreement/authorisation would be required.
-agreed to make client's agreement to this a condition of trade – ldn legal (Michaela) to draft suitable authorisation for David to send on.
- Ops will need to hand hold all events to make sure no external settlement made and funds applied to calls. Brian has reached out to give settlement groups a heads up.
- David to George on situation
- George to update this group on outcome of communication with Basis and how they plan to meet the calls either by accepting GS bids, or delivery of cash value tomorrow.

Shaun

-----Original Message-----
From: Sheppard, Shaun
Sent: Wednesday, July 11, 2007 7:25 PM

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2430

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 00470 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

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To: Messina, Michaela Leti; Tamman, Maurice; Hammatt, Julie; Kane, Nicola; Molloy, Macdara; Lam, Desiree; Maltezos, George (GSJBW); Sparks, Daniel L; Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Ouderkirk, Gerald
Cc: Case, Benjamin; Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Pynt, Benjamin; Vince, Robin; Riggs, Tom; Carrett, Paul; Huffman, Robyn; Waskow, Andrew; Tribolati, John; Lamb, Rob; Swann, Brian
Subject: RE: Basis

Have just spoken to David Lehman and we have just left a v-m with Tom Riggs:

Update:

Gerry Oudekirk and David Lehman are to meet with Dan Sparks and Don Mullen to agree bid pricing this in the next 90 minutes or so. David will revert to this group with an update following this. We should get an idea of the clean funds which might be available to Basis if they accept our bids. Clearly preference would be for Basis to meet calls with free cash.

David and I will circle back with legal/credit/ops to establish next steps re netting margin requirements vs proceeds to make sure we don't inadvertently release funds/securities to the client.

David has a 5pmNY/7am Sydney call with George to update and agree approach with client.

Shaun

-----Original Message-----
From: Messina, Michaela Leti
Sent: Wednesday, July 11, 2007 6:38 PM
To: Tamman, Maurice; Hammatt, Julie; Kane, Nicola; Molloy, Macdara; Lam, Desiree; Maltezos, George (GSJBW); Sparks, Daniel L; Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Sheppard, Shaun
Cc: Case, Benjamin; Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Pynt, Benjamin; Vince, Robin; Riggs, Tom; Carrett, Paul; Huffman, Robyn; Waskow, Andrew; Tribolati, John
Subject: RE: Basis

Copying Robyn, Andy and John in NY and London Legal.

Goldman Sachs International
Peterborough Court | 133 Fleet Street | London EC4A 2BB Tel + 44 (0) 20 7552 2303 | Fax + 44 (0) 20 7774 1989 E-mail MichaelaLeti.Messina@gs.com

Michaela Leti Messina
Executive Director and Counsel
Legal Department

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-----Original Message-----
From: Tamman, Maurice
Sent: Wednesday, July 11, 2007 1:06 PM

Produced by Goldman Sachs

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To: Tamman, Maurice; Hammatt, Julie; Kane, Nicola; Molloy, Macdara; Lam, Desiree; Maltezos, George (GSJBW); Sparks, Daniel L; Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Sheppard, Shaun
Cc: Case, Benjamin; Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Messina, Michaela Leti; Pynt, Benjamin; Vince, Robin; Riggs, Tom; Carrett, Paul
Subject: RE: Basis

Conversation this morning between George Maltezos, Jean-Marc Morel, Desiree Lam, Shaun Sheppard and I to confirm and agree expectations and timeline/actions around Basis meeting the three calls we issued last night London time:

- Gerald Ouderkik's desk to provide bid pricing on CLO to Basis for Australia start of business – David /George please can you confirm to Gerald the positions to be priced if not already done so?
- George to speak to Basis tomorrow, Sydney AM, to agree how client will honour the margin call.
- Basis to agree calls by 12 Jul COB Sydney time/SOB London time
- Funds due to meet all calls by COB 12 Jul

Thanks,
Maurice

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-----Original Message-----
From: Tamman, Maurice
Sent: Tuesday, July 10, 2007 9:22 PM
To: Hammatt, Julie; Kane, Nicola; Molloy, Macdara; Lam, Desiree; Maltezos, George (GSJBW); Sparks, Daniel L; Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Sheppard, Shaun
Cc: Case, Benjamin; 'paul.carrett@gsjbw.com'; Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Messina, Michaela Leti; Pynt, Benjamin; Vince, Robin; Riggs, Tom
Subject: Re: Basis

All,

These margin calls have been issued late in the London day on instruction from David Lehman, with the intention of ensuring the client has time to review and respond to the margin call by CoB Australia T+1.

Thanks,
Maurice

----- Original Message -----
From: Hammatt, Julie
To: Kane, Nicola; Molloy, Macdara; Lam, Desiree; Maltezos, George (GSJBW); Sparks, Daniel L; Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Tamman, Maurice; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Sheppard, Shaun
Cc: Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (

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GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Messina, Michaela Leti; Pynt, Benjamin; Vince, Robin; Riggs, Tom
Sent: Tue Jul 10 21:13:07 2007
Subject: RE: Basis

Hi,

Using the marks received by the desk, we see the following calls on BASIS.

These calls have been issued this evening London time for BASIS to receive first thing tomorrow morning.

REPO

Basis Pac Rim Opportunity $4,130,000

Basis Yield Alpha $4,270,000

OTC

Basis Yield Alpha $5,100,000

We will await the client's response and will keep you updated tomorrow.

Regards

Julie

-----Original Message-----
From: Kane, Nicola
Sent: Thursday, July 05, 2007 11:27 AM
To: Molloy, Macdara; Lam, Desiree; Maltezos, George (GSJBW); Sparks, Daniel L; Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Tamman, Maurice; Hammatt, Julie; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Sheppard, Shaun
Cc: Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Messina, Michaela Leti; Pynt, Benjamin; Vince, Robin; Riggs, Tom
Subject: RE: Basis

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Adding Tom Riggs and Robin Vince into the chain for completeness

Nicola

-----Original Message-----

From: Molloy, Macdara

Sent: Thursday, July 05, 2007 10:43 AM

To: Lam, Desiree; Maltezos, George (GSJBW); Sparks, Daniel L; Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Tamman, Maurice; Hammatt, Julie; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Kane, Nicola; Sheppard, Shaun

Cc: Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Messina, Michaela Leti; Pynt, Benjamin

Subject: RE: Basis

Yes Desiree I think another call is necessary to take them through the marks, they will have left the office in Sydney by the time New York get in.

Regards,

Macdara

-----Original Message-----

From: Lam, Desiree

Sent: Thursday, July 05, 2007 10:38 AM

To: Molloy, Macdara; Maltezos, George (GSJBW); Sparks, Daniel L; Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Tamman, Maurice; Hammatt, Julie; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Kane, Nicola; Sheppard, Shaun

Cc: Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Messina, Michaela Leti; Pynt, Benjamin

Subject: RE: Basis

Thanks Macdara. Does it mean that they'd need to see the full break down of the marks and

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talk to David again (earliest NY time tonight) before they'd decide whether they agree on the marks? And there'll be at least 1 day delay for their margin?

Regards,

Desiree

-----Original Message-----

From: Molloy, Macdara

Sent: Thursday, July 05, 2007 4:32 PM

To: Maltezos, George (GSJBW); Lam, Desiree; Sparks, Daniel L; Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Tamman, Maurice; Hammatt, Julie; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Kane, Nicola; Sheppard, Shaun

Cc: Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Messina, Michaela Leti; Pynt, Benjamin

Subject: RE: Basis

Despite giving the impression that they agreed the CDO marks as discussed on the call with the Trading desk, Basis have now stated that they want further clarification on these marks before they are happy to meet the two Repo calls.

David - they are looking for a line by line breakdown of the changes for each mark.

The OTC has been agreed in full with a payment of $5.04mm paid for value today, we are checking with Treasury to see when these funds hit our account.

Regards,

Macdara

-----Original Message-----

From: Maltezos, George (GSJBW)

Sent: Thursday, July 05, 2007 8:17 AM

To: Lam, Desiree; Sparks, Daniel L; Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Molloy, Macdara;

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Preisano, Anthony; Tamman, Maurice; Hammatt, Julie; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg

Cc: Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Messina, Michaela Leti; Pynt, Benjamin

Subject: Re: Basis

Update:

There was a constructive call between basis and trading (Lehman, Case, Egol) re marks at 8PM EST Wednesday.

Natalie Witt and I just spoke to John Murphy at basis. It seems the marks have been accepted and we are awaiting confirmation of basis's plans to meet the margin call.

Will revert ASAP.

George Maltezos

Structured Asset Solutions

Tel: 612 9320 1431

Mob: 61 [redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

----- Original Message -----

From: Lam, Desiree <desiree.lam@gs.com>

To: Sparks, Dan L - GS; Lim, Sonia - GS; Benkert, Oliver B - GS; Maltezos, George; Lehman, David A - GS; Viani, Matthew L - GS; Ng, Chris - GS; Morel, Jean-Marc - GS; Yamamoto, Yumi - GS; Witt, Natalie - GS; Molloy, Macdara - GS; Preisano, Anthony P - GS; Tamman, Maurice - GS; Hammatt, Julie - GS; Bury, Jonathan P - GS; Rapfogel, Alan M - GS; Armstrong, Phil S - GS; Young, Gregory - GS

Cc: Case, Benjamin C - GS; Carrett, Paul; Harris, Kate; Rolleston, Jeremy; Swenson, Michael J - GS; Egol, Jonathan M - GS; Wang, Josh - GS; Chan, Joanna - GS; Dausch, Andrew W - GS; Ireland, Alan - GS; Anderson, James A - GS; Messina, Michaela Leti - GS; Pynt, Benjamin - GS

Sent: Wed Jul 04 22:33:51 2007

Subject: RE: Basis

Copying Greg Young in the conversation. Thx.

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-----Original Message-----

From: Sparks, Daniel L

Sent: Wednesday, July 04, 2007 8:31 PM

To: Lim, Sonia; Benkert, Olly; Maltezos, George (GSJBW); Lam, Desiree; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Molloy, Macdara; Preisano, Anthony; Tamman, Maurice; Hammatt, Julie; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil

Cc: Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Messina, Michaela Leti; Pynt, Benjamin

Subject: RE: Basis

Please keep me posted and involved if decisions get difficult

-----Original Message-----

From: Lim, Sonia

Sent: Wednesday, July 04, 2007 6:27 AM

To: Benkert, Olly; Maltezos, George (GSJBW); Lam, Desiree; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Molloy, Macdara; Preisano, Anthony; Tamman, Maurice; Hammatt, Julie; Bury, Jonathan

Cc: Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Sparks, Daniel L; Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Messina, Michaela Leti; Pynt, Benjamin

Subject: RE: Basis

Desiree, thanks for the heads up on this. As dsicussed, please can you arrange for the documents for the outstanding transactions to be forwarded to us ? Please can you also keep Ben Pynt copied on this as he will assist with any input which is required from legal ?

Thanks, Sonia

-----Original Message-----

From: Benkert, Olly

Sent: Wednesday, July 04, 2007 6:18 PM

To: Maltezos, George (GSJBW); Lam, Desiree; Lehman, David A.; Viani, Matthew; Ng, Chris;

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Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Molloy, Macdara; Preisano, Anthony; Tamman, Maurice; Hammatt, Julie; Bury, Jonathan

Cc: Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Sparks, Daniel L; Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Lim, Sonia; Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Messina, Michaela Leti

Subject: RE: Basis

I am following up with ops on the corporate actions to confirm if we can agree as soon as possible what the amounts are we owe them - I understand from ops (copied on this) that there is some clarification required from Basis.

To their question about netting the corporate action payments with the repo margin calls we are in now way obliged to do that. If they don't meet our margin calls by cob tomorrow we will be within our rights to close them out under the facility agreement and gmra.

That said, we should discuss the approach especially given the (fair?) reponse from Basis with a view to agreeing the marks on the repos as soon as possible and we may take the decision to agree to net the 2 amounts but we would need resolution on the corporate actions before cob tomorrow to do so and that may not be practical.

First up I think is to agree the marks then we can work out how we want to move on the margin vs the corporate action.

-----Original Message-----

From: Maltezos, George (GSJBW)

Sent: Wednesday, July 04, 2007 10:18 AM

To: Lam, Desiree; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Molloy, Macdara; Benkert, Olly; Preisano, Anthony; Tamman, Maurice; Hammatt, Julie

Cc: Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Sparks, Daniel L; Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Lim, Sonia; Chan, Joanna

Subject: RE: Basis

Maurice and I just finished the call with Peter Dobson (Basis).

1 - Basis have plenty of cash to make the full margin call, but the approach by Goldman has been viewed to be very aggressive and unwarranted & is hurting the relationship

2 - Basis will arrange for v/d 5 July the Timberwolf margin (USD5.04mm) subj to them receiving a note confirming the OTC swap would pay them any MTM improvement.

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3 - Basis is not prepared to pay the margin call on the Repos (USD3.72mm

+ USD4.43mm) until the discussion re: revals has been made. David -

lets do this Thu morning SYD / Wed evening NY time. This is the case despite numerous suggestions for Basis to make a payment now and get a refund if the margin call was overstated.

4 - Basis cannot see any justification for the massive mark down in the securities (under the REPO), and are interpreting our revals as a way to reduce the repo financing line.

5 - They are disappointed Goldman have not paid to Basis the equity distributions under the REPO/GMRA. We potentially owe Basis approx USD5mm here. Can this be netted against the margin call? Olly - can you double check this pls?

6 - Basis claim Goldman have not cared to check in with Basis (from a credit perspective) to see how they are doing and instead are acting like the world is falling over with irrational behaviour.

George

+612 9320 1431

-----Original Message-----

From: Lam, Desiree [mailto:desiree.lam@gs.com]

Sent: Wednesday, 4 July 2007 6:35 PM

To: Lehman, David A - GS; Viani, Matthew L - GS; Maltezos, George; Ng, Chris - GS; Morel, Jean-Marc - GS; Yamamoto, Yumi - GS; Witt, Natalie - GS; Molloy, Macdara - GS; Benkert, Oliver B - GS; Preisano, Anthony P - GS; Tamman, Maurice - GS; Hammatt, Julie - GS

Cc: Case, Benjamin C - GS; Carrett, Paul; Harris, Kate; Rolleston, Jeremy; Sparks, Dan L - GS; Swenson, Michael J - GS; Egol, Jonathan M - GS; Wang, Josh - GS; Lim, Sonia - GS; Chan, Joanna - GS

Subject: RE: Basis

Importance: High

Even client disagrees on the marks, they are obligated to meet the call amount as provided

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66052.475

by the calculator, GS. But they have the right to go through the prices with us. If they don't meet the call today, they are

in danger of defaulting margin payment. George is trying to explain to

client that if they have cash available, they are encouraged to first meet the call and continue the marks discussion throughout the next 2 days.

Copying Sonia Lim from Legal to confirm the legal proceedings, as we may potentially need to issue demand note tomorrow.

George, Maurice, how was the discussion with client? If necessary, we'd need to trouble David to be on call with client to understand what exactly they want to clarify in terms of the marks.

Desiree

-----Original Message-----

From: Lehman, David A.

Sent: Wednesday, July 04, 2007 4:22 PM

To: Viani, Matthew; Lam, Desiree; Maltezos, George (GSJBW); Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Molloy, Macdara; Benkert, Olly; Preisano, Anthony; Tamman, Maurice; Hammatt, Julie

Cc: Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Sparks, Daniel L; Swenson, Michael; Egol, Jonathan

Subject: Re: Basis

I can get on the phone this morning NY time to discuss (ie Wed works) w the client

I would like to know what the precedent there is here - does GS need (outside of the client issues) to provide the below info to justify our prices???

For example, on the TWOLF CDS, GS is willing to deal (bid and offer) in the context of our prices

On the equity securities, this is an illquid mkt where there are not a lot of recent trade spots, but it is clear that 1) other parts of the CDO cap structure are materially wider 2) the underlying assets w/i the CDO are materially wider

If credit can speak to the above ASAP it would be appreciated

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66052.476

David A. Lehman

Goldman, Sachs & Co.

85 Broad Street | New York, NY 10004

Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-[redacted]

e-mail: david.lehman@gs.com

[redacted] = Redacted by the Permanent Subcommittee on Investigations

----- Original Message -----

From: Viani, Matthew

To: Lam, Desiree; Maltezos, George (GSJBW); Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Molloy, Macdara; Benkert, Olly; Preisano, Anthony; Tamman, Maurice; Hammatt, Julie

Cc: Lehman, David A.; Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Molloy, Macdara

Sent: Wed Jul 04 03:32:44 2007

Subject: Re: Basis

Technically basis should have already satisfied the call by the time the NY folks get back into the office thursday morning NY time. Would obviously still be happy to have a call / provide any additional color at that time.

----- Original Message -----

From: Lam, Desiree

To: Maltezos, George (GSJBW); Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Molloy, Macdara; Benkert, Olly; Preisano, Anthony; Viani, Matthew; Tamman, Maurice; Hammatt, Julie

Cc: Lehman, David A.; Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW);

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66052.477

Rolleston, Jeremy (GSJBW)

Sent: Wed Jul 04 02:51:29 2007

Subject: RE: Basis

It's NY holiday today, would we be able to reach the right person in NY in time? Thanks.

Desiree

From: Maltezos, George (GSJBW)

Sent: Wednesday, July 04, 2007 2:47 PM

To: Lam, Desiree; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Molloy, Macdara; Benkert, Olly; Preisano, Anthony; Viani, Matthew; Tamman, Maurice; Hammatt, Julie

Cc: Lehman, David A.; Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW)

Subject: Basis

I just spoke with Peter Dobson at Basis (430pm SYD time).

He is not concerned with the $$ of the margin call, but very concerned about the marks - they are contesting these levels, ie seeking clarity before agreeing to pay the margin.

They want to see:-

- the comparable market data point for the Timberwolf marks

- more info for each of the ABS CDO marks like IRRs, CDR, CPR, reinvestment profile, WAL, cashflows, etc

- the market data point for those marks, & actual trade examples done at these levels

- any other colour specific to these deals which helps Basis understand the marks

I will be arranging a call b/wn Basis and the NY traders asap

Rgds,

George

+612 9320 1431

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66052.478

From: Lam, Desiree [mailto:desiree.lam@gs.com]

Sent: Wednesday, 4 July 2007 4:30 PM

To: Maltezos, George

Cc: Ng, Chris - GS; Morel, Jean-Marc - GS; Yamamoto, Yumi - GS; Witt, Natalie - GS; Molloy, Maccara - GS

Subject: RE: Basis

HI George, please help confirm client's plan to meet the margin call.

Thanks.

Copying Ops as well.

Desiree

From: Maltezos, George (GSJBW)

Sent: Wednesday, July 04, 2007 8:56 AM

To: Lam, Desiree

Cc: Ng, Chris; Morel, Jean-Marc

Subject: RE: Basis

Good morning - basis has received the margin calls. I have not heard back. Will revert asap.

From: Lam, Desiree [mailto:desiree.lam@gs.com]

Sent: Wednesday, 4 July 2007 10:53 AM

To: Maltezos, George

Cc: Ng, Chris - GS; Morel, Jean-Marc - GS

Subject: Basis

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66052.479

Hi George, good morning.

Not sure if you have a chance to talk to the client this morning, are they ok to arrange funding today? Kindly keep us posted.

Many thanks,

Desiree Lam
Credit Risk Management & Advisory
Tel: 852.29781203 I Fax: 852.29780242
Email: desiree.lam@gs.com

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VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 00484 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

66052.480

From: Lehman, David A.
Sent: Friday, July 13, 2007 10:13 AM
To: Montag, Tom
Cc: Sparks, Daniel L; Mullen, Donald
Subject: FW: Basis

Tom - As discussed

-----Original Message-----
From: Lehman, David A.
Sent: Friday, July 13, 2007 6:50 AM
To: Lehman, David A.; Riggs, Tom; Schick, Sharon; Egol, Jonathan; Kane, Nicola; Young, Greg; Tota, Frank; Waskow, Andrew; Pynt, Benjamin; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Morel, Jean-Marc; Wang, Josh (HK Credit); Wyllie, Denise; Armstrong, Phil; Cafagna, Francesco; 'Seth GROSSHANDLER'; Hammatt, Julie; Witt, Natalie; Mullen, Donald; Brafman, Lester R
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Buckholz, Keith; Chen, Vincent; Balogh, Susan
Subject: RE: Basis

Update

George Maltezos spoke with Basis late afternoon SYD time

In short, the client is communicating that the PAC RIM fund is OK and the YLD ALPHA fund is in real trouble

Basis indicated that GS was the first to send them default notices

Basis is still not signing the 2-page netting agreement

Basis has indicated that they will entertain a portfolio trade for all the assets (CDS and Cash) in YLD ALPHA

Basis has asked for "breathing space" w/r/t what they owe us, and claim 4 other financing CPs are giving them some grace time

I hope to get on with Basis in the next 1hr

Either way, let's circle up internally @ 8:00 NYT

Domestic: 1-888-446-9294
International: 1-719-884-8863
Passcode: 891254

-----Original Message-----
From: Lehman, David A.
Sent: Thursday, July 12, 2007 5:54 PM
To: Riggs, Tom; Schick, Sharon; Egol, Jonathan; Kane, Nicola; Young, Greg; Tota, Frank; Waskow, Andrew; Pynt, Benjamin; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Morel, Jean-Marc; Wang, Josh (HK Credit); Wyllie, Denise; Armstrong, Phil; Cafagna, Francesco; 'Seth GROSSHANDLER'; Hammatt, Julie; Witt, Natalie
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Buckholz, Keith; Chen, Vincent; Balogh, Susan
Subject: RE: Basis

OK - for the swaps, yesterday we were owed 5.1mm USD, today we are calling for an add'l

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2433

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66052.481

8.18mm, so 13.28mm all-day in YLD ALPHA

Can GSI pls bifurcate for the client ASAP?

-----Original Message-----
From: Riggs, Tom
Sent: Thursday, July 12, 2007 5:42 PM
To: Lehman, David A.; Schick, Sharon; Egol, Jonathan; Kane, Nicola; Young, Greg; Tota, Frank; Waskow, Andrew; Pynt, Benjamin; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Morel, Jean-Marc; Wang, Josh (HK Credit); Wyllie, Denise; Armstrong, Phil; Cafagna, Francesco; 'Seth GROSSHANDLER'
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Buckholz, Keith; Chen, Vincent; Balogh, Susan
Subject: RE: Basis

Then we will mess up the timing for delivery....we need to track the due dates for grace period, at least for the swaps

-----Original Message-----
From: Lehman, David A.
Sent: Thursday, July 12, 2007 5:40 PM
To: Riggs, Tom; Schick, Sharon; Egol, Jonathan; Kane, Nicola; Young, Greg; Tota, Frank; Waskow, Andrew; Pynt, Benjamin; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Morel, Jean-Marc; Wang, Josh (HK Credit); Wyllie, Denise; Armstrong, Phil; Cafagna, Francesco
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Buckholz, Keith; Chen, Vincent; Balogh, Susan
Subject: RE: Basis

No - to be clear, this is inclusive of what they owe us from y'day

-----Original Message-----
From: Riggs, Tom
Sent: Thursday, July 12, 2007 5:39 PM
To: Lehman, David A.; Schick, Sharon; Egol, Jonathan; Kane, Nicola; Young, Greg; Tota, Frank; Waskow, Andrew; Pynt, Benjamin; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Morel, Jean-Marc; Wang, Josh (HK Credit); Wyllie, Denise; Armstrong, Phil; Cafagna, Francesco
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Buckholz, Keith; Chen, Vincent; Balogh, Susan
Subject: RE: Basis

These are in addition to the missed calls yesterday, right?

-----Original Message-----
From: Lehman, David A.
Sent: Thursday, July 12, 2007 5:38 PM
To: Schick, Sharon; Egol, Jonathan; Kane, Nicola; Young, Greg; Tota, Frank; Riggs, Tom; Waskow, Andrew; Pynt, Benjamin; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Morel, Jean-Marc; Wang, Josh (HK Credit); Wyllie, Denise; Armstrong, Phil; Cafagna, Francesco
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Buckholz, Keith; Chen, Vincent; Balogh, Susan
Subject: RE: Basis

Tonight we have sent the below margin calls to Basis

REPO - Basis Pac Rim Opportunity $415,000

REPO - Basis Yield Alpha $5,850,000

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66052.482

CDS - Basis Yield Alpha $13,280,000

We'll get on the with account ASAP and circle back to the group with color

-----Original Message-----
From: Schick, Sharon
Sent: Thursday, July 12, 2007 4:02 PM
To: Egol, Jonathan; Kane, Nicola; Lehman, David A.; Young, Greg; Tota, Frank; Riggs, Tom; Waskow, Andrew; Pynt, Benjamin; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Morel, Jean-Marc; Wang, Josh (HK Credit); Wyllie, Denise; Armstrong, Phil; Cafagna, Francesco
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Buckholz, Keith; Chen, Vincent; Balogh, Susan
Subject: RE: Basis

please include frankie cafagna (ny repo desk head) on all future Basis related emails.

-----Original Message-----
From: Egol, Jonathan
Sent: Thursday, July 12, 2007 3:55 PM
To: Kane, Nicola; Lehman, David A.; Young, Greg; Tota, Frank; Riggs, Tom; Waskow, Andrew; Pynt, Benjamin; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Morel, Jean-Marc; Wang, Josh (HK Credit); Wyllie, Denise; Armstrong, Phil
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Schick, Sharon; Buckholz, Keith; Chen, Vincent; Balogh, Susan
Subject: RE: Basis

Attached please find updated marks for COB 12 July 2007 (see column N highlighted in yellow).

Please apply these marks to generate the margin call for Sydney open.

Also, for purposes of the TWOLF CDS versus Yield Alpha, we have input the follow marks for COB 12th July 2007:

TWOLF A2 = $17.5mm in favor of GSI (ie, 65 price) TWOLF B = $20.0mm in favor of GSI (ie, 60 price)

Please call David Lehman or Jonathan Egol with questions.

-----Original Message-----
From: Kane, Nicola
Sent: Thursday, July 12, 2007 3:43 PM
To: Lehman, David A.; Young, Greg; Tota, Frank; Riggs, Tom; Waskow, Andrew; Pynt, Benjamin; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Egol, Jonathan; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Morel, Jean-Marc; Wang, Josh (HK Credit); Wyllie, Denise; Armstrong, Phil
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Schick, Sharon; Buckholz, Keith; Chen, Vincent; Balogh, Susan
Subject: RE: Basis

As per our call the collateral numbers based upon COB Wed 11th July are:

REPO

Basis Pac Rim Opportunity

Loan Amount	$23,132,400
Offset by securities plus cash held (pre-haircut)	$37,255,400 (this includes the $4.13 received today)

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Call issued to client (COB 10th)	$4,130,000 - FUNDS RECEIVED
Basis Yield Alpha	
Loan Amount	$22,356,689
Offset by securities plus cash held (pre-haircut)	$25,740,000
Call issued to client (COB 10th)	$4,280,000
OTC	
Basis Yield Alpha	
Total exposure	$29,169,682
Collateral Held	$35,471,850
Call issued to client (COB 10th)	$5,100,000

We will send revised numbers based on today's marks.

Nicola

-----Original Message-----
From: Lehman, David A.
Sent: Thursday, July 12, 2007 7:20 PM
To: Kane, Nicola; Young, Greg; Tota, Frank; Riggs, Tom; Waskow, Andrew; Pynt, Benjamin; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Egol, Jonathan; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Morel, Jean-Marc; Wang, Josh (HK Credit); Wyllie, Denise; Armstrong, Phil
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Schick, Sharon; Buckholz, Keith; Chen, Vincent; Balogh, Susan
Subject: RE: Basis

The client has been unresponsive for the past 60 minutes

As of now Basis has not committed to make the repo or CDS margin call in Yld Alpha

In addition, we have not traded the CLO equity or executed the netting agreement

Let's get on the phone @ 2:30 to discuss next steps and thoughts

Domestic: 1-888-446-9294
International: 1-719-884-8863
Passcode: 891254

-----Original Message-----
From: Kane, Nicola
Sent: Thursday, July 12, 2007 2:15 PM
To: Young, Greg; Tota, Frank; Riggs, Tom; Lehman, David A.; Waskow, Andrew; Pynt, Benjamin; Lehman, David A.; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Egol, Jonathan; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Morel, Jean-Marc; Wang, Josh (HK Credit); Wyllie, Denise; Armstrong, Phil
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Schick, Sharon; Buckholz, Keith; Chen, Vincent; Balogh, Susan
Subject: RE: Basis

ccing Denise and Phil

-----Original Message-----
From: Young, Greg
Sent: Thursday, July 12, 2007 7:05 PM
To: Tota, Frank; Kane, Nicola; Riggs, Tom; Lehman, David A.; Waskow, Andrew; Pynt, Benjamin; Lehman, David A.; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen,

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66052.484

Glade; Egol, Jonathan; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Morel, Jean-Marc; Wang, Josh (HK Credit)
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Schick, Sharon; Buckholz, Keith; Chen, Vincent; Balogh, Susan
Subject: RE: Basis

Given that Basis must consent to this, and given we are in ongoing discussions with Basis on meeting margin calls, I suspect that a recall effort would not be successful. David, I know you've been in ongoing discussion with them. What's your assessment?

-----Original Message-----
From: Tota, Frank
Sent: Thursday, July 12, 2007 1:57 PM
To: Kane, Nicola; Young, Greg; Riggs, Tom; Lehman, David A.; Waskow, Andrew; Pynt, Benjamin; Lehman, David A.; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Egol, Jonathan; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Morel, Jean-Marc; Wang, Josh (HK Credit)
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Schick, Sharon; Buckholz, Keith; Chen, Vincent; Balogh, Susan
Subject: RE: Basis

[redacted]

We have the ability to initiate a recall of the funds through [redacted], but it would be accomplished with the consent of Basis allowing [redacted] to take back the funds, which is standard practice. I had a quick conversation with [redacted] and we thought it would be wise to present this option to the distribution to determine if we want to take this course of action.

Many thx
Frank Tota

-----Original Message-----
From: Kane, Nicola
Sent: Thursday, July 12, 2007 1:06 PM
To: Young, Greg; Riggs, Tom; Lehman, David A.; Waskow, Andrew; Pynt, Benjamin; Lehman, David A.; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Egol, Jonathan; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Morel, Jean-Marc; Wang, Josh (HK Credit); Tota, Frank
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Schick, Sharon; Buckholz, Keith; Chen, Vincent
Subject: RE: Basis

I have spoken to Frank Tota who runs Treasury Ops and asked him to investigate this.
-----Original Message-----
From: Young, Greg
Sent: Thursday, July 12, 2007 5:47 PM
To: Riggs, Tom; Lehman, David A.; Waskow, Andrew; Pynt, Benjamin; Lehman, David A.; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Egol, Jonathan; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Kane, Nicola; Morel, Jean-Marc; Wang, Josh (HK Credit)
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Schick, Sharon; Buckholz, Keith; Chen, Vincent
Subject: RE: Basis

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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66052.485

Tom,

I do not know any of the details behind this - I've asked for them.

-----Original Message-----
From: Riggs, Tom
Sent: Thursday, July 12, 2007 12:42 PM
To: Young, Greg; Lehman, David A.; Waskow, Andrew; Pynt, Benjamin; Lehman, David A.; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Egol, Jonathan; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Kane, Nicola; Morel, Jean-Marc; Wang, Josh (HK Credit)
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Schick, Sharon; Buckholz, Keith; Chen, Vincent
Subject: RE: Basis

I thought that couldn't happen?

-----Original Message-----
From: Young, Greg
Sent: Thursday, July 12, 2007 12:41 PM
To: Lehman, David A.; Waskow, Andrew; Pynt, Benjamin; Lehman, David A.; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Young, Greg; Egol, Jonathan; Huffman, Robyn; Saunders, Tim; Riggs, Tom; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Kane, Nicola; Morel, Jean-Marc; Wang, Josh (HK Credit)
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Schick, Sharon; Buckholz, Keith; Chen, Vincent
Subject: FW: Basis

I've just been informed that this payment was inadvertently released without approval.

-----Original Message-----
From: Young, Greg
Sent: Thursday, July 12, 2007 12:15 PM
To: Lehman, David A.; Waskow, Andrew; Pynt, Benjamin; Lehman, David A.; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Young, Greg; Egol, Jonathan; Huffman, Robyn; Saunders, Tim; Riggs, Tom; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Kane, Nicola; Morel, Jean-Marc; Wang, Josh (HK Credit)
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Schick, Sharon; Buckholz, Keith; Chen, Vincent
Subject: FW: Basis

Per the attached, GS has a reverse repo trade with Basis Yield Alpha on GSN 8R0ER0. This repo was open over a record date of a coupon payment. Consequently GSIL received the coupon that, under the repo terms is due back to Basis. Upon a claim from Merrill Lynch (custodian for Basis) Asset Services submitted this $327k payment. This payment has now hit the high risk payments system for release.

Subject to comments from the group, we are not releasing these funds. If there are factors we should consider with respect to releasing payment, please let us know.

Thanks

Greg

-----Original Message-----
From: Lepis, Brendan
Sent: Thursday, July 12, 2007 11:09 AM
To: Olson, Matthew (Credit); Young, Greg; Schick, Sharon
Cc: Buckholz, Keith; Chen, Vincent
Subject: FW: Basis

Thanks for forwarding this email.

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66052.486

I want to bring everyone involved, ie Greg, the repo team and high risk team, up to speed that there is a $327,292 high risk payment pending. The attached email gives background on this payment.

Based on the email below we are obviously not releasing this money until we receive guidance from Greg.

Let me know if there are any questions.

Please forward to others as necessary.

Thanks very much.

-----Original Message-----
From: Olson, Matthew (Credit)
Sent: Thursday, July 12, 2007 10:55 AM
To: Lepis, Brendan
Subject: FW: Basis

FYI

-----Original Message-----
From: Schick, Sharon
Sent: Thursday, July 12, 2007 10:51 AM
To: Olson, Matthew (Credit)
Subject: FW: Basis

fyi

-----Original Message-----
From: Lehman, David A.
Sent: Thursday, July 12, 2007 3:04 AM
To: Huffman, Robyn; Sparks, Daniel L; Sheppard, Shaun; Messina, Michaela Leti; Tamman, Maurice; Hammatt, Julie; Kane, Nicola; Molloy, Macdara; Lam, Desiree; Maltezos, George (GSJBW); Lim, Sonia; Benkert, Olly; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Ouderkirk, Gerald; Sobel, Jonathan; Mullen, Donald; Brafman, Lester R
Cc: Case, Benjamin; Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Pynt, Benjamin; Vince, Robin; Riggs, Tom; Carrett, Paul; Waskow, Andrew; Tribolati, John; Lamb, Rob; Swann, Brian; Cafagna, Francesco
Subject: RE: Basis

We have had several calls with Basis tonight

Gerry Ouderkirk provided the client with bid levels on $20mm face of CLO equity to free up capital to be applied against their margin call

Basis informed us that despite the net monies freed by the proposed CLO sale (~7mm), they are unable or unwilling to provide add'l cash or collateral to meet our margin call

Our bids for the CLO equity are contingent upon Basis signing a netting agreement which CGSH and GS Legal drafted

Our bids are also subject to material mkt moves as well as Basis executing by NY open

At this time the client is reviewing the netting agreement

After discussing with GS legal, we have informed the client that a formal notice will be sent to them by GS Legal by EOD Thursday Sydney time w/r/t their deficiency on meeting margin to preserve Goldman's rights and remedies

-----Original Message-----
From: Huffman, Robyn

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VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 00491 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

66052.487

Sent: Wednesday, July 11, 2007 8:22 PM
To: Sparks, Daniel L; Sheppard, Shaun; Messina, Michaela Leti; Tamman, Maurice; Hammatt, Julie; Kane, Nicola; Molloy, Macdara; Lam, Desiree; Maltezos, George (GSJBW); Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Ouderkirk, Gerald
Cc: Case, Benjamin; Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Pynt, Benjamin; Vince, Robin; Riggs, Tom; Carrett, Paul; Waskow, Andrew; Tribolati, John; Lamb, Rob; Swann, Brian
Subject: RE: Basis

Not without consent of Basis, which is being drafted right now by LDN legal and Cleary. Jerry's bid will be subject to their agreeing to that.

-----Original Message-----
From: Sparks, Daniel L
Sent: Wednesday, July 11, 2007 8:20 PM
To: Sheppard, Shaun; Messina, Michaela Leti; Tamman, Maurice; Hammatt, Julie; Kane, Nicola; Molloy, Macdara; Lam, Desiree; Maltezos, George (GSJBW); Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Ouderkirk, Gerald
Cc: Case, Benjamin; Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Pynt, Benjamin; Vince, Robin; Riggs, Tom; Carrett, Paul; Huffman, Robyn; Waskow, Andrew; Tribolati, John; Lamb, Rob; Swann, Brian
Subject: RE: Basis

It they default, can we apply any excess from repo to swaps?

-----Original Message-----
From: Sheppard, Shaun
Sent: Wednesday, July 11, 2007 4:54 PM
To: Sheppard, Shaun; Messina, Michaela Leti; Tamman, Maurice; Hammatt, Julie; Kane, Nicola; Molloy, Macdara; Lam, Desiree; Maltezos, George (GSJBW); Sparks, Daniel L; Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Ouderkirk, Gerald
Cc: Case, Benjamin; Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Pynt, Benjamin; Vince, Robin; Riggs, Tom; Carrett, Paul; Huffman, Robyn; Waskow, Andrew; Tribolati, John; Lamb, Rob; Swann, Brian
Subject: RE: Basis

Update following conf call trading/legal(Ldn&NY)/Ops (credit unable to join - have left an update v-m for Greg):

-Estimated clean funds available to meet call requirements approx USD13.5mm if Basis accepts GS bids.
-estimated surplus after meeting repo margin requirement USD5mm approx
- documentation does not allow us to automatically use this to cover swaps collateral requirement. Client agreement/authorisation would be required.
-agreed to make client's agreement to this a condition of trade - ldn legal (Michaela) to draft suitable authorisation for David to send on.
- Ops will need to hand hold all events to make sure no external settlement made and funds applied to calls. Brian has reached out to give settlement groups a heads up.
- David to George on situation
- George to update this group on outcome of communication with Basis and how they plan to meet the calls either by accepting GS bids, or delivery of cash value tomorrow.

Shaun

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66052.488

-----Original Message-----
From: Sheppard, Shaun
Sent: Wednesday, July 11, 2007 7:25 PM
To: Messina, Michaela Leti; Tamman, Maurice; Hammatt, Julie; Kane, Nicola; Molloy, Macdara; Lam, Desiree; Maltezos, George (GSJBW); Sparks, Daniel L; Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Ouderkirk, Gerald
Cc: Case, Benjamin; Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Pynt, Benjamin; Vince, Robin; Riggs, Tom; Carrett, Paul; Huffman, Robyn; Waskow, Andrew; Tribolati, John; Lamb, Rob; Swann, Brian
Subject: RE: Basis

Have just spoken to David Lehman and we have just left a v-m with Tom Riggs:

Update:

Gerry Oudekirk and David Lehman are to meet with Dan Sparks and Don Mullen to agree bid pricing this in the next 90 minutes or so. David will revert to this group with an update following this. We should get an idea of the clean funds which might be available to Basis if they accept our bids. Clearly preference would be for Basis to meet calls with free cash.

David and I will circle back with legal/credit/ops to establish next steps re netting margin requirements vs proceeds to make sure we don't inadvertently release funds/securities to the client.

David has a 5pmNY/7am Sydney call with George to update and agree approach with client.

Shaun

-----Original Message-----
From: Messina, Michaela Leti
Sent: Wednesday, July 11, 2007 6:38 PM
To: Tamman, Maurice; Hammatt, Julie; Kane, Nicola; Molloy, Macdara; Lam, Desiree; Maltezos, George (GSJBW); Sparks, Daniel L; Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Sheppard, Shaun
Cc: Case, Benjamin; Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Pynt, Benjamin; Vince, Robin; Riggs, Tom; Carrett, Paul; Huffman, Robyn; Waskow, Andrew; Tribolati, John
Subject: RE: Basis

Copying Robyn, Andy and John in NY and London Legal.

Goldman Sachs International
Peterborough Court | 133 Fleet Street | London EC4A 2BB Tel + 44 (0) 20 7552 2303 | Fax + 44 (0) 20 7774 1989 E-mail MichaelaLeti.Messina@gs.com

Michaela Leti Messina
Executive Director and Counsel
Legal Department

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66052.489

-----Original Message-----
From: Tamman, Maurice
Sent: Wednesday, July 11, 2007 1:06 PM
To: Tamman, Maurice; Hammatt, Julie; Kane, Nicola; Molloy, Macdara; Lam, Desiree; Maltezos, George (GSJBW); Sparks, Daniel L; Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Sheppard, Shaun
Cc: Case, Benjamin; Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Messina, Michaela Leti; Pynt, Benjamin; Vince, Robin; Riggs, Tom; Carrett, Paul
Subject: RE: Basis

Conversation this morning between George Maltezos, Jean-Marc Morel, Desiree Lam, Shaun Sheppard and I to confirm and agree expectations and timeline/actions around Basis meeting the three calls we issued last night London time:

- Gerald Ouderkik's desk to provide bid pricing on CLO to Basis for Australia start of business – David /George please can you confirm to Gerald the positions to be priced if not already done so?
- George to speak to Basis tomorrow, Sydney AM, to agree how client will honour the margin call.
- Basis to agree calls by 12 Jul COB Sydney time/SOB London time
- Funds due to meet all calls by COB 12 Jul

Thanks,
Maurice

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-----Original Message-----
From: Tamman, Maurice
Sent: Tuesday, July 10, 2007 9:22 PM
To: Hammatt, Julie; Kane, Nicola; Molloy, Macdara; Lam, Desiree; Maltezos, George (GSJBW); Sparks, Daniel L; Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Sheppard, Shaun
Cc: Case, Benjamin; 'paul.carrett@gsjbw.com'; Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Messina, Michaela Leti; Pynt, Benjamin; Vince, Robin; Riggs, Tom
Subject: Re: Basis

All,

These margin calls have been issued late in the London day on instruction from David Lehman, with the intention of ensuring the client has time to review and respond to the margin call by CoB Australia T+1.

Thanks,
Maurice

----- Original Message -----
From: Hammatt, Julie
To: Kane, Nicola; Molloy, Macdara; Lam, Desiree; Maltezos, George (GSJBW); Sparks, Daniel L; Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel,

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Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Tamman, Maurice; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Sheppard, Shaun
Cc: Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Messina, Michaela Leti; Pynt, Benjamin; Vince, Robin; Riggs, Tom
Sent: Tue Jul 10 21:13:07 2007
Subject: RE: Basis

Hi,

Using the marks received by the desk, we see the following calls on BASIS.

These calls have been issued this evening London time for BASIS to receive first thing tomorrow morning.

REPO

Basis Pac Rim Opportunity	$4,130,000
Basis Yield Alpha	$4,270,000

OTC

Basis Yield Alpha	$5,100,000

We will await the client's response and will keep you updated tomorrow.

Regards

Julie

-----Original Message-----
From: Kane, Nicola
Sent: Thursday, July 05, 2007 11:27 AM
To: Molloy, Macdara; Lam, Desiree; Maltezos, George (GSJBW); Sparks, Daniel L; Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Tamman, Maurice; Hammatt, Julie; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Sheppard, Shaun
Cc: Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch,

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66052.491

Andrew; Ireland, Alan; Anderson, James; Messina, Michaela Leti; Pynt, Benjamin; Vince, Robin; Riggs, Tom
Subject: RE: Basis

Adding Tom Riggs and Robin Vince into the chain for completeness

Nicola

-----Original Message-----

From: Molloy, Macdara

Sent: Thursday, July 05, 2007 10:43 AM

To: Lam, Desiree; Maltezos, George (GSJBW); Sparks, Daniel L; Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Tamman, Maurice; Hammatt, Julie; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Kane, Nicola; Sheppard, Shaun

Cc: Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Messina, Michaela Leti; Pynt, Benjamin

Subject: RE: Basis

Yes Desiree I think another call is necessary to take them through the marks, they will have left the office in Sydney by the time New York get in.

Regards,

Macdara

-----Original Message-----

From: Lam, Desiree

Sent: Thursday, July 05, 2007 10:38 AM

To: Molloy, Macdara; Maltezos, George (GSJBW); Sparks, Daniel L; Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Tamman, Maurice; Hammatt, Julie; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Kane, Nicola; Sheppard, Shaun

Cc: Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Messina, Michaela Leti; Pynt, Benjamin

Subject: RE: Basis

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Thanks Macdara. Does it mean that they'd need to see the full break down of the marks and talk to David again (earliest NY time tonight) before they'd decide whether they agree on the marks? And there'll be at least 1 day delay for their margin?

Regards,

Desiree

-----Original Message-----

From: Molloy, Macdara

Sent: Thursday, July 05, 2007 4:32 PM

To: Maltezos, George (GSJBW); Lam, Desiree; Sparks, Daniel L; Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Preisano, Anthony; Tamman, Maurice; Hammatt, Julie; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg; Wong, June C.; Kane, Nicola; Sheppard, Shaun

Cc: Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Messina, Michaela Leti; Pynt, Benjamin

Subject: RE: Basis

Despite giving the impression that they agreed the CDO marks as discussed on the call with the Trading desk, Basis have now stated that they want further clarification on these marks before they are happy to meet the two Repo calls.

David - they are looking for a line by line breakdown of the changes for each mark.

The OTC has been agreed in full with a payment of $5.04mm paid for value today, we are checking with Treasury to see when these funds hit our account.

Regards,

Macdara

-----Original Message-----

From: Maltezos, George (GSJBW)

Sent: Thursday, July 05, 2007 8:17 AM

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66052.493

To: Lam, Desiree; Sparks, Daniel L; Lim, Sonia; Benkert, Olly; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Molloy, Macdara; Preisano, Anthony; Tamman, Maurice; Hammatt, Julie; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil; Young, Greg

Cc: Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Messina, Michaela Leti; Pynt, Benjamin

Subject: Re: Basis

Update:

There was a constructive call between basis and trading (Lehman, Case, Egol) re marks at 8PM EST Wednesday.

Natalie Witt and I just spoke to John Murphy at basis. It seems the marks have been accepted and we are awaiting confirmation of basis's plans to meet the margin call.

Will revert ASAP.

George Maltezos

Structured Asset Solutions

Tel: 612 9320 1431

Mob: 61 [redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

----- Original Message -----

From: Lam, Desiree <desiree.lam@gs.com>

To: Sparks, Dan L - GS; Lim, Sonia - GS; Benkert, Oliver B - GS; Maltezos, George; Lehman, David A - GS; Viani, Matthew L - GS; Ng, Chris - GS; Morel, Jean-Marc - GS; Yamamoto, Yumi - GS; Witt, Natalie - GS; Molloy, Macdara - GS; Preisano, Anthony P - GS; Tamman, Maurice - GS; Hammatt, Julie - GS; Bury, Jonathan P - GS; Rapfogel, Alan M - GS; Armstrong, Phil S - GS; Young, Gregory - GS

Cc: Case, Benjamin C - GS; Carrett, Paul; Harris, Kate; Rolleston, Jeremy; Swenson, Michael J - GS; Egol, Jonathan M - GS; Wang, Josh - GS; Chan, Joanna - GS; Dausch, Andrew W - GS; Ireland, Alan - GS; Anderson, James A - GS; Messina, Michaela Leti - GS; Pynt, Benjamin - GS

Sent: Wed Jul 04 22:33:51 2007

Subject: RE: Basis

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66052.494

Copying Greg Young in the conversation. Thx.

-----Original Message-----

From: Sparks, Daniel L

Sent: Wednesday, July 04, 2007 8:31 PM

To: Lim, Sonia; Benkert, Olly; Maltezos, George (GSJBW); Lam, Desiree; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Molloy, Macdara; Preisano, Anthony; Tamman, Maurice; Hammatt, Julie; Bury, Jonathan; Rapfogel, Alan; Armstrong, Phil

Cc: Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Messina, Michaela Leti; Pynt, Benjamin

Subject: RE: Basis

Please keep me posted and involved if decisions get difficult

-----Original Message-----

From: Lim, Sonia

Sent: Wednesday, July 04, 2007 6:27 AM

To: Benkert, Olly; Maltezos, George (GSJBW); Lam, Desiree; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Molloy, Macdara; Preisano, Anthony; Tamman, Maurice; Hammatt, Julie; Bury, Jonathan

Cc: Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Sparks, Daniel L; Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Messina, Michaela Leti; Pynt, Benjamin

Subject: RE: Basis

Desiree, thanks for the heads up on this. As dsicussed, please can you arrange for the documents for the outstanding transactions to be forwarded to us ? Please can you also keep Ben Pynt copied on this as he will assist with any input which is required from legal ?

Thanks, Sonia

-----Original Message-----

From: Benkert, Olly

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VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 00499 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

66052.495

Sent: Wednesday, July 04, 2007 6:18 PM

To: Maltezos, George (GSJBW); Lam, Desiree; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Molloy, Macdara; Preisano, Anthony; Tamman, Maurice; Hammatt, Julie; Bury, Jonathan

Cc: Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Sparks, Daniel L; Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Lim, Sonia; Chan, Joanna; Dausch, Andrew; Ireland, Alan; Anderson, James; Messina, Michaela Leti

Subject: RE: Basis

I am following up with ops on the corporate actions to confirm if we can agree as soon as possible what the amounts are we owe them - I understand from ops (copied on this) that there is some clarification required from Basis.

To their question about netting the corporate action payments with the repo margin calls we are in now way obliged to do that. If they don't meet our margin calls by cob tomorrow we will be within our rights to close them out under the facility agreement and gmra.

That said, we should discuss the approach especially given the (fair?) reponse from Basis with a view to agreeing the marks on the repos as soon as possible and we may take the decision to agree to net the 2 amounts but we would need resolution on the corporate actions before cob tomorrow to do so and that may not be practical.

First up I think is to agree the marks then we can work out how we want to move on the margin vs the corporate action.

-----Original Message-----

From: Maltezos, George (GSJBW)

Sent: Wednesday, July 04, 2007 10:18 AM

To: Lam, Desiree; Lehman, David A.; Viani, Matthew; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Molloy, Macdara; Benkert, Olly; Preisano, Anthony; Tamman, Maurice; Hammatt, Julie

Cc: Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Sparks, Daniel L; Swenson, Michael; Egol, Jonathan; Wang, Josh (HK Credit); Lim, Sonia; Chan, Joanna

Subject: RE: Basis

Maurice and I just finished the call with Peter Dobson (Basis).

1 - Basis have plenty of cash to make the full margin call, but the approach by Goldman has been viewed to be very aggressive and unwarranted & is hurting the relationship

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2 - Basis will arrange for v/d 5 July the Timberwolf margin (USD5.04mm) subj to them receiving a note confirming the OTC swap would pay them any MTM improvement.

3 - Basis is not prepared to pay the margin call on the Repos (USD3.72mm

+ USD4.43mm) until the discussion re: revals has been made. David -

lets do this Thu morning SYD / Wed evening NY time. This is the case despite numerous suggestions for Basis to make a payment now and get a refund if the margin call was overstated.

4 - Basis cannot see any justification for the massive mark down in the securities (under the REPO), and are interpreting our revals as a way to reduce the repo financing line.

5 - They are disappointed Goldman have not paid to Basis the equity distributions under the REPO/GMRA. We potentially owe Basis approx USD5mm here. Can this be netted against the margin call? Olly - can you double check this pls?

6 - Basis claim Goldman have not cared to check in with Basis (from a credit perspective) to see how they are doing and instead are acting like the world is falling over with irrational behaviour.

George

+612 9320 1431

-----Original Message-----

From: Lam, Desiree [mailto:desiree.lam@gs.com]

Sent: Wednesday, 4 July 2007 6:35 PM

To: Lehman, David A - GS; Viani, Matthew L - GS; Maltezos, George; Ng, Chris - GS; Morel, Jean-Marc - GS; Yamamoto, Yumi - GS; Witt, Natalie - GS; Molloy, Macdara - GS; Benkert, Oliver B - GS; Preisano, Anthony P - GS; Tamman, Maurice - GS; Hammatt, Julie - GS

Cc: Case, Benjamin C - GS; Carrett, Paul; Harris, Kate; Rolleston, Jeremy; Sparks, Dan L - GS; Swenson, Michael J - GS; Egol, Jonathan M - GS; Wang, Josh - GS; Lim, Sonia - GS; Chan, Joanna - GS

Subject: RE: Basis

Importance: High

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66052.497

Even client disagrees on the marks, they are obligated to meet the call amount as provided by the calculator, GS. But they have the right to go through the prices with us. If they don't meet the call today, they are

in danger of defaulting margin payment. George is trying to explain to

client that if they have cash available, they are encouraged to first meet the call and continue the marks discussion throughout the next 2 days.

Copying Sonia Lim from Legal to confirm the legal proceedings, as we may potentially need to issue demand note tomorrow.

George, Maurice, how was the discussion with client? If necessary, we'd need to trouble David to be on call with client to understand what exactly they want to clarify in terms of the marks.

Desiree

-----Original Message-----

From: Lehman, David A.

Sent: Wednesday, July 04, 2007 4:22 PM

To: Viani, Matthew; Lam, Desiree; Maltezos, George (GSJBW); Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Molloy, Macdara; Benkert, Olly; Preisano, Anthony; Tamman, Maurice; Hammatt, Julie

Cc: Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Sparks, Daniel L; Swenson, Michael; Egol, Jonathan

Subject: Re: Basis

I can get on the phone this morning NY time to discuss (ie Wed works) w the client

I would like to know what the precedent there is here - does GS need (outside of the client issues) to provide the below info to justify our prices???

For example, on the TWOLF CDS, GS is willing to deal (bid and offer) in the context of our prices

On the equity securities, this is an illquid mkt where there are not a lot of recent trade spots, but it is clear that 1) other parts of the CDO cap structure are materially wider 2) the underlying assets w/i the CDO are materially wider

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66052.498

If credit can speak to the above ASAP it would be appreciated

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[redacted] = Redacted by the Permanent Subcommittee on Investigations

David A. Lehman

Goldman, Sachs & Co.

85 Broad Street | New York, NY 10004

Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-[redacted]

e-mail: david.lehman@gs.com

----- Original Message -----

From: Viani, Matthew

To: Lam, Desiree; Maltezos, George (GSJBW); Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Molloy, Macdara; Benkert, Olly; Preisano, Anthony; Tamman, Maurice; Hammatt, Julie

Cc: Lehman, David A.; Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW); Molloy, Macdara

Sent: Wed Jul 04 03:32:44 2007

Subject: Re: Basis

Technically basis should have already satisfied the call by the time the NY folks get back into the office thursday morning NY time. Would obviously still be happy to have a call / provide any additional color at that time.

----- Original Message -----

From: Lam, Desiree

To: Maltezos, George (GSJBW); Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Molloy, Macdara; Benkert, Olly; Preisano, Anthony; Viani, Matthew; Tamman,

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66052.499

Maurice; Hammatt, Julie

Cc: Lehman, David A.; Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW)

Sent: Wed Jul 04 02:51:29 2007

Subject: RE: Basis

It's NY holiday today, would we be able to reach the right person in NY in time? Thanks.

Desiree

From: Maltezos, George (GSJBW)

Sent: Wednesday, July 04, 2007 2:47 PM

To: Lam, Desiree; Ng, Chris; Morel, Jean-Marc; Yamamoto, Yumi; Witt, Natalie; Molloy, Macdara; Benkert, Olly; Preisano, Anthony; Viani, Matthew; Tamman, Maurice; Hammatt, Julie

Cc: Lehman, David A.; Case, Benjamin; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW)

Subject: Basis

I just spoke with Peter Dobson at Basis (430pm SYD time).

He is not concerned with the $$ of the margin call, but very concerned about the marks - they are contesting these levels, ie seeking clarity before agreeing to pay the margin.

They want to see:-

- the comparable market data point for the Timberwolf marks

- more info for each of the ABS CDO marks like IRRs, CDR, CPR, reinvestment profile, WAL, cashflows, etc

- the market data point for those marks, & actual trade examples done at these levels

- any other colour specific to these deals which helps Basis understand the marks

I will be arranging a call b/wn Basis and the NY traders asap

Rgds,

George

+612 9320 1431

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66052.500

From: Lam, Desiree [mailto:desiree.lam@gs.com]

Sent: Wednesday, 4 July 2007 4:30 PM

To: Maltezos, George

Cc: Ng, Chris - GS; Morel, Jean-Marc - GS; Yamamoto, Yumi - GS; Witt, Natalie - GS; Molloy, Macdara - GS

Subject: RE: Basis

HI George, please help confirm client's plan to meet the margin call.

Thanks.

Copying Ops as well.

Desiree

From: Maltezos, George (GSJBW)

Sent: Wednesday, July 04, 2007 8:56 AM

To: Lam, Desiree

Cc: Ng, Chris; Morel, Jean-Marc

Subject: RE: Basis

Good morning - basis has received the margin calls. I have not heard back. Will revert asap.

From: Lam, Desiree [mailto:desiree.lam@gs.com]

Sent: Wednesday, 4 July 2007 10:53 AM

To: Maltezos, George

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VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 00505 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

66052.501

Cc: Ng, Chris - GS; Morel, Jean-Marc - GS

Subject: Basis

Hi George, good morning.

Not sure if you have a chance to talk to the client this morning, are they ok to arrange funding today? Kindly keep us posted.

Many thanks,

Desiree Lam
Credit Risk Management & Advisory
Tel: 852.29781203 I Fax: 852.29780242
Email: desiree.lam@gs.com

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66052.502

Thanks
Julie

Julie Hammatt
Collateral Management
Goldman Sachs International
Tel: 0207-774-8150 Fax: 0207-552-7323
julie.hammatt@gs.com

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66052.503

From: Riggs, Tom
Sent: Monday, July 16, 2007 12:58 PM
To: Egol, Jonathan; Kane, Nicola; Lehman, David A.; Young, Greg; Tota, Frank; Waskow, Andrew; Pynt, Benjamin; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Morel, Jean-Marc; Wang, Josh (HK Credit); Wyllie, Denise; Armstrong, Phil; Littlejohn, Darren
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Schick, Sharon; Buckholz, Keith; Chen, Vincent; Balogh, Susan
Subject: RE: Basis

here is the language:

"Nothing in this notice shall be deemed to constitute a waiver of any Potential Event of Default, Event of Default or similar event (including on the basis of any prior margin call), and GSI hereby reserves all rights and remedies that it may have under any agreement between GSI or any of its affiliates and Counterparty or any of its affiliates and under applicable law."

-----Original Message-----
From: Egol, Jonathan
Sent: Monday, July 16, 2007 12:48 PM
To: Egol, Jonathan; Kane, Nicola; Lehman, David A.; Young, Greg; Tota, Frank; Riggs, Tom; Waskow, Andrew; Pynt, Benjamin; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Morel, Jean-Marc; Wang, Josh (HK Credit); Wyllie, Denise; Armstrong, Phil
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Schick, Sharon; Buckholz, Keith; Chen, Vincent; Balogh, Susan; Riggs, Tom
Subject: RE: Basis

As discussed on this morning's internal call we are changing some marks on ABS CDO positions for COB 16 July 2007 to be processed immediately for today's call. Note this does not include any mark changes from Gerry Ouderkirk's desk on the CLO positions.

Note from Tom Riggs -- we should include no waiver language in these margin calls, Tom said he would follow up to this group shortly.

Please contact me if there are any questions/comments.

Yield Alpha:

PTPLS 07-1X D (USG71503AA78) 10.00% (from 15.00%)
[redacted] 45.00% (from 50.00%)
350 (from 400)

= Redacted by the Permanent Subcommittee on Investigations

Pac-Rim:

FORTD 07-1X INC (UG36395AF10) 8.00% (from 10.00%)
[redacted] 350 (from 400)
500 (from 550)
550 (from 600)

We will also be inputting in our systems the following mark changes on the 2 TWOLF CDS vs Yield Alpha:

TWOLF A2 (Trade ID SDB981814615A) to 55% (from 65%) TWOLF B (Trade ID DB981814981A) to 45% (from 60%)

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2436

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66052.504

-----Original Message-----
From: Egol, Jonathan
Sent: Thursday, July 12, 2007 3:55 PM
To: Kane, Nicola; Lehman, David A.; Young, Greg; Tota, Frank; Riggs, Tom; Waskow, Andrew; Pynt, Benjamin; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Morel, Jean-Marc; Wang, Josh (HK Credit); Wyllie, Denise; Armstrong, Phil
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Schick, Sharon; Buckholz, Keith; Chen, Vincent; Balogh, Susan
Subject: RE: Basis

Attached please find updated marks for COB 12 July 2007 (see column N highlighted in yellow).

Please apply these marks to generate the margin call for Sydney open.

Also, for purposes of the TWOLF CDS versus Yield Alpha, we have input the follow marks for COB 12th July 2007:

TWOLF A2 = $17.5mm in favor of GSI (ie, 65 price) TWOLF B = $20.0mm in favor of GSI (ie, 60 price)

Please call David Lehman or Jonathan Egol with questions.

-----Original Message-----
From: Kane, Nicola
Sent: Thursday, July 12, 2007 3:43 PM
To: Lehman, David A.; Young, Greg; Tota, Frank; Riggs, Tom; Waskow, Andrew; Pynt, Benjamin; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Egol, Jonathan; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Morel, Jean-Marc; Wang, Josh (HK Credit); Wyllie, Denise; Armstrong, Phil
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Schick, Sharon; Buckholz, Keith; Chen, Vincent; Balogh, Susan
Subject: RE: Basis

As per our call the collateral numbers based upon COB Wed 11th July are:

REPO

Basis Pac Rim Opportunity

Loan Amount	$23,132,400
Offset by securities plus cash held (pre-haircut)	$37,255,400 (this includes the $4.13 received today)
Call issued to client (COB 10th)	$4,130,000 - FUNDS RECEIVED

Basis Yield Alpha

Loan Amount	$22,356,689
Offset by securities plus cash held (pre-haircut)	$25,740,000
Call issued to client (COB 10th)	$4,280,000

OTC

Basis Yield Alpha

Total exposure	$29,169,682
Collateral Held	$35,471,850

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Call issued to client (COB 10th) $5,100,000

We will send revised numbers based on today's marks.

Nicola

-----Original Message-----
From: Lehman, David A.
Sent: Thursday, July 12, 2007 7:20 PM
To: Kane, Nicola; Young, Greg; Tota, Frank; Riggs, Tom; Waskow, Andrew; Pynt, Benjamin; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Egol, Jonathan; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Morel, Jean-Marc; Wang, Josh (HK Credit); Wyllie, Denise; Armstrong, Phil
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Schick, Sharon; Buckholz, Keith; Chen, Vincent; Balogh, Susan
Subject: RE: Basis

The client has been unresponsive for the past 60 minutes

As of now Basis has not committed to make the repo or CDS margin call in Yld Alpha

In addition, we have not traded the CLO equity or executed the netting agreement

Let's get on the phone @ 2:30 to discuss next steps and thoughts

Domestic: 1-888-446-9294
International: 1-719-884-8863
Passcode: 891254

-----Original Message-----
From: Kane, Nicola
Sent: Thursday, July 12, 2007 2:15 PM
To: Young, Greg; Tota, Frank; Riggs, Tom; Lehman, David A.; Waskow, Andrew; Pynt, Benjamin; Lehman, David A.; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Egol, Jonathan; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Morel, Jean-Marc; Wang, Josh (HK Credit); Wyllie, Denise; Armstrong, Phil
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Schick, Sharon; Buckholz, Keith; Chen, Vincent; Balogh, Susan
Subject: RE: Basis

ccing Denise and Phil

-----Original Message-----
From: Young, Greg
Sent: Thursday, July 12, 2007 7:05 PM
To: Tota, Frank; Kane, Nicola; Riggs, Tom; Lehman, David A.; Waskow, Andrew; Pynt, Benjamin; Lehman, David A.; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Egol, Jonathan; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela Leti; Sparks, Daniel L; Sheppard, Shaun; Morel, Jean-Marc; Wang, Josh (HK Credit)
Cc: Rapfogel, Alan; Broderick, Craig; Lepis, Brendan; Olson, Matthew (Credit); Schick, Sharon; Buckholz, Keith; Chen, Vincent; Balogh, Susan
Subject: RE: Basis

Given that Basis must consent to this, and given we are in ongoing discussions with Basis on meeting margin calls, I suspect that a recall effort would not be successful. David, I know you've been in ongoing discussion with them. What's your assessment?

-----Original Message-----
From: Tota, Frank
Sent: Thursday, July 12, 2007 1:57 PM
To: Kane, Nicola; Young, Greg; Riggs, Tom; Lehman, David A.; Waskow, Andrew; Pynt, Benjamin; Lehman, David A.; Maltezos, George (GSJBW); Ouderkirk, Gerald; Jacobsen, Glade; Egol, Jonathan; Huffman, Robyn; Saunders, Tim; Bowden, Tricia; Messina, Michaela

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From: Lehman, David A.
Sent: Tuesday, July 24, 2007 10:45 AM
To: Lehman, David A.; Bermanzohn, Fran; Mullen, Donald; Sparks, Daniel L; sgrosshandler@cgsh.com; Young, Greg; Messina, Michaela Leti; Saunders, Tim; Littlejohn, Darren; Waskow, Andrew; nhume@cgsh.com; Rapfogel, Alan; Brafman, Lester R
Cc: Egol, Jonathan
Subject: RE: Basis update - 9:30

Basis Hires Blackstone to Limit Losses on Hedge Funds (Update6)
2007-07-24 10:43 (New York)

(Adds Basis Capital assets in second paragraph.)

By Laura Cochrane
July 24 (Bloomberg) -- Basis Capital Fund Management Ltd., the Australian hedge fund manager battered by losses in the U.S. subprime mortgage market, hired Blackstone Group LP as an adviser to help avoid a fire sale of assets.

Blackstone, already helping Bear Stearns Cos. liquidate two hedge funds, will advise Basis Capital ``to prevent adverse pricing and selling of assets,'' the Sydney-based firm said in a statement today. Basis Capital, which had assets of $1 billion as recently as May, said July 18 that the value of its Yield Alpha fund may fall more than 50 percent if assets are sold at distressed prices.

The losses at the fund, which recorded an average annual return of 15.5 percent for the past five years, underscores the global impact of the subprime shakeout. Federal Reserve Chairman Ben S. Bernanke said July 19 that there will be ``significant financial losses'' from risky mortgages, pointing to estimates as high as $100 billion.

``The fallout from subprime is likely to impact most asset classes and investment strategies over the next couple of years because the ratings agencies completely goofed up,'' said Peter Douglas, founder of Singapore-based hedge fund research firm GFIA Pte. ``Basis Capital is viewed as a bellwether.''

Basis Capital's Aust-Rim Opportunity Fund and the Yield Alpha fund lost 9 percent and 14 percent respectively in June. The funds ran into trouble by investing in the unrated, riskiest portions of collateralized debt obligations. These portions, also known by bankers as ``toxic waste,'' are first in line for any losses when borrowers fall short on mortgage payments.

Delinquencies Rise

Sophia Harrison, a spokeswoman for Blackstone in London, declined to comment about the firm's role with Basis Capital. The Australian firm was founded by Steve Howell and Stuart Fowler, who worked together at County NatWest, in 1999. It was named ``Fund of the Year'' at the 2005 AsiaHedge awards and Macquarie Bank Ltd.'s ``Skilled Manager of the Year'' in 2004.

Delinquencies on U.S. subprime mortgages -- home loans to people with poor credit -- surged to a 10-year high this year after borrowing costs rose.

While sales of CDOs -- used to pool bonds, loans and their derivatives into new debt -- rose fivefold to $503 billion last year from 2003, investor appetite for the securities is now waning. Analysts at New York-based JPMorgan Chase & Co. said yesterday that CDO sales dwindled to $3.7 billion in the U.S. this month from $42 billion in June.

Credit Markets

The extent of the asset declines such as those at Basis Capital and Bear Stearns Cos. is masked by the reluctance of investors to buy or sell the illiquid securities, said Sarah Percy-Dove, the Sydney-based head of credit research at Australia & New Zealand Banking Group Ltd.

``Every single CDO is very different,'' she said. ``To get somebody to price a CDO at all can be difficult because people won't price something they don't understand.''

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Wall Street & The Financial Crisis
Report Footnote #2438

GS MBS-E-013449641

Bear Stearns, the fifth-largest U.S. securities firm, said July 18 that investors in its two failed hedge funds will get little if any money back after ``unprecedented declines'' in the value of securities used to bet on subprime mortgages.

The losses triggered a selloff across credit markets because of concerns that CDO declines would mean losses for holders of even the least risky debt and that fewer sales of new CDOs would reduce demand for bonds and loans.

S&P Downgrades

The Basis Capital funds, which were open to individual and institutional investors, had the highest five-star ratings from Standard & Poor's before the ranking was put ``on hold'' July 17.
This means the rating is being reviewed because ``issues potentially affecting the management of the fund have emerged,''
according to S&P's Web site.

David Erdonmez, a fund analyst at S&P, said the revaluation of Basis's assets had triggered margin calls from investment banks that have seized and begun to sell off assets. S&P today kept the funds on hold after meeting with management.

Investors have criticized S&P, Fitch Ratings and Moody's Investors Service, saying their ratings on bonds backed by U.S.
mortgages to people with limited credit didn't reflect the rising default rate. They often gave top ratings to the securities. Some bonds have lost more than 50 cents on the dollar this year while their credit ratings haven't changed.

Australian Market

``This won't be the last fund in Australia or overseas to find itself in financial difficulty because of U.S. subprime,''
said Mark Bayley, a Sydney-based director in credit and structuring at ABN Amro Holding NV.

Mariner Bridge Investments Ltd., another Sydney-based asset manager, wrote down its U.S. residential mortgage-backed securities portfolio on July 20 to 26 percent below face value on subprime losses. Mariner said A$36 million of its A$302 million in assets was invested in U.S. residential mortgage-backed securities.

Australian investors, mostly individuals, had A$675 million in the two Basis funds, the Australian Financial Review said July 19. Hedge funds in Australia are open to retail investors, unlike in the U.S. where the largely unregulated pools of capital are generally limited to institutions and wealthy individuals. The funds' managers participate substantially in any gains on the money invested.

--With reporting by Bei Hu in Hong Kong and Stuart Kelly in Sydney. Editor: Miller (phl/pdv/tbq)

Story illustration: For an index of hedge-fund returns, see {HEDGNAV <Index> GP <GO>}. For more news on hedge funds, see {NI HEDGE <GO>} and subprime loans see {NI SUBPRIME <GO>}. For Bloomberg's hedge-fund home page see {HFND <GO>}.

To contact the reporter on this story:
Laura Cochrane in Melbourne at +61-3-9228-8732 or cochrane13bloomberg.net.

To contact the editor responsible for this story:
Netty Ismail at +65-9782-2410 or nismail3@bloomberg.net

[TAGINFO]

BX US <Equity> CN
BSC US <Equity> CN

NI SUBPRIME
NI HEDGE
NI ASIA

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NI FND
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#<536369.3815268.1.0.38.15369.25>#
#<825420.162376.1.0.38.15369.25>#

#<582190.4087.1.0.38.15369.25>#
-0- Jul/24/2007 14:43 GMT

-----Original Message-----
From: Lehman, David A.
Sent: Tuesday, July 24, 2007 10:38 AM
To: Lehman, David A.; Bermanzohn, Fran; Mullen, Donald; Sparks, Daniel L; 'sgrosshandler@cgsh.com'; Young, Greg; Messina, Michaela Leti; Saunders, Tim; Littlejohn, Darren; Waskow, Andrew; 'nhume@cgsh.com'; Rapfogel, Alan; Brafman, Lester R
Cc: Egol, Jonathan
Subject: RE: Basis update - 9:30

Spoke with Simon Davies @ Blackstone again

Told him we needed to understand where we are on PacRim ASAP

He was familiar with the notices which GSI sent, the 2 day delay period, and that we reserved our cross-termination rights under the GMRA

-----Original Message-----
From: Lehman, David A.
Sent: Tuesday, July 24, 2007 9:08 AM
To: Bermanzohn, Fran; Mullen, Donald; Sparks, Daniel L; 'sgrosshandler@cgsh.com'; Young, Greg; Messina, Michaela Leti; Saunders, Tim; Littlejohn, Darren; Waskow, Andrew; 'nhume@cgsh.com'; Rapfogel, Alan; Brafman, Lester R
Cc: Egol, Jonathan
Subject: RE: Basis update - 9:30

Swap and cash bids due @ 4:00 today from LEH/BS/DB/MS

-----Original Message-----
From: Bermanzohn, Fran
Sent: Tuesday, July 24, 2007 9:06 AM
To: Lehman, David A.; Mullen, Donald; Sparks, Daniel L; 'sgrosshandler@cgsh.com'; Young, Greg; Messina, Michaela Leti; Saunders, Tim; Littlejohn, Darren; Waskow, Andrew; 'nhume@cgsh.com'; Rapfogel, Alan; Brafman, Lester R
Cc: Egol, Jonathan
Subject: Re: Basis update - 9:30

What happens now?

----- Original Message -----
From: Lehman, David A.

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VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 00513 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

66052.509

To: Lehman, David A.; Mullen, Donald; Sparks, Daniel L; Bermanzohn, Fran; 'sgrosshandler@cgsh.com' <sgrosshandler@cgsh.com>; Young, Greg; Messina, Michaela Leti; Saunders, Tim; Littlejohn, Darren; Waskow, Andrew; 'nhume@cgsh.com' <nhume@cgsh.com>; Rapfogel, Alan; Brafman, Lester R
Cc: Egol, Jonathan
Sent: Tue Jul 24 09:51:08 2007
Subject: RE: Basis update - 9:30

I called Blackstone this morning

I told them I was very surprised not to have heard back from them (either way) last night

I asked for specific feedback on our proposal and why that did not work

Their only comment was "Basis could not get legal advice last night" and that they went to bed

Disappointing to say the least

They were aware we sent our notices

-----Original Message-----
From: Lehman, David A.
Sent: Monday, July 23, 2007 9:50 PM
To: Mullen, Donald; Sparks, Daniel L; Bermanzohn, Fran; 'sgrosshandler@cgsh.com'; Young, Greg; Messina, Michaela Leti; Saunders, Tim; Littlejohn, Darren; Waskow, Andrew; 'nhume@cgsh.com'; Rapfogel, Alan; Brafman, Lester R
Cc: Egol, Jonathan
Subject: RE: Basis update - 9:30

Yes, I reiterated our 12:00 timeline

-----Original Message-----
From: Mullen, Donald
Sent: Monday, July 23, 2007 9:50 PM
To: Lehman, David A.; Sparks, Daniel L; Bermanzohn, Fran; 'sgrosshandler@cgsh.com'; Young, Greg; Messina, Michaela Leti; Saunders, Tim; Littlejohn, Darren; Waskow, Andrew; 'nhume@cgsh.com'; Rapfogel, Alan; Brafman, Lester R
Cc: Egol, Jonathan
Subject: Re: Basis update - 9:30

Are they coming back tonight???

----- Original Message -----
From: Lehman, David A.
To: Lehman, David A.; Sparks, Daniel L; Mullen, Donald; Bermanzohn, Fran; 'Seth GROSSHANDLER' <sgrosshandler@cgsh.com>; Young, Greg; Messina, Michaela Leti; Saunders, Tim; Littlejohn, Darren; Waskow, Andrew; 'Nathan Hume' <nhume@cgsh.com>; Rapfogel, Alan; Brafman, Lester R
Cc: Egol, Jonathan
Sent: Mon Jul 23 21:44:13 2007
Subject: Basis update - 9:30

Just got off a 30 minute call with Martin and Simon from Blackstone

They discussed two things -

1) PacRim vs. Yld Alpha. Age old question, I reiterated our desire to holistically come to closure with Basis. I assured them we were sensitive to the two distinct funds as is our proposed agreement.

2) Swap pricing. Sounds like the directors are concerned with committing to trading the

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swaps as there has been no "third party verification." I told them our auction mechanism afforded them the best price in the market and walked them through our rationale. I told them if there was a way to get a higher actionable bid tomorrow it would be better for both GS and Basis and we should have that conversation.

They are touching base with Sydney and coming back

From: Lehman, David A.
Sent: Monday, July 23, 2007 3:18 PM
To: Sparks, Daniel L; Mullen, Donald; Bermanzohn, Fran; 'Seth GROSSHANDLER'; Young, Greg; Messina, Michaela Leti; Egol, Jonathan; Saunders, Tim; Littlejohn, Darren; Waskow, Andrew; 'Nathan Hume'; Rapfogel, Alan; Brafman, Lester R
Subject: FW: Basis / GSI

Response below

Interesting to note -- Three new names on the e-mail list (The 3 Yld Alpha Directors? I think so...)

1) Steve Howell, Basis, he is the other main principal w/ S. Fowler, he is in Sydney (showell@basiscap.com.au)
2) David Mapley, SHIMODA CAPITAL ADVISORS in London (mapley@shimoda-ltd.com)
3) Zahid Ullah, Antaeus Capital, location unknown (ullah@antaeuscapital.com)

From: Davies, Simon [mailto:Davies@Blackstone.com]
Sent: Monday, July 23, 2007 3:11 PM
To: Lehman, David A.; Stuart Fowler; John Murphy
Cc: Gudgeon, Martin; nick.reeves@mallesons.com; Mark.Byers@gtuk.com; Steve Howell; David Mapley; Zahid Ullah
Subject: RE: Basis / GSI

David,

Thanks very much for the note. As we mentioned on the phone earlier, we will be speaking with our client and the other advisers later on (a call which is currently penciled in for midnight UK time) and you will be a priority for discussion. Thanks for taking the time to discuss matters with us earlier and for keeping us updated as to decisions and process from your side. With the aim of creating as transparent and open a process as possible, we will commit to do the same from our side.

Kind regards

Simon

Simon Davies
The Blackstone Group International Limited
Tel: +44 20 7451 4397
Fax: +44 20 7451 4132
Mob: +44 [redacted]
Email: davies@blackstone.com

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 00515 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

66052.511

From: Lehman, David A. [mailto:david.lehman@gs.com]
Sent: 23 July 2007 19:41
To: Stuart Fowler; John Murphy
Cc: Gudgeon, Martin; Davies, Simon; nick.reeves@mallesons.com; Mark.Byers@gtuk.com
Subject: Basis / GSI

Team Basis -

Over approximately the past 5 days, GSI has been working with Basis in good faith towards a consensual agreement regarding our repo and swap exposure

After repeated attempts from GSI to continue our dialogue, GSI has not heard (e-mail or phone) from Basis over the past 60 hours

As GSI and Basis previously maintained a good dialogue working towards a common end, GSI is concerned by the lack of communication given the current situation

If the execution of a binding agreement cannot be reached by 12:00 New York Time tonight (2:00 p.m. Sydney Time), GSI expects to close out our repo and swap exposure

GSI's strong preference is a consensual resolution along the lines negotiated with Basis, but the lack of communication and inability to move our bilateral agreement forward leaves GSI little choice

Please note that GSI has postponed the security and swap bid lists scheduled for this afternoon which were contemplated in our consensual agreement

Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-493-9681 | Mob: 917-[redacted]
e-mail: david.lehman@gs.com

Goldman Sachs

David Lehman
Fixed Income, Currency & Commodities

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Disclaimer:

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Basis Yield Alpha Fund (Master) (***Yield Alpha***)
C/o Basis Capital Group
Level 37, Gateway Building
1 Macquarie Place
Sydney NSW 2000
Australia

Attention: Stuart Fowler

31 July 2007 3:00 a.m. (London time)

VIA HAND DELIVERY AND EMAIL:

Dear Sirs

EVENT OF DEFAULT UNDER ISDA MASTER AGREEMENT

1. Further to our letter dated 24 July 2007 in which we notified you of the occurrence of an Event of Default under the Agreement (as defined in that letter) we write to confirm that, as the Non-defaulting Party, we have calculated the resulting termination amount payable under Section 6(e) of the Agreement in respect of outstanding Transactions.

2. As required pursuant to the Agreement, we have designated U.S. Dollars as the Termination Currency. Accordingly, such termination amount is expressed in U.S. Dollars.

3. The termination amount payable by Yield Alpha to us as of the date hereof is U.S.$36,950,578.81, consisting of the Settlement Amount, Unpaid Amounts and expenses pursuant to Section 11 of the Agreement for our reasonable out-of-pocket expenses, including legal fees, incurred as at the date hereof by reason of the enforcement and protection of our rights under the Agreement and by reason of the early termination of the Transaction, each as detailed in the schedule hereto. Please send your payment by close of business on 31 July 2007 to the following account:

ABA #: [redacted]

BANK NAME: [redacted]

CITY: NEW YORK

A/C #: [redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

ACCOUNT NAME: GOLDMAN SACHS INTERNATIONAL

4. The Settlement Amount was calculated on the basis of Loss as detailed in the schedule hereto as soon as reasonably practicable after the Early Termination Date as we were unable to obtain the required number of Market Quotations.

5. We reserve the right to exercise from time to time any additional rights, powers, privileges and remedies we have or to which we are entitled under the

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JUL 003958

Agreement or otherwise, including the right to seek additional legal fees, incurred by reason of the enforcement and protection of our rights under the Agreement and by reason of the early termination of the Transaction and recovery of amounts due to us in the Courts of England.

Yours faithfully

Goldman Sachs International

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Schedule

Transaction Reference Number	Reference Obligation	CUSIP	USD Notional	CDS Premium (per annum)	Levels for Loss Determination	GSI Determination of Loss (US$)
SDB981814981.0.0.0/ 00647077701	TWOLF 2007-1A A2	88714PAF3	50,000,000	0.90%	70.00%	35,000,000.00
SDB981814615.0.0.0/ 0064707770	TWOLF 2007-1A B	88714PAG1	50,000,000	1.40%	75.00%	37,500,000.00
					Settlement Amount	**72,500,000.00**
					Credit Support Balance	(35,471,850.00)
					Accrued Interest	(162,571.19)
					Unpaid Amount	**(35,634,421.19)**
					Expenses	**85,000.00**
					GSI Claim	**US$36,950,578.81**

From: Case, Benjamin
Sent: Tuesday, June 05, 2007 9:28 AM
To: Lehman, David A.
Subject: SP CDO positions - gameplan

Order of priority in terms of risk:

1. CDO-squareds
2. Hudson Mezz
3. All other positions - traditional-style CDOs with collateral managers

Gameplan for distribution:

1. CDO-squareds
- target real money institutional buyers that can take larger bite size than traditional CDO buyers and are focused on yield pick-up vs. other investments -- for example, Asian banks and insurance companies
- target European banks focused on new Basel 2 regulatory capital framework that achieve significant regulatory capital benefit for investing in highly rated assets vs. the previous system
- offer CDO CDS protection on a portfolio of names in the Timberwolf and Point Pleasant portfolios to buyers looking at cash liabilities from the two deals as a long/short pair trade -- for example, AIG is currently focused on this trade idea. GS is currently long CDS protection on 51 CDO names in the two portfolios and we have been aggressively sourcing further protection in the CDS market on names in the two portfolios recently.
- target hedge funds that can put on this type of relative value long/short trade with short-term financing to achieve returns attractive relative to CDO equity

2. Hudson Mezz
- focus on institutional buyers that can take larger bite size than traditional CDO buyers
- focus on buyers that are currently long ABX risk and can get comfortable with the Hudson Mezz underlying portfolios without needing the benefit of a collateral manager - for example, US insurance companies like Progressive.
- offer RMBS CDS protection to buyers looking at cash liabilities as a long/short pair trade
- offer CDO CDS protection to buyers looking at cash liabilities as a long/short pair trade
- pitch Hudson Mezz as a means to express long 06-1/06-2 vs. short 07-1 trade
- target hedge funds that can put on these relative value long/short trades with short-term financing to achieve returns attractive relative to CDO equity

3. Other positions
- GSC super-senior AAAs - Dresdner is nearing completion of their work on $500mm of our $1.085mm position. Other options for the remaining size: CIFG, Radian, FGIC
- continue to focus on CDO managers ramping new deals and reinvesting principal paydowns in existing reinvestable deals for smaller cash pieces (examples in the last 2 weeks - sales to Terwin, Oppenheimer, Deerfield, and Vector Capital)
- target buying protection in CDS format on the same names we are currently long in cash if there continues to be more liquidity in CDS vs. cash due to market technicals, and when we reach critical mass ($50-100mm), compile a package of cash positions that we've bought protection on and offer the package as a negative basis trade

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66052.516

From: Sparks, Daniel L
Sent: Monday, June 04, 2007 7:17 AM
To: Chaudhary, Omar
Subject: RE: Timberwolf and Hungkuk Life

Good job - keep going

From: Chaudhary, Omar
Sent: Monday, June 04, 2007 6:27 AM
To: Lehman, David A.; Creed, Christopher J; Bieber, Matthew G.; Case, Benjamin
Cc: Sparks, Daniel L; ficc-spgsyn; Lee, Jay; Sugioka, Hirotaka
Subject: RE: Timberwolf and Hungkuk Life

We received the following verbal order from Hungkuk Life on Timberwolf: **US$36mm TWOLF 2007-1A A2 (85+% delta)**. Few comments:

- **Timing:** We expect to receive the 100% firm order by Friday as we need to receive formal BOK approval and an internal stamp / senior manager approval (these are both not expected to be a problem). Once we have formal approval, we will be able to trade date the ticket
- **Price Level:** Hungkuk Life will confirm shortly but currently they are in the 84-85 context per our offer

Thanks.

From: Lee, Jay
Sent: Friday, June 01, 2007 9:28 PM
To: Lehman, David A.; Bieber, Matthew G.; Case, Benjamin; Creed, Christopher J
Cc: ficc-spgsyn; Wisenbaker, Scott; Black, Robert N; Chaudhary, Omar; Lee, Jay
Subject: Timberwolf and Hungkuk Life

Next week Hungkuk Life will submit an approval form on Timberwolf A2's. Their size will be 20mm-40mm, depending on offer price.

The largest hurdle from the client's perspective is whether or not they can get the mandate to buy something backed by synthetically sourced CDO's, as they have never bought CDO^2 before. Both the account's GM and Bank of Korea (Korea's Central Bank) can DK them on this.

The largest hurdle from sales' perspective is MTM. It is an important client, and if the mark widens out more than 1pt immediately after selling the asset to them, sales cannot sell it. Understanding that it is a volatile asset, sales wants to know that where we sell it to the client will not be more than 1pt less than where the mark would be, provided no new market information.

Please provide the following by **Sunday 7pm NYC** (Monday morning Asia):

Base Case DM: Offer DM such that the price is 1/2pt above where we intend to mark it (provided no market changes)
Show Price/DM table centered around the Base Case DM as defined above, and +/- 30bp dm by 10 DM (eg, 7 scenarios total). Assume a settle of June 14th.

If there are any questions, please contact me at +81-90-3523-0936, or email at jay.lee@ezweb.ne.jp

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66052.517

From: Sparks, Daniel L
Sent: Sunday, June 10, 2007 5:38 PM
To: Chaudhary, Omar
Cc: Bohra, Bunty
Subject: RE: SP CDO Axes - Summary

Get these done - and then keep going

You boys are awesome - and many people are noticing

-----Original Message-----
From: Chaudhary, Omar
Sent: Sunday, June 10, 2007 10:24 AM
To: Sparks, Daniel L
Cc: Bohra, Bunty
Subject: SP CDO Axes - Summary

Dan:

Per our conversation on Friday, wanted to make sure you had the complete update/summary of where are on the CDO axes in Asia. Total firm bids for risk $186mm with another potential 20mm this week.

*Tokyo Star Bank (Japan) -- 20mm TWOLF AAA's. Sugi on our desk worked personally on this daily for 3+ weeks.

*Hungkuk Life (Korea) -- 36mm TWOLF AAA's firm as of Friday; expect firm order on 20mm more by mid next week (need to book as single ticket). Jay and Sugi working with entire Korea team (including JH Park) to get this through. Wehave leveraged our personal relationship / time investment to date with the Korea team to push them on this.

*Basis Capital (Australia) -- 50mm AAA and 50mm AA TWOLF firm order in swap form as of last week (as you know, just finalizing last few internal credit / doc issues). George has totally come through on this and again proves how invaluable he is to the business (we should keep this in mind as we continue to think about important personnel to global SPG as we expand the trading/syndicate side of the business).

*Tokyo Star Bank (Japan) -- Appr. 20mm indication for Point Pleasant AAA's. PM's taking deal to their risk committee on Tuesday of this week in Tokyo. Again, Sugi has been driving this process and getting it done.

Let me or Bunty know if you need further clarification on any of these. In Barcelona Monday/Tuesday. Thanks.

Omar Chaudhary, Goldman Sachs Japan
Tel: +81 3 6437-7198
Mob: +81 90 [redacted]

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66052.518

From: Sparks, Daniel L
Sent: Monday, June 11, 2007 6:31 AM
To: Lehman, David A.
Subject: Re: Hungkuk Life/TWOLF

Who is entering trades - and how many t-wolfs left

----- Original Message -----
From: Lehman, David A.
To: Montag, Tom; Mullen, Donald; Brafman, Lester R; Swenson, Michael
Cc: Sparks, Daniel L; Chaudhary, Omar
Sent: Mon Jun 11 04:35:57 2007
Subject: Re: Hungkuk Life/TWOLF

Just confirmed - will be TD today - 56mm @ 84.5

Great job by Omar and his team and JH Park in sales.

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David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917[redacted]
e-mail: david.lehman@gs.com

----- Original Message -----
From: Montag, Tom
To: Lehman, David A.; Mullen, Donald; Brafman, Lester R; Swenson, Michael
Cc: Sparks, Daniel L; Chaudhary, Omar
Sent: Mon Jun 11 04:30:26 2007
Subject: RE: Hungkuk Life/TWOLF

incredible job---just incredible

-----Original Message-----
From: Lehman, David A.
Sent: Monday, June 11, 2007 5:20 PM
To: Mullen, Donald; Montag, Tom; Brafman, Lester R; Swenson, Michael
Cc: Sparks, Daniel L; Chaudhary, Omar
Subject: Fw: Hungkuk Life/TWOLF

Will be 56mm w/ HK Life of TWOLF A2. TD today or tomorrow, expect $84 or 85 price.

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004

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66052.519

From: Sparks, Daniel L
Sent: Monday, June 25, 2007 11:02 AM
To: Montag, Tom; Mullen, Donald; Lee, Brian-J (FI Controllers); Salame, Pablo
Subject: RE: CDO marks

Focus will be on the 300mm from bsam - but many people are in watch (voyeur) mode so could take time

-----Original Message-----
From: Montag, Tom
Sent: Monday, June 25, 2007 10:22 AM
To: Sparks, Daniel L; Mullen, Donald; Lee, Brian-J (FI Controllers); Salame, Pablo
Subject: Re: CDO marks

Tks. How are twolf sales doing?

----- Original Message -----
From: Sparks, Daniel L
To: Mullen, Donald; Montag, Tom; Lee, Brian-J (FI Controllers); Salame, Pablo
Sent: Mon Jun 25 10:13:31 2007
Subject: CDO marks

CDOs have widened a lot (BSAM situation, other) and we probably need to widen things/lower prices - next few days.

The effect on us will probably be a net positive, with retained CDO positions lower, CDS protection and correlation having gains. We are still doing work. We are also thinking through client mark issues including speaking to compliance about using mids.

Also, monthly subprime remittances are out today, and early read is performance is poor and speeds are slow.

Also, Moody's wants to speak (as our corporate rater), NYSE has questions, and I spoke with the SEC Thursday - all off the BSAM and related stuff.

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66052.520

From: Salem, Deeb
Sent: Tuesday, June 26, 2007 8:42 AM
To: Swenson, Michael
Subject: RE: fyi

wow

-----Original Message-----
From: Swenson, Michael
Sent: Tuesday, June 26, 2007 8:31 AM
To: Salem, Deeb; Birnbaum, Josh
Subject: fyi

-----Original Message-----
From: Turok, Michael
Sent: Monday, June 25, 2007 9:29 PM
To: Swenson, Michael
Subject: RE: Mortgages Estimate

Were strats helpful/useful anywhere in this?

-----Original Message-----
From: Swenson, Michael
Sent: Monday, June 25, 2007 9:28 PM
To: Turok, Michael
Subject: Re: Mortgages Estimate

Partially cdos going wider street admitting it is a problem

----- Original Message -----
From: Turok, Michael
To: Swenson, Michael
Sent: Mon Jun 25 21:14:51 2007
Subject: FW: Mortgages Estimate

Big numbers! Motivated by Bear?

From: Zuckerman (Stoner), Sara J.
Sent: Monday, June 25, 2007 6:13 PM
To: ficc-eod
Subject: Mortgages Estimate

FICC Mortgages - Daily P&L Estimate

I. SUMMARY

	TOTAL
Structured Products	42,530,000
- Resi Prime/Mtg Derivs	(150,000)
- Resi Credit	5,750,000
- CRE LT	430,000
- ABS L&F	-
- SPG Trading	120,500,000
- CDO / CLO	(84,000,000)
- Other Structure Products	-
Europe	-
Other (Advisory, PFG, Managers/Other)	-

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MORTGAGES	42,530,000		
Mortgages WTD	42,530,000		
Mortgages MTD	173,988,512		
II. DETAIL			
Business Strategy Desk	Daily Total	Comments	
STRUCTURED PRODUCTS			
Mortgage Derivative		100,000	
Agency Derivatives		100,000	
Whole Loan Derivs		-	
MSR	-		
Residential Prime	(250,000)		
FHA/VA - Primary		-	
FHA/VA - Secondary			-
Subs	-		
Prime Hybrid - Primary			-
Prime Hybrid - Secondary		(250,000)	Arms wider
Agency Hybrid		-	
Prime Fixed	-		
Agency CMO - Primary			-
Agency CMO - Secondary			-
Residential Credit		5,750,000	
Scratch and Dent		700,000	07-1 A & 06-1 A & BBB spread widening
Subprime	1,000,000		06-2 BBB & BBB- spread widening
Alt-A	3,500,000		2mm GSAA 07-7, 1.5mm on 06-2 A & BBB spread widening
2nd Liens	550,000		06-2 A & BBB spread widening
Residuals - Scratch & Dent			-
Residuals - Subprime			-
Residuals - Alt-A		-	
Residuals - 2nd Liens			-
[redacted]			
SPG Trading	120,500,000		
CMBS Trading		8,500,000	CMBS CDS/CRE CDO
CRE CDO			
ABS Trading	81,000,000		ABS CDO CDS, Equities
Property Derivatives			
Correlation	31,000,000		ABS CDS, CDO CDS, CMBS CDS, TABX, Rates
CDO/CLO	(84,000,000)		
ABS / MBS CDO	(84,000,000)		CDO mark to market/hedges
GSI SP Credit Warehouse			-
US CLO		-	
EURO CLO		-	
CRE CDO		-	
Retained Principal Positions			-
Tax Related Securities			-

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Non-economic residuals			-
Economic residuals			
Warehouse Lending		-	
Residential	-		
Commercial	-		
Asset Backed		-	
Syndicate	-		
ABS	-		
CMBS	-		
CDO	-		
Other	-		
Total Structured Products		42,530,000	
EUROPE			
Acquisition Finance			-
Syndicate	-		
Trading	-		
European CMBS		-	
Syndicate	-		
Trading	-		
Total Europe		-	
Total Advisory		-	
Total PFG JV		-	
Total Manager's Account / Other			-

Goldman, Sachs & Co.
180 Maiden Lane | New York, NY 10038
Tel: (212) 357-5917
e-mail: sara.stoner@gs.com

Sara Zuckerman
Finance Division

Goldman Sachs

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66052.523

From: Lehman, David A.
Sent: Friday, July 06, 2007 6:28 AM
To: Resnick, Mitchell R
Subject: RE: Trade with Leor Ceder / London

Can you call me if you are around? I'm on the desk

We have paid 6pts for AAAs and on the one 50mm AA trade we paid 8pts

-----Original Message-----
From: Resnick, Mitchell R
Sent: Friday, July 06, 2007 6:06 AM
To: Lehman, David A.
Subject: Re: Trade with Leor Ceder / London

How much are you paying for a sale at the offer at 700?

----- Original Message -----
From: Lehman, David A.
To: Resnick, Mitchell R
Sent: Fri Jul 06 00:33:50 2007
Subject: RE: Trade with Leor Ceder / London

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7 pts OK?

-----Original Message-----
From: Resnick, Mitchell R
Sent: Thursday, July 05, 2007 7:34 PM
To: Lehman, David A.
Subject: Re: Trade with Leor Ceder / London

I want to pay him well on this please

----- Original Message -----
From: Lehman, David A.
To: Ficc-CDO-MO
Cc: Case, Benjamin; Resnick, Mitchell R; Reis, Jessica
Sent: Thu Jul 05 15:29:49 2007
Subject: Trade with Leor Ceder / London

We traded 6.8mm TWOLF 07-1A B @ $78.25

Pls convert to Reg S for T+5 settlment

Booked in M5

Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-493-9681 | Mob: 917-[redacted]
e-mail: david.lehman@gs.com

Goldman
Sachs

David Lehman
Fixed Income, Currency & Commodities

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66052.524

From: Egol, Jonathan
Sent: Monday, May 07, 2007 3:45 PM
To: Turok, Michael
Subject: RE: Timberwolf analysis

Let's discuss live. Happy to look at his spreadsheet.

From: Turok, Michael
Sent: Monday, May 07, 2007 3:43 PM
To: Egol, Jonathan
Subject: FW: Timberwolf analysis

FYI....i can also email you this analysis.

From: Brazil, Alan
Sent: Monday, May 07, 2007 1:08 PM
To: Wiesel, Elisha
Cc: Raz, Shlomi; Turok, Michael; Primer, Jeremy; Huang, Vivien
Subject: RE: Timberwolf analysis

1. Number should be 23%,I am assuming a 50% severity of the single-a cdo that has a writedown.
2. At the timberwolf level, OC triggers provide support in the case of a ratings downgrade, and prior to a writedown of the underlying single-as. In those cases, cashflow is directed towards the senior bonds allowing more oc to build at the jr levels. However, in many of the underlying single-a cdos, these same triggers could hurt timberwolf. On balance, it probably helps rather than hurts timberwolf mez triple-as.
3. I came up with level after talking to egol. Having said that it is largely subjective and have not used it in discussing it with clients other than to say the attachment point for the a2 understates the protection for the a2.

As an aside, the results look even better if you break the 2006 production home equity into buckets based on fico. Without bucketing, roughly 27% of the underlying ref obis going all the way down through to the cdo of the cdo of the cdo, ect, are homeequity of 2006 or later production based on our weighting framework. This is better than the original analysis, which had that number at 34%. Even better is that only 14% on a weighted basis of the ref are truly subprime (fico 625 and lower). So, defaulting all of these does not hit the a2 attachment point.

In terms of telling customers. I prefer to give them the general idea of the trade. Then give them the excel spread sheet with our info on ref obs and let them draw their own conclusions.

From: Wiesel, Elisha
Sent: Monday, May 07, 2007 12:53 PM
To: Brazil, Alan
Cc: Raz, Shlomi; Turok, Michael; Primer, Jeremy; Huang, Vivien
Subject: RE: Timberwolf analysis

Thanks Alan, this is a really good contribution to analysis we're doing internally as well regarding the pricing of Timberwolf and our structured product positions.

A couple of questions:

1) Can you explain how you got to 24% writedown based on 25/55 names defaulting?
2) What do you mean when you say that oc triggers could provide added support beyond excess interest?
3) How did you come up with 4% enhancement at the Timberwolf and underlying CDO levels?

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66052.525

The trickiest part about sharing this analysis with custies is that it shows just how rudimentary our own understanding of these positions actually is. Are other dealers running cashflows for clients on this type of product? (Including Vivien for her thoughts on what Lehman does).

From: Brazil, Alan
Sent: Friday, May 04, 2007 12:06 PM
To: Wiesel, Elisha; Raz, Shlomi
Subject: Timberwolf analysis

<< File: timberwolf ana 2.xls >>
Here is a spread sheet with our latest info on timberwolf plus some simple analysis. I basically default every 2006 vintage subprime regardless of rating, and assume losses of 50% of face. I then look at those losses verses an adjusted cdo credit support to see if there are losses. This brute force approach defaults 25 of the 55 names, or 45%. This results in a writedown at the timberwolf level of 24%. Although the attachment point of the a2 is 20%, the effective attachment is higher, again using another 4% or 24% of ce or attachment for the a2. (BTW this 4% only reflects the value of the excess interest, the oc triggers would also give added support).

This is pretty much the same results before. Just hitting the low fico 2006 and just the baa1 and below would look better. Of course if you start getting complete writedowns of 2006, 2005s will take some hits as well. However, I think assuming all 2006 vintage baa1 and below get written down offsets that factor. However, this framework can provide some rudimentary analysis for us and for customers. Once we send them the spreadsheet with the information they can do this them selves.

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66052.526

From: Bieber, Matthew G.
Sent: Sunday, May 20, 2007 1:28 PM
To: Wiesel, Elisha
Subject: RE: CDO^2 EOD Update - Feedback from today

Just a heads up - it is MUCH less comprehensive than the look through data we're now discussing.

From: Wiesel, Elisha
Sent: Sunday, May 20, 2007 1:27 PM
To: Bieber, Matthew G.
Cc: Siegel, Eric
Subject: RE: CDO^2 EOD Update - Feedback from today

tks

From: Bieber, Matthew G.
Sent: Sunday, May 20, 2007 1:27 PM
To: Wiesel, Elisha
Cc: Siegel, Eric
Subject: RE: CDO^2 EOD Update - Feedback from today

Will have one of the analysts on the team send to you this afternoon. Look for an email from Eric Siegel.

From: Wiesel, Elisha
Sent: Sunday, May 20, 2007 1:25 PM
To: Bieber, Matthew G.
Subject: RE: CDO^2 EOD Update - Feedback from today

Can you please fwd me (do you have accessible) electronic copies of the E+Y-"approved" materials for Timberwolf that went out at initial marketing?

From: Bieber, Matthew G.
Sent: Sunday, May 20, 2007 1:18 PM
To: Wiesel, Elisha
Subject: RE: CDO^2 EOD Update - Feedback from today

Agreed on the likelihood of the fully comforted letter. Not sure what a "big boy" letter is - accountant letter typically covers OM materials - not info put together after, so we're somewhat in uncharted territory.

From: Wiesel, Elisha
Sent: Sunday, May 20, 2007 12:48 PM
To: Bieber, Matthew G.
Subject: RE: CDO^2 EOD Update - Feedback from today

Given how complex the data is for a CDO^2, there's little chance we'll ever get "fully" comfortable beyond the shadow of a doubt that there's nothing materially misleading in the data cuts we provide. Is best outcome in this situation to just get a big-boy letter drafted? Have you seen any similar situations?

From: Bieber, Matthew G.
Sent: Sunday, May 20, 2007 11:20 AM
To: Wiesel, Elisha
Subject: RE: CDO^2 EOD Update - Feedback from today

Happy to help. These issues come up at least once or twice for every transaction we do.

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2464

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 00531 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

66052.527

From: Wiesel, Elisha
Sent: Saturday, May 19, 2007 12:32 PM
To: Wisenbaker, Scott; Bieber, Matthew G.
Subject: RE: CDO^2 EOD Update - Feedback from today

I am corresponding with Saunders on what's involved in disclaiming the lookthru analysis -- we're doing as much as we can to independently audit the lookthru machinery by another group in Strats, but at some point we're going to have to bite the bullet and send the best we have at whatever confidence level we're currently at.

If either of you have experience in the "what can we show" thought process, I may need your help.

From: Wisenbaker, Scott
Sent: Friday, May 18, 2007 6:03 PM
To: Schwartz, Harvey; Bash-Polley, Stacy; Cornacchia, Thomas; Brazil, Alan; Wiesel, Elisha; Sparks, Daniel L; Bohra, Bunty; Lehman, David A.; Swenson, Michael; Brafman, Lester R; Roberts, William; Ouderkirk, Gerald; Weaver, Douglas; Gmelich, Justin
Cc: Wisenbaker, Scott; Bieber, Matthew G.; Creed, Christopher J; Black, Robert N
Subject: CDO^2 EOD Update - Feedback from today

INTERNAL

Fortress - have continued working and are having trouble modeling the deal in enough detail to be comfortable providing a level. Davilman continuing to push - planning to have a call to address their questions and concerns early next week - pushing to have call Monday, but might happen Tuesday - also still need lookthru analysis that strats are working on

Winchester - have not come back with an answer - deal has been elevated to senior management - they are debating appetite for additional sector exposure, if comfortable adding risk they will come back with what levels work. continuing to push early next week

Stark - still looking, but concerned about correlation and recent report from moody's. also concerned with back ended return profile given lower coupon. Gaddi setting up call with the account Monday to address concerns.

Paramax - very low delta at this point

UBS prop - started work on Timberwolf A2, B and Point Pleasant B class this AM - they have inherited the bonds that Dillon Read took down when the deal was priced.

Elliot - looking at Timberwolf mezz AAA's for a vehicle - would be vs senior CLOs - they are going to give us a list of CLOs to bid on vs Timberwolf early next week - potential size 10-15mm.

AIG - asked for and received additional information on Timberwolf today - they currently have all the information they have asked for - they are working - Penick to follow up early next week

DeShaw - had call to discuss Timberwolf mezz AAA - asked for and received additional information on underlying deals - working - if they care, potential size would be 25-50mm - low delta

Harvard - evaluating Pt Pleasant A1's vs 40-100 ABX - GS offered at pick 50bps - account needs more spread and is evaluating counter - Radtke to push next week

Polygon - continuing to work - evaluating structure - Raazi to continue pushing next week

Vanderbilt - evaluating for CDO bucket of their deal - very limited room in bucket so would be small (5-10mm) if they care

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66052.528

Footnote Exhibits - Page 4600

Hyperion - looking - concerned with amount of credit support and moody's report on correlation and CDO^2 - like discount dollar price - Willing continuing to push

Carlyle - still need lookthru analysis that strats are working on

Highland - still need lookthru analysis that strats are working on

Old Lane - still need lookthru analysis that strats are working on

Sandelman - still need lookthru analysis that strats are working on

Lehman AM - still need lookthru analysis that strats are working on

Updated Feedback sheet below:
<< File: Book1.xls >>

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66052.529

From: Ruberti, Timothy
Sent: Monday, July 16, 2007 1:59 PM
To: Bash-Polley, Stacy; Lehman, David A.
Subject: Carlyle

I've been speaking with scott at carlyle about junior AAA CDO paper and he is starting to see value here - will show him the GSC deal and walk through it - he seems to have an appetite for risk at these levels which is good but the flip side is he thinks the market is "unhinged" wrt to valuations, i.e. everything trading on technicals and no one talking about fundamentals - one point, he is going to want to look at the TWOLF trade on a fundamental basis with a lot of supporting runs to back up any additional mark downs we have - telling him we are busy when it comes to month end and we can't run that analysis because we are resource-constrained will not be good enough fyi

This should be a double-edged sword that we can use to move risk however, so I hope we see this approach as a net positive

Timothy Ruberti
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e-mail: timothy.ruberti@gs.com

Goldman Sachs

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Report Footnote #2465

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66052.530

From: Huang, Vivien
Sent: Monday, May 07, 2007 1:58 PM
To: Brazil, Alan; Wiesel, Elisha
Cc: Raz, Shlomi; Turok, Michael; Primer, Jeremy
Subject: RE: Timberw1. Number should be 23%,I am assuming a 50% severity of the single-a cdo that has a writedown. olf analysis

Just want to give a little color, at Lehman (internal strictly), the analysis is more bottom-up: what I mean is that the individual subprime or other class bonds are analyzed under typical HPA scenarios, then the cashflow gets sum up:
1. usually, the implied HPA of the worst priced ABX index will be used as a "market implied mean HPA" to reflect the market price
2. a standard deviation (historical national) will be applied on top of the implied HPA assuming very simplistic normal distribution
3. individual bonds are calling sector models (subprime bonds call up subprime, CMBS bonds call up CMBS), cashflows are ran under the multiple HPA scenarios. So triggers are ran operational, the curves are based on model projection (and the tweaks on top ie., originator, vintage, etc.)
4. cashflow summed up based on the CDO structure - this is in development and mannual and not fully scalable the last time I heard it
5. CDO cashflow under HPA scenariosThat's roughly how the mortgage side go about it.

From: Brazil, Alan
Sent: Monday, May 07, 2007 1:08 PM
To: Wiesel, Elisha
Cc: Raz, Shlomi; Turok, Michael; Primer, Jeremy; Huang, Vivien
Subject: RE: Timberw1. Number should be 23%,I am assuming a 50% severity of the single-a cdo that has a writedown. olf analysis

As an aside, the results look even better if you break the 2006 production home equity into buckets based on fico. Without bucketing, roughly 27% of the underlying ref obis going all the way down through to the cdo of the cdo of the cdo, ect, are homeequity of 2006 or later production based on our weighting framework. This is better than the original analysis, which had that number at 34%. Even better is that only 14% on a weighted basis of the ref are truly subprime (fico 625 and lower). So, defaulting all of these does not hit the a2 attachment point.

In terms of telling customers. I prefer to give them the general idea of the trade. Then give them the excel spread sheet with our info on ref obs and let them draw their own conclusions.

From: Wiesel, Elisha
Sent: Monday, May 07, 2007 12:53 PM
To: Brazil, Alan
Cc: Raz, Shlomi; Turok, Michael; Primer, Jeremy; Huang, Vivien
Subject: RE: Timberwolf analysis

Thanks Alan, this is a really good contribution to analysis we're doing internally as well regarding the pricing of Timberwolf and our structured product positions.

A couple of questions:

1) Can you explain how you got to 24% writedown based on 25/55 names defaulting?
2) What do you mean when you say that oc triggers could provide added support beyond excess interest?
3) How did you come up with 4% enhancement at the Timberwolf and underlying CDO levels?

The trickiest part about sharing this analysis with custies is that it shows just how rudimentary our own understanding of these positions actually is. Are other dealers running cashflows for clients on this type of product? (Including Vivien for her thoughts on what Lehman does).

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Report Footnote #2466

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66052.531

From: Brazil, Alan
Sent: Friday, May 04, 2007 12:06 PM
To: Wiesel, Elisha; Raz, Shlomi
Subject: Timberwolf analysis

<< File: timberwolf ana 2.xls >>
Here is a spread sheet with our latest info on timberwolf plus some simple analysis. I basically default every 2006 vintage subprime regardless of rating, and assume losses of 50% of face. I then look at those losses verses an adjusted cdo credit support to see if there are losses. This brute force approach defaults 25 of the 55 names, or 45%. This results in a writedown at the timberwolf level of 24%. Although the attachment point of the a2 is 20%, the effective attachment is higher, again using another 4% or 24% of ce or attachment for the a2. (BTW this 4% only reflects the value of the excess interest, the oc triggers would also give added support).

This is pretty much the same results before. Just hitting the low fico 2006 and just the baa1 and below would look better. Of course if you start getting complete writedowns of 2006, 2005s will take some hits as well. However, I think assuming all 2006 vintage baa1 and below get written down offsets that factor. However, this framework can provide some rudimentary analysis for us and for customers. Once we send them the spreadsheet with the information they can do this them selves.

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66052.532

From: Lehman, David A.
Sent: Sunday, July 08, 2007 7:05 PM
To: Maltezos, George (GSJBW)
Subject: Re: Basis conference call follow-ups

Also, when u talk to john/stuart, it wud be good to know what (if anything) they r getting away

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David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-[redacted]
e-mail: david.lehman@gs.com

----- Original Message -----
From: Maltezos, George (GSJBW)
To: Lehman, David A.
Sent: Sun Jul 08 18:52:36 2007
Subject: RE: Basis conference call follow-ups

thanks

-----Original Message-----
From: Lehman, David A. [mailto:david.lehman@gs.com]
Sent: Monday, 9 July 2007 12:20 AM
To: Maltezos, George
Subject: FW: Basis conference call follow-ups

I'm going to elevate to Sparks, legal and compliance to take their temp on what we can/cannot provide

---

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-[redacted]
e-mail: david.lehman@gs.com

----- Original Message -----
From: Stuart Fowler <sfowler@basiscap.com.au>
To: Maltezos, George (GSJBW); John Murphy <jmurphy@basiscap.com.au>; Peter Dobson <pdobson@basiscap.com.au>; Sahil Sachdev <ssachdev@basiscap.com.au>
Cc: Case, Benjamin; Egol, Jonathan; Lehman, David A.

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2467

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66052.533

Sent: Sat Jul 07 21:08:26 2007
Subject: Re: Basis conference call follow-ups

George

How many times do we have to request data points and scenarios by email.

These were read out to us on the call and it was agreed that GS would send them through.

I am getting weary of continually hearing about transparency and yet an obvious avoidance of 'putting things to paper'.

-

Stuart Fowler
Managing Director
Basis Capital
Disclaimer:
This message is subject to the Disclaimer on
http://www.basiscap.com.au/emaildisclaimer.htm

----- Original Message -----
From: Maltezos, George <george.maltezos@gsjbw.com>
To: John Murphy; Peter Dobson; Stuart Fowler; Sahil Sachdev
Cc: Case, Benjamin C - GS <Benjamin.Case@gs.com>; Egol, Jonathan M - GS <jonathan.egol@gs.com>; Lehman, David A - GS <david.lehman@gs.com>
Sent: Sun Jul 08 00:39:13 2007
Subject: Re: Basis conference call follow-ups

Hi John,

Thanks for your notes.

As represented on the call on thu morning, we want to be as helpful as possible here. However, as per the call, the trading desk does not necessarily use a single scenario to determine the marks. To that end, I would recommend doing a follow up call to go through the marking methodology for the remaining securities (and/or go over the securities discussed on thu again).

Does Monday morning SYD time work? If not, pls indicate a time / day that does.

Thanks and kind regards,
George

[redacted] = Redacted by the Permanent Subcommittee on Investigations

George Maltezos
Structured Asset Solutions
Tel: 612 9320 1431
Mob: 61 [redacted]

----- Original Message -----
From: John Murphy <jmurphy@basiscap.com.au>
To: Maltezos, George; Peter Dobson <pdobson@basiscap.com.au>; Stuart Fowler <sfowler@basiscap.com.au>; Sahil Sachdev <ssachdev@basiscap.com.au>
Cc: Case, Benjamin C - GS; Egol, Jonathan M - GS; Lehman, David A - GS
Sent: Fri Jul 06 23:26:51 2007

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66052.534

Subject: RE: Basis conference call follow-ups

George

Further to my previous email....can you double check with your guys in NY that they are preparing the balance of the information requested.

Regards
John

[redacted] = Redacted by the Permanent Subcommittee on Investigations

John Murphy
Director - Funds Management

Direct: 02 - 8234 5514
Mobile: 0418 [redacted]

www.basiscap.com.au

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-----Original Message-----
From: Maltezos, George [mailto:george.maltezos@gsjbw.com]
Sent: Friday, 6 July 2007 7:49 AM
To: Peter Dobson; Stuart Fowler; Sahil Sachdev; John Murphy
Cc: Case, Benjamin C - GS; Egol, Jonathan M - GS; Lehman, David A - GS
Subject: Fw: Basis conference call follow-ups

Pls find attached some analysis prepared by the trading desk following the call yesterday.

We would like to discuss this further with you this morning, including next steps regarding the margin call. Does 8am SYD time work?

George

George Maltezos
Structured Asset Solutions
Tel: 612 9320 1431
Mob: 61 [redacted]

----- Original Message -----
From: Case, Benjamin <Benjamin.Case@gs.com>
To: Maltezos, George
Cc: Lehman, David A - GS; Egol, Jonathan M - GS
Sent: Fri Jul 06 07:38:15 2007
Subject: Basis conference call follow-ups

Attached is the information requested by Basis on our call last night.
<<Materials for Basis.xls>>
<<Materials for Basis.xls>>

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66052.535

From: Bieber, Matthew G.
Sent: Tuesday, July 31, 2007 7:29 AM
To: Lehman, David A.
Subject: FW: Requesting Compliance Approval

Attachments: ABX_TABX Price Movements.ppt; Timberwolf Report Final v3.xls

This is what we plan on sending across - in addition to the public press releases from bloomberg. The column that has marks/npv is being removed.

From: Ganapathy, Mahesh
Sent: Monday, July 30, 2007 10:54 PM
To: Horvath, Jordan
Cc: Bieber, Matthew G.; Sharma, Nityanand
Subject: Requesting Compliance Approval

Jordan,

Please find attached Timberwolf materials we were intending to send to HunKuk Life Bank in response to their request by EOB tomorrow. Please let us know if you had any comments(I will follow up with you tomorrow) .


ABX_TABX Price Movements.ppt


Timberwolf Report Final v3.xls...

Thanks,

Mahesh Ganapathy
CDO Structuring,Marketing & Principal Investments
Fixed Income,Currency and Commodities Division
Goldman, Sachs & Co.
Ph: 212-902-6265
Fax:212-256-6570
mahesh.ganapathy@gs.com

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Wall Street & The Financial Crisis
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66052.536

From: Lehman, David A.
Sent: Tuesday, August 07, 2007 7:19 AM
To: Lee, Jay
Subject: RE: Tokyo star

And we should be clear that the information we are providing is not our pricing methodology but rather some thots on the current market

-----Original Message-----
From: Lee, Jay
Sent: Tuesday, August 07, 2007 7:17 AM
To: Ozawa, Fumiko
Cc: Lehman, David A.; Chaudhary, Omar; Sugioka, Hirotaka
Subject: RE: Tokyo star

Ozawa-san,

To clarify, we understand there is urgency from the client's end to see something in writing by this Wednesday morning, and we are working to provide something.

However, under no circumstances are we going to be able to provide materials specific to Timberwolf and Point Pleasant, or even use the word "mark" in written materials. Instead, what we are working to provide is an introduction to some of the frameworks that can be used to analyze different types of CDO's. Everything will be described in general terms, and if what we provide is too vague or general, the medium for further clarification must be oral, not written.

-----Original Message-----
From: Lehman, David A.
Sent: Tuesday, August 07, 2007 7:51 PM
To: Ozawa, Fumiko
Cc: Chaudhary, Omar; Lee, Jay; Sugioka, Hirotaka
Subject: RE: Tokyo star

Our marking policy is a market price (bid and/or offer) -- We do not have a written methodology for pricing and we should tell Tokyo Star as much

We are able to provide context to our prices verbally, including any CDO trades we have done (in the underlying deals or the CDO^2 itself if we have traded), and the move in the underlying portfolio MTM, etc

Also important to note that our marks are actionable bid and offer prices for cash (bid) or cds (offer) whereas it is not clear if our competitors marks are indicative of the current market prices

Is there a reason Tokyo Star wants something in writing vs getting on the phone or discussing verbally?

Can discuss more live

-----Original Message-----
From: Ozawa, Fumiko
Sent: Tuesday, August 07, 2007 5:37 AM
To: Lehman, David A.
Subject: Tokyo star

As jay has asked you before, we really appreciate if you can provide us some explanatory script about mtm. Thank you always !

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Wall Street & The Financial Crisis
Report Footnote #2469

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66052.537

From: Mullen, Donald
Sent: Wednesday, July 11, 2007 9:40 AM
To: Lehman, David A.; Sparks, Daniel L
Cc: Swenson, Michael
Subject: Re: CDO Marks

Please notify me if this is a problem to execute in a timely manner

----- Original Message -----
From: Lehman, David A.
To: Sparks, Daniel L; Mullen, Donald
Cc: Swenson, Michael
Sent: Wed Jul 11 09:22:34 2007
Subject: FW: CDO Marks

From: Lehman, David A.
Sent: Wednesday, July 11, 2007 9:13 AM
To: ficc-ops-cdopricing; ficc-tk-intlops-mtm
Cc: Saunders, Tim; Horvath, Jordan; Lin, Shelly; Ouderkirk, Gerald; Ha, Philip; Swenson, Michael; ficc-mtgcorr-traders
Subject: CDO Marks

Given the current market environment, we would like our bid for size for CDO valuations to be MAX $3mm for AAA to AA, and $1mm for A and below

No valuations should go out with a bid for $10mm

Call me with any questions

Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
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e-mail: david.lehman@gs.com

Goldman
Sachs

David Lehman
Fixed Income, Currency & Commodities

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VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 00542 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

66052.538

From: Bieber, Matthew G.
Sent: Monday, July 16, 2007 2:24 PM
To: Lehman, David A.; Case, Benjamin
Cc: Swenson, Michael
Subject: RE: PTPLS and TWOLF

Confirmed

-----Original Message-----
From: Lehman, David A.
Sent: Monday, July 16, 2007 1:28 PM
To: Bieber, Matthew G.; Case, Benjamin
Cc: Swenson, Michael
Subject: PTPLS and TWOLF

Ben/Matt - We need to create an "unwind" spreadsheet for these deals...one where we can input CDS spds/prices and liability prices so we can determine if unwinding these deals makes sense

GS internal desk use only

Can you run point? Thk Deva has worked on this before, maybe him w Connie and Nitya?

Pls confirm

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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e-mail: david.lehman@gs.com

Permanent Subcommittee on Investigations
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Report Footnote #2473

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VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 00543 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

66052.539

From: Lehman, David A.
Sent: Tuesday, July 17, 2007 10:27 PM
To: Sparks, Daniel L
Cc: Swenson, Michael
Subject: FW: Timberwolf Analysis

Attachments: TWOLF Analysis Sheet 2007-07-16.xls



TWOLF Analysis Sheet 2007-07-1...

Work-in-progress on TWOLF unwind sheet

-----Original Message-----
From: Mishra, Deva R.
Sent: Tuesday, July 17, 2007 7:20 PM
To: Lehman, David A.; Case, Benjamin; Bieber, Matthew G.; Egol, Jonathan
Cc: Swenson, Michael; Creed, Christopher J
Subject: Timberwolf Analysis

Attached is an updated version of the call analysis. I approximated the upfront on the assets using the spread information in TAP. Let me know if you have any comments/changes. Will discuss with team tomorrow.

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Report Footnote #2474

GS MBS-E-010857643

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Tranche	Rating	% Cap Str	Tranche Size	Premium	Amount GS Long	GS Mark	Acquire Notional	Approx Dirty BID Price
Class S-1	AAA	$	6,000,000	0.25%	6,000,000	99.80%	$ -	100.00%
Class S-2	AAA	$	6,300,000	0.30%	6,300,000	99.80%	$ -	100.00%
Class A-1a	AAA	10.0%	$ 100,000,000	0.05%	0	0.00%	$ 100,000,000	90.00%
Class A-1b	AAA	20.0%	$ 200,000,000	0.30%	200,000,000	88.00%	$ -	88.00%
Class A-1c	AAA	10.0%	$ 100,000,000	0.80%	100,000,000	83.00%	$ -	83.00%
Class A-1d	AAA	10.0%	$ 100,000,000	1.30%	0	0.00%	$ 100,000,000	78.00%
Class A-2	AAA	30.60%	$ 305,000,000	0.90%	148,000,000	85.00%	$ 156,000,000	86.00%
Class B	AA	10.70%	$ 107,000,000	1.40%	98,500,000	48.00%	$ 8,500,000	48.00%
Class C	A	3.60%	$ 36,000,000	4.00%	0	0.00%	$ 36,000,000	40.00%
Class D	BBB	3.00%	$ 30,000,000	10.00%	0	0.00%	$ 30,000,000	30.00%
Equity	NR	3.2%	$ 22,000,000		0	0.00%	$ 22,000,000	20.00%
Total Liabilities:			1,000,000,000					
Fees to Unwind			500,000					

	Asset Proceeds	Liability Proceeds
ARB Calculator (excluding GS Shorts)	837,427,863	683,913,500
GS Termination Payments on Shorts	(180,904,752)	
Include GS Termination Payments (YES/NO)	YES	
Trigger:	HOLD OFF	

GS MBS-E-010857644

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Footnote Exhibits - Page 4613

CUSIP	Name	Current Face	Upfront Cost	Premium	Approx Unwind Cost/Proceeds	Counterparty	Asset Type	TRSD #
23810VAH5	DVSQ 2006-6A C	15,000,000	35.25%	2.80%	(3,787,500)	Bear	HG SP CDO	SD8981529818
13180BAF8	CAMBR 7A C	20,000,000	39.71%	8.35%	(5,950,000)	Goldman Sachs	MEZZ SP CDO	SD8981848428
12778YAD4	CRNMZ 2006-1A B	15,000,000	16.25%	5.25%	(5,287,500)	Morgan Stanley	MEZZ SP CDO	SD8981648417
23815BAD4	DVSQ 2005-6A C	15,000,000	18.48%	1.48%	(5,817,500)	Bear Stearns	HG SP CDO	SD8982165365
07845LAD3	BLHV 2005-1A C	15,000,000	33.75%	1.50%	(5,062,500)	Goldman Sachs	HG SP CDO	SD8980411471
82437?AD0	SHERW 2005-2A C	20,000,000	35.00%	1.65%	(7,800,000)	Goldman Sachs	HG SP CDO	SD8981363807
36227?AC5	GSCSF 2006-1A B	20,000,000	46.80%	2.05%	(9,200,000)	Goldman Sachs	HG SP CDO	SD8981425291
007022AD8	ADROC 2005-3A C	20,000,000	16.25%	1.75%	(3,250,000)	Morgan Stanley	HG SP CDO	SD8981363942
38521PAE4	GRAND 2006-1A C	20,000,000	12.60%	1.79%	(2,500,000)	Morgan Stanley	HG SP CDO	SD8981363981
26441NAD3	DUKEF 2006-10A A3	15,000,000	44.20%	1.41%	(6,630,000)	Bank America Sec	MEZZ SP CDO	SD8980135399
72280?AD8	PUREM 2005-A C	10,000,000	38.85%	1.48%	(3,885,000)	Bank America Sec	MEZZ SP CDO	SD8980135401
768277AD7	RIVER 2006-1A C	10,000,000	39.25%	1.40%	(3,925,000)	Bank America Sec	MEZZ SP CDO	SD8980135402
92534?AE0	VERT 2006-1A A3	15,000,000	46.70%	1.41%	(7,005,000)	Bank America Sec	MEZZ SP CDO	SD8980135403
05581?AC0	BFCSL 2006-1A D	7,500,000	61.75%	1.40%	(4,631,250)	Barclays Capital	MEZZ SP CDO	SD8980190221
14214?AE9	CAEDO 2006-1A C1	6,000,000	47.80%	1.77%	(2,870,000)	Bear	MEZZ SP CDO	SD8980654566
36227XAH8	GSCSF 2006-3A D	15,000,000	60.00%	1.58%	(9,000,000)	Bear Stearns	MEZZ SP CDO	SD8980148558
13180BAD1	CAMBR 5A B	15,000,000	37.85%	1.43%	(5,677,500)	Bear Stearns	MEZZ SP CDO	SD8980154129
36247?AC0	GSCSF 2006-1A A3	10,000,000	36.76%	2.10%	(3,676,000)	Credit Suisse	MEZZ SP CDO	SD8981567084
87337UAD6	TABS 2005-4A D	10,000,000	44.00%	1.45%	(4,400,000)	CSFB	MEZZ SP CDO	SD8980167379
46426?AE0	ICM 2006-3A C	10,000,000	56.00%	1.42%	(5,600,000)	CSFB	MEZZ SP CDO	SD8980158510
36247?AD8	GSCSF 2006-4A A3	10,000,000	63.00%	1.75%	(6,300,000)	CSFB	MEZZ SP CDO	SD8980087286
00838?AC8	ADMSQ 2006-1A C	20,000,000	54.00%	2.45%	(10,800,000)	CSFB	MEZZ SP CDO	SD8981380127
46426?AE8	ICM 2006-3A C	10,000,000	65.40%	2.17%	(6,540,000)	CSFB	MEZZ SP CDO	SD8981016031
36247?AD8	GSCSF 2006-4A A3	5,000,000	62.50%	2.25%	(3,125,000)	CSFB	MEZZ SP CDO	SD8981018230
12777CAE9	CRNMZ 2006-2A C	7,000,000	55.85%	1.80%	(3,909,500)	CSFB	MEZZ SP CDO	SD8980523304
89054?AE3	TOPG 2006-2A B	5,000,000	52.50%	1.75%	(2,625,000)	CSFB	MEZZ SP CDO	SD8980686004
89054?AE3	TOPG 2006-2A B	5,000,000	51.50%	1.95%	(2,575,000)	CSFB	MEZZ SP CDO	SD8981507454
83742?AJ0	SCF 8A C	9,665,262	46.09%	1.71%	(4,454,578)	Deutsche Bank	MEZZ SP CDO	SD8980412232
88065?AD9	SMITH 2006-1A B	10,000,000	36.75%	1.35%	(3,675,000)	Goldman Sachs	MEZZ SP CDO	SD82013048833
89643?AD2	TRNTY 2006-1A B	10,000,000	34.50%	1.35%	(3,450,000)	Goldman Sachs	MEZZ SP CDO	SD82013048834
00082?AE0	ACABS 2006-2A A3	4,080,137	39.10%	1.42%	(1,785,250)	Goldman Sachs	MEZZ SP CDO	SD8980135385
26441NAD3	DUKEF 2006-10A A3	5,000,000	44.20%	1.41%	(2,210,000)	Goldman Sachs	MEZZ SP CDO	SD8980135386
36866?AE0	GEMST 2005-4A C	5,000,000	47.10%	1.33%	(2,355,000)	Goldman Sachs	MEZZ SP CDO	SD8980135389
768277AD7	RIVER 2006-1A C	5,000,000	39.25%	1.40%	(1,962,500)	Goldman Sachs	MEZZ SP CDO	SD8980135391
85233?AC8	STAK 2006-1A B	5,000,000	68.25%	1.60%	(3,412,500)	Goldman Sachs	MEZZ SP CDO	SD8980135392
92534?AE0	VERT 2006-1A A3	5,000,000	46.70%	1.41%	(2,335,000)	Goldman Sachs	MEZZ SP CDO	SD8980135393
00082?AE0	ACABS 2006-2A A3	13,890,391	39.10%	1.42%	(5,355,[illegible])	Goldman Sachs	MEZZ SP CDO	SD8980135404
64080?AJ7	NEPTN 2006-3A B	15,000,000	64.75%	1.35%	(9,362,500)	Goldman Sachs	MEZZ SP CDO	SD8980137624
36227XAH8	GSCSF 2006-3A D	5,000,000	66.00%	1.58%	(3,300,000)	Goldman Sachs	MEZZ SP CDO	SD8980148600
34710?AC5	FTORS 2006-1A A3L	15,000,000	38.50%	1.65%	(5,775,000)	Goldman Sachs	MEZZ SP CDO	SD8980411735
46426?AE9	ICM 2005-2A C	15,000,000	37.85%	1.60%	(5,677,500)	Goldman Sachs	MEZZ SP CDO	SD8980411906
83742?AJ0	SCF 8A C	4,827,631	46.10%	1.71%	(2,227,280)	Goldman Sachs	MEZZ SP CDO	SD8980412000
92533?AD7	VERT 2006-2A A3	5,000,000	60.45%	1.62%	(3,022,500)	Goldman Sachs	MEZZ SP CDO	SD8980412350
00082?AD2	ACABS 2006-1A A3L	4,984,827	57.60%	2.27%	(2,871,303)	Goldman Sachs	MEZZ SP CDO	SD8981015818
05581?AC0	BFCSL 2006-1A D	5,000,000	56.95%	2.30%	(2,847,500)	Goldman Sachs	MEZZ SP CDO	SD8981015822
12777CAE9	CRNMZ 2006-2A C	10,000,000	52.70%	2.31%	(5,270,000)	Goldman Sachs	MEZZ SP CDO	SD8981015826
34957YAE7	FORTS 2006-2A C	20,000,000	57.40%	2.27%	(11,480,000)	Goldman Sachs	MEZZ SP CDO	SD8981015861
36247?AD8	GSCSF 2006-4A A3	5,000,000	62.50%	2.25%	(3,125,000)	Goldman Sachs	MEZZ SP CDO	SD8981018018
45377?AL5	INDE7 7A D	5,000,000	52.75%	2.40%	(2,637,500)	Goldman Sachs	MEZZ SP CDO	SD8981018186
54317?AJ2	LSTRT 2006-1A D	5,000,000	52.00%	2.25%	(2,600,000)	Goldman Sachs	MEZZ SP CDO	SD8981018189
87337UAD6	TABS 2006-4A D	5,000,000	39.80%	2.27%	(1,989,000)	Goldman Sachs	MEZZ SP CDO	SD8981018217
55312?AD9	MKP 6A C	10,000,000	48.00%	2.15%	(4,800,000)	Goldman Sachs	MEZZ SP CDO	SD8981495277
82442?AD7	SHERW 2006-3A A3	10,000,000	51.00%	2.30%	(5,100,000)	Goldman Sachs	MEZZ SP CDO	SD8981495285
74732AAD8	PYXIS 2006-1A C	10,000,000	51.50%	2.45%	(5,150,000)	Goldman Sachs	MEZZ SP CDO	SD8981495280
57832?AD4	MAYF 2006-1A A3L	10,000,000	60.00%	2.25%	(6,000,000)	Goldman Sachs	MEZZ SP CDO	SD8981507389
89643?AD2	TRNTY 2006-1A B	10,000,000	33.00%	1.85%	(3,300,000)	Goldman Sachs	MEZZ SP CDO	SD8981507425
87337UAD6	TABS 2006-4A D	5,000,000	39.90%	2.27%	(1,995,000)	Lehman	MEZZ SP CDO	SD8981018225
72280?AD8	PUREM 2005-A C	10,000,000	38.80%	1.47%	(3,880,000)	Lehman	MEZZ SP CDO	SD8980135386
00082?AD2	ACABS 2006-1A A3L	14,954,735	57.50%	2.27%	(8,613,810)	Lehman	MEZZ SP CDO	SD8981018216
14214?AE9	CAEDO 2006-1A C1	15,000,000	54.45%	2.32%	(8,167,500)	Lehman	MEZZ SP CDO	SD8981018219
45377?AL5	INDE7 7A D	15,000,000	56.75%	2.40%	(8,512,500)	Lehman	MEZZ SP CDO	SD8981018222
54317?AJ2	LSTRT 2006-1A D	15,000,000	50.00%	2.25%	(7,500,000)	Lehman	MEZZ SP CDO	SD8981018223
25454?AD7	DXCDO 2006-2A C	20,000,000	55.25%	2.20%	(11,050,000)	Lehman	MEZZ SP CDO	SD8981384105
15718?AC8	CETUS 2006-1A B	20,000,000	56.75%	2.40%	(11,350,000)	Lehman	MEZZ SP CDO	SD8981390035
15718?AC5	CETUS 2006-2A B	20,000,000	53.55%	2.48%	(10,710,000)	Lehman	MEZZ SP CDO	SD8981391007
37638?AC0	GLCR 2006-4A C	8,806,305	46.25%	1.90%	(4,060,[illegible])	Lehman	MEZZ SP CDO	SD8981503981
05581?AC0	BFCSL 2006-1A D	7,500,000	56.95%	2.38%	(4,271,250)	Merrill	MEZZ SP CDO	SD8981018229
55312?AD9	MKP 6A C	10,000,000	48.00%	2.15%	(4,800,000)	Morgan Stanley	MEZZ SP CDO	SD8981497485
82442?AD7	SHERW 2006-3A A3	10,000,000	51.00%	2.30%	(5,100,000)	Morgan Stanley	MEZZ SP CDO	SD8981497489
74732AAD8	PYXIS 2006-1A C	10,000,000	51.50%	2.45%	(5,150,000)	Morgan Stanley	MEZZ SP CDO	SD8981497564
05530?AD2	BFCGE 2006-1A A3L	8,828,180	34.30%	5.45%	(3,023,047)	Morgan Stanley	MEZZ SP CDO	SD8981848424
85233?AC8	STAK 2006-1A B	15,000,000	68.25%	1.80%	(10,237,500)	Morgan Stanley	MEZZ SP CDO	SD8980135394
85234?AA1	STAK 2006-2A B	20,000,000	56.75%	2.15%	(11,350,000)	Morgan Stanley	MEZZ SP CDO	SD8981384016
64080?AJ7	NEPTN 2006-3A B	5,000,000	52.50%	2.00%	(2,625,000)	Morgan Stanley	MEZZ SP CDO	SD8981384018
05530?AD2	BFCGE 2006-1A A3L	9,828,180	64.25%	1.60%	(6,384,942)	Morgan Stanley	MEZZ SP CDO	SD8981384019
57832?AD4	MAYF 2006-1A A3L	10,000,000	59.75%	2.30%	(5,975,000)	Morgan Stanley	MEZZ SP CDO	SD8981389153
61512?AE2	MNTRS 2006-1A C	10,000,000	51.25%	2.00%	(5,125,000)	Morgan Stanley	MEZZ SP CDO	SD8981383147
61512?AE2	MNTRS 2006-1A C	10,000,000	51.25%	2.00%	(5,125,000)	Morgan Stanley	MEZZ SP CDO	SD8981383190
92533?AD7	VERT 2006-2A A3	5,000,000	60.25%	5.70%	(3,012,500)	Morgan Stanley	MEZZ SP CDO	SD8981848420
92534?AD0	VRGO 2006-1A A3	15,000,000	64.25%	1.40%	(9,637,500)	Other	MEZZ SP CDO	SD8980188415
36866?AE0	GEMST 2005-4A C	15,000,000	47.10%	1.33%	(7,065,000)	RBS&GC	MEZZ SP CDO	SD8980135385
89055?AE8	TOPG 2005-1A B	15,000,000	44.50%	1.35%	(6,675,000)	RBC	MEZZ SP CDO	SD8980135882
36247?AC0	GSCSF 2006-1A A3	10,000,000	38.35%	1.54%	(3,835,000)	Wachovia	MEZZ SP CDO	SD8980411775
92533?AD7	VERT 2006-2A A3	10,000,000	60.65%	1.62%	(6,065,000)	Wachovia	MEZZ SP CDO	SD8980412297

CUSIP	Name	Current Face	Mid-Market Price	
89054?AE3	TOPG 2006-2A B	10,000,000	50.00%	5,000,000
87337WAD3	TABS 2006-5A A3	20,000,000	50.00%	10,000,000
53?PAD8	LOCH 2006-1A C	12,000,000	50.00%	6,000,000
12777CAE9	CRNMZ 2006-2A C	3,000,000	50.00%	1,500,000
00256?AE8	ABAC 2006-HG1A D	9,000,000	50.00%	4,500,000
00256?AD0	ABAC 2006-HG1A C	6,000,000	50.00%	3,000,000
46426?AE8	ICM 2006-3A C	10,000,000	50.00%	5,000,000

Permanent Subcommittee on Investigations

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Footnote Exhibits - Page 1644

CUSIP	Name	Current Face	Dirty Sale Price	Approx Sale Proceeds
14454AAB5	CARR 2006-FRE2 A2	12,754,000	97.00%	12,371,380
23245CAC4	CWL 2007-1 2A2	11,000,000	97.00%	10,670,000
35729QAC2	FHLT 2006-B 2A2	3,031,462	97.00%	2,940,518
35729VAB3	FHLT 2006-D 2A1	12,612,256	97.00%	12,233,888
3622ELAA4	GSAA 2006-18 AV1	14,164,638	97.00%	13,739,699
55275TAC2	MABS 2007-WMC1 A3	26,850,000	97.00%	28,044,500
59022QAD4	MLMI 2006-HE5 A2C	22,000,000	97.00%	21,340,000
61750FAE0	MSAC 2006-HE6 A2C	15,000,000	97.00%	14,550,000
617463AC8	MSIX 2006-2 A3	11,470,000	97.00%	11,125,900
643529AA8	NCAMT 2006-ALT2 AV1	11,351,132	97.00%	11,010,598
3622EAAX8	GSAA 2007-3 1A1B	14,298,278	97.00%	13,869,330
3622EAAD2	GSAA 2007-3 2A1B	5,705,204	97.00%	5,534,048
12668YAA1	CWL 2006-S10 A1	4,194,315	97.00%	4,068,485
40051CAA5	GSAA 2006-S1 1A1	18,127,171	97.00%	17,583,356
66988RAC1	NHEL 2006-6 A2B	5,550,000	97.00%	5,383,500
126673MY5	CWHEL 2004-Q 2A	10,383,695	97.00%	10,072,185
144531AY6	CARR 2005-NC1 A1C1	1,813,949	97.00%	1,759,530
362334QF4	GSRPM 2006-1 A2	1,284,943	97.00%	1,246,394
76110WF35	RASC 2004-KS9 AII4	2,445,712	97.00%	2,372,341
46626LEJ5	JPMAC 2005-OPT2 A3	1,000,000	97.00%	970,000
362341L49	GSAMP 2005-WMC3 A2B	1,000,000	97.00%	970,000
362439AD3	GSAMP 2006-HE4 A2C	5,368,000	97.00%	5,206,960
04544NAD6	ABSHE 2006-HE6 A4	1,000,000	97.00%	970,000
71085PBX0	PCHLT 2005-2 A3	6,322,000	97.00%	6,132,340
1248MKAB1	CBASS 2007-SL1A A2	36,881,539	97.00%	35,775,093
86362YAC0	SASC 2007-BC2 A3	26,814,000	97.00%	26,009,580
69121PBT9	OWNIT 2005-5 A2B	31,727,500	97.00%	30,775,675
61749NAC1	MSAC 2006-HE5 A2B	32,000,000	97.00%	31,040,000
64352VNW7	NCHET 2005-C A2B	32,000,000	97.00%	31,040,000
31659XAA4	FMIC 2006-S1 A	42,889,865	97.00%	41,603,169
07400YAA4	BSMF 2006-SL2 A1	18,234,323	97.00%	17,687,293
78577RAA7	SACO 2006-9 A1	28,918,202	97.00%	28,050,656
76113ABH3	RASC 2006-KS3 AI3	10,000,000	97.00%	9,700,000
14453MAB0	CARR 2006-NC4 A2	20,000,000	97.00%	19,400,000
64352VLG4	NCHET 2005-3 A2C	11,570,000	97.00%	11,222,900
144531DL1	CARR 2005-NC5 A2	46,313,106	97.00%	44,923,713
144531CV0	CARR 2005-NC3 A1C	29,719,775	97.00%	28,828,182
12668TAB0	CWL 2007-BC1 2A1	14,391,428	97.00%	13,959,685
34957YAA5	FORTS 2006-2A S	6,768,562	97.00%	6,565,505
44386QAA2	HUDMZ 2006-2A S	4,300,000	97.00%	4,171,000
144528AC0	CARR 2006-NC3 A3	20,000,000	97.00%	19,400,000
12668UAE1	CWL 2007-3 2A1	45,211,070	97.00%	43,854,738
12668UAF8	CWL 2007-3 2A2	18,000,000	97.00%	17,460,000
12668UAG6	CWL 2007-3 2A3	17,000,000	97.00%	16,490,000
3622EBAA6	GSAA 2007-4 A1	75,850,948	97.00%	73,575,420
3622EBAB4	GSAA 2007-4 A2	45,788,000	97.00%	44,414,360
452570AA2	IMSA 2007-2 1A1A	77,778,941	97.00%	75,445,573
52521MAB8	LEHMAN ABS MTG LN TR 2007-1	20,000,000	97.00%	19,400,000

From: Tourre, Fabrice
Sent: Thursday, April 05, 2007 9:06 AM
To: Maltezos, George (GSJBW); Carrett, Paul (GSJBW); Rolleston, Jeremy (GSJBW)
Subject: RE: ABACUS 07-AC1

Georges, Paul, Jeremy, any thoughts on this ? We can swap into AUD if needed. Please let me know if you have accounts we can show this to, thanks

From: Tourre, Fabrice
Sent: Monday, April 02, 2007 10:27 AM
To: Maltezos, George (GSJBW); Carrett, Paul (GSJBW); Rolleston, Jeremy (GSJBW)
Cc: ficc-mtgcom-desk
Subject: ABACUS 07-AC1

Gentlemen, we are getting good traction on the ABACUS 2007-AC1 transaction, the $2bn notional mezz ABS CDO transaction with a portfolio consisting of 100% Baa2 rated RMBS bonds selected by ACA. We have gotten orders for approx $200mm of mezz AAA CLNs and expect to price a first tap of this transaction early next week. This transaction should be a good product to show your customers, to the extent they are not participating in Anderson Mezz, Timberwolfe or Point Pleasant. I have attached below some key selling points for this trade, as well as price thoughts below:

Supersenior tranche (45-100 tranche, funded or unfunded): 45bps
Aaa/AAA (35-45 tranche, funded or unfunded): L+85bps
Aaa/AAA (21-35 tranche, funded or unfunded): L+110bps
Aa2/AA (18-21 tranche, funded or unfunded): L+175bps
Aa3/AA- (13-18 tranche, funded or unfunded): L+225bps
A2/A (10-13 tranche, funded or unfunded): L+500bps

Below are some key marketing points for the trade. Let's discuss what customer we can show this transaction to, thanks.

INTERNAL ONLY

ABACUS 2007-AC1 - 2bn synthetic RMBS CDO

OVERVIEW
- Static portfolio consisting entirely of "Baa2"-rated midprime/subprime RMBS selected by ACA
- ACA is one of the largest and most experienced CDO managers in the world (see Overview of ACA below)
- Goldman's market-leading ABACUS program currently has $5.1bn in outstanding CLNs with strong secondary trading desk support

RELATIVE VALUE
- Reference Portfolio more conservative (360 WARF) than traditional mezz ABS CDOs (450-500 WARF)
- Capital Structure less aggressive than traditional mezz ABS CDOs (see comp below)
- Attractive spreads relative to ABS CDOs currently in the market (see comps below)

PORTFOLIO
- Granular portfolio of 90 equally-sized reference obligations selected by ACA
- Static reference portfolio fully-identified, with no reinvestment, removals, substitutions or discretionary trading
- 100% Baa2 Moody's-rated subprime/midprime (360 Moody's WARF)
- Diversified across 30 shelves and 24 servicers
- Portfolio attached below

<< File: Portfolio Information 20070328.xls >>

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2483

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STRUCTURE
- Tranches offered across the entire capital structure
- No IC/OC tests: ABACUS notes will be uncapped and non-deferrable
- Sequential Principal Paydown Sequence: no subordination is leaked to residual tranches under any circumstance
- No upfront structuring fees
- Investors will not bear WAC and/or available funds cap risk
- Projected 4- to 5- year tranche WALs at the reference portfolio pricing speed
- Tranches available in unfunded CDS format as well as in CLN format (in all major currencies)
- Termsheet attached below

<< File: ABACUS 2007-AC1 Preliminary Term Sheet 20070326.pdf >>

OVERVIEW OF ACA MANAGEMENT LLC
- One of the largest CDO managers in the world
- Currently manages approximately $16bn in collateral assets across 22 CDOs
- No rated notes in any ACA's CDOs have ever been downgraded
- ACA team consists of 30 dedicated credit and portfolio management professionals with on average 13 years of relevant experience
- Portfolio Selection Fee structure aligns manager's incentive with investors'

COMPs:

	ABACUS 2007-AC1	TABS 2007-7	Alpha Mezz CDO	Draco 2007-1
Pricing Date		Feb-07	Feb-07	Jan-07
Portfolio Advisor	ACA	Tricadia	Countrywide	Declaration
Underlying Portfolio				
WARF:	360	450	525	450
Lowest Moody's:	Baa2	Ba2	Ba2	
% NIG:	0%	5%	5%	0%
% ABS CDOs:	0%	22%	15%	3%
% RMBS:	100%	78%	85%	97%
Reinvestment Period:	N/A	4 years	4 years	5 years
Principal Repayments:	Sequential	Mod Pro-Rata	Mod Pro-Rata	Mod Pro-Rata
Interest Shorfalls:	N/A	Fixed Cap	Fixed Cap	Fixed Cap
Capital Structure				
Aaa/AAA C/E:	21.0%	25.7%	21.0%	23.4%
Aa2/AA C/E:	18.0%	15.0%	15.0%	17.4%
Aa3/AA- C/E:	13.0%		14.0%	
A2/A C/E:	10.0%	11.9%	9.4%	11.2%
Pricing				
Aaa/AAA Pricing:	L+[ ]	L+55	L+44	L+48
Aa2/AA Pricing:	L+[ ]	L+65	L+55	L+58
Aa3/AA- Pricing:	L+[ ]		L+62	
A2/A Pricing:	L+[ ]	L+275	L+160	L+225

Expected Timing:
Price Guidance & Red - w/o March 5, 2007

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From: Steffelin, Edward [asteffelin@gsc.com]
Sent: Tuesday, February 27, 2007 9:33 AM
To: Ostrem, Peter L
Subject: FW: ABACUS 2007-AC1, Ltd. -- New Issue Announcement (144a/RegS)
Attachments: Portfolio Information 20070215 (6).xls; ABACUS 2007-AC1 Preliminary Term Sheet 20070226.pdf; ABACUS 2007-AC1 Flipbook 20070226.pdf

I do not have to say how bad it is that you guys are pushing this thing.

Ed Steffelin
212-884-6190
GSC Partners

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From: Willing, Curtis [mailto:curtis.willing@gs.com]
Sent: Tuesday, February 27, 2007 9:22 AM
Subject: ABACUS 2007-AC1, Ltd. -- New Issue Announcement (144a/RegS)

ABACUS 2007-AC1, Ltd. -- New Issue Announcement (144a/RegS)(external)
Sole Bookrunner & Lead Manager: Goldman, Sachs & Co.
Portfolio Selection Agent: ACA Management, LLC
$2.0Bn Structured Product Synthetic Resecuritization
(Portfolio of 90 Mdys Baa2 rated midprime and subprime RMBS Reference Obligations)

Tranche	Mdys/S&P	Size(mm)	WAL(y)	%CapStr	%Subord	Guidance
SS	N/A	[1,100.00]	[3.9]	[55.00%]	[45.00%]	Call Desk
A	[Aaa/AAA]	[480.00]	[4.4]	[24.00%]	[21.00%]	1mL+TBD
B	[Aa2/AA]	[60.00]	[4.6]	[3.00%]	[18.00%]	1mL+TBD
C	[Aa3/AA-]	[100.00]	[4.7]	[5.00%]	[13.00%]	1mL+TBD
D	[A2/A]	[60.00]	[4.9]	[3.00%]	[10.00%]	1mL+TBD
First Loss	[NR/NR]	[200.00]	N/A	[10.00%]	[0.00%]	Call Desk

Attached - Termsheet, Debt Marketing Book, Initial Reference Portfolio

<<Portfolio Information 20070215 (6).xls>> <<ABACUS 2007-AC1 Preliminary Term Sheet 20070226.pdf>>
<<ABACUS 2007-AC1 Flipbook 20070226.pdf>>

Expected Timing:

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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2485

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Preliminary OC - w/o March 5th
Price Guidance - w/o March 5th
Pricing - w/o March 26th

GS Structured Products Global Syndicate
Asia: Omar Chaudhary, Jay Lee & Hirotaka Sugioka +81 (3) 6437-7198
Europe: Mitch Resnick, Tets Ishikawa & Jessica Reis +44 (0)20 7774-3068
N. America: Bunty Bohra, Scott Wisenbaker, Robert Black, Scott Walter, Tony Kim, Malcolm Mui & Russell Brocato +1 (212) 902-7645

Risk Factors: An investment in the securities presents certain risks, please see the Preliminary Offering Circular for a description of certain risk factors.

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Structured Credit Investments

July 2006

Goldman Sachs

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2490

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Agenda

Executive Summary [redacted]

Evaluating Asset Classes [redacted]

Cash CDO Overview [redacted]
- Cash Collateralized Debt Obligations (CDOs)
- Cash Collateralized Loan Obligations (CLOs)

Synthetic CDO Overview [redacted]
- Corporate Credit
- Asset Backed Securities (ABS)

Appendix – Disclaimers & Risk Factors [redacted]

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Executive Summary

- Structured products may represent an opportunity for banks to enhance yield, improve capital efficiency and diversify risk exposures
- Financial institutions have begun to recognize the value of structured products and have been directing asset and resource allocation accordingly
- Implementation of product efforts has been slow due to several factors
  - Lack of internal product expertise
  - Balance sheet viewed as containing sufficient risk
  - Regulatory capital issues
  - Mark-to-market earnings volatility concerns

  Internal / *External*
- Increasingly structured products are viewed as an efficient and effective vehicle to access credit
  - Systemic exposures and managed transactions minimize need for intensive research capability while maximizing portfolio diversity
  - Attractive alternative for overly concentrated portfolios
  - Existing knowledge of MBS and ABS CDO's transferable to synthetic CDO's
  - Environment for structured products has become progressively more balance sheet and income statement friendly

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Traditional Bank Portfolios

- Banks seek to maximize investment portfolio returns subject to certain risk guidelines: liquidity, market risk, principal risk and regulatory capital
- Banks have attempted to meet these goals through exposure to Treasuries, Agencies, Mortgage-Backed Securities (MBS), Asset-Backed Securities (ABS), Municipals and Corporates
- Historically, banks have limited credit exposure in their investment portfolio
  - MBS and ABS contain some consumer credit risk
  - Agency products contain limited credit risk
  - Corporate bond investment overall has been limited
- Consequently, interest rate risk has been the primary portfolio risk
  - Upward sloping yield curves have provided alpha
  - Convexity in mortgage portfolios has enhanced yields but exposed banks to the increased volatility inherent in these products
  - Corporate bonds fail to diversify rate risk because:
    - Limited component of bank investment portfolios
    - Only 11% of corporate bond coupon results from credit risk
    - Corporate bonds are not a source of reg cap relief (100% risk weighting)

¹ This analysis is for illustrative purposes only, and is based solely on historical performance which may differ from actual performance. Dow Jones 5yr CDX.NA.IG.4 index of Credit Default Swaps was used to represent credit spreads. 5yr interest rate swap rates and 5yr CDX.NA.IG.4 spreads as of 04/26/06 used in combination with historic volatilities of 5yr interest rate swap rates and CDX.NA.IG spreads to generate valuation volatility compositions.

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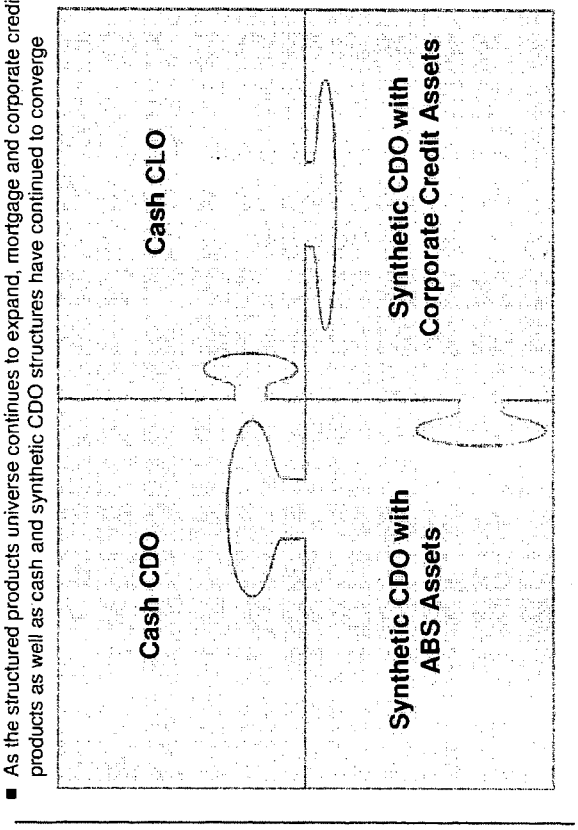
CDO Product Overview

- As the structured products universe continues to expand, mortgage and corporate credit products as well as cash and synthetic CDO structures have continued to converge



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Traditional Cash Flow CDO versus Synthetic CDO

Traditional Cash CDO	Synthetic CDO
■ Reference portfolio typically selected and managed by third party ■ Collateral is cash assets ■ Full capital structure placement ■ Supply-driven distribution ■ Long only investments ■ Cash flow waterfall ■ Unwind triggers ■ Executable in note-format only	■ Reference portfolio can be selected and managed by third party, investor selected or index based ■ Reference portfolio comprised of CDS ■ Investor/client driven - no supply or secondary market constraints ■ Single tranche placement or full capital structure ■ Can be used to articulate long, short and long/short views ■ Direct cash flow through credit default swap ■ No unwind triggers ■ Investment in note or swap form

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Agenda

- Executive Summary
- **Evaluating Asset Classes**
- Cashflow CDO Overview
  - Cashflow CDOs
  - Cashflow Collateralized Loan Obligations (CLOs)
- Synthetic CDO Overview
  - Corporate CDSs
  - Asset Backed Securities (ABS)
- Appendix – Disclaimers & Risk Factors

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Evaluating Asset Classes
Overview

- Evaluating asset classes is a multi-step process that incorporates evaluation of:
  - Current yields of underlying asset class
  - Risk/return profile of underlying asset class
  - Correlation between asset classes in structured portfolio
  - Diversification/Overlap of exposure between structured credit portfolio and holdings in other portfolios

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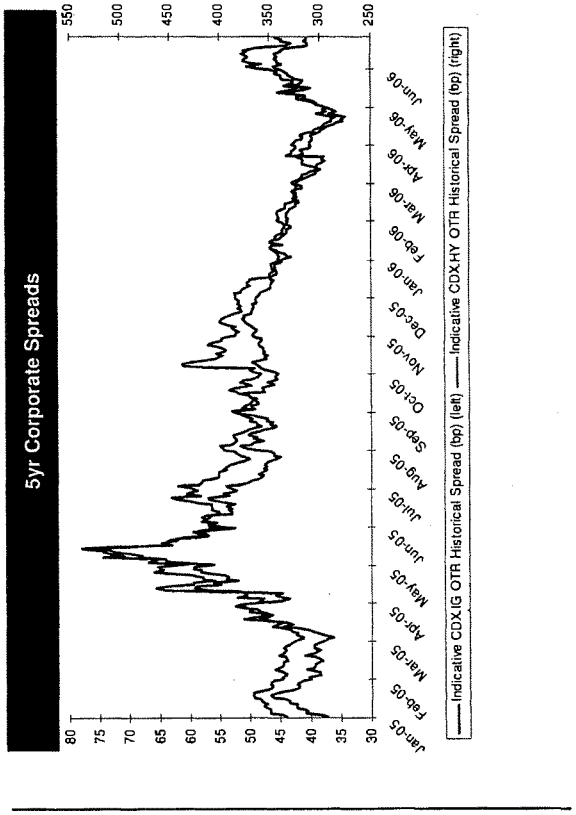
Current Yields of Underlying Asset Classes

Identifying Relative Value Opportunities



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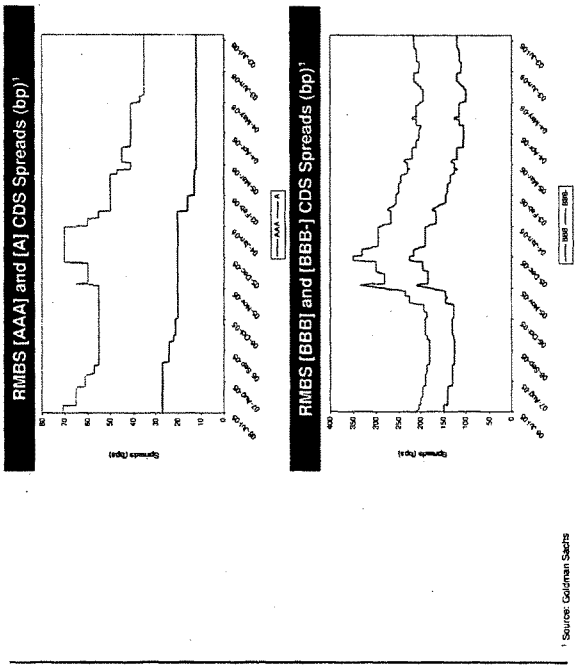
Current Yields of Underlying Asset Classes

Indicative Historical RMBS Spreads



[1] Source: Goldman Sachs

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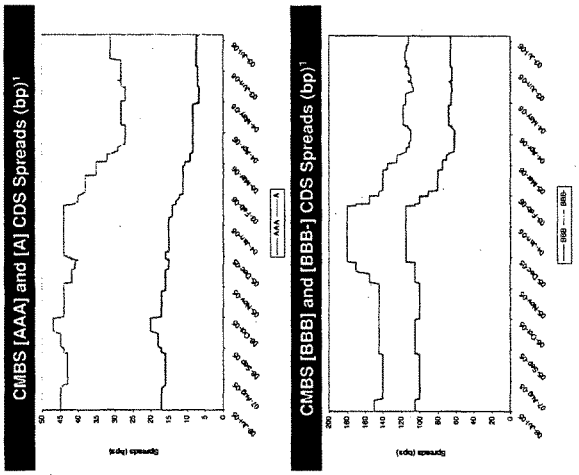
Current Yields of Underlying Asset Classes

Indicative Historical CMBS Spreads



[1] Source: Goldman Sachs

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Agenda

Executive Summary

Evaluating Asset Classes

Cash CDO Overview

Cash Collateralized Debt Obligations (CDOs)

Cash Collateralized Loan Obligations (CLOs)

Synthetic CDO Overview

Corporate Credit

Asset Backed Securities (ABS)

Appendix – Disclaimers & Risk Factors

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CDO Product Overview

Managed Investment Options

	CDO	Separate Account	Hedge Fund	Mutual Fund (Open-End)
Degree of Possible Customization	Highest, with respect to portfolio and structure	Some, with respect to portfolio	Little	None
Target Yields	Highest	Unlevered asset yield	High	Unlevered asset yield
Use of Leverage	Significant, term non-recourse	Generally none	Significant, Repo	None
Mark-to-Market Risk	None	Yes	Repo, Leverage magnifies market movements	Yes
Liquidity	Low	Can usually redeem with some notice	Can usually redeem with some notice	Most liquid
Ongoing Management Fees	Lowest	Moderate	Highest, with significant incentive fee	Moderate
Upfront Costs	1.0% - 2.0%	None	None	None

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CDO Product Overview

Investment Decision

The decision to invest in a CDO consists of three primary considerations

Asset Class	Manager	Structure
■ Risk/return characteristic ■ Diversification ■ Timing ■ Volatility ■ Overall portfolio allocation and correlation with rest of portfolio	■ Degree of management activity ■ Experience ■ Strategy ■ Investor communication ■ Infrastructure ■ Depth of management team	■ Use of leverage ■ Position in capital structure ■ Fee arrangement ■ Liquidity ■ Desired risk/return profile

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Cashflow Collateralized Debt Obligations (Cash CDOs)

Structure

- CDOs are not an asset class, but rather a vehicle for investing in a given asset class
- A cash CDO finances the purchase of a portfolio of assets by the issuance of several different rated tranches of debt and a tranche of equity (the "liabilities")
- Interest and principal payments on the liabilities are financed by income from the assets
- CDOs provide value as a customized investment format that allows an investor to control the amount of risk and return that they are seeking from the underlying assets

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Overview
Why Do CDOs Exist?

A successful CDO serves the objectives of three constituencies

Debt Investors	Equity Investors	Collateral Manager
■ Exposure to asset classes that may not otherwise be available or practical ■ Customized risk profile ■ Attraction yields relative to comparably rated securities ■ Underlying portfolios selected and underwritten by Goldman and respected collateral managers or investors	■ Arbitrage between asset yield and financing cost ■ Non-recourse, term financing ■ High current cash flow ■ Low correlation with other alternative investments ■ Lower management fees than other managed vehicles	■ Assets under management ■ Longer term mandate than typical accounts ■ Access to different investor base

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Overview

Investment Decision

The decision to invest in a CDO consists of three primary considerations:

Asset Class	Structure	Manager
■ Risk/return characteristic	■ Use of leverage	■ Degree of management activity
■ Diversification	■ Position in capital structure	■ Experience
■ Timing	■ Fee arrangement	■ Strategy
■ Volatility	■ Liquidity	■ Investor communication
■ Overall portfolio allocation and correlation with rest of portfolio	■ Desired risk/return profile	■ Infrastructure
	■ Actively managed or static pool monitored for credit migration	■ Depth of management team

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Cashflow CDO Overview

Many CDOs have been substantially upsized, reflecting strong demand technicals

Structured Finance CDOs have grown to dominate cashflow CDO issuance with leveraged loan CDOs continuing to be a stable 33% of the market

(1) Source: Goldman Sachs

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CDO Product Overview

CDO Participants

Equity Investors

Investment Objectives	Participants
■ Arbitrage between asset yield and financing cost ■ High current cash flow ■ Low correlation with other alternative investments ■ Lower management fees than other managed vehicles ■ Deliver manage alpha in chosen Asset Class	■ Pension Funds ■ Hedge Funds ■ High Net Worth Clients ■ Insurance Companies ■ Structured Credit Funds

Debt Investors

Investment Objectives	Participants
■ Diversification; exposure to asset classes that may not otherwise be available or practical ■ Customized risk profile ■ Attraction yields relative to comparably rated securities	■ Insurance companies ■ Asset Managers ■ Conduits ■ Hedge Funds

Underwriters

- Goldman Sachs CDO Group
- Originates, structures and places transactions backed by diversified portfolios of bank loans (Collateralized Loan Obligations) or RMBS, CMBS CDOs and ABS (Structured Product CDOs)
- Franchise record year for both CLO and SP CDO issuances in 2005

Collateral Managers

■ Assets under management ■ Longer term mandate than typical accounts ■ Access to different investor base	■ Names include: Carlyle Investment Management, New York Life Investment Management, Ballyrock Investment Advisors, Katonah Debt Advisors, Trust Company of the West

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Cashflow CDO Overview

CDO Investor Base

Class(es)	Types of Investors
Senior Securities (generally floating rate)	■ Commercial Paper Conduits/SIV ■ U.S. and Non-U.S. Banks ■ Funded Monoline
Mezzanine Securities	■ U.S. and Non U.S. Insurance Companies ■ U.S. and Non U.S. Banks ■ U.S. and Non U.S. Money Managers ■ Hedge Funds ■ CDOs of CDOs
Subordinate/Equity Securities	■ U.S. and Non U.S. Insurance Companies ■ Pension Funds/Endowments ■ Bank Prop Books ■ High Net Worth Individuals ■ Hedge Funds

As the CDO market has grown, the investor base for CDO securities has increased significantly

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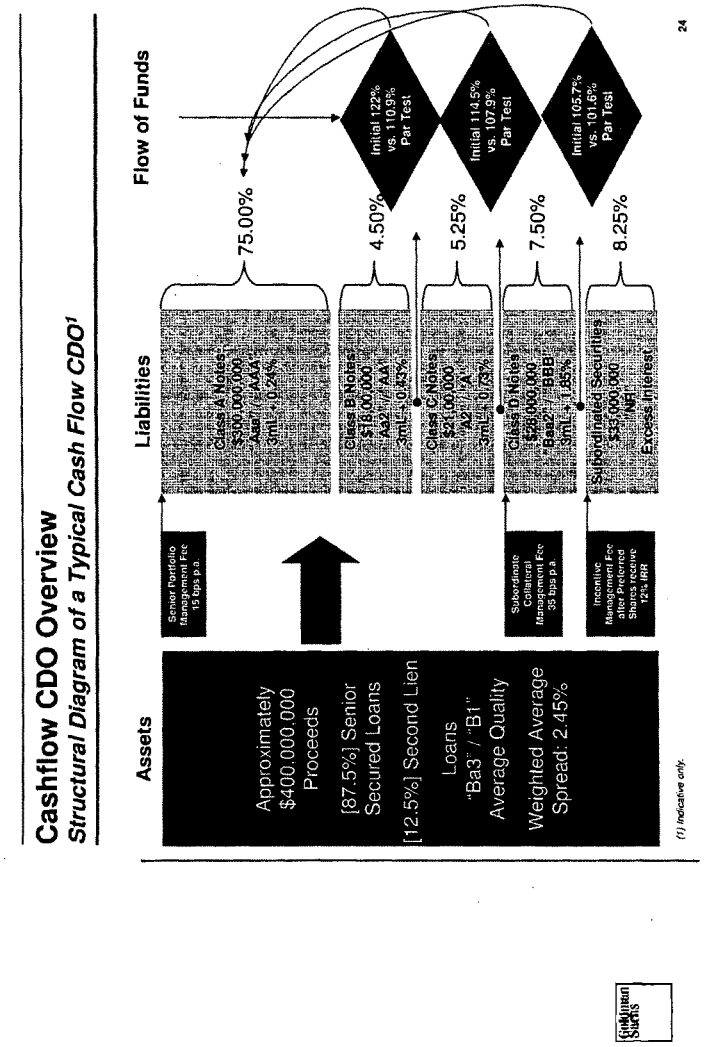

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Growth of Primary Market Issuance

Overview and Motivation for the Bank Loan Asset Class

- The collateral for a CLO consists primarily of leveraged loans
  - Leveraged loans are syndicated bank loans made to borrowers with non-investment grade credit ratings
  - The US leveraged loan market has matured into a major capital market with strong liquidity
  - Spreads over LIBOR on B-rated leveraged loans have averaged approximately 300 bps over the last seven years
  - Default rates for leveraged loans have historically tracked significantly lower than default rates for high yield bonds
  - Recovery rates for leveraged loans have historically tracked significantly higher than recovery rates for high yield bonds
- Since its development in 1996, the US cash flow arbitrage CLO market has developed into a major market
  - US Cash flow arbitrage CLO issuance reached approximately $42 billion in the first 3 quarters of 2005
  - CLOs own an estimated 65% of the US dollar institutional leveraged loan market

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Agenda

- Executive Summary
- Evaluating Asset Classes
- **Cash CDO Overview**
  - Cash Collateralized Debt Obligations (CDOs)
  - Cash Collateralized Loan Obligations (CLOs)
- Synthetic CDO Overview
  - Corporate Credit
  - Asset Backed Securities (ABS)
- Appendix – Disclaimers & Risk Factors

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Growth of Primary Market Issuance

Broadly Syndicated Loans

- A syndicated leveraged loan is one that is provided by a group of commercial or investment banks to a non-investment grade company
- A syndicated loan typically consists of:
  - A revolving credit facility (pro-rata) which allows a borrower to draw down, repay, and reborrow
  - An amortizing loan with a progressive repayment schedule
  - One or more institutional term loan tranches that have longer maturities and back-ended repayment
- As the syndicated loan market has evolved, the banks that arrange loans have increasingly sold loans to institutional investors such as CLOs and prime funds
- US dollar denominated annual new issue volume for leveraged loans

Source: Standard & Poor's, LCD Leveraged Lending Review 2006

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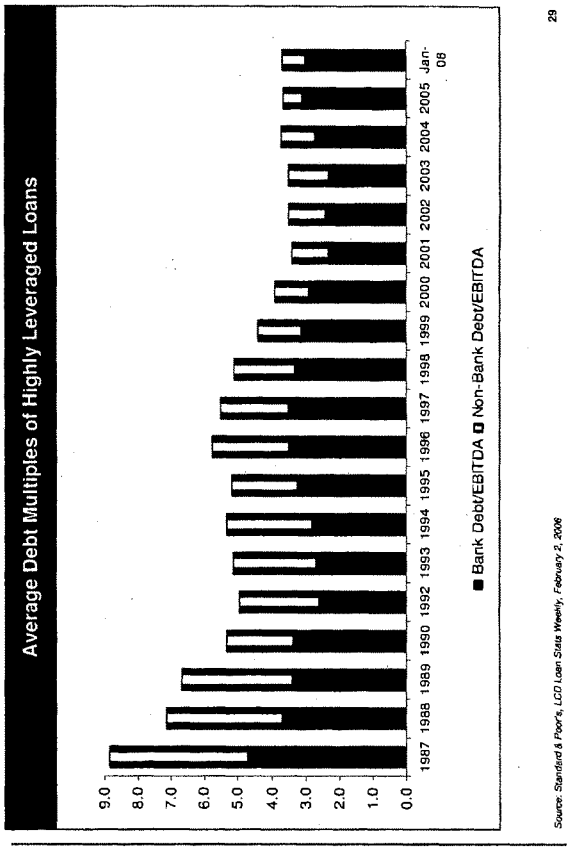
Growth of Primary Market Issuance

Historical Leverage Multiples



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GS MBS-E-002055402

Growth of Primary Market Issuance

Bank Loan Structural Features

- Loans possess inherent structural and credit protections that make them attractive to own in a leveraged vehicle
  - Capital structure seniority
  - Covenant and security package
- As shown in this diagram for a hypothetical company's capital structure, loans typically represent a company's most senior source of capital

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Growth of Primary Market Issuance

Spread Averages

- Loans have demonstrated characteristics over the long-term that make them attractive to own in a leveraged vehicle like a CLO
  - Attractive risk-adjusted returns
  - Low volatility
  - Low total return correlation with other asset classes
  - High recovery rates

S&P/LSTA Leveraged Loans Index, Average Spreads by Rating, January 1998 to 2006

Source: Standard & Poor's, LCD Loan Stats Weekly, Feb 2, 2006

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Growth of Primary Market Issuance

Historical Default Rates

- Exhibit below shows the trailing 12-month default rates for bank loans and high-yield bonds
  - Default rates have been significantly lower in the bank loan market vs the high-yield market

Trailing 12-Month Issuer-Based Default Rates, December 1998 to September 2005

Source: S&P/LSTA, Moody's

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Transaction Features
Cash Flow CLO Deal

	Cash Flow CLO Deal
Objective	Cash Flow CLO deals depend on the ability of the collateral to generate sufficient current cash to pay interest and principal on rated notes issued by the CLO.
Rating Focus	The ratings are based on the effect of collateral defaults and recoveries on the timely payment of interest and principal from the collateral.
Manager Focus	Manager focuses on controlling defaults and recoveries.
Structural Protection	Overcollateralization is measured on the basis of the portfolio's par value. If overcollateralization tests are failed, then cash flow is diverted from the mezzanine and subordinated classes to pay down senior notes, or cash flow is trapped in a reserve account. There are no forced collateral liquidations.
Diversity and Concentration Limits	Very strict – often no more than 2% per obligor and no more than 10% per industry category.
Trading Limitations	There are limitations on portfolio trading (20% discretionary per year). No restrictions on selling credit risk or credit improved Collaterals.
Typical Collatera	Bank loans, with small baskets for high-yield bonds, structured finance bonds, etc with predictable, steady interest payments.

Sources: Collateralized Debt Obligations: Structures and Analysis by Laurie S. Goodman and Frank J. Fabozzi John Wiley & Sons © 2002, Goldman Sachs.

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Transaction Features
Working Example: Funding Arbitrage of a Cash Flow CLO

- High current cash flow for the equity is generated by the leveraged spread differential between the portfolio return and the cost of financing and management fees

Portfolio Spread	2.50%
Financing Spread	-0.48%
Current Pay Management Fee	-0.50%
Expected Losses	-0.50%
Amortized Issuance Expenses	-0.25%
Ongoing Expenses	-0.05%
Spread Differential	**0.72%**
Leverage Multiple (0.92/0.08)	10.7X
Leveraged Spread	**7.70%**
Unleveraged Investment	L+1.20%*
Current Cash Pay	**L+8.90%**

*: Unleveraged Investment = Spread Differential + Financing Spread

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GS MBS-E-002055408

Transaction Features

Example of Managed Cash Flow CLO with 5yr Reinvestment

Portfolio Characteristics	
% Senior Secured Loans	> 80.0%
% 2nd Lien or Sr. Unsecured Loans	< 20.0%
Par Value of Collateral ($MM)	$490,000,000
% Ramped on Closing Date	> 70.0%
Moody's Weighted Average Rating Factor	2400 (B1/B2)
Diversity Score	> 55
Weighted Average Spread	> 2.50%
Asset Weighted Average Life	< 9.0 yrs

Security	Expected Par Amount ($MM)	% of Par	Expected Ratings (Moody's/S&P)	Coupon
Class A	370.0	74.0%	Aaa/AAA	3mL+[ ] bps
Class B	25.0	5.0%	Aa2/AA	3mL+[ ] bps
Class C	14.0	2.8%	A2/A	3mL+[ ] bps
Class D	48.5	9.7%	Baa2/BBB	3mL+[ ] bps
Equity	42.5	8.5%	NR	Residual
Total	**500.0**	**100.0%**		

Transaction Overview

- [XYZ CLO Ltd]. will be a $500 million CLO consisting of a diversified portfolio of senior secured and second lien loans
- The portfolio consists of collateral which is rated at least B3 or B-, with an average rating of B1/B2
- Senior Fee: [15] bps of Portfolio Balance, paid senior to the Class A Notes
- Subordinated Fee: [35] bps of the Portfolio Balance, paid senior to the Equity. Unpaid amount accrues at LIBOR + 3%
- Incentive Fee: [25] bps of the Portfolio Balance, but payable only after the Subordinated Securities have achieved an internal rate of return of 12%

Structural Highlights

- The transaction will feature a matrix of Diversity Score/Rating Factor/ Spread combinations that the Collateral Manager will have the flexibility to select
- 12-year legal final maturity, 5-year reinvestment period, 3-year non-call period
- Class D PIK Protection - During the Reinvestment Period, if deal proceeds are insufficient to pay the coupon on the Class D Notes, such coupon payments will be advanced by a PIK protection provider. As deal proceeds become available, repayment of the advances will be subordinate to payments on the Class D Notes. Amounts advanced by the PIK protection provider accrue at LIBOR + 3.0%
- Turbo Paydown – Failure of the Class D Par Value Test will be remedied by using Interest Proceeds to pay down the principal of the Class D Notes directly
- The Collateral Manager will select the portfolio and has the discretion for:
  - Up to 20% discretionary trading per year
  - Unlimited selling of potential "credit risk" assets
  - Unlimited selling of "credit improved" assets

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Transaction Overview

- [XYZ CLO Ltd]. will be a $500 million CLO consisting of a diversified portfolio of senior secured and second lien loans
- The portfolio consists of collateral which is rated at least B3 or B-, with an average rating of B1/B2
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- Incentive Fee: [25] bps of the Portfolio Balance, but payable only after the Subordinated Securities have achieved an internal rate of return of 12%

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Agenda

Executive Summary

Evaluating Asset Classes

Cash CDO Overview
- Cash Collateralized Debt Obligations (CDOs)
- Cash Collateralized Loan Obligations (CLOs)

Synthetic CDO Overview IV
- Corporate Credit
- Asset Backed Securities (ABS)

Appendix – Disclaimers & Risk Factors

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Synthetic CDO Overview

- CDOs are not an asset class.
- CDOs are a **technology** – a combination of derivatives and structured finance technology – **applied** to an asset class.
- CDO technology enables market participants to build customized investments to meet return objectives subject to risk tolerance.
- Credit portfolios tend to have asymmetric risk/return profiles due to idiosyncratic risk
- Structured credit investments create systemic based risk/return profiles as credit events decrease subordination before resulting in actual losses
- Highly rated structured credit investments may provide for more efficient use of regulatory capital than comparably rated single name investments
- Structured credit investments provide exposure to a variety of asset classes and may serve as a good source of diversification
- Synthetic structured credit investments enable instant ramp up of assets and are not subject to supply constraints of the cash market

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Synthetic CDO Overview

- A synthetic CDO is an arrangement whereby the losses on a portfolio of CDS are allocated among various participants according to specified priorities
- Synthetic CDOs are a derivative extension of cash CDOs and have seen a large increase in volume over the past several years
  - A synthetic CDO combines the cash CDO securitization technology with credit derivative hedging technology
- Like a cash CDO, the performance of a synthetic CDO is directly linked to the performance of the reference portfolio
- They can be structured unfunded (as derivatives or guaranty policies) or funded (as Notes or bonds), rated or unrated
- Similar to a cash CDO, we can create tailored risk profiles by allowing different tranches to assume losses in a given order:
  - The Equity tranche assumes the first losses on the reference portfolio, up to its tranche size. It is the riskiest part of the capital structure and receives the highest coupon.
  - A mezzanine tranche assumes subsequent losses up to its tranche size. It is less risky and receives a lower coupon.
  - The Senior tranche assumes any remaining losses on the reference portfolio. It is therefore the safest part of the capital structure and receives the lowest coupon.
- Transactions are documented using standard ISDA terms and credit losses on the reference portfolio are determined in accordance with ISDA credit derivative definitions

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Diversification

- Structured credit/product investments are available on a variety of asset classes:
  - Corporate credit
    - Investment grade
    - High yield
  - Emerging markets
  - Residential Real Estate Securities (RMBS)
  - Asset-Backed Securities (ABS)
  - Commercial Real Estate Securities (CMBS)
  - Collateralized Debt Obligations (CDOs)

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Credit Derivatives Market Evolution

103% Growth in 2005

Growth of the Credit Derivative Market

- ISDA has reported steady growth in the global credit derivatives market
- Drivers of future growth:
  - Increased liquidity
  - Greater client understanding
  - Improved standardization within the market
  - A wider product base attracting more players

- The credit derivative market is expected to grow to over $23.5 trillion in 2006

(1) Source: ISDA, BMA and the British Bankers Association Credit Derivatives Report 2003/2004.

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Credit Default Swaps

Most Frequently Used Credit Products

- Not surprisingly, the most actively used credit derivative products are credit default swaps
- The introduction of credit derivative indices has been a major development and now account for 11% of the market

Product Type	Proportion of notional value
Credit default swaps	51%
Synthetic CDOs (partial and full capital)	16%
Index Trades	11%
Credit Linked Notes	6%
Asset Swaps	4%
Total Return Swaps	4%
Credit Spread Options & Swap Options	3%
Basket Products	4%
Equity Linked Credit Products	1%

Source: BBA Credit Derivatives Report 2003/2004

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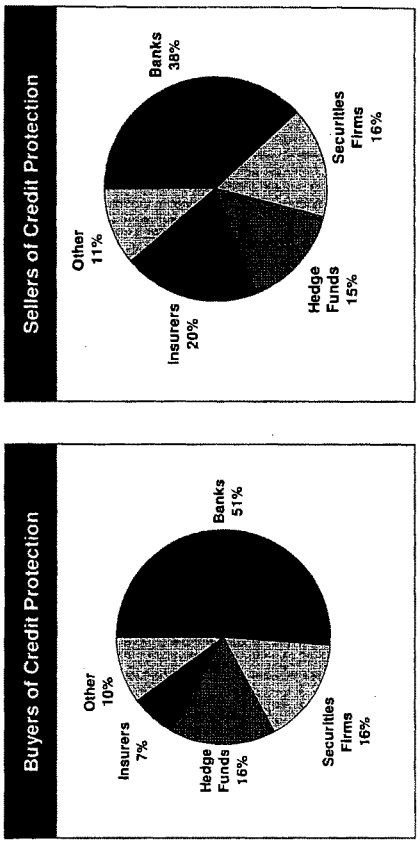
Market Participants



(1) Source: Goldman Sachs. "Other" includes corporations, mutual funds, pension funds and government agencies.

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Credit Default Swaps
Disaggregating Credit-Risky Bonds

- Given lack of development of a corporate repo market, cash credit markets have always been "sticky"
  - Long/less long mentality
- Cash credit products embed several risks, including interest rate and credit risk
- Credit derivatives enable market participants to isolate the components of credit risk
- A credit default swap (CDS) allows investors to express long and short views on single-name credits and serves as the fundamental building block in structured credit

- Bonds/loans are physical IOUs
- Government bonds are considered credit risk free
- Credit risky bonds, therefore, trade at a yield premium to government bonds to compensate for risk of default
- The CDS market focuses on trading the credit default risk premium

Illustrative only – diagram not to scale

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Credit Default Swaps

Example Mechanics

- Buyer of protection pays a quarterly credit spread premium to the seller of protection
- Credit Events may include[1]
  - Failure to pay
  - Bankruptcy
- If no credit event occurs, the only cash flow is the quarterly premium paid by the buyer to the seller
- If a credit event occurs, the premium payments stop and the transaction is settled either physically or through a cash valuation mechanism
  - Physical: The buyer delivers to the seller Deliverable Obligation and the seller delivers 100% of the notional of the transaction to the buyer. Physical settlement is the market standard
  - Cash: A valuation mechanism is used to determine a "Final Price" for the defaulted obligations (generally a dealer poll) and the seller delivers the notional of the transaction x (100% - Final Price) to the buyer

(1) Please see appendix "Indicative Reference Portfolios & Definitions" for more details on Credit Event definitions.

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Structured Credit Tranches

Subordination and Tranche Size

- Structured credit relies on two key principles:
  - **Subordination**
    - The measure of losses that must occur within a portfolio before a tranche is at risk to loss
  - **Tranche size**
    - Reflects the notional (value-at-risk) of a structured credit investment
- In this example, the first loss tranche size is $100mm
  - $100mm of reference portfolio losses would need to occur before the second-loss tranche is subject to loss
  - Investors can thus create "credit enhanced" credit exposure through the use of subordination
- Tranche size is also a measure of leverage
  - For example, an investor may wish to invest $200mm into the same 10% first loss tranche - and thus would reference a portfolio of $2bn rather than $1bn
- Combined with tranche size, varying levels of subordination enable investors to tailor both the structural leverage and the risk/return profile of their investment

Indicative structure– diagram not to scale

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Synthetic CDOs
Structure

- Investors customize tranche risk/ return profile by specifying tranche subordination and tranche size
- Investors can create rated "credit enhanced" credit exposure through the use of subordination
  - In this example, the AAA rated tranche subordination is 10% ($100mm)
  - $100mm of reference portfolio losses would need to occur before the AAA tranche is subject to loss
- Tranche size is a measure of leverage
  - In this example, the AAA rated tranche size is 3% ($30mm)
  - Once portfolio losses reach 10% ($100mm), the tranche can withstand an additional 3% ($30mm) portfolio losses before exhaustion

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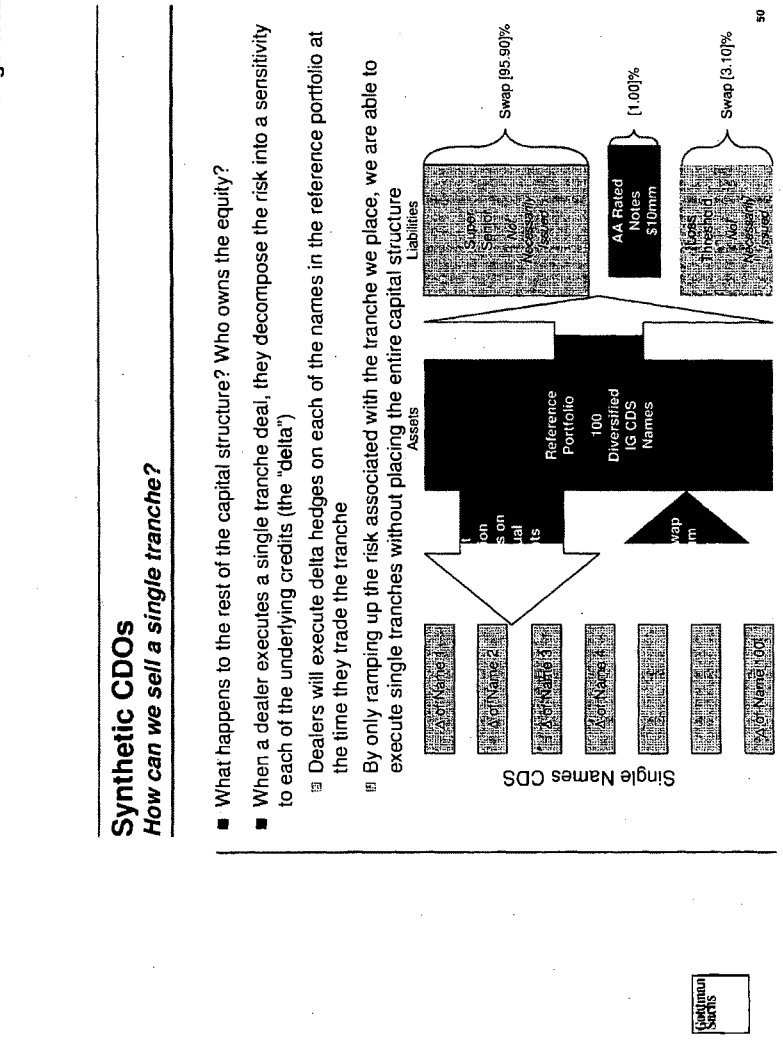
Synthetic CDOs

How can we sell a single tranche?

- What happens to the rest of the capital structure? Who owns the equity?
- When a dealer executes a single tranche deal, they decompose the risk into a sensitivity to each of the underlying credits (the "delta")
  - Dealers will execute delta hedges on each of the names in the reference portfolio at the time they trade the tranche
  - By only ramping up the risk associated with the tranche we place, we are able to execute single tranches without placing the entire capital structure



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Credit-Linked Notes
Transaction Structure Overview

- A special purpose vehicle (SPV) issues notes to the investor
- The SPV uses the proceeds of the notes to purchase investment-grade (IG) collateral and receives the Collateral Coupon
- The SPV enters into a credit swap with Goldman Sachs (GS)

(1) All coupons are accrued and payable on outstanding notional.
(2) Credit swap losses are paid to Goldman Sachs as incurred through redemption of collateral at par

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Concerns Around Credit Resolved

Traditional reasons to limit credit exposure	Structured credit resolves past issues
Lack of internal expertise and infrastructure required for corporate credit analysis	Systemic risk exposure achieved utilizing existing knowledge of structures
View balance sheet as already containing sufficient credit risk	Negative correlation to mortgage products may provide needed asset class diversity
Regulatory capital requirements have traditionally limited the ability to efficiently gain systemic credit exposure (corporate bonds 100% risk weighting)	Capital efficiency achieved through ability to invest in rated securities with enhanced returns
Introducing credit to portfolio may cause earnings-based mark-to-market volatility	FASB amendments may allow tranche notes to be classified as Available for Sale securities[1]

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Synthetic CDOs
Relative Value & Yield Enhancement

- Structured credit/product investments produce higher yields than comparably rated single name investments through structural leverage and exposure to "systemic" rather than idiosyncratic risk
- Structured credit market may enable managers to articulate views without taking as much idiosyncratic credit risk and may potentially generate benefits from these non-economic driven technicals

(1) Indicative only. Source: Goldman Sachs June 1, 2006.

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Systemic vs. Idiosyncratic Risk

High Yield Credit Migration

- Individual credit selection
- Idiosyncratic risk
- Asymmetric risk

vs.

Structural Yield / Credit Enhancement

- Portfolio credit selection
- Diversification
- Subordination
- Structural leverage

- Tight spread and yield environment has triggered an extensive search for yield
- Increased single name exposure to higher yielding credits may increase idiosyncratic and asymmetric risk
- Structured credit/product investments rely on two key principles:
  - Subordination: measure of losses that must occur within a portfolio before a tranche is at risk to loss
  - Tranche size: reflects the notional (value-at-risk) of a structured credit investment
- Through the use of subordination investors can take highly rated exposure to lower rated collateral and articulate a systemic as opposed to idiosyncratic view on credit

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Trading Flexibility

- The Manager will have the flexibility to trade the underlying Reference Portfolio – and trading will affect the subordination of the tranches
  - Typical trading is defensive – taking out wide spread names and replacing them with tighter names. These trades will results in a reduction in subordination
  - Manager can also take a view on the credit by taking out a tight spread name and replacing with a wider name for credits where the Manager believes that the new credit is trading wider than is reflected by the fundamental credit risk
    - These trades will result in an increase in subordination
- Trades will be subject to the following restrictions
  - Turnover Limit
  - Regional and industrial diversity requirements, spread distribution test. These are designed to ensure that the overall correlation and spread distribution of the portfolio remain broadly the same
  - S&P CDO Monitor Test – S&P require the S&P CDO Monitor to be run before each trade to ensure that the rating of each tranche is not adversely affected by the trade
  - Minimum Subordination for the lowest rated tranche of [2.0%]
  - Maximum increase in subordination from spread widening trades equal to [1.0%]
- There will not be any coverage tests as the Manager's incentives are aligned with those of Investors through ownership of the notes
- Typical Trade Flow
  - Manager will have the ability to price check the levels quoted by GS with other dealers and trade at best market prices

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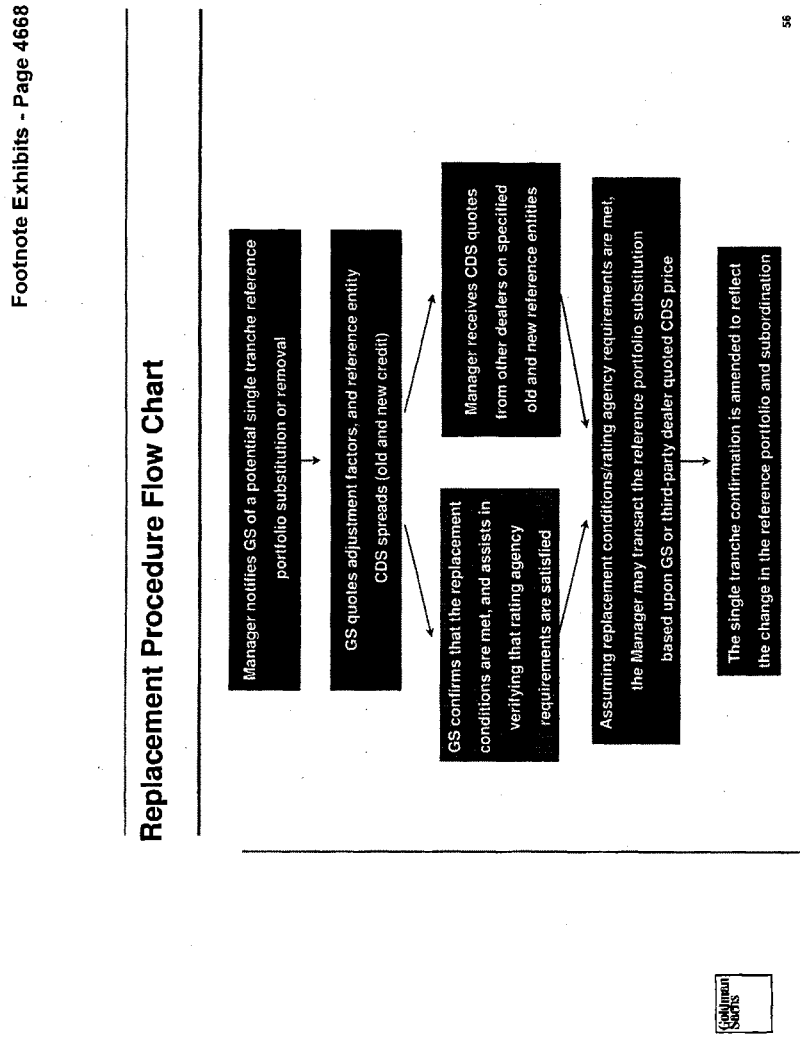

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Effect of Trading on Subordination

- Any change in subordination will be determined by the change in spread of the Reference Entity being removed, and the new Reference Entity (determined at the time of switch), obligor percentage and an adjustment factor:
  - **Subordination reduction = (Spread Old – Spread New) x Adjustment Factor x Obligor Percentage**
- What is the rationale behind Adjustment Factors?
  - When Manager trades a name, this changes the value of the portfolio credit default swap
  - In order for the substitution cost to be zero, the value of the portfolio credit default swap must remain the same – hence subordination must be changed
  - The Adjustment Factor is determined at the time of trading such that the net change in value is zero
- What determines the Adjustment Factor?
  - Adjustment Factors are determined by a number of variables that also determine the value of a tranche:
    - Time to Maturity
    - Absolute spreads and distribution of spreads in portfolio
    - Subordination of tranches
    - Recovery rates and recovery volatilities
    - Correlation between credits
- Since Adjustment Factors depend on a number of variables, it will be impossible for GS to predict what the Adjustment Factors will be at the outset of the transaction - this will be driven by the market conditions at the time of trading - hence, Adjustment Factors will be quoted at the time of the trade

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Trading Example

- One year after the Effective Date, the spread of a Reference Entity has widened significantly since the original inclusion of that Reference Entity in the Portfolio. Manager is concerned about the increased potential for that Reference Entity to suffer a Credit Event and so wishes to replace that Reference Entity for a new Reference Entity which is trading at a much tighter spread
- The following conditions exist:
  - Offered side spread of Reference Entity to be replaced = 600 basis points
  - Bid side spread of Replacement Reference Entity = 100 basis points
  - Let the Adjustment Factor = [5.1]
  - All trading tests are satisfied
  - The average spread of the portfolio is [1.00]%
  - No defaults nor earlier trading since transaction start, hence subordination of mezzanine tranches = 5.1%
- Given the above, all the conditions necessary for Replacement have been met. The adjustment to the subordination is then calculated as follows:
  - **SpreadOld'** = 600 basis points
  - **SpreadNew'** = 100 basis points
  - **Adjustment Factor** = [5.1]
  - **Adjustment Percentage** ≈ (6.00% - 1.00%) x [5.1] x 0.67% ≈ 0.17%
  - **New Subordination for mezzanine** ≈ 5.10% - 0.17% ≈ **4.93%**

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Case Study: Yankee Bank

- **Account Profile:** Yankee bank looking to purchase assets for securities arbitrage vehicle
- **Organizational Structure:**
  - Pre-transaction: Two synthetic CDO investments at home office level
  - Post-transaction: Decision making capabilities assumed by regional office assuming transactions fall within predetermined guidelines designed by credit committee
- **Portfolio:**
  - 188 name, 100% IG, globally diversified portfolio
  - Trade executed with significant subordination above Moody's AAA for purposes of improved ratings stability
- **Process:**
  - GS worked with regional and home office teams and gained CFO approval
  - Client did not apply fundamental analysis to specific credits but rather worked within predefined parameters for portfolio characteristics
  - Client sought wider spectrum of decision making authority for future transactions
- **Conclusion:** Client has now executed the first in a series of trades for 2006

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Agenda

Executive Summary [redacted]

Evaluating Asset Classes [redacted]

Cash CDO Overview [redacted]
- Cash Collateralized Debt Obligations (CDOs)
- Cash Collateralized Loan Obligations (CLOs)

Synthetic CDO Overview IV
- Corporate Credit
- Asset Backed Securities (ABS)

Appendix – Disclaimers & Risk Factors [redacted]

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Overview of Structured Product Synthetics

- Structured product synthetics are credit derivatives referenced to a single underlying structured product security or to a basket of underlying structured product securities
  - Prime, Alt-A and Subprime RMBS
  - CMBS
  - Consumer ABS
  - Cash CDOs
- Market activity has been concentrated in real estate-related sectors of the structured finance market (i.e., RMBS and CMBS)
- The structured product synthetics market is expected to continue to exhibit rapid growth over the next few years, consistent with the trend line in the corporate credit derivatives market
- Structured product synthetics consist of:
  - **Single-name CDS:** Credit default swap (CDS) on a single reference obligation allowing investors to go long or short credit risk on a specific structured finance security synthetically
  - **Basket/Index Trades:** CDS on an unlevered basket of underlying reference obligations – equivalent to a basket of single-name CDS
  - **Levered Synthetics:** single tranche synthetic structured product CDOs backed by a portfolio of single-name structured product CDS, enabling investors to gain exposure to structured product cashflows in a levered synthetic fashion

Please see the draft transaction Confirmation for full details of trade mechanics. All materials contained herein are for discussion purposes only and will be superseded by full legal documentation in the event the parties decide to enter into any transaction

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Overview of Structured Product Synthetics
The Basics

- Basics of structured product synthetics
  - Long credit (sell protection) or short credit (buy protection)
  - CDS trade references a specific CUSIP or basket of CUSIP's
  - Trades generally remain outstanding to the term of the underlying reference obligation
  - Notional balance is not constrained by the size of the cash security, and amortizes in parallel with the reference security
- Trade details are documented in a confirmation
  - Confirm details credit events, settlement mechanics, etc. of trade
  - ISDA released a standardized confirm for trading RMBS and CMBS reference obligations in June 2005 (updated in January 2006)
- Documents needed to trade
  - Legal
    - ISDA Master Agreement for derivative trades and related supporting documents
    - Credit Support Annex
    - CDS confirm (for each trade)
  - Credit
    - Credit lines: Margin is required initially and ongoing based on the mark-to-market of the contract
    - Counterparty suitability

Please see the draft transaction Confirmation for full details of trade mechanics. All materials contained herein are for discussion purposes only and will be superseded by full legal documentation in the event the parties decide to enter into any transaction

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Overview of Structured Product Synthetics

Structured Product Single Name CDS Sample Terms

Underlying

- Designated specific reference obligations along with the initial face amount

Payments

- Fixed payments (paid by protection buyer): CDS premium, Act/360 basis, paid monthly / quarterly
- Floating payments (paid by protection seller): Upon the occurrence of a credit event, the applicable settlement amount
- Additional fixed payments (paid by protection buyer): Upon the occurrence of a reimbursement of any prior floating payments, the applicable reimbursement amount

Please see the draft transaction Confirmation for full details of trade mechanics. All materials contained herein are for discussion purposes only and will be superseded by full legal documentation in the event the parties decide to enter into any transaction

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Overview of Structured Product Synthetics

Structured Product Single Name CDS Sample Terms (cont)

Notional Balance

- Notional balance is adjusted as follows:
  - Reduced by amortizations on the reference obligations
  - Reduced by writedown amounts and principal shortfalls
  - Reduced by physical settlement
  - Increased by writedown reimbursements

Credit Events	Settlement Amount
Failure to pay principal	Percent of class principal not paid x notional
Writedown	Percent of class written down x notional
Downgrade to CCC / Caa3	Physical settlement only

- Optional physical settlement after any credit event

The PAUG includes a provision for giving an option to the protection buyer to terminate the contract in part or in whole by delivering the reference obligation. This feature, called the "Physical Settlement Option," is triggered by any credit event

Please see the draft transaction Confirmation for full details of trade mechanics. All materials contained herein are for discussion purposes only and will be superseded by full legal documentation in the event the parties decide to enter into any transaction

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Overview of Structured Product Synthetics
Structured Product Single Name CDS Sample Terms (cont)

Interest Shortfalls

Should the reference obligation experience interest shortfalls, the CDS premium payable by potential buyer will be offset in part or in whole by such shortfall; unpaid CDS premium can be reimbursed should deferred interest on reference obligation be repaid

Coupon Step-up

A coupon step-up can be triggered for certain securities if such security is not called before a certain date before its final maturity. If the Step-up provisions in a PAUG CDS are elected, the protection buyer is given the option to terminate the contract if the coupon step-up occurs on the reference obligation to avoid paying higher premium. If the option is not exercised, the CDS contract will continue and the premium will be raised by an amount equal to the related step-up

Please see the draft transaction Confirmation for full details of trade mechanics. All materials contained herein are for discussion purposes only and will be superseded by full legal documentation in the event the parties decide to enter into any transaction

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Overview of Structured Product Synthetics

What is an Interest Shortfall?

- An interest shortfall occurs when current scheduled interest is not paid on the reference obligation
- Interest shortfalls can be driven by either credit problems on the assets underlying the reference obligation or by caps embedded in the structure
- For subprime RMBS and CMBS reference obligations, coverage of interest shortfalls by the protection seller can take the form of one of the following options:
  - **Cap Applicable – Fixed Cap:** Interest shortfall capped at the amount of CDS premium owed by the protection buyer in any period. Under this option, protection seller will not have to go out-of-pocket to cover interest shortfalls.
  - **Cap Applicable – Variable Cap:** Interest shortfall capped at an amount equal to LIBOR plus the CDS premium owed by the protection buyer in any period. Under this option, protection seller may have to go out-of-pocket to cover interest shortfalls.
  - **Cap Not Applicable:** Interest shortfall uncapped at the full coupon on the reference obligation. This trade can only be executed at a CDS premium rate equal to the margin above LIBOR or the associated benchmark rate in the coupon and therefore would likely involve upfront payments by either buyer or seller. Under this option, protection seller may have to go out-of-pocket to cover interest shortfalls.
- The specific form of the interest shortfall reimbursement amount can be selected by the 2 parties in the CDS transaction
  - Subject to pricing differences, based on the amount of interest shortfall risk covered
- GS has observed meaningful two-way flows under the Fixed Cap option
- Both the ABX.HE and CMBX indices are Fixed Cap Applicable

Please see the draft transaction Confirmation for full details of trade mechanics. All materials contained herein are for discussion purposes only and will be superseded by full legal documentation in the event the parties decide to enter into any transaction

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Overview of Structured Product Synthetics

Credit Events and Settlement Mechanics

Credit Event	Settlement Method	Applicable Structured Product Ref Obs
Failure to Pay Principal (FTPP): Usually occurs at the final maturity date of the reference obligation or upon liquidation of the related deal	Cash Settlement of principal shortfall; Optional Physical Settlement	All
Writedown: Occurs when the reference obligation is written down (or implicitly written down), often from realized losses	Cash Settlement of write-down amount; Optional Physical Settlement	RMBS, CMBS, CDO
Distressed Ratings Downgrade: Either Moody's, S&P, or Fitch downgrades the reference obligation to CCC (or its equivalent) or lower, or removes its public rating	Optional Physical Settlement	All excluding CMBS
Failure to Pay Interest (FTPI): Failure to pay scheduled interest for a specified number of months (i.e., 3 months for credit cards, 24 months for CDOs)	Cash Settlement equal to loss amount determined via dealer poll; Optional Physical Settlement	All excluding RMBS, CMBS

Please see the draft transaction Confirmation for full details of trade mechanics. All materials contained herein are for discussion purposes only and will be superseded by full legal documentation in the event the parties decide to enter into any transaction

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The New ABX/CMBX Indices

- CDS IndexCo
  - Owns and maintains the DJ CDX family of credit default swap (CDS) indices
  - Between $25 and $50 billion of CDX notional volume traded daily
  - Introduced second generation products such as index tranches and index options
- CDS IndexCo will apply a defined set of rules in order to construct a portfolio representative of each structured product sector's current market
  - ABX.HE began trading on January 19, 2006, and CMBX.NA on March 7, 2006

Source: Goldman Sachs, ABX.HE Launch Presentation: *ABX Indices: The New US Asset Backed Credit Default Swap Benchmark Indices* (CDS IndexCo LLC)

Notes:

1. ABX, ABX.HE, and CMBX.NA are service marks of CDS IndexCO LLC and have been licensed by Goldman, Sachs & Co.
2. The ABX.HE and CMBX.NA Indices referenced herein is the property of CDS IndexCO LLC and is used under license. The transactions described herein are not sponsored, endorsed or promoted by CDS IndexCO LLC or any of its members, other than Goldman, Sachs & Co. 69

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The ABX.HE and CMBX Indices
Highlights

- ABX.HE references 20 HEL ABS obligations and CMBX references 25 CMBS obligations
- The Indices comprise five subindices: AAA, AA, A, BBB and BBB-
- Each subindex, in turn, includes 20 Subprime Home Equity bonds or 25 CMBS securities
  - The reference obligations in each subindex comprise bonds at different rating levels
  - Bonds in each subindex are selected from the same set of reference entities
- Every six months, the Indices will be reconstituted using the same criteria
- On January 19, 2006, the ABX.HE began trading
  - As of March 27, we estimate that more than $30.0bn of trade notional has been executed on the ABX.HE indices
  - Goldman has executed more than $17.0bn of trade notional
- On March 7, 2006, the CMBX Index began trading

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The ABX.HE and CMBX Indices

Participants

Source: Goldman Sachs, ABX.HE Launch Presentation: *ABX Indices: The New US Asset Backed Credit Default Swap Benchmark Indices* (CDS IndexCo); Goldman Sachs, CMBX Launch Presentation: *CMBX Indices: The New US Commercial Mortgage Backed Credit Default Swap Benchmark Indices* (CDS IndexCo)

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The ABX.HE and CMBX Indices

Construction Criteria

	ABX.HE	CMBX.NA
Portfolio	20 deals in basket, with a new ABX.HE series expected to be launched approximately every 6 months	25 deals in basket, with a new CMBX series expected to be launched approximately every 6 months
Credit score	Each deal must have a maximum average FICO equal to 660	
Age	Each tranche must have settled within 6 months of the roll date	Each tranche must have settled within 2 years of the roll date
Weighting	Reference obligations equally weighted by initial par amount, with subsequent weightings evolving as a function of prepayment and credit experience of underlying transactions	Reference obligations equally weighted by initial par amount, with subsequent weightings evolving as a function of prepayment and credit experience of underlying transactions
Lien type	The pool must consist of at least 90% first lien loans	
Diversification	–Limits same originator to 4 deals –Limits master servicer to 6 deals	–Limits same state to 40% –Limits same property type to 60%
Minimum deal size	$500mm	$700mm
Average life	Each tranche must have a weighted average life of 4-6 years as of the issuance date (except AAAs which must be greater than 5 years)	With respect to CMBX.NA.AAA only, expected weighted average life must be greater than 8y and less than 12y calculated using a 0% CPY

Source: Goldman Sachs, ABX.HE Launch Presentation: *ABX Indices: The New US Asset Backed Credit Default Swap Benchmark Indices* (CDS IndexCo); CMBX Launch Presentation: *CMBX Indices: The New US Commercial Mortgage Backed Credit Default Swap Benchmark Indices* (CDS IndexCo) 72

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Reference Entities for the ABX.HE 06-1 Series of Indices

Reference Entities for the ABX.HE 06-1
1. ACE SECURITIES CORP. SERIES 2005-HE7
2. AMERIQUEST MORTGAGE SECURITIES INC., SERIES 2005-R11
3. ARGENT SECURITIES INC SERIES 2005-W2
4. BEAR STEARNS ASSET BACKED SECURITIES 2005-HE11
5. CWABS ASSET-BACKED CERTIFICATES TRUST 2005-BC5
6. FIRST FRANKLIN MORTGAGE LOAN TRUST SERIES 2005-FF12
7. GSAMP TRUST 2005-HE4
8. HOME EQUITY ASSET TRUST 2005-8
9. J.P. MORGAN MORTGAGE ACQUISITION CORP. 2005-OPT1
10. LONG BEACH MORTGAGE LOAN TRUST 2005-WL2
11. MASTR ASSET BACKED SECURITIES TRUST 2005-NC2
12. MORGAN STANLEY ABS CAPITAL 2005-HE5
13. MERRILL LYNCH MORTGAGE INVESTORS TRUST, SERIES 2005-AR1
14. NEW CENTURY HOME EQUITY LOAN TRUST 2005-4
15. RASC SERIES 2005-KS11 TRUST
16. RESIDENTIAL ASSET MORTGAGE PRODUCTS SERIES 2005-EFC4
17. SECURITIZED ASSET BACKED RECEIVABLES 2005-HE1
18. SOUNDVIEW HOME LOAN TRUST 2005-4
19. STRUCTURED ASSET INVESTMENT LOAN TRUST 2005-HE3
20. STRUCTURED ASSET SECURITIES CORPORATION SERIES 2005-WF4

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Reference Entities for the CMBX.NA.1 Series of Indices

Reference Entities for the CMBX.NA.1
1. Banc of America Commercial Mortgage Inc., Series 2005-4
2. Banc of America Commercial Mortgage Inc., Series 2005-5
3. Banc of America Commercial Mortgage Inc., Series 2005-6
4. BEAR STEARNS COMMERCIAL MORTGAGE SECURITIES TRUST 2005-PWR10
5. Bear Stearns Commercial Mortgage Securities Trust 2005-PWR9
6. BEAR STEARNS COMMERCIAL MORTGAGE SECURITIES TRUST 2005-TOP20
7. CD 2005-CD1 COMMERCIAL MORTGAGE TRUST COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES, SERIES 2005-CD1
8. COMMERCIAL MORTGAGE TRUST 2005-GG5
9. CSFB Commercial Mortgage Trust 2005-C5
10. CSFB Commercial Mortgage Trust 2005-C6
11. GE Commercial Mortgage Corp. Series 2005-C4
12. GMAC Commercial Mortgage Securities, Inc. Series 2006-C1 Trust
13. J.P. MORGAN CHASE COMMERCIAL MORTGAGE SECURITIES CORP., SERIES 2005-CIBC13
14. J.P. MORGAN CHASE COMMERCIAL MORTGAGE SECURITIES CORP., SERIES 2005-LDP4
15. J.P. MORGAN CHASE COMMERCIAL MORTGAGE SECURITIES CORP., SERIES 2005-LDP5
16. LB-UBS COMMERCIAL MORTGAGE TRUST 2005-C5
17. LB-UBS COMMERCIAL MORTGAGE TRUST 2005-C7
18. LB-UBS COMMERCIAL MORTGAGE TRUST 2006-C1
19. MORGAN STANLEY CAPITAL I TRUST 2005-HQ7
20. MORGAN STANLEY CAPITAL I TRUST 2005-IQ10
21. MORGAN STANLEY CAPITAL I TRUST 2006-TOP21
22. WACHOVIA BANK COMMERCIAL MORTGAGE TRUST COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES SERIES 2005-C21
23. WACHOVIA BANK COMMERCIAL MORTGAGE TRUST COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES SERIES 2005-C22
24. MERRILL LYNCH MORTGAGE TRUST 2005-LC1
25. MERRILL LYNCH MORTGAGE TRUST 2005-CKI1

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Trading the ABX.HE

The Mechanics

	Index at 100.00 Assumes Market Spread Equals Index Fixed Rate	
Trade Date	Index at 98.00	Index at 102.00
	■ Implies spreads have widened	■ Implies spreads have tightened
Trade Initiation	■ Buyer pays Seller 2% x (Notional) x (Factor)	■ Seller pays Buyer 2% x (Notional) x (Factor)
	■ Seller pays Buyer accrued premium from the end of the last accrual period until the trade effective date	■ Seller pays Buyer accrued premium from the end of the last accrual period until the trade effective date
Trade Termination	■ Seller pays Buyer 2% x (Notional) x (Factor)	■ Buyer pays Seller 2% x (Notional) x (Factor) Buyer pays
	■ Buyer pays Seller accrued premium from the end of the last accrual period until the trade effective date	■ Buyer pays Seller accrued premium from the end of the last accrual period until the trade effective date

Note: All financial information and other data shown are for illustrative purposes only and are not intended to represent an actual transaction
Source: Goldman Sachs, ABX.HE Launch Presentation: *ABX Indices: The New US Asset Backed Credit Default Swap Benchmark Indices* (CDS IndexCo)

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Trading the CMBX Index

The Mechanics

	Each CMBX Has a Fixed Rate	
Trade Date	Index quoted higher than Fixed Rate ■ Implies spreads have widened	Index quoted lower than Fixed Rate ■ Implies spreads have tightened
Trade Initiation	■ Buyer of protection (Index Buyer) pays the Seller of protection the difference in market value ■ Buyer of protection receives accrued premium from the Seller of protection for the period from the end of the last accrual period until the trade effective date	■ Seller of protection (Index Seller) pays Buyer of protection the difference in market value ■ Seller of protection pays Buyer of protection the accrued premium for the period from the end of the last accrual period until the trade effective date
Trade Termination	■ Seller of protection pays the Buyer of protection the difference in market value ■ Seller of protection receives the accrued premium from the end of the last accrual period until the trade effective date from the buyer of protection	■ Buyer of protection pays the Seller of protection the difference in market value ■ Buyer of protection pays the Seller of protection the accrued premium for the period from the end of the last accrual period until the trade effective date

Note: All financial information and other data shown are for illustrative purposes only and are not intended to represent an actual transaction
Source: Goldman Sachs, CMBX Launch Presentation: *CMBX Indices: The New US Commercial Mortgage Backed Credit Default Swap Benchmark Indices* (CDS IndexCo)

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ABX.HE Markets

Indicative Run on Bloomberg (as of 06/09/06)

Note: All financial information and other data shown are for illustrative purposes only and are not intended to represent an actual transaction

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CMBX Markets

Indicative Run on Bloomberg (as of 06/09/06)

Note: All financial information and other data shown are for illustrative purposes only and are not intended to represent an actual transaction

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Trading the ABX.HE and CMBX Indices

XYZ Sells Protection on $100mm on ABX.HE.A.06-1

- The Fixed Rate on ABX.HE.A.06-1 Index is 54bp per annum, payable monthly
- The mechanics described below work similarly for the ABX.HE and CMBX Indices

Fixed Rate Payer (Protection Buyer)	Floating Rate Payer (Protection Seller)
■ Pays 54bp per annum monthly to counterparty on notional amount ▫ Notional amount will decline over time based on the reference obligations amortization	■ Receives 54bp per annum monthly to counterparty on notional amount ▫ Notional amount will decline over time based on the reference obligation's amortization
■ Receives payments from the Floating Rate Payer in the event of the following: ▫ Interest Shortfall (capped at fixed rate) ▫ Principal Shortfall ▫ Writedown	■ Pays Fixed Rate Payer in the event of the following: ▫ Interest Shortfall (capped at fixed rate) ▫ Principal Shortfall ▫ Writedown
■ Pays in the event of the following: ▫ Interest Shortfall Reimbursement Amount ▫ Principal Shortfall Reimbursement Amount ▫ Writedown Reimbursement Amount	■ Receives payment in the event of the following: ▫ Interest Shortfall Reimbursement Amount ▫ Principal Shortfall Reimbursement Amount ▫ Writedown Reimbursement Amount

Note: All financial information and other data shown are for illustrative purposes only and are not intended to represent an actual transaction
Source: Goldman Sachs, ABX HE Launch Presentation: *ABX Indices: The New US Asset Backed Credit Default Swap Benchmark Indices* (CDS IndexCo); Goldman Sachs, CMBX Launch Presentation: *CMBX Indices: The New US Commercial Mortgage Backed Credit Default Swap Benchmark Indices* (CDS IndexCo)

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Index vs. Single Name Trades

Comparing a few features

	CMBS		Subprime ABS	
	Index	Single-Name	Index	Single-Name
Credit Events	FTPP, Writedown	FTPP, Writedown	FTPP, Writedown	FTPP, Writedown, Distressed Ratings Downgrade
Settlement	PAYG	PAYG, Optional Physical	PAYG	PAYG, Optional Physical
Interest Shortfall	Fixed Cap Applicable	Fixed Cap, Variable Cap, or Cap N/A	Fixed Cap Applicable	Fixed Cap, Variable Cap, or Cap N/A
Coupon Step-up	None	None	None	If clean-up call not exercised w/ Buyer's option to terminate
Trading Quotation	Spread	Spread	Price	Spread
Accruals	Act / 360	Act / 360	Act / 360	Act / 360
Effective Date	T + 0	T + 3 (generally)	T + 0	T + 3 (generally)
Settlement Date	T + 3	T + 3	T + 5	T + 3

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Key Features of Trade Mechanics[1]

Important Definitions, Valuable Dates and Margin Requirements

Important Definitions

- **Trade Date** – the day the trader says "done" and trade is executed
- **Effective date of trade** – same as trade date: when protection begins
- **Effective date of index (i.e. annex date)** – date the annex was initially published or revised
- **Settlement date** – date on which the premium is exchanged
- **Premium** – fee exchanged when trade is initially done comprising the market value of the trade and accrued interest since last payment date
- **Accrued interest** (in terms of premium) – interest accumulated from and including last payment date but excluding effective date of trade
- **Factor** – A change in the outstanding principal issuance i.e. % of principal unpaid on the reference obligation
- **Initial Fixed rate Payer Calculation period** – from and including last payment date but excluding the next payment date of the bond

Margin Requirements

GS Buys Protection

Rating	Initial Margin
AAA	0.75%
AA	1.25%
A	1.75%
BBB	3.25%
BBB-	4.50%
Speculative Grade	Case-by-case

GS Sells Protection

- Investment Grade underlier: no initial margin
- Speculative Grade: case-by-case basis (key considerations: fund's quality, liquidity of underlier)

Valuable Dates

- **Trade date** – T
- **Effective date of trade** – T+ 0
- **Markit Publish date** - 24 hours or less after trustee report is published (25th)

	COUPONS		FEES	
	Accrual Dates	Payment Delay	Upfront	Termination
ABX	25th - 25th	5 Business Day after 25th	T+5	T + 3
CMBX	25th - 25th	No payment delay	T + 3	T + 3

(1) Source: Goldman Sachs
Note : All financial information and other data shown are for illustrative purposes only and are not intended to represent an actual transaction

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Credit Event (Writedown)
XYZ Sells Protection on $100mm on ABX.HE.A.06-1

Credit Event – Writedown

- Reference Obligation Original Factor = 1.0; Current Factor = 0.7
- A Writedown occurs on a Reference Obligation, for example, in year 3, in the amount of 1% of its current principal balance
  - (Current Factor * Weighting * Loss) = (0.70 * .05 * .01) = .00035 = 0.0035%
- Protection Seller pays to Protection Buyer a floating amount (0.035% x 100MM)= $35,000
- Index notional amount on which premium is paid reduces by an additional 0.035%, in addition to the principal payments of the month
- Following the Credit Event, protection seller receives premium of [70] bps on the remaining index notional amount until the earlier of the next credit event or scheduled termination
- The mechanics described above work similarly for the ABX.HE and CMBX Indices

Note: All financial information and other data shown are for illustrative purposes only and are not intended to represent an actual transaction
Source: Goldman Sachs, ABX.HE Launch Presentation: *ABX Indices: The New US Asset Backed Credit Default Swap Benchmark Indices* (CDS IndexCo)

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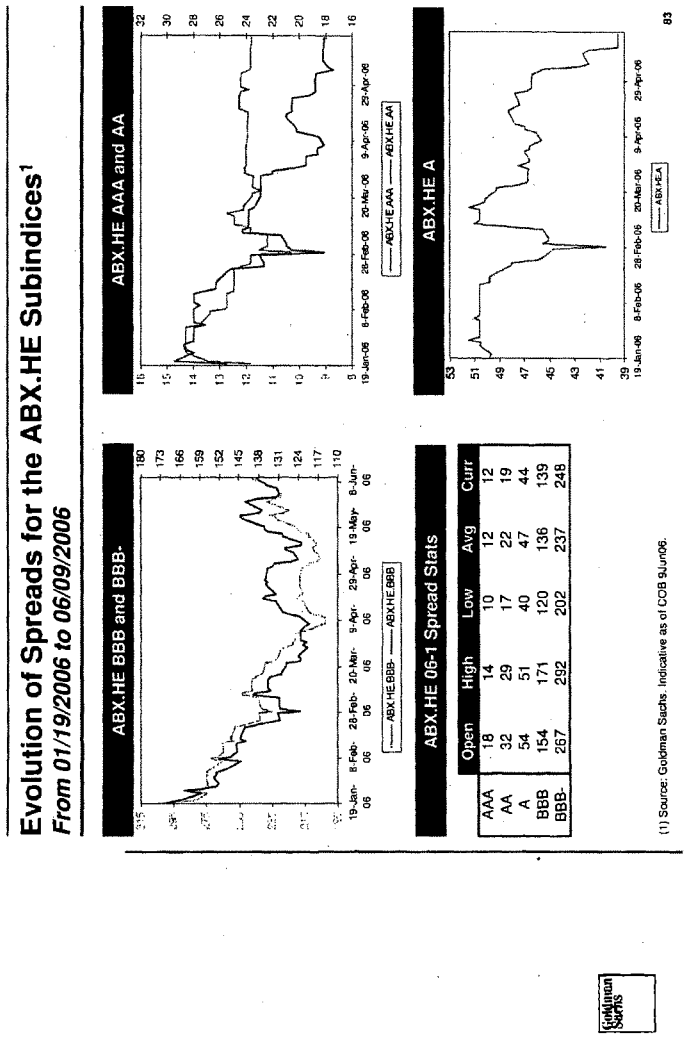

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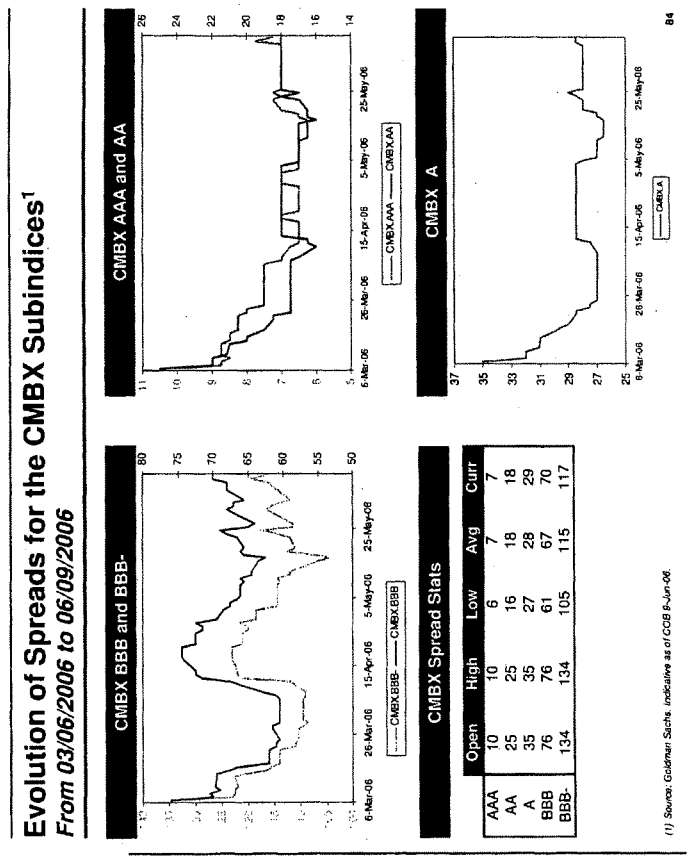

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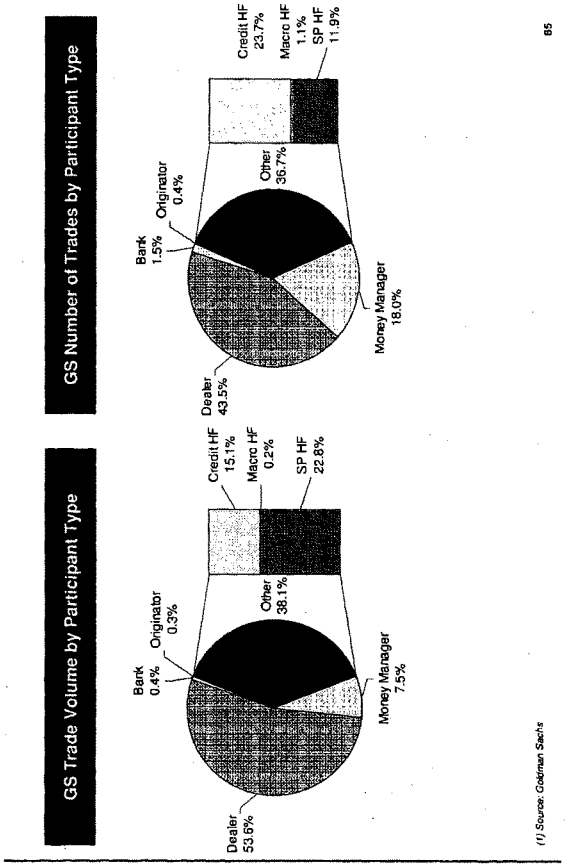
GS Transactions in ABX.HE Indices[1]

From 01/19/2006 to 05/11/2006



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GS Transactions in ABX.HE Indices[1]

From 01/19/2006 to 05/11/2006

GS Trade Volume by Rating

GS Number of Trades by Rating

86

(1) Source: Goldman Sachs

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Trade Ideas using the ABX.HE Indices

- Bearish view on housing/consumers:
  - Customers with this view have been selling the Index (shorting credit; buying protection) at the A, BBB, and BBB- level
- Credit steepener trades:
  - View is that credit curve will steepen with adverse developments for subprime credits
  - Fund shorts by selling protection higher in the capital structure
  - Most common: BBB- vs BBB, BBB vs AAA
- Transition Management:
  - Investors with cash to invest (or risk to add) have used the index to gain exposure to home equity spreads while they ramp up single-name or cash positions
  - Investors can scale out of the index as they put new cash to work (or add risk)
- ABS Basis trades:
  - Trading single names or cash vs the Index
  - Can structure positive carry trades or express leveraged views on particular names
  - Index arbitrage

Note: Past results are not indications of future performance.

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Trade Ideas using the ABX.HE Indices

Continued

- Hedging mortgage credit risk:
  - Originators have sold the index across the capital structure to hedge their origination pipelines
  - Originators or investors with positions in residuals have sold the BBB and BBB- Indexes to mitigate risk
  - Some originators view BBB/BBB- protection as cheap to mortgage insurance
- ABX vs corporate credit:
  - Hedge funds have traded BBB/BBB- vs correlated corporate credit such as consumer portion of CDX or HVOL

ABX.HE BBB- vs OTR CDX.IG[1]

ABX.HE BBB- vs OTR CDX.HVOL[1]

(1) Note. Past results are not indications of future performance. Indicative as of 6-Jun-06.

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Trade Ideas using the ABX.HE Indices

Continued

- ABX vs. Equities:
  - Equity accounts and macro hedge funds have used the Index (primarily BBB and BBB-) to hedge the residual risk in originator stocks
  - Short is funded by high dividend yield
  - ABX and equity housing indices such as the Philadelphia Housing Index (HGX <Index>) have become more correlated

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Trade Ideas using the ABX.HE Indices
Continued

- Tranching:
  - Significant interest/inquiry in tranches
  - Standardization, pricing, and liquidity should take time to evolve
- Options:
  - Hedgers have expressed interest in options strategies to mitigate risk
  - Similar in construction to options on CDX currently traded

Note: Past results are not indications of future performance.

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Update on the ABX.HE Bases[1]

As of 06/09/06

Indicative Basis Report[1]

Subindex	Index - CDS	CDS - Cash
AAA	0	-11
AA	1	-10
A	9	-3
BBB	30	10
BBB-	40	15

Reference Entities		Index - CDS Basis for BBB-
ACE	05-HE7 M9	15
AMSI	05-R11 M9	-10
ARSI	05-W2 M9	-15
BSABS	05-HE11 M8	0
CWL	05-BC5 B	-5
FFML	05-FF12 B3	35
GSAMP	05-HE4 B3	10
HEAT	05-8 B1	-35
JPMAC	05-OPT1 M9	40
LBMLT	05-WL2 M9	-10
MABS	05-NC2 M9	10
MLMI	05-AR1 B3	10
MSAC	05-HE5 B3	5
NCHET	05-4 M9	-10
RAMP	05-EFC4 M9	5
RASC	05-KS11 M9	-45
SABR	05-HE1 B3	15
SAIL	05-HE3 M9	-75
SASC	05-WF4 M9	35
SVHE	05-4 M9	15

(1) Source: Goldman Sachs
Note: Past results are not indications of future performance.

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ABX.HE BBB Basis[1]

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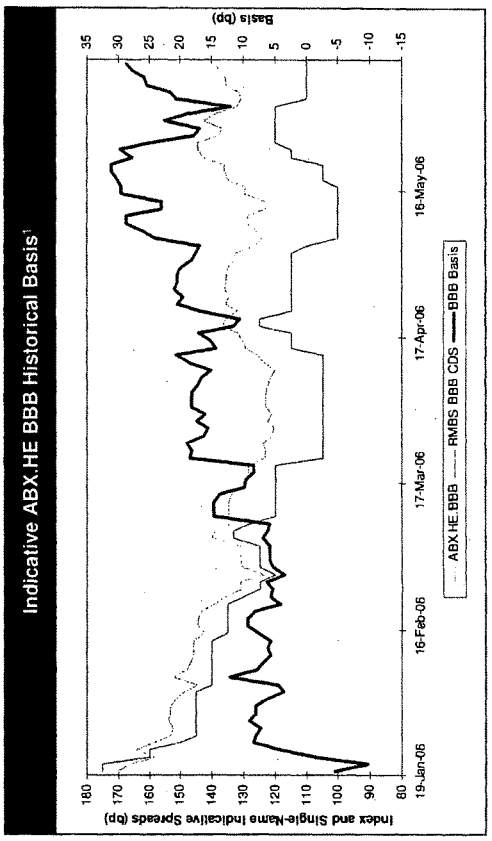

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(1) Note: Past results are not indications of future performance. Indicative as of 5-Jun-06.

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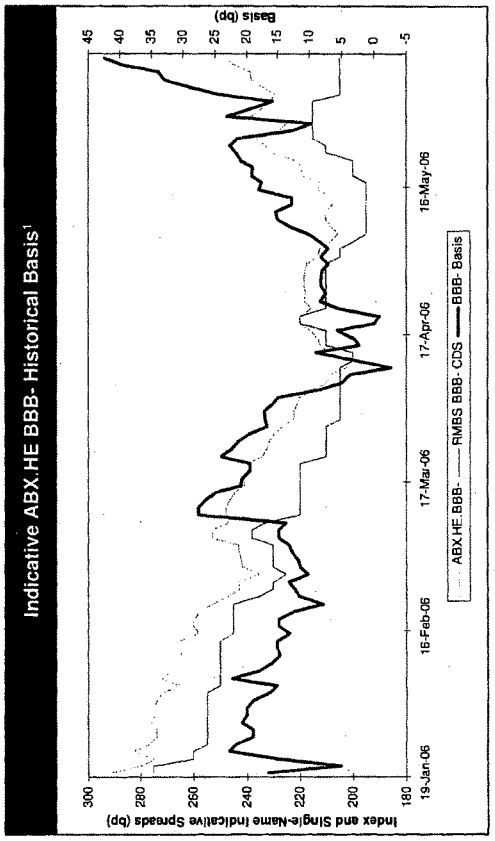
ABX.HE BBB- Basis[1]

As of 06/09/06



(1) Note: Past results are not indications of future performance. Indicative as of 6-Jun-06.

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Update on the CMBX Bases[1]

As of 06/09/06

Indicative Basis Report[1]

Subindex	Index - CDS	CDS - Cash
AAA	0	-20
AA	0	-15
A	1	-14
BBB	3	-6
BBB-	4	0

	Reference Entities		Index - CDS Basis for BBB-
BACM	2005-4	H	8
BACM	2005-5	H	8
BACM	2005-6	K	4
BSCMS	2005-PW10	K	0
BSCMS	2005-PWR9	J	3
BSCMS	2005-T20	J	0
CD	2005-CD1	J	9
CSFB	2005-C5	K	6
CSFB	2005-C6	J	4
GCCFC	2005-GG5	H	9
GECMC	2005-C4	J	4
GMACC	2006-C1	J	4
JPMCC	2005-CB13	H	0
JPMCC	2005-LDP4	H	3
JPMCC	2005-LDP5	K	4
LBUBS	2005-C5	K	-1
LBUBS	2005-C7	K	4
LBUBS	2006-C1	K	3
MLMT	2005-CKI1	H	1
MLMT	2005-LC1	H	6
MSC	2005-HQ7	K	5
MSC	2005-IQ10	H	1
MSC	2006-T21	H	3
WBCMT	2005-C21	H	6
WBCMT	2005-C22	J	6

(1) Source: Goldman Sachs
Note: Past results are not indications of future performance.

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CMBX BBB Basis[1]

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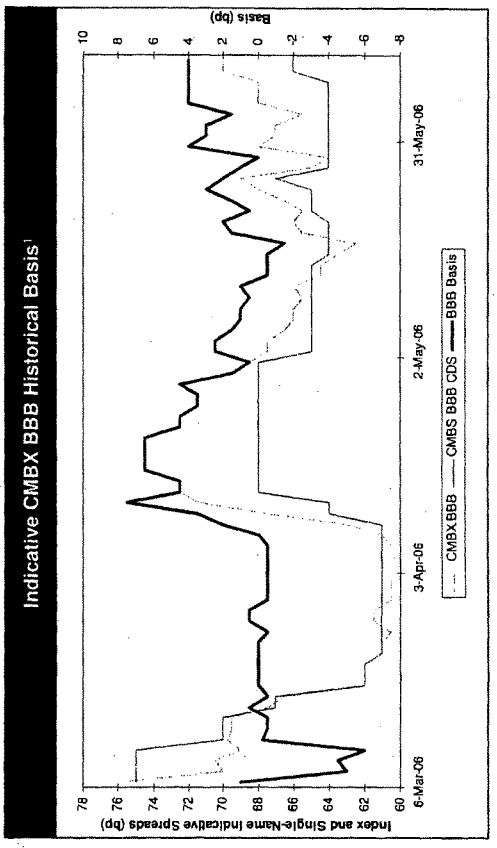

(1) Note: Past results are not indications of future performance. Indicative as of 6-Jun-06.

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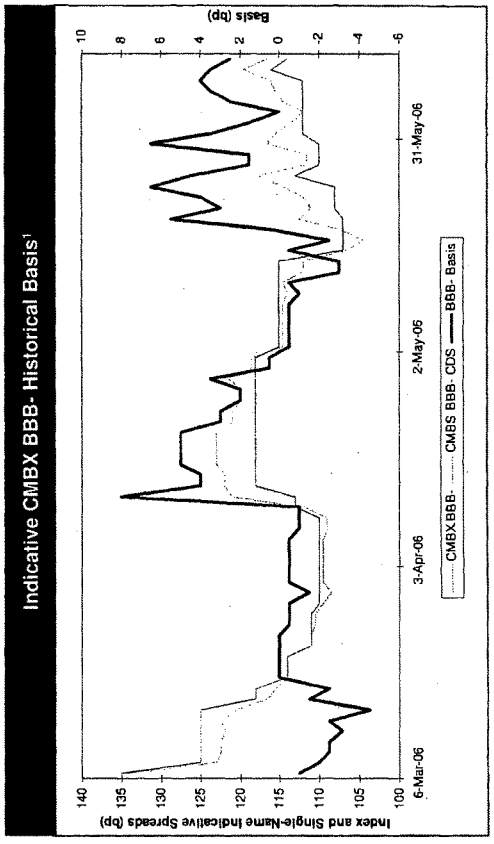
CMBX BBB- Basis[1]

As of 06/09/06



(1) Note: Past results are not indications of future performance. Indicative as of 6-Jun-06.

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Structured Credit Tranches

Benefits of Single-Tranche Synthetic Securitizations

- Increasing liquidity in the single name CDS market enables creation of pure bespoke synthetic structured product CDOs
- Investors can build customized synthetic structured product portfolios
  - Not limited by new issuance calendar and bond allocations
  - Not limited by cash bonds in dealer inventory
  - Customized by sector (e.g., RMBS, CMBS, ABS), rating, vintage, servicer, etc.
- Investors can tranche synthetic portfolio to meet various investment objectives
  - Rating of investment
  - Degree of term leverage
  - Spread
  - Currency denomination
- Credit-linked notes issued in such synthetic transactions are usually uncapped and cannot defer interest, even though many of the underlying reference obligations may have embedded caps and/or may be permitted to defer interest

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Structured Credit Tranches
Portfolio Selection Considerations

- Synthetic transactions have tended to focus on the sectors of the US structured products market that have either experienced or are expected to experience the heaviest activity in the single-name structured product CDS market
  - Prime, Alt-A and Subprime RMBS
  - US CMBS Conduits
  - Structured Product Cashflow CDOs and CLOs
  - Consumer ABS
- Most transactions are diversified across sectors
  - It is possible to structure single-sector transactions (i.e., 100% subprime RMBS)
- Portfolios referencing AAA through BB securities can be created, although the best liquidity is in the double-A through triple-B rated layer
- Most synthetic transactions focus on 2004, 2005 and 2006 vintage structured finance
- Reference portfolio can be static or dynamic, subject to constraints customized to investor requirements

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Structured Credit Tranches

Tranche and Structural Considerations

- After selecting a reference portfolio (or appropriate rules in the case of a dynamic portfolio), ratings can be assigned to particular risk layers ("tranches")
- Investors can select the tranche which best meets their investment guidelines with respect to ratings and leverage
- Structure and cash flow mechanics are very similar to corporate single-tranche synthetics
- Transactions run to the legal final of the underlying reference obligations (typically 40 yrs)
  - Most tranches will have a 7-12 year expected weighted average life
  - The actual principal amortization of the transaction tracks that of the reference portfolio
  - The average life will reflect any borrower prepayments/extensions, credit performance, and the underlying structure of the reference obligations
- Tranches are usually not subject to caps which may be embedded in the underlying reference obligations, although the cost of such caps and other embedded options will be reflected in the spread of each tranche
- Most transactions include an optional call exercisable after a non-call period
- For a customized rated transaction, investment size generally needs to be $50 million or more to justify the fixed costs incurred
- Goldman can offer tranches in liquid currencies other than US dollars

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Structured Credit Tranches
Overview of Credit-Linked Note Structure

- Investor purchases a credit-linked note (CLN) issued by an SPV issuer (the "issuer"), the proceeds of which are used to collateralize the notional amount of a credit default swap (CDS) referencing layers of risk of the reference portfolio
- GS acts as protection buyer, while the Issuer (and indirectly, the investor) acts as protection seller
- Under the CDS, Goldman pays a running premium which covers the spread paid to the investor as well as upfront and ongoing expenses of the CLN issuer
- Investor earns current interest at the stated floating coupon, accrued on the outstanding principal balance of the CLN
- The junior-most tranche of CLN may have credit enhancement via a subordinated first loss amount
- If a credit event occurs in respect of a reference obligation, a loss amount is calculated
- Any such loss amount is deducted from the first loss amount remaining, if any, after which:
  - The principal of the junior-most CLN is written down
  - Investor loses principal by the amount of such write down
  - Goldman is paid protection under the CDS equal to the amount of such write down
- CLN tranches are written-down by loss amounts in reverse sequential order of priority
- Principal amortization (in the absence of credit events) tracks that of the reference portfolio

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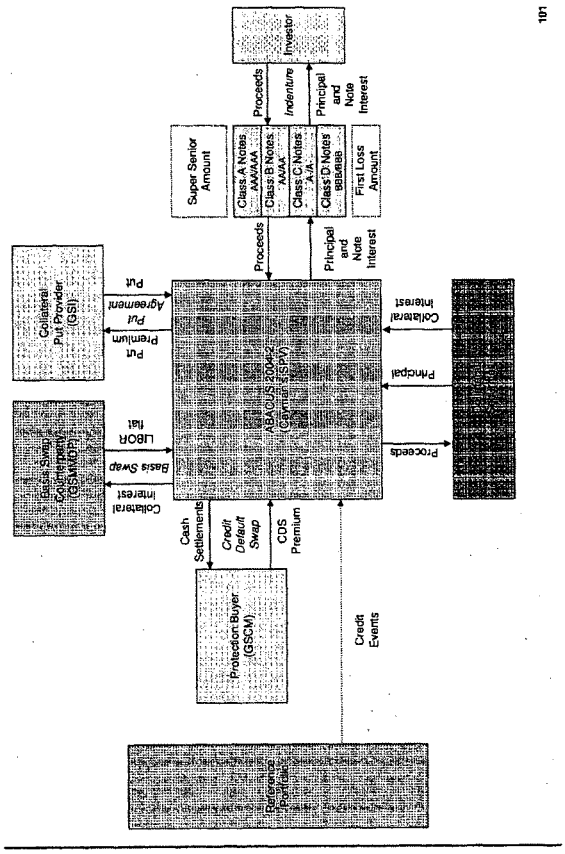
Structured Credit Tranches

Example Credit-Linked Note Structure Diagram



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GS MBS-E-002055471

ABACUS Program
Overview of ABACUS Transactions

- ABACUS is the GS brand name for single-tranche CLN issuances referencing portfolios comprised entirely of structured products
- GS completed 12 pure bespoke single-tranche structured product synthetics since 2004
- Since 2004, GS has distributed globally approximately $3.5bn of single-tranche CLNs to a variety of buy-and-hold investors seeking customized exposures to the US structured product market
- Through CLN issuance and tranched CDS trading, GS traded approximately $21bn notional amount of structured product credit risk
- Select sample transactions:
  - ABACUS 2005-4: $6.0bn AAA CMBS transaction
  - ABACUS 2005-2: $1.25bn single-A multi-sector transaction
  - ABACUS 05-CB1: $750mm third party managed transaction
  - ABACUS 2005-7: $100mm levered supersenior transaction

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ABACUS Program
ABACUS 2005-4: a Static "AAA" CMBS Transaction

- $6.0 billion static portfolio of 30 equally sized triple-A CMBS reference obligations
- GS issued $600mm of CLNs in six bespoke tranches rated by S&P and Moody's
- Transaction illustrates a recurring theme of taking levered exposure to a portfolio of low leverage credit risks
- Transaction that enables investors to take exposure to the AAA US CMBS conduit market on a floating rate basis at attractive spreads compared to the underlying risk
- GS is currently working on similar transactions referencing portfolios of junior "AAA" CMBS securities and "AA" CMBS securities

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ABACUS Program

ABACUS 2005-2: a Diversified Single-A Multi-Sector Transaction

- $1.25 billion portfolio with 100 reference obligations
- GS issued $212.5mm of CLNs in five bespoke tranches rated by S&P and Moody's
- "A2" reference portfolio weighted average rating
- Portfolio composed of Asset-Backed (10%), CMBS (20%), RMBS (55%) and CDO Cashflow securities (15%)
- Investors take levered exposure to a diversified portfolio of single-A rated structured product securities with credit enhancement protection. Such exposure is rarely available in the cash ABS CDO market
- Protection buyer has the right to substitute reference obligations in the reference portfolio subject to strictly defined rules customized by investors
- Substitution flexibility enables (a) GS to more easily manage its correlation book and (b) GS to pay significantly more spread to investors compared to the benchmark cash ABS CDO market

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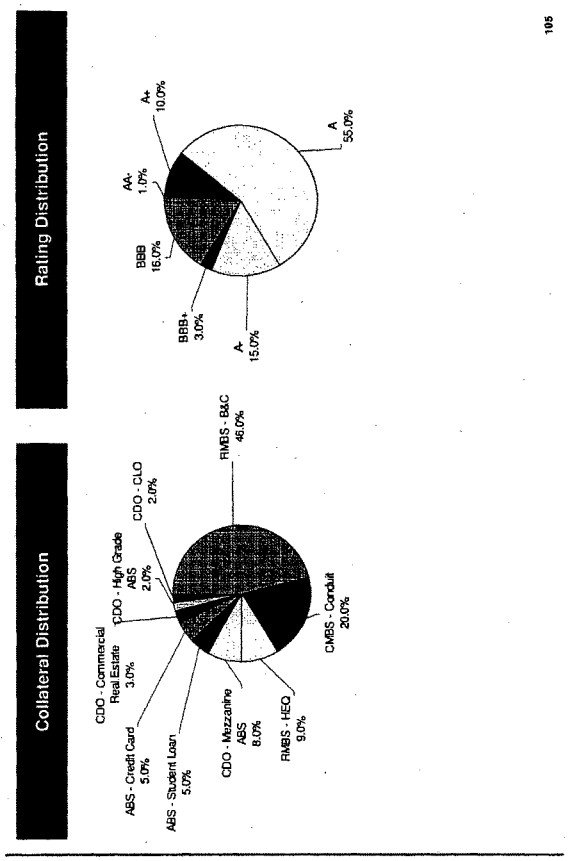
ABACUS Program

ABACUS 2005-2: a Diversified Single-A Multi-Sector Transaction



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ABACUS Program
ABACUS 2005-CB1: a Managed Subprime RMBS Transaction

- $750 million reference portfolio
- GS issued $238mm of CLNs in eight bespoke tranches rated by S&P and Fitch (excluding Super Senior, BB – rated and first loss tranches that were not offered)
- 481 WARF Reference Portfolio (Baa2/Baa3)
- C-BASS serves as Portfolio Advisor
- The Portfolio Advisor selects, monitors the Reference Portfolio and has defensive management rights with respect to the reference portfolio
- GS is working with first tier portfolio managers to bring pure bespoke managed structured product synthetic CDO transactions in a format similar to the ABACUS 2005-CB1 transaction

Illustrative only – diagram not to scale

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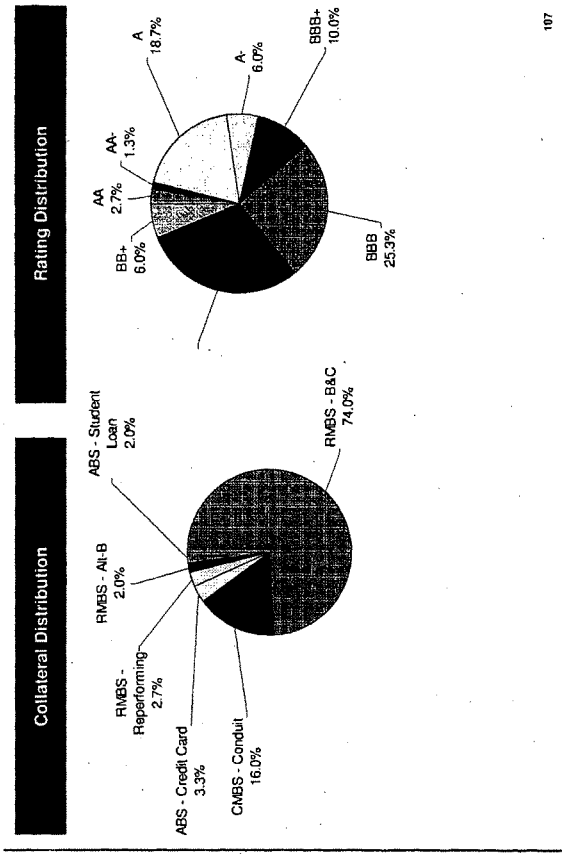
ABACUS Program

ABACUS 2005-CB1: a Managed Subprime RMBS Transaction



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ABACUS Program

ABACUS 2005-7: a Levered Super-Senior Transaction

- First ever rated levered supersenior transaction referencing structured product credit risk
- Transaction referencing the 10% - 100% supersenior tranche off a portfolio consisting of 30 equally sized triple-A CMBS reference obligations
- AAA/AAA (S&P/Fitch)
- GS issued $130mm credit linked notes with a 10x leverage multiple, transferring the credit and spread risk of $1.3bn notional supersenior tranche
- Transaction uses spread triggers referencing the reference portfolio average CDS spread
  - If the average reference portfolio spread breaches an unwind trigger, investor can either
    - Unwind the transaction at market, or
    - Purchase additional CLNs in order not to crystallize its mark to market loss
  - Several triggers structured, which are "AAA" remote, with gradual deleveraging
- ABACUS 05-7 enables a broad set of capital market investors to access supersenior credit risk, which used to be a risk available only to insurance companies
- GS is working with rating agencies to standardize the approach in order to replicate the levered supersenior format to other asset classes and other rating categories

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Case Study: Super Regional

- **Account Profile:** Super Regional creating billion dollar structured products portfolio
- **Organizational Structure:** Asset purchasing decisions centralized under structured products portfolio management team
- **Portfolio:**
  - Purchased AAA tranche of ABACUS 2005-04
    - Static triple-A CMBS transaction
    - 30 equally weighted triple-A reference obligations
- **Process:** Decision subject to committee review
- **Transaction:**
  - Identified need to incorporate commercial real estate assets to concentrate residential exposure
  - Looked to take levered exposure to portfolio of high quality credits
- **Conclusion:** Unwound trade to capture gains via roll down benefit

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Agenda

- Executive Summary
- Evaluating Asset Classes
- Cash CDO Overview
  - Cash Collateralized Debt Obligations (CDOs)
  - Cash Collateralized Loan Obligations (CLOs)
- Synthetic CDO Overview
  - Corporate Credit
  - Asset Backed Securities (ABS)
- **Appendix – Disclaimers & Risk Factors**

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PRIOR INVESTMENT RESULTS

Any prior investment results or returns are presented for illustrative purposes only and are not indicative of the future returns on the securities and obligations of the Issuer.

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Risk Factors

PROSPECTIVE INVESTORS SHOULD READ THE OFFERING CIRCULAR FOR A MORE COMPLETE DESCRIPTION OF RISK FACTORS RELEVANT TO A PARTICULAR INVESTMENT

- Purchasing the Securities involves certain risks. Prospective investors should carefully consider the following factors, as well as the risk factors included in the final Offering Circular, prior to purchasing the Securities. The following is not intended to be an exhaustive list of the risks involved in the Transaction.
- The final Offering Circular will include more complete descriptions of the risks described below as well as additional risks. Any decision to invest in the Securities described herein should be made after reviewing the Offering Circular, conducting such investigations as the investor deems necessary and consulting the investor's own legal, accounting and tax advisors in order to make an independent determination of the suitability and consequences of an investment in the Securities.

Leveraged Credit Exposure to Reference Entities

- Investors will have leveraged exposure to the credit of a number of Reference Entities because the notional amount of the Reference Portfolio is significantly larger than the principal amount of the Notes. Following either (1) the delivery of a Credit Event Notice by Goldman Sachs in relation to a Credit Event with respect to a Reference Entity and the satisfaction of the other Conditions to Settlement or (2) removal of a Credit Risk Reference Obligation by the Portfolio Advisor and the determination of a related Discount Amount, the outstanding principal amount of the investment may be reduced. Investors in the Securities may suffer significant reductions in their outstanding principal amounts. The maximum loss for investors is the full principal amount.

No Legal or Beneficial Interest in Obligations of Reference Entities

- Participation in the Transaction does not constitute a purchase or other acquisition or assignment of any interest in any obligation of any Reference Entity. Neither the Issuer nor investors will have recourse against any Reference Entities. Neither the investors nor any other entity will have any rights to acquire from Goldman Sachs any interest in any obligation of any Reference Entity, notwithstanding any reduction in the principal of the relevant class with respect to such Reference Entity. Neither the Issuer nor any investor will have the benefit of any collateral delivered by any Reference Entity nor any right to enforce any remedies against any Reference Entity.

Goldman Sachs

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Risk Factors

Tax/Regulatory Impact

- There may be a tax or regulatory impact of investing in the Notes. Goldman Sachs does not provide any opinion on these issues. Any investor should consult with its own advisors prior to investing in the Notes.

Limited Liquidity of the Transaction

- There is currently no market for the Securities. There can be no assurance that a secondary market for the Securities will develop or, if a secondary market does develop, that it will provide the holder of the Securities with liquidity, or that it will continue for the life of the Securities. Moreover, the limited scope of information available to the investors regarding the Reference Entities, the nature of any Credit Event, including uncertainty as to the extent of any reduction to be applied to the notional amount of each class if a Credit Event has occurred but the amount of the relevant reduction in the notional amount has not been determined, and the uncertainty regarding any Credit Risk Reference Obligation, including the ability of the Portfolio Advisor to remove such obligations from the reference portfolio at any time and the extent of any reduction to be applied to the notional amount of each class if and when such Credit Risk Reference Obligations is removed, may further affect the liquidity of the Securities. Consequently, any investor in the Securities must be prepared to hold such Securities for an indefinite period of time or until final maturity.

Mark-to-Market Risk

- Investors are exposed to considerable mark-to-market volatility following changes in any of the following: spreads of the credits in the Reference Portfolio, comparable CDO spreads, ratings migration in the reference portfolio, ratings migration of the Securities, ratings migration of the Collateral or issuers or providers thereof, and Credit Events in the Reference Portfolio (and hence reduction of subordination). These will be reflected in mark-to-market valuations which are likely to be more volatile than an equivalently rated unleveraged investment.

Credit Events may vary from Defaults

- Historical default statistics may not capture events that would trigger a Credit Event as specified under the Notes. All Credit Event definitions will be defined in the final legal documents and will be governed by the 2003 ISDA Credit Derivatives Definitions and any amendment or supplement thereto.

Credit Ratings

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

Goldman Sachs

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Risk Factors

Rating Volatility

- Rating agencies may from time to time change the ratings of the Notes (or the Reference Entities in the portfolio) even if no losses have been incurred under the Notes due to changes in rating methodology or rating migration of the Reference Entities in the portfolio. Due to the leveraged nature of the transaction, the rating may be significantly more volatile than corporate debt with an equivalent credit rating.

Certain conflicts of interest relating to Goldman Sachs and its Affiliates; No reliance

- Goldman Sachs does not provide investment, accounting, tax or legal advice and shall not have a fiduciary relationship with any investor. In particular, Goldman Sachs does not make any representations as to (a) the suitability of purchasing Securities, (b) the appropriate accounting treatment or possible tax consequences of the transaction as described herein (the "Transaction") or (c) the future performance of the Transaction either in absolute terms or relative to competing investments. Investors should obtain their own independent accounting, tax and legal advice and should consult their own professional investment advisor to ascertain the suitability of the Transaction, including such independent investigation and analysis regarding the risks, security arrangements and cash flows associated with the Transaction as they deem appropriate to evaluate the merits and risks of the Transaction.
- Goldman Sachs may, by virtue of its status as an underwriter, advisor or otherwise, possess or have access to non-publicly available information relating to the Collateral, the issuer(s) thereof, the Reference Entities and/or the obligations of the Reference Entities and has not undertaken, and does not intend, to disclose, such status or non-public information in connection with the Transaction. Accordingly, this presentation may not contain all information that would be material to the evaluation of the merits and risks of purchasing the Securities.
- Goldman Sachs does not make any representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained herein or in any further information, notice or other document which may at any time be supplied in connection with the Transaction and accepts no responsibility or liability therefore. Goldman Sachs is currently and may be from time to time in the future an active participant on both sides of the market and have long or short positions in, or buy and sell, Securities, commodities, futures, options or other derivatives identical or related to those mentioned herein. Goldman Sachs may have potential conflicts of interest due to present or future relationships between Goldman Sachs and any Collateral, the issuer thereof, any Reference Entity or any obligation of any Reference Entity.
- Goldman Sachs will act as the initial purchaser for all classes of Notes, and affiliates of Goldman Sachs will act as the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider and the Collateral Disposal Agent.

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Risk Factors

Risks Associated with Responsibilities of the Portfolio Advisor

- The exercise of responsibilities of the Portfolio Advisor by the Portfolio Advisor, particularly in the form of credit risk removals affecting the subordination of the Notes, can potentially (a) increase the risk of the investment by reducing the subordination and hence increase the probability of suffering an actual loss from a subsequent removal of a Credit Risk Reference Obligation or a Credit Event, (b) cause a rating downgrade of the Notes or (c) increase the mark-to-market volatility of the Notes.

Certain conflicts of interest relating to the Portfolio Advisor and its Affiliates

- The Portfolio Advisor and its Affiliates may invest or invest for the account of others in debt obligations that would be appropriate as Reference Obligations and/or Collateral Securities and have no duty in making such investments or to act in a way that is favorable to the Issuer or the Noteholders. The Portfolio Advisor and its Affiliates may have economic interests in, or other relationships with, issuers in whose obligations or securities are Reference Obligations and/or Collateral Securities.
- The Portfolio Advisor, its Affiliates or any account managed by any of the foregoing may make and/or hold an investment in an issuer's securities that may be *pari passu*, senior or junior in ranking to an investment in such issuer's securities made and/or held by the Issuer or in which partners, security holders, officers, directors, agents or employees of the Portfolio Advisor, its Affiliates or any account managed by any of the foregoing serve on boards of directors or otherwise have ongoing relationships. Each of such ownership and other relationships may result in securities laws restrictions on transactions in such securities by the Issuer and otherwise create conflicts of interest for the Issuer.

Reliance on Creditworthiness of the Collateral

- The ability of the Issuer of the Notes to meet its obligations under the Notes will depend on, amongst other things, the receipt by it of payments of interest and principal from the Collateral. Consequently, investors are exposed not only to the occurrence of Credit Events in relation to any of the Reference Entities and/or the removal of Credit Risk Reference Obligations from the reference portfolio, but also to the ability of the Collateral or the issuer or provider thereof, to perform its obligations to make payments to the Issuer of the Notes. Although at the time of purchase, such Collateral will be highly rated, there is no assurance that such rating will not be reduced or withdrawn in the future, nor is a rating a guarantee of future performance.

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Risk Factors

Creditworthiness of Goldman Sachs

- Premium payments will be required to be made by Goldman Sachs throughout the life of the transaction. Consequently, investors are exposed not only to the occurrence of Credit Events in relation to any of the Reference Entities, but also to the ability of Goldman Sachs to perform its obligations to make payments to the Issuer of the Notes, amongst other secured parties.

Historical Performance does not Predict Future Performance of Transaction

- Individual Reference Entities may not perform as indicated by historical performance for similarly rated credits. Furthermore, even if future credit performance is similar to that of historic performance for the entire market, investors must make their own determination as to whether the Reference Portfolio will reflect the experience of the universe of rated credits. Hence, the frequency of Credit Events experienced under the Notes may be higher than that of historical Credit Event rates, and that of future Credit Event rates for the entire market.
- The nature of, and risks associated with, the Issuer's future investments may differ substantially from those investments and strategies undertaken historically by such persons and entities. There can be no assurance that the Issuer's investments will perform as well as the part investments of any such persons or entities.

Projections, Forecasts and Estimates

- Any projections, forecasts and estimates contained herein are forward looking statements and are based upon certain assumptions that the Issuer considers reasonable. Projections are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the projections will not 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.

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From: Tourre, Fabrice
Sent: Wednesday, December 20, 2006 7:19 AM
To: Egol, Jonathan; ficc-mtgcorr-desk
Subject: Re: Paulson

Remember Paulson doesn't really care abt us placing bbb risk. They are mostly looking at higher rated layers of risk

---
Sent from my BlackBerry Wireless Handheld

[redacted] = Redacted by the Permanent Subcommittee on Investigations

----- Original Message -----
From: Egol, Jonathan
To: Tourre, Fabrice; ficc-mtgcorr-desk
Sent: Wed Dec 20 07:14:13 2006
Subject: Re: Paulson

Guys I think we need to be more mindful of distribution effectiveness if our goal is to place further down. So not sure aladdin or drcm rank highly. We know that if we show us with gsc or hbk (to name 2) [redacted] is in for 15mm single-As on the wire plus maybe triple-Bs. This does not cannibalize our other distribution because they like those two managers so much. Perhaps we should focus on hbk since we have lower chance to do other stuff with them.

----- Original Message -----
From: Tourre, Fabrice
To: Tourre, Fabrice; ficc-mtgcorr-desk
Sent: Wed Dec 20 06:39:28 2006
Subject: RE: Paulson

Am thinking also Aladdin, DRCM, Greywolf, and... Well, why don't we try GSC as well, I think it's a low delta but might be worth trying. Let's brainstorm so that we can identify a couple of managers that:

-- will be ok acting as portfolio selection agent
-- will not need to take risk
-- will be flexible w.r.t. portfolio selection (i.e. ideally we will send them a list of 200 Baa2-rated 2006-vintage RMBS bonds that fit certain criteria, and the portfolio selection agent will select 100 out of the 200 bonds)
-- will be ok working for at most $[750]k p.a. for 3 years, given a $2bn transaction where we distribute CLNs between 9% attach and 35% detach

-----Original Message-----
From: Tourre, Fabrice
Sent: Wednesday, December 20, 2006 11:31 AM
To: ficc-mtgcorr-desk
Subject: RE: Paulson

Agreed. Do we want to talk to Investec or TCW about this ? Trying to figure out what manager it makes sense to talk to... If you guys are ok, Gerstie and I will flash this idea by Loggins and/or Lalou/Pentreath to see if this makes sense

-----Original Message-----

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2496

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From: Williams, Geoffrey
Sent: Tuesday, December 19, 2006 5:48 PM
To: Tourre, Fabrice; Egol, Jonathan; Gerst, David; ficc-mtgcorr-desk
Subject: RE: Paulson

There are more managers out there than just GSC / Faxtor. The way I look at it, the easiest managers to work with should be used for our own axes. Managers that are a bit more difficult should be used for trades like Paulson given how axed Paulson seems to be (i.e. I'm betting they can give on certain terms and overall portfolio increase).

-----Original Message-----
From: Tourre, Fabrice
Sent: Monday, December 18, 2006 5:30 PM
To: Egol, Jonathan; Williams, Geoffrey; Gerst, David; ficc-mtgcorr-desk
Subject: Re: Paulson

Do you think gsc is easier to work with than faxtor ? They will never agree to the type of names paulson want to use, I don't think steffelin will be willing to put gsc's name at risk for small economics on a weak quality portfolio whose bonds are distributed globally

---

Sent from my BlackBerry Wireless Handheld

----- Original Message -----
From: Egol, Jonathan
To: Williams, Geoffrey; Gerst, David; ficc-mtgcorr-desk
Sent: Mon Dec 18 16:49:15 2006
Subject: Re: Paulson

Guys -- we should be suggesting GSC

----- Original Message -----
From: Williams, Geoffrey
To: Gerst, David; ficc-mtgcorr-desk
Sent: Mon Dec 18 12:48:00 2006
Subject: RE: Paulson

We already have a portfolio in front of Faxtor; they probably will be willing to structure a short that I believe we would want to keep for ourselves...not sure if this is the best fit.

From: Gerst, David
Sent: Monday, December 18, 2006 12:44 PM
To: Gerst, David; ficc-mtgcorr-desk
Subject: RE: Paulson

Spoke with Fabrice about this - he suggested Faxtor as a potential portfolio selection agent since they are relatively inexpensive and easy to work with.

From: Gerst, David
Sent: Monday, December 18, 2006 9:33 AM
To: ficc-mtgcorr-desk
Subject: Paulson

Paolo called to check in; he was concerned that his comments to the engagement letter had delayed us. I told him that the delay was still related to market conditions and deals in the pipelines and that we still needed to discuss his proposals with legal and rating agencies.

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Paolo also suggested that he was open to the use of a manager to select a portfolio and including some higher-rated names in the portfolio.

Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: (212) 902-4311 | Fax: (212) 256-2442
e-mail: david.gerst@gs.com

Goldman

S

achs

David Gerst
Structured Products Trading

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0001
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. HO-10911-A
ABACUS 2007 AC-1)

WITNESS: Fabrice Tourre
PAGES: 1 through 177
PLACE: Securities and Exchange Commission
100 F Street, NE, Room 4280
Washington, D.C. 20549
DATE: Tuesday, March 3, 2009

The above-entitled matter came on for hearing, pursuant to notice, at 10:18 a.m.

Diversified Reporting Services, Inc.
(202) 467-9200

0002
APPEARANCES:

On behalf of the Securities and Exchange Commission:
CREOLA KELLY, ESQ.
JASON M. ANTHONY, ESQ.
JEFF LEASURE
REID MUOIO
Division of Enforcement
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549
(202) 551-4408

On behalf of the Witness:
RICHARD KLAPPER, ESQ.

[redacted] Confidential Treatment Requested by Goldman Sachs

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2497

[redacted] iS MBS 0000022785

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[redacted] te Exhibits - Page 4734

Sullivan & Cromwell, LLP
125 Broad Street
New York, New York 10004-2498
(215) 558-3555

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JANET BROECKEL, ESQ.
Goldman, Sachs & Co.
One New York Plaza
New York, New York 10004
(212) 902-9690

0003

APPEARANCES (Cont.):

Also Present:
Jay Lee, SEC Intern

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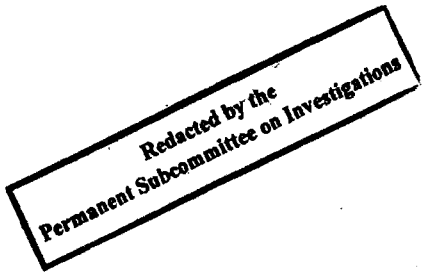

Q Could you again just tell us how those names were pulled together?
A Okay. They were pulled together by, you know, through discussions, through a variety of discussions between our desk, myself specifically, and Paulson and Paolo Pelligrini and Sihan, looking at, you know, securities issued, you know, since the beginning of 2006, which had specific, you know, criteria or specific concentrations in mortgages from, you know, interest-only mortgages to, you know, mortgages with a certain loan-to-value ratio, et. cetera.
BY MR. ANTHONY:
Q And in trying to sort of narrow this universe down, what were you looking for? Sort of what was the ultimate end to try to use these characteristics to find?
A We didn't narrow it down. We basically took the entire universe of subprime RMBS and applied a couple filters and that was it.
Q Okay.
A There was no narrow down.
Q And these filters were designed to do what?
A Well, I believe at that time that Paulson felt that these obligations or these type of characteristics may, you

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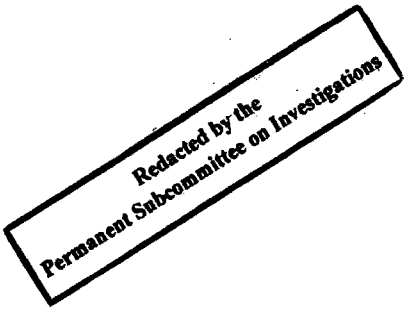
know, be, you know, weaker from the credit quality standpoint than other obligations that did not have those characteristics.



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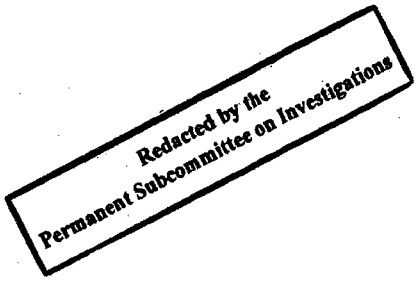

Q In this introductory paragraph, I guess you summarize the transaction and the offering to Paulson as protection, and the last sentence reads, Through this arrangement, Goldman is effectively working an order for Paulson to buy protection on specific AC-1 capital structure at or inside specific spread levels.

What did you mean by that?

A I m sorry. Where did you --

Q The last sentence.

A Last sentence. I think the order here is not used as a sort of legal concept but more the fact that Paulson had given us the inquiry to actually buy protection on layers of risk so that it would lead to our obligations and we were working towards, you know, hedging our risk by, you know, reoffering that risk in the market.

Q It says, At or inside specific spread levels. What s that mean?

A That means that Paulson had, you know, pricing

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objectives. They were comfortable buying protection only to the extent that the spreads they were paying were less than a certain level.

BY MR. LEASURE:

Q So did you have to match the spreads that Paulson was willing to pay with the spreads at which the CDO liabilities would be priced?

A No. In fact, I think the -- I mean, we bought protection at certain spread levels and we reoffered at different spread levels to --

BY MR. ANTHONY:

Q But your profit was the difference between those two, right?

A The profit was the difference between those two. I want to say no, because, as I mentioned, Goldman Sachs was not losing money on these transactions.

Q Well, I mean conceivably, right? And I think that point, you know, I think we ve yet to establish that definitively, but it s your testimony.

But, I mean, you obviously didn t go into this transaction with the intention of losing money, right? So the way in which you believed you would make money on this transaction was by offering a protection to Paulson at one spread and offering the protection in the market at a higher spread and keeping the difference, is that right?

A The opposite way around. I think, you know, when you say offering protection --

Q I m sorry. Yes, you re right.

A Yes, so there was -- as far as I remember, when we were buying protection from the market, you know, we were hoping to reoffer that protection to Paulson at a wider spread. It may have been at some point some, you know, formula at which, you know, we were discussing at which level we were going to reoffer that protection, but I don t remember the specifics of that.

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THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)

) File No. HO 10911 A

ABACUS CDO 2007 AC)

WITNESS: Paolo Pellegrini

PAGES: 1 through 207

PLACE: Securities and Exchange Commission

3 World Financial Center

New York, New York 10281

DATE: Wednesday, December 3, 2008

The above entitled matter came on for hearing, pursuant

to notice, at 10:11 a.m.

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2501

PSI-Paulson-04 (Pellegrini Depo)-0001

Diversified Reporting Services, Inc.

(202) 467 9200

APPEARANCES:

On behalf of the Securities and Exchange Commission:

JASON ANTHONY, Branch Chief

REID A. MUOIO, ESQ.

JEFFREY LEASURE, ESQ.

N. CREOLA KELLY, ESQ.

Division of Enforcement

Securities and Exchange Commission

100 F Street, NE

Washington, DC 20549

On behalf of the Witness:

BENITO ROMANO, ESQ.

MEILIN KWUN GETT, ESQ.

Wilkie, Farr & Gallagher

787 7th Avenue, #2

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(212) 728 8574

STUART L. MERZER, ESQ.

Senior Vice President

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Unsigned

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Footnote Exhibits - Page 4741

Also Appearing:

THANUS STEVENSON, Notary Public

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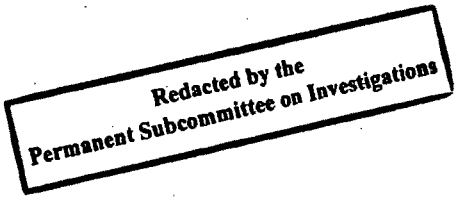

Q Well, we've alluded to the Abacus earlier. I wanted to sort of see if you could just tell us about the Abacus 2007 AC 1 deal. Just walk us through how it started and what you know about it.

A I mean essentially it's the same idea. We had Credit Opportunity II, and we needed to sort of buy protection for Credit Opportunities II. We looked at what was available in the market and what Goldman told us what they would be able to do; a deal similar to the deal we had done in 2006. But they needed to have a collateral selection agent.

And essentially the idea was that even though we didn't want to have the type of sort of expense and sort of complication of a managed deal, Goldman felt that they would be more comfortable if there was a CDO manager who selected the initial portfolio with us so that there was a little more sort of due diligence done rather than simply relying on the blanket criteria that we had been able to rely on in the past.

Unsigned

PSI-Paulson-04 (Pellegrini Depo)-0082

BY MR. ANTHONY:

Q What difference did it make to Goldman? Why did they want this?

A Well I think it was a marketing issue. So it was a matter of from what I understood, sort of investors feeling more comfortable if they had a collateral selection agent than if they didn't.

BY MS. KELLY:

Q How did you come to that understanding?

A Because the told me.

Q Who?

A I presume Fabrice.

Q Did he mention any particular investors or just generally investors would want an agent? A portfolio selection agent.

A He never mentioned any particular investors. So let's say it was a matter of sort of investors at that point in time given market conditions. So it would be a general statement.

BY MR. ANTHONY:

Q What was it about how the market had changed that sort of made this more important?

A Well people were sort of not as sure that subprime was going to do as well as they thought it was going to do sort of a few months earlier. So it was harder with the

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securities.

Q Then how did the inclusion of a collateral selection agent change that?

A Well because essentially having a collateral selection agent would mean that there is somebody with a reputation in the business looking at the securities and essentially agreeing to the composition of the portfolio. So I assume if you were an investor, you would take some comfort in that.

BY MR. MUOIO:

Q Now Fabrice's last name is Tourre.

A T O U R R E.

Q And did you discuss with Mr. Tourre how you and the collateral selection agent would sort of collaborate in choosing the reference portfolio? What that process would be?

A Not sort of in any formal way.

Q In any way? I mean how the two of you would work together?

A I mean basically I think we had already submitted a target portfolio. So they would comment, say what they wanted to take out, take their comments and make counterproposals. It would be like an interview process until we got a portfolio that we were all satisfied with.

Q Is this the first time you sort of done something

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like that?

A Yes.

Q And again, this was an idea that you came up with or that Mr. Tourre came up with?

A I think it was an idea that he came up with. I think it was just a general sort of trend in the market. Because people kind of liked the idea of sort of portfolio of subprime mortgages, liked the idea of static portfolios and sort of like felt that there was still some value that could be provided by traditional sort of CDO managers by helping select the initial portfolio.

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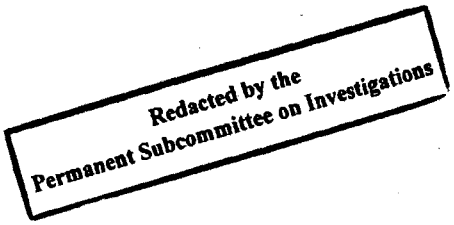

Q I get that. But then at some point I think, if I understood you correctly this morning, Mr. Tourre suggested that it would be easier to market or to find sort of a counterparty to your short trade if there was a portfolio selection agent involved. Right?

A Right.



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Q Did you ever have any sort of engagement letter with Goldman that described the mechanism for your short position?

A Yes. So I happened to have seen recently the engagement letter for the first Abacus trade. I don't believe there was an engagement letter for the second Abacus trade.

Q Why is that?

A Because Goldman got sort of comfortable that sort of it would execute. You know, they sort of didn't feel the need to formalize an engagement letter.

Q So did Goldman and Paulson & Co. have any discussions about or back and forth in terms of the language of an engagement letter at all with respect to the ACA AC 1 deal?

A Sort of for the ACA transaction I'm not sure. I'm not sure. I mean we definitely discussed the parameters of their compensation. So we had sort of a strike level for the sort of premium that we would pay on the different traunches. And there was sort of a formula that tied their compensation to sort of kind of the spread that they sort of presented to or that they would present to us. Frankly, whether they did achieve those spreads or different spreads. So once we kind of agreed on those parameters, I think they were containing some Excel files. I think that that was pretty much all that

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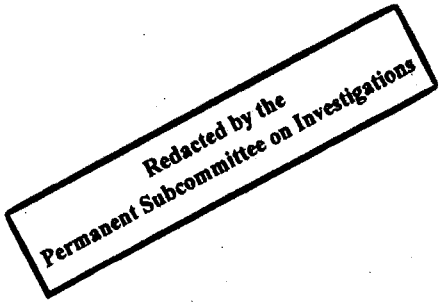
was involved in the sort of discussion of fees for Goldman on this transaction.



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Q You've just been handed what's been marked Exhibit 29. For the record, I'll identify it as a one page document Bates stamped Paulson Abacus 254458. It's an e mail from you to Sihan Shu and Rob Lerner. The subject line is "Priority Task". What is this e mail? Or what is Exhibit 29?

(Exhibit No. 29 was marked for identification.)

A It's just sort of asking them to come up with a portfolio, as I described to you earlier, of RMBS securities issued in 2006 with more than 80% adjustable rate mortgages and with a weighted average FICO score between 600 and 650. And finally, with a deal size in excess of $750 million. And

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the previous comment is that we got 111 million of subscriptions, so we needed to sort of buy protection to essentially invest that 111 million. And so we needed to put out a list of offers wanted in competition in addition to sending out the sort of list of obligation for sort of potential CDO similar to the one with that was later done with ACA and send them to Cohen. They are sort of three CDO managers.

Q So was this for a different deal than the one that ACA ended up being the portfolio selection agent? Or were they intentioned to be the portfolio selection agent for the Abacus deal?

A To tell you the truth, I forget now. Because I think that Cohen is actually both a broker dealer and a CDO manager. And sort of there was some sort of conversation to each of us following up. I think that Petra is one of the CDO managers to whom we were introduced by Merrill Lynch. And finally Tricadia is a unit of Mariner where I worked. And so I sent them sort of a proposed portfolio.

BY MR. ANTHONY:

Q Now this $111 million I think that you had talked about a number of times on the Opportunity Fund II was. With this much money would you be doing one CDO? Two CDOs?

A I think that this was kind of like you know, basically the idea is that with the $111 million we would be

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able to spend approximately 12% of that. So there would be $13 million. So sort of any kind of transaction where the cost of protection was less than $50 million a year would sort of be feasible with this kind of money.

Q And just for the you know, a billion dollars at 120 something basis points was your average cost of protection I think Abacus. Is that right? Roughly.

A I don't remember. It sounds like a reasonable number.

Q You know, 10, $12 million a year for a billion dollars of protection?

A Yes.

Q So then this implies that there is enough is subscriptions for only one billion dollar CDO?

A Yes.

Q So is it fair to then say that here you're looking for someone it roughly looks like it was the same time that you were talking to Goldman. So you're talking to a number of people about doing one CDO?

A Yes.

Q And then what was it that had you go with Goldman and ACA over Cohen, Petra, Tricadia, Merrill Lynch, Morgan Stanley, Deutsche Bank?

A As I said, ACA was the only one that kept going. These kind of fell by the wayside.

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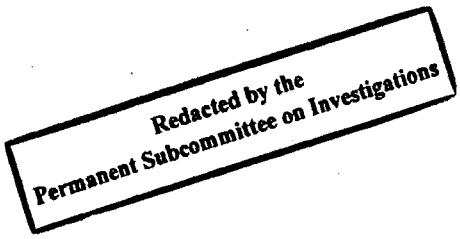

Q You had testified earlier that it was Goldman's idea to have a portfolio selection agent, correct?

A Right.

Q And you just as well could have done without one. Correct?

A Absolutely. Yes.

Q So why would you care if ACA relied on your analysis as opposed to their own?

A Well because I think that if they sort of relied on our analysis essentially it would place some responsibility on us.

BY MR. MUOIO:

Q Your portfolio analysis was designed in large part to identify bonds that weren't going to perform, right?

A Right.

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Q Because you wanted to short those bonds?

A Right.

Q And as far as you were aware, the focus of ACA's analysis of the portfolio was different, right?

A Exactly.

Q In fact, their aim was in many ways opposite your's?

A It was exactly opposite our's.

Q They were trying to identify bonds that in their view were going to perform.

A Exactly.

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From: Tourre, Fabrice
Sent: Wednesday, December 20, 2006 6:39 AM
To: Tourre, Fabrice; ficc-mtgcorr-desk
Subject: RE: Paulson

Am thinking also Aladdin, DRCM, Greywolf, and... Well, why don't we try GSC as well, I think it's a low delta but might be worth trying. Let's brainstorm so that we can identify a couple of managers that:

-- will be ok acting as portfolio selection agent
-- will not need to take risk
-- will be flexible w.r.t. portfolio selection (i.e. ideally we will send them a list of 200 Baa2-rated 2006-vintage RMBS bonds that fit certain criteria, and the portfolio selection agent will select 100 out of the 200 bonds)
-- will be ok working for at most $[750]k p.a. for 3 years, given a $2bn transaction where we distribute CLNs between 9% attach and 35% detach

-----Original Message-----
From: Tourre, Fabrice
Sent: Wednesday, December 20, 2006 11:31 AM
To: ficc-mtgcorr-desk
Subject: RE: Paulson

Agreed. Do we want to talk to Investec or TCW about this ? Trying to figure out what manager it makes sense to talk to... If you guys are ok, Gerstie and I will flash this idea by Loggins and/or Lalou/Pentreath to see if this makes sense

-----Original Message-----
From: Williams, Geoffrey
Sent: Tuesday, December 19, 2006 5:48 PM
To: Tourre, Fabrice; Egol, Jonathan; Gerst, David; ficc-mtgcorr-desk
Subject: RE: Paulson

There are more managers out there than just GSC / Faxtor. The way I look at it, the easiest managers to work with should be used for our own axes. Managers that are a bit more difficult should be used for trades like Paulson given how axed Paulson seems to be (i.e. I'm betting they can give on certain terms and overall portfolio increase).

-----Original Message-----
From: Tourre, Fabrice
Sent: Monday, December 18, 2006 5:30 PM
To: Egol, Jonathan; Williams, Geoffrey; Gerst, David; ficc-mtgcorr-desk
Subject: Re: Paulson

Do you think gsc is easier to work with than faxtor ? They will never agree to the type of names paulson want to use, I don't think steffelin will be willing to put gsc's name at risk for small economics on a weak quality portfolio whose bonds are distributed globally

---
Sent from my BlackBerry Wireless Handheld

----- Original Message -----

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2502

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From: Egol, Jonathan
To: Williams, Geoffrey; Gerst, David; ficc-mtgcorr-desk
Sent: Mon Dec 18 16:49:15 2006
Subject: Re: Paulson

Guys -- we should be suggesting GSC

----- Original Message -----
From: Williams, Geoffrey
To: Gerst, David; ficc-mtgcorr-desk
Sent: Mon Dec 18 12:48:00 2006
Subject: RE: Paulson

We already have a portfolio in front of Faxtor; they probably will be willing to structure a short that I believe we would want to keep for ourselves...not sure if this is the best fit.

From: Gerst, David
Sent: Monday, December 18, 2006 12:44 PM
To: Gerst, David; ficc-mtgcorr-desk
Subject: RE: Paulson

Spoke with Fabrice about this - he suggested Faxtor as a potential portfolio selection agent since they are relatively inexpensive and easy to work with.

From: Gerst, David
Sent: Monday, December 18, 2006 9:33 AM
To: ficc-mtgcorr-desk
Subject: Paulson

Paolo called to check in; he was concerned that his comments to the engagement letter had delayed us. I told him that the delay was still related to market conditions and deals in the pipelines and that we still needed to discuss his proposals with legal and rating agencies.

Paolo also suggested that he was open to the use of a manager to select a portfolio and including some higher-rated names in the portfolio.

Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: (212) 902-4311 | Fax: (212) 256-2442
e-mail: david.gerst@gs.com

Goldman

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achs

David Gerst
Structured Products Trading

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From: Tourre, Fabrice
Sent: Tuesday, January 09, 2007 6:21 PM
To: Kreitman, Gail
Cc: Gerst, David; ficc-mtgcorr-desk
Subject: For ACA

Gail: just a summary of ACA's role as "Portfolio Selection Agent" for the transaction that would be sponsored by Paulson (the "Transaction Sponsor"). Feel free to let David and I know if you have any questions.

-- CDO Transaction Size: between $1bn and $2bn notional
-- Reference Portfolio: static, fully identified upfront, and consisting of approx 100 equally-sized mezzanine subprime RMBS names issued between Q4 2005 and today. Starting portfolio would be ideally what the Transaction Sponsor shared, but there is flexibility around the names.
-- Portfolio monitoring required: none
-- Portfolio reinvestments required: none
-- Portfolio Selection Agent would be disclosed as having selected the Reference Portfolio
-- Portfolio Selection Agent would not be required to retain any risk in the CDO transaction, although it would have the option to buy CDO notes/unfunded swaps that will be distributed in the market.
-- Most likely no BWICs required to be run by the Portfolio Selection Agent
-- Timing: the Transaction Sponsor is working under the assumption that Goldman be in the market with this transaction early February

Contemplated Capital Structure -- subject to Reference Portfolio:

- [34]% - [100]%: unfunded supersenior tranche distributed to a supersenior protection writer
- [22]% - [34]%: Aaa/AAA class A tranche distributed broadly on a best efforts' basis by Goldman
- [15]% - [22]%: Aa2/AA class B tranche distributed broadly on a best efforts' basis by Goldman
- [9]% - [15]%: A2/A class C tranche distributed broadly on a best efforts' basis by Goldman
- [0]% - [9]%: pre-committed first loss

-- Economics: for transactions like this, where the Portfolio Selection Agent is not required to retain any risk, we have seen fees in the order of 15bps to 20bps paid on the portfolio notional amount. For example, for the Magnetar-sponsored trade (ACABS 2006-AQA) for which ACA acted as portfolio manager, ACA was paid 10bps senior and 10bps subordinated (i.e. at risk fees, just above the equity) on the portfolio notional amount. In the context of this transaction, ACA should be thinking about getting paid fees in the lower end of what they have received in the past for Magnetar-like transactions, since there is no management requirement and the transaction size is likely going to be larger than for a Magnetar transaction. In the context of this transaction, the portfolio selection fees will be paid in the form of a spread on the outstanding amount of the class A through class C tranches. For example, if the Portfolio Selection Agent was asking to be paid:

- Class A Portfolio Management Fee: 0.25% p.a. (the tranche is [12]% thick)
- Class B Portfolio Management Fee: 0.50% p.a. (the tranche is [7]% thick)
- Class C Portfolio Management Fee: 1.00% p.a. (the tranche is [6]% thick)

This would mean that if Goldman is able to distribute 100% of the class A, class B and class C notes, the Portfolio Selection Agent would, on a blended basis, receive 0.125% p.a. on the portfolio notional. This compensation structure aligns everyone's incentives: the Transaction Sponsor, the Portfolio Selection Agent and Goldman.

-- The Transaction Sponsor is in discussions with a couple of potential CDO managers, and will work with the manager who will provide the most appealing economic proposal and will be able to address all the stated objectives.

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2503

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From: Tourre, Fabrice
Sent: Thursday, January 04, 2007 8:32 PM
To: Sparks, Daniel L
Cc: Lehman, David A.; Ostrem, Peter L; Gerst, David
Subject: Paulson post

Dan -- per our discussion, we reached out GSC, Greywolf and ACA today re: acting as portfolio selection agent for a Paulson-sponsored trade.

1- GSC: Ed Steffelin and Josh Bissu at GSC are interested in meeting with the Paulson guys, this is likely going to happen tomorrow afternoon.

2- Greywolf: Mount and Marconi need to discuss whether the opportunity we are presenting to them is something they are interested in looking at, they are supposed to get back to me tomorrow.

3- ACA: Laura Schwartz at ACA is also interested in meeting them, this is likely going to happen early next week

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2507

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

In the Matter of:)

) File No. HO-10911-A

ABACUS CDO 2007-AC)

WITNESS: Sihan Shu

PAGES: 1 through 123

PLACE: Securities and Exchange Commission

3 World Financial Center

New York, New York 10281

DATE: Thursday, December 4, 2008

The above-entitled matter came on for hearing, pursuant to notice, at 10:07 a.m.

Diversified Reporting Services, Inc.

(202) 467-9200

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2515

PSI-Paulson-04 (Shu Depo)-0001

APPEARANCES:

On behalf of the Securities and Exchange Commission:

JASON ANTHONY, Branch Chief

REID A. MUOIO, ESQ.

JEFFREY LEASURE, ESQ.

N. CREOLA KELLY, ESQ.

Division of Enforcement

Securities and Exchange Commission

100 F Street, NE

Washington, DC 20549

On behalf of the Witness:

MEILIN KWUN-GETT, ESQ.

Wilkie, Farr & Gallagher

787 7th Avenue -- #2

New York, New York 10019

(212) 728-8574

STUART L. MERZER, ESQ.

Senior Vice President

Paulson & Co., Inc.

1251 Avenue of the Americas

50th Floor

New York, New York 10020

(212) 956-2054

Also Appearing:

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THANUS STEVENSON, Notary Public

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WITNESS	EXAMINATION
Sihan Shu	6

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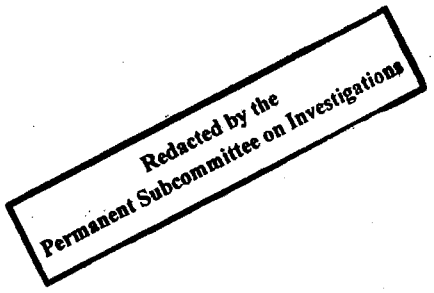

Q And who selected the 90 reference credits?

A We worked with Goldman in selecting, negotiating what mortgage backed securities we'd like to buy protection on.

Q And what was your role in that?

A I performed a collateral analysis on those reference obligations.

Q Can you explain that a little bit further?

A I basically used the same database I mentioned earlier-- Bloomberg, Loan Performance and Index -- to look at the collateral characteristics and collateral performance of these mortgage backed securities and to make selections to

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decide on which mortgage credit we believe will under perform in the future is subject to higher default rates in the future.

Q And what were the primary criteria that you were looking for?

A The primary criteria (1) we would like to buy protection on mortgage bonds with higher concentration in California, Florida, Arizona, Nevada which we believe are a bigger housing bubble than other areas in the country. We'd like to buy protection on mortgage bonds with a higher hybrid mortgage percentage. Because we believe these borrowers when their mortgage resets there will be a payment chunk.

Q Are you talking about adjustable rate mortgages?

A Adjustable rate mortgages. Yes.

Q You called them something else.

A It's called hybrid because it's fixed for a couple of years and then becomes floating.

Q Okay.

A So it's also called hybrid. But it is adjustment rate mortgages. Yes.

Q We'd like to buy protection on mortgage bonds with high percentage of limited documentation. Some borrowers can prove their income when they apply for the mortgage, some borrowers cannot. So we like to buy protection on mortgage

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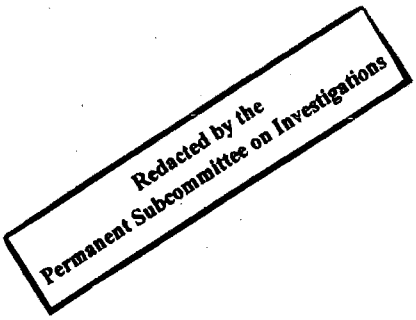
bonds where you have a higher limited documentation percentage.

Q And what was the end result of this analysis?

A The end result of the analysis is we picked some bonds we'd like to protection on.

Q How many?

A In Abacus CDO we have 90 bonds.



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January [ ], 2007

Paulson Credit Opportunities Master Ltd.
c/o Paulson & Co. Inc.
590 Madison Avenue, 29th Floor
New York, NY 10022

Dear Sirs:

This letter (the "**Letter Agreement**"), when countersigned by you, will confirm that Paulson Credit Opportunities Master Ltd. (Paulson Credit Opportunities Master Ltd., together with its affiliates, "**PCO**") has retained Goldman, Sachs & Co. to (1) purchase credit protection on the Targeted Tranches of a portfolio of residential mortgage backed securities (each, a "**Reference Obligation**", and collectively, the "**Reference Portfolio**"), through one or more credit default swaps (each a "**Back-to-Back CDS**") between Goldman and certain counterparties (each such counterparty, a "**Back-to-Back Protection Seller**") and/or through the offering of multiple tranches of secured securities (such securities, the "**Notes**") of a synthetic resecuritization (the "**CDO**") that are expected to be issued from a special purpose company (the "**Issuer**") and (2) simultaneously sell to PCO, subject to the provisions of Paragraph 10, credit protection through one or more credit default swaps between PCO and Goldman (each, a "**PCO CDS**") matching each Back-to-Back CDS and/or Issuer CDS (except to the extent described in this Letter Agreement). For the purpose of this Letter Agreement, "**Goldman**" means Goldman, Sachs & Co. or any of its affiliates, provided however, that Goldman Sachs & Co. will guaranty the performance of this agreement by any such affiliate. Capitalized terms used herein and not otherwise defined have the meanings assigned to such terms in Annex B attached hereto.

The final terms and conditions of any Notes issued in connection with the CDO and the final terms and conditions of any Back-to-Back CDS will be set forth in complete documentation suitable in form and substance to Goldman and PCO.

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
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1. Services of Goldman. It is currently contemplated that, in connection with the CDO, the Issuer will undertake one or more offerings and/or placements of securities (each an "**Offering**", the first such Offering, the "**Initial Offering**", and the securities placed, the "**Notes**"), pursuant to Regulation S and/or Rule 144A, as the case may be, under the Securities Act of 1933, as amended, in the United States or otherwise. It is agreed that Goldman, subject to the conditions herein, will be offered the right to act as the sole book-running lead manager and/or lead placement agent in each Offering. If Goldman agrees to act in such capacity, the Issuer and Goldman will enter into an appropriate form of underwriting, placement agency or other agreement relating to the type of transaction involved and containing customary terms and conditions, including provisions relating to our indemnity. Except to the extent that Goldman may separately commit in such an underwriting, placement agency or other agreement to purchase securities, there is no understanding or obligation, expressed or implied, on Goldman's part of a commitment by Goldman to act as underwriter or placement agent with respect to an Offering or to purchase or place any securities in connection therewith and that any securities will be placed on a best efforts basis. Goldman's execution of such underwriting, placement agency or other agreement will be subject in its complete discretion to, among other things, mutual agreement as to the underwriting and offering documentation and terms, satisfactory completion of its due diligence investigation, its internal approval processes and, of course, market conditions.

   In addition, there is no understanding or obligation, expressed or implied, on Goldman's part of a commitment by Goldman to enter into any Back-to-Back CDS and Goldman will only enter into such Back-to-Back CDS on a best efforts basis. Goldman's execution of any documentation related to a Back-to-Back CDS will be subject in its complete discretion to, among other things, mutual agreement as to the documentation and terms, its internal approval processes and, of course, market conditions.

   Subject to paragraph 8 of this Letter Agreement, the timing, amount and other terms of any issuance of the Notes or Goldman's entry into any Back-to-Back CDS shall be determined by Goldman in its sole discretion. Goldman agrees to consult with PCO regarding the timing of such issuance of the Notes or Goldman's entry into any Back-to-Back CDS. PCO agrees to promptly provide Goldman with all relevant information regarding the timing, status or other aspects of any other CDO transactions which may have a bearing on the marketing of the Notes or Goldman's ability to enter into any Back-to-Back CDS.

2. Contemplated Offering. We understand, in connection with the CDO, that when the Issuer offers Goldman the right to act as the sole underwriter and/or sole placement agent in accordance with Paragraph 1 of this Letter Agreement, Goldman expects, subject to, among other things, the satisfactory completion of due diligence and the terms and conditions set forth in one or more placement agency agreements or other appropriate form of documentation, that it will purchase the securities issued as part of the Offering and offer them to prospective purchasers at a price to be agreed upon at the time of execution of such agreement.

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The appointment of any co-managers in respect of any Offering will be subject to prior consent by Goldman.

As stated in Paragraph 1 above, PCO understands that until any such related placement or other agreement is signed, Goldman is not under any obligation, express or implied, to purchase or place securities in connection herewith. Goldman understands that the Issuer is under no obligation, express or implied, to complete an Offering until any such related placement or other agreement is signed.

In addition, as stated in Paragraph 1, PCO understands that until any such related documentation is signed, Goldman is not under any obligation, express or implied, to enter into any Back-to-Back CDS in connection herewith.

3. Issuer and its Structure; Additional Roles of Goldman. In connection with the Initial Offering of the CDO, it is anticipated that Goldman will enter into several agreements with the Issuer, including (i) a credit derivative transaction (the "**Issuer CDS**"), (ii) a basis swap transaction (the "**Basis Swap**"), (iii) a collateral put agreement (the "**Collateral Put**"), (iv) a collateral disposal agreement (the "**Collateral Disposal Agreement**") and (v) a portfolio selection agency agreement (if any).

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Pursuant to the Issuer CDS, it is anticipated, among other things, that:

- Goldman Sachs Capital Markets (or an affiliate thereof) will act as protection buyer (the "**Protection Buyer**"), buying protection on all or a portion of the Targeted Tranches;

- The Protection Buyer will make premium payments to the Issuer on an actual/360 day count convention on the notional amount of such Issuer CDS corresponding to the stated spread over the benchmark index for each Class of Notes, as reduced from time to time upon (1) principal repayments on any Reference Obligation (to the extent the cumulative principal repayments exceed one minus the Exhaustion Point (as set forth in Annex B) of the related Targeted Tranche immediately prior to such determination), (2) Credit Events with respect to any Reference Obligation (to the extent the cumulative Loss Amounts exceed the related Targeted Tranche Attachment Point (as set forth in Annex B) immediately prior to such determination), and (3) any Partial Optional Redemption or optional redemption in whole of the Notes);

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- The notional amount of each tranche will be reduced in sequential order of priority in connection with the amortization of the Reference Portfolio and the notional amount of each tranche will be reduced in reverse sequentially order of priority in connection with Credit Events related to the Reference Portfolio;

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- The Protection Buyer will make an upfront payment to the Issuer in order to cover, among other things, upfront expenses as described in paragraph 6 of this agreement;

- The Issuer will use the proceeds received from the issuance of the Notes to invest in senior triple-A structured product securities (the "**Collateral Securities**") and eligible investments ("**Eligible Investments**") (collectively, the "**Collateral**") selected by the Protection Buyer. Any principal repayments on Collateral will be reinvested into replacement Collateral selected by the Protection Buyer and meeting the applicable criteria specified in the Issuer CDS; Deleted: Protection Buyer

- The Protection Buyer will make ongoing payments to the Issuer covering ongoing transaction administrative expenses and any Portfolio Selection Agent Fees;

- "Failure to Pay Principal" and "Writedown" (as defined in a manner consistent with the current form of the Credit Derivative Transaction on Mortgage-Backed Security with Pay-As-You-Go or Physical Settlement (Form I) (Dealer Form) published by the International Swaps and Derivatives Association, Inc. (the "**ISDA Dealer Form**")) will be the sole credit events (the "**Credit Events**") under the CDO governing documents;

- A loss amount (a "Loss Amount") shall be determined following the occurrence of a Credit Event. Such Loss Amount will be equal to (a) the related "Writedown Amount" (as defined in the ISDA Dealer Form) following the occurrence of a Writedown and (b) the related "Principal Shortfall Amount" (as defined in the ISDA Dealer Form) following the occurrence of a Failure to Pay Principal;

- Following a Credit Event, the Protection Buyer will receive a cash settlement amount equal to the amount by which the related Loss Amount reduces the notional amount of the Targeted Tranche;

- There will be no discretionary substitution, reinvestment or replacement of Reference Obligations;

- The Protection Buyer will be sole notifying party of a Credit Event;

- The Protection Buyer, in its sole discretion, will have the right to terminate (with no termination payment payable by the Protection Buyer) portions of the Issuer CDS related to the classes of Notes on any Payment Date occurring after the date that is specified in the indenture or related pricing supplement (in each case, the "**Applicable Non-Call Period**" and any such redemption, a "**Partial Optional Redemption**"), and the Notes redeemed in connection with any such Partial Optional Redemption will be redeemed at par; for the avoidance of doubt, based on market conditions, Goldman, in its Deleted: Classes

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sole discretion, will have the right to cause the Issuer to issue Notes with Non-Call Periods longer than the Non-Call Period described above;

- The Protection Buyer shall be the calculation agent; and
- Termination payments payable to the Protection Buyer will be subordinated to payment of principal of the related Notes solely in the event of a termination of the Issuer CDS (i) in respect of which the Protection Buyer is the "Defaulting Party" (as such term is defined in the Issuer CDS) or (ii) for which the Protection Buyer was the sole "Affected Party" (as such term is defined in the Issuer CDS) (other than in connection with a "Tax Event" or "Illegality", in each case as defined in the Issuer CDS).

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The Reference Obligations is expected to be selected according to the following criteria (the "**Portfolio Selection Criteria**") and the final Reference Portfolio will be subject to the mutual agreement of Goldman and PCO:

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(i) each Reference Obligation will have the same initial reference obligation notional amount;

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(ii) the Reference Portfolio will contain at least [100] distinct Reference Obligations;

(iii) each Reference Obligation must have been issued after [March 1], 2006;

(iv) as of the time of selection, each Reference Obligation must have an explicit rating of "Baa2" by Moody's;

(v) as of the time of selection, each Reference Obligation must have an actual public rating by Moody's and S&P, and such actual public rating by S&P must be no lower than ["BBB"];

(vi) no Reference Obligation may have been issued by the same Reference Entity as any other Reference Obligation included in the Reference Portfolio;

(vii) the weighed average FICO score of the aggregate original collateral pool securing such Reference Obligation must be (a) greater than or equal to [600] and (b) less than or equal to [675];

(viii) the original aggregate principal amount of collateral securing such Reference Obligation must be greater than or equal to $[500,000,000]; and

(ix) the original aggregate principal amount of adjustable rate mortgage collateral securing such Reference Obligation must be at least [80]% of the original aggregate principal amount of collateral securing such Reference Obligation;

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A preliminary Reference Portfolio is identified in Annex C. Upon mutual agreement, Goldman and PCO may appoint a party (such party, a "**Portfolio Selection Agent**") to help select the final Reference Portfolio in return for the payment of an ongoing fee based on the aggregate outstanding amount of Notes of each Targeted Tranche (such fee, a "**Portfolio Selection Agent Fee**"). The Reference Portfolio selected may be modified upon the mutual agreement of Goldman, PCO and the Portfolio Selection Agent (if any).

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"**Moody's**" means Moody's Investors Service, Inc. and any successor or successors thereto.

"**S&P**" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. or any successor to the ratings business thereof.

Pursuant to the Basis Swap, it is anticipated, among other things, that:

- Goldman Sachs Mitsui Marine Derivatives Product Inc. (or an affiliate thereof) will act as basis swap counterparty (the "**Basis Swap Counterparty**");
- Each payment period, the Issuer will swap with the Basis Swap Counterparty the total interest proceeds received on the Collateral held by the Issuer in exchange for the benchmark index of the Notes, based upon the aggregate outstanding amount of the Notes, as reduced from time to time by principal amortization of the Reference Portfolio, Credit Events, and/or Partial Optional Redemption or optional redemption in whole of the Notes;

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- The Basis Swap Counterparty shall be the calculation agent; and
- Termination payments payable to the Basis Swap Counterparty will be subordinated to payment of principal of the related Notes solely in the event of a termination of the Basis Swap (i) in respect of which the Basis Swap Counterparty is the "Defaulting Party" (as such term is defined in the Basis Swap), (ii) resulting from a downgrade of the Basis Swap Counterparty's credit rating or (iii) in which the Basis Swap Counterparty was the sole "Affected Party" (as such term is defined in the Basis Swap) (other than in connection with a "Tax Event" or "Illegality", in each case as defined in the Basis Swap).

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Pursuant to the Collateral Put, it is anticipated, among other things, that:

- Goldman Sachs International (or an affiliate thereof) will act as collateral put provider (the "**Collateral Put Provider**") and as compensation for acting as Collateral Put Provider will receive a fee of [0.06]% per annum accrued on an actual/360 day count convention on a notional amount equal to the aggregate outstanding amount of the Notes at the beginning of the related accrual period;

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- The Collateral Put Provider will cover any shortfall to par plus accrued interest arising from the liquidation of Collateral Securities and certain Eligible Investments held by the Issuer solely in connection with (i) principal amortization of the Reference Portfolio, (ii) recoveries on Reference Obligations following Credit Events, in the case of (i) and (ii) leading to principal amortization of one or more Classes of Notes, (iii) a Partial Optional Redemption or optional redemption in whole of the Notes and (iv) a redemption of the Notes at maturity;

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- The Collateral Put Provider will not cover any shortfalls in paying cash settlement amounts to Goldman following Credit Events if the Collateral Securities and certain Eligible Investments liquidated to make such payment is liquidated at a price of below 100% (in which case such market value risk will be borne by the Protection Buyer for such aforementioned Collateral who will be deemed to have been paid the related cash settlement amount in full) and (ii) with respect to the liquidation of Collateral in connection with a mandatory redemption (following a default of any Collateral Security, a default of Goldman, an adverse tax event, an event of default (as defined in the related CDO indenture) or other mandatory redemption events);

- The Collateral Put Provider shall be the calculation agent; and

- No termination payment will be payable under any circumstances in connection with the Collateral Put.

Pursuant to the Collateral Disposal Agreement, it is anticipated, among other things, that:

- Goldman, Sachs & Co. (or an affiliate thereof) will act as collateral disposal agent (the "**Collateral Disposal Agent**"); and

- In connection with any liquidation of Collateral Securities held by the Issuer that may be required from time to time, whether in connection with (i) a Credit Event or (ii) principal amortization of the Notes (including pursuant to an Optional Redemption in part), the Collateral Disposal Agent shall select in its sole discretion which Collateral Security or Collateral Securities shall be liquidated to satisfy such requirement.

4. Back-to-Back CDS.

Goldman will, subject to the terms of this Letter Agreement, purchase credit protection from swap counterparties of its choice under one or more Back-to-Back CDS.

Pursuant to each Back-to-Back CDS, it is anticipated, among other things, that:

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- The Protection Buyer will buy protection on all or a portion of the Targeted Tranches;

- The Protection Buyer will make premium payments to the related Back-to-Back Protection Seller on an actual/360 day count convention on the notional amount of such Back-to-Back CDS, as reduced from time to time upon (1) principal repayments on any Reference Obligation (to the extent the cumulative principal repayments exceed one minus the Exhaustion Point (as set forth in Annex B) of the related Targeted Tranche immediately prior to such determination, (2) Credit Events with respect to any Reference Obligation (to the extent the cumulative Loss Amounts exceed the related Targeted Tranche Attachment Point (as set forth in Annex B) immediately prior to such determination), and (3) any optional termination of the Back-to-Back CDS following the expiration of its Applicable Non-Call Period (as defined below);

- The notional amount of each tranche will be reduced in sequential order of priority in connection with the amortization of the Reference Portfolio and the notional amount of each tranche will be reduced in reverse sequentially order of priority in connection with Credit Events related to the Reference Portfolio;

- "Failure to Pay Principal" and "Writedown" (as defined in a manner consistent with the ISDA Dealer Form) will be the sole Credit Events;

- A loss amount (a "Loss Amount") shall be determined following the occurrence of a Credit Event. Such Loss Amount will be equal to (a) the related "Writedown Amount" (as defined in the ISDA Dealer Form) following the occurrence of a Writedown and (b) the related "Principal Shortfall Amount" (as defined in the ISDA Dealer Form) following the occurrence of a Failure to Pay Principal;

- Following a Credit Event, the Protection Buyer will receive a cash settlement amount equal to the amount by which the related Loss Amount reduces the notional amount of the Targeted Tranche;

- There will be no substitution, reinvestment or replacement of Reference Obligations;

- The Protection Buyer will be sole notifying party of a Credit Event;

- The Protection Buyer, in its sole discretion, will have the right to terminate (with no termination payment payable by the Protection Buyer) a Back-to-Back CDS on any Payment Date occurring after the date that is specified for such Back-to-Back CDS (in each case, the "**Applicable Non-Call Period**"); and

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- The Protection Buyer shall be the calculation agent.

5. Breakage. If this Letter Agreement is terminated prior to the completion of the distribution of a notional amount of each Targeted Tranche equal to the Maximum Notional Amount of such Targeted Tranche by notification from PCO (in such capacity, the "**Terminating Party**") to Goldman (in such capacity, the "**Non-Terminating Party**") of such termination, then the Non-Terminating Party will be entitled to payment in an amount equal to the aggregate of any reasonable and documented out-of-pocket expenses (including, without limitation, attorneys, rating agency and accounting fees and printing costs) borne by the Non-Terminating Party in connection with its activities under this agreement and submitted to the Terminating Party, provided however that (i) no payment shall be due to the extent that such out of pocket expenses are less than the total amount paid by PCO to Goldman under Paragraph 6 hereof and (ii) if such out of pocket expenses exceed the total amount paid by PCO to Goldman under Paragraph 6 hereof, PCO shall be liable to Goldman only as to the amount of such excess. Any such amounts payable pursuant to this paragraph will be paid in immediately available funds to the Non-Terminating Party by the Terminating Party.

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6. Fees; Expenses. On the closing date of the CDO (the "**Closing Date**") or as promptly as practicable after such closing date, the Issuer shall pay (using proceeds received from an upfront payment (the "**Upfront Payment**") made by the Protection Buyer at the Closing Date), without duplication, (i) reasonable fees and expenses of Goldman's outside counsel incurred in connection with the CDO, (ii) reasonable fees and expenses of counsel to the Issuer (if different from outside counsel to Goldman) and any other agents or professionals engaged by Goldman in structuring the CDO (other than the Portfolio Selection Agent) and executing the Initial Offering including local legal counsel, trustee, accountant, local administrator, printer, rating agency and their respective counsels, and other fees and expenses, plus any sales, use or similar taxes (including additions to such taxes, if any) arising in connection with any matter referred to in this Letter Agreement and (iii) the cost (in excess of par) of any Collateral Securities acquired by the Issuer on the Closing Date.

Each Back-to-Back CDS or Issuer CDS, as the case may be, and the matching PCO CDS shall be executed simultaneously (such date of execution, an "Effective Date"). On each Effective Date, PCO will make a payment to Goldman equal to, for each Targeted Tranche for which an Issuer CDS or Back-to-Back CDS was executed on such Effective Date, the product of (a) the Upfront Fee Rate for such Targeted Tranche, as defined in Annex B, and (b) the notional amount of the PCO CDS for such Targeted Tranche. In addition, on the later of (i) the Closing Date and (ii) the first Effective Date on which cumulatively at least $[500,000,000] aggregate notional amount of the Targeted Tranches have been distributed on or prior to such date, PCO will make a payment to Goldman equal to $[2,000,000].

PCO will also pay all fees and expenses of PCO's outside counsel incurred in connection with each PCO CDS and the arrangements contemplated hereby.

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The Notes may be issued in US Dollars or other currencies at Goldman's sole discretion. If Goldman elects to place any Notes in a currency other than US Dollars, PCO shall have the option to either (i) bear the currency risk associated with such non-US Dollar placement or (ii) allow Goldman to bear such risk, in which case PCO will pay the Strike Spread associated with such notional amount of the related tranche on the US Dollar equivalent of such issued notional amount.

7. Reserved.

8. Term of Letter Agreement. This Letter Agreement shall terminate on the earlier of (i) [March 31], 2007 (the "**Expiration Date**") and (ii) the pricing date on which, for each Targeted Tranche, the aggregate notional amount of the PCO CDS is at least equal to the Maximum Notional Amount of the Targeted Tranche (the earlier of (i) and (ii), the "**Final Date**"), or such earlier date upon receipt by either party hereto of written notice of the other party's desire to terminate the Letter Agreement. Notwithstanding the foregoing, the provisions of Paragraphs 4, 5, 9 and 19 shall survive any such termination hereof. Deleted: February 28

9. Nature of Relationship. As you know, Goldman Sachs is a full service securities firm engaged, either directly or through its affiliates in various activities, including securities trading, investment management, financing and brokerage activities and financial planning and benefits counseling for both companies and individuals. In the ordinary course of these activities, Goldman Sachs may actively trade the debt and equity securities (or related derivative securities) of PCO and other companies which may be the subject of the matters contemplated by this Letter Agreement for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities. Deleted: letter agreement

PCO recognizes that pursuant to this Letter Agreement Goldman Sachs will rely upon and assume the accuracy and completeness of all of the financial, accounting, tax and other information discussed with or reviewed by Goldman Sachs for such purposes, and it does not assume responsibility for the accuracy or completeness thereof. Goldman Sachs will have no obligation to conduct any independent evaluation or appraisal of the assets or liabilities of PCO or any other party or to advise or opine on any related solvency issues. It is understood and agreed that Goldman Sachs will act under this Letter Agreement as an independent contractor and nothing in this letter or the nature of our services shall be deemed to create a fiduciary, advisory or agency relationship between Goldman Sachs and PCO or their respective stockholders, employees or creditors. Nothing in this Letter Agreement is intended to confer upon any other person (including stockholders, employees or creditors of PCO) any rights or remedies hereunder or by reason hereof. Deleted: letter agreement Deleted: letter agreement

In connection with any transaction contemplated in this Letter Agreement, Goldman Sachs is acting as arms'-length counterparty to PCO. Goldman Sachs is not acting as agent or advisor to PCO with respect to any such transaction or the terms thereof. Deleted: letter agreement

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PCO, together with its legal, accounting and independent financial advisors, if any, must determine whether to accept the terms of any such transaction.

10. Agreement to Trade. On each Effective Date, PCO will enter into one or more PCO CDS under which PCO will purchase from Goldman credit protection on a Targeted Tranche, in an amount equal to the notional amount of the Back-to-Back CDS executed on such Effective Date or Notes sold on such date with respect to the same Targeted Tranche, in each case only if (1) the Pricing Spread for such Back-to-Back CDS or such Notes is less than or equal to the Strike Spread for the Targeted Tranche as described in Annex B, (2) the Applicable Non-Call Period is three years from the first Payment Date, (3) the aggregate notional amount of Back-to-Back CDS and Issuer CDS for such Targeted Tranche (taking into account the Back-to-Back CDS or Issuer CDS for such Targeted Tranche executed on such Effective Date) is less than or equal to the Maximum Notional Amount of the Targeted Tranche and (4) such Effective Date occurs prior to the Expiration Date; provided that, in its discretion, PCO may waive the requirements set forth in clauses (2) and (3) with respect to any Back-to-Back CDS or Notes and any Effective Date. The terms and conditions of the each PCO CDS shall be identical to the terms and conditions of the related Back-to-Back CDS or Issuer CDS, as the case may be, as summarized in this Letter Agreement (except for Goldman's role as calculation agent under each such CDS, terms related to the Collateral Securities and in connection with any amounts payable pursuant to Paragraph 6 of this Letter Agreement) unless such terms and conditions are revised subject to mutual agreement by Goldman and PCO.

11. Disclosure of Transaction. Without the prior consent of Goldman, PCO may not discuss or disclose any information about the Offering, any Back-to-Back CDS, any PCO CDS or any transaction relating thereto with any third party other than (i) to its legal, tax, accounting and other professional advisors and (ii) to the extent required by any applicable law. After the closing of the Offering, Goldman may publish a notice of the transaction in such format, in such publications and at such times as Goldman may deem appropriate and consistent with its customary practices. Communication of an approval or disapproval of any such notice referred to in this paragraph shall be made by the end of the second business day following the date such notice is submitted for approval.

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12. Reserved.

13. Amendments. This Letter Agreement may not be amended or modified or any term hereof waived except in a writing executed by each of the parties hereto.

14. Assignments. Goldman may, in the performance of its services hereunder, delegate the performance of all or certain of such services as it may select to other Goldman affiliates or any affiliated entities; provided, however, that no such delegation by Goldman shall in any respect affect the terms hereof, and Goldman shall be responsible for any acts or omissions by any of its affiliated entities in the performance of any services delegated hereunder to such entity. In connection

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therewith, Goldman may direct with reasonable advance notice, prior to the payment of any amount to be made to it hereunder, that payment of such amount be made, in whole or in part, to a Goldman affiliated entity in satisfaction of the payment of such amount due to Goldman hereunder.

15. Enforceability of Provisions. The invalidity or enforceability of any provisions of this Letter Agreement shall not affect the validity or enforceability of any other provisions of this Letter Agreement, which shall remain in full force and effect.

16. Reserved.

17. Choice of Law; Waiver of Jury Trial; Submission to Jurisdiction. This Letter Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to the conflicts of laws provisions thereof. ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM OR ACTION ARISING OUT OF THIS LETTER AGREEMENT OR CONDUCT IN CONNECTION WITH THIS LETTER AGREEMENT IS HEREBY WAIVED. The parties hereto submit to the exclusive jurisdiction of the federal and New York State courts located in the Borough of Manhattan of the City of New York in connection with any dispute related to this Letter Agreement or any of the matters contemplated hereby.

18. No Third Party Beneficiaries. There are no beneficiaries of this Letter Agreement other than the named parties. Deleted: agreement

19. Miscellaneous. Goldman does not provide accounting, tax or legal advice. Notwithstanding anything herein to the contrary, PCO is authorized to disclose to any person, the U.S. federal and state income tax treatment and tax structure of the potential transaction and all materials of any kind (including tax opinions and other tax analyses) provided to PCO relating to that treatment and structure, without Goldman imposing any limitation of any kind. However, any information relating to the tax treatment and tax structure shall remain confidential (and the foregoing sentence shall not apply) to the extent necessary to enable any person to comply with securities laws. For this purpose, "tax structure" is limited to any facts that may be relevant to that treatment.

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If this Letter Agreement correctly sets forth PCO's understanding, please so confirm by countersigning and returning the enclosed copy. Upon receipt of the copy by Goldman, this Letter Agreement shall be deemed a binding agreement.

We are delighted to accept this agreement and look forward to working with you on this assignment.

Very truly yours,

_____
(GOLDMAN, SACHS & CO.)

PAULSON CREDIT OPPORTUNITIES MASTER LTD.

By: _____

Name: _____

Title: _____

Date: _____

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Annex A

Reserved

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Annex B

"**Targeted Tranche**" means each of the Super Senior, Class A, Class B, Class C and Class D tranche that Goldman will distribute on a best efforts basis, as set forth in the column "Tranche" in the table below.

"**Distributed Tranche**" means, with respect to an Effective Date, a tranche that has been distributed (through Goldman's purchase of credit protection through a Back-to-Back CDS) on such Effective Date.

"**Executed Spread**" means, with respect to a PCO CDS, the Pricing Spread of the related Distributed Tranche.

"**Minimum Fee Rate**" means for each Distributed Tranche the rate as set forth in the table below in the column "Minimum Fee Rate" corresponding to the row related to such tranche.

"**Payment Date**": With respect to any Back-to-Back CDS or Issuer CDS, the [28]th of each month or if such day is not a Business Day, the next succeeding Business Day, commencing on the month following the Effective Date and ending on the date specified in the related documentation.

"**Pricing Spread**" means, (i) for each Class of Notes, the sum of (a) the stated spread above or below the index stated for the Notes of such Class issued on the Closing Date, as set forth in the indenture or issuing and paying agency agreement relating to the Notes, as applicable, and on the related Notes; provided that, with respect to any Class of Notes issued at a discount or premium to par, the amount determined pursuant to this subclause (a) shall be the discount margin (to maturity) to the index stated for the Notes of such Class, (b) [0.06]% per annum related to the Collateral Put Provider fee and (c) the rate per annum of the Portfolio Selection Agent Fee with respect to such Class (if any) and (ii) for each Back-to-Back CDS, the stated fixed rate spread with respect to such tranche.

Deleted: , in each case plus [0.06]% per annum related to the Collateral Put Provider fee

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"**Initial Reference Portfolio Notional Amount**" means $[2,000,000,000]

"**Strike Spread**" means, with respect to each Distributed Tranche, the percentage corresponding to such tranche as set forth in the column "Strike Spread" in the table below.

"**Maximum Notional Amount**": For each Targeted Tranche, the product of (i) the percentage corresponding to such tranche as set forth in the column "Tranche Notional Amount (%)" in the table below and (ii) the Initial Reference Portfolio Notional Amount.

"**Upfront Fee Rate**" means, for each Distributed Tranche, the sum of (A) the Minimum Fee Rate for such tranche and (B) the product of (i) 50%, (ii) 3 and (iii) the greater of (a) zero and (b) the difference between (x) the Strike Spread and (y) the Executed Spread.

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Tranche	Target Ratings (Moody's/S&P)	Attachment Point (% of Initial Reference Portfolio Notional Amount)*	Exhaustion Point (% of Initial Reference Portfolio Notional Amount)*	Notional Amount (% of Initial Reference Portfolio Notional Amount)	Maximum Notional Amount of Targeted Tranche ($mm)	Strike Spread	Minimum Fee Rate	
Super Senior	*	[35.00]%	[100.00]%	[65.00]%	[1,300.00]	[0.42]%	[0.20]%	Deleted: 28
Class A	[Aaa]/[AAA]	[23.00]%	[35.00]%	[12.00]%	[240.00]	[0.20]%	[1.00]%	Deleted: 65
Class B	[Aa2]/[AA]	[18.00]%	[23.00]%	[5.00]%	[100.00]	[0.85]%	[2.00]%	Deleted: 85
Class C	[A2]/[A-]	[14.00]%	[18.00]%	[4.00]%	[80.00]	[1.20]%	[2.50]%	Deleted: 10
Class D	[A2]/[A]	[9.00]%	[14.00]%	[5.00]%	[100.00]	[2.25]%	[3.00]%	Deleted: 2.50
Class E	[Baa2]/[BBB]	[6.00]%	[9.00]%	[3.00]%	[60.00]	[6.50]%	[4.00]%	Deleted: 5.00
Class F	[Ba2]/[BB]	[2.00]%	[6.00]%	[4.00]%	[80.00]	NA	NA	
Class FL	[NR]/[NR]	[0.00]%	[2.00]%	[2.00]%	[40.00]	NA	NA	

*The Super Senior Tranche may be shadow rated by Moody's and/or S&P.

The capital structure is subject to change upon feedback from the rating agencies.

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Annex C

Reference Portfolio*

CUSIP	Reference Obligation	Moody's Rating	S&P Rating	Fitch Rating	Reference Obligation Notional Amount
00075QAM4	ABFC 2006-OPT1 M8	Baa2	BBB	BBB	20,000,000
00075XAP2	ABFC 2006-OPT2 M8	Baa2	BBB	BBB	20,000,000
04541GWF3	ABSHE 2006-HE2 M8	Baa2	BBB	BBB	20,000,000
04544PAN9	ABSHE 2006-HE5 M8	Baa2	BBB	BBB	20,000,000
004421XP3	ACE 2006-ASP2 M8	Baa2	A+		20,000,000
00442VAN7	ACE 2006-ASP3 M8	Baa2	BBB		20,000,000
00441UAN0	ACE 2006-ASP4 M8	Baa2	A		20,000,000
004422AP6	ACE 2006-ASP5 M8	Baa2	A		20,000,000
00441VAN8	ACE 2006-FM1 M8	Baa2	BBB		20,000,000
00442CAN9	ACE 2006-FM2 M8	Baa2	BBB		20,000,000
004421ZQ8	ACE 2006-HE2 M8	Baa2	BBB+	BBB	20,000,000
00441TAN3	ACE 2006-HE3 M8	Baa2	A		20,000,000
00442PAP5	ACE 2006-OP1 M8	Baa2	BBB+		20,000,000
03072S2E4	AMSI 2006-R2 M8	Baa2	BBB+	BBB	20,000,000
04012MAJ8	ARSI 2006-M1 M8	Baa2	A-	BBB	20,000,000
040104TA9	ARSI 2006-W3 M8	Baa2	BBB+	BBB	20,000,000
040104TR2	ARSI 2006-W4 M8	Baa2	BBB+	BBB	20,000,000
04012XAN5	ARSI 2006-W5 M8	Baa2	A-	BBB	20,000,000
07387UHZ7	BSABS 2006-HE3 M8	Baa2	BBB		20,000,000
14454AAN9	CARR 2006-FRE2 M8	Baa2	BBB+		20,000,000
14453FAM1	CARR 2006-NC2 M8	Baa2	BBB	BBB	20,000,000
144531FV7	CARR 2006-OPT1 M8	Baa2	A-	BBB+	20,000,000
14453EAM4	CARR 2006-RFC1 M8	Baa2	A	BBB+	20,000,000
17307GSD6	CMLTI 2006-HE1 M8	Baa2	BBB	BBB	20,000,000
172983AN8	CMLTI 2006-NC1 M8	Baa2	BBB		20,000,000
12667AAM8	CWL 2006-12 M8	Baa2	BBB		20,000,000
22237JAN7	CWL 2006-BC2 M8	Baa2	BBB		20,000,000
23242HAM4	CWL 2006-BC3 M8	Baa2	BBB		20,000,000
32028HAQ6	FFML 2006-FF10 M8	Baa2	BBB	BBB	20,000,000
32028PAP0	FFML 2006-FF11 M8	Baa2	BBB	BBB	20,000,000
32027GAN6	FFML 2006-FF12 M8	Baa2	BBB	BBB	20,000,000
32027LAP0	FFML 2006-FF14 M8	Baa2	BBB	BBB	20,000,000
36233HGC2	FFML 2006-FF4 M8	Baa2	A-		20,000,000
32027EAQ4	FFML 2006-FF5 M8	Baa2	BBB	BBB	20,000,000
320277AP1	FFML 2006-FF7 M8	Baa2	BBB	BBB	20,000,000
32027BAM6	FFML 2006-FF8 M8	Baa2	A-		20,000,000
320276AP3	FFML 2006-FF9 M8	Baa2	BBB+	BBB+	20,000,000
35729PPJ3	FHLT 2006-1 M7	Baa2	BBB+		20,000,000
35729PQF0	FHLT 2006-2 M7	Baa2	BBB+		20,000,000
35729RAN5	FHLT 2006-A M7	Baa2	BBB	BBB+	20,000,000
35729QAN8	FHLT 2006-B M8	Baa2	BBB	BBB+	20,000,000
31659TFH3	FMIC 2006-1 M8	Baa2	A-		20,000,000
31659EAM0	FMIC 2006-2 M8	Baa2	BBB+		20,000,000
316599AN9	FMIC 2006-3 M8	Baa2	BBB+		20,000,000
36245DAN0	GSAMP 2006-FM2 M8	Baa2	BBB+		20,000,000
36244KAN5	GSAMP 2006-HE3 M8	Baa2	A-		20,000,000
362439AN1	GSAMP 2006-HE4 M8	Baa2	A-		20,000,000
362463AN1	GSAMP 2006-NC2 M8	Baa2	BBB		20,000,000
40430KAP6	HASC 2006-OPT4 M7	Baa2	BBB	BBB+	20,000,000
437084UZ7	HEAT 2006-3 M8	Baa2	BBB+	BBB+	20,000,000

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437084VY9	HEAT 2006-4 M8	Baa2	BBB+	BBB+	20,000,000
437096AQ3	HEAT 2006-5 M8	Baa2	BBB+	BBB+	20,000,000
437097AP3	HEAT 2006-6 M8	Baa2	A-	A-	20,000,000
542514UU5	LBMLT 2006-3 M8	Baa2	A-		20,000,000
54251MAN4	LBMLT 2006-4 M8	Baa2	A-		20,000,000
54251PAN7	LBMLT 2006-5 M8	Baa2	BBB+		20,000,000
54251RAN3	LBMLT 2006-6 M8	Baa2	BBB+	BBB+	20,000,000
54251TAN9	LBMLT 2006-7 M8	Baa2	A-	BBB+	20,000,000
57643GAN7	MABS 2006-FRE2 M8	Baa2	BBB		20,000,000
57644UAP0	MABS 2006-HE2 M8	Baa2	BBB		20,000,000
57645JAM1	MABS 2006-HE3 M8	Baa2	BBB		20,000,000
57643LRU2	MABS 2006-WMC1 M8	Baa2	BBB+		20,000,000
59020V3E2	MLMI 2006-AR1 B2	Baa2	BBB+		20,000,000
59020VAM5	MLMI 2006-HE2 B2	Baa2	BBB+		20,000,000
590212AM6	MLMI 2006-HE3 B2	Baa2	BBB+		20,000,000
59023EAQ1	MLMI 2006-HE4 B2	Baa2	BBB		20,000,000
59023AAN6	MLMI 2006-MLN1 B2	Baa2	BBB+		20,000,000
590216AP2	MLMI 2006-RM2 B2	Baa2	BBB+		20,000,000
590217AP0	MLMI 2006-RM3 B2	Baa2	BBB+		20,000,000
59020U5W0	MLMI 2006-WMC2 B2A	Baa2	BBB+		20,000,000
61749KAP8	MSAC 2006-WMC2 B2	Baa2	BBB	BBB	20,000,000
617451FD6	MSC 2006-HE2 B2	Baa2	BBB+	BBB	20,000,000
61749QAN0	MSIX 2006-1 B2	Baa2	BBB	BBB	20,000,000
65537FAN1	NHELI 2006-FM2 M8	Baa2	BBB+	BBB+	20,000,000
65536QAN8	NHELI 2006-HE3 M8	Baa2	BBB+	BBB+	20,000,000
68402CAN4	OOMLT 2006-2 M8	Baa2	BBB		20,000,000
71103XAM6	PFRMS 2006-1 M8	Baa2	BBB+	BBB	20,000,000
754085AM2	RASC 2006-EMX6 M8	Baa2	BBB		20,000,000
76113ABT7	RASC 2006-KS3 M8	Baa2	A-		20,000,000
75406EAM3	RASC 2006-KS4 M8	Baa2	BBB		20,000,000
81378VAH0	SABR 2006-FR2 B2	Baa2	BBB	BBB+	20,000,000
813785AH7	SABR 2006-FR3 B2	Baa2	BBB	BBB+	20,000,000
81376YAK7	SABR 2006-HE1 B2	Baa2	BBB	BBB+	20,000,000
81377AAM4	SABR 2006-HE2 B2	Baa2	BBB	BBB+	20,000,000
86358EF68	SAIL 2006-2 M7	Baa2	BBB	BBB	20,000,000
86360WAM4	SAIL 2006-4 M7	Baa2	BBB	BBB	20,000,000
86358GAN1	SAIL 2006-BNC2 M7	Baa2	BBB	BBB	20,000,000
86359XAN3	SASC 2006-AM1 M8	Baa2	BBB	BBB	20,000,000
86359UAN9	SASC 2006-OPT1 M7	Baa2	BBB	BBB	20,000,000
863576FQ2	SASC 2006-WF1 M8	Baa2	BBB	BBB	20,000,000
81879MBE8	SGMS 2006-FRE1 M8	Baa2	BBB+	A-	20,000,000
784208AN0	SGMS 2006-FRE2 M8	Baa2	BBB	A-	20,000,000
84751PLX5	SURF 2006-BC2 B2	Baa2	BBB+		20,000,000
83612HAM0	SVHE 2006-3 M8	Baa2	BBB		20,000,000
83611MMT2	SVHE 2006-OPT2 M7	Baa2	A-		20,000,000
83611MPR3	SVHE 2006-OPT3 M7	Baa2	BBB		20,000,000
83611YAM4	SVHE 2006-OPT4 M7	Baa2	BBB+		20,000,000
83612CAN9	SVHE 2006-OPT5 M8	Baa2	BBB		20,000,000
9497EUAC0	WFHET 2006-1 M8	Baa2	A-		20,000,000
9497EAAM3	WFHET 2006-2 M8	Baa2	BBB	BBB	20,000,000

*The Reference Portfolio may be modified upon the mutual agreement of Goldman, PCO and the Portfolio Selection Agent (if any).

Deleted: PCO.

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66052.710

From: Tourre, Fabrice
Sent: Saturday, January 06, 2007 5:14 PM
To: esteffelin@gsc.com; jbissu@gsc.com
Cc: Gerst, David
Subject: RE: Paulson Portfolio
x-gs-classification: External

Ed, Josh, thanks for coming to the meeting on Friday. To give you some background on the portfolio that the Paulson guys are starting from, this is a portfolio that was selected using some of the following criteria:

- start from the universe of RMBS transactions available in Intex
- focus only on the 2006 vintage, bonds underwritten after March 1, 2006
- Baa2 rated bonds
- Average FICO between 600 and 675
- RMBS transaction size greater than $500mm
- %age ARM greater than 80%

We should discuss live on Monday when you get a chance.

Fabrice

From: Sihan Shu [mailto:Sihan.Shu@paulsonco.com]
Sent: Friday, January 05, 2007 6:13 PM
To: esteffelin@gsc.com; jbissu@gsc.com
Cc: Tourre, Fabrice; Gerst, David; Paolo Pellegrini; Brad Rosenberg; Rob Lerner
Subject: Paulson Portfolio

Ed,

As discussed, here is a portfolio of 123 Baa2 tranches of recent subprime deals. Please provide us with feedback/comments.

Regards,
Sihan

Sihan Shu
Paulson & Co.
590 Madison Avenue, 29th Floor
New York, NY 10022
Tel: 212 813 6819
Fax: 212 977 9505
sihan.shu@paulsonco.com

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2515

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66052.711

From: Kreitman, Gail
Sent: Tuesday, January 09, 2007 2:18 PM
To: lschwartz@aca.com
Subject: Paulson Portfolio
Attachments: Paulson Portfolio.xls

Subject: Paulson Portfolio

Laura,
Paulson is trying to get a sense, for the 2006 RMBS transactions identified by Paulson, for the level of the capital structure of these transactions that ACA has been comfortable investing in the past, whether for its own account or for a CDO of your own...

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Wall Street & The Financial Crisis
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Footnote Exhibits - Page 4784

No.	Deal	CUSIP	Moody's	S&P
1	ABFC 2006-OPT1 M8	00075QAM4	Baa2	BB
2	ABFC 2006-OPT2 M8	00075XAP2	Baa2	BB
3	ABFC 2006-OPT3 M8	00075VAN1	Baa2	
4	ABSHE 2006-HE3 M7	04541QXQ3	Baa2	BBB
5	ABSHE 2006-HE4 M7	04544GAP4	Baa2	BBB
6	ABSHE 2006-HE5 M8	04544PAN9	Baa2	BBB
7	ACE 2006-ASP5 M8	004422AP6	Baa2	A
8	ACE 2006-FM1 M8	00441VAM8	Baa2	BBB
9	ACE 2006-FM2 M8	00442CAN8	Baa2	BBB
10	ACE 2006-HE1 M8	004421WY5	Baa2	A-
11	ACE 2006-HE2 M8	004421ZD8	Baa2	BBB+
12	ACE 2006-HE3 M8	00441TAN3	Baa2	A
13	ACE 2006-NC3 M8	00441XAP6	Baa2	BBB-
14	ACE 2006-OP1 M9	00442FAP5	Baa2	BBB+
15	ACE 2006-OP2 M9	00441YAP7	Baa2	BBB-
16	AMSI 2006-R1 M8	030725Y33	Baa2	BBB
17	AMSI 2006-R2 M8	030725Z54	Baa2	BBB+
18	ARSI 2006-M1 M8	040125AJ8	Baa2	A-
19	ARSI 2006-M2 M8	040133AM4	Baa2	BBB
20	ARSI 2006-W1 M8	040104RQ8	Baa2	BBB+
21	ARSI 2006-W2 M8	040104EE7	Baa2	BBB
22	ARSI 2006-W3 M8	040104TA9	Baa2	BBB+
23	ARSI 2006-W4 M8	040104TR2	Baa2	BBB+
24	ARSI 2006-W5 M8	04012XAN5	Baa2	A-
25	BSABS 2006-HE3 M8	07387UHQ7	Baa2	BBB
26	CARR 2006-FRE1 M8	144538AN7	Baa2	A+
27	CARR 2006-FRE1 M9	144538AP5	Baa2	A
28	CARR 2006-FRE2 M8	144544AN9	Baa2	BBB+
29	CARR 2006-NC1 M8	144531FF2	Baa2	BBB+
30	CARR 2006-NC2 M8	144531FAN1	Baa2	BBB
31	CARR 2006-NC3 M9	144528AN5	Baa2	BBB-
32	CARR 2006-OPT1 M8	144531FV7	Baa2	A-
33	CARR 2006-RFC1 M8	14453EAM4	Baa2	A
34	CMLTI 2006-AMC1 M8	17309PAL0	Baa2	BBB
35	CMLTI 2006-NC1 M8	172983AN8	Baa2	BBB
36	CMLTI 2006-WFH2 M9	17309MAN3	Baa2	BBB-
37	CMLTI 2006-WMC1 M8	17307GDF4	Baa2	BBB+
38	CWL 2006-12 M8	12667AAM8	Baa2	BBB
39	FFML 2006-FF11 M8	32028PAP0	Baa2	BBB
40	FFML 2006-FF12 M8	32027DAM8	Baa2	BBB
41	FFML 2006-FF14 M8	32027LAP0	Baa2	BBB
42	FFML 2006-FF5 M8	32027EAD4	Baa2	BBB
43	FFML 2006-FF7 M8	32027TAP1	Baa2	BBB
44	FHLT 2006-1 M7	35729PPJ0	Baa2	BBB+
45	FHLT 2006-2 M7	35729PQP0	Baa2	BBB+
46	FHLT 2006-A M7	35729RAN6	Baa2	BBB
47	FHLT 2006-B M8	35729QAN8	Baa2	BBB
48	FMIC 2006-1 M8	31859TPH3	Baa2	A-
49	FMIC 2006-2 M8	31859EAM0	Baa2	BBB+
50	GSAMP 2006-FM2 M8	36245DAN0	Baa2	BBB+
51	GSAMP 2006-HE1 M8	362341BA3	Baa2	A-
52	GSAMP 2006-HE3 M8	36244KAN5	Baa2	A-
53	GSAMP 2006-HE4 M8	362439AN1	Baa2	A-
54	GSAMP 2006-NC2 M8	362483AN1	Baa2	BBB
55	HASC 2006-OPT4 M7	40430KAP6	Baa2	BBB
56	HEAT 2006-3 M8	437084UZ7	Baa2	BBB+
57	HEAT 2006-4 M8	437084VY6	Baa2	BBB-
58	HEAT 2006-5 M8	437098AQ3	Baa2	BBB+
59	HEAT 2006-8 M8	437087AP3	Baa2	A-
60	HEAT 2006-7 M8	437098AP8	Baa2	BBB+
61	INABS 2006-C M8	437098AP4	Baa2	BBB
62	JPMAC 2006-FRE1 M8	46628LFV7	Baa2	BBB
63	LBMLT 2006-1 M8	542514RY6	Baa2	A-
64	LBMLT 2006-2 M8	542514UC8	Baa2	BBB+
65	LBMLT 2006-3 M8	542514UJ6	Baa2	A-
66	LBMLT 2006-4 M8	542519AN4	Baa2	A-
67	LBMLT 2006-5 M8	542517AN7	Baa2	BBB+
68	LBMLT 2006-6 M8	542518AN3	Baa2	BBB+
69	LBMLT 2006-7 M8	542517AN9	Baa2	A-
70	LBMLT 2006-WL1 M8	542514RD8	Baa2	BBB
71	LBMLT 2006-WL2 M8	542514SM7	Baa2	BBB
72	LBMLT 2006-WL3 M8	542514TE4	Baa2	BBB
73	MABS 2006-FRE2 M8	57643GAN7	Baa2	BBB
74	MABS 2006-NC2 M8	55275BAP2	Baa2	BBB-
75	MABS 2006-WMC1 M8	57643LRL2	Baa2	BBB+
76	MARS 2006-WMC7 M8	57644TAN8	Baa2	BBB
77	MLMI 2006-MLN1 B2	59023AAN6	Baa2	BBB+
78	MLMI 2006-OPT1 B2	59022VAN1	Baa2	BBB
79	MLMI 2006-RM2 B2	59021BAP2	Baa2	BBB+
80	MLMI 2006-RM3 B2	59021YAP0	Baa2	BBB+
81	MLMI 2006-WMC1 B2A	59020UH45	Baa2	BBB+
82	MLMI 2006-WMC2 B2A	59020UBW0	Baa2	BBB+
83	MLMI 2006-WMC2 B2B	59020UBX8	Baa2	BBB+
84	MSAC 2006-NC4 B2	61748LAN2	Baa2	BBB
85	MSAC 2006-WMC1 B2	61744CXV3	Baa2	A-
86	MSAC 2006-WMC2 B2	61748KAP8	Baa2	BBB
87	MSC 2006-HE1 B2	617451DZ8	Baa2	A-
88	MSC 2006-HE2 B2	617451FD6	Baa2	BBB+
89	MSIX 2006-1 B2	61748QAN0	Baa2	BBB
90	NCHET 2006-1 M8	64357VRA1	Baa2	BBB
91	NHELI 2006-FM1 M8	65536HCF3	Baa2	BBB+
92	NHELI 2006-FM2 M8	65537FAN1	Baa2	BBB+
93	NHELI 2006-HE1 M8	65539HCZ9	Baa2	BBB
94	NHELI 2006-HE3 M8	65536QAN8	Baa2	BBB+
95	OOMLT 2006-2 M8	68402CAN4	Baa2	BBB
96	RASC 2006-EMX9 M9	74924VAP4	Baa2	BBB-
97	RASC 2006-KS1 M8	78113AAP6	Baa2	A-
98	RASC 2006-KS7 M8	75406BAM9	Baa2	BBB+
99	RASC 2006-KS3 M8	78113ABT7	Baa2	A-
100	SABR 2006-FR1 B2	81375WJY3	Baa2	A-
101	SABR 2006-FR3 B2	813753AK7	Baa2	BBB
102	SABR 2006-HE1 B2	81378YAK7	Baa2	BBB
103	SABR 2006-HE2 B2	81377AAM4	Baa2	BBB
104	SABR 2006-OP1 B2	81373WJN7	Baa2	BBB-
105	SAIL 2006-2 M7	86358EF68	Baa2	BBB
106	SAIL 2006-3 M8	863587AP6	Baa2	BBB
107	SAIL 2006-4 M7	86360WAM4	Baa2	BBB
108	SAIL 2006-BNC1 M7	86358ED86	Baa2	BBB
109	SAIL 2006-BNC2 M7	86358GAN1	Baa2	BBB
110	SASC 2006-WF1 M8	86357RFD2	Baa2	BBB
111	SGMS 2006-FRE1 M8	81379MBZ8	Baa2	BBB+
112	SGMS 2006-FRE2 M8	78420BAN0	Baa2	BBB
113	SURF 2006-BC1 B2A	84751PKL2	Baa2	BBB+
114	SURF 2006-BC2 B2	84751PLJ5	Baa2	BBB+
115	SVHE 2006-1 M7	83611MLG1	Baa2	A-
116	SVHE 2006-3 M8	83612YAM0	Baa2	BBB
117	SVHE 2006-OPT1 M7	83611MM72	Baa2	BBB
118	SVHE 2006-OPT2 M7	83611MMT2	Baa2	A-
119	SVHE 2006-OPT3 M7	83611MPR3	Baa2	BBB
120	SVHE 2006-OPT4 M7	83611YAM4	Baa2	BBB+
121	SVHE 2006-OPT5 M8	83612CAN9	Baa2	BBB
122	WFHET 2006-1 M8	9497EUAQ6	Baa2	A-
123	WFHET 2006-2 M8	9497EAAM3	Baa2	BBB

From: Sihan Shu [Sihan.Shu@paulsonco.com]
Sent: Thursday, March 22, 2007 7:16 PM
To: Tourre, Fabrice; Gerst, David
Cc: Raazi, Cactus; Paolo Pellegrini; Brad Rosenberg
Subject: Re: Substitutions for ABACUS 2007-AC1

That looks good to me.

----- Original Message -----
From: Tourre, Fabrice <Fabrice.Tourre@gs.com>
To: Sihan Shu; Gerst, David <David.Gerst@gs.com>
Cc: Raazi, Cactus <Cactus.Raazi@gs.com>; Paolo Pellegrini; Brad Rosenberg
Sent: Thu Mar 22 20:08:15 2007
Subject: RE: Substitutions for ABACUS 2007-AC1

ok, so we will have the 3 following reference obligations:

BNCMT 2007-1 M8
MSHEL 2007-1 B2
HEAT 2007-2 M8

As replacements for the 3 CARR - New Century serviced bonds.

From: Sihan Shu [mailto:Sihan.Shu@paulsonco.com]
Sent: Thursday, March 22, 2007 6:00 PM
To: Gerst, David; Tourre, Fabrice
Cc: Raazi, Cactus; Paolo Pellegrini; Brad Rosenberg
Subject: RE: Substitutions for ABACUS 2007-AC1

We can take BNCMT 07-1 M8.

From: Gerst, David [mailto:David.Gerst@gs.com]
Sent: Thursday, March 22, 2007 5:57 PM
To: Sihan Shu; Tourre, Fabrice
Cc: Raazi, Cactus; Paolo Pellegrini; Brad Rosenberg
Subject: RE: Substitutions for ABACUS 2007-AC1

Sihan,

That name is included in the current portfolio as well. Are there any other proposed names that are acceptable?

Thanks,

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66052.714

David

From: Sihan Shu [mailto:Sihan.Shu@paulsonco.com]
Sent: Thursday, March 22, 2007 4:55 PM
To: Tourre, Fabrice
Cc: Gerst, David; Raazi, Cactus; Paolo Pellegrini; Brad Rosenberg
Subject: RE: Substitutions for ABACUS 2007-AC1

We'd like to take MSAC 07-HE2 B2.

From: Tourre, Fabrice [mailto:Fabrice.Tourre@gs.com]
Sent: Thursday, March 22, 2007 4:13 PM
To: Sihan Shu
Cc: Gerst, David; Raazi, Cactus; Paolo Pellegrini; Brad Rosenberg
Subject: RE: Substitutions for ABACUS 2007-AC1

Actually, David Gerst just realized that HEAT 07-1 is already in the portfolio... Is there any other bond in the list ACA proposed that you care about ?

From: Sihan Shu [mailto:Sihan.Shu@paulsonco.com]
Sent: Thursday, March 22, 2007 4:01 PM
To: Tourre, Fabrice
Cc: Gerst, David; Raazi, Cactus; Paolo Pellegrini; Brad Rosenberg
Subject: RE: Substitutions for ABACUS 2007-AC1

Fabrice, we'd like to accept HEAT 07-1 M8 and HEAT 07-2 M8.

From: Tourre, Fabrice [mailto:Fabrice.Tourre@gs.com]
Sent: Thursday, March 22, 2007 8:49 AM
To: Sihan Shu
Cc: Gerst, David; Raazi, Cactus; Paolo Pellegrini; Brad Rosenberg
Subject: RE: Substitutions for ABACUS 2007-AC1

Sihan, ACA is ok with the MSHEL 07-1 B2, but is not ok with the HASC 2007-OPT1 M8 bond. We are going to send you later today the loan tapes for the 8 replacement deals they are proposing.

From: Sihan Shu [mailto:Sihan.Shu@paulsonco.com]
Sent: Wednesday, March 21, 2007 2:24 PM
To: Tourre, Fabrice

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 00719 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

66052.715

Cc: Gerst, David; Raazi, Cactus; Paolo Pellegrini; Brad Rosenberg
Subject: RE: Substitutions for ABACUS 2007-AC1

Fabrice,

We have already picked 3 names we'd like to use to replace those NC serviced bonds. Please forward them to ACA, and let us know if they have any questions.

HASC 07-OPT1 M8

MSHEL 07-1 B2

GSAMP 07-FM1 M8

Thanks,

Sihan

From: Tourre, Fabrice [mailto:Fabrice.Tourre@gs.com]
Sent: Wednesday, March 21, 2007 2:09 PM
To: Paolo Pellegrini; Sihan Shu
Cc: Gerst, David; Raazi, Cactus
Subject: Substitutions for ABACUS 2007-AC1

Paolo, Sihan, in order to replace the New Century serviced bonds in the ABACUS 2007-AC1 portfolio (CARR 2006-NC1 M8, CARR 2006-NC2 M8 and CARR 2006-NC3 M9), ACA is proposing the following substitute bonds:

HEAT 2007-2 M8

BNCMT 2007-1 M8

MLMI 2007-HE1 B2

MSAC 2007-HE2 B2

SURF 2007-BC1 B2

CMLTI 2007-AMC2 M8

CWL 2007-2 M8

HEAT 2007-1 M8

I asked ACA to send loan tapes for these bonds in order to help you select the names that fit you...

Rgds,

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 00720 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

66052.716

Abacus 2007-AC1 Reference Portfolio **Footnote Exhibits - Page 4788**

Proposed By	Security	Reference Document	Moody's Initial Rating	Last Downgrade	Downgrade Date	Current Moody's Rating
Paulson	ABFC 2006-OPT1 M8	1	Baa2	Ba2	10/11/2007	C
Paulson	ABFC 2006-OPT2 M8	1	Baa2	B1	10/11/2007	C
Paulson	ABSHE 2006-HE3 M7	1	Baa2	Ba3	10/11/2007	C
Paulson	ABSHE 2006-HE4 M7	1	Baa2	B3	10/11/2007	C
Paulson	ACE 2006-FM2 M8	1	Baa2	Ba2	7/10/2007	C
Paulson	ACE 2006-OP2 M9	1	Baa2	B3	10/11/2007	C
Paulson	ARSI 2006-W1 M8	1	Baa2	Ba3	10/11/2007	C
Paulson	CARR 2006-FRE1 M9	1	Baa2	Ba2	10/11/2007	C
Paulson	CARR 2006-FRE2 M8	1	Baa2	Caa1	10/11/2007	C
Paulson	CARR 2006-OPT1 M8	1	Baa2	Baa3	10/11/2007	C - junk status on 4/16/2008
Paulson	CMLTI 2006-AMC1 M8	1	Baa2	Ba1	10/11/2007	C
Paulson	CMLTI 2006-NC1 M8	1	Baa2	Ba1	7/10/2007	C
Paulson	CMLTI 2006-WFH2 M9	1	Baa2	Baa3	10/11/2007	C - junk status on 4/21/2008
Paulson	CMLTI 2006-WMC1 M8	1	Baa2	B3	10/11/2007	Withdrawn
Paulson	FFML 2006-FF11 M8	1	Baa2	Caa3	10/11/2007	C
Paulson	FFML 2006-FF12 M8	1	Baa2	B3	10/11/2007	C
Paulson	FFML 2006-FF14 M8	1	Baa2	B3	10/11/2007	C
Paulson	FFML 2006-FF7 M8	1	Baa2	Baa3	7/10/2007	C - junk status on 10/11/2007
Paulson	FHLT 2006-A M7	1	Baa2	Ba1	7/10/2007	C
Paulson	FHLT 2006-B M8	1	Baa2	Ba2	7/10/2007	C
Paulson	FMIC 2006-2 M8	1	Baa2	B3	10/11/2007	C
Paulson	GSAMP 2006-FM2 M8	1	Baa2	Caa3	10/11/2007	C
Paulson	HEAT 2006-3 M8	1	Baa2	Ba1	10/11/2007	C
Paulson	HEAT 2006-5 M8	1	Baa2	B3	10/11/2007	C
Paulson	HEAT 2006-6 M8	1	Baa2	B3	10/11/2007	C
Paulson	HEAT 2006-7 M8	1	Baa2	Ca	10/11/2007	Withdrawn
Paulson	JPMAC 2006-FRE1 M8	1	Baa2	Ba2	10/11/2007	C
Paulson	LBMLT 2006-4 M8	1	Baa2	Ba1	7/10/2007	Withdrawn
Paulson	LBMLT 2006-6 M8	1	Baa2	Caa2	10/11/2007	Withdrawn
Paulson	LBMLT 2006-7 M8	1	Baa2	Caa2	10/11/2007	Withdrawn
Paulson	LBMLT 2006-WL1 M8	1	Baa2	Baa3	10/11/2007	C - junk status on 4/7/2008
Paulson	MABS 2006-NC2 M9	1	Baa2	Caa2	10/11/2007	C
Paulson	MLMI 2006-WMC1 B2A	1	Baa2	Ba3	10/11/2007	C
Paulson	MSAC 2006-NC4 B2	1	Baa2	Ba1	7/10/2007	C
Paulson	MSAC 2006-WMC1 B2	1	Baa2	Baa3	10/11/2007	C - junk status on 4/16/2008
Paulson	MSAC 2006-WMC2 B2	1	Baa2	Ba3	7/10/2007	Withdrawn
Paulson	MSC 2006-HE2 B2	1	Baa2	Ba1	7/10/2007	C
Paulson	NHELI 2006-FM1 M8	1	Baa2	B1	10/11/2007	C
Paulson	NHELI 2006-FM2 M8	1	Baa2	Ca	10/11/2007	C
Paulson	NHELI 2006-HE3 M8	1	Baa2	B3	10/11/2007	C
Paulson	SABR 2006-FR1 B2	1	Baa2	Caa2	4/21/2008	C
Paulson	SABR 2006-FR3 B2	1	Baa2	Ba2	7/10/2007	Withdrawn
Paulson	SABR 2006-HE2 B2	1	Baa2	B3	10/11/2007	C
Paulson	SAIL 2006-4 M7	1	Baa2	Ba2	7/10/2007	Withdrawn
Paulson	SVHE 2006-OPT1 M7	1	Baa2	Ba1	10/11/2007	C
Paulson	SVHE 2006-OPT2 M7	1	Baa2	Ba2	10/11/2007	C
Paulson	SVHE 2006-OPT3 M7	1	Baa2	Ba1	10/11/2007	C
Paulson	SVHE 2006-OPT4 M7	1	Baa2	Caa3	10/11/2007	C
Paulson	SVHE 2006-OPT5 M8	1	Baa2	Ba3	10/11/2007	C
Total: 49						

Prepared by U.S. Senate Permanent Subcommittee on I

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2522

Abacus 2007-AC1 Reference Portfolio

Proposed By	Security	Reference Document	Moody's Initial Rating	First Downgrade	Downgrade Date	Current Moody's Rating
ACA	ABSHE 2006-HE7 M9	4	Baa2	Caa1	10/11/2007	C
ACA	BNCMT 2007-1 M8	7	Baa2	Ba2	12/5/2007	C
ACA	CMLTI 2007-AMC1 M8	3	Baa2	C	12/7/2007	C
ACA	CMLTI 2007-WFH1 M9	2	Baa2	Ba2	12/7/2007	C
ACA	CWL 2006-24 M8	2	Baa2	Caa1	10/11/2007	C
ACA	CWL 2007-2 M8	6	Baa2	Caa3	12/10/2007	C
ACA	FFML 2006-FF15 M8	2	Baa2	Caa2	10/11/2007	C
ACA	FFML 2006-FF16 M8	2	Baa2	Caa2	10/11/2007	C
ACA	FFML 2006-FF17 M8	2	Baa2	Caa2	10/11/2007	C
ACA	FFML 2006-FF9 M8	5	Baa2	Baa3	7/10/2007	C - junk status on 10/11/2007
ACA	FFML 2007-FF1 B2	4	Baa2	Caa1	12/10/2007	C
ACA	FFML 2007-FF2 B2	6	Baa2	C	12/10/2007	C
ACA	FMIC 2006-3 M8	5	Baa2	B3	10/11/2007	C
ACA	HASC 2006-HE2 M8	4	Baa2	Ca	10/11/2007	C
ACA	HEAT 2006-8 M8	5	Baa2	Caa1	10/11/2007	C
ACA	HEAT 2007-1 M8	2	Baa2	Ca	12/10/2007	C
ACA	HEAT 2007-2 M8	7	Baa2	Caa2	12/10/2007	C
ACA	IXIS 2006-HE3 B2	5	Baa2	Caa3	10/11/2007	C
ACA	JPMAC 2006-CW2 MV8	2	Baa2	Ba1	10/11/2007	C
ACA	JPMAC 2006-WMC3 M8	2	Baa2	Caa3	10/11/2007	Withdrawn
ACA	LBMLT 2006-11 M8	5	Baa2	Caa1	10/11/2007	Withdrawn
ACA	LBMLT 2006-8 M8	4	Baa2	B3	10/11/2007	Withdrawn
ACA	LBMLT 2006-9 M8	4	Baa2	Ca	10/11/2007	Withdrawn
ACA	MABS 2006-HE5 M9	2	Baa2	Caa1	10/11/2007	C
ACA	MABS 2006-WMC4 M8	2	Baa2	Ca	10/11/2007	Withdrawn
ACA	MSAC 2006-HE7 B2	2	Baa2	Ca	10/11/2007	C
ACA	MSAC 2006-HE8 B2	2	Baa2	Caa2	10/11/2007	C
ACA	MSAC 2006-NC5 B3	2	Baa2	Caa2	10/11/2007	C
ACA	MSAC 2007-HE1 B2	4	Baa2	B3	12/4/2007	C
ACA	MSAC 2007-HE2 B2	6	Baa2	B3	12/4/2007	C
ACA	MSAC 2007-NC1 B2	5	Baa2	Caa2	12/4/2007	C
ACA	MSHEL 2007-1 B2	6	Baa2	B3	12/4/2007	C
ACA	MSIX 2006-2 B2	2	Baa2	Caa2	10/11/2007	C
ACA	NHEL 2006-5 M8	2	Baa2	Ba3	10/11/2007	C
ACA	OOMLT 2006-3 M9	4	Baa2	Caa3	10/11/2007	C
ACA	OOMLT 2007-1 M8	2	Baa2	B3	12/6/2007	C
ACA	SASC 2006-EQ1A M8	2	Baa2	B3	10/11/2007	C
ACA	SASC 2006-OPT1 M7	5	Baa2	B3	10/11/2007	C
ACA	SASC 2006-WF3 M9	3	Baa2	Baa3	10/11/2007	C - junk status on 4/23/2008
ACA	SURF 2007-BC1 B2	2	Baa2	B3	12/12/2007	C
ACA	SVHE 2006-EQ2 M8	2	Baa2	B3	10/11/2007	C
Total: 41						

Reference Document Key

1 Email on 1/5/2007 at 6:13pm, GS MBS-E-002483408 with attachment GS MBS-E-002483409; Email on 1/6/2007 at 5:14pm, GS MBS-E-002754054; Email on 1/9/2007 at 2:18pm, GS MBS-E-007974381 with attachment GS MBS-E-007974382

2 Email on 1/22/2007 at 1:52pm, GS MBS-E-002522389 with attachment GS MBS-E-002480563; Email on 1/22 /2007 2:11pm, GS MBS-E-002480574 with attachment GS MBS-E-002480575

3 Email on 2/1/2007 at 9:30am, GS MBS-E-003026086

4 Email on 1/28/2007 at 8:56am and 1/28/2007 at 12:32pm, GS MBS-E-002444359; Email on 1/31/2007 at 5:42pm, GS MBS-E-002620419 with attachment GS MBS-E-002620420; and Email on 2/2/2007 at 11:10am, GS MBS-E-002483499; Email on 2/2/2007 at 11:23am, GS MBS-E-002483496 with attachment GS MBS-E-002483498

5 Email on 2/2/2007 at 11:10am, GS MBS-E-002483499; Email on 2/2/2007 at 11:23am, GS MBS-E-002483496 with attachment GS MBS-E-002483498

6 Email on 2/26/2007 at 3:39pm and at 3:51pm, GS MBS-E-002444961

7 Email on 3/21/2007 at 2:09pm and 3/22/2007 at 4:01pm, GS MBS-E-003010587

Prepared by U.S. Senate Permanent Subcommittee on Investigations, March 2011

From: Sihan Shu [Sihan.Shu@paulsonco.com]
Sent: Friday, January 05, 2007 6:13 PM
To: esteffelin@gsc.com; jbissu@gsc.com
Cc: Tourre, Fabrice; Gerst, David; Paolo Pellegrini; Brad Rosenberg; Rob Lerner
Subject: Paulson Portfolio
Attachments: Paulson Portfolio.xls

Ed,

As discussed, here is a portfolio of 123 Baa2 tranches of recent subprime deals. Please provide us with feedback/comments.

Regards,
Sihan

Sihan Shu
Paulson & Co.
590 Madison Avenue, 29th Floor
New York, NY 10022
Tel: 212 813 6819
Fax: 212 977 9505
sihan.shu@paulsonco.com

Permanent Subcommittee on Investigations
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GAMBS-E-000480409

Footnote Exhibits - Page 4791

No.	Deal	CUSIP	Moody's	S&P
1	ABFC 2006-OPT1 M8	03076QAM4	Baa3	BBB
2	ABFC 2006-OPT2 M8	00078GAP2	Baa2	BBB
3	ABFC 2006-OPT3 M8	03075WAN1	Baa2	
4	ABSHE 2006-HE3 M7	04541Q3D3	Baa2	BBB
5	ABSHE 2006-HE4 M7	04544SAA4	Baa2	BBB
6	ABSHE 2006-HE5 M8	04544PAN9	Baa2	BBB
7	ACE 2006-ASP5 M8	00442APP8	Baa2	A
8	ACE 2006-FM1 M8	00441VAN8	Baa2	BBB
9	ACE 2006-FM2 M8	00442CAN9	Baa2	BBB
10	ACE 2006-HE1 M8	00442WW9	Baa2	A-
11	ACE 2006-HE2 M8	00442HZ98	Baa2	BBB+
12	ACE 2006-HE3 M8	00441TAH3	Baa2	A
13	ACE 2006-HE3 M9	00441XAP9	Baa2	BBB-
14	ACE 2006-OP1 M8	00442PAP5	Baa2	BBB+
15	ACE 2006-OP2 M7	00441YAP7	Baa2	BBB-
16	AMSI 2006-R1 M8	03072SYY3	Baa3	BBB
17	AMSI 2006-R2 M8	03072SZE4	Baa2	BBB+
18	ARSI 2006-W1 M8	040126AJ8	Baa2	A-
19	ARSI 2006-W2 M8	040126AR4	Baa2	BBB
20	ARSI 2006-W3 M8	040126RD8	Baa2	BBB+
21	ARSI 2006-W4 M8	040126SE2	Baa2	BBB
22	ARSI 2006-W5 M8	040126TA8	Baa3	BBB-
23	ARSI 2006-W6 M8	040126TR3	Baa3	BBB+
24	ARSI 2006-W8 M8	040127AN5	Baa2	A-
25	BSABS 2006-HE2 M8	07387UHZ7	Baa2	BBB
26	CARR 2006-FRE1 M8	144536AM7	Baa2	A+
27	CARR 2006-FRE1 M9	144536AN5	Baa2	A
28	CARR 2006-FRE2 M8	144544AR9	Baa2	BBB+
29	CARR 2006-NC1 M8	144531FF2	Baa3	BBB+
30	CARR 2006-NC2 M8	144539FA81	Baa3	BBB
31	CARR 2006-NC3 M8	144529AH8	Baa3	BBB-
32	CARR 2006-OPT1 M8	144531FV7	Baa2	A-
33	CARR 2006-RFC1 M9	144536AM4	Baa3	A
34	CMLTI 2006-AMC1 M8	17308FAL0	Baa2	BBB
35	CMLTI 2006-NC1 M8	17309SAN5	Baa3	BBB
36	CMLTI 2006-WFH3 M8	17309MAK3	Baa3	BBB-
37	CMLTI 2006-WMC1 M8	17307GSF4	Baa2	BBB+
38	CWL 2006-12 M8	12667AAM8	Baa3	A2D
39	FFML 2006-FF11 M8	33028FAP0	Baa3	BBB
40	FFML 2006-FF13 M8	33077GAN8	Baa2	BBB
41	FFML 2006-FF14 M8	33077LAP0	Baa3	BBB
42	FFML 2006-FF9 M8	33077EAQ4	Baa2	BBB
43	FFML 2006-FF7 M8	33077FAP1	Baa2	BBB
44	FHLT 2006-1 M7	35729PPJ3	Baa2	BBB+
45	FHLT 2006-2 M7	35729PQF0	Baa3	BBB+
46	FHLT 2006-A M7	35729RAH6	Baa2	BBB
47	FHLT 2006-B M8	35729RAN8	Baa3	BBB
48	FMIC 2006-1 M8	31686TFH3	Baa2	A-
49	FMIC 2006-2 M8	31686EAM0	Baa3	BBB+
50	GSAMP 2006-FM3 M8	36242DAN0	Baa3	BBB+
51	GSAMP 2006-HE1 M8	36244HAA3	Baa3	A-
52	GSAMP 2006-HE3 M8	36244KAN5	Baa3	A-
53	GSAMP 2006-HE4 M8	36243BAN1	Baa3	A-
54	GSAMP 2006-NC3 M8	36246EAN1	Baa3	BBB
55	HASC 2006-OPT4 M7	40430KAP6	Baa3	BBB
56	HEAT 2006-3 M8	42708HUZ7	Baa2	BBB+
57	HEAT 2006-4 M8	42708HVY9	Baa2	BBB+
58	HEAT 2006-5 M8	42708BAQ3	Baa3	BBB+
59	HEAT 2006-6 M8	42709FAP3	Baa2	A-
60	HEAT 2006-7 M8	42709HAP6	Baa2	BBB+
61	INABS 2006-C M8	43709BAP4	Baa2	BBB
62	JPMAC 2006-FRE1 M8	46629UFV7	Baa3	BBB
63	LBMLT 2006-1 M8	54251HRV8	Baa2	A-
64	LBMLT 2006-2 M8	54251HJC6	Baa2	BBB+
65	LBMLT 2006-3 M8	54251HJL6	Baa3	A-
66	LBMLT 2006-4 M8	54251NAW4	Baa3	A-
67	LBMLT 2006-5 M8	54251PAN7	Baa3	BBB+
68	LBMLT 2006-6 M8	54251RAK3	Baa3	BBB+
69	LBMLT 2006-7 M8	54251TAK9	Baa2	A-
70	LBMLT 2006-WL1 M8	54251HRD4	Baa3	BBB
71	LBMLT 2006-WL2 M8	54251HBA7	Baa3	BBB
72	LBMLT 2006-WL3 M8	54251HTE4	Baa2	BBB
73	MABS 2006-FRE2 M8	57643QAN7	Baa3	BBB
74	MABS 2006-NC2 M8	55277BAP2	Baa3	BBB-
75	MABS 2006-WMC1 M8	57643LRU2	Baa3	BBB+
76	MABS 2006-WMC2 M8	57644TAN8	Baa2	BBB
77	MLMI 2006-ALN1 B3	59022KAN6	Baa3	BBB+
78	MLMI 2006-OPT1 B2	59022VAW1	Baa3	BBB
79	MLMI 2006-RM2 B2	59021BAP2	Baa3	BBB-
80	MLMI 2006-RM3 B2	59021TAP0	Baa2	BBB+
81	MLMI 2006-WMC1 B2A	59022UUH5	Baa3	BBB+
82	MLMI 2006-WMC2 B2A	59022UBW0	Baa2	BBB+
83	MLMI 2006-WMC2 B2B	59022UKU8	Baa2	BBB+
84	MSAC 2006-NC4 B2	61746LAN3	Baa3	BBB
85	MSAC 2006-WMC1 B2	61744CJV3	Baa3	A-
86	MSAC 2006-WMC3 B2	61746KAP6	Baa2	BBB
87	MSC 2006-HE1 B2	61749UDZ9	Baa2	A-
88	MSC 2006-HE3 B3	61745TFD6	Baa3	BBB-
89	MSIX 2006-1 B3	61749QAH9	Baa3	BBB
90	MOHET 2006-1 M8	64352VRA1	Baa3	BBB
91	NHELI 2006-FM1 M8	66536HCF9	Baa3	BBB-
92	NHELI 2006-FM2 M8	66537FAK1	Baa2	BBB+
93	NHELI 2006-HE1 M8	65536HCZ8	Baa3	BBB
94	NHELI 2006-HE3 M8	65536QAN8	Baa3	BBB+
95	OOMLT 2006-2 M8	68402CAA4	Baa3	BBB
96	RASC 2006-EMX9 M8	74924VAP4	Baa2	BBB-
97	RASC 2006-KS1 M8	76113AAP9	Baa2	A-
98	RASC 2006-KS2 M8	754083BA86	Baa3	BBB+
99	RASC 2006-KS3 M8	76113ABT7	Baa3	A-
100	BASR 2006-FR1 B2	81375WJY3	Baa3	A-
101	BASR 2006-FRJ B2	81376SAH7	Baa2	BBB
102	BASR 2006-HE1 B2	81376YAK7	Baa2	BBB
103	BASR 2006-HE2 B2	81377AAM4	Baa3	BBB
104	BASR 2006-OP1 B2	81375WJN7	Baa2	BBB-
105	BAL 2006-2 M7	86364EFS9	Baa3	BBB
106	BAL 2006-3 M8	86359TAP6	Baa3	BBB
107	BAL 2006-A M7	86360WAA4	Baa3	BBB
108	BAL 2006-BNC1 M7	86358EDB8	Baa2	BBB
109	BAL 2006-BNC2 M7	86358GAH1	Baa3	BBB
110	BASC 2006-WF1 M8	86357MFC0	Baa3	BBB
111	SGMS 2006-FRE1 M8	81879WBE8	Baa2	BBB+
112	SGMS 2006-FRE2 M8	79ACB8AA0	Baa2	BBB
113	SURF 2006-BC1 B2A	84751PKL2	Baa3	BBB-
114	SURF 2006-BC2 B2	84751PLX8	Baa2	BBB+
115	SVHE 2006-1 M7	83611NJG1	Baa2	A-
116	SVHE 2006-3 M8	83612HAM0	Baa2	BBB
117	SVHE 2006-OPT1 M7	83611MAF2	Baa3	BBB
118	SVHE 2006-OPT2 M7	83611MMT2	Baa3	A-
119	SVHE 2006-OPT3 M7	83611MPR3	Baa2	BBB
120	SVHE 2006-OPT4 M7	83611YAM4	Baa2	BBB+
121	SVHE 2006-OPT5 M8	83612CAR9	Baa2	BBB
122	WFHET 2006-1 M8	94976UAD0	Baa3	A-
123	WFHET 2006-2 M8	94976AAM3	Baa3	BBB

From: Laura Schwartz [lschwartz@aca.com]
Sent: Monday, January 22, 2007 1:52 PM
To: Tourre, Fabrice; Kreitman, Gail; Gerst, David
Cc: Keith Gorman
Subject: proposed Paulson Portfolio
Attachments: Paulson Portfolio 1-22-07.xls

Attached please find a worksheet with 86 sub-prime mortgage positions that we would recommend taking exposure to synthetically. Of the 123 names that were originally submitted to us for review, we have included only 55. We do not recommend including the other 68 names because either: 1) we did not like them at the recommended attachment point; 2) there are lower rated tranches that are already on negative watch; and 3) some names (i.e. Long Beach and Fremont) are very susceptible to investor push back.

The 31 new names are heavily weighted to new issue since we believe the underlying collateral to be of better quality.

We provided a total of 86 names to give us some room since the term-sheet mentioned 80 names at 1.25% each.

Please let me know if you have any questions.

****

This e-mail is not a contract and is not intended to, and does not, create any obligation. It is not a commitment to insure and is not to be construed as an offer to sell or the solicitation of an offer to buy any security or any insurance product.

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VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 00725 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

66052.721

ACA OVERLAP

No.	Deal	CUSIP	Moody's	S&P
1	ABFC 2006-OPT1 M8	00075QAM4	Baa2	BBB
2	ABFC 2006-OPT2 M8	00075XAP2	Baa2	BBB
3	ABFC 2006-OPT3 M8	00075VAN1	Baa2	
4	ABSHE 2006-HE4 M7	04544QAP4	Baa2	BBB
5	ACE 2006-FM2 M8	00442CAN9	Baa2	BBB
6	ACE 2006-OP2 M9	00441YAP7	Baa2	BBB-
7	ARSI 2006-W1 M8	040104RQ6	Baa2	BBB+
8	CARR 2006-FRE1 M8	144538AM7	Baa2	A+
9	CARR 2006-FRE1 M9	144538AN5	Baa2	A
10	CARR 2006-FRE2 M8	14454AAN8	Baa2	BBB+
11	CARR 2006-NC1 M8	144531FF2	Baa2	BBB+
12	CARR 2006-NC2 M8	144537AM1	Baa2	BBB
13	CARR 2006-NC3 M9	144535AN8	Baa2	BBB-
14	CARR 2006-OPT1 M8	144531FV7	Baa2	A-
15	CMLTI 2006-AMC1 M8	17309PAL0	Baa2	BBB
16	CMLTI 2006-NC1 M8	172983AN8	Baa2	BBB
17	CMLTI 2006-WMC1 M8	17307G2F4	Baa2	BBB+
18	FFML 2006-FF11 M8	32028PAP0	Baa2	BBB
19	FFML 2006-FF12 M8	32027GAN8	Baa2	BBB
20	FFML 2006-FF14 M8	32027LAP0	Baa2	BBB
21	FFML 2006-FF7 M8	320277AP1	Baa2	BBB
22	FHLT 2006-A M7	35729RAN8	Baa2	BBB
23	FHLT 2006-B M8	35729QAN9	Baa2	BBB
24	FMIC 2006-2 M8	31659EAM0	Baa2	BBB+
25	GSAMP 2006-FM2 M8	36245DAN0	Baa2	BBB+
26	HEAT 2006-3 M8	437084UZ7	Baa2	BBB+
27	HEAT 2006-5 M8	437096AQ3	Baa2	BBB+
28	HEAT 2006-6 M8	437097AP3	Baa2	A-
29	HEAT 2006-7 M8	43709NAP8	Baa2	BBB+
30	JPMAC 2006-FRE1 M8	46626LFV7	Baa2	BBB
31	LBMLT 2006-4 M8	54251MAN4	Baa2	A-
32	LBMLT 2006-6 M8	54251RAN3	Baa2	BBB+
33	LBMLT 2006-7 M8	54251TAN9	Baa2	A-
34	LBMLT 2006-WL1 M8	542514RD8	Baa2	BBB
35	MABS 2006-NC2 M9	55275BAP2	Baa2	BBB-
36	MLMI 2006-WMC1 B2A	59020UAH5	Baa2	BBB+
37	MSAC 2006-NC4 B2	61748LAN2	Baa2	BBB
38	MSAC 2006-WMC1 B2	61744CXV3	Baa2	A-
39	MSAC 2006-WMC2 B2	61749KAP8	Baa2	BBB
40	MSC 2006-HE2 B2	617451FD8	Baa2	BBB+
41	NHELI 2006-FM1 M8	65536HCF3	Baa2	BBB+
42	NHELI 2006-FM2 M8	65537FAN1	Baa2	BBB+
43	NHELI 2006-HE3 M8	65536QAN8	Baa2	BBB+
44	SABR 2006-FR1 B2	81375WJY3	Baa2	A-
45	SABR 2006-FR3 B2	81376AAN7	Baa2	BBB
46	SABR 2006-HE2 B2	81377AAN4	Baa2	BBB
47	SABR 2006-OP1 B2	81375WJN7	Baa2	BBB+
48	SAIL 2006-4 M7	86360WAM4	Baa2	BBB
49	SAIL 2006-BNC1 M7	86358EDB6	Baa2	BBB
50	SAIL 2006-BNC2 M7	86358GAN1	Baa2	BBB
51	SVHE 2006-OPT1 M7	83611MMF2	Baa2	BBB
52	SVHE 2006-OPT2 M7	83611MMT2	Baa2	A-
53	SVHE 2006-OPT3 M7	83611MPR3	Baa2	BBB
54	SVHE 2006-OPT5 M8	83612CAN9	Baa2	BBB
55	CMLTI 2006-WFH2 M9	17309MAN3	Baa2	BBB-

ACA KICKOUT

No.	Deal	CUSIP	Moody's	S&P
1	ABSHE 2006-HE3 M7	04541GXK3	Baa2	BBB
2	ABSHE 2006-HE5 M8	04544PAN9	Baa2	BBB
3	ACE 2006-ASP5 M8	004422AP6	Baa2	A
4	ACE 2006-FM1 M8	00441VAN8	Baa2	BBB
5	ACE 2006-HE1 M8	004421WY5	Baa2	A-
6	ACE 2006-HE2 M8	0044212D8	Baa2	BBB+
7	ACE 2006-HE3 M8	00441TAN3	Baa2	A
8	ACE 2006-NC2 M9	00441XAP9	Baa2	BBB-
9	ACE 2006-OP1 M8	00442PAP5	Baa2	BBB+
10	AMSI 2006-R1 M8	03072SY33	Baa2	BBB
11	AMSI 2006-R2 M8	03072S2E4	Baa2	BBB+
12	ARSI 2006-M1 M8	04012MAJ8	Baa2	A-
13	ARSI 2006-M2 M8	040133AN4	Baa2	BBB
14	ARSI 2006-W2 M8	040104SE2	Baa2	BBB
15	ARSI 2006-W3 M8	040104TA9	Baa2	BBB+
16	ARSI 2006-W4 M8	040104TR2	Baa2	BBB+
17	ARSI 2006-W5 M8	04012XAN5	Baa2	A-
18	BSABS 2006-HE3 M8	07387UHZ7	Baa2	BBB
19	CARR 2006-RFC1 M8	14453EAM4	Baa2	A
20	CWL 2006-12 M8	12667AAM8	Baa2	BBB
21	FFML 2006-FF5 M8	32027EAG4	Baa2	BBB
22	FHLT 2006-1 M7	35729PPJ3	Baa2	BBB+
23	FHLT 2006-2 M7	35729PQF0	Baa2	BBB+
24	FMIC 2006-1 M8	31659TFH3	Baa2	A-
25	GSAMP 2006-HE1 M8	3623415A3	Baa2	A-
26	GSAMP 2006-HE3 M8	36244KAN5	Baa2	A-
27	GSAMP 2006-HE4 M8	362439AN1	Baa2	A-
28	GSAMP 2006-NC2 M8	362463AN1	Baa2	BBB
29	HASC 2006-OPT4 M7	40430KAP6	Baa2	BBB
30	HEAT 2006-4 M8	437084VY9	Baa2	BBB+

32	INABS 2006-C M8	43709BAP4	Baa2	BBB
33	LBMLT 2006-1 M8	542514RV8	Baa2	A-
34	LBMLT 2006-2 M8	542514UC6	Baa2	BBB+
35	LBMLT 2006-3 M8	542514UU6	Baa2	A-
36	LBMLT 2006-5 M8	54251PAN7	Baa2	BBB+
37	LBMLT 2006-WL2 M8	542514SM7	Baa2	BBB
38	LBMLT 2006-WL3 M8	542514TE4	Baa2	BBB
39	MABS 2006-FRE2 M8	57643GAN7	Baa2	BBB
40	MABS 2006-WMC1 M8	57643LRU2	Baa2	BBB+
41	MABS 2006-WMC2 M8	57644TAN8	Baa2	BBB
42	MLMI 2006-MLN1 B2	59023AAN8	Baa2	BBB+
43	MLMI 2006-OPT1 B2	59022VAN1	Baa2	BBB
44	MLMI 2006-RM2 B2	590218AP2	Baa2	BBB+
45	MLMI 2006-RM3 B2	590217AP0	Baa2	BBB+
46	MLMI 2006-WMC2 B2A	59020U8W0	Baa2	BBB+
47	MLMI 2006-WMC2 B2B	59020U8X8	Baa2	BBB+
48	MSC 2006-HE1 B2	617451DZ9	Baa2	A-
49	MSIX 2006-1 B2	61749QAN0	Baa2	BBB
50	NCHET 2006-1 M8	64352VRA1	Baa2	BBB
51	NHELI 2006-HE1 M8	65536HCZ9	Baa2	BBB
52	OOMLT 2006-2 M8	68402CAN4	Baa2	BBB
53	RASC 2006-EMX9 M9	74924VAP4	Baa2	BBB-
54	RASC 2006-KS1 M8	76113AAP6	Baa2	A-
55	RASC 2006-KS2 M8	75406BAM9	Baa2	BBB+
56	RASC 2006-KS3 M8	76113ABT7	Baa2	A-
57	SABR 2006-HE1 B2	81376YAK7	Baa2	BBB
58	SAIL 2006-2 M7	86358EF68	Baa2	BBB
59	SAIL 2006-3 M8	863587AP6	Baa2	BBB
60	SASC 2006-WF1 M8	86357EFQ2	Baa2	BBB
61	SQMS 2006-FRE1 M8	81879MBE8	Baa2	BBB+
62	SQMS 2006-FRE2 M8	784206AN0	Baa2	BBB
63	SURF 2006-BC1 B2A	84751PKL2	Baa2	BBB+
64	SURF 2006-BC2 B2	84751PLX5	Baa2	BBB+
65	SVHE 2006-1 M7	83611MLG1	Baa2	A-
66	SVHE 2006-3 M8	83612HAM0	Baa2	BBB
67	SVHE 2006-OPT4 M7	83611YAM4	Baa2	BBB+
68	WFHET 2006-1 M8	9497EUAQ0	Baa2	A-
69	WFHET 2006-2 M8	9497EAAM3	Baa2	BBB

ACA SUBSTITUTIONS

No.	Deal	CUSIP	Moody's	S&P
1	ABFC 2006-HE1 M8	00075WAM1	Baa2	BBB
2	CMLTI 2007-WFH1 M9	17311CAM3	Baa2e	BBB-
3	CWL 2006-21 M8	12667LAN2	Baa2	BBB+
4	CWL 2006-22 M8	12668BAN5	Baa2	BBB+
5	CWL 2006-23 M8	12668CAN3	Baa2	BBB
6	CWL 2006-24 M8	23243HAN1	Baa2	BBB
7	FFML 2006-FF15 M8	32028GAP0	Baa2	BBB
8	FFML 2006-FF16 M8	320275AN0	Baa2	BBB+
9	FFML 2006-FF17 M8	32028KAP1	Baa2	BBB
10	GSAMP 2006-NC2 M8	362463AN1	Baa2	BBB
11	HEAT 2007-1 M8	43710LAN4	Baa2e	BBB+
12	JPMAC 2006-CW2 MV8	46629BBA6	Baa2	BBB
13	JPMAC 2006-NC1 M8	46626LJY7	Baa2	BBB
14	JPMAC 2006-WMC3 M8	46629KAP4	Baa2	BBB
15	MABS 2006-HE5 M9	576455AN9	Baa2	BBB-
16	MABS 2006-NC1 M8	57643LNP7	Baa2	BBB+
17	MABS 2006-WMC4 M8	57645MAP7	Baa2	BBB+
18	MSAC 2006-HE7 B2	61750MAP0	Baa2	BBB
19	MSAC 2006-HE8 B2	61750SAP7	Baa2	BBB
20	MSAC 2006-NC5 B3	61749BAQ8	Baa2	BBB-
21	MSIX 2006-2 B2	617483AM6	Baa2	BBB
22	NHEL 2006-5 M8	6898BYAN2	Baa2	BBB+
23	OOMLT 2007-1 M8	6840DDAP8	Baa2e	BBB
24	SABR 2007-NC1 B2	81378AAM3	Baa2e	BBB
25	SAIL 2006-BNC3 M7	86361KAM9	Baa2	BBB
26	SASC 2006-BC4 M8	86359RAN5	Baa2	BBB
27	SASC 2006-BC5 M9	86362VAP7	Baa2e	BBB-
28	SASC 2006-EQ1A M8	86360RAN3	Baa2	BBB
29	SURF 2007-BC1 B2	84752BAQ2	Baa2e	BBB
30	SVHE 2006-EQ2 M8	83611XAM6	Baa2	BBB
31	WMHE 2007-HE1 M8	933631AN3	Baa2	BBB

From: Gerst, David
Sent: Monday, January 22, 2007 2:11 PM
To: 'Paolo Pellegrini'; 'Sihan Shu'
Cc: Tourre, Fabrice; Raazi, Cactus
Subject: ACA feedback

Attachments: Paulson Portfolio 1-22-07.xls

Paolo, Sihan:

Attached is the feedback we received from ACA on the list of 123 names that you had provided. They have broken down your list into names that they would recommend including in the portfolio (55) and names that they would recommend excluding from the portfolio (68). In addition, they have included a separate list of 31 names for you to review that they would recommend for inclusion, with the objective of creating a portfolio with 80+ names.

Are you available for a quick call this afternoon to discuss these lists?

Thanks,

David



Paulson Portfolio 1-22-07.xls

Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: (212) 902-4311 | Fax: (212) 256-2442
e-mail: david.gerst@gs.com

Goldman
Sachs

David Gerst
Structured Products Trading

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2522

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ACA OVERLAP

No.	Deal	CUSIP	Moody's	S&P
1	ABFC 2006-OPT1 M8	00075QAM4	Baa2	BBB
2	ABFC 2006-OPT2 M8	00075XAP2	Baa2	BBB
3	ABFC 2006-OPT3 M8	00075VAN1	Baa2	
4	ABSHE 2006-HE4 M7	04544QAP4	Baa2	BBB
5	ACE 2006-FM2 M8	00442CAN9	Baa2	BBB
6	ACE 2006-OP2 M9	00441YAP7	Baa2	BBB-
7	ARSI 2006-W1 M8	040104RQ6	Baa2	BBB+
8	CARR 2006-FRE1 M8	144538AM7	Baa2	A+
9	CARR 2006-FRE1 M9	144538AN5	Baa2	A
10	CARR 2006-FRE2 M8	14454AAN9	Baa2	BBB+
11	CARR 2006-NC1 M8	144531FF2	Baa2	BBB+
12	CARR 2006-NC2 M8	14453FAM1	Baa2	BBB
13	CARR 2006-NC3 M9	144528AN6	Baa2	BBB-
14	CARR 2006-OPT1 M8	144531FV7	Baa2	A-
15	CMLTI 2006-AMC1 M8	17309PAL0	Baa2	BBB
16	CMLTI 2006-NC1 M8	172983AN8	Baa2	BBB
17	CMLTI 2006-WMC1 M8	17307G2F4	Baa2	BBB+
18	FFML 2006-FF11 M8	32028PAP0	Baa2	BBB
19	FFML 2006-FF12 M8	32027QAN6	Baa2	BBB
20	FFML 2006-FF14 M8	32027LAP0	Baa2	BBB
21	FFML 2006-FF7 M8	320277AP1	Baa2	BBB
22	FHLT 2006-A M7	35729RAN6	Baa2	BBB
23	FHLT 2006-B M8	35729QAN6	Baa2	BBB
24	FMIC 2006-2 M8	31659EAM0	Baa2	BBB+
25	GSAMP 2006-FM2 M8	36245DAN0	Baa2	BBB+
26	HEAT 2006-3 M8	437084UZ7	Baa2	BBB+
27	HEAT 2006-5 M8	437096AQ3	Baa2	BBB+
28	HEAT 2006-6 M8	437097AP3	Baa2	A-
29	HEAT 2006-7 M8	43709NAP8	Baa2	BBB+
30	JPMAC 2006-FRE1 M8	46626LFV7	Baa2	BBB
31	LBMLT 2006-4 M8	54251MAN4	Baa2	A-
32	LBMLT 2006-6 M8	54251RAN3	Baa2	BBB+
33	LBMLT 2006-7 M8	542517AN9	Baa2	A-
34	LBMLT 2006-WL1 M8	542514RD8	Baa2	BBB
35	MABS 2006-NC2 M8	552758AP2	Baa2	BBB-
36	MLMI 2006-WMC1 B2A	59020U4H5	Baa2	BBB+
37	MSAC 2006-NC4 B2	61748LAN2	Baa2	BBB
38	MSAC 2006-WMC1 B2	61744CXV3	Baa2	A-
39	MSAC 2006-WMC2 B2	61749KAP8	Baa2	BBB
40	MSC 2006-HE2 B2	617451FD6	Baa2	BBB+
41	NHELI 2006-FM1 M8	65536HCF3	Baa2	BBB+
42	NHELI 2006-FM2 M8	65537FAN1	Baa2	BBB+
43	NHELI 2006-HE3 M8	65536QAN8	Baa2	BBB+
44	SABR 2006-FR1 B2	81375WJY3	Baa2	A-
45	SABR 2006-FR3 B2	813765AH7	Baa2	BBB
46	SABR 2006-HE2 B2	81377AAM4	Baa2	BBB
47	SABR 2006-OP1 B2	81375WJN7	Baa2	BBB+
48	SAIL 2006-4 M7	86360WAM4	Baa2	BBB
49	SAIL 2006-BNC1 M7	86358ED86	Baa2	BBB
50	SAIL 2006-BNC2 M7	86358QAN1	Baa2	BBB
51	SVHE 2006-OPT1 M7	83611MMF2	Baa2	BBB
52	SVHE 2006-OPT2 M7	83611MMT2	Baa2	A-
53	SVHE 2006-OPT3 M7	83611MPR3	Baa2	BBB
54	SVHE 2006-OPT5 M8	83612CAN9	Baa2	BBB
55	CMLTI 2006-WFHZ M9	17309MAN3	Baa2	BBB-

ACA KICKOUT

No.	Deal	CUSIP	Moody's	S&P
1	ABSHE 2006-HE3 M7	04541GXK3	Baa2	BBB
2	ABSHE 2006-HE5 M8	04544PAN8	Baa2	BBB
3	ACE 2006-ASP5 M8	004422AP6	Baa2	A
4	ACE 2006-FM1 M8	00441VAN8	Baa2	BBB
5	ACE 2006-HE1 M8	004421WY5	Baa2	A-
6	ACE 2006-HE2 M8	004421ZD8	Baa2	BBB+
7	ACE 2006-HE3 M8	00441TAN3	Baa2	A
8	ACE 2006-NC2 M9	00441XAP8	Baa2	BBB-
9	ACE 2006-OP1 M8	00442PAP5	Baa2	BBB+
10	AMSI 2006-R1 M8	03072SY33	Baa2	BBB
11	AMSI 2006-R2 M8	03072S2E4	Baa2	BBB+
12	ARSI 2006-M1 M8	04012MAJ8	Baa2	A-
13	ARSI 2006-M2 M8	04013BAM4	Baa2	BBB
14	ARSI 2006-W2 M8	040104SE2	Baa2	BBB
15	ARSI 2006-W3 M8	040104TA9	Baa2	BBB+
16	ARSI 2006-W4 M8	040104TR2	Baa2	BBB+
17	ARSI 2006-W5 M8	04012XAN5	Baa2	A-
18	BSABS 2006-HE3 M8	07387UHZ7	Baa2	BBB
19	CARR 2006-RFC1 M8	14453EAM4	Baa2	A
21	CWL 2006-12 M8	12667AAM8	Baa2	BBB
22	FFML 2006-FF5 M8	32027EAQ4	Baa2	BBB
23	FHLT 2006-1 M7	35729PPJ3	Baa2	BBB+
24	FHLT 2006-2 M7	35729PQF0	Baa2	BBB+
25	FMIC 2006-1 M8	31659TFH3	Baa2	A-
26	GSAMP 2006-HE1 M8	3623415A3	Baa2	A-
27	GSAMP 2006-HE3 M8	36244KAN5	Baa2	A-
28	GSAMP 2006-HE4 M8	362439AN1	Baa2	A-
29	GSAMP 2006-NC2 M8	362463AN1	Baa2	BBB
30	HASC 2006-OPT4 M7	40430KAP6	Baa2	BBB
31	HEAT 2006-4 M8	437084VY8	Baa2	BBB+

32	INABS 2006-C M8	43709BAP4	Baa2	BBB
33	LBMLT 2006-1 M8	542514RV8	Baa2	A-
34	LBMLT 2006-2 M8	542514UC6	Baa2	BBB+
35	LBMLT 2006-3 M8	542514UU6	Baa2	A-
36	LBMLT 2006-5 M8	54251PAN7	Baa2	BBB+
37	LBMLT 2006-WL2 M8	542514SM7	Baa2	BBB
38	LBMLT 2006-WL3 M8	542514TE4	Baa2	BBB
39	MABS 2006-FRE2 M8	57643QAN7	Baa2	BBB
40	MABS 2006-WMC1 M8	57643LRU2	Baa2	BBB+
41	MABS 2006-WMC2 M8	57644TAN6	Baa2	BBB
42	MLMI 2006-MLN1 B2	59023AAN6	Baa2	BBB+
43	MLMI 2006-OPT1 B2	59022VAN1	Baa2	BBB
44	MLMI 2006-RM2 B2	590216AP2	Baa2	BBB+
45	MLMI 2006-RM3 B2	590217AP0	Baa2	BBB+
46	MLMI 2006-WMC2 B2A	59020U6W0	Baa2	BBB+
47	MLMI 2006-WMC2 B2B	59020U6X8	Baa2	BBB+
48	MSC 2006-HE1 B2	617451DZ9	Baa2	A-
49	MSIX 2006-1 B2	61749QAN0	Baa2	BBB
50	NCHET 2006-1 M8	64352VRA1	Baa2	BBB
51	NHEL1 2006-HE1 M8	65536HCZ9	Baa2	BBB
52	OOMLT 2006-2 M8	68402CAN4	Baa2	BBB
53	RASC 2006-EMX9 M9	74924VAP4	Baa2	BBB-
54	RASC 2006-KS1 M8	78113AAP6	Baa2	A-
55	RASC 2006-KS2 M8	75406BAM9	Baa2	BBB+
56	RASC 2006-KS3 M8	78113AB17	Baa2	A-
57	SABR 2006-HE1 B2	81376YAK7	Baa2	BBB
58	SAIL 2006-2 M7	86358EF68	Baa2	BBB
59	SAIL 2006-3 M8	863587AP6	Baa2	BBB
60	SASC 2006-WF1 M8	863576FQ2	Baa2	BBB
61	SGMS 2006-FRE1 M8	81879MBE8	Baa2	BBB+
62	SGMS 2006-FRE2 M8	78420BAN0	Baa2	BBB
63	SURF 2006-BC1 B2A	84751PKL2	Baa2	BBB+
64	SURF 2006-BC2 B2	84751PLX5	Baa2	BBB+
65	SVHE 2006-1 M7	83611MLG1	Baa2	A-
66	SVHE 2006-3 M8	83612HAM0	Baa2	BBB
67	SVHE 2006-OPT4 M7	83611YAM4	Baa2	BBB+
68	WFHET 2006-1 M8	9497EUAQ0	Baa2	A-
69	WFHET 2006-2 M8	9497EAAM3	Baa2	BBB

ACA SUBSTITUTIONS

No.	Deal	CUSIP	Moody's	S&P
1	ABFC 2006-HE1 M8	00075WAM1	Baa2	BBB
2	CMLTI 2007-WFH1 M9	17311CAM3	Baa2e	BBB-
3	CWL 2006-21 M8	12667LAN2	Baa2	BBB+
4	CWL 2006-22 M8	12666BAN5	Baa2	BBB+
5	CWL 2006-23 M8	12666CAN3	Baa2	BBB
6	CWL 2006-24 M8	23243HAN1	Baa2	BBB
7	FFML 2006-FF15 M8	32028GAP0	Baa2	BBB
8	FFML 2006-FF16 M8	320275AN0	Baa2	BBB+
9	FFML 2006-FF17 M8	32026KAP1	Baa2	BBB
10	GSAMP 2006-NC2 M8	362463AN1	Baa2	BBB
11	HEAT 2007-1 M9	43710LAN4	Baa2e	BBB+
12	JPMAC 2006-CW2 MV8	46626BBA8	Baa2	BBB
13	JPMAC 2006-NC1 M8	46626LJY7	Baa2	BBB
14	JPMAC 2006-WMC3 M8	46629KAP4	Baa2	BBB
15	MABS 2006-HE5 M9	576455AN9	Baa2	BBB-
16	MABS 2006-NC1 M8	57643LNP7	Baa2	BBB+
17	MABS 2006-WMC4 M8	57645MAP7	Baa2	BBB+
18	MSAC 2006-HE7 B2	61750MAP0	Baa2	BBB
19	MSAC 2006-HE8 B2	61750SAP7	Baa2	BBB
20	MSAC 2006-NC5 B3	61749BAQ8	Baa2	BBB-
21	MSIX 2006-2 B2	617463AM6	Baa2	BBB
22	NHEL 2006-5 M8	68988YAN2	Baa2	BBB+
23	OOMLT 2007-1 M8	68400DAP9	Baa2e	BBB
24	SABR 2007-NC1 B2	81378AAM3	Baa2e	BBB
25	SAIL 2006-BNC3 M7	86361KAM9	Baa2	BBB
26	SASC 2006-BC4 M8	86359RAN6	Baa2	BBB
27	SASC 2006-BC6 M9	86362VAP7	Baa2e	BBB-
28	SASC 2006-EQ1A M8	86360RAN3	Baa2	BBB
29	SURF 2007-BC1 B2	84752BAQ2	Baa2e	BBB
30	SVHE 2006-EQ2 M8	83611XAM6	Baa2	BBB
31	WMHE 2007-HE1 M8	933631AN3	Baa2	BBB

From: Tourre, Fabrice
Sent: Sunday, January 28, 2007 2:50 PM
To: Kreitman, Gail; Gerst, David
Subject: RE: ABACUS - Initial Draft Engagement Letter for ACA

Any time during the day works. David and I should be there

-----Original Message-----
From: Kreitman, Gail
Sent: Sunday, January 28, 2007 1:31 PM
To: Tourre, Fabrice; Gerst, David
Subject: Re: ABACUS - Initial Draft Engagement Letter for ACA

What time works on the 5th to have a paulson discussion who should be there?

----- Original Message -----
From: Tourre, Fabrice
To: 'lschwartz@aca.com' <lschwartz@aca.com>; Gerst, David
Cc: Kreitman, Gail; ficc-mtgcorr-desk; 'kgorman@aca.com' <kgorman@aca.com>
Sent: Sun Jan 28 12:32:01 2007
Subject: Re: ABACUS - Initial Draft Engagement Letter for ACA

Thanks Laura for your email, this is confirming my initial impression that Paolo wanted to proceed with you subject to agreement on portfolio and compensation structure. Let's meet on Feb 5th to discuss this transaction.

Sent from my BlackBerry Wireless Handheld

----- Original Message -----
From: Laura Schwartz <lschwartz@aca.com>
To: Tourre, Fabrice; Gerst, David
Cc: Kreitman, Gail; ficc-mtgcorr-desk; Keith Gorman <kgorman@aca.com>
Sent: Sun Jan 28 08:56:00 2007
Subject: Re: ABACUS - Initial Draft Engagement Letter for ACA

So I met with Paolo last night. We first talked about the collateral - why only 55 names from the first list and why the Baa3 and A3 names. He had summary performance and credit statistics on each piece of collateral on a spreadsheet (he may as much of a nerd as I am since he brought a laptop to the bar and he also seemed to have a worksheet from DB and another manager). I don't think he wants the A3 names and wasn't too keen on the Baa3 names. Let's do the Baa3 names at Baa2. He also wanted to know if we had to have so many names - I said Goldman needed 100 to help sell the debt. He also wanted to talk about the super senior - I said we would definitely look at it if Goldman planned on placing it. We also talked about the auction call - he wants a 2 year. This may be tough to sell without a makewhole. We left it that we would both work on our respective engagement letters this week - I certainly got the impression the he wanted to go forward on this with us. He is also headed to ASF. Can we meet sometime on Feb 5th to discuss mechanics of this deal?

Laura Schwartz
ACA Capital
(212) 375 2011
Lschwartz@aca.com

-----Original Message-----

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2522

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66052.727

From: Laura Schwartz
To: 'Fabrice.Tourre@gs.com' <Fabrice.Tourre@gs.com>; 'David.Gerst@gs.com' <David.Gerst@gs.com>
CC: 'Gail.Kreitman@gs.com' <Gail.Kreitman@gs.com>; 'ficc-mtgcorr-desk@ny.email.gs.com' <ficc-mtgcorr-desk@ny.email.gs.com>; Keith Gorman; 'melanie.herald@gs.com' <melanie.herald@gs.com>
Sent: Sat Jan 27 14:38:04 2007
Subject: Re: ABACUS - Initial Draft Engagement Letter for ACA

I am in Jackson Hole and Paolo is out here [redacted] for a week and we ran into each other last night. He called me this morning and wants to meet for a drink and discuss the deal this afternoon. Will keep you informed.

Laura Schwartz
ACA Capital
(212) 375 2011
Lschwartz@aca.com

[redacted] = Redacted by the Permanent Subcommittee on Investigations

-----Original Message-----
From: Tourre, Fabrice <Fabrice.Tourre@gs.com>
To: Laura Schwartz; Gerst, David <David.Gerst@gs.com>
CC: Kreitman, Gail <Gail.Kreitman@gs.com>; ficc-mtgcorr-desk <ficc-mtgcorr-desk@ny.email.gs.com>; Keith Gorman; Herald - Granoff, Melanie <Melanie.Herald@gs.com>
Sent: Fri Jan 26 09:32:35 2007
Subject: RE: ABACUS - Initial Draft Engagement Letter for ACA

Laura -- all good questions. Some thoughts:

1- What expenses do you envision would be incurred in connection with the transaciton ? I think we/Paulson can envision paying your expenses in connection with marketing the transaction, subject to a reasonable cap.

2- In the engagement letter, the Portfolio Selection Fee is structured such that you get paid a spread (the "Portfolio Selection Fee Rate") on the tranches that are issued, subject to a floor of $1mm per annum. The Portfolio Selection Fee Rate is equal to 0.25% p.a. for the "AAA" tranche, 0.50% for the "AA" and "AA-" tranches, and 1.00% for the "A" tranche. Using our draft capital structure for a $1bn transaction and assuming we issue all the "AAA" through "A" notes, the aggregate Portfolio Selection Fees would be approx $1.25mm p.a. If we are able to upsize for a $2bn transaction and if we are able to issue all the "AAA" through "A" notes, the aggregate Portfolio Selection Fees would be approx $2.50mm p.a.

3- We are using McKee Nelson as deal counsel since they have a deep knowledge of the ABACUS transaction documents. I am afraid that if we use counsel not familiar with our deal structure, legal expenses might be significantly higher than otherwise, and the transaction execution might take more time.

4- Paolo at Paulson is out of the office until Wednesday of next week. We are trying to get his feedback on the target portfolio you have in mind, as well as on the compensation structure we have been discussing with you. Subject to Paolo being comfortable with those 2 aspects, it sounds like we will be in a position to engage you on this transaction.

From: Laura Schwartz [mailto:lschwartz@aca.com]
Sent: Friday, January 26, 2007 9:03 AM
To: Gerst, David
Cc: Kreitman, Gail; Tourre, Fabrice; ficc-mtgcorr-desk; Keith Gorman; Herald - Granoff, Melanie
Subject: RE: ABACUS - Initial Draft Engagement Letter for ACA

Confidential Treatment Requested by Goldman Sachs

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Just a few questions before I send it to my counsel:

1. it says that any expenses we incur are for our account - I think the issuer/deal should pay our out of pocket in connection with this transaction (such as any travel etc)
2. the fee rate is set at $1 million - is this regardless of the ultimate size?
3. we generally like our counsel (Schulte) to be deal counsel 4. do you believe that we have this deal? do we need to do the work on the engagement letter before we know if we have the deal?

From: Gerst, David [mailto:David.Gerst@gs.com]
Sent: Thursday, January 25, 2007 10:53 AM
To: Laura Schwartz
Cc: Kreitman, Gail; Tourre, Fabrice; ficc-mtgcorr-desk
Subject: ABACUS - Initial Draft Engagement Letter for ACA

Laura,

Attached is an initial draft of an Engagement Letter for the proposed ABACUS transaction. Please let us know your availability to discuss the draft and answer any questions you may have.

Thanks,

David

<<ABACUS ACA Engagement Letter 20070124.pdf>>

Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: (212) 902-4311 | Fax: (212) 256-2442
e-mail: david.gerst@gs.com

Goldman

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achs

David Gerst
Structured Products Trading

****
This e-mail is not a contract and is not intended to, and does not, create any obligation. It is not a commitment to insure and is not to be construed as an offer to sell or the solicitation of an offer to buy any security or any insurance product.

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From: Gerst, David
Sent: Wednesday, January 31, 2007 5:42 PM
To: Laura Schwartz
Cc: Kreitman, Gail; Herald - Granoff, Melanie; Tourre, Fabrice; ficc-mtgcorr-desk
Subject: ABACUS Transaction - update

Attachments: Paulson Portfolio 1-22-07 (2) (2).xls

Laura,

We wanted to provide you with an update on the transaction:

From the 100 name portfolio that you had agreed to with Paolo (attached hereto), we would like to exclude SAIL 2006-BNC1 M7 and SAIL 2006-BNC2 M7, which are both on negative credit watch by Moody's. This leaves us with a portfolio of 98 names, for which we have been updating our model to refresh the capital structure. In addition, we have been working on a flipbook and termsheet in anticipation of marketing the transaction.

We will continue our discussions with Paolo to confirm his agreement with the proposed transaction as structured and look forward to discussing the transaction and draft Engagement Letter on Monday. In the meantime, can you please send us recent ACA marketing materials that we can include in our draft flipbook and termsheet.

Thanks,

David



Paulson Portfolio 1-22-07 (2) ...

Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: (212) 902-4311 | Fax: (212) 256-2442
e-mail: david.gerst@gs.com

Goldman
Sachs

David Gerst
Structured Products Trading

Permanent Subcommittee on Investigations
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Report Footnote #2522

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Footnote Exhibits - Page 4802

ACA OVERLAP

No.	Deal	CUSIP	Moody's	S&P	
1	ABFC 2006-OPT1 M8	00075QAM4	Baa2	BBB	
2	ABFC 2006-OPT2 M8	00075JAP2	Baa2	BBB	
3	ABFC 2006-OPT3 M8	00075VAN1	Baa2		
4	ABSHE 2006-HE4 M7	04544QAP4	Baa2	BBB	
5	ACE 2006-FM2 M8	00442CAN9	Baa2	BBB	
6	ACE 2006-OP2 M9	00441YAP7	Baa2	BBB-	
7	ARSI 2006-W1 M8	040104RQ6	Baa2	BBB+	
8	CARR 2006-FRE1 M8	144538AM7	Baa2	A+	
9	CARR 2006-FRE1 M9	144538AN5	Baa2	A	
10	CARR 2006-FRE2 M8	14454AAN9	Baa2	BBB+	
11	CARR 2006-NC1 M8	144531FF2	Baa2	BBB+	
12	CARR 2006-NC2 M8	14453FAH1	Baa2	BBB	
13	CARR 2006-NC3 M8	144528AN8	Baa2	BBB-	
14	CARR 2006-OPT1 M8	144531FV7	Baa2	A-	
15	CMLTI 2006-AMC1 M8	17309PAL6	Baa2	BBB	
16	CMLTI 2006-NC1 M8	172983AN8	Baa2	BBB	
17	CMLTI 2006-WMC1 M8	17307QZF4	Baa2	BBB+	
18	FFML 2006-FF11 M8	32028PAP0	Baa2	BBB	
19	FFML 2006-FF12 M8	32027GAN6	Baa2	BBB	
20	FFML 2006-FF14 M8	32027LAP0	Baa2	BBB	
21	FFML 2006-FF7 M8	320277AP1	Baa2	BBB	
22	FHLT 2006-A M7	35729RAN8	Baa2	BBB	
23	FHLT 2006-B M8	35729QAN8	Baa2	BBB	
24	FMIC 2006-2 M8	31659EAN0	Baa2	BBB+	
25	GSAMP 2006-FM2 M8	36245DAN0	Baa2	BBB+	
26	HEAT 2006-3 M8	437084UZ7	Baa2	BBB+	
27	HEAT 2006-5 M8	437096AD3	Baa2	BBB+	
28	HEAT 2006-6 M8	437097AP3	Baa2	A-	
29	HEAT 2006-7 M8	43709NAP8	Baa2	BBB+	
30	JPMAC 2006-PRE1 M8	46629LFV7	Baa2	BBB	
31	LBMLT 2006-4 M8	542511AN4	Baa2	A-	
32	LBMLT 2006-6 M8	54251RAN3	Baa2	BBB+	
33	LBMLT 2006-7 M8	542517AN8	Baa2	A-	
34	LBMLT 2006-WL1 M8	542514RD8	Baa2	BBB	
35	MABS 2006-NC2 M9	55275BAP2	Baa2	BBB-	
36	MLMI 2006-WMC1 B2A	59020UHH5	Baa2	BBB+	
37	MSAC 2006-NC4 B2	61748LAN2	Baa2	BBB	
38	MSAC 2006-WMC1 B2	61744C3V3	Baa2	A-	
39	MSAC 2006-WMC2 B2	61749KAP8	Baa2	BBB	
40	MSC 2006-HE2 B2	617451FD8	Baa2	BBB+	
41	NHELI 2006-FM1 M8	65536HCF3	Baa2	BBB+	
42	NHELI 2006-FM2 M8	65537FAN1	Baa2	BBB+	
43	NHELI 2006-HE3 M8	65536QAN8	Baa2	BBB+	
44	SABR 2006-FR1 B2	81375WJY3	Baa2	A-	
45	SABR 2006-FR3 B2	81378SAH7	Baa2	BBB	
46	SABR 2006-HE2 B2	81377AAM4	Baa2	BBB	
47	SABR 2006-OP1 B2	81375WJN7	Baa2	BBB+	
48	SAIL 2006-4 M7	86360AAM4	Baa2	BBB	
49	SAIL 2006-BNC1 M7	86359AED8	Baa2	BBB	(exclude)
50	SAIL 2006-BNC2 M7	86358GAN1	Baa2	BBB	(exclude)
51	SVHE 2006-OPT1 M7	83611MMF2	Baa2	BBB	
52	SVHE 2006-OPT2 M7	83611MMT2	Baa2	A-	
53	SVHE 2006-OPT3 M7	83611MPR3	Baa2	BBB	
54	SVHE 2006-OPT5 M8	83612CAW8	Baa2	BBB	
55	CMLTI 2006-WFH2 M8	17309MAN3	Baa2	BBB-	

ACA SUBSTITUTIONS

No.	Deal	CUSIP	Moody's	S&P
1	ABFC 2006-HE1 M8	00075WAM1	Baa2	BBB
2	CMLTI 2007-WFH1 M9	17311CAM3	Baa2e	BBB-
3	CWL 2006-21 M8	12987LAN2	Baa2	BBB+
4	CWL 2006-22 M8	12986BAN5	Baa2	BBB+
5	CWL 2006-23 M8	12986CAN3	Baa2	BBB
6	CWL 2006-24 M8	23243HAN1	Baa2	BBB
7	FFML 2006-FF15 M8	32028QAP0	Baa2	BBB
8	FFML 2006-FF18 M8	32027UAN6	Baa2	BBB+
9	FFML 2006-FF17 M8	32028XAP1	Baa2	BBB
10	GSAMP 2006-NC2 M8	362463AN1	Baa2	BBB
11	HEAT 2007-1 M8	43710LAN4	Baa2e	BBB+
12	JPMAC 2006-CW2 MV8	46629BAA8	Baa2	BBB
13	JPMAC 2006-NC1 M8	46628LJY7	Baa2	BBB
14	JPMAC 2006-WMC3 M8	46629KAP4	Baa2	BBB
15	MABS 2006-HE3 M9	57645SAN9	Baa2	BBB-
16	MABS 2006-NC1 M8	57643LN97	Baa2	BBB+
17	MABS 2006-WMC4 M8	57645MAP7	Baa2	BBB+
18	MSAC 2006-HE7 B2	61750MAP0	Baa2	BBB
19	MSAC 2006-HE8 B2	61750SAP7	Baa2	BBB
20	MSAC 2006-NC5 B3	61749BAD8	Baa2	BBB-
21	MSIX 2006-2 B2	617483AM6	Baa2	BBB
22	NHEL 2006-5 M8	66986YAN2	Baa2	BBB+
23	OOMLT 2007-1 M8	68400DAP9	Baa2e	BBB
24	SABR 2007-NC1 B2	81373AAN3	Baa2e	BBB
25	SAIL 2006-BNC3 M7	86361KAM9	Baa2	BBB
26	SASC 2006-BC4 M8	86359RAN6	Baa2	BBB
27	SASC 2006-BC8 M9	86362VAP7	Baa2e	BBB-
28	SASC 2006-EQ1A M8	86360RAN3	Baa2	BBB
29	SURF 2007-BC1 B2	84752BAC2	Baa2e	BBB
30	SVHE 2006-EQ2 M8	83611XAM8	Baa2	BBB
31	WMHE 2007-HE1 M8	933631AN3	Baa2	BBB

ACA ADDITIONAL NAMES

No.	Deal	CUSIP	Moody's	S&P
1	ABSHE 2006-HE3 M8	04541GXL1	Baa3	BBB-
2	CARR 2006-NC4 M9	14453NAP9	Baa3	BBB-
3	FMIC 2006-3 M8	31659PAP4	Baa3	BBB
4	IXIS 2006-HE3 B3	46602UAN6	Baa3	BBB-
5	LBMLT 2006-11 M8	542512AP3	Baa3	BBB-
6	MSAC 2007-NC1 B3	617505AP7	Baa3e	BBB-
7	OOMLT 2007-1 M9	68400DAQ7	Baa3e	BBB-
8	SVHE 2006-WF1 M9	83612LAN9	Baa3	BBB-
9	SASC 2006-OPT1 M8	86359UAP4	Baa3	BBB-
10	FFML 2006-FF16 B3	32029AAP2	Baa3	BBB-
11	CWL 2006-14 M9	23243LAN2	Baa3	BBB-
12	CWL 2006-17 M9	12986VAN1	Baa3	BBB-
13	HEAT 2006-5 B1	437096AQ9	Baa3	BBB
14	FFML 2006-FF9 M9	320276AQ1	Baa3	BBB

From: Laura Schwartz [lschwartz@aca.com]
Sent: Thursday, February 01, 2007 9:30 AM
To: Gerst, David
Cc: Kreitman, Gail; Herald - Granoff, Melanie; Tourre, Fabrice; ficc-mtgcorr-desk
Subject: RE: ABACUS Transaction - update

Paolo called me this morning. We plan on sitting down tomorrow to try to finalize the portfolio. I suggested 3 alternates –
SASC 2006-WF3, Class M-9 and above
CMLTI 2006-WFHE3, Class M-9 and above
CMLTI 2007-AMC1, Class M8 and above

From: Gerst, David [mailto:David.Gerst@gs.com]
Sent: Wednesday, January 31, 2007 5:42 PM
To: Laura Schwartz
Cc: Kreitman, Gail; Herald - Granoff, Melanie; Tourre, Fabrice; ficc-mtgcorr-desk
Subject: ABACUS Transaction - update

Laura,

We wanted to provide you with an update on the transaction:

From the 100 name portfolio that you had agreed to with Paolo (attached hereto), we would like to exclude SAIL 2006-BNC1 M7 and SAIL 2006-BNC2 M7, which are both on negative credit watch by Moody's. This leaves us with a portfolio of 98 names, for which we have been updating our model to refresh the capital structure. In addition, we have been working on a flipbook and termsheet in anticipation of marketing the transaction.

We will continue our discussions with Paolo to confirm his agreement with the proposed transaction as structured and look forward to discussing the transaction and draft Engagement Letter on Monday. In the meantime, can you please send us recent ACA marketing materials that we can include in our draft flipbook and termsheet.

Thanks,

David

<<Paulson Portfolio 1-22-07 (2) (2).xls>>

Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: (212) 902-4311 | Fax: (212) 256-2442
e-mail: david.gerst@gs.com

Goldman
Sachs

David Gerst
Structured Products Trading

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From: Paolo Pellegrini [Paolo.Pellegrini@paulsonco.com]
Sent: Friday, February 02, 2007 11:10 AM
To: Laura Schwartz; Sihan Shu
Cc: Tourre, Fabrice; Gerst, David; Gail Kreitman; Lucas Westreich; Keith Gorman
Subject: RE: portfolio

Laura,

Thank you for meeting with me, Sihan and Fabrice this morning on such short notice. Coming into the meeting, I had not realized that you might have migrated the reference obligations on some of our original reference entities from the Baa2 to the A3 rating category. I apologize for not explaining more clearly that we had taken the whole portfolio to the Baa2 level, i.e., migrated both A3 and Baa3 to Baa2, assuming that the migration in opposite directions would have a neutral overall result. We then took the deals with ARM % > 75 and produced the list that we gave you this morning. If we take out the Baa2 bonds listed below, I am not sure that the result is neutral relative to the starting point. However, if you are absolutely adamant about excluding each of the bonds listed below, I hope that you will be able to come up with recent names that fit our criteria. If so, getting loan data on such names becomes critical.

Best,

Paolo

From: Laura Schwartz [mailto:lschwartz@aca.com]
Sent: Friday, February 02, 2007 10:07 AM
To: Paolo Pellegrini; Sihan Shu
Cc: Tourre, Fabrice; david.gerst@gs.com; Gail Kreitman; Lucas Westreich; Keith Gorman
Subject: portfolio

Thank you for coming down this morning to discuss the portfolio and portfolio strategy. In comparing our two worksheets, it appears that 9 positions that we kicked out made it back onto your second sheet. We are not willing to include the following 9 positions at the Baa2 level:

ARSI 2006-W3
ARSI 2006-W4
BSABS 2006-HE3
CMLTI 2006-NC2
FHLT 2006-D
LBMLT 2006-WL2
LBMLT 2006-WL3
MLMI 2006-OPT1
SURF 2006-BC1

We will provide substitutes for this as well as additional names.

****

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From: Laura Schwartz [lschwartz@aca.com]
Sent: Friday, February 02, 2007 11:23 AM
To: Paolo Pellegrini; Sihan Shu
Cc: Tourre, Fabrice; Gerst, David; Gail Kreitman; Lucas Westreich; Keith Gorman
Subject: RE: portfolio
Attachments: Paulson Portfolio with performance 2-1-07.xls

Attached please find an updated file with the names we concur on as well as 21 replacement names at the bottom of the file. Let me know if these work for you at the Baa2 level. Thanks

---

From: Paolo Pellegrini [mailto:Paolo.Pellegrini@paulsonco.com]
Sent: Friday, February 02, 2007 11:10 AM
To: Laura Schwartz; Sihan Shu
Cc: Tourre, Fabrice; david.gerst@gs.com; Gail Kreitman; Lucas Westreich; Keith Gorman
Subject: RE: portfolio

Laura,

Thank you for meeting with me, Sihan and Fabrice this morning on such short notice. Coming into the meeting, I had not realized that you might have migrated the reference obligations on some of our original reference entities from the Baa2 to the A3 rating category. I apologize for not explaining more clearly that we had taken the whole portfolio to the Baa2 level, i.e., migrated both A3 and Baa3 to Baa2, assuming that the migration in opposite directions would have a neutral overall result. We then took the deals with ARM % > 75 and produced the list that we gave you this morning. If we take out the Baa2 bonds listed below, I am not sure that the result is neutral relative to the starting point. However, if you are absolutely adamant about excluding each of the bonds listed below, I hope that you will be able to come up with recent names that fit our criteria. If so, getting loan data on such names becomes critical.

Best,

Paolo

From: Laura Schwartz [mailto:lschwartz@aca.com]
Sent: Friday, February 02, 2007 10:07 AM
To: Paolo Pellegrini; Sihan Shu
Cc: Tourre, Fabrice; david.gerst@gs.com; Gail Kreitman; Lucas Westreich; Keith Gorman
Subject: portfolio

Thank you for coming down this morning to discuss the portfolio and portfolio strategy. In comparing our two worksheets, it appears that 9 positions that we kicked out made it back onto your second sheet. We are not willing to include the following 9 positions at the Baa2 level:

ARSI 2006-W3
ARSI 2006-W4
BSABS 2006-HE3
CMLTI 2006-NC2
FHLT 2006-D
LBMLT 2006-WL2
LBMLT 2006-WL3
MLMI 2006-OPT1
SURF 2006-BC1

We will provide substitutes for this as well as additional names.

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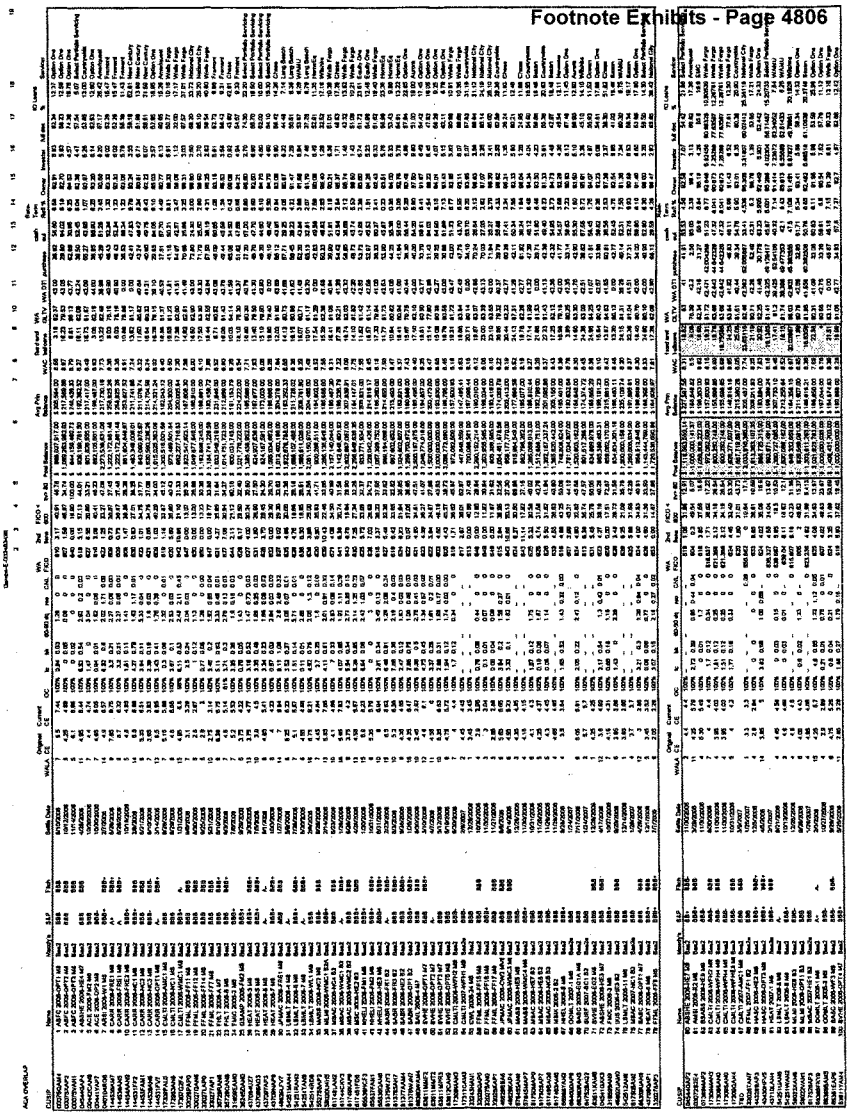
Footnote Exhibits - Page 4806

From: Paolo Pellegrini [Paolo.Pellegrini@paulsonco.com]
Sent: Monday, February 05, 2007 2:55 PM
To: Laura Schwartz
Cc: Tourre, Fabrice; Gerst, David; Sihan Shu
Subject: Revised Portfolio

Attachments: ABACUS ACA Portfolio 2.5.07.xls



ABACUS ACA Portfolio 2.5.07.xl...

Laura,

I attach the portfolio you proposed with eight deletions. Two are duplicates and the others are either too seasoned or have some other characteristics that make them too risky from our perspective. I understand from Fabrice that 92 names provide sufficient diversification and hope that you will find our counter-proposal acceptable.

Best regards.

Paolo M. Pellegrini
Vice President
Paulson & Co. Inc.
590 Madison Avenue, 29th Floor
New York, NY 10022
Phone: (212) 956-4129 (direct)
(212) 956-2221 (main)
(212) 977-9505 (fax)

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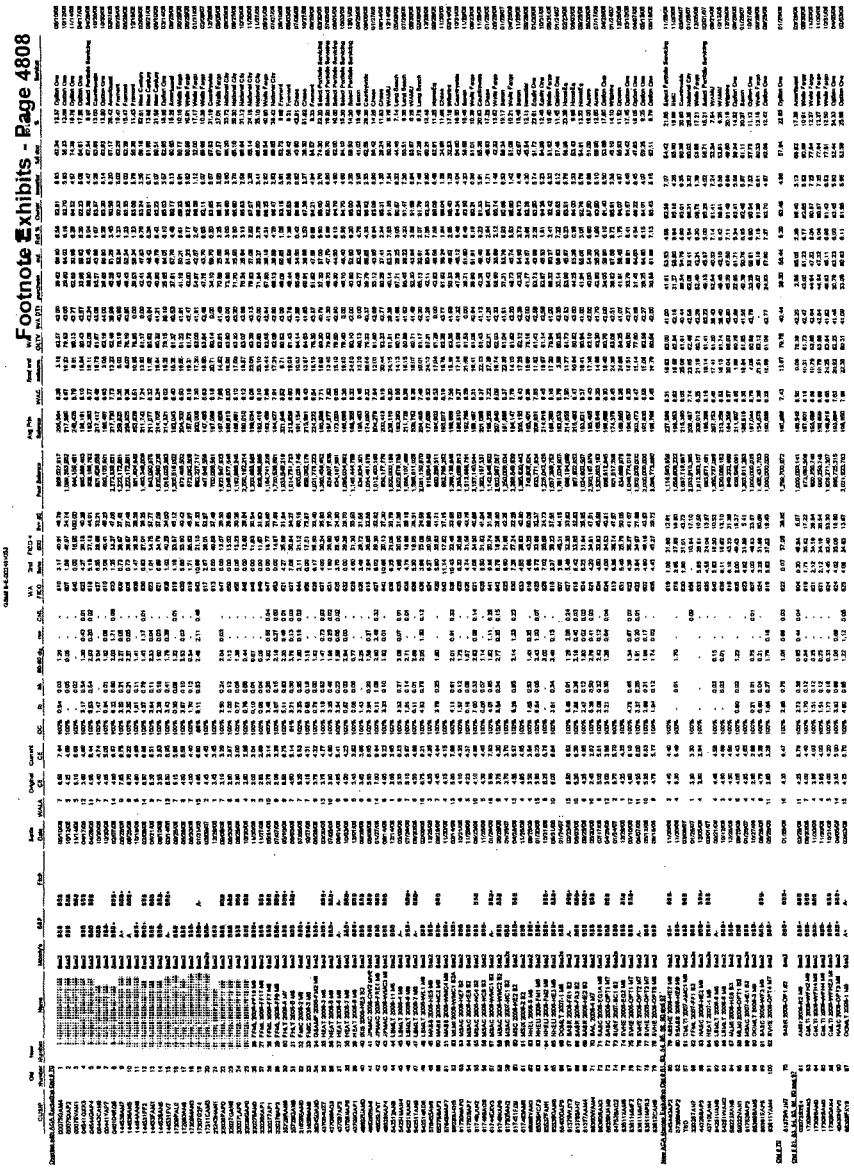
Wall Street & The Financial Crisis
Report Footnote #2522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From: Laura Schwartz [lschwartz@aca.com]
Sent: Monday, February 05, 2007 4:28 PM
To: Paolo Pellegrini
Cc: Tourre, Fabrice; Gerst, David; Sihan Shu; Kreitman, Gail; Keith Gorman
Subject: RE: Revised Portfolio

We are good with this 92 name portfolio. Fabrice/David, can you rerun the downgrade analysis given the structure you will get with an entire Baa2 portfolio? Thanks

****
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From: Paolo Pellegrini
Sent: Tuesday, February 06, 2007 10:40 AM
To: Tourre, Fabrice
Subject: RE: ABACUS Reference Portfolio
Entendu ...

From: Tourre, Fabrice [mailto:Fabrice.Tourre@gs.com]
Sent: Tuesday, February 06, 2007 10:31 AM
To: Paolo Pellegrini; Gerst, David; Sihan Shu
Cc: Raazi, Cactus
Subject: RE: ABACUS Reference Portfolio

yes we are doing our own due diligence, and would like to compare your results with ours -- just want to make sure we compate "apple to apple"

From: Paolo Pellegrini [mailto:Paolo.Pellegrini@paulsonco.com]
Sent: Tuesday, February 06, 2007 10:06 AM
To: Tourre, Fabrice; Gerst, David; Sihan Shu
Cc: Raazi, Cactus
Subject: RE: ABACUS Reference Portfolio

Fabrice, I assume you are doing your independent due diligence on the portfolio, correct? Does ACA have any fiduciary duties with respect to due diligence and disclosure? Please let me know. Thanks.
Paolo

From: Tourre, Fabrice [mailto:Fabrice.Tourre@gs.com]
Sent: Tuesday, February 06, 2007 9:50 AM
To: Paolo Pellegrini; Gerst, David; Sihan Shu
Cc: Raazi, Cactus
Subject: RE: ABACUS Reference Portfolio

Sihan, Paolo, just to make sure, the data you have collected (C/E, foreclosure %, BK %) is coming from loan performance, correct ? As of when is the data ?

From: Paolo Pellegrini [mailto:Paolo.Pellegrini@paulsonco.com]
Sent: Tuesday, February 06, 2007 7:41 AM
To: Gerst, David; Sihan Shu
Cc: Tourre, Fabrice; Raazi, Cactus
Subject: RE: ABACUS Reference Portfolio

We are ok removing ABFC 2006-OPT3 M8. However, we prefer removing the M8 tranche of CARR 2006-FRE1 (rated A+ by S&P) rather than the M9 tranche (rated A by S&P). Done?

From: Gerst, David [mailto:David.Gerst@gs.com]
Sent: Monday, February 05, 2007 10:43 PM
To: Paolo Pellegrini; Sihan Shu
Cc: Tourre, Fabrice; Raazi, Cactus
Subject: ABACUS Reference Portfolio

Paolo, Sihan:

We believe we can create a more efficient capital structure by removing two of the proposed 92 names from the reference portfolio. We propose removing CARR 2006-FRE1 M9 (since we are currently referencing two obligations of the same issuer) and ABFC 2006-OPT3 M8 (since it is not explicitly rated by S&P and needs to be notched to BB+ for purposes of the transaction).

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From: Tourre, Fabrice
Sent: Monday, February 26, 2007 3:54 PM
To: 'Keith Gorman'
Cc: Laura Schwartz; Gerst, David; Kreitman, Gail
Subject: RE: ABACHUS 2007-AC1 substitutions

Thanks Keith, let us take a look at these names.
Rgds,
Fabrice

From: Keith Gorman [mailto:kgorman@aca.com]
Sent: Monday, February 26, 2007 3:51 PM
To: Tourre, Fabrice
Cc: Laura Schwartz; Gerst, David; Kreitman, Gail
Subject: RE: ABACHUS 2007-AC1 substitutions

Fabrice,

Let me know about these:

FFML 2007-FF2 B2	32029GAN4
MSHEL 2007-1 B2	61751QAM7
CWL 2007-2 M8	12668NAN7
SABR 2007-NC2 B2	81378GAM0
MSAC 2007-HE2 B2	61753EAM2
CBASS 2007-CB1 MB	1248MGAA2

Keith X Gorman
Director
ACA Capital
212-375-2421

From: Tourre, Fabrice [mailto:Fabrice.Tourre@gs.com]
Sent: Monday, February 26, 2007 3:39 PM
To: Keith Gorman
Cc: Laura Schwartz; Gerst, David; Kreitman, Gail
Subject: RE: ABACHUS 2007-AC1 substitutions

Thanks Keith, these names don't work that well. Would you mind showing us 2007-vintage names that you would be ok including ? 4-5 names to pick from would be helpful. Thanks a lot !
Rgds,
Fabrice

From: Keith Gorman [mailto:kgorman@aca.com]
Sent: Monday, February 26, 2007 2:24 PM
To: Tourre, Fabrice
Cc: Laura Schwartz
Subject: ABACHUS 2007-AC1 substitutions

Fabrice,

As Laura mentioned to you earlier today, there are 3 positions we would like to substitute in ABACHUS 2007-AC1. They

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are:
07389MAP2 BSABS 2006-HE9 M9
59023XAN6 MLMI 2006-HE6 B3
59022VAN1 MLMI 2006-OPT1 B2

Some recommendations for substitutes are:
126670NM6 CWL 2005-BC5 M8
61744CWE2 MSAC 2005-HE6 B2
863576DN1 SASC 2005-WF4 M8
86359RAN6 SASC 2006-BC4 M8
17309SAN0 CMLTI 2006-WFH4 M9

Please let me know if these work or if I need to look for more names.

Keith X Gorman
Director
ACA Capital
212-375-2421

****
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CONFIDENTIAL

ABACUS 2007-AC1, LTD.

(Incorporated with limited liability in the Cayman Islands)

ABACUS 2007-AC1, INC.

Class SS Variable Rate Notes
U.S.$50,000,000 Class A-1 Variable Rate Notes, Due 2038
U.S.$142,000,000 Class A-2 Variable Rate Notes, Due 2038
Class B Variable Rate Notes
Class C Variable Rate Notes
Class D Variable Rate Notes
Class FL Variable Rate Notes

ACA Management, L.L.C.

Portfolio Selection Agent

Secured Primarily by (i) the Collateral and (ii) the Issuer's rights under (a) the Collateral Put Agreement, (b) the Basis Swap and (c) as Protection Seller, the Credit Default Swap referencing a pool of Residential Mortgage-Backed Securities

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The Notes are being offered hereby by Goldman, Sachs & Co. to Qualified Institutional Buyers in the United States in reliance on Rule 144A under the Securities Act. In addition to the offering of the Notes in the United States, Goldman, Sachs & Co., selling through its agent, Goldman Sachs International is concurrently offering the Notes outside the United States to non-U.S. Persons in offshore transactions in reliance on Regulation S under the Securities Act. See "Underwriting".

The Notes of any Class may be issued in more than one Series due to differences in one or more of the date of issuance, the Series Interest Rate, the Approved Currency in which such Notes are denominated, the Stated Maturity, the Non-Call Period and the date from which interest will accrue.

See "Risk Factors" beginning on page 21 to read about factors you should consider before buying the Notes.

There is no established trading market for the Notes. Application will be made to admit the Notes on a stock exchange of the Issuer's choice, if practicable. There can be no assurance that any such admission will be sought, granted or maintained.

It is a condition of the issuance of the Notes issued on the Closing Date that the Class A-1 Notes and the Class A-2 Notes be issued with a rating of "Aaa" by Moody's Investors Service, Inc. ("Moody's"), and "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"). A credit 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. See "Ratings of the Notes".

See "Underwriting" for a discussion of the terms and conditions of the purchase of the Notes by the Initial Purchaser.

CERTAIN PLEDGED ASSETS OF THE ISSUER ARE THE SOLE SOURCE OF PAYMENTS ON THE NOTES. THE NOTES DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF, AND ARE NOT INSURED OR GUARANTEED BY, THE HOLDERS OF THE NOTES, GOLDMAN, SACHS & CO., GOLDMAN SACHS INTERNATIONAL, THE ADMINISTRATOR, THE SHARE TRUSTEE, THE PROTECTION BUYER, THE BASIS SWAP COUNTERPARTY, THE COLLATERAL PUT PROVIDER, THE COLLATERAL DISPOSAL AGENT, THE PORTFOLIO SELECTION AGENT OR ANY OF THEIR RESPECTIVE AFFILIATES. THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, AND NEITHER OF THE ISSUERS WILL BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED. THE NOTES ARE BEING OFFERED AND SOLD IN THE UNITED STATES ONLY TO PERSONS WHO ARE (1) QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS PROVIDED BY RULE 144A UNDER THE SECURITIES ACT AND (2) QUALIFIED PURCHASERS (FOR PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT), AND IN ACCORDANCE WITH ANY OTHER APPLICABLE LAW. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY NOTES MAY BE RELYING ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. THE NOTES ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT. THE NOTES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED UNDER "TRANSFER RESTRICTIONS".

The Notes are offered by the Initial Purchaser or its agent as specified herein, subject to its right to reject any order in whole or in part. It is expected that the Global Notes will be ready for delivery in book-entry form only in New York, New York, on or about April 26, 2007, through the facilities of DTC (or Euroclear, with respect to Notes issued in Approved Currencies other than Dollars, if any), against payment therefor in immediately available funds. The Notes will have the minimum denominations set forth in "Summary—Notes".

Goldman, Sachs & Co.

Offering Circular dated April 26, 2007.

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2529

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THIS OFFERING CIRCULAR SUPERSEDES IN ALL RESPECTS ALL EARLIER DATED OFFERING CIRCULARS.

GENERAL NOTICE

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The Issuers (and, with respect to the information contained in this Offering Circular under the heading "The Protection Buyer", the Protection Buyer and, with respect to the information contained in this Offering Circular under the heading "The Portfolio Selection Agent", the Portfolio Selection Agent), having made all reasonable inquiries, confirm that the information contained in this Offering Circular is true and correct in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular ere honestly held and that there are no other facts the omission of which would make any of such information or the expression of any such opinions or intentions misleading. The Issuers (and, with respect to the information contained in this Offering Circular under the heading "The Protection Buyer", the Protection Buyer and, with respect to the information contained in this Offering Circular under the heading "The Portfolio Selection Agent", the Portfolio Selection Agent) take responsibility accordingly.

The Initial Collateral Security set forth in this Offering Circular in the table under the heading "The Collateral Securities—Initial Collateral Securities" that is a CLO Security is described in the offering circular attached hereto, and prospective purchasers of the Notes should refer to such offering circular for a description of the terms of such Initial Collateral Security.

No person has been authorized to give any information or to make any representation other than those contained in this Offering Circular, and, if given or made, such information or representation must not be relied upon as having been authorized. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Notes.

The delivery of this Offering Circular at any time does not imply that the information herein is correct at any time subsequent to the date of this Offering Circular.

Each purchaser of the Notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells such Notes or possesses or distributes this Offering Circular and must obtain any consent, approval or permission required for the purchase, offer or sale by it of such Notes under the laws and regulations in force in any jurisdictions to which it is subject or in which it makes such purchases, offers or sales, and none of the Issuers or the Initial Purchaser specified herein shall have any responsibility therefor. Persons into whose possession this Offering Circular comes are required by the Issuers and the Initial Purchaser to inform themselves about and to observe such applicable laws and regulations. For a further description of certain restrictions on offering and sales of the Notes, see "Transfer Restrictions" and "Underwriting". This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful.

No invitation may be made to the public in the Cayman Islands to subscribe for the Notes.

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INFORMATION APPLICABLE TO NON–U.S. INVESTORS

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There are restrictions on the offer and sale of the Notes in the United Kingdom. No action has been taken to permit the Notes to be offered to the public in the United Kingdom. This document may only be issued or passed on in or into the United Kingdom to any person to whom the document may lawfully be issued or passed on by reason of, or of any regulation made under, section 21 of the Financial Services and Markets Act 2000 of the United Kingdom. It is the responsibility of all persons under whose control or into whose possession this document comes to inform themselves about and to ensure observance of all applicable provisions of the Public Offers of Securities Regulations 1995 and the Financial Services and Markets Act 2000 in respect of anything done in relation to the Notes in, from or otherwise involving the United Kingdom. See "Underwriting".

NOTICE TO RESIDENTS OF GERMANY

The Notes will not be offered or sold in the Federal Republic of Germany other than in accordance with the German Securities Sales Prospectus Act of December 13, 1990 of the Federal Republic of Germany, as amended (Wertpapierverkaufsprospektgesetz), the German Investment Act of December 15, 2003 of the Federal Republic of Germany, as amended (Investmentgesetz) and any other legal or regulatory requirements applicable in the Federal Republic of Germany governing the issue, offer and sale of securities. Upon the request of a German investor, the Issuer will (i) make available to the German investors the information required pursuant to § 5 (1) sentence 1 nos. 1 and 2 in connection with sentence 2, § 5 (1) sentence 1 no. 4 and § 5 (3) sentence 1 of the Investmentsteuergesetz (the "German Investment Tax Act"), (ii) furnish to the German Federal Tax Office (Bundesamt für Finanzen) upon its request within three months proof of the correctness of the information referred to under clause (i) above in accordance with § 5 (1) sentence 1 no. 5 of the German Investment Tax Act and (iii) make the publication in the electronic edition of the Federal Gazette (elektronischer Bundesanzeiger) required pursuant to § 5 (1) sentence 1 no. 3 of the German Investment Tax Act in the German language. All prospective German investors are urged to seek independent tax advice. The Initial Purchaser does not give tax advice.

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The Notes may not be offered or sold, transferred or delivered, as part of their initial distribution or at any time thereafter, directly or indirectly, to any individual or legal entity in the Netherlands other than to individuals or legal entities who or which trade or invest in securities in the conduct of their profession or trade, which includes banks, securities intermediaries, insurance companies, pension funds, other institutional investors and commercial enterprises which, as an ancillary activity, regularly trade or invest in securities.

NOTICE TO RESIDENTS OF HONG KONG

The Notes may not be offered or sold by means of any document other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, and no advertisement, invitation or document relating to the Notes may be issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

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NOTICE TO RESIDENTS OF JAPAN

The Notes have not been registered under the Securities and Exchange Law of Japan and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (1) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (2) in compliance with any other applicable requirements of Japanese law.

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AVAILABLE INFORMATION

To permit compliance with the Securities Act in connection with the sale of the Notes in reliance on Rule 144A, the Issuer will be required under the Indenture and the Issuing and Paying Agency Agreement to furnish upon request to a Holder or beneficial owner who is a Qualified Institutional Buyer of a Note sold in reliance on Rule 144A or a prospective investor who is a Qualified Institutional Buyer designated by such Holder or beneficial owner the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request the Issuer is neither a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g-3-2(b) under the Exchange Act.

In accordance with the Indenture and the Issuing and Paying Agency Agreement, the Trustee and the Issuing and Paying Agent, as applicable, also will make available for inspection by Holders of the Notes certain reports or communications received from the Issuers.

Prior to making an investment decision, prospective investors should ensure that they have sufficient knowledge, experience and access to professional advisors to make their own legal, tax, accounting and financial evaluation of the merits and risks of investment in the Notes and should carefully consider the nature of the Notes, the matters set forth elsewhere in this Offering Circular and the extent of their exposure to the risks described in "Risk Factors".

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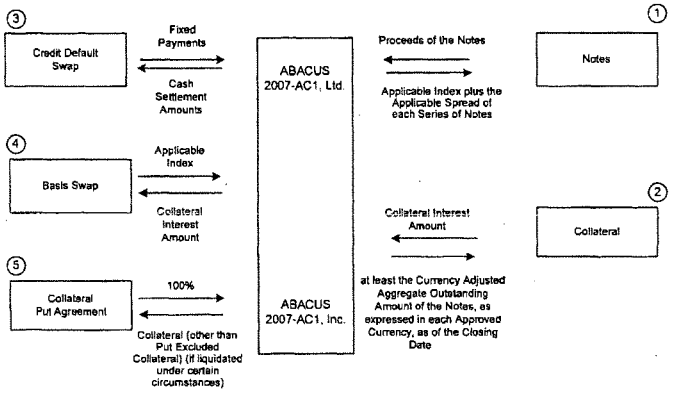
TRANSACTION OVERVIEW

This overview is not complete and is qualified in its entirety by reference to (i) the detailed information appearing elsewhere in this Offering Circular, (ii) the terms and conditions of the Notes and (iii) the provisions of the documents referred to in this Offering Circular.



On or prior to the Closing Date, the Initial Reference Portfolio will be selected by the Portfolio Selection Agent.

(1) On the Closing Date, the Notes will be issued in the Original Principal Amount set forth in the "Summary—Notes". From time to time following the Closing Date, additional Notes of any Class may be issued.

(2) The Issuer will use the net proceeds of the offering of the Notes, together with part or all of the Upfront Payment, to purchase the Initial Collateral Securities and Eligible Investments selected by the Protection Buyer; *provided* that, for each Approved Currency, the aggregate principal amount of Collateral Securities and Eligible Investments denominated in such Approved Currency and purchased with the proceeds of the offering will equal or exceed the Currency Adjusted Aggregate Outstanding Amount of Notes denominated in such Approved Currency on the Closing Date.

(3) On the Closing Date, the Issuer and Goldman Sachs Capital Markets, L.P., as the Protection Buyer, will enter into the Credit Default Swap whereby the Issuer (a) sells credit protection to the Protection Buyer with respect to a Reference Portfolio of RMBS and (b) receives from the Protection Buyer (i) an Upfront Payment on the Closing Date and (ii) a Fixed Payment on the Closing Date and each Payment Date. Following the occurrence of a Credit Event and the satisfaction of the Conditions to Settlement, the Issuer will pay to the Protection Buyer an amount equal to any Cash Settlement Amount. For a description of all payments to be made under the Credit Default Swap, see "The Credit Default Swap—Payments".

(4) On the Closing Date, the Issuer and Goldman Sachs Capital Markets, L.P., as the Basis Swap Counterparty, will enter into the Basis Swap whereby the Issuer (a) pays to the Basis Swap Counterparty any Collateral Interest Amount and (b) receives an amount from the Basis Swap Counterparty equal to the sum of the products for each Approved Currency in which Outstanding Notes are denominated of: (i) the Applicable Index for the Applicable Period; (ii) the average daily Currency Adjusted Aggregated Outstanding Amount of such Notes during the preceding Basis Swap Calculation Period; and (iii) the actual number of days in the preceding Basis Swap Calculation Period in which a payment is made *divided by* 360.

(5) On the Closing Date, the Issuer and Goldman Sachs International, as the Collateral Put Provider, will enter into the Collateral Put Agreement whereby the Issuer will have the right to put Collateral (other than Put Excluded Collateral) to the Collateral Put Provider in return for a payment of 100% of the principal amount of such Collateral if the Collateral cannot be liquidated for an amount equal to at least 100% of par in connection with (i) the payment by the Issuer to the applicable Noteholders of any Currency Adjusted Notional Principal Adjustment Amount, (ii) an Optional Redemption in Whole or a Partial Optional Redemption and/or (iii) a Stated Maturity.

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SUMMARY

The following summary is qualified in its entirety by the detailed information appearing elsewhere in this Offering Circular. For a discussion of certain factors to be considered in connection with an investment in the Notes, see "Risk Factors".

Capitalized terms used herein but not defined shall have the meanings set forth under "Glossary of Defined Terms".

The Issuers	ABACUS 2007-AC1, Ltd. (the "**Issuer**"), a company incorporated under the laws of the Cayman Islands for the sole purpose of issuing the Notes, acquiring the Collateral, entering into the Credit Default Swap, the Basis Swap, the Collateral Put Agreement and the Portfolio Selection Agreement and engaging in certain related transactions. The Issuer will not have any material assets other than (i) the Collateral, (ii) its rights under the Credit Default Swap, the Basis Swap, the Collateral Put Agreement and the Portfolio Selection Agreement and (iii) certain other assets. ABACUS 2007-AC1, Inc. (the "**Co-Issuer**" and, together with the Issuer, the "**Issuers**"), a company incorporated under the laws of the State of Delaware for the sole purpose of co-issuing the Co-Issued Notes. The Co-Issuer will not have any assets (other than $10 of equity capital) and will not pledge any assets to secure the Notes. The Co-Issuer will have no claim against the Issuer in respect of the Issuer Assets. The authorized share capital of the Issuer consists of 300 ordinary shares, par value $1.00 per share (the "**Issuer Ordinary Shares**"), 300 of which will be issued on or prior to the Closing Date. The Issuer Ordinary Shares that have been issued will be held by Maples Finance Limited, a licensed trust company incorporated in the Cayman Islands and any successor thereto (the "**Administrator**"), as the trustee pursuant to the terms of a charitable trust (the "**Share Trustee**"). The common stock of the Co-Issuer will be held by the Issuer.
The Portfolio Selection Agent.....	The Initial Reference Portfolio will be selected by ACA Management, L.L.C. ("**ACA Management**" and in such capacity, the "**Portfolio Selection Agent**") pursuant to the terms of the Portfolio Selection Agreement, dated as of the Closing Date (the "**Portfolio Selection Agreement**"), between the Issuer and the Portfolio Selection Agent. The Portfolio Selection Agent will not provide any other services to the Issuer or act as the "collateral manager" for the Collateral. The Portfolio Selection Agent will not have any fiduciary duties or other duties to the Issuer or to the holders of the Notes and will not have any ability to direct the Trustee to dispose of any items of Collateral. See "The Portfolio Selection Agent" and "The Portfolio Selection Agreement".

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Notes

Class Designation	SS	A-1	A-2	B	C	D	FL
Original Principal Amount (as expressed in Dollars)[1]	$0	$50,000,000	$142,000,000	$0	$0	$0	$0
Initial Class Notional Amount (as expressed in Dollars)	$1,100,000,000	$200,000,000	$280,000,000	$60,000,000	$100,000,000	$60,000,000	$200,000,000
Class Series	Series 1	Series 1	Series 1	Series 1	Series 1	Series 1	Series 1
Stated Maturity	March 1, 2038						
Average Life (in years)[2]	3.5	4.0	4.2	4.3	4.4	4.6	5.1
Minimum Denomination (Integral Multiples):							
Rule 144A	$250,000, ($1)						
Reg S	$100,000, ($1); €100,000, (€1); £100,000, (£1); ¥10,000,000, (¥1); A$100,000, (A$1); C$100,000, (C$1); NZ$100,000, (NZ$1)						
Applicable Investment Company Act of 1940 Exemption	3(c)(7)						
Initial Ratings:							
S&P		AAA	AAA				
Moody's		Aaa	Aaa				
Pricing Date	April 10, 2007						
Closing Date	April 26, 2007						
Issue Price	The Notes will be offered for sale from time to time in negotiated transactions, or otherwise, at various prices to be determined at the time of such sale						
Series Interest Rate for Series Issued on Closing Date[3]		LIBOR + 0.85%	LIBOR + 1.10%				
Fixed or Floating Rate	Floating	Floating	Floating	Floating	Floating	Floating	Floating
Interest Accrual Period	Each period from and including the preceding Payment Date (or, the Closing Date, with respect to the first Payment Date) to but excluding the current Payment Date (or, in the case of the Payment Date preceding the Stated Maturity, to but excluding the Stated Maturity)						
Payment Date	On the 28th calendar day of each month (or if such day is not a Business Day, the next succeeding Business Day) and at Stated Maturity						
First Payment Date	May 29, 2007						
Record Date	15 days prior to the applicable Payment Date						
Frequency of Payments	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
Day Count	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360
Co-Issued Notes or Issuer Notes	Co-Issued Notes	Co-Issued Notes	Issuer Notes	Issuer Notes	Issuer Notes	Issuer Notes	Issuer Notes
Form of Notes:							
Global	Yes	Yes	Yes	Yes	Yes	Yes	Yes
CUSIPS Rule 144A	00256UAA2	00256UAB0	00256YAA4	00256YAB2	00256YAC0	00256YAD8	00256YAE6
CUSIPS Reg S	G0010JAA7	G0010JAB5	G0010AAA6	G0010AAB4	G0010AAC2	G0010AAD0	G0010AAE8
ISIN Reg S	USG0010JAA72	USG0010JAB55	USG0010AAA63	USG0010AAB47	USG0010AAC20	USG0010AAD03	USG0010AAE85
Common Code	029629897	029630569	029630780	029630941	029631026	029631174	029631662
Clearing Method:							
Rule 144A	DTC	DTC	DTC	DTC	DTC	DTC	DTC
Reg S	Euroclear/ Clearstream	Euroclear/ Clearstream	Euroclear/ Clearstream	Euroclear/	Euroclear/ Clearstream	Euroclear/ Clearstream	Euroclear/ Clearstream
Certificated	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1. Pursuant to the Indenture (in the case of the Co-Issued Notes) and the Issuing and Paying Agency Agreement (in the case of the Issuer Notes), the Notes of any Class may be issued from time to time following the Closing Date. See "Description of the Notes—The Indenture—Additional Issuance" and "Description of the Notes—The Issuing and Paying Agency Agreement—Additional Issuance."

2. Under a hypothetical scenario in which (i) each Reference Obligation will make a repayment of principal in full on a single date corresponding to the projected weighted average life of such Reference Obligation determined on the basis of a 30/360 day-count convention, whether or not such date falls on a Business Day or a Payment Date, (ii) principal payments on the Notes will occur on Payment Dates in accordance with the applicable cut-off dates, (iii) the Notes will be repaid in accordance with the Priority of Payments and (iv) no Credit Events will have occurred with respect to the Reference Portfolio. The assumptions set forth above are not predictive or a forecast, nor do they necessarily reflect historical performance and defaults.

3. The Series Interest Rate with respect to any Series of a Class will be determined at the time of issuance of such Series, and will equal the Applicable Index for such Series plus or minus the Applicable Spread to such Applicable Index. The Series Interest Rate with respect to different Series of a Class may vary. The Notes of any Class may be issued in more than one Series due to differences in one or more of the date of issuance, the Series Interest Rate, the Approved Currency in which such Notes are denominated, the Stated Maturity, the Non-Call Period and the date from which interest will accrue. See "Additional Issuance" herein.

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The Issuer Notes	The Issuer Notes will be issued in accordance with one or more deeds of covenant (each, a "**Deed of Covenant**") and will be subject to the Issuing and Paying Agency Agreement, dated as of the Closing Date including the terms and conditions of such Notes contained therein (the "**Issuing and Paying Agency Agreement**"), between the Issuer and LaSalle Bank National Association, as Issuing and Paying Agent (in such capacity, the "**Issuing and Paying Agent**"). See "Description of Notes—The Issuing and Paying Agency Agreement".
Status and Subordination	The Co-Issued Notes will be limited recourse obligations of the Issuers and the Issuer Notes will be limited recourse obligations of the Issuer. On (i) each Payment Date and (ii) any other Business Day on which Currency Adjusted Notional Principal Adjustment Amounts are paid by the Issuer to the Noteholders, the Class SS Notes will be senior in right of payment to the Class A-1 Notes, the Class A-1 Notes will be senior in right of payment to the Class A-2 Notes, the Class A-2 Notes will be senior in right of payment to the Class B Notes, the Class B Notes will be senior in right of payment to the Class C Notes, the Class C Notes will be senior in right of payment to the Class D Notes and the Class D Notes will be senior in right of payment to the Class FL Notes.
Use of Proceeds	The aggregate net proceeds of the offering of the Notes are expected to equal approximately $192,000,000 (including the USD Equivalent of the Notes denominated in Approved Currencies other than Dollars). The Issuer will use such net proceeds, together with part or all of the Upfront Payment, to purchase Collateral Securities and Eligible Investments that will have an aggregate principal amount of at least $192,000,000 (including the USD Equivalent of the Collateral Securities denominated in Approved Currencies other than Dollars); *provided* that, for each Approved Currency, the aggregate principal amount of Collateral Securities and Eligible Investments denominated in such Approved Currency and purchased with the proceeds of the offering will equal or exceed the Currency Adjusted Aggregate Outstanding Amount of Notes denominated in such Approved Currency on the Closing Date.
Distributions of Interest Proceeds	Interest Proceeds will be distributable monthly to Holders of the Notes in accordance with the Priority of Payments. See "Description of the Notes—Priority of Payments".
Non-Call Period	With respect to each Series of Notes issued on the Closing Date, the period from the Closing Date to and including the Business Day immediately preceding the April 2009 Payment Date and, with respect to any Series of Notes issued after the Closing Date, the period designated for such Series at the time of issuance in the related offering circular supplement (the "**Non-Call Period**"). So long as the Non-Call Period for each Series of Notes Outstanding has expired, the Notes will be redeemed in full at

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the option of the Protection Buyer if the Protection Buyer elects to terminate the Credit Default Swap prior to the Scheduled Termination Date and certain conditions are satisfied. See "Description of the Notes—Optional Redemption in Whole and Partial Optional Redemption", "Description of the Notes—Priority of Payments—Principal Proceeds—Stated Maturity, Optional Redemption Date and Mandatory Redemption Date" and "The Credit Default Swap—Credit Default Swap Early Termination—Credit Default Swap Termination Events".

After the applicable Non-Call Period, one or more Series of Notes may be redeemed in full if the Protection Buyer, in its sole discretion, elects to redeem such Series prior to its Stated Maturity and certain conditions are satisfied. In addition, if the Protection Buyer and/or one or more Affiliates thereof acquires any Notes prior to the end of the related Series' applicable Non-Call Period (such Notes, "**Protection Buyer Notes**"), such Notes may be redeemed notwithstanding thet any such redemption may occur during the applicable Non-Call Period. See "Description of the Notes—Optional Redemption in Whole and Partial Optional Redemption", "Description of the Notes—Priority of Payments—Principal Proceeds—Other Payment Dates" and "The Credit Default Swap—Payments—Payment on a Partial Optional Redemption Date".

Principal Payments on the Notes ..... The following table sets forth the general circumstances and dates upon which Holders of the Notes will receive principal payments on their Notes prior to the Stated Maturity:

Event	Date of Payment	Amounts Payable in accordance with the Priority of Payments
Payment of Currency Adjusted Notional Principal Adjustment Amounts	The Payment Date immediately following the Due Period in which such amounts were determined by the Credit Default Swap Calculation Agent	Notional Principal Adjustment Amounts
Optional Redemption in Whole due to an optional termination of the Credit Default Swap by the Protection Buyer	Any Payment Date after the expiration of the Non-Call Period for each Series of Notes Outstanding	Currency Adjusted Aggregate Outstanding Amount *plus*, if the consent of each Holder of Notes of a Reversible Loss Series has not been obtained, with respect to each such Reversible Loss Series, the Optional Redemption Reimbursement Amount

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Event	Date of Payment	Amounts Payable in accordance with the Priority of Payments
Partial Optional Redemption due to the election by the Protection Buyer to redeem one or more Series of Notes in full	Any Payment Date after the applicable Non-Call Period	Currency Adjusted Aggregate Outstanding Amount of each Series of Notes being redeemed *plus*, if any such Series is a Reversible Loss Series and the consent of each Holder of such Reversible Loss Series has not been obtained, the Optional Redemption Reimbursement Amount for any such Reverelble Loss Series
Partial Optional Redemption due to the election by the Protection Buyer to redeem Protection Buyer Notes	Any Payment Date	Currency Adjusted Aggregate Outstanding Amount of the Protection Buyer Notes being redeemed
Mandatory Redemption (other than a Mandatory Redemption caused by a (i) termination of the Credit Default Swap pursuant to which the Protection Buyer is the defaulting party, (ii) termination of the Collateral Put Agreement pursuant to which the Collateral Put Provider is the defaulting party or (iii) termination of the Basis Swap pursuant to which the Basis Swap Counterparty is the defaulting party, for which there would be insufficient liquidation proceeds to pay (a) items (i) through (iii) of the Priority of Payments and (b) with respect to each of the Class SS Notes, the Class A Notes, the Class B Notes and the Class C Notes, the Currency Adjusted Aggregate Outstanding Amount of each Series of Notes of such Class and accrued interest thereon (if any))	Any Business Day	Principal Proceeds
Mandatory Redemption (other than as described above)	Any Business Day	Principal Proceeds and/or delivery of Collateral Securities subject to Special Termination Liquidation Procedure

See "Description of the Notes—Principal", "Description of the Notes—Optional Redemption in Whole and Partial Optional

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	Redemption", "Description of the Notes—Mandatory Redemption", "Description of the Notes—Priority of Payments" and "Description of the Notes—The Indenture—Events of Default".
Decrease in the Class Notional Amount of each Class of Notes	The Class Notional Amount of each Class of Notes will be decreased by an amount (as expressed in Dollars) equal to: (i) on the fifth Business Day following the calculation of any Loss Amount, if greater than zero, the lesser of (a)(I) the aggregate Loss Amount determined on the related Credit Default Swap Calculation Date *less* (ii) the Class Notional Amount of all Classes of Notes that are subordinated to such Class immediately prior to such determination and (b) the Class Notional Amount of such Class immediately prior to such determination (such amount, the **"Unscaled Credit Event Adjustment Amount"**); and (ii) on the Payment Date immediately following the Due Period in which such Reference Obligation Amortization Amount is determined by the Credit Default Swap Calculation Agent on one or more Reference Obligation(s), if greater than zero, the lesser of (x) (A) the aggregate Notional Principal Amount allocable on such date *less* (B) the Class Notional Amount of all Classes of Notes that are senior to such Class immediately prior to such determination, and (y) the Class Notional Amount of such Class immediately prior to such determination (such amount, the **"Unscaled Notional Principal Adjustment Amount"**). On any date of determination, increases and decreases to the Class Notional Amount of any Class of Notes will be determined by giving effect, in the following order, to the (i) aggregate Loss Amount (if any), (ii) aggregate Reference Obligation Reimbursement Amount (if any), and (iii) aggregate Notional Principal Amount (if any). See "Description of Notes—Principal".
Increase in the Class Notional Amount of each Class of Notes	On the Payment Date immediately following the Due Period during which a Reference Obligation Reimbursement Amount is determined by the Credit Default Swap Calculation Agent with respect to one or more Reference Obligation(s), and so long as such Reference Obligation(s) remains in the Reference Portfolio at the time of such Reference Obligation Reimbursement, the Class Notional Amount of each Class of Notes will be increased by an amount (as expressed in Dollars) equal to, if greater than zero, the lesser of (i) such Reference Obligation Reimbursement Amount *less* the sum of the ICE Class Notional Amount

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	Differentials for the Classes of Notes that are senior to such Class immediately prior to such determination, and (ii) the ICE Class Notional Amount Differential of such Class immediately prior to such determination (such amount, the "**Unscaled Reinstatement Adjustment Amount**") (if any). On any date of determination, increases and decreases to the Class Notional Amount of any Class of Notes will be determined by giving effect, in the following order, to the (i) aggregate Loss Amount (if any), (ii) aggregate Reference Obligation Reimbursement Amount (if any) and (iii) aggregate Notional Principal Amount (if any). See "Description of Notes—Principal".
Decrease in the Aggregate USD Equivalent Outstanding Amount of each Class of Notes	The Aggregate USD Equivalent Outstanding Amount of each Class of Notes will be decreased by an amount (as expressed in Dollars) equal to: (i) on the fifth Business Day following the calculation of any Loss Amount, without paying any principal on such Class of Notes, the product of (a) the related Unscaled Credit Event Adjustment Amount and (b) the related Note Scaling Factor (such amount determined under this subclause (i), the "**Credit Event Adjustment Amount**"); (ii) on the Payment Date immediately following the Due Period in which a Reference Obligation Amortization Amount is determined by the Credit Default Swap Calculation Agent on one or more Reference Obligation(s), a payment of principal representing the product of (a) the related Unscaled Notional Principal Adjustment Amount and (b) the related Note Scaling Factor (such amount determined under this subclause (ii), the "**Notional Principal Adjustment Amount**"); (iii) on any Stated Maturity related to a Series of such Class, after giving effect to clauses (i) and (ii) above, the Aggregate USD Equivalent Outstanding Amount of each such Series maturing on such date; and (iv) on a Partial Optional Redemption Date, after giving effect to clauses (i) through (iii) above, with respect to a Class of Notes for which (A) one or more Series of such Class is redeemed in full on such date or (B) Protection Buyer Notes are redeemed, in each case in connection with a Partial Optional Redemption, a payment of principal representing the Aggregate USD Equivalent Outstanding Amount of the Notes of such Class redeemed in connection with such Partial Optional Redemption.

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	For the avoidance of doubt, with respect to a Class with more than one Series Outstanding at such time of determination, any *pro rata* allocations made on such date pursuant to subclauses (i) through (iv) above will be based on the Aggregate USD Equivalent Outstanding Amount of each applicable Series of such Class, as expressed in Dollars. On any date of determination, increases and decreases to the Aggregate USD Equivalent Outstanding Amount of any Class of Notes will be determined by giving effect, in the following order, to (i) the aggregate related Unscaled Credit Event Adjustment Amount (if any), (ii) the aggregate related Unscaled Reinstatement Adjustment Amount (if any) and (iii) the aggregate related Unscaled Notional Principal Adjustment Amount (if any). See "Description of Notes—Principal".
Increase in the Aggregate USD Equivalent Outstanding Amount of each Class of Notes	The Aggregate USD Equivalent Outstanding Amount of each Class of Notes will be increased by an amount (as expressed in Dollars) equal to: (i) on the Payment Date immediately following the Due Period during which a Reference Obligation Reimbursement Amount is determined by the Credit Default Swap Calculation Agent (with the related Currency Adjusted Reinstatement Adjustment Amount (other than with respect to that portion of Reference Obligation Repayment Amount which will be applied to make principal payments on the Notes on such Payment Date) to be invested in Collateral Securities, or pending such investment, in Eligible Investments, as described under "—The Collateral Securities"), the product of (a) the related Unscaled Reinstatement Adjustment Amount and (b) the related Note Scaling Factor with respect to such Class of Notes (such amount, the "**Reinstatement Adjustment Amount**"); *provided* that the Aggregate USD Equivalent Outstanding Amount of each Class of Notes may only be increased by an amount less than or equal to the ICE Aggregate USD Equivalent Outstanding Amount Differential of such Class; and (ii) on any day on which additional Notes of such Class are issued, the principal amount of such additional issuance (or the USD Equivalent of such principal amount if issued in an Approved Currency other than Dollars). For the avoidance of doubt, with respect to a Class with more than one Series Outstanding at such time of determination, any *pro rata* allocations made on such date pursuant to subclause (i) above will be based on the Aggregate USD Equivalent Outstanding Amount of each Series of such Class, as expressed in Dollars.

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	See "Description of Notes—Principal".
Decrease in the Currency Adjusted Aggregate Outstanding Amount of each Series of Notes	The Currency Adjusted Aggregate Outstanding Amount of any Series of Notes will be decreased, with respect to (A) any event described under clauses (i) and (ii) of "—Decrease in the Aggregate USD Equivalent Outstanding Amount of each Class of Notes", by an amount equal to the quotient of (a) such Notes' allocation of any related Credit Event Adjustment Amount or Notional Principal Adjustment Amount, as applicable, *divided by* (b) the Applicable Series Foreign Exchange Rate (such quotient, the **"Currency Adjusted Credit Event Adjustment Amount"** or the **"Currency Adjusted Notional Principal Adjustment Amount"**, as applicable), (B) on the Stated Maturity with respect to a Series of Notes, the Currency Adjusted Aggregate Outstanding Amount of such Notes maturing on such date, after giving effect to any reductions pursuant to subclause (A) above and (C) a Partial Optional Redemption of such Notes, by the Currency Adjusted Aggregate Outstanding Amount of such Notes, after giving effect to any reductions pursuant to subclauses (A) end (B) above.
Increase in the Currency Adjusted Aggregate Outstanding Amount of each Series of Notes	The Currency Adjusted Aggregate Outstanding Amount of any Series of Notes will be increased, with respect to any event described under clause (i) of "—Increase in the Aggregate USD Equivalent Outstanding Amount of each Class of Notes", by an amount equal to the quotient of (a) such Notes' allocation of any related Reinstatement Adjustment Amount *divided by* (b) the Applicable Series Foreign Exchange Rate (such quotient, the **"Currency Adjusted Reinstatement Adjustment Amount"**).
Cancellation of Notes	A Class of Notes will be deemed to be cancelled and no longer Outstanding on the date that the ICE Class Notional Amount of such Class has been reduced to zero.
The Credit Default Swap	
Credit Default Swap	On or prior to the Closing Date, the Issuer will enter into a credit default swap transaction (the **"Credit Default Swap"**) with Goldman Sachs Capital Markets, L.P. (in such capacity, the **"Protection Buyer"**) pursuant to which the Issuer will sell credit protection to the Protection Buyer with respect to a portfolio of Reference Obligations consisting of RMBS.
Documentation	The Credit Default Swap will be documented by a confirmation that will be governed by, form part of and be subject to a 1992 Master Agreement (Multicurrency-Cross Border) (the **"ISDA Master Agreement"**) published by the International Swaps and Derivatives Association, Inc. (**"ISDA"**), and Schedule thereto. The definitions and provisions of the ISDA Credit Derivatives Definitions will be incorporated into the Credit Default Swap by reference (as supplemented by the May 2003 Supplement to such definitions published by ISDA), subject to certain

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	amendments as set out in the Credit Default Swap. The Credit Default Swap will be governed by New York law.
Reference Portfolio	On the Closing Date, it is expected that the Credit Default Swap will reference 90 Reference Obligations (collectively, the "**Reference Portfolio**"). See Schedule A. The Protection Buyer is not required to have any credit exposure to any Reference Entity or any Reference Obligation.
Modification of the Reference Portfolio	The Reference Portfolio is static and no replacement Reference Obligations may be included in the Reference Portfolio. Following the redemption or amortization in full of a Reference Obligation, the Reference Obligation that has been redeemed or amortized in full, will be removed from the Reference Portfolio. Subject to the foregoing, if the Reference Obligation Notional Amount of a Reference Obligation that suffered one or more Credit Events is reduced to zero at any time on or prior to the Scheduled Termination Date and remains at zero for a period of one calendar year, such Reference Obligation shall be removed from the Reference Portfolio as of the last day of such one calendar year period; *provided* that, if such Reference Obligation that suffered one or more Credit Events experiences a Reference Obligation Reimbursement for which the Reference Obligation Repayment Amount equals the ICE Reference Obligation Notional Amount Differential of such Reference Obligation immediately prior to such determination, the Reference Obligation shall be removed from the Reference Portfolio immediately following the determination of such Reference Obligation Repayment Amount by the Credit Default Swap Calculation Agent.
Credit Events	The following Credit Events (each a "**Credit Event**") shall apply with respect to each Reference Obligation: (i) Failure to Pay Principal; or (ii) Writedown. See "The Credit Default Swap—Credit Events".
Conditions to Settlement	The "**Conditions to Settlement**" will be satisfied upon delivery to the Issuer and the Trustee of a Credit Event Notice and a Notice of Publicly Available Information.
Notifying Party	The Protection Buyer.
Credit Default Swap Calculation Agent	Goldman Sachs Capital Markets, L.P. will be the calculation agent (in this capacity the "**Credit Default Swap Calculation Agent**") under the Credit Default Swap.
Settlement Method	Cash.

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Loss Amount	On the Business Day on which the Protection Buyer satisfied the Conditions to Settlement (in each case, a **"Credit Default Swap Calculation Date"**), the Credit Default Swap Calculation Agent will determine the loss amount (a **"Loss Amount"**) with respect to the related Credit Event as follows: (i) with respect to a Writedown, the Loss Amount will be an amount equal to the related Writedown Amount; and (ii) with respect to a Failure to Pay Principal, the Loss Amount will be an amount equal to the related Principal Shortfall Amount.
Cash Settlement Amount	On the fifth Business Day following a Credit Default Swap Calculation Date (a **"Credit Default Swap Settlement Date"**), subject to the provision described in the following paragraph, the Issuer will pay to the Protection Buyer an amount (a **"Cash Settlement Amount"**) equal to the aggregate of any Currency Adjusted Credit Event Adjustment Amounts determined on such day payable in the currencies of such Currency Adjusted Credit Event Adjustment Amounts. Pursuant to the terms of the Credit Default Swap, if the liquidation proceeds of Eligible Investments and Collateral Securities would have been sufficient to pay a Cash Settlement Amount had such Collateral (other than Put Excluded Collateral) been liquidated at least at 100% of par (instead of below 100% of par), the Issuer will be deemed to have paid such Cash Settlement Amount in full upon the Protection Buyer's receipt of the actual related liquidation proceeds. See "The Credit Default Swap—Payments".
Reimbursement following a Credit Event	If, after the occurrence of a Credit Event, a Reference Obligation Reimbursement occurs with respect to the related Reference Obligation, and so long as such Reference Obligation remains in the Reference Portfolio at the time of such Reference Obligation Reimbursement, the Protection Buyer will pay to the Issuer, on the Payment Date immediately following the Due Period during which the related Reference Obligation Reimbursement Amount is determined by the Credit Default Swap Calculation Agent, an amount equal to the aggregate of: (i) the Currency Adjusted Reinstatement Adjustment Amounts payable on such date; and (ii) the ICE Currency Adjusted Interest Reimbursement Amounts payable on such date.
Credit Default Swap Early Termination.....	The Credit Default Swap may be terminated by the Issuer or by the Protection Buyer (**"Credit Default Swap Early Termination"**) at the option of the non-defaulting or non-affected party, as applicable, upon the occurrence of a Credit Default Swap Event of Default or a Credit Default Swap Termination Event. Upon the Trustee becoming aware of the occurrence of

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	any event that gives rise to the right of the Issuer to terminate the Credit Default Swap, the Basis Swap or the Collateral Put Agreement, the Trustee or the Issuing and Paying Agent, as applicable, will as promptly as practicable notify the Noteholders of such event and will terminate any such agreement on behalf of the Issuer at the direction of (i) in the case of the Credit Default Swap or the Basis Swap, a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes and (ii) in the case of the Collateral Put Agreement, 100% of the Aggregate USD Equivalent Outstanding Amount of the Notes, in each case voting as a single class. In connection with any Noteholder vote to terminate the Collateral Put Agreement, any Notes held by or on behalf of the Collateral Put Provider or any of its Affiliates will have no voting rights and will be deemed not to be Outstanding in connection with any such vote. See "The Credit Default Swap—Credit Default Swap Early Termination".
The Collateral Securities	
The Initial Collateral Securities...	On the Closing Date, the Issuer will use part of the proceeds of the offering to purchase at least $192,000,000 principal amount of Collateral Securities and Eligible Investments selected by the Protection Buyer as described in "The Collateral Securities—The Initial Collateral Securities" (including the USD Equivalent of the Notes denominated in Approved Currencies other than Dollars); *provided* that, for each Approved Currency, the aggregate principal amount of Collateral Securities and Eligible Investments denominated in such Approved Currency and purchased with the proceeds of the offering will equal or exceed the Currency Adjusted Aggregate Outstanding Amount of Notes denominated in such Approved Currency on the Closing Date.
Supplemental Collateral Securities	
Substitution	Any Noteholder may request that the Issuer substitute one or more Collateral Securities in accordance with the terms of the Indenture. See "Collateral Securities—Substitution of Collateral Securities".
Purchase of Supplemental Collateral Securities.....	Upon or subsequent to: (i) the redemption or amortization, in whole or in part, of a Collateral Security (an "**Amortized Collateral Security**" and the principal amount of such redemption or amortization, the "**Collateral Security Amortization Amount**"), (ii) the additional issuance of Notes from time to time on any Payment Date after the Closing Date (the principal amount of such issuance, the "**Additional Issuance Principal Amount**"),

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(iii) the receipt of Disposition Proceeds in connection with the liquidation of any principal amount of a Collateral Security in excess of the amount necessary to pay any Cash Settlement Amount, Currency Adjusted Notional Principal Adjustment Amount or in connection with a Partial Optional Redemption or a Stated Maturity (for the avoidance of doubt, excluding any Excess Disposition Proceeds) (such excess principal amount, the **"Excess Principal Amount"**), or

(iv) the Issuer's receipt of a Currency Adjusted Reinstatement Adjustment Amount (other than with respect to that portion of any Reference Obligation Repayment Amount which shall be applied to make principal payments on the Notes on such Payment Date),

the Protection Buyer may, in its sole discretion, direct the Issuer to purchase (and the Issuer shall so purchase) one or more replacement Collateral Securities or additional Collateral Securities (together, the **"Supplemental Collateral Securities"**), as the case may be, subject to (a) the Collateral Security Eligibility Criteria, (b) the Collateral Weighted Average Life Test and (c) the Collateral Security Quantity Constraint (in each case as confirmed by the Collateral Administrator based on information and calculations supplied by the Credit Default Swap Calculation Agent);

provided that (1) in the case of clauses (i) and (iii) above, such Supplemental Collateral Securities will be denominated in the same Approved Currency as the Collateral Security that has been amortized, redeemed, or otherwise disposed of and (2) in the case of clauses (ii) and (iv) above, such Supplemental Collateral Securities will be denominated in the same currency as such Notes that are issued or reinstated. See "The Collateral Securities—Supplemental Collateral Securities". Pending any such reinvestment, the Issuer will invest the Collateral Security Amortization Amount, Additional Issuance Principal Amount, Excess Principal Amount or Currency Adjusted Reinstatement Adjustment Amount, as the case may be, in Eligible Investments.

If the Issuer liquidates a Collateral Security in order to pay a Cash Settlement Amount, a Currency Adjusted Notional Principal Adjustment Amount or in connection with a Partial Optional Redemption or a Stated Maturity, as the case may be, and the Issuer receives Disposition Proceeds in respect of such Collateral Security which exceed 100% of the principal amount of such Collateral Security (the excess proceeds described above, excluding any accrued and unpaid interest, **"Excess Disposition Proceeds"**), the Protection Buyer may, in its sole discretion, direct the Issuer to use such Excess Disposition Proceeds to purchase (and the Issuer shall so purchase) one or more Supplemental Collateral Securities in any Approved Currency, subject to clauses (iv), (v) and (vii) through (xii) of the Collateral Security Eligibility Criteria (as confirmed by the Collateral Administrator based on information and calculations supplied by the Credit Default Swap Calculation Agent). See

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	"The Collateral Securities—Supplemental Collateral Securities". Pending any such reinvestment, the Issuer will invest such Excess Disposition Proceeds in Eligible Investments.
Liquidation of Collateral Securities	The Collateral Securities will only be liquidated in connection with the events described below:
	(i) on a Credit Default Swap Calculation Date, the Issuer or the Trustee will notify the Collateral Disposal Agent to liquidate Collateral Securities in an amount (assuming that the Issuer will receive at least 100% of par for such Collateral Securities in any such liquidation, other than Put Excluded Collateral) that, when added to the proceeds from the liquidation of any Eligible Investments (assuming that the Issuer will receive at least 100% of par for such Eligible Investments, other than Put Excluded Collateral), would be sufficient to pay the Protection Buyer the Cash Settlement Amount on the related Credit Default Swap Settlement Date;
	(ii) five Business Days prior to the Payment Date immediately following the Due Period in which a Reference Obligation Amortization Amount is determined, in each case by the Credit Default Swap Calculation Agent on one or more Reference Obligation(s), if any Currency Adjusted Notional Principal Adjustment Amount will be paid to any Noteholders by the Issuer on the related Payment Date, the Issuer or the Trustee will notify the Collateral Disposal Agent to liquidate Collateral Securities in an amount (assuming that the Issuer will receive at least 100% of par for such Collateral Securities in any such liquidation, other than in connection with any Put Excluded Collateral) that, when added to the proceeds from the liquidation of any Eligible Investments (assuming that the Issuer will receive at least 100% of par for such Eligible Investments, other than Put Excluded Collateral), would be sufficient to pay to the applicable Noteholders such Currency Adjusted Notional Principal Adjustment Amount on the related Payment Date (*provided* that if the Issuer will not receive at least 100% of par for a Selected Collateral Security, such Selected Collateral Security (other than Put Excluded Collateral) will not be liquidated but the Trustee will instead deliver such Selected Collateral Security to the Collateral Put Provider in exchange for the payment by the Collateral Put Provider to the Issuer of an amount equal to a price of 100% for any such Selected Collateral Security, *plus* accrued and unpaid interest thereon);
	(iii) efter the occurrence and continuation of an Event of Default, if the Trustee is directed to liquidate the Collateral Securities in accordance with the terms of the

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Indenture, the Trustee will notify the Collateral Disposal Agent to liquidate all Collateral Securities;

(iv) in connection with any Optional Redemption in Whole, the Issuer or the Trustee will notify the Collateral Disposal Agent to liquidate all Collateral Securities (*provided* that if the Issuer will not receive at least 100% of par for a Selected Collateral Security, such Selected Collateral Security (other than Put Excluded Collateral) will not be liquidated but the Trustee will instead deliver such Selected Collateral Security to the Collateral Put Provider in exchange for the payment by the Collateral Put Provider to the Issuer of an amount equal to 100% of par for such Selected Collateral Security, *plus* accrued and unpaid interest thereon);

(v) in connection with any Partial Optional Redemption, the Issuer or the Trustee will notify the Collateral Disposal Agent to liquidate Collateral Securities in an amount (assuming that the Issuer will receive at least 100% of par for such Collateral Securities in any such liquidation, other than Put Excluded Collateral) that, when added to the proceeds from the liquidation of any Eligible Investments (assuming that the Issuer will receive at least 100% of par for such Eligible Investments, other than Put Excluded Collateral), would be sufficient to pay to the applicable Noteholders the principal amount of such Notes redeemed in connection with such Partial Optional Redemption (*provided* that if the Issuer will not receive at least 100% of par for a Selected Collateral Security, such Selected Collateral Security (other than Put Excluded Collateral) will not be liquidated but the Trustee will instead deliver such Selected Collateral Security to the Collateral Put Provider in exchange for the payment by the Collateral Put Provider to the Issuer of an amount equal to 100% of par for such Selected Collateral Security, *plus* accrued and unpaid interest thereon);

(vi) in connection with a Mandatory Redemption other than a Mandatory Redemption caused by a (a) termination of the Credit Default Swap pursuant to which the Protection Buyer is the defaulting party, (b) termination of the Collateral Put Agreement pursuant to which the Collateral Put Provider is the defaulting party or (c) termination of the Basis Swap pursuant to which the Basis Swap Counterparty is the defaulting party, the Issuer or the Trustee will notify the Collateral Disposal Agent to liquidate all Collateral Securities;

(vii) in connection with a Mandatory Redemption other than as described in subclause (vi) above, Collateral Securities will be selected for liquidation and/or delivery to Noteholders pursuant to the Special Termination Liquidation Procedure;

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(viii) in connection with the Stated Maturity of any Series of Notes, the Issuer or Trustee will notify the Collateral Disposal Agent to liquidate Collateral Securities in an amount (assuming that the Issuer will receive at least 100% of par for such Collateral Securities in any such liquidation, other than Put Excluded Collateral) that, when added to the proceeds from the liquidation of any Eligible Investments (assuming that the Issuer will receive at least 100% of par for such Eligible Investments, other than Put Excluded Collateral), would be sufficient to pay the applicable Noteholders the principal amount of such Notes maturing on the related Stated Maturity (*provided* that if the Issuer will not receive at least 100% of par for a Selected Collateral Security, such Selected Collateral Security (other than Put Excluded Collateral) will not be liquidated but the Trustee will instead deliver such Selected Collateral Security to the Collateral Put Provider in exchange for the payment by the Collateral Put Provider to the Issuer of an amount equal to 100% of par for such Selected Collateral Security, *plus* accrued and unpaid interest thereon); and

(ix) in connection with the satisfaction of the Replacement Counterparty Procedures, the Issuer, or the Trustee on behalf of the Issuer, will notify the Collateral Disposal Agent to liquidate all Collateral Securities.

Determination of Compliance of Reference Obligations and Collateral Securities with the Requirements under the Credit Default Swap and Certain Calculations pursuant to the Indenture and the Credit Default Swap .....

The Credit Default Swap Calculation Agent will supply information and calculations to (i) the Collateral Administrator for use in the Collateral Administrator's confirmation of compliance of the Collateral (after the proposed addition of a Collateral Security) with any of the Collateral Security Eligibility Criteria, the Collateral Weighted Average Life Test and the Collateral Security Quantity Constraint, and (ii) the Trustee for use in the Trustee's confirmation of the BIE Collateral Security Eligibility Criteria.

To the extent there is any difference between any of the Collateral Administrator's or the Trustee's (as the case may be) and the Credit Default Swap Calculation Agent's determination of the satisfaction of any of the Collateral Security Eligibility Criteria, the Collateral Weighted Average Life Test or the Collateral Security Quantity Constraint, the Collateral Administrator will use commercially reasonable efforts to resolve such difference.

For the avoidance of doubt, the obligations of the Collateral Administrator under the Collateral Administration Agreement are

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	solely the obligations of the Collateral Administrator and not those of the Credit Default Swap Calculation Agent, the Protection Buyer or any of its Affiliates.
The Basis Swap	
The Basis Swap	On or prior to the Closing Date, the Issuer will enter into a basis swap transaction (the **"Basis Swap"**) with Goldman Sachs Capital Markets, L.P. (in such capacity, the **"Basis Swap Counterparty"**).
Terms	On each Payment Date, the Issuer will pay to the Basis Swap Counterparty an amount (the **"Basis Swap Payment"**) equal to the Collateral Interest Amount. **"Collateral Interest Amount"** means, with respect to any Payment Date (including the Optional Redemption Date and the Stated Maturity) or the Mandatory Redemption Date, without duplication (i) all interest payments that are scheduled to be paid by obligors of Collateral in accordance with the Underlying Instruments of such Collateral during the preceding Due Period, *plus* (ii) all amendment and waiver fees, late payment fees, make-whole premiums and other fees that are either (a) scheduled to be paid by obligors of Collateral during the preceding Due Period or (b) obligors of such Collateral have agreed to pay to holders of such Collateral during the preceding Due Period, *plus* (iii) all accrued and unpaid amounts described in subclause (i) and (ii) above that a buyer of such Collateral has agreed to pay to the Issuer upon the sale of such Collateral during the preceding Due Period, less any Purchased Accrued Interest Amount that the Issuer used in connection with the purchase of a Supplemental Collateral Security during the preceding Due Period, which in each of clauses (i) through (iii) above, for the avoidance of doubt, includes (a) amounts actually received by the Issuer and (b) amounts due and payable to the Issuer but not received by the Issuer. On each Payment Date, the Basis Swap Counterparty will pay to the Issuer the Monthly Basis Swap Payment. See "The Basis Swap" and "Description of the Notes—Priority of Payments—Interest Proceeds".
The Collateral Put Agreement	
The Collateral Put Agreement	On or prior to the Closing Date, the Issuer will enter into a put agreement (the **"Collateral Put Agreement"**) with Goldman Sachs International (**"GSI"** or in such capacity, the **"Collateral Put Provider"**).
Terms	With respect to the Issuer's liquidation of Collateral (other than Put Excluded Collateral) in connection with (i) the payment of any Currency Adjusted Notional Principal Adjustment Amount by the Issuer to the applicable Noteholders, (ii) an Optional Redemption in Whole or a Partial Optional Redemption or (iii) a Stated Maturity of any Series of Notes, if (x) the Collateral

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	Disposal Agent is unable to obtain at least 100% of par for a Collateral Security and/or (y) the Trustee is unable to obtain at least 100% of par for Eligible Investments (in each case (i) other than Put Excluded Collateral and (ii) excluding any accrued and unpaid interest), the Collateral Disposal Agent will inform the Trustee and the Issuer (in the case of (x) above) and the Trustee will inform the Issuer (in the case of (y) above). The Trustee will then, on behalf of the Issuer, exercise the Issuer's rights under the Collateral Put Agreement pursuant to which the Trustee will deliver such Collateral (other than Put Excluded Collateral) to the Collateral Put Provider in exchange for the payment by the Collateral Put Provider of an amount equal to 100% of par for such Collateral (*plus* accrued and unpaid interest). See "The Collateral Put Agreement".
The Collateral Disposal Agreement	
The Collateral Disposal Agreement	On or prior to the Closing Date, the Issuer will enter into a collateral disposal agreement (the **"Collateral Disposal Agreement"**) with Goldman, Sachs & Co. (in such capacity, the **"Collateral Disposal Agent"**).
Terms	Pursuant to the terms of the Collateral Disposal Agreement, the Collateral Disposal Agent will (i) subject to subclause (iii) below in connection with any partial liquidation of the portfolio of Collateral Securities, choose the Selected Collateral Securities to be liquidated (*provided* that any such Selected Collateral Securities will be denominated in the same currency as the Notes, the Currency Adjusted Aggregate Outstanding Amount of which is reduced by the related Credit Event Adjustment Amount, Notional Principal Adjustment Amount, Partial Optional Redemption or Stated Maturity), (ii) in connection with any liquidation of any Collateral Security, solicit bids on behalf of the Issuer and (iii) in connection with any liquidation of Collateral Securities as described in subclause (vii) under "—The Collateral Securities—Liquidation of Collateral Securities", perform the acts described under "Description of the Notes—Mandatory Redemption", including, but not limited to, those acts described in the Special Termination Liquidation Procedure.
Additional Issuance	The Notes of any Class may be issued from time to time following the Closing Date. See "Description of the Notes—The Indenture—Additional Issuance" and "Description of the Notes—The Issuing and Paying Agency Agreement—Additional Issuance".
Governing Law	The Co-Issued Notes, the Indenture, the Issuing and Paying Agency Agreement, the Credit Default Swap, the Basis Swap, the Collateral Put Agreement, the Collateral Disposal Agreement and the Portfolio Selection Agreement will be governed by, and construed in accordance with, the laws of the State of New York. The Issuer Notes, the terms and conditions of the Issuer Notes (as set forth in the Issuing and Paying Agency Agreement) and each Deed of Covenant will be governed by, and construed in accordance with, the laws of the Cayman Islands.

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Listing and Trading	There is no established trading market for the Notes. Application will be made to admit the Notes on a stock exchange of the Issuer's choice, if practicable. There can be no assurance that such admission will be sought, granted or maintained. See "Listing and General Information".
Tax Status	See "Income Tax Considerations".
ERISA Considerations	See "ERISA Considerations".

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RISK FACTORS

Prior to making an investment decision, prospective investors should carefully consider, in addition to the matters set forth elsewhere in this Offering Circular, the following factors:

Limited Liquidity and Restrictions on Transfer. There is currently no market for the Notes. Although the Initial Purchaser has advised the Issuers that it intends to make a market in the Notes, the Initial Purchaser is not obligated to do so, and any such market-making with respect to the Notes may be discontinued at any time without notice. There can be no assurance that any secondary market for any of the Notes will develop, or, if a secondary market does develop, that it will provide the Holders of such Notes with liquidity of investment or that it will continue for the life of such Notes. Consequently, a purchaser must be prepared to hold the Notes for an indefinite period of time or until Stated Maturity. In addition, no sale, assignment, participation, pledge or transfer of the Notes may be effected if, among other things, it would require any of the Issuer, the Co-Issuer or any of their officers or directors to register under, or otherwise be subject to the provisions of, the Investment Company Act or any other similar legislation or regulatory action. Furthermore, the Notes will not be registered under the Securities Act or any state securities laws, and the Issuer has no plans, and is under no obligation, to register the Notes under the Securities Act. The Notes are subject to certain transfer restrictions and can be transferred only to certain transferees as described herein under "Transfer Restrictions". Such restrictions on the transfer of the Notes may further limit their liquidity. See "Transfer Restrictions". Application will be made to list the Notes on a stock exchange of the Issuer's choice, if practicable, but there can be no assurance that such admission will be sought, granted or maintained.

Limited Recourse Obligations. The Co-Issued Notes will be limited recourse obligations of the Issuers and the Issuer Notes will be limited recourse obligations of the Issuer, payable solely from the Issuer Assets pledged by the Issuer to secure the Notes. None of the Noteholders, the Initial Purchaser, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider, the Collateral Disposal Agent, the Portfolio Selection Agent, the Trustee, the Issuing and Paying Agent, the Administrator, the Share Trustee or any affiliates of any of the foregoing or the Issuers' affiliates or any other person or entity will be obligated to make payments on the Notes. Consequently, Holders of the Notes must rely solely on distributions on the Issuer Assets pledged to secure the Notes for the payment of principal and interest thereon. If distributions on the Issuer Assets are insufficient to make payments on the Notes, no other assets (and, in particular, no assets of the Noteholders, the Initial Purchaser, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider, the Collateral Disposal Agent, the Portfolio Selection Agent, the Trustee, the Issuing and Paying Agent, the Administrator, the Share Trustee or any affiliates of any of the foregoing) will be available for payment of the deficiency and following realization of the Issuer Assets pledged to secure the Notes, the obligations of the Issuers to pay such deficiency shall be extinguished and shall not thereafter revive. Each Holder of a Note by its acceptance of such Note will agree or be deemed to have agreed not to take any action or institute any proceedings against the Issuers under any insolvency law applicable to the Issuers or which would be likely to cause the Issuers to be subject to, or to seek the protection of, any insolvency law applicable to the Issuers, subject to certain limited exceptions.

Subordination of the Notes. The rights of the Holders of the Notes with respect to the Issuer Assets will be subject to prior claims of the Trustee, the Issuing and Paying Agent, the Portfolio Selection Agent, the Protection Buyer, the Basis Swap Counterparty and the Collateral Put Provider, and may be subject to the claims of any other creditor of the Issuer that is entitled to priority as a matter of law or by virtue of any nonconsensual lien that such creditor has on the Issuer Assets or pursuant to the Priority of Payments.

The Class A-1 Notes are subordinated to the Class SS Notes, Class A-2 Notes are subordinated to the Class A-1 Notes, the Class B Notes are subordinated to the Class A-2 Notes, the Class C Notes are subordinated to the Class B Notes, the Class D Notes are subordinated to the Class C Notes and the Class FL Notes are subordinated to the Class D Notes, in each case as described under "Summary—

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Notes—Status and Subordination". No payments of interest from Interest Proceeds will be made on any Class of Notes on any Payment Date until current and defaulted interest on the Notes of each Class to which such Class is subordinated has been paid, and no payments of principal will be made on any such Class of Notes (i) on any Payment Date or (ii) any other Business Day on which payments of Currency Adjusted Notional Principal Adjustment Amounts are paid by the Issuer to the Noteholders, until principal of the Notes of each Class to which such Class is subordinated has been paid in accordance with the Priority of Payments described herein. See "Description of the Notes—Priority of Payments".

In addition, if an Event of Default occurs, a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes voting as a single class will be entitled to determine the remedies to be exercised under the Indenture including the sale and liquidation of the Collateral in accordance with the procedures set forth in the Indenture. Remedies pursued by a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes voting as a single class could be adverse to the interests of the Holders of a particular Class or Classes of Notes. See "Description of the Notes—The Indenture—Events of Default".

Mandatory Redemption and the Special Termination Liquidation Procedure. If a Mandatory Redemption occurs and the Special Termination Liquidation Procedure is applied, the Holders of the Class SS Notes, the Class A Notes, the Class B Notes and the Class C Notes voting as a single class will be entitled to determine whether Collateral Securities allocated to such Classes of Notes will be liquidated or delivered to such Noteholders in accordance with the Special Termination Liquidation Procedure. With respect to any of the Class SS Notes, the Class A Notes, the Class B Notes and the Class C Notes, such determination through voting as a single class could be adverse to the interests of the Holders of the Classes of Notes subordinated to such senior Classes, as the case may be, as Holders of any such senior Classes of Notes may elect to receive Collateral Securities with a market value in excess of the Aggregate USD Equivalent Outstanding Amount of such senior Classes of Notes (*plus* accrued and unpaid interest thereon) rather than have the Collateral Securities allocated to such senior Classes liquidated, which would allow Holders of subordinated Classes of Notes to benefit from the liquidation of such Collateral Securities at a premium. See "Description of the Notes—Mandatory Redemption".

Leverage. The Aggregate USD Equivalent Outstanding Amount of the Notes will be $192,000,000 on the Closing Date (including, for the avoidance of doubt, the USD Equivalent of the Notes denominated in Approved Currencies other than Dollars). However, the Reference Portfolio Notional Amount will equal $2,000,000,000 on the Closing Date, which amount represents the aggregate Reference Obligation Notional Amount on the Closing Date. Through the Credit Default Swap, investors in the Notes will be effectively providing the Protection Buyer loss protection with respect to each Reference Obligation up to the Reference Obligation Notional Amount of such Reference Obligation. Losses incurred will be borne by the Noteholders. Since the Reference Portfolio Notional Amount for the Reference Portfolio exceeds the Aggregate USD Equivalent Outstanding Amount of the Notes, investors in the Notes are providing such loss protection to the Protection Buyer on a leveraged basis.

Volatility. Because investors in the Notes are providing loss protection to the Protection Buyer on a leveraged basis, the market value of the Notes may be subject to changes that are greater than the changes in market value that might occur to the Reference Portfolio. The market value of the Notes may vary over time and could be significantly less than par (or even zero) in certain circumstances.

Credit Linkage of the Notes. The Credit Default Swap will be linked to the credit of the Reference Entities. The amount payable in respect of principal of the Notes will depend upon, among other factors, whether and to the extent Credit Events have occurred under the Credit Default Swap. Under the Credit Default Swap, upon the occurrence of a Credit Event and the satisfaction of the Conditions to Settlement, the Issuer will be obligated to pay the Protection Buyer a Cash Settlement Amount in an amount equal to any Currency Adjusted Credit Event Adjustment Amounts. Any Cash Settlement Amount paid by the Issuer will reduce the Aggregate USD Equivalent Outstanding Amount of the Notes (in reverse order of

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seniority). See "Summary—Notes—Decrease in the Aggregate USD Equivalent Outstanding Amount of each Class of Notes". Except in the limited circumstances as described under "Summary—Notes—Increase in the Aggregate USD Equivalent Outstanding Amount of each Class of Notes", a decrease in the Aggregate USD Equivalent Outstanding Amount of the Notes will be permanent and irreversible and the Noteholders will never receive a payment of principal in the amount of such decrease and from and after the date of such decrease, no interest will accrue on the amount of such decrease. See "—Subordination of the Notes" and "Description of the Notes—Priority of Payments".

Cash Available to Make Payments on the Notes. The ability of the Issuer to make payments on the Notes will depend primarily on several factors. To the extent (i) one or more Credit Events occur, (ii) the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider or the Collateral Disposal Agent fails to perform its obligations or (iii) there is a default in payments due in respect of any Collateral, the amount of available cash to make payments on the Notes in accordance with the Priority of Payments will be reduced. In addition, in the event that an Event of Default occurs in respect of the Notes or on the Mandatory Redemption Date, the Issuer may not be able to pay the principal of the Notes as a result of (a) paying unpaid Credit Default Swap Termination Payments, if any, owing to the Protection Buyer, (b) paying unpaid Basis Swap Termination Payments, if any, owing to the Basis Swap Counterparty, (c) amounts owed to the Collateral Put Provider pursuant to the Collateral Put Agreement and (d) the then applicable market value of the Collateral Securities being less than their principal amount. In the case of a Mandatory Redemption, the Holders of any subordinated Class of Notes could be adversely affected as described under "—Mandatory Redemption and the Special Termination Liquidation Procedure". See "Description of the Notes—Mandatory Redemption".

Retention of a Portfolio Selection Agent. The Issuer will retain a portfolio selection agent to select the Initial Reference Portfolio, but following the Closing Date the Reference Portfolio will be static, subject to modification only in connection with the amortization of the Reference Portfolio. The Portfolio Selection Agent will not provide any other services to the Issuer or act as the "collateral manager" for the Collateral. The Portfolio Selection Agent will not have any fiduciary duties or other duties to the Issuer or to the holders of the Notes and will not have any ability to direct the Trustee to dispose of any items of Collateral.

Interest Payments Dependent Primarily upon the Protection Buyer's Performance under the Credit Default Swap and the Basis Swap Counterparty's Performance under the Basis Swap. Payments made by the Protection Buyer under the Credit Default Swap and payments made by the Basis Swap Counterparty under the Basis Swap are the Issuer's primary sources of funds to make interest payments on the Notes. Since the ability of the Issuer to make interest payments on the Notes prior to the occurrence of a Credit Default Swap Early Termination or a Basis Swap Early Termination will be dependent on its receipt of payments from the Protection Buyer under the Credit Default Swap and the Basis Swap Counterparty under the Basis Swap, the Noteholders are relying on the Protection Buyer to perform its obligations under the Credit Default Swap and the Basis Swap Counterparty to perform its obligations under the Basis Swap. Accordingly, if a Credit Default Swap Early Termination or a Basis Swap Early Termination occurs prior to a Payment Date, the Issuer may not have sufficient funds to make interest payments on all Classes of Notes.

The insolvency of the Protection Buyer will be a Credit Default Swap Event of Default under the Credit Default Swap. In the event of the insolvency of the Protection Buyer, the Issuer will be treated as a general creditor of the Protection Buyer. Additionally, certain events with respect to a Credit Default Swap Early Termination (which can occur due to the insolvency of the Protection Buyer) will result in a Mandatory Redemption. Upon the occurrence of a Mandatory Redemption, the Trustee will liquidate all or a portion of the Collateral and will make any payments due to the Protection Buyer pursuant to the Credit Default Swap (other than a Protection Buyer Default Termination Payment), the Basis Swap Counterparty pursuant to the Basis Swap (other than a Basis Swap Counterparty Default Termination Payment) and the Collateral Put Provider pursuant to the Collateral Put Agreement prior to making

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payments to the Noteholders. Under such circumstances, Noteholders may not receive sufficient funds to repay the principal of the Notes and, as a result, Noteholders should expect to lose a substantial part, if not all, of their principal investment in the Notes and to receive no interest on the Notes. In addition, in the case of a Mandatory Redemption, the Holders of any subordinated Class of Notes could be adversely affected as described under "—Mandatory Redemption and the Special Termination Liquidation Procedure". See "Description of the Notes—Mandatory Redemption".

The insolvency of the Basis Swap Counterparty will be a Basis Swap Event of Default under the Basis Swap. In the event of the insolvency of the Basis Swap Counterparty, the Issuer will be treated as a general creditor of the Basis Swap Counterparty. Additionally, certain events with respect to a Basis Swap Early Termination (which can occur due to the insolvency of the Basis Swap Counterparty) will result in a Mandatory Redemption. Upon the occurrence of a Mandatory Redemption, the Trustee will liquidate the Collateral and will make any payments due to the Protection Buyer pursuant to the Credit Default Swap (other than a Protection Buyer Default Termination Payment), the Basis Swap Counterparty pursuant to the Basis Swap (other than a Basis Swap Counterparty Default Termination Payment) and the Collateral Put Provider pursuant to the Collateral Put Agreement prior to making payments to the Noteholders. Under such circumstances, Noteholders may not receive sufficient funds to repay the principal of the Notes and, as a result, Noteholders should expect to lose a substantial part, if not all, of their principal investment in the Notes and to receive no interest on the Notes. In addition, in the case of a Mandatory Redemption, the Holders of any subordinated Class of Notes could be adversely affected as described under "—Mandatory Redemption and the Special Termination Liquidation Procedure". See "Description of the Notes—Mandatory Redemption".

Collateral Put Provider Default. In connection with an Optional Redemption in Whole, a Partial Optional Redemption, a Stated Maturity of any Series of Notes or the payment of any Currency Adjusted Notional Principal Adjustment Amount by the Issuer to the Noteholders, if (x) the Collateral Disposal Agent is unable to obtain at least 100% of par for a Selected Collateral Security and/or (y) the Trustee is unable to obtain at least 100% of par for Eligible Investments (in each case (i) other than Put Excluded Collateral and (ii) excluding any accrued and unpaid interest), the Collateral Disposal Agent will inform the Trustee and the Issuer (in the case of (x) above) and the Trustee will inform the Issuer (in the case of (y) above), who will then direct the Issuer to exercise the Issuer's rights under the Collateral Put Agreement pursuant to which the Issuer will deliver such Selected Collateral Security and/or such Eligible Investment to the Collateral Put Provider in exchange for 100% of the principal amount of such Selected Collateral Security and/or such Eligible Investments (*plus* accrued and unpaid interest). If a Collateral Put Provider defaults in its obligations under the Collateral Put Agreement, the Collateral Disposal Agent will be required to liquidate the Collateral in an amount which may be insufficient to pay such Currency Adjusted Notional Principal Adjustment Amount or to redeem the Notes in full (in connection with an Optional Redemption in Whole) or in part (in connection with a Partial Optional Redemption) or the Holders of any subordinated Class of Notes could be adversely affected as described under "—Mandatory Redemption and the Special Termination Liquidation Procedure". See "Description of the Notes—Mandatory Redemption".

No Claims on the Reference Entities. The Credit Default Swap does not constitute a purchase or other acquisition or assignment of any interest in any obligation of any Reference Entity. The Issuer will have a contractual relationship only with the Protection Buyer and not with any Reference Entity, and generally will have no rights to enforce directly compliance by any Reference Entity with the terms of its obligations that are referred to in the Credit Default Swap, no rights of set-off against a Reference Entity, and no voting rights with respect to any Reference Entity. The Issuer will not directly benefit from any collateral securing the obligations of the Reference Entities, and the Issuer will not have the benefit of the remedies that would normally be available to a holder of such secured obligation.

To the extent that the Protection Buyer, the Credit Default Swap Calculation Agent, the Portfolio Selection Agent or any of their affiliates holds any obligation of a Reference Entity, neither the Protection Buyer, the Credit Default Swap Calculation Agent, the Portfolio Selection Agent nor any of their affiliates

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will be, or will be deemed to be acting as, the Issuer's agent or trustee in connection with the exercise of, or the failure to exercise, any of the rights or powers of the Protection Buyer, the Credit Default Swap Calculation Agent, the Portfolio Selection Agent or any of their affiliates arising under or in connection with its or their holding of any such obligation. None of the Issuer, the Trustee, the Issuing and Paying Agent, nor any Holder of any Note will have any right to acquire from the Protection Buyer, the Credit Default Swap Calculation Agent, the Portfolio Selection Agent or any of their affiliates (or to require the Protection Buyer, the Credit Default Swap Calculation Agent or any of their affiliates to transfer, assign or otherwise dispose of) any interest in any Reference Obligation or other obligation of any Reference Entity pursuant to the Credit Default Swap. Furthermore, to the extent that the Protection Buyer, the Credit Default Swap Calculation Agent, the Portfolio Selection Agent or any of their affiliates holds any obligation of a Reference Entity, none of the Protection Buyer, the Credit Default Swap Calculation Agent, the Portfolio Selection Agent nor any of their affiliates will grant the Issuer, the Trustee or the Issuing and Paying Agent any security interest in such obligation.

In addition, in the event of the bankruptcy or insolvency of the Protection Buyer, the Issuer will be treated as a general creditor of the Protection Buyer and will not have any claim with respect to the Reference Entities. Consequently, the Issuer will be subject to the credit risk of the Protection Buyer as well as that of the Reference Entities.

Limited Provision of Information about Reference Obligations/Reference Entities. This Offering Circular does not provide any information with respect to any Reference Obligation or Reference Entity other than that contained in a description of the Reference Portfolio set forth under "The Credit Default Swap—The Reference Portfolio". As the occurrence of a Credit Event may result in a permanent decrease in the amounts payable in respect of the Notes, investors should review the list of Reference Obligations set forth herein and conduct their own investigation and analysis with respect to the creditworthiness of each Reference Obligation and the likelihood of the occurrence of a Credit Event with respect to each Reference Entity and Reference Obligation.

The Protection Buyer or its affiliates and/or the Portfolio Selection Agent or its affiliates may have information, including material, non-public information, regarding the Reference Obligations and the Reference Entities. Neither the Protection Buyer nor the Portfolio Selection Agent will provide the Issuer, the Trustee, the Issuing and Paying Agent, any Noteholder or any other Person with any such non-public information. In addition, neither the Protection Buyer nor the Portfolio Selection Agent will provide the Issuer, the Trustee, the Issuing and Paying Agent, any Holder of any Note or any other Person with any such information that is public (including financial information or notices), except in the case of information pertaining to one or more Credit Events with respect to each Reference Entity and one or more Reference Obligation(s) of such Reference Entity in connection with which the Protection Buyer is seeking payment of one or more Cash Settlement Amounts.

The Issuer will be required pursuant to the Indenture to provide the Noteholders with periodic reports. See "Description of the Notes—The Indenture—Reports Prepared Pursuant to the Indenture." None of the Initial Purchaser, the Protection Buyer, the Portfolio Selection Agent or any of their respective affiliates has any obligation to keep the Issuer, the Trustee, the Issuing and Paying Agent or the Noteholders informed as to any other matters with respect to any Reference Entity or any Reference Obligation, including whether or not circumstances exist that give rise to the possibility of the occurrence of a Credit Event with respect to any Reference Obligation or a Reference Entity.

None of the Issuer, the Trustee, the Issuing and Paying Agent or the Noteholders will have the right to inspect any records of the Initial Purchaser, the Protection Buyer, the Portfolio Selection Agent or any of their respective affiliates. Except for the information contained in this Offering Circular, none of the Initial Purchaser, the Protection Buyer, the Portfolio Selection Agent nor any of their respective affiliates will have any obligation to disclose any information or evidence regarding the existence or terms of any obligation of any Reference Entity or any matters arising in relation thereto or otherwise regarding any Reference Entity, any guarantor or any other person.

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Concentration Risk. The concentration of the Reference Obligations in the Reference Portfolio in any one particular type of Structured Product Security subjects the Notes to a greater degree of risk with respect to credit defaults within such type of Structured Product Security. Investors should review the list of Reference Obligations set forth herein and conduct their own investigation and analysis with regard to each Reference Obligation. See "The Credit Default Swap—The Reference Portfolio".

Collateral Default. To the extent that defaults occur with respect to any Collateral, a Mandatory Redemption will occur and the Collateral Disposal Agent will be required to liquidate the Collateral Securities. Thereafter, liquidation proceeds will be applied in accordance with "Description of the Notes—Priority of Payments—Principal Proceeds—Stated Maturity, Optional Redemption Date or Mandatory Redemption Date". Depending on the market value of the remaining Collateral and the value of the Credit Default Swap and the Basis Swap at such time, the proceeds of such liquidation may not be sufficient to pay the unpaid principal of and interest on all of the Notes.

Assets included in the Reference Portfolio or held as Collateral Securities. The risks generally described below under Commercial Mortgage-Backed Securities, Residential Mortgage-Backed Securities, CDO Cashflow Securities and Asset-Backed Securities could affect payments on the Notes to the extent any such asset is (i) included in the Reference Portfolio as a Reference Obligation and experiences a Credit Event or (ii) held by the Issuer as a Collateral Security and subsequently experiences a Collateral Default.

Commercial Mortgage-Backed Securities. The Collateral Securities may include Commercial Mortgage-Backed Securities.

CMBS bear various risks, including credit, market, interest rate, structural and legal risks. CMBS are securities backed by obligations (including certificates of participation in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, rental apartments, self-storage, nursing homes and senior living centers. Risks affecting real estate investments include general economic conditions, the condition of financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. The cyclicality and leverage associated with real estate-related investments have historically resulted in periods, including significant periods, of adverse performance, including performance that may be materially more adverse than the performance associated with other investments. In addition, commercial mortgage loans generally lack standardized terms, tend to have shorter maturities than residential mortgage loans and may provide for the payment of all or substantially all of the principal only at maturity. Additional risks may be presented by the type and use of a particular commercial property. For instance, commercial properties that operate as hospitals and nursing homes may present special risks to lenders due to the significant governmental regulation of the ownership, operation, maintenance and financing of health care institutions. Hotel and motel properties are often operated pursuant to franchise, management or operating agreements which may be terminable by the franchisor or operator; and the transferability of a hotel's operating, liquor and other licenses upon a transfer of the hotel, whether through purchase or foreclosure, is subject to local law requirements. All of these factors increase the risks involved with commercial real estate lending. Commercial lending is generally viewed as exposing a lender to a greater risk of loss than residential one-to-four family lending since it typically involves larger loans to a single borrower than residential one-to-four family lending.

Commercial mortgage lenders typically look to the debt service coverage ratio of a loan secured by income-producing property as an important measure of the risk of default on such a loan. Commercial property values and net operating income are subject to volatility, and net operating income may be sufficient or insufficient to cover debt service on the related mortgage loan at any given time. The repayment of loans secured by income-producing properties is typically dependent upon the successful operation of the related real estate project rather than upon the liquidation value of the underlying real

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estate. Furthermore, the net operating income from and value of any commercial property may be adversely affected by risks generally incident to interests in real property, including events which the borrower or manager of the property, or the issuer or servicer of the related issuance of commercial mortgage-backed securities, may be unable to predict or control, such as changes in general or local economic conditions and/or specific industry segments; declines in real estate values; declines in rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; changes in governmental rules, regulations and fiscal policies; acts of God; and social unrest and civil disturbances. The value of commercial real estate is also subject to a number of laws, such as laws regarding environmental clean-up and limitations on remedies imposed by bankruptcy laws and state laws regarding foreclosures and rights of redemption. Any decrease in income or value of the commercial real estate underlying an issue of CMBS could result in cash flow delays and losses on the related issue of CMBS.

A commercial property may not readily be converted to an alternative use in the event that the operation of such commercial property for its original purpose becomes unprofitable. In such cases, the conversion of the commercial property to an alternative use would generally require substantial capital expenditures. Thus, if the borrower becomes unable to meet its obligations under the related commercial mortgage loan, the liquidation value of any such commercial property may be substantially less, relative to the amount outstanding on the related commercial mortgage loan, than would be the case if such commercial property were readily adaptable to other uses. The exercise of remedies and successful realization of liquidation proceeds may be highly dependent on the performance of CMBS servicers or special servicers, of which there may be a limited number and which may have conflicts of interest in any given situation. The failure of the performance of such CMBS servicers or special servicers could result in cash flow delays and losses on the related issue of CMBS.

At any one time, a portfolio of CMBS may be backed by commercial mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the commercial mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations.

Mortgage loans underlying a CMBS issue may provide for no amortization of principal or may provide for amortization based on a schedule substantially longer than the maturity of the mortgage loan, resulting in a "balloon" payment due at maturity. If the underlying mortgage borrower experiences business problems, or other factors limit refinancing alternatives, such balloon payment mortgages are likely to experience payment delays or even default. As a result, the related issue of CMBS could experience delays in cash flow and losses.

In addition, interest payments on CMBS may be subject to an available funds-cap and/or a weighted average coupon cap (which cap will, in each case, have the practical effect of deferring part or all of such interest payments) if interest rate rises substantially.

Residential Mortgage-Backed Securities. The Reference Obligations will include and the Collateral Securities may include Residential Mortgage-Backed Securities.

RMBS bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by one- to four-family residential mortgage-loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity, although such loans may be securitized by Agencies and the securities issued are guaranteed. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the area where the related mortgaged property is located, the borrower's equity in the mortgaged property and the financial circumstances of the borrower. If a

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residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

At any one time, a portfolio of RMBS may be backed by residential mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the residential mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations. In addition, the residential mortgage loans may include so-called "jumbo" mortgage loans, having original principal balances that are higher than is generally the case for residential mortgage loans. As a result, such portfolio of RMBS may experience increased losses.

Each underlying residential mortgage loan in an issue of RMBS may have a balloon payment due on its maturity date. Balloon residential mortgage loans involve a greater risk to a lender than self-amortizing loans, because the ability of a borrower to pay such amount will normally depend on its ability to obtain refinancing of the related mortgage loan or sell the related mortgaged property at a price sufficient to permit the borrower to make the balloon payment, which will depend on a number of factors prevailing at the time such refinancing or sale is required, including, without limitation, the strength of the residential real estate markets, tax laws, the financial situation and operating history of the underlying property, interest rates and general economic conditions. If the borrower is unable to make such balloon payment, the related issue of RMBS may experience losses.

In addition, interest payments on RMBS may be subject to an available funds-cap and/or a weighted average coupon cap (which cap will, in each case, have the practical effect of deferring part or all of such interest payments) if interest rate rises substantially.

Structural and Legal Risks of CMBS and RMBS. Residential mortgage loans in an issue of RMBS may be subject to various federal and state laws, public policies and principles of equity that protect consumers, which among other things may regulate interest rates and other charges, require certain disclosures, require licensing of originators, prohibit discriminatory lending practices, regulate the use of consumer credit information and regulate debt collection practices. Violation of certain provisions of these laws, public policies and principles may limit the servicer's ability to collect all or part of the principal of or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and sanctions. Any such violation could result also in cash flow delays and losses on the related issue of RMBS.

In addition, structural and legal risks of CMBS and RMBS include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or affiliates), the assets of the issuer could be treated as never having been truly sold by the originator to the issuer and could be substantively consolidated with those of the originator, or the transfer of such assets to the issuer could be voided as a fraudulent transfer. Challenges based on such doctrines could result also in cash flow delays and losses on the related issue of CMBS or RMBS.

It is not expected that CMBS or RMBS (other than the RMBS Agency Securities) will be guaranteed or insured by any governmental agency or instrumentality or by any other person. Distributions on CMBS and RMBS will depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans.

Some of the CMBS may, and the RMBS referenced in the Initial Reference Portfolio will, be subordinated to one or more other senior classes of securities of the same series for purposes of, among other things, offsetting losses and other shortfalls with respect to the related underlying mortgage loans. In addition, in the case of CMBS and certain RMBS, no distributions of principal will generally be made with respect to any class until the aggregate principal balances of the corresponding senior classes of

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securities have been reduced to zero. As a result, the subordinate classes are more sensitive to risk of loss and writedowns than senior classes of such securities.

CDO Cashflow Securities. The Collateral Securities may include CDO Cashflow Securities. CDO Cashflow Securities generally are limited recourse obligations of the issuer thereof payable solely from the underlying assets of the issuer ("**CDO Collateral**") or proceeds thereof. Consequently, CDO Cashflow Securities must rely solely on distributions on the underlying CDO Collateral or proceeds thereof for payment in respect thereof. If distributions on the underlying CDO Collateral are insufficient to make payments on the CDO Cashflow Securities, no other assets will be available for payment of the deficiency and following realization of the underlying assets, the obligations of the issuer to pay such deficiency shall be extinguished.

CDO Cashflow Securities are subject to credit, liquidity and interest rate risks. CDO Collateral may consist of high yield debt securities, loans, structured finance securities and other debt instruments. High yield debt securities are generally unsecured (and loans may be unsecured) and may be subordinated to certain other obligations of the issuer thereof. The below investment grade ratings of high yield securities reflect a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the issuer to make payments of principal or interest. Such investments may be speculative.

Issuers of CDO Cashflow Securities may acquire interests in loans and other debt obligations by way of assignment or participation. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution.

CDO Cashflow Securities are subject to interest rate risk. The CDO Collateral of an issuer of CDO Cashflow Securities may bear interest at a fixed (floating) rate while the CDO Cashflow Securities issued by such issuer may bear interest at a floating (fixed) rate. As a result, there could be a floating/fixed rate or basis mismatch between such CDO Cashflow Securities and CDO Collateral which bears interest at a fixed rate and there may be a timing mismatch between the CDO Cashflow Securities and assets that bear interest at a floating rate as the interest rate on such assets bearing interest at a floating rate may adjust more frequently or less frequently, on different dates and based on different indices than the interest rates on the CDO Cashflow Securities. As a result of such mismatches, an increase or decrease in the level of the floating rate indices could adversely impact the ability to make payments on the CDO Cashflow Securities.

In addition, certain CDO Cashflow Securities may by their terms defer payment of interest or pay interest "in-kind".

Asset-Backed Securities. The Collateral Securities may include Asset-Backed Securities. The structure of an Asset-Backed Security and the terms of the investors' interest in the collateral can vary widely depending on the type of collateral, the desires of investors and the use of credit enhancements. Individual transactions can differ markedly in both structure and execution. Important determinants of the risk associated with issuing, acquiring synthetic exposure through the Credit Default Swap or holding Asset-Backed Securities include the relative seniority or subordination of the class of Asset-Backed Securities, the relative allocation of principal and interest payments in the priorities by which such payments are made under the governing documents, how credit losses affect the issuing vehicle and the return on the different classes, whether collateral represents a fixed set of specific assets or accounts, whether the underlying collateral assets are revolving or closed-end, under what terms (including maturity of the asset-backed instrument) any remaining balance in the accounts may revert to the issuing company and the extent to which the company that is the actual source of the collateral assets is obligated to provide support to the issuing vehicle or to any of the classes of securities. With respect to some types of Asset-Backed Securities, the risk is more closely correlated with the default risk on corporate bonds of similar terms and maturities than with the performance of a pool of receivables. In

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addition, certain Asset-Backed Securities (particularly subordinated Asset-Backed Securities) provide that the non-payment of interest in cash on such securities will not constitute an event of default in certain circumstances and the holders of such securities will not have available to them any associated default remedies.

Holders of Asset-Backed Securities bear various risks, including credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks and legal risks. Credit risk arises from losses due to defaults by the borrowers in the underlying collateral and the issuer's or servicer's failure to perform. These two elements may be related, as, for example, in the case of a servicer which does not provide adequate credit-review scrutiny to the serviced portfolio, leading to higher incidence of defaults. Market risk arises from the cash flow characteristics of the security, which for most Asset-Backed Securities tend to be predictable. The greatest variability in cash flows comes from credit performance, including the presence of wind-down or acceleration features designed to protect the investor in the event that credit losses in the portfolio rise well above expected levels. Interest rate risk arises for the issuer from the relationship between the pricing terms on the underlying collateral and the terms of the rate paid to holders of securities and from the need to mark to market the excess servicing or spread account proceeds carried on the balance sheet. For the holder of the security, interest rate risk depends on the expected life of the Asset-Backed Securities which may depend on prepayments on the underlying assets or the occurrence of wind-down or termination events.

If the servicer becomes subject to financial difficulty or otherwise ceases to be able to carry out its functions, it may be difficult to find other acceptable substitute servicers and cash flow disruptions or losses may occur, particularly with non-standard receivables or receivables originated by private retailers who collect many of the payments at their stores. Structural and legal risks include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or affiliates), the assets of the Issuer could be treated as never having been truly sold by the originator to the Issuer and could be substantively consolidated with those of the originator, or the transfer of such assets to the issuer could be voided as a fraudulent transfer. Challenges based on such doctrines could result also in cash flow delays and reductions on the Asset-Backed Securities. Other similar risks relate to the degree to which cash flows on the assets of the Issuer may be commingled with those on the originator's other assets.

Recent Developments in Subprime Residential Mortgage Lending. Recently, delinquencies, defaults and losses on residential mortgage loans have increased and may continue to increase, which may affect the performance of RMBS, in particular RMBS Residential B/C Mortgage Securities which are backed by subprime mortgage loans. Subprime mortgage loans are generally made to borrowers with lower credit scores. Accordingly, mortgage loans backing RMBS Residential B/C Mortgage Securities are more sensitive to economic factors that could affect the abilty of borrowers to pay their obligations under the mortgage loans backing these securities. Market interest rates have been increasing and accordingly, with respect to adjustable rate mortgage loans and hybrid mortgage loans that have or will enter their adjustable-rate period, borrowers are likely to experience increases in their monthly payments and become increasingly likely to default on their payment obligations. Discovery of fraudulent mortgage loan applications in connection with rising default rates with respect to subprime mortgage loans may indicate that the risks with respect to these mortgage loans are particularly acute at this time. Such risks may result in further increases in default rates by subprime borrowers as it becomes more difficult for them to obtain refinancing.

These economic trends have been accompanied by a recent downward trend or stabilization of property values after a sustained period of increase in property values. Because subprime mortgage loans generally have higher loan-to-value ratios, recoveries on defaulted mortgage loans are more likely not to result in payment in full of amounts owed under such mortgage loans, resulting in higher net losses than would have been the case had property values remained the same or increased. A decline in property values will particularly impact recoveries on second lien mortgage loans that may be included in the mortgage pools backing RMBS Residential B/C Mortgage Securities.

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Structural features of RMBS may contribute to the impact of increased delinquencies and defaults and lower recoveries on the underlying mortgage pool. In particular, there may be a decline in the interest rate payable under those RMBS structured to limit interest payable to investors based on a weighted average coupon cap. Mortgage loans bearing interest at a higher rate will have a greater tendency to default than those with lower mortgage rates. Such defaults will reduce the weighted average coupon of the underlying mortgage loans and accordingly the interest rate payable to investors in the related RMBS. In addition, delinquencies, defaults and lower recoveries on underlying mortgage loans will reduce interest and principal actually paid to investors to less than the amounts owed to investors in accordance with the terms of their RMBS. RMBS may not be structured with significant or any overcollateralization, so performance will be sensitive to delays or reductions in payments, particularly in the case of subordinated tranches of RMBS. To the extent that RMBS provide for writedowns of principal, interest will cease to accrue on the portion of principal of an RMBS that has been written down.

RMBS may provide that the servicer is required to make advances in respect of delinquent mortgage loans. However, servicers experiencing financial difficulties may not be able to perform these obligations. Servicers who have sought bankruptcy protection may, due to application of the provisions of bankruptcy law, not be required to advance such amounts. Even if a servicer were able to advance amounts in respect of delinquent mortgage loans, its obligation to make such advances may be limited to the extent that it does not expect to recover such advances due to the deteriorating credit of the delinquent mortgage loans. In addition, a servicer's obligation to make such advances may be limited to the amount of its servicing fee.

Recently, a number of originators and servicers of mortgage loans have experienced serious financial difficulties and, in some cases, have entered bankruptcy proceedings. These difficulties have resulted in part from declining markets for their mortgage loans as well as from claims for repurchases of mortgage loans previously sold under provisions that require repurchase in the event of early payment defaults or for breaches of representations regarding loan quality. Such financial difficulties may have a negative effect on the ability of servicers to pursue collection on mortgage loans that are experiencing increased delinquencies and defaults and to maximize recoveries on sale of underlying properties following foreclosure. The inability of the originator to repurchase such mortgage loans in the event of early payment defaults and other loan representation breaches may also affect the performance of RMBS backed by those mortgage loans.

Under certain circumstances, including a failure to perform its servicing obligations or a bankruptcy of the servicer, investors will be entitled to remove and replace the existing servicer. There is no guarantee, however, that a suitable servicer could be found to assume the obligations of the existing servicer, and the transition of servicing responsibilities to a replacement servicer could have an adverse effect on performance of servicing functions during or following a transition period and a resulting increase in delinquencies and losses and decreases in recoveries.

Transfers of mortgage loans by the originator or seller will be characterized in the applicable sale agreement as a sale transaction. Nevertheless, in the event of a bankruptcy of the originator or seller, the trustee in bankruptcy could attempt to recharacterize the sale of the mortgage loans as a borrowing secured by a pledge of the mortgage loans. If such attempt were successful, the trustee in bankruptcy could prevent the trustee for the RMBS from exercising any of the rights of the owner of the mortgage loans and also could elect to liquidate the mortgage loans. Investors may suffer a loss to the extent that the proceeds of the liquidation of the underlying mortgage loans would not be sufficient to pay amounts owed in respect of their investments. If this occurs, investors would lose the right to future payments of interest and may fail to recover their initial investment. Regardless of whether a trustee elects to foreclose on the underlying mortgage loan pool, delays in payments on their investments and possible reductions in the amount of these payments could occur.

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These adverse changes in market conditions may reduce the cashflow which the Issuer receives from RMBS held by the Issuer (or a Credit Default Swap that reference RMBS), decrease the market value of such RMBS and increase the incidence and severity of Credit Events under the Credit Default Swap.

Currency Exchange Risk. The Reference Portfolio may include non-Dollar denominated Reference Obligations. At the time that such non-Dollar denominated Reference Obligation is included in the Reference Portfolio, the Credit Default Swap Calculation Agent will determine the Notional Foreign Exchange Rate with respect to such non-Dollar denominated Reference Obligation. This Notional Foreign Exchange Rate will not change during the time such non-Dollar denominated Reference Obligation is in the Reference Portfolio, and, as such, will protect the Issuer from any unfavorable fluctuation of the applicable currency rate (which would increase the amount of any Cash Settlement Amount and/or Notional Principal Adjustment Amount relating to such non-Dollar denominated Reference Obligation). However, because the Notional Foreign Exchange Rate is fixed, the Issuer will not benefit from any favorable fluctuation of the applicable currency exchange rate (which would reduce the amount of any Cash Settlement Amount and/or Notional Principal Adjustment Amount relating to such non-Dollar denominated Reference Obligation).

In addition, in connection with a Mandatory Redemption, Collateral Securities may be liquidated and the proceeds of such liquidation may be insufficient to pay the Currency Adjusted Aggregate Outstanding Amount of each Series in full. To the extent that a Series of Notes is denominated in an Approved Currency for which there is insufficient proceeds in such Approved Currency (at the applicable level of priority) to pay the Currency Adjusted Aggregate Outstanding Amount of such Series of Notes in full, available proceeds denominated in other Approved Currencies will be exchanged for such needed Approved Currency at the applicable currency exchange rates at such time. Other Notes of such Class denominated in any such other Approved Currency and Notes junior to such Class may experience losses due to any adverse fluctuation of the applicable exchange currency rates. In addition, to the extent there would be insufficient Principal Proceeds after giving effect to any such exchange to make all principal payments on the Notes in connection with a Mandatory Redemption, with respect to any Class in which Notes are denominated in more than one Approved Currency, such shortfall shall be borne *pro rata* by Holders of such Class based on the Dollar equivalent principal amount of such Notes as determined using the Spot FX Rate as of the third Business Day immediately prior to such Mandatory Redemption Date, rather than the Applicable Series Foreign Exchange Rate for each related Series.

Average Life end Prepayment Considerations. The Stated Maturity of the Notes issued on the Closing Date is March 1, 2038. The Stated Maturity may vary with respect to any additional issuance of Notes; however, the average life of each Series of Notes is expected to be shorter than the number of years until the Stated Maturity.

The approximations of the average life of each Class of Notes set forth in the table in "Summary—Notes" with respect to the average life of each Class of Notes are not predictive and do not necessarily reflect historical performance of the Reference Obligations. Such approximations will also be affected by any Optional Redemption in Whole, Partial Optional Redemption, Mandatory Redemption or the characteristics of the Reference Obligations, including the existence and frequency of exercise of any optional redemption, mandatory prepayment or sinking fund features, the prevailing level of interest rates and the actual default rate.

Certain Conflicts of Interest Relating to the Initial Purchaser and its Affiliates. Various potential and actual conflicts of interest may nevertheless arise from the activities of the Initial Purchaser, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider, the Collateral Disposal Agent and their affiliates. The following, together with "—Limited Provision of Information about Reference Obligations/Reference Entities", briefly summarize some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

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It is expected that the Initial Purchaser and/or its respective affiliates will have placed or underwritten certain of the Reference Obligations and/or Collateral Securities at original issuance and/or will have provided investment banking services, advisory, banking and other services to issuers of Reference Obligations and/or Collateral Securities. The Initial Purchaser may not have completed its resale of the Notes by any date certain, which may affect the liquidity of the Notes as well as the ability, if any, of the Initial Purchaser to make a market in the Notes. From time to time, the Issuer may purchase or sell Collateral Securities from and/or through Goldman, Sachs & Co. and/or any of its affiliates (collectively, **"Goldman Sachs"**). The Issuer may invest in money market funds that are managed by Goldman Sachs or for which the Trustee or its affiliates provides services, provided that such money market funds otherwise qualify as Eligible Investments.

The Initial Purchaser, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider, the Collateral Disposal Agent and certain of their respective affiliates are acting in a number of capacities in connection with the transactions described herein. The Initial Purchaser, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider, the Collateral Disposal Agent and each of their respective 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 virtue of acting in any other capacity, be deemed to have other duties or responsibilities, other than as expressly provided with respect to each such capacity. The Initial Purchaser, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider, the Collateral Disposal Agent and their respective affiliates in their various capacities may enter into business dealings from which they may derive revenues and profits in addition to the fees stated in the various transaction documents, without any duty to account therefor. In such dealings, the Initial Purchaser, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider, the Collateral Disposal Agent and their respective affiliates may act in the same manner as if the Notes had not been issued, regardless of whether any such action (including without limitation, any action that might constitute or give rise to a Credit Event) might have an adverse effect on a Reference Entity, a Reference Obligation or any guarantor in respect thereof or otherwise.

The Initial Purchaser, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider, the Collateral Disposal Agent and their respective affiliates may hold long or short positions with respect to Reference Obligations and/or other securities or obligations of related Reference Entities and may enter into credit derivative or other derivative transactions with other parties pursuant to which it sells or buys credit protection with respect to one or more related Reference Entities and/or Reference Obligations. The Initial Purchaser, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider, the Collateral Disposal Agent and their respective affiliates may act with respect to such transactions and may exercise or enforce, or refrain from exercising or enforcing, any or all of its rights and powers in connection therewith as if it had not entered into the Credit Default Swap, the Basis Swap, the Collateral Put Agreement and the Collateral Disposal Agreement, and without regard to whether any such action might have an adverse effect on the Issuer, the Noteholders, a related Reference Entity or any Reference Obligation. If the Initial Purchaser, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider, the Collateral Disposal Agent or their respective affiliates, holds claims against a Reference Entity or a Reference Obligation other than in connection with the transactions contemplated in this Offering Circular, such party's interest as a creditor may be in conflict with the interests of the Issuer.

Certain Conflicts of Interest Relating to the Portfolio Selection Agent and its Affiliates. Various potential and actual conflicts of interest may arise from the overall investment activities of the Portfolio Selection Agent and its Affiliates. The Portfolio Selection Agent and its Affiliates will select the Initial Reference Portfolio. The Portfolio Selection Agent, its Affiliates and accounts managed by any of the foregoing may invest or invest for the account of others in debt obligations that would be appropriate for inclusion in the Reference Portfolio and have no duty in making such investments or in acting in a way that is favorable to the Issuer and to the Noteholders. Such investments may be different from those debt obligations included in the Reference Portfolio. The Portfolio Selection Agent, its Affiliates and accounts managed by any of the foregoing may have economic interests in, or other relationships with, Reference

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Entities or Reference Obligations. The Portfolio Selection Agent, its Affiliates or any account managed by any of the foregoing may make and/or hold an investment in an issuer's securities, sell credit protection under a credit default swap referencing securities or issue financial guaranty insurance policies covering securities (or make loans) that may be *pari passu*, senior or junior in ranking to a Reference Obligation or in which partners, security holders, officers, directors, agents or employees of the Portfolio Selection Agent, its Affiliates or any account managed by any of the foregoing serve on boards of directors or otherwise have ongoing relationships. In such instances, the Portfolio Selection Agent and its Affiliates may in their discretion make investment recommendations and decisions (on behalf of itself or an account managed by it) that may be the same as or different from those made with respect to the Issuer's investments. Accordingly, the Portfolio Selection Agent or any Affiliate of the Portfolio Selection Agent may be seeking, on behalf of itself or accounts for which it serves as manager, to acquire or dispose of securities which are included in the Initial Reference Portfolio (or securities of Reference Entities whose securities constitute Reference Obligations in the Initial Reference Portfolio) at the same time that the Issuer enters into the Credit Default Swap to sell protection with respect to the Initial Reference Portfolio.

The Portfolio Selection Agent and its Affiliates may also serve as managers or co-managers of one or more other companies organized to invest in, or sell or buy credit protection with respect to, RMBS, CMBS, CDO Cashflow Securities or other types of Asset-Backed Securities. The Portfolio Selection Agent and its Affiliates may pursue its own interests as an issuer or servicer of obligations which are Reference Obligations or as an owner of, or seller of credit protection with respect to, other securities issued by an issuer of Reference Obligations, without considering the effect of its actions or omissions on the Issuer.

The Portfolio Selection Agent, its Affiliates and client accounts for which the Portfolio Selection Agent or its Affiliates act as investment advisor may at times own Notes. Any Notes owned by the Portfolio Selection Agent or its Affiliates are subject to disposition by such parties in their discretion. At any given time the Portfolio Selection Agent and its Affiliates will be entitled to vote with respect to any Notes held by them and by such accounts with respect to all other matters. The ownership of Notes by the Portfolio Selection Agent or its Affiliates may give the Portfolio Selection Agent an incentive to take actions that vary from the interests of other holders of the Notes.

Relation to Prior Investment Results. The prior investment results of Portfolio Selection Agent and the persons associated with the Portfolio Selection Agent or any other entity or person described herein are not indicative of the Issuer's future investment results. The nature of, and risks associated with, the Issuer's future investments may differ substantially from those investments and strategies undertaken historically by such persons and entities. There can be no assurance that the Issuer's investments will perform as well as the past investments of any such persons or entities.

Evolving Nature of the Credit Default Swap Market. Credit default swaps are relatively new instruments in the market. While ISDA has published and supplemented the ISDA Credit Derivatives Definitions in order to facilitate transactions and promote uniformity in the credit default swap market, the credit default swap market is expected to change and the ISDA Credit Derivatives Definitions and terms applied to credit derivatives are subject to interpretation and further evolution. There can be no assurance that changes to the ISDA Credit Derivatives Definitions and other terms applicable to credit derivatives generally will be predictable or favorable to the Issuer. Amendments or supplements to the ISDA Credit Derivatives Definitions that are published by ISDA will only apply to the Credit Default Swap if the Credit Default Swap is amended. Therefore, in addition to the credit risk of Reference Obligations, Reference Entities and the credit risk of the Protection Buyer, the Issuer is also subject to the risk that the ISDA Credit Derivatives Definitions could be interpreted in a manner that would be adverse to the Issuer or that the credit derivatives market generally may evolve in a manner that would be adverse to the Issuer.

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DESCRIPTION OF THE NOTES

The Co-Issued Notes will be issued pursuant to an Indenture (the "**Indenture**"), dated as of the Closing Date, among the Issuers and LaSalle Bank National Association, as Trustee. Each Class of Issuer Notes will be issued in accordance with a Deed of Covenant and will be subject to the Issuing and Paying Agency Agreement including the terms and conditions of such Notes contained therein. The following summary describes certain provisions of the Notes, the Indenture and the Issuing and Paying Agency Agreement. The summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture and the Issuing and Paying Agency Agreement, copies of which may be obtained as described under "Listing and General Information".

Status and Security

The Co-Issued Notes will be limited recourse obligations of the Issuers and the Issuer Notes will be limited recourse obligations of the Issuer, secured as described below. Accordingly, payments of interest on and principal of the Notes will be made solely from the proceeds of the Issuer Assets, in accordance with the priorities described under "—Priority of Payments" and in certain circumstances described under "—Mandatory Redemption" subject to the Special Termination Liquidation Procedure.

Under the terms of the Indenture, the Issuer will grant to the Trustee, for the benefit of the Secured Parties, a security interest in the Issuer Assets that is of first priority (subject to the Trustee's lien described under "Description of the Notes—The Indenture—Events of Default"), free of any adverse claim or the legal equivalent thereof, as applicable, to secure the Issuers' obligations with respect to the Secured Parties.

Interest

The Notes will bear interest from the Closing Date at the annual rates set forth under "Summary—Notes", payable, in each case, monthly in arrears on each Payment Date commencing May 29, 2007 and ending on the Stated Maturity.

Interest will cease to accrue on each Note, or, in the case of a partial repayment, write-down, or Partial Optional Redemption on such part, from the date of such repayment, write-down, Partial Optional Redemption of such Series or Protection Buyer Notes or Stated Maturity unless payment of principal is improperly withheld or unless a default is otherwise made with respect to such payments of principal. See "—Principal". To the extent lawful and enforceable, interest on any Defaulted Interest on the Notes will accrue at the interest rate applicable to such Notes, until paid as provided herein.

The interest rate per annum payable on the Notes will be calculated based on the applicable Day Count Fraction, commencing on the Closing Date. In the event that the date of any Payment Date or the Stated Maturity, as the case may be, shall not be a Business Day, then payment need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the nominal date of any such Payment Date or the Stated Maturity, as the case may be, and, other than with respect to any Interest Accrual Period for a Series of Notes ending on the Stated Maturity of such Series of Notes, no interest shall accrue on such payment of interest for the period from and after any such nominal date; *provided* that interest shall accrue from and including the immediately preceding Payment Date or, in the case of the first Payment Date, the Closing Date to but excluding the following Payment Date or the Stated Maturity, as applicable.

For purposes of calculating the Series Interest Rates, the Issuers will appoint as calculation agent LaSalle Bank National Association (solely in such capacity, the "**Note Calculation Agent**"). Absent manifest error, the Note Calculation Agent will determine each Series Interest Rate using the determination of each Applicable Index made by the Basis Swap Calculation Agent under the Basis Swap. The Basis Swap Calculation Agent will determine each Applicable Index in accordance with the

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provisions set forth under the definitions of "LIBOR", "EURIBOR", "GBP-LIBOR", "AUD-LIBOR", "CAD-LIBOR", "JPY-LIBOR" and "NZD-BBR"; *provided* that such determinations will be made only with respect to any Applicable Index for which Notes denominated in the related Approved Currency are Outstanding in such Applicable Period.

The Note Calculation Agent may be removed by the Issuers at any time. If the Note Calculation Agent is unable or unwilling to act as such or is removed by the Issuers, or if the Note Calculation Agent fails to determine the Series Interest Rates and the Series Interest Amounts for any Interest Accrual Period, the Issuers will promptly appoint as a replacement Note Calculation Agent a leading bank which is engaged in transactions in deposits in the Euro-zone interbank market and the London interbank market and which does not control or is not controlled by or under common control with the Issuers or their Affiliates. The Note Calculation Agent may not resign its duties without a successor having been duly appointed. For so long as any of the Notes remain Outstanding, there will at all times be a Note Calculation Agent for the purpose of calculating the Series Interest Rates. In addition, for so long as any of the Notes are listed on any stock exchange and the rules of such exchange so require, the Issuer will notify such stock exchange of the appointment, termination or change in the office of such Note Calculation Agent.

The Note Calculation Agent will cause the Series Interest Rates, the Series Interest Amounts and Payment Date to be communicated to Euroclear, Clearstream and if any Class of Notes is listed on any stock exchange, notify such stock exchange by the Business Day immediately following each Applicable Index Determination Date. The determination of the Series Interest Rates and the Series Interest Amounts by the Note Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

Principal

Principal will not be payable on the Notes prior to the Stated Maturity, except in connection with (i) payment of any Currency Adjusted Notional Principal Adjustment Amount, (ii) an Optional Redemption in Whole or Partial Optional Redemption and/or (iii) a Mandatory Redemption. See "—Optional Redemption in Whole and Partial Optional Redemption", "—Mandatory Redemption", "—Priority of Payments—Principal Proceeds—Stated Maturity, Optional Redemption Date or Mandatory Redemption Date" and "—Priority of Payments—Other Payment Dates".

The Aggregate USD Equivalent Outstanding Amount of each Class of Notes and the Currency Adjusted Aggregate Outstanding Amount of each Series of Notes will be adjusted from time to time in accordance with the methodologies described in "Summary—Decrease in the Aggregate USD Equivalent Outstanding Amount of each Class of Notes", "Summary—Increase in the Aggregate USD Equivalent Outstanding Amount of each Class of Notes", "Summary—Decrease in the Currency Adjusted Aggregate Outstanding Amount of each Series of Notes" and "Summary—Increase in the Currency Adjusted Aggregate Outstanding Amount of each Series of Notes".

From and after the date on which the Currency Adjusted Aggregate Outstanding Amount of any Series of Notes is reduced, no interest will accrue with respect to such reduced amount. From and after the date on which the principal amount of any Class of Notes is increased, interest will accrue with respect to such increased amount.

Optional Redemption in Whole and Partial Optional Redemption

The Notes will be redeemed in whole on any Payment Date after the latest Non-Call Period of any Series of Notes by the Issuer if (i) the Protection Buyer elects to terminate the Credit Default Swap prior to the Scheduled Termination Date (an "**Optional Redemption in Whole**") and (ii) the Collateral Put Agreement has not been terminated at such time; *provided, however*, that if one or more Credit Events have caused the Aggregate USD Equivalent Outstanding Amount of one or more Classes of Notes to be

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reduced, (i) Noteholders of each Reversible Loss Series must consent in writing to such redemption or (ii) the Protection Buyer must have agreed to pay the Issuer, prior to the Optional Redemption Date, for each Reversible Loss Series, an amount equal to the Optional Redemption Reimbursement Amount (and the Issuer shall pay such Optional Redemption Reimbursement Amount to Holders of any such Series of Notes in accordance with the Priority of Payments on the Optional Redemption Date).

Notwithstanding the foregoing sentence, the Issuer may not sell any Collateral unless, after giving effect to such sale, there will be sufficient funds to pay the amounts described in "—Optional Redemption in Whole Procedures" below (when taking into consideration the exercise of the Issuer's rights under the Collateral Put Agreement and whether the Protection Buyer will make any End Payment to the Issuer).

Any Optional Redemption in Whole of the Notes will be made at a price of, with respect to Notes denominated in any Approved Currency, 100% of the Currency Adjusted Aggregate Outstanding Amount of such Notes (including accrued and unpaid interest) *plus*, under the circumstances described above with respect to each Series of Notes of each Reversible Loss Series, the Optional Redemption Reimbursement Amount.

(a) The Notes of one or more Series will be redeemed in whole on any Payment Date after the applicable Non-Call Period or (b) any Protection Buyer Notes will be redeemed on any Payment Date, in each case by the Issuer if (i) the Protection Buyer elects to optionally redeem such Series or Protection Buyer Notes, as applicable, prior to the Scheduled Termination Date (a "**Partial Optional Redemption**"), (ii) the Collateral Put Agreement has not been terminated at such time and (iii) in the case of a Partial Optional Redemption of any of the Issuer Notes, the Issuer receives an opinion of counsel on or prior to such Partial Optional Redemption Date to the effect that the tax analysis of the Co-Issued Notes contained herein will not be affected by such Partial Optional Redemption; *provided, however*, that with respect to a Partial Optional Redemption pursuant to clause (a) above, if one or more Credit Events have caused the Aggregate USD Equivalent Outstanding Amount of one or more Series of Notes to be redeemed on such Payment Date to be reduced, (i) Noteholders of each such Reversible Loss Series must consent in writing to such redemption or (ii) the Protection Buyer must have agreed to pay the Issuer, prior to the Partial Optional Redemption Date, with respect to each such Reversible Loss Series, an amount equal to the Optional Redemption Reimbursement Amount (and the Issuer shall pay such Optional Redemption Reimbursement Amount to Holders of such Notes in accordance with the Priority of Payments on the Partial Optional Redemption Date). Notwithstanding the foregoing sentence, the Issuer may not sell any Collateral unless, after giving effect to such sale, there will be sufficient funds to pay the amounts described in "—Partial Optional Redemption Procedures" below (when taking into consideration the exercise of the Issuer's rights under the Collateral Put Agreement and whether the Protection Buyer will make any Partial Optional Redemption End Payment to the Issuer).

Any Partial Optional Redemption of the Notes will be made at a price of 100% of the Currency Adjusted Aggregate Outstanding Amount of such Notes (including accrued and unpaid interest) *plus*, under the circumstances described above with respect to each Reversible Loss Series being redeemed, the Optional Redemption Reimbursement Amount.

Optional Redemption in Whole Procedures. In connection with an Optional Redemption in Whole, if the Protection Buyer wishes to terminate the Credit Default Swap after the Non-Call Period of each Series of Notes Outstanding has expired, and therefore requires the Issuer to optionally redeem the Notes in whole, the Protection Buyer shall notify the Issuer, the Portfolio Selection Agent, the Trustee and the Issuing and Paying Agent in writing no less than 15 Business Days prior to the proposed redemption date (which date must be a Payment Date). If one or more Reversible Loss Series exist at such time, the Trustee or the Issuing and Paying Agent, as applicable, shall deliver a notice to each Noteholder of each such Reversible Loss Series, (i) notifying each such Noteholder (1) that the Protection Buyer has sought to terminate the Credit Default Swap prior to the Scheduled Termination Date, (2) of the proposed Optional Redemption Date and (3) that the consent of each such Noteholder is required under the Indenture or else Holders of each such Reversible Loss Series must receive the Optional Redemption

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Reimbursement Amount allocable to each Series of such Class, (ii) providing any other information that the Trustee or the Issuing and Paying Agent, as applicable, may deem appropriate in its sole discretion and (iii) soliciting the consent of each such Noteholder. If the Trustee or the Issuing and Paying Agent, as applicable, does not receive the consent of each such Noteholder within ten Business Days of the transmittal of such notice, the consent of each such Noteholder will be deemed not to have been obtained and an Optional Redemption in Whole may occur only if the Protection Buyer agrees to pay to the Issuer, for each Reversible Loss Series, the Optional Redemption Reimbursement Amount prior to the Optional Redemption Date.

The Trustee and the Issuing and Paying Agent, as applicable, will then provide notice of Optional Redemption in Whole by first-class mail, postage prepaid, mailed not less than 10 Business Days prior to the scheduled redemption date, to each Noteholder at such Holder's address in the Note Register or the Issuer Note Register, as applicable, and for so long as any Class of Notes is listed on a stock exchange and the rules of such stock exchange shall so require, provide notice of an Optional Redemption in Whole to the Listing, Paying and Transfer Agent for such stock exchange.

The Notes shall not be optionally redeemed in whole unless the Trustee has determined (based on the advice of the Collateral Disposal Agent with respect to Collateral Securities) that the proceeds expected to be received upon the liquidation of the Collateral, together with any other amounts available to be used for such optional redemption (including any End Payment, Optional Redemption Reimbursement Amount and/or termination payments to be received by the Issuer under the Credit Default Swap and the Basis Swap), are equal to an amount sufficient to pay the amounts specified under subclauses (i) through (vii) in "—Priority of Payments—Principal Proceeds—Stated Maturity, Optional Redemption Date or Mandatory Redemption Date". See "—Priority of Payments—Principal Proceeds—Stated Maturity, Optional Redemption Date or Mandatory Redemption Date". In determining whether sufficient proceeds will be available to redeem the Notes in whole under the preceding sentence, the Issuer's right under the Collateral Put Agreement to require the Collateral Put Provider to purchase Collateral (other than Put Excluded Collateral) at 100% of par of such Collateral and the Issuer's ability to enter into a currency exchange (if necessary) shall be taken into consideration.

Partial Optional Redemption Procedures. In connection with a Partial Optional Redemption, if the Protection Buyer elects to have the Issuer redeem one or more Series of Notes after the applicable Non-Call Period(s) (or, with respect to any Protection Buyer Notes, on any Payment Date), the Protection Buyer shall notify the Issuer, the Portfolio Selection Agent, the Trustee and the Issuing and Paying Agent in writing no less than 15 Business Days prior to the proposed redemption date (which date must be a Payment Date). If one or more Reversible Loss Series exist and will be redeemed at such time, the Trustee or the Issuing and Paying Agent, as applicable, shall deliver a notice to each Noteholder of each such Reversible Loss Series, (i) notifying each such Noteholder (1) that the Protection Buyer has sought to redeem such Series of Notes prior to the Stated Maturity, (2) of the proposed Partial Optional Redemption Date and (3) that the consent of each such Noteholder is required under the Indenture or else Holders of such Reversible Loss Series must receive the Optional Redemption Reimbursement Amount allocable to such Series, (ii) providing any other information that the Trustee or the Issuing and Paying Agent, as applicable, may deem appropriate in its sole discretion and (iii) soliciting the consent of each such Noteholder. If the Trustee or the Issuing and Paying Agent, as applicable, does not receive the consent of each such Noteholder within 10 Business Days of the transmittal of such notice, the consent of each such Noteholder will be deemed not to have been obtained and a Partial Optional Redemption of such Series may occur only if the Protection Buyer agrees to pay to the Issuer, for each such Reversible Loss Series, the Optional Redemption Reimbursement Amount prior to the Partial Optional Redemption Date.

Neither the Notes of any Series nor any Protection Buyer Notes shall be optionally redeemed in connection with a Partial Optional Redemption unless the Trustee has determined (based on the advice of the Collateral Disposal Agent with respect to Collateral Securities) that the proceeds expected to be received upon the liquidation of the Eligible Investments and Selected Collateral Securities, together with

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any other amounts available to be used for such optional redemption (including any Partial Optional Redemption End Payment and/or Optional Redemption Reimbursement Amount), are equal to an amount sufficient to pay the principal amount of such Series of Notes and any Series senior to such Series under subclause (iii) in "—Priority of Payments—Principal Proceeds—Other Payment Dates". See "—Priority of Payments—Principal Proceeds—Other Payment Dates". In determining whether sufficient proceeds will be available to redeem the Notes in part under the preceding sentence, the Issuer's right under the Collateral Put Agreement to require the Collateral Put Provider to purchase Collateral (other than Put Excluded Collateral) at 100% of the principal amount of such Collateral Security and the Issuer's ability to enter into a currency exchange (if necessary) shall be taken into consideration.

The Trustee and the Issuing and Paying Agent, as applicable, will then provide notice of a Partial Optional Redemption by first-class mail, postage prepaid, mailed not less than 10 Business Days prior to the scheduled redemption date, to each Holder of a Note to be redeemed at such Holder's address in the Note Register or the Issuer Note Register, as applicable, and for so long as any Class of Notes is listed on any stock exchange and the rules of such stock exchange shall so require, provide notice of a Partial Optional Redemption to the Listing, Paying and Transfer Agent for such stock exchange.

Mandatory Redemption

The occurrence of (i) either a termination event or an event of default (as such term is defined in the Credit Default Swap, Basis Swap and/or Collateral Put Agreement, as applicable) for which the Protection Buyer, Basis Swap Counterparty or Collateral Put Provider is the sole defaulting party or Affected Party (as such term is defined in the Credit Default Swap, Basis Swap and/or Collateral Put Agreement, as applicable) under the Credit Default Swap, Basis Swap and/or Collateral Put Agreement, as applicable, (ii) any termination event (other than a termination event triggered by an Event of Default or an event described in subclause (i) or, after the Non-Call Period for each Series of Notes Outstanding has expired, the Protection Buyer's election to terminate the Credit Default Swap prior to its scheduled termination date) or (iii) any event of default (other than an event described in subclause (i)), in each case under the Credit Default Swap, the Basis Swap or the Collateral Put Agreement where (x) in the case of subclause (i) the Replacement Counterparty Procedures are not satisfied within 30 days of the termination of the swaps or (y) in the case of subclause (ii) or (iii) the party entitled to terminate such agreement has exercised such right shall constitute a **"Mandatory Redemption"**.

Upon the occurrence of a Mandatory Redemption other than a Mandatory Redemption caused by a (i) termination of the Credit Default Swap pursuant to which the Protection Buyer is the defaulting party, (ii) termination of the Collateral Put Agreement pursuant to which the Collateral Put Provider is the defaulting party or (iii) termination of the Basis Swap pursuant to which the Basis Swap Counterparty is the defaulting party, the Trustee will liquidate all Eligible Investments and the Issuer or the Trustee will notify the Collateral Disposal Agent to liquidate all Collateral Securities and apply such proceeds as described under "—Priority of Payments—Principal Proceeds—Steted Maturity, Optional Redemption Date or Mandatory Redemption Date".

In the case of a Mandatory Redemption caused by a (i) termination of the Credit Default Swap pursuant to which the Protection Buyer is the defaulting party, (ii) termination of the Collateral Put Agreement pursuant to which the Collateral Put Provider is the defaulting party or (iii) termination of the Basis Swap pursuant to which the Basis Swap Counterparty is the defaulting party, the Trustee will request that the Collateral Disposal Agent solicit bids for all of the Collateral Securities and take the actions described below.

If the Trustee determines that the expected liquidation proceeds of the Collateral Securities (as advised by the Collateral Disposal Agent) and the Eligible Investments will be an amount equal to or greater than the aggregate of (i) the amounts required to be paid under subclauses (i) through (iii) of "—Priority of Payments—Principal Proceeds—Stated Maturity, Optional Redemption Date or Mandatory Redemption Date" and (ii) with respect to the Class SS Notes, the Class A Notes, the Class B Notes and

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the Class C Notes, the Currency Adjusted Aggregate Outstanding Amount of each Series of such Classes of Notes plus any accrued interest thereon, the Trustee will liquidate the Eligible Investments and will notify the Collateral Disposal Agent to liquidate all Collateral Securities and, thereafter, apply such liquidation proceeds in accordance with the Priority of Payments.

If the Trustee determines that the expected liquidation proceeds of the Collateral Securities (as advised by the Collateral Disposal Agent) and the Eligible Investments cannot be sold in an amount equal to or greater than the aggregate of (i) the amounts required to be paid under subclauses (i) through (iii) of "—Priority of Payments—Principal Proceeds—Stated Maturity, Optional Redemption Date or Mandatory Redemption Date" and (ii) with respect to the Class SS Notes, the Class A Notes, the Class B Notes and the Class C Notes, the Currency Adjusted Aggregate Outstanding Amount of each Series of such Classes of Notes plus any accrued interest thereon, the Trustee will notify (such notice, the "**Special Termination Notice**") Holders of the Class SS Notes, the Class A Notes, the Class B Notes and Class C Notes (a) of such occurrence, (b) that such Noteholders have the following options: (1) with the consent of 100% of such Noteholders, the Issuer will direct the Collateral Disposal Agent to liquidate all Collateral Securities distributable to such Classes of Notes pursuant to the Special Termination Liquidation Procedure and (2) if such consent is not obtained, each such Noteholder will have the option of either requesting the Issuer to (A) deliver to it the Collateral Securities distributable to such Noteholder pursuant to the Special Termination Liquidation Procedure or (B) direct the Collateral Disposal Agent to liquidate the Collateral Securities distributable to such Noteholder pursuant to the Special Termination Liquidation Procedure and (c) of the identity of any Collateral Securities distributable to such Noteholders pursuant to the Special Termination Liquidation Procedure.

Each Holder of the Class SS Notes, the Class A Notes, the Class B Notes and the Class C Notes may, within ten Business Days of receipt of a Special Termination Notice, notify (such notice, a "**Special Termination Request Notice**") the Trustee the option(s) that it chooses to exercise under the Special Termination Notice and the delivery instructions for such Noteholder with respect to any Collateral Securities to be delivered to such Noteholder pursuant to the Special Termination Liquidation Procedure. If a Noteholder fails to so notify the Trustee within 10 Business Days of receipt of such Special Termination Notice, such Noteholder will be deemed to have selected option (1) of the Special Termination Notice.

Following the period in which the Trustee may receive timely Special Termination Request Notices, the Trustee and the Collateral Disposal Agent, at the direction of the Issuer, will follow the procedures described below (such procedure, the "**Special Termination Liquidation Procedure**"):

(i) the Trustee will liquidate all Eligible Investments;

(ii) to the extent the liquidation proceeds of Eligible Investments are insufficient to make the payment described in this subclause (ii), the Collateral Disposal Agent will liquidate the highest-priced Collateral Security in the smallest principal amount that, when added to the proceeds obtained pursuant to subclause (i), will be sufficient to provide the Issuer with funds to pay amounts owed pursuant to subclause (ii) of "—Priority of Payments—Principal Proceeds—Stated Maturity, Optional Redemption Date or Mandatory Redemption Date", subject to the Administrative Expense Cap on the Mandatory Redemption Date (and the Issuer shall make such payment); *provided*, that if more than one Collateral Security has received the highest bid price, the Collateral Disposal Agent will liquidate any of such Collateral Securities that it determines in a commercially reasonable manner would maximize the liquidation proceeds received on all Collateral Securities;

(iii) (A) if less than 100% of the Aggregate USD Equivalent Outstanding Amount of the Class SS Notes, the Class A Notes, the Class B Notes and the Class C Notes voting as a single class provide the Trustee with an effective Special Termination Request Notice exercising option (1) under the related Special Termination Notice, the Trustee will cause the remaining

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Collateral Securities to be delivered (in the case of the Notes) or liquidated (in the case of amounts owed pursuant to subclause (ii) or (iii) of "—Priority of Payments—Principal Proceeds—Stated Maturity, Optional Redemption Date or Mandatory Redemption Date") on the Mandatory Redemption Date through the appropriate settlement method, in descending order of bid level as determined by the Collateral Disposal Agent, in a principal amount (subject in each case to any required minimum denomination of such Collateral Security) to the extent necessary to satisfy subclauses (1) through (5) below in the following order of priority:

(1) *first* (A) to any parties that are owed any amounts pursuant to subclause (ii) or (iii) of "—Priority of Payments—Principal Proceeds—Stated Maturity, Optional Redemption Date or Mandatory Redemption Date", liquidation proceeds from Collateral Securities with an aggregate par amount equal to any amounts owed pursuant to subclause (ii) or (iii) of "—Priority of Payments—Principal Proceeds—Stated Maturity, Optional Redemption Date or Mandatory Redemption Date" and *second* (B) to the Holders of each Series of the Class SS Notes (after giving effect to the payment of any principal of and/or interest on the Class SS Notes with any remaining proceeds obtained pursuant to subclause (i) and (ii) above), a par amount of Collateral Securities (or, with respect to Collateral Securities denominated in any Approved Currency other than Dollars, the Dollar equivalent of such par amount as determined using the Spot FX Rate as of the third Business Day immediately prior to such Mandatory Redemption Date) equal to the Dollar equivalent principal amount of the Class SS Notes as determined using the Spot FX Rate as of the third Business Day immediately prior to such Mandatory Redemption Date, *plus* any accrued and unpaid interest thereon (*provided* that determination of any *pro rata* allocations of such payments to any Series of Notes of such Class will be based on the Dollar equivalent principal amount of such Notes as determined using the Spot FX Rate as of the third Business Day immediately prior to such Mandatory Redemption Date);

(2) to the Holders of each Series of the Class A-1 Notes (after giving effect to the payment of any principal of and/or interest on the Class A-1 Notes with any remaining proceeds obtained pursuant to subclause (i) and (ii) above), a par amount of Collateral Securities (or, with respect to Collateral Securities denominated in any Approved Currency other than Dollars the Dollar equivalent of such par amount as determined using the Spot FX Rate as of the third Business Day immediately prior to such Mandatory Redemption Date) equal to the Dollar equivalent principal amount of such Notes as determined using the Spot FX Rate as of the third Business Day immediately prior to such Mandatory Redemption Date, *plus* any accrued and unpaid interest thereon (*provided* that determination of any *pro rata* allocations of such payments to any Series of Notes of such Class will be based on the Dollar equivalent principal amount of such Notes as determined using the Spot FX Rate as of the third Business Day immediately prior to such Mandatory Redemption Date);

(3) to the Holders of each Series of the Class A-2 Notes (after giving effect to the payment of any principal of and/or interest on the Class A-2 Notes with any remaining proceeds obtained pursuant to subclause (i) and (ii) above), a par amount of Collateral Securities (or, with respect to Collateral Securities denominated in any Approved Currency other than Dollars the Dollar equivalent of such par amount as determined using the Spot FX Rate as of the third Business Day immediately prior to such Mandatory Redemption Date) equal to the Dollar equivalent principal amount of such Notes as determined using the Spot FX Rate as of the third Business Day immediately prior to such Mandatory Redemption Date, *plus* any accrued and unpaid interest thereon (*provided* that determination of any *pro rata* allocations of such payments to any Series of Notes of such Class will be based on the Dollar equivalent

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principal amount of such Notes as determined using the Spot FX Rate as of the third Business Day immediately prior to such Mandatory Redemption Date);

(4) to the Holders of each Series of the Class B Notes (after giving effect to the payment of any principal of and/or interest on the Class B Notes with any remaining proceeds obtained pursuant to subclause (i) and (ii) above), a par amount of Collateral Securities (or, with respect to Collateral Securities denominated in any Approved Currency other than Dollars the Dollar equivalent of such par amount as determined using the Spot FX Rate as of the third Business Day immediately prior to such Mandatory Redemption Date) equal to the Dollar equivalent principal amount of such Notes as determined using the Spot FX Rate as of the third Business Day immediately prior to such Mandatory Redemption Date, *plus* any accrued and unpaid interest thereon (*provided* that determination of any *pro rata* allocations of such payments to any Series of Notes of such Class will be based on the Dollar equivalent principal amount of such Notes as determined using the Spot FX Rate as of the third Business Day immediately prior to such Mandatory Redemption Date); and

(5) to the Holders of each Series of the Class C Notes (after giving effect to the payment of any principal of and/or interest on the Class C Notes with any remaining proceeds obtained pursuant to subclause (i) and (ii) above), a par amount of Collateral Securities (or, with respect to Collateral Securities denominated in any Approved Currency other than Dollars the Dollar equivalent of such par amount as determined using the Spot FX Rate as of the third Business Day immediately prior to such Mandatory Redemption Date) equal to the Dollar equivalent principal amount of such Notes as determined using the Spot FX Rate as of the third Business Day immediately prior to such Mandatory Redemption Date, *plus* any accrued and unpaid interest thereon (*provided* that determination of any *pro rata* allocations of such payments to any Series of Notes of such Class will be based on the Dollar equivalent principal amount of such Notes as determined using the Spot FX Rate as of the third Business Day immediately prior to such Mandatory Redemption Date);

provided that if any Holder of the Class SS Notes, the Class A Notes, the Class B Notes or the Class C Notes has selected option (2)(B) in the related Special Termination Request Notice, the Trustee will, in lieu of distributing the relevant principal amount of Collateral Securities to such Noteholder pursuant to this subclause (A), notify the Collateral Disposal Agent which will liquidate the Collateral Securities deliverable to such Noteholders and the Trustee will pay the proceeds thereof to such Noteholder on the Mandatory Redemption Date (or, if such proceeds are denominated in an Approved Currency other than the Approved Currency in which such Holder's Notes are denominated, the Trustee will enter a currency exchange on behalf of the Issuer and pay such Holder in the Approved Currency in which such Holder's Notes are denominated); and

(B) if 100% of the Aggregate USD Equivalent Outstanding Amount of the Class SS Notes, the Class A Notes, the Class B Notes and the Class C Notes voting as a single class provide the Trustee with an effective Special Termination Request Notice exercising option (1) under the Special Termination Notice, the Trustee will notify the Collateral Disposal Agent which will liquidate the Collateral Securities distributable to such Noteholders and as payments (in the case of amounts owed pursuant to subclause (ii) or (iii) of "—Priority of Payments—Principal Proceeds—Stated Maturity, Optional Redemption Date or Mandatory Redemption Date") and apply the liquidation proceeds of the Collateral Securities distributable to such Noteholders (after giving consideration to any currency exchange, if necessary) and as payments (in the case of amounts owed pursuant to subclause (ii) or (iii) of "—Priority of Payments—Principal Proceeds—

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Stated Maturity, Optional Redemption Date or Mandatory Redemption Date") in the same priority as described in subclause (A) above; and

(iv) the Issuer will instruct the Collateral Disposal Agent to liquidate the remaining Collateral Securities and the liquidation proceeds thereof will be distributed in accordance with subclause (iv) (with respect to the Class D Notes and Class FL Notes only (*provided* that determination of any *pro rata* allocations of such payments with respect to any Series of Notes of such Class will be based on the Dollar equivalent principal amount of such Notes as determined using the Spot FX Rate as of the third Business Day immediately prior to such Mandatory Redemption Date)) (after giving consideration to any currency exchange, if necessary) through (ix) of the "—Priority of Payments—Principal Proceeds—Stated Maturity, Optional Redemption Date or Mandatory Redemption Date".

On the earliest of the Credit Default Swap Early Termination Date, the Basis Swap Early Termination Date and/or the Collateral Put Agreement Early Termination Date (the **"Mandatory Redemption Date"**), the Trustee shall apply Principal Proceeds in accordance with "—Priority of Payments—Principal Proceeds—Stated Maturity, Optional Redemption Date or Mandatory Redemption Date". Notwithstanding any provision to the contrary contained herein, even if there will be insufficient proceeds on the Mandatory Redemption Date to repay the Currency Adjusted Aggregate Outstanding Amount of each Series of Notes (*plus* accrued and unpaid interest), the Notes will be deemed to have been paid in full so long as (i) funds are properly applied in accordance with the Priority of Payments and/or (ii) funds and/or Collateral Securities are properly applied and/or distributed as described above on such Mandatory Redemption Date.

Payments

Payments in respect of principal and interest on a Note will be made to the person in whose name the relevant Note is registered on the applicable record data. Payments on the Notes will be payable by wire transfer in immediately available funds to an account maintained by DTC or its nominee (in the case of the Global Notes) or each Noteholder (in the case of individual definitive Notes) to the extent practicable or otherwise by check drawn on a bank sent by mail either to DTC or its nominee (in the case of the Global Notes), or to each Holder of a Note at the Noteholder's address appearing in the applicable register (in the case of individual definitive Notes).

Final payments in respect of principal of the Notes will be made only against surrender of the Notes, at the office of any paying agent. None of the Issuers, the Trustee or any paying agent will have any responsibility or liability for any aspects of the records maintained by DTC or its nominee or any of its participants relating to, or for payments made thereby on account of beneficial interests in, a Global Note.

The Issuers expect that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note held by DTC or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in such Global Note as shown on the records of DTC or its nominee. The Issuers also expect that payments by participants to owners of beneficial interests in such Global Notes held through such 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. Such payments will be the responsibility of such participants.

For so long as the Notes are listed on any stock exchange and the rules of such exchange so require, the Issuers will have a listing agent, a paying agent and a transfer agent (which shall be the **"Listing, Paying and Transfer Agent"**) for the Notes and will give prompt written notice to each Holder of the appointment, termination or change in the location of any such office or agency.

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Priority of Payments

The Issuer will only make payments, subject to the final paragraph under "Summary—Decrease in the Aggregate USD Equivalent Outstanding Amount of each Class of Notes", in accordance with priorities described below under "—Interest Proceeds", "—Principal Proceeds—Stated Maturity, Optional Redemption Date or Mandatory Redemption Date" and "—Principal Proceeds—Other Payment Dates" (collectively, the **"Priority of Payments"**).

Interest Proceeds.

On each Payment Date, the Optional Redemption Date, the Mandatory Redemption Date and/or the Stated Maturity, Interest Proceeds will be applied in the following order of priority:

(i) to the payment of Administrative Expenses, which, with respect to the sum of those amounts listed in subclauses (iii), (v) and (vi) of the definition of "Administrative Expenses", will be subject to the Administrative Expense Cap;

(ii) to the payment to the Portfolio Selection Agent of any accrued but unpaid Portfolio Selection Fees in accordance with the terms of the Portfolio Selection Agreement;

(iii) (a) to the payment of the Basis Swap Payment and (b) thereafter, to the payment of the Collateral Put Provider Fee Amount;

(iv) to the payment of the Class Interest Distribution Amounts of each Class of Notes in sequential order of priority by Class; *provided* that, to the extent there are insufficient proceeds to pay all amounts payable under this clause (iv) with respect to a Class with more than one Series Outstanding at such time of determination, any *pro rata* allocations of such payments with respect to any Series of Notes of such Class will be based on the Aggregate USD Equivalent Outstanding Amount of each such Series; *provided, further*, that with respect to each Class of the Issuer Notes, such payment will be made to the Issuing and Paying Agent, for distribution to the Holders of such Class of Notes;

(v) to the payment of any Administrative Expenses not covered in subclause (i) above; and

(vi) the balance of Interest Proceeds (if any) will be distributed to the Protection Buyer.

In addition, if the Issuer purchases a Supplemental Collateral Security at the direction of the Protection Buyer, the Issuer may use Interest Proceeds on any Business Day to pay for the portion of the purchase price of a Supplemental Collateral Security constituting accrued and unpaid interest thereon (such amount, the **"Purchased Accrued Interest Amount"**).

To the extent there is a sufficient amount of Interest Proceeds in each Approved Currency, the Trustee shall use Interest Proceeds in each such Approved Currency to make payments described in this section; *provided* that no payment is made toward any item until all higher ranking items have been paid in full.

If on any Determination Date (or, in connection with a Mandatory Redemption Date, the third Business Day immediately prior to such Mandatory Redemption Date) the Issuer determines that there would be an insufficient amount of Interest Proceeds in any Approved Currency on the related Payment Date or the Mandatory Redemption Date, as the case may be, to make the payments described in clauses (i) through (v) above, then the Issuer shall provide for the relevant items by exchanging any excess Interest Proceeds (as determined by the Protection Buyer after giving effect to the application of Interest Proceeds to make all payments of a higher priority) in any Approved Currency for proceeds in

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such other Approved Currency for which such shortfall existed at the relevant Spot FX Rate determined on such Determination Date (or, in connection with a Mandatory Redemption Date, the third Business Day immediately prior to such Mandatory Redemption Date); *provided* that to the extent there would be insufficient Interest Proceeds after giving effect to any such exchange to make all payments required under clause (iv) above with respect to any Class in which Notes are denominated in more than one Approved Currency, such distributions shall be made *pro rata* to Holders of such Class based on the Aggregate USD Equivalent Outstanding Amount of each Series of such Class (or, in connection with a Mandatory Redemption Date, *pro rata* to Holders of such Class based on the Dollar equivalent principal amount of such Notes as determined using the Spot FX Rate as of the third Business Day immediately prior to such Mandatory Redemption Date).

Principal Proceeds—Stated Maturity, Optional Redemption Date or Mandatory Redemption Date.

On the Stated Maturity of any Series of Notes, the Optional Redemption Date or the Mandatory Redemption Date, as the case may be, Principal Proceeds (together with, in the case of the Optional Redemption Date, any End Payment) will be applied, subject to the provisions described under "—Mandatory Redemption", in the following order of priority:

(i) (a) to the payment of amounts referred to in subclause (i) and (ii) of "—Interest Proceeds" above, but only to the extent not paid in full thereunder and then (b) in connection with an Optional Redemption in Whole, to the payment to the Portfolio Selection Agent of any Makewhole Amount pursuant to the Portfolio Selection Agreement;

(ii) to the payment of all amounts due to the Basis Swap Counterparty pursuant to the terms of the Basis Swap, other than a Basis Swap Counterparty Default Termination Payment (including, for the avoidance of doubt, any Basis Swap Payment not paid in full under subclause (iii)(a) of "—Interest Proceeds" above);

(iii) (a) to the payment of all amounts due to the Collateral Put Provider pursuant to the terms of the Collateral Put Agreement, and (b) *thereafter*, in the case of the Stated Maturity of any Series of Notes, the Optional Redemption Date or the Mandatory Redemption Date (other than in connection with a Collateral Default), to the payment of all amounts due to the Protection Buyer pursuant to the terms of the Credit Default Swap, other than a Protection Buyer Default Termination Payment;

(iv) (a) to the payment of amounts referred to in subclause (iv) of "—Interest Proceeds" above, but only to the extent not paid in full thereunder and then

(b) (1) in the case of the Stated Maturity of any Series of Notes, (A) to the payment of the Currency Adjusted Aggregate Outstanding Amount of each Series of Notes maturing on such date, at par, in each case, pursuant to the Note Payment Sequence (but only with respect to Classes in which any Series of Notes matures on such date) (*provided* that in each case determination of any *pro rata* allocations of such payments within any Class issued in more than one Series maturing on such date will be based on the Aggregate USD Equivalent Outstanding Amount of such Notes) and (B) if a Redemption Writedown Refund is received by the Issuer in connection with such Stated Maturity to the payment, from any available Redemption Writedown Refund only, of an amount equal to the ICE Currency Adjusted Aggregate Outstanding Amount Differential of each Series for which a Redemption Writedown Refund has been calculated, in each case pursuant to the Note Payment Sequence (but only with respect to Classes in which a Series of Notes with an ICE Currency Adjusted Aggregate Outstanding Amount Differential greater than zero matures on such date), (*provided* that in each case determination of any *pro rata* allocations of such

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payments within any Class issued in more than one Series maturing on such date with ICE Currency Adjusted Aggregate Outstanding Amount Differentials greater than zero will be based on the Aggregate USD Equivalent Outstanding Amount of such Notes); or

(2) in the case of the Optional Redemption Date, to the payment of the Currency Adjusted Aggregate Outstanding Amount of the Notes, at par, pursuant to the Note Payment Sequence (*provided* that in each case determination of any *pro rata* allocations of such payments within any Class issued in more than one Series will be based on the Aggregate USD Equivalent Outstanding Amount of such Notes) *plus*, in the limited circumstances as described in "—Optional Redemption in Whole and Partial Optional Redemption", with respect to any Reversible Loss Series, the Optional Redemption Reimbursement Amount; or

(3) in the case of a Mandatory Redemption (other than in connection with a Collateral Default), (A) to the payment of the Currency Adjusted Aggregate Outstanding Amount of the Notes, at par, pursuant to the Note Payment Sequence (*provided* that in each case determination of any *pro rata* allocations of such payments within any Class issued in more than one Series will be based on the Dollar equivalent principal amount of such Notes as determined using the Spot FX Rate as of the third Business Day immediately prior to such Mandatory Redemption Date) and (B) if a Redemption Writedown Refund is received by the Issuer in connection with such Mandatory Redemption to the payment, from any available Redemption Writedown Refund only, of an amount equal to the ICE Currency Adjusted Aggregate Outstanding Amount Differential of each Series for which a Redemption Writedown Refund has been calculated, in each case pursuant to the Note Payment Sequence, (*provided* that in each case determination of any *pro rata* allocations of such payments within any Class issued in more than one Series being redeemed on such date in connection with such Mandatory Redemption with ICE Currency Adjusted Aggregate Outstanding Amount Differentials greater than zero will be based on the Dollar equivalent of such Notes (calculated using the Spot FX Rate as of the third Business Day immediately prior to such Mandatory Redemption Date);

(4) in the case of the Mandatory Redemption Date in connection with a Collateral Default, in the following priority: (A) *first* to the payment, *pro rata*, (i) of all amounts due to the Protection Buyer pursuant to the terms of the Credit Default Swap, other than a Protection Buyer Default Termination Payment and (ii) *pro rata* to the payment of the Currency Adjusted Aggregate Outstanding Amount of the Class SS Notes, the Class A-1 Notes and the Class A-2 Notes, at par, not to exceed, in the case of this subclause (A), $400,000,000 (such limit to be determined, with respect to subclause (4)(A)(ii), based on the Dollar equivalent of such amounts paid (calculated using the Spot FX Rate as of the third Business Day immediately prior to such Mandatory Redemption Date)), (B) *second* to the payment, *pro rata*, of the remaining Currency Adjusted Aggregate Outstanding Amount of the Class SS Notes, Class A-1 Notes and Class A-2 Notes, at par, (after giving effect to subclause 4(A)), (C) *third* to the payment of all remaining amounts due to the Protection Buyer pursuant to the terms of the Credit Default Swap, other than a Protection Buyer Default Termination Payment, such amount not to exceed the Currency Adjusted Aggregate Outstanding Amount of the Notes immediately prior to the distribution of Principal Proceeds on such Payment Date *less* amounts paid under subclause (4)(A)(i) and (D) *fourth* with respect to the Class B Notes, the Class C Notes, the Class D Notes and the Class FL Notes, to the payment of the Currency Adjusted

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Aggregate Outstanding Amount of each Series of such Class of Notes, at par, in accordance with the Note Payment Sequence; *provided* that in each case determination of any *pro rata* allocations of such payments within any Class issued in more than one Series will be based on the Dollar equivalent principal amount of such Notes as determined using the Spot FX Rate as of the third Business Day immediataly prior to such Mandatory Redemption Date; *provided, further*, that with respect to each Class of Issuer Notes, any such payment will be made to the Issuing and Paying Agent, for payment to the Holders of such Class of Notes;

(v) to tha payment of the Basis Swap Counterparty Default Termination Payment, if any;

(vi) to the payment of the Protection Buyer Default Termination Payment, if any;

(vii) to the payment of any Administrative Expenses not covered in subclause (i) above;

(viii) on the Stated Maturity of any Series of Notes other than the final Stated Maturity with respect to any Series of Notes, for reinvestment in Collateral Securities at the direction of the Protection Buyer and, pending such reinvestment, to be invested in Eligible Investments; and

(ix) the balance of Principal Proceeds (if any) will be distributed to the Protection Buyer.

To the extent there is a sufficient amount of Principal Proceeds in each Approved Currency, the Trustee shall use Principal Proceeds in each such Approved Currency to make payments described in this section; *provided* that no payment is made toward any item until all higher ranking items have been paid in full.

If on any Determination Date (or, in connection with a Mandatory Redemption Date, as of the third Business Day immediately prior to such Mandatory Redemption Date) the Issuer determines that there would be an insufficient amount of Principal Proceeds in any Approved Currency on the related Payment Date or the Mandatory Redemption Date, as the case may be, to make the payments described in clauses (i) through (vii) above, then the Issuer shall provide for the relevant items by exchanging any excess Principal Proceeds (as determined by the Protection Buyer after giving effect to the application of Principal Proceeds to make all payments of a higher priority in the Priority of Payments) in any Approved Currency for proceeds in such other Approved Currency for which such shortfall existed at the relevant Spot FX Rate determined on such Determination Date (or, in connection with a Mandatory Redemption Date, as of the third Business Day immediately prior to such Mandatory Redemption Date); *provided* that to the extent there would be insufficient Principal Proceeds after giving effect to any such exchange to make all payments required under clause (iv) above with respect to any Class in which Notes are denominated in more than one Approved Currency, such shortfall shall be borne *pro rata* by Holders of such Class based on the Dollar equivalent principal amount of such Notes as determined using the Spot FX Rate as of the Determination Date (or, in connection with a Mandatory Redemption Date, as of the third Business Day immediately prior to such Mandatory Redemption Date).

Principal Proceeds—Other Payment Dates.

On each Business Day (other than the Stated Maturity of any Series of Notes, the Optional Redemption Date or the Mandatory Redemption Date), Principal Proceeds (together with, in the case of any Partial Optional Redemption Date, any Partial Optional Redemption End Payment) will be applied in the following order of priority:

(i) on a Credit Default Swap Settlement Date, to the payment of all Cash Settlement Amounts payable on such date; *provided* that Principal Proceeds representing Put

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Proceeds shall not be applied to the payment of any amount described in this subclause (i);

(ii) on the Payment Date immediately following the Due Period in which a Reference Obligation Amortization Amount is determined by the Credit Default Swap Calculation Agent, if any Collateral was liquidated to pay any Currency Adjusted Notional Principal Adjustment Amount on such date relating to any such Reference Obligation Amortization Amount, to the payment of the principal of the Notes, at par, of the Currency Adjusted Notional Principal Adjustment Amounts allocable on such date, pursuant to the Note Payment Sequence; *provided* that, for the avoidance of doubt, with respect to a Class with more than one Series Outstanding at such time of determination, any *pro rata* allocations made pursuant to this subclause will be based on the Aggregate USD Equivalent Outstanding Amount of each Series of such Class;

(iii) on each Partial Optional Redemption Date and with respect to the Notes to be redeemed on such date, to the payment of principal of such Notes, at par, in accordance with the Note Payment Sequence; *provided* that, for the avoidance of doubt, with respect to a Class with more than one Series Outstanding being redeemed at such time of determination (including but not limited to, the redemption of an entire Series and the redemption of Protection Buyer Notes), any *pro rata* allocations made pursuant to this subclause between Notes of any such Class being redeemed will be based on the Aggregate USD Equivalent Outstanding Amount of such Notes of such Class being redeemed at such time of determination; *plus*, in the limited circumstances as described in "—Optional Redemption in Whole and Partial Optional Redemption", with respect to any Reversible Loss Series, the Optional Redemption Reimbursement Amount; and

(iv) for reinvestment in Collateral Securities at the direction of the Protection Buyer and, pending such reinvestment, to be invested in Eligible Investments.

To the extent there is a sufficient amount of Principal Proceeds in each Approved Currency, the Trustee shall use Principal Proceeds in each such Approved Currency to make payments described in this section; *provided* that no payment is made toward any item until all higher ranking items have been paid in full.

If on any Determination Date the Issuer determines that there would be an insufficient amount of Principal Proceeds in any Approved Currency on the related Payment Date, then the Issuer shall provide for the relevant items by exchanging any excess Principal Proceeds (as determined by the Protection Buyer after giving effect to the application of Principal Proceeds to make all payments of a higher priority in the Priority of Payments) in any Approved Currency for proceeds in such other Approved Currency for which such shortfall existed at the relevant Spot FX Rate determined on such Determination Date; *provided* that to the extent there would be insufficient Principal Proceeds after giving effect to any such exchange to make all payments required under clause (ii) above with respect to any Class in which Notes are denominated in more than one Approved Currency, such shortfall shall be borne *pro rata* by Holders of such Class based on the Aggregate USD Equivalent Outstanding Amount of such Notes in each such Approved Currency.

Form of the Notes

Each Class of Notes sold in offshore transactions in reliance on Regulation S will be represented by one or more Regulation S Global Notes deposited with the Trustee or the Issuing and Paying Agent, as applicable, as custodian for DTC and registered in the name of Cede & Co., a nominee of DTC, for the respective accounts of Euroclear and Clearstream. Interests in a Regulation S Global Note may be held only through Euroclear or Clearstream.

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Each Class of Notes sold in reliance on Rule 144A under the Securities Act will be represented by one or more Rule 144A Global Notes deposited with the Trustee or the Issuing and Paying Agent, as applicable, as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

The Notes will be subject to certain restrictions on transfer as set forth under "Transfer Restrictions".

Any interest in one of the Regulation S Global Notes and the Rule 144A Global Notes that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such interest.

Except in the limited circumstances described herein, owners of beneficial interests in either the Regulation S Global Notes or the Rule 144A Global Notes will not be entitled to receive physical delivery of certificated Notes. The Notes are not issuable in bearer form.

The Indenture

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

Events of Default. An "**Event of Default**" is defined in the Indenture as:

(i) a default in the payment of principal on any Note at its Stated Maturity or the Optional Redemption Date;

(ii) the failure on any Payment Date to disburse amounts available in the Payment Account in accordance with the Priority of Payments and continuation of such failure for a period of five Business Days;

(iii) a circumstance in which either of the Issuers or the Issuer Assets becomes an investment company required to be registered under the Investment Company Act;

(iv) a default in the performance, in a material respect, or breach, in a material respect, of any covenant, representation, warranty or other agreement of the Issuers in the Indenture (other than a covenant or agreement which is specifically addressed elsewhere therein) or in any certificate or other writing delivered pursuant thereto or in connection therewith or if any representation or warranty of the Issuers in the Indenture, the Issuing and Paying Agency Agreement or in any certificate or writing delivered pursuant thereto proves to be incorrect in any material respect when made, and the continuance of such default or breach for a period of 30 days after written notice thereof shall have been given to the Issuers and the Portfolio Selection Agent by the Trustee or the Issuing and Paying Agent, as applicable, or to the Issuers, the Portfolio Selection Agent, the Trustee and the Issuing and Paying Agent by the Holders of at least 25% of the Aggregate USD Equivalent Outstanding Amount of the Notes, 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 or the Issuing and Paying Agency Agreement, as applicable;

(v) the entry of a decree or order by a court having competent jurisdiction adjudging either of the Issuers as bankrupt or insolvent or granting an order for relief or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition

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of or in respect of either of the Issuers under the Bankruptcy Code, the bankruptcy or insolvency laws of the Cayman Islands or any other applicable law, or appointing a receiver, liquidator, assignee, or sequestrator (or other similar official) of either of the Issuers or of any substantial part of its property, or ordering the winding up or liquidation of its affairs; or an involuntary case or proceeding shall be commenced against either of the Issuers seeking any of the foregoing and such case or proceeding shall continue in effect for a period of 60 consecutive days; or

(vi) the institution by either of the Issuers of proceedings to be adjudicated as bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by either of the Issuers of a petition or answer or consent seeking reorganization or relief under the Bankruptcy Code, the bankruptcy and insolvency laws of the Cayman Islands or any other applicable law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of either of the Issuers or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of any action by either of the Issuers in furtherance of any such action.

If an Event of Default shall have occurred and be continuing, the Trustee by notice to the Issuers at the direction of a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes voting as a single class, may, subject to the Indenture, declare the principal of and accrued and unpaid interest on all the Notes to be immediately due and payable (except that, in the case of an Event of Default described in subclause (v) or (vi) above, such an acceleration will occur automatically and shall not require any action by the Trustee or any Noteholder).

At any time after such a declaration of acceleration of maturity has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as provided in accordance with the terms of the Indenture, a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes voting as a single class, by written notice to the Issuers and the Trustee or the Issuing and Paying Agent, as applicable, may rescind and annul such declaration and its consequences if:

(i) the Issuer or the Co-Issuer has paid or deposited with the Trustee a sum sufficient to pay, and shall pay:

(A) all overdue installments of interest on and principal of the Notes (other than amounts due solely as a result of such acceleration);

(B) to the extent that payment of such interest is lawful, interest upon any Defaulted Interest at the applicable Series Interest Rate;

(C) all unpaid taxes and Administrative Expenses and other sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and counsel; and

(D) all unpaid Portfolio Selection Fees;

(ii) the Trustee has determined that all Events of Default, other than the non-payment of the interest on or principal of Notes that have become due solely by such acceleration, have been cured and a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes voting as a single class by written notice to the Trustee or the Issuing and Paying Agent, as applicable, has agreed with such determination or waived such Event of Default as provided in the Indenture; and

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(iii) each of the Credit Default Swap, the Basis Swap, the Collateral Put Agreement and the Collateral Disposal Agreement has not been terminated or any such termination has been rescinded.

If an Event of Default should occur and be continuing, the Trustee will make payments to the Holders of the Notes only in the manner described in "Description of the Notes—Priority of Payments", except that if acceleration has occurred in accordance with the terms of the Indenture, or if a Payment Default has occurred and has not been cured or waived, no interest shall be payable on any Class of Notes until the Currency Adjusted Aggregate Outstanding Amount of each Series of all Classes of Notes that are senior to such Class, if any, have been repaid in full.

If an Event of Default should occur and be continuing, the Trustee will retain the Issuer Assets securing the Notes intact and continue making payments in the manner described above under "—Priority of Payments" unless:

(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 aggregate of the amounts referred to in subclause (i) through (vii) of "Priority of Payments—Principal Proceeds—Stated Maturity, Optional Redemption Date or Mandatory Redemption Date" and a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes voting as a single class agrees with such determination; or

(ii) the Holders of at least 66-2/3% of the Aggregate USD Equivalent Outstanding Amount of each Class of Notes (voting separately by Class), subject to the provisions of the Indenture, direct the sale and liquidation of the Collateral.

As soon as practicable following the occurrence of either condition specified in subclause (i) or (ii) above, the Trustee will liquidate all Eligible Investments and the Issuer or the Trustee shall notify the Collateral Disposal Agent to liquidate all Collateral Securities.

A Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes voting as a single class will have the right to direct the Trustee in conducting any proceedings or in the sale of any or all of the Collateral, but only if (i) such direction will not conflict with any rule of law or the Indenture and (ii) the Trustee determines that such action will not involve it in liability (unless the Trustee has, in its opinion, received satisfactory indemnity against any such liability).

Pursuant to the Indenture, as security for the payment by the Issuer of the compensation and expenses of the Trustee and any sums the Trustee may be entitled to receive as indemnification by the Issuer, the Issuer has granted the Trustee a senior lien on the Issuer Assets, which is senior to the lien of the Holders of the Notes on the Issuer Assets. The Trustee's lien is exercisable by the Trustee only if the Notes have become due and payable following an Event of Default.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in the event that an Event of Default with respect to the Notes occurs and is continuing, the Trustee is under no obligation to exercise any of the rights or powers under the Indenture at the request of any Holders of Notes, unless such Holders have offered to the Trustee reasonable security or indemnity in the opinion of the Trustee.

A Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes voting as a single class may, in certain cases, waive any default with respect to such Notes, except (a) a default specified in subclause (i), (ii), (v) or (vi) of the definition of "Events of Default" or (b) a default in respect of a covenant or provision of the Indenture that cannot be modified or amended without the waiver or consent of the Holder of each Outstanding Note adversely affected thereby.

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No Holder of a Note will have the right to institute any proceeding with respect to the Indenture unless (i) such Holder previously has given to the Trustee or the Issuing and Paying Agent, as applicable, written notice of a continuing Event of Default; (ii) except in the case of a default in the payment of principal, the Holders of at least 25% of the Aggregate USD Equivalent Outstanding Amount of the Notes have made a written request upon the Trustee to institute such proceedings in its own name as Trustee and such Holders have offered the Trustee reasonable indemnity; (iii) the Trustee has for 30 days failed to institute any such proceeding; and (iv) no direction inconsistent with such written request has been given to the Trustee or the Issuing and Paying Agent, as applicable, during such 30-day period by a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes voting as a single class.

See "Glossary of Defined Terms—Outstanding" for determining whether the Holders of the requisite percentage of Notes have given any direction, notice or consent.

Notices. Notices to the Holders of the Notes shall be given by first class mail, postage prepaid, to each Holder at the address appearing in the Note Register or the Issuer Note Register, as applicable. In addition, for so long as any Series of Notes is listed on any stock exchange and the rules of such stock exchange so require, notice given to the Holders of any such Series of Notes shall also be given to the stock exchange in accordance with its procedures.

Modification of Indenture. The Issuers and the Trustee may also enter into one or more supplemental indentures, without obtaining the consent of Holders of the Notes, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider, the Collateral Disposal Agent or the Portfolio Selection Agent (x) so long as the S&P Rating Condition and the Moody's Rating Condition have been satisfied and if such supplemental indenture would have no material adverse effect on any of the Holders of the Notes, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider, the Collateral Disposal Agent (as evidenced by an opinion of counsel or an officer's certificate of the Issuer) or the Portfolio Selection Agent or (y) for any of the following purposes:

(i) to evidence the succession of any person to either the Issuer or Co-Issuer and the assumption by any such successor of the covenants of the Issuer or Co-Issuer in the Notes and the Indenture;

(ii) to add to the covenants of the Issuers or the Trustee for the benefit of the Holders of the Notes or to surrender any right or power conferred upon the Issuers;

(iii) to convey, transfer, assign, mortgage or pledge any property to or with the Trustee, or add to the conditions, limitations or restrictions on the authorized amount, terms and purposes of the issue, authentication and delivery of the Notes;

(iv) to 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 trusts under the Indenture by more than one Trustee;

(v) to correct or amplify the description of any property at any time subject to the lien of the Indenture, or to correct, amplify or otherwise improve upon any pledge, assignment or conveyance to the Trustee of any property subject to or required to be subject to the lien of the Indenture (including, without limitation, any and all actions necessary or desirable as a result of changes in law or regulations) or subject to the lien of the Indenture any additional property;

(vi) subject to clause (xiv) below, to modify the restrictions on and procedures for resales and other transfers of Notes to reflect any changes in applicable law or regulation (or the interpretation thereof) or to enable the Co-Issuers to rely upon any exemption from

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registration under the Securities Act or the Investment Company Act or to remove restrictions on resale and transfer to the extent not required thereunder;

(vii) to otherwise correct any inconsistency, mistake or cure any ambiguity (a) arising under the Indenture or (b) in connection with the final offering circular or any other transaction document;

(viii) to take any action necessary or advisable to prevent the Issuer or the Trustee from becoming subject to withholding or other taxes, fees or assessments or to prevent the Issuer from being treated for United States federal income tax purposes as engaged in a United States trade or business or otherwise being subject to United States federal, state or local income tax on a net income basis;

(ix) to facilitate the issuance of additional Notes of any Class pursuant to the Indenture or the Issuing and Paying Agency Agreement, as applicable;

(x) to modify certain representations and warranties relating to the Trustee's security interest in the Issuer Assets in order to maintain or strengthen security interests in response to changes in applicable law or regulation (or the interpretation thereof) relating thereto;

(xi) to facilitate the listing of any of the Notes on any exchange;

(xii) to facilitate the issuance of combination securities or other similar securities;

(xiii) to change the minimum denomination of the Notes; or

(xiv) to modify the applicable ERISA restrictions on and procedures for resales and other transfers of Notes to reflect any changes in applicable law or regulation (or the interpretation thereof) upon the receipt by the Issuer and the Trustee of satisfactory evidence, which may include an opinion of counsel, that such modified restrictions and/or modified procedures for resales and transfers are in compliance with applicable ERISA requirements.

The Trustee shall, consistent with the written advice of counsel, in its discretion determine whether or not the Holders of Notes, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider, the Collateral Disposal Agent or the Portfolio Selection Agent would be materially adversely affected by any supplemental indenture (after giving notice of such change to the Holders of Notes, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider, the Collateral Disposal Agent and the Portfolio Selection Agent), and such determination shall be conclusive on all present and future Holders.

With the consent of a Majority of the Aggregate USD Equivalent Outstanding Amount of Notes of each Class of Notes materially and adversely affected thereby, and, if materially and adversely affected thereby, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider, the Collateral Disposal Agent or the Portfolio Selection Agent, as the case may be, the Trustee and the Issuers may execute a supplemental indenture to add 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, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider, the Collateral Disposal Agent and the Portfolio Selection Agent; *provided* that, without the consent of each Holder of each Outstanding Note of each Class (or, in the case of subclause (i), each Series) materially adversely affected thereby no supplemental indentures may be entered into which:

(i) change the Stated Maturity of any Note, or the date on which any installment of principal or interest on any Note is due and payable, reduce the principal amount of any Note or

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the Series Interest Rate or the redemption price with respect to any Note, change the earliest specified date on which any Note may be redeemed, change the provisions of the Indenture for the application of Proceeds of any Issuer Assets to the payment of principal of or interest on the Notes or change any place where, or the coin or currency in which, any Note or the principal thereof or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of a redemption of a Note, on or after the Optional Redemption Date, the applicable Partial Optional Redemption Date or the Mandatory Redemption Date);

(ii) reduce the percentage of the Aggregate USD Equivalent Outstanding Amount of Notes of each Class the consent of the Holders of which is required for the authorization of any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with certain provisions of the Indenture or certain defaults thereunder and their consequences;

(iii) impair or adversely affect the Issuer Assets except as otherwise permitted by the Indenture;

(iv) except as expressly provided in the Indenture and other than the lien of the Indenture, permit the creation of any lien with respect to any part of the Issuer Assets or terminate such lien on any property at any time subject thereto or deprive the Holder of any Note or the Trustee of the security afforded by the lien of the Indenture;

(v) reduce the percentage of Holders of the Notes of each Class whose consent is required to request the Trustee to preserve the Issuer Assets or rescind the Trustee's election to preserve the Issuer Assets or to sell or liquidate the Issuer Assets pursuant to the Indenture;

(vi) modify any of the provisions of the Indenture with respect to any supplemental indenture except to increase the percentage of the Aggregate USD Equivalent Outstanding Amount of Notes whose Holders' consent 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 Holder of each Outstanding Note adversely affected thereby;

(vii) modify the definition in the Indenture of the term "Outstanding";

(viii) modify any of the provisions of the Indenture in such a manner as to (i) affect the calculation of the amount of any payment of interest on or principal of any Note or (ii) affect the right of the Holders of the Notes to the benefit of any provisions for the redemption of the Notes contained therein;

(ix) amend any provision of the Indenture or any other agreement entered into by the Issuer with respect to the transactions contemplated hereby relating to the institution of proceedings for the Issuer or the Co-Issuer to be adjudicated as bankrupt or insolvent, or the consent of the Issuer or the Co-Issuer to the institution of bankruptcy or insolvency proceedings against it, or the filing with respect to the Issuer or the Co-Issuer of a petition or answer or consent seeking reorganization, arrangement, moratorium or liquidation proceedings, or other proceedings under the Bankruptcy Code or any similar laws, or the consent of the Issuer or the Co-Issuer to the filing of any such petition or the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Issuer or the Co-Issuer or any substantial part of its property, respectively; or

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(x) amend any limited recourse provision of the Indenture or any limited recourse provision of any other agreement entered into by the Issuer with respect to the transactions contemplated hereby (which limited recourse provision provides that the obligations of the Issuer are limited recourse obligations of the Issuer payable solely from the Issuer Assets in accordance with the terms of the Indenture).

The Trustee shall, consistent with the written advice of counsel, in its discretion determine whether or not the Holders of the Notes, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider, the Collateral Disposal Agent or the Portfolio Selection Agent would be adversely or materially adversely affected by any supplemental indenture (after giving notice of such change to the Holders of Notes, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider, the Collateral Disposal Agent and the Portfolio Selection Agent), and such determination shall be conclusive on all present and future Holders.

Unless the Portfolio Selection Agent has been given prior written notice of such amendment and has consented thereto in writing, no supplemental indenture may (a) affect the obligations or rights of the Portfolio Selection Agent including, without limitation, expanding or restricting the Portfolio Selection Agent's rights or obligations or (b) affect the amount, timing or priority of any fees payable to the Portfolio Selection Agent under the Portfolio Selection Agreement and the Indenture.

Under the Indenture, the Trustee will, for so long as the Notes are Outstanding and rated by the Rating Agencies, deliver a copy of any proposed supplemental indenture to the Rating Agencies not later than (i) 10 Business Days prior to the execution of such proposed supplemental indenture if such proposed supplemental indenture requires the S&P Rating Condition and the Moody's Rating Condition to be satisfied or (ii) at any time prior to the execution of such proposed supplemental indenture if such proposed supplemental indenture does not require the S&P Rating Condition or the Moody's Rating Condition to be satisfied, and no such supplemental indenture shall be entered into unless the S&P Rating Condition and the Moody's Rating Condition have been satisfied (other than a supplemental indenture entered into in accordance with clause (y) of the first paragraph of this section).

Notwithstanding anything to the contrary herein, any such supplemental indenture shall not alter the characterization of the Co-Issued Notes as debt for United States federal income tax purposes.

Additional Issuance. With respect to the Co-Issued Notes, a Series of any such Class may be issued from time to time following the Closing Date. Such additional issuance of such Series must satisfy the following conditions:

(a) the proceeds from any such additional issuance shall be used by the Issuer to purchase Collateral Securities at the direction of the Protection Buyer in a principal amount not less than the principal amount of such additional issuance or, pending such investment, deposited in the Principal Collection Account and invested in Eligible Investments; *provided* that the Collateral Securities and Eligible Investments purchased with the proceeds of such additional issuance will be denominated in the same Approved Currency in which such additional Series is denominated;

(b) the sum of the proceeds received from the issuance of such Series *plus* any Additional Issuance Upfront Payment received by the Issuer from the Protection Buyer in connection with such additional issuance must equal the principal amount of such Notes;

(c) the terms (other than the date of issuance, the Series Interest Rate, the Approved Currency in which such Notes are denominated, the Stated Maturity, the Non-Call Period, and the date from which interest will accrue) of any Series of Notes will be identical to the terms of any previously issued Notes of the relevant Class of such Series, if any;

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(d) the Protection Buyer must notify the Rating Agencies of such additional issuance prior to such additional issuance;

(e) the S&P Rating Condition and the Moody's Rating Condition must be satisfied; and

(f) if the additional issuance will cause the Aggregate USD Equivalent Outstanding Amount of any Class of Co-Issued Notes to exceed the Initial Class Notional Amount set forth in "Summary—Notes", the Issuer will receive written advice of counsel that, following such additional issuance, the Co-Issued Notes issued pursuant to such additional issuance will be treated as debt for U.S. federal income tax purposes and any Co-Issued Notes outstanding prior to such additional issuance would have received an opinion that such Co-Issued Notes will be treated as debt for U.S. federal income tax purposes after such additional issuance.

In connection with any such additional issuance, the Issuer shall, to the extent required by the rules thereof, provide any applicable stock exchange with a listing circular or an offering circular supplement, relating to such Notes.

Each Series of a given Class shall be *pari passu* with respect to Credit Event Adjustment Amounts, Notional Principal Adjustment Amounts and Reinstatement Adjustment Amounts as described herein.

For the avoidance of doubt, following a Partial Optional Redemption of any Series of Co-Issued Notes or Protection Buyer Notes that are Co-Issued Notes, additional Series of such Class may be issued in accordance with the requirements set forth in this section.

Jurisdictions of Incorporation. Under the Indenture, the Issuer and the Co-Issuer will be required to maintain their rights and franchises as a company and a corporation incorporated under the laws of the Cayman Islands and the State of Delaware, respectively, to comply with the provisions of their respective organizational documents and to obtain and preserve their qualification to do business as foreign corporations in each jurisdiction in which such qualifications are or shall be necessary to protect the validation and enforceability of the Indenture, the Notes or any of the Issuer Assets; *provided, however,* that the Issuer shall be entitled to change its jurisdiction of incorporation from the Cayman Islands to any other jurisdiction reasonably selected by the Issuer and approved by the common shareholder of the Issuer so long as (a) such change is not disadvantageous in any material respect to the Issuer, the Holders of any Class of Notes, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider, the Collateral Disposal Agent and the Portfolio Selection Agent, (b) written notice of such change shall have been given by the Issuer to the Trustee, the Issuing and Paying Agent, the Holders of any Class of Notes, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider, the Portfolio Selection Agent and each of the Reting Agencies at least 30 Business Days prior to such change of jurisdiction, (c) the S&P Rating Condition shall have been satisfied and (d) on or prior to the 15th Business Day following such notice the Trustee or the Issuing and Paying Agent, as applicable, shall not have received written notice from a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes voting as a single class, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider or the Collateral Disposal Agent objecting to such change.

Petitions for Bankruptcy. The Indenture will provide that neither (i) the Trustee, in its own capacity, or on behalf of any Noteholder nor (ii) the Noteholders may, prior to the date which is one year and one day (or, if longer, the applicable preference period) after the payment in full of all Notes institute against, or join any other person in instituting against, the Issuer or Co-Issuer any bankruptcy, reorganization, arrangement, moratorium or liquidation proceedings, or other proceedings under federal or state bankruptcy or similar laws, including under Cayman Islands law.

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Satisfaction and Discharge of the Indenture. The Indenture will be discharged with respect to the Issuer Assets securing the Notes upon delivery to the Trustee or the Issuing and Paying Agent, as applicable, for cancellation of all of the Notes, or, within certain limitations (including the obligation to pay principal and interest), upon deposit with the Trustee of funds sufficient for the payment or redemption thereof and the payment by the Issuers of all other amounts due under the Indenture.

Trustee. LaSalle Bank National Association will be the Trustee under the Indenture for the Notes. The Issuers and their Affiliates may maintain other banking relationships in the ordinary course of business with the Trustee. The payment of the fees and expenses of the Trustee relating to the Notes is solely the obligation of the Issuers. The Trustee and/or its Affiliates may receive compensation in connection with the Trustee's investment of trust assets in certain Eligible Investments as provided in the Indenture and in connection with the Trustee's administration of any securities lending activities of the Issuer.

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 the acceptance or administration of the Indenture.

Reports Prepared Pursuant to the Indenture. Upon the written request in the form of Exhibit A hereto, any Noteholder may request that the Trustee or the Issuing and Paying Agent, as applicable, provide to such Noteholder the monthly reports and certain other reports prepared by or on behalf of the Issuer in accordance with the Indenture.

Governing Law. The Indenture and the Co-Issued Notes will be governed by, and construed in accordance with, the laws of the State of New York applicable to agreements made and to be performed therein.

The Notes will be in book-entry form. Persons acquiring beneficial ownership interests in the Notes will hold their interests through DTC if such Persons are direct participants in DTC, or indirectly through organizations that are participants in DTC. Therefore, a Person who holds a beneficial ownership interest in the Notes will only be permitted to exercise their rights through DTC and participants of DTC. DTC or its nominee shall be the registered holder of the Notes and DTC will only take action with respect to such rights at the instruction or the direction of the participants. Similarly, if the Trustee or the Issuing and Paying Agent, as applicable, has to provide any notice to Noteholders or to solicit the consent of any Noteholder, the Trustee or the Issuing and Paying Agent, as applicable, will only act through DTC (which in turn will notify its relevant participants, which in turn will notify Persons holding beneficial ownership interests in the Notes).

From time to time following the Closing Date, any Noteholder may submit to the Trustee, or the Issuing and Paying Agent, as applicable, in writing, a Noteholder Communication Notice requesting the contents of such communication be sent to all other Noteholders. Within three Business Days of receiving such Noteholder Communication Notice, the Trustee or Issuing and Paying Agent, as applicable, will deliver to all Noteholders a Trustee Noteholder Communication Notice.

The Issuing and Paying Agency Agreement

Pursuant to the Issuing and Paying Agency Agreement, LaSalle Bank National Association will be appointed as the Issuing and Paying Agent. The Issuer may at any time and from time to time terminate the appointment of the Issuing and Paying Agent and appoint one or more additional Issuing and Paying Agents. The Issuer will give prompt notice to the Trustee of the appointment or termination of the Issuing and Paying Agent and of the location and any change in the location of the Issuing and Paying Agent's office or agency. The Issuing and Paying Agent will provide notice to the Holders of the Issuer Notes of any such change of which it receives notice.

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Pursuant to the Issuing and Paying Agency Agreement, LaSalle Bank National Association will be appointed as the Issuer Note Registrar. The Issuer Note Registrar will keep the note register and provide for the registration and transfer of the Issuer Notes. The Issuer may at any time and from time to time terminate the appointment of the Issuer Note Registrar and appoint one or more additional Issuer Note Registrars. The Issuer will give prompt notice to the Issuing and Paying Agent of the appointment or termination of the Issuer Note Registrar and of the location and any change in the location of the Issuer Note Registrar's office. The Issuer Note Registrar will provide notice to the Holders of the Issuer Notes of any such change of which it receives notice.

The Issuing and Paying Agent will make distributions on the Issuer Notes and perform various fiscal services on behalf of the Issuer. On or prior to the Closing Date, the Issuing and Paying Agent will establish a segregated bank account designated as the "**Issuer Notes Distribution Account**". The Issuing and Paying Agent will deposit any funds received from the Trustee pursuant to the Indenture (including, without limitation, all distributions of Interest Proceeds and Principal Proceeds on each Payment Date, any other Business Day on which Currency Adjusted Notional Principal Adjustment Amounts are paid by the Issuer to the Holders of the Issuer Notes or on the Stated Maturity for, or date of redemption of, the applicable Issuer Notes, made by the Trustee to the Issuing and Paying Agent pursuant to the Indenture as described herein under "—Priority of Payments") into the Issuer Notes Distribution Account.

Pursuant to the Issuing and Paying Agency Agreement, the Issuing and Paying Agent, on behalf of the Issuer, will promptly give notice of the amount distributed thereunder for the relevant Payment Date to the Holders of the Issuer Notes and to the Issuer. The Issuing and Paying Agent will also make such information available to Holders of the Issuer Notes at its offices. Distributions to Holders of the Issuer Notes, if any, will be paid on each Payment Date, any other Business Day on which Currency Adjusted Notional Principal Adjustment Amounts are paid by the Issuer to the Holders of the Issuer Notes or on the Stated Maturity for, or date of redemption of, a Class of the Issuer Notes, as applicable, to the persons in whose names such Issuer Notes are registered in the Issuer Note Register at the close of business on the Record Date for such Payment Date. Pursuant to the Issuing and Paying Agency Agreement, distributions to Holders of any Class of Issuer Notes will be paid *pro rata* to Holders of such Class; *provided* that such *pro rata* allocation will be based on the Aggregate USD Equivalent Outstanding Amount of such Class of Notes held by each such Holder but will be payable to each such Holder in the applicable Approved Currency with respect to each such Holder's Currency Adjusted Aggregate Outstanding Amount of such Notes.

The Issuing and Paying Agency Agreement also provides for the terms of transfer and exchange of the Issuer Notes described herein under "Transfer Restrictions". The payment of the fees and expenses of the Issuing and Paying Agent and the Issuer Note Registrar is solely the obligation of the Issuer. The Issuing and Paying Agency Agreement contains provisions for the indemnification of the Issuing and Paying Agent and the Issuer Note Registrar against any and all liabilities, costs and expenses (including reasonable legal fees and expenses) relating to or arising out of or in connection with their performance under the Issuing and Paying Agency Agreement, except to the extent that such liabilities, costs and expenses are caused by the negligence, willful misconduct or bad faith of the Issuing and Paying Agent or the Issuer Note Registrar, as the case may be.

Additional Issuance. With respect to the Issuer Notes, a Series of any such Class may be issued from time to time following the Closing Date. Such additional issuance of such Series must satisfy the following conditions:

(a) the proceeds from any such additional issuance shall be used by the Issuer to purchase Collateral Securities at the direction of the Protection Buyer in a principal amount not less than the principal amount of such additional issuance or, pending such investment, deposited in the Principal Collection Account and invested in Eligible Investments; *provided* that the Collateral Securities and Eligible Investments purchased with the

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proceeds of such additional issuance will be denominated in the same Approved Currency in which such additional Series is denominated;

(b) the sum of the proceeds received from the issuance of such Series *plus* any Additional Issuance Upfront Payment received by the Issuer from the Protection Buyer in connection with such additional issuance must equal the principal amount of such Notes;

(c) the terms (other than the date of issuance, the Series Interest Rate, the Approved Currency in which such Notes are denominated, the Stated Maturity, the Non-Call Period and the date from which interest will accrue) of any Series of Notes will be identical to the terms of any previously issued Notes of the relevant Class of such Series, if any;

(d) the Protection Buyer must notify the Rating Agencies of such additional issuance prior to such additional issuance; and

(e) the S&P Rating Condition and the Moody's Rating Condition must be satisfied.

In connection with any such additional issuance, the Issuer shall, to the extent required by the rules thereof, provide any applicable stock exchange with a listing circular or an offering circular supplement, relating to such Notes.

For the avoidance of doubt, following a Partial Optional Redemption of any Series of Issuer Notes or Protection Buyer Notes that are Issuer Notes, additional Series of such Class may be issued in accordance with the requirements set forth in this section.

Governing Law. The Issuer Notes and each Deed of Covenant will be governed by, and construed in accordance with, the laws of the Cayman Islands. The Issuing and Paying Agency Agreement will be governed by, and construed in accordance with, the laws of the State of New York applicable to agreements made and to be performed therein without regard to the conflict of laws principles thereof.

Reports Prepared Pursuant to the Indenture. Upon the written request in the form of Exhibit A hereto, any Holder of the Issuer Notes may request that the Issuing and Paying Agent provide to such Holder the monthly reports and certain other reports prepared by or on behalf of the Issuer in accordance with the terms of the Indenture.

USE OF PROCEEDS

The aggregate net proceeds of the offering of the Notes are expected to equal approximately $192,000,000 (including the USD Equivalent of the Notes denominated in Approved Currencies other than Dollars). The Issuer will use such net proceeds, together with part or all of the Upfront Peyment, to purchase Collateral Securities and Eligible Investments that will have an aggregate principal amount of at least $192,000,000 (including the USD Equivalent of the Collateral Securities denominated in Approved Currencies other than Dollars); *provided* that, for each Approved Currency, the aggregate principal amount of Collateral Securities and Eligible Investments denominated in such Approved Currency and purchased with the proceeds of the offering will equal or exceed the Currency Adjusted Aggregate Outstanding Amount of Notes denominated in such Approved Currency on the Closing Date.

RATINGS OF THE NOTES

It is a condition to the issuance of the Notes issued on the Closing Date that the Notes of each such Class receive from the Rating Agencies the minimum rating indicated under "Summary—Notes". A credit 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.

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THE CREDIT DEFAULT SWAP

The following description of the Credit Default Swap is a summary of certain provisions of the Credit Default Swap. The following summary does not purport to be complete, and is qualified in its entirety by reference to the detailed provisions of the Credit Default Swap.

The Notes do not represent an obligation of the Protection Buyer. Noteholders will not have any right to proceed directly against the Protection Buyer in respect of the Protection Buyer's obligations under the Credit Default Swap. However, the Holders of a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes voting as a single class will have the right to direct the Issuer with respect to the enforcement of any claims that it may have against the Protection Buyer. Notwithstanding the foregoing, if the Protection Buyer is the sole defaulting party or Affected Party under the Credit Default Swap, then the Issuer will have 30 days to enter into a replacement credit default swap and basis swap (otherwise a Mandatory Redemption will occur). See "—Replacement".

Effective Date and Termination Date

The effective date of the Credit Default Swap will be the Closing Date.

Unless terminated prior to its scheduled termination date, or unless an Extended Termination Date as described in this section occurs, the Credit Default Swap will terminate on February 22, 2038 (the "**Scheduled Termination Date**").

Credit Event Notices may be given (the "**Notice Delivery Period**") during the period from and including the Closing Date to and including the earlier of the Scheduled Termination Date or a Credit Default Swap Early Termination Date.

If, on the Scheduled Termination Date a Credit Event has occurred with respect to which the Conditions to Settlement have been satisfied, but with respect to which the Credit Default Swap Settlement Date has not occurred, the termination date of the Credit Default Swap will extend up to the day that is the last Credit Default Swap Settlement Date (such day, the "**Extended Termination Date**").

The "**Termination Date**" of the Credit Default Swap will be the later of (i) the Scheduled Termination Date and (ii) the Extended Termination Date.

Payments

Upfront Payment by the Protection Buyer to the Issuer.

On the Closing Date, the Protection Buyer will make an upfront payment (the "**Upfront Payment**") to the Issuer in an amount with respect to each Approved Currency, if greater than zero, equal to:

(i) the sum of (a) the amount needed to purchase the Initial Collateral Securities denominated in such Approved Currency (with an aggregate principal amount of at least the Currency Adjusted Aggregate Outstanding Amount of Notes denominated in such Approved Currency) and (b) expenses incurred on or prior to the Closing Date in such Approved Currency in connection with the offering of the Notes and the transactions contemplated hereby; *less*

(ii) the Currency Adjusted Aggregate Outstanding Amount of Notes denominated in such Approved Currency.

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Periodic Payments by the Protection Buyer to the Issuer.

(I) On the Closing Date and each Payment Date prior to the earliest to occur of (a) the final Stated Maturity of all Series of Notes, (b) an Optional Redemption in Whole or (c) a Mandatory Redemption, the Protection Buyer will pay to the Issuer an amount equal to the aggregate of:

(i) the product, with respect to each Series of Notes Outstanding, of:

(a) the Applicable Spread for such Series;

(b) the Currency Adjusted Aggregate Outstanding Amount of such Series of Notes on such date; and

(c) the applicable Day Count Fraction for the Interest Accrual Period commencing on such date;

(ii) the product, with respect to each Class of Notes Outstanding, of:

(a) the Aggregate USD Equivalent Outstanding Amount of such Class on such date;

(b) the Applicable Class Portfolio Selection Fee Rate with respect to such Class of Notes; and

(c) the actual number of days in the Interest Accrual Period (or, if on such date the Protection Buyer has a long-term rating below "AA-" by S&P, the actual number of days in the next two Interest Accrual Periods) commencing on such date *divided by* 360;

(iii) an amount equal to the Collateral Put Provider Fee Amount due on the immediately succeeding Payment Date to the Collateral Put Provider pursuant to the Collateral Put Agreement; and

(iv) an amount equal to the Administrative Expenses expected to be paid pursuant to clause (i) of the "Description of the Notes—Priority of Payments—Interest Proceeds" on the immediately succeeding Payment Date (or, if on such date the Protection Buyer has a long-term rating below "AA-" by S&P, the amount determined to be due on the following two Payment Dates as determined by the Credit Default Swap Calculation Agent in a commercially reasonable manner) (excluding, for the avoidance of doubt, any indemnities payable by the Issuer); *plus*

(II) on each Payment Date, an amount, if greater than zero, equal to:

(i) the amount required to be paid pursuant to clauses (i) through (v) of "Description of the Notes—Priority of Payments—Interest Proceeds" on such Payment Date (excluding, for the avoidance of doubt, any indemnities payable by the Issuer); less

(ii) the amount on deposit on such Payment Date in the CDS Issuer Fixed Payment Subaccount *plus* the Monthly Basis Swap Payment due on such Payment Date (each payment made under (I) and (II) above, a "**Fixed Payment**").

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Cash Settlement Amounts paid by the Issuer to the Protection Buyer.

On a Credit Default Swap Calculation Date, the Credit Default Swap Calculation Agent will determine the Cash Settlement Amount that will need to be paid by the Issuer on the related Credit Default Swap Settlement Date. See "Summary—The Credit Default Swap".

In addition, on a Credit Default Swap Calculation Date, the Trustee will direct the liquidation of any Eligible Investments held by the Issuer and denominated in the Approved Currency in which such Cash Settlement Amount is payable (assuming that the Issuer will receive at least 100% of par for such Eligible Investments in any such liquidation, other than Put Excluded Collateral) in an amount sufficient to pay the related Cash Settlement Amount on the Credit Default Swap Settlement Date.

If such liquidation proceeds are insufficient to pay such Cash Settlement Amount, the Issuer or Trustee will direct the Collateral Disposal Agent to attempt to sell a par amount of Collateral Securities (rounded up, if necessary, to reflect minimum denominations) in an amount (assuming that the Issuer will receive at least 100% of par for such Collateral Securities in any such liquidation, other than Put Excluded Collateral), when added to the amount of proceeds expected to be received by the Issuer from liquidation of Eligible Investments (assuming that the Issuer will receive at least 100% of par for such Eligible Investments, other than Put Excluded Collateral), sufficient to pay a Cash Settlement Amount (the par amount of Collateral Securities to be liquidated in connection with any liquidation of the Collateral Securities, the "**Collateral Securities Principal Amount**"), for settlement on the Credit Default Swap Settlement Date. The Collateral Disposal Agent shall select in its sole discretion the particular Collateral Securities to be liquidated in an aggregate principal amount equal to the Collateral Securities Principal Amount (the Collateral Securities selected by the Collateral Disposal Agent to be liquidated in connection with any liquidation of Collateral Securities, the "**Selected Collateral Securities**"); *provided* that any such Selected Collateral Securities will be denominated in the same currency as the Notes, the Currency Adjusted Aggregate Outstanding Amount of which is reduced by the related Currency Adjusted Credit Event Adjustment Amount. The Collateral Disposal Agent will then attempt to solicit bids for the sale of each such Selected Collateral Security. The Collateral Disposal Agent may, in its sole discretion, bid up to 100% for such Selected Collateral Security (excluding any accrued interest) if the Collateral Disposal Agent is not able to procure a third-party bid of at least 100%. A Selected Collateral Security will be sold to the highest bidder for settlement on the Credit Default Swap Settlement Date. Pursuant to the terms of the Credit Default Swap, if the liquidation proceeds of Eligible Investments and Collateral Securities would have been sufficient to pay a Cash Settlement Amount had such Collateral (other than Put Excluded Collateral) been liquidated at least at 100% of par (instead of below 100% of par), the Issuer will be deemed to have paid such Cash Settlement Amount in full upon the Protection Buyer's receipt of the actual related liquidation proceeds.

See "Summary—The Credit Default Swap—Cash Settlement Amount".

Payment by the Protection Buyer to the Issuer in connection with a Reference Obligation Reimbursement.

On the Payment Date immediately following the Due Period during which a Reference Obligation Reimbursement Amount is determined by the Credit Default Swap Calculation Agent with respect to one or more Reference Obligation(s), and so long as such Reference Obligation(s) remains in the Reference Portfolio at the time of such Reference Obligation Reimbursement, the Protection Buyer will pay to the Issuer an amount equal to the aggregate of (i) the Currency Adjusted Reinstatement Adjustment Amounts payable on such date and (ii) the ICE Currency Adjusted Interest Reimbursement Amounts payable on such date.

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Payments by the Protection Buyer to the Issuer in connection with an additional issuance of Notes.

Following the Closing Date, on or prior to the date on which the Issuer issues additional Notes, the Protection Buyer will (in the event such additional issuance occurs) make a payment to the Issuer (in the Approved Currency in which such additional Notes are denominated) equal to the product of (i) the par amount of such additional Notes and (ii) the greater of (a) 100% *less* the issuance price of such additional Notes (expressed as a percentage of the par amount thereof) and (b) zero (any such payment, an **"Additional Issuance Upfront Payment"**).

Payments by the Protection Buyer to the Issuer in connection with the Issuer's purchase of Collateral Securities.

Following the Closing Date, on or prior to the date on which the Issuer purchases a Collateral Security, the Protection Buyer shall (in the event the Issuer actually purchases a Collateral Security) make a payment to the Issuer equal to the product of (i) the par amount of such Collateral Security and (ii) the greater of (a) the purchase price (including accrued and unpaid interest) of such Collateral Security (expressed as a percentage of the par amount thereof) less 100.00% and (b) zero.

Payment on the Stated Maturity, the Optional Redemption Date or the Mandatory Redemption Date.

On the Stated Maturity, the Optional Redemption Date or the Mandatory Redemption Date, in addition to any Credit Default Swap Termination Payment, the Protection Buyer may, to the extent of available Principal Proceeds, receive from the Issuer an amount as described under subclause (ix) of "Description of the Notes—Priority of Payments—Principal Proceeds—Stated Maturity, Optional Redemption Date or Mandatory Redemption Date".

On the Stated Maturity for any Series of Notes or a Mandatory Redemption caused by a termination of the Credit Default Swap as a result of a default by the Protection Buyer, a termination of the Collateral Put Agreement as a result of a default by the Collateral Put Provider or a termination of the Basis Swap as a result of a default by the Basis Swap Counterparty, the Protection Buyer will make a payment to the Issuer in an amount equal to the aggregate of the Currency Adjusted Redemption Refund Adjustment Amounts determined with respect to such date (any such payment, a **"Redemption Writedown Refund"**).

Payment in Connection with a Replacement Credit Default Swap.

On the date a replacement credit default swap is entered into with a Replacement Counterparty, the Protection Buyer may receive a termination payment from the Issuer.

Payment on a Partial Optional Redemption Date.

In the case of a Partial Optional Redemption, at the sole discretion of the Protection Buyer, the Protection Buyer may pay to the Issuer an amount (the **"Partial Optional Redemption End Payment"**) equal to *(a)* the aggregate amount required to be paid by the Issuer on the Partial Optional Redemption Date in accordance with subclause (iii) of "Description of the Notes—Priority of Payments—Principal Proceeds—Other Payment Dates" *less* (b) the Principal Proceeds that are expected to be available on the Partial Optional Redemption Date to pay the amount described in subclause (a) after giving consideration to any currency exchange; *provided, however*, that a Partial Optional Redemption will be effected only in accordance with the Indenture.

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Payment by the Protection Buyer to the Issuer in connection with Collateral denominated in Approved Currencies.

On each Credit Default Swap Settlement Date and with respect to each Approved Currency, the Protection Buyer will pay to the Issuer the difference, if greater than zero, between (i) the Currency Adjusted Aggregate Outstanding Amount of all Notes denominated in such Approved Currency and (ii) the principal balance of Collateral (including Cash) held by the Issuer in the Collateral Account and denominated in such Approved Currency (for the avoidance of doubt, such amounts as determined after giving effect to the payment of any Cash Settlement Amount on such date) so long as such difference arises in connection with the liquidation of Collateral in order to pay a Cash Settlement Amount (any such payment, an "**Approved Currency Collateral Payment**").

Credit Events

"**Failure to Pay Principal**" means, with respect to any Reference Obligation (i) a failure by the related Reference Entity (or any Insurer thereof) to pay the Expected Principal Amount of such Reference Obligation on the applicable Final Amortization Date or the applicable Legal Final Maturity Date, as the case may be or (ii) payment on any such day of an Actual Principal Amount that is less than the Expected Principal Amount of such Reference Obligation; *provided* that the failure by such Reference Entity (or such Insurer) to pay any such amount in respect of principal in accordance with the foregoing shall not constitute a Failure to Pay Principal if such failure has been remedied within any grace period applicable to such payment obligation under the related Underlying Instruments or, if no such grace period is applicable, within three Business Days after the day on which such Expected Principal Amount was scheduled to be paid.

"**Writedown**" means with respect to any Reference Obligation, the occurrence at any time on or after the Closing Date of:

(i) (a) a writedown or applied loss (however described in the related Underlying Instruments) resulting in a reduction in the Reference Obligation Outstanding Principal Amount with respect to such Reference Obligation (other than as a result of a scheduled or unscheduled payment of principal); or

(b) the attribution of a principal deficiency or realized loss (however described in the related Underlying Instruments) to such Reference Obligation resulting in a reduction or subordination of the current interest payable on such Reference Obligation;

(ii) the forgiveness of any amount of principal by the holders of such Reference Obligation pursuant to an amendment to the related Underlying Instruments resulting in a reduction in the related Reference Obligation Outstanding Principal Amount; or

(iii) if the related Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in subclause (i) above to occur in respect of such Reference Obligation, an Implied Writedown Amount being determined in respect of such Reference Obligation by the Credit Default Swap Calculation Agent.

The Reference Portfolio

The Reference Portfolio is set out in Schedule A and will not be modified other than as described under "—Removal of Reference Obligations from the Reference Portfolio".

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Removal of Reference Obligations from the Reference Portfolio

Following a Credit Event and the satisfaction of the Conditions to Settlement relating thereto, the Reference Obligation that is the subject of such Credit Event will not be removed from the Reference Portfolio, and in the case of a Reference Obligation that suffered a Writedown, such Reference Obligation may experience one or more subsequent Credit Events (including a subsequent Writedown).

Following the redemption or amortization in full of a Reference Obligation, the Reference Obligation that has been redeemed or amortized in full will be removed from the Reference Portfolio. Subject to the foregoing, if the Reference Obligation Notional Amount of a Reference Obligation that suffered one or more Credit Events is reduced to zero at any time on or prior to the Scheduled Termination Date and remains at zero for a period of one calendar year, such Reference Obligation shall be removed from the Reference Portfolio as of the last day of such one calendar year period; *provided* that if such Reference Obligation that suffered one or more Credit Events experiences a Reference Obligation Reimbursement for which the Reference Obligation Repayment Amount equals the ICE Reference Obligation Notional Amount Differential of such Reference Obligation immediately prior to such determination, the Reference Obligation shall be removed from the Reference Portfolio immediately following the determination of such Reference Obligation Repayment Amount by the Credit Default Swap Calculation Agent.

Credit Default Swap Early Termination

Credit Default Swap Event of Default.

The occurrence of any of the following events will constitute a **"Credit Default Swap Event of Default"**:

(i) failure by the Issuer, the Protection Buyer or the Protection Buyer Credit Support Provider to make, when due, any payment under the Credit Default Swap, and the continuance of such failure for three Business Days after notice of such failure is given to such party;

(ii) (a) failure by the Protection Buyer or the Protection Buyer Credit Support Provider to comply with or perform any agreement or obligation to be complied with or performed by it, as the case may be, in accordance with any Protection Buyer Credit Support Document if such failure is continuing after any applicable grace period has elapsed; (b) the expiration or termination of any Protection Buyer Credit Support Document or the failing or ceasing of such Protection Buyer Credit Support Document to be in full force and effect for the purpose of the Credit Default Swap (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of the Protection Buyer under the Credit Default Swap without the written consent of the Issuer; and (c) the Protection Buyer or the Protection Buyer Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Protection Buyer Credit Support Document; or

(iii) the occurrence of certain events of bankruptcy, insolvency, conservatorship, receivership or reorganization with respect to the Protection Buyer or the Protection Buyer Credit Support Provider.

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Credit Default Swap Termination Events.

The occurrence of any of the following events will constitute a **"Credit Default Swap Termination Event"**:

(i) it becomes unlawful for the Protection Buyer, the Protection Buyer Credit Support Provider or the Issuer to perform its obligation to make a payment or delivery or to receive a payment or delivery under the Credit Default Swap or to comply with any other material provision thereof or for the Protection Buyer or the Protection Buyer Credit Support Provider to perform its obligations under any Protection Buyer Credit Support Document and no party is able to transfer its obligations to a different jurisdiction or substitute another entity in its place so that such illegality ceases to apply;

(ii) because of (a) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the Closing Date (regardless of whether such action is taken or brought with respect to the Issuer or the Protection Buyer) or (b) a change in tax law, such party will, or there is a substantial likelihood that it will, on the next succeeding payment date be required to (x) make a "gross-up" payment to the other party in respect of an indemnifiable tax or (y) receive a payment from the other party subject to withholding or deduction of a tax for which the other party is not required to make a "gross-up" payment;

(iii) as a result of the Issuer's or the Protection Buyer's consolidating or amalgamating with, or merging with or into, or transferring all or substantially all its assets to another entity, the Issuer or the Protection Buyer is required to (a) make a "gross-up" payment to the other party or (b) receive a payment from which an amount has been deducted or withheld for or on account of any indemnifiable tax;

(iv) a Collateral Default;

(v) the Notes becoming due and payable in accordance with the Indenture at any time prior to their Stated Maturity after the occurrence of an Event of Default;

(vi) an Adverse Tax Event;

(vii) an Optional Redemption in Whole;

(viii) the designation of a Basis Swap Early Termination Date; or

(ix) the designation of a Collateral Put Agreement Early Termination Date.

Upon the Trustee or the Issuing and Paying Agent becoming aware of the occurrence of any event that gives rise to the right of the Issuer to terminate the Credit Default Swap, the Basis Swap or the Collateral Put Agreement, the Trustee or the Issuing and Paying Agent, as applicable, will as promptly as practicable notify the Noteholders of such event and the Trustee will terminate any such agreement on behalf of the Issuer at the direction of (i) in the case of the Credit Default Swap or the Basis Swap, a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes and (ii) in the case of the Collateral Put Agreement, 100% of the Aggregate USD Equivalent Outstanding Amount of the Notes, in each case voting as a single class. In addition, if an Event of Default or a Termination Event (as such term is defined in the Credit Default Swap) for which the Protection Buyer is the sole defaulting party or Affected Party under the Credit Default Swap (as such term is defined in the Credit Default Swap), then the Issuer will have 30 days to enter into a replacement credit default swap. See "—Replacement".

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Payments on Credit Default Swap Early Termination

Payment by the Issuer. Upon the occurrence of a Credit Default Swap Early Termination, the Issuer will be required to pay to the Protection Buyer the following amounts:

(i) any Cash Settlement Amounts owed by the Issuer to the Protection Buyer for any Credit Events that occur on or prior to the Credit Default Swap Early Termination Date for which the Conditions to Settlement have been satisfied; and

(ii) any Credit Default Swap Termination Payment.

Payment by the Protection Buyer. Upon the occurrence of a Credit Default Swap Early Termination, the Protection Buyer will be required to pay to the Issuer the following amounts:

(i) any accrued but unpaid Fixed Payments;

(ii) any Credit Default Swap Termination Payment; and

(iii) in the case of an Optional Redemption in Whole, at the sole discretion of the Protection Buyer, an amount (the "**End Payment**") equal to (a) the aggregate amount required to be paid by the Issuer on the Optional Redemption Date in accordance with subclauses (i) through (vii) of "Description of the Notes—Priority of Payments—Principal Proceeds—Stated Maturity, Optional Redemption Date or Mandatory Redemption Date" *less* (b) the Principal Proceeds that are expected to be available on the Optional Redemption Date to pay the amount described in subclause (a) (after giving consideration to any currency exchange, if necessary); *provided, however*, that an Optional Redemption in Whole will be effected only in accordance with the Indenture.

As used herein, "**Credit Default Swap Termination Payment**" means the replacement cost or gain for a portfolio credit default swap with the financial terms of the Credit Default Swap, calculated in accordance with the terms of the Credit Default Swap; *provided, however*, that no Credit Default Swap Termination Payment shall be payable by the Protection Buyer in connection with a Credit Default Swap Early Termination caused by an Optional Redemption in Whole.

Amendment

The Credit Default Swap may be amended at any time without satisfying the S&P Rating Condition or the Moody's Rating Condition or obtaining the consent of the Noteholders so long as such amendment would not have a material adverse effect on any Holders of the Notes. Otherwise, the Credit Default Swap may be amended only with the satisfaction of the S&P Rating Condition and the Moody's Rating Condition and with the consent of the Noteholders (in a percentage as would have been required had such amendment been taken pursuant to the Indenture).

Unless the Portfolio Selection Agent has been given prior written notice of such amendment and has consented thereto in writing, no amendment to the Credit Default Swap may (a) affect the obligations or rights of the Portfolio Selection Agent including, without limitation, expanding or restricting the Portfolio Selection Agent's discretion, rights or obligations or (b) affect the amount, timing or priority of any fees payable to the Portfolio Selection Agent under the Portfolio Selection Agreement and the Credit Default Swap.

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Transfer

Neither the Issuer nor the Protection Buyer may transfer its rights and obligations under the Credit Default Swap without the prior written consent of the other party, which consent will not be unreasonably withheld or delayed, except that, and in any case subject to the S&P Rating Condition:

(i) a party may make such a transfer of its rights and obligations pursuant to a consolidation or amalgamation with, or merger into, or transfer of all or substantially all its assets to or reorganization, incorporation, reincorporating or reconstitution into or as, another entity;

(ii) a party may make such a transfer of all or any part of its interest in certain amounts payable to it from a defaulting party under the Credit Default Swap; and

(iii) the Protection Buyer may, without recourse, transfer the Credit Default Swap (in whole and not in part only) to any of the Protection Buyer's Affiliates so long as:

(a) GS Group (or another entity with a credit rating at least equal to that of GS Group) guarantees such transferred obligations of the transferee pursuant to a guaranty in substantially the form of the guaranty of GS Group specified in the Credit Default Swap or such transferee has a credit rating at least equal to that of GS Group;

(b) the Issuer will not have to make any tax gross-up payments to such Affiliate in an amount greater than what the Issuer would have been required to pay to the Protection Buyer in the absence of such transfer;

(c) any payment paid by such Affiliate to the Issuer will not be subject to any withholding tax in excess of what the Protection Buyer would have been required to so withhold or deduct in the absence of such transfer;

(d) it does not become unlawful for either party to perform any obligation under the Credit Default Swap as a result of such transfer; and

(e) a Credit Default Swap Early Termination does not occur as a result of such transfer.

Replacement

If an Event of Default or a Termination Event (as such term is defined in the Credit Default Swap, Basis Swap and/or Collateral Put Agreement, as applicable) for which the Protection Buyer, Basis Swap Counterparty or Collateral Put Provider is the sole defaulting party or Affected Party (as such term is defined in the Credit Default Swap, Basis Swap and/or Collateral Put Agreement, as applicable) under the Credit Default Swap, Basis Swap and/or Collateral Put Agreement, as applicable, then the Issuer will automatically terminate the Credit Default Swap, Basis Swap and Collateral Put Agreement and shall, within 30 days following such termination, enter into a replacement credit default swap and basis swap with a party nominated by the Protection Buyer, Basis Swap Counterparty and/or Collateral Put Provider, as applicable, (the "**Replacement Counterparty**"), subject to satisfaction of the following (the "**Replacement Counterparty Procedures**") on or prior to the completion of such 30 day period:

(i) all of the Collateral (other than Put Excluded Collateral) will be liquidated (and the Collateral Put Agreement will not be exercisable in the case of such liquidation), and the proceeds thereof, after giving effect to any termination payments payable by the Issuer to the Protection Buyer and the Basis Swap Counterparty will be used by the Issuer to acquire Put Excluded Collateral. If the aggregate principal amount of the Collateral denominated in each Approved Currency following such reinvestment is not at least equal to the Currency Adjusted Aggregate Outstanding Amount of the Notes denominated in

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such Approved Currency, the Replacement Counterparty will pay as an upfront payment to the Issuer under the replacement credit default swap an amount sufficient to cause the aggregate principal amount of the Collateral denominated in each Approved Currency to at least equal the Currency Adjusted Aggregate Outstanding Amount of the Notes denominated in such Approved Currency, and the Issuer will use such funds to purchase additional Put Excluded Collateral;

(ii) the Replacement Counterparty will enter into a replacement credit default swap with the Issuer on substantially similar terms to the Credit Default Swap entered into on the Closing Date, with the effective date being the day on which the Credit Default Swap is terminated;

(iii) pursuant to the terms of a replacement credit default swap, any failure to maintain Put Excluded Collateral denominated in each Approved Currency in an amount at least equal to the Currency Adjusted Aggregate Outstanding Amount of the Notes denominated in such Approved Currency will be deemed an election by the Replacement Counterparty to terminate the replacement credit default swap and will cause an Optional Redemption in Whole;

(iv) on the date that a replacement credit default swap is entered into between the Replacement Counterparty and the Issuer and on any date of determination thereafter, the Replacement Counterparty will post to the Issuer (a) the fixed payment due for all Payment Dates ending on the later of (1) the sixth Payment Date from the date of determination or (2) the end of the Non-Call Period, (*provided* that such payment will be calculated based on the Currency Adjusted Aggregate Outstanding Amount of the Notes denominated in each Approved Currency on the date of payment) and (b) any ICE Currency Adjusted Interest Reimbursable Amounts at such time of determination;

(v) pursuant to the terms of the replacement credit default swap, any failure to post the amounts specified in clause (iv) will be deemed an election by the Replacement Counterparty to terminate the replacement credit default swap and will cause an Optional Redemption in Whole;

(vi) the Replacement Counterparty will enter into a replacement basis swap with the Issuer on substantially similar terms to the Basis Swap entered into on the Closing Date, with the effective date being the day on which the Basis Swap is terminated;

(vii) on the date that a replacement basis swap is entered into between the Replacement Counterparty and the Issuer and on any date of determination thereafter, the Replacement Counterparty will post to the Issuer (a) the monthly basis swap payment due for all Payment Dates ending on the later of (1) the sixth Payment Date from the date of determination or (2) the end of the Non-Call Period, (*provided* that such payment will be calculated based on the Currency Adjusted Aggregate Outstanding Amount of the Notes denominated in each Approved Currency on the date of payment);

(viii) any failure to post the amounts specified in clause (vii) will be deemed an election by the Replacement Counterparty to terminate the replacement credit default swap and will cause an Optional Redemption in Whole;

(ix) all interest accrued on the Put Excluded Collateral will be paid by the Issuer to the Replacement Counterparty as a basis swap payment pursuant to the terms of the replacement basis swap;

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(x) the payment of any unpaid Portfolio Selection Fees by the Issuer to the Portfolio Selection Agent following a corresponding payment by the Replacement Counterparty to the Issuer; and

(xi) in all cases, any related opinions (including an opinion of nationally recognized tax counsel experienced in such matters to the effect that such replacement credit default swap or basis swap will not cause the issuer to be treated as engaged in a United States trade or business which must be received in order to enter into any replacement credit default swap or basis swap), documentation and agreements will be subject to review by the Rating Agencies, in the case of documentation or agreements, for the sole purpose of establishing that such documentation or agreements are consistent with the Replacement Counterparty Procedures and such documentation and agreements shall be subject to the satisfaction of the S&P Rating Condition.

Subject to the foregoing, Goldman Sachs has separately agreed to nominate a replacement counterparty under the circumstances described above.

If the Replacement Counterparty Procedures are not complied with within such 30 day period, then a Mandatory Redemption will occur.

For the avoidance of doubt, any termination payments payable by either the Issuer or the Protection Buyer under the Credit Default Swap or to the Basis Swap Counterparty under the Basis Swap will not be payable until the earlier to occur of (a) the date that all of the Replacement Counterparty Procedures are satisfied and (b) the Mandatory Redemption Date, which payments in the case of clause (b) will be subject to the Priority of Payments.

Guarantee

GS Group will guarantee the obligations of the Protection Buyer under the Credit Default Swap.

THE PROTECTION BUYER

The Protection Buyer is Goldman Sachs Capital Markets, L.P. As described above, GS Group will guarantee the obligations of Goldman Sachs Capital Markets, L.P. as the Protection Buyer under the Credit Default Swap. Goldman Sachs Capital Markets, L.P. is an Affiliate of GS Group.

GS Group, together with its subsidiaries, is a leading global investment banking, securities and investment management firm that provides a wide range of financial services worldwide to a substantial and diversified clientbase that includes corporations, financial institutions, governments and high net-worth individuals. GS Group is required to file annual, quarterly and current reports, proxy statements and other information with the United States Securities and Exchange Commission (the "**SEC**"). GS Group's filings with the SEC are also available to the public through the SEC's Internet site at http://www.sec.gov and through the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which GS Group's common stock is listed.

Investors in Notes are hereby informed that the reports and other information with respect to GS Group on file with the SEC to which investors are referred above are not and will not be "incorporated by reference" herein.

The Notes do not represent an obligation of, and will not be insured or guaranteed by, GS Group or any of its subsidiaries and investors will have no rights or recourse against GS Group or any of its subsidiaries.

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THE COLLATERAL SECURITIES

The Initial Collateral Securities

On the Closing Date, the Issuer will use the net proceeds of the offering and part or all of the Upfront Payment to purchase the securities described in the table below (the "**Initial Collateral Securities**", together with Supplemental Collateral Securities and any BIE Collateral Securities purchased by the Issuer, the "**Collateral Securities**") at the direction of the Protection Buyer. Such Initial Collateral Securities and any Eligible Investments purchased by the Issuer on the Closing Date will have a USD Equivalent aggregate principal amount of at least $192,000,000; *provided* that the aggregate principal amount of the Collateral Securities and Eligible Investments purchased with the proceeds of the offering denominated in any Approved Currency will equal the Currency Adjusted Aggregate Outstanding Amount of Notes denominated in such Approved Currency on the Closing Date. The issuers of the Collateral Securities are subject to certain requirements of the Securities Exchange Act of 1934 and, in accordance therewith, file reports and other information with the SEC. Reports and other information filed by the issuers of the Collateral Securities with the SEC can be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 or can be obtained from the SEC through its website at www.sec.gov. With respect to the Initial Collateral Security that is a CLO Security, the related offering circular has been attached to this Offering Circular and provides a description of the terms of such Initial Collateral Security.

Original Principal Amount	Current Principal Amount	Security	CUSIP	Coupon	Type	Legal Maturity	Moody's Rating	S&P Rating	Fitch Rating
192,000,000	192,000,000	GWOLF 2007-1A A	398078AB1	L+ 0.245%	CLO Security	2/18/2021	Aaa	AAA	
Aggregate	$192,000,000								

Supplemental Collateral Securities

The Protection Buyer shall direct the Issuer to purchase a Supplemental Collateral Security only if it satisfies the following criteria at the time of purchase (the "**Collateral Security Eligibility Criteria**") (in each case as confirmed by the Collateral Administrator based on information and calculations supplied by the Credit Default Swap Calculation Agent); *provided, however*, that in the case of a Supplemental Collateral Security purchased with Excess Disposition Proceeds, such Collateral Security need only satisfy the criteria described in clauses (iv), (v) and (vii) through (xiii) below:

(i) other than with respect to an RMBS Agency Security, it has (a) an Actual Rating by S&P of "AAA" and (b) an Actual Rating by Moody's of "Aaa";

(ii) (a) it is the senior-most class of securities issued by its obligor, it being acknowledged and agreed that such senior class may be paid *pro rata* with other senior classes of such securities issued by such obligor with respect to the payment of interest but must be senior to any other classes of such securities issued by such obligor with respect to the allocation of losses and (b) the aggregate notional amount of such class of securities at the time of issuance, together with the aggregate notional amount of any *pro rata* classes described in subclause (a) at the time of issuance, is greater than 10% of the initial aggregate notional amount of securities issued by such obligor;

(iii) the obligor of such Supplemental Collateral Security is not a Reference Entity in respect of any Reference Obligation in the Reference Portfolio;

(iv) it is denominated in an Approved Currency;

(v) it provides for the payment of interest at a floating rate determined by reference to LIBOR, EURIBOR, GBP-LIBOR, JPY-LIBOR, AUD-LIBOR, CAD-LIBOR or NZD-BBR;

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(vi) it is either (a) an ABS Credit Card Security, (b) an ABS Student Loan Security, (c) an ABS Automobile Security, (d) an ABS Car Rental Receivable Security, (e) a Residential Mortgage-Backed Security (other than an Excluded Specified Type), (f) a Commercial Mortgage-Backed Security (other than an Excluded Specified Type) or (g) a CLO Security (other than an Excluded Specified Type);

(vii) it must have been offered by an underwriter, a placement agent or any Person acting in a similar capacity through a public prospectus, a private placement memorandum or any other similar document;

(viii) it must be acquired from a party acting in its capacity as broker-dealer in the ordinary course of business, or in an arm's-length open market transaction, and if not, is approved by S&P;

(ix) it must not be a United States real property interest within the meaning of Section 897 of the Internal Revenue Code of 1986, as amended (the **"Code"**);

(x) it must not provide for delayed funding or is not a revolving loan;

(xi) it is treated as debt for U.S. tax purposes or the Alternative Debt Test is satisfied;

(xii) it is Registered; and

(xiii) if such obligation or security is subject to any withholding tax, the obligor of the obligation or security is required to make "gross-up" payments that cover the full amount of such withholding tax on an after-tax basis pursuant to the Underlying Instrument with respect thereto.

In addition to satisfying the Collateral Security Eligibility Criteria, a Supplemental Collateral Security or BIE Collateral Security will be eligible for inclusion in the Collateral only if, after the inclusion of such Supplemental Collateral Security or BIE Collateral Security in the Collateral, the Weighted Average Life of the Collateral would not exceed 7.0 years, with such maximum declining by approximately 0.25 years each year from the Payment Date in April 2008; *provided* that such maximum shall not be reduced to less than 2.0 years. Such Weighted Average Life, calculated in terms of years, shall in each case be rounded to one decimal place prior to the determination of compliance with the constraint referred to in the previous sentence. For example, a Weighted Average Life of 7.05 years will be rounded to 7.1 years (the test described in this paragraph, the **"Collateral Weighted Average Life Test"**).

In addition to satisfying the Collateral Security Eligibility Criteria and the Collateral Weighted Average Life Test, including following the purchase of any Supplemental Collateral Securities, the Issuer may hold Collateral Securities issued by no more than 15 obligors at any one time (the **"Collateral Security Quantity Constraint"**).

In addition to satisfying the Collateral Security Eligibility Criteria, the Collateral Weighted Average Life Test and the Collateral Security Quantity Constraint, a Supplemental Collateral Security must be denominated in a certain Approved Currency if so required as described under "Summary—The Collateral Securities—Supplemental Collateral Securities—Purchase of Supplemental Collateral Securities".

Substitution of Collateral Securities

From time to time following the Closing Date, any Noteholder may submit to the Trustee or the Issuing and Paying Agent, as applicable, in writing, a Collateral Security Substitution Request Notice requesting the substitution of one or more BIE Collateral Securities for one or more existing Collateral

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Securities, in whole or in part. The Trustee or the Issuing and Paying Agent, as applicable, will promptly forward such Collateral Security Substitution Request Notice to the Protection Buyer. Within five Business Days of receiving such Collateral Security Substitution Request Notice, the Protection Buyer will determine whether each Proposed New BIE Collateral Security identified in the Collateral Security Substitution Request Notice is a BIE Collateral Security and will provide information and calculations in such respect to the Trustee. The Trustee will review and confirm such calculations and, if the BIE Collateral Security Eligibility Criteria are satisfied, the Trustee will determine the BIE Transaction Cost and (b) request the Basis Swap Calculation Agent to determine the BIE Basis Swap Payment. Upon such determination by the Trustee (or the Basis Swap Calculation Agent), the Trustee or the Issuing and Paying Agent, as applicable, will deliver either (1) a Collateral Security Substitution Information Notice or (2) a Collateral Security Substitution Refusal Notice to the Originating Noteholder with respect to each Collateral Security Substitution Request Notice, as applicable; *provided, however*, if the Trustee or the Issuing and Paying Agent, as applicable, delivers a Collateral Security Substitution Refusal Notice to the Originating Noteholder, the related Collateral Security Substitution Request Notice will be deemed to be void and of no further effect.

Within five Business Days of receiving a Collateral Security Substitution Information Notice relating to a Collateral Security Substitution Request Notice, the Originating Noteholder must (i) notify the Trustee or the Issuing and Paying Agent, as applicable, and the Protection Buyer whether it wishes to proceed with the proposed substitution and, if so (ii) agree to pay any BIE Transaction Cost (regardless of whether the Holders of a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes voting as a single class consent to such proposed substitution) and, if the proposed substitution occurs, any applicable BIE Basis Swap Payment (the occurrence of subclauses (i) and (ii), a "**Substitution Confirmation**"). If a Substitution Confirmation is not received by the Trustee or the Issuing and Paying Agent, as applicable, within the time period specified above, the related Collateral Security Substitution Request Notice will be deemed to be void and of no further effect. Upon the receipt of a Substitution Confirmation, the Trustee or the Issuing and Paying Agent, as applicable, will deliver a BIE Consent Solicitation to the Portfolio Selection Agent and all Noteholders, including the Originating Noteholder. Upon receipt of such BIE Consent Solicitation, each Noteholder may, on or prior to the BIE Notification Date, submit written notice to the Trustee or the Issuing and Paying Agent, as applicable, indicating either (1) approval or (2) disapproval of the Proposed New BIE Collateral Security. If the Trustee determines that (1) the BIE Consent Solicitation failed to receive the approval of the Holders of a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes voting as a single class by the BIE Notification Date, the Trustee or the Issuing and Paying Agency Agreement will deliver a Collateral Security Substitution Noteholder Refusal Notice to the Originating Noteholder and the related Collateral Security Substitution Request Notice will be deemed void and of no further effect or (2) the BIE Consent Solicitation received the approval of Holders of a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes voting as a single class, it will deliver a BIE Acceptance Notice to the Originating Noteholder.

Upon receiving confirmation (1) from the Basis Swap Counterparty that the Originating Noteholder has paid the BIE Basis Swap Payment to the Basis Swap Counterparty, (2) that the Originating Noteholder has paid the BIE Transaction Cost to the Issuer and (3) that the relevant BIE Collateral Securities have been delivered to the Issuer, and the par amount of such delivered BIE Collateral Securities is equal to the par amount of the existing Collateral Securities to be substituted, the Trustee shall release its lien on the par amount of the relevant existing Collateral Securities to be substituted and deliver the par amount of such substituted Collateral Securities to such Originating Noteholder.

If (i) any BIE Collateral Security is not delivered to the Issuer, (ii) the Issuer is not paid the BIE Transaction Cost or (iii) the Basis Swap Counterparty is not paid the BIE Basis Swap Payment, in each case by the end of the BIE Exercise Period identified in the BIE Acceptance Notice, the BIE Acceptance Notice and the Collateral Security Substitution Request Notice will be deemed void and of no further effect.

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Voting and Other Matters Relating to Collateral Securities

If the Issuer has the right to vote or give consent in respect of any amendment, modification, waiver under any document relating to any Collateral Security or receives any other solicitation for any action with respect to any Collateral Security, the Trustee or the Issuing and Paying Agent, as applicable, shall give each Noteholder notice of such proposed action, including a description thereof, requesting instructions from each Noteholder as to whether or not to take such action, and, after receiving instruction from each Noteholder, the Trustee shall cause the Issuer to give such vote, consent or withhold consent, as the case may be, making such determination based on decision of Holders of a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes voting as a single class.

Notwithstanding the preceding paragraph, the Collateral Disposal Agent will have the right to direct the Trustee to take certain actions with respect to Collateral Securities. See "The Collateral Disposal Agreement—Exercise of Put, Repurchase or Similar Right".

THE BASIS SWAP

The following description of the Basis Swap is a summary of certain provisions of the Basis Swap. The following summary does not purport to be complete, and is qualified in its entirety by reference to the detailed provisions of the Basis Swap.

The Notes do not represent an obligation of the Basis Swap Counterparty. Noteholders will not have any right to proceed directly against the Basis Swap Counterparty in respect of the Basis Swap Counterparty's obligations under the Basis Swap. However, the Holders of a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes voting as a single class will have the right to direct the Issuer with respect to the enforcement of any claims that it may have against the Basis Swap Counterparty. Notwithstanding the foregoing, if the Basis Swap Counterparty is the sole defaulting party or Affected Party under the Basis Swap, then the Issuer will have 30 days to enter into a replacement credit default swap and basis swap (otherwise a Mandatory Redemption will occur). See "The Credit Default Swap—Replacement".

Effective Date and Scheduled Termination

The effective date of the Basis Swap will be the Closing Date.

Unless terminated prior to its scheduled termination date, the Basis Swap will terminate on March 1, 2038.

Payments

Periodic Payments by the Basis Swap Counterparty to the Issuer.

On each Payment Date, the Basis Swap Counterparty will pay to the Issuer the aggregate of (each aggregate with respect to any Payment Date, a "**Monthly Basis Swap Payment**"), for each Approved Currency in which Outstanding Notes are denominated, the products of:

(i) the Applicable Index for the Applicable Period;

(ii) the average daily Currency Adjusted Aggregate Outstanding Amount of such Notes during the preceding Basis Swap Calculation Period; and

(iii) the applicable Day Count Fraction.

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The Basis Swap Counterparty shall be the calculation agent, as defined under the Basis Swap (the "**Basis Swap Calculation Agent**").

Periodic Payments by the Issuer to the Basis Swap Counterparty.

Pursuant to the Basis Swap, the Issuer is obligated to pay to the Basis Swap Counterparty the Basis Swap Payment on each Payment Date. See "Summary—The Basis Swap—Terms" and "Priority of Payments—Interest Proceeds".

Basis Swap Early Termination

Basis Swap Event of Default.

The occurrence of any of the following events will constitute a "**Basis Swap Event of Default**":

(i) failure by the Issuer, the Basis Swap Counterparty or any Basis Swap Counterparty Credit Support Provider to make, when due, any payment under the Basis Swap, and the continuance of such failure for three Business Days after notice of such failure is given to such party;

(ii) (a) failure by the Basis Swap Counterparty or any Basis Swap Counterparty Credit Support Provider to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Basis Swap Counterparty Credit Support Document if such failure is continuing after any applicable grace period has elapsed; (b) the expiration or termination of any Basis Swap Counterparty Credit Support Document or the failing or ceasing of any such Basis Swap Counterparty Credit Support Document to be in full force and effect for the purpose of the Basis Swap (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of the Basis Swap Counterparty under the Basis Swap without the written consent of the Issuer; and (c) the Basis Swap Counterparty or any Basis Swap Counterparty Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Basis Swap Counterparty Credit Support Document; or

(iii) the occurrence of certain events of bankruptcy, insolvency, conservatorship, receivership or reorganization with respect to the Issuer or the Basis Swap Counterparty.

Basis Swap Termination Events.

The occurrence of any of the following events will constitute a "**Basis Swap Termination Event**":

(i) it becomes unlawful for either the Basis Swap Counterparty, any Basis Swap Counterparty Credit Support Provider or the Issuer to perform its obligation to make a payment or delivery or to receive a payment or delivery under the Basis Swap or to comply with any other material provision thereof or for the Basis Swap Counterparty or any Basis Swap Counterparty Credit Support Provider to perform its obligations under any Basis Swap Counterparty Credit Support Document and neither party is able to transfer its obligations to a different jurisdiction or substitute another entity in its place so that such illegality ceases to apply;

(ii) because of (a) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the Closing Date (regardless of whether such action is taken or brought with respect to the Issuer, the Basis Swap Counterparty, or any Basis Swap Counterparty Credit Support Provider) or (b) a change in tax law, the Basis Swap Counterparty or any Basis Swap Counterparty Credit Support Provider will, or there is a substantial likelihood that it will, on the next succeeding payment date be required to

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(1) make a "gross-up" payment in respect of an indemnifiable tax or (2) receive a payment subject to withholding or deduction of a tax for which the other party is not required to make a "gross-up" payment;

(iii) as a result of the Basis Swap Counterparty or any Basis Swap Counterparty Credit Support Provider consolidating or amalgamating with, or merging with or into, or transferring all or substantially all its assets to another entity, such party is required to (a) make a "gross-up" payment to the other party or (b) receive a payment from which an amount has been deducted or withheld for or on account of any indemnifiable tax, and neither party is able to transfer such obligation to a different jurisdiction or substitute another entity in its place such that the withholding or deduction does not apply;

(iv) the Notes becoming due and payable in accordance with the Indenture at any time prior to their Stated Maturity after the occurrence of an Event of Default;

(v) an Adverse Tax Event;

(vi) the Basis Swap Counterparty or the Basis Swap Counterparty Credit Support Provider do not satisfy the Required Basis Swap Counterparty Rating and at least one of the following events has not occurred: (1) within the time period specified in the Basis Swap with respect to such downgrade, the Basis Swap Counterparty shall transfer the Basis Swap, in whole, but not in part, to a counterparty that satisfies the Required Basis Swap Counterparty Rating, (2) within the time period specified in the Basis Swap with respect to such downgrade, the Basis Swap Counterparty, so long as it has a long-term rating of at least "BBB+" by S&P, shall collateralize its exposure to the Issuer, subject to the satisfaction of the S&P Rating Condition or the Moody's Rating Condition, as applicable, (3) within the time period specified in the Basis Swap with respect to such downgrade, the obligations of the Basis Swap Counterparty under the Basis Swap shall be guaranteed by a person or entity that satisfies the Required Basis Swap Counterparty Rating, subject to the satisfaction of the S&P Rating Condition or the Moody's Rating Condition, as applicable, or (4) within the time period specified in the Basis Swap with respect to such downgrade, the Basis Swap Counterparty shall take such other steps, if any, as each of the Rating Agencies that has downgraded the Basis Swap Counterparty may require in order to be able to confirm to the Issuer in writing that the Basis Swap Counterparty's obligations under the Basis Swap will be treated by such Rating Agency as if such obligations were owed by a counterparty that satisfies the Required Basis Swap Counterparty Rating; *provided* that in the case of subclause (2) above, or if the Basis Swap Counterparty has previously posted collateral due to a failure to satisfy the Required Basis Swap Counterparty Rating, the Basis Swap Counterparty (based on consultation with S&P) may be required to provide an opinion of counsel regarding the Issuer's ability to terminate the Basis Swap, liquidate the posted collateral and make amounts owed to it free of any stay or other delay due to a bankruptcy of the Basis Swap Counterparty; *provided* that in the case of any of subclauses (1) through (4) above, such actions shall be at the sole expense of the Basis Swap Counterparty.

(vii) the designation of a Credit Default Swap Early Termination Date;

(viii) the designation of a Collateral Put Agreement Early Termination Date; or

(ix) a Collateral Default.

Upon the Trustee becoming aware of the occurrence of any event that gives rise to the right of the Issuer to terminate the Credit Default Swap, the Basis Swap or the Collateral Put Agreement, the Trustee or the Issuing and Paying Agent, as applicable, will as promptly as practicable notify the

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Noteholders of such event and the Trustee will terminate any such agreement on behalf of the Issuer at the direction of (i) in the case of the Credit Default Swap or the Basis Swap, a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes and (ii) in the case of the Collateral Put Agreement, 100% of the Aggregate USD Equivalent Outstanding Amount of the Notes, in each case voting as a single class. In addition, if an Event of Default or a Termination Event (as such term is defined in the Basis Swap) for which the Basis Swap Counterparty is the sole defaulting party or Affected Party (as such term is defined in the Basis Swap) under the Basis Swap, then the Issuer will have 30 days to enter into a replacement credit default swap and basis swap (otherwise a Mandatory Redemption will occur). See "The Credit Default Swap—Replacement".

Payments on Basis Swap Early Termination.

Payment by the Issuer. Upon the occurrence of a Basis Swap Early Termination, the Issuer will be required to pay to the Basis Swap Counterparty the following amounts:

(i) any accrued but unpaid Basis Swap Payment; and

(ii) any Basis Swap Termination Payment.

Payment by the Basis Swap Counterparty. Upon the occurrence of a Basis Swap Early Termination, the Basis Swap Counterparty will be required to pay to the Issuer the following amounts:

(i) any accrued but unpaid Monthly Basis Swap Payments; and

(ii) any Basis Swap Termination Payment.

As used herein, **"Basis Swap Termination Payment"** means the replacement cost or gain for a cash-flow swap with the financial terms of the Basis Swap, calculated in accordance with the terms of the Basis Swap.

Amendment

The Basis Swap may be amended at any time without satisfying the S&P Rating Condition or the Moody's Rating Condition, or obtaining the consent of the Noteholders so long as such amendment would not have a material adverse effect on any Holders of the Notes. Otherwise, the Basis Swap may be amended only with the satisfaction of the S&P Rating Condition and the Moody's Rating Condition and the consent of the Noteholders (in a percentage as would have been required had such amendment been taken pursuant to the Indenture).

Transfer

Neither the Issuer nor the Basis Swap Counterparty may transfer its rights and obligations under the Basis Swap without the prior written consent of the other party, which consent will not be unreasonably withheld or delayed, except that, and in any case subject to the S&P Rating Condition:

(i) a party may make such a transfer of its rights and obligations pursuant to a consolidation or amalgamation with, or merger into, or transfer of all or substantially all its assets to or reorganization, incorporation, reincorporating or reconstitution into or as, another entity;

(ii) a party may make such a transfer of all or any part of its interest in certain amounts payable to it from a defaulting party under the Basis Swap; and

(iii) the Basis Swap Counterparty may, without recourse, transfer the Basis Swap (in whole and not in part only) to any of the Basis Swap Counterparty's Affiliates so long as:

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(a) (1) such Affiliate has a long-term, unsecured, unsubordinated debt obligation rating or financial program rating (or other similar ratings) by S&P and Moody's which are equal to or greater than the comparable long-term, unsecured, unsubordinated debt obligation rating or financial program rating (or other similar ratings) of the Basis Swap Counterparty immediately prior to such transfer, or (2) the obligations transferred to such transferee must be guaranteed by the Basis Swap Counterparty pursuant to a guaranty in substantially the form of the guaranty of any Basis Swap Counterparty Credit Support Provider or other agreement or instrument consented to by the Issuer or other agreement or instrument mutually agreed upon by both parties and satisfactory to S&P;

(b) the Issuer will not have to make any tax gross-up payments to such Affiliate in an amount greater than what the Issuer would have been required to pay to the Basis Swap Counterparty in the absence of such transfer;

(c) any payment paid by such Affiliate to the Issuer will not be subject to any withholding tax in excess of what the Basis Swap Counterparty would have been required to so withhold or deduct in the absence of such transfer;

(d) it does not become unlawful for either party to perform any obligation under the Basis Swap as a result of such transfer; and

(e) a Basis Swap Early Termination does not occur as a result of such transfer.

Replacement

See "The Credit Default Swap—Replacement".

Guarantee

GS Group will guarantee the obligations of the Basis Swap Counterparty under the Basis Swap.

THE COLLATERAL PUT AGREEMENT

The following description of the Collateral Put Agreement is a summary of certain provisions of the Collateral Put Agreement. The following summary does not purport to be complete, and is qualified in its entirety by reference to the detailed provisions of the Collateral Put Agreement.

The Notes do not represent an obligation of the Collateral Put Provider. Noteholders will not have any right to proceed directly against the Collateral Put Provider in respect of the Collateral Put Provider's obligations under the Collateral Put Agreement. However, the Holders of a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes voting as a single class will have the right to direct the Issuer with respect to the enforcement of any claims that it may have against the Collateral Put Provider. Notwithstanding the foregoing, if the Collateral Put Provider is the sole defaulting party or Affected Party under the Collateral Put Agreement, then the Issuer will have 30 days to enter into a replacement credit default swap and basis swap (otherwise a Mandatory Redemption will occur). See "The Credit Default Swap—Replacement".

On each Payment Date, the Issuer will pay to the Collateral Put Provider an amount, in Dollars, (each, a **"Collateral Put Provider Fee Amount"**) equal to the product of:

(i) a rate of 0.06% per annum; and

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(ii) the Aggregate USD Equivalent Outstanding Amount of the Notes on the first day of the preceding Interest Accrual Period; and

(iii) the actual number of days in the preceding Interest Accrual Period *divided by* 360.

Effective Date and Scheduled Termination

The effective date of the Collateral Put Agreement will be the Closing Date.

Unless terminated prior to its scheduled termination date, the Collateral Put Agreement will terminate on March 1, 2038.

Payments and Delivery

In connection with any liquidation of the Collateral (other than Put Excluded Collateral) in connection with (i) the payment of any Currency Adjusted Notional Principal Adjustment Amount by the Issuer to the applicable Noteholders, (ii) an Optional Redemption in Whole or a Partial Optional Redemption or (iii) a Stated Maturity of any Series of Notes, if (x) the Collateral Disposal Agent is unable to obtain at least 100% of par for a Collateral Security and/or (y) the Trustee is unable to obtain at least 100% of par for Eligible Investments (in each case (i) other than Put Excluded Collateral and (ii) excluding any accrued and unpaid interest), the Collateral Disposal Agent will inform the Trustee and the Issuer (in the case of (x) above) and the Trustee will inform the Issuer (in the case of (y) above). The Trustee will then, on behalf of the Issuer, exercise the Issuer's right under the Collateral Put Agreement pursuant to which the Trustee will deliver such Collateral (other than Put Excluded Collateral) to the Collateral Put Provider in exchange for the payment by the Collateral Put Provider to the Issuer of an amount equal to 100% of par for such Collateral (*plus* accrued and unpaid interest).

The Collateral Put Agreement will not apply to the liquidation of Collateral to fund the payment of (i) Cash Settlement Amounts to the Protection Buyer or (ii) principal of the Notes in connection with a Mandatory Redemption.

Collateral Put Agreement Early Termination

Upon the occurrence of an early termination of the Collateral Put Agreement, (i) the Issuer will be required to pay to the Collateral Put Provider any accrued but unpaid Collateral Put Provider Fee Amount, (ii) the Collateral Put Provider will be required to pay the Issuer any unpaid amounts with respect to its purchase of Collateral Securities from the Issuer pursuant to the Collateral Put Agreement and (iii) no other amounts will be payable pursuant to the Collateral Put Agreement.

Collateral Put Agreement Event of Default.

The occurrence of any of the following events will constitute a **"Collateral Put Agreement Event of Default"**:

(i) failure by the Issuer, the Collateral Put Provider or the Collateral Put Provider Credit Support Provider to make, when due, any payment under the Collateral Put Agreement, and the continuance of such failure for three Business Days after notice of such failure is given to such party;

(ii) (a) failure by the Collateral Put Provider or the Collateral Put Provider Credit Support Provider to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with the Collateral Put Provider Credit Support Document if such failure is continuing after any applicable grace period has elapsed; (b) the expiration or termination of the Collateral Put Provider Credit Support Document or the failing or ceasing of such Collateral Put Provider Credit Support Document to be in full

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force and effect for the purpose of the Collateral Put Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of the Collateral Put Provider under the Collateral Put Agreement without the written consent of the Issuer; and (c) the Collateral Put Provider or the Collateral Put Provider Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, the Collateral Put Provider Credit Support Document; or

(iii) the occurrence of certain events of bankruptcy, insolvency, conservatorship, receivership or reorganization with respect to the Issuer, the Collateral Put Provider or the Collateral Put Provider Credit Support Provider.

Collateral Put Agreement Termination Events.

The occurrence of any of the following events will constitute a **"Collateral Put Agreement Termination Event"**:

(i) it becomes unlawful for either the Collateral Put Provider, the Collateral Put Provider Credit Support Provider or the Issuer to perform its obligation to make a payment or delivery or to receive a payment or delivery under the Collateral Put Agreement or to comply with any other material provision thereof or for the Collateral Put Provider or any Collateral Put Provider Credit Support Provider to perform its obligations under the Collateral Put Provider Credit Support Document and neither party is able to transfer its obligations to a different jurisdiction or substitute another entity in its place so that such illegality ceases to apply;

(ii) because of (a) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the Closing Date (regardless of whether such action is taken or brought with respect to the Issuer, the Collateral Put Provider, or the Collateral Put Provider Credit Support Provider) or (b) a change in tax law, the Collateral Put Provider or the Collateral Put Provider Credit Support Provider will, or there is a substantial likelihood that it will, on the next succeeding payment date be required to (1) make a "gross-up" payment in respect of an indemnifiable tax or (2) receive a payment subject to withholding or deduction of a tax for which the other party is not required to make a "gross-up" payment;

(iii) as a result of the Collateral Put Provider or the Collateral Put Provider Credit Support Provider consolidating or amalgamating with, or merging with or into, or transferring all or substantially all its assets to another entity, such party is required to (a) make a "gross-up" payment to the other party or (b) receive a payment from which an amount has been deducted or withheld for or on account of any indemnifiable tax, and neither party is able to transfer such obligation to a different jurisdiction or substitute another entity in its place such that the withholding or deduction does not apply;

(iv) the Notes becoming due and payable in accordance with the Indenture at any time prior to their Stated Maturity after the occurrence of an Event of Default;

(v) an Adverse Tax Event;

(vi) the designation of a Credit Default Swap Early Termination Date;

(vii) the designation of a Basis Swap Early Termination Date;

(viii) a Collateral Default; or

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(ix) if (a) the Collateral Put Provider no longer satisfies the Replacement Counterparty Rating and (b) none of the following events has occurred:

(1) within five Business Days of such failure to satisfy the Replacement Counterparty Rating, GSI, a replacement counterparty or an entity that guarantees the obligations of GSI or such replacement counterparty, as the case may be, posts eligible collateral, pursuant to a credit support annex (the "**Credit Support Annex**"), to the Issuer in an amount that satisfies the S&P Rating Condition and the Moody's Rating Condition; or

(2) within 30 days of such Collateral Put Provider failing to satisfy the Replacement Counterparty Rating, if GSI, a replacement counterparty or an entity that guarantees the obligations of GSI or such replacement counterparty, as the case may be, does not elect to post eligible collateral to the Issuer in accordance with subclause (i) above:

(A) GSI or a replacement counterparty, as the case may be, transfers the Collateral Put Agreement, in whole, but not in part, to a counterparty that satisfies the Replacement Counterparty Rating, subject to "—Transfer" below;

(B) the obligations of GSI, a replacement counterparty or an entity that guarantees the obligations of GSI or such replacement counterparty, as the case may be, under the Collateral Put Agreement are guaranteed by a Person that satisfies the Replacement Counterparty Rating;

(C) (I) GSI, a replacement counterparty or an entity that guarantees the obligations of GSI or such replacement counterparty, as the case may be, purchases from the Issuer at a price of 100% any Collateral Security that has a market value of 95% or less, as determined by the Collateral Disposal Agent and (II) after giving effect to the purchase described in the preceding subclause, the S&P Rating Condition and the Moody's Rating Condition will be satisfied; or

(D) GSI, a replacement counterparty or an entity that guarantees the obligations of GSI or such replacement counterparty, as the case may be, takes such other steps, if any, as S&P or Moody's, as the case may be, may require in order to be able to confirm to the Issuer in writing that GSI's, a replacement counterparty's or an entity's that guarantees the obligations of GSI or such replacement counterparty, as the case may be, obligations under the Collateral Put Agreement will be treated by such Rating Agency as if such obligations were owed by a counterparty that satisfies the Replacement Counterparty Rating.

Upon the Trustee becoming aware of the occurrence of any event that gives rise to the right of the Issuer to terminate the Credit Default Swap, the Basis Swap or the Collateral Put Agreement, the Trustee or the Issuing and Paying Agent, as applicable, will as promptly as practicable notify the Noteholders of such event and the Trustee will terminate any such agreement on behalf of the Issuer at the direction of (i) in the case of the Credit Default Swap or the Basis Swap, a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes and (ii) in the case of the Collateral Put Agreement, 100% of the Aggregate USD Equivalent Outstanding Amount of the Notes, in each case voting as a single class. In addition, if an Event of Default or a Termination Event (as such term is defined in the Collateral Put Agreement) for which the Collateral Put Provider is the sole defaulting party or Affected Party (as such term is defined in the Collateral Put Agreement) under the Collateral Put Agreement, then

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the Issuer will have 30 days to enter into a replacement credit default swap and basis swap (otherwise a Mandatory Redemption will occur). See "The Credit Default Swap—Replacement". In connection with any Noteholder vote to terminate the Collateral Put Agreement, any Notes held by or on behalf of the Collateral Put Provider or any of its Affiliates will have no voting rights and will be deemed not to be Outstanding in connection with any such vote.

Amendment

The Collateral Put Agreement may be amended at any time without satisfying the S&P Rating Condition and the Moody's Rating Condition or obtaining the consent of the Noteholders so long as such amendment would not have a material adverse effect on any Holders of the Notes. Otherwise, the Collateral Put Agreement may be amended only with the satisfaction of the S&P Rating Condition and the Moody's Rating Condition and the consent of the Noteholders (in a percentage as would have been required had such amendment been taken pursuant to the Indenture).

Transfer

Neither the Issuer nor the Collateral Put Provider may transfer its rights and obligations under the Collateral Put Agreement without the prior written consent of the other party, which consent will not be unreasonably withheld or delayed, except that, and in any case subject to the S&P Rating Condition:

(i) a party may make such a transfer of its rights and obligation pursuant to a consolidation or amalgamation with, or merger into, or transfer of all or substantially all its assets to or reorganization, incorporation, reincorporating or reconstitution into or as, another entity;

(ii) a party may make such a transfer of all or any part of its interest in certain amounts payable to it from a defaulting party under the Collateral Put Agreement; and

(iii) the Collateral Put Provider may, without recourse, transfer the Collateral Put Agreement (in whole and not in part only) to any of the Collateral Put Provider's Affiliates so long as:

(a) GS Group (or another entity with a credit rating at least equal to that of GS Group) guarantees such transferred obligations of the transferee pursuant to a guaranty in substantially the form of the guaranty of GS Group specified in the Collateral Put Agreement, or such transferee must have a credit rating at least equal to that of GS Group;

(b) the Issuer will not have to make any tax gross-up payments to such Affiliate in an amount greater than what the Issuer would have been required to pay to the Collateral Put Provider in the absence of such transfer;

(c) any payment paid by such Affiliate to the Issuer will not be subject to any withholding tax in excess of what the Collateral Put Provider would have been required to so withhold or deduct in the absence of such transfer;

(d) it does not become unlawful for either party to perform any obligation under the Collateral Put Agreement or the Credit Support Annex, if any, as a result of such transfer; and

(e) a Collateral Put Agreement Early Termination does not occur as a result of such transfer.

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Replacement

See "The Credit Default Swap—Replacement".

Guarantee

GS Group will guarantee the obligations of the Collateral Put Provider under the Collateral Put Agreement.

THE COLLATERAL DISPOSAL AGREEMENT

On the Closing Date, the Issuer will enter into the Collateral Disposal Agreement (the **"Collateral Disposal Agreement"**) with Goldman, Sachs & Co. (in such capacity, the **"Collateral Disposal Agent"**). The following description of the Collateral Disposal Agreement is a summary of certain provisions of the Collateral Disposal Agreement. The following summary does not purport to be complete, and is qualified in its entirety by reference to the detailed provisions of the Collateral Disposal Agreement.

The Notes do not represent an obligation of the Collateral Disposal Agent. Noteholders will not have any right to proceed directly against the Collateral Disposal Agent in respect of the Collateral Disposal Agent's obligations under the Collateral Disposal Agreement. However, the Holders of a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes voting as a single class will have the right to direct the Issuer with respect to the enforcement of any claims that it may have against the Collateral Disposal Agent.

Liquidation

In connection with any liquidation in part of the portfolio of Collateral Securities for any of the circumstances described in subclauses (i), (ii), (v) and (viii) under "Summary—The Collateral Securities—Supplemental Collateral Securities—Liquidation of Collateral Securities", the Collateral Disposal Agent will determine the Selected Collateral Securities to be liquidated (if applicable, after taking into consideration any proceeds from the liquidation of any Eligible Investments); *provided* that any such Selected Collateral Securities will be denominated in the same currency as the Notes for which the Currency Adjusted Aggregate Outstanding Amount is reduced by the related Currency Adjusted Credit Event Adjustment Amount, Currency Adjusted Notional Principal Adjustment Amount, Partial Optional Redemption or a Stated Maturity, as applicable.

In connection with any liquidation of any Collateral Securities, the Collateral Disposal Agent will use commercially reasonable efforts to solicit bids on behalf of the Issuer. The Collateral Disposal Agent may, in its sole discretion, bid up to 100% of the principal amount of a Collateral Security (excluding any accrued interest) if the Collateral Disposal Agent is not able to procure a third-party bid of at least 100%. If such liquidation is in connection with the payment by the Issuer of a Currency Adjusted Notional Principal Adjustment Amount to the applicable Noteholders or an Optional Redemption in Whole or Partial Optional Redemption, the Issuer will have the benefit of the Collateral Put Agreement and no Collateral Security will be liquidated at less than 100% of par. See "The Collateral Put Agreement".

In connection with any liquidation of Collateral Securities as described in subclause (vii) under "Summary—The Collateral Securities—Supplemental Collateral Securities—Liquidation of Collateral Securities", the Collateral Disposal Agent will perform the acts described under "Description of the Notes—Mandatory Redemption", including, but not limited to, those acts described in the Special Termination Liquidation Procedure.

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Early Termination

The Collateral Disposal Agreement will terminate on the earlier of (i) the final Stated Maturity of any Series of Notes, (ii) the Optional Redemption Date, (iii) the Mandatory Redemption Date, (iv) a liquidation of all Collateral Securities following the occurrence of an Event of Default and (v) the termination of the Indenture in accordance with its terms.

Exercise of Put, Repurchase or Similar Right

Notwithstanding any provision to the contrary contained herein, the Collateral Disposal Agent will direct the Trustee to exercise any put right, right under repurchase agreement or other similar right that the Issuer has under any Collateral Security within the applicable time period.

Credit Support Amount Due and Payable

If a Credit Support Annex has been entered into by the Collateral Put Provider and the Issuer and any credit support amount becomes due and payable pursuant to the terms thereof, the Collateral Disposal Agent will (i) calculate the market value of each Collateral Security and (ii) notify the Collateral Put Provider of any such Collateral Security that has a market value of 95% or less.

Amendment

The Collateral Disposal Agreement may be amended only (i) if the S&P Rating Condition and the Moody's Rating Condition have been satisfied and (ii) with the consent of a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes voting as a single class and the Protection Buyer. However, the Collateral Disposal Agreement may be amended at any time without the consent of the Noteholders so long as such amendment will not (i) reduce in any manner the amount of, or delay the timing of, payments which are required to be made to the Issuer or (ii) materially adversely affect the Noteholders (as evidenced by a failure of a Majority of the Noteholders to object to such amendment within 10 Business Days of the Issuer's delivering a notice of such amendment to all Noteholders).

THE PORTFOLIO SELECTION AGENT

The information appearing in this section (other than the information contained under the heading "General") has been prepared by the Portfolio Selection Agent and has not been independently verified by the Issuers, the Initial Purchaser or any other person or entity. None of the Issuers or the Initial Purchaser assumes any responsibility for the accuracy, completeness or applicability of such information. Accordingly, the Portfolio Selection Agent assumes sole responsibility for the accuracy, completeness or applicability of such information. The Portfolio Selection Agent does not assume responsibility for any other information in this Offering Circular.

General

The Portfolio Selection Agent will, pursuant to the terms of the Portfolio Selection Agreement, (a) select the Initial Reference Portfolio and (b) have the right to review the calculations of the Credit Default Swap Calculation Agent and the Trustee on any Determination Date. The Portfolio Selection Agent will not be responsible for producing or providing reports, notices or other information relating to the Notes or the Reference Portfolio. The Portfolio Selection Agent will not provide any other services to the Issuer or act as the "collateral manager" for the Collateral. The Portfolio Selection Agent will not have any fiduciary duties or other duties to the Issuer or to the holders of the Notes and will not have any ability to direct the Trustee to dispose of any items of Collateral.

The Portfolio Selection Agent is not permitted under the terms of the Credit Default Swap to remove or replace any Reference Obligations at any time.

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The Portfolio Selection Agent, its Affiliates or client accounts for which the Portfolio Selection Agent or its Affiliates act as investment advisor may at times own Notes. Any Notes owned by the Portfolio Selection Agent or its Affiliates are subject to disposition by such parties in their discretion. At any given time the Portfolio Selection Agent and its Affiliates will be entitled to vote with respect to any Notes held by them end by such accounts with respect to all other matters. See "Risk Factors—Certain Conflicts of Interest Relating to the Portfolio Selection Agent and its Affiliates".

ACA Management, L.L.C.

ACA Management, L.L.C. (**"ACA Management"**), a Delaware limited liability company formed on May 4, 2001 to provide asset management services to affiliated and non-affiliated investors, will be the portfolio selection agent under the Portfolio Selection Agreement (in such capacity, together with any successor, the **"Portfolio Selection Agent"**).

ACA Management is registered as an "investment adviser" under the U.S. Investment Advisers Act of 1940, as amended (the **"Advisers Act"**).

ACA Management is an indirect wholly-owned subsidiary of ACA Capital Holdings, Inc. (**"ACA Capital Holdings"**). ACA Capital Holdings is a publicly traded company listed on the New York Stock Exchange under the ticker "ACA." Shareholders owning more than 5% of ACA Capital Holdings' outstanding common stock include Bear Stearns Merchant Banking, GCC Investments, Inc., S.F. Holding Corp., Third Avenue Value Fund and Perry Corp. In addition to ACA Management, ACA Capital Holdings' significant subsidiaries include ACA Risk Solutions, L.L.C. (**"ACA Risk Solutions"**), ACA Management's direct parent corporation, ACA Service, L.L.C. (**"ACA Service"**), the holding company for the ACA Capital Holding's U.S. structured finance businesses and direct parent corporation of ACA Risk Solutions, and ACA Financial Guaranty Corporation (**"ACA Guaranty"**), a financial guaranty insurance corporation and the direct parent corporation of ACA Service. Both ACA Risk Solutions and ACA Service are Delaware limited liability corporations and ACA Guaranty is a Maryland stock insurance company. ACA Capital Holdings and its subsidiaries, including ACA Management, are referred to herein as **"ACA Capital"**. The offices of ACA Capital and all of its U.S. domiciled subsidiaries are located at 140 Broadway, 47th Floor, New York, New York 10005.

ACA Service will assist the Portfolio Selection Agent in selecting the Initial Reference Portfolio.

ACA Guaranty has "A" financial strength and financial enhancement ratings from S&P. The S&P rating reflects S&P's current assessment of the creditworthiness of ACA Guaranty and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the S&P's rating may be obtained only from S&P. The S&P rating is not a recommendation to buy, sell or hold any securities, and such rating may be subject to revision or withdrawal at any time by S&P.

THE PORTFOLIO SELECTION AGREEMENT

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

The Portfolio Selection Agent will, pursuant to the Portfolio Selection Agreement, select the Initial Reference Portfolio and have the right to review the calculations of the Credit Default Swap Calculation Agent and the Trustee on any Determination Date.

As compensation for the performance of its obligations as Portfolio Selection Agent under the Portfolio Selection Agreement, the Portfolio Selection Agent will receive a fee (the **"Portfolio Selection Fee"**), to the extent of the funds available for such purpose in accordance with the Priority of Payments. The Portfolio Selection Fee will accrue daily from the Closing Date and will be an amount equal to the sum of (x) with respect to each Payment Date, the sum of the quotients determined for each Class of

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Notes on each day of the related Interest Accrual Period of (i) the product of (a) the average daily Aggregate USD Equivalent Outstanding Amount of such Class during the preceding Interest Accrual Period, (b) the Applicable Class Portfolio Selection Fee Rate with respect to such Class of Notes and (c) the actual number of days in the preceding Interest Accrual Period divided by (ii) 360, payable in arrears on each Payment Date and (y) on the Payment Date occurring in April 2008 and occurring in each successive April to and including the Payment Date immediately following the end of the Non-Call Period, an amount equal to the excess (if any) of (1) $1,000,000 over (2) the aggregate of all Portfolio Selection Fees payable to the Portfolio Selection Agent from and excluding the Payment Date occurring in April of the immediately preceding year (or in the case of the Payment Date occurring in April 2008, from the Closing Date) and the Portfolio Selection Fee that is payable by the Issuer to the Portfolio Selection Agent pursuant to clause (x) on such date.

To the extent not paid on any Payment Date when due, any accrued Portfolio Selection Fee will be deferred and will be payable on the next subsequent Payment Date on which funds are available for the payment thereof in accordance with the Priority of Payments. Any unpaid Portfolio Selection Fee that is deferred due to the operation of the Priority of Payments will not accrue interest.

The Portfolio Selection Agent will be responsible for its own expenses and costs incurred in the course of performing its obligations under the Portfolio Selection Agreement.

The Portfolio Selection Agent will not be liable to the Issuers, the Trustee, the Initial Purchaser, the Noteholders, the Protection Buyer, the Collateral Put Provider, the Basis Swap Counterparty, the Collateral Disposal Agent or any of their respective Affiliates, partners, shareholders, officers, directors, employees, agents, accountants and attorneys for any losses, damages, claims, liabilities, costs or expenses (including attorney's fees) incurred as a result of the actions taken or recommended by or on behalf of the Portfolio Selection Agent under the Portfolio Selection Agreement, the Credit Default Swap or the Indenture, except by reason of acts constituting bad faith, willful misconduct, gross negligence or reckless disregard of its duties and obligations thereunder.

The Portfolio Selection Agent and any of its Affiliates may engage in other businesses and may furnish investment management and advisory services to related entities whose investment policies may differ from or be similar to those followed by the Portfolio Selection Agent on behalf of the Issuer, as required by the Portfolio Selection Agreement. The Portfolio Selection Agent and its Affiliates will be free, in their sole discretion, to make recommendations to others, or effect transactions on behalf of themselves or others which may be the same as or different from those effected with respect to the Reference Portfolio. In addition, the Portfolio Selection Agent and its Affiliates may, from time to time, cause, direct or recommend that their clients buy or sell securities of the same or different kind or class of the same issuer as securities that are part of the Reference Portfolio and that the Portfolio Selection Agent directs to be included in or removed from the Reference Portfolio. See "Risk Factors—Certain Conflicts of Interest Relating to the Portfolio Selection Agent and its Affiliates."

Neither the Portfolio Selection Agent nor any of its Affiliates are under any obligation to maintain any investment in the Notes.

ACCOUNTS

Interest Collection Account and Principal Collection Account

Interest Proceeds and interest payments received on the Collateral Securities (which interest payments shall be paid to the Basis Swap Counterparty pursuant to the Basis Swap) shall be deposited into a segregated trust account (within which related subaccounts may be created to deposit such amounts in different Approved Currencies) held in the name of the Issuer for the benefit of the Holders of the Notes (the **"Interest Collection Account"**). Amounts deposited in the Interest Collection Account 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".

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Principal Proceeds shall be deposited into a segregated trust account (within which related subaccounts may be created to deposit such amounts in different Approved Currencies) designated as the **"Principal Collection Account"**. Amounts deposited in the Principal Collection Account will be invested in Eligible Investments until such Principal Proceeds are (i) reinvested in Collateral Securities (or pending such reinvestment, reinvested in Eligible Investments) or (ii) applied in accordance with the Priority of Payments. See "Description of the Notes—Priority of Payments".

Payment Account

On or prior to each Payment Date and on or prior to any other Business Day on which any other payment is required to be made by the Issuer, the Trustee will deposit into a separate account (within which related subaccounts may be created to deposit such amounts in different Approved Currencies) held in the name of the Issuer for the benefit of the Holders of the Notes and designated as the **"Payment Account"** as set forth in the Indenture, the applicable amount of funds from the Interest Collection Account and/or the Principal Collection Account, as applicable, for payment of amounts described in accordance with the priorities described under "Description of the Notes—Priority of Payments".

Closing Date Expense Account

The Trustee will establish and maintain a segregated trust account (the **"Closing Date Expense Account"**) for the payment of Closing Date expenses. On the Closing Date, the Trustee will deposit into the Closing Date Expense Account part of the Upfront Payment, and such amount will be used to pay expenses associated with the Closing Date. Any amount deposited in the Closing Date Expense Account and not required for payment of such expenses shall be transferred by the Trustee at the direction of the Protection Buyer.

Collateral Put Provider Account

If a Credit Support Annex has been entered into by the Collateral Put Provider and the Issuer, Posted Collateral pledged pursuant to the terms thereof shall be deposited into a segregated trust account or trust accounts so designated and established pursuant to the Indenture and held there pursuant to the Collateral Put Agreement (such account, the **"Collateral Put Provider Account"**).

CDS Issuer Account

On the Closing Date, the Trustee will establish and maintain a segregated trust account (the **"CDS Issuer Account"**) with respect to the Credit Default Swap, into which all required amounts received by the Trustee from the Protection Buyer shall be deposited by the Trustee (as directed by the Issuer). The Trustee will deposit each Fixed Payment received from the Protection Buyer pursuant to clauses (I)(i) through (iii) of the definition of "Fixed Payment" into a subaccount of the CDS Issuer Account (such subaccount, the **"CDS Issuer Fixed Payment Subaccount"**). On each succeeding Payment Date, amounts previously on deposit in the CDS Issuer Fixed Payment Subaccount will be released by the Trustee and designated as Interest Proceeds. If a Replacement Counterparty enters into a replacement credit default swap and replacement basis swap pursuant to the Replacement Counterparty Procedures, the Trustee will establish a subaccount of the CDS Issuer Account in which amounts to be paid by such Replacement Counterparty shall be deposited.

THE ISSUERS

General

The Issuer was incorporated on March 1, 2007 in the Cayman Islands under the Companies Law (2004 Revision) of the Cayman Islands with the registration number 183083. The registered office of the Issuer is at the offices of Maples Finance Limited, P.O. Box 1093 GT, Queensgate House, South Church

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Street, George Town, Grand Cayman, Cayman Islands. The Issuer was incorporated for the specific purpose of carrying out the transactions described in this Offering Circular, which primarily consists of issuing the Notes, acquiring the Collateral, entering into the Credit Default Swap, the Basis Swap and the Collateral Put Agreement and engaging in certain related transactions, as set forth in Clause 3 of its Memorandum and Articles of Association. Prior to the date hereof, the Issuer has not engaged in any activities other than in connection with the acquisition of certain of the Collateral Securities to be held on the Closing Date.

The Co-Issuer was incorporated on February 27, 2007 in the State of Delaware under the General Corporation Law of the State of Delaware with the registration number 4308559. The registered office of the Co-Issuer is at 850 Library Avenue, Suite 204, Newark, Delaware 19711. The Co-Issuer was organized for the specific purpose of carrying out the transactions described in this Offering Circular, which primarily consists of co-issuing the Co-Issued Notes, as set forth in Article Third of its Certificate of Incorporation. The Co-Issuer has no prior operating history.

The Co-Issued Notes are obligations only of the Issuers and not of the Trustee, the Issuing and Paying Agent, the Initial Purchaser, the Portfolio Selection Agent, the Administrator, the Share Trustee or any directors or officers of the Issuers or any of their respective Affiliates. The Issuer Notes are obligations only of the Issuer and not of the Co-Issuer, the Trustee, the Issuing and Paying Agent, the Initial Purchaser, the Portfolio Selection Agent, the Administrator, the Share Trustee or any directors or officers of the Issuers or any of their respective Affiliates.

At the Closing Date, the authorized share capital of the Issuer will consist of 300 ordinary shares, $1.00 par value per share (the "**Issuer Ordinary Shares**"), all of which shares will be issued prior to the Closing Date. The authorized common stock of the Co-Issuer consists of 1,000 shares of common stock, $.01 par value (the "**Co-Issuer Common Stock**"), all of which shares will be issued prior to the Closing Date. All of the outstanding Issuer Ordinary Shares will be held by the Share Trustee under the terms of a declaration of trust, which provides that the shares and other amounts held on trust thereunder shall be divided into three equal parts and be held for the benefit of three mutually exclusive groups of corporations and companies whose objects are exclusively charitable and which provides that the Share Trustee shall not, as shareholder, give directions in relation to the management of the business of the Issuer without the prior written consent of the Trustee. The Co-Issuer Common Stock will be held by the Issuer. For so long as eny of the Notes are Outstanding, no beneficial interest in the Issuer Ordinary Shares or the Co-Issuer Common Stock shall be registered to a U.S. Person.

Capitalization of the Issuer

The initial proposed capitalization (including the USD Equivalent of the Notes denominated in Approved Currencies other than Dollars) of the Issuer as of the Closing Date after giving effect to the issuance of the Notes and the Issuer Ordinary Shares (before deducting expenses of the offering) is as set forth below.

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	Amount
Class SS Notes	$ 0
Class A-1 Notes	$ 50,000,000
Class A-2 Notes	$ 142,000,000
Class B Notes	$ 0
Class C Notes	$ 0
Class D Notes	$ 0
Class FL Notes	$ 0
Total Debt	$ 192,000,000
Issuer Ordinary Shares	$ 300
Total Equity	$ 300
Total Capitalization	$ 192,000,300

Capitalization of the Co-Issuer

The Co-Issuer will be capitalized only to the extent of common equity of $10, will have no assets other than its equity capital and will have no debt other than as Co-Issuer of the Co-Issued Notes.

The Co-Issuer has agreed to co-issue the Co-Issued Notes as an accommodation to the Issuer, and the Co-Issuer is receiving no remuneration for so acting. Because the Co-Issuer has no assets, and is not permitted to have any assets, Noteholders will not be able to exercise their rights with respect to the Notes against any assets of the Co-Issuer. Noteholders must rely on the Issuer Assets held by the Issuer and pledged to the Trustee for the benefit of the Noteholders (and certain service providers) for payment on their respective Notes, in accordance with the Priority of Payments.

Business

The Issuers will not undertake any business other than the issuance of the Co-Issued Notes and, in the case of the Issuer, the issuance of the Issuer Notes and the Issuer Ordinary Shares, the acquisition of the Collateral and entering into the Credit Default Swap, the Portfolio Selection Agreement, the Basis Swap and the Collateral Put Agreement and, in each case, other related transactions. The Issuer will not have any subsidiaries other than the Co-Issuer. The Co-Issuer will not have any subsidiaries.

In addition, pursuant to the terms of the Collateral Administration Agreement, the Issuer will retain the Collateral Administrator to compile certain reports with respect to the Issuer Assets. The compensation paid by the Issuer for such services will be in addition to the fees paid to LaSalle Bank National Association in its capacity as Trustee, and will be treated as an expense of the Issuer and will be subject to the Priority of Payments.

The Administrator will act as the administrator of the Issuer. The office of the Administrator will serve as the general business office of the Issuer. Through this office and pursuant to the terms of an agreement, dated April 25, 2007, between the Administrator and the Issuer relating to the administration of the Issuer in the Cayman Islands, and as amended from time to time in accordance with the terms thereof (the "**Administration Agreement**"), the Administrator will perform various management functions on behalf of the Issuer, including communications with shareholders and the general public, and the provision of certain clerical, administrative and other services until the termination of the Administration Agreement. In consideration of the foregoing, the Administrator will receive various fees and other charges payable by the Issuer at rates agreed upon from time to time plus expenses. The directors of the Issuer listed below are also officers and/or employees of the Administrator.

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The Administrator will be subject to the overview of the Issuer's Board of Directors. The Administration Agreement may be terminated by either the Issuer or the Administrator upon three months' written notice.

The Administrator's principal office is: P.O. Box 1093 GT, Queensgate House, South Church Street, Grand Cayman, Cayman Islands.

Directors

The Directors of the Issuer are Wendy Ebanks and Carrie Bunton.

The Director of the Co-Issuer is Donald Puglisi.

INCOME TAX CONSIDERATIONS

General

Purchasers of Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the issue price of each Note.

Potential purchasers who are in any doubt about their tax position on purchase, ownership, transfer or exercise of any Note should consult their own tax advisers. **In particular, no representation is made as to the manner in which payments under the Notes would be characterized by any relevant taxing authority.** Potential investors should be aware that the relevant fiscal rules or their interpretation may change, possibly with retrospective effect, and that this summary is not exhaustive. This summary does not constitute legal or tax advice or a guarantee to any potential investor of the tax consequences of investing in the Notes.

Cayman Islands Tax Considerations

The following discussion of certain Cayman Islands income tax consequences of an investment in the Notes is based on the advice of Maples and Calder as to Cayman Islands law. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It assumes that the Issuer will conduct its affairs in accordance with assumptions made by, and representations made to, counsel. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

The following is a general summary of Cayman Islands taxation in relation to the Notes.

Under existing Cayman Islands laws:

(i) payments of principal and interest in respect of, or distributions on, the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any Holder of a Note and gains derived from the sale of Notes will not be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax; and

(ii) no stamp duty is payable in respect of the issue of the Notes. The Notes themselves will be stampable if they are executed in or brought into the Cayman Islands.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has applied for and obtained an undertaking from the Governor in Cabinet of the Cayman Islands substantially in the following form:

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"THE TAX CONCESSIONS LAW
(1999 REVISION)
UNDERTAKING AS TO TAX CONCESSIONS

In accordance with Section 6 of the Tax Concessions Law (1999 Revision), the Governor in Cabinet undertakes with:

ABACUS 2007-AC1, Ltd. ("the Company")

(a) 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 Company or its operations; and

(b) 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

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) 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).

These concessions shall be for a period of THIRTY years from the 13th day of March 2007.

GOVERNOR IN CABINET"

The Cayman Islands does not have an income tax treaty arrangement with the United States or any other country. The Cayman Islands has entered into an information exchange agreement with the United States.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN TAX IMPLICATIONS OF AN INVESTMENT IN THE NOTES. PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS PRIOR TO INVESTING TO DETERMINE THE TAX IMPLICATIONS OF SUCH INVESTMENT IN LIGHT OF EACH SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

United States Federal Income Taxation

General.

The following summary describes the principal U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes to investors that acquire the Notes at original issuance for an amount equal to the "Issue Price" of the relevant Class of Notes (for purposes of this section, with respect to each such Class of Notes, the first price at which a substantial amount of Notes of such Class are sold to the public (excluding bond houses, brokers, underwriters, placement agents, and wholesalers) is referred to herein as the "**Issue Price**"). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a particular investor's decision to purchase the Notes. 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 income tax laws. In general, the summary assumes that a holder holds a Note as a capital asset and not as part of a hedge, straddle, or conversion transaction, within the meaning of Section 1258 of the Code.

The advice below was not written and is not intended to be used and cannot be used by any taxpayer for purposes of avoiding United States federal income tax penalties that may be imposed. The

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advice is written to support the promotion or marketing of the transaction. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The foregoing disclaimer is provided to satisfy obligations under Circular 230 governing standards of practice before the Internal Revenue Service.

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

This summary is included herein for general information only, and there can be no assurance that the U.S. Internal Revenue Service (the **"IRS"**) will take a similar view of the U.S. federal income tax consequences of an investment in the Notes as described herein. ACCORDINGLY, PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, AND THE POSSIBLE APPLICATION OF STATE, LOCAL, FOREIGN OR OTHER TAX LAWS. IN PARTICULAR, NO REPRESENTATION IS MADE AS TO THE MANNER IN WHICH PAYMENTS UNDER THE NOTES WOULD BE CHARACTERIZED BY ANY RELEVANT TAXING AUTHORITY.

As used in this section, the term "U.S. Holder" includes a beneficial owner of a Note that is, for U.S. federal income tax purposes, a citizen or individual resident of the United States of America, an entity treated for United States federal income tax purposes as a corporation or a partnership created or organized in or under the laws of the United States of America or any state thereof or the District of Columbia, an estate the income of which is includable in gross income for U.S. federal income tax purposes regardless of its source, or a trust if, in general, a court within the United States of America is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of such trust, and certain eligible trusts that have elected to be treated as United States persons. This summary assumes that a U.S. Holder has a U.S. Dollar functional currency and the Issuer has a non-U.S. Dollar functional currency. This summary also does not address the rules applicable to certain types of investors that are subject to special U.S. federal income tax rules, including but not limited to, dealers in securities or currencies, traders in securities, financial institutions, U.S. expatriates, tax-exempt entities, charitable remainder trusts and their beneficiaries, insurance companies, persons or their qualified business units (**"QBUs"**) whose functional currency is not the U.S. Dollar, persons that own (directly or indirectly) equity interests in holders of Notes and subsequent purchasers of the Notes.

For U.S. federal income tax purposes, the Issuer, and not the Co-Issuer, will be treated as the issuer of the Co-Issued Notes.

Tax Treatment of the Issuer

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

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The Issuer intends to rely on the above exemption and does not intend to operate so as to be subject to U.S. federal income taxes on its net income. In this regard, on the Closing Date, the Issuer will receive an opinion from McKee Nelson LLP, special U.S. tax counsel to the Issuer and the Co-Issuer (**"Special U.S. Tax Counsel"**) to the effect that, although no activity closely comparable to that contemplated by the Issuer has been the subject of any Treasury regulation, administrative ruling or judicial decision, under current law and assuming compliance with the Issuer's relevant governing documents, the Indenture, the Issuing and Paying Agency Agreement, the Portfolio Selection Agreement and other related documents (the **"Documents"**), the Issuer's permitted activities will not cause it to be engaged in a trade or business in the United States, and consequently, the Issuer's profits will not be subject to U.S. federal income tax on a net income basis. The opinion of Special U.S. Tax Counsel will be based on the Code, the Treasury regulations (final, temporary and proposed) thereunder, the existing authorities, and Special U.S. Tax Counsel's interpretation thereof and judgment concerning their application to the Issuer's permitted activities, and on certain factual assumptions and representations as to the Issuer's permitted activities. The Issuer intends to conduct its affairs in accordance with the Documents and such assumptions and representations, and the remainder of this summary assumes such result. In addition, in complying with the Documents and such assumptions and representations, the Issuer is entitled to rely upon the advice and/or opinions of their selected counsel, and the opinion of Special U.S. Tax Counsel will assume that any such advice and/or opinions are correct and complete. However, the opinion of Special U.S. Tax Counsel and any such other advice or opinions are not binding on the IRS or the courts, and no ruling will be sought from the IRS regarding this, or any other, aspect of the U.S. federal income tax treatment of the Issuer. Accordingly, in the absence of authority on point, the U.S. federal income tax treatment of the Issuer is not entirely free from doubt, and there can be no assurance that positions contrary to those stated in the opinion of Special U.S. Tax Counsel or any such other advice or opinions may not be asserted successfully by the IRS.

If, notwithstanding the Issuer's intention and the aforementioned opinion of Special U.S. Tax Counsel or any such other advice or opinions, it were nonetheless determined that the Issuer were engaged in a United States trade or business and the Issuer had taxable income that was effectively connected with such U.S. trade or business, the Issuer would be subject under the Code to the regular U.S. corporate income tax on such effectively connected taxable income (and possibly to the 30% branch profits tax as well). The imposition of such taxes would materially affect the Issuer's financial ability to make payments with respect to the Notes and could materially affect the yield of the Notes. In addition, the imposition of such taxes could constitute an Adverse Tax Event.

Legislation recently proposed in the U.S. Senate would, for tax years beginning at least two years after its enactment, tax a corporation as a U.S. corporation if the equity of that corporation is regularly traded on an established securities market and the management and control of the corporation occurs primarily within the United States. It is unknown whether this proposal will be enacted in its current form and, whether if enacted, the Issuer would be subject to its provisions. However, upon enactment of this or similar legislation, the Issuer will be permitted, with an opinion of counsel, to take such action as it deems advisable to prevent the Issuer from being subject to such legislation. These actions could include removing some classes of Notes from listing on a stock exchange.

Generally, foreign currency gains are sourced to the residence of the recipient. Thus, foreign currency gains of a non-U.S. corporation are generally treated as foreign source income. However, if for this purpose a non-United States corporation has a principal place of business in the United States (the **"U.S. business"**), even if the corporation has another principal place of business outside the United States, generally any foreign currency gain properly reflected as income of the U.S. business is treated as U.S. source income. Any U.S. source foreign currency gains that are not derived from the sale of property are subject to U.S. withholding tax. A non-U.S. corporation could be considered to have a U.S. business for this purpose even if it does not have any income effectively connected to a United States trade or business for purposes of being subject to U.S. taxation on its net income. The Issuer intends to take the position that none of its foreign currency gains will be subject to U.S. withholding tax. However, the application of these rules is unclear and the activities of the Issuer could cause it to have foreign

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currency gains subject to U.S. withholding tax. In addition, the imposition of such taxes could constitute an Adverse Tax Event.

United States Withholding Taxes. Although, based on the foregoing, the Issuer is not expected to be subject to U.S. federal income tax on a net income basis, income derived by the Issuer may be subject to withholding taxes imposed by the United States or other countries. Generally, U.S. source interest income received by a foreign corporation not engaged in a trade or business within the United States is subject to U.S. withholding tax at the rate of 30% of the amount thereof. The Code provides an exemption (the **"portfolio interest exemption"**) from such withholding tax for interest paid with respect to certain debt obligations issued after July 18, 1984, unless the interest constitutes a certain type of contingent interest or is paid to a 10% shareholder of the payor, to a controlled foreign corporation related to the payor, or to a bank with respect to a loan entered into in the ordinary course of its business. In this regard, the Issuer is permitted to acquire a particular Collateral Security only if the payments thereon are exempt from U.S. withholding taxes at the time of purchase or commitment to purchase or the obligor is required to make "gross-up" payments that offset fully any such tax on any such payments. The Issuer does not anticipate that it will derive material amounts of any other items of income that would be subject to U.S. withholding taxes. Accordingly, assuming compliance with the foregoing restrictions and subject to the foregoing qualifications, interest income derived by the Issuer will be free of or fully "grossed up" for any material amount of U.S. withholding tax. As for the Credit Default Swap, payments under the Credit Default Swap do not constitute interest for purposes of U.S. withholding taxes. The Issuer intends to treat the Credit Default Swap as either a "notional principal contract" or an option for U.S. federal income tax purposes. Generally, payments made pursuant to a notional principal contract or an option are not subject to U.S. withholding. However, the IRS may seek to characterize the Credit Default Swap in a manner that would make payment under it subject to U.S. withholding. Furthermore, there can be no assurance that income derived by the Issuer will not generally become subject to U.S. withholding tax as a result of a change in U.S. tax law or administrative practice, procedure, or interpretations thereof. Any change in U.S. tax law or administrative practice, procedure, or interpretations thereof resulting in the income of the Issuer becoming subject to U.S. withholding taxes could constitute an Adverse Tax Event. It is also anticipated that the Issuer will acquire Collateral Securities that consist of obligations of non-U.S. issuers. In this regard, the Issuer may only acquire a particular Collateral Security if either the payments thereon are not subject to foreign withholding tax or the obligor of the Collateral Security is required to make "gross-up" payments.

Prospective investors should be aware that, under certain Treasury Regulations, the IRS may disregard the participation of an intermediary in a "conduit" financing arrangement and the conclusions reached in the immediately preceding paragraph assume that such Treasury Regulations do not apply. Those Treasury Regulations could require withholding of U.S. federal income tax from payments to the Issuer. In order to prevent "conduit" classification, each Non-U.S. Holder and beneficial owner of an Issuer Note that is acquiring, directly or in conjunction with affiliates, more than 33 1/3% of the Aggregate USD Equivalent Outstanding Amount of any such Class of Issuer Notes, as applicable, will make or be deemed to make a representation to the effect that it is not an Affected Bank. **"Affected Bank"** means a "bank" for purposes of Section 881 of the Code or an entity affiliated with such a bank that neither (x) meets the definition of a U.S. Holder nor (y) is entitled to the benefits of an income tax treaty with the United States under which withholding taxes on interest payments made by obligors resident in the United States to such bank are reduced to 0%.

Tax Treatment of U.S. Holders of the Co-Issued Notes

Treatment of the Co-Issued Notes. Although there is no authority directly on point, and as a result, the opinion cannot be free from doubt, in the opinion of Special U.S. Tax Counsel, the Co-Issued Notes will be treated as debt for U.S. federal income tax purposes when issued. Although the Issuer Notes are denominated as debt, based on the capital structure of the Issuer and the characteristics of the Issuer Notes, it is unlikely that all the Issuer Notes, when issued, would be treated as debt of the Issuer for U.S. federal income tax purposes. However, it is possible that the IRS could assert that the Notes

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should be treated as the issuance of credit-linked debt by the Protection Buyer. The Holder of such Notes would have accrued income under the contingent debt rules which could affect the timing of such income. Any gain and certain losses from the sale of such Notes would result in ordinary income or loss because such Notes would be treated as contingent debt. This summary assumes that the treatment of the Co-Issued Notes as debt and the Issuer Notes as equity of the Issuer for U.S. federal income tax purposes is correct. The Issuer Notes are discussed below under "—Tax Treatment of U.S. Holders of Issuer Notes". Further, the Issuer will treat, and each holder and beneficial owner of Co-Issued Notes (by acquiring such Notes or an interest in such Notes) will agree to treat, the Co-Issued Notes as debt for U.S. federal income tax purposes except (x) as otherwise required by applicable law, (y) to the extent a Holder of such Co-Issued Notes makes a protective QEF election (as described below under "—Tax Treatment of U.S. Holders of Issuer Notes—Investment in a Passive Foreign Investment Company") or (z) to the extent that the Holder files certain United States tax information returns required of only certain equity owners with respect to various reporting requirements under the Code (as described below under "—Transfer Reporting Requirements" and "—Tax Return Disclosure and Investor List Requirements"). The determination of whether a Co-Issued Note will be treated as debt for United States federal income tax purposes is based on the applicable law and facts and circumstances existing at the time such Note is issued. Material changes from those existing on the Closing Date (e.g. a material decline in the value of the Issuer's assets and/or, a material change in the likelihood a Note will be repaid in full) may adversely affect the characterization of any Co-Issued Notes issued after (but not before) such changes. However, the opinion of Special U.S. Tax Counsel is based on current law and certain representations and assumptions (including the assumption that any subsequent opinion with respect to the tax characterization of the Co-Issued Notes is correct) and is not binding on the IRS or the courts, and no ruling will be sought from the IRS regarding this, or any other, aspect of the U.S. federal income tax treatment of the Notes. Accordingly, there can be no assurance that the IRS will not contend, and that a court will not ultimately hold, that one or more Classes of the Co-Issued Notes are properly treated as equity in the Issuer for U.S. federal income tax purposes. Recharacterization of a Class of Notes, particularly the Class C Notes because of their place in the capital structure, may be more likely if a single investor or a group of investors that holds all of the Issuer Notes also holds all of the more senior Class of Notes in the same proportion as the Issuer Notes are held. If any Class of the Co-Issued Notes were treated as equity in, rather than debt of, the issuer for U.S. federal income tax purposes, U.S. Holders of such Class would be subject to taxation under rules substantially the same as those set forth below under "—Tax Treatment of U.S. Holders of Issuer Notes" which could cause adverse tax consequences for such U.S. Holders upon the sale, exchange, redemption, retirement or other taxable disposition of, or the receipt of certain types of distributions on, such Notes.

In this regard, any U.S. Holder of a Co-Issued Note that treats such Note as equity in the Issuer for U.S. federal income tax purposes, inconsistently with the Issuer's treatment of such Notes for such purposes, is required to disclose such treatment on its U.S. federal income tax return. Additionally, if a U.S. Holder of a Co-Issued Note treats such Note as debt of the Issuer for U.S. federal income tax purposes, consistently with the Issuer's treatment of such Note for such purposes, it is unclear whether such U.S. Holder will be able to make a protective QEF election (described below in "—Tax Treatment of U.S. Holders of Issuer Notes—Investment in a Passive Foreign Investment Company") in anticipation of any possible recharacterization of such Note as equity in the Issuer.

Interest or Discount on the Co-Issued Notes. The Co-Issued Notes may be subject to the rules applicable to contingent payment debt instruments because the timing of their principal repayment is contingent on the principal payments of the Reference Obligations rather than obligations held by the Issuer. If these Notes are not treated as contingent payment debt obligations and subject to the discussion below, U.S. Holders of these Notes generally should include in gross income payments of stated interest received, in accordance with their usual method of accounting for U.S. federal income tax purposes, as ordinary interest income from sources outside the United States.

If the Issue Price of the Co-Issued Notes is less than such Note's respective "stated redemption price at maturity" by more than a *de minimis* amount, U.S. Holders will be considered to have purchased

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such Notes with original issue discount ("OID"). The respective stated redemption price at maturity of the Co-Issued Notes will be the sum of all payments to be received on such Notes, other than payments of stated interest which is unconditionally payable in money at least annually during the entire term of a debt instrument (**"Qualified Stated Interest"**). Interest can be considered unconditionally payable if nonpayment is sufficiently remote under the terms of the obligations or reasonable legal remedies exist to compel timely payment. Prospective U.S. Holders of the Co-Issued Notes should note that if any interest is not unconditionally payable in money on each Payment Date (and, therefore, not Qualified Stated Interest), all of the stated interest payments may be included in the stated redemption prices at maturity, and required to be accrued by U.S. Holders pursuant to the rules described below.

A U.S. Holder of a Co-Issued Note issued with OID will be required to accrue and include in gross income the sum of the daily portions of total OID for each day during the taxable year on which the U.S. Holder held the Co-Issued Note, generally under a constant yield method, regardless of such U.S. Holder's usual method of accounting for U.S. federal income tax purposes. In addition, if a Co-Issued Note is not treated as issued with OID a U.S. Holder should include any *de minimis* OID in gross income proportionately as stated principal payments are received. Such *de minimis* OID should be treated as gain from the sale or exchange of property and may be eligible as capital gain if the Co-Issued Note is a capital asset in the hands of the U.S. Holder.

Because the Co-Issued Notes provide for a floating rate of interest, the amount of OID to be accrued over the term of each Co-Issued Note will be based initially on the assumption that the floating rate in effect for the first Interest Accrual Period will remain constant throughout the term. To the extent such rate varies with respect to any Interest Accrual Period, such variation will be reflected in an increase or decrease of the amount of OID accrued for such period. Under the foregoing method, if stated interest on a class of Co-Issued Notes is required to be accrued under the OID rules, U.S. Holders may be required to include in gross income increasingly greater amounts of OID and may be required to include OID in advance of the receipt of cash attributable to such income.

Unless the contingent payment obligation rules apply each Class of Co-Issued Notes issued with more than de minimis OID may be subject to rules requiring the use of an essumption as to the prepayments, as discussed below under "—OID on the Co-Issued Notes". A prepayment assumption applies to debt instruments if payment under such debt instruments may be accelerated by reason of prepayments of other obligations securing such debt instruments. Application of a prepayment assumption is uncertain because prepayments on the Co-Issued Notes are generally dependent on prepayments on the Reference Portfolio rather than the Collateral Securities.

OID on the Co-Issued Notes. The Treasury regulations governing the calculation of OID on instruments having contingent interest payments specifically do not apply for purposes of calculating OID on debt instruments required to use a prepayment assumption. The Issuer intends to base its computations on a prepayment assumption for the Reference Portfolio, although, as noted above, it is uncertain whether such assumption is required or permitted. In addition, no regulatory guidance currently exists under the Code for prepayment assumptions. Accordingly, there can be no assurance that this methodology represents the correct manner of calculating OID. If the IRS were to successfully contend that another method of accruing OID with respect to the Co-Issued Notes is appropriate, the U.S. federal income tax consequences to a U.S. Holder of the Co-Issued Notes could be adverse or more favorable. If the Co-Issued Notes are deemed to be contingent debt obligations, then U.S. Treasury regulations may apply to the Co-Issued Notes that would apply the non-contingent bond method to non-U.S. Dollar denominated debt instruments that provide for certain contingent payments.

A subsequent purchaser of a Co-Issued Note issued with OID who purchases that Note at a cost less than the remaining stated redemption price at maturity will also be required to include in gross income the sum of the daily portions of OID on the Co-Issued Note. In computing the daily portions of OID for a subsequent purchaser of a Co-Issued Note (as well as an initial purchaser that purchases at a price higher than the adjusted Issue Price, but less than the stated redemption price at maturity),

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however, the daily portion is reduced by the amount that would be the daily portion for the day (computed in accordance with the rules set forth above) *multiplied by* a fraction, the numerator of which is the amount, if any, by which the price paid by the U.S. Holder for the Co-Issued Note exceeds the difference between (a) the sum of the Issue Price *plus* the aggregate amount of OID that would have been able to be included in the gross income of an original U.S. Holder (who purchased the Co-Issued Note at the Issue Price) and (b) any prior payments included in the stated redemption price at maturity, and the denominator of which is the sum of the daily portions for the Co-Issued Note for all days beginning on the date after the purchase date and ending on the maturity date computed under the prepayment assumption.

A U.S. Holder who pays a premium for a Co-Issued Note (i.e., purchases the Co-Issued Note for an amount greater the stated redemption price at maturity) may elect to amortize such premium under a constant yield method over the life of the Co-Issued Note. The amortizable amount for any Interest Accrual Period would offset the amount of interest that must be included in the gross income of a U.S. Holder in such Interest Accrual Period. The U.S. Holder's basis in the Co-Issued Note would be reduced by the amount of amortization. It is not clear whether the prepayment assumption would be taken into account in determining the life of the for the timing of the amortization of such premium for this purpose.

If the U.S. Holder acquires a Co-Issued Note at a discount to the adjusted Issue Price of the Co-Issued Note that is greater than a specified *de minimis* amount, such discount is treated as market discount. Absent an election to accrue into income currently, the amount of accrued market discount on a Co-Issued Note is included in income as ordinary income when principal payments are received or the U.S. Holder disposes of the Co-Issued Note. Market discount is accrued ratably unless the U.S. Holder elects to use a constant yield method for accrual. For this purpose, the term "rateably" may be based on the term of the Co-Issued Note or a U.S. Holder may be permitted to accrue market discount in proportion to interest on Co-Issued Notes issued without OID or in proportion to OID on Co-Issued Notes issued with OID.

As a result of the complexity of the OID rules, each U.S. Holder of any Co-Issued Notes should consult its own tax advisor regarding the impact of the OID rules on its investment in such Notes.

Election to Treat All Interest as OID. The OID rules permit a U.S. Holder of a Co-Issued Note to elect to accrue all interest, discount (including *de minimis* market or original issue discount) and premium in income as interest, based on a constant yield method. If an election to treat all interest as OID were to be made with respect to a Co-Issued Note with market discount, the U.S. Holder of such Note making such election would be deemed to have made an election to include in income currently market discount with respect to all other debt instruments having market discount that such U.S. Holder acquires during the year of the election or thereafter. Similarly, a U.S. Holder that makes this election for a Note that is acquired at a premium will be deemed to have made an election to amortize bond premium with respect to all debt instruments having amortizable bond premium that such U.S. Holder owns or acquires. The election to accrue interest, discount and premium on a constant yield method with respect to a Co-Issued Note cannot be revoked without the consent of the IRS.

Disposition of the Co-Issued Notes. In general, a U.S. Holder of a Co-Issued Note initially will have a basis in such Note equal to the cost of such Note to such U.S. Holder, (i) increased by any amount includable in income by such U.S. Holder as OID with respect to such Note, and (ii) reduced by any amortized premium and by payments on the Co-Issued Note, other than payments of stated interest on the Co-Issued Note. Upon a sale, exchange, redemption, retirement or other taxable disposition of a Co-Issued Note, a U.S. Holder will generally recognize gain or loss equal to the difference between the amount realized on the sale, exchange, redemption, retirement or other taxable disposition (other than amounts attributable to accrued interest on a Co-Issued Note, which will be taxable as described above) and the U.S. Holder's tax basis in such Note. Except to the extent of accrued interest or market discount not previously included in income, or unless the rules applicable to contingent payment debt obligations apply, gain or loss from the disposition of a Co-Issued Note generally will be long-term capital gain or loss if the U.S. Holder held the Co-Issued Note for more than one year at the time of disposition, provided that

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the Co-Issued Note is held as a "capital asset" (generally, property held for investment) within the meaning of Section 1221 of the Code, except to the extent of accrued market discount not previously included in income.

However, if the IRS or a court determines that any Class of the Co-Issued Notes constitute contingent payment debt obligations subject to the non-contingent bond method, then a U.S. Holder generally will have a basis in such Co-Issued Note equal to the cost of such Co-Issued Note to such U.S. Holder (i) increased by OID accrued with respect to the Co-Issued Notes (determined without regard to adjustments made to reflect the differences between actual and projected payments), and (ii) reduced by the amount of any non-contingent payments and the projected amount of any contingent payments previously made on the Co-Issued Notes. Any gain recognized on the sale, exchange, redemption, retirement or other taxable disposition of the Co-Issued Note will be treated as ordinary interest income. Further, in such a case, any loss will be treated as ordinary loss to the extent of prior interest inclusions with respect to the Co-Issued Notes, reduced by the total net negative adjustments that the U.S. Holder has taken into account as ordinary loss with respect to the Co-Issued Notes; any remaining loss will be a capital loss.

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.

Any gain recognized by a U.S. Holder on the sale, exchange, redemption, retirement or other taxable disposition of a Co-Issued Note generally will be treated as from sources within the United States assuming that such Co-Issued Note is not held by a U.S. Holder through a non-U.S. branch.

Alternative Characterization of the Co-Issued Notes. Notwithstanding special U.S. tax counsel's opinion, U.S. Holders should recognize that there is some uncertainty regarding the appropriate classification of instruments such as the Co-Issued Notes. It is possible, for example, that the IRS may contend that a Class of Co-Issued Notes should be treated as equity interests (or as part debt, part equity) in the Issuer. Such a recharacterization might result in material adverse U.S. federal income tax consequences to U.S. Holders. If U.S. Holders of a Class of the Co-Issued Notes were treated as owning equity interests in the Issuer, the U.S. federal income tax consequences to U.S. Holders of such recharacterized Co-Issued Notes would be as described under "—Tax Treatment of U.S. Holders of Issuer Notes", "—Transfer Reporting Requirements" and "—Tax Return Disclosure and Investor List Requirements". In order to avoid the application of the PFIC rules, each U.S. Holder of a Note should consider making a qualified electing fund election provided in Section 1295 of the Code on a "protective" basis (although such protective election may not be respected by the IRS because current regulations do not specifically authorize that particular election). See "Tax Treatment of U.S. Holders of Issuer Notes—Investment in a Passive Foreign Investment Company". Further, U.S. Holders of any Class of Co-Issued Notes that may be recharacterized as equity in the Issuer should consult with their own tax advisors with respect to whether, if they owned equity in the Issuer, they would be required to file information returns in accordance with sections 6038, 6038B, and 6046 of the Code (and, if so, whether they should file such returns on a protective basis).

Payments of Interest and OID in Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen. A U.S. Holder with a U.S. Dollar functional currency that uses the cash method of accounting for U.S. federal income tax purposes and receives a payment of interest on a Co-Issued Note (other then OID) denominated in Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, will be required to include in gross income the U.S. Dollar value of the payment in Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, on the date such payment is received (based on the U.S. Dollar spot rate for the Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, on the date such payment is received) regardless of whether the payment is in fact converted to U.S. Dollars at that time. No exchange gain or loss will be recognized with respect to the receipt of such payment.

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

A U.S. Holder that uses the accrual method of accounting for U.S. federal income tax purposes may recognize exchange gain or loss with respect to accrued interest income on the date the payment of such income is received. The amount of any such exchange gain or loss recognized will equal the difference, if any, between the U.S. Dollar value of the payment in the Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, received (based on the U.S. Dollar spot rate for the Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, on the date such payment is received) with respect to such accrued interest and the U.S. Dollar value of the income inclusion with respect to such accrued interest (computed as determined above). Any such exchange gain or loss will be treated as ordinary income or loss, but generally will not be treated as an adjustment to interest income, and will generally be treated as U.S. source income or loss, respectively.

The Issuer intends to take the position that OID for any accrual period on a Co-Issued Note will be determined in Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, and then translated into U.S. Dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. As described above, however, the treatment of Co-Issued Notes issued with OID is subject to uncertainty, and it is possible that different rules would apply. Applying this method, all payments on a Co-Issued Note (other than payments of Qualified Stated Interest) will generally be viewed first as payments of previously-accrued OID (to the extent thereof), with payments attributed first to the earliest-accrued OID, and then as payments of principal. Upon receipt of a payment attributable to OID (whether in connection with a payment of interest or on the sale, exchange, redemption, retirement or other taxable disposition of a Co-Issued Note), a U.S. Holder may recognize exchange gain or loss as described above with respect to accrued interest income. Any such exchange gain or loss will be treated as ordinary income or loss, but generally will not be treated as an adjustment to interest income, and will generally be treated as U.S. source income or loss, respectively.

Receipt of Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen. Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, received as payment on a Co-Issued Note or on a sale, exchange, redemption, retirement or other taxable disposition of a Co-Issued Note will have a tax basis equal to its U.S. Dollar value at the time such payment is received or at the time of such sale, exchange, redemption, retirement or other taxable disposition, as the case may be. Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, that are purchased will generally have a tax basis equal to the U.S. Dollar value of the Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, on the date of purchase. Any exchange gain or loss recognized on a sale, exchange, redemption, retirement or other taxable disposition of the Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen (including their use to purchase Co-Issued Notes or upon exchange

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for U.S. Dollars), as applicable, will be ordinary income or loss and will generally be treated as U.S. source income or loss, respectively.

Foreign Currency Gain or Loss on Purchase or Disposition. A U.S. Holder that purchases the Co-Issued Notes with Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, generally will recognize exchange gain or loss in an amount equal to the difference (if any) between the U.S. Dollar fair market value of the Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, used to purchase the Co-Issued Notes determined at the spot rate of exchange in effect on the date of purchase of the Co-Issued Notes and such U.S. Holder's tax basis in the Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable. If a U.S. Holder receives Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, on a sale, exchange, redemption, retirement or other taxable disposition of a Co-Issued Note, the amount realized will be based on the U.S. Dollar value of the Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, on the date the payment is received or the date of disposition of the Co-Issued Note. Any gain or loss realized upon the sale, exchange, redemption, retirement or other taxable disposition of a Co-Issued Note that is attributable to fluctuations in currency exchange rates will be exchange gain or loss. Any gain or any loss attributable to fluctuations in exchange rates will equal the difference between the U.S. Dollar value of the principal amount of the Co-Issued Note, determined on the date such payment is received or such Co-Issued Note is disposed based on the U.S. Dollar spot rate for the Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, on such date and the U.S. Dollar value of principal amount of such Co-Issued Note, determined on the date the U.S. Holder acquired such Co-Issued Note based on the U.S. Dollar spot rate for the Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, on such date. Such exchange gain or loss will be recognized only to the extent of the total gain or loss realized by the U.S. Holder on the sale, exchange, redemption, retirement or other taxable disposition of such Co-Issued Note. Any exchange gain or loss will be treated as ordinary income or loss, but generally will not be treated as an adjustment to interest income, and will generally be treated as U.S. source income or loss, respectively.

As a result of the uncertainty regarding the U.S. federal income tax consequences to U.S. Holders with respect to the Co-Issued Notes and the complexity of the foregoing rules, each U.S. Holder of a Co-Issued Note is urged to consult its own tax advisor regarding the U.S. federal income tax consequences to the Holder of the purchase, ownership and disposition of such Co-Issued Note.

Tax Treatment of U.S. Holders of Issuer Notes

Investment in a Passive Foreign Investment Company. The Issuer will constitute a passive foreign investment company ("**PFIC**"). By treating the Issuer Notes, when issued, as equity in the Issuer, U.S. Holders of Issuer Notes (other than certain U.S. Holders that are subject to the rules pertaining to a controlled foreign corporation with respect to the Issuer, described below) will be considered U.S. shareholders in a PFIC. In general, a U.S. Holder of a PFIC may desire to make an election to treat the Issuer as a qualified electing fund ("**QEF**") with respect to such U.S. Holder. Generally, a QEF election should be made with the filing of a U.S. Holder's federal income tax return for the first taxable year for which it held the Issuer Notes. If a timely QEF election is made for the Issuer, an electing U.S. Holder will be required in each taxable year to include in gross income (i) as ordinary income, such holder's *pro rata* share of the Issuer's ordinary earnings and (ii) as long-term capital gain, such holder's *pro rata* share of the Issuer's net capital gain, whether or not distributed and translated into U.S. Dollars using the average U.S. Dollar exchange rate for the Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, for the Issuer's taxable year. In determining the Issuer's ordinary earnings, the OID interest that accrues on the Co-Issued Notes may be expensed by the Issuer (whether or not the OID is *de minimis*). For purposes of calculating the income of the Issuer, the deduction for interest paid to certain related parties may be deferred and ultimately denied. Related parties generally include a person owning more than 50% of the aggregate value of all Classes of Notes treated as equity of the Issuer (with special rules for partnerships) and any real estate investment trust that treats the Issuer as a

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taxable REIT subsidiary. A U.S. Holder will not be eligible for the dividends received deduction with respect to such income or gain. In addition, any losses of the Issuer in a taxable year will not be available to such U.S. Holder and may not be carried back or forward in computing the Issuer's ordinary earnings and net capital gain in other taxable years. An amount included in an electing U.S. Holder's gross income should be treated as income from sources outside the United States for U.S. foreign tax credit limitation purposes. However, if U.S. Holders collectively own (directly or constructively) 50% or more (measured by vote or value) of the Issuer Notes, such amount will be treated as income from sources within the United States for such purposes to the extent that such amount is attributable to income of the Issuer from sources within the United States. If applicable to a U.S. Holder of Issuer Notes, the rules pertaining to a controlled foreign corporation, discussed below, generally override those pertaining to a PFIC with respect to which a QEF election is in effect.

In certain cases in which a QEF does not distribute all of its earnings in a taxable year, U.S. shareholders may also be permitted to elect to defer payment of some or all of the taxes on the QEF's income subject to an interest charge on the deferred amount. As a result, the Issuer may have in any given year substantial amounts of earnings for U.S. federal income tax purposes that are not distributed on the Issuer Notes. Thus, absent an election to defer payment of taxes, U.S. Holders that make a QEF election with respect to the Issuer may owe tax on significant "phantom" income.

Moreover, there is no direct authority dealing with the tax treatment of financial instruments like the Credit Default Swap. The Issuer intends to treat the Credit Default Swap as a "notional principal contract" for U.S. federal income tax purposes, in which case the Issuer's earnings for any period would be determined by taking into account the Credit Default Swap payments to the Issuer attributable to that period. In a statement in its preamble to recently proposed guidance regarding the tax accounting for contingent nonperiodic payments under notional principal contracts, the U.S. Department of Treasury indicated that certain persons, such as the Issuer, would be required under current law to take such payments into account for income tax purposes over the life of the contract under a reasonable amortization method. Although the application of this rule to the Credit Default Swap is not entirely clear, the income of the Issuer may need to be determined by taking into account an adjustment for any such contingent payments which the Issuer may be required to make under the Credit Default Swap. It is possible, however, that a Credit Default Swap could be characterized for tax purposes as an option written by the Issuer. Because payments received for writing an option are generally taken into account only upon the termination of the transaction, characterizing the Credit Default Swap as an option may concentrate the Issuer's positive earnings, as determined for U.S. federal income tax purposes, into one or more taxable periods, which may result in the recognition of income in excess of any cash distributed on the Issuer Notes by the Issuer. U.S. Holders of the Issuer Notes should consult their tax advisors regarding the U.S. federal income tax consequences of holding any of the Issuer Notes.

The Issuer will provide, upon request, all information and documentation that a U.S. Holder making a QEF election is required to obtain for U.S. federal income tax purposes.

A U.S. Holder of Issuer Notes (other than certain U.S. Holders that are subject to the rules pertaining to a controlled foreign corporation with respect to the Issuer, described below) that does not make a timely QEF election will be required to report any gain on disposition of any Issuer Notes as if it were an excess distribution, rather than capital gain, and to compute the tax liability on such gain and any excess distribution received with respect to the Issuer Notes as if such items had been earned ratably over each day in the U.S. Holder's holding period (or a certain portion thereof) for the Issuer Notes. The U.S. Holder will be subject to tax on such items at the highest ordinary income tax rate for each taxable year, other than the current year of the U.S. Holder, in which the items were treated as having been earned, regardless of the rate otherwise applicable to the U.S. Holder. Further, such U.S. Holder will also be liable for an additional tax equal to interest on the tax liability attributable to income allocated to prior years as if such liability had been due with respect to each such prior year. For purposes of these rules, gifts, exchanges pursuant to corporate reorganizations and use of the Issuer Notes as security for a loan may be treated as a taxable disposition of the Issuer Notes. Very generally, an "excess distribution" is the amount by which distributions during a taxable year with respect to an Issuer Note exceed 125% of the average amount of distributions in respect thereof during the three preceding taxable years (or, if shorter,

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the U.S. Holder's holding period for the Issuer Note). In addition, a stepped-up basis in the Issuer Note upon the death of an individual U.S. Holder may not be available.

In many cases, application of the tax on gain on disposition and receipt of excess distributions will be substantially more onerous than the treatment applicable if a timely QEF election is made. ACCORDINGLY, U.S. HOLDERS OF ISSUER NOTES SHOULD CONSIDER CAREFULLY WHETHER TO MAKE A QEF ELECTION WITH RESPECT TO THE ISSUER NOTES AND THE CONSEQUENCES OF NOT MAKING SUCH AN ELECTION.

Furthermore, in order to avoid the application of the PFIC rules, each U.S. Holder of a Note should consider making a qualified electing fund election on a "protective" basis (although such protective election may not be respected by the IRS because current regulations do not specifically authorize that particular protective election). Further, U.S. Holders of any Class of Notes that may be recharacterized as equity in the Issuer should consult with their own tax advisors with respect to whether, if they owned equity in the Issuer, they would be required to file information returns in accordance with sections 6038, 6038B, and 6046 of the Code (and, if so, whether they should file such returns on a protective basis).

Investment in a Controlled Foreign Corporation. The Issuer may be classified as a controlled foreign corporation (**"CFC"**). In general, a foreign corporation will be classified as a CFC if more than 50% of the shares of the corporation, measured by reference to combined voting power or value, is owned (actually or constructively) by "U.S. Shareholders". A U.S. Shareholder, for this purpose, is any U.S. person that possesses (actually or constructively) 10% or more of the combined voting power (generally the right to vote for directors of the corporation) of all classes of shares of a corporation. Although Issuer Notes do not vote for directors of the Issuer, it is possible that the IRS would assert that the Issuer Notes are de facto voting securities and that U.S. Holders possessing (actually or constructively) 10% or more of the total stated amount of outstanding Issuer Notes are U.S. Shareholders. If this argument were successful and Issuer Notes representing more than 50% of the voting power or value of the Issuer's equity are owned (actually or constructively) by such U.S. Shareholders, the Issuer would be treated as a CFC.

If the Issuer were treated as a CFC, a U.S. Shareholder of the Issuer would be treated, subject to certain exceptions, as receiving a deemed dividend at the end of the taxable year of the Issuer in an amount equal to that person's *pro rata* share of the subpart F income (as defined below) of the Issuer. Such deemed dividend would be treated as income from sources within the United States for U.S. foreign tax credit limitation purposes to the extent that it is attributable to income of the Issuer from sources within the United States. Among other items, and subject to certain exceptions, subpart F income includes dividends, interest, annuities, gains from the sale or exchange of shares and securities, certain gains from commodities transactions, certain types of insurance income and income from certain transactions with related parties. It is likely that, if the Issuer were to constitute a CFC, all or most of its income would be subpart F income and, in general, if the Issuer's subpart F income exceeds 70% of its gross income, the entire amount of the Issuer's income will be subpart F income. For purposes of calculating the income of the Issuer, the deduction for interest paid to certain related parties may be deferred and ultimately denied. Related parties generally include a person owning more than 50 percent of the aggregate value of all Classes of Notes treated as equity of the Issuer (with special rules for partnerships) and any real estate investment trust that treats the Issuer as a taxable REIT subsidiary. In addition, special rules apply to determine the appropriate exchange rate to be used to translate such amounts treated as a dividend and the amount of any foreign currency gain or loss with respect to distributions of previously taxed amounts attributable to movements in exchange rates between the times of deemed and actual distributions. U.S. Holders should consult their tax advisors regarding these special rules.

If the Issuer were treated as a CFC, a U.S. Shareholder of the Issuer which made a QEF election with respect to the Issuer would be taxable on the subpart F income of the Issuer under rules described in the preceding paragraph and not under the QEF 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 under the CFC rules, notwithstanding the fact that the character of such gains generally would otherwise be reserved under the QEF rules.

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Furthermore, if the Issuer were treated as a CFC and a U.S. Holder were treated as a U.S. Shareholder therein, the Issuer would not be treated as a PFIC or a QEF with respect to such U.S. Holder for the period during which the Issuer remained a CFC and such U.S. Holder remained a U.S. Shareholder therein (the "qualified portion" of the U.S. Holder's holding period for the Issuer Notes). If the qualified portion of such U.S. Holder's holding period for the Issuer Notes subsequently ceased (either because the Issuer ceased to be a CFC or the U.S. Holder ceased to be a U.S. Shareholder), then solely for purposes of the PFIC rules, such U.S. Holder's holding period for the Issuer Notes would be treated as beginning on the first day following the end of such qualified portion, unless the U.S. Holder had owned any of such Class of Issuer Notes for any period of time prior to such qualified portion and had not made a QEF election with respect to the Issuer. In that case, the Issuer would again be treated as a PFIC which is not a QEF with respect to such U.S. Holder and the beginning of such U.S. Holder's holding period for the Issuer Notes would continue to be the date upon which such U.S. Holder acquired such Issuer Notes, unless the U.S. Holder made an election to recognize gain with respect to such Issuer Notes and a QEF election with respect to the Issuer.

Credit Default Swap, Basis Swap and Collateral Put Agreement. The IRS may argue that the Issuer does not own the Collateral Securities because the Credit Default Swap, the Basis Swap and the Collateral Put Agreement transfer the benefits and burdens of the ownership of the Collateral Securities to Goldman Sachs. Under such characterization, the Issuer would hold an obligation of Goldman Sachs to pay to the Issuer principal equal to the par value of the Collateral Securities and interest equal to the excess, if any, of interest payments on the Notes and the interest received on the Collateral Securities. Thus, under the PFIC or CFC rules discussed above, the timing of the income that that a U.S. Holder reports may differ from the timing of such income if the Credit Default Swap, the Basis Swap and the Collateral Put Agreement are respected. Alternatively, the IRS could argue that the Credit Default Swap, the Basis Swap and the Collateral Put Agreement create a contingent payment debt obligation subject to the non-contingent bond method. Under such characterization, the Issuer generally will have a basis in the contingent debt obligation equal to the cost of such obligation to the Issuer (i) increased by OID accrued with respect to such obligation (determined without regard to adjustments made to reflect the differences between actual and projected payments), and (ii) reduced by the amount of any non-contingent payments and the projected amount of any contingent payments previously made on such obligation. Any gain recognized on the sale, exchange, redemption, retirement or other taxable disposition of the obligation will be treated as ordinary interest income. Further, in such a case, any loss will be treated as ordinary loss to the extent of prior interest inclusions with respect to the contingent debt obligation, reduced by the total net negative adjustments that the Issuer has taken into account as ordinary loss with respect to such obligation; any remaining loss will be a capital loss. Such characterization would affect the timing and character of tha income that that a U.S. Holder reports. U.S. Holders of the Issuer Notes should consult their own tax advisors regarding the tax issues associated with the Credit Default Swap, the Basis Swap and the Collateral Put Agreement.

Distributions on the Issuer Notes. The treatment of actual distributions of cash on each Class of Issuer Notes, in very general terms, will vary depending on whether a U.S. Holder has made a timely QEF election as described above. See "—Investment in a Passive Foreign Investment Company". If a timely QEF election has been made, distributions should be allocated first to amounts previously taxed pursuant to the QEF election (or pursuant to the CFC rules, if applicable) and to this extent will not be taxable to U.S. Holders. Distributions in excess of amounts previously taxed pursuant to a QEF election (or pursuant to the CFC rules, if applicable) will be taxable to U.S. Holders as ordinary income upon receipt to the extent of any remaining amounts of untaxed current and accumulated earnings and profits of the Issuer. Distributions in excess of any current and accumulated earnings and profits will be treated first as a non-taxable reduction to the U.S. Holder's tax basis for such Issuer Notes to the extent thereof and then as capital gain.

In the event that a U.S. Holder does not make a timely QEF election, then except to the extent that distributions may be attributable to amounts previously taxed pursuant to the CFC rules, some or all of any distributions with respect to the Issuer Notes may constitute excess distributions, taxable as previously described. See "—Investment in a Passive Foreign Investment Company". In that event,

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except to the extent that distributions may be attributable to amounts previously taxed to the U.S. Holder pursuant to the CFC rules or are treated as excess distributions, distributions on the Issuer Notes generally would be treated as dividends to the extent paid out of the Issuer's current or accumulated earnings and profits not allocated to any excess distributions, then as a non-taxable reduction to the U.S. Holder's tax basis for the Issuer Notes to the extent thereof and then as capital gain. Dividends received from a foreign corporation generally will be treated as income from sources outside the United States for U.S. foreign tax credit limitation purposes. However, if U.S. Holders collectively own (directly or constructively) 50% or more (measured by vote or value) of the Class of Issuer Notes, a percentage of the dividend income equal to the proportion of the Issuer's earnings and profits from sources within the United States generally will be treated as income from sources within the United States for such purposes.

Distributions paid in Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, will be translated into a U.S. Dollar amount based on the spot rate of exchange in effect on the date of receipt whether or not the payment is converted into U.S. Dollars at that time. A U.S. Holder will recognize exchange gain or loss with respect to distributions of previously taxed amounts attributable to movements in exchange rates between the times of the deemed distributions and actual distributions, and any such exchange gain or loss will be treated as ordinary income from the same source as the associated income inclusion. The tax basis of the Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, received by a U.S. Holder generally will equal the U.S. Dollar value of the Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, determined at the spot rate of exchange in effect on the date the Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, are received, regardless of whether the payment is converted into U.S. Dollars at that time. Any gain or loss recognized on a subsequent conversion of the Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, for U.S. Dollars, in an amount equal to the difference between the U.S. Dollars received and the U.S. Holder's tax basis in the Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, generally will be U.S. source ordinary income or loss.

Purchase or Disposition of the Issuer Notes. A U.S. Holder that purchases the Issuer Notes with Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, generally will recognize U.S. source ordinary income or loss in an amount equal to the difference (if any) between the U.S. Dollar fair market value of the Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, used to purchase the Issuer Notes determined at the spot rate of exchange in effect on the date of purchase of the Issuer Notes and such U.S. Holder's tax basis in the Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable. In general, a U.S. Holder of an Issuer Note will recognize a gain or loss upon the sale, exchange, redemption, retirement or other taxable disposition of an Issuer Note equal to the difference between the amount realized and such U.S. Holder's adjusted tax basis in the Issuer Note. Except as discussed below (or if the applicable Class of Issuer Notes were characterized as a contingent debt instrument), such gain or loss will be a capital gain or loss and will be a long-term capital gain or loss if the U.S. Holder held such Class of Issuer Notes for more than one year at the time of the disposition. In certain circumstances, U.S. Holders who 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. Any gain or loss recognized by a U.S. Holder on the sale, exchange, redemption, retirement or other taxable disposition of an Issuer Note (other than, in the case of a U.S. Holder treated as a "U.S. Shareholder", any such gain characterized as a dividend, as discussed below) generally will be treated as from sources within the United States.

Initially, a U.S. Holder's tax basis for an Issuer Note will equal the cost of such Issuer Note to such U.S. Holder. The cost of an Issuer Note to a U.S. Holder will be the U.S. Dollar value of the Euro, Sterling, Canadian Dollar, Australian Dollar, New Zealand Dollars or Yen purchase price, as applicable, based on the spot rate of exchange in effect on the date of purchase. Such basis will be increased by amounts taxable to such U.S. Holder by virtue of a QEF election, or by virtue of the CFC rules, as applicable, and decreased by actual distributions from the Issuer that are deemed to consist of such

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previously taxed amounts or are treated as a non-taxable reduction to the U.S. Holder's tax basis for such Issuer Note (as described above). If a U.S. Holder receives Euro, Sterling, Canadian Dollars, Australian Dollars, New Zealand Dollars or Yen, as applicable, on the sale or other taxable disposition of an Issuer Note, the amount realized in U.S. Dollars generally will be based on the spot rate of exchange in effect on the date of the sale or other taxable disposition.

If a U.S. Holder does not make a timely QEF election as described above, any gain realized on the sale, exchange, redemption, retirement or other taxable disposition of an Issuer Note (or any gain deemed to accrue prior to the time a non-timely QEF election is made) will be taxed as ordinary income and subject to an additional tax reflecting a deemed interest charge under the special tax rules described above. See "—Investment in a Passive Foreign Investment Company".

Subject to a special exception applicable to individuals, 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 U.S. Holder upon the disposition of Issuer Notes, other than gain constituting an excess distribution under the PFIC rules, if applicable, would be treated as ordinary income to the extent of the U.S. Holder's share of the current or accumulated earnings and profits of the Issuer. In this regard, earnings and profits would not include any amounts previously taxed pursuant to a timely QEF election or pursuant to the CFC rules, as applicable.

Transfer Reporting Requirements

A U.S. Holder of Issuer Notes that owns (actually or constructively) at least 10% by vote or value of the Issuer (and each officer or director of the Issuer that is a U.S. citizen or resident) may be required to file an information return on IRS Form 5471. A U.S. Holder of Issuer Notes generally is required to provide additional information regarding the Issuer annually on IRS Form 5471 if it owns (actually or constructively) more than 50% by vote or value of the Issuer. U.S. Holders should consult their own tax advisors regarding whether they are required to file IRS Form 5471.

A U.S. Person that purchases the Issuer Notes for cash will be required to file a Form 926 or similar form with the IRS if (i) such person owned, directly or by attribution, immediately after the transfer at least 10% by voting power or value of the Issuer or (ii) if the transfer, when aggregated with all transfers made by such person (or any related person) within the preceding 12 month period, exceeds U.S.$100,000. In the event a U.S. Holder fails to file any such required form, the U.S. Holder could be required to pay a penalty equal to 10% of the gross amount paid for such Issuer Notes subject to a maximum penalty of U.S.$100,000, except in cases involving intentional disregard). U.S. Persons should consult their tax advisors with respect to this or any other reporting requirement that may apply with respect to their acquisition of the Issuer Notes.

Tax Return Disclosure and Investor List Requirements

Any person that files a U.S. federal income tax return or U.S. federal information return and participates in a reportable transaction in a taxable year is required to disclose certain information on IRS Form 8886 (or its successor form) attached to such person's U.S. tax return for such taxable year (and also file a copy of such form with the IRS's Office of Tax Shelter Analysis) and to retain certain documents related to the transaction. In addition, under these regulations, under certain circumstances, certain organizers and sellers of a reportable transaction will be required to maintain lists of participants in the transaction containing identifying information, retain certain documents related to the transaction, and furnish those lists and documents to the IRS upon request. There are significant penalties for failure to comply with these disclosure and list keeping requirements. The definition of reportable transaction is highly technical. However, in very general terms, a transaction may be a "reportable transaction" if, among other things, it is offered under conditions of confidentiality or it results in the claiming of a loss for U.S. federal income tax purposes in excess of certain threshold amounts.

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In this regard, in order to prevent the transactions described herein from being treated as offered under conditions of confidentiality, the Issuer and the Holders and beneficial owners of the Notes (and each of their respective employees, representatives or other agents) may disclose to any and all persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of the transactions described herein and all materials of any kind (including opinions or other tax analyses) that are provided to them relating to such U.S. tax treatment and U.S. tax structure. However, any such disclosure of the tax treatment, tax structure and other tax-related materials shall not be made for the purpose of offering to sell the Notes offered hereby or soliciting an offer to purchase any such Notes. For purposes of this paragraph, the terms "tax treatment" and "tax structure" have the meaning given to such terms under Treasury regulation section 1.6011-4(c) and applicable state or local tax law. In general, the tax treatment of a transaction is the purported or claimed U.S. tax treatment of the transaction under applicable U.S. federal, state or local tax law, and the tax structure of a transaction is any fact that may be relevant to understanding the purported or claimed U.S. tax treatment of the transaction under applicable U.S. federal, state or local tax laws.

In addition, under these Treasury regulations, if the Issuer participates in a reportable transaction, a U.S. Holder of the Issuer Notes that is a "reporting shareholder" of the Issuer will be treated as participating in the transaction and will be subject to the rules described above. Although most of the Issuer's activities generally are unlikely to give rise to "reportable transactions", it is nonetheless possible that the Issuer will participate in certain types of transactions that could be treated as reportable transactions. A U.S. Holder of Issuer Notes will be treated as a reporting shareholder of the Issuer if (i) such U.S. Holder owns 10% or more of the Issuer Notes and makes a QEF election with respect to the Issuer or (ii) the Issuer is treated as a CFC and such U.S. Holder is a U.S. Shareholder (as defined above) of the Issuer.

Prospective investors in the Notes should consult their own tax advisors concerning any possible disclosure obligations with respect to their ownership or disposition of the Notes in light of their particular circumstances.

Tax Treatment of Non-U.S. Holders of Notes

In general, payments on the Notes to a Holder that is not, for U.S. federal income tax purposes, a U.S. Holder (a "**non-U.S. Holder**") and gain realized on the sale, exchange, redemption, retirement or other taxable disposition of the Notes by a non-U.S. Holder, will not be subject to U.S. federal income or withholding tax, unless (i) such income is effectively connected with a trade or business conducted by such non-U.S. Holder in the United States, or (ii) in the case of gain, such non-U.S. Holder is a non-resident alien individual who holds the Notes as a capital asset and is present in the United States for more than 182 days in the taxable year of the sale, exchange, redemption, retirement or other taxable disposition and certain other conditions are satisfied.

Information Reporting and Backup Withholding

Under certain circumstances, the Code requires "information reporting", and may require "backup withholding" with respect to certain payments made on the Notes and the payment of the proceeds from the disposition of the Notes. Backup withholding generally will not apply to corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts. Backup withholding will apply to a U.S. Holder if the U.S. Holder fails to provide certain identifying information (such as the U.S. Holder's taxpayer identification number) or otherwise comply with the applicable requirements of the backup withholding rules. The application for exemption from backup withholding for a U.S. Holder is available by providing a properly completed IRS Form W-9.

A non-U.S. Holder of the Notes generally will not be subject to these information reporting requirements or backup withholding with respect to payments of interest or distributions on the Notes if (1) it certifies to the Trustee or the Issuing and Paying Agent, as applicable, its status as a non-U.S. Holder under penalties of perjury on the appropriate IRS Form W-8, and (2) in the case of a non-U.S.

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Holder that is a "nonwithholding foreign partnership", "foreign simple trust" or "foreign grantor trust" as defined in the applicable Treasury regulations, the beneficial owners of such non-U.S. Holder also certify to the Trustee or the Issuing and Paying Agent, as applicable, their status as non-U.S. Holders under penalties of perjury on the appropriate IRS Form W-8.

The payments of the proceeds from the disposition of a Note by a non-U.S. Holder to or through the U.S. office of a broker generally will not be subject to information reporting and backup withholding if the non-U.S. Holder certifies its status as a non-U.S. Holder (and, if applicable, its beneficial owners also certify their status as non-U.S. Holders) under penalties of perjury on the appropriate IRS Form W-8, satisfies certain documentary evidence requirements for establishing that it is a non-U.S. Holder or otherwise establishes an exemption. The payment of the proceeds from the disposition of a Note by a non-U.S. Holder to or through a non-U.S. office of a non-U.S. broker will not be subject to backup withholding or information reporting unless the non-U.S. broker has certain specific types of relationships to the United States, in which case the treatment of such payment for such purposes will be as described in the following sentence. The payment of proceeds from the disposition of a Note by a non-U.S. Holder to or through a non-U.S. office of a U.S. broker or to or through a non-U.S. broker with certain specific types of relationships to the United States generally will not be subject to backup withholding but will be subject to information reporting unless the non-U.S. Holder certifies its status as a non-U.S. Holder (and, if applicable, its beneficial owners also certify their status as non-U.S. Holders) under penalties of perjury or the broker has certain documentary evidence in its files as to the non-U.S. Holder's foreign status and the broker has no actual knowledge to the contrary.

Backup withholding is not an additional tax and may be refunded (or credited against the U.S. Holder's or non-U.S. Holder's U.S. federel income tax liability, if any); *provided* that certain required information is furnished to the IRS. The information reporting requirements may apply regardless of whether withholding is required.

ERISA CONSIDERATIONS

The advice below was not written and is not intended to be used and cannot be used by any taxpayer for purposes of avoiding United States federal income tax penalties that may be imposed. The advice is written to support the promotion or marketing of the transaction. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The foregoing disclaimer is provided to satisfy obligations under Circular 230 governing standards of practice before the Internal Revenue Service.

The United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") imposes certain requirements on "employee benefit plans" (as defined in and subject to Section 3(3) of ERISA), including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans and on those persons who are fiduciaries with respect to such plans. Investments by the plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that a plan's investments be made in accordance with the documents governing the plan. The prudence of a particular investment must be determined by the responsible fiduciary of a plan by teking into account the plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed above under "Risk Factors" and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the Notes.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of plans and arrangements subject to ERISA (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (the "**Plans**"))

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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 Section 4975 of the Code.

The U.S. Department of Labor has promulgated regulations, 29 C.F.R. Section 2510.3-101 (the "**Plan Asset Regulations**"), 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 and Section 4975 of the Code, including the fiduciary responsibility provisions of Title I of ERISA and Section 4975 of the Code. Under the Plan Asset Regulations, if e Plan invests in an "equity interest" of an entity that is neither a "publicly offered security" nor e 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, as further discussed below, that equity participation in the entity by "benefit plan investors" is not "significant."

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if the Notes are acquired with tha assets of a Plan with respect to which the Issuer, the Initial Purchaser, the Trustee, the Issuing and Paying Agent, any seller of Collateral Securities to the Issuer, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider or any of their respective Affiliates, is a party in interest or a disquelified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Class Exemption ("PTCE") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 95-60 (relating to investments by insurance company general accounts), and PTCE 96-23 (relating to transactions effected by in-house asset managers), ("**investor-Based Exemptions**"). There is also a statutory exemption that may be available under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code to a party in interest that is a service provider to a Plan investing in the Securities for adequate consideration, provided such service provider is not (i) the fiduciary with respect to the Plan's assets used to acquire the Securities or an affiliate of such fiduciery or (ii) an affiliate of the employer sponsoring the Plan (the "**Service Provider Exemption**"). Adequate consideration means fair market value as determined in good feith by the Plan fiduciary pursuant to regulations to be promulgated by the U.S. Department of Labor. There can be no assurance that any of these Investor-Based Exemptions or the Service Provider Exemption or any other administrative or statutory exemption will be available with respect to any particular transaction involving the Notes.

Governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state, local or other federal laws that are substantially similar to the foregoing provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

Any insurance company proposing to invest assets of its general account in the Notes should consider the extent to which such investment would be subject to the requirements of Title I of ERISA end Section 4975 of the Code in light of the U.S. Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank*, 510 U.S. 88 (1993), and the enactment of Section 401(c) of ERISA on August 20, 1996. In particular, such an insurance company should consider (i) the exemptive relief granted by the U.S. Department of Labor for transactions involving insurance company general accounts in PTCE 95-60 and (ii) if such exemptive relief is not available, whether its purchase of the Notes will be permissible under the final regulations issued under Section 401(c) of ERISA. The final regulations provide guidance on which assets held by an insurance company constitute "plan assets" for purposes of the fiduciary responsibility provisions of ERISA and Section 4975 of the Code. The regulations do not exempt the assets of insurance company general accounts from treatment

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as "plan assets" to the extent they support certain participating annuities issued to Plans after December 31, 1998.

The Co-Issued Notes

The Plan Asset Regulations define an "equity interest" as any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. As noted above in Income Tax Considerations, it is the opinion of tax counsel to the Issuer that the Co-Issued Notes will be treated as debt for U.S. income tax purposes. Although there is little guidance on the subject, at the time of their issuance, the Co-Issued Notes should be treated as indebtedness without substantial equity features for purposes of the Plan Asset Regulations. This determination is based in part upon (i) tax counsel's opinion that the Co-Issued Notes will be classified as debt for U.S. federal income tax purposes when issued and (ii) the traditional debt features of the Co-Issued Notes, including the reasonable expectation of purchasers of the Co-Issued Notes that they will be repaid when due, as well as the absence of conversion rights, warrants and other typical equity features. Based upon the foregoing and other considerations, subject to the considerations described below, the Co-Issued Notes may be purchased by a Plan. Nevertheless, without regard to whether the Co-Issued Notes are considered equity interests, prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if the Co-Issued Notes are acquired with the assets of a Plan with respect to which the Issuer, the Initial Purchaser or the Trustee and the Issuing and Paying Agent or in certain circumstances, any of their respective affiliates, is a party in interest or a disqualified person. The Investor-Based Exemptions or the Service Provider Exemption may be available to cover such prohibited transactions.

By its purchase of any Co-Issued Notes, each purchaser and subsequent transferee thereof will be deemed to have represented and warranted, at the time of its acquisition and throughout the period it holds such Co-Issued Note, either that (a) it is neither a Plan nor any entity whose underlying assets include "plan assets" (within the meaning of the Plan Asset Regulations) by reason of such Plan's investment in the entity, nor a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (b) its purchase, holding and disposition of a Co-Issued Note will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church, non-U.S. or other plan, a non-exempt violation under any substantially similar law).

The Issuer Notes

Equity participation in the Issuer of the Notes by "benefit plan investors" is "significant" and will cause the assets of the Issuer to be deemed the assets of an investing Plan (in the absence of another applicable Plan Asset Regulations exception) if 25% or more of the value of any Class of equity interest in the Issuer is held by "benefit plan investors". Recently, Section 3(42) of ERISA, as enacted under the Pension Protection Act of 2006, effectively amended, by statute, the definition of "benefit plan investors" in the Plan Asset Regulations. Employee benefit plans that are not subject to Title I of ERISA and plans that are not subject to Section 4975 of the Code, such as U.S. governmental and church plans or non-U.S. plans, are no longer considered "benefit plan investors." Accordingly, only employee benefit plans subject to Title I of ERISA or Section 4975 of the Code or an entity whose underlying assets include plan assets by reason of such plan's investment in the entity are considered in determining whether investment by "benefit plan investors" represents 25% or more of any class of equity of the Issuer. Therefore, the term "benefit plan investor" includes (a) an employee benefit plan (as defined in Section 3(3) of ERISA) that is subject to the fiduciary responsibility provisions of ERISA, (b) a plan as defined in Section 4975(e)(1) of the Code that is subject to Section 4975 of the Code, (c) any entity whose underlying assets include "plan assets" by reason of any such employee benefit plan's or plan's investment in the entity or (d) as such term is otherwise defined in any regulations promulgated by the U.S. Department of Labor under Section 3(42) of ERISA (collectively, **"ERISA Plans"**).

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The Issuer Notes would likely be considered to have substantial equity features under the Plan Asset Regulations. In order to not exceed the 25 percent. limit referred to above, no ERISA Plans shall be permitted to acquire the Issuer Notes in the initial offering or thereafter. Therefore, the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code should not be applicable to the Issuer. An unlimited number of other types of employee benefit plans, such as governmental or non-U.S. plans may invest in the Issuer Notes as their investment is disregarded for these purposes.

BY ITS PURCHASE OR HOLDING OF AN ISSUER NOTE, OR ANY INTEREST THEREIN, THE PURCHASER AND/OR HOLDER THEREOF AND EACH TRANSFEREE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT, AT THE TIME OF ITS ACQUISITION, AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTE OR INTEREST THEREIN, THAT (1) IT IS NOT AN ERISA PLAN; AND IF AFTER ITS INITIAL ACQUISITION OF AN ISSUER NOTE OR ANY INTEREST THEREIN, THE INVESTOR DETERMINES, OR IT IS DETERMINED BY ANOTHER PARTY, THAT SUCH INVESTOR IS AN ERISA PLAN, THE INVESTOR WILL DISPOSE OF ALL OF ITS ISSUER NOTES IN A MANNER CONSISTENT WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE, AND (2) IF IT IS A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE, ITS PURCHASE, HOLDING AND DISPOSITION OF THE ISSUER NOTES WILL NOT CAUSE A NON-EXEMPT VIOLATION OF ANY U.S. FEDERAL, STATE OR LOCAL LAW OR ANY NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE AS A RESULT OF THE TRANSACTIONS CONTEMPLATED HEREIN AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SUCH NOTE OR INTEREST THEREIN TO ANY PERSON WHO IS UNABLE TO SATISFY THE SAME FOREGOING REPRESENTATIONS AND WARRANTIES.

There can be no assurance that, despite the transfer restrictions relating to purchases by ERISA Plans, ERISA Plans will not in actuality own 25% or more of such value.

If for any reason the assets of the Issuer are deemed to be "plan assets" of an ERISA Plan because one or more ERISA Plans is an owner of Issuer Notes (or of a Note characterized as an "equity interest" in the Issuer), certain transactions that the Issuer might enter into, or may have entered into, in the ordinary course of its business might constitute non-exempt "prohibited transactions" under Section 406 of ERISA or Section 4975 of the Code and might have to be rescinded at significant cost to the Issuer. The Issuer may be prevented from engaging in certain investments (as not being deemed consistent with the ERISA prudent investment standards) or engaging in certain transactions or fee arrangements because they might be deemed to cause non-exempt prohibited transactions. It also is not clear that Section 403(a) of ERISA, which generally requires that all of the assets of a plan or arrangement subject to ERISA be held in trust and limits delegation of investment management responsibilities by fiduciaries of such plans or arrangements, would be satisfied. In addition, it is unclear whether Section 404(b) of ERISA, which generally provides that no fiduciary may maintain the indicia of ownership of any assets of a plan outside the jurisdiction of the district courts of the United States, would be satisfied or any of the exceptions to the requirement set forth in 29 C.F.R. Section 2550.404b-1 would be available.

Any fiduciary of a benefit plan investor or other person who proposes to use assets of any benefit plan investor to purchase any Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

The sale of any Note to a benefit plan investor, or to a person using assets of any benefit plan investor to effect its purchase of any Note, is in no respect a representation by the Issuer or the Initial Purchaser that such an investment meets all relevant legal requirements with respect to investments by

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benefit plan investors generally or any particular benefit plan investor, or that such an investment is appropriate for benefit plan investors generally or any particular benefit plan investor.

SETTLEMENT AND CLEARING

Global Notes

Upon the issuance of the Global Notes denominated in Dollars, DTC or its custodian will credit, on its internal system, the respective aggregate original principal amount of the individual beneficial interests represented by such Global Notes to the accounts of persons who have accounts with DTC. Upon the issuance of the Global Notes denominated in Approved Currencies other than Dollars, Euroclear or its nominee will credit, on their internal system, the respective aggregate original principal amount of the individual beneficial interests represented by such Global Notes to the accounts of persons who have accounts with Euroclear. Such accounts initially will be designated by or on behalf of the Initial Purchaser. Ownership of beneficial interests in Global Notes denominated in Dollars will be limited to persons who have accounts with DTC or Euroclear, as the case may be, ("**participants**") or persons who hold interests through participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or Euroclear, as the case may be, or their nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

With respect to Notes denominated in Dollars, so long as DTC, or its nominee, is the registered owner or Holder of the Global Notes, DTC or such nominee, as the case may be, will be considered the sole owner or Holder of each Class of the Notes represented by such Global Notes for all purposes under the Indenture and the Issuing and Paying Agency Agreement, as applicable, and such Notes. With respect to Notes denominated in Approved Currencies other than Dollars, so long as the Common Depository, or a nominee thereof, is the registered owner or Holder of the Global Notes, the Common Depository or its nominee, as the case may be, will be considered the sole owner or Holder of each Class of the Notes represented by such Global Notes for all purposes under the Indenture and the Issuing and Paying Agency Agreement, as applicable, and such Notes. Unless (a) DTC notifies the Issuers that it is unwilling or unable to continue as depositary for a global note or ceases to be a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act, or (b) Euroclear notifies the Issuers that it is unwilling or unable to continue as depositary for a global note or ceases to be a Clearing Agency, owners of the beneficial interests in the Global Notes will not be entitled to have any portion of such Global Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in certificated form and will not be considered to be the owners or Holders of any Notes under the Indenture or the Issuing and Paying Agency Agreement, as applicable. The owner of a beneficial interest in a Global Note will also be entitled to receive a certificated Note in exchange for such interest if an Event of Default has occurred and is continuing. In addition, no beneficial owner of an interest in the Global Notes will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the Indenture referred to herein and, if applicable, those of Euroclear and Clearstream).

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

With respect to Notes denominated in Dollars, payments of the principal of and interest or distributions on such Global Notes will be made to DTC or its nominee, as the registered owner thereof.

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With respect to Notes denominated in an Approved Currency other than Dollars, payments of the principal of and interest or distributions on such Global Notes will be made to the Common Depository, as the registered owner thereof. None of the Issuers, the Trustee nor any paying agent will have any responsibility or liability for any aspect of the records relating to or payments or distributions made on account of beneficial ownership interests in the Global Notes or for any notice permitted or required to be given to Holders of Notes or any consent given or actions taken by DTC or Euroclear, as applicable, as Holder of Notes. The Issuers expect that DTC or Euroclear or their nominee, as the case may be, upon receipt of any payment of principal, interest or distributions, as the case may be, in respect of a Global Note representing any Notes held by it or its nominee, will immediately credit participants' accounts, in the currency in which the Note is denominated, with payments in amounts proportionate to their respective interests in the principal amount of such Note in global form as shown on the records of DTC or Euroclear, as the case may be, or a nominee thereof. The Issuers also expect that payments by participants to owners of interests in such Global Note held through such 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. Such payments will be the responsibility of such participants. Payments of the principal of and interest or distributions on the Regulation S Global Notes denominated in Dollars will be made to Clearstream or Euroclear, as applicable, as indirect participants in DTC, in accordance with their respective rules and operating procedures. Payments of the principal of and interest or distributions on the Regulation S Global Notes denominated in Approved Currencies other than Dollars will be made directly to the nominee of Clearstream or Euroclear, as applicable, in accordance with their respective rules and opereting procedures.

Transfers between participants of the same Clearing Agency will be effected in the ordinary way in accordance with such Clearing Agency's rules and will be settled in same-day funds. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in Global Notes to these persons may be limited. Because the Clearing Agencies can only act on behalf of participants, who in turn act on behalf of indirect participants end certain banks, the ability of a person having e beneficial interest in Global Notes to pledge its interest to persons or entities that do not participate in the DTC or Euroclear system, or otherwise take actions in respect of its interest, may be affected by the lack of a physical certificate of the interest. Transfers between participants or account holders in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

With respect to Notes denominated in Dollars, subject to compliance with the transfer restrictions applicable to the Notes described above, cross-market transfers between DTC participants, on the one hand, and, directly or indirectly through Euroclear or Clearstream account holders, on the other, will be effected in DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, these cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in the system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in a Regulation S Global Note in DTC, and making or receiving payment in accordance with normal procedures for a same-day funds settlement applicable to DTC. Clearstream and Euroclear account holders may not deliver instructions directly to the depositaries for Clearstream or Euroclear. Notes denominated in Approved Currencies other than Dollars may only be transferred through nominees of Euroclear and Clearstream and may not be transferred through DTC.

Because of time zone differences, the securities account of a Euroclear or Cleerstream 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 or Clearstream, as the case may be) 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

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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 in DTC.

DTC has advised the Issuers that it will take any action permitted to be taken by a Holder of the Notes (including the presentation of the applicable Notes for exchange as described below) only at the direction of one or more participants to whose account with DTC interests in a Global Note are credited and only in respect of that portion or number of the aggregate principal amount of the Notes as to which the participant or participants has or have given direction.

The giving of notices and other communications by any Clearing Agency to participants, by participants to persons who hold accounts with them and by such persons to Holders of beneficial interests in a Global Note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised the Issuers as follows: DTC is a limited purpose trust company principally located under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the 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 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 (**"indirect participants"**).

Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in a Regulation S Global Note directly through Euroclear or Clearstream if they are accountholders therein (**"direct participants"**) or as indirect participants through organizations that are direct or indirect accountholders in direct participants.

Although the Clearing Agencies have agreed to the foregoing procedures in order to facilitate transfers of interests in Global Notes among participants of the Clearing Agencies, they are under no obligation to perform or continue to perform these procedures, and the procedures may be discontinued at any time. Neither the Issuers, the Trustee nor the Issuing and Paying Agent will have any responsibility for the performance by the Clearing Agencies or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Each Regulation S Global Note denominated in an Approved Currency other than Dollars will have an ISIN and a Common Code and will be registered in the name of ABN AMRO GSTS NOMINEES LIMITED as nominee for ABN AMRO Bank N.V. (London Branch) as common depository for Clearstream and Euroclear, and deposited with the Common Depository.

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Each Global Note denominated in Dollars will have a CUSIP number and will be registered in the name of Cede & Co. as nominee of, and deposited with LaSalle Bank National Association, as custodian (the **"DTC Custodian"**) for, DTC. The DTC Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system.

Individual Definitive Securities

If (i)(a) DTC or any successor to DTC advises the Issuer in writing that it is at any time unwilling or unable to continue as a depositary for the reasons described in "—Global Notes" and a successor depositary is not appointed by the Issuer within 90 days or (b) Euroclear or its nominee or any successor to Euroclear or its nominee advises the Issuer in writing that it is at any time unwilling or unable to continue as a depositary for the reasons described in "—Global Notes" and a successor depositary is not appointed by the Issuer within 90 days, (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 become effective on or after the Closing Date, the Issuer or the paying agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required if the Notes were in definitive form or (iii) upon the written request of any beneficial owner of an interest in a Global Note following the occurrence of an Event of Default, the Issuer will issue individual definitive Notes in registered form in exchange for the Global Notes. Upon receipt of such notice from any Clearing Agency, the Issuer will use its best efforts to make arrangements with such Clearing Agency for the exchange of interests in the Global Notes for individual definitive Notes and cause the requested individual definitive Notes to be executed and delivered to the Note Registrar or Issuer Note Registrar, as applicable, in sufficient quantities and authenticated by or on behalf of the Trustee or the Issuing and Paying Agent, as applicable, for delivery to Holders of the Notes. Persons exchanging interests in a Global Note for individual definitive Notes will be required to provide to the Trustee or the Issuing and Paying Agent, as applicable, through DTC, Clearstream or Euroclear, (i) written instructions and other information required by the Issuer and the Trustee or the Issuing and Paying Agent, as applicable, to complete, execute and deliver such individual definitive Notes, (ii) in the case of an exchange of an interest in a Rule 144A Global Note, such certification as to "Qualified Institutional Buyer" status, and that such Holder is a Qualified Purchaser, as the Issuer shall require and (iii) in the case of an exchange of an interest in a Regulation S Global Note, such certification as the Issuer shall require as to non-U.S. Person status. In all cases, individual definitive Notes delivered in exchange for any Note in global form or beneficial interests therein will be registered in the names, and issued in denominations in compliance with the minimum denominations specified for the applicable Notes in global form, requested by the applicable Clearing Agency.

Individual definitive Notes will bear, and be subject to, such legend as the Issuer requires in order to assure compliance with any applicable law. Individual definitive Notes will be transferable subject to the minimum denomination applicable to such Notes, in whole or in part, and exchangeable for individual definitive Notes of the same kind at the office of the Trustee or the Issuing and Paying Agent, as applicable, or the office of any transfer agent, upon compliance with the requirements set forth in the Indenture. Individual definitive Notes may be transferred through any transfer agent, upon the delivery and duly completed assignment of such Notes. Upon a partial transfer of any Notes represented by the applicable definitive notes therefor, the Trustee or the Issuing and Paying Agent, as applicable, will issue in exchange therefor to the transferee one or more individual definitive Notes representing the amount being so transferred and will issue to the transferor one or more individual definitive Notes representing the remaining amount not being transferred. No service charge will be imposed for any registration of transfer or exchange, but payment of a sum sufficient to cover any tax or other governmental charge may be required. The Holder of a restricted individual definitive Note may transfer such Note, subject to compliance with the provisions of the legend thereon. Upon the transfer, exchange or replacement of Notes bearing the legend, or upon specific request for removal of the legend on a Note, the Issuer will deliver only Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on

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transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act. Payments of principal and interest on individual definitive Notes shall be payable by wire transfer in immediately available funds to an account maintained by the Holder thereof or its nominee or, if appropriate instructions are not received at least fifteen days prior to the relevant Payment Date, by check drawn on a bank and sent by mail to the Registered holder thereof or, for so long as any of the Notes are listed on any stock exchange and the rules of such stock exchange shall so require, at the office of the listing, paying and transfer agent.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Notes. Any purchase or transfer of the Notes will be subject to the minimum denomination set forth in "Summary—Notes".

Rule 144A Global Notes

Each purchaser of a beneficial interest in a Rule 144A Global Note will be deemed to have represented and agreed with the Issuer as follows:

(i) (A) The purchaser is a Qualified Institutional Buyer and a Qualified Purchaser, (B) the purchaser is purchasing the Notes for its own account or the account of another Qualified Purchaser that is also a Qualified Institutional Buyer as to which the purchaser exercises sole investment discretion, (C) the purchaser and any such account is acquiring the Notes as principal for its own account for investment and not for sale in connection with any distribution thereof, (D) the purchaser and any such account was not formed solely for the purpose of investing in the Notes (except when each beneficial owner of the purchaser or any such account is a Qualified Purchaser), (E) to the extent the purchaser (or any account for which it is purchasing the Notes) is a private investment company formed on or before April 30, 1996, the purchaser and each such account has received the necessary consent from its beneficial owners, (F) neither the purchaser nor any such account is a pension, profit sharing or other retirement trust fund or plan in which the partners, beneficiaries or participants, as applicable, may designate the particular investments to be made, (G) the purchaser agrees that it and each such account shall not hold such Notes for the benefit of any other Person and shall be the sole beneficial owner thereof for all purposes and that it shall not sell participation interests in the Notes or enter into any other arrangement pursuant to which any other Person shall be entitled to a beneficial interest in the distributions on the Notes, (H) the Notes purchased directly or indirectly by the purchaser or any account for which it is purchasing the Notes constitute an investment of no more than 40% of the purchaser's and each such account's assets (except when each beneficial owner of the purchaser and each such account is a Qualified Purchaser), (I) the purchaser and each such account is purchasing the Notes in a principal amount of not less than the minimum denomination requirement for the purchaser and each such account, (J) the purchaser will provide notice of the transfer restrictions set forth in the Indenture (including the exhibits thereto) to any transferee of its Notes, (K) the purchaser understands and agrees that the Issuer may receive a list of participants in the Notes from one or more book-entry depositories and (L) the purchaser understands and agrees that any purported transfer of the Notes to a purchaser that does not comply with the requirements of this paragraph (i) shall be null and void *ab initio*.

(ii) If any U.S. Person that is not both a Qualified Institutional Buyer and a Qualified Purchaser at the time it acquires an interest in a Note shall become the beneficial owner of any Note, (any such Person, a "**Non-Permitted Holder**"), the Trustee or the Issuing and Paying Agent, as applicable, shall, promptly after discovery that such Person is a Non-Permitted Holder by the Issuer, the Co-Issuer, the Trustee or the Issuing and Paying Agent, as applicable (and notice by the Trustee, the Issuing and Paying Agent or the Co-Issuer to the Issuer, if any of them makes the discovery), send notice to such Non-Permitted Holder demanding that such Non-Permitted Holder transfer its interest to a Person that is not a Non-Permitted Holder within 14 days of the date of such notice. If such Non-Permitted Holder fails to transfer its Notes, the Issuer shall have the right, without further notice to the Non-

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Permitted Holder, to sell such Notes or interest in Notes to a purchaser selected by the Issuer that is not a Non-Permitted Holder on such terms as the Issuer may choose. The Issuer, or the Trustee or the Issuing and Paying Agent, as applicable, acting on behalf of the Issuer, may select the purchaser by soliciting one or more bids from one or more brokers or other market professionals that regularly deal in securities similar to the Notes, and selling such Notes to the highest such bidder. However, the Issuer or the Trustee or the Issuing and Paying Agent, as applicable, may select a purchaser by any other means determined by it in its sole discretion and the Trustee or the Issuing and Paying Agent, as applicable, may, at the expense of the Issuer, engage an independent investment bank to assist in such sale. The Holder of each Note, the Non-Permitted Holder and each other Person in the chain of title from the Holder to the Non-Permitted Holder, by its acceptance of an interest in the Notes, agrees to cooperate with the Issuer and the Trustee or the Issuing and Paying Agent, as applicable, to effect such transfers. The proceeds of such sale, net of any commissions, expenses and taxes due in connection with such sale shall be remitted to the Non-Permitted Holder. The terms and conditions of any sale under this paragraph shall be determined in the sole discretion of the Issuer, and neither the Issuer nor the Trustee or Issuing and Paying Agent, as applicable, shall be liable to any Person having an interest in the Notes sold as a result of any such sale or the exercise of such discretion.

If (1) an ERISA Plan or (2) a governmental, church, non-U.S. or other plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code whose purchase, holding or disposition of an Issuer Note or any beneficial interest therein will result in a non-exempt violation of any federal, state, local or non-U.S. law substantially similar to Section 406 of ERISA or Section 4975 of the Code (any such person described in clause (1) or (2) a "**Non-Permitted ERISA Plan Holder**") becomes the owner of Issuer Notes, the Issuer shall, promptly after discovery that such person is a Non-Permitted ERISA Plan Holder by the Issuer or the Issuing and Paying Agent (and notice by the Issuing and Paying Agent to the Issuer, if the Issuing and Paying Agent makes the discovery), send notice to such Non-Permitted ERISA Plan Holder demanding that such Non-Permitted ERISA Plan Holder transfer its Issuer Notes to a Person that is eligible to purchase such Issuer Notes hereunder within 14 days of the date of such notice. If such Non-Permitted ERISA Plan Holder fails to so transfer such Issuer Notes, the Issuer shall have the right, without further notice to the Non-Permitted ERISA Plan Holder, to sell such Issuer Notes to a purchaser selected by the Issuer that is eligible to purchase such Issuer Notes hereunder on such terms as the Issuer may choose. The Issuer, or the Issuing and Paying Agent acting on behalf of the Issuer, may select the purchaser by soliciting one or more bids from one or more brokers or other market professionals that regularly deal in securities similar to the Issuer Notes and selling such Issuer Notes to the highest such bidder. However, the Issuer or the Issuing and Paying Agent acting on behalf of the Issuer may select a purchaser by any other means determined by it in its sole discretion. The Holder of each Issuer Note, the Non-Permitted ERISA Plan Holder and each other Person in the chain of title from the Holder to the Non-Permitted ERISA Plan Holder, by its acceptance of Issuer Notes agrees to cooperate with the Issuer and the Issuing and Paying Agent to effect such transfers. The proceeds of such sale, net of any commissions, expenses and taxes due in connection with such sale shall be remitted to the Non-Permitted ERISA Plan Holder. The terms and conditions of any sale under this paragraph shall be determined in the sole discretion of the Issuer, and the Issuer shall not be liable to any Person having an interest in the Issuer Notes sold as a result of any such sale or the exercise of such discretion.

(iii) The purchaser understands and agrees that the Notes have not been and will not be registered or qualified under the Securities Act or any applicable state securities laws or the securities laws of any other jurisdiction and the sale of the Notes to the purchaser is being made in reliance on an exemption from registration under the Securities Act, and may be reoffered, resold, pledged or otherwise transferred only (A)(i) to a Person whom the purchaser reasonably believes is a Qualified Institutional Buyer purchasing for its own account or for the account of a Quelified Institutional Buyer as to which the purchaser exercises sole investment discretion in a transaction meeting the requirements of Rule 144A or (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S and (B) in accordance with all applicable securities laws of the states of the United States. The Issuer, the Co-Issuer and the Issuer Assets have not been registered under the Investment Company Act and, therefore, no transfer

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having the effect of causing the Issuer, the Co-Issuer or the Issuer Assets to be required to be registered as an investment company under the Investment Company Act will be recognized. The Notes are subject to the restrictions on transfer set forth herein and in the Indenture and the Notes. The purchaser understands and agrees that any purported transfer of the Notes to a purchaser that does not comply with the requirements of this paragraph (iii) shall be null and void *ab initio*.

(iv) The purchaser is not a member of the public of the Cayman Islands.

(v) The purchaser is not purchasing the Notes with a view toward the resale, distribution or other disposition thereof in violation of the Securities Act. The purchaser understands and agrees that an investment in the Notes involves certain risks, including the risk of loss of its entire investment in the Notes under certain circumstances. The purchaser has had access to such financial and other information concerning the Issuer and the Notes as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Notes, including an opportunity to ask questions of, and request information from, the Issuer.

(vi) In connection with the purchase of the Notes: (A) none of the Issuers, the Initial Purchaser, the Trustee, the Issuing and Paying Agent, the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider, the Collateral Disposal Agent, the Portfolio Selection Agent, the Administrator or the Share Trustee (or any of their respective Affiliates) is acting as a fiduciary or financial or investment adviser for the purchaser; (B) the purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuers, the Initial Purchaser, the Trustee, the Issuing and Paying Agent, the Portfolio Selection Agent, the Administrator or the Share Trustee (or any of their respective Affiliates) other than in the final offering circular for such Notes and any representations expressly set forth in a written agreement with such party; (C) none of the Issuers, the Initial Purchaser, the Trustee, the Issuing and Paying Agent, the Portfolio Selection Agent, the Administrator or the Share Trustee (or any of their respective Affiliates) has given to the purchaser (directly or indirectly through any other Person) any assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment in the Notes; (D) the purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture) 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 Issuers, the Initial Purchaser, the Trustee, the Issuing and Paying Agent, the Portfolio Selection Agent, the Administrator or the Share Trustee (or any of their respective Affiliates); (E) the purchaser has evaluated the terms and conditions of the purchase and sale of the Notes with a full understanding of all of the risks thereof (economic and otherwise), and it is capable of assuming, and willing to assume (financially and otherwise) those risks; (F) the purchaser is a sophisticated investor; and (G) if acquiring the Notes for any account, the purchaser has not made any disclosure, assurance, guarantee or representation not consistent with the provisions and the requirements contained herein.

(vii) In the case of the Co-Issued Notes, at the time of its acquisition and throughout the period it holds such Co-Issued Note, either (A) the purchaser is not a Plan nor any entity whose underlying assets include "plan assets" (within the meaning of the Plan Asset Regulations) by reason of such Plan's investment in the entity, nor a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (B) if the purchaser is an entity described in (A), the purchase, holding and disposition of a Co-Issued Note, as the case may be, will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. or other plan, a non-exempt violation under any substantially similar federal, state, local or non-U.S. law). Any purported transfer of a Note to a purchaser that does not comply with the requirements of this paragraph (vii) shall be null and void *ab initio*.

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(viii) In the case of the Issuer Notes, each purchaser and subsequent transferee of a beneficial interest in any such Note will be deemed to represent that the purchaser or transferee, as the case may be, from the date on which it acquires its interest in such Notes through and including the date on which such purchaser or transferee disposes of its interest in such Notes (1) it is not an ERISA Plan; and if after its initial acquisition of any such Note or any interest therein, the investor determines, or it is determined by another party, that such investor is an ERISA Plan, the investor will dispose of all of its Issuer Notes in a manner consistent with the restrictions set forth in the Indenture, and (2) if it is a governmental, church, non-U.S. or other plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, its purchase, holding and disposition of any such Notes will not cause a non-exempt violation of any U.S. federal, state or local law or any non-U.S. law which is substantially similar to Title I of ERISA or Section 4975 of the Code as a result of the transactions contemplated herein and (3) it will not sell or otherwise transfer any such Note or interest therein to any person who is unable to satisfy the same foregoing representations and warranties.

(ix) To the extent required by the Issuer, as determined by the Issuer, the Issuer may, upon notice to the Trustee and the Issuing and Paying Agent, impose additional transfer restrictions on the Notes to comply with the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the USA PATRIOT Act) and other similar laws or regulations, including, without limitation, requiring each transferee of a beneficial interest in a Note to make representations to the Issuer in connection with such compliance.

(x) The Co-Issued Notes will bear a legend substantially to the following effect:

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUERS HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUERS THAT THE NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT OR (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND, IN THE CASE OF CLAUSE (1) IN A PRINCIPAL AMOUNT OF NOT LESS THAN [$250,000][1] [$100,000][2] [€100,000][£100,000][¥10,000,000][A$100,000][C$100,000][NZ$100,000][3] FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH IT IS ACTING TO A PURCHASER THAT (W) IS A QUALIFIED PURCHASER WITHIN THE MEANING OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (X) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (Y) UNDERSTANDS AND AGREES THAT THE ISSUERS MAY RECEIVE A LIST OF PARTICIPANTS IN THE NOTES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES AND (Z) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED ON OR BEFORE APRIL 30, 1996, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION OR EXCLUSION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES OR OTHER APPLICABLE JURISDICTION. ANY TRANSFER IN

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[1] Applicable to the Rule 144A Global Notes.

[2] Applicable to Regulation S Global Notes denominated in Dollars.

[3] Applicable to Regulation S Global Notes denominated in Approved Currencies other than Dollars, as applicable.

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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 ISSUERS, THE TRUSTEE OR ANY INTERMEDIARY. EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER MAINTAINS THE RIGHT TO RESELL NOTES PREVIOUSLY TRANSFERRED TO NON-PERMITTED HOLDERS (AS DEFINED IN THE INDENTURE) IN ACCORDANCE WITH AND SUBJECT TO THE TERMS OF THE INDENTURE.

[ANY TRANSFER, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN, UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC"), NEW YORK, NEW YORK, TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.).

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE, AND TRANSFERS OF PORTIONS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO HEREIN.][1]

[ANY TRANSFER, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, ABN AMRO GSTS NOMINEES LIMITED AS NOMINEE FOR ABN AMRO BANK N.V. (LONDON BRANCH), HAS AN INTEREST HEREIN, UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE EUROCLEAR SYSTEM ("EUROCLEAR"), TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF ABN AMRO GSTS NOMINEES LIMITED AS NOMINEE FOR ABN AMRO BANK N.V. (LONDON BRANCH) OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR (AND ANY PAYMENT HEREON IS MADE TO ABN AMRO BANK N.V. (LONDON BRANCH)).

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF EUROCLEAR OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE, AND TRANSFERS OF PORTIONS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO HEREIN.][2]

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE TRUSTEE.

THE FAILURE TO PROVIDE THE ISSUER, THE TRUSTEE AND ANY PAYING AGENT WITH THE APPLICABLE U.S. FEDERAL INCOME TAX CERTIFICATIONS (GENERALLY, AN INTERNAL REVENUE SERVICE FORM W-9 (OR SUCCESSOR APPLICABLE FORM) IN THE CASE OF A PERSON THAT IS A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(A)(30)

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[1] Applicable to the Dollar-denominated Notes.

[2] Applicable to the Notes denominated in Approved Currencies other than Dollars.

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OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") OR AN APPROPRIATE INTERNAL REVENUE SERVICE FORM W-8 (OR SUCCESSOR APPLICABLE FORM) IN THE CASE OF A PERSON THAT IS NOT A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(A)(30) OF THE CODE) MAY RESULT IN U.S. FEDERAL BACK-UP WITHHOLDING FROM PAYMENTS TO THE HOLDER IN RESPECT OF THIS NOTE.

THIS NOTE MAY NOT BE TRANSFERRED TO AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA) OR A PLAN (AS DEFINED IN SECTION 4975(e)(1) OF THE CODE THAT IS SUBJECT TO SECTION 4975 OF THE CODE) OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" (WITHIN THE MEANING OF 29 C.F.R. § 2510.3-101) BY REASON OF SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY OR A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE IF THE PURCHASE, HOLDING AND DISPOSITION OF THE NOTE WILL CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN, A NON-EXEMPT VIOLATION UNDER ANY SUBSTANTIALLY SIMILAR FEDERAL, STATE, LOCAL OR NON-U.S. LAW). ANY PURPORTED TRANSFER OF THIS NOTE TO A PURCHASER THAT DOES NOT COMPLY WITH THE ABOVE REQUIREMENTS SHALL BE NULL AND VOID *AB INITIO*.

(xi) The Issuer Notes will bear a legend substantially to the following effect:

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT OR (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND, IN THE CASE OF CLAUSE (1) IN A PRINCIPAL AMOUNT OF NOT LESS THAN [$250,000][1] [$100,000][2] [€100,000][£100,000][¥10,000,000][A$100,000][C$100,000][NZ$100,000][3] FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH IT IS ACTING TO A PURCHASER THAT (W) IS A QUALIFIED PURCHASER WITHIN THE MEANING OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (X) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (Y) UNDERSTANDS AND AGREES THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS IN THE NOTES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES AND (Z) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED ON OR BEFORE APRIL 30, 1996, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION OR EXCLUSION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES OR OTHER APPLICABLE JURISDICTION. ANY TRANSFER IN

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[1] Applicable to the Rule 144A Global Notes.

[2] Applicable to Regulation S Global Notes denominated in Dollars.

[3] Applicable to Regulation S Global Notes denominated in Approved Currencies other than Dollars, as applicable.

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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 ISSUING AND PAYING AGENT OR ANY INTERMEDIARY. EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE ISSUING AND PAYING AGENCY AGREEMENT TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER MAINTAINS THE RIGHT TO RESELL NOTES PREVIOUSLY TRANSFERRED TO NON-PERMITTED HOLDERS (AS DEFINED IN THE ISSUING AND PAYING AGENCY AGREEMENT) IN ACCORDANCE WITH AND SUBJECT TO THE TERMS OF THE ISSUING AND PAYING AGENCY AGREEMENT.

[ANY TRANSFER, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN, UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC"), NEW YORK, NEW YORK, TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.).

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE, AND TRANSFERS OF PORTIONS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE ISSUING AND PAYING AGENCY AGREEMENT REFERRED TO HEREIN.][1]

[ANY TRANSFER, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, ABN AMRO GSTS NOMINEES LIMITED AS NOMINEE FOR ABN AMRO BANK N.V. (LONDON BRANCH), HAS AN INTEREST HEREIN, UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE EUROCLEAR SYSTEM ("EUROCLEAR"), TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF ABN AMRO GSTS NOMINEES LIMITED AS NOMINEE FOR ABN AMRO BANK N.V. (LONDON BRANCH) OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR (AND ANY PAYMENT HEREON IS MADE TO ABN AMRO BANK N.V. (LONDON BRANCH)).

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF EUROCLEAR OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE, AND TRANSFERS OF PORTIONS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE ISSUING AND PAYING AGENCY AGREEMENT REFERRED TO HEREIN.][2]

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE ISSUING AND PAYING AGENT.

THE FAILURE TO PROVIDE THE ISSUER, THE ISSUING AND PAYING AGENT AND ANY PAYING AGENT WITH THE APPLICABLE U.S. FEDERAL INCOME TAX CERTIFICATIONS

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[1] Applicable to the Dollar-denominated Notes.

[2] Applicable to the Notes denominated in Approved Currencies other than Dollars.

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(GENERALLY, AN INTERNAL REVENUE SERVICE FORM W-9 (OR SUCCESSOR APPLICABLE FORM) IN THE CASE OF A PERSON THAT IS A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(A)(30) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") OR AN APPROPRIATE INTERNAL REVENUE SERVICE FORM W-8 (OR SUCCESSOR APPLICABLE FORM) IN THE CASE OF A PERSON THAT IS NOT A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(A)(30) OF THE CODE) MAY RESULT IN U.S. FEDERAL BACK-UP WITHHOLDING FROM PAYMENTS TO THE HOLDER IN RESPECT OF THIS NOTE.

BY ITS PURCHASE OR HOLDING OF AN ISSUER NOTE, OR ANY INTEREST THEREIN, THE PURCHASER AND/OR HOLDER THEREOF AND EACH TRANSFEREE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT, AT THE TIME OF ITS ACQUISITION, AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTE OR INTEREST THEREIN, THAT (1) IT IS NOT (A) AN EMPLOYEE BENEFIT PLAN AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA, (B) A PLAN AS DEFINED IN SECTION 4975(e)(1) OF THE CODE THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (C) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY OR (D) A "BENEFIT PLAN INVESTOR" AS SUCH TERM IS OTHERWISE DEFINED IN ANY REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR UNDER SECTION 3(42) OF ERISA (AN "ERISA PLAN"); AND IF AFTER ITS INITIAL ACQUISITION OF AN ISSUER NOTE OR ANY INTEREST THEREIN, THE INVESTOR DETERMINES, OR IT IS DETERMINED BY ANOTHER PARTY, THAT SUCH INVESTOR IS AN ERISA PLAN, THE INVESTOR WILL DISPOSE OF ALL OF ITS ISSUER NOTES IN A MANNER CONSISTENT WITH THE RESTRICTIONS SET FORTH IN THE ISSUING AND PAYING AGENCY AGREEMENT, AND (2) IF IT IS A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE, ITS PURCHASE, HOLDING AND DISPOSITION OF THE ISSUER NOTES WILL NOT CAUSE A NON-EXEMPT VIOLATION OF ANY U.S. FEDERAL, STATE OR LOCAL LAW OR ANY NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE AS A RESULT OF THE TRANSACTIONS CONTEMPLATED HEREIN AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SUCH NOTE OR INTEREST THEREIN TO ANY PERSON WHO IS UNABLE TO SATISFY THE SAME FOREGOING REPRESENTATIONS AND WARRANTIES.

(xii) Each purchaser or subsequent transferee of Rule 144A Issuer Notes that (i) is not a "United States person" (as defined in Section 7701(a)(30) of the Code) and (ii) is acquiring, directly or in conjunction with affiliates, more than 33 1/3% of the Aggregate USD Equivalent Outstanding Amount of any Class of Issuer Notes, as applicable, will be deemed to make a representation to the effect that it is not an Affected Bank.

Regulation S Global Notes

Each purchaser of a beneficial interest in a Regulation S Global Note will be deemed to have represented and agreed with the Issuer:

(i) as set forth in paragraphs (iii), (iv), (v), (vi), (vii) (in the case of the Co-Issued Notes), (viii) (in the case of the Issuer Notes), (ix), (x) (in the case of the Co-Issued Notes) and (xi) (in the case of the Issuer Notes) under "—Rule 144A Global Notes";

(ii) that the purchaser is a non-U.S. Person acquiring the Notes in an offshore transaction meeting the requirements of Rule 903 or Rule 904 of Regulation S and in a principal amount of not less than the applicable minimum denomination requirement; and

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(iii) each purchaser or subsequent transferee of Regulation S Global Notes that (i) is not a "United States person" (as defined in Section 7701(a)(30) of the Code) and (ii) is acquiring, directly or in conjunction with affiliates, more than 33 1/3% of the Aggregate USD Equivalent Outstanding Amount of any Class of Issuer Notes will be deemed to make a representation to the effect that it is not an Affected Bank.

UNDERWRITING

Subject to the terms and conditions set forth in the Purchase Agreement, the Issuers, with respect to the Co-Issued Notes issued on the Closing Date and the Issuer, with respect to the Issuer Notes issued on the Closing Date have agreed to sell, on the Closing Date, and Goldman, Sachs & Co. has agreed to purchase all of such Notes.

Under the terms and conditions of the Purchase Agreement, the Initial Purchaser is committed to take and pay for all the Notes to be offered to the Initial Purchaser, not if any are taken. Under the terms and conditions of the Purchase Agreement, Goldman, Sachs & Co. will be entitled to an underwriting discount. After the Notes are released for sale, the Initial Purchaser may change the offering price and other selling terms.

The Notes have not been and will not be registered under the Securities Act for offer or sale as part of their distribution and may not be offered or sold within the United States or to, or for the account or benefit of, a U.S. Person or a U.S. resident (as determined for purposes of the Investment Company Act, a **"U.S. Resident"**) except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act.

The Issuers have been advised by the Initial Purchaser that (a) the Initial Purchaser proposes to resell the Notes outside the United States through its agent, Goldman Sachs International, in offshore transactions in reliance on Regulation S and in accordance with applicable law, and (b) the Initial Purchaser proposes to resell the Notes in the United States in reliance on Rule 144A under the Securities Act only to Qualified Institutional Buyers purchasing for their own accounts or for the accounts of Qualified Institutional Buyers each of which purchasers or accounts is a Qualified Purchaser. The offering price and the Initial Purchaser's underwriting discount will be the same for the Regulation S Global Notes and the Rule 144A Global Notes within each Class of Notes. Any offer or sale of Rule 144A Global Notes in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act will be made by broker-dealers who are registered as such under the Exchange Act. After the Notes are released for sale, the offering price and other selling terms may from time to time be varied by the Initial Purchaser.

The Initial Purchaser has acknowledged and agreed that it will not offer, sell or deliver any Notes sold pursuant to Regulation S to, or for the account or benefit of, any U.S. Person or U.S. Resident (as determined for purposes of the Investment Company Act) as part of its distribution at any time and that it will send to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells Notes pursuant to Regulation S e confirmation or other notice setting forth the prohibition on offers and sales of Notes sold pursuant to Regulation S within the United States or to, or for the account or benefit of, any U.S. Person or U.S. Resident.

With respect to the Notes initially sold pursuant to Regulation S, until the expiration of 40 days after the commencement of the distribution of the offering of Notes by the Initial Purchaser, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

In connection with the offering, the Initial Purchaser may purchase and sell the Notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover

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positions created by short sales. Short sales involve the sale by the Initial Purchaser of a greater amount of Notes than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress.

The Initial Purchaser also may impose a penalty bid. This occurs when the Initial Purchaser repays a portion of the underwriting discount received by it because such Initial Purchaser or its Affiliates have repurchased Notes sold by or for the account of such Initial Purchaser in stabilizing or short covering transactions.

These activities by the Initial Purchaser may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Initial Purchaser at any time. These transactions may be effected in the over-the-counter market or otherwise.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **"Relevant Member State"**), the Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **"Relevant Implementation Date"**) it has not made and will not make an offer of Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State at any time:

(i) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(ii) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(iii) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The Initial Purchaser has represented and agreed that:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise

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constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") by the Issuer;

(ii) 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 FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Notes may not be offered or sold by means of any document other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, and no advertisement, invitation or document relating to the Notes may be issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the Securities and Exchange Law) and the Initial Purchaser has agreed that it will not offer or sell any Notes, 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, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the notes under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

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The Initial Purchaser has agreed that it has not made and will not make any invitation to the public in the Cayman Islands to purchase any of the Notes.

Buyers of Notes pursuant to Regulation S sold by Goldman Sachs International, as the agent of Goldman, Sachs & Co., may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Issuers or the Notes, in any jurisdiction where action for such purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

The Notes are a new issue of securities with no established trading market. The Issuers have been advised by the Initial Purchaser that the Initial Purchaser intends to make a market in the Notes but is not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Notes. See "Risk Factors—Certain Conflicts of Interest".

Application will be made to admit the Notes on a stock exchange of the Issuer's choice, if practicable. There can be no assurance that any admission will be sought, granted or maintained.

The Issuers have agreed to indemnify the Initial Purchaser, the Portfolio Selection Agent, the Administrator, the Trustee and the Issuing and Paying Agent against certain liabilities, including, but not limited to, liabilities under the Securities Act, or to contribute to payments they may be required to make in respect thereof. In addition, the Issuers have agreed to reimburse the Initial Purchaser for certain of its expenses.

LISTING AND GENERAL INFORMATION

1. Application will be made to admit the Notes on a stock exchange of the Issuer's choice, if practicable. There can be no assurance that any such admission will be sought, granted or maintained.

2. For fourteen days following the date of this Offering Circular, copies of the Memorandum and Articles of Association of the Issuer, the By-Laws of the Co-Issuer, the Indenture, the Issuing and Paying Agency Agreement, each Deed of Covenant, the Credit Default Swap, the Basis Swap, the Collateral Put Agreement, the Collateral Administration Agreement, the Portfolio Selection Agreement and the Administration Agreement (such agreements collectively, the "**Materiel Contracts**") will be available for inspection at the registered office of the Issuer and the offices of any Listing, Paying and Transfer Agent, and copies thereof may be obtained upon request. In addition, copies of any reports (including, without limitation, monthly reports) prepared under the Indenture may be obtained upon request from any Listing, Paying and Transfer Agent.

3. Copies of the Certificate of Incorporation and Memorandum and Articles of Association of the Issuer, the Certificate of Incorporation and By-laws of the Co-Issuer, the Administration Agreement, the resolutions of the Board of Directors of the Issuer authorizing the issuance of the Notes, the resolutions of the Board of Directors of the Co-Issuer authorizing the issuance of the Notes, will be available for inspection at the office of the Trustee and the Issuing and Paying Agent, as applicable, and at the office of any Listing, Paying and Transfer Agent.

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4. Since the date of establishment, there has been no significant change in the financial or trading position of the Issuer and no annual report or accounts have been prepared as of the date hereof.

5. The Issuers are not involved in any litigation or arbitration proceedings relating to claims on amounts which are material in the context of the issue of the Notes, nor, so far as each of the Issuers is aware, is any such litigation or arbitration involving it pending or threatened.

6. The issuance of the Notes is expected to be authorized by the Board of Directors of the Issuer by resolution passed on or prior to the Closing Date. The issuance of the Notes is expected to be authorized by the sole Director of the Co-Issuer by resolution on or about April 25, 2007.

7. The Notes sold in offshore transactions in reliance on Regulation S under the Securities Act represented by Regulation S Global Notes have been accepted for clearance through Clearstream and Euroclear. The Co-Issued Notes sold to U.S. Persons that are Qualified Institutional Buyers/Qualified Purchasers under the Securities Act represented by Rule 144A Global Notes have been accepted for clearance through DTC. The CUSIP Numbers, Common Codes and International Securities Identification Numbers (ISIN) for the Co-Issued Notes represented by Rule 144A Global Notes and Regulation S Global Notes are as indicated in the chart "Summary—Notes", as applicable.

8. For so long as any of the Notes are listed on any stock exchange and the rules of such stock exchange shall so require, the Issuer will inform such stock exchange in accordance with its procedures, if the ratings assigned to any of the Notes are reduced or withdrawn.

9. The Issuers do not intend to publish annual reports and accounts. The Indenture, however, requires the Issuers to provide written confirmation to the Trustee on an annual basis that no Event of Default or other matter which is required to be brought to the Trustee's attention has occurred.

LEGAL MATTERS

Certain legal matters will be passed upon for the Issuers and the Initial Purchaser by McKee Nelson LLP, New York, New York. Certain matters with respect to Ceyman Islands corporate law and tax law will be passed upon for the Issuer by Maples and Calder, George Town, Grand Cayman, Cayman Islands. Certain legal matters will be passed upon for the Portfolio Selection Agent by Schulte Roth & Zabel LLP, New York, New York.

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GLOSSARY OF DEFINED TERMS

"ABS Aircraft Securities": Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from leases and subleases of aircraft, vessels and telecommunications equipment to businesses for use in the provisions of goods or services to consumers, the military or the government, generally having the following characteristics: (1) the leases and subleases having varying contractual maturities; (2) the leases or subleases are obligations of a relatively limited number of obligors and accordingly represent an undiversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by an contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, sublessee or third party or the underlying equipment; (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of the lease term for excess usage or wear and tear; and (5) the obligations of the lessors or sublessors may be secured not only by the leased equipment but also by other assets of the lessee, sublessee or guarantees granted by third parties; *provided* that any security falling within this definition will be excluded from the definition of "Structured Product Security" (unless it is a Wrapped Security) and each other Excluded Specified Type.

"ABS Automobile Securities": Securities, other than ABS Subprime Auto Securities, that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on:

(1) the cash flow from installment sale loans made to finance the purchase of, or from leases of, automobiles or light duty trucks or medium duty trucks, generally having the following characteristics:

  (i) the loans or leases may have varying contractual maturities;

  (ii) the loans or leases are obligations of numerous borrowers or lessors and accordingly represent a diversified pool of obligor credit risk;

  (iii) the repayment stream on such loans or leases is primarily determined by a contractual peyment schedule, with early repayment on such loans or leases predominantly dependent upon the disposition of the underlying vehicle; and

  (iv) such leases typically provide for the right of the lessee to purchase the vehicle for its stated residual value and are subject to payments at the end of lease term for excess mileage or use in the event that the lessee does not exercise such purchase option; or

(2) the cash flow from loans or leases made to finance the purchase of an automobile dealer's inventory, generally having the following characteristics:

  (i) the loans or leases may have varying contractual maturities;

  (ii) the repayment stream on such loans or leases is primarily determined by a contractual payment schedule, with early repayment on such loans or leases predominantly dependent upon the disposition of the underlying vehicle; and

  (iii) such leases typically provide for the right of the lessee to purchase the vehicle for its stated residual value and are subject to payments at the end of lease term for excess mileage or use in the event that the lessee does not exercise such purchase option.

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"ABS Car Rental Receivable Securities": Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from leases and subleases of vehicles to car rental companies and their franchisees, generally having the following characteristics: (1) the leases and subleases have varying contractual maturities; (2) the subleases are obligations of numerous franchisees and accordingly represent a diversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee or third party of the underlying vehicle; and (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the vehicle for its stated residual value and are subject to payments at the end of lease term for excess mileage or use in the event that the lessee or sublessee does not exercise such purchase option.

"ABS Credit Card Securities": Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from balances outstanding under revolving consumer credit card accounts, generally having the following characteristics:

(i) the accounts have standardized payment terms and require minimum monthly payments;

(ii) the balances are obligations of numerous borrowers and accordingly represent a diversified pool of obligor credit risk; and

(iii) the repayment stream on such balances does not depend upon a contractual payment schedule, with repayment depending primarily on interest rates, availability of credit against a maximum credit limit and general economic matters.

"ABS Future Flow Securities": Securities that are financings by companies that export products and involve securitizations of offshore U.S. Dollar-denominated receivables under contracts with foreign buyers or from sale through an established market pursuant to which cash generated from the existing and future receivables is captured, typically paid to a trust or collateral account in the United States and is used to service the debt evidenced by such securities. In a typical existing and future receivables transaction, the originator of the receivables establishes a limited purpose financing vehicle that issues such securities. The originator receives the issuance proceeds and may use these funds for general corporate purposes. ABS Future Flow Securities are generally backed by one or more contracts requiring the originator to generate the receivables backing the securities. In such a situation, if the receivables are not generated or if insufficient amounts of receivables are generated, holders of such securities may not receive the payments they are owed. Sellers of receivables in future receivables transactions are frequently in countries with low credit ratings. ABS Future Flow Securities may achieve a rating above the foreign currency sovereign rating of such company's country of domicile, thereby enabling the originator to obtain financing at a relatively lower cost than traditional loans or direct issuance of bonds by the originator. The determination of whether an ABS Future Flow Security shall be classified as an Excluded Specified Type shall be made by reference to the types of receivables expected to be generated. Any ABS Future Flow Security so classified as an Excluded Specified Type will be excluded from the definition of "Structured Product Security" (unless it is a Wrapped Security) and each other Excluded Specified Type.

"ABS Health Care Receivable Securities": Securities (other than ABS Small Business Loan Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from leases and subleases of equipment to hospitals, non-hospital medical facilities, physicians and physician groups for use in the provision of healthcare services, generally having the following characteristics: (1) the leases and subleases have varying contractual maturities; (2) the leases or subleases are obligations of a relatively limited number of obligors and accordingly represent an

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undiversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, sublessee or third party of the underlying equipment; and (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value; *provided* that any security falling within this definition will be excluded from the definition of "Structured Product Security" (unless it is a Wrapped Security) and each other Excluded Specified Type.

"ABS Mutual Fund Fee Securities": Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from a pool of brokerage fees and costs relating to various mutual funds, generally having the following characteristics: (1) the brokerage fees and costs have standardized terms; (2) the brokerage fees and costs arise out of numerous mutual funds and accordingly represent a diversified pool of credit risk; and (3) the collection of brokerage fees and costs can vary substantially from the contractual payment schedule (if any), with the collection depending on numerous factors specific to the particular mutual funds and general economic matters; *provided* that any security falling within this definition will be excluded from the definition of "Structured Product Security" (unless it is a Wrapped Security) and each other Excluded Specified Type.

"ABS Other Security": A Structured Finance Security that (i) cannot reasonably be classified as a Commercial Mortgage-Backed Security, Residential Mortgage-Backed Security, CDO Cashflow Security, Wrapped Security, ABS Automobile Security, ABS Car Rental Receivable Security, ABS Credit Card Security, ABS Small Business Loan Security or ABS Student Loan Security and (ii) is not an Excluded Specified Type.

"ABS Small Business Loan Securities": Securities that entitle holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from general purpose loans made to "small business concerns" (generally within the meaning given to such term by regulations of the United States Small Business Administration), including but not limited to those (a) made pursuant to Section 7(a) of the United States Small Business Act, as amended, and (b) partially guaranteed by the United States Small Business Administration, generally have the following characteristics:

(i) the loans have payment terms that comply with any applicable requirements of the United Stetes Small Business Act, as amended;

(ii) the loans are obligations of a relatively limited number of borrowers and accordingly represent an undiversified pool of obligor credit risk; and

(iii) repayment thereof can vary substantially from the contractual payment schedule (if any), with early repayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium.

"ABS Structured Settlement Securities": Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from receivebles representing the right of litigation claimants to receive future settlement payments under a settlement agreement that are funded by an annuity contract; *provided* that any security falling within this definition will be excluded from the definition of "Structured Product Security" (unless it is a Wrapped Security) and each other Excluded Specified Type.

"ABS Student Loan Securities": Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of

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proceeds to holders of such securities) on the cash flow from loans made to students (or their parents) to finance educational needs.

"ABS Subprime Auto Securities": Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from subprime installment sale loans made to finance the acquisition of, or from leases of, automobiles, generally having the following characteristics: (1) the loans or leases may have varying contractual maturities; (2) the loans or leases are obligations of numerous borrowers or lessees and accordingly represent a diversified pool of obligor credit risk; (3) the borrowers or lessees under the loans or leases generally have a poor credit rating; (4) the repayment stream on such loans or leases is primarily determined by a contractual payment schedule, with early repayment on such loans or leases predominantly dependent upon the disposition of the underlying vehicle; and (5) such leases typically provide for the right of the lessee to purchase the vehicle for its stated residual value and are subject to payments at the end of the lease term for excess mileage or use in the event that the lessee does not exercise such purchase option; *provided* that any security falling within this definition will be excluded from the definition of "Structured Product Security" (unless it is a Wrapped Security) and each other Excluded Specified Type.

"ABS Tax Lien Securities": Securities that entitle the holders thereof to receive payment that depend (except for rights or other assets designed to assure the servicing or timely distribution or proceeds to holders of such securities) on the cash flow from a pool of tax obligations owed by businesses and individuals to state and municipal governmental taxing authorities, generally having the following characteristics: (1) the tax obligations are obligations of numerous borrowers and accordingly represent a diversified pool of obligor credit risk; and (2) the repayment stream on the obligation is primarily determined by a payment schedule entered into between the relevant tax authority and obligor, with early repayment on such obligation predominantly dependent upon interest rates and the income of the obligor following the commencement of amortization; *provided* that any security falling within this definition will be excluded from the definition of "Structured Product Security" (unless it is a Wrapped Security) and each other Excluded Specified Type.

"ABS Timeshare Securities": Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from borrowers under timeshare mortgage loans. Timeshare mortgage loans are generally fixed rate, fully amortizing loans that are secured by first mortgage liens on timeshare estates. A timeshare estate consists of an interval (generally measured in weeks) in vacation ownership of fully furnished vacation units or apartments. Usage and ownership is generally divided into 52 one-week intervals, with one or two weeks reserved for maintenance. Ownership can also be through undivided fee simple interests ("UDIs") in a group of units. Owners become tenants in common with other owners of undivided interests, with "use" rights which allow more flexibility in terms of length and timing of stay than fixed week intervals, as purchasers are not restricted to fixed fee usage. Any security falling within this definition will be excluded from the definition of "Structured Product Security" (unless it is a Wrapped Security) and each other Excluded Specified Type.

"Actual Principal Amount": With respect to any Reference Obligation and its applicable Final Amortization Date or Legal Final Maturity Date, an amount paid on such day by or on behalf of the related Reference Entity in respect of principal (excluding any amounts representing capitalized interest that relates to the term of the Credit Default Swap) to the holder(s) of such Reference Obligation in respect of such Reference Obligation.

"Actual Rating": With respect to any Obligation, the actual expressly monitored outstanding rating assigned by a Rating Agency, without reference to any other rating by another Rating Agency and which rating by its terms addresses the full scope of the payment promise of the obligor on such Obligation, after taking into account any applicable guarantee or insuranca policy or if no such rating is available from a Rating Agency, any "credit estimate" or "shadow rating" assigned by such Rating

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Agency, as applicable. For purposes of this definition, the rating of a RMBS Agency Security shall be the rating assigned by a Rating Agency to the agency that guarantees such RMBS Agency Security.

"Administrative Expense Cap": On any Payment Date, $20,000.

"Administrative Expenses": Amounts due or accrued with respect to any Payment Date (which shall be payable in the following order) to:

(i) any Person not listed in subclause (ii) through (vi) below in respect of any governmental fee, including all filing, registration and annual return fees payable to the Cayman Islands government and registered office fees, charge or tax (other than withholding taxes);

(ii) the Trustee, its fees pursuant to the Indenture;

(iii) to the Trustee, its expenses pursuant to the Indenture;

(iv) to the Issuing and Paying Agent, its fees pursuant to the Issuing and Paying Agency Agreement;

(v) to the Issuing and Paying Agent, its expenses pursuant to the Issuing and Paying Agency Agreement;

(vi) *pro rata* to:

(a) the Collateral Administrator under the Collateral Administration Agreement;

(b) the Independent accountants, agents and counsel of the Issuer for fees, including retainers, and expenses;

(c) the Rating Agencies for fees and expenses in connection with ratings of the Notes, on-going surveillance of such ratings and the provision of credit estimates; and

(d) any other Person in respect of any other reasonable fees, costs, indemnities or expenses of the Issuer not prohibited under the Indenture (including, without limitation, any monies owed to the Portfolio Selection Agent under the Portfolio Selection Agreement and the Administrator under the Administration Agreement and registered office fees) and any reports and documents delivered pursuant to or in connection with the Indenture and the Notes.

"Adverse Tax Event": The adoption of, or a change in, any tax statute (including the Code), treaty, regulation (whether proposed, temporary or final), rule, ruling, practice, procedure or judicial decision or interpretation which results or will result in (a) reducing monies received by the Issuer from the Issuer Assets or (b) the payments due on the Notes or pursuant to the Basis Swap, the Collateral Put Agreement or the Credit Default Swap becoming properly subject to the imposition of U.S. or other withholding tax.

"Affiliate" or "Affiliated": With respect to a Person, (i) any other Person who, directly or indirectly, is in control of, or controlled by, or is under common control with, such Person or (II) any other Person who is a director, officer or employee (a) of such Person, (b) of any subsidiary or parent company of such Person or (c) of any Person described in subclause (i) above. For purposes of this definition, control of a Person shall mean the power, direct or indirect, (i) to vote more than 50% of the securities having ordinary voting power for the election of directors of any such Person or (ii) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise. With respect

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to the Issuers, this definition shall exclude the Administrator and any other special purpose vehicle to which the Administrator is or will be providing administrative services or acting as share trustee.

"Agency": The Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or Government National Mortgage Association.

"Aggregate Implied Writedown Amount": With respect to any Reference Obligation, the greater of (i) zero and (ii) the aggregate of all Implied Writedown Amounts with respect to such Reference Obligation minus the aggregate of all Implied Writedown Reimbursement Amounts with respect to such Reference Obligation.

"Aggregate USD Equivalent Outstanding Amount": When used with respect to any or all of the Notes the aggregate principal amount of such Notes Outstanding on the date of determination; *provided* that, with respect to any Notes denominated in any Approved Currency other than Dollars, the Aggregate USD Equivalent Outstanding Amount of such Notes will equal the USD Equivalent of the Currency Adjusted Aggregate Outstanding Amount of such Notes.

"Alternative Debt Test": A test that is satisfied with respect to a Collateral Security if, on the date such Collateral Security is included in the Collateral, each of the following is satisfied: (i) such Collateral Security is in the form of a note or other debt instrument and is treated as debt for corporate law purposes in the jurisdiction of the issuer of such Collateral Security, (ii) the documents pursuant to which such Collateral Security was offered, if any, do not require that any holder thereof treat such Collateral Security other than as debt for tax purposes, (iii) such Collateral Security bears interest at a fixed rate per annum or at a rate based upon a customary floating rate index plus or minus a spread, (iv) such Collateral Security has a fixed maturity occurring no later than the earliest Stated Maturity of any Series of Notes, (v) such Collateral Security has an Actual Rating or Implied Rating of at least "Baa3" by Moody's, of at least "BBB-" by S&P or at least "BBB-" by Fitch as to ultimate payment of principal and interest and (vi) the issuer of such Collateral Security is treated as a corporation or grantor trust for U.S. federal income tax purposes; *provided* that, in the case of a Collateral Security, in the form of a beneficial interest in a trust that is treated (as evidenced by an opinion of counsel or a reference to an opinion of counsel in documents pursuant to which such Colleteral Security was offered) as a grantor trust for U.S. federal income tax purposes (and not as a partnership or association taxable as a corporation), any of the conditions specified in clauses (i), (ii), (iii) and (iv) may be satisfied by reference to each asset held pursuant to such grantor trust arrangement rather than by reference to such beneficial ownership interests.

"Applicable Class Portfolio Selection Fee Rate": With respect to (i) the Class A-1 Notes, 0.25%; (ii) the Class A-2 Notes, 0.25%; (iii) the Class B Notes, 0.50%; (iv) the Class C Notes, 0.50%; and (v) the Class D Notes, 1.00%.

"Applicable Collateral Security Foreign Exchange Rate": With respect to (i) a Collateral Security acquired with the proceeds of the offering of the Notes, or the receipt by the Issuer of an Additional Issuance Principal Amount or Currency Adjusted Reinstatement Adjustment Amount, the Applicable Series Foreign Exchange Rate of the related Notes issued or reinstated, as applicable and (ii) a Supplemental Collateral Security acquired with any Collateral Security Amortization Amount, Excess Principal Amount or Excess Disposition Proceeds, the Applicable Collateral Security Foreign Exchange Rate of the Collateral Security with raspect to which such Collateral Security Amortization Amount, Excess Principal Amount or Excess Disposition Proceeds was received by the Issuer.

"Applicable Index": With respect to the Notes denominated in (i) AUD, AUD-LIBOR, (ii) CAD, CAD-LIBOR, (iii) Dollars, LIBOR, (iv) Euro, EURIBOR, (v) NZD, NZD-BBR, (vi), Sterling, GBP-LIBOR and (vii) Yen, JPY-LIBOR.

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"Applicable Index Determination Date": With respect to the determination of (i) LIBOR, JPY-LIBOR and NZD-BBR, the second Business Day prior to the commencement of an Interest Accruel Period; (ii) GBP-LIBOR, the first dey of an Interest Accruel Period; (iii) EURIBOR, the second TARGET Settlement Day prior to the commencement of an Interest Accrual Period; and (iv) CAD-LIBOR and AUD-LIBOR, the second London Banking Day prior to an Interest Accrual Period.

"Applicable Percentage": With respect to any Reference Obligation on any date, the ratio of (A) the product of (x) the Initial Face Amount related to such Reference Obligation and (y) the Initial Factor related to such Reference Obligation and (B) the product of (x) the Original Principal Amount related to such Reference Obligation and (y) the Initial Factor related to such Reference Obligation (a) as increased by the outstanding principal balance of any further issues by the related Reference Entity that are fungible with and form pari of the same legal series as such Reference Obligation; and (b) as decreased by any cancellations of some or all of the Reference Obligation Outstanding Principal Amount resulting from purchases of such Reference Obligation by or on behalf of the related Reference Entity.

"Applicable Period": With respect to (i) the first Interest Accrual Period, the period from and including the Closing Date to but excluding the first Payment Date and (ii) each Interest Accrual Period thereafter, one month (except with respect to the last Applicable Period, to but excluding the Stated Maturity).

"Applicable Series Foreign Exchange Rate": With respect to any Series of Notes denominated in (i) an Approved Currency other than Dollars, the Spot FX Rate at the time of issuance of such Series of Notes, as determined by the Credit Default Swap Calculation Agent and confirmed by the Collateral Administrator and (ii) Dollars, 100%.

"Applicable Spread": With respect to any Series of Notes issued on the Closing Date, the stated spread above or below the related Applicable Index as set forth in the Indenture or the Issuing and Paying Agency Agreement, as applicable, and on the related Notes, and with respect to any Series of Notes issued after the Closing Date, as set forth in the related offering circular supplement and on the related Notes.

"Approved Currency": Any of Australian Dollar, Canadian Dollar, Dollar, Euro, New Zealand Dollar, Sterling or Yen.

"Approved Dealer": Any of the Persons set forth below or their affiliates (including the successor to any such Person):

ABN AMRO Bank N.V.;
Banc of America Securities LLC;
Barclays Bank PLC;
Bear, Steams & Co. Inc.;
BNP Paribas;
Canadian Imperial Bank of Commerce;
Citigroup, Inc.;
Commerzbank AG;
Countrywide Securities Corporation;
Credit Suisse Group;
Deutsche Bank AG;
Dresdner Bank AG;

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First Tennessee Bank National Association;
Goldman, Sachs & Co.;
Greenwich Capital Markets, Inc.;
HSBC Bank plc;
JP Morgan Chase & Co.;
Legg Mason, Inc.;
Lehman Brothers, Inc.;
Merrill Lynch & Co., Inc.;
Morgan Stanley & Co., Inc.;
Nomura Securities Co., Ltd.;
Raymond James Financial, Inc.;
Société Generale Group;
TD Bank Financial Group;
UBS AG;
United Capital Markets Inc.;
Wachovia Securities, LLC;
Washington Mutual, Inc; or
WestLB AG.

The list of Approved Dealers may be modified at any time by the Protection Buyer and the Portfolio Selection Agent upon mutual consent to such modification.

"Asset-Backed Securities" or **"ABS"**: ABS Credit Card Securities, ABS Automobile Securities, ABS Car Rental Receivable Securities, ABS Small Business Loan Securities, ABS Student Loan Securities or ABS Other Securities, excluding, in each case, any securities that belong to an Excluded Specified Type.

"AUD-LIBOR": An amount determined only with respect to any Applicable Period for which Notes denominated in Australian Dollars are Outstanding. For purposes of calculating the Series Interest Rates for each Applicable Period, AUD-LIBOR shall equal AUD-LIBOR as used in the calculation of the Monthly Basis Swap Payment for such Applicable Period. For purposes of calculating the Monthly Basis Swap Payment for each Applicable Period, AUD-LIBOR shall be calculated by the Basis Swap Calculation Agent as follows:

(a) On each Applicable Index Determination Date, AUD-LIBOR shall equal the rate, as obtained by the Basis Swap Calculation Agent, for deposits in Australian Dollars for the Applicable Period which appears on the Telerate Page 3740 (as defined in the International Swaps and Derivatives Association, Inc. 2000 Interest Rate and Currency Exchange Definitions), or such page as may replace Telerate Page 3740, as of 11:00 a.m. (London time) on such Applicable Index Determination Date.

(b) If, on any Applicable Index Determination Date, such rate does not appear on Telerate Page 3740, or such page as may replace Telerate Page 3740, the Basis Swap Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks to prime banks in the London interbank market for deposits in Australian Dollars for the Applicable Period in an amount determined by the Basis Swap Calculation

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Agent by reference to requests for quotations as of approximately 11:00 a.m. (London time) on the Applicable Index Determination Date made by the Basis Swap Calculation Agent to the Reference Banks. If, on any Applicable Index Determination Date, at least two of the Reference Banks provide such quotations, AUD-LIBOR shall equal the arithmetic mean of such quotations. If, on any Applicable Index Determination Date, only one or none of the Reference Banks provides such quotations, AUD-LIBOR shall be deemed to be the arithmetic mean of the rates quoted by major banks in Sydney selected by the Basis Swap Calculation Agent, at approximately 11:00 a.m. (Sydney time) are quoting on the relevant Applicable Index Determination Date for loans in Australian Dollars for the Applicable Period in an amount determined by the Basis Swap Calculation Agent equal to an amount that is representative for a single transaction in such market at such time to leading European banks; *provided, however,* that if the Basis Swap Calculation Agent is required but is unable to determine a rate in accordance with at least one of the procedures provided above, AUD-LIBOR shall be AUD-LIBOR as determined on the most recent date AUD-LIBOR was available. As used herein, "Reference Banks" means four major banks in the London interbank market selected by the Basis Swap Calculation Agent.

(c) The Basis Swap Calculation Agent shall provide AUD-LIBOR to the Note Calculation Agent as promptly as practicable following the determination thereof. As soon as possible after 11:00 a.m. (New York time) on each Applicable Index Determination Date, but in no event later than 11:00 a.m. (New York time) on the Business Day immediately following each Applicable Index Determination Date, the Note Calculation Agent will cause notice of the Series Interest Rates for the next Interest Accrual Period and the Series Interest Amounts (rounded to the nearest cent, with half a cent being rounded upward) on the related Payment Date to be communicated to the Issuers, the Trustee, the Issuing and Paying Agent, Euroclear, Clearstream and the paying agents. The Note Calculation Agent will also specify to the Issuers the quotations upon which the Series Interest Rates are based, and in any event the Note Calculation Agent shall notify the Issuers before 5:00 p.m. (New York time) on each Applicable Index Determination Date if it has not determined and is not in the process of determining the Series Interest Rates and the Series Interest Amounts, together with its reasons therefor.

"Australian Dollar", "A$" and "AUD": The lawful currency of Australia.

"Bank": LaSalle Bank National Association, a national banking association organized and existing under the laws of the United States of America, but in its individual capacity and not as Trustee or Issuing and Paying Agent, and any successor thereto.

"Bankruptcy Code": The United States Bankruptcy Code, Title 11 of the United States Code, as amended.

"Basis Swap Calculation Period": An Interest Accrual Period.

"Basis Swap Counterparty Credit Support Document": The meaning assigned to the term "Credit Support Document" in the Basis Swap and initially, the Guaranty dated as of the Closing Date by GS Group in favor of the Issuer as beneficiary thereof with respect to the obligations of the Basis Swap Counterparty under the Basis Swap.

"Basis Swap Counterparty Credit Support Provider": The meaning assigned to the term "Credit Support Provider" in the Basis Swap and initially, GS Group.

"Basis Swap Counterparty Default Termination Payment": Any Basis Swap Termination Payment required to be made by the Issuer to the Basis Swap Counterparty pursuant to the Basis Swap

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in the event of a termination of the Basis Swap (i) in respect of which the Basis Swap Counterparty is the defaulting party, (ii) resulting from a downgrade of such Basis Swap Counterparty's credit rating or (iii) in which the Basis Swap Counterparty was the sole "Affected Party" (as such term is defined in the Basis Swap) (other than in connection with a "Tax Event" or "Illegality", in each case as defined in the Basis Swap).

"Basis Swap Early Termination": The occurrence of either a Basis Swap Event of Default or a Basis Swap Termination Event.

"Basis Swap Early Termination Date": An early termination date under the Basis Swap (other than as triggered by the Credit Default Swap or the Collateral Put Agreement).

"BIE Acceptance Notice": A notice from the Trustee or the Issuing and Paying Agent, as applicable, to an Originating Noteholder specifying (i) the BIE Collateral Security that will be substituted for an existing Collateral Security, (ii) each such Collateral Security to be substituted, (iii) the BIE Exercise Period, (iv) the BIE Transaction Cost, (v) the BIE Basis Swap Payment, (vi) account information of the Issuer for such Originating Noteholder to deliver such BIE Collateral Security to the Issuer and to present payment of the BIE Transaction Cost to the Issuer and (vii) account information for such Originating Noteholder to present payment of the BIE Basis Swap Payment to the Basis Swap Counterparty.

"BIE Basis Swap Payment": An amount equal to the greater of (i) the present value of (1) the Basis Swap Payments that the Basis Swap Counterparty would receive (assuming no such substitution(s) described in subclause (2) below occurred) less (2) the Basis Swap Payments that the Basis Swap Counterparty would receive (assuming that BIE Collateral Securities identified in any related Collateral Security Substitution Request Notice have been substituted for the existing Collateral Securities identified therein) and (ii) zero.

"BIE Collateral Security": A Collateral Security that a Noteholder proposes to substitute for part or all of an existing Collateral Security pursuant to the Indenture.

"BIE Collateral Security Eligibility Criteria": (i) The Collateral Security Eligibility Criteria, (ii) the consent of each of the Basis Swap Counterparty, the Collateral Put Provider and the Protection Buyer (which consent not to be unreasonably withheld in each case), (iii) the Collateral Weighted Average Life Test, (iv) the par amount of all BIE Collateral Securities described in the related Collateral Security Substitution Request Notice must equal or exceed the par amount of all existing Collateral Securities proposed to be substituted, (v) the Collateral Security Quantity Constraint and (vi) the Approved Currency in which such BIE Collateral Security is denominated must be the same as the Approved Currency in which the existing Collateral Securities proposed to be substituted are denominated.

"BIE Consent Solicitation": A notice from the Trustee or the Issuing and Paying Agent, as applicable, to each Noteholder, including the originating Noteholder, specifying (i) each Proposed New BIE Collateral Security and its par amount, (ii) each Collateral Security to be substituted and its par amount, and (iii) the BIE Notification Date.

"BIE Exercise Period": The period from and including the delivery of a BIE Acceptance Notice to but excluding the day that is three Business Days thereafter.

"BIE Notification Date": The Business Day by which a Noteholder must respond to a BIE Consent Solicitation, which date shall be 20 Business Days from the date of such BIE Consent Solicitation.

"BIE Transaction Cost": An amount, as determined by the Trustee equal to the aggregate amount of the expenses of the Issuer and the Trustee that would be incurred as a result of the proposed substitution of each BIE Collateral Security for part or all of an existing BIE Collateral Security.

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"Business Day": Any day other than (i) Saturday or Sunday or (ii) a day on which commercial banking institutions are authorized by law, regulation or executive order to close in New York, New York, in Chicago, Illinois or if a Listing, Paying and Transfer Agent has been appointed and action is required of the Listing, Paying and Transfer Agent, the location of the Listing, Paying and Transfer Agent (with respect to the obligations of such Listing, Paying and Transfer Agent only); *provided, however*, that for the sole purpose of calculating the Series Interest Rates for the relevant place of presentation, "Business Day" shall be defined as (i) with respect to the determination of LIBOR, any day on which dealings in deposits in Dollars are transacted in the London interbank market, (ii) with respect to the determination of EURIBOR, a day on which the TARGET System is available for settlement of Euro payments, (iii) with respect to the determination of GBP-LIBOR, any day on which dealings in deposits in Sterling are transacted in the London interbank market, (iv) with respect to the determination of JPY-LIBOR, any day on which dealings in deposits in Yen are transacted in the London interbank market, (v) with respect to the determination of AUD-LIBOR, any day on which dealings in deposits in AUD are transacted in the London interbank market, (vi) with respect to the determination of CAD-LIBOR, any day on which dealings in CAD are transacted in the London interbank market and (vii) with respect to the determination of NZD-BBR, any day on which dealings in deposits of NZ$ are transacted in the London interbank market.

"CAD-LIBOR": An amount determined only with respect to any Applicable Period for which Notes denominated in Canadian Dollars are Outstanding. For purposes of calculating the Series Interest Rates for each Applicable Period, CAD-LIBOR shall equal CAD-LIBOR as used in the calculation of the Monthly Basis Swap Payment for such Applicable Period. For purposes of calculating the Monthly Basis Swap Payment for each Applicable Period, CAD-LIBOR shall be calculated by the Basis Swap Calculation Agent as follows:

(a) On each Applicable Index Determination Date, CAD-LIBOR shall equal the rate, as obtained by the Basis Swap Calculation Agent, for deposits in Canadian Dollars for the Applicable Period which appears on the Telerate Page 3740 (as defined in the International Swaps and Derivatives Association, Inc. 2000 Interest Rate and Currency Exchange Definitions), or such page as may replace Telerate Page 3740, as of 11:00 a.m. (London time) on such Applicable Index Determination Date.

(b) If, on any Applicable Index Determination Date, such rate does not appear on Telerate Page 3740, or such page as may replace Telerate Page 3740, the Basis Swap Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks to prime banks in the London interbank market for deposits in Canadian Dollars for the Applicable Period in an amount determined by the Basis Swap Calculation Agent by reference to requests for quotations as of approximately 11:00 a.m. (London time) on the Applicable Index Determination Date made by the Basis Swap Calculation Agent to the Reference Banks. If, on any Applicable Index Determination Date, at least two of the Reference Banks provide such quotations, CAD-LIBOR shall equal the arithmetic mean of such quotations. If, on any Applicable Index Determination Date, only one or none of the Reference Banks provides such quotations, CAD-LIBOR shall be the arithmetic mean of the rates quoted by major banks in Toronto selected by the Basis Swap Calculation Agent, at approximately 11:00 a.m. (Toronto time) are quoting on the relevant Applicable Index Determination Date for loans in Canadian Dollars for the Applicable Period in an amount determined by the Basis Swap Calculation Agent equal to an amount that is representative for a single transaction in such market at such time to leading European banks; *provided, however*, that if the Basis Swap Calculation Agent is required but is unable to determine a rate in accordance with at least one of the procedures provided above, CAD-LIBOR shall be CAD-LIBOR as determined on the most recent date CAD-LIBOR was available. As used herein, "Reference Banks" means four major banks in the London interbank market selected by the Basis Swap Calculation Agent.

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(c) The Basis Swap Calculation Agent shall provide CAD-LIBOR to the Note Calculation Agent as promptly as practicable following the determination thereof. As soon as possible after 11:00 a.m. (New York time) on each Applicable Index Determination Date, but in no event later than 11:00 a.m. (New York time) on the Business Day immediately following each Applicable Index Determination Date, the Note Calculation Agent will cause notice of the Series Interest Rates for the next Interest Accrual Period and the Series Interest Amounts (rounded to the nearest cent, with half a cent being rounded upward) on the related Payment Date to be communicated to the Issuers, the Trustee, the Issuing and Paying Agent, Euroclear, Clearstream and the paying agents. The Note Calculation Agent will also specify to the Issuers the quotations upon which the Series Interest Rates are based, and in any event the Note Calculation Agent shall notify the Issuers before 5:00 p.m. (New York time) on each Applicable Index Determination Date if it has not determined and is not in the process of determining the Series Interest Rates and the Series Interest Amounts, together with its reasons therefor.

"Canadian Dollar", "C$" or "CAD": The legal currency of Canada.

"Cash": Such coin or currency of the United States of America, countries of the European Economic and Monetary Union who have adopted the Euro currency, Great Britain, Japan, Australia, New Zealand or Canada, as the case may be, as at the time shall be legal tender for payment of all public and private debts.

"CDO Cashflow Securities": Collateralized debt obligations, collateralized bond obligations or CLO Securities, including CDO Structured Product Securities, CDO Mortgage-Backed Securities and CDO Commercial Real Estate Securities, but, in each case, excluding any securities that belong to an Excluded Specified Type.

"CDO Commercial Real Estate Securities": CDO Cashflow Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from (and not the market value of) e portfolio of at least 80% by principal balance of CMBS and/or REIT Debt Securities.

"CDO Corporate Bond Securities": CDO Cashflow Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from (and not the market value of) a portfolio of primarily high yield or investment grade bonds.

"CDO Emerging Market Securities": CDO Cashflow Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from (and not the market value of) a portfolio of investments, of which more than 20% are issued by issuers located in Emerging Market Countries.

"CDO Market Value Securities": Collateralized debt obligations, whose overcollateralization is measured with reference to the market value of the collateral portfolio securing such collateralized debt obligations.

"CDO Mortgage-Backed Securities": CDO Cashflow Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from (and not the market value of) a portfolio of at least 80% by principal balance of Mortgage-Backed Securities.

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"CDO Single-Tranche Synthetic Securities": Any CDO Structured Product Security for which (i) the spread component of the interest payment related to such security is generally provided for by a tranched credit default swap with attachment and exhaustion points under which the related obligor has written credit protection and (ii) the obligor of which issues an aggregate principal amount of liabilities less than the reference portfolio notional amount under the related tranched credit default swap.

"CDO Structured Product Securities": CDO Cashflow Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from a portfolio diversified among categories of REIT Debt Securities, Asset-Backed Securities, Commercial Mortgage-Backed Securities, Residential Mortgage-Backed Securities or CDO Cashflow Securities or any combination of more than one of the foregoing, where exposure to such asset classes in the portfolio is either actual or synthetic, or solely of CDO Cashflow Securities (and which in any such case may include limited amounts of Corporate Securities), generally having the following characteristics:

(i) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual debt securities depending on numerous factors specific to the particular issuers or obligors and upon whether, in the case of loans or securities bearing interest at a fixed rate, such loans or securities include an effective prepayment premium, and

(ii) proceeds from such repayments can for a limited period and subject to compliance with certain eligibility criteria be reinvested in additional loans and/or debt securities.

"CDO Trust Preferred Securities": Collateralized debt obligations backed primarily by a pool of either (a) bank trust preferred securities, (b) insurance trust preferred securities or (c) REIT Debt Securities that are trust preferred securities.

"Class": All of the Notes having the same priority.

"Class A Notes": Collectively, the Class A-1 Notes and the Class A-2 Notes.

"Class A-1 Notes": The Class A-1 Variable Rate Notes, including any additional such Notes issued pursuant to the terms of the indenture and having the applicable Series Interest Rate and Stated Maturity, in each case (with respect to any Series of Class A-1 Notes issued on the Closing Date) as set forth under "Summary—Notes" or (with respect to any Series of Class A-1 Notes issued after the Closing Date) as set forth in the related offering circular supplement.

"Class A-2 Notes": The Class A-2 Variable Rate Notes, including any additional such Notes issued pursuant to the terms of the Issuing and Paying Agency Agreement and having the applicable Series Interest Rate and Stated Maturity, in each case (with respect to any Series of Class A-2 Notes issued on the Closing Date) as set forth under "Summary—Notes" or (with respect to any Series of Class A-2 Notes issued after the Closing Date) as set forth in the related offering circular supplement.

"Class B Notes": The Class B Variable Rate Notes, including any additional such Notes issued pursuant to the terms of the Issuing and Paying Agency Agreement and having the applicable Series Interest Rate and Stated Maturity, in each case (with respect to any Series of Class B Notes issued on the Closing Date) as set forth under "Summary—Notes" or (with respect to any Series of Class B Notes issued after the Closing Date) as set forth in the related offering circular supplement.

"Class C Notes": The Class C Variable Rate Notes, including any additional such Notes issued pursuant to the terms of the Issuing and Paying Agency Agreement and having the applicable Series Interest Rate and Stated Maturity, in each case (with respect to any Series of Class C Notes issued on

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the Closing Date) as set forth under "Summary—Notes" or (with respect to any Series of Class C Notes issued after the Closing Date) as set forth in the related offering circular supplement.

"Class D Notes": The Class D Variable Rate Notes, including any additional such Notes issued pursuant to the terms of the Issuing and Paying Agency Agreement and having the applicable Series Interest Rate and Stated Meturity, in each case (with respect to any Series of Class D Notes issued on the Closing Date) as set forth under "Summary—Notes" or (with respect to any Series of Class D Notes issued after the Closing Date) as set forth in the related offering circular supplement.

"Class FL Notes": The Class FL Variable Rate Notes, including any additional such Notes issued pursuant to the terms of the Issuing and Paying Agency Agreement and having the applicable Series Interest Rate and Stated Maturity, in each case (with respect to any Series of Class FL Notes issued on the Closing Date) as set forth under "Summary—Notes" or (with respect to any Series of Class FL Notes issued after the Closing Date) as set forth in the related offering circular supplement.

"Class SS Notes": The Class SS Variable Rate Notes, including any additional such Notes issued pursuant to the terms of the Indenture and having the applicable Series Interest Rate and Stated Maturity, in each case (with respect to any Series of Class SS Notes issued on the Closing Date) as set forth under "Summary—Notes" or (with respect to any Series of Class SS Notes issued after the Closing Date) as set forth in the related offering circular supplement.

"Class Interest Distribution Amount": With respect to any Class of Notes on any Payment Date, the aggregate of the Interest Distribution Amounts with respect to such Payment Date for each Series of Notes of such Class.

"Class Notional Amount": With respect to any Class of Notes on the Closing Date, the Initial Class Notional Amount of such Class of Notes; thereafter it will be increased or decreased as described under "Summary—Decrease in the Class Notional Amount of each Class of Notes" and "Summary—Increase in the Class Notional Amount of each Class of Notes".

"Clearing Agencies": Collectively, DTC, Euroclear and Clearstream.

"Clearstream": Clearstream Banking, société anonyme, a corporation organized under the laws of the Grand Duchy of Luxembourg.

"CLO Securities": Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from (and not the merket value of) a portfolio of primarily loans.

"Closing Date": April 26, 2007.

"CMBS Conduit Securities": Commercial Mortgage-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Commercial Mortgage-Backed Securities) on the cash flow from a pool of commercial mortgage loans, generally having the following characteristics:

(i) the commercial mortgage loans have varying contractual maturities;

(ii) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used);

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(iii) the commercial mortgage loans are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; and

(iv) repayment thereof can vary substantially from the contractual payment schedule (if any), with early repayment of individual loans depending on numerous factors specific to the particular obligors; however, in the case of loans bearing interest at a fixed rate, such loans or securities typically include significant or complete prepayment protection.

"CMBS Credit Tenant Lease Securities": Commercial Mortgage-Backed Securities (other than CMBS Large Loan Securities and CMBS Conduit Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Commercial Mortgage-Backed Securities) on the cash flow from a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties leased to corporate tenants (or on the cash flow from such leases), generally have the following characteristics:

(i) the commercial mortgage loans or leases have varying contractual maturities;

(ii) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used);

(iii) the leases are secured by leasehold interests;

(iv) the commercial mortgage loans or leases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk;

(v) payment thereof can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans or termination of leases depending on numerous factors specific to the particular obligors or lessees and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; and

(vi) the creditworthiness of such corporate tenants is an important factor in any decision to invest in these securities.

"CMBS Franchise Securities": Commercial Mortgage-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Commercial Mortgage-Backed Securities) on the cash flow from (a) a pool of franchise loans made to operators of franchises that provide oil, gasoline, restaurant or food services and provide other services related thereto and (b) leases or subleases of equipment to such operators for use in the provision of such goods and services. Such securities generally have the following characteristics:

(i) the loans, leases or subleases have varying contractual maturities;

(ii) the loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used);

(iii) the obligations of the lessors or sublessors of the equipment may be secured not only by the leased equipment but also the related real estate;

(iv) the loans, leases and subleases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk;

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(v) payment of the loans can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium;

(vi) the repayment stream on the leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, a sublessee or third party of the underlying equipment; and

(vii) such leases and subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value.

"CMBS Large Loan Securities": Commercial Mortgage-Backed Securities (other than CMBS Conduit Securities and CMBS Credit Tenant Lease Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Commercial Mortgage-Backed Securities) on the cash flow from a commercial mortgage loan or a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties, generally having the following characteristics:

(i) the commercial mortgage loans have varying contractual maturities;

(ii) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used);

(iii) the commercial mortgage loans are obligations of a limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk (including in comparison to CMBS Conduit Securities);

(iv) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium;

(v) the valuation of individual properties securing the commercial mortgage loans is the primary factor in any decision to invest in these securities; and

(vi) the commercial mortgage loans have relatively large average balances (including in comparison to RMBS).

"CMBS RE-REMIC Securities": Securities that represent an interest in a real estate mortgage investment conduit backed by CMBS.

"Co-Issued Notes": Collectively, the Class SS Notes and the Class A-1 Notes.

"Collateral": Collectively, the Collateral Securities and the Eligible Investments.

"Collateral Account": The segregated trust account into which the Issuer shall, from time to time, deposit Issuer Assets.

"Collateral Administration Agreement": The Collateral Administration Agreement, dated as of the Closing Date, between the Issuer and the Collateral Administrator.

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"Collateral Administrator": LaSalle Bank National Association, solely in its capacity as Collateral Administrator under the Collateral Administration Agreement, until a successor Person shall have become the Collateral Administrator pursuant to the applicable provisions of the Collateral Administration Agreement, and thereafter "Collateral Administrator" shall mean such successor Person.

"Collateral Default": An event of default (as defined in the relevant Underlying Instruments) which has (i) occurred and is continuing with respect to any of the Collateral (other than a Collateral Security that has been purchased with Excess Disposition Proceeds only and which at the time of its acquisition did not satisfy the requirements set forth in the Collateral Security Eligibility Criteria) and (ii) if the relevant Underlying Instruments require an acceleration to occur following an event of default (as defined in the relevant Underlying Instruments) in order to liquidate the related underlying collateral, resulted in such acceleration.

"Collateral Put Agreement Early Termination": The occurrence of either a Collateral Put Agreement Event of Default or a Collateral Put Agreement Termination Event.

"Collateral Put Agreement Early Termination Date": An early termination date under the Collateral Put Agreement (other than as triggered by the Credit Default Swap or the Basis Swap).

"Collateral Put Provider Credit Support Document": The meaning assigned to the term "Credit Support Document" in the Collateral Put Agreement and initially, the guaranty dated as of the Closing Date by GS Group with respect to the obligations of the Collateral Put Provider under the Collateral Put Agreement.

"Collateral Put Provider Credit Support Provider": The meaning assigned to the term "Credit Support Provider" in the Collateral Put Agreement and initially, GS Group.

"Collateral Security Substitution Information Notice": A notice from the Trustee or the Issuing and Paying Agent, as applicable, to an Originating Noteholder notifying such Originating Noteholder that (i) each Proposed New BIE Collateral Security identified in the related Collateral Security Substitution Request Notice is an Eligible BIE Collateral Security and (ii) the BIE Transaction Cost and the BIE Basis Swap Payment relating to such Proposed New BIE Collateral Security.

"Collateral Security Substitution Noteholder Refusal Notice": A notice from the Trustee or the Issuing and Paying Agent, as applicable, to an Originating Noteholder notifying such Originating Noteholder that the Holders of a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes voting as a single class did not approve the Proposed New BIE Collateral Security by the BIE Notification Date.

"Collateral Security Substitution Refusal Notice": A notice from the Trustee or the Issuing and Paying Agent, as applicable, to an Originating Noteholder notifying such Originating Noteholder that (i) one or more Proposed New BIE Collateral Securities identified in the related Collateral Security Substitution Request Notice is not an Eligible BIE Collateral Security, (ii) the identity of each Eligible BIE Collateral Security and (iii) the identity of each Proposed New BIE Collateral Security that is not an Eligible BIE Collateral Security.

"Collateral Security Substitution Request Notice": A notice from an Originating Noteholder to the Trustee or the Issuing and Paying Agent, as applicable, (i) requesting the substitution of one or more Proposed New BIE Collateral Securities for one or more existing Collateral Securities, (ii) identifying each Collateral Security and the par amount to be substituted, (iii) identifying each Proposed New BIE Collateral Security and the par amount and (iv) any other information that such Originating Noteholder deems relevant.

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"Commercial Mortgage-Backed Securities" or "CMBS": Securities that represent interests in, or enable holders thereof to receive payments that depend on the cashflow primarily from credit default swaps that reference, in each case, obligations (including certificates of participation in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, nursing homes and senior living centers and shall include, without limitation, CMBS Conduit Securities, CMBS Credit Tenant Lease Securities, CMBS Franchise Securities, CMBS Large Loan Securities or CMBS RE-REMIC Securities, excluding, in each case, any securities that belong to an Excluded Specified Type.

"Common Depository": ABN AMRO Bank N.V. (London Branch) on behalf of Euroclear.

"Corporate Securities": Publicly issued or privately placed debt obligations of corporate issuers which are not REIT Debt Securities or Wrapped Securities.

"Credit Default Swap Early Termination Date": An early termination date under the Credit Default Swap (other than as triggered by the Basis Swap or the Collateral Put Agreement).

"Credit Default Swap Fixed Rate Payer Calculation Period": An Interest Accrual Period.

"Credit Event Notice": An irrevocable notice that describes a Credit Event.

"Currency Adjusted Aggregate Outstanding Amount": When used with respect to any or all of the Notes, the aggregate principal amount of such Notes when issued, as expressed in its currency of denomination and thereafter adjusted as described in "Summary—Decrease in the Currency Adjusted Aggregate Outstanding Amount of each Series of Notes" and "Summary—Increase in the Currency Adjusted Aggregate Outstanding Amount of each Series of Notes".

"Currency Adjusted Redemption Refund Adjustment Amount": Any Series of Notes' allocation of any Redemption Refund Adjustment Amount *divided by* the Applicable Series Foreign Exchange Rate.

"Current Dollar Price": For each Reference Obligation and at any time of determination, the product of (a) the Current Market Price for such Reference Obligation at such time and (b) the ICE Reference Obligation Notional Amount of such Reference Obligation et such time.

"Current Market Price": At any time of determination, with respect to a Reference Obligation, a percentage price determined by the Credit Default Swap Calculation Agent and confirmed by the Collateral Administrator by (a) using the pricing service used by the Collateral Administrator in its normal course of business for so long as the quote obtained from such pricing service has been provided by such pricing service within two Business Days of the time of such determination or (b) (1) if subclause (a) above is not applicable, asking five Approved Dealers to quote the offered-side price (excluding accrued interest) for such Reference Obligation (in an amount equal to its Reference Obligation Notional Amount) and (2) for so long as the Collateral Administrator is able to obtain one such quote from one such Approved Dealer, taking the arithmetic average of such quotation(s).

"Current Period Implied Writedown Amount": For each Reference Obligation, with respect to any Reference Obligation Calculation Period for such Reference Obligation, an amount determined as of the last day of such Reference Obligation Calculation Period equal to the greater of (i) zero and (ii) the product of (A) the Implied Writedown Percentage and (B) the greater of (1) zero and (2) the lesser of (x) the Pari Passu Amount and (y) the Pari Passu Amount plus the Senior Amount minus the aggregate outstanding asset pool balance securing the payment obligations on such Reference Obligation (all such outstanding asset pool balances as obtained by the Credit Default Swap Calculation Agent from the most

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recently dated Servicer Report available as of such day), calculated based on the face amount of the assets then in such pool, whether or not any such asset is performing.

"Day Count Fraction": With respect to Notes (x) denominated in Australian Dollars, Canadian Dollars, New Zealand Dollars and Sterling, calculations will be based on the actual number of days in the calculation period in respect of which payment is being made *divided by* 365 (or, if any portion of that calculation period falls in a leap year, the sum of (i) the actual number of days in that portion of the calculation period falling in a leap year *divided by* 366 and (ii) the actual number of days in that portion of the calculation period falling in a non-leap year *divided by* 365) and (y) denominated in Dollars, Euro, Francs, Krona and Yen, calculations will be based on the actual number of days in the calculation period in respect of which payment is being made *divided by* 360.

"Defaulted Interest": Any interest due and payable in respect of any Note which is not punctually paid or duly provided for on the applicable Payment Date or at the Stated Maturity, as the case may be.

"Determination Date": With respect to a Payment Date, the last Business Day of the immediately preceding Due Period.

"Disposition Proceeds": All Sale Proceeds and Put Proceeds.

"Distribution": Any payment of principal or interest or any dividend, premium or fee payment made on, or any other distribution in respect of, a security or obligation.

"Dollar": A dollar or other equivalent unit in such coin or currency of the United States of America as at the time shall be legal tender for all debts, public and private.

"DTC": The Depository Trust Company, its nominees, and their respective successors.

"Due Period": With respect to any Payment Date or the Mandatory Redemption Date, the period commencing on the day immediately following the fifth Business Day prior to the preceding Payment Date (or, in the case of the Due Period relating to the first Payment Date, beginning on the Closing Date) and ending on (and including) the fifth Business Day prior to such Payment Date (or, in the case of a Due Period that is applicable to the Payment Date relating to the Stated Maturity of any Note, the Optional Redemption Date, a Partial Optional Redemption Date or the Mandatory Redemption Date, as the case may be, ending on (and including) the Business Day immediately preceding such Payment Date or Mandatory Redemption Date, as the case may be).

"Eligible BIE Collateral Security": A Proposed New BIE Collateral Security that satisfies the BIE Collateral Security Eligibility Criteria.

"Eligible Country": Any country of the European Economic and Monetary Union that has adopted the Euro currency that has long-term sovereign debt obligations rated at least "Aa2" by Moody's (or "Aa3" in the case of Italy) and for which such country has been assigned a foreign currency issuer credit rating of "AAA" by S&P.

"Eligible Investment": Any investment denominated in an Approved Currency that, at the time it is delivered to the Trustee, is one or more of the following obligations or securities:

(i) direct (and, in the case of investments denominated in Dollars, Registered) obligations of, and (and, in the case of investments denominated in Dollars, Registered) obligations fully guaranteed by, the United States, any Eligible Country, Great Britain, Japan, Canada or Australia or any agency or instrumentality of the United States, any Eligible Country, Great Britain, Japan, Canada or Australia the obligations of which are expressly backed

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by the full faith and credit of the United States, any Eligible Country, Great Britain, Japan, Canada or Australia, so long as the related obligor or guarantor is rated "AAA" or "A-1+" by S&P;

(ii) demand and time deposits in, certificates of deposit of, or banker's acceptances issued by, any depository institution or trust company incorporated in the United States or any state thereof or any Eligible Country, Great Britain, Japan, Canada or Australia, which depository institution or trust company is subject to supervision and examination by federal or state authorities (or, in the case of investments denominated in Approved Currencies other than Dollars, governmental banking authorities) so long as (a) in the case of demand and time deposits, such deposits (x) are held by banks rated "P-1" by Moody's and "A-1+" by S&P (or at least "A-1" by S&P in the case of demand and time deposits in LaSalle Bank National Association for so long as it is the Trustee hereunder) and (y) are payable on demand daily without any restrictions and (b) in the case of certificates of deposit or banker's acceptances, the related depository institution or trust company is rated at least "A3" or "P-1" by Moody's and "AAA" or "A-1+" by S&P;

(iii) repurchase obligations with respect to (a) any security described in clause (i) above or (b) any other security issued or guaranteed by an agency or instrumentality of the United States, any Eligible Country, Great Britain, Japan, Canada or Australia, entered into with a depository institution or trust company described in clause (ii) above or entered into with a corporation whose long-term senior unsecured rating is at least "A1" by Moody's and "AA-" by S&P and whose short-term credit rating is "P-1" by Moody's and "A-1+" by S&P at the time of such investment, with a term not in excess of 91 days; *provided* that if the term is greater than 30 days from the time of delivery, it has a long-term rating of "AAA" by S&P;

(iv) commercial paper or other short-term obligations of a corporation, partnership, limited liability company or trust, or any branch or agency thereof located in the United States or any of its territories or any Eligible Country, Great Britain, Japan, Canada or Australia, such commercial paper or other short-term obligations having a credit rating of "P-1" by Moody's and "A-1+" by S&P, and that are Registered (in the case of investments denominated in Dollars) and either are interest bearing or are sold at a discount from the face amount thereof and have a maturity of not more than 91 days from their date of issuance in the case of S&P and Moody's; *provided* that if the term is greater than 30 days from the time of delivery, it has a long-term rating of "AAA" by S&P;

(v) offshore money market funds which have a credit rating of not less than "Aaa/MR1+" by Moody's and "AAA" or "AAAm" or "AAAm-G" by S&P;

(vi) Cash; and

(vii) any other investments subject to satisfaction of the S&P Rating Condition and the Moody's Rating Condition;

which, in any case, (A) is acquired from a party acting in its capacity as broker-dealer in the ordinary course of business, or in an arm's length open market transaction, and if not, is approved by S&P, (B) is acquired at a price of no more than 100% of par and (C) if such obligation or security is subject to any withholding tax, the obligor of the obligation or security is required to make "gross-up" payments that cover the full amount of such withholding tax on an after-tax basis pursuant to the Underlying Instrument with respect thereto.

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"Emerging Market Country": Any jurisdiction that is not the United States or does not have a foreign currency issuer rating of at least "AA-" by S&P and a long-term sovereign debt rating of at least "Aa3" by Moody's.

"Enhanced Equipment Trust Certificate": An enhanced equipment trust certificate.

"EURIBOR": An amount determined only with respect to any Applicable Period for which Notes denominated in Euros are Outstanding. For purposes of calculating the Series Interest Rates for each Applicable Period, EURIBOR shall equal EURIBOR as used in the calculation of the Monthly Basis Swap Payment for such Applicable Period. For purposes of calculating the Monthly Basis Swap Payment for each Applicable Period, EURIBOR shall be calculated by the Basis Swap Calculation Agent as follows:

(a) On the Applicable Index Determination Date, the Basis Swap Calculation Agent will determine EURIBOR, expressed per annum, for deposits in Euro for the Applicable Period by reference to offered quotation on Telerate Page 248 (or through a successor information service providing interest rates comparable thereto) as at 11:00 a.m. (Brussels time) on such Applicable Index Determination Date. In the event that the offered rate shown on the Telerate monitor is replaced by corresponding interest rates of more than one bank, the Basis Swap Calculation Agent shall determine the arithmetic mean of such interest rates (at least two) so displayed (rounded if necessary to the nearest one hundred-thousandth of a percentage point, with 0.000005% being rounded upwards). "Telerate" means the Associated Press-Dow Jones Telerate Service.

(b) In the event that the Telerate Page 248 is not available or if no quotation appears thereon on the Applicable Index Determination Date, the Basis Swap Calculation Agent shall request the principal offices within the Euro-zone of four leading banks in the Euro-zone as selected by the Basis Swap Calculation Agent (the "Euro Reference Banks") to provide the Basis Swap Calculation Agent with its offered quotation (expressed as a percentage per annum) for deposits in Euros for the Applicable Period to leading banks in the Euro-zone interbank market at approximately 11:00 a.m. (Brussels time) on the Applicable Index Determination Date. If at least two such quotations are provided, the EURIBOR for such Interest Accrual Period shall be the arithmetic mean (rounded if necessary to the nearest one hundred-thousandth of a percentage point, with 0.000005% being rounded upwards) of such offered quotations, all as determined by the Basis Swap Calculation Agent. If, on the Applicable Index Determination Date only one or none of the Euro Reference Banks provides the Basis Swap Calculation Agent with such offered quotations, the EURIBOR for the relevant Interest Accrual Period shall be the rate per annum which the Basis Swap Calculation Agent determines to be the arithmetic mean (rounded if necessary to the nearest one hundred-thousandth of a percentage point, with 0.000005% being rounded upwards) of the rates, as communicated to (and at the request of) the Basis Swap Calculation Agent by leading banks in the Euro-zone as selected by the Basis Swap Calculation Agent, as at 11:00 a.m. (Brussels time) on the relevant Interest Determination Date, for loans in Euros for a period equal to the Applicable Period to leading banks in the Euro-zone; *provided, however*, that if the Basis Swap Calculation Agent is required but is unable to determine a rate in accordance with one of the procedures provided above, EURIBOR shall be EURIBOR as determined on the most recent date EURIBOR was available. As used herein, "Reference Banks" means four major banks in the European interbank market selected by the Basis Swap Calculation Agent.

(c) The Basis Swap Calculation Agent shall provide EURIBOR to the Note Calculation Agent as promptly as practicable following the determination thereof. As soon as possible after 11:00 a.m. (New York time) on each Applicable Index Determination Date, but in no event later than 11:00 a.m. (New York time) on the Business Day immediately following each Applicable Index Determination Date, the Note Calculation Agent will cause notice of the Series Interest Rates for the next Interest Accrual Period and the Series Interest

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Amounts (rounded to the nearest cent, with half a cent being rounded upward) on the related Payment Date to be communicated to the Issuers, the Trustee, the Issuing and Paying Agent, Euroclear, Clearstream and the paying agents. The Note Calculation Agent will also specify to the Issuers the quotations upon which the Series Interest Rates are based, and in any event the Note Calculation Agent shall notify the Issuers before 5:00 p.m. (New York time) on each Applicable Index Determination Date if it has not determined and is not in the process of determining the Series Interest Rates and the Series Interest Amounts, together with its reasons therefor.

"Euro", "Euros" and "€": The currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended from time to time.

"Euroclear": The Euroclear System.

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

"Excluded Specified Types": Shall include: (i) ABS Aircraft Securities, (ii) ABS Future Flow Securities, (iii) ABS Health Care Receivable Securities, (iv) ABS Mutual Fund Fee Securities, (v) ABS Structured Settlement Securities, (vi) ABS Subprime Auto Securities, (vii) ABS Tax Lien Securities, (viii) ABS Timeshare Securities, (ix) CDO Corporate Bond Securities, (x) CDO Emerging Market Securities, (xi) CDO Market Value Securities, (xii) CMBS Credit Tenant Lease Securities, (xiii) CMBS Franchise Securities, (xiv) Corporate Securities, (xv) Enhanced Equipment Trust Certificates, (xvi) RMBS Manufactured Housing Securities, (xvii) CDO Trust Preferred Securities and (xviii) CDO Single-Tranche Synthetic Securities.

"Expected Principal Amount": With respect to any Reference Obligation and its Final Amortization Date or Legal Final Maturity Date, an amount equal to (i) the Reference Obligation Outstanding Principal Amount of such Reference Obligation payable on such day (excluding any amount representing capitalized interest that relates to the term of the Credit Default Swap) assuming for this purpose that sufficient funds are available for such payment, where such amount shall be determined in accordance with the related Underlying Instruments, minus (ii) the sum of (A) the Aggregate Implied Writedown Amount with respect to such Reference Obligation (if any) and (B) the net aggregate principal deficiency balance or realized loss amounts (however described in the related Underlying Instruments) that are attributable to such Reference Obligation. The Expected Principal Amount shall be determined without regard to the effect of any provisions (however described) of the related Underlying Instruments that permit the limitation of due payments or distributions of funds in accordance with the terms of such Reference Obligation or that provide for the extinguishing or reduction of such payments or distributions.

"Final Amortization Date": With respect to any Reference Obligation, the first to occur of (i) the date on which the Reference Obligation Notional Amount of such Reference Obligation is reduced to zero and (ii) the date on which the assets securing such Reference Obligation or designated to fund amounts due in respect of such Reference Obligation are liquidated, distributed or otherwise disposed of in full and the proceeds thereof are distributed or otherwise disposed of in full.

"Fitch": Fitch, Inc. and its subsidiaries and any successor or successors thereto.

"GBP-LIBOR": An amount determined only with respect to any Applicable Period for which Notes denominated in Sterling are Outstanding. For purposes of calculating the Series Interest Rates for each Applicable Period, GBP-LIBOR shall equal GBP-LIBOR as used in the calculation of the Monthly Basis Swap Payment for such Applicable Period. For purposes of calculating the Monthly Basis Swap Payment for each Applicable Period, GBP-LIBOR shall be calculated by the Basis Swap Calculation Agent as follows:

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(a) On each Applicable Index Determination Date, GBP-LIBOR shall equal the rate, as obtained by the Basis Swap Calculation Agent, for Sterling deposits in Europe for the Applicable Period which appears on Telerate Page 3750 (as defined in the International Swaps and Derivatives Association, Inc. 2000 Interest Rate and Currency Exchange Definitions), or such page as may replace Telerate Page 3750, as of 11:00 a.m. (New York time) on such Applicable Index Determination Date.

(b) If, on any Applicable Index Determination Date, such rate does not appear on Telerate Page 3750, or such page as may replace Telerate Page 3750, the Basis Swap Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks to leading banks in the London interbank market for Sterling deposits in Europe for the Applicable Period in an amount determined by the Basis Swap Calculation Agent by reference to requests for quotations as of approximately 11:00 a.m. (New York time) on the Applicable Index Determination Date made by the Basis Swap Calculation Agent to the Reference Banks. If, on any Applicable Index Determination Date, at least two of the Reference Banks provide such quotations, GBP-LIBOR shall equal such arithmetic mean of such quotations. If, on any Applicable Index Determination Date, only one or none of the Reference Banks provides such quotations, GBP-LIBOR shall be deemed to be the arithmetic mean of the offered quotations that leading banks in the City of New York selected by the Basis Swap Calculation Agent are quoting on the relevant Applicable Index Determination Date for Eurodollar deposits for the Applicable Period in an amount determined by the Basis Swap Calculation Agent by reference to the principal London offices of leading banks in the London interbank market; *provided, however,* that if the Basis Swap Calculation Agent is required but is unable to determine a rate in accordance with at least one of the procedures provided above, GBP-LIBOR shall be GBP-LIBOR as determined on the most recent date GBP-LIBOR was available. As used herein, "Reference Banks" means four major banks in the London interbank market selected by the Basis Swap Calculation Agent.

(c) The Basis Swap Calculation Agent shall provide GBP-LIBOR to the Note Calculation Agent as promptly as practicable following the determination thereof. As soon as possible after 11:00 a.m. (New York time) on each Applicable Index Determination Date, but in no event later than 11:00 a.m. (New York time) on the Business Day immediately following each Applicable Index Determination Date, the Note Calculation Agent will cause notice of the Series Interest Rates for the next Interest Accrual Period and the Series Interest Amounts (rounded to the nearest cent, with half a cent being rounded upward) on the related Payment Date to be communicated to the Issuers, the Trustee, the Issuing and Paying Agent, Euroclear, Clearstream and the paying agents. The Note Calculation Agent will also specify to the Issuers the quotations upon which the Series Interest Rates are based, and in any event the Note Calculation Agent shall notify the Issuers before 5:00 p.m. (New York time) on each Applicable Index Determination Date if it has not determined and is not in the process of determining the Series Interest Rates and the Series Interest Amounts, together with its reasons therefor.

"Global Notes": Collectively, the Rule 144A Global Notes and the Regulation S Global Notes.

"GS Group": The Goldman Sachs Group, Inc.

"Holder" or **"Noteholder"**: With respect to any Note, the Person in whose name such Note is registered in the Note Register or Issuer Note Register, as applicable.

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"ICE Aggregate USD Equivalent Outstanding Amount": When used with respect to any or all of the Notes, initially, the Aggregate USD Equivalent Outstanding Amount of such Class on the Closing Date; thereafter, it will be:

(a) decreased by an amount equal to:

(i) on the fifth Business Day following the calculation of any ICE Loss Amount, the product of (a) the related ICE Unscaled Credit Event Adjustment Amount and (b) the related Note Scaling Factor (such amount determined under this subclause (i), the **"ICE Credit Event Adjustment Amount"**);

(ii) on the Payment Date immediately following the Due Period in which a Reference Obligation Amortization Amount is determined by the Credit Default Swap Calculation Agent on one or more Reference Obligation(s), the Notional Principal Adjustment Amount with respect to such Class of Notes on such date;

(iii) on any Stated Maturity with respect to a Series of such Class, after giving effect to clauses (i) and (ii) above, the ICE Aggregate USD Equivalent Outstanding Amount of the Notes maturing on such date; and

(iv) on a Partial Optional Redemption Date, after giving effect to clauses (i) through (iii) above, the ICE Aggregate USD Equivalent Outstanding Amount of the Notes of such Class that are redeemed in connection with such Partial Optional Redemption; and

(b) increased on any day on which additional Notes of such Class are issued by the principal amount of such additional issuance (or the USD Equivalent of such principal amount if issued in an Approved Currency other than Dollars).

For the avoidance of doubt, with respect to a Class with more than one Series Outstanding at such time of determination, any *pro rata* allocations made on such date pursuant to subclauses (a)(i) through (iv) above will be based on the ICE Aggregate USD Equivalent Outstanding Amount of each Series of such Class, as expressed in Dollars.

On any date of determination, decreases to the ICE Aggregate USD Equivalent Outstanding Amount of any Class of Notes will be determined by giving effect, in the following order, to the (i) aggregate related ICE Credit Event Adjustment Amount (if any) and (ii) aggregate related Notional Principal Adjustment Amount (if any).

"ICE Aggregate USD Equivalent Outstanding Amount Differential": An amount equal to, with respect to any Class of Notes, at any time of determination, the greater of (i) the ICE Aggregate USD Equivalent Outstanding Amount of such Class at such time *less* the Aggregate USD Equivalent Outstanding Amount of such Class et such time and (ii) zero.

"ICE Class Notional Amount": With respect to any Class of Notes on the Closing Date, the Initial Class Notional Amount of such Class of Notes; thereafter it will be decreased by an amount (as expressed in Dollars) equal to:

(i) on the fifth Business Day following the calculation of any ICE Loss Amount, if greater than zero, the lesser of (a)(i) the related ICE Loss Amount *less* (ii) the ICE Class Notional Amount of all Classes of Notes that are subordinated to such Class immediately prior to such determination and (b) the ICE Class Notional Amount of such Class immediately prior to such determination (such amount, the **"ICE Unscaled Credit Event Adjustment Amount"**); and

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(ii) on the Payment Date immediately following the Due Period in which a Reference Obligation Amortization Amount is determined by the Credit Default Swap Calculation Agent on one or more Reference Obligation(s), the Unscaled Notional Principal Adjustment Amount with respect to such Class of Notes on such date.

On any date of determination, decreases to the ICE Class Notional Amount of any Class of Notes will be determined by giving effect, in the following order, to the (i) aggregate related ICE Unscaled Credit Event Adjustment Amount (if any) and (ii) aggregate related Unscaled Notional Principal Adjustment Amount (if any).

"ICE Class Notional Amount Differential": An amount equal to, with respect to a Class of Notes, at any time of determination, the greater of (i) the ICE Class Notional Amount of such Class at such time *less* the Class Notional Amount of such Class at such time and (ii) zero.

"ICE Currency Adjusted Accrued Interest Amount": With respect to any Series of Notes, an amount equal to the aggregate amount of interest accrued, at the applicable Series Interest Rate, during the related Interest Accrual Period on the average daily ICE Currency Adjusted Aggregate Outstanding Amount of such Series of Notes during the preceding Interest Accrual Period.

"ICE Currency Adjusted Aggregate Outstanding Amount": When used with respect to any or all of the Notes, the aggregate principal amount of such Notes when issued, as expressed in their currency of denomination and thereafter decreased:

(i) with respect to any ICE Credit Event Adjustment Amount or Notional Principal Adjustment Amount, by an amount equal the product of (a) such Notes' allocation of any ICE Credit Event Adjustment Amount or Notional Principal Adjustment Amount, as described in the definition of "ICE Aggregate USD Equivalent Outstanding Amount", as applicable, and (b) the Applicable Series Foreign Exchange Rate;

(ii) on the Stated Maturity with respect to a Series of Notes, after giving effect to any reductions pursuant to subclause (i) above, by the ICE Currency Adjusted Aggregate Outstanding Amount of such Notes; and

(iii) in connection with a Partial Optional Redemption of such Notes, after giving effect to any reductions pursuant to subclauses (i) and (ii) above, by the ICE Currency Adjusted Aggregate Outstanding Amount of such Notes redeemed in connection with such Partial Optional Redemption.

"ICE Currency Adjusted Aggregate Outstanding Amount Differential": An amount equal to, with respect any Series of Notes, at any time of determination, the greater of (i) the ICE Currency Adjusted Aggregate Outstanding Amount of such Series at such time *less* the Currency Adjusted Aggregate Outstanding Amount of such Series at such time and (ii) zero.

"ICE Currency Adjusted Interest Differential": With respect to any Series of Notes of any Class, an amount equal to (i) the ICE Currency Adjusted Accrued Interest Amount *less* (ii) the Interest Distribution Amount (other than with respect to clause (d) of the definition thereof) with respect to such Series of Notes.

"ICE Currency Adjusted Interest Reimbursement Amount": On any Payment Date, an amount equal to the aggregate of, with respect to any Series of Notes, the products of:

(I) the ICE Currency Adjusted Reimbursable Interest Amount relating to such Series of Notes on such Payment Date (prior to giving effect to subclause (D) in the definition thereof on such Payment Date); and

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(ii) the lesser of (a) 1 or (b) a fraction, the numerator of which is, if greater than zero, (1) the aggregate Unscaled Reinstatement Adjustment Amount of the Class related to such Series determined by the Credit Default Swap Calculation Agent during the related Due Period *less* (2) the aggregate Unscaled Credit Event Adjustment Amount of the Class related to such Series with respect to Credit Events determined by the Credit Default Swap Calculation Agent during the related Due Period, and the denominator of which is the ICE Class Notional Amount Differential of the Class related to such Series on the Determination Date immediately prior to the previous Payment Date; *provided, however*, that if such ICE Class Notional Amount Differential on the Determination Date immediately prior to the previous Payment Date is zero, then this subclause (ii) will be deemed to have a value of zero.

"ICE Currency Adjusted Reimbursable Interest Amount": On the Closing Date and with respect to any Series of Notes, zero. On any Payment Date thereafter, the ICE Currency Adjusted Reimbursable Interest Amount with respect to any Series shall equal the sum of:

(A) the product of (i) the ICE Currency Adjusted Reimbursable Interest Amount with respect to such Series on the immediately preceding Payment Date (or, in the case of the first Payment Date, the Closing Date) (after giving effect to any adjustments on the preceding Payment Date or the Closing Date, as the case may be, in accordance with this definition) and (ii) one *plus* the product of (a) the Series Interest Rate with respect to such Series and (b) the applicable Day Count Fraction; *plus*

(B) the ICE Currency Adjusted Interest Differential related to the immediately preceding Interest Accrual Period; *minus*

(C) with respect to any Reference Obligation that was removed from the Reference Portfolio during the preceding Due Period (if any), any ICE Currency Adjusted Reimbursable Interest Amount corresponding to the sum of any Loss Amounts determined with respect to such Reference Obligation that have not been subsequently reimbursed; *provided* that, for the avoidance of doubt, this section (C) will only be applicable if an ICE Loss Amount with respect to such Series has been calculated in connection with such removal; *minus*

(D) any ICE Currency Adjusted Interest Reimbursement Amount (including, for the avoidance of doubt, as a component of any Optional Redemption Reimbursement Amount) paid to such Series of Notes of such Class on such Payment Date.

"ICE Loss Amount": On (i) any Credit Default Swap Calculation Date, with respect to a Credit Event, the ICE Loss Amount will be zero; and (ii) any Business Day on which a Reference Obligation for which one or more Credit Events has occurred is removed from the Reference Portfolio, the sum of any Loss Amounts that have not been subsequently reimbursed with respect to such Reference Obligation prior to such removal; *provided* that, with respect to any Reference Obligation not denominated in Dollars, the ICE Loss Amount shall equal the product of (a) the ICE Loss Amount denominated in such other currency determined under subclauses (i) and (ii) above and (b) the applicable Notional Foreign Exchange Rate.

"ICE Reference Obligation Notional Amount": With respect to any Reference Obligation, an amount equal to the Initial Reference Obligation Notional Amount on the Closing Date and that will be decreased on each day on which a Principal Payment or a Reference Obligation Repayment Amount is determined by the Credit Default Swap Calculation Agent, by the relevant Reference Obligation Amortization Amount.

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"ICE Reference Obligation Notional Amount Differential": With respect to any Reference Obligation, the (i) ICE Reference Obligation Notional Amount of such Reference Obligation less (ii) the Reference Obligation Notional Amount of such Reference Obligation.

"Implied Rating": In the case of a rating of a Reference Obligation by a Rating Agency, a rating that is determined by reference to any publicly available, fully monitored rating by another rating agency that, by its terms, addresses the full scope of the payment promise of the obligor.

"Implied Writedown Amount": For each Reference Obligation, (i) if the related Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized lossas as described in clause (i) of the definition of "Writedown" to occur in respect of such Reference Obligation, on any Reference Obligation Payment Date, an amount determined by the Credit Default Swap Calculation Agent equal to the excess, if any, of the Current Period Implied Writedown Amount over the Previous Period Implied Writedown Amount, in each case in respect of such Reference Obligation Calculation Period to which such Reference Obligation Payment Date relates, and (ii) in any other case, zero.

"Implied Writedown Percentage": For each Reference Obligation, the ratio of (i) the related Reference Obligation Outstanding Principal Amount *divided by* (ii) the related Pari Passu Amount.

"Implied Writadown Reimbursement Amount": With respect to any Reference Obligation, (i) if the related Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (i) of the definition of "Writedown" to occur in respect of such Reference Obligation, on any Reference Obligation Payment Date for such Reference Obligation, an amount determined by the Credit Default Swap Calculation Agent equal to the excess, if any, of the Previous Period Implied Writedown Amount for such Reference Obligation over the Current Period Implied Writedown Amount for such Reference Obligation, in each case in respect of the related Reference Obligation Calculation Period to which such Reference Obligation Payment Date relates, and (ii) in any other case, zero; *provided* that the aggregate of all Implied Writedown Reimbursement Amounts at any time with respect to a Reference Obligation shall not exceed the Reference Obligation Outstanding Principal Amount.

"Independent": As to any Person, any other Person (including a firm of accountants or lawyers and any member thereof) who (i) does not have and is not committed to acquire any material direct or any material indirect financial interest in such Person or in any Affiliate of such Person, (ii) is not connected with such Person as an officer, employee, promoter, underwriter, voting trustee, partner, director or Person performing similar functions and (iii) is not Affiliated with a firm that fails to satisfy the criteria set forth in (i) and (ii). "Independent" when used with respect to any accountant may include an accountant who audits the books of any Person if in addition to satisfying the criteria set forth above the accountant is independent with respect to such Person within the meaning of Rule 101 of the Code of Ethics of the American Institute of Certified Public Accountants.

"Initial Class Notional Amount": With respect to: (i) the Class SS Notes, $1,100,000,000; (ii) the Class A-1 Notes, $200,000,000; (iii) the Class A-2 Notes, $280,000,000; (iv) the Class B Notes, $60,000,000; (v) the Class C Notes, $100,000,000; (vi) the Class D Notes, $60,000,000; and (vii) the Class FL Notes, $200,000,000; in each case denominated in Dollars or the USD Equivalent of any Approved Currency other than Dollars.

"Initial Face Amount": For each Reference Obligation, an amount as specified in the Reference Obligation Registry at the time of inclusion of such Reference Obligation in the Reference Portfolio, or, if such Reference Obligation is not denominated in Dollars, the product of (i) such amount and (ii) the applicable Notionel Foreign Exchange Rate.

"Initial Factor": For each Reference Obligation, the factor for such Reference Obligation on the Closing Date, as specified in the Reference Obligation Registry.

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"Initial Purchaser": Goldman, Sachs & Co.

"Initial Reference Obligation Notional Amount": For (i) each Dollar denominated Reference Obligation, the notional amount of such Reference Obligation as recorded in the Reference Obligation Registry, and (ii) each Reference Obligation denominated in a currency other than Dollars, the product of (a) the notional amount of such Reference Obligation denominated in such other currency as recorded in the Reference Obligation Registry and (b) its Notional Foreign Exchange Rate, in each case as of the time of inclusion of such Reference Obligation in the Reference Portfolio.

"Initial Reference Portfolio": The portfolio of Reference Obligations on the Closing Date.

"Initial Reference Portfolio Notional Amount": The aggregate Reference Obligation Notional Amount of the Initial Reference Portfolio.

"Insurer": With respect to any Reference Obligation, the Insurer set out in Schedule A with respect to such Reference Obligation.

"Interest Accrual Period": The period from and including the Closing Date to but excluding the first Payment Date, and each successive period from and including each Payment Date to but excluding the following Payment Date (except with respect to the Payment Date preceding the Stated Maturity or the Mandatory Redemption Date, as the case may be, to but excluding the Stated Maturity or the Mandatory Redemption Date, as the case may be).

"Interest Distribution Amount": With respect to any Payment Date and with respect to any Series of Notes, the sum of:

(a) the aggregate amount of interest accrued, at the applicable Series Interest Rate, during the related Interest Accrual Period on the average daily Currency Adjusted Aggregate Outstanding Amount of such Series of Notes during the preceding Interest Accrual Period;

(b) the aggregate amount of interest accrued, at the applicable Series Interest Rate, during the related Interest Accrual Period, on any Defaulted Interest relating to such Series of Notes;

(c) any Defaulted Interest relating to such Series of Notes; and

(d) any ICE Currency Adjusted Interest Reimbursement Amount allocable to such Series.

"Interest Proceeds": With respect to any Payment Date (including the Optional Redemption Date or any Partial Optional Redemption Date, the Mandatory Redemption Date and/or the Stated Maturity), without duplication:

(i) the portion of the Collateral Interest Amount actually received during the related Due Period;

(ii) the Monthly Basis Swap Payment received on such Payment Date;

(iii) the Fixed Payment (for the avoidance of doubt, excluding those related amounts deposited in the CDS Issuer Fixed Payment Subaccount on such Payment Date but including those related amounts released from the CDS Issuer Fixed Payment Subaccount on such Payment Date) with respect to such Payment Date;

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(iv) any ICE Currency Adjusted Interest Reimbursement Amounts received during the related Due Period;

(v) after an event of default, as such term is defined under the Collateral Put Agreement, any interest payment received by the Issuer from the Posted Collateral during the related Due Period (but not to exceed the amount of the Collateral Put Provider's obligations owed to the Issuer); and

(vi) all payments of principal on Eligible Investments purchased with the proceeds of any of items (i), (ii), (iii), (iv) and (v) of this definition (without duplication) received during the related Due Period;

provided, that, prior to an event of default, as such term is defined in the Collateral Put Agreement, any payments received by the Issuer under the Posted Collateral shall not constitute "Interest Proceeds" and such amounts shall be deposited in the Collateral Put Provider Account and be treated in accordance with the Credit Support Annex, if any.

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

"ISDA Credit Derivatives Definitions": The 2003 Credit Derivative Definitions published by the International Swap and Derivatives Association, Inc., as supplemented by the May 2003 Supplement to the 2003 Credit Derivatives Definitions.

"Issuer Assets": All money (except for money, securities, investments and agreements in the Issuer's bank account in the Cayman Islands), instruments and other property and rights, including, without limitation, the Collateral and the Issuer's rights under the Credit Default Swap, the Basis Swap, the Collateral Put Agreement, the Collateral Disposal Agreement and the Portfolio Selection Agreement, subject to or intended to be subject to the lien of the Indenture for the benefit of the Secured Parties as of any particular time, including all Proceeds thereof and the rights, title and interest granted by the Issuer to the Trustee under the Indenture.

"Issuer Note Register": The register maintained by the Issuing and Paying Agent or any Issuer Note Registrar with respect to the Issuer Notes under the Issuing and Paying Agency Agreement.

"Issuer Note Registrar": The agent appointed by the Issuer under the Issuing and Paying Agency Agreement to act as note registrar for the purpose of registering and recording in the Issuer Note Register the Issuer Notes and transfers of such Notes.

"Issuer Notes": Collectively, the Class A-2 Notes, the Class B Notes, the Class C Note, the Class D Notes and the Class FL Notes.

"JPY-LIBOR": An amount determined only with respect to any Applicable Period for which Notes denominated in Yen are Outstanding. For purposes of calculating the Series Interest Rates for each Applicable Period, JPY-LIBOR shall equal JPY-LIBOR as used in the calculation of the Monthly Basis Swap Payment for such Applicable Period. For purposes of calculating the Monthly Basis Swap Payment for each Applicable Period, JPY-LIBOR shall be calculated by the Basis Swap Calculation Agent as follows:

(a) On each Applicable Index Determination Date, JPY-LIBOR shall equal the rate, as obtained by the Basis Swap Calculation Agent, for deposits in Yen for the Applicable Period which appears on Telerate Page 3750 (as defined in the International Swaps and Derivatives Association, Inc. 2000 Interest Rate and Currency Exchange Definitions), or such page as may replace Telerate Page 3750, as of 11:00 a.m. (New York time) on such Applicable Index Determination Date.

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(b) If, on any Applicable Index Determination Date, such rate does not appear on Telerate Page 3750, or such page as may replace Telerate Page 3750, the Basis Swap Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks to leading banks in the London interbank market for deposits in Yen for the Applicable Period in an amount determined by the Basis Swap Calculation Agent by reference to requests for quotations as of approximately 11:00 a.m. (New York time) on the Applicable Index Determination Date made by the Basis Swap Calculation Agent to the Reference Banks. If, on any Applicable Index Determination Date, at least two of the Reference Banks provide such quotations, JPY-LIBOR shall equal such arithmetic mean of such quotations. If, on any Applicable Index Determination Date, only one or none of the Reference Banks provides such quotations, JPY-LIBOR shall be deemed to be the arithmetic mean of the offered quotations that leading banks in Tokyo selected by the Basis Swap Calculation Agent are quoting on the relevant Applicable Index Determination Date for loans in Yen for the Applicable Period in an amount determined by the Basis Swap Calculation Agent equal to an amount that is representative for a single transaction in such market at such time to leading European banks; *provided, however*, that if the Basis Swap Calculation Agent is required but is unable to determine a rate in accordance with at least one of the procedures provided above, JPY-LIBOR shall be JPY-LIBOR as determined on the most recent date JPY-LIBOR was available. As used herein, "Reference Banks" means four major banks in the London interbank market selected by the Basis Swap Calculation Agent.

(c) The Basis Swap Calculation Agent shall provide JPY-LIBOR to the Note Calculation Agent as promptly as practicable following the determination thereof. As soon as possible after 11:00 a.m. (New York time) on each Applicable Index Determination Date, but in no event later than 11:00 a.m. (New York time) on the Business Day immediately following each Applicable Index Determination Date, the Note Calculation Agent will cause notice of the Series Interest Rates for the next Interest Accrual Period and the Series Interest Amounts (rounded to the nearest cent, with half a cent being rounded upward) on the related Payment Date to be communicated to the Issuers, the Trustee, the Issuing and Paying Agent, Euroclear, Clearstream and the paying agents. The Note Calculation Agent will also specify to the Issuers the quotations upon which the Series Interest Rates are based, and in any event the Note Calculation Agent shall notify the Issuers before 5:00 p.m. (New York time) on each Applicable Index Determination Date if it has not determined and is not in the process of determining the Series Interest Rates and the Series Interest Amounts, together with its reasons therefor.

"Legal Final Maturity Date": With respect to any Reference Obligation, the "Rated Final Maturity Date" set out in Schedule A with respect to such Reference Obligation (subject, for the avoidance of doubt, to any business day convention applicable to the legal final maturity date of the Reference Obligation), *provided* that if the legal final maturity date of the Reference Obligation is amended, the Legal Final Maturity Date shall be such date as amended.

"LIBOR": An amount determined only with respect to any Applicable Period for which Notes denominated in Dollars are Outstanding. For purposes of calculating the Series Interest Rates for each Applicable Period, LIBOR shall equal LIBOR as used in the calculation of the Monthly Basis Swap Payment for such Applicable Period. For purposes of calculating the Monthly Basis Swap Payment for each Applicable Period, LIBOR shall be calculated by the Basis Swap Calculation Agent as follows:

(a) On each Applicable Index Determination Date, LIBOR shall equal the rate, as obtained by the Basis Swap Calculation Agent, for Eurodollar deposits for the Applicable Period which appears on Telerate Page 3750 (as defined in the International Swaps and Derivatives Association, Inc. 2000 Interest Rate and Currency Exchange Definitions), or

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such page as may replace Telerate Page 3750, as of 11:00 a.m. (New York time) on such Applicable Index Determination Date.

(b) If, on any Applicable Index Determination Date, such rate does not appear on Telerate Page 3750, or such page as may replace Telerate Page 3750, the Basis Swap Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks to leading banks in the London interbank market for Eurodollar deposits for the Applicable Period in an amount determined by the Basis Swap Calculation Agent by reference to requests for quotations as of approximately 11:00 a.m. (New York time) on the Applicable Index Determination Date made by the Basis Swap Calculation Agent to the Reference Banks. If, on any Applicable Index Determination Date, at least two of the Reference Banks provide such quotations, LIBOR shall equal such arithmetic mean of such quotations. If, on any Applicable Index 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 the City of New York selected by the Basis Swap Calculation Agent are quoting on the relevant Applicable Index Determination Date for Eurodollar deposits for the Applicable Period in an amount determined by the Basis Swap Calculation Agent by reference to the principal London offices of leading banks in the London interbank market; *provided, however*, that if the Basis Swap 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 LIBOR as determined on the most recent date LIBOR was available. As used herein, "Reference Banks" means four major banks in the London interbank market selected by the Basis Swap Calculation Agent.

(c) The Basis Swap Calculation Agent shall provide LIBOR to the Note Calculation Agent as promptly as practicable following the determination thereof. As soon as possible after 11:00 a.m. (New York time) on each Applicable Index Determination Date, but in no event later than 11:00 a.m. (New York time) on the Business Day immediately following each Applicable Index Determination Date, the Note Calculation Agent will cause notice of the Series Interest Rates for the next Interest Accrual Period and the Series Interest Amounts (rounded to the nearest cent, with half a cent being rounded upward) on the related Payment Date to be communicated to the Issuers, the Trustee, the Issuing and Paying Agent, Euroclear, Clearstream and the paying agents. The Note Calculation Agent will also specify to the Issuers the quotations upon which the Series Interest Rates are based, and in any event the Note Calculation Agent shall notify the Issuers before 5:00 p.m. (New York time) on each Applicable Index Determination Date if it has not determined and is not in the process of determining the Series Interest Rates and the Series Interest Amounts, together with its reasons therefor.

"London Banking Day": A day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

"Majority": With respect to the Notes or any Class thereof, the Holders of more than 50% of the Aggregate USD Equivalent Outstanding Amount of the Notes or of such Class, as the case may be.

"Makewhole Amount": In connection with an Optional Redemption in Whole prior to the Payment Date in April 2010, an amount calculated by the Trustee equal to the net present value of a stream of fixed payments, such fixed payments being the Portfolio Selection Fees releted to the Notes being redeemed, that would have been payable to the Portfolio Selection Agent from the redemption date to the Payment Date in April 2010, discounted from and including the date of calculation to but excluding the Payment Date in April 2010, (x) at the applicable rate (the **"LIBOR Swap Rate"**) on London interbank offered rate swap agreements (**"LIBOR Swaps"**) (determined, if necessary, by interpolating linearly between the LIBOR Swap and the term closest to and greater than the time from the redemption date to

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the Payment Date in April 2010 and the LIBOR Swap with the term closest to and less than the time from the redemption date to the Payment Date in April 2010 as reported on page 19901 on the Telerate Access Service (or any successor page on such service) as of 10:00 a.m. (New York time) on the tenth Business Day preceding the related redemption date or (y) if such LIBOR Swap Rates are not reported or are not ascertainable, the LIBOR Swap Rate as determined by the Calculation Agent in accordance with the calculation of LIBOR.

"Maximum Redemption Refund Amount": With respect to the Stated Maturity of any Series of Notes or in connection with a Mandatory Redemption caused by a termination of the Credit Default Swap as a result of a default by the Protection Buyer, a termination of the Collateral Put Agreement as a result of a default by the Collateral Put Provider or a termination of the Basis Swap as a result of a default by the Basis Swap Counterparty, if an ICE Reference Obligation Notional Amount Differential is greater than zero with raspect to one or more Reference Obligations (a) that remain in the Reference Portfolio at such time of determination, (b) with respect to which the ICE Reference Obligation Notional Amount Differential was equal to zero on the day that was one calendar year prior to such time of determination, (c) that, at the time of such determination, has an Actual Rating above (1) if rated by Moody's, "Ca" or (2) if rated by S&P, "CC" and (d) with respect to which no Credit Event (other than a Writedown) has occurred at any time on or prior to such time of determination, an amount, if greater than zero, equal to the aggregate of the differences, determined for each such Reference Obligation, of (i) the ICE Reference Obligation Notional Amount Differential of such Refarence Obligation and (ii) if greater than zero, the ICE Reference Obligation Notional Amount of such Reference Obligation less the related Current Dollar Price.

"Moody's": Moody's Investors Service, Inc. and any successor or successors thereto.

"Moody's Rating": The following definition of "Moody's Rating" has been provided to the Issuer by Moody's and capitalized terms used therein with respect to types of securities have the meanings ascribed thereto by Moody's. With respect to an Obligation, a rating to be determined as follows:

(1) if such Obligation has an expressly monitored outstanding rating assigned by Moody's, which rating by its terms addresses the full scope of the payment promise of the obligor of such Obligation, the Moody's Rating shall be such rating, or if such Obligation is not rated by Moody's, but a request has been made to Moody's for a rating to such Obligation, the Moody's Rating shall be the rating so assigned by Moody's; *provided* that for purposes of this definition,

  (i) the rating assigned by Moody's to an Obligation placed on watch for possible downgrade by Moody's will be deemed to have been downgraded by two subcategories, and

  (ii) the rating assigned by Moody's to an Obligation placed on watch for possible upgrade by Moody's will be deemed to have been upgraded by two subcategories; *provided* that an Obligation rated "Aa1" by Moody's that is placed on watch for possible upgrade by Moody's will be deemed to have been upgraded by one rating subcategory; and

(2) (i) if such Obligation is not rated by Moody's but is rated by S&P, then the Moody's Rating of such Obligation may be an Implied Rating determined by subtracting the number of subcategories from the Moody's equivalent rating according to the following table ("notching"):

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ASSET CLASS	AAA to AA-	A+ to BBB-	Below BBB-
Asset Backed			
Agricultural and Industrial Equipment loans	1	2	3
Aircraft and Auto leases	2	3	4
Arena and Stadium Financing	1	2	3
Auto loan	1	2	3
Boat, Motorcycle, RV, Truck	1	2	3
Computer, Equipment and Small-ticket item leases	1	2	3
Consumer Loans	1	3	4
Credit Card	1	2	3
Cross-border transactions	1	2	3
Entertainment Royalties	1	2	3
Floor Plan	1	2	3
Franchise Loans	1	2	4
Future Receivables	1	1	2
Health Care Receivables	1	2	3
Manufactured Housing	1	2	3
Mutual Fund Fees	1	2	4
Small Business Loans	1	2	3
Stranded Utilities	1	2	3
Structured Settlements	1	2	3
Student Loan	1	2	3
Tax Liens	1	2	3
Trade Receivables	2	3	4
	AAA	**AA+ to BBB-**	**Below BBB-**
Residential Mortgage Related			
Jumbo A	1	2	3
Alt-A or mixed pools	1	3	4
HEL (including Residential B&C)	1	2	3

(ii) if such Obligation is dual-rated Jumbo A or Alt-A, the Moody's Rating shall be the rating determined in subclause (i) above, *plus* one-half of a subcategory;

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(iii) if such Obligation is not rated by Moody's but is rated by S&P and is a Commercial Mortgage-Backed Security, the Moody's Rating of such Obligation may be determined by subtracting the number of subcategories from the Moody's equivalent rating according to the following table:

	Tranche rated by S&P; no tranche in deal rated by Moody's	Tranche rated by S&P; at least one other tranche in deal rated by Moody's
Commercial Mortgage Backed Securities		
Conduit[1]	2 notches from S&P	1.5[2] notches from S&P
Credit Tenant Lease	Follow corporate notching practice	Follow corporate notching practice
Large Loan	No notching permitted	

[1] For purposes of the "Moody's Rating", conduits are defined as fixed rate, sequential pay, multi-borrower transactions having a Herfindahl score of 40 or higher at the loan level with all collateral including conduit loans, A notes, large loans, Credit Tenant Leases and any other real estate collateral factored in.

[2] A 1.5 notch haircut implies, for example, that if the S&P rating were BBB, then the Moody's Rating would be halfway between the Baa3 and Ba1 rating factors.

(iv) if such Obligation is a CDO Cashflow Security, no notching is permitted and the Moody's Rating shall be the rating so assigned by Moody's;

provided that (1) any ratings by S&P used to determined a Moody's Ratings shall (a) address the full return of interest and principal; (b) be for the benefit of multiple investors and remain valid if the Obligation is transferred to subsequent investors; (c) be actually expressly monitored ratings rather than any "credit estimate" or "shadow rating" and (d) be monitored through the life of the Obligation and (2) no notching is permitted based upon a rating by S&P with an "r", "t" or "Pi" subscript; and *provided, further*, that the aggregate Reference Obligation Notional Amount of Reference Obligations that may be given a Moody's Rating based on Reference Obligations rated by only S&P may not exceed 7.5% of the Initial Reference Portfolio Notional Amount; and *provided, further*, that Asset-Backed Securities or Mortgage-Backed Securities, other than those listed in this paragraph (2) and any RMBS Agency Securities, shall have the rating assigned by Moody's.

"Moody's Rating Condition": With respect to any proposed action to be taken under the Indenture or any other document contemplated by the Indenture, a condition that is satisfied when Moody's has confirmed in writing to the Issuer and/or the Trustee that an immediate withdrawal or reduction with respect to any then-current rating by Moody's of any Class of Notes will not occur as a result of such proposed action.

"Mortgage-Backed Securities": Any Residential Mortgage-Backed Securities or Commercial Mortgage-Backed Securities.

"New Zealand Dollar", "NZD" or "NZ$": The official currency of New Zealand.

"Non-U.S. Obligor": An issuer or obligor of a Reference Obligation that (i) is not a Special Purpose Vehicle and (ii) is organized in a sovereign jurisdiction other than the United States of America.

"Note Payment Sequence": The application, in accordance with the Priority of Payments, of Principal Proceeds, in the following order: to the payment of principal of the Class SS Notes until redeemed or otherwise paid in full, then to the payment of principal of the Class A-1 Notes until redeemed or otherwise paid in full, then to the payment of principal of the Class A-2 Notes until redeemed or

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otherwise paid in full, then to the payment of principal of the Class B Notes until redeemed or otherwise paid in full, then to the payment of principal of the Class C Notes until redeemed or otherwise paid in full, then to the payment of principal of the Class D Notes until redeemed or otherwise paid in full, then to the payment of principal of the Class FL Notes until redeemed or otherwise paid in full; *provided* that (i) with respect to any Class of Notes issued in more than one Series, allocation of principal to Notes of each related Series will be made *pro rata* based on (a) the Aggregate USD Equivalent Outstanding Amount of such Notes (other than in connection with a Mandatory Redemption) and (b) the Dollar equivalent principal amount of such Notes determined using the Spot FX Rate as of the third Business Day immediately prior to such Mandatory Redemption Date (in connection with a Mandatory Redemption) and (ii) principal will be applied to Notes in the Approved Currency in which such Notes are denominated up to the Currency Adjusted Aggregate Outstanding Amount of such Notes.

"**Note Register**": The register maintained by the Trustee or any Note Registrar with respect to the Co-Issued Notes under the Indenture.

"**Note Registrar**": The agent appointed by the Issuer under the Indenture to act as note registrar for the purpose of registering and recording in the Note Register the Co-Issued Notes and transfers of such Notes.

"**Note Scaling Factor**": On any date of determination, with respect to any Class of Notes, a fraction equal to (i) the Aggregate USD Equivalent Outstanding Amount of such Class of Notes on such Date *divided by* (ii) the Class Notional Amount of such Class of Notes on such date. For the avoidance of doubt, the Note Scaling Factor may exceed 1.

"**Noteholder**": A Holder of the Notes of any Class.

"**Noteholder Communication Notice**": A notice from an Originating Noteholder to the Trustee or the Issuing and Paying Agent, as applicable, the contents of which are to be delivered by the Trustee or the Issuing and Paying Agent, as applicable to all other Noteholders in accordance with the Indenture or the Issuing and Paying Agency Agreement, as applicable.

"**Notes**": Collectively, the Class SS Notes, the Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class FL Notes.

"**Notice of Publicly Available Information**": An irrevocable notice from the Protection Buyer to the Trustee (which shall forward such notice to the Issuers, the Rating Agencies and the Collateral Disposal Agent) (which may be by telephone) that cites Publicly Available Information confirming the occurrence of a Credit Event. The notice must contain a copy, or a description in reasonable detail, of the relevant Publicly Available Information.

"**Notional Foreign Exchange Rate**": The Spot FX Rate determined as of the Closing Date.

"**Notional Principal Amount**": On any date of determination, the Reference Obligation Amortization Amounts.

"**NZD-BBR**": NZD-BBR will be an amount determined only with respect to any Applicable Period for which Notes denominated in New Zealand Dollars are Outstanding. For purposes of calculating the Issuance Interest Rates for each Applicable Period, NZD-BBR shall equal NZD-BBR as used in the calculation of the Monthly Basis Swap Payment for such Applicable Period. For purposes of calculating the Monthly Basis Swap Payment for each Applicable Period, NZD-BBR shall be calculated by the Basis Swap Calculation Agent as follows:

(a) On each Applicable Index Determination Date, NZD-BBR shall equal the rate, as obtained by the Basis Swap Calculation Agent, for deposits in New Zealand Dollar bills of

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exchange for the Applicable Period which appears on the Telerate Page 2484 (as defined in the International Swaps and Derivatives Association, Inc. 2000 Interest Rate and Currency Exchange Definitions), or such page as may replace Telerate Page 2484, as of 11:00 a.m. (Wellington time) on such Applicable Index Determination Date.

(b) If, on any Applicable Index Determination Date, such rate does not appear on Telerate Page 2484, or such page as may replace Telerate Page 2484, the Basis Swap Calculation Agent shall determine the arithmetic mean on the basis of the bid and offered rates of the Reference Banks for New Zealand Dollar bills of exchange for the Applicable Period in an amount determined by the Basis Swap Calculation Agent by reference to requests for quotations as of approximately 11:00 a.m. (Wellington time) on the Applicable Index Determination Date made by the Basis Swap Calculation Agent to the principal New Zealand office of each of the Reference Banks. If, on any Applicable Index Determination Date, at least two of the Reference Banks provide sets of bid and offered rate quotations, NZD-BBR shall equal the arithmetic mean of such quotations. If, on any Applicable Index Determination Date, only one or none of the Reference Banks provides such bid and offered rate quotations, NZD-BBR shall be the arithmetic mean of the rates quoted by major banks in New Zealand selected by the Basis Swap Calculation Agent, at approximately 11:00 a.m. (Wellington time) are quoting on the relevant Applicable Index Determination Date for New Zealand Dollar bills of exchange for the Applicable Period in an amount determined by the Basis Swap Calculation Agent equal to an amount that is representative for a single transaction in such market at such time; *provided, however,* that if the Basis Swap Calculation Agent is required but is unable to determine a rate in accordance with at least one of the procedures provided above, NZD-BBR shall be NZD-BBR as determined on the most recent date NZD-BBR was available. As used herein, "Reference Banks" means four major banks in the New Zealand money market selected by the Basis Swap Calculation Agent.

(c) The Basis Swap Calculation Agent shall provide NZD-BBR to the Note Calculation Agent as promptly as practicable following the determination thereof. As soon as possible after 11:00 a.m. (New York time) on each Applicable Index Determination Date, but in no event later than 11:00 a.m. (New York time) on the Business Day immediately following each Applicable Index Determination Date, the Note Calculation Agent will cause notice of the Issuance Interest Rates for the next Interest Accrual Period and the Issuance Interest Amounts (rounded to the nearest cent, with half a cent being rounded upward) on the related Payment Date to be communicated to the Issuers, the Trustee, the Issuing and Paying Agent, if applicable, Euroclear, Clearstream and the paying agents. The Note Calculation Agent will also specify to the Issuers the quotations upon which the Issuance Interest Rates are based, and in any event the Note Calculation Agent shall notify the Issuers before 5:00 p.m. (New York time) on each Applicable Index Determination Date if it has not determined and is not in the process of determining the Issuance Interest Rates and the Issuance Interest Amounts, together with its reasons therefor.

"Obligation": A Reference Obligation, a Collateral Security or an Eligible Investment, as the case may be.

"Optional Redemption Date": Any Payment Date specified for an Optional Redemption in Whole.

"Optional Redemption Reimbursement Amount": With respect to any Reversible Loss Series, the aggregate of the following amounts:

(i) the ICE Currency Adjusted Aggregate Outstanding Amount Differential with respect to such Series; and

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(ii) the ICE Currency Adjusted Reimbursable Interest Amount with respect to such Series.

"Original Principal Amount": For each Reference Obligation, the outstanding principal balance of such Reference Obligation as of the issuance date of such Reference Obligation, as recorded in the Reference Obligation Registry.

"Originating Noteholder": With respect to (i) any Collateral Security Substitution Request Notice, the Noteholder(s) submitting such Collateral Security Substitution Request Notice and (ii) any Noteholder Communication Notice, the Noteholder(s) submitting such Noteholder Communication Notice.

"Outstanding": With respect to the principal amount of any Note of any Class, as of any time of determination, the principal amount of such Note after giving effect to (i) each reduction (if any) in the principal amount of such Note as described in "Summary—Notes—Decrease in the Aggregate USD Equivalent Outstanding Amount of each Class of Notes", (ii) each increase (if any) in the principal amount of such Note as described in "Summary—Notes—Increase in the Aggregate USD Equivalent Outstanding Amount of each Class of Notes", (iii) each payment (if any) of the principal amount of such Note and (iv) any additional Notes of such Class issued pursuant to the Indenture, in each case prior to such time of determination; except:

(a) Notes theretofore cancelled by the Note Registrar or the Issuer Note Registrar, as applicable or delivered to the Note Registrar or the Issuer Note Registrar, as applicable, for cancellation;

(b) Notes or, in each case, portions thereof for whose payment or redemption funds in the necessary amount have been theratofore irrevocably deposited with the Trustee or any Paying Agent in trust for the Holders of such Notes; *provided* that if such Notes or portions thereof are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or the Issuing and Paying Agency Agreement, as applicable or provision therefor satisfactory to the Trustee or the Issuing and Paying Agent, as applicable, has been made;

(c) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to the Indenture or the Issuing and Paying Agency Agreement, as applicable, unless proof satisfactory to the Trustee or the Issuing and Paying Agent, as applicable, is presented that any such original Notes are held by a holder in due course;

(d) Notes alleged to have been mutilated, destroyed, lost or stolen for which replacement Notes have been issued as provided in the Indenture;

(e) in determining whether the Holders of the requisite Aggregate USD Equivalent Outstanding Amount have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by the Issuer or the Co-Issuer shall be disregarded and deemed not to be Outstanding, except that in determining whether the Trustee or Issuing and Paying Agent, as applicable, shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes that a Trust Officer of the Trustee or the Issuing and Paying Agent, as applicable, knows to be so owned shall be so disregarded;

(f) for the avoidance of doubt, any Notes held by, or with respect to which discretionary voting rights are held by, the Initial Purchaser and/or its Affiliates or its respective employees will have voting rights with respect to all matters as to which the Holders of Notes are entitled to vote;

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(g) for the avoidance of doubt, any Notes held by, or with respect to which discretionary voting rights are held by, the Portfolio Selection Agent and/or its Affiliates or by any account or fund for which the Portfolio Selection Agent or any Affiliate has discretionary authority will have voting rights with respect to all matters as to which the Holders of Notes are entitled to vote; and

(h) Notes so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee or the Issuing and Paying Agent, as applicable, that the pledgee has the right so to act with respect to such Notes and the pledgee is not the Issuer, the Co-Issuer or any other obligor upon the Notes or any Affiliate of the Issuer, the Co-Issuer or such other obligor.

"Pari Passu Amount": For each Reference Obligation, as of any date of determination, the aggregate of the Reference Obligation Outstanding Principal Amount of such Reference Obligation and the aggregate outstanding principal balance of all obligations of the related Reference Entity secured by the Underlying Assets and ranking *pari passu* in priority with such Reference Obligation.

"Partial Optional Redemption Date": Any Payment Date specified for a Partial Optional Redemption.

"Payment Date": The 28th of each month or if such day is not a Business Day, the next succeeding Business Day, commencing May 29, 2007 and ending on the Stated Maturity.

"Payment Default": Any Event of Default specified in subclauses (i), (ii), (v) or (vi) of the definition of such term.

"Person": An individual, corporation (including a business trust), partnership, limited liability company, joint venture, association, joint stock company, trust (including any beneficiary thereof), bank, unincorporated association or government or any agency or political subdivision thereof or any other entity of a similar nature.

"Portfolio Selection Agreement": An agreement dated as of the Closing Date, between the Issuer and the Portfolio Selection Agent relating to the Portfolio Selection Agent's performance on behalf of the Issuer of certain investment management duties with respect to the Reference Portfolio, as amended from time to time in accordance with its terms and the terms of the Indenture.

"Posted Collateral": Any collateral posted by the Collateral Put Provider to the Issuer pursuant to the Credit Support Annex, if any.

"Previous Period Implied Writedown Amount": For each Reference Obligation, with respect to any Reference Obligation Calculation Period, the Current Period Implied Writedown Amount, as determined in relation to the last day of the immediately preceding Reference Obligation Calculation Period.

"Principal Payment": With respect to any Reference Obligation, the occurrence of a payment of an amount to the holders of the Reference Obligation in respect of principal (scheduled or unscheduled) in respect of the Reference Obligation other than a payment in respect of principal representing capitalized interest that relates to the term of the Credit Default Swap, excluding, for the avoidance of doubt, any Writedown Reimbursement.

"Principal Payment Amount": With respect to any Reference Obligation and in connection with a Principal Payment on such Reference Obligation, an amount equal to the product of (i) the amount of any such Principal Payment on such date, (ii) the Applicable Percentage and (iii) if such Reference Obligation is not denominated in Dollars, the applicable Notional Foreign Exchange Rate.

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"Principal Proceeds": Without duplication (in each case for so long as it has not been previously applied):

(i) Disposition Proceeds;

(ii) all payments of principal (including optional or mandatory redemptions or prepayments) received on the Collateral;

(iii) all proceeds received from any additional issuance of Notes pursuant to the Indenture not previously invested in Collateral Securities;

(iv) any termination payments paid to the Issuer under the Credit Default Swap and the Basis Swap;

(v) any Currency Adjusted Reinstatement Adjustment Amount paid to the Issuer by the Protection Buyer (including from amounts available in the CDS Issuer Account (but not including amounts on deposit in the CDS Issuer Fixed Payment Subaccount));

(vi) any Optional Redemption Reimbursement Amount paid to the Issuer by the Protection Buyer (including from amounts available in the CDS Issuer Account (but not including amounts on deposit in the CDS Issuer Fixed Payment Subaccount));

(vii) any Approved Currency Collateral Payment paid to the Issuer by the Protection Buyer;

(viii) any Redemption Writedown Refund paid to the Issuer by the Protection Buyer (including from amounts available in the CDS Issuer Account (but not including amounts on deposit in the CDS Issuer Fixed Payment Subaccount)); and

(ix) all payments of principal on Eligible Investments purchased with the proceeds of any of items (i) through (viii) of this definition (without duplication) and not applied during the related Due Period;

provided, that, prior to an event of default, as such term is defined under the Collateral Put Agreement, any payment received by the Issuer under the Posted Collateral shall not constitute Principal Proceeds and such amounts shall be deposited in the Collateral Put Provider Account and be treated in accordance with the Credit Support Annex, if any.

"Principal Shortfall Amount": With respect to any Reference Obligation that suffered a Failure to Pay Principal Credit Event, the greater of (i) zero and (ii) the amount equal to the product of (A) the Expected Principal Amount for such Reference Obligation minus the Actual Principal Amount for such Reference Obligation, (B) the Applicable Percentage and (C) if such Reference Obligation is not denominated in Dollars, the applicable Notional Foreign Exchange Rate.

"Principal Shortfall Reimbursement": With respect to any day and any Reference Obligation, the payment by or on behalf of the related Reference Entity of an amount in respect of the Reference Obligation in or toward the satisfaction of any deferral of or failure to pay principal arising from one or more prior occurrences of a Failure to Pay Principal with respect to such Reference Obligation.

"Principal Shortfall Reimbursement Amount": With respect to any day and any Reference Obligation, the product of (i) the amount of any Principal Shortfall Reimbursement related to such Reference Obligation on such day and (ii) the related Applicable Percentage.

"Proceeds": (i) Any property (including but not limited to cash and securities) received as a Distribution on the Issuer Assets or any portion thereof, (ii) any property (including but not limited to cash

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and securities) received in connection with the sale, liquidation, exchange or other disposition of the Issuer Assets or any portion thereof, and (iii) all proceeds (as such term is defined in the UCC) of the Issuer Assets or any portion thereof.

"Proposed New BIE Collateral Security": The Proposed New BIE Collateral Securities set forth in the related Collateral Security Substitution Request Notice.

"Protection Buyer Credit Support Document": The meaning assigned to the term "Credit Support Document" in the Credit Default Swap and initially, the Guaranty dated as of the Closing Date by GS Group in favor of the Issuer as beneficiary thereof with respect to the obligations of the Protection Buyer under the Credit Default Swap.

"Protection Buyer Credit Support Provider": The meaning assigned to the term "Credit Support Provider" in the Credit Default Swap and initially, GS Group.

"Protection Buyer Default Termination Payment": Any Credit Default Swap Termination Payment required to be made by the Issuer to the Protection Buyer pursuant to the Credit Default Swap (i) in the event of a termination of the Credit Default Swap in respect of which the Protection Buyer is the defaulting party or (ii) in which the Protection Buyer was the sole "Affected Party" (as such term is defined in the Credit Default Swap) (other than in connection with a "Tax Event" or "Illegality", in each case as defined in the Credit Default Swap).

"Protection Buyer Notes": Notes acquired by the Protection Buyer and/or one or more Affiliates thereof.

"Publicly Available Information": Any information that reasonably confirms any of the facts relevant to the determination that the Credit Event described in a Credit Event Notice has occurred and which (i) has been published in not less than two internationally recognized published or electronically displayed news sources (it being understood that each of Bloomberg Service, Dow Jones Telerate Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun, Asahi Shinbun, Yomiuri Shinbun, Financial Times, La Tribune, Les Echos or The Australian Financial Review (or successor publications) shall be deemed to be an internationally recognized published or electronically displayed news source); *provided* that if either of the parties to the Credit Default Swap or any of their respective affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless such party or its affiliate is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Reference Obligation, (ii) is information received from (a) a Reference Entity, (b) a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Reference Obligation or a Person which was a party to the offering or distribution of the related Reference Obligation or is a party to any agreement relating to the related Reference Obligation, in each case other than the Protection Buyer or any of its affiliates, (c) a master servicer, a primary servicer, a special servicer or the servicer (or any successor servicer) or any other person acting in a similar capacity for a Reference Obligation, (d) Moody's, S&P or Fitch or any successor thereto, in each case generally made available to the public, (e) Trepp, LLC, Conquest®, Intex Solutions, Inc., Realpoint℠, Wall Street Analytics or any of their respective successors and assigns or (f) any internationally recognized stock exchange on which the related Reference Obligation is listed, (iii) is information contained in any petition or filing instituting a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights against or by a Reference Entity or a petition is presented for the winding-up or liquidation of a Reference Entity, (iv) is information contained in any order, decree or notice, however described, of a court, tribunal, regulatory authority or similar administrative or judicial body, (v) is information published in Asset-Backed Alert, International Securitization and Structured Finance Report, BondWeek, Derivatives Week, Asset Securitization Report, Securitization News, Commercial Mortgage Alert, Creditflux, Euromoney or International Financing Review (or successor publications) or (vi) subject to the confirmation of the Rating Agencies, is

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information contained in a certificate of the Credit Default Swap Calculation Agent signed by a Managing Director or other equivalently senior officer of the Credit Default Swap Calculation Agent specifically authorized to provide such certification.

In relation to any information of the type described in (ii), (iii), (iv) or (v), the party receiving such information may assume that such information has been disclosed to it without violating any law, agreement or understanding regarding the confidentiality of such information and that the party delivering such information has not taken any action or entered into any agreement or understanding with the Reference Entity or any affiliate thereof that would be breached by, or would prevent, the disclosure of such information to third parties.

"Purchase Agreement": The purchase agreement, dated as of April 10, 2007, among the Issuers and the Initial Purchaser.

"Put Excluded Collateral": As of any time of determination, collectively, (i) demand and time deposits that are Eligible Investments as described in clause (ii) of the definition thereof, (ii) Cash, (iii) any Collateral acquired with Excess Disposition Proceeds and/or (iv) any other Eligible Investments subject to satisfaction of the S&P Rating Condition and the Moody's Rating Condition, in each case, as of such data.

"Put Proceeds": All amounts received by the Issuer from the Collateral Put Provider in accordance with the Collateral Put Agreement.

"Qualified Institutional Buyer": Any Person that, at the time of its acquisition, purported acquisition or proposed acquisition of the Notes, is a qualified institutional buyer as defined in Rule 144A.

"Qualified Purchaser": Any Person that, at the time of its acquisition, purported acquisition or proposed acquisition of the Notes, is a qualified purchaser for purposes of Section 3(c)(7) of the Investment Company Act.

"Rating Agencies": S&P and Moody's (each, a **"Rating Agency"**) or, with respect to the Issuer Assets generally, if at any time S&P or Moody's ceases to provide rating services generally, any other nationally recognized statistical rating agency selected by the Issuer and reasonably satisfactory to a Majority of the Aggregate USD Equivalent Outstanding Amount of the Notes voting as a single class. In the event that at any time the Rating Agencies do not include S&P or Moody's, references to rating categories of S&P or Moody's in the Indenture shall be deemed instead to be references to the equivalent categories of such other rating agency as of the most recent date on which such other rating agency and S&P or Moody's published ratings for the type of security in respect of which such alternative rating agency is used. References to Rating Agencies with respect to any Class of Notes issued on the Closing Date shall apply only to Rating Agencies that assigned a rating (public or confidential) to such Class of the Notes on the Closing Date. Reference to Rating Agencies with respect to Classes of Notes that are not issued on the Closing Date shall apply only to any nationally recognized statistical rating agency selected by the Issuer that rates such Classes of Notes, as the case may be, upon any issuance of such Notes.

"Redemption Refund Adjustment Amount": With respect to each Class of Notes on a Mandatory Redemption Date caused by a termination of the Credit Default Swap as a result of a default by the Protection Buyer, a termination of the Collateral Put Agreement as a result of a default by the Collateral Put Provider or a termination of the Basis Swap as a result of a default by the Basis Swap Counterparty or a Stated Maturity of any Series of such Class, the product of (i) the Unscaled Redemption Refund Adjustment Amount related to such Class and (ii) the related Note Scaling Factor immediately prior to such determination; *provided* that, for the avoidance of doubt, with respect to a Class with more than one Series Outstanding at such time of determination, any *pro rata* allocations of any Redemption Refund Adjustment Amount will be based on the Aggregate USD Equivalent Outstanding Amount of each applicable Series of such Class, as expressed in Dollars.

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"Reference Entity": The issuer of a Reference Obligation as set forth in the Reference Obligation Registry and, as determined by the Credit Default Swap Calculation Agent, any entity that succeeds to the obligations of such Reference Entity relating to such Reference Obligation.

"Reference Obligation": Each obligation listed as such in the Reference Obligation Registry on the Closing Date.

"Reference Obligation Amortization Amount": With respect to the redemption or amortization in whole or in part, of a Reference Obligation, the sum of (i) any Principal Payment Amounts and (ii) Reference Obligation Repayment Amounts on such date.

"Reference Obligation Calculation Period": For each Reference Obligation, with respect to each Reference Obligation Payment Date for such Reference Obligation, a period corresponding to the interest accrual period relating to such Reference Obligation Payment Date pursuant to the Underlying Instruments.

"Reference Obligation Notional Amount": Initially, with respect to any Reference Obligation, the Initial Reference Obligation Notional Amount, and that in each case will be:

(i) decreased on each day on which a Principal Payment is determined by the Credit Default Swap Calculation Agent, by the relevant Principal Payment Amount;

(ii) decreased on the day, if any, on which a Failure to Pay Principal is determined by the Credit Default Swap Calculation Agent, by the relevant Principal Shortfall Amount;

(iii) decreased on each day on which a Writedown is determined by the Credit Default Swap Calculation Agent, by the relevant Writedown Amount; and

(iv) increased on each day on which a Writedown Reimbursement is determined by the Credit Default Swap Calculation Agent, by any Writedown Reimbursement Amount in respect of a Writedown Reimbursement within paragraphs (ii) or (iii) of the definition of "Writedown Reimbursement";

provided that if the Reference Obligation Notional Amount would be less than zero, it shall be deemed to be zero.

For the avoidance of doubt, the Reference Obligation Notional Amount shall not be increased by any deferral or capitalization of interest that relates to the term of the Credit Default Swap or decreased by payment of any portion of the principal balance of the Reference Obligation that is attributable to the deferral or capitalization of interest during the term of the Credit Default Swap.

"Reference Obligation Outstanding Principal Amount": As of any date of determination with respect to any Reference Obligation, the outstanding principal balance of the Reference Obligation as of such date, which shall take into account:

(i) all payments of principal;

(ii) all writedowns or applied losses (however described in the related Underlying Instruments) resulting in a reduction in the outstanding principal balance of such Reference Obligation (other than as a result of a scheduled or unscheduled payment of principal);

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(iii) forgiveness of any amount by the holders of such Reference Obligation pursuant to an amendment to the related Underlying Instruments resulting in a reduction in the outstanding principal balance of such Reference Obligation;

(iv) any payments reducing the amount of any reductions described in (ii) and (iii) of this definition;

(v) any increase in the outstanding principal balance of such Reference Obligation that reflects a reversal of any prior reductions described in (ii) and (iii) of this definition; and

(vi) any increase in the outstanding principal balance of the Reference Obligation that is attributable to the deferral or capitalization of interest prior to the Closing Date.

For the avoidance of doubt, the Reference Obligation Outstanding Principal Amount shall not include any portion of the outstanding principal balance of the Reference Obligation that is attributable to the deferral or capitalization of interest during the term of the Credit Default Swap.

"Reference Obligation Payment Date": For each Reference Obligation, each scheduled distribution date for such Reference Obligation occurring on or after the Closing Date.

"Reference Obligation Registry": A registry, maintained by the Credit Default Swap Calculation Agent in accordance with the Credit Default Swap, that records, among other things, the identity of each Reference Obligation, the related Reference Entity, the Reference Obligation Notional Amount and certain other related information, which registry will be updated by the Credit Default Swap Calculation Agent to reflect any applicable changes.

"Reference Obligation Reimbursement": A Principal Shortfall Reimbursement or Writedown Reimbursement.

"Reference Obligation Reimbursement Amount": A Principal Shortfall Reimbursement Amount or a Writedown Reimbursement Amount.

"Reference Obligation Repayment Amount": With respect to a Reference Obligation, an amount equal to the sum of all Writedown Reimbursement Amounts related to such Reference Obligation on that day with respect to one or more Writedown Reimbursements pursuant to clause (i) of the definition of Writedown Reimbursement and/or Principal Shortfall Reimbursements related to such Reference Obligation on that day.

"Reference Portfolio Notional Amount": At any time of calculation, the aggregate Reference Obligation Notional Amount of all Reference Obligations at such time.

"Registered": A debt obligation that is issued after July 18, 1984 and that is in registered form within the meaning of Section 881(c)(2)(B)(i) of the Code and the Treasury regulations promulgated thereunder.

"Regulation S" or "Reg S": Regulation S under the Securities Act.

"Regulation S Global Notes": One or more global notes for each Class of Notes in fully registered form without interest coupons sold in reliance on the exemption from registration under Regulation S.

"REIT": A real estate investment trust.

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"REIT Debt Security": A security issued by publicly held real estate investment trusts (as defined in Section 856 of the Code or any successor provision).

"Replacement Counterparty Rating": With respect to a counterparty or entity guaranteeing the obligations of such counterparty, (x) a long-term senior, unsecured debt obligation rating, financial program rating or other similar rating (as the case may be, the "long-term rating") of at least "Aa3" by Moody's and (y) a long-term rating of at least "AA-" by S&P.

"Required Basis Swap Counterparty Rating": With respect to the Basis Swap Counterparty or any Basis Swap Counterparty Credit Support Provider, (x) if the Basis Swap Counterparty or Basis Swap Counterparty Credit Support Provider has a long-term rating by Moody's, a long-term senior, unsecured debt obligation rating, financial program rating or other similar rating (as the case may be, the "long-term rating") of at least "Aa3" by Moody's and if rated "Aa3" by Moody's is not on negative credit watch by Moody's and (y) if the Basis Swap Counterparty or Basis Swap Counterparty Credit Support Provider has a long-term rating by S&P, a long-term rating of at least "AA-" by S&P.

"Residential Mortgage-Backed Securities" or **"RMBS"**: Securities that represent interests in, or enable holders thereof to receive payments that depend on the cashflow primarily from credit default swaps that reference, in each case, pools of residential mortgage loans secured by one- to four-family residential mortgage loans and shall include, without limitation, RMBS Residential A Mortgage Securities, RMBS Residential B/C Mortgage Securities, RMBS Home Equity Loan Securities or RMBS Agency Securities, excluding, in each case, any securities that belong to an Excluded Specified Type; *provided* that any RMBS whose underlying collateral does not consist of 20.0% or more of subordinate liens at the time of its issuance shall be deemed to be any of the aforementioned types of RMBS as determined by the Protection Buyer in accordance with common market practice.

"Reversible Loss Series": A Series of Notes for which if, at such time of determination, following the occurrence of one or more Writedowns with respect to Reference Obligations that have not subsequently been removed from the Reference Portfolio, the Aggregate USD Equivalent Outstanding Amount of such Series is less than the ICE Aggregate USD Equivalent Outstanding Amount of such Series; *provided* that, for the avoidance of doubt, the determination of whether any Series of Notes is a Reversible Loss Series will be made at the time of election to redeem such Series in connection with a Partial Optional Redemption and not at the time of issuance of such Series.

"RMBS Agency Security": A security issued or fully and unconditionally guaranteed by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or the Government National Mortgage Association.

"RMBS Home Equity Loan Securities": Residential Mortgage-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from balances (including revolving balances) outstanding under lines of credit secured by a first and/or subordinate lien on residential real estate (single or multi-family properties), the proceeds of which lines of credit are not used to purchase such real estate or to purchase or construct dwellings thereon (or to refinance indebtedness previously so used), generally having the following characteristics:

(i) the balances have standardized payment terms and require minimum monthly payments;

(ii) the balances are obligations of numerous borrowers and accordingly represent a diversified pool of obligor credit risk;

(iii) the repayment of such balances may be based on a fixed scheduled payment or, alternatively, may not depend upon a contractual payment schedule, with early

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repayment depending primarily on interest rates, availability of credit against a maximum line of credit and general economic matters; and

(iv) the combined loan-to-value ratios are higher than customary in the primary mortgage markets;

provided that any RMBS whose underlying collateral consists of 20.0% or more of subordinate liens at the time of its issuance shall be deemed to be an RMBS Home Equity Loan Security.

"RMBS Manufactured Housing Loan Securities": Residential Mortgage-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from manufactured housing (also known as mobile homes and prefabricated homes) installment sales contracts and installment loan agreements, generally having the following characteristics:

(i) the contracts and loan agreements have varying, but typically lengthy contractual maturities;

(ii) the contracts and loan agreements are secured by the manufactured homes and, in certain cases, by mortgages and/or deeds of trust on the real estate to which the manufactured homes are deemed permanently affixed;

(iii) the contracts and/or loans are obligations of a large number of obligors and accordingly represent a relatively diversified pool of obligor credit risk;

(iv) repayment thereof can vary substantially from the contractual payment schedule, with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and

(v) in some cases, obligations are fully or partially guaranteed by a governmental agency or instrumentality.

"RMBS Residential A Mortgage Securities": Residential Mortgage-Backed Securities (other than RMBS Residential B/C Mortgage Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by residential real estate (single or multi-family properties) the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used), generally having the following characteristics:

(i) the mortgage loans have generally been underwritten to the standards of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association (without regard to the size of the loan);

(ii) the mortgage loans have standardized payment terms and require minimum monthly payments;

(iii) the mortgage loans are obligations of numerous borrowers and accordingly represent a diversified pool of obligor credit risk; and

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(iv) the repayment of such mortgage loans is subject to a contractual payment schedule, with early repayment depending primarily on interest rates and the sale of the mortgaged real estate and related dwelling.

"RMBS Residential B/C Mortgage Securities": Residential Mortgage-Backed Securities (other than RMBS Residential A Mortgage Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from subprime residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by residential real estate (single or multi-family properties) the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used), generally having the following characteristics:

(i) the mortgage loans have generally not been underwritten to the standards of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association (without regard to the size of the loan);

(ii) the mortgage loans have standardized payment terms and require minimum monthly payments;

(iii) the mortgage loans are obligations of numerous borrowers and accordingly represent a diversified pool of obligor credit risk; and

(iv) the repayment of such mortgage loans is subject to a contractual payment schedule, with early repayment depending primarily on interest rates and the sale of the mortgaged real estate and related dwelling.

"Rule 144A": Rule 144A under the Securities Act.

"Rule 144A Global Notes": One or more global notes for each Class of Notes in fully registered form without interest coupons sold in reliance on exemption from registration under Rule 144A.

"S&P": Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or any successor to the ratings business thereof.

"S&P Rating": With respect to any Obligation, a rating determined as follows:

(a) (1) if S&P has assigned a rating to such Obligation either publicly or privately, the S&P Rating shall be the rating assigned thereto by S&P; *provided, however*, that if the rating assigned to such Obligation by S&P is on the then-current credit rating watch list with negative implications, then the rating of such Obligation will be one subcategory below the rating then assigned to such Obligation by S&P and if the rating assigned to such Obligation by S&P is on the then-current credit rating watch list with positive implications, then the rating of such Obligation will be one subcategory above the rating then assigned to such Obligation by S&P;

(2) if such Obligation is not rated by S&P (other then an RMBS Agency Security), then an application may be made to S&P for a confidential credit estimate, which shall be the S&P Rating of such Obligation; *provided* that pending receipt from S&P of such estimate, such Obligation shall have an S&P Rating of "CCC-" if the Issuer believes that such estimate will be at least "CCC-"; or

(3) if such Obligation is not rated by S&P and no application has been made to obtain an S&P Rating for such Obligation pursuant to subclause (2) above, then

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the S&P Rating of such Obligation may be implied only by reference to the chart set forth below so long as such referenced rating is a publicly monitored rating; *provided* that if such Obligation is not rated by S&P, and the Issuer does not obtain an S&P Rating for such Obligation pursuant to this subclause (a) then no more than 20% of the Initial Reference Portfolio Notional Amount or the aggregate principal amount of Collateral Securities, as the case may be, may imply an S&P Rating pursuant to this subclause (a)(3).

Asset classes are eligible for notching if they are not first loss tranches or combination securities. If an Obligation is publicly rated by two agencies, notch down as shown below will be based on the lowest rating. If publicly rated only by one agency, then notch down what is shown below *minus* one additional notch based on the public rating.

		Issued prior to 8/1/01 and the current rating is investment grade	Issued prior to 8/1/01 and the current rating is non investment grade	Issued after 8/1/01 and the current rating is investment grade	Issued after 8/1/01 and the current rating is non investment grade
1.	CONSUMER ABS	-1	-2	-2	-3
	Automobile Loan Receivable Securities				
	Automobile Lease Receivable Securities				
	Car Rental Receivable Securities				
	Credit Card Securities				
	Healthcare Securities				
	Student Loan Securities				
2.	COMMERCIAL ABS	-1	-2	-2	-3
	Cargo Securities				
	Equipment Leasing Securities				
	Aircraft Leasing Securities				
	Small Business Loan Securities				
	Restaurant and Food Services Securities				
	Tobacco Litigation Securities				
3.	Non-RE-REMIC RMBS	-1	-2	-2	-3
	Manufactured Housing Loan Securities				
4.	Non-RE-REMIC CMBS	-1	-2	-2	-3
	CMBS – Conduit				
	CMBS – Credit Tenant Lease				
	CMBS – Large Loan				
	CMBS – Single Borrower				
	CMBS – Single Property				

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		Issued prior to 8/1/01 and the current rating is investment grade	Issued prior to 8/1/01 and the current rating is non investment grade	Issued after 8/1/01 and the current rating is investment grade	Issued after 8/1/01 and the current rating is non investment grade
5.	CDO/CLO CASH FLOW SECURITIES*	-1	-2	-2	-3
	Cash Flow CDO – at least 80% High Yield				
	Cash Flow CDO – at least 80% Investment Grade				
	Cash Flow CLO – at least 80% High Yield				
	Cash Flow CLO – at least 80% Investment Grade				
6.	REITs	-1	-2	-2	-3
	REIT – Multifamily and Mobile Home Park				
	REIT – Retail				
	REIT – Hospitality				
	REIT – Office				
	REIT – Industrial				
	REIT – Healthcare				
	REIT – Warehouse				
	REIT – Self Storage				
	REIT – Mixed Use				
7.	RESIDENTIAL MORTGAGES	-1	-2	-2	-3
	Residential "A"				
	Residential "B/C"				
	Home equity loans				

No notching permitted with respect to CDO Cashflow Securities.

The information contained in the table above has been provided to the Issuer by S&P and the asset classes and related capitalized terms have the meanings ascribed thereto by S&P.

"S&P Rating Condition": With respect to any proposed action to be taken under the Indenture or any other document contemplated by the Indenture, a condition that is satisfied when S&P has confirmed in writing to the Issuer and/or the Trustee that an immediate withdrawal or reduction with respect to any then-current rating by S&P of any Class of Notes will not occur as a result of such proposed action.

"Sale Proceeds": All amounts representing (i) proceeds from the sale or other disposition (other than Put Proceeds) of any Collateral, excluding any Collateral Interest Amount and (ii) any proceeds from liquidating Posted Collateral after an event of default, as such term is defined under the Collateral Put Agreement, has occurred and is continuing under the Collateral Put Agreement (but not to exceed the amount of the Collateral Put Provider's obligations owed to the Issuer).

"Secured Parties": (i) The Trustee, (ii) the Noteholders, (iii) the Issuing and Paying Agent (iv) the Protection Buyer, (v) the Basis Swap Counterparty, (vi) the Collateral Put Provider and (vii) the Portfolio Selection Agent.

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"**Securities Act**": The U.S. Securities Act of 1933, as amended.

"**Securities Intermediary**": The meaning specified in Section 8-102(a)(14) of the UCC.

"**Senior Amount**": For any Reference Obligation, as of any date of determination, the aggregate outstanding principal balance of all obligations of the related Reference Entity secured by the related Underlying Assets and ranking senior in priority to such Reference Obligation.

"**Series**": All of the Notes of a Class issued (i) in the same Approved Currency, (ii) on the same date of issuance, (iii) with the same Series Interest Rate, (iv) with the same date from which interest will accrue, (v) with the same Non-Call Period, and (vi) with the same Stated Maturity.

"**Series Interest Amount**": With respect to any Series of Notes, as to each Interest Accrual Period, the amount of interest for such Interest Accrual Period payable in respect of each $1,000, £1,000, €1,000, ¥1,000, A$1,000, C$1,000 or NZ$1,000 principal amount of such Series of Notes.

"**Series Interest Amounts**": Collectively, the Series Interest Amount for each Class of Notes.

"**Series Interest Rate**": With respect to any Series of Notes of any Class, the annual rate at which interest accrues on such Series of Notes, as specified, with respect to Notes issued on the Closing Date, in "Summary—Notes" and on the related Notes, and with respect to any Series of Notes of any Class issued after the Closing Date, at the applicable rate specified in the related offering circular supplement and on the related Notes.

"**Series Interest Rates**": Collectively, the Series Interest Rate for each Class of Notes.

"**Servicer**": For each Reference Obligation, any trustee, servicer, sub servicer, master servicer, fiscal agent, paying agent or other similar entity responsible for calculating payment amounts or providing reports pursuant to the related Underlying Instruments.

"**Servicer Reports**": For each Reference Obligation, periodic statements or reports regarding such Reference Obligation provided by the related Servicer to holders of such Reference Obligation.

"**Share Trustee**": The Administrator as the trustee pursuant to the terms of a charitable trust.

"**Spot FX Rate**": A rate of exchange determined on any measurement date by the Credit Default Swap Calculation Agent as the prevailing rate of exchange (expressed as a number rounded to four decimal places) of Australian Dollars, Canadian Dollars, Euro, New Zealand Dollars, Sterling, Yen or other Approved Currencies, as the case may be, for Dollars at such time.

"**Stated Maturity**": With respect to any security or debt obligation, including a Note, the date specified in such security or debt obligation as the fixed date on which the final payment of principal of such security or debt obligation is due and payable or, if such date is not a Business Day, the next following Business Day. The Stated Maturity of the Notes issued on the Closing Date is March 1, 2038.

"**Sterling**" or "**£**": The lawful currency of the United Kingdom.

"**Structured Corporate Security**": A security that represents the debt of a corporate obligor through the creation of a trust and the pledge of specific corporate assets.

"**Structured Finance Security**": Any security that is an asset-backed security, mortgage-backed security, enhanced equipment trust certificate, collateralized debt obligation, collateralized bond obligation, collateralized loan obligation or similar instrument.

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"Structured Product Security": Any of the following types of securities: ABS Future Flow Securities not classified as an Excluded Specified Type in accordance with the definition thereof, CDO Cashflow Securities, RMBS, CMBS, Wrapped Securities, REIT Debt Securities or Asset-Backed Securities.

"Synthetic CDO Security": Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Securities) on the cash flow from (and not the market value of) a portfolio of primarily credit default swaps and, if applicable, related securities.

"TARGET Settlement Day": Any day on which the TARGET System is open.

"TARGET System": The Trans-Europeen Automated Real-Time Gross Settlement Express Transfer System or any successor thereto.

"Trustee": LaSalle Bank National Association, solely in its capacity as Trustee for the Noteholders, unless a successor Person shall have become the Trustee pursuant to the applicable provisions of the Indenture, and thereafter "Trustee" shall mean such successor Person.

"Trustee Noteholder Communication Notice": A notice from the Trustee to the Noteholders that includes the contents of a Noteholder Communication Notice that an Originating Noteholder has requested to be communicated to all other Noteholders; *provided* that the Trustee will not under any circumstances be required to include the identity of such Originating Noteholder in the related Trustee Noteholder Communication Notice.

"U.S. Person": The meaning specified under Regulation S.

"U.S. Resident": The meaning specified under the Investment Company Act.

"Underlying Assets": For each Reference Obligation, the assets securing such Reference Obligation for the benefit of the holders of such Reference Obligation and which are expected to generate the cashflows required for the servicing and repayment (in whole or in part) of such Reference Obligation, or the assets to which a holder of such Reference Obligation is economically exposed where such exposure is created synthetically.

"Underlying Instruments": The indenture and any credit agreement, assignment agreement, participation agreement, pooling and servicing agreement, trust agreement, instrument or other agreement pursuant to which an Obligation was issued and/or created and each other agreement that governs the terms of or secures such Obligation or of which holders of such Obligation are the beneficiaries, and any instrument evidencing or constituting such Obligation.

"Unscaled Redemption Refund Adjustment Amount": With respect to the Class Notional Amount of each Class of Notes on a Mendatory Redemption Date caused by a termination of the Credit Default Swap as a result of a default by the Protection Buyer, a termination of the Collateral Put Agreement as a result of a default by the Collateral Put Provider or a termination of the Basis Swap as a result of a default by the Basis Swap Counterparty or a Stated Maturity of eny Series of such Class, the lesser of (i) the applicable Maximum Redemption Refund Amount determined on such date *less* the sum of the ICE Class Notional Amount Differentials for the Classes of Notes that are senior to such Class immediately prior to such determination and (ii) the ICE Class Notional Amount Differential of such Class immediately prior to such determination.

"USD Equivalent": An amount expressed in Dollars which is equal to (i) with respect to any Notes, the quotient of (a) the Currency Adjusted Aggregate Outstanding Amount of such Notes *divided by* (b) the Applicable Series Foreign Exchange Rate and (ii) with respect to any Collateral Securities, the

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quotient of (a) the principal amount of such Collateral Security as expressed in its Approved Currency of denomination *divided by* (b) the Applicable Collateral Security Foreign Exchange Rate.

"Weighted Average Life": As of any measurement date, the number obtained by the Credit Default Swap Calculation Agent and confirmed by the Collateral Administrator with respect to the Collateral by (i) for each Collateral Security and each Eligible Investment, multiplying the USD Equivalent of each scheduled principal payment by the number of years (rounded to the nearest hundredth) from such measurement date until such scheduled principal payment is due; (ii) summing all of the products calculated pursuant to subclause (i); and (iii) dividing the sum calculated pursuant to subclause (ii) by the sum of the USD Equivalent of all scheduled principal payments due on all the Collateral Securities and Eligible Investments as of such measurement dete; *provided* that for purposes of determining the Weighted Average Life of the Collateral, the number calculated under clause (i) with respect to Eligible Investments shall equal zero.

"Wrapped Securities": Securities (other than RMBS Agency Securities) that (i) have the benefit of a financial guarantee insurance policy or surety bond provided by a monoline or multiline insurer end (ii) are rated "AAA" by S&P or "Aaa" by Moody's, which ratings may take into consideration such financial guarantee insurance policy or surety bond.

"Writedown Amount": On any day, with respect to any Reference Obligation that suffered a Writedown Credit Event, the product of (i) the amount of such Writedown with respect to such Reference Obligation on such day, (ii) the Applicable Percentage with respect to such Reference Obligation and (iii) if such Reference Obligation is not denominated in Dollars, the applicable Notional Foreign Exchange Rate.

"Writedown Reimbursement": For any Reference Obligation, at any time on or after the Closing Date, the occurrence of:

(i) a payment by or on behalf of the related Reference Entity of an amount in respect of the Reference Obligation in reduction of any prior Writedowns;

(ii) (A) an increase by or on behalf of the related Reference Entity of the Reference Obligation Outstanding Principal Amount to reflect the reversal of any prior Writedowns or (B) a decrease in the principal deficiency balance or realized loss amounts (however described in the Underlying Instruments) attributable to the Reference Obligation; or

(iii) if the Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (ii) above to occur in respect of the Reference Obligation, an Implied Writedown Reimbursement Amount being determined in respect of the Reference Obligation by the Credit Default Swap Calculation Agent.

"Writedown Reimbursement Amount": For any Reference Obligation, an amount equal to the product of (i) the sum of all Writedown Reimbursements related to such Reference Obligation on that day, (ii) the Applicable Percentage with respect to such Reference Obligation and (iii) if such Reference Obligation is not denominated in Dollars, the applicable Notional Foreign Exchange Rate.

"Yen": The lawful currency of Japan.

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EXHIBIT A: FORM OF NOTE OWNER CERTIFICATE

LaSalle Bank National Association
181 West Madison Street, 32nd Floor
Chicago, Illinois 60602
Attention: CDO Trust Services Group – ABACUS 2007-AC1, Ltd.
as Trustee and Issuing and Paying Agent

ABACUS 2007-AC1, Ltd.
P.O. Box 1093, GT
Queensgate House
South Church Street
George Town, Grand Cayman
Cayman Islands

ABACUS 2007-AC1, Inc.
850 Library Avenue, Suite 204
Newark, Delaware 19711

Re: Reports Prepared Pursuant to the Indenture, dated as of April 26, 2007 among ABACUS 2007-AC1, Ltd., ABACUS 2007-AC1, Inc. and LaSalle Bank National Association (the "Indenture").

Ladies and Gentlemen:

The undersigned hereby certifies that it is the beneficial owner of U.S.$_____ in principal amount of the (Please check all that apply.):

_____ Class SS Notes
_____ Class A-1 Notes
_____ Class A-2 Notes
_____ Class B Notes
_____ Class C Notes
_____ Class D Notes
_____ Class FL Notes

and hereby requests the Trustee or the Issuing and Paying Agent, as applicable, to provide to it (or its designated nominee set forth below) at the following address or with respect to certain monthly accounting reports or certain other accounting reports, grant access to such information at the Trustee's website the:

_____ notice after the occurrence of any Default (specified in Section 6.2 of the Indenture)
_____ information with respect to certain tax matters (specified in Section 7.19 of the Indenture)
_____ certain monthly accounting raports with respect to the Issuer Assets (specified in Section 10.5(a) of the Indentura)
_____ certain accounting reports determined as of the Determination Date (specified in Section 10.5(b) of the Indenture).

Please return form to the Trustee.

IN WITNESS WHEREOF, the undersigned has caused this certificate to be duly executed this ____ day of _____, ____.

[NAME OF NOTE OWNER]

By:_____
Authorized Signatory

_____
Print Name Here

Address: _____
_____
_____

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GS MBS-E-001918219

Schedule A

Obligor	Initial Reference Obligation Notional Amount	Reference Obligation	Reference Entity	CUSIP	Type	Initial Face Amount	Original Principal Amount	Initial Factor[1]	Fitch Actual Rating	Moody's Actual Rating	S&P Actual Rating	Rated Final Maturity Date	Remaining Average Life	Servicer/CDO Manager	Insurer
1	22,222,222	ABFC 2006-OPT1 M8	ABFC 2006-OPT1	00075QAM4	Residential B/C Mortgage Security	22,222,222	12,445,000	1.0000000000	BBB	Baa2	BBB	9/25/2036	3.4	Option One Mortgage Corp	
2	22,222,222	ABFC 2006-OPT2 M8	ABFC 2006-OPT2	00075XAP2	Residential B/C Mortgage Security	22,222,222	10,449,000	1.0000000000	BBB	Baa2	BBB	10/25/2036	3.7	Option One Mortgage Corp	
3	22,222,222	ABSHE 2006-HE3 M7	ABSHE 2006-HE3	04541GXK3	Residential B/C Mortgage Security	22,222,222	11,565,000	1.0000000000	BBB	Baa2	BBB	3/25/2036	3.3	Option One Mortgage Corp	
4	22,222,222	ABSHE 2006-HE4 M7	ABSHE 2006-HE4	04544GAP4	Residential B/C Mortgage Security	22,222,222	6,619,000	1.0000000000	BBB	Baa2	BBB	5/25/2036	3.3	Select Portfolio Servicing, Inc	
5	22,222,222	ABSHE 2006-HE7 M9	ABSHE 2006-HE7	04544QAP2	Residential B/C Mortgage Security	22,222,222	11,891,000	1.0000000000	BBB-	Baa2	BBB-	11/25/2036	3.9	Select Portfolio Servicing, Inc	
6	22,222,222	ACE 2006-FM2 M8	ACE 2006-FM2	00442CAN9	Residential B/C Mortgage Security	22,222,222	8,562,000	1.0000000000		Baa2	BBB	8/25/2036	4.0	Wells Fargo Bank	
7	22,222,222	ACE 2006-OP2 M9	ACE 2006-OP2	00441YAP7	Residential B/C Mortgage Security	22,222,222	11,597,000	1.0000000000		Baa2	BBB-	8/25/2036	3.8	Wells Fargo Bank	
8	22,222,222	ARSI 2006-W1 M8	ARSI 2006-W1	040104RQ8	Residential B/C Mortgage Security	22,222,222	31,850,000	1.0000000000	BBB+	Baa2	BBB+	3/25/2036	3.3	Ameriquest Mortgage Company	
9	22,222,222	BNCMT 2007-1 M8	BNCMT 2007-1	05569GAN8	Residential B/C Mortgage Security	22,222,222	8,305,000	1.0000000000	BBB	Baa2	BBB	3/25/2037	4.3	Aurora Loan Services Inc	
10	22,222,222	CARR 2006-FRE1 M9	CARR 2006-FRE1	144536AN5	Residential B/C Mortgage Security	22,222,222	13,476,000	1.0000000000	BBB+	Baa2	A	7/25/2036	3.3	Fremont Investment And Loan	
11	22,222,222	CARR 2006-FRE2 M8	CARR 2006-FRE2	1445-AAN9	Residential B/C Mortgage Security	22,222,222	12,605,000	1.0000000000		Baa2	BBB+	10/25/2036	3.8	Fremont Investment And Loan	
12	22,222,222	CARR 2006-OPT1 M8	CARR 2006-OPT1	144531FV7	Residential B/C Mortgage Security	22,222,222	12,954,000	1.0000000000	BBB+	Baa2	A-	2/25/2036	3.1	Option One Mortgage Corp	
13	22,222,222	CMLTI 2006-AMC1 M8	CMLTI 2006-AMC1	17309PAL0	Residential B/C Mortgage Security	22,222,222	9,366,000	1.0000000000		Baa2	BBB	9/25/2036	3.8	Ameriquest Mortgage Company	
14	22,222,222	CMLTI 2006-NC1 M8	CMLTI 2006-NC1	172983AN8	Residential B/C Mortgage Security	22,222,222	6,614,000	1.0000000000		Baa2	BBB	8/25/2036	3.3	Wells Fargo Bank	
15	22,222,222	CMLTI 2006-WFH2 M9	CMLTI 2006-WFH2	17309MAN3	Residential B/C Mortgage Security	22,222,222	11,886,000	1.0000000000		Baa2	BBB-	8/25/2036	3.6	Wells Fargo Bank	
16	22,222,222	CMLTI 2006-WMC1 M8	CMLTI 2006-WMC1	17307G2F4	Residential B/C Mortgage Security	22,222,222	10,313,000	1.0000000000	A-	Baa2	BBB+	12/25/2035	3.2	Wells Fargo Bank	
17	22,222,222	CMLTI 2007-AMC1 M8	CMLTI 2007-AMC1	17311BAL7	Residential B/C Mortgage Security	22,222,222	16,661,000	1.0000000000		Baa2	BBB	12/25/2036	4.2	Countrywide Home Loans, Inc	
18	22,222,222	CMLTI 2007-WFH1 M9	CMLTI 2007-WFH1	17311CAM3	Residential B/C Mortgage Security	22,222,222	4,465,000	1.0000000000		Baa2	BBB-	1/25/2037	4.0	Wells Fargo Bank	
19	22,222,222	CWL 2006-24 M8	CWL 2006-24	Z9243HAN1	Residential B/C Mortgage Security	22,222,222	9,408,000	1.0000000000		Baa2	BBB	5/25/2037	4.5	Countrywide Home Loans, Inc	
20	22,222,222	CWL 2007-2 M8	CWL 2007-2	12668NAN7	Residential B/C Mortgage Security	22,222,222	12,480,000	1.0000000000		Baa2	BBB	8/25/2037	4.8	Countrywide Home Loans, Inc	
21	22,222,222	FFML 2006-FF11 M8	FFML 2006-FF11	32026PAP0	Residential B/C Mortgage Security	22,222,222	20,600,000	1.0000000000	BBB	Baa2	BBB	8/25/2036	3.9	Wells Fargo Bank	
22	22,222,222	FFML 2006-FF12 M8	FFML 2006-FF12	32027GAN8	Residential B/C Mortgage Security	22,222,222	8,397,000	1.0000000000	BBB	Baa2	BBB	9/25/2036	4.1	Aurora Loan Services Inc	
23	22,222,222	FFML 2006-FF14 M8	FFML 2006-FF14	32027LAP0	Residential B/C Mortgage Security	22,222,222	7,559,000	1.0000000000	BBB	Baa2	BBB	10/25/2036	4.1	Aurora Loan Services Inc	
24	22,222,222	FFML 2006-FF15 M8	FFML 2006-FF15	32028GAP0	Residential B/C Mortgage Security	22,222,222	15,612,000	1.0000000000	BBB	Baa2	BBB	11/25/2036	4.2	Aurora Loan Services Inc	
25	22,222,222	FFML 2006-FF16 M8	FFML 2006-FF16	320275AN0	Residential B/C Mortgage Security	22,222,222	6,428,000	1.0000000000		Baa2	BBB+	12/25/2036	4.0	Home Loan Services, Inc.	
26	22,222,222	FFML 2006-FF17 M8	FFML 2006-FF17	32029KAP1	Residential B/C Mortgage Security	22,222,222	4,663,000	1.0000000000	BBB	Baa2	BBB	12/25/2036	4.2	Aurora Loan Services Inc	
27	22,222,222	FFML 2006-FF7 M8	FFML 2006-FF7	320277AP1	Residential B/C Mortgage Security	22,222,222	8,701,000	1.0000000000	BBB	Baa2	BBB	5/25/2036	3.3	Wells Fargo Bank	

[1] Source: Bloomberg. As of April 10, 2007.

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Obligor	Initial Reference Obligation Notional Amount	Reference Obligation	Reference Entity	CUSIP	Type	Initial Face Amount	Original Principal Amount	Initial Factor.1	Fitch Actual Rating	Moody's Actual Rating	S&P Actual Rating	Rated Final Maturity Date	Remaining Average Life	Servicer/COO Manager	Insurer
28	22,222,222	FFML 2006-FF9 M8	FFML 2006-FF9	30279AP3	Residential B/C Mortgage Security	22,222,222	13,479,000	1.000000000	BBB+	Baa2	BBB+	6/25/2036	3.4	Wells Fargo Bank	
29	22,222,222	FFML 2007-FF1 B2	FFML 2007-FF1	32028TAN7	Residential B/C Mortgage Security	22,222,222	18,254,000	1.000000000		Baa2	BBB	1/25/2038	4.4	Home Loan Services, Inc.	
30	22,222,222	FFML 2007-FF2 B2	FFML 2007-FF2	32029KAN4	Residential B/C Mortgage Security	22,222,222	18,500,000	1.000000000		Baa2	BBB	3/25/2037	4.4	Home Loan Services, Inc.	
31	22,222,222	FHLT 2006-A M7	FHLT 2006-A	35729RAN8	Residential B/C Mortgage Security	22,222,222	13,264,000	1.000000000	BBB+	Baa2	BBB	2/25/2036	3.4	Wells Fargo Bank	
32	22,222,222	FHLT 2006-B M8	FHLT 2006-B	35729QAN9	Residential B/C Mortgage Security	22,222,222	12,544,000	1.000000000	BBB+	Baa2	BBB	5/25/2036	3.8	Wells Fargo Bank	
33	22,222,222	FMIC 2006-2 M8	FMIC 2006-2	31656EAM0	Residential B/C Mortgage Security	22,222,222	10,800,000	1.000000000		Baa2	BBB-	7/25/2036	3.1	Wells Fargo Bank	
34	22,222,222	FMIC 2006-3 M8	FMIC 2006-3	31656BAN9	Residential B/C Mortgage Security	22,222,222	12,026,000	1.000000000		Baa2	BBB	11/25/2036	3.3	Wells Fargo Bank	
35	22,222,222	GSAMP 2006-FM2 M8	GSAMP 2006-FM2	36245DAN0	Residential B/C Mortgage Security	22,222,222	11,750,000	1.000000000		Baa2	BBB+	9/25/2036	3.6	Wells Fargo Bank	
36	22,222,222	HASC 2006-HE2 M8	HASC 2006-HE2	44329BAP5	Residential B/C Mortgage Security	22,222,222	14,464,000	1.000000000	BBB+	Baa2	BBB-	12/25/2036	5.2	CitiMortgage, Inc.	
37	22,222,222	HEAT 2006-3 M8	HEAT 2006-3	43708AJZ7	Residential B/C Mortgage Security	22,222,222	14,700,000	1.000000000	BBB+	Baa2	BBB+	7/25/2036	3.1	Select Portfolio Servicing, Inc	
38	22,222,222	HEAT 2006-5 M8	HEAT 2006-5	43709GAQ3	Residential B/C Mortgage Security	22,222,222	10,975,000	1.000000000	BBB+	Baa2	BBB-	10/25/2036	3.4	Select Portfolio Servicing, Inc	
39	22,222,222	HEAT 2006-6 M8	HEAT 2006-6	43709TAP3	Residential B/C Mortgage Security	22,222,222	10,200,000	1.000000000	A-	Baa2	A-	11/25/2036	3.5	Select Portfolio Servicing, Inc	
40	22,222,222	HEAT 2006-7 M8	HEAT 2006-7	43709UAP8	Residential B/C Mortgage Security	22,222,222	11,000,000	1.000000000	BBB+	Baa2	BBB+	11/25/2037	3.7	Select Portfolio Servicing, Inc	
41	22,222,222	HEAT 2006-8 M8	HEAT 2006-8	43709QAP1	Residential B/C Mortgage Security	22,222,222	10,350,000	1.000000000	BB	Baa2	BBB+	3/25/2037	4.0	Select Portfolio Servicing, Inc	
42	22,222,222	HEAT 2007-1 M8	HEAT 2007-1	43710JAH4	Residential B/C Mortgage Security	22,222,222	10,500,000	1.000000000	BB	Baa2	BBB+	5/25/2037	4.0	Select Portfolio Servicing, Inc	
43	22,222,222	HEAT 2007-2 M8	HEAT 2007-2	43710KAN9	Residential B/C Mortgage Security	22,222,222	14,400,000	1.000000000	BBB	Baa2	BBB	7/25/2037	4.3	Select Portfolio Servicing, Inc	
44	22,222,222	IXIS 2006-HE3 B2	IXIS 2006-HE3	46602UAW0	Residential B/C Mortgage Security	22,222,222	12,537,000	1.000000000	BBB	Baa2	BBB	1/25/2037	4.3	Wells Fargo Bank	
45	22,222,222	JPMAC 2006-CW2 M10	JPMAC 2006-CW2	46629BBA6	Residential B/C Mortgage Security	22,222,233	11,452,000	1.000000000	BBB	Baa2	BBB	9/25/2036	3.8	Countrywide Home Loans, Inc.	
46	22,222,222	JPMAC 2006-FRE1 M6	JPMAC 2006-FRE1	46626LFV7	Residential B/C Mortgage Security	22,222,222	14,174,000	1.000000000	BBB	Baa2	BBB	5/25/2035	3.0	JPMorgan Chase Bank	
47	22,222,222	JPMAC 2006-WMC3 M8	JPMAC 2006-WMC3	46628HAP4	Residential B/C Mortgage Security	22,222,222	11,510,000	1.000000000	BB	Baa2	BBB	8/25/2036	3.6	JPMorgan Chase Bank	
48	22,222,222	LBMLT 2006-11 M8	LBMLT 2006-11	542512AN8	Residential B/C Mortgage Security	22,222,222	11,250,000	1.000000000		Baa2	BBB	12/25/2036	4.2	Washington Mutual Bank, FA	
49	22,222,222	LBMLT 2006-4 M8	LBMLT 2006-4	542511AM4	Residential B/C Mortgage Security	22,222,222	22,111,000	1.000000000		Baa2	A-	5/25/2036	3.4	Washington Mutual Bank, FA	
50	22,222,222	LBMLT 2006-6 M8	LBMLT 2006-6	542512AN3	Residential B/C Mortgage Security	22,222,222	19,413,000	1.000000000	BBB-	Baa2	BBB+	7/25/2036	3.8	Washington Mutual Bank, FA	
51	22,222,222	LBMLT 2006-7 M8	LBMLT 2006-7	542517AN8	Residential B/C Mortgage Security	22,222,222	15,986,000	1.000000000	BBB-	Baa2	A-	8/25/2036	3.7	Washington Mutual Bank, FA	
52	22,222,222	LBMLT 2006-8 M8	LBMLT 2006-8	54251UAN9	Residential B/C Mortgage Security	22,222,222	11,049,000	1.000000000		Baa2	A-	9/25/2036	3.9	Washington Mutual Bank, FA	
53	22,222,222	LBMLT 2006-9 M8	LBMLT 2006-9	54251WAN2	Residential B/C Mortgage Security	22,222,222	15,981,000	1.000000000		Baa2	BBB+	10/25/2036	4.0	Washington Mutual Bank, FA	
54	22,222,222	LBMLT 2006-WL1 M6	LBMLT 2006-WL1	54251AR36	Residential B/C Mortgage Security	22,222,222	23,854,000	1.000000000		Baa2	BBB	1/25/2036	3.0	Long Beach Mortgage Company	
55	22,222,222	MABS 2006-HE5 M8	MABS 2006-HE5	57645AN9	Residential B/C Mortgage Security	22,222,222	10,382,000	1.000000000		Baa2	BBB-	11/25/2036	4.1	Wells Fargo Bank	
56	22,222,222	MABS 2006-HE7 M8	MABS 2006-HE7	55275HAP2	Residential B/C Mortgage Security	22,222,222	11,214,000	1.000000000	BB	Baa2	BBB-	9/25/2036	3.7	Wells Fargo Bank	
57	22,222,222	MABS 2006-WMC4 M8	MABS 2006-WMC4	57645AAP7	Residential B/C Mortgage Security	22,222,222	11,399,000	1.000000000		Baa2	BBB-	10/25/2036	4.1	Wells Fargo Bank	

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58	22,222,222	MLMI 2006-WMC1 B2A	MLMI 2006-WMC1	59022UAH5	Residential B/C Mortgage Security	22,222,222	13,653,000	1.000000000		Baa2	BBB-	1/25/2037	3.1	Wilshire Credit Corp	
59	22,222,222	MSAC 2006-HE7 B2	MSAC 2006-HE7	81752WAP0	Residential B/C Mortgage Security	22,222,222	12,651,000	1.000000000		Baa2	BBB-	9/25/2036	4.5	Countrywide Home Loans, Inc	
60	22,222,222	MSAC 2006-HE8 B2	MSAC 2006-HE8	81752GAP7	Residential B/C Mortgage Security	22,222,222	17,388,000	1.000000000		Baa2	BBB	10/25/2036	4.9	Wells Fargo Bank	
61	22,222,222	MSAC 2006-HC4 B2	MSAC 2006-HC4	81748LAN2	Residential B/C Mortgage Security	22,222,222	23,759,000	1.000000000	BBB	Baa2	BBB	9/25/2036	4.1	Wells Fargo Bank	
62	22,222,222	MSAC 2006-HC5 B3	MSAC 2006-HC5	81748BAD6	Residential B/C Mortgage Security	22,222,222	16,766,000	1.000000000		Baa3	BBB-	10/25/2036	4.9	Countrywide Home Loans, Inc	
63	22,222,222	MSAC 2006-WMC1 B2	MSAC 2006-WMC1	6174ACXY3	Residential B/C Mortgage Security	22,222,222	14,268,000	1.000000000	BBB+	Baa2	A-	12/25/2035	3.8	JPMorgan Chase Bank	
64	22,222,222	MSAC 2006-WMC2 B2	MSAC 2006-WMC2	6174BKAP6	Residential B/C Mortgage Security	22,222,222	27,331,000	1.000000000	BBB	Baa2	BBB	7/25/2036	4.3	Wells Fargo Bank	
65	22,222,222	MSAC 2007-HE1 B2	MSAC 2007-HE1	81752WAP3	Residential B/C Mortgage Security	22,222,222	9,778,000	1.000000000		Baa2	BBB	11/25/2036	5.0	Saxon Mortgage	
66	22,222,222	MSAC 2007-HE2 B2	MSAC 2007-HE2	81753EAN2	Residential B/C Mortgage Security	22,222,222	9,830,000	1.000000000		Baa2	BBB	1/25/2037	5.2	Saxon Mortgage	
67	22,222,222	MSAC 2007-NC1 B2	MSAC 2007-NC1	81750AAN2	Residential B/C Mortgage Security	22,222,222	9,375,000	1.000000000		Baa2	BBB	11/25/2036	5.1	Saxon Mortgage	
68	22,222,222	MSAC 2006-HE2 B2	MSAC 2006-HE2	81745TFD8	Residential B/C Mortgage Security	22,222,222	29,499,000	1.000000000	BBB	Baa2	BBB+	3/25/2036	4.0	Wells Fargo Bank	
69	22,222,222	MSHEL 2007-1 B2	MSHEL 2007-1	81751QAM7	Residential B/C Mortgage Security	22,222,222	8,691,000	1.000000000		Baa2	BBB	12/25/2036	5.1	Saxon Mortgage	
70	22,222,222	MSIX 2006-2 B2	MSIX 2006-2	81749AAH8	Residential B/C Mortgage Security	22,222,222	12,472,000	1.000000000		Baa2	BBB	11/25/2036	4.9	Saxon Mortgage	
71	22,222,222	NHEL 2006-5 M8	NHEL 2006-5	65538BYAN2	Residential B/C Mortgage Security	22,222,222	6,150,000	1.000000000		Baa2	BBB+	11/25/2036	3.6	Novastar Mortgage, Inc	
72	22,222,222	NHEL 2006-FM1 M8	NHEL 2006-FM1	65538HCF3	Residential B/C Mortgage Security	22,222,222	12,139,000	1.000000000		Baa2	BBB+	11/25/2035	2.8	Wells Fargo Bank	
73	22,222,222	NHEL 2006-FM2 M8	NHEL 2006-FM2	65537F7AN1	Residential B/C Mortgage Security	22,222,222	15,904,000	1.000000000	BBB+	Baa2	BBB+	7/25/2036	3.7	Wells Fargo Bank	
74	22,222,222	NHEL 2006-HE3 M8	NHEL 2006-HE3	65539QAN8	Residential B/C Mortgage Security	22,222,222	15,049,000	1.000000000	BBB+	Baa2	BBB+	7/25/2036	3.5	Wells Fargo Bank	
75	22,222,222	OOML 2006-3 M8	OOML 2006-3	68386BAM5	Residential B/C Mortgage Security	22,222,222	17,250,000	1.000000000		Baa2	BBB-	2/25/2037	3.6	Option One Mortgage Corp	
76	22,222,222	OOML 2007-1 M8	OOML 2007-1	68400DAP9	Residential B/C Mortgage Security	22,222,222	20,472,000	1.000000000		Baa2	BBB	1/25/2037	3.8	Option One Mortgage Corp	
77	22,222,222	SABR 2006-FR1 B2	SABR 2006-FR1	81375WJY3	Residential B/C Mortgage Security	22,222,222	14,343,000	1.000000000	BBB+	Baa2	A-	11/25/2035	3.9	Homeq Servicing Corp	
78	22,222,222	SABR 2006-FR3 B2	SABR 2006-FR3	81375MAH7	Residential B/C Mortgage Security	22,222,222	12,839,000	1.000000000	BBB+	Baa2	BBB	9/25/2036	4.3	Homeq Servicing Corp	
79	22,222,222	SABR 2006-HE2 B2	SABR 2006-HE2	81377AAM4	Residential B/C Mortgage Security	22,222,222	7,690,000	1.000000000	BBB+	Baa2	BBB	7/25/2036	3.7	Homeq Servicing Corp	
80	22,222,222	SAIL 2006-4 M7	SAIL 2006-4	86358VAM4	Residential B/C Mortgage Security	22,222,222	19,571,000	1.000000000	BBB	Baa2	BBB	7/25/2036	4.0	Aurora Loan Services Inc	
81	22,222,222	SASC 2006-EQ1A M8	SASC 2006-EQ1A	86359RAN3	Residential B/C Mortgage Security	22,222,222	20,567,000	1.000000000		Baa2	BBB	7/25/2036	5.0	Aurora Loan Services Inc	
82	22,222,222	SASC 2006-OPT1 M7	SASC 2006-OPT1	86358UAN8	Residential B/C Mortgage Security	22,222,222	12,749,000	1.000000000	BBB	Baa2	BBB	4/25/2036	3.5	Aurora Loan Services Inc	
83	22,222,222	SASC 2006-WF3 M8	SASC 2006-WF3	86361EAP6	Residential B/C Mortgage Security	22,222,222	18,801,000	1.000000000	BBB-	Baa2	BBB-	9/25/2036	4.2	Aurora Loan Services Inc	
84	22,222,222	SURF 2007-BC1 B2	SURF 2007-BC1	84752BAQ2	Residential B/C Mortgage Security	22,222,222	9,250,000	1.000000000		Baa2	BBB	1/25/2038	4.4	Wilshire Credit Corp	
85	22,222,222	SYHE 2006-EQ2 M8	SYHE 2006-EQ2	83611WAM8	Residential B/C Mortgage Security	22,222,222	9,250,000	1.000000000	BBB	Baa2	BBB	1/25/2037	4.1	Wells Fargo Bank	
86	22,222,222	SYHE 2006-OPT1 M7	SYHE 2006-OPT1	83611WMF2	Residential B/C Mortgage Security	22,222,222	13,065,000	1.000000000	BBB+	Baa2	BBB	3/25/2036	3.1	Option One Mortgage Corp	
87	22,222,222	SYHE 2006-OPT2 M7	SYHE 2006-OPT2	83611WMT2	Residential B/C Mortgage Security	22,222,222	18,400,000	1.000000000		Baa2	A-	5/25/2036	3.1	Option One Mortgage Corp	

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Obligor	Initial Reference Obligation Notional Amount	Reference Obligation	Reference Entity	CUSIP	Type	Initial Face Amount	Original Principal Amount	Initial Factor[1]	Fitch Actual Rating	Moody's Actual Rating	S&P Actual Rating	Rated Final Maturity Date	Remaining Average Life	Servicer/CDO Manager	Insurer
88	22,222,222	SVHE 2006-OPT3 M7	SVHE 2006-OPT3	83611MPR3	Residential B/C Mortgage Security	22,222,222	27,000,000	1.000000000		Baa2	BBB	9/25/2036	3.2	Option One Mortgage Corp	
89	22,222,222	SVHE 2006-OPT4 M7	SVHE 2006-OPT4	83611YAM4	Residential B/C Mortgage Security	22,222,222	10,000,000	1.000000000		Baa2	BBB+	8/25/2036	3.3	Option One Mortgage Corp	
90	22,222,222	SVHE 2006-OPT5 M8	SVHE 2006-OPT5	83612CAN9	Residential B/C Mortgage Security	22,222,222	34,750,000	1.000000000		Baa2	BBB	7/25/2036	3.7	Option One Mortgage Corp	

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No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this Offering Circular. You must not rely on any unauthorized information or representations. This Offering Circular is an offer to sell only the Notes offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this Offering Circular is current only as of its date.

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Class SS Variable Rate Notes

U.S.$50,000,000 Class A-1
Variable Rate Notes, Due 2038

U.S.$142,000,000 Class A-2
Variable Rate Notes, Due 2038

Class B Variable Rate Notes

Class C Variable Rate Notes

Class D Variable Rate Notes

Class FL Variable Rate Notes

ABACUS 2007-AC1, LTD.

ABACUS 2007-AC1, INC.

Secured Primarily by (i) the Collateral and (ii) the Issuer's rights under (a) the Collateral Put Agreement, (b) the Basis Swap and (c) as Protection Seller, the Credit Default Swap referencing a pool of Residential Mortgage-Backed Securities

OFFERING CIRCULAR

Goldman, Sachs & Co.

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GREYWOLF CLO I, LTD.
(Incorporated with limited liability in the Cayman Islands)

GREYWOLF CLO I, CORP.
U.S.$2,000,000 Class S Floating Rate Notes, Due 2014
U.S.$365,000,000 Class A Floating Rate Notes, Due 2021
U.S.$22,500,000 Class B Floating Rate Notes, Due 2021
U.S.$25,000,000 Class C Deferrable Floating Rate Notes, Due 2021
U.S.$30,000,000 Class D Deferrable Floating Rate Notes, Due 2021
U.S.$17,500,000 Class E Deferrable Floating Rate Notes, Due 2021
U.S.$40,000,000 Subordinated Securities, Due 2021

Secured (With Respect to the Secured Notes) Primarily by a Portfolio of Loans that are Senior Secured Loans

---

The Securities are being offered hereby by Goldman, Sachs & Co. (the "**Initial Purchaser**") in the United States to Qualified Institutional Buyers in reliance on Rule 144A or another exemption under the Securities Act and, solely in the case of the Subordinated Securities, to Accredited Investors in transactions exempt from registration under the Securities Act. In addition to the offering of such Securities by Goldman, Sachs & Co. in the United States, Goldman, Sachs & Co., selling through its agents, is concurrently offering the Securities outside the United States to non-U.S. Persons in offshore transactions in reliance on Regulation S under the Securities Act.

See "Risk Factors" beginning on page 16 to read about factors you should consider before buying any Security.

There is no established trading market for the Securities. Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for this Offering Circular (the "**Offering Circular**") to be approved. Application has been made to the Irish Stock Exchange for the Securities to be admitted to the Official List and to trading on its regulated market. Such approval relates only to Securities which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 93/22/EEC or which are to be offered to the public in any Member State of the European Economic Area. This document is considered an advertisement for purposes of applicable measures implementing E.U. Directive 2003/71/EC. Upon listing on the Irish Stock Exchange being granted, a "prospectus" prepared pursuant to the Prospectus Directive will be published, which can be obtained from the Issuer. There can be no assurance that such listing will be approved or maintained.

It is a condition of the issuance of the Securities that the Class S Notes and the Class A Notes be issued with a rating of "Aaa" by Moody's Investors Service, Inc. ("**Moody's**") and "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**"), that the Class B Notes be issued with a rating of at least "Aa2" by Moody's and at least "AA" by S&P, that the Class C Notes be issued with a rating of at least "A2" by Moody's and at least "A" by S&P, that the Class D Notes be issued with a rating of at least "Baa2" by Moody's and at least "BBB" by S&P and that the Class E Notes be issued with a rating of at least "Ba2" by Moody's and at least "BB" by S&P. The Subordinated Securities will not be rated by any credit rating agency. A credit 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. See "Rating of the Securities".

See "Underwriting" for a discussion of the terms and conditions of the purchase of the Securities by the Initial Purchaser.

CERTAIN PLEDGED ASSETS OF THE ISSUER ARE THE SOLE 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 HOLDERS OF THE SECURITIES, THE COLLATERAL MANAGER, GOLDMAN, SACHS & CO., ANY HEDGE COUNTERPARTY, THE ADMINISTRATOR, THE COLLATERAL ADMINISTRATOR, THE TRUSTEE, THE SHARE TRUSTEE, OR ANY OF THEIR RESPECTIVE AFFILIATES. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, AND NEITHER OF THE ISSUERS WILL BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED. THE SECURITIES ARE BEING OFFERED AND SOLD IN THE UNITED STATES ONLY TO PERSONS WHO ARE (1)(A) QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS PROVIDED BY RULE 144A UNDER THE SECURITIES ACT OR (B) SOLELY IN THE CASE OF THE SUBORDINATED SECURITIES, ACCREDITED INVESTORS (AS DEFINED IN REGULATION D UNDER THE SECURITIES ACT) IN TRANSACTIONS EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND (2)(A) QUALIFIED PURCHASERS (FOR PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT) OR (B) SOLELY IN THE CASE OF THE SUBORDINATED SECURITIES, KNOWLEDGEABLE EMPLOYEES FOR PURPOSES OF RULE 3c-5 OF THE INVESTMENT COMPANY ACT, AND IN ACCORDANCE WITH ANY OTHER APPLICABLE LAW. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY SECURITIES MAY BE RELYING ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. THE SECURITIES ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT. THE SECURITIES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED UNDER "TRANSFER RESTRICTIONS".

The Securities are offered by Goldman, Sachs & Co. and/or its agents, subject to their rights to reject any order in whole or in part. It is expected that the Global Securities will be ready for delivery in book-entry form only in New York, New York, on or about January 18, 2007, through the facilities of DTC, against payment therefor in immediately available funds. It is expected that delivery of the physical certificates representing the U.S. Subordinated Securities will be made in New York, New York on or about January 18, 2007, against payment therefor in immediately available funds. The Securities will have the minimum denomination requirements set forth in "Summary—The Offering—Securities Issued".

Goldman, Sachs & Co.

Offering Circular dated January 17, 2007.

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GENERAL NOTICE

The information contained in this Offering Circular has been provided by the Issuers and other sources identified herein. No representation or warranty, express or implied, is made by the Initial Purchaser or the Collateral Manager (except with respect to the Collateral Manager only, the information set forth under the heading "The Collateral Manager") as to the accuracy or completeness of such information, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Initial Purchaser or the Collateral Manager (except with respect to the Collateral Manager only, the information set forth under the heading "The Collateral Manager").

The Issuers accept responsibility for the information contained in this Offering Circular (other than the information contained in this Offering Circular under the heading "The Collateral Manager", for which information only the Collateral Manager accepts responsibility) and, having made all reasonable inquiries, confirm that, to the best knowledge and belief of the 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. The Issuers (and with respect to the information contained in this Offering Circular under the heading "The Collateral Manager" only, the Collateral Manager) take responsibility accordingly.

No person has been authorized to give any information or to make any representation other than those contained in this Offering Circular, and, if given or made, such information or representation must not be relied upon as having been authorized. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Securities.

The delivery of this Offering Circular at any time does not imply that the information herein is correct at any time subsequent to the date of this Offering Circular.

Each purchaser of the Securities must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells such Securities or possesses or distributes this Offering Circular and must obtain any consent, approval or permission required for the purchase, offer or sale by it of such Securities under the laws and regulations in force in any jurisdictions to which it is subject or in which it makes such purchases, offers or sales, and none of the Issuers, the Collateral Manager or the Initial Purchaser shall have any responsibility therefor. Persons into whose possession this Offering Circular comes are required by the Issuers and the Initial Purchaser to inform themselves about and to observe such applicable laws and regulations. For a further description of certain restrictions on offering and sales of the Securities, see "Transfer Restrictions" and "Underwriting". This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Securities in any jurisdiction in which such offer or invitation would be unlawful.

No invitation may be made to the public in the Cayman Islands to subscribe for the Securities and this document may not be issued or passed to any such person.

Notwithstanding anything to the contrary herein, except as necessary to comply with securities laws, each prospective investor (end each of their respective employees, representetives or other agents) may disclose to any and all persons, without limitation of any kind, the U.S. tax treatment and U.S tax structure of the transactions described herein and all materials of any kind (including opinions or other tax analyses) that are provided to them relating to such U.S. tax treatment and U.S. tax structure under applicable U.S. federal, state or local tax law. Any such disclosure of the tax treatment, tax structure and other tax-related materials shall not be made for the purpose of offering to sell the Securities offered hereby or soliciting an offer to purchase any such Securities.

Any purchaser of Secured Notes who is not a bank (as defined in Regulation U promulgated by the Board of Governors of the Federal Reserve System (**"Regulation U"**)) and is not required to register with the Federal Reserve will not be subject to any provisions of Regulation U as a result of an investment in the Secured Notes. Any purchaser of the Securities who is a bank or who is already registered with the Federal Reserve as a Regulation U lender, generally must obtain from any person to whom it extends credit secured by Margin Stock (as such term is defined in Regulation U) a Federal Reserve Form U-1 (for bank lenders) or Form G-3 (for non-bank lenders). Each purchaser of Secured Notes will be responsible for its own compliance with Regulation U, including the filing by the purchaser of any required registration or annual

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filings under Regulation U. Purchasers of Secured Notes should consult with their own legal advisors as to Regulation U and its application to them, including in relation to their investment in the Securities. Purchasers of Secured Notes not otherwise exempt from registering with the Federal Reserve will be deemed to have covenanted and agreed that if such purchaser is not registered with the Federal Reserve on or prior to the date of their purchase, such purchaser will, within the required time period, register with the Federal Reserve. Certain information regarding Margin Stock, if any, owned by the Issuer will be available through the Trustee upon written request by a Securityholder.

INFORMATION APPLICABLE TO NON U.S. INVESTORS

THIS OFFERING CIRCULAR COMPRISES A PROSPECTUS FOR THE PURPOSE OF LISTING THE SECURITIES ON THE IRISH STOCK EXCHANGE. A COPY OF THIS PROSPECTUS SHALL BE FILED WITH THE IRISH FINANCIAL SERVICES REGULATORY AUTHORITY AND SHALL BE AVAILABLE AT THE OFFICES OF THE PAYING AGENT IN IRELAND AND THE IRISH STOCK EXCHANGE FROM THE DATE OF LISTING. COPIES OF THIS PROSPECTUS ARE AVAILABLE FREE OF CHARGE FROM THE IRISH STOCK EXCHANGE AND THE PAYING AGENT IN IRELAND.

INFORMATION APPLICABLE TO U.S. INVESTORS

This Offering Circular is confidential and is being furnished by the Issuers in connection with an offering exempt from registration under the Securities Act, solely for the purpose of enabling a prospective investor to consider the purchase of the Securities described herein. Except as otherwise authorized herein, any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Securities is prohibited. Each offeree of the Securities, by accepting delivery of this Offering Circular, agrees to the foregoing.

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

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

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AVAILABLE INFORMATION

To permit compliance with the Securities Act in connection with the sale of the Securities in reliance on Rule 144A, the Issuer will be required under the Indenture to furnish upon request to a Holder or beneficial owner who is a Qualified Institutional Buyer of a Security sold in reliance on Rule 144A or a prospective investor who is a Qualified Institutional Buyer designated by such Holder or beneficial owner the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request the Issuer is neither a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g-3-2(b) under the Exchange Act. Neither of the Issuers expects to become such a reporting company or to be so exempt from reporting.

In accordance with the Indenture, the Trustee also will make available for inspection by Holders of the Securities certain reports or communications received from the Issuers.

Prior to making an investment decision, prospective investors should ensure that they have sufficient knowledge, experience and access to professional advisors to make their own legal, tax, accounting and financial evaluation of the merits and risks of investment in the Securities and should carefully consider the nature of the Securities, the matters set forth elsewhere in this Offering Circular and the extent of their exposure to the risks described in "Risk Factors".

FORWARD LOOKING STATEMENTS

Any projections, forecasts and estimates contained herein are forward looking statements and are based upon certain reasonable assumptions. 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. Consequently, the inclusion of projections herein should not be regarded es a representation by the Issuer, the Co-Issuer, the Collateral Manager, the Trustee, any Hedge Counterparty, the Collateral Administrator, the Initial Purchaser or any of their respective Affiliates or any other person or entity of the results that will actually be achieved by the Issuer. None of the Issuer, the Co-Issuer, the Trustee, the Collateral Administrator, the Collateral Manager, the Initial Purchaser, any Hedge Counterparty, and their respective Affiliates 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.

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SUMMARY

The following summary is qualified in its entirety by the detailed information appearing elsewhere in this Offering Circular. For a discussion of certain factors to be considered in connection with an investment in the Securities, see "Risk Factors".

Capitalized terms used herein but not defined shall have the meanings set forth under "Glossary of Defined Terms".

The Issuers and the Collateral Manager

The Issuers ..... Greywolf CLO I, Ltd. (the "**Issuer**"), an exempted company with limited liability incorporated under the laws of the Cayman Islands for the sole purpose of acquiring the Collateral Obligations and Eligible Investments, entering into, and performing its obligations under, any Hedge Agreements, the Purchase Agreement and the Collateral Management Agreement, issuing the Securities and engaging in certain related transactions.

The Issuer will not have any material assets other than: (i) a portfolio of assets consisting primarily of Dollar-denominated loans (including Assignments or Participations), along with high yield debt securities, Finance Leases, Synthetic Securities and Structured Finance Securities; (ii) Eligible Investments; (iii) any Hedge Agreements as determined to be appropriate by the Collateral Manager and satisfactory to Moody's and S&P; (iv) its rights under any Securities Lending Agreements; (v) its rights under the Collateral Management Agreement; (vi) its rights under the Purchase Agreement; and (vii) certain other assets.

Greywolf CLO I, Corp. (the "**Co-Issuer**" and, together with the Issuer, the "**Issuers**"), a company incorporated under the laws of the State of Delaware for the sole purpose of co-issuing the Co-Issued Notes, as described below.

The Co-Issuer will not have any assets (other than $10 of equity capital) and will not pledge any assets to secure the Co-Issued Notes. The Co-Issuer will have no claim against the Issuer in respect of the Collateral Obligations or otherwise.

The authorized share capital of the Issuer consists of 50,000 ordinary shares, par value $1.00 per share (the "**Issuer Ordinary Shares**"), 250 of which will be issued on or prior to the Closing Date. The Issuer Ordinary Shares that have been issued and the common stock of the Co-Issuer will be held by Maples Finance Limited, a licensed trust company incorporated in the Cayman Islands and any successor thereto (the "**Administrator**"), as the trustee pursuant to the terms of a declaration of trust (the "**Share Trustee**").

The Collateral Manager ..... Greywolf Capital Management LP ("**Greywolf**") or any successor thereto (the "**Collateral Manager**"), will perform certain advisory and administrative functions with respect to the Collateral for the Issuer as collateral manager. The Collateral Manager and the Issuer will enter into a Collateral Management Agreement, dated as of the Closing Date (the "**Collateral Management Agreement**").

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	One or more funds managed by Greywolf will commit to purchase up to 100% of the initial notional amount of the Subordinated Securities. Thereafter, such funds may transfer or sell any such Subordinated Securities held thereby at any time or from time to time.
The Trustee	The Bank of New York Trust Company, National Association solely in its capacity as trustee (the "**Trustee**") for the Securityholders, unless a successor Person shall have become the Trustee pursuant to the applicable provisions of the Indenture, and thereafter "Trustee" shall mean such successor Person.

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The Offering

Securities Issued

Class Designation	S	A	B	C	D	E	Subordinated Securities
Original Principal Amount[1]	$2,000,000	$365,000,000	$22,500,000	$25,000,000	$30,000,000	$17,500,000	$40,000,000
Stated Maturity	February 18, 2014	February 18, 2021					
Expected Average Life[2]	3.7 years	8.4 years	10.1 years	10.4 years	10.9 years	11.4 years	N/A
Minimum Denomination (Integral Multiples):							
Rule 144A	$500,000 ($1,000)	$500,000 ($1,000)	$500,000 ($1,000)	$250,000 ($1,000)	$250,000 ($1,000)	$500,000 ($1,000)	$100,000 ($1,000)[3]
Reg S	$100,000 ($1,000)	$100,000 ($1,000)	$100,000 ($1,000)	$100,000 ($1,000)	$100,000 ($1,000)	$100,000 ($1,000)	$100,000 ($1,000)[3]
Reg D	N/A	N/A	N/A	N/A	N/A	N/A	$100,000 ($1,000)[3]
Applicable Investment Company Act of 1940 Exemption	3(c)(7) and, solely in the case of the Subordinated Securities, Rule 3c-5						
Initial Ratings:							
Moody's	Aaa	Aaa	Aa2	A2	Baa2	Ba2	N/A
S&P	AAA	AAA	AA	A	BBB	BB	N/A
Deferred Interest	No	No	No	Yes	Yes	Yes	N/A
Pricing Date	December 8, 2006						
Closing Date	January 18, 2007						
Interest Rate	LIBOR + 0.20%	LIBOR + 0.245%	LIBOR + 0.43%	LIBOR + 0.70%	LIBOR + 1.50%	LIBOR + 3.95%	N/A
Fixed or Floating Rate	Floating	Floating	Floating	Floating	Floating	Floating	N/A
Accrual Period[4]	Floating Period	Floating Period	Floating Period	Floating Period	Floating Period	Floating Period	N/A
Payment Date	(i) each February 18, May 18, August 18 and November 18 (or if such day is not a Business Day, the next succeeding Business Day), Stated Maturity (each, a "Scheduled Payment Date") and (ii) any Redemption Date						
First Payment Date	August 18, 2007						
Record Date	15 days prior to the applicable Payment Date						
Frequency of Payments	Quarterly: February, May, August and November						
Day Count	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360	N/A
Form of Securities:							
Global	Yes	Yes	Yes	Yes	Yes	Yes	Reg S only
Certificated	No	No	No	No	No	No	Rule 144A/ Reg D
CUSIPS Rule 144A	398078AA3	398078AB1	398078AC9	398078AD7	398078AE5	398078AA7	398078AB5
CUSIPS Reg D	N/A	N/A	N/A	N/A	N/A	N/A	398078AC3
CUSIPS Reg S	G41213AA0	G41213AB8	G41213AC6	G41213AD4	G41213AE2	G41212AA2	G41212AB0
ISIN Reg S	USG41213AA07	USG41213AB89	USG41213AC62	USG41213AD46	USG41213AE29	USG41212AA24	USG41212AB07
Euroclear Common Codes	28152434	28152469	28152485	28152493	28152507	28152604	28152655
Clearing Method:							
Rule 144A	DTC	DTC	DTC	DTC	DTC	DTC	Physical
Reg S	Euroclear	Euroclear	Euroclear	Euroclear	Euroclear	Euroclear	Euroclear
Certificated	N/A	N/A	N/A	N/A	N/A	N/A	Rule 144A/Reg D

1. In the case of the Subordinated Securities, the amount indicated is the initial notional amount.
2. Under a hypothetical scenario in which, as of the Effective Date, (i) the Collateral Portfolio consists of not less than 80.0% senior secured loans, (ii) the weighted average life of the Collateral Portfolio is 8.7 years, (iii) 2.0% per annum by par amount of the Collateral Obligations experience defaults, (iv) 75.0% of the defaulted par amount on loans is recovered immediately and (v) 25.0% prepayments on the loans occurs, the average life of each Class of the Co-Issued Notes will be as set forth in this table. The assumptions set forth above are not predictive or a forecast. They may not necessarily reflect historical performance and defaults. The actual average lives may vary from the foregoing approximations. See "Risk Factors—Average Life and Prepayment Considerations".
3. Except in limited circumstances as set forth in the Indenture (but in no event less than a Dollar amount equivalent to at least €50,000).
4. "Floating Period" means, with respect to any Payment Date, each period from and including the preceding Payment Date (or, the Closing Date, with respect to the first Payment Date) to but excluding the current Payment Date (or, in the case of the Payment Date preceding the Stated Maturity, to but excluding the Stated Maturity).

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Status and Subordination	The Co-Issued Notes will be limited recourse secured obligations of the Issuers, the Class E Notes will be limited recourse secured obligations of the Issuer and the Subordinated Securities will be limited recourse unsecured obligations of the Issuer. Except as provided in the succeeding paragraph, with respect to both payment of interest and principal, the Class S Notes will be senior in right of payment on each Payment Date to the Class A Notes, Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Subordinated Securities; with respect to both payment of interest and principal, the Class A Notes will be senior in right of payment on each Payment Date to the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Subordinated Securities; with respect to both payment of interest and principal, the Class B Notes will be senior in right of payment on each Payment Date to the Class C Notes, the Class D Notes, the Class E Notes and the Subordinated Securities; with respect to both payment of interest and principal, the Class C Notes will be senior in right of payment on each Payment Date to the Class D Notes, the Class E Notes and the Subordinated Securities; with respect to both payment of interest and principal, the Class D Notes will be senior in right of payment on each Payment Date to the Class E Notes and the Subordinated Securities; and, with respect to both payment of interest and principal, the Class E Notes will be senior in right of payment on each Payment Dete to the Subordinated Securities. Subject to the Priority of Payments, the right of the senior most Class of Secured Notes to be paid prior to a subordinated Class of Secured Notes does not apply if: (i) Interest Proceeds and Principal Proceeds are applied to the repayment of Deferred Interest of any Class of Secured Notes; or (ii) Interest Proceeds are applied to repay Class E Notes as a result of the failure of the Class E Par Value Test, as described in subclause (xvii) under "Description of the Securities—Priority of Payments—Interest Proceeds".
Use of Proceeds	The aggregate proceeds of the offering of the Securities are expected to equal approximately $502,000,000. Such proceeds will be used by the Issuer (i) to pay expenses related to the offering of the Securities, (ii) to satisfy the Issuer's obligations under certain warehouse arrangements with respect to a portfolio of Collateral Obligations acquired during the Accumulation Period or to purchase additional Collateral Obligations, (iii) to enter into one or more Hedge Agreements on or after the Closing Date, (iv) to deposit an amount equal to the Expense Reserve Amount in the Expense Reserve Account and (v) to deposit into the Revolving Credit Facility Reserve Account an amount equal to the Future Drawdown Amount as of the Closing Date. On the Effective Dete, so long as the Minimum Par Value Retio is satisfied as of such date, the Collateral Manager may, in its sole discretion, instruct the Trustee in writting to utilize up to $1,000,000 of Principal Proceeds and unused proceeds of the offering of the Securities for application as either Interest Proceeds or Principal Proceeds in accordance with the Priority of Payments and/or transfer to the Discretionary Reserve Account for future application of such funds as either Interest Proceeds or Principal Proceeds in accordance with the Priority of Payments, in each case on or before

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	the Payment Date in February 2008. See "Security for the Secured Notes—Principal Collection Account" and "—Discretionary Reserve Account". On the Closing Date, the proceeds of the issuance of the Class S Notes in an amount equal to approximately $2,000,000 will be deposited in the Interest Collection Account. On or before the first Payment Date the Collateral Manager may (in its sole discretion) instruct the Trustee in writing to transfer all or a portion of funds in the Interest Collection Account (representing proceeds of the issuance of the Class S Notes) to the Principal Collection Account for application as Principal Proceeds. It is expected that approximately $491,966,875 of the aggregate proceeds of the offering of the Securities will be available to the Issuer to satisfy its obligations under certain warehouse arrangements with respect to a portfolio of Collateral Obligations acquired during the Accumulation Period and to purchase additional Collateral Obligations.
Distributions of Interest Proceeds and Deferred Interest	Interest Proceeds will be distributable to Holders of the Securities in accordance with the Priority of Payments. See "Description of the Securities—Priority of Payments". With respect to any Class C Notes, Class D Notes or Class E Notes, for so long as any senior Class or Classes of Secured Notes are Outstanding, to the extent that funds are not available to pay the full amount of interest on such Class C Notes, Class D Notes or Class E Notes in accordance with the Priority of Payments, as described herein, the cumulative amount of interest not paid on such Class C Notes, Class D Notes or Class E Notes on any Payment Date and all Payment Dates preceding such Payment Date (the "**Deferred Interest**"), will be deferred and added to the principal amount of such Class C Notes, Class D Notes or Class E Notes, as applicable, and will bear interest at the interest rate applicable to such Class C Notes, Class D Notes or Class E Notes, as applicable, to the extent lawful and enforceable. The failure to pay interest on any such Class of Securities due to insufficient funds being available therefor in accordance with the Priority of Payments will not be an Event of Default under the Indenture so long as any senior Class or Classes of Secured Notes are Outstanding. See "Description of the Securities—Interest" and "—Priority of Payments".
Non-Call Period	The period from the Closing Date to and including the Business Day immediately preceding the February 2010 Scheduled Payment Date (the "**Non-Call Period**").
Reinvestment Period	The period from the Closing Date to and including the Business Day immediately preceding the February 2014 Scheduled Payment Date (the "**Reinvestment Period**").
Principal Payments on the Secured Notes	The following table sets forth the circumstances and dates upon which Holders of the Secured Notes will receive principal payments on their Secured Notes (in all cases, pursuant to the Priority of Payments):

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Event	Eligible Payment Date	Amount Payable in Accordance with the Priority of Payments
The payment of principal on the Secured Notes pursuant to the Note Payment Sequence, to the extent of available funds therefor, if the Collateral Manager determined, in its sole judgment (which judgment shall not be subject to question as a result of subsequent events), that it was impractical or not beneficial to reinvest Principal Proceeds by the end of the Investment Due Period	Any Scheduled Payment Date during the Reinvestment Period	Applicable Secured Note Redemption Price
Application of Principal Proceeds (other than with respect to Eligible Post Reinvestment Proceeds that the Collateral Manager elects, in its sole judgment (which judgment shall not be subject to question as a result of subsequent events), to reinvest in Collateral Obligations or Eligible Investments) to pay principal of the Secured Notes in accordance with the Priority of Payments	Any Scheduled Payment Date after the Reinvestment Period	Applicable Secured Note Redemption Price
Repayment of Deferred Interest	Any Payment Date	Amount of Deferred Interest
Effective Date Ratings Downgrade Event	The Payment Date after the Effective Date	Applicable Secured Note Redemption Price
Mandatory redemption of the Secured Notes to satisfy Coverage Tests	Any Scheduled Payment Date (or in the case of the Interest Coverage Tests any Scheduled Payment Date on or after the second Scheduled Payment Date)	Applicable Secured Note Redemption Price
Optional redemption following a Withholding Tax Event	Any Business Day	Applicable Secured Note Redemption Price

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Event	Eligible Payment Date	Amount Payable in Accordance with the Priority of Payments
Optional Redemption by a Majority of the Subordinated Securities	Any Business Day after the Non-Call Period	Applicable Secured Note Redemption Price
Redemption by Refinancing by a Majority of the Subordinated Securities	Any Scheduled Payment Date after the Non-Call Period	Applicable Secured Note Redemption Price

See "Description of the Securities—Principal," "—Priority of Payments," "—Optional Redemption", "—Redemption by Refinancing" and "—The Indenture— Events of Default".

Redemption by Refinancing..... Subject to the satisfaction of certain conditions described in "Description of the Securities—Redemption by Refinancing" and "—The Indenture" the Holders of at least a Majority of the Subordinated Securities may direct the redemption of any Class of Secured Notes in whole but not in part on any Payment Date after the Non-Call Period by directing the Issuer to issue Replacement Notes, the proceeds of which will be used to fully redeem such Class or Classes of Secured Notes, as applicable. See "Description of the Securities—Redemption by Refinancing".

Security for the Secured Notes..... The Secured Notes will be secured by (a) Collateral Obligations that are expected to be rated below investment grade, (b) Eligible Investments, (c) the Issuer's rights under the Collateral Management Agreement, any Hedge Agreements, the Purchase Agreement and any Securities Lending Agreements, (d) any proceeds held in the Issuer Accounts and (e) certain other assets of the Issuer as set forth in the Indenture. See "Risk Factors—Limited Recourse Obligations".

The Subordinated Securities will not be secured.

Collateral Obligations..... An obligation will constitute a collateral obligation (a "**Collateral Obligation**") and will be eligible for purchase if, at the time it is purchased or entered into (or a commitment is made to purchase or enter into such Collateral Obligation), it satisfies the following criteria ("**Eligibility Criteria**"):

(i) it is (1) an Assignment or Participation of a loan; (2) a debt security (including, subject to clause (x) below, a debt security that provides for conversion to an Equity Security or has equity features attached); (3) a Finance Lease which has a Moody's Recovery Rate and an S&P Recovery Rate that is the same as or higher than the Moody's Recovery Rate and S&P Recovery Rate that Moody's and S&P, respectively, currently assigns to Senior Secured Loans; (4) a Structured Finance Security; (5) a Synthetic Security; or (6) a Senior Secured Floating Rate Note, in all cases the

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payments with respect to which are not by the terms of such obligation payable in a currency other than Dollars;

(ii) other than an Exchanged Defaulted Obligation, (1) if it is a Structured Finance Security, it (A) has a Moody's Default Probability Rating of at least "Ba2", (B) has an S&P Rating of at least "BB" and (C) if such Structured Finance Security is a CDO Security collateralized by CDO Securities, such collateral is not managed by the Collateral Manager or an Affiliate of the Collateral Manager and (2) for any other type of Collateral Obligation, it has a Moody's Default Probability Rating of at least "Caa2" and has an S&P Rating of at least "CCC," which S&P Rating in the case of the foregoing clauses (1) and (2) does not have a "t," "p," "q," "pi" or an "r" subscript;

(iii) (1) it is issued by an issuer organized in the United States of America or in a sovereign jurisdiction the long-term foreign currency rating of which is at least "AA" by S&P and at least "Aa2" by Moody's, (2) it is a Tax Haven Collateral Obligation, (3) it is a Maritime Collateral Obligation or (4) it is issued by a Special Purpose Vehicle;

(iv) it is eligible to be entered into by, sold, assigned or participated to, the Issuer;

(v) it provides for periodic payments of interest thereon in cash at least semi-annually, other than a Zero-Coupon Security or a Step-Up Coupon Security during a period for which no interest is payable;

(vi) it is an obligation or a credit default swap upon which no payments are subject to withholding tax imposed by any jurisdiction unless the obligor thereof or counterparty with respect thereto is required to make "gross-up" payments that cover the full amount of any such withholding tax on an after-tax basis (other than withholding taxes with respect to any amendment fees, extension fees and consent fees on a Collateral Obligation, any lending fees received under a Securities Lending Agreement or any commitment fees associated with Collateral Obligations constituting Revolving Credit Facilities or Delayed Funding Term Loans);

(vii) it is not a Defaulted Obligation (other than an Exchanged Defaulted Obligation);

(viii) it is not a CDO Security managed by the Collateral Manager or an Affiliate of the Collateral Manager, or a CDO Security the payments upon which are based on the market value of the underlying portfolio;

(ix) it is not a Credit Risk Obligation;

(x) it is not an obligation that at the time of purchase or commitment to purchase provides for conversion into an

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		Equity Security (1) automatically after a specified period of time or (2) at the option of the issuer thereof at any time;
	(xi)	it is not the subject of an Offer other than (a) an offer of publicly registered securities with equal or greater face value and substantially identical terms issued in exchange for securities issued under Rule 144A or (b) a Permitted Offer;
	(xii)	it is not an obligation the interest payments of which are scheduled to decrease (although interest payments may decrease due to unscheduled events such as a decrease of the index relating to a Floating Rate Collateral Obligation, the change from a default rate of interest to a non-default rate or an improvement in the obligor's financial condition);
	(xiii)	it is not an obligation pursuant to which future advances or future payment obligations may be required, except for future advances under a Revolving Credit Facility or a Delayed Funding Term Loan or future payment obligations under a Synthetic Security, in each case, for which the Issuer has deposited funds in the Revolving Credit Facility Reserve Account or a Synthetic Security Collateral Account, as applicable, in an amount sufficient to meet such future advances or future payment obligations, as applicable;
	(xiv)	it is not a security whose repayment is subject to the non-occurrence of certain catastrophes specified in the documents governing such security;
	(xv)	it is not a Deferrable Interest Obligation that is currently deferring interest or paying interest "in kind," which interest is otherwise payable in cash, unless the S&P Rating Condition has been satisfied with respect to the purchase of such obligation (for the avoidance of doubt, this subclause shall not be interpreted to prohibit the inclusion of an Exchanged Defaulted Obligation in the Collateral Portfolio in accordance with the provisions described herein);
	(xvi)	if such obligation provides for the payment of interest at a floating rate, such floating rate is determinad by reference to (1) the Dollar prime rata, LIBOR, Euro rate or similar interbank offered rate or commercial deposit rate or (2) any other index so long as at the time such index was first referenced each of the Moody's Rating Condition and the S&P Rating Condition was satisfied;
	(xvii)	it provides for payment of principal in cash on or prior to its stated maturity; and
	(xviii)	it is not any of the Securities.
Purchase of Collateral Obligations by the Closing Date.....		It is expected, that, by the Closing Date, the Issuer will have purchased or executed, or entered into agreements to purchase or execute, with the net proceeds of the issuance of the Securities, a

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portfolio of Collateral Obligations selected by the Collateral Manager constituting approximately 87% of the Aggregate Principal Amount of Collateral Obligations to be purchased or entered into by the Issuer, representing approximately $430,000,000 in Aggregate Principal Amount of the Collateral Obligations.

Effective Date Ratings Confirmation..... The Issuer will request that each of the Rating Agencies confirm the initial ratings of the Secured Notes on the Effective Date. Such confirmation will be deemed to have been obtained from Moody's, so long as certain tests are met and Moody's has received delivery of certain documents specified in the Indenture. A failure to obtain (or to be deemed to have obtained, in the case of Moody's only) the Rating Agencies' confirmation of the initial ratings of the Secured Notes on the Effective Date will result in an Effective Date Ratings Downgrade Event.

It is very unlikely that the Rating Agencies will confirm their initial ratings of the Secured Notes if any of the Collateral Quality Tests, the Par Value Tests, the Concentration Limitations or the Minimum Par Value Ratio is not satisfied on the Effective Date. Accordingly, the Issuer will seek to purchase additional Collateral Obligations during the Initial Investment Period so that the Collateral Quality Tests, the Par Value Tests, the Concentration Limitations and the Minimum Par Value Ratio will be satisfied on the Effective Date. The occurrence of an Effective Date Ratings Downgrade Event will not cause an Event of Default with respect to the Securities. See "Risk Factors—Effective Date Ratings Downgrade Event".

Concentration Limitations..... Collateral Obligations acquired for the Collateral Portfolio will be subject to the concentration limitations set forth in the table below (the "**Concentration Limitations**").

		By Principal Balance (as an amount or a percentage of the Aggregate Principal Amount of the Collateral Portfolio)
(i)	Senior Secured Loans (including Assignments and Participations), Eligible Investments, Senior Secured Floating Rate Notes and Synthetic Securities with (1) Senior Secured Loans or (2) Senior Secured Floating Rate Notes as Reference Obligations	≥ 80.0%
(ii)	Collateral Obligations other than Senior Secured Loans	≤ 20.0%
(iii)	Senior unsecured debt securities and subordinate debt securities	≤ 5.0%
(iv)	Floating Rate Collateral Obligations*	≥ 95.0%
(v)	Single Obligor	≤ the greater of 2.0% or $10.0 million
	except that Collateral Obligations issued by up to five obligors may, with respect to each of such five obligors, constitute up to the greater of the percentage of the Collateral Portfolio and the dollar amount, in each case, as specified in the right column	≤ the greater of 2.5% or $12.5 million
(vi)	Same Moody's Industry Category;	≤ the greater of 8.0% or $40.0 million
	except that Collateral Obligations belonging to three Moody's Industry Categories may each constitute up to the greater of the percentage of the Collateral Portfolio and the dollar amount, in each case, as specified in the right column	≤ the greater of 12.0%, 10.0% or 10.0%, respectively, or $60 million, $50 million or $50 million, respectively.
(vii)	Collateral Obligations with a Moody's Rating below "B3"	≤ 7.5%
(viii)	Participations	≤ 10.0%
(ix)	Synthetic Securities**	≤ 20.0%
(x)	DIP Loans	≤ 7.5%
(xi)	Revolving Credit Facilities or Delayed Funding Term Loans	≤ 10.0%
(xii)	Zero-Coupon Securities	≤ 5.0%

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		By Principal Balance (as an amount or a percentage of the Aggregate Principal Amount of the Collateral Portfolio)
(xiii)	Structured Finance Securities	≤ 7.5%
(xiv)	Deferrable Interest Obligations	≤ 2.0%
(xv)	Step-Up Coupon Securities	≤ 2.0%
(xvi)	Current Pay Obligations	≤ 5.0%
(xvii)	Provide for optional conversion by the holder or have equity features attached that may be considered Margin Stock	≤ 0.1%
(xviii)	Finance Leases	≤ 0.0%
(xix)	Exchanged Defaulted Obligations	≤ 2.0%
(xx)	Non-U.S. Obligors	≤ 25.0%
(xxi)	Non-U.S. Obligors organized in any single European I country***	≤ 10.0%
(xxii)	Non-U.S. Obligors organized in any single European II country****	≤ 7.5%
(xxiii)	Non-U.S. Obligors organized in any jurisdiction other than Canada, any European I country***, or any European II country****	≤ 10.0%
(xxiv)	Maritime Collateral Obligations*****	≤ 3.0%
(xxv)	Tax Haven Collateral Obligations*****	≤ 3.0%
(xxvi)	Bivariate Risk Obligations******	≤ 20.0%
(xxvii)	Provide for payment of interest less frequently than quarterly (other than Zero-Coupon Securities and Step-Up Coupon Securities)	≤ 5.0%
(xxviii)	Deferrable Interest Obligations, Zero-Coupon Securities, Step-Up Coupon Securities and Collateral Obligations that provide for payment of interest less frequently than quarterly (other than Zero Coupon Securities and Step-Up Coupon Securities)	≤ 15.0%
(xxix)	Mature after the Stated Maturity of the Securities, but in no event later than two years after such Stated Maturity of the Securities	≤ 2.0%
(xxx)	DIP Loans issued by any single obligor	≤ 2.0%

* The principal balance of Principal Proceeds and Sale Proceeds on deposit in the Principal Collection Account and Eligible Investments purchased with such funds, shall be deemed to be Floating Rate Collateral Obligations that are Senior Secured Loans for purposes of calculating the Concentration Limitations.

** For Synthetic Securities, the Concentration Limitations shall be calculated with respect to the Reference Obligations.

*** European I country means Austria, Belgium, Denmark, Finland, France, Germany, Iceland, Ireland, Liechtenstein, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom and any other European country subject to the satisfaction of the Moody's Rating Condition and the S&P Rating Condition.

**** European II country means Greece, Italy, and Portugal.

***** The jurisdiction of organization of the obligor of a Maritime Collateral Obligation or a Tax Haven Collateral Obligation shall be deemed to be any jurisdiction, where at least 50% (by reference to the latest available consolidated financial statements) of (A) its (or its guarantor's) business operations or (B) its (or its guarantor's) assets primarily responsible for generating its (or its guarantor's) revenue, are located.

****** Subject to increase upon satisfaction of S&P Rating Condition.

Coverage Tests and the Reinvestment Test ..... The following tables set forth the Coverage Tests and the Reinvestment Test (which is not part of the Coverage Tests), and with respect to each such Coverage Test and the Reinvestment Test, where applicable, the minimum values at which such Coverage Test and the Reinvestment Test is satisfied and the expected values (in the case of the Par Value Ratios) on the Effective Date.

PAR VALUE TESTS AND REINVESTMENT TEST

Class	Required Par Value Ratio*,**	Par Value Ratio Expected Upon Effective Date****
A/B	114.0%	126.5%
C	109.1%	118.9%
D	103.6%	110.8%
E	101.5%	106.6%
Reinvestment Test	102.5%	106.6%

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INTEREST COVERAGE TESTS

Class	Required Interest Coverage Ratio*,***
A/B	114.0%
C	109.1%
D	103.6%

* Should be equal to or greater than the stated percentages.

** Applicable as of the Effective Date and any Measurement Date thereafter.

*** Applicable as of the Second Determination Date and any Measurement Date thereafter.

**** The percentages specified herein are based on certain assumptions relating to the Collateral Portfolio as of the date hereof and such assumptions may change in the future. Therefore, there can be no assurances that the actual Par Value Ratios and the Reinvestment Test, as the case may be, on the Effective Date, will be the same as the expected ratios specified herein.

Collateral Quality Tests..... The following table sets forth the Collateral Quality Tests, and with respect to each Collateral Quality Test, where applicable, the values at which such Collateral Quality Test is satisfied and the expected values upon the Effective Date.

THE COLLATERAL QUALITY TESTS

Test	Value at which Test is Satisfied	Expected Effective Date Value*
Diversity Test	Based on the table set forth below (the "Ratings Matrix")	≥ 50

	Minimum Diversity				
Minimum Weighted Average Spread	40	45	50	55	60
2.10%	2075	2150	2200	2255	2285
2.20%	2108	2183	2258	2313	2353
2.30%	2167	2242	2317	2382	2422
2.40%	2225	2288	2400	2453	2485
2.50%	2283	2348	2450	2513	2550
2.60%	2341	2404	2490	2553	2610
2.70%	2380	2463	2535	2603	2660
2.80%	2425	2508	2575	2643	2690
2.90%	2465	2543	2620	2678	2735
	Maximum Rating Factor				

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Notwithstanding the row/column combinations set forth above, the Collateral Manager on behalf of the Issuer may (in its sole discretion) determine a combination of values that is not set forth above using linear interpolation between values set forth above in accordance with the Indenture. Upon determination of a combination of values using linear interpolation, the Collateral Manager shall identify such combination to the Trustee and such combination shall be deemed a "row/column combination" for purposes of the Ratings Matrix.

Test	Value at which Test is Satisfied	Expected Effective Date Value*
Maximum Rating Factor Test	Based on the Ratings Matrix, as modified by the addition of the Rating Factor Modifier. "**Rating Factor Modifier**," as of any Measurement Date, will equal the number as calculated in the table below: **Moody's Weighted Average Recovery Rate as of such Measurement Date** / **Rating Factor Modifier** Less than 60.00% / the product of (i) the Moody's Weighted Average Recovery Rate as of such Measurement Date minus 43.00% and (ii) 5500 *provided* that, if the Moody's Weighted Average Recovery Rate shall be (1) greater than or equal to 60.00%, then solely for purposes of the calculation of the Rating Factor Modifier, the Moody's Weighted Average Recovery Rate shall equal 60.00% or (2) less than or equal to 43.00%, then solely for purposes of the calculation of the Rating Factor Modifier, the Moody's Weighted Average Recovery Rate shall equal 43.00%.	≤ 2450
Minimum Weighted Average Coupon Test	The Weighted Average Spread must equal or exceed the Minimum Weighted Average Spread set forth in the Ratings Matrix based upon the option chosen by the Collateral Manager as currently applicable to the Collateral Obligations. See "Security for the Secured Notes—The Collateral Quality Tests—Minimum Weighted Average Coupon Test".	

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	Maximum Average Life Test	See "Security for the Secured Notes—The Collateral Quality Tests—Maximum Average Life Test".	≤ 10.0 Years
	Moody's Minimum Weighted Average Recovery Rate Test	Equal to or greater than 43.00%.	44.50%
	S&P Minimum Weighted Average Recovery Rate Test	A test satisfied if, as of any Measurement Date, (i) the S&P Weighted Average Recovery Rate determined with respect to the Class S Notes is greater than or equal to 52.80%, (ii) the S&P Weighted Average Recovery Rate determined with respect to the Class A Notes is greater than or equal to 52.80%, (iii) the S&P Weighted Average Recovery Rate determined with respect to the Class B Notes is greater than or equal to 56.40%, (iv) the S&P Weighted Average Recovery Rate determined with respect to the Class C Notes is greater than or equal to 60.00%, (v) the S&P Weighted Average Recovery Rate determined with respect to the Class D Notes is greater than or equal to 63.60% and (vi) the S&P Weighted Average Recovery Rate determined with respect to the Class E Notes is greater than or equal to 65.60%.	With respect to (i) the Class S Notes 65.00%, (ii) the Class A Notes 65.00%, (iii) the Class B Notes 70.00%, (iv) the Class C Notes 73.50%, (v) the Class D Notes 75.50% and (vi) the Class E Notes 78.00%
	S&P CDO Monitor Test	Positive Class S Loss Differential, positive Class A Loss Differential, positive Class B Loss Differential, positive Class C Loss Differential, positive Class D Loss Differential and positive Class E Loss Differential.	Pass
		* The values specified herein are based on certain assumptions relating to the Collateral Portfolio as of the date hereof and such assumptions may change in the future. Therefore, there can be no assurances that the actual values for the Collateral Quality Tests on the Effective Date will be the same as the values specified herein. The expected value shown for the Maximum Rating Factor Test is the expected value unadjusted by the Rating Factor Modifier.	
		See "Security for the Secured Notes—The Coverage Tests" and "—The Collateral Quality Tests".	
Reinvestment in Collateral Obligations		During the Reinvestment Period, other than as described under "Description of the Securities—Priority of Payments—Principal Proceeds," Principal Proceeds received in respect of the Collateral Obligations will be applied, at the sole discretion of the Collateral Manager (i) to purchase Collateral Obligations so long as the Reinvestment Criteria are satisfied and/or (ii) if the Collateral Manager determines, in its sole discretion, that it is impractical or	

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	not beneficial to reinvest Principal Proceeds prior to the end of an Investment Due Period, to the payment of principal on the Co-Issued Notes pursuant to the Note Payment Sequence. In addition, during the Reinvestment Period, Interest Proceeds remaining prior to the payment of certain unpaid subordinated expenses and unpaid hedge termination payments, the distribution to the Collateral Manager in respect of the Incentive Collateral Management Fee and the distributions in respect of the Subordinated Securities will be used to reinvest in Collateral Obligations (or deposited into the Principal Collection Account or, if required under the terms of the Indenture, the Subordinated Securities Principal Collection Account, for investment in Eligible Investments pending investment in additional Collateral Obligations prior to the end of the Reinvestment Period) up to the amount necessary to satisfy the Reinvestment Test (but not to exceed 50% of such Interest Proceeds available). See "Description of the Securities—Priority of Payments—Interest Proceeds". Any Eligible Post Reinvestment Proceeds may also be used, in the sole discretion of the Collateral Manager, after the Reinvestment Period, but no later than the end of the applicable Investment Due Period, to purchase Collateral Obligations, so long as the Reinvestment Criteria are satisfied and, if not so used, shall be applied in accordance with the Priority of Payments. See "Description of the Securities—Priority of Payments".
Additional Issuance.....	Additional Securities of all existing Classes may be issued and sold, and the Issuer may use the proceeds to purchase additional Collateral Obligations and, if applicable, enter into Hedge Agreements, subject to the terms and conditions set forth herein. See "Description of the Securities—The Indenture—Additional Issuance".
Governing Law.....	The Securities, the Indenture, the Collateral Management Agreement, any Hedge Agreements, the Collateral Administration Agreement and the Securities Account Control Agreement will be governed by, and construed in accordance with, the laws of the State of New York.
Listing and Trading	There is currently no trading market for the Securities and there can be no assurance that such a market will develop. See "Risk Factors—Limited Liquidity and Restrictions on Transfer". Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for this Offering Circular to be approved. Application has been made to the Irish Stock Exchenge for the Securities to be admitted to the *Official List* and to trading on its regulated market. There can be no assurance that such listing will be approved or maintained. Such listing, if obtained, may be discontinued in certain circumstances. See "Risk Factors—Irish Stock Exchange Listing" and "Listing and General Information".
Tax Status.....	See "Income Tax Considerations".
ERISA Considerations.....	See "ERISA Considerations".

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RISK FACTORS

Prior to making an investment decision, prospective investors should carefully consider, in addition to the matters set forth elsewhere in this Offering Circular, the following factors:

Limited Liquidity and Restrictions on Transfer. There is currently no market for the Securities. Although Goldman, Sachs & Co. has advised the Issuers that it intends to make a market in the Securities, Goldman, Sachs & Co. is not obligated to do so, and any such market-making with respect to the Securities may be discontinued at any time without notice. There can be no assurance that any secondary market for any of the Securities will develop, or, if a secondary market does develop, that it will provide the Holders of such Securities with liquidity of investment or that it will continue for the life of such Securities. Consequently, a purchaser must be prepared to hold the Securities for an indefinite period of time or until Stated Maturity. In addition, no sale, assignment, participation, pledge or transfer of the Securities may be effected if, among other things, it would require any of the Issuer, the Co-Issuer or any of their respective officers or directors to register under, or otherwise be subject to the provisions of, the Investment Company Act or any other similar legislation or regulatory action. Furthermore, the Securities will not be registered under the Securities Act or any state securities laws, and the Issuer has no plans, and is under no obligation, to register the Securities under the Securities Act. The Securities are subject to certain transfer restrictions and can be transferred only to certain transferees as described herein under "Transfer Restrictions". Such restrictions on the transfer of the Securities may further limit their liquidity. See "Transfer Restrictions". Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for this Offering Circular to be approved. Application has been made to the Irish Stock Exchange for the Securities to be admitted to the *Official List* and to trading on its regulated market. There can be no assurance that such listing will be approved or maintained.

Limited Recourse Obligations. The Co-Issued Notes will be limited recourse secured obligations of the Issuers, the Class E Notes will be limited recourse secured obligations of the Issuer and the Subordinated Securities will be limited recourse unsecured obligations of the Issuer. None of the Collateral Manager, the Securityholders, the Initial Purchaser, the Trustee, any Hedge Counterparty, the Administrator, the Share Trustee or any Affiliates of any of the foregoing or any other person or entity will be obligated to make payments on the Securities. Consequently, Holders of the Securities must rely solely on distributions on the Collateral for the payment of principal, interest and premium, if any, thereon. If distributions on the Collateral are insufficient to make payments on the Securities, no other assets (and, in particular, no assets of the Collateral Manager, the Securityholders, the Initial Purchaser, the Trustee, any Hedge Counterparty, the Administrator, the Share Trustee or any directors or officers of the Issuers or any Affiliates of any of the foregoing) will be available for payment of the deficiency and following realization of the Collateral, the obligations of the Issuers or, in the case of the Class E Notes and Subordinated Securities, the Issuer, to pay such deficiency shall be extinguished and shall not thereafter revive. Each Securityholder by its acceptance of such Security will agree or be deemed to have agreed not to take any action or institute any proceedings against the Issuers under any insolvency law applicable to the Issuers or which would be likely to cause the Issuers to be subject to, or to seek the protection of, any insolvency law applicable to the Issuers, subject to certain limited exceptions.

Subordination of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Subordinated Securities. Except as described in "Summary—Status and Subordination," the Class A Notes are subordinated on each Payment Date to the Class S Notes, the Class B Notes are subordinated on each Payment Date to the Class A Notes, the Class C Notes are subordinated on each Payment Date to the Class B Notes, the Class D Notes are subordinated on each Payment Date to the Class C Notes, the Class E Notes are subordinated on each Payment Date to the Class D Notes and the Subordinated Securities are subordinated on each Payment Dete to the Class E Notes. Except as described in "Summary—Status and Subordination," no payments of interest or distributions from Interest Proceeds will be made on any Class of Securities on any Payment Date until current or Deferred Interest on the Securities of each Class to which such Class is subordinated has been paid, and no payments of principal or distributions from Principal Proceeds will be made on any such Class of Securities on any Payment Date until principal of the Securities of each Class to which such Class is subordinated has been paid in full, in each case in accordance with the Priority of Payments described herein. No distributions of Principal

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Proceeds to the Holders of the Subordinated Securities will be made until the Secured Notes have been repaid in full. See "Description of the Securities—Priority of Payments".

In addition, if an Event of Default occurs, as long as any Securities of the Controlling Class are Outstanding, the Holders of the Controlling Class will be entitled to determine the remedies to be exercised under the Indenture including the sale and liquidation of the Collateral (except that the Collateral may be sold and liquidated only if, among other things, the Trustee determines (and the Majority of the Controlling Class agrees with such determination) that the anticipated proceeds of such sale or liquidation (after deducting the reasonable expenses of such sale or liquidation) would be sufficient to pay in full the Aggregate Outstanding Amount of the Secured Notes, plus accrued and unpaid interest, and certain other amounts, or the Holders of at least 66 2/3% of the Aggregate Outstanding Amount of the Secured Notes of each Class (with each such Class voting separately) direct, subject to the provisions of the Indenture, such sale and liquidation). Remedies pursued by the Holders of the Controlling Class could be adverse to the interests of the Holders of the subordinated Classes of Securities. See "Description of the Securities—The Indenture—Events of Default".

Unsecured Subordinated Securities. The Subordinated Securities are not secured by the Collateral Obligations or the other Collateral securing the Secured Notes. As such, the Holders of the Subordinated Securities will rank behind all of the secured creditors, whether known or unknown, of the Issuer, including, without limitation, the Holders of the Secured Notes and any Hedge Counterparties. No person or entity other then the Issuer will be required to make any distributions on the Subordinated Securities. Except with respect to the obligations of the Issuer to make payments pursuant to the Priority of Payments, the Issuer does not expect to have any creditors. Any distributions on the Subordinated Securities will be payable only to the extent funds are available in accordance with the Priority of Payments.

Optional Redemption of Securities. An optional redemption of Securities could require the Collateral Manager to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realized value of the securities sold. In addition, the optional redemption requirements in the Indenture may require the Collateral Manager to aggregate securities to be sold together in one block transaction, thereby possibly resulting in a lower realized value for the securities sold.

Redemption by Refinancing. The Secured Notes are subject to Redemption by Refinancing. The Holders of at least a Majority of the Subordinated Securities may direct the redemption of any Class of Secured Notes in whole but not in part on any Scheduled Payment Date occurring after the Non-Call Period, in connection with a Redemption by Refinancing by directing the Issuer to issue Replacement Notes (which may accrue interest at a floating rate or fixed rate as described herein), the proceeds of which will be used to fully redeem such Class or Classes of Secured Notes, as applicable. A Redemption by Refinancing will be required to result in the redemption of all of the Secured Notes of the affected Class or Classes but need not result in the redemption of all Classes of Secured Notes. There is no assurance that the Holders of any Class of Secured Notes refinanced will be able to invest the proceeds thereof in comparable securities earning a comparable rate of return.

Mandatory Redemption of Secured Notes in Case of Failure of the Coverage Tests. If any Par Value Test (excluding the Class E Par Value Test) with respect to the applicable Class or Classes of Co-Issued Notes is not met on the Determination Date immediately preceding a Scheduled Payment Date or if any Interest Coverage Test with respect to any Class or Classes of Co-Issued Notes is not met on any Determination Date on or after the Second Determination Date, Principal Proceeds and, thereafter, Interest Proceeds that would have been paid to the Holders of each Class of Securities that is subordinated to such Class or Classes will be used to redeem the Securities of the most senior Class or Classes then Outstanding to the extent necessary to restore the applicable Coverage Test to the minimum required level as described under "Security for the Secured Notes—The Coverage Tests" or cause any Class of Securities to which such unsatisfied test relates to be redeemed in full. If the Class E Par Value Test is not met on the Determination Date immediately preceding a Scheduled Payment Date, Interest Proceeds that otherwise would have been paid to the Holders of the Subordinated Securities will be used to redeem the Class E Notes, to the extent necessary to restore the Class E Par Value Test to the minimum required level. The foregoing could result in an elimination, deferral or reduction in the funds available to make interest payments or principal repayments to the Holders of the Class C Notes, the Class D Notes and the Class E Notes and distributions to the

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Holders of the Subordinated Securities. See "Description of the Securities—Priority of Payments" and "Security for the Secured Notes—The Coverage Tests".

Effective Date Ratings Downgrade Event. Although Collateral Obligations with an Aggregate Principal Amount equal to approximately 87% of the Collateral Portfolio to be purchased by the Issuer will be purchased (or the Issuer will have entered into agreements to purchase) as of the Closing Date, a portion of the Collateral Portfolio will be purchased after the Closing Date and the price and availability of Collateral Obligations may be adversely affected by volatility in the market for Collateral Obligations. Consequently, the ability of the Issuer to purchase Collateral Obligations by the Effective Date at desirable prices and meeting the requirements set forth herein may be compromised. The Issuer will request that each of the Rating Agencies confirm (or, in the case of Moody's, submit information such that Moody's may be deemed to have confirmed) the initial ratings of the Secured Notes on the Effective Date. The inability of the Issuer to purchase a suitable portfolio prior to the Effective Date may result in an Effective Date Ratings Downgrade Event. If an Effective Date Ratings Downgrade Event occurs, the Issuer is required to, in accordance with the Priority of Payments, apply Interest Proceeds and, to the extent the application of Interest Proceeds is insufficient, Principal Proceeds to pay principal of the Secured Notes (other than the Class S Notes) pursuant to the Note Payment Sequence until the Secured Notes (other than the Class S Notes) are paid in full or until such Effective Date Ratings Downgrade Event no longer exists. See "Description of the Securities—Priority of Payments". The occurrence of an Effective Date Ratings Downgrade Event will not cause an Event of Default.

Use of Interest Proceeds to Purchase Collateral Obligations. During the Reinvestment Period, Interest Proceeds remaining on each Payment Date prior to the payment of certain unpaid subordinated expenses and unpaid hedge termination payments, the distribution to the Collateral Manager in respect of the Incentive Collateral Management Fee and distributions in respect of the Subordinated Securities will be used to reinvest in Collateral Obligations up to the amount necessary to satisfy the Reinvestment Test (but not to exceed 50% of such Interest Proceeds available on such Payment Date). As a result, distributions to the Holders of Subordinated Securities will be reduced to the extent of the portion of Interest Proceeds used during the Reinvestment Period to reinvest in Collateral Obligations. See "Description of the Securities—Priority of Payments—Interest Proceeds".

Nature of Non-Investment Grade Collateral; Defaults; Loans. The Collateral is subject to credit, liquidity and interest rate risks. The Collateral Obligations pledged to secure the Secured Notes will consist of a portfolio of assets which consist primarily of Dollar denominated loans (including Assignments or Participations) and high yield debt securities, primarily rated below investment grade (or of equivalent credit quality), Structured Finance Securities and Synthetic Securities, the Reference Obligations of which will likely be rated below investment grade, all of which will have greater credit and liquidity risk than investment grade sovereign or corporate bonds or loans.

High yield debt securities are generally unsecured (and loans may be unsecured) and may be subordinated to certain other obligations of the issuer thereof. The lower rating of high yield securities and below investment grade loans reflects a greater possibility that adverse changes in the financial condition of an issuer or obligor or in general economic conditions or both may impair the ability of the issuer or obligor to make payments of principal or interest. Such investments may be speculative. See "The Loan Market".

A portion of the Collateral Portfolio may consist of middle market loans and second lien loans. Issuance sizes and lending syndicates for middle market loans are usually smaller than those for widely syndicated leveraged loans and thus less liquid given their smaller loan sizes. The Issuer's right to the proceeds on the liquidation of the collateral for a second lien loan will be subordinate to the rights of the holders of the first lien on the related collateral, and consequently, the Issuer's recovery on such a loan may be reduced. Collateral Obligations that are second lien loans may be less liquid than loans secured by a first lien.

The Issuer will acquire interests in loans and other debt obligations directly by way of sale, Assignment or Participation. The purchaser of an Assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. In

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purchasing Participations, the Issuer generally has only a contractual relationship with the Selling Institution and will have no right to directly enforce compliance by the borrower with the terms of the loan agreement. See "—Assignments of and Participations in Loans".

Purchasers of loans are predominantly commercial banks, investment funds and investment banks. As secondary market trading volumes increase, new loans frequently contain standardized documentation to facilitate loan trading which may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Loans are not purchased or sold as easily as publicly traded securities are purchased or sold because, among other things, the holders of such loans are provided confidential information relating to the borrower, the loan agreement with respect to such loans is unique and customized and such loans are privately syndicated. In addition, historically the trading volume in the loan market has been small relative to the high yield debt market. See "The Loan Market".

The market value of the Collateral Obligations will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets (including, particularly, the market for high yield debt obligations), international political events, developments or trends in any particular industry and the financial condition of the issuers of the Collateral Obligations. The public market for high yield debt obligations, in particular, has experienced periods of volatility and periods of reduced liquidity.

The offering of the Securities has been structured to withstand certain assumed losses relating to defaults on the underlying Collateral Obligations. See "Rating of the Securities". There is no assurance that actual losses will not exceed such assumed losses over any given time period. If any losses exceed such assumed levels, however, payments or distributions on the Securities could be adversely affected by defaults. To the extent that a default occurs with respect to any Collateral Obligation and the Trustee sells or otherwise disposes of such Collateral Obligation, it is not likely that the proceeds of such sale or disposition will be equal to the unpaid principal and interest thereon and such default and/or sale/disposition may reduce, if not eliminate, the availability of funds that would otherwise be distributable to the Holders of the Securities.

Concentration Risk. The Issuer will invest in a portfolio of Collateral Obligations consisting of Assignments or Participations of loans, high yield debt securities, Synthetic Securities, Finance Leases and Structured Finance Securities. Although no significant concentration with respect to any particular obligor, industry or country (other than the United States) is expected to exist at the Effective Date, the concentration of the portfolio in any one obligor would subject the Securities to a greater degree of risk with respect to defaults by such obligor, and the concentration of the portfolio in any one industry would subject the Securities to a greater degree of risk with respect to economic downturns relating to such industry. See "Security for the Secured Notes".

International Investing. A portion of the Collateral may consist of Collateral Obligations that are obligations of non-U.S. obligors. Investing outside the United States may involve greater risks than investing in the United States. These risks include: (i) less publicly available information, (ii) varying levels of governmental regulation and supervision and (iii) the difficulty of enforcing legal rights in a non- U.S. jurisdiction and uncertainties as to the status, interpretation and application of laws. Moreover, non- U.S. obligors may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to United States companies. Moreover, if the sovereign rating of a country in which an obligor on a Collateral Obligation is located is downgraded, the ratings applicable to such Collateral Obligation may decline as well.

Synthetic Securities. Synthetic Securities expose the Issuer to the credit risks associated with the Reference Obligations consisting of high yield debt securities and non-investment grade loans. However, the Issuer will usually have a contractual relationship only with the counterparty of such Synthetic Security, and not with the Reference Obligor. Generally, the Issuer will have no right to directly enforce compliance by the Reference Obligor with the terms of the Reference Obligation nor any rights of set-off against the Reference Obligor. The Issuer may be subject to set-off rights exercised by the Reference Obligor against the counterparty. The Issuer will not have any voting rights with respect to the Reference Obligation. The

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Issuer will not directly benefit from any collateral that may support the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holdar of such Reference Obligation. In addition, in the event of the insolvency of the counterparty, the Issuer will be treated as a general creditor of such 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 counterparty as well as that of the Reference Obligor. As a result, concentrations of Synthetic Securities in any one counterparty subject the Securities to an additional degree of risk with respect to defaults by such counterparty as well as by the Reference Obligor. The Collateral Manager will not perform independent credit analyses of the counterparties. However, any such counterparty, or an entity guaranteeing such counterparty, individually and in the aggregate shall satisfy the required ratings set forth in the definition of "Synthetic Security Counterparty". The Rating Agencies may downgrade any of the Co-Issued Notes if a Synthatic Security Counterparty has been downgraded by either of the Rating Agencies such that the Issuer is not in compliance with the Synthetic Security Counterparty rating requirements. The Initial Purchaser and/or one or more of its Affiliates, with acceptable credit support arrangements, if necessary, may act as counterparty with respact to all or a portion of the Synthetic Securities, which may create certain conflicts of interest. See "—Certain Conflicts of Interest".

Structured Finance Securities. A portion of the Collateral Obligations may consist of Structured Finance Securities. Structured Finance Securities may present risks similar to those of the other types of Collateral Obligations in which the Issuer may invest and, in fact, such risks may be present to a greater dagree in the case of Structured Finance Securities. Moreover, investing in Structured Finance Securities may entail a variety of unique risks. Among other risks, Structured Finance Securities may be subject to prepayment risk, credit risk, liquidity risk, market risk, structural risk, legal risk and interest rate risk (which may be exacerbated if the interest rate payable on a Structured Finance Security changes based on changes in interest rates or inversely in relation to changes in interest rates). In addition, certain Structured Finance Securities may provide that non-payment of interest will not constitute an event of default in certain circumstances and the holders of such securities will not have available to them any associated default remedies. During such period of non-payment, such non-paid interest will generally be capitalized and added to the outstanding principal balance of the related security. Furthermore, (i) the performance of a Structured Finance Security will be affected by a variety of factors, including its priority in the capital structure of its issuer, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that ara being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the competence of the servicer of the underlying assets and (ii) the price of a Structured Finance Security, if required to be sold, may also be subjact to certain market and liquidity risks for securities of its type at the time of sale. The Issuer will be subject to restrictions on the amount of Structured Finance Securities it may hold.

Securities Lending. The Collateral Obligations may be loaned to one or more Securities Lending Counterparties. See "Security for the Secured Notes—Securities Lending". In the event that a Securities Lending Counterparty defaults on its obligation to return such loaned Collateral Obligation because of insolvency or otherwise, the Issuer could experience deleys and costs in gaining access to the collateral posted by the borrower (and in extreme circumstances could be restricted from selling the collateral). In the event that the borrower defaults, the Holders of the Securities could suffer a loss to the extent that the realized value of the cash or securities securing the obligation of the borrower to return a loaned Collateral Obligation (less expenses) is less than the amount required to purchase such Collateral Obligation in the open market. This shortfall could be due to, among other things, discrepancies between the mark-to-market and actual transaction prices for the loaned Collateral Obligations arising from limited liquidity or availability of the loaned Collateral Obligations (and, in extreme circumstances, the loaned Collateral Obligations being unavailable at any price). The Rating Agencies may downgrade any of the Co-Issued Notes if a borrower of a Collateral Obligation or, if applicable, the entity guaranteeing the performance of such borrower, does not satisfy the Securities Lending Counterparty rating requirements. The Initial Purchaser and/or one or more of its Affiliates, with acceptable credit support arrangements, if necessary, may borrow Collateral Obligations, which may create certain conflicts of interest. In addition, the Issuer may be required to indemnify a collateral agent or any other person acting in a similar capacity in connection with a Securities Lending Agreement (any such indemnity payments will constitute Administrative Expenses and will only be paid on a subordinated basis, subject to the Priority of Payments). See "—Certain Conflicts of Interest".

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Insolvency Considerations with Respect to Issuers of Collateral Obligations. In the event of the insolvency of an issuer or obligor of a Collateral Obligation, payments made on such Collateral Obligation could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year) before insolvency. The Collateral Obligations consisting of obligations of non-U.S. issuers or obligors may be subject to various laws enacted in the countries of their issuance for the protection of creditors. These insolvency considerations will differ depending on the country in which each issuer is located or domiciled and may differ depending on whether the issuer or obligor is a non-sovereign or a sovereign entity.

Various laws enacted for the protection of creditors may apply to the Collateral Obligations. The information in this and the following paragraph is applicable with respect to U.S. issuers or obligors subject to United States federal bankruptcy law. Insolvency considerations may differ with respect to other issuers. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of an issuer or obligor of a Collateral Obligation, such as a trustee in bankruptcy, were to find that the issuer or the obligor did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting the Collateral Obligation and, after giving effect to such indebtedness, the issuer or obligor (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 as a fraudulent conveyance, to subordinate such indebtedness to existing or future creditors of such issuer or obligor, or to recover amounts previously paid by such issuer or obligor in satisfaction of such indebtedness. The measure of insolvency for purposes of the foregoing will vary. Generally, an issuer or obligor 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 saleable value of its assets was 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 or obligor was "insolvent" after giving effect to the incurrence of the indebtedness constituting the Collateral Obligation 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 general, if payments on a Collateral Obligation 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 Securities). To the extent that any such payments are recaptured from the Issuer, the resulting loss will be borne first by the Holders of the Subordinated Securities, then by the Holders of the Class E Notes, then by the Holders of the Class D Notes, then by the Holders of the Class C Notes, then by the Holders of the Class B Notes, then by the Holders of the Class A Notes and finally by the Holders of the Class S Notes (only to the extent such Note is outstanding at such time). However, a court in a bankruptcy or insolvency proceeding would be able to direct the recapture of any such payment from a Holder of Securities 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 Security, in good faith and without knowledge that the payments were avoidable. Nevertheless, since there is no judicial precedent relating to structured securities such as the Securities, there can be no assurance that a Holder of the Securities will be able to avoid recapture on this or any other basis. See also "—Assignments of and Participations in Loans".

The Issuer does not intend to engage in conduct that would form the basis for a successful cause of action based upon fraudulent conveyance, preference or equitable subordination. There can be no assurance, however, that such a successful cause of action against the Issuer will not occur, or as to whether any lending institution or other investor from which the Issuer acquired the Collateral Obligations engaged in any such conduct (or any other conduct that would subject the Collateral Obligations and the Issuer to insolvency laws) and, if it did, as to whether such creditor claims could be asserted in a U.S. court (or in the courts of any other country) against the Issuer.

Lender Liability Considerations; Equitable Subordination. A number of judicial decisions in the United States have upheld the right of borrowers to sue lenders or bondholders on the basis of various evolving legal theories (collectively, termed "**lender liability**"). Generally, lender liability is founded upon the premise that an institutional lender or bondholder has violated a duty (whether implied or contractual) of good

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faith and fair dealing owed to the borrower or issuer or has assumed a degree of control over the borrower or issuer resulting in the creation of a fiduciary duty owed to the borrower or issuer or its other creditors or shareholders. Although it would be a novel application of the lender liability theories, the Issuer may be subject to allegations of lender liability. However, the Issuer does not intend to engage in conduct that would form the basis for a successful cause of action based upon 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, such remedy called "equitable subordination". Because of the nature of the Collateral Obligations, the Issuer may be subject to claims from creditors of an obligor that Collateral Obligations issued by such obligor that are held by the Issuer should be equitably subordinated. However, the Issuer does not intend to engage in conduct that would form the basis for a successful cause of action based upon the equitable subordination doctrine.

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.

Volatility of Collateral Market Value and the Securities. The market value of the Collateral Obligations will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, developments or trends in any particular industry and the financial condition of the issuers of the Collateral Obligations. The markets for high yield corporate debt securities and loans have in the past experienced periods of volatility and periods of reduced liquidity. A decrease in the market value of the Collateral Obligations would adversely affect the Sale Proceeds that could be obtained upon the sale of the Collateral Obligations and could ultimately affect the ability of the Issuers to effect an optional redemption of the Securities, pay the principal of the Secured Notes or make distributions on the Subordinated Securities.

The financial markets have experienced substantial fluctuations in prices for loans and high yield debt securities and limited liquidity for such obligations. No assurance can be made that the conditions giving rise to such price fluctuations and limited liquidity will not continue or become more acute following the Closing Date. During periods of limited liquidity and higher price volatility, the Issuer's ability to acquire or dispose of Collateral Obligations at a price and time that the Issuer deems advantageous may be impaired. As a result, in periods of rising market prices, the Issuer may be unable to participate in price increases fully to the extent that it is unable to acquire desired positions quickly; and the Issuer's inability to dispose fully and promptly of positions in declining markets will conversely cause its net asset value to decline as the value of unsold positions is marked to lower prices.

There can be no assurance that current economic conditions and the effects of increased interest rates and corresponding price volatility will not adversely impact the investment returns ultimately realized by investors or continued compliance with, among other things, the Coverage Tests.

Assignments of, and Participations in, Loans. The Issuer may purchase an interest in loans comprising Collateral Obligations either directly (by way of sale or Assignment) or indirectly (by way of Participation), subject to certain limitations set forth in the Indenture.

The purchaser of an Assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the loan agreement with respect to the loan. The Issuer as an assignee will generally have the right to receive directly from the borrower all payments of principal and interest to which it is entitled under the Assignment. As a purchaser of an Assignment, the Issuer typically will have the same voting rights as other lenders under the applicable loan agreement and will have the right

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to vote to waive enforcement of breaches of covenants. The Issuer will also have the same rights as other lenders to enforce compliance by the borrower with the terms of the loan agreement, to set-off claims against the borrower and to have recourse to collateral supporting the loan. As a result, in cases of Assignments, the Issuer will generally not assume the credit risk of the assigning institution, and the insolvency of an assigning institution should have little effect on the ability of the Issuer to continue to receive payments of principal or interest from the borrower. The Issuer will, however, assume the credit risk of the borrower.

In purchasing Participations, the Issuer will usually heve a contractual relationship only with the Selling Institution, and not the borrower. When the Issuer holds a Participation in a loan it generally will not have the right to enforce compliance by the borrower with the terms of the loan agreement or have the right to vote to waive enforcement of any restrictive covenant breached by a borrower. However, most participation agreements provide that the Selling Institution may not vote in favor of any amendment, modification or waiver that forgives principal or interest, reduces principal or interest that is payable, postpones any payment of principal (whether a scheduled peyment or a mandatory prepayment) or interest or releases any material guarantee or security without the consent of the participant (at least to the extent that the participant would be affected by any such amendment, modification or waiver). Selling Institutions voting in connection with a potential waiver of a restrictive covenant may have interests different from those of the Issuer as such Selling Institutions are not required to consider the interests of the Issuer in connection with their votes. In addition, the Issuer will have no rights of set-off against the borrower. The Issuer may not directly benefit from the collateral supporting the related loan and generally will have no right to enforce directly compliance by the borrower under the loan agreements. The Issuer may purchase a Participation from a Selling Institution that does not itself retain any portion of the loan and, therefore, may have limited interest in monitoring the terms of the loan agreement and the continuing creditworthiness of the borrower.

In addition, depending upon the circumstances, in the event of the insolvency of the Selling Institution, under the laws of the United States of America and the States thereof, the Issuer may experience delays in receiving payments made to the Selling Institution by the borrower or may be treated as a general creditor of the Selling Institution with respect to certain payments end the Issuer may suffer a loss to the extent the borrower may set-off claims against the Selling Institution or, if it is treeted as a general creditor of the Selling Institution it may not have any exclusive or senior claim with respect to the Selling Institution's interest in, or the collateral with respect to, the loan. Consequently, the Issuer may be subject to the credit risk of the Selling Institution as well as that of the borrower. The Collaterel Menager has not and will not perform independent credit analyses of the Selling Institutions.

Certain of the loans or Participations may be governed by the law of a jurisdiction other than a United States jurisdiction. The Issuer is unable to provide any information with respect to the risks associated with purchasing a Participation under an agreement governed by the laws of a jurisdiction other then a United States jurisdiction, including characterization under such laws of such Participation or sub-Participation in the event of the insolvency of the institution from whom the Issuer purcheses such Participation or sub-Participation or the insolvency of the institution from whom the grantor of the sub-Participation purchased its Participation.

Collateral Reinvestment Provisions; Restrictions on Acquisition and Disposition. During the Reinvestment Period and, to the limited extent described more fully herein, after the Reinvestment Period, so long as certain requirements are met, the Collateral Manager will have sole discretion to reinvest Principal Proceeds and in some cases Interest Proceeds, in additional Collaterel Obligations, end dispose of Credit Risk Obligations, Credit Improved Obligations and certain Collateral Obligations and to reinvest the Sale Proceeds thereof in Substitute Collateral Obligations, in each case in compliance with the Reinvestment Criteria, end certain other requirements set forth herein and in the Indenture. The exercise by the Collateral Manager of its discretion in disposing of such Collateral Obligations and purchasing Substitute Collateral Obligations in compliance with the Reinvestment Criteria and such other requirements will expose the Issuer to the market conditions prevailing at the time of such sale and reinvestment. Such actions during periods of adverse market conditions may result in unfavorable changes in the characteristics and quality of the Collateral Portfolio and may result in a decrease in the overall yield on the Collateral Portfolio, adversely affecting the Issuer's ability to make payments on the Securities. Further, due to the significant restrictions imposed by the Indenture on the Collateral Manager's ability to buy and sell Collateral Obligations, during certain periods or in certain circumstances, the Collateral Manager may be unable as a result of such

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restrictions to buy or sell securities or to take other actions which it might consider to be in the best interests of the Issuer and the Holders of the Securities. See "Security for the Secured Notes—Sale of Collateral Obligations; Substitute Securities; Exchange of Defaulted Obligations and Reinvestment Criteria".

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 and unpaid interest thereon. Prepayments on loans may be caused by a variety of factors which are difficult to predict. Accordingly, 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 as described in the preceding paragraph. Any inability of the Issuer to reinvest payments or other proceeds in Collateral Obligations with comparable interest rates that satisfy the Reinvestment Criteria may adversely affect the timing and amount of payments and distributions received by the Holders of the Securities and the yield to maturity of the Securities. There can be no assurance that the Issuer will be able to reinvest proceeds in Collateral Obligations with comparable interest rates that satisfy the Reinvestment Criteria or (if it is able to make such reinvestments) as to the length of any delays before such investments are made.

Recoveries. To the extent that defaults occur with respect to any Collateral Obligation and the Issuer sells or otherwise disposes of such Collateral Obligations, it is unlikely that the proceeds of such sales or dispositions, together with the value of the remaining Collateral, will be equal to the unpaid principal of and interest on all of the Secured Notes and the purchase price of the Subordinated Securities. In addition, the Issuer may incur additional expenses to the extent it is required to seek recovery upon a default on a Collateral Obligation or participate in the restructuring of such Collateral Obligation. Moreover, there can be no assurance on the timing of any recoveries.

Average Life and Prepayment Considerations. The Stated Maturity of each Class of Securities (other than the Class S Notes) is the Payment Date in February 2021 and, with respect to the Class S Notes, February 2014; however, the average life of each Class is expected to be shorter than the number of years until the Stated Maturity. See "Summary—The Offering" and "Maturity and Prepayment Considerations".

The approximations of the average life of each Class of Secured Notes set forth in the table in "Summary—The Offering" with respect to the average life of each Class of Secured Notes are not predictive and do not necessarily reflect historical performance and defaults for loans and high yield debt securities; in fact, the average life of the Secured Notes will be affected by the ability of the Issuer to reinvest Principal Proceeds in Collateral Obligations during the Permitted Reinvestment Period (and to the extent of Eligible Post Reinvestment Proceeds, after the Reinvestment Period). Such approximations will also be affected by the financial condition of the issuers of the underlying Collateral Obligations and the characteristics of such securities, including the existence and frequency of exercise of any optional redemption, mandatory prepayment or sinking fund features, the prevailing level of interest rates, the redemption price, the actual default rate and the actual level of recoveries on any Defaulted Obligations, the frequency of tender or exchange offers for the Collateral Obligations and on any sales of Collateral Obligations. In addition, if principal payments on the Secured Notes occur under the circumstances described under "Summary—The Offering—Principal Payments on the Secured Notes," the average life of the Secured Notes will also be affected. See "Maturity and Prepayment Considerations" and "Security for the Secured Notes—Sale of Collateral Obligations; Substitute Securities; Exchange of Defaulted Obligations and Reinvestment Criteria".

Distribution of Principal Proceeds Prior to the End of the Reinvestment Period. On each Scheduled Payment Date during the Reinvestment Period, Principal Proceeds will be distributed to the Holders of the Secured Notes in accordance with the Priority of Payments, if the Collateral Manager determines, in its sole judgment (which judgment shall not be subject to question as a result of subsequent events), that it is impractical or not beneficial to reinvest Principal Proceeds by the end of the applicable Investment Due Period. Distribution of Principal Proceeds to Holders of the Secured Notes prior to the end of the Reinvestment Period may shorten the expected lives of the Secured Notes and affect the timing and amount of distributions on the Subordinated Securities. See "Maturity and Prepayment Considerations".

Interest Rate Risk; Floating Rate Indices for Collateral Obligations. The Concentration Limitations require that not less than a certain percentage of the Collateral Portfolio will bear interest based on LIBOR or another floating rate index. See "Summary—Concentration Limitations". Principal Proceeds and Sale

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Proceeds may be reinvested in Collateral Obligations, subject to certain limitations specified herein, or, together with Interest Proceeds, invested in Eligible Investments pending application in accordance with the Priority of Payments. There is no requirement that such Eligible Investments bear interest at LIBOR, and the interest rates available for such Eligible Investments are inherently uncertain. The Floating Rate Notes will bear interest at a rate based on LIBOR for Eurodollar deposits for the Applicable Period, as determined on each LIBOR Determination Date. As a result, there may be a floating/fixed rate or basis mismatch between the Floating Rate Notes and any underlying Fixed Rate Collateral Obligations and there may be a basis or timing mismatch between such Floating Rate Notes and the Floating Rate Colleteral Obligations as the interest rate on such Floating Rate Collateral Obligations may adjust more frequently or less frequently, on different dates and based on different indices than the interest rates on the Floating Rate Notes. As a result of such mismatches, an increase in the level of LIBOR could adversely impact the ability to make payments on the Secured Notes, as well as the ability to make distributions on the Subordinated Securities. The Issuer may purchase one or more Hedge Agreements (which may be interest rate swap agreements or interest rate cap agreements) in order to reduce the impact of the interest rate mismatch. However, despite the Issuer having the option of purchasing one or more Hedge Agreements and although distribution of Interest Proceeds to the Holders of the Subordinated Securities will be subordinated to the payment of interest on the Secured Notes, there can be no assurance that the Collateral Obligations and the Eligible Investments will in all circumstances generate sufficient Interest Proceeds to make timely payments of interest on the Secured Notes or amounts subordinated thereto including distributions to the Holders of the Subordinated Securities. The Initial Purchaser and/or one or more of its Affiliates, with acceptable credit support arrangements, if necessary, may act as counterparty with respect to all or some of such Hedge Agreements, which could create certain conflicts of interest. See "—Certain Conflicts of Interest".

In the event of the insolvency of a Hedge Counterparty, the Issuer would be treated as a general creditor of such Hedge Counterparty.

Changes in Tax Law; No Gross-Up. A Collateral Obligation will be eligible for purchase by the Issuer if, at the time it is purchased (or committed for purchase), either the payments thereon are not subject to withholding taxes (except for withholding taxes with respect to fees received under a Securities Lending Agreement and commitment fees associated with Collateral Obligations constituting Revolving Credit Facilities or Delayed Funding Term Loans) imposed by any jurisdiction or the obligor is required to make "gross-up" payments that cover the full amount of any such withholding taxes. There can be no assurance that, as a result of any change in any applicable law, treaty, rule or regulation or interpretation thereof, the payments on certain Collateral Obligations (such as Finance Leases, if they were to be treated as leases rather than debt) would not become or be treated as subject to withholding taxes imposed by any jurisdiction. In addition, the Internal Revenue Service and Treasury have requested comments on the appropriate treatment of credit default swaps, which often are included as Synthetic Securities, and possible alternative treatments could result in withhold on payments received by the Issuer. In that event, if the obligors of such Collateral Obligations were not then required to make or in fact failed to make "gross-up" payments that cover the full amount of any such withholding taxes, the amounts available to make payments on, or distributions to, the Holders of the Securities would accordingly be reduced. There can be no assurance that remaining payments on the Collateral would be sufficient to make timely payments of interest on and payment of principal at the Stated Maturity of each Class of Secured Notes and, consequently, to make distributions to the Holders of the Subordinated Securities. For additional tax considerations, see "Income Tax Considerations".

In the event that any withholding tax is imposed on payments on the Securities, the Holders of such Securities will not be entitled to receive "gross-up" amounts to compensate for such withholding tax. In addition, upon the occurrence of a Withholding Tax Event, the Issuer may on any Business Day, whether during or after the Non-Call Period, simultaneously redeem in whole but not in part, at redemption prices specified herein, the Securities in accordance with the procedures described under "Description of the Securities—Optional Redemption—Optional Redemption Procedures" below.

Additional Tax. The Issuer expects to conduct its affairs so that its net income will not become subject to U.S. federal income tax. There can be no assurance, however, that its net income will not become subject to United States federal income tax as the result of unanticipated activities by the Issuer, changes in law, contrary conclusions by the U.S. tax authorities or other causes. Investors should note that the

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Treasury and the Internal Revenue Service recently announced that they are considering taxpayer requests for specific guidance on, among other things, whether a foreign person may be treated as engaged in a trade or business in the United States by virtue of entering into credit default swaps. However, the Treasury and the Internal Revenue Service have not yet provided any guidance on whether they believe entering into credit default swaps may cause a foreign person to be treated as engaged in a trade or business in the United States and if so, what facts and circumstances must be present for this conclusion to apply. Any future guidance issued by the Treasury and/or the Internal Revenue Service may have an adverse impact on the tax treatment of the Issuer. See discussion under the heading "Income Tax Considerations—Tax Treatment of the Issuer" below.

Legislation and Regulations In Connection With the Prevention of Money Laundering. The Uniting and Strengthening America By Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the **"USA PATRIOT Act"**), signed into law on and effective as of October 26, 2001, imposes anti-money laundering obligations on different types of financial institutions, including banks, broker-dealers and investment companies. The USA PATRIOT Act requires the Secretary of the United States Department of the Treasury (the **"Treasury"**) to prescribe regulations to define the types of investment companies subject to the USA PATRIOT Act and the related anti-money laundering obligations. It is not clear whether the Treasury will require entities such as the Issuer to enact anti-money laundering policies. It is possible that the Treasury will promulgate regulations requiring the Issuers or the Initial Purchaser or other service providers to the Issuers, in connection with the establishment of anti-money laundering procedures, to share information with governmental authorities with respect to investors in the Securities. Such legislation and/or regulations could require the Issuers to implement additional restrictions on the transfer of the Securities. As may be required, the Issuer reserves the right to request such information and take such actions as are necessary to enable it to comply with the USA PATRIOT Act.

Regulation U Requirements. Regulation U governs certain extensions of credit that are secured by Margin Stock by persons other than securities broker-dealers (such persons, **"Regulation U Lenders"**). Under current interpretations of Regulation U by the Board of Governors of the Federal Reserve System (**"FRB"**) and its staff, the purchase of a debt security such as the Securities in a private placement may constitute an extension of credit. Among other things, Regulation U generally imposes certain limits on the amount of credit that Regulation U Lenders may extend which is used to purchase or carry Margin Stock (**"Purpose Credit"**). The provisions of the Indenture and the Collateral Management Agreement are intended to ensure that (i) the purchasers of the Subordinated Securities (which are not secured by Margin Stock) are not Regulation U Lenders and (ii) the credit extended by purchasing the Secured Notes (which is secured by the Collateral, which may include Margin Stock) is not Purpose Credit. Regulation U Lenders are not subject to the Regulation U credit limits with respect to extensions of credit that are not Purpose Credit.

Regulation U also generally requires Regulation U Lenders (other than persons that are banks within the meaning of Regulation U) who are not otherwise exempted from the registration requirements to register with the FRB. Under an interpretation of Regulation U by the FRB staff, Qualified Institutional Buyers purchasing debt securities in a transaction in compliance with Rule 144A are not required to register with the FRB where the proceeds of the securities are not Purpose Credit. Non-U.S. Persons purchasing Secured Notes in reliance on Regulation S who do not have their principal place of business in a Federal Reserve District of the FRB are also not required to register with the FRB. However, other purchasers of Secured Notes should consider whether they are required to register with the FRB. In addition, purchasers of Secured Notes subject to the registration requirements of Regulation U, as well as any purchasers of the Secured Notes that are banks within the meaning of Regulation U, may also be subject to certain additional requirements under Regulation U. If the registration or other requirements of Regulation U are applicable to a purchaser of Secured Notes and such purchaser does not comply with such requirements, such failure may affect the enforceability of such purchaser's Secured Notes. See "Security for the Secured Notes—Margin Stock". Purchasers of the Secured Notes should consult their own legal advisors as to Regulation U and its application to them.

Under the Indenture, each purchaser of an interest in a Secured Note will be deemed to have represented that either (x) such purchaser's principal place of business is not located within any Federal Reserve District of the United States Federal Reserve Bank or (y) such purchaser has satisfied and will

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satisfy any applicable registration or other requirements of the FRB including, without limitation, Regulation U, in connection with its acquisition of the Secured Notes.

Dependence on the Collateral Manager and its Investment Professionals. The success of the Issuer will be highly dependent on the managerial expertise of the Collateral Manager. As a result, the Issuer will be highly dependent on the managerial expertise of certain individuals comprising the Collateral Manager's management team. There is no requirement that there be employment arrangements with those individuals for the benefit of the Collateral Manager. The individuals comprising the Collateral Manager's management team are also actively involved in other investment activities and will not be able to devote their full time and attention to the Issuer's business and affairs. The loss of any of these individuals could have a material adverse effect on the performance of the Issuer. See "The Collateral Manager—Key Personnel".

Certain Conflicts of Interest. Various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of the Collateral Manager, its Affiliates and/or any funds managed by the Collateral Manager and their respective clients and employees and from the conduct by the Initial Purchaser and its Affiliates of other transactions with the Issuer, including, without limitation, acting as counterparty with respect to the Hedge Agreements, the Securities Lending Agreements and Synthetic Securities. The following briefly summarizes some of these conflicts but is not intended to be an exhaustive list of all such conflicts.

Conflicts of Interest Involving the Collateral Manager and Affiliates. Various potential and actual conflicts of interest may arise from the overall investment activities of the Collateral Manager and its Affiliates and their respective clients and employees. The Collateral Manager and its Affiliates may invest, on behalf of themselves and other clients, in securities that would be appropriate as Collateral Obligations. The Collateral Manager and its Affiliates may give advice or take action for their own account or their other client accounts with similar strategies which may differ from advice given or action taken for the Issuers. The Collateral Manager and its Affiliates may also have ongoing relationships with companies whose securities are Collateral Obligations, and may own, directly or through other funds that they manage, equity or debt securities issued by obligors of Collateral Obligations or other Collateral. The Collateral Manager and its Affiliates may also provide certain services for a negotiated fee to companies whose obligations or other securities are pledged to secure the Secured Notes. In addition, the Collateral Manager, its Affiliates and their respective clients and employees may invest, or have already invested, in obligations and/or other securities that are identical to or senior to, or have interests different from or adverse to, the Collateral Obligations. In addition, the Collateral Manager and/or the Initial Purchaser or any of their respective Affiliates may serve as a general partner, adviser, officer, director, sponsor or manager of partnerships or companies organized to issue collateralized bond or loan obligations secured by non-investment grade bank loans. The Collateral Manager may at certain times be engaged in seeking investments to purchase for the Issuer while at the same time the Collateral Manager or one or more Affiliates is also seeking to purchase or has already purchased similar or identical investments for its own account or clients or affiliates or another entity for which it serves as a general partner, adviser, officer, director, sponsor, manager or collateral manager. By reason of the various activities of the Collateral Manager and its Affiliates, the Collateral Manager and such Affiliates may acquire confidential or material non-public information or be restricted from effecting transactions in certain Collateral Obligations or other Collateral that otherwise might have been initiated or prevented from liquidating a position. At times, the Collateral Manager, in an effort to avoid restrictions for the Issuer and its other clients, may elect not to receive information that other market participants or counterparties are eligible to receive or have received.

Neither the Collateral Manager nor any Affiliate thereof has any obligation (affirmative or otherwise) to offer any investments to the Issuer or to inform the Issuer of any investments before offering any investments to other funds or accounts that the Collateral Manager or any of its Affiliates manage or advise. The Collateral Manager and its Affiliates may also make investments on their own behalf without offering such investment opportunities to the Issuer. Furthermore, the Collateral Manager and its Affiliates may be bound by affirmative obligations at present or in the future, whereby it or they are obligated to offer certain investments to funds or accounts that it or they manage or advise before or without the Collateral Manager or its Affiliates offering those investments to the Issuer. Alternatively, the Collateral Manager and its Affiliates may offer certain investments to funds or accounts that it or they manage or advise simultaneously with or in

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addition to offering those investments to the Issuer. Thus, other funds or accounts that it or they manage or advise could become co-investors with the Issuer.

The Collateral Manager will endeavor to resolve conflicts with respect to investment opportunities in a manner which it deems equitable (in its sole discretion) to the extent possible under the facts and circumstances. Further, the Collateral Manager will be prohibited under the terms of the Collateral Management Agreement from directing the acquisition of Collateral Obligations from, or disposition of Collateral Obligations to, its Affiliates or any other account managed by the Collateral Manager or any of its Affiliates except in a transaction conducted on terms as favorable to the Issuer as would apply if such person were not so affiliated.

On each Payment Date, the Collateral Manager will be paid the Incentive Collateral Management Fee to the extent of funds available in accordance with the Priority of Payments if the holders of the Subordinated Securities have earned the Specified Internal Rate of Return as of such Payment Date. See "The Collateral Management Agreement—Compensation of the Collateral Manager". The manner in which the Incentive Collateral Management Fee is determined could create an incentive for the Collateral Manager to make more speculative investments in the Collateral Obligations than would otherwise be the case in order to increase the likelihood that the holders of the Subordinated Securities receive the Specified Internal Rate of Return for the Collateral Manager to be paid the Incentive Collateral Management Fee. Speculative investments in Collateral Obligations could lead to a higher level of defaults on the Collateral Obligations than initially expected, which could result in reductions or delays in payments on the Securities.

Upon the removal or resignation of the Collateral Manager, the holders of a majority of the Subordinated Securities may direct the Issuer to appoint a replacement collateral manager in the manner provided in the Collateral Management Agreement. Subordinated Securities and Secured Notes held by the Collateral Manager or any of its Affiliates will have no voting rights with respect to any vote on the removal or replacement of the Collateral Manager and will be deemed not to be outstanding in connection with any such vote; *provided, however*, that Subordinated Securities and Secured Notes held by the Collateral Manager or any of its Affiliates will have voting rights with respect to all other matters as to which the holders of Subordinated Securities or holders of the Secured Notes are entitled to vote, including, without limitation, any vote to direct an optional redemption of the Securities or a redemption following a Withholding Tax Event and any vote to appoint a replacement collateral manager that is not an Affiliate of the Collateral Manager pursuant to the Collateral Management Agreement. See "The Collateral Management Agreement" and "Description of the Securities—Optional Redemption".

Under the Collateral Management Agreement, the Collateral Manager is permitted to recommend or effect direct trades between the Issuer and the Collateral Manager or an Affiliate or funds or accounts for which the Collateral Manager or an Affiliate serve as collateral manager, acting as principal or agent, subject to applicable legal requirements. The Collateral Manager, its Affiliates, and their respective clients may invest in obligations that would be appropriate as Collateral. Such investments may be different from those made on behalf of the Issuer. The Collateral Manager and its Affiliates may also have ongoing relationships with, render services to or engage in transactions with, companies whose obligations are included in the Collateral and may own equity or debt securities issued by issuers of and other obligors of Collateral Obligations. As a result, officers or Affiliates of the Collateral Manager may possess information relating to obligors of Collateral Obligations which is not known to the individuals at the Collateral Manager responsible for monitoring the Collateral and performing the other obligations under the Collateral Management Agreement. The possession of this information by the Collateral Manager (even if such information is not known to the individuals at the Collateral Manager responsible for monitoring the Collateral and performing the other obligations under the Collateral Management Agreement) may restrict the Collateral Manager from purchasing or selling securities of those obligors. In addition, Affiliates and clients of the Collateral Manager may invest in obligations that are senior to, or have interests different from or adverse to, the Collateral Obligations. The Collateral Manager and/or its Affiliates may at certain times be simultaneously seeking to purchase or dispose of investments for its respective account, the Issuer, any similar entity for which it serves as manager or advisor and for its clients or Affiliates. It is the intention of the Collateral Manager that all Collateral Obligations will be purchased and sold by the Issuer on terms prevailing in the market. Neither the Collateral Manager nor any of its Affiliates is under any obligation to offer investment opportunities of which they become aware to the Issuer or to account to the Issuer (or share with the Issuer or inform the

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Issuer of) any such transaction or any benefit received by them from any such transaction. Furthermore, the Collateral Manager and/or its Affiliates may make an investment on behalf of any account that they manage or advise without offering the investment opportunity or making an investment on behalf of the Issuer. The Collateral Manager and/or its Affiliates have no affirmative obligation to offer any investments to the Issuer or to inform the Issuer of any investments before offering any investments to other funds or accounts that the Collateral Manager and/or its Affiliates manage or advise. Furthermore, Affiliates of the Collateral Manager may make an investment on their own behalf without offering the investment opportunity to the Issuer. Affirmative obligations may exist, or may arise in the future, whereby Affiliates of the Collateral Manager are obligated to offer certain investments to funds or accounts that such Affiliates manage or advise before or without the Collateral Manager offering those investments to the Issuer. Affiliates of the Collateral Manager have no affirmative obligations to offer those investments to the Issuer or to inform the Issuer of any investments before engaging in any investments for themselves. The Collateral Manager will endeavor to resolve conflicts with respect to investment opportunities in a manner that it deems equitable (in its sole discretion) to the extent possible under the prevailing facts and circumstances. Although the professional staff of the Collateral Manager will devote as much time to the Issuer as the Collateral Manager deems appropriate (in its sole discretion), the staff may have conflicts in allocating its time and services among the Issuer and the Collateral Manager's other accounts.

Funds managed by Greywolf will commit to purchase up to 100% of the initial notional amount of the Subordinated Securities. Thereafter, such funds may transfer or sell any such Subordinated Securities held thereby at any time and from time to time. As a Holder of Subordinated Securities, such funds may have interests adverse to the other Holders of Securities.

Members of the board of directors of the Issuer who are not affiliated with the Collateral Manager or their delegates or other authorized representatives of the Issuer will have the responsibility for approving any transactions between the Issuer and the Collateral Manager or its Affiliates involving significant conflicts of interest (including principal trades). More particularly, directors unaffiliated with the Collateral Manager or any delegate designated by such directors will be responsible for approving any principal transactions for which Issuer consent is required pursuant to Section 206(3) of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**").

In addition, with the prior authorization of the Issuer, which has been given and can be revoked at any time, the Collateral Manager and/or its Affiliates may enter into agency cross-transactions where the Collateral Manager and/or its Affiliates acts as broker for the Issuer and for the other party to the transaction, to the extent permitted under applicable law, in which case the Collaterel Manager or any such Affiliate will receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding, both parties to the transaction.

The Collateral Manager and its Affiliates are not required to obtain approval for any transaction unless such approval is required by law.

Conflicts of Interest Involving the Initial Purchaser and Affiliates. The Initial Purchaser and/or its Affiliates may have placed or underwritten certain of the Collaterel Obligations at original issuance and may have provided investment banking services, advisory, banking and other services to issuers of Collateral Obligations. The Initial Purchaser may, from time to time as principal or through one or more investment funds that it manages make investments in the equity securities of one or more of the issuers of Collateral Obligations with the result that one or more of such issuers may be or may become controlled by the Initial Purchaser. The Initial Purchaser may not have completed its resale of the Securities by any date certain, which may affect the liquidity of the Securities as well as the ability of the Initial Purchaser to make a market in the Securities. From time to time, the Collateral Manager on behalf of the Issuer may purchase or sell Collateral Obligations through the Initial Purchaser and/or any of its Affiliates (collectively, "**Initial Purchaser Entities**"). The Issuer may invest in the securities of companies affiliated with the Initial Purchaser Entities or in which the Initial Purchaser Entities have an equity or participation interest. The purchase, holding and sale of such investments by the Issuer may enhance the profitability of the Initial Purchaser Entities' own investments in such companies. In addition, it is expected that an Initial Purchaser Entity may also act as counterparty with respect to one or more Synthetic Securities or Securities Lending Agreements and may act as Hedge Counterparty with respect to one or more Hedge Agreements. In connection with the resale of the

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Securities, a Initial Purchaser Entity expects to enter into one or more hedging arrangements relating to a portion of the Securities. Such hedging arrangements will be entered into by such Initial Purchaser Entity with one or more purchasers of the Securities or with one or more counterparties to such Initial Purchaser Entity. The Issuer may invest in money market funds that are managed by Greywolf or its Affiliates or the Initial Purchaser Entities or for which the Trustee or its Affiliates provides services; *provided* that such money market funds otherwise qualify as Eligible Investments.

The Issuer's purchase of Collateral Obligations, at the direction of the Collateral Manager, prior to the Closing Date was financed through the sale of participation interests therein to one or more Affiliates of Goldman, Sachs & Co. pursuant to a master participation agreement. Any gains or losses realized by the Issuer in respect of Collateral Obligations that are sold or otherwise disposed of prior to the Closing Date will be for the Issuer's account. Collateral Obligations owned by the Issuer on the Closing Date were purchased in the open market, and the purchase price paid by the Issuer for such Collateral Obligations is the prevailing price at the time such Collateral Obligations were purchased. Because the purchase price of Collateral Obligations owned by the Issuer on the Closing Date is determined prior to such date, the prevailing market price of such Collateral Obligations on the Closing Date may be higher or lower than such purchase price. Accordingly, any unrealized losses or gains experienced by the Issuer in respect of the Collateral Obligations acquired by the Issuer prior to, and owned by the Issuer on, the Closing Date will be for the Issuer's account.

Irish Stock Exchange Listing. Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for this Offering Circular to be approved. Application has been made to the Irish Stock Exchange for the Securities to be admitted to the *Official List* and to trading on its regulated market. There can be no assurance that such admission will be approved or maintained. The Indenture provides that, if the Collateral Manager or the Issuers determine that the maintenance of the listing of any of the Securities on the Irish Stock Exchange is unduly onerous or burdensome, including, but not limited to, circumstances in which the obtaining or maintenance of a listing on such securities exchange would require preparation of management reports or of financial statements, or in any circumstances where the requirements of the European Union Transparency Obligations Directive would apply to either of the Issuers, the Issuers will have the right to de-list (and will de-list at the sole direction of the Collateral Manager) such Securities. The Issuers will use reasonable endeavors to obtain a listing of such Securities on another securities exchange as the Issuers may choose, except that no obligation to obtain such alternative listing shall exist if the alternative listing or maintenance of the alternative listing would itself be unduly onerous and burdensome in the judgment of the Collateral Manager in its sole discretion.

DESCRIPTION OF THE SECURITIES

The Securities will be issued pursuant to the Indenture. The following summary describes certain provisions of the Securities and the Indenture. The summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture. Copies of the Indenture may be obtained as described under "Listing and General Information".

Status and Security

The Co-Issued Notes will be limited recourse secured obligations of the Issuers, the Class E Notes will be limited recourse secured obligations of the Issuer and the Subordinated Securities will be limited recourse unsecured obligations of the Issuer. Payments of interest on and principal of the Secured Notes and distributions to the Holders of the Subordinated Securities will be made solely from the proceeds of the Collateral, in accordance with the priorities described under "—Priority of Payments". The Subordinated Securities will not be secured obligations of the Issuer and will be entitled to receive amounts available for distribution only after payment of all amounts payable prior thereto under the Priority of Payments.

All Securities of a single Class rank *pari passu* with all other Securities of the same Class. See "—Priority of Payments." The right of payment with respect to the Securities is described in the "The Offering—Summary—Status and Subordination". The right of payment with respect to the Securities is described in the "Summary—The Offering—Status and Subordination".

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The entire principal amount of the Secured Notes will be issued and Outstanding on the Closing Date.

Under the terms of the Indenture, the Issuer will grant to the Trustee, on behalf of the Secured Parties, a perfected security interest in the Collateral that is of first priority, free of any adverse claim or the legal equivalent thereof, as applicable, to secure the Issuers' obligations with respect to the Secured Parties. See "Security for the Secured Notes".

Interest

The Secured Notes will bear interest from the Closing Date at the per annum rates set forth under "Summary—The Offering—Securities Issued," payable, in each case, quarterly in arrears on each Payment Date commencing August 18, 2007 and on the Stated Maturity. The Holders of the Subordinated Securities will be entitled to receive any excess Interest Proceeds in accordance with and subject to the Priority of Payments, to the extent funds are available therefor.

During the Reinvestment Period, Interest Proceeds remaining on each Scheduled Payment Date prior to the payment of certain unpaid subordinated expenses and any unpaid hedge termination payments, distribution to the Collateral Manager in respect of the Incentive Collateral Management Fee and distributions in respect of the Subordinated Securities will be used to reinvest in Collateral Obligations up to the amount necessary to satisfy the Reinvestment Test (but not to exceed 50% of such remaining Interest Proceeds available on such Scheduled Payment Date). As a result, distributions to the Holders of Subordinated Securities will be reduced to the extent of the portion of Interest Proceeds used during the Reinvestment Period to reinvest in Collateral Obligations. See "—Priority of Payments—Interest Proceeds".

For so long as any senior Class or Classes of Securities are Outstanding, to the extent that funds are not available to pay the full amount of interest on the Class C Notes, the Class D Notes or the Class E Notes on any Payment Date in accordance with the Priority of Payments, the amount of Deferred Interest with respect to each such Class of Securities will be deferred and added to the principal amount of such Class of Securities and will bear interest at the interest rate applicable to such Class of Securities to the extent lawful and enforceable, and the failure to pay the Deferred Interest of each such Class of Securities will not be an Event of Default under the Indenture. See "—Priority of Payments" and "—The Indenture—Events of Default".

Interest will cease to accrue on each Secured Note, or, in the case of a partial repayment, on such part, from the date of repayment or Stated Maturity unless payment of principal is improperly withheld or unless there is otherwise a default with respect to such payments of principal. See "—Principal". To the extent lawful and enforceable, interest on any Defaulted Interest on the Secured Notes will accrue at the interest rate applicable to such Secured Notes, until paid as provided herein.

Interest on the Floating Rate Notes will be calculated on the basis of the actual number of days elapsed in the applicable Interest Accrual Period divided by 360, commencing on the Closing Date.

For purposes of determining any Interest Accrual Period, if any Payment Date or the Stated Maturity, as the case may be, is not a Business Day, then the Interest Accrual Period ending on such Payment Date or the Stated Maturity, as the case may be, shall be extended to but excluding the date on which payment is required to be made pursuant to the Indenture and the succeeding Interest Accrual Period shall begin on and include such date. In the event that the date of any Payment Date or the Stated Maturity, as the case may be, shall not be a Business Day, then payment need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the nominal date of any such Payment Date or the Stated Maturity, as the case may be, and, other than with respect to any Interest Accrual Period for a Class of Secured Notes ending on the Stated Maturity of such Class of Secured Notes, no interest shall accrue on such payment for the period from and after any such nominal date; *provided* that, in the case of the Floating Rate Notes only, interest shall accrue from and including the immediately preceding Payment Date or, in the case of the first Payment Date, the Closing Date to but excluding the following Payment Date or the Stated Maturity, as applicable.

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For purposes of calculating the Floating Rate Note Interest Rates, the Issuers will appoint the Trustee as calculation agent (solely in such capacity, the **"Calculation Agent"**). LIBOR shall be determined by the Calculation Agent in accordance with the provisions set forth under the definition of "LIBOR".

The Calculation Agent may be removed by the Issuers at any time. If the Calculation Agent is unable or unwilling to act as such or is removed by the Issuers, or if the Calculation Agent fails to determine the Floating Rate Note Interest Rates and the Floating Rate Note Interest Amounts for any Interest Accrual Period, the Issuers will promptly appoint as a replacement Calculation Agent a leading bank which is engaged in transactions in Eurodollar deposits in the international Eurodollar market and which does not control or is not controlled by or under common control with the Issuers or their Affiliates. The Calculation Agent may not resign its duties without a successor having been duly appointed. For so long as any of the Floating Rate Notes remain Outstanding, there will at all times be a Calculation Agent for the purpose of calculating the Floating Rate Note Interest Rates. In addition, for so long as any of the Securities are listed on the Irish Stock Exchange and the rules of such Exchange so require, the Issuer will publish in the Irish Stock Exchange's *Official List* notice of the appointment, termination or change in the office of such Calculation Agent.

The Calculation Agent will cause the Floating Rate Note Interest Rates, the Floating Rate Note Interest Amounts and the Payment Date to be communicated to, in the case of the Secured Notes, Euroclear, Clearstream, the Collateral Manager and the Irish Paying Agent for delivery to the Irish Stock Exchange (as long as any of the Securities are listed thereon) by the Business Day immediately following each LIBOR Determination Date. The determination of the Floating Rate Note Interest Rates and the Floating Rate Note Interest Amounts by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

Principal

Principal will not be payable on the Secured Notes and Principal Proceeds will not be distributed to the Holders of the Subordinated Securities prior to the end of the Non-Call Period, except (i) as a result of a mandatory redemption as described in "—Mandatory Redemption," (ii) upon the occurrence of an optional redemption following a Withholding Tax Event as described under "—Optional Redemption" and (iii) as described in the next two paragraphs.

On each Scheduled Payment Date during the Reinvestment Period, Principal Proceeds will be distributed to the Holders of the Secured Notes in accordance with the Priority of Payments, if the Collateral Manager determines, in its sole judgment (which judgment shall not be subject to question as a result of subsequent events), that it is impractical or not beneficial to reinvest such Principal Proceeds by the end of the applicable Investment Due Period.

Principal will be payable on the Class S Notes in accordance with the Priority of Payments on each Payment Date in an amount equal to the Class S Principal Distribution Amount with respect to such Payment Date.

On each Scheduled Payment Date after the Reinvestment Period and on the Stated Maturity, principal will be payable on the Secured Notes and, after the Secured Notes have been paid in full, Principal Proceeds will be distributable to the Holders of the Subordinated Securities in accordance with the Priority of Payments to the extent of Principal Proceeds received in the related Due Period; *provided* that the Collateral Manager may elect to reinvest Eligible Post Reinvestment Proceeds received after the Reinvestment Period in Collateral Obligations or hold them for reinvestment in Collateral Obligations prior to the end of the Investment Due Period, subject to the exceptions described herein. See "Security for the Secured Notes—Sale of Collateral Obligations; Substitute Securities; Exchange of Defaulted Obligations and Reinvestment Criteria". The Collateral Manager will exercise its sole discretion in determining whether to reinvest Eligible Post Reinvestment Proceeds received after the Reinvestment Period. Payments of principal or notional amount, as applicable, of the Securities described in the first sentence of this paragraph will be at the applicable Secured Note Redemption Price and will not constitute an optional redemption.

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Sale of Collateral Prior to Stated Maturity

On or prior to the date that is two Business Days prior to the Stated Maturity of the last Outstanding Security, the Collateral Manager on behalf of the Issuer shall direct the Trustee in writing to sell all Collateral Obligations to the extent necessary such that no Collateral Obligations will be held by the Issuer on or after such date. The settlement dates for any such sales of Collateral Obligations shall be no later than two Business Days prior to the Stated Maturity of the last Outstanding Security. The proceeds of such sale shall be applied in accordance with the Priority of Payments.

Optional Redemption

The Securities may be redeemed by the Issuer at the written direction of, or with the written consent of the Majority of the Subordinated Securities, in whole but not in part, from Liquidation Proceeds (a) on any Business Day after the Non-Call Period and (b) on any Business Day upon the occurrence of a Withholding Tax Event, as more fully described below. If the Holders of the Majority of the Subordinated Securities elect to cause the redemption of the Securities as described herein, the Subordinated Securities will in any such case be redeemed simultaneously with all other Classes of Securities. In connection with an optional redemption, the Trustee shall notify the Collateral Manager of such optional redemption and the Collateral Manager on behalf of the Issuer shall direct the Trustee, in writing, to sell in the manner directed by the Collateral Manager in its sole discretion, and in accordance with the Indenture, any Collateral Obligation and upon any such sale the Trustee shall release the lien upon such Collateral Obligation pursuant to the Indenture.

Notwithstanding the foregoing provisions, the Issuer may not direct the Trustee to sell any Collateral Obligation unless, after giving effect to such sale, there will be sufficient funds to pay the amounts described in "—Optional Redemption Procedures" below.

Any optional redemption of the Secured Notes pursuant to subclause (a) or (b) of the second preceding paragraph will be made at the applicable Secured Note Redemption Prices plus accrued and unpaid interest.

Optional Redemption Procedures. If any Holder of the Subordinated Securities desires to direct the Issuers to optionally redeem the Securities, such Holder shall notify the Trustee in writing no less than 45 days (or such shorter period as may be acceptable to the Trustee) prior to the proposed redemption date (which date must be a Business Day). The Trustee will promptly notify the Issuers, the Collateral Manager and all other Holders of the Subordinated Securities of the receipt of such notice. Each other Holder of the Subordinated Securities that also wishes to direct the Issuers to optionally redeem the Securities must so notify the Trustee (who shall promptly notify the Issuers and the Collateral Manager, of such direction) within 15 Business Days after the date of such notice. If a Majority of the Subordinated Securities have directed the Issuers to optionally redeem the Securities, the Issuer shall effect a redemption in whole of the Securities pursuant to the procedures described herein.

The Trustee will provide notice of any optional redemption by first-class mail, postage prepaid, mailed not less than ten Business Days prior to the scheduled redemption date, to each Securityholder at such Holder's address in the Register and for so long as the Securities are listed on the Irish Stock Exchange and the rules of such Exchange shall so require, a publication shall be made in the *Official List* by the Irish Listing Agent.

The Securities shall not be optionally redeemed unless either (1) at least seven Business Days before the scheduled redemption date, the Collateral Manager on behalf of the Issuer shall have furnished to the Trustee evidence, in form reasonably satisfactory to the Trustee, that the Issuer or the Collateral Manager on behalf of the Issuer has entered into a binding agreement or agreements (including in the form of a confirmation of sale) with a financial institution or institutions whose short-term unsecured debt obligations have a credit rating of at least "A-1" from S&P or with a Person that the Collateral Manager in its sole discretion has determined to be appropriate (including, without limitation, a CDO issuer that is managed or to be managed by the Collateral Manager) to purchase, not later than the Business Day immediately preceding the scheduled redemption date, in immediately available funds, all or part of the Collateral

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Obligations and terminate any Hedge Agreements at a purchase price at least equal to an amount sufficient, together with any other amounts available to be used for such optional redemption, to pay (i) in the case of an optional redemption of the Securities at the request of a Majority of the Subordinated Securities on any Business Day after the Non-Call Period, the amounts specified under subclauses (i) through (iii) in "—Priority of Payments—Liquidation Proceeds"; *provided*, that the Issuer shall not terminate any Hedge Agreements in connection with an optional redemption of the Securities as specified herein until the notice of redemption may no longer be withdrawn; or (ii) in the case of an optional redemption following the occurrence of a Withholding Tax Event, the amounts specified under subclauses (i) and (ii) (but excluding Defaulted Hedge Termination Payments) in "—Priority of Payments—Liquidation Proceeds," or (2) at least ten Business Days prior to the scheduled redemption date and prior to selling any Collateral Obligations, the Collateral Manager on behalf of the Issuer shall certify to the Trustee and to each of the Rating Agencies that the expected proceeds from such sale (calculated as provided in the next succeeding paragraph) together with any other amounts available to be used for such optional redemption will be delivered to the Trustee two Business Days prior to (but in no event later than the Business Day immediately preceding) the scheduled redemption date, in immediately available funds, and will equal or exceed 100% of all amounts specified in the immediately preceding subclause (1). See "—Priority of Payments—Liquidation Proceeds".

For purposes of determining the expected proceeds from a sale for purposes of subclause (2) of the immediately preceding paragraph, the expected proceeds shall be deemed to be (1) the Market Value of the Eligible Investments and, if Collateral Obligations are to be sold on the Business Day of the certification, the Market Value of the Collateral Obligations; or (2) the percentage of the Market Value of the Collateral Obligations set forth in the applicable column of the table below based upon the period of time between certification and the expected date of sale.

	Number of Business Days Between Certification and Expected Sale		
Collateral Type	1 to 2	3 to 5	6 or more
Loans (other than loans with a Market Value of less than 90% of the Principal Balance thereof)	93%	92%	88%
Loans with a Market Value of less than 90% of the Principal Balance thereof	80%	73%	60%
Bonds having a Moody's Rating "B3" or higher (other than bonds with a Market Value of less than 90% of the Principal Balance thereof)	89%	85%	75%
Bonds having a Moody's Rating "Caa1" or lower and bonds having a Moody's Rating "B3" or higher with a Market Value of less than 90% of the Principal Balance thereof	75%	65%	45%

For the avoidance of doubt, the Issuer may, in effecting a sale contemplated by clause (1) of the preceding paragraph, enter into one or more participation agreements or similar arrangements with the purchaser of the Collateral Obligations whereby, in connection with the Issuer's receipt of the purchase price with respect to all or a portion of the Collateral Obligations, the Issuer shall grant to such purchaser a participation interest in all or a portion of such Collateral Obligations and agree to use commercially reasonable efforts (or such other efforts as shall be specified) to complete the transfer of such Collateral Obligations to such purchaser thereafter.

Any notice of redemption may be withdrawn by the Issuers on or prior to the sixth Business Day prior to the scheduled redemption date by written notice from the Issuer to the Trustee, the Holders of the Subordinated Securities requesting or consenting to such optional redemption and the Collateral Manager, if (i) the Collateral Manager shall be unable to cause the delivery of such sale agreement or agreements or certifications, as the case may be, in form satisfactory to the Trustee or (ii) the Majority of the Subordinated

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Securities direct such notice be withdrawn; *provided, however*, that the Majority of the Subordinated Securities may not direct such notice be withdrawn if the conditions set forth in the third paragraph under "—Optional Redemption Procedures" have been satisfied. Notice of withdrawal having been given as aforesaid, the Trustee shall provide notice of such withdrawal to each Holder at the address appearing in the Register by overnight courier (when possible) guaranteeing next day delivery (unless the address provided in the Register is insufficient for such purposes, in which event such notice shall be given by first class mail, postage prepaid) and, to the extent required, provide notice to the Irish Paying Agent which shall cause notice of such withdrawal to be published in the Irish Stock Exchange's *Official List*, in each case, not later than the third Business Day prior to the scheduled redemption date.

Redemption by Refinancing

The Holders of at least a Majority of the Subordinated Securities may direct (subject to the approval of the Collateral Manager as specified in the next paragraph) the redemption of any Class of Secured Notes in whole but not in part on any Payment Date occurring after the Non-Call Period, in connection with a Redemption by Refinancing by directing the Issuer (with a copy of such direction to the Trustee and the Collateral Manager) to issue additional notes (the **"Replacement Notes"**), the proceeds of which will be used to fully redeem such Class or Classes of Secured Notes, as applicable (a **"Redemption by Refinancing"**). A Redemption by Refinancing will be required to result in the redemption of all of the Secured Notes of the affected Class or Classes but need not result in the redemption of all Classes of Secured Notes. The Replacement Notes issued pursuant to a Redemption by Refinancing would have such terms and priorities as are negotiated at the time and that are set forth in a supplemental indenture, subject to the conditions set forth below.

Upon receipt of a Notice of Redemption by Refinancing (as defined below), the Issuer and the Collateral Manager will cause the Issuer and the Co-Issuer to issue Replacement Notes having the terms, priorities and conditions set forth in a proposed amendment to the Indenture approved by the Holders of at least a Majority of the Subordinated Securities and approved by the Collateral Manager. The issue of the Replacement Notes, and the redemption of the applicable Class or Classes of Secured Notes, will be contingent on receipt by the Issuer of sufficient funds from the issuance of the Replacement Notes to redeem the applicable Classes of Secured Notes at the Secured Note Redemption Price plus accrued interest and pay the applicable expenses of the Issuer, and the conditions in the paragraph below being satisfied at the time of such redemption. If the conditions below are not met, tha Replacement Notes will not be issued and the applicable Classes of Secured Notes will not be redeemed unless the Holders of a Majority of the Subordinated Securities then elect to effect an optional redemption.

If one or more Classes of Secured Notes will remain Outstanding following a Redemption by Refinancing, the following additional conditions must be satisfied: (i) the Aggregate Outstanding Amount of each Class of Replacement Notes equals the Aggregate Outstanding Amount of the corresponding Class of Secured Notes that is redeemed; (ii) the applicable interest rate for each Class of Replacement Notes shall either (A) be computed on the basis of the same interest rate index as, and with a spread to such index that does not exceed the spread of, the corresponding Class of Secured Notes that is redeemed or (B) be a fixed rate of interest (such fixed rate of interest not to exceed the then floating interest rate applicable to the corresponding Class of Secured Notes being redeemed); (iii) the stated maturity of the Replacement Notes is not stated to occur earlier than the Stated Maturity of the corresponding Class of Secured Notes that is redeemed; (iv) the priority level in the Priority of Payments of each class of Replacement Notes is the same as the priority level in the Priority of Payments of the corresponding Class of Secured Notes that is redeemed; (v) the voting rights, consent rights, redemption rights and all other rights of each class of Replacement Notes are the same as the rights of the corresponding Class of Secured Notes that is redeemed in all material respects; (vi) each of the Moody's Rating Condition and S&P Rating Condition is satisfied in respect of the Class or Classes of Secured Notes that are not redeemed (it being agreed that, with respect to the satisfaction of the S&P Rating Condition, S&P may apply the ratings criteria then in existence); (vii) the delivery to the Trustee of an opinion of a nationally recognized law firm with substantial expertise in such matters that the Redemption by Refinancing will not adversely affect the conclusions reached in the opinion of McKee Nelson LLP, as expressed at the time of the issuance of the Securities on the Closing Date, regarding the U.S. federal income tax characterization of the Secured Notes that are not redeemed; and (viii) any expenses incurred in connection with the issuance of any Replacement Notes shall

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be paid from the proceeds of the issuance of such Replacement Notes. In addition to the foregoing, any issuance of Replacement Notes will require the delivery to the Trustee of the following opinions of a nationally recognized law firm with substantial expertise in such matters: (A) that neither the Issuer nor the Co-Issuer will be required, as a result of the issuance of the Replacement Notes (assuming such Replacement Notes are offered and sold in the manner and only to the eligible persons contemplated by this Offering Circular, the Indenture and the Purchase Agreement, as applicable), to be registered as an investment company under the Investment Company Act, as amended and (B) the issuance of the Replacement Notes will not result in the Issuer being subject to U.S. federal income taxation with respect to its net income.

Notice of a Redemption by Refinancing (any such notice, a **"Notice of a Redemption by Refinancing"**) will be given by the Issuer to the Trustee and by the Trustee to each Holder of Securities, the Collateral Manager, the Administrator and each Rating Agency. Failure to give Notice of a Redemption by Refinancing to any Holder of any Securities selected for redemption or any defect therein will not impair or affect the validity of the redemption of any other Securities. In addition, for so long as any Securities are listed on the Irish Stock Exchange and so long as the rules of such exchange so require, Notice of a Redemption by Refinancing will also be given by the Trustee to the Irish Paying Agent for delivery to the Irish Stock Exchange. Any definitive Securities called for redemption must be surrendered at the place specified in the notice of such redemption in order for the Holder to receive the Secured Note Redemption Price.

The Issuer, at the direction of Holders of at least of a Majority of the Subordinated Securities, will have the option to withdraw any Notice of Redemption by Refinancing up to the second Business Day prior to the scheduled redemption date by written notice to the Trustee and the Collateral Maneger. If any Notice of Redemption by Refinancing is withdrawn or the Issuers are otherwise unable to complete a Redemption by Refinancing, the proceeds received from any sale of the Collateral in contemplation of such Redemption by Refinancing may during the Reinvestment Period, at the Collateral Manager's discretion, be reinvested in accordance with the Reinvestment Criteria. For the avoidance of doubt, the withdrawal of such Notice of Redemption by Refinancing or the inability of the Issuers to complete redemption of the Secured Notes will not constitute an Event of Default under the Indenture. No Hedge Agreement may be terminated in connection with any Redemption by Refinancing until such time as such Notice of Redemption by Refinancing can no longer be withdrawn by the Issuer.

Mandatory Redemption

Principal Proceeds and Interest Proceeds, in the case of the Secured Notes other than the Class E Notes, or Interest Proceeds only, in the case of the Class E Notes, that are available will be used to redeem the Secured Notes (other than the Class S Notes) as described under "—Priority of Payments" (i) on any Scheduled Payment Date on which any Par Value Test was not satisfied on the immediately preceding Determination Date or (ii) on any Scheduled Payment Date on or after the Second Determination Date on which any Interest Coverage Test was not satisfied on the immediately preceding Determination Date.

The Collateral Manager will not be required to sell Collateral Obligations if the Principal Proceeds and Interest Proceeds, in the case of the Secured Notes other than the Class E Notes, or Interest Proceeds only, in the case of the Class E Notes, available would be insufficient to cause any Coverage Test to be satisfied.

In addition, Principal Proceeds and Interest Proceeds that are available will be used to redeem the Secured Notes (other than the Class S Notes) as described under "—Priority of Payments" on any Scheduled Payment Date following an Effective Date Ratings Downgrade Event.

The Subordinated Securities are not subject to mandatory redemption.

Cancellation

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

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Payments

Payments in respect of principal and interest on a Secured Note and distributions to Holders of Subordinated Securities will be made to the person in whose name the relevant Security is registered on the applicable record date. Payments on the Securities will be payable by wire transfer in immediately available funds to a Dollar account maintained by DTC or its nominee (in the case of the Global Securities) or each Securityholder (in the case of individual definitive Securities) to the extent practicable or otherwise by Dollar check drawn on a bank in the United States sent by mail either to DTC or its nominee (in the case of the Global Securities), or to each Securityholder at the Holder's address appearing in the Register (in the case of individual definitive Securities).

Final payments in respect of the Securities will be made only against surrender of such Securities at the office of any paying agent. None of the Issuers, the Trustee or any paying agent will have any responsibility or liability for any aspects of the records maintained by DTC or its nominee or any of its participants relating to, or for payments made thereby on account of beneficial interests in, a Global Security.

The Issuers expect that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Security held by DTC or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in such Global Securities as shown on the records of DTC or its nominee. The Issuers also expect that payments by participants to owners of beneficial interests in such Global Securities held through such 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. Such payments will be the responsibility of such participants.

For so long as the Securities are listed on the Irish Stock Exchange and the rules of such Exchange so require, the Issuers will have a paying agent and a transfer agent in Ireland and will give prompt written notice to each Holder and publish in an authorized newspaper, which is expected to be the *Official List*, notice of the appointment, termination or change in the location of any such office or agency.

The Indenture provides that, as a condition to the payment of distributions on any Subordinated Security without withholding U.S. federal backup withholding tax imposed under the U.S. Treasury regulations, the Issuer or any paying agent may require the delivery of property completed and signed applicable U.S. federal income tax certifications (generally, an Internal Revenue Service Form W-9 (or applicable successor form) in the case of a person that is a "United States person" within the meaning of section 7701(a)(30) of the Code) or an appropriate Internal Revenue Service Form W-8 (or applicable successor form) in the case of a person that is not a "United States person" within the meaning of Section 7701(a)(30) of the Code) and/or such other certification reasonably acceptable to them in order to enable the Issuer, the Trustee or any paying agent to determine their duties and liabilities with respect to any taxes or other charges that they may be required to deduct or withhold from payments in respect of such Subordinated Security under any present or future law or regulation of the United States or any present or future law or regulation of any political subdivision thereof or taxing authority therein or to comply with any reporting or other requirements under any such law or regulation.

Priority of Payments

On each Payment Date and on the Stated Maturity, the Issuer shall only make payments in accordance with the priorities (the **"Priority of Payments"**) described below under "—Interest Proceeds" and "—Principal Proceeds," and, if such Payment Date is a Redemption Date, in accordance with the priorities described below under "—Liquidation Proceeds".

Interest Proceeds. Without limiting any other applicable provision regarding the payment of Interest Proceeds, on each Payment Date and on the Stated Maturity, Interest Proceeds will be distributed in the following order of priority:

(i) (a) to the payment of taxes of the Issuers, if any, and (b) thereafter, to the retention in the Interest Collection Account of an amount equal to (x) the Interest Reserve Amount for such

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Payment Date minus (y) the Aggregate Interest Reserve Distribution Amount for such Payment Date;

(ii) to the payment of accrued and unpaid Administrative Expenses constituting (x) fees of the Trustee and reimbursement of expenses of the Trustee pursuant to the terms of the Indenture and (y) fees and reimbursement of expenses of the Collateral Administrator under the Collateral Administration Agreement; *provided, however*, that total payments pursuant to this subclause (ii) shall not exceed, on any Payment Date other than the initial Payment Date, an amount equal to a percentage of the Aggregate Principal Amount of the Collateral Portfolio equal to an annual rate of 0.0275%, measured as of the beginning of the Due Period preceding such Payment Date (and, with respect to the initial Payment Date, 0.0164% (not annuelized) of the Aggregate Principal Amount of the Collateral Portfolio, measured as of the beginning of the Due Period preceding such Payment Date);

(iii) to the payment, (in the order set forth in the definition of Administrative Expenses), of (a) *first*, remaining accrued and unpaid Administrative Expenses (other than indemnity payments) of the Issuers including other amounts payable by the Issuer to the Collateral Manager under the Collateral Management Agreement (excluding any Collateral Management Fee), and to the Trustee and the Collateral Administrator constituting Administrative Expenses not paid pursuant to subclause (ii) above, and (b) *second*, remaining accrued and unpaid Administrative Expenses of the Issuers constituting indemnity payments; *provided, however*, that such payments pursuant to this subclause (iii), shall not exceed (v) in the case of the initial Payment Date, together with all other Administrative Expenses of the Issuers paid from Interest Proceeds during the immediately preceding Due Period, $150,000, (w) in the case of the second Payment Date, together with all other Administrative Expenses of the Issuers paid from Interest Proceeds during the two immediately preceding Due Periods, $225,000,, (x) in the case of the third Payment Date, together with all other Administrative Expenses of the Issuers paid from Interest Proceeds during the three immediately preceding Due Periods, $300,000, (y) in the case of the fourth Payment Date, together with all other Administrative Expenses of the Issuers paid from Interest Proceeds during the four immediately preceding Due Periods, $375,000, and (z) in the case of any other Payment Date, the greater of (i) the excess, if any, of (a) $300,000 over (b) all other Administrative Expenses of the Issuers paid from Interest Proceeds during the four immediately preceding Due Periods and (ii) $75,000, in each case, not including amounts paid pursuant to subclause (ii) above;

(iv) to the payment, *pari passu*, (1) to each Hedge Counterparty of the applicable Hedge Payment Amount; (2) of the Class S Interest Distribution Amount; and (3) of the Class S Principal Distribution Amount;

(v) to the payment to the Collateral Manager of, *first*, the current Senior Collateral Management Fee in accordance with the terms of the Collateral Management Agreement and, *then*, any accrued and previously unpaid Senior Collateral Management Fee;

(vi) to the payment of the Class A Interest Distribution Amount;

(vii) to the payment of the Class B Interest Distribution Amount;

(viii) in the event that either the Class A/B Par Value Test is not satisfied on the immediately preceding Determination Date or the Class A/B Interest Coverage Test is not satisfied on the immediately preceding Determination Date on or after the Second Determination Date after giving effect to the payment of any Interest Proceeds prior to this subclause (viii) and the payment of Principal Proceeds, if any, as described in subclause (iii) of "—Principal Proceeds" below, to the mandatory redemption of the Class A Notes and then the Class B Notes, at the applicable Secured Note Redemption Price, pursuant to the Note Payment Sequence, to the extent necessary to satisfy the Class A/B Par Value Test and the Class

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A/B Interest Coverage Test, as applicable, or until the Class A Notes and the Class B Notes have been paid in full;

(ix) to the payment of the Class C Interest Distribution Amount (other than the related Deferred Interest);

(x) to the payment of the portion of the Class C Interest Distribution Amount that represents the related Deferred Interest;

(xi) in the event that either the Class C Par Value Test is not satisfied on the immediately preceding Determination Date or the Class C Interest Coverage Test is not satisfied on the immediately preceding Determination Date on or after the Second Determination Date after giving effect to the payment of any Interest Proceeds prior to this subclause (xi) and the payment of Principal Proceeds, if any, as described in subclause (iii) of "—Principal Proceeds" below, to the mandatory redemption of the Class A Notes, then the Class B Notes and then the Class C Notes, at the applicable Secured Note Redemption Price, pursuant to the Note Payment Sequence, to the extent necessary to satisfy the Class C Par Value Test and the Class C Interest Coverage Test, as applicable, or until the Class A Notes, the Class B Notes and the Class C Notes have been paid in full;

(xii) to the payment of the Class D Interest Distribution Amount (other than the related Deferred Interest);

(xiii) to the payment of the portion of the Class D Interest Distribution Amount that represents the related Deferred Interest;

(xiv) in the event that either the Class D Par Value Test is not satisfied on the immediately preceding Determination Date or the Class D Interest Coverage Test is not satisfied on the immediately preceding Determination Date on or after the Second Determination Date after giving effect to the payment of any Interest Proceeds prior to this subclause (xiv) and the payment of Principal Proceeds, if any, as described in subclause (iii) of "—Principal Proceeds" below, to the mandatory redemption of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, at the applicable Secured Note Redemption Price, pursuant to the Note Payment Sequence, to the extent necessary to satisfy the Class D Par Value Test and the Class D Interest Coverage Test, as applicable, or until the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes have been paid in full;

(xv) to the payment of the Class E Interest Distribution Amount (other than the related Deferred Interest);

(xvi) to the payment of the portion of the Class E Interest Distribution Amount that represents the related Deferred Interest;

(xvii) in the event that the Class E Par Value Test is not satisfied on the immediately preceding Determination Date after giving effect to the payment of any Interest Proceeds prior to this subclause (xvii) and the payment of any Principal Proceeds under "—Principal Proceeds" below, to the mandatory redemption of the Class E Notes, at the applicable Secured Note Redemption Price, to the extent necessary to satisfy the Class E Par Value Test or until the Class E Notes have been paid in full;

(xviii) in the event an Effective Date Ratings Downgrade Event has occurred and is continuing, to the payment of principal of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, at the applicable Secured Note Redemption Price, pursuant to the Note Payment Sequence, until such Effective Date Ratings Downgrade Event no longer exists;

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(xix) (a) to the payment to the Collateral Manager of, *first*, the current Subordinated Collateral Management Fee in accordance with the terms of the Collateral Management Agreement and, *then*, any accrued and previously unpaid Subordinated Collateral Management Fee *plus* interest thereon accrued at a rate of LIBOR for the Applicable Period *plus* 3.00% per annum to the extent not paid above; then

(b) during the Reinvestment Period, the amount necessary to satisfy the Reinvestment Test (but not to exceed 50% of the remaining Interest Proceeds available on such Payment Date) shall be used to reinvest in Collateral Obligations or shall be deposited into the Principal Collection Account (or, if required under the terms of the Indenture, the Subordinated Securities Principal Collection Account) for investment in Eligible Investments pending investment in such additional Collateral Obligations prior to the end of the Reinvestment Period; then

(c) to the payment, *first*, *pari passu*, of any accrued and unpaid fees and expenses of the Trustee and the Collateral Administrator, and *second*, in the order set forth in the definition of Administrative Expenses, of any accrued and unpaid Administrative Expenses of the Issuers (including, for the avoidance of doubt and without limitation, (1) indemnities and amounts payable by the Issuer to the Trustee and the Collateral Administrator, (2) indemnities and amounts payable by the Issuer to the Collateral Manager under the Collateral Management Agreement (other than the Collateral Management Fee) and (3) indemnities and amounts payable by the Issuer pursuant to any Securities Lending Agreement or related collateral arrangement), in each case to the extent not paid pursuant to subclauses (ii) and (iii) above; then

(d) to the payment of any termination payments (including any Defaulted Hedge Termination Peyments) due to any Hedge Counterparty payable by the Issuer pursuant to any Hedge Agreements, to the extent not paid from the proceeds of an upfront payment to the Issuer under a replacement Hedge Agreement and after giving effect to the payment of Principal Proceeds es provided for under subclauses (ii) and (vi)(b) under "—Principal Proceeds" below; and then

(xx) the balance of Interest Proceeds shall be allocated, *pro rata*, to each subclass of Subordinated Securities (based on the Aggregate Outstanding Amounts of each subclass of Subordinated Securities) and the amount so allocated to each such subclass of Subordinated Securities shall be applied to the payment of:

(a) if such subclass of Subordinated Securities is an Included Subclass, the amount, if any, necessary to cause such Included Subclass to have realized an Internal Rate of Return of 12.0%; then

(b) the amount of the Incentive Collateral Management Fee with respect to such subclass of Subordinated Securities payable on such Payment Date; then

(c) to the Holders of the Subordinated Securities of such subclass as a distribution thereon, the balence of the Interest Proceeds so allocated to such subclass of Subordinated Securities.

On each Scheduled Payment Date, after the application of Interest Proceeds as provided above, any Interest Reserve Amount will be applied to the payment of the amounts referred to in subclauses (ii) through (xvii) above, in such order of priority, to the extent such amounts are not paid in full with Interest Proceeds as described above.

Interest Proceeds may be applied to the payment of Administrative Expenses of the Issuers on days other than Payment Dates; *provided* that, in any Due Period such payments shall not exceed (v) in the case of the Due Period immediately prior to the first Scheduled Payment Date, together with all other

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Administrative Expenses of the Issuers paid from Interest Proceeds during the immediately preceding Due Period, $150,000, (w) in the case of the second Scheduled Payment Date, together with all other Administrative Expenses of the Issuers paid from Interest Proceeds during the two immediately preceding Due Periods, $225,000, (x) in the case of the third Scheduled Payment Date, together with all other Administrative Expenses of the Issuers paid from Interest Proceeds during the three immediately preceding Due Periods, $300,000 and (y) in the case of fourth Scheduled Payment Date, together with all other Administrative Expenses of the Issuers, paid from Interest Proceeds during the four immediately preceding Due Periods, $375,000 and (z) in the case of any other Scheduled Payment Date, the greater of (i) the excess, if any, of (a) $300,000 over (b) all other Administrative Expenses of the Issuers paid from Interest Proceeds during the four immediately preceding Due Periods and (ii) $75,000; *provided, further*, that (a) such payments do not exceed the amounts permitted to be paid on the related Scheduled Payment Date pursuant to subclause (iii) above and (b) sufficient Interest Proceeds have theretofore been received to cover such payments.

Principal Proceeds. Without limiting any other applicable provision regarding the payment of Principal Proceeds, on each Payment Date and on the Stated Maturity, Principal Proceeds will be distributed in the following order of priority:

(i) to the payment of the amounts referred to in subclauses (i)(a) and (ii) through (iv) of "—Interest Proceeds" above (in the order of priority set forth therein), but only to the extent not paid in full thereunder;

(ii) to the payment of (A) any net termination payments (other than the amount of any Defaulted Hedge Termination Payments) payable by the Issuer pursuant to any Hedge Agreements and (B) any amounts payable into a collateral account for the benefit of the related Hedge Counterparty (any such account, a "**Counterparty Account**"), if any, in accordance with the Indenture and the Hedge Agreements;

(iii) *first*, to the payment of the amounts referred to in subclauses (v) through (xvi) of "—Interest Proceeds" above, in such order of priority, but, with respect to subclauses (v), (vi), (vii), (ix), (x), (xii), (xiii), (xv) and (xvi), only to the extent not paid in full thereunder and, with respect to subclauses (viii), (xi) and (xiv), prior to giving effect to the payment of any Interest Proceeds, if any, as described in such subclauses; and second, to the payment of the amounts referred to in subclause (xviii) of "—Interest Proceeds" above with respect to the Secured Notes (other than the Class S Notes), at the applicable Secured Note Redemption Price, pursuant to the Note Payment Sequence, to the extent necessary to cure an Effective Date Ratings Downgrade Event and only to the extent that the payment of Interest Proceeds thereunder for such purpose is not sufficient;

(iv) during the Reinvestment Period, at the sole discretion of the Collateral Manager:

(a) to the purchase or funding of Collateral Obligations or to the Principal Collection Account or the Revolving Credit Facility Reserve Account (or, if required under the terms of the Indenture, the Subordinated Securities Principal Collection Account) for investment in Eligible Investments pending purchase or funding of Collateral Obligations at a later date in accordance with the Reinvestment Criteria; and/or

(b) to the payment of principal of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, at the applicable Secured Note Redemption Price, pursuant to the Note Payment Sequence, to the extent of available funds therefor, if the Collateral Manager determined, in its sole judgment, (which judgment shall not be subject to question as a result of subsequent events), that it was impractical or not beneficial to reinvest such Principal Proceeds by the end of the applicable Investment Due Period;

(v) after the Reinvestment Period,

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(a) in the case of Eligible Post Reinvestment Proceeds, at the sole discretion of the Collateral Manager (i) to the purchase or funding of Collateral Obligations or to the Principal Collection Account or the Revolving Credit Facility Reserve Account (or, if required under the terms of the Indenture, the Subordinated Securities Principal Collection Account) for investment in Eligible Investments pending purchase or funding of Collateral Obligations at a later date, in accordance with the Reinvestment Criteria, and in the case of additional Collateral Obligations, prior to the end of the applicable Investment Due Period or (ii) to the payment of principal of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, at the applicable Secured Note Redemption Price, pursuant to the Note Payment Sequence; and

(b) in the case of Principal Proceeds other than Eligible Post Reinvestment Proceeds, to the payment of principal of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, at the applicable Secured Note Redemption Price, pursuant to the Note Payment Sequence;

(vi) after the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes have been paid in full,

(a) to the payment (I) *first*, *pari passu*, of any accrued and unpaid fees, expenses and indemnities of the Trustee and the Collateral Administrator and (ii) *second*, in the order set forth in the definition of Administrative Expenses, any other accrued and unpaid expenses of the Issuers (including, for the avoidance of doubt, Administrative Expenses, indemnities and amounts payable by the Issuer under the Collateral Management Agreement (other than the Collateral Management Fee)) to the extent not paid pursuant to subclause (xix)(c) of "—Interest Proceeds" above; then

(b) to the termination of any outstanding Hedge Agreements; then

(c) to the payment to the Collateral Manager of, *first*, the current Subordinated Collateral Management Fee in accordance with the terms of the Collateral Management Agreement end, then, any accrued and previously unpaid Subordinated Collateral Management Fee *plus* interest thereon accrued at a rate of LIBOR for the Applicable Period plus 3.00% per annum, in each case, to the extent not paid pursuant to subclause (xix)(a) of "—Interest Proceeds" above; and then

(vii) the balance of Principal Proceeds shall be allocated, *pro rata*, to each subclass of Subordinated Securities (based on the Aggregate Outstanding Amounts of each subclass of Subordinated Securities) and the amount so allocated to each such subclass of Subordinated Securities shall be applied to the payment of:

(a) if such subclass of Subordinated Securities is an Included Subclass, the amount, if any, necessary to cause such Included Subclass to have realized an Internal Rate of Return of 12.0%; then

(b) the amount of the Incentive Collateral Management Fee with respect to such subclass of Subordinated Securities payable on such Payment Date; then

(c) to the Holders of the Subordinated Securities of such subclass as a distribution thereon, the balance of the Principal Proceeds so allocated to such subclass of Subordinated Securities.

The calculation of any Par Value Test on any Measurement Dete shall be made by giving effect to all payments to be made pursuant to all subclauses of the Priority of Payments, as applicable, payable on the Payment Dete following such Measurement Date. In addition no Principal Proceeds will be used to pay a subordinated Class on a Payment Date if, after giving effect to such payment, any Par Value Test of a more

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senior Class of Secured Notes is failing on such Payment Date or would fail as a result of such application of the Principal Proceeds on such Payment Date. See "Security for the Secured Notes—The Coverage Tests".

Depending on the requirements of the entity that acts as Hedge Counterparty, the terms of a Hedge Agreement may grant the Hedge Counterparty the option to require the Issuer to post collateral into a Counterparty Account if the Issuer fails the Class C Par Value Test, as specified in subclause (ii) under "—Principal Proceeds". If such posting requirements exist, the related Hedge Counterparty may be required to make certain payments to the Issuer to compensate the Issuer for the effect of such posting.

On a Business Day other than a Payment Date, Principal Proceeds (and to the extent there are insufficient Principal Proceeds, Interest Proceeds) may be applied to the payment of (a) any upfront payments due to any Hedge Counterparty or any replacement hedge counterparty, as the case may be, and (b) any net termination payments (other than the amount of any Defaulted Hedge Termination Payments) payable by the Issuer pursuant to any Hedge Agreements.

Liquidation Proceeds. On any Payment Date on which an optional redemption is occurring pursuant to the procedures described herein, Liquidation Proceeds will be distributed in the following order of priority:

(i) to the payment of the amounts referred to in subclauses (i), (ii)(A), (iii) (without giving any consideration to subclauses (viii), (xi), (xiv) and (xviii) of "—Interest Proceeds" above which would otherwise be incorporated by reference) and (vi)(a) (without giving any consideration to the lead-in language to such subclause (vi) of "—Principal Proceeds" above) of "—Principal Proceeds" above, in such order of priority;

(ii) without duplication of the amounts paid above, to the payment of the Secured Notes then Outstanding at the applicable Secured Note Redemption Price plus accrued and unpaid interest and then to any due and unpaid Defaulted Hedge Termination Payments;

(iii) to the payment to the Collateral Manager of, *first*, the current Subordinated Collateral Management Fee in accordance with the terms of the Collateral Management Agreement and, *then*, any accrued and previously unpaid Subordinated Collateral Management Fee *plus* interest thereon accrued at a rate of LIBOR for the Applicable Period plus 3.00% per annum; and

(iv) the balance of Liquidation Proceeds shall be allocated, *pro rata*, to each subclass of Subordinated Securities (based on the Aggregate Outstanding Amounts of each subclass of Subordinated Securities) and the amount so allocated to each such subclass of Subordinated Securities shall be applied to the payment of:

(a) if such subclass of Subordinated Securities is an Included Subclass, the amount, if any, necessary to cause such Included Subclass to have realized an Internal Rate of Return of 12.0%; then

(b) the amount of any Incentive Collateral Management Fee with respect to such subclass of Subordinated Securities payable on such Payment Date; then

(c) to the Holders of the Subordinated Securities of such subclass as a distribution thereon, the balance of the Liquidation Proceeds so allocated to such subclass of Subordinated Securities.

Form of the Secured Notes

Each Class of Secured Notes sold in offshore transactions in reliance on Regulation S will be represented by one or more Regulation S Global Secured Notes deposited with the Trustee as custodian for DTC and registered in the name of Cede & Co., a nominee of DTC, for the respective accounts of Euroclear and Clearstream. Interests in a Regulation S Global Secured Note may be held only through Euroclear or Clearstream.

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The Secured Notes sold in reliance on Rule 144A or another exemption under the Securities Act will be represented by one or more Rule 144A Global Secured Notes deposited with the Trustee as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

The Secured Notes will be subject to certain restrictions on transfer as set forth under "Transfer Restrictions".

Except in the limited circumstances described herein, owners of beneficial interests in either the Regulation S Global Secured Notes or the Rule 144A Global Secured Notes will not be entitled to receive physical delivery of certificated Secured Notes. The Secured Notes are not issuable in bearer form.

Form of the Subordinated Securities

The Subordinated Securities sold in offshore transactions in reliance on Regulation S will be represented by one or more Regulation S Global Subordinated Securities deposited with the Trustee as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC, for the respective accounts of Euroclear and Clearstream. Interests in e Regulation S Global Subordinated Security may be held only through Euroclear or Clearstream.

The Subordinated Securities sold to Accredited Investors or Qualified Institutional Buyers will each be issued in the form of one or more certificated Subordinated Securities in fully registered form, registered in the name of the owner thereof.

The Subordinated Securities will be subject to certain restrictions on transfer as set forth under "Transfer Restrictions".

Except in the limited circumstences described herein, owners of beneficial interests in the Regulation S Global Subordinated Securities will not be entitled to receive physical delivery of certificated Subordinated Securities. The Subordinated Securities are not issuable in bearer form.

The Indenture

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

Events of Default. An "**Event of Default**" is defined in the Indenture as:

(a) a default in the payment, when due and payable, of any interest on any Class S Note, on any Class A Note or Class B Note, or if there are no Class S Notes, Class A Notes or Class B Notes Outstanding, any Class C Note, or if there are no Class S Notes, Class A Notes, Class B Notes or Class C Notes Outstanding, any Class D Note, or if there are no Class S Notes, Class A Notes, Class B Notes, Class C Notes or Class D Notes Outstanding, any Class E Note, which default in each case shall continue for a period of five Business Days (or, in the case of a default in payment resulting solely from an administrative error or omission by the Trustee, any paying agent or the Registrar, such default continues for a period of five or more Business Days after the Trustee receives written notice of or has actual knowledge of such administrative error or omission);

(b) a default in the payment of principal on any Secured Note at its Stated Maturity or Redemption Date (unless notice of such redemption has been timely withdrawn);

(c) the failure on any Payment Date to disburse amounts available in the Payment Account in excess of $1,000 in accordance with the Priority of Payments and continuation of such failure for a period of ten Business Days (*provided*, if such failure results solely from an administrative error or omission by the Trustee, such default continues for a period of ten or

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more Business Days after the Trustee receives written notice of or has actual knowledge of such administrative error or omission);

(d) as of any Measurement Date after the Initial Investment Period, so long as the Class A Notes are Outstanding, the Class A Par Value Ratio is less than 100%;

(e) a circumstance in which either of the Issuers or the pool of Collateral becomes an investment company required to be registered under the Investment Company Act;

(f) a default in the performance, in a material respect, or breach, in a material respect, of any covenant, representation, warranty or other agreement of the Issuers in the Indenture (other than a covenant or agreement which is specifically addressed elsewhere in the Indenture) (it being understood that a failure to satisfy a Collateral Quality Test, a Coverage Test, the Reinvestment Test or a Concentration Limitation does not constitute a default or breach) or in any certificate or other writing delivered pursuant hereto or in connection herewith or if any representation or warranty of the Issuers in the Indenture or in any certificate or writing delivered pursuant hereto proves to be incorrect in any material respect when made, and, in each case, the continuance of such default or breach for a period of 30 days after written notice thereof shall have been given to the Issuers and the Collateral Manager by the Trustee or to the Issuers, the Collateral Manager and the Trustee by the Holders of at least 25% of the Aggregate Outstanding 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;

(g) the entry of a decree or order by a court having competent jurisdiction adjudging either of the Issuers as bankrupt or insolvent or granting an order for relief or approving as property filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of either of the Issuers under the Bankruptcy Code, the bankruptcy or insolvency laws of the Cayman Islands (with respect to the Issuer) or any other applicable law, or appointing a receiver, liquidator, assignee, or sequestrator (or other similar official) of either of the Issuers or of any substantial part of its property, or ordering the winding up or liquidation of its affairs; or an involuntary case or proceeding shall be commenced against either of the Issuers seeking any of the foregoing and such case or proceeding shall continue in effect for a period of 60 consecutive deys; or

(h) the institution by either of the Issuers of proceedings to be adjudicated as bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by either of the Issuers of a petition or answer or consent seeking reorganization or relief under the Bankruptcy Code, the bankruptcy and insolvency laws of the Cayman Islands (with respect to the Issuer) or any other applicable law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of either of the Issuers or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of any action by either of the Issuers in furtherance of any such action.

If an Event of Default shall have occurred and be continuing, the Trustee may, by notice to the Issuers and the Collateral Manager or shall, at the written direction of a Majority of the Controlling Class by notice to the Issuers (and the Trustee shall in turn provide notice to the Holders of all Securities then Outstanding and the Collateral Manager), subject to the Indenture, declare the principal of and accrued and unpaid interest on all the Secured Notes to be immediately due and payable (except that, in the case of an Event of Default described in subclause (g) or (h) above, such an acceleration will occur automatically and shall not require any action by the Trustee or any Securityholder).

At any time after such a declaration of acceleration of the Stated Maturity of the Secured Notes has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as provided in accordance with the terms of the Indenture, a Majority of the Controlling Class, by

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written notice to the Issuers, the Collateral Manager and the Trustee, may rescind and annul such declaration and its consequences if:

(i) the Issuer or the Co-Issuer has paid or deposited with the Trustee a sum sufficient to pay, and shall pay:

(A) all overdue installments of interest on and principal of the Secured Notes (other than amounts due solely as a result of such acceleration);

(B) to the extent that payment of such interest is lawful, interest upon any Deferred Interest and Defaulted Interest at the applicable Note Interest Rates;

(C) all unpaid taxes and Administrative Expensas and other sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of tha Trustee and its agents and counsel; and

(D) all amounts then due and payable to any Hedge Counterparty; and

(ii) the Trustee has determined that either (1) all Events of Default, other than the non-payment of the interest on or principal of Secured Notes that have become due solely by such acceleration, have been cured and a Majority of the Controlling Class by written notice to the Trustee has agreed with such determination or (2) a Majority of the Controlling Class by written notice to the Trustee has waived such Event of Default as provided in the Indenture.

If an Event of Default shall have occurred and be continuing and an acceleration has occurred, the Trustee shall retain the Collateral, collect and cause the collection of the proceeds thereof and make and apply all payments and deposits in the manner described under "Description of the Securities—Priority of Payments" unless:

(a) the Trustee determines, and a Majority of the Controlling Class agrees with such determination, that the anticipated proceeds of a sale or liquidation of the Collateral (after deducting the expenses of such sale or liquidation) would be sufficient to pay in full the sum of:

(i) the principal and accrued interest with respect to all the Outstanding Secured Notes,

(ii) (A) all Administrative Expenses; (B) the net amount, if any, then payable to Hedge Counterparties by the Issuer; and (C) all other items prior in the Priority of Payments to payments on the Secured Notes, and

(iii) up to 15% of the sum of the amounts described in subclause (i) and (ii) above based on the time elapsed between the confirmation of such determination by an independent certified public accountant and the sale of the Collateral Obligations and Eligible Investments; or

(b) the Holders of at least 66 2/3% of the Aggregate Outstanding Amount of each Class of Secured Notes (each Class voting separately) direct the sale and liquidation of the Collateral.

Notwithstanding any provision to the contrary contained herein, if an Event of Default should occur and be continuing, the Trustee will make payments to the Holders of the Securities only in the manner described in "Description of the Securities—Priority of Payments," except that if acceleration has occurred in accordance with the terms of the Indenture, or if a Payment Default has occurred and has not been cured or waived, no interest (including any Deferred Interest) shall be payable on any Class of Securities until the Aggregate Outstanding Amount of all Classes of Securities that are senior to such Class of Securities, if any, have been repaid in full.

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A Majority of the Controlling Class will have the right to direct the Trustee in the conduct of any proceedings or in the sale of any or all of the Collateral, but only if (i) such direction will not conflict with any rule of law or the Indenture (including the limitations described in the paragraph above), (ii) the Trustee determines that such action will not involve it in liability or expense (unless the Trustee has, in its opinion, received reasonably satisfactory indemnity against any such liability and expense) and (iii) any such sale of any or all of the Collateral is at market prices.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in the event that an Event of Default occurs and is continuing, the Trustee is under no obligation to exercise any of the rights or powers under the Indenture at the request of any Holders of Securities, unless such Holders have offered to the Trustee reasonable security or indemnity in the opinion of the Trustee. A Majority of the Controlling Class may, in certain cases, waive any default with respect to such Securities, except (i) a Payment Default or (ii) a default in respect of a covenant or provision of the Indenture that cannot be modified or amended without the waiver or consent of the Holder of each Outstanding Security adversely affected thereby or (iii) a default in respect of a covenant or provision for the individual protection or benefit of the Trustee, without its consent.

No Securityholder will have the right to institute any proceeding with respect to the Indenture unless (i) such Holder previously has given to the Trustee written notice of a continuing Event of Default; (ii) except in the case of a default in the payment of principal or interest, the Holders of at least 25% of the Aggregate Outstanding Amount of the Controlling Class have made a written request upon the Trustee to institute such proceedings in its own name as Trustee and such Holders have offered the Trustee reasonable indemnity; (iii) the Trustee has for 30 days failed to institute any such proceeding; and (iv) no direction inconsistent with such written request has been given to the Trustee during such 30-day period by a Majority of the Controlling Class.

The Issuer shall not terminate any Hedge Agreements in connection with the liquidation of Collateral pursuant to the Indenture, unless and until the conditions set forth in the Indenture and described above for liquidation of the Collateral have been satisfied.

See "Glossary of Defined Terms—Outstanding" for determining whether the Holders of the requisite percentage of Securities have given any direction, notice or consent.

Notices. Notices to the Holders of the Securities shall be given by first class mail, postage prepaid, to each Holder of Securities at the address appearing in the Register. In addition, for so long as the Securities are listed on the Irish Stock Exchange and so long as the rules of such Exchange so require, as determined by the Irish Listing Agent, notices to the Holders of the Securities shall also be given by publication in the *Official List*.

Modification of Indenture. The Issuers and the Trustee may enter into one or more supplemental indentures without obtaining the consent of Holders of the Securities if either: (x) such supplemental indenture would have no material adverse effect on any of the Holders of the Securities (as evidenced by an opinion of counsel (which may be supported as to factual (including financial and capital markets) matters by a certificate of an officer of the Collateral Manager and other documents necessary or advisable in the judgment of counsel delivering the opinion) or (y) such supplemental indenture is for any of the following purposes:

(i) to evidence the succession of any person to either the Issuer or Co-Issuer and the assumption by any such successor of the covenants of the Issuer or Co-Issuer in the Securities and the Indenture;

(ii) to add to the covenants of the Issuers or the Trustee for the benefit of the Holders of the Securities or to surrender any right or power conferred upon the Issuers;

(iii) to convey, transfer, assign, mortgage or pledge any property to or with the Trustee, or add to the conditions, limitations or restrictions on the authorized amount, terms and purposes of the issue, authentication and delivery of the Securities;

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(iv) to 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 trusts under the Indenture by more than one Trustee;

(v) to correct or amplify the description of any property at any time subject to the lien of the Indenture, or to correct, amplify or otherwise improve upon any pledge, assignment or conveyance to the Trustee of any property subject to or required to be subject to the lien of the Indenture (including, without limitation, any and all actions necessary or desirable as a result of changes in applicable law or regulations) or to cause any additional property to be subject to the lien of the Indenture;

(vi) to modify the restrictions on and procedures for resales and other transfers of Securities to reflect any changes in applicable law or regulation (or the interpretation thereof) or to enable the Issuers to rely upon any exemption from registration under the Securities Act or the Investment Company Act or to remove restrictions on resale and transfer to the extent not required thereunder;

(vii) to otherwise correct any inconsistency or mistake or cure any ambiguity (a) arising under the Indenture or (b) in connection with the final offering circular or any other transaction document;

(viii) to take any action necessary or advisable to prevent the Issuer or the Trustee from becoming subject to withholding or other taxes, fees or assessments or to prevent the Issuer from being treated as engaged in a United States trade or business or otherwise being subject to United States federal, state or local income tax on a net income basis;

(ix) to facilitate the issuance of additional Securities or Replacement Notes pursuant to the Indenture;

(x) to modify certain representations and warranties relating to the Trustee's security interest in the Collateral;

(xi) to facilitate (A) the listing of any of the Securities on any exchange and/or (B) compliance with the rules of such exchange;

(xii) to facilitate the issuance of combination securities or other similar securities;

(xiii) to change the minimum denomination of the Securities, but in no event may denominations be less than the amount of the Dollar equivalent of €50,000;

(xiv) to facilitate securities lending (*provided* that no Securityholders are materially adversely affected thereby);

(xv) to accommodate the acquisition of Synthetic Securities so long as the related changes are administrative or mechanical in nature;

(xvi) to accommodate the issuance of any Securities in book-entry form through the facilities of DTC or otherwise;

(xvii) to amend the definition of "Eligible Investment" (and the related definitions) to include such other Eligible Investments that S&P has confirmed in writing to the Trustee or the Collateral Manager at the time of investment therein will not cause it to reduce or withdraw its then current rating of any Class of Secured Notes;

(xviii) to amend the definition of "Synthetic Security" (other than subclause (i), (ii), or (iii) of such definition) or "Reference Obligation" if any of the Rating Agencies changes its methodologies with respect to Synthetic Securities;

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(xix) to take any action necessary or advisable in the reasonable judgment of the Issuer or the Collateral Menager for the Issuer to comply with the European Union Transparency Obligations Directive or to permit the Issuers to de-list any listed Class of Securities in accordance with the Indenture;

(xx) to evidence any waiver by any Rating Agency as to any requirement or condition, as applicable, of the Rating Agency in the Indenture;

(xxi) to facilitate hedging transactions;

(xxii) to modify any provision to facilitate an exchange of one security for another security of the same issuers that has substantially identical terms except transfer restrictions, including to effect any serial designation relating to the exchange; or

(xxiii) with the consent in writing of the Collateral Manager, and upon certification in writing from, the Collateral Manager:

1. to modify the restrictions on the sales of the Collateral Obligations (and the related definitions); and

2. to enter into any additional agreement not expressly prohibited by the Indenture as well as any amendment, modification, or waiver;

provided, that, in each case above in this item (xxiii), the Issuer has determined that the amendment, modification, supplemental indenture or waiver would not be materially adverse to holders of any Class of Securities, as evidenced by an opinion of counsel (which may be supported as to factual (including financiel and capital markets) matters by a certificate of an officer of the Collateral Manager and other documents necessary or advisable in the judgment of counsel delivering the opinion).

The Trustee may, based upon an officer's certificate and an opinion of counsel provided to the Trustee by the party requesting such amendment, determine whether or not the Holders of Securities would be materially adversely affected by any supplemental indenture (after giving notice of such change to the Holders of Securities), and such determination shall be conclusive on all present and future Holders. In executing any such supplemental indenture, the Trustee shall be entitled to rely upon such officer's certificate and opinion of counsel.

The Issuers and the Trustee may also enter into one or more supplemental indentures, without obtaining the consent of Holders of the Securities, whether or not adversely affected thereby, but with the consent of the Collateral Manager, so long as each of the S&P Rating Condition and the Moody's Rating Condition has been satisfied, for any of the following purposes:

(i) to change any of the components of the Ratings Matrix;

(ii) to change the Moody's Minimum Weighted Average Recovery Rate Test;

(iii) to change the S&P Minimum Weighted Average Recovery Rate Test; or

(iv) to reflect changes in Rating Agency methodologies.

With the consent of a Majority of the Outstanding Securities of each Class of Securities materially and adversely affected thereby, the Trustee and the Issuers may execute a supplemental indenture to add 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 Securities; *provided* that, without the consent of each Holder of each Outstanding Security of each Class adversely affected thereby, no supplemental indentures may be entered into which:

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(i) change the Stated Maturity of the principal of any Secured Note, or the date on which any installment of principal or interest on any Secured Note is due and payable, change the date of any scheduled distribution on the Subordinated Securities, reduce the principal amount of any Secured Note or the Note Interest Rate or the redemption price with respect to any Secured Note, change the earliest specified date on which any Security may be redeemed, change the provisions of the Indenture for the application of Proceeds of any Collateral to the payment of principal of or interest on the Secured Notes or to the payment of distributions on the Subordinated Securities or change any place where, or the coin or currency in which, any Secured Note or the principal thereof or interest thereon is payable or any Subordinated Security or distributions thereon are payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption of a Security, on or after the applicable Redemption Date of such Security);

(ii) reduce the percentage of the Aggregate Outstanding Amount of Securities of each Class the consent of the Holders of which is required for the authorization of any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with certain provisions of the Indenture or certain defaults thereunder and their consequences;

(iii) impair or adversely affect the Collateral except as otherwise permitted by the Indenture;

(iv) except as expressly provided in the Indenture and other than the lien of the Indenture, permit the creation of any lien with respect to any part of the Collateral or terminate such lien on any property at any time subject thereto or deprive any Holder of a Secured Note or the Trustee of the security afforded by the lien of the Indenture;

(v) reduce the percentage of Holders of the Secured Notes of each Class whose consent is required to request the Trustee to preserve the Collateral or rescind the Trustee's election to preserve the Collateral or to sell or liquidate the Collateral pursuant to the Indenture;

(vi) modify any of the provisions of the Indenture with respect to any supplemental indenture except to increase the percentage of Outstanding Securities whose Holders' consent 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 Holder of each Outstanding Security adversely affected thereby;

(vii) modify the definition in the Indenture of the term "Outstanding";

(viii) modify any of the provisions of the Indenture in such a manner as to (a) affect the calculation of the amount of any payment of interest on or principal of any Secured Note, (b) modify any amount distributable to the Holders of the Subordinated Securities on any Payment Date or (c) affect the right of the Holders of the Securities to the benefit of any provisions for the redemption of the Securities contained therein;

(ix) amend any provision of the Indenture or eny other agreement entered into by the Issuer with respect to the transactions contemplated hereby relating to the institution of proceedings for the Issuer or the Co-Issuer to be adjudicated as bankrupt or insolvent, or the consent of the Issuer or the Co-Issuer to the institution of bankruptcy or insolvency proceedings against it, or the filing with respect to the Issuer or the Co-Issuer of a petition or answer or consent seeking reorganization, arrangement, moratorium or liquidation proceedings, or other proceedings under the Bankruptcy Code or any similar laws, or the consent of the Issuer or the Co-Issuer to the filing of any such petition or the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Issuer or the Co-Issuer or any substantial part of its property, respectively; or

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(x) amend any limited recourse provision of the Indenture or any limited recourse provision of any other agreement entered into by the Issuer or the Co-Issuer with respect to the transactions contemplated hereby (which limited recourse provision provides that the obligations of the Issuer or the Co-Issuer, as the case may be, are limited recourse obligations of the Issuer or the Co-Issuer, as the case may be, payable solely from the Collateral in accordance with the terms of the Indenture).

Unless the Collateral Manager has been given prior written notice of such amendment and has consented thereto in writing, such consent being in the sole discretion of the Collateral Manager, no supplemental indenture may (a) affect the obligations or rights of the Collateral Manager including, without limitation, modifying the restrictions on the purchases or sales of Collateral Obligations or the Eligibility Criteria, the Collateral Quality Tests, the Coverage Tests or the Concentration Limitations or expanding or restricting the Collateral Manager's discretion or (b) affect the amount or priority of any fees or other amounts payable to the Collateral Manager under the Collateral Management Agreement and the Indenture.

Under the Indenture, in connection with any supplemental indenture, the Trustee will, for so long as the Secured Notes are Outstanding and rated by the Rating Agencies, mail a copy of any proposed supplemental indenture to the Rating Agencies not later than 15 Business Days prior to the execution of such proposed supplemental indenture, and no such supplemental indenture shall be entered into unless S&P shall confirm in writing that such proposed supplemental indenture would not cause the rating of any Class of Secured Notes to be reduced or withdrawn.

Additional Issuance. The Indenture will provide that additional Securities of all existing Classes of Securities may be issued and the Issuer may use the proceeds to purchase additional Collateral Obligations and, if applicable, enter into additional Hedge Agreements if the following conditions are satisfied:

(a) such additional issuances may not exceed 100% in the aggregate of the original principal or notional amount of each applicable Class of Securities;

(b) such additional Securities must be issued for a cash sales price;

(c) additional Securities of the existing Secured Notes must be issued in a *pro rata* amount (based on the then Aggregate Outstanding Amount of each Class of Securities), other than the Class S Notes which may or may not be issued in a *pro rata* amount;

(d) the terms (other than the date of issuance, the issue price, the CUSIP and the date from which interest will accrue or, in the case of the Subordinated Securities, the date from which the Holders of Subordinated Securities are entitled to receive Interest Proceeds and Principal Proceeds as distributions thereon) of such additional Securities must be identical to the terms of the previously issued Securities of the Class of which such additional Securities, as applicable, are a part;

(e) the Moody's Rating Condition and the S&P Rating Condition must be satisfied with respect to such additional issuance;

(f) the Holders of the Subordinated Securities shall have been notified in writing at least 30 days prior to such issuance and shall have been afforded the first opportunity to purchase additional Subordinated Securities in an amount equal to the percentage of the Aggregate Outstanding Amount of Subordinated Securities each Holder held immediately prior to such issuance (the **"Subordinated Securities Anti-Dilution Percentage"**) of such additional Subordinated Securities and on the same terms offered to investors generally and a Majority of the Subordinated Securities consent to such additional issuance;

(g) the Collateral Manager shall have consented in writing to such additional issuance;

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(h) an opinion of counsel will be delivered to the Trustee to the effect that none of the Issuer, the Co-Issuer or the pool of Collateral will be required, as a result of such issuance, to be registered as an investment company under the Investment Company Act;

(i) an opinion of tax counsel of nationally recognized standing in the United States experienced in such matters must be delivered to the Trustee to the effect that (x) such additional issuance will not result in the Issuer becoming subject to U.S. federal income taxation with respect to its net income, (y) such additional issuance would not cause Holders or beneficial owners of the Securities previously issued to be deemed to have sold or exchanged such Securities under Section 1001 of the Code and (z) any additional Co-Issued Notes will be debt for U.S. federal income tax purposes;

(j) such additional Securities shall be issued in a manner that will allow the Issuer to accurately provide the information described in United States Treasury Regulation Section 1.1275-3(b)(1)(i) if such additional securities are not publicly offered and are issued with original issue discount within the meaning of such regulation;

(k) any Administrative Expenses incurred with respect to such issuance will be paid from the proceeds of such issuance; and

(l) the Issuer shall deliver an officer's certificate to the Trustee certifying that the conditions precedent to such issuance set forth under this section "—Additional Issuance" have been satisfied.

In addition, the Issuer may issue and sell additional Subordinated Securities (without issuing additional Secured Notes of any Class); *provided* that the following conditions are satisfied:

(a) the subordination terms of such Subordinated Securities must be identical to the terms specified in the Indenture;

(b) the dates on which such additional Subordinated Securities receive any distribution from the issuer must be the same dates as all other Subordinated Securities;

(c) each other term of such Subordinated Securities (other than the issue price thereof and the date from which the Holders of the Subordinated Securities are entitled to receive Interest Proceeds and Principal Proceeds as distributions thereon) must be no more favorable to the purchasers thereof than the corresponding term of the previously issued Subordinated Securities;

(d) such additional Subordinated Securities must be issued for a cash sales price;

(e) the Holders of the Subordinated Securities shall have been notified in writing at least 30 days prior to such issuance and shall have been afforded the first opportunity to purchase additional Subordinated Securities in an amount equal to the Subordinated Securities Anti-Dilution Percentage of such additional Subordinated Securities and on the same terms offered to investors generally (which right to purchese additional Subordinated Securities shall expire if not exercised prior to the end of business on the date 20 days after the date of receipt of notice of such issuance of such additional Subordinated Securities);

(f) the Collateral Manager shall have consented in writing to such additional issuance and S&P shall have been given prior written notice of such eddltional issuance;

(g) an opinion of counsel must be delivered to the Trustee to the effect that none of the Issuer, the Co-Issuer or the pool of Collateral will be required, as a result of such issuance, to be registered as an investment company under the Investment Company Act;

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(h) an opinion of tax counsel of nationally recognized standing in the United States experienced in such matters must be delivered to the Trustee to the effect that (x) such additional issuance will not result in the Issuer becoming subject to U.S. federal income taxation with respect to its net income and (y) such additional issuance would not cause Holders or beneficial owners of the Securities previously issued to be deemed to have sold or exchanged such Securities under Section 1001 of the Code;

(i) the Issuer shall deliver an officer's certificate to the Trustee certifying that the conditions precedent to such issuance set forth under this section "—Additional Issuance" have been satisfied; and

(j) any Administrative Expenses incurred with respect to such issuance will be paid from the proceeds of such issuance.

The proceeds from such additional issuance of Securities shall be applied in accordance with the time period and in the manner set forth in the table below (the **"Treatment of Additional Issuances of Securities"**).

	When Proceeds from Additional Issuances of Securities can be used	
Issuance occurs prior to the end of the Reinvestment Period	At or before the end of the Reinvestment Period.	
Issuance occurs after the Reinvestment Period	At or before the end of the related Investment Due Period.	
	How Proceeds from Additional Issuances of Securities can be used	
	Additional Issuance of Secured Notes and Subordinated Securities	**Additional Issuance of Subordinated Securities only**
If there is an Effective Date Ratings Downgrade Event	On any Determination Date after the Effective Date Ratings Downgrade Event, treat as Principal Proceeds and apply in accordance with "—Priority of Payments—Principal Proceeds".	Treat as Interest Proceeds or Principal Proceeds, in the Collateral Manager's sole discretion evidenced in a writing delivered to the Trustee, and apply in accordance with "—Priority of Payments—Interest Proceeds" or "—Priority of Payments—Principal Proceeds".
Any Determination Date on which any of the Par Value Tests are not satisfied, or on any Determination Date on or after the Second Determination Date on which any of the Interest Coverage Tests are not satisfied	Treat as Principal Proceeds and apply in accordance with "—Priority of Payments—Principal Proceeds".	Treat as Interest Proceeds or Principal Proceeds, in the Collateral Manager's sole discretion evidenced in a writing to the Trustee, and apply in accordance with "—Priority of Payments—Interest Proceeds" or "—Priority of Payments—Principal Proceeds".
In all other cases	Invest in additional Collateral Obligations or additional Hedge Agreements, and, to the extent not invested in accordance with the time period set forth in the preceding table, treat such proceeds as Principal Proceeds and apply in accordance with clause (vii) of the definition thereof.	In the Collateral Manager's sole discretion evidenced in a writing to the Trustee: (i) invest in additional Collateral Obligations or additional Hedge Agreements; (ii) treat as Interest Proceeds and apply in accordance with "—Priority of Payments—Interest Proceeds" or (iii) treat such proceeds as Principal Proceeds and apply in accordance with "—Priority of Payments—Principal Proceeds".

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In connection with any additional issuance of Securities, the Issuer shall, to the extent required by the rules thereof, provide the Irish Stock Exchange with a Listing Circular or an Offering Circular Supplement, relating to such additional Securities.

In addition, each additional issuance of Subordinated Securities shall be issued as a separate subclass of Subordinated Securities. In connection with the issuance of such subclass of Subordinated Securities, the Issuer shall designate whether the applicable subclass will be an "Included Subclass" or an "Excluded Subclass" (as those terms are used in the calculation and payment of Incentive Collateral Management Fees). For the avoidance of doubt, the Subordinated Securities issued on the Closing Date will be deemed an Included Subclass.

Jurisdictions of Incorporation. Under the Indenture, the Issuer and the Co-Issuer will be required to maintain their rights and franchises as a company and a corporation incorporated under the laws of the Cayman Islands and the State of Delaware, respectively, to comply with the provisions of their respective organizational documents and to obtain and preserve their qualification to do business as foreign corporations in each jurisdiction in which such qualifications are or shall be necessary to protect the validation and enforceability of the Indenture, the Securities or any of the Collateral; *provided, however*, that the Issuer shall be entitled to change its jurisdiction of incorporation and principal place of business from the Cayman Islands to any other jurisdiction reasonably selected by the Issuer and approved by the ordinary shareholder of the Issuer, so long as (a) such change is not disadvantageous in any material respect to the Issuer, the Holders of any Class of Securities or the Collateral Manager; (b) written notice of such change shall have been given by the Issuer to the Trustee, the Holders, the Collateral Manager and each of the Rating Agencies at least 30 Business Days prior to such change of jurisdiction and (c) on or prior to the 15th Business Day following such notice the Trustee shall not have received written notice from a Majority of the Controlling Class objecting to such change.

Petitions for Bankruptcy. The Indenture will provide that neither (i) the Trustee, in its own capacity, or on behalf of any Securityholder nor (ii) the Securityholders may, prior to the date which is one year and one day (or, if longer, the applicable preference period) after the payment in full of all Securities institute against, or join any other person in instituting against, the Issuer or Co-Issuer any bankruptcy, reorganization, arrangement, moratorium or liquidation proceedings, or other proceedings under Cayman Islands, United States federal or state bankruptcy or similar laws.

Satisfaction and Discharge of the Indenture. The Indenture will be discharged with respect to the Collateral upon delivery to the Trustee for cancellation of all of the Securities, or, within certain limitations (including the obligation to pay principal and interest), upon deposit with the Trustee of funds sufficient for the payment or redemption thereof and the payment by the Issuers of all other amounts due under the Indenture.

Trustee. The Bank of New York Trust Company, National Association will be the Trustee under the Indenture for the Securities. The Issuers and their Affiliates may maintain other banking relationships in the ordinary course of business with the Trustee. The payment of the fees and expenses of the Trustee relating to the Securities is solely the obligation of the Issuers. The Trustee and/or its Affiliates may receive compensation in connection with the Trustee's investment of trust assets in certain Eligible Investments as provided in the Indenture and in connection with the Trustee's administration of any securities lending activities of the Issuer.

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 the acceptance or administration of the Indenture. The Trustee may be removed at any time by a Majority of the Secured Notes voting together as a single class, or may be removed at any time when an Event of Default shall have occurred and be continuing, by a Majority of the Controlling Class. No resignation or removal of the Trustee shall be effective until a successor trustee has been appointed pursuant to the terms of the Indenture.

Reports Prepared Pursuant to the Indenture. Upon the written request in the form of Exhibit A hereto, any Securityholder (or its designee) may request that the Trustee provide to such Securityholder (or

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its designee) the monthly reports and certain other reports prepared by or on behalf of the Issuer in accordance with the Indenture.

Governing Law. The Indenture and the Securities will be governed by, and construed in accordance with, the laws of the State of New York applicable to agreements made and to be performed therein without regard to the conflict of laws principles thereof.

USE OF PROCEEDS

The aggregate proceeds of the offering of the Securities are expected to equal approximately $502,000,000. Such proceeds will be used by the Issuer (i) to pay expenses related to the offering of the Securities, (ii) to satisfy the Issuer's obligations under certain warehouse arrangements with respect to a portfolio of Collateral Obligations acquired during the Accumulation Period, (iii) to enter into one or more Hedge Agreements on or after the Closing Date, (iv) to deposit an amount equal to the Expense Reserve Amount in the Expense Reserve Account and (v) to deposit into the Revolving Credit Facility Reserve Account an amount equal to the Future Drawdown Amount.

On the Effective Date, so long as the Minimum Par Value Ratio is satisfied as of such date, the Collateral Manager may, in its sole discretion, instruct the Trustee in writing to utilize up to $1,000,000 of Principal Proceeds and unused proceeds of the offering of the Securities for application as either Interest Proceeds or Principal Proceeds in accordance with the Priority of Payments and/or transfer to the Discretionary Reserve Account for future application of such funds as either Interest Proceeds or Principal Proceeds in accordance with the Priority of Payments, in each case on or before the Payment Date in February 2008. See "Security for the Secured Notes—Principal Collection Account" and "—Discretionary Reserve Account".

On the Closing Date, the proceeds of the issuance of the Class S Notes in an amount equal to approximately $2,000,000 will be deposited in the Interest Collection Account. On or before the first Payment Date the Collateral Manager may (in its sole discretion) instruct the Trustee in writing to transfer all or a portion of funds in the Interest Collection Account (representing proceeds of the issuance of the Class S Notes) to the Principal Collection Account for application as Principal Proceeds.

It is expected that approximately $491,966,875 of the aggregate proceeds of the offering of the Securities will be available to the Issuer to satisfy its obligations under certain warehouse arrangements with respect to a portfolio of Collateral Obligations acquired during the Accumulation Period and to purchase additional Collateral Obligations.

RATING OF THE SECURITIES

It is a condition to the issuance of the Securities that the Secured Notes of each Class receive from the Rating Agencies the minimum rating indicated under "Summary—The Offering". A credit 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. The Subordinated Securities will not be rated by any credit rating agency.

SECURITY FOR THE SECURED NOTES

Under the terms of the Indenture, the Issuer will grant to the Trustee, for the benefit of the Holders of the Secured Notes and certain other parties but not the Holders of the Subordinated Securities, a perfected security interest in the Collateral, including the Collateral Obligations, that is of first priority, free of any adverse claim or the legal equivalent thereof, as applicable, to secure the Issuer's obligations under the Indenture, the Secured Notes and each Hedge Agreement. The Subordinated Securities are not secured.

Purchase of Collateral Obligations

It is expected that, by the Closing Date, the Issuer will have purchased, or entered into agreements to purchase, with the net proceeds of the issuance of the Securities, a portfolio of Collateral Obligations selected by the Collateral Manager constituting approximately 87% of the Aggregate Principal Amount of

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Collateral Obligations expected to be purchased by the Issuer representing approximately $430,000,000 in Aggregate Principal Amount of Collateral Obligations.

On or prior to the 10th Business Day after the Interim Targets Date, the Collateral Manager shall submit to Moody's (with a copy to the Trustee) (x) a statement showing compliance with the Interim Targets or (y) if the Interim Targets are not satisfied, a plan certified by the Collateral Manager as sufficient, in its judgment, to attain compliance as of the Effective Date with each of the Collateral Quality Tests (other than the S&P CDO Monitor Test), the Par Value Tests, the Minimum Par Value Ratio and the Concentration Limitations.

At the Effective Date, the Aggregate Principal Amount of the Collateral Obligations and the amount of cash and Eligible Investments deposited in the Issuer Accounts are expected to be approximately $493,500,000.

An obligation will be eligible for purchase by the Issuer if it meets the Eligibility Criteria. See "Summary—The Offering—Collateral Obligations".

The Collateral Quality Tests

The "**Collateral Quality Tests**" will consist of the Diversity Test, the Maximum Rating Factor Test, the Minimum Weighted Average Coupon Test, the Maximum Average Life Test, the Moody's Minimum Weighted Average Recovery Rate Test, the S&P Minimum Weighted Average Recovery Rate Test and the S&P CDO Monitor Test.

On and after the Effective Date, measurement of the degree of compliance with the Collateral Quality Tests will be required as of each Measurement Date.

The values at which each of the Collateral Quality Tests is satisfied and the expected value of each Collateral Quality Test upon the Effective Date are set forth in the table presented under "Summary—The Offering—Collateral Quality Tests".

Ratings Matrix. Subject to the provisions provided below, the Collateral Manager on behalf of the Issuer will have the option (in its sole discretion) to elect which combination of Maximum Rating Factor, Minimum Weighted Average Spread and Minimum Diversity set forth in the Ratings Matrix shall be applicable for purposes of the Diversity Test, the Minimum Weighted Average Coupon Test and the Maximum Rating Factor Test. On the Effective Date, the Collateral Manager on behalf of the Issuer, by notice in writing to the Trustee and Moody's, will elect (in its sole discretion) which "row/column combination" shall epply initially.

Thereafter, on two Business Days' written notice prior to any Measurement Date to the Trustee and Moody's, the Collateral Manager on behalf of the Issuer may elect (in its sole discretion) to have a different "row/column combination" apply. In no event will the Collateral Manager on behalf of the Issuer be obligated to elect to have a different "row/column combination" apply or to elect to have the same "row/column combination" apply.

Diversity Test. The "**Diversity Test**" is a test that will be satisfied if, as of any Measurement Date, the Diversity Score (rounded to the nearest whole number) equals or exceeds the number set forth in the column entitled "Minimum Diversity" in the Ratings Matrix based upon the "row/column combination" chosen by the Collateral Manager as currently applicable to the Collateral Obligations in accordance with the Indenture. For purposes of the Diversity Test, (a) any Synthetic Security that has a single underlying Reference Obligor shall be included as a Collateral Obligation having the characteristics of the related Reference Obligation and not of the Synthetic Security and any Synthetic Security that has more than one underlying Reference Obligor shall not be included in the Diversity Test, (b) any Collateral Obligation loaned to a Securities Lending Counterparty shall be included in the Diversity Test so long as such Securities Lending Counterparty is not in default under the related agreement governing the loan of such Collateral Obligations (a "**Securities Lending Agreement**") and (c) any CDO Security that is a collateralized loan obligation shall be excluded from the Diversity Test.

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Maximum Rating Factor Test. The **"Maximum Rating Factor Test"** will be satisfied as of any Measurement Date if the Moody's Weighted Average Rating Factor of the Collateral Obligations is equal to or less than (i) the number set forth in the column entitled "Maximum Rating Factor" in the Ratings Matrix based upon the "row/column combination" chosen by the Collateral Manager as currently applicable to the Collateral Obligations in accordance with the Indenture plus (ii) the Rating Factor Modifier. For purposes of the Maximum Rating Factor Test, (a) unless otherwise specified, a Synthetic Security shall be included as a Collateral Obligation having a Moody's Rating Factor determined as described under "Security for the Secured Notes—Certain Matters Relating to Synthetic Securities" and having the other characteristics of the Synthetic Security (and not of the Reference Obligations) and (b) any Collateral Obligation loaned to a Securities Lending Counterparty shall be included in the Maximum Rating Factor Test so long as such Securities Lending Counterparty is not in default under the related Securities Lending Agreement.

Maximum Average Life Test. The **"Maximum Average Life Test"** will be satisfied if, as of any Measurement Date, the Weighted Average Life of the Collateral Obligations is less than or equal to the number of years applicable to the period in which such Measurement Date occurs, as set forth in e schedule to the Indenture. On the Effective Date, the Maximum Average Life Test shall be met if the Weighted Average Life of the Collateral Obligations is 10 years or less.

Minimum Weighted Average Coupon Test. The **"Minimum Weighted Average Coupon Test"** will be satisfied if, as of any Measurement Date, the Weighted Average Spread as of such Measurement Date equals or exceeds the Minimum Weighted Average Spread.

The **"Minimum Weighted Average Spread"** as of any Measurement Date will equal or be greater than the percentage set forth in the row entitled "Minimum Weighted Average Spread" in the Ratings Matrix set forth in "Summary—The Offering—Collateral Quality Tests" based upon the "row/column combination" chosen by the Collateral Manager as currently applicable to the Collateral Obligations in accordance with the terms of the Indenture.

Moody's Minimum Weighted Average Recovery Rate Test. The **"Moody's Minimum Weighted Average Recovery Rate Test"** will be satisfied as of any Measurement Date if the Moody's Weighted Average Recovery Rate is equal to or greater than the percentage set forth in "Summary—The Offering—Collateral Quality Tests".

S&P Minimum Weighted Average Recovery Rate Test. The **"S&P Minimum Weighted Average Recovery Rate Test"** will be satisfied as of any Measurement Date if the S&P Weighted Average Recovery Rate is equal to or greater than the percentage set forth in "Summary—The Offering—Collateral Quality Tests".

S&P CDO Monitor Test. The **"S&P CDO Monitor Test"** will be satisfied as of any Measurement Date after the Effective Date if, after giving effect to any purchase or sale (or both, if applicable) of a Collateral Obligation, as the case may be, each of the Class S Loss Differential, the Class A Loss Differential, the Class B Loss Differential, the Class C Loss Differential, the Class D Loss Differential and the Class E Loss Differential of the Proposed Portfolio is positive. The S&P CDO Monitor Test will be considered to be improved if each of the Class S Loss Differential, the Class A Loss Differential, the Class B Loss Differential, the Class C Loss Differential, the Class D Loss Differential and the Class E Loss Differential of the Proposed Portfolio is greater than each of the Class S Loss Differential, the Class A Loss Differential, the Class B Loss Differential, the Class C Loss Differential, the Class D Loss Differential and the Class E Loss Differential, respectively, of the Current Portfolio. For the calculation of the Class S Loss Differential, the Class A Loss Differential, the Class B Loss Differential, the Class C Loss Differential, the Class D Loss Differential and the Class E Loss Differential, the appropriate S&P CDO Monitor determined pursuant to the Indenture will be used.

After the Effective Date, S&P shall provide nine (9) different S&P CDO Monitors to the Issuer, the Collateral Manager, the Collateral Administrator and the Trustee, such S&P CDO Monitors corresponding to portfolios with weighted average spreads of 2.10%, 2.20%, 2.30%, 2.40%, 2.50%, 2.60%, 2.70%, 2.80% and 2.90%, respectively. The Collateral Manager on behalf of the Issuer will have the option to elect (in its sole discretion) from time to time which S&P CDO Monitor shall apply for purposes of application under the

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Indenture. After the Effective Date, the Collateral Manager on behalf of the Issuer, by written notice to the Collateral Administrator, the Trustee and S&P, will elect (in its sole discretion) which S&P CDO Monitor shall apply initially and, thereafter, on two Business Days written notice prior to the Measurement Date to the Collateral Administrator, Trustee and S&P, the Collateral Manager on behalf of the Issuer may elect (in its sole discretion) to have a different S&P CDO Monitor apply; *provided*, that such elected S&P CDO Monitor must correspond to a portfolio with a weighted average spread that is equal to or lower than the Weighted Average Spread of the Floating Rate Collateral Obligations in the Collateral Portfolio at the time of such election; *provided, further*, that if the Weighted Average Spread of the Floating Rate Collateral Obligations in the Collateral Portfolio at the time of such election is less than 2.10%, then the S&P CDO Monitor that corresponds to a portfolio with a weighted average spread of 2.10% shall be used. In no event shall the Collateral Manager be obligated to elect a different S&P CDO Monitor or to retain the current S&P CDO Monitor election. For the avoidance of doubt, the selection of an S&P CDO Monitor as described in this paragraph shall be separate and independent of any election of the Collateral Manager on behalf of the Issuer (in its sole discretion) with respect to the Ratings Matrix pursuant to "—Ratings Matrix" above.

In calculating the Class S Scenario Default Rate, the Class A Scenario Default Rate, the Class B Scenario Default Rate, the Class C Scenario Default Rate, the Class D Scenario Default Rate and the Class E Scenario Default Rate, the S&P CDO Monitor considers each obligor's S&P Rating, the number of obligors in the portfolio, the obligor and industry concentrations in the portfolio and the remaining weighted average life of the Collateral Obligations and Eligible Investments and calculates a cumulative default rate based on the statistical probability of distributions of defaults on the Collateral Obligations and Eligible Investments.

The Coverage Tests

The Coverage Tests will be used primarily to determine whether (i) interest may be paid on the Secured Notes, (ii) Interest Proceeds will be distributed to the Holders of the Subordinated Securities, (iii) Principal Proceeds may be reinvested in Collateral Obligations and (iv) Principal Proceeds and, to the extent needed, Interest Proceeds must be used to make mandatory redemptions of the Secured Notes (other than the Class S Notes) in accordance with the Priority of Payments. See "—Sale of Collateral Obligations; Substitute Securities; Exchange of Defaulted Obligations and Reinvestment Criteria", "Description of the Securities—Principal" and "—Priority of Payments".

"**Coverage Tests**" means the Par Value Tests and the Interest Coverage Tests.

For purposes of the Coverage Tests:

(i) unless otherwise specified, a Synthetic Security shall be treated as set forth in "Security for the Secured Notes—Certain Matters Relating to Synthetic Securities";

(ii) (a) after the occurrence of an "event of default" (as such term is defined under the related Securities Lending Agreement), all Securities Lending Collateral deposited by the related Securities Lending Counterparty in the Securities Lending Account shall be deemed to be part of the Collateral Portfolio (but not to exceed the amount of the Securities Lending Counterparty's obligations owed to the Issuer); and (b) any Collateral Obligation loaned to a Securities Lending Counterparty shall be included in the Coverage Tests for so long as an "event of default" (as such term is defined under the related Securities Lending Agreement), shall not have occurred and be continuing under the related Securities Lending Agreement;

(iii) amounts deposited in the Expense Reserve Account shall be excluded; and

(iv) amounts on deposit in each Synthetic Security Collateral Account shall be excluded (unless (a) the Collateral Manager notifies the Trustee in writing that it has determined that the amount deposited in such Synthetic Security Collateral Account exceeds the amount owed by the Issuer to the related Synthetic Security Counterparty, in which case such excess portion shall be included or (b) a termination event or an event of default has occurred under the related Synthetic Security, in which case the amount by which the amount deposited in

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the related Synthetic Security Collateral Account exceeds the amount owed by the Issuer to the related Synthetic Security Counterparty shall be included).

Sale of Collateral Obligations; Substitute Securities; Exchange of Defaulted Obligations and Reinvestment Criteria

Sales of Collateral Obligations—Generally. The Collateral Obligations may be retired prior to their respective final maturities due to, among other things, the existence and frequency of exercise of any optional or mandatory redemption features of such Collateral Obligations. In addition, at any time, the Collateral Manager (in its sole discretion) on behalf of the Issuer may direct the Trustee in writing to (1) sell, and the Trustee shall sell, in the manner directed by the Collateral Manager (in its sole discretion) on behalf of the Issuer (i) any Equity Security, (ii) any Defaulted Obligation, (iii) any Withholding Tax Security or (iv) any Credit Risk Obligation (subject to, in the case of a Credit Risk Obligation, subclauses (i) and (ii) described under "Sale of Credit Improved Obligations and Credit Risk Obligations and Discretionary Sales of Collateral Obligations—Sales of Credit Risk Obligations and Credit Improved Obligations in cases of Co-Issued Notes' Ratings Withdrawal or Downgrade") or (2) exchange a Defaulted Obligation for an Exchanged Defaulted Obligation in accordance with the limitations described herein. For so long as no Event of Default has occurred and is continuing, the Collateral Manager (in its sole discretion) on behalf of the Issuer may direct the Trustee to sell, and the Trustee shall sell, in the manner directed by the Collateral Manager (in its sole discretion) on behalf of the Issuer (i) any Credit Improved Obligation or (ii) any other Collateral Obligation in addition to those described in the preceding sentence, in each case subject to the limitations on amounts and other requirements set forth in the Indenture and described herein.

Sale of Credit Improved Obligations and Credit Risk Obligations and Discretionary Sales of Collateral Obligations

Credit Risk Obligations

A Credit Risk Obligation may be sold during or after the Reinvestment Period. If the proposed sale occurs:

(i) during the Reinvestment Period, the Collateral Manager on behalf of the Issuer will seek to direct the reinvestment of the Sale Proceeds of such Credit Risk Obligation in one or more Substitute Collateral Obligations on or prior to the end of the Permitted Reinvestment Period; or

(ii) after the Reinvestment Period, if the Collateral Manager (in its sole discretion) on behalf of the Issuer elects to reinvest the Sale Proceeds of such Credit Risk Obligation, the Collateral Manager on behalf of the Issuer will seek to direct the reinvestment of the Sale Proceeds of such Credit Risk Obligation in one or more Substitute Collateral Obligations on or prior to the end of the Investment Due Period.

Credit Improved Obligations

A Credit Improved Obligation may be sold during or after the Reinvestment Period so long as:

(i) if the proposed sale occurs during the Reinvestment Period, the Collateral Manager on behalf of the Issuer will seek to direct the reinvestment of the Sale Proceeds of such Credit Improved Obligation in one or more Substitute Collateral Obligations within 30 Business Days of settlement of such sale (and such 30 Business Day period may extend beyond the end of the Reinvestment Period if the end of the Reinvestment Period occurs prior to the end of such 30 Business Day period); or

(ii) if the proposed sale occurs after the Reinvestment Period, if the Collateral Manager (in its sole discretion) on behalf of the Issuer elects to reinvest the Sale Proceeds of

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such Credit Improved Obligation, the Collateral Manager on behalf of the Issuer will seek to direct the reinvestment of the Sale Proceeds of such Credit Improved Obligation in one or more Substitute Collateral Obligations within 30 Business Days of settlement of such sale.

Sales of Credit Risk Obligations and Credit Improved Obligations in cases of Co-Issued Notes' Ratings Withdrawal or Downgrade

During or after the Reinvestment Period, if Moody's has withdrawn its rating on any of the Secured Notes (other than the Class E Notes), or reduced its rating, in the case of the Class S Notes, the Class A Notes and the Class B Notes, below the initial rating as in effect on the Closing Date or, in the case of the Class C Notes and the Class D Notes, two subcategories below the initial rating as in effect on the Closing Date (disregarding any withdrawal or reduction if subsequent thereto Moody's has upgraded any such reduced or withdrawn rating to the initial rating in the case of the Class S Notes, the Class A Notes and the Class B Notes and to a level not more than one subcategory below the initial rating in the case of the Class C Notes and the Class D Notes, as applicable), the Collateral Manager on behalf of the Issuer may only instruct the Trustee to sell a Credit Risk Obligation or a Credit Improved Obligation, as the case may be, if:

(i) one or more of the Credit Improved Criteria or Credit Risk Criteria, as the case may be, has been satisfied with respect to such Collateral Obligation; or

(ii) prior to such sale, a Majority of the Controlling Class consents to such sale; or

(iii) prior to or following each such downgrade, a Majority of each Class of Secured Notes, voting separately by Class, has consented to all or a specified lesser amount of sales of Credit Risk Obligations or Credit Improved Obligations, as the case may be (notwithstanding such downgrade), it being acknowledged and agreed that such consent will be valid for one or more such sales for each one such downgrade and that after any further downgrade, the consent of a Majority of each Class of Secured Notes, voting separately by Class, will need to be obtained again.

Discretionary Sales of Collateral Obligations

Any Collateral Obligation (other than a Defaulted Obligation, a Credit Risk Obligation, a Credit Improved Obligation, an Equity Security or a Withholding Tax Security) may be sold during the Reinvestment Period so long as:

(i) the Collateral Manager on behalf of the Issuer will seek to direct the reinvestment of the Sale Proceeds of such Collateral Obligation in one or more Substitute Collateral Obligations the Aggregate Principal Amount of which is not less than the Aggregate Principal Amount of the Collateral Obligations sold within 30 Business Days of settlement of such sale (and such 30 Business Day period may extend beyond the end of the Reinvestment Period if the end of the Reinvestment Period occurs prior to the end of such 30 Business Day period); and

(ii) the Aggregate Principal Amount of Collateral Obligations (other than a Defaulted Obligation, a Credit Risk Obligation, a Credit Improved Obligation, an Equity Security or a Withholding Tax Security) sold in the 12 months prior to such sale (or, if the date of such sale is less than 12 months after the Effective Date, from the Effective Date to the date of such sale) does not exceed 20% of the Aggregate Principal Amount of the Collateral Portfolio, measured as of the beginning of each such twelve month period (or, if applicable, the Effective Date); *provided* that, for purposes of calculating the limitation under this subclause, (1) the Issuer shall be deemed to have sold any Collateral Obligation that has been loaned to a Securities

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Lending Counterparty but that the Securities Lending Counterparty has failed to return to the Issuer as of the date that such Securities Lending Counterparty notifies the Issuer of its inability to make such return; *provided, further*, that, in the event the Issuer is able to purchase a Collateral Obligation that a Securities Lending Counterparty has failed to return to the Issuer, the aforesaid deemed sale shall be deemed not to have occurred and (2) the amount of any Collateral Obligation sold shall be reduced to the extent of any purchases of Collateral Obligations of the same obligor (that are *pari passu* with such sold Collateral Obligation) occurring within 20 Business Days of such sale (determined based upon the date of any relevant trade confirmation or commitment letter).

Discretionary Sales of Collateral Obligations in cases of Co-Issued Notes' Ratings Downgrade

During or after the Reinvestment Period, if Moody's has withdrawn its rating of any of the Secured Notes (other than the Class E Notes), or, in the case of the Class S Notes, the Class A Notes and the Class B Notes, reduced its rating below the initial rating as in effect on the Closing Date or, in the case of the Class C Notes and the Class D Notes, reduced its rating to a rating two subcategories below the initial rating as in effect on the Closing Date (disregarding any withdrawal or reduction if subsequent thereto Moody's has upgraded or reinstated any such reduced or withdrawn rating to at least the initial rating in the case of the Class S Notes, the Class A Notes and the Class B Notes and to a level not more than one subcategory below the initial rating in the case of the Class C Notes and the Class D Notes, as applicable), the Collateral Manager on behalf of the Issuer may only instruct the Trustee to sell a Collateral Obligation pursuant to "—Discretionary Sales of Collateral Obligations" if (i) a Majority of the Controlling Class consents to such sale or (ii) prior to or following each such downgrade, a Majority of each Class of Secured Notes, voting separately by Class, has consented to all or a specified lesser amount of sales of Collateral Obligations (notwithstanding such downgrade), it being acknowledged and agreed that such consent will be valid for one or more such sales for each one such downgrade and that after any further downgrade, the consent of a Majority of each Class of Secured Notes, voting separately by Class, will need to be obtained again.

Sale of Equity Securities and Withholding Tax Securities

An Equity Security or a Withholding Tax Security may be sold during or after the Reinvestment Period. If the proposed sale occurs:

(i) during the Reinvestment Period, for so long as no Event of Default has occurred and is continuing, the Collateral Manager on behalf of the Issuer will seek to direct the reinvestment of the Sale Proceeds in one or more Substitute Collateral Obligations prior to the end of the Permitted Reinvestment Period; or

(ii) after the Reinvestment Period or after an Event of Default has occurred and is continuing, the Issuer or the Collateral Manager on behalf of the Issuer will instruct the Trustee to apply the Sale Proceeds thereof in accordance with the Priority of Payments.

Conversion into Equity Securities and Sale of Exchanged Equity Securities

A Collateral Obligation that is a convertible security may be voluntarily converted into an Equity Security by the Issuer only if (1) all Par Value Tests are satisfied following such conversion and (2) on any Determination Date on or after the Second Determination Date, all Interest Coverage Tests are satisfied following such conversion and, in each case, the Issuer, makes a good faith effort to enter into an agreement to sell such Equity Security in accordance with the timing specified in subclause (i) of the immediately following paragraph. For the avoidance of doubt, this paragraph will not be applicable to a purchase or exchange of an Exchanged Equity Security in accordance with "—Exchange of Defaulted Obligations".

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Unless acquired in connection with a default or unless the Moody's Rating Condition is satisfied, the Collateral Manager on behalf of the Issuer shall seek to sell, and direct the Trustee in writing to sell, any Exchanged Equity Security within (I) in the case of an Exchanged Equity Security received in connection with an optional conversion at the option of the holder thereof, ten Business Days of the later of (A) the first date on which the Issuer may, in compliance with applicable laws, legally sell, assign or transfer such Exchanged Equity Security and (B) notice of receipt thereof, (II) in the case of an Exchanged Equity Security not subject to subclause (I) and in the event that any of the Coverage Tests are not met on any Measurement Date following the receipt by the Issuer of such Exchanged Equity Security, 60 days after the first date following such Measurement Date on which the Issuer may, in compliance with applicable laws, legally sell, assign or transfer such Exchanged Equity Security or (III) in all other cases, one year after the first date on which the Issuer may, in compliance with applicable laws, legally sell, assign or transfer such Exchanged Equity Security.

Sale of Defaulted Obligations

The Collateral Manager on behalf of the Issuer may, if it believes such to be practicable in its judgment, instruct the Trustee in writing to sell, and the Trustee shall sell, any Defaulted Obligation at any time; *provided, however*, that during the Reinvestment Period the Collateral Manager on behalf of the Issuer will seek to purchase (on behalf of the Issuer) within 90 Business Days after the settlement date for such sale of a Defaulted Obligation, one or more additional Collateral Obligations having an Aggregate Principal Amount at least equal to the Disposition Proceeds (as defined herein) received from such sale (excluding Disposition Proceeds that constitute Interest Proceeds). After the Reinvestment Period, the Collateral Manager on behalf of the Issuer will instruct the Trustee to apply the Sale Proceeds of Defaulted Obligations in accordance with the Priority of Payments. For the avoidance of doubt, (A) the exchange of a Defaulted Obligation for an Exchanged Defaulted Obligation shall not be deemed to be a sale of a Defaulted Obligation and (B) the Issuer shall be under no obligation to sell a Defaulted Obligation at any time.

Exchange of Defaulted Obligations

Notwithstanding the provisions described under "—Conversion into Equity Securities and Sale of Exchanged Equity Securities," at any time, the Collateral Manager (in its sole discretion) on behalf of the Issuer may instruct the Trustee in writing to exchange a Defaulted Obligation for (i) another Defaulted Obligation (an "**Exchanged Defaulted Obligation**") or (ii) an Exchanged Equity Security for so long as at the time of or in connection with such exchange:

(a) such Exchanged Defaulted Obligation or Exchanged Equity Security is issued by the same obligor as the Defaulted Obligation (or an Affiliate of or successor to such obligor or an entity that succeeds to substantially all of the assets of such obligor) and, in the case of such Exchanged Defaulted Obligation, ranks in right of payment no more junior than the Defaulted Obligation for which it was exchanged; *provided* that if the Issuer is also required to pay an amount for such Exchanged Defaulted Obligation or Exchanged Equity Security, the Issuer may use Interest Proceeds to effect such payment for so long as, after giving effect to such purchase, there would be sufficient proceeds in the Interest Collection Account or the Subordinated Securities Interest Collection Account to pay all amounts required to be paid pursuant to the Priority of Payments prior to any distributions to Holders of the Subordinated Securities on the next succeeding Payment Date;

(b) in the case of an Exchanged Defaulted Obligation, (1) if any Par Value Test is not satisfied following such exchange, then such Par Value Test is at least as close to being satisfied after such exchange as prior to such exchange and (2) on any Determination Date on or after the Second Determination Date, if any Interest Coverage Test is not satisfied following such exchange, then such Interest Coverage Test is at least as close to being satisfied after such exchange as prior to such exchange;

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(c) in the case of an Exchanged Defaulted Obligation, if rated by the Rating Agencies and if each of the Maximum Rating Factor Test or the S&P CDO Monitor Test is not satisfied following such exchange, then each such Maximum Rating Factor Test or the S&P CDO Monitor Test is at least as close to being satisfied following such exchange as prior to such exchange;

(d) in the case of an Exchanged Defaulted Obligation, the expected total recovery proceeds of such Exchanged Defaulted Obligation, as determined by the Collateral Manager, must be no less than the expected total recovery proceeds of the Defaulted Obligation for which it was exchanged; and

(e) as determined by the Collateral Manager on behalf of the Issuer, in the case of an Exchanged Defaulted Obligation, if any Concentration Limitation is not satisfied following such exchange, then any such Concentration Limitation is at least as close to being satisfied as prior to such exchange.

Reinvestment in Collateral Obligations

Reinvestment shall be subject to market conditions and the availability and suitability of available investments.

Reinvestment Criteria

The Reinvestment Criteria will be measured immediately before the Issuer commits to purchase or purchases a Collateral Obligation, and are designed to compare (i) the Collateral Portfolio before the proposed addition of a Collateral Obligation to the Collateral Portfolio and (ii) the Collateral Portfolio immediately after such Collateral Obligation is added to the Collateral Portfolio. Accordingly, when used with respect to the Reinvestment Criteria, the phrase "prior to such reinvestment" shall mean the following:

(i) immediately prior to the sale of the related Collateral Obligation, with respect to the reinvestment of the Sale Proceeds of a Credit Improved Obligation or a Collateral Obligation other than a Credit Risk Obligation, an Equity Security, a Withholding Tax Security or a Defaulted Obligation; or

(ii) immediately prior to the reinvestment of the Sale Proceeds of a Credit Risk Obligation, an Equity Security, a Withholding Tax Security or a Defaulted Obligation.

(A) Notwithstanding the foregoing discussion, but subject to subclause (B) below, if the Reinvestment Criteria would not be satisfied upon the proposed purchase of a single Collateral Obligation but the Reinvestment Criteria would be satisfied upon the proposed purchase of a number of Collateral Obligations (including such single Collateral Obligation), testing the Reinvestment Criteria as described below in subclause (ii), then the Reinvestment Criteria will be deemed to be satisfied for all such Collateral Obligations if the following conditions are met:

(i) such Collateral Obligations have been acquired or will be acquired by the Issuer in accordance with a Trading Plan;

(ii) as evidenced by an officer's certificate of the Collateral Manager delivered to the Trustee on or prior to the earliest event specified in such Trading Plan, the Reinvestment Criteria are expected to be satisfied as of the trade date relating to the last Collateral Obligation that will be purchased pursuant to such Trading Plan or, if not expected to be satisfied as of such trade date, are expected to be maintained or improved as of such trade date;

(iii) the ratings by Moody's on the Class S Notes, the Class A Notes and the Class B Notes at the time of acquisition are not one or more rating subcategories, and the ratings by Moody's on the Class C Notes and the Class D Notes are not two or more rating subcategories, in

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each case, below the applicable ratings in effect on the Closing Date or withdrawn by Moody's; and

(iv) no more than one Trading Plan may be in effect at any time.

(B) Subject to (C) below, as measured on the last applicable trade date, if a Trading Plan that was implemented results in either (i) if the Reinvestment Criteria were satisfied before the execution of such Trading Plan, the failure to satisfy such Reinvestment Criteria or (ii) if the Reinvestment Criteria were not satisfied before the execution of such Trading Plan, the Issuer's failure to maintain or improve its level of compliance with the Reinvestment Criteria, the Issuer will be prohibited from entering into any additional Trading Plan notwithstanding that such Trading Plan was implemented in good faith unless the events specified in clauses (i) or (ii) were due to (x) a failure of a counterparty or issuer to comply with any of its payment or delivery obligations to the Issuer or any other default by such counterparty or issuer for reasons beyond the control of the Issuer or any other terms that were agreed with the Issuer at or prior to the commencement of such Trading Plan or (y) an error or omission of an administrative or operational nature made by any bank, broker-dealer, clearing corporation or other similar financial intermediary holding funds, securities or other property directly or indirectly for the account of the Issuer. S&P will be notified of any failed Trading Plan.

(C) Notwithstanding subclause (B) above, following a prohibition to enter additional Trading Plans due to the circumstances described in subclauses (B)(i) or (B)(ii) above, if the Issuer or the Collateral Manager, on behalf of the Issuer, notifies each of the Rating Agencies of its intention to implement an additional Trading Plan, upon satisfaction of the S&P Rating Condition and the Moody's Rating Condition, the Issuer may implement such additional Trading Plan in accordance with the limitations set forth in the Indenture. Upon satisfaction of the conditions set forth in the preceding sentence, any prohibition shall be lifted until a subsequent Trading Plan would otherwise cause the Issuer to be prohibited from entering additional Trading Plans.

A Collateral Obligation (other than an Exchanged Defaulted Obligation, which need not satisfy these tests to be included) will be eligible for inclusion in the Collateral only if subclause (a) or (b) is satisfied, as applicable (collectively, the "**Reinvestment Criteria**"). The Reinvestment Criteria are not required to be satisfied during the Initial Investment Period.

(a) During the Reinvestment Period after the Initial Investment Period:

(i) with respect to any reinvestment of Principal Proceeds (other than those amounts described in subclause (ii) of the definition thereof), (1) if any Par Value Test is not satisfied following such reinvestment, then such Par Value Test is at least as close to being satisfied after such reinvestment as prior to such reinvestment, (2) on the Second Determination Date and any subsequent Measurement Date, if any Interest Coverage Test is not satisfied following such reinvestment, then such Interest Coverage Test is at least as close to being satisfied after such reinvestment as prior to such reinvestment and (3) if the Minimum Par Value Ratio is not satisfied following such reinvestment, then either: (x) the Minimum Par Value Ratio is no lower after such reinvestment than prior to such reinvestment, or (y) any of the Moody's Weighted Average Rating Factor, Diversity Score or Weighted Average Life is improved after giving effect to such reinvestment;

(ii) with respect to any reinvestment of Principal Proceeds described in subclause (ii) of the definition thereof, (1) the Par Value Tests are satisfied following such reinvestment and (2) on the Second Determination Date and any subsequent Measurement Date, the Interest Coverage Tests are satisfied following such reinvestment;

(iii) if the Diversity Test is not satisfied following such reinvestment, then such Diversity Test is at least as close to being satisfied after such reinvestment as prior to such reinvestment;

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(iv) if the Maximum Rating Factor Test is not satisfied following such reinvestment, then the Moody's Weighted Average Rating Factor is no higher after such reinvestment than prior to such reinvestment;

(v) if the Minimum Weighted Average Coupon Test is not satisfied following such reinvestment, then the Weighted Average Spread is no lower after such reinvestment than prior to such reinvestment;

(vi) if the Maximum Average Life Test is not satisfied following such reinvestment, then the Weighted Average Life is no longer after such reinvestment than prior to such reinvestment;

(vii) if the Moody's Minimum Weighted Average Recovery Rate Test is not satisfied following such reinvestment, then the Moody's Weighted Average Recovery Rate is no lower after such reinvestment than prior to such reinvestment;

(viii) if the S&P Minimum Weighted Average Recovery Rate Test is not satisfied following such reinvestment, then the S&P Weighted Average Recovery Rate determined with respect to each Class of Secured Notes is no lower after such reinvestment than prior to such reinvestment;

(ix) if the S&P CDO Monitor Test is satisfied prior to such reinvestment, then the S&P CDO Monitor Test is satisfied after such reinvestment or if the S&P CDO Monitor Test is not satisfied prior to such reinvestment and the S&P CDO Monitor Test is not satisfied following such reinvestment, then (1) the Class S Loss Differential, the Class A Loss Differential, the Class B Loss Differential, the Class C Loss Differential, the Class D Loss Differential and the Class E Loss Differential are no lower after such reinvestment than prior to such reinvestment and (2) the Issuer shall notify S&P of the Class S Loss Differential, the Class A Loss Differential, the Class B Loss Differential, the Class C Loss Differential, the Class D Loss Differential and the Class E Loss Differential immediately prior to, and immediately after, such reinvestment; *provided, however*, that this subclause (ix) shall not apply to the reinvestment of Sale Proceeds from the sale of Credit Risk Obligations, Defaulted Obligations, Withholding Tax Securities and Equity Securities;

(x) no Event of Default exists at the time such Reinvestment Criteria are applied; and

(xi) with respect to the Collateral Portfolio, if any Concentration Limitation is not satisfied following such reinvestment, then any such Concentration Limitation is at least as close to being satisfied after such reinvestment as prior to such reinvestment.

For the avoidance of doubt, Sale Proceeds may be invested in Eligible Investments, each with a maturity date not to exceed the date that is one Business Day prior to the Scheduled Payment Date next succeeding the Due Period in which such Sale Proceeds are received, pending investment in Collateral Obligations.

(b) After the Reinvestment Period:

(i) the Class A/B Par Value Test, the Class C Par Value Test, the Class D Par Value Test and the Interest Coverage Tests must be satisfied;

(ii) if the Minimum Par Value Ratio is not satisfied following such reinvestment, then either: (x) the Minimum Par Value Ratio is no lower after such reinvestment than prior to such reinvestment, or (y) any of the Moody's Weighted Average Rating Factor, Diversity Score or Weighted Average Life is improved after giving effect to such reinvestment;

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(iii) if the Diversity Test is not satisfied following such reinvestment, then such Diversity Test is at least as close to being satisfied after such reinvestment as prior to such reinvestment;

(iv) the Maximum Rating Factor Test is satisfied after such reinvestment;

(v) if the Minimum Weighted Average Coupon Test is not satisfied following such reinvestment, then the Weighted Average Spread is no lower after such reinvestment than prior to such reinvestment;

(vi) if the Moody's Minimum Weighted Average Recovery Rate Test is not satisfied following such reinvestment, then the Moody's Weighted Average Recovery Rate is no lower after such reinvestment than prior to such reinvestment;

(vii) if the S&P Minimum Weighted Average Recovery Rate Test is not satisfied following such reinvestment, then the S&P Weighted Average Recovery Rate determined with respect to each Class of Secured Notes is no lower after such reinvestment than prior to such reinvestment;

(viii) no Event of Default exists at the time such Reinvestment Criteria are applied;

(ix) the Aggregate Principal Amount of Caa/CCC Collateral Obligations represents less than 7.5% of the Aggregate Principal Amount of the Collateral Portfolio;

(x) with respect to the Collateral Portfolio, if any Concentration Limitation is not satisfied following such reinvestment, then such Concentration Limitation is at least as close to being satisfied after such reinvestment as prior to such reinvestment;

(xi) the S&P CDO Evaluator Test is satisfied;

(xii) the Maximum Average Life Test is satisfied following such reinvestment; and

(xiii) the ratings assigned to the Secured Notes (other than the Class E Notes) by Moody's as of the Closing Date have not been reduced by two or more subcategories (in the case of the Class C Notes and the Class D Notes) or by one or more subcategories (in the case of the Class S Notes, the Class A Notes and the Class B Notes) since the Closing Date and have not been withdrawn by Moody's (disregarding any withdrawal or reduction if subsequent thereto Moody's has upgraded or reinstated any such reduced or withdrawn rating to at least the initial rating in effect as of the Closing Date (in the case of the Class S Notes, the Class A Notes and the Class B Notes) or to a level not more than one subcategory below the initial rating in effect as of the Closing Date (in the case of the Class C Notes and the Class D Notes)).

Purchase of Equity Securities

Except in connection with the purchase or exchange of an Exchanged Equity Security as described under "—Sale of Collateral Obligations; Substitute Securities; Exchange of Defaulted Obligations and Reinvestment Criteria—Exchange of Defaulted Obligations," if the Collateral Manager directs the Trustee to purchase any Collateral Obligation which is convertible into an equity security or which has equity features attached, the Collateral Manager on behalf of the Issuer shall determine the portion of the purchase price of such Collateral Obligation that is attributable to the value of the option to convert such Collateral Obligation into an equity security or to the value of equity features, as applicable. If the Collateral Manager determines (in its sole discretion) that there is any Excess Equity Feature Value or the Collateral Manager decides (in its sole discretion) on behalf of the Issuer to exercise any warrants received in respect of any Collateral Obligations, the Collateral Manager shall instruct the Trustee in writing to apply Interest Proceeds allocable to the Subordinated Securities Interest Collection Account to pay such Excess Equity Feature Value or to

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exercise any such warrants; *provided* that the Collateral Manager shall not direct the Trustee to make such purchase or to exercise any such warrants if, after giving effect to such purchase or exercise, as applicable, there would be insufficient proceeds in the Interest Collection Account or the Subordinated Securities Interest Collection Account to pay all amounts required to be paid pursuant to the Priority of Payments prior to distributions to Holders of the Subordinated Securities on the next succeeding Payment Date.

No equity security may be acquired unless it is either (i) an Equity Security or (ii) an Exchanged Equity Security.

Certain Matters Relating to Synthetic Securities

General. Synthetic Securities will be purchased or entered into by the Issuer for such purposes as (but not limited to):

(i) structuring an investment in Reference Obligations with a desired maturity, currency or interest rate which otherwise may be inconsistent with the criteria for purchasing Collateral Obligations;

(ii) achieving yield enhancement based on the coupon payments by a Reference Obligor; or

(iii) establishing recovery floors or other means of credit protection as a result of defaults on Reference Obligations.

The Issuer's exposure to a particular Synthetic Security Counterparty will be subject to the limitations described in "Glossary of Defined Terms—Synthetic Security Counterparty".

As part of the purchase of a Synthetic Security, the Issuer may be required to purchase or post Synthetic Security Collateral. See "—Synthetic Security Collateral Account".

Treatment of Synthetic Securities (including Form Approved Synthetic Securities)

	Treatment
For all purposes	Unless otherwise specified, a Synthetic Security will be deemed to be a Collateral Obligation having the characteristics of such Synthetic Security and not that of the related Reference Obligation or Reference Obligor
Principal Balance	See definition of "Principal Balance"
For purposes of determining compliance with the Concentration Limitations, any Synthetic Security with an S&P Recovery Rate and a Moody's Recovery Rate equivalent to the S&P Recovery Rate and Moody's Recovery Rate of a Senior Secured Loan, Senior Unsecured Loan or a Subordinated Loan (taking into account any recovery floors with respect to any Reference Obligation subject to such Synthetic Security)	Treat as a Senior Secured Loan, Senior Unsecured Loan or a Subordinated Loan (in each case except for determining Moody's Default Probability Rating, Moody's Rating Factor, Moody's Rating or S&P Rating)
Moody's Default Probability Rating	As provided by Moody's
Moody's Rating	As provided in the definition of "Moody's Rating"
Moody's Rating Factor	As provided by Moody's
Moody's Recovery Rate	As provided in the definition of "Moody's Recovery Rate"

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	Treatment
S&P Rating	As provided by S&P
S&P Recovery Rate	As provided in the definition of "S&P Weighted Average Recovery Rate"
Concentration Limitations (other than for determining compliance with the Concentration Limitation relating to Floating Rate Collateral Obligations)	Look to the Reference Obligor
Concentration Limitations (for determining compliance with the Concentration Limitation relating to Floating Rate Collateral Obligations)	Look to the rate at which periodic payments payable to the Issuer are based
For purposes of determining compliance with subclause (iii) of the definition of "Collateral Obligation"	Look to the Reference Obligor
Diversity Score	Look to the Reference Obligor (*provided* that Synthetic Securities that specify an index shall be disregarded for the purposes of calculating the Diversity Score)

Hedge Agreements

On or after the Closing Date, the Issuer may, subject to the conditions described herein, enter into one or more Hedge Agreements with one or more Hedge Counterparties.

After the Closing Date, the Issuer is authorized to and may enter into Hedge Agreements from time to time but solely for the purpose of managing interest rate and other risks in connection with the Issuer's issuance of, and making of payments on, the Securities and the Issuer's ownership and disposition of the Collateral Obligations and with such Hedge Counterparties as it may elect in its sole discretion, subject in all cases to the Moody's Rating Condition and the S&P Rating Condition having been satisfied. All payments due to any Hedge Counterparty under any Hedge Agreement shall be paid in accordance with the Priority of Payments; *provided, however*, that to the extent any payments are received by the Issuer as a result of entering into replacement transaction(s), the Hedge Counterparty that is being replaced shall have first priority as to such payments versus all other creditors of the Issuer, and the Issuer shall pay (or cause the Trustee to pay) such amounts equal to the termination payments over to the Hedge Counterparty that is being replaced immediately upon receipt. See "Description of the Securities—Priority of Payments".

Except to the extent otherwise approved by the Rating Agencies, if either of the Rating Agencies downgrades the applicable Hedge Counterparty below the Required Hedge Counterparty Rating, an Additional Termination Event (as defined in the Hedge Agreement) (a **"Downgrade Terminating Event"**) shall occur unless (x) such Hedge Counterparty has a short-term rating of at least "A-3" by S&P or, if no such short-term rating exists, a long-term senior unsecured debt rating, financial program rating, derivatives counterparty rating, counterparty risk rating or similar rating of at least "BBB-" by S&P and (y) at least one of the following events has occurred:

(i) within the time period specified in the Hedge Agreement with respect to such downgrade, such Hedge Counterparty shall transfer the Hedge Agreement, in whole, but not in part, to a counterparty that satisfies the Required Hedge Counterparty Rating, subject to the satisfaction of the Moody's Rating Condition or the S&P Rating Condition, as applicable;

(ii) within the time period specified in the Hedge Agreement with respect to such downgrade, such Hedge Counterparty, shall collateralize (pursuant to a credit support annex to be entered into at such time) its exposure to the Issuer, subject to the satisfaction of the Moody's Rating Condition or the S&P Rating Condition, as applicable;

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(iii) within the time period specified in the Hedge Agreement with respect to such downgrade, the obligations of such Hedge Counterparty under the Hedge Agreement shall be guaranteed by a person or entity that satisfies the Required Hedge Counterparty Rating, subject to the satisfaction of the Moody's Rating Condition or the S&P Rating Condition, as applicable; or

(iv) within the time period specified in the Hedge Agreement with respect to such downgrade, such Hedge Counterparty shall take such other steps, if any, to enable the Issuer to satisfy the Moody's Rating Condition or the S&P Rating Condition, as applicable.

It shall also be an Additional Termination Event (as defined in the Hedge Agreement) if a Hedge Counterparty has a short-term rating of at least "A-3" by S&P or, if no such short-term rating exists, a long-term senior unsecured debt rating, financial program rating, derivatives counterparty rating, counterparty risk rating or similar rating of less than "BBB-" by S&P and within the time period specified in the Hedge Agreement, such Hedge Counterparty, while collateralizing its exposure to the Issuer, fails to transfer the Hedge Agreement, in whole, but not in part, to a counterparty that satisfies the Required Hedge Counterparty Rating, subject to satisfaction of the Moody's Rating Condition or the S&P Rating Condition, as applicable.

The Hedge Counterparties may be Affiliates of the Initial Purchaser and/or Affiliates of the Collateral Manager, which arrangements may create certain conflicts of interest. See "Risk Factors—Certain Conflicts of Interest".

Hedge Agreements may be terminated in accordance with their terms, whether or not the Secured Notes have been paid in full or redeemed prior to such termination, upon the earliest to occur of (i) certain events of bankruptcy, insolvency, conservatorship, receivership or reorganization of the Issuer or the related Hedge Counterparty, (ii) failure on the part of the Issuer or the related Hedge Counterparty to make any payment under the Hedge Agreement within the applicable grace period, (iii) a change in law making it illegal for either the Issuer or the related Hedge Counterparty to be a party to, or perform an obligation under, the Hedge Agreement; (iv) an optional redemption of the Securities as described in "Description of the Securities—Optional Redemption" or (v) certain other events specified in the relevant Hedge Agreement; *provided, however*, that (x) no Hedge Agreement may be terminated by any party thereto in connection with an event specified in clause (iv) above until the requirements set forth in the third paragraph under "Description of the Securities—Optional Redemption—Optional Redemption Procedures" have been satisfied and following the expiration of any right of the Issuer to withdraw the related notice of redemption, and (y) if the occurrence or continuance of an Event of Default (other than any Event of Default which is also an event specified in clauses (i) or (ii) above) is a termination event under a Hedge Agreement, then such Hedge Agreement may not be terminated by any party thereto for so long as a Majority of the Controlling Class may rescind and annul the declaration of the related Event of Default in accordance with the provisions of the Indenture.

If the Issuer is unable to or, if applicable, chooses not to obtain a substitute Hedge Agreement in the event that a Hedge Agreement is terminated, interest due on the Secured Notes will be paid from amounts received on the Collateral Obligations without the benefits of a Hedge Agreement or a substitute Hedge Agreement. If the Indenture obligates the Issuer to seek a replacement upon termination of the Hedge Agreement and the Issuer is unable to find a suitable replacement Hedge Agreement, there can be no assurance that the Moody's Rating Condition and the S&P Rating Condition will be satisfied in respect of the Secured Notes. There can be no assurance that such amounts will be sufficient to provide for the full payment of interest on the Secured Notes at the applicable Note Interest Rate or that amounts that would otherwise be distributable to the Holders of the Subordinated Securities will not be reduced in such case.

A termination of a Hedge Agreement does not constitute an Event of Default under the Indenture.

The occurrence of any optional redemption of the Securities will cause the termination of any Hedge Agreement in place at such time. Such termination may require the Issuer to make a termination payment to the Hedge Counterparty, and the Holders may be unable to effect an optional redemption (other than in connection with an optional redemption following a Withholding Tax Event) despite having sufficient proceeds prior to making such termination payment to pay or redeem the Secured Notes and certain

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expenses in full. In addition, in order to liquidate the Collateral following an Event of Default, the Hedge Agreement must be terminated and proceeds from such liquidation must be sufficient to pay any termination payment owing to the Hedge Counterparty in addition to any amounts owing under the Secured Notes. As a result, as set forth in the Indenture, the Holders of the Secured Notes may be unable to effect a liquidation of the Collateral following an Event of Default despite having sufficient proceeds prior to the payment of such termination payment to pay the Secured Notes and certain expenses in full.

Depending on the requirements of the entity that acts as Hedge Counterparty, the Issuer may be required to post collateral to such Hedge Counterparty if the Class C Par Value Test is not satisfied on any Determination Date or the Class C Interest Coverage Test is not satisfied on any Determination Date on or after the Second Determination Date, as specified in subclause (ii) under "Description of the Securities—Priority of Payments—Principal Proceeds". If such posting requirements exist, the related Hedge Counterparty may be required to make certain payments to the Issuer to compensate the Issuer for the effect of such posting. See "Description of the Securities—Priority of Payments—Principal Proceeds".

With respect to any Hedge Agreement, (i) the Issuer may, with the consent of the applicable Hedge Counterparty, assign or transfer all or a portion of any Hedge Agreement, (ii) a Hedge Counterparty may assign its obligations under a Hedge Agreement to any institution (with the consent of the Issuer, if so required by the terms of the applicable Hedge Agreement), (iii) the Issuer and the Hedge Counterparty may amend a Hedge Agreement and/or (iv) the Issuer may terminate a Hedge Agreement and replace a Hedge Counterparty; *provided, however*, that in the case of (iii) each of the Moody's Rating Condition and the S&P Rating Condition has been satisfied and in each such case (i), (ii) or (iv), the Moody's Rating Condition has been satisfied and, if the Issuer will be required to make a payment in connection with such assignment, transfer or termination, the S&P Rating Condition has been satisfied; *provided, further*, that the Issuer may terminate a Hedge Agreement without satisfaction of the Moody's Rating Condition or the S&P Rating Condition in conjunction with an optional redemption of the Securities if all conditions applicable to such optional redemption set forth in the Indenture have been satisfied.

Any Hedge Agreements will be governed by, and construed in accordance with, the laws of the State of New York without regard to the conflict of laws principles thereof and shall contain appropriate limited recourse and non-petition provisions as against the Issuer equivalent (*mutatis mutandis*) to those contained in the Indenture.

Securities Lending

Provided that no Event of Default has occurred and is continuing, the Collateral Manager on behalf of the Issuer, may from time to time, in its sole discretion, instruct the Trustee in writing to lend Collateral Obligations to Securities Lending Counterparties (which Securities Lending Counterparties may be Affiliates of the Initial Purchaser and/or Affiliates of the Collateral Manager) pursuant to one or more Securities Lending Agreements.

Such Securities Lending Agreements may create certain conflicts of interest. See "Risk Factors—Certain Conflicts of Interest". The duration of any Securities Lending Agreement, and the Collateral Portfolio loaned thereunder, shall not exceed the Stated Maturity of the Securities.

Each Securities Lending Agreement shall be on market terms (except as may be required below), as determined by the Collateral Manager on behalf of the Issuer, in its sole judgment and shall:

(i) require that, in the first instance, the Securities Lending Counterparty return to the Issuer debt obligations that are identical (in terms of issue and class) to the loaned Collateral Obligations; *provided* that if the Issuer and the Trustee have received an opinion or advice of tax counsel of nationally recognized standing in the United States experienced in such matters to the effect that the failure of the Securities Lending Counterparty to return such loaned Collateral Obligations will not cause the Issuer to be engaged, or deemed to be engaged, in a trade or business in the United States for United States federal income tax purposes or otherwise to be subject to United States federal income tax on a net basis, the Issuer may accept an alternative other than such loaned Collateral Obligations from the

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Securities Lending Counterparty (for so long as the failure of the Securities Lending Counterparty to provide such alternative will not constitute an event of default under such Securities Lending Agreement);

(ii) require that the Securities Lending Counterparty pay to the Issuer such amounts as are equivalent to all interest and other payments that the owner of the loaned Collateral Obligation is entitled to for the period during which the Collateral Obligation is loaned and such payments shall not be subject to any withholding tax imposed by any jurisdiction unless the Securities Lending Counterparty is required under the Securities Lending Agreement to make "gross-up" payments to the Issuer that cover the full amount of such withholding tax on an after-tax basis;

(iii) require that the Moody's Rating Condition and the S&P Rating Condition be satisfied;

(iv) be governed by the laws of New York; and

(v) permit the Issuer to assign its rights thereunder to the Trustee pursuant to the Indenture.

In addition, the Issuer may indemnify a collateral agent or any other person acting in a similar capacity in connection with a Securities Lending Agreement (although any such indemnity payments will constitute Administrative Expenses and will be subject to the Priority of Payments).

A Securities Lending Counterparty will be required to post with the Trustee, or any Securities Intermediary, Securities Lending Collateral to secure its obligation to return the Collateral Obligations. "**Securities Lending Collateral**" means any cash or direct Registered debt obligations of the United States of America that have a maturity of five years or less and that are pledged by a Securities Lending Counterparty as collateral pursuant to a Securities Lending Agreement.

Such collateral will be maintained at all times with the Trustee or any Securities Intermediary in an amount equal to an agreed upon percentage (no less than 100% and in accordance with the relevant Securities Lending Agreement) of the current market value (determined daily by the related Securities Lending Counterparty and monitored by the Collateral Manager on behalf of the Issuer) of the loaned securities. Such collateral will not constitute Collateral Obligations and will not be available to support payments on the Secured Notes or for distribution to the Holders of the Subordinated Securities unless the related Securities Lending Counterparty defaults in its obligation to return the loaned Collateral Obligations to the Issuer.

If either of the Rating Agencies downgrades a Securities Lending Counterparty such that the Securities Lending Agreement or Securities Lending Agreements to which the Securities Lending Counterparty is a party are no longer in compliance with the requirements relating to the credit ratings of the Securities Lending Counterparty, then the Issuer, within 10 days thereof, will (i) terminate its Securities Lending Agreement or Securities Lending Agreements with such Securities Lending Counterparty; (ii) obtain a guarantor that meets the rating requirements of the definition of "Securities Lending Counterparty" for the Securities Lending Counterparty's obligations under the Securities Lending Agreement or Securities Lending Agreements; (iii) reduce the percentage of the Aggregate Principal Amount of the Collateral Portfolio loaned to such downgraded Securities Lending Counterparty so that the Securities Lending Agreement or Securities Lending Agreements to which such Securities Lending Counterparty is a party, together with all other Securities Lending Agreements, are in compliance with the requirements relating to the credit ratings of Securities Lending Counterparties; or (iv) take such other steps as each Rating Agency that has downgraded such Securities Lending Counterparty may require to satisfy each of the Moody's Reting Condition and the S&P Reting Condition.

The Issuer's exposure to a particular Securities Lending Counterparty will be subject to the limitations described in "Glossary of Defined Terms—Securities Lending Counterparty".

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Collection and Payment Accounts

Interest Proceeds shall be deposited into a segregated trust account held in the name of the Issuer for the benefit of the Secured Parties (the "**Interest Collection Account**") (which may be a subaccount of the Collection Account); *provided* that any such amounts which are Interest Proceeds of assets whose acquisition is attributed to funds raised from the issuance of the Subordinated Securities will be deposited in a segregated trust account designated as the "**Subordinated Securities Interest Collection Account**" (which may be a subaccount of the Subordinated Securities Collection Account). Amounts deposited in the Interest Collection Account and the Subordinated Securities Interest Collection Account will be available, together with reinvestment earnings thereon, for application to the payment of the amounts set forth under "Description of the Securities—Priority of Payments" and for the acquisition of Substitute Collateral Obligations under the circumstances and pursuant to the requirements described herein and in the Indenture.

On or about the first Business Day prior to each Payment Date, the Trustee will deposit into a separate account held in the name of the Issuer for the benefit of the Secured Parties and designated as the "**Payment Account**" as set forth in the Indenture, all funds in the Interest Collection Account, the Subordinated Securities Interest Collection Account, the Principal Collection Account and the Subordinated Securities Principal Collection Account (other than amounts that the Issuer is entitled to retain in the Interest Collection Account, the Subordinated Securities Interest Collection Account, the Principal Collection Account or the Subordinated Securities Principal Collection Account for subsequent reinvestment in accordance with the Reinvestment Criteria, if the Issuer so elects as set forth in the Indenture) and any Reinvestment Income required for payments to Holders of the Securities and payments of fees and expenses in accordance with the priorities described under "Description of the Securities—Priority of Payments".

On or before the first Payment Date the Collateral Manager may (in its sole discretion) instruct the Trustee in writing to transfer all or a portion of funds in the Interest Collection Account (representing proceeds of the issuance of the Class S Notes and deposited therein pursuant to the Indenture) to the Principal Collection Account for application as Principal Proceeds.

Amounts retained in the Interest Collection Account, the Subordinated Securities Interest Collection Account, the Principal Collection Account, the Subordinated Securities Principal Collection Account and the Revolving Credit Facility Reserve Account during a Due Period will be invested in Eligible Investments. All proceeds from the Eligible Investments will be retained in the Interest Collection Account, the Subordinated Securities Interest Collection Account, the Principal Collection Account or the Subordinated Securities Principal Collection Account, as applicable, unless used to purchase Substitute Collateral Obligations in accordance with the Reinvestment Criteria, or used as otherwise permitted under the Indenture (including, to make any required deposit into the Revolving Credit Facility Reserve Account in connection with the purchase of a Revolving Credit Facility or Delayed Funding Term Loan). See "—Sale of Collateral Obligations; Substitute Securities; Exchange of Defaulted Obligations and Reinvestment Criteria" and "Description of the Securities—Priority of Payments".

Principal Collection Account

Principal Proceeds and proceeds from the issuance and sale of the Securities and any initial payments from one of the Hedge Agreements described above (see "—Hedge Agreements") shall be deposited into a segregated trust account designated as the "**Principal Collection Account**" (which may be a subaccount of the Collection Account) or the Subordinated Securities Principal Collection Account, as applicable, provided that any such amounts which are Principal Proceeds of assets whose acquisition is attributed to funds raised from the issuance of the Subordinated Securities will be deposited in a separate segregated trust account designated as the "**Subordinated Securities Principal Collection Account**" (which may be a subaccount of the Subordinated Securities Collateral Account). Amounts deposited in the Principal Collection Account and the Subordinated Securities Principal Collection Account will be invested in Eligible Investments until such Principal Proceeds are reinvested in Collateral Obligations in accordance with the Reinvestment Criteria, deposited in the Revolving Credit Facility Reserve Account in connection with the purchase of a Revolving Credit Facility or Delayed Funding Term Loan or applied in accordance with the Priority of Payments. See "Description of the Securities—Priority of Payments".

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Any unused proceeds from the offering will remain in the Principal Collection Account and the Subordinated Securities Principal Collection Account until the earlier of (a) the day on which such proceeds are used to purchase or fund Collateral Obligations and (b) the end of the Reinvestment Period; *provided*, that on the Effective Date, so long as the Minimum Par Value Ratio is satisfied, the Collateral Manager may, in its sole discretion, instruct the Trustee in writing to utilize up to $1,000,000 of Principal Proceeds and unused proceeds remaining in the Principal Collection Account and the Subordinated Securities Principal Collection Account for (i) transfer to the Interest Collection Account for application as Interest Proceeds in accordance with the Priority of Payments, (ii) application as Principal Proceeds in accordance with the Priority of Payments or (iii) transfer to the Discretionary Reserve Account for future transfer and/or application of such funds according to (i) or (ii) above as further described in "—Discretionary Reserve Account" below, in each case on or before the Payment Date in February 2008. Any such unused proceeds remaining in the Principal Collection Account and the Subordinated Securities Principal Collection Account at the end of the Reinvestment Period (other than Reinvestment Income (which shall be treated as Interest Proceeds)) shall be applied as Principal Proceeds on the first Scheduled Payment Date following the end of the Reinvestment Period. On any Determination Date on which any of the Par Value Tests are not satisfied or on any Determination Date on or after the Second Determination Date on which any of the Interest Coverage Tests are not satisfied, all such unused proceeds (other than Reinvestment Income (which shall be treated as Interest Proceeds)) shall be applied as Principal Proceeds in accordance with the Priority of Payments on the next succeeding Scheduled Payment Date. See "Description of the Securities—Priority of Payments".

From time to time after the Closing Date, at the written direction of the Collateral Manager, Principal Proceeds in an amount equal to the Future Drawdown Amount may be transferred from the Principal Collection Account to the Revolving Credit Facility Reserve Account.

Discretionary Reserve Account

If and to the extent that the Collateral Manager (in its sole discretion) instructs the Trustee in writing on the Effective Date to transfer amounts on deposit in the Principal Collection Account or the Subordinated Securities Principal Collection Account to a discretionary reserve account as set forth in "—Principal Collection Account" above, the Trustee shall establish a segregated trust account for such purpose (such account, the "**Discretionary Reserve Account**") into which the Trustee will deposit such amounts as the Collateral Manager so instructs. As directed by the Collateral Manager (in its sole discretion) in writing from time to time until the Payment Date in February 2008, the Trustee shall withdraw funds deposited in the Discretionary Reserve Account for transfer to the Interest Collection Account for application as Interest Proceeds or the Principal Collection Account for application as Principal Proceeds, all as set forth in "—Principal Collection Account" above. Amounts in the Discretionary Reserve Account will be invested in Eligible Investments in accordance with the written instructions of the Collateral Manager (which may be in the form of standing instructions). On the Payment Date in February 2008, the Trustee shall transfer any amount remaining in the Discretionary Reserve Account to the Interest Collection Account for application as Interest Proceeds or the Principal Collection Account for application as Principal Proceeds, as directed by the Collateral Manager in its sole discretion in writing, and close the Discretionary Reserve Account.

Expense Reserve Account

On the Closing Date, the Issuer will deposit the Expense Reserve Amount into the "**Expense Reserve Account**". At the written direction of the Collateral Manager (in its sole discretion) or the Issuer, the Trustee may at any time withdraw funds deposited in the Expense Reserve Account solely to pay for any fees or expenses incurred by or on behalf of the Issuer in connection with (i) the structuring and consummation of the offering and the issuance of the Securities or (ii) the Effective Date ((i) or (ii) above, the "**Reserved Expenses**"). Amounts in the Expense Reserve Account will be invested in overnight funds that are Eligible Investments in accordance with the written instructions of the Collateral Manager (in its sole discretion) (which may be in the form of standing instructions) and will, for the avoidance of doubt, not be included in the Collateral Quality Tests and the Coverage Tests. At the written direction of the Collateral Manager (in its sole discretion), the Trustee may at any time transfer amounts deposited in the Expense Reserve Account to the Principal Collection Account so long as the Collateral Manager has confirmed to the Trustee that there are sufficient funds remaining in the Expense Reserve Account after such transfer to pay

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for all accrued but unpaid Reserved Expenses. On the earlier of (i) the first Scheduled Payment Date and (ii) the Business Day that the Collateral Manager has confirmed to the Trustee that all Reserved Expenses have been paid by the Issuer, the Trustee shall transfer any amount remaining in the Expense Reserve Account to the Principal Collection Account and close the Expense Reserve Account. Any amounts transferred from the Expense Reserve Account to the Principal Collection Account will be treated as Principal Proceeds.

Revolving Credit Facility Reserve Account

Upon the purchase of any Collateral Obligation that is a Revolving Credit Facility or a Delayed Funding Term Loan, funds from the Principal Collection Account or the Subordinated Securities Principal Collection Account, as applicable (including any Revolving Credit Facility Net-Backs), will be deposited in the **"Revolving Credit Facility Reserve Account"** such that the amount of funds on deposit in the account will be equal to or greater than the Aggregate Underlying Undrawn Amount. After the initial purchase, all principal payments received on any Revolving Credit Facility will be deposited into the Revolving Credit Facility Reserve Account (and will not be available for distribution as Principal Proceeds) until the amount held in such account is equal to the Future Drawdown Amount; *provided, however*, that at the written direction of the Collateral Manager (in its sole discretion), amounts deposited in the Revolving Credit Facility Reserve Account may be transferred to the Principal Collection Account from time to time so long as, immediately after such transfer, the amount on deposit in the Revolving Credit Facility Reserve Account is greater than or equal to the Aggregate Underlying Undrawn Amount. If a loan consists of a combination of a Revolving Credit Facility and a term loan, only that portion of the loan that constitutes a Revolving Credit Facility will be treated as a Revolving Credit Facility. Amounts in the Revolving Credit Facility Reserve Account will be invested in Eligible Investments and will be included in the Coverage Tests as described above under "—The Collateral Quality Tests" and "—The Coverage Tests". For the avoidance of doubt, the Issuer shall not be deemed to have violated the restriction set forth in subclause (xiii) of the definition of "Collateral Obligation" by satisfying the Issuer's funding obligations under any Revolving Credit Facilities or Delayed Funding Term Loans.

Synthetic Security Collateral Account

If and to the extent that any Synthetic Security requires the Issuer to secure its obligations with respect to such Synthetic Security, the Issuer shall establish a segregated trust account for such Synthetic Security (such account, the **"Synthetic Security Collateral Account"**) into which, as directed by the Collateral Manager (in its sole discretion), the Issuer will deposit all amounts which are required to secure the obligations of the Issuer in accordance with the terms of any and all Synthetic Securities entered into between the Issuer and the related Synthetic Security Counterparty.

As directed by the Collateral Manager (in its sole discretion) on behalf of the Issuer in writing, amounts on deposit in a Synthetic Security Collateral Account on behalf of a Synthetic Security Counterparty shall be invested in Eligible Investments which are permitted by the applicable Synthetic Securities and any related credit support documents. Income received on amounts on deposit in each Synthetic Security Collateral Account may, as directed by the Collateral Manager (in its sole discretion) on behalf of the Issuer in writing, either (x) be retained in such Synthetic Security Collateral Account if the Aggregate Principal Amount of all remaining Eligible Investments in such account is not in excess of the Aggregate Principal Amount of any and all outstanding Synthetic Securities entered into between the Issuer and such Synthetic Security Counterparty and such Synthetic Security so provides and may, if so provided, be used to pay amounts owing to such Synthetic Security Counterparty or (y) be withdrawn from such account and deposited in the Interest Collection Account (or, if the amounts on deposit were, or are the proceeds of, Subordinated Securities Collateral Obligations, the Subordinated Securities Interest Collection Account) for distribution as Interest Proceeds. Principal payments received on amounts on deposit in each Synthetic Security Collateral Account prior to the release of the Synthetic Security Collateral will, (1) if so required under the terms of the applicable Synthetic Security and any related credit support documents, be reinvested and maintained as Synthetic Security Collateral in accordance with the terms of such Synthetic Security and any related credit support documents, or, (2) if not so required, be withdrawn from such account and deposited in the Principal Collection Account (or, if the amounts on deposit were, or are, the proceeds of, Subordinated Securities Collateral Obligations, the Subordinated Securities Principal Collection Account) for distribution as Principal Proceeds. For the avoidance of doubt, any cash received from the liquidation of

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Synthetic Security Collateral and not paid to the Synthetic Security Counterparty will be deposited into the Principal Collection Account or the Subordinated Securities Principal Collection Account, as the case may be, and be treated as: (i) a recovery on a Defaulted Obligation in the event that the Synthetic Security was terminated as a result of a credit event, an event of default or a termination event (each as defined in the applicable Synthetic Security); (ii) Unscheduled Principal Payments in the event that the Synthetic Security was subject to an agreed-upon termination prior to its scheduled termination; or (iii) Principal Proceeds in the event that the Synthetic Security was terminated at its scheduled maturity or at the sole discretion of the Collateral Manager on behalf of the Issuer. Such cash will be deposited in the Principal Collection Account.

Amounts contained in any Synthetic Security Collateral Account shall not be considered to be an asset of the Issuer for purposes of any of the Collateral Quality Tests or the Coverage Tests (except as provided in subclause (ii) of the definition of "Coverage Test"), but the Synthetic Security which relates to such Synthetic Security Collateral Account shall be so considered an asset of the Issuer. If and to the extent that any Synthetic Securities or any related credit support documents so provide, upon the occurrence of a credit event or an event of default or a termination event (each as defined in the applicable Synthetic Security), amounts contained in the related Synthetic Security Collateral Account shall be liquidated and the proceeds thereof paid to the related Synthetic Security Counterparty, in any such case, only to the extent necessary to satisfy the obligations of the Issuer to the related Synthetic Security Counterparty in accordance with the terms of such Synthetic Security. For the avoidance of doubt, the payment by the Issuer of the proceeds of any liquidation of Eligible Investments contained in the Synthetic Security Collateral Account to a Synthetic Security Counterparty to the extent necessary to satisfy the obligations of the Issuer to the related Synthetic Security Counterparty in accordance with the terms of such Synthetic Security, shall not be deemed to be a violation of the restriction set forth in subclause (xiii) of the definition of "Eligibility Criteria".

Securities Lending Account

Securities Lending Collateral pledged pursuant to a related Securities Lending Agreement shall be deposited into a segregated trust account or trust accounts (for Securities Lending Collateral that constitutes Financial Assets (as defined in Section 8-102(a)(9) of the UCC)) and a demand deposit account or demand deposit accounts (for Securities Lending Collateral that constitutes cash) so designated and established pursuant to the Indenture, and held there pursuant to the related Securities Lending Agreement (such account, the **"Securities Lending Account"**).

Upon an event of default by any Securities Lending Counterparty under the related Securities Lending Agreement, the Issuer or the Trustee, as the case may be, as permitted in the Securities Lending Agreement and in consultation with the Collateral Manager, shall promptly exercise its remedies under such Securities Lending Agreement, including liquidating, or causing the liquidation of, the related Securities Lending Collateral in accordance with written instructions from the Collateral Manager, in its sole discretion. Proceeds of any such liquidation shall be deposited in the Principal Collection Account and the Subordinated Securities Principal Collection Account, as applicable.

Margin Stock

The Collateral Portfolio may consist of securities that, at the time of purchase (or when a commitment to purchase is entered into), provide for conversion at the option of the holder or have equity features attached. Debt securities that are convertible into Margin Stock may be also considered Margin Stock and securities with equity features may be considered Margin Stock. The Concentration Limitetions limit the amount of such securities that can be purchased by the Issuer. See "Summary—The Offering—Concentration Limitations". Accordingly, the ability of the Issuer to acquire any types of convertible securities and securities with equity features will be restricted by the limitations imposed on the Issuer's ability to acquire Margin Stock. For instance, only proceeds of Subordinated Securities Collateral Obligations and funds on deposit in the Subordinated Securities Interest Collection Account and the Subordinated Securities Principal Collection Account may be used to purchase Collateral Obligations that constitute Margin Stock.

Regulation U governs certain extensions of credit by Regulation U Lenders. Under current interpretations of Regulation U by the FRB and its staff, the purchase of debt securities such as the

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Securities in a private placement may constitute an extension of credit. Among other things, Regulation U generally imposes certain limits on the amount of Purpose Credit that Regulation U Lenders may extend that is secured directly or indirectly by Margin Stock. The provisions of the Indenture and the Collateral Management Agreement are intended to ensure that (i) the purchasers of the Subordinated Securities (which are not secured by Margin Stock) are not Regulation U Lenders and (ii) the credit extended by purchasing the Secured Notes (which is secured by the Collateral, which may include Margin Stock) is not Purpose Credit. Regulation U Lenders are not subject to the Regulation U credit limits with respect to extensions of credit that are not Purpose Credit.

Regulation U also generally requires Regulation U Lenders (other than Persons that are banks within the meaning of Regulation U) to register with the FRB. Under an interpretation of Regulation U by the FRB staff, Qualified Institutional Buyers purchasing debt securities secured by Margin Stock in a transaction in compliance with Rule 144A are not required to register with the FRB where the proceeds of the securities are not used for Purpose Credit. Non-U.S. Persons purchasing Secured Notes in reliance on Regulation S who do not have their principal place of business in a Federal Reserve District of the FRB are also not required to register with the FRB.

Any purchaser of Secured Notes who is not a bank (as defined in Regulation U) and is not required to register with the FRB will not be subject to any provisions of Regulation U. Any purchaser of the Secured Notes who is a bank or who is already registered with the FRB as a Regulation U lender generally must obtain from any person to whom they extend credit secured by Margin Stock a Federal Reserve Form U-1 (for bank lenders) or Form G-3 (for non-bank lenders). Purchasers of the Secured Notes may obtain a Form U-1 or G-3, as applicable, executed by the Issuer or the Issuers, as applicable, from the Issuer, for execution and retention by such purchaser on or prior to the Closing Date. Each purchaser of Secured Notes will be responsible for its own compliance with Regulation U, including the filing by the purchaser of any required registration or annual filings under Regulation U, and purchasers of Secured Notes should consult with their own legal advisors as to Regulation U and its application to them. Purchasers of Secured Notes not otherwise exempt from registering with the FRB will be deemed to have covenanted and agreed that if such purchaser is not registered with the FRB on or prior to the date of the purchaser's purchase, such purchaser will, within the required time period, register with the FRB.

Under the Indenture, each purchaser of an interest in a Regulation S Global Secured Note will be deemed to have represented that either (x) such purchaser's principal place of business is not located within any Federal Reserve District of the United States Federal Reserve Bank or (y) such purchaser has satisfied and will satisfy any applicable registration or other requirements of the FRB including, without limitation, Regulation U, in connection with its acquisition of the Secured Notes.

The accounts established by, and the maintenance of funds and securities under, the Indenture have been structured with the intent that the proceeds of the Secured Notes not be treated as constituting Purpose Credit; however, such result is not guaranteed.

MATURITY AND PREPAYMENT CONSIDERATIONS

The Stated Maturity of the Securities (other than the Class S Notes) is the Payment Date in February 2021 and, with respect to the Class S Notes, February 2014; however, the principal of the Secured Notes is expected to be paid in full prior to Stated Maturity. Average life refers to the average amount of time that will elapse from the date of delivery of a security until each Dollar of the principal of such security will be paid to the investor. The average lives of the Secured Notes will be determined by the amount and frequency of principal payments, which are dependent upon, among other things, the amount of sinking fund payments and any other payments received at or in advance of the scheduled maturity of Collateral Obligations (whether through sale, maturity, redemption, default or other liquidation or disposition). The actual average lives and actual maturities of the Secured Notes will be affected by the financial condition of the issuers of the underlying Collateral Obligations and the characteristics of such securities, including the existence and frequency of exercise of any optional or mandatory redemption features, the prevailing level of interest rates, the redemption price, the actual default rate, the actual level of recoveries on any Defaulted Obligations and the timing of defaults and recoveries, and the frequency of tender or exchange offers for such Collateral Obligations. Substantially all of the Collateral Obligations are expected to be subject to sinking fund

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payments or optional redemption or prepayment by the issuer of such securities. In addition, if principal payments on the Secured Notes occur under the circumstances described under "Summary—The Offering—Principal Payments on the Secured Notes," the average life of the Secured Notes will also be affected.

Any disposition of a Collateral Obligation may change the composition and characteristics of the Collateral Obligations and the rate of payment thereon, and, accordingly, may affect the actual average lives of the Secured Notes. The rate of and timing of future defaults and the amount and timing of any cash realization from Defaulted Obligations also will affect the maturity and average lives of the Secured Notes. The ability of the Collateral Manager to reinvest any Principal Proceeds in the manner described under "Security for the Secured Notes—Sale of Collateral Obligations; Substitute Securities; Exchange of Defaulted Obligations and Reinvestment Criteria" and the decisions of the Collateral Manager regarding whether or not to reinvest such proceeds will also affect the average lives of the Secured Notes. For so long as any of the Securities are listed on the Irish Stock Exchange and the rules of such Exchange shall so require, notice of the Maturity of any Class of Securities shall be made in the Irish Stock Exchange's *Official List*.

THE COLLATERAL MANAGER

The information appearing in this section has been prepared by the Collateral Manager and has not been independently verified by the Initial Purchaser or either of the Issuers. The Initial Purchaser and the Issuers assume no responsibility for the accuracy, completeness or applicability of such information.

Greywolf Capital Management LP

The Collateral Manager for Greywolf CLO I, Ltd. is Greywolf Capital Management LP (the "**Collateral Manager**").

Greywolf Capital Management LP is an SEC- registered investment adviser and currently manages over $2 billion in capital. Greywolf was founded in 2003 by a team of former employees of Goldman Sachs' fixed income trading division and now has 29 investment professionals with extensive experience in distressed, high yield and structured product investing.

Key Personnel

Jonathan Savitz, *Partner*: Mr. Savitz co-founded Greywolf in February 2003 and is the Firm's Chief Executive Officer and the Funds' Chief Investment Officer. Prior to co-founding Greywolf, Mr. Savitz worked at Goldman Sachs for over 15 years from which he retired as a Partner of the firm in 2002. From 1998 – 2002, Mr. Savitz led Goldman's global distressed trading, sales and research effort and was a primary decision maker and risk manager in Goldman's proprietary investing activities across the fixed income markets. From 1995 - 1998, Mr. Savitz managed the high yield trading desk and prior thereto held positions in distressed proprietary investing and corporate bond trading. Mr. Savitz joined Goldman in 1987 after graduating with a B.A., with honors, from The Johns Hopkins University.

James Gillespie, *Partner:* Mr. Gillespie is a co-founder of Greywolf and is a Portfolio Manager of the Special Situations Funds. Prior to founding Greywolf, Mr. Gillespie worked at Goldman Sachs for six years. Mr. Gillespie was head of Distressed Bond Investing where he ran Goldman's proprietary distressed bond portfolio on the trading desk. Prior thereto, Mr. Gillespie was director of distressed bond research after having been a distressed analyst for Goldman's bank loan and bond desks. Mr. Gillespie has significant experience in analyzing, valuing and investing in distressed securities as well as managing a large portfolio of distressed investments. He also has experience actively participating in the workout process as both a committee member and large creditor. Prior to Goldman, Mr. Gillespie worked at Salomon Brothers in high yield capital markets. Mr. Gillespie received a Bachelor of Commerce degree, with honors, from the University of British Columbia in 1995 and is a Leslie Wong Fellow. Mr. Gillespie is a CFA charterholder.

Robert Miller, *Partner*: Mr. Miller is a co-founder of Greywolf and a Portfolio Manager for the Greywolf High Yield Funds. Prior to founding Greywolf, Mr. Miller worked at Goldman Sachs for 10 years and ran Goldman's high yield trading desks in New York and London from 1998 – 2000. After retiring from Goldman, Mr. Miller was retained by the firm for almost two years as a consultant on electronic bond trading platforms. Prior to heading the high yield trading desk, Mr. Miller was a high yield and corporate bond trader

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for Goldman and prior thereto was a credit analyst for PNC Bank. During his career, Mr. Miller has traded and analyzed most major industry sectors and held proprietary positions in straight debt, common and preferred stock, futures, convertibles, trust preferred, and credit derivatives. Mr. Miller received a B.A. *magna cum laude* from Franklin and Marshall College in 1983 and an M.B.A., with honors, from UNC-Chapel Hill in 1989.

Gregory Mount, *Partner*: Mr. Mount joined Greywolf in September 2005 as a Partner and is responsible for structured product investments. Prior to joining Greywolf, Mr. Mount worked at Goldman Sachs for 9 years from which he retired as a Partner of the firm in 2005. Mr. Mount founded Goldman's CDO business in 1996 and later held numerous senior positions in credit derivatives and structured products, including co-head of the Structured Products Group, which consisted of the CMBS, RMBS, ABS and CDO businesses and head of Portfolio Credit Derivatives which encompassed cash and synthetic CDOs. Mr. Mount also initiated Goldman's proprietary CDO investment activity in 2003 and was the primary decision-maker for that portfolio at its inception. Mr. Mount received a B.S. in Electrical Engineering from M.I.T. in 1967, and an M.B.A., with high honors, from The University of Chicago Graduate School of Business in 1992.

Cevdet Samikoglu, *Partner*: Mr. Samikoglu is a co-founder of Greywolf and a Portfolio Manager of the Special Situations Funds. Prior to founding Greywolf, Mr. Samikoglu worked at Goldman Sachs for ten years where he was one of three portfolio managers in the Special Situations Investing Group, a Goldman Sachs' proprietary internal hedge fund. Prior to assuming his portfolio management role in 2000, Mr. Samikoglu held numerous positions in distressed investing at Goldman including director of research in both the US and Europe. Mr. Samikoglu joined Goldman in 1992 as a corporate finance generalist before moving to the distressed investing business as a credit analyst in 1998 after returning from business school. Mr. Samikoglu has extensive experience investing in all layers of levered capital structures both on the long and short side and, at times, participating actively in steering and creditors' committees. Mr. Samikoglu received a B.A. *cum laude* from Hamilton College in 1992 and an M.B.A. from Harvard Business School in 1997.

William Troy, *Partner*: Mr. Troy is a co-founder of Greywolf and a Portfolio Manager of the High Yield Funds, as well has having responsibility for firmwide risk management. Prior to founding Greywolf, Mr. Troy was the key manager for JP Morgan's High Yield business, which he joined following the merger of Smith Barney with Salomon Brothers. At JP Morgan, Mr. Troy was a member of the Senior Trader's Committee, the Underwriting Committee, the Risk Committee and the Credit Committee. Prior to JP Morgan, Mr. Troy joined Smith Barney in 1996 as a Managing Director to co-head the High Yield business, overseeing sales, trading, research and syndicate. Prior to Smith Barney, Mr. Troy joined Goldman Sachs in 1986 as a senior corporate bond trader where he was responsible for risk taking activities with a further mandate to expand the business and develop new trading personnel. He was later asked to join the High Yield department in 1991 as the senior trader. Prior to Goldman Sachs, Mr. Troy joined Salomon Brothers in 1978 as a manager for the international business in cashiering operations and subsequently as a trader on the corporate bond trading desk. Mr. Troy began his 37-year Wall Street career in 1969 at Dean Witter.

Jeff Fergus, *Vice President:* Mr. Fergus joined Greywolf in March 2005 as a Vice President in the High Yield Group. Mr. Fergus will be the co-portfolio manager of Greywolf CLO I with Bob Miller. Prior to joining Greywolf Capital, Mr. Fergus was a Vice President of Goldman Sachs working in the European Special Situations Group in London where he set up and acted as Chief Investment Officer of a privately-placed €2 billion CDO for Goldman's bank loan and high yield investments. From 1999 until 2003, he was based in Hong Kong as a senior member of Goldman Sachs' Asian Special Situations Group end co-Head of the ex-Japan corporate business where he focused on investing in distressed loans and bonds in various countries of Southeast Asia, Korea and China, including portfolios of defaulted loans packaged by various government agencies and AMCs. Mr. Fergus joined Goldman Sachs in 1998 in New York as Head of Bank Loan Research. In this capacity, Mr. Fergus worked with Messrs. Gillespie and Samikoglu who were research professionals in the same group. From 1993 until 1998, Mr. Fergus worked at ING Capital in New York in the proprietary investment group focusing on high yield and distressed investments. Prior to ING, Mr. Fergus worked at Prudential Capital and prior thereto for Continental Bank. Mr. Fergus received a B.A. in 1978 and an M.B.A. in 1980 from Indiana University.

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Joe Marconi, *Vice President*: Mr. Marconi joined Greywolf in April 2006 and is responsible for structured product investments. Prior to joining Greywolf, Mr. Marconi was a Managing Director in the Structured Products Group at Goldman Sachs where he was co-head of ABS Finance and a member of the Mortgage Capital Committee (which is responsible for approving capital commitments across the CMBS, RMBS, ABS and CDO businesses). Mr. Marconi joined Goldman Sachs in 1993 and became a Managing Director in 2003. Prior to joining Goldman Sachs, from 1984 to 1993, Mr. Marconi was an attorney with Cravath, Swaine & Moore in New York and London. Mr. Marconi received a B.A. in Economics, *summa cum laude*, from Columbia College in 1983 and was elected to *Phi Beta Kappa*. Mr. Marconi also received a J.D. from Columbia Law School in 1984 and was a Harlan Fiske Stone Scholar each of his three years.

THE COLLATERAL MANAGEMENT AGREEMENT

General

Certain advisory and administrative functions with respect to the Issuer and the Collateral will be performed by the Collateral Manager under the agreement to be entered into between the Issuer and the Collateral Manager (the "**Collateral Management Agreement**"). Pursuant to the terms of the Collateral Management Agreement, and in accordance with the requirements set forth in the Indenture, the Collateral Manager will perform certain collateral management functions, including directing the purchase and sale of Collateral and performing certain administrative functions on behalf of the Issuer. The Collateral Manager will be authorized to, among other things, (i) select the Collateral Obligations to be acquired and sold by the Issuer, (ii) monitor the portfolio of Collateral Obligations on an ongoing basis and advise the Issuer as to which Collateral Obligations to sell and which Collateral Obligations to acquire, (iii) instruct the Trustee with respect to any disposition or tender of a Collateral Obligation or Eligible Investment or other Collateral by the Issuer, (iv) advise the Issuer with respect to interest rate risk, cash flow timing and selecting and negotiating Hedge Agreements and (v) assist the Issuer in the preparation of reports, orders and other documents required pursuant to the Indenture.

The Collateral Manager shall use reasonable care in rendering its services under the Collateral Management Agreement, using a degree of skill and attention no less than that which the Collateral Manager exercises with respect to comparable assets that it manages for clients in substantially similar transactions in accordance with its practices and procedures which the Collateral Manager reasonably believes to be consistent with those followed by institutional managers of national standing relating to assets of the nature and character of the Collateral Obligations. Neither the Collateral Manager nor its Affiliates will be liable to the Issuer, the Trustee, the holders of the Securities, or any other Person for any loss incurred as a result of the actions taken by or recommended by the Collateral Manager under the Collateral Management Agreement or the Indenture, except by reason of acts or omissions constituting bad faith, fraud, willful misconduct, gross negligence or reckless disregard, of its obligations thereunder. Subject to the above mentioned standard of liability, the Collateral Manager, its members, manager, officers, agents, employees and Affiliates will be entitled to indemnification by the Issuer for any losses or liabilities, including legal or other expenses, relating to the issuance of the Securities, the transactions contemplated by the Indenture or the performance of the Collateral Manager's obligations under the Collateral Management Agreement, which will be payable as Administrative Expenses in accordance with the Priority of Payments.

The Collateral Manager may assign its rights or responsibilities under the Collateral Management Agreement (even where such assignment would be deemed an "assignment" for purposes of Section 205(a)(2) of the Investment Advisers Act of 1940, as amended) by, (i) so long as any Securities rated by S&P are Outstanding, satisfying the S&P Rating Condition, (ii) so long as any Securities rated by Moody's are Outstanding, satisfying the Moody's Rating Condition and (iii) obtaining the consent of the Issuer as directed by a Majority of the Controlling Class and a Majority of the Subordinated Securities. The Collateral Manager may delegate to an agent selected with reasonable care any or all of the duties (other than its asset selection or trade execution duties) assigned to the Collateral Manager under the Collateral Management Agreement, provided that no delegation by the Collateral Manager of any of its duties under the Collateral Management Agreement shall relieve the Collateral Manager of any of its duties under the Collateral Management Agreement nor relieve the Collateral Manager of any liability with respect to the performance of such duties. The Collateral Manager may resign upon 90 days' prior written notice to the Issuer, the Trustee and each Rating Agency.

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Notwithstanding the preceding paragraph, the Collateral Manager will be permitted, with the consent of a Majority of the Subordinated Securities, to assign any or all of its rights and delegate any or all of its obligations to an Affiliate.

The Collateral Manager may be removed for cause by the Issuer, acting upon the direction of (x) 66-2/3% of the Controlling Class, or (y) 66-2/3% of the Subordinated Securities (excluding any Securities owned by the Collateral Manager or its Affiliates) upon 10 Business Days' prior written notice. For purposes of the Collateral Management Agreement, "cause" will mean: (a) any willful violation in bad faith or willful breach in bad faith by the Collateral Manager of any provision of the Collateral Management Agreement or the Indenture applicable to it; (b) any violation by the Collateral Manager of any provision of the Collateral Management Agreement or the Indenture applicable to it (other than as covered by the preceding clause (a)) (it being understood that the failure of any Coverage Test or Collateral Quality Test, which is not caused by a breach described in clause (a) of this definition of "cause", is not such a violation) which violation (1) has a material adverse effect on the Holders of any Class of Securities and (2) if capable of being cured, is not cured within 30 days of the Collateral Manager receiving notice from the Issuer or the Trustee of such violation (or such longer period as is reasonably required to correct any such breach, provided that the Collateral Manager promptly commences and diligently continues to effectuate a cure, but in any event within 90 days after receipt of written notice thereof); (c) the failure of any representation, warranty, certification or statement made or delivered by the Collateral Manager, in or pursuant to the Collateral Management Agreement or the Indenture, to be correct in any material respect when made which failure could reasonably be expected to have a material adverse effect on the Holders of any Class of Securities and is not corrected within 30 days of the Collateral Manager receiving notice of the occurrence of such breach; (d) certain events of bankruptcy, insolvency, conservatorship, or receivership in respect of the Collateral Manager; (e) the occurrence of any Event of Default that results from a breach by the Collateral Manager of its duties under the Indenture or the Collateral Management Agreement; and (f) the occurrence of an act by the Collateral Manager or its officers having direct responsibility over the Issuer's investment activities that constitutes fraud or criminal activity in the performance of its obligations under the Collateral Management Agreement or its indictment for a criminal offense materially related to its business of providing asset management services.

The Collateral Management Agreement will be automatically terminated if it is determined in good faith that the Issuer or the Co-Issuer or the pool of Collateral has become required to register under the Investment Company Act, and the Issuer so notifies the Collateral Manager.

If the Collateral Manager is removed (but not yet replaced by a successor Collateral Manager) pursuant to one of the previous two paragraphs, the Collateral Manager shall give written notice thereof to the Issuer, the Trustee, and the holders of all Outstanding Securities promptly upon the Collateral Manager's becoming aware of the occurrence of such event.

Notwithstanding anything to the contrary set forth above, no resignation or termination of the Collateral Manager shall become effective until each of the Moody's Rating Condition and the S&P Rating Condition is satisfied with respect to a successor collateral manager selected by the Issuer with the approval of the holders of a Majority of the Subordinated Securities; *provided* that the holders of a Majority of each Class of Secured Notes do not object within 60 days after notice of such proposed action (in each case, excluding in the event of a removal for cause or with respect to the appointment of an Affiliate as successor, any Securities owned by the Collateral Manager or its Affiliates).

In the event of a resignation by or termination of the Collateral Manager, if no successor Collateral Manager has been appointed or an instrument of acceptance by a successor Collateral Manager has not been delivered to the Collateral Manager within 120 days after the date of notice of resignation by or termination of the Collateral Manager, the resigned or terminated Collateral Manager may petition any court of competent jurisdiction for the appointment of a successor Collateral Manager subject to the satisfaction of the Moody's Rating Condition and the S&P Rating Condition but without the approval of the Issuer or Holders of the Securities.

There is no limitation or restriction on the Collateral Manager or any of its Affiliates with regard to acting as collateral manager (or in a similar role) to other parties or persons. This and other future activities

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of the Collateral Manager and/or their Affiliates may give rise to additional conflicts of interest. The Collateral Manager and its Affiliates currently serve, and will continue to serve, as Collateral Manager for, invest in or be Affiliated with, other entities organized to issue collateralized debt obligations secured by high yield loans and bonds.

One or more funds managed by the Collateral Manager will commit to purchase up to 100% of the initial notional amount of the Subordinated Securities. Thereafter, such funds may, from time to time, transfer or sell all or any part of such Subordinated Securities held thereby.

Compensation of the Collateral Manager

As compensation for the performance of its obligations as Collateral Manager under the Collateral Management Agreement, the Collateral Manager will be entitled to receive from the Issuer the Senior Collateral Management Fee, the Subordinated Collateral Management Fee and the Incentive Collateral Management Fee.

The "**Senior Collateral Management Fee**" is payable in arrears on each Payment Date (subject to availability of funds and to the Priority of Payments) in an amount equal to 0.15% per annum of the Aggregate Principal Amount of the Collateral Portfolio measured as of the beginning of the Due Period preceding such Payment Date. The Senior Collateral Management Fee will be payable before any interest payments or distributions of Interest Proceeds on the Securities and will be calculated on the basis of a calendar year consisting of 360 days and the actual number of days elapsed.

The "**Subordinated Collateral Management Fee**" is payable in arrears on each Payment Date (subject to availability of funds and to the Priority of Payments) in an amount equal to 0.35% per annum of the Aggregate Principal Amount of the Collateral Portfolio measured as of the beginning of the Due Period preceding such Payment Date. The Subordinated Collateral Management Fee will be payable before any payments of distributions on the Subordinated Securities and will be calculated on the basis of a calendar year consisting of 360 days and the actual number of days elapsed. In addition, on any Payment Date that any part of the Subordinated Collateral Management Fee is not paid, it shall be carried over, will accrue interest at a rate of LIBOR for the applicable period plus 3.00% per annum and will be payable to the Collateral Manager on future Payment Dates in accordance with the Priority of Payments.

On each Payment Date, in accordance with the Priority of Payments, the Collateral Manager will be eligible to receive an incentive collateral management fee with respect to each subclass of Subordinated Securities (each, an "**Incentive Collateral Management Fee**"). On any Payment Date, the Incentive Collateral Management Fee with respect to each subclass of Subordinated Securities will equal 20% of the amount of Interest Proceeds and Principal Proceeds remaining available for distribution to such subclass at the steps in the Priority of Payments at which the Incentive Collateral Management Fee may be paid. The Incentive Collateral Management Fee with respect to each Included Subclass will be payable on any Payment Date to the Collateral Manager in accordance with the Priority of Payments if the amount paid to such Included Subclass of Subordinated Securities has been sufficient for the holders of such Included Subclass of Subordinated Securities to have received an annualized internal rate of return (calculated on the basis of a 360-day year consisting of twelve 30-day months) of at least 12.0% on a deemed invested amount of $1,000 per Subordinated Security (the "**Specified Internal Rate of Return**") for the period from the Closing Date to such Payment Date. The Incentive Collateral Management Fee with respect to each Excluded Subclass, if any, will be payable on any Payment Date to the Collateral Manager in accordance with the Priority of Payments even if the Holders of such Excluded Subclass have not received an Internal Rate of Return of at least 12.0%.

The Incentive Collateral Management Fee, the Senior Collateral Management Fee, and the Subordinated Collateral Management Fee are collectively referred to herein as the "**Collateral Management Fees**".

One or more funds managed by Greywolf will commit to purchase up to 100% of the initial notional amount of the Subordinated Securities. For so long as Greywolf is the Collateral Manager and any funds managed by Greywolf continue to hold any Subordinated Securities, any Collateral Management Fees

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otherwise payable to the Collateral Manager hereunder shall be paid by the Issuer in the following order: (i) first, to such funds managed by Greywolf (on a *pro rata* basis among such funds), in an amount equal to the product of (x) such Collateral Management Fees and (y) a fraction the numerator of which is the notional amount of the Subordinated Securities held by such funds managed by Greywolf and the denominator of which is the aggregate notional amount of all the Subordinated Securities and (ii) second, the remainder, if any, to Greywolf.

Any Subordinated Collateral Management Fees to which the Collateral Manager is entitled on any Payment Date that are not paid to the Collateral Manager, whether as a result of proceeds of the Collateral being insufficient therefor in accordance with the Priority of Payments or because the Collateral Manager, in its sole discretion, has instructed the Trustee that it wishes to defer payment of the fees until a subsequent Payment Date, will accrue interest at a rate of LIBOR for the applicable period plus 3.00%, and the fees, together with any interest accrued on them, will be payable on the next Payment Date specified by the Collateral Manager on which funds are available therefor in accordance with the Priority of Payments.

The Collateral Manager, in its sole discretion, may, from time to time, waive all or any portion of the Collateral Management Fees, and may defer all or any portion of the Collateral Management Fees. Any deferred Collateral Management Fees will become payable on the next Payment Date (and, if not paid on such Payment Date, on one or more subsequent Payment Dates) in the same manner and priority as their original characterization would have required unless deferred again.

The Collateral Management Fees will be payable from Interest Proceeds, and, if Interest Proceeds are not sufficient, from Principal Proceeds, in accordance with the Priority of Payments. If on any Payment Date there are insufficient funds to pay the Senior Collateral Management Fee then due in full, the amount not so paid shall be deferred and shall be payable on the first succeeding Payment Date on which any funds are available therefor, as provided in the Indenture.

THE ISSUERS

General

The Issuer was incorporated on August 14, 2008 in the Cayman Islands under the Companies Law (2004 Revision) of the Cayman Islands with the registration number 172443. The registered office of the Issuer is at the offices of Maples Finance Limited, P.O. Box 1093 GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands. The telephone number of the registered office is (345) 945-7099. The Issuer was incorporated as a special purpose vehicle for the specific purpose of carrying out the transactions described in this Offering Circular, which primarily consists of purchasing the Collateral Obligations and any Eligible Investments that comprise the Collateral Portfolio, issuing the Securities and the Issuer Ordinary Shares and performing other activities related thereto. Prior to the date hereof, the Issuer has not engaged in any activities other than in connection with the acquisition of certain of the Collateral Obligations to be held on the Closing Date.

The Co-Issuer was incorporated on January 12, 2007, in the State of Delaware under the General Corporation Law of the State of Delaware with the registration number 4284547. The registered office of the Co-Issuer is at 850 Library Avenue, Suite 204, Newark, Delaware 19711. The telephone number of the registered office is (302) 738-6680. The Co-Issuer was incorporated as a special purpose vehicle for the specific purpose of carrying out the transactions described in this Offering Circular, which primarily consists of issuing the Co-Issued Notes and performing other activities related thereto, as set forth in Article Third of its Certificate of Incorporation. The Co-Issuer has no prior operating history.

The Co-Issued Notes are obligations only of the Issuers and the Class E Notes and the Subordinated Securities are obligations only of the Issuer, and not of the Trustee, the Collateral Manager, the Initial Purchaser, the Administrator, the Share Trustee or any directors or officers of the Issuers or any of their respective Affiliates.

At the Closing Date, the authorized share capital of the Issuer will consist of 50,000 ordinary shares, $1.00 par value per share (the "**Issuer Ordinary Shares**"), 250 of which shares have been issued. The

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authorized common stock of the Co-Issuer consists of 1,000 shares of common stock, $.01 par value (the "**Co-Issuer Common Stock**"), all of which shares will be issued prior to the Closing Date. All of the outstanding Issuer Ordinary Shares and Co-Issuer Common Stock will be held by the Share Trustee under the terms of a declaration of trust. For so long as any of the Securities are Outstanding, no beneficial interest in the Issuer Ordinary Shares of the Co-Issuer Common Stock shall be registered to a U.S. Person.

Capitalization of the Issuer

The initial proposed capitalization of the Issuer as of the Closing Date after giving effect to the issuance of the Securities and the Issuer Ordinary Shares (before deducting expenses of the Offering) is as set forth below.

	Amount
Class S Notes	$ 2,000,000
Class A Notes	$ 365,000,000
Class B Notes	$ 22,500,000
Class C Notes	$ 25,000,000
Class D Notes	$ 30,000,000
Class E Notes	$ 17,500,000
Subordinated Securities	$ 40,000,000
Total Debt	$ 502,000,000
Issuer Ordinary Shares	$ 250
Total Equity	$ 250
Total Capitalization	$ 502,000,250

Capitalization of the Co-Issuer

The Co-Issuer will be capitalized only to the extent of common equity of $10, will have no assets other than its equity capital and will have no debt other than as Co-Issuer of the Co-Issued Notes.

The Co-Issuer has agreed to co-issue the Co-Issued Notes as an accommodation to the Issuer, and the Co-Issuer is receiving no remuneration for so acting. Because the Co-Issuer has no assets, and is not permitted to have any assets, Securityholders will not be able to exercise their rights with respect to the Co-Issued Notes against any assets of the Co-Issuer. Holders of the Co-Issued Notes must rely on the Collateral held by the Issuer and pledged to the Trustee for the benefit of the Holders of the Co-Issued Notes (and certain service providers) for payment on their respective Co-Issued Notes, in accordance with the Priority of Payments.

Business

The Issuers will not undertake any substantial business other than the issuance of the Co-Issued Notes, entering and performing their respectiva obligations under certain transaction documents and, in the case of the Issuer, the issuance of the Class E Notes, the Subordinated Securities and the Issuer Ordinary Shares, the acquisition and management of the Collateral and, in each case, other related transactions. Neither of the Issuers will have any subsidiaries.

In addition, pursuant to the terms of the Collateral Administration Agreement, the Issuer will retain the Collateral Administrator to compile certain reports with respect to the Collateral Obligations. The compensation paid by the Issuer for such services will be in addition to the fees paid to the Collateral Manager and will be treated as an expense of the Issuer and will be subject to the Priority of Payments.

The Administrator will act as the administrator of the Issuer. The office of the Administrator will serve as the general business office of the Issuer. Through this office and pursuant to the terms of an agreement between the Administrator and the Issuer relating to the administration of the Issuer in the Cayman Islands, and as amended from time to time in accordance with the terms thereof (the "**Administration Agreement**"),

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the Administrator will perform various administrative functions on behalf of the Issuer, including communications with shareholders, and the provision of certain clerical, administrative and other services until the termination of the Administration Agreement. In consideration of the foregoing, the Administrator will receive various fees and other charges payable by the Issuer at rates agreed upon from time to time plus expenses. The directors of the Issuer listed below are also officers and/or employees of the Administrator.

The Administrator's activities will be subject to the overview of the Issuer's Board of Directors. The appointment of the Administrator under the Administration Agreement shall continue until the termination of such agreement in accordance with its terms, at which time a replacement administrator may be appointed. The Administration Agreement may be terminated by either the Issuer or the Administrator upon three months' written notice or, upon the occurrence of certain events as specified in the Administration Agreement, upon 14 days' written notice.

The Administrator's principal office is: P.O. Box 1093 GT, Queensgate House, South Church Street, Grand Cayman, Cayman Islands.

Directors

The Directors of the Issuer are Guy Major and Carrie Bunton. The Directors may be contacted at the address of the Issuer or by telephone at (345) 945-7099.

The Director of the Co-Issuer is Donald Puglisi. He may be contacted at the address of the Co-Issuer or by telephone at (302) 738-6680.

THE LOAN MARKET

A substantial portion, by principal amount, of the Collateral Obligations is expected to consist of corporate loans rated below investment grade extended to U.S. and other borrowers located in countries whose long-term debt rating with respect to Dollar denominated obligations backed by the full faith and credit (or the local equivalent thereof) of such country or its central bank is at least "Aa2" by Moody's and "AA" by S&P. Such loans are typically negotiated by one or more commercial banks or other financial institutions and syndicated among a group of commercial banks and financial institutions.

Corporate loans are typically at the most senior level of the capital structure, and are often secured by specific collateral, including but not limited to, trademarks, patents, accounts receivable, inventory, equipment, buildings, real estate, franchises and common and preferred stock of the obligor and its subsidiaries. Some loans may be unsecured, subordinated to other obligations of the obligor and may have greater credit and liquidity risk than is typically associated with senior secured corporate loans. The corporate loans expected to secure the Secured Notes are of a type generally incurred by the borrowers thereunder in connection with a highly leveraged transaction, often to finance internal growth, acquisitions, mergers, stock purchases, or for other reasons. As a result of the additional debt incurred by the borrower in the course of the transactions, the borrower's creditworthiness is often judged by the rating agencies to be below investment grade. In order to induce the banks and institutional investors to invest in a borrower's loan facility, and to offer a favorable interest rate, the borrower often provides the banks and institutional investors with extensive information about its business, which is not generally available to the public. Because of the provision of confidential information, the unique and customized nature of a loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in the loan market has been small relative to the high yield bond market.

Corporate loans often provide for restrictive covenants designed to limit the activities of the borrower in an effort to protect the right of lenders to receive timely payments of interest on and repayment of principal of the loans. Such covenants may include restrictions on dividend payments, specific mandatory minimum financial ratios, limits on total debt and other financial tests. A breach of covenant (after giving effect to any cure period) in a loan which is not waived by the lending syndicate normally is an event of acceleration which allows the syndicate to demand immediate repayment in full of the outstanding loan. Loans usually have

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shorter terms than more junior obligations and may require mandatory prepayments from excess cash flow, asset dispositions and offerings of debt and/or equity securities.

A majority of loans bear interest based on a floating rate index, e.g., LIBOR, the certificate of deposit rate, a prime or base rate (each as defined in the applicable loan agreement) or other index, which may reset daily (as most prime or base rate indices do) or offer the borrower a choice of one, two, three, six, nine or twelve month interest and rate reset periods. The purchaser of a loan may receive certain syndication or participation fees in connection with its purchase. Other fees payable in respect of a loan, which are separate from interest payments on such loan, may include facility, commitment, amendment and prepayment fees.

Purchasers of loans are predominantly investment and commercial banks, who have applied their experience in high yield securities to the commercial and industrial loan market, acting as both principal and broker. The range of investors for loans has broadened to include money managers, insurance companies, arbitrageurs, bankruptcy investors and mutual funds seeking increased potential total returns and portfolio managers of trusts or special purpose companies issuing collateralized bond and loan obligations. As secondary market trading volumes increase, new loans are frequently adopting more standardized documentation to facilitate loan trading, which should improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide the degree of liquidity that currently exists in the market.

INCOME TAX CONSIDERATIONS

General

The following summary describes the principal U.S. federal income tax and Cayman Islands tax consequences of the purchase, ownership and disposition of the Securities to investors that acquire the Securities at original issuance and, in the case of the Secured Notes, for an amount equal to the Issue Price of the relevant Class of Secured Notes (for purposes of this section, with respect to each Class of Secured Notes, the first price at which a substantial amount of Secured Notes of such Class are sold to the public (excluding bond houses, brokers, underwriters, placement agents, and wholesalers) is referred to herein as the "**Issue Price**"). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a particular investor's decision to purchase the Securities. In addition, this summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the U.S. federal income tax laws and Cayman Islands tax laws. In general, the summary assumes that a beneficial owner of a Security holds the Security as a capital asset and not as part of a hedge, straddle or conversion transaction, within the meaning of Section 1258 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**").

The advice below was not written and is not intended to be used and cannot be used by any taxpayer for purposes of avoiding United States federal income tax penalties that may be imposed. The advice is written to support the promotion or marketing of the transaction. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The foregoing disclaimer is provided to satisfy obligations under Circular 230 governing standards of practice before the Internal Revenue Service.

This summary is based on the U.S. and Cayman Islands tax laws, regulations (final, temporary and proposed), administrative rulings and practice and judicial decisions in effect or available on the date of this Offering Circular. All of the foregoing are subject to change or differing interpretation at any time, which change or interpretation may apply retroactively and could affect the continued validity of this summary.

This summary is included herein for general information only, and there can be no assurance that the U.S. Internal Revenue Service (the "**IRS**") will take a similar view of the U.S. federal income tax consequences of an investment in the Securities as described herein. ACCORDINGLY, PROSPECTIVE

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PURCHASERS OF THE SECURITIES 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 THE SECURITIES, AND THE POSSIBLE APPLICATION OF STATE, LOCAL, FOREIGN OR OTHER TAX LAWS.

As used in this section, the term "**U.S. Holder**" includes a beneficial owner of a Security that is, for U.S. federal income tax purposes, a citizen or individual resident of the United States of America, an entity treated for United States federal income tax purposes as a corporation or a partnership created or organized in or under the laws of the United States of America or any state thereof or the District of Columbia, an estate the income of which is includable in gross income for U.S. federal income tax purposes regardless of its source, or a trust if, in general, a court within the United States of America is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of such trust and certain eligible trusts that have elected to be treated as U.S. persons. This summary also does not address the rules applicable to certain types of investors that are subject to special U.S. federal income tax rules which are not discussed herein, including but not limited to, dealers in securities or currencies, traders in securities, financial institutions, U.S. expatriates, tax-exempt entities (except with respect to specific issues discussed herein), charitable remainder trusts and their beneficiaries, persons whose functional currency is not the Dollar, insurance companies, persons that own (directly or indirectly) equity interests in beneficial owners of Securities and subsequent purchasers of the Securities.

For U.S. federal income tax purposes, the Issuer, and not the Co-Issuer, will be treated as the issuer of the Securities.

Tax Treatment of the Issuer

United States Federal Income Tax Consequences. The Code and the U.S. Department of Treasury regulations promulgated thereunder ("**Treasury Regulations**") provide a specific exemption from net income-based U.S. federal income tax to non-U.S. corporations that restrict their activities in the United States to trading in stocks and securities (and any other activity closely related thereto) for their own account, whether such trading (or such other activity) is conducted by the corporation or its employees or through a resident broker, commission agent, custodian or other agent. This particular exemption does not apply to non-U.S. corporations that are engaged in activities in the United States other than trading in stocks and securities (and any other activity closely related thereto) for their own accounts or that are dealers in stocks and securities.

The Issuer intends to rely on the above exemption and does not intend to operate so as to be subject to U.S. federal income taxes on its net income. In this regard, on the Closing Date, the Issuer will receive an opinion from McKee Nelson LLP, special U.S. tax counsel to the Issuers ("**Special U.S. Tax Counsel**") to the effect that, although no activity closely comparable to that contemplated by the Issuer has been the subject of any Treasury Regulation, administrative ruling or judicial decision, under current law and assuming compliance with the Issuer's Amended and Restated Memorandum and Articles of Association of the Issuer, the Indenture, the Collateral Management Agreement, and other related documents (the "**Documents**") by all parties thereto, the Issuer's permitted activities will not cause it to be engaged in a trade or business in the United States under the Code and, consequently, the Issuer will not be subject to U.S. federal income tax on a net income basis (or the branch profits tax described below). The opinion of Special U.S. Tax Counsel will be based on the Code, the Treasury Regulations (final, temporary and proposed) thereunder, the existing authorities, and Special U.S. Tax Counsel's interpretation thereof and judgment concerning their application to the Issuer's permitted activities, and on certain factual assumptions and representations as to the Issuer's permitted activities. The Issuer intends to conduct its affairs in accordance with the Documents and such assumptions and representations, and the remainder of this summary assumes such result. In addition, in complying with the Documents and such assumptions and representations, the Issuer and the Collateral Manager are entitled to rely upon the advice and/or opinions of their selected counsel, and the opinion of Special U.S. Tax Counsel will assume that any such advice and/or opinions are correct and complete. However, the opinion of Special U.S. Tax Counsel and any such other advice or opinions are not binding on the IRS or the courts, and no ruling will be sought from the IRS regarding this, or any other, aspect of the U.S. federal income tax treatment of the Issuer. Accordingly, in the absence of authority on point, the U.S. federal income tax treatment of the Issuer is not entirely free from doubt, and there can be no assurance that

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positions contrary to those stated in the opinion of Special U.S. Tax Counsel or any such other advice or opinions may not be asserted successfully by the IRS.

If, notwithstanding the Issuer's intention and the aforementioned opinion of Special U.S. Tax Counsel or any such other advice or opinions, it were nonetheless determined that the Issuer were engaged in a trade or business in the United States (as defined in the Code), and the Issuer had taxable income that was effectively connected with such U.S. trade or business, the Issuer would be subject under the Code to the regular U.S. corporate income tax on such effectively connected taxable income (and possibly to the 30% branch profits tax as well). The imposition of such taxes would materially affect the Issuer's financial ability to make payments with respect to the Securities and could materially affect the yield of the Secured Notes and the return on the Subordinated Securities.

Legislation recently proposed in the U.S. Senate would, for tax years beginning at least two years after its enactment, tax a corporation as a U.S. corporation if the equity of that corporation is regularly traded on an established securities market and the management and control of the corporation occurs primarily within the United States. It is unknown whether this proposal will be enacted in its current form and, whether if enacted, the Issuer would be subject to its provisions. However, upon enactment of this or similar legislation, the Issuer will be permitted, with an opinion of counsel, to take such action as it deems advisable to prevent the Issuer from being subject to such legislation. These actions could include removing some classes of Securities from listing on the Irish Stock Exchange.

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

United States Withholding Taxes. Although, based on the foregoing, the Issuer is not expected to be subject to U.S. federal income tax on a net income basis, income derived by the Issuer may be subject to withholding taxes imposed by the United States or other countries. Generally, U.S. source interest income received by a foreign corporation not engaged in a trade or business within the United States is subject to U.S. withholding tax at the rate of 30% of the amount thereof. The Code provides an exemption (the "portfolio interest exemption") from such withholding tax for interest paid with respect to certain debt obligations issued after July 18, 1984, unless the interest constitutes a certain type of contingent interest or is paid to a 10% shareholder of the payor, to a controlled foreign corporation related to the payor, or to a bank with respect to a loan entered into in the ordinary course of its business. In this regard, the Issuer is permitted to acquire a particular Collateral Obligation only if the payments thereon are exempt from U.S. withholding taxes at the time of purchase or commitment to purchase (with the exception of commitment fees associated with Collateral Obligations constituting Revolving Credit Facilities or Delayed Funding Term Loans) or the obligor is required to make "gross-up" payments that offset fully any such tax on any such payments. Any commitment fees associated with Collateral Obligations constituting Revolving Credit Facilities or Delayed Funding Term Loans and any lending fees received under a Securities Lending Agreement may be subject to U.S. withholding tax, which would reduce the Issuer's net income from such activities. However, the Issuer does not anticipate that it will otherwise derive material amounts of any other items of income that would be subject to U.S. withholding taxes. Accordingly, assuming compliance with the foregoing restrictions and subject to the foregoing qualifications, income derived by the Issuer will be free of or fully "grossed up" for any material amount of U.S. withholding tax. It is possible that, as a result of a workout of a defaulted Collateral Debt Obligation, the Issuer could receive an asset subject to withholding. However, there can be no assurance that income derived by the Issuer will not generally become subject to U.S. withholding tax as a result of a change in U.S. tax law or administrative practice, procedure, or interpretations thereof. See "Risk Factors – Changes in Tax Law; No Gross-Up". Any change in U.S. tax law or administrative practice, procedure, or interpretations thereof resulting in the income of the Issuer becoming subject to U.S. withholding taxes could constitute a Withholding Tax Event. See "Description of the Securities—Optional Redemption". It is also anticipated that the Issuer will acquire Collateral Obligations that consist of obligations of non-U.S. issuers. In this regard, the Issuer may only acquire a particular Collateral Obligation if either the payments thereon are not subject to foreign withholding tax (with the exception of commitment fees associated with Collateral Obligations constituting Revolving Credit Facilities and Delayed Funding Term Loans) or the obligor of the Collateral Obligation is required to make "gross-up" payments.

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Prospective investors should be aware that, under certain Treasury Regulations, the IRS may disregard the participation of an intermediary in a "conduit" financing arrangement and the conclusions reached in the immediately preceding paragraph assume that Affected Banks will not, as a result of holding Securities, influence the selection of Collateral Obligations and that such Treasury Regulations do not apply. Those Treasury Regulations could require withholding of U.S. federal income tax from payments to the Issuer of interest on the Collateral Obligations. In order to prevent "conduit" classification, each holder and beneficial owner of a Class E Note or Subordinated Security that (i) is not a "United States person" (as defined in Section 7701(a)(30) of the Code) and (ii) is acquiring, directly or in conjunction with affiliates, more than 33 1/3% of the Aggregate Outstanding Amount of any such Class of Securities will be deemed to make a representation to the effect that it is not an Affected Bank. **"Affected Bank"** means a "bank" for purposes of Section 881 of the Code or an entity affiliated with such a bank that neither (x) meets the definition of a U.S. Holder nor (y) is entitled to the benefits of an income tax treaty with the United States under which withholding taxes on interest payments made by obligors resident in the United States to such bank are reduced to 0%.

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

Status of the Secured Notes. On the Closing Date, the Issuer will receive an opinion from Special U.S. Tax Counsel to the effect that the Co-Issued Notes will be, and the Class E Notes should be, treated as debt for U.S. federal income tax purposes when issued, and this summary assumes such treatment. Further, the Issuer and each U.S. Holder and beneficial owner of a Secured Note, by acquiring such Secured Note or an interest in such Secured Note, will agree to treat such Secured Note as debt for U.S. federal income tax purposes, except (x) as otherwise required by applicable law, (y) to the extent a Noteholder makes a protective QEF election (as described below under "—Investment in a Passive Foreign Investment Company"), or (z) to the extent that the holder files certain United States tax information returns required of only certain equity owners with respect to various reporting requirements under the Code (as described below under "—Certain Reporting Requirements" and "—Tax Return Disclosure and Investor List Requirements"). The determination of whether a Secured Note will be treated as debt for United States federal income tax purposes is based on the applicable law and facts and circumstances existing at the time the Secured Note is issued. However, the opinion of Special U.S. Tax Counsel is based on current law and certain representations and assumptions and is not binding on the IRS or the courts, and no ruling will be sought from the IRS regarding this, or any other, aspect of the U.S. federal income tax treatment of the Secured Notes. Accordingly, there can be no assurance that the IRS will not contend, and that a court will not ultimately hold, that one or more Classes of the Secured Notes are properly treated as equity in the Issuer for U.S. federal income tax purposes. Recharacterization of a Class of Secured Notes, particularly the Class E Notes because of their place in the capital structure, may be more likely if a single investor or a group of investors that holds all of the Subordinated Securities also holds all of the more senior Class of Secured Notes in the same proportion as the Subordinated Securities are held. If a Class of the Secured Notes were treated as equity in, rather than debt of, the Issuer for U.S. federal income tax purposes, U.S. Holders of Secured Notes of such Class would be subject to taxation under rules substantially the same as those set forth below under "—Tax Treatment of U.S. Holders of Subordinated Securities" which could cause adverse tax consequences for such U.S. Holders upon the sale, exchange, redemption, retirement or other taxable disposition of, or the receipt of certain types of distributions on, such Secured Notes.

Interest or Discount on the Secured Notes. Subject to the discussion below, U.S. Holders of each Class of Secured Notes generally will include in gross income payments of stated interest received on such Class of Secured Notes, in accordance with their usual method of accounting for U.S. federal income tax purposes as ordinary interest income from sources outside the United States.

If the Issue Price of a Class of Secured Notes is less than the "stated redemption price at maturity" of such Class of Secured Notes by more than a *de minimis* amount, U.S. Holders of Secured Notes of such Class will be considered to have purchased such Secured Notes with original issue discount ("**OID**"). The stated redemption price at maturity of a Class of Secured Notes will be the sum of all payments to be received on Secured Notes of such Class, other than payments of **"qualified stated interest"** (i.e., generally, stated interest which is unconditionally payable in money at least annually during the entire term of a debt instrument; interest is unconditionally payable only if reasonable legal remedies exist to compel timely

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payment or the debt instrument otherwise provides terms and conditions that make the likelihood of late payment or nonpayment a remote contingency). Prospective U.S. Holders of the Class C Notes, the Class D Notes or the Class E Notes should note that, because interest on these Secured Notes can be deferred, the Issuer intends to treat interest on these Classes as not unconditionally payable in money on each Payment Date (and, therefore, not "qualified stated interest"), and as a result include all of the stated interest payments on these Secured Notes in the stated redemption prices at maturity of these Secured Notes, and must therefore be accrued by U.S. Holders pursuant to the OID rules described below. Such OID inclusion on such Secured Notes generally will be treated as income from sources outside the United States.

A U.S. Holder of such Class of Secured Notes issued with OID will be required to accrue and include in gross income the sum of the "daily portions" of total OID on such Secured Notes for each day during the taxable year on which the U.S. Holder held such Secured Notes, generally under a constant yield method, regardless of such U.S. Holder's usual method of accounting for U.S. federal income tax purposes. If a Secured Note is issued with only a *de minimis* amount of OID, such discount is not subject to accrual under the OID rules and should be included in gross income proportionately as stated principal payments are received. Such *de minimis* OID should be treated as gain from the sale or exchange of property and may be eligible to be treated as a capital gain if the Secured Note is a capital asset in the hands of the U.S. Holder.

In the case of such Class of Secured Notes that provides for a floating rate of interest, the amount of OID to be accrued over the term of such Secured Notes will be based initially on the assumption that the floating rate in effect for the first accrual period of such Secured Notes will remain constant throughout their term. To the extent such rate varies with respect to any accrual period, such variation will be reflected in an increase or decrease of the amount of OID accrued for such period. Under the foregoing method, U.S. Holders of the Class C Notes, the Class D Notes or the Class E Notes may be required to include in gross income increasingly greater amounts of OID and may be required to include OID in advance of the receipt of cash attributable to such income.

The Issuer intends to treat each Class of Secured Notes issued with more than *de minimis* OID as being subject to the rules prescribed by Section 1272(a)(6) of the Code using an assumption as to the prepayments on such Class of Secured Notes, as discussed below under "—OID on the Secured Notes". A prepayment assumption applies to debt instruments if payments under such debt instruments may be accelerated by reason of prepayments of other obligations securing such debt instruments.

OID on the Secured Notes. The following discussion will apply to a Class of Secured Notes if it is issued with more than de minimis OID. Because principal repayments on such Secured Notes are subject to acceleration, the method by which OID on such Secured Notes is required to be accrued is uncertain. For purposes of accruing OID on these Secured Notes under such circumstances, the Issuer intends to treat these Secured Notes as being subject to the "prepayment assumption method". These rules require that the amount and rate of accrual of OID be calculated based on a prepayment assumption and the anticipated reinvestment rate, if any, relating to the Secured Notes and prescribe a method for adjusting the amount and rate of accrual of the discount where the actual prepayment rate differs from the prepayment assumption. Under the Code, the prepayment assumption must be determined in the manner prescribed by the Treasury Regulations, which have not yet been issued. The legislative history provides, however, that Congress intended the Treasury Regulations to require that the prepayment assumption be the prepayment assumption that is used in determining the initial offering price of the Secured Notes. Solely for purposes of determining OID, market discount and bond premium, the Issuer intends to assume that the Collateral Obligations will either not prepay or any prepayments will be reinvested. No representation is made that the Secured Notes will prepay at the prepayment assumption or at any other rate.

It is possible the IRS could contend that another method of accruing OID with respect to these Secured Notes is appropriate and, if successful, could apply rules that may result in adverse or more favorable U.S. federal income tax consequences to a U.S. Holder of such Secured Notes. One such alternative method of accruing OID may be the noncontingent bond method that governs contingent payment debt obligations. Such method could affect the amount and character of the gain or loss recognized upon a disposition of a Secured Note.

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A purchaser of a Secured Note issued with OID who purchases such Secured Note at a price other than the adjusted Issue Price but at a cost less than the remaining stated redemption price at maturity will also be required to include in gross income the sum of the daily portions of OID on such Secured Note. In computing the daily portions of OID for a purchaser of a Secured Note that purchases at a price higher than the adjusted issue price, but less than the stated redemption price at maturity, however, the daily portion is reduced by the amount that would be the daily portion for the day (computed in accordance with the rules set forth above) multiplied by a fraction, the numerator of which is the amount, if any, by which the price paid by the U.S. holder for such Secured Note exceeds the following amount:

- The sum of the Issue Price *plus* the aggregate amount of OID that would have been includible in the gross income of an original U.S. Holder (who purchased the Secured Note at the Issue Price), less
- Any prior payments included in the stated redemption price at maturity,

and the denominator of which is the sum of the daily portions for such Secured Note for all days beginning on the date after the purchase date and ending on the maturity date computed under the prepayment assumption.

As a result of the complexity of the OID rules, each U.S. Holder of Secured Notes should consult its own tax advisor regarding the impact of the OID rules on its investment in such Secured Notes.

Premium. A U.S. Holder who pays a premium (an amount in excess of the Secured Note's stated redemption price at maturity) for a Secured Note may elect to amortize such premium under a constant yield method over the life of such Secured Note. The amortizable amount for any accrual period would offset the amount of OID that must be included in the gross income of a U.S. Holder in such accrual period. The U.S. Holder's basis in such Secured Note would be reduced by the amount of amortization. It is not clear whether the prepayment assumption would be taken into account in determining the life of such Secured Note for this purpose.

Market Discount. If a U.S. Holder acquires a Secured Note at a discount to the adjusted issue price of the Secured Note that is greater than a statutorily defined de minimis amount, such discount is treated as market discount. Absent an election to accrue into income currently, the amount of accrued market discount on a Secured Note is included in income as ordinary income when principal payments are received or the U.S. Holder disposes of the Secured Note. Market discount is included ratably unless a U.S. Holder elects to use a constant yield method for accrual. For this purpose, the term "ratably" may be based on the term of the Secured Note, or a U.S. Holder may be permitted to accrue market discount in proportion to interest on Secured Notes issued without OID or in proportion to OID on Secured Notes issued with OID.

Election to Treat All Interest as OID. The OID rules permit a U.S. Holder of a Secured Note to elect to accrue all interest, discount (including de minimis market or original issue discount) and premium in income as interest, based on a constant yield method. If an election to treat all interest as OID were to be made with respect to a Secured Note with market discount, the U.S. Holder of such Secured Note would be deemed to have made an election to include in income currently market discount with respect to all other debt instruments having market discount that such U.S. Holder acquires during the year of the election or thereafter. Similarly, a U.S. Holder that makes this election for a Secured Note that is acquired at a premium will be deemed to have made an election to amortize bond premium with respect to all debt instruments having amortizable bond premium that such U.S. Holder owns or acquires. The election to accrue interest, discount and premium on a constant yield method with respect to a Secured Note cannot be revoked without the consent of the IRS.

Disposition of the Secured Notes. In general, a U.S. Holder of a Secured Note initially will have a basis in such Secured Note equal to the cost of such Secured Note to such U.S. Holder, (i) increased by any amount includable in income by such U.S. Holder as OID (or accrued market discount such U.S. Holder previously included in income) with respect to such Secured Note, and (ii) reduced by amortized premium and by any payments on such Secured Note, other than payments of qualified stated interest on such Secured Note. Upon a sale, exchange, redemption, retirement or other taxable disposition of a Secured

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Note, a U.S. Holder will generally recognize gain or loss equal to the difference between the amount realized on the disposition (other than amounts attributable to accrued qualified stated interest on such Secured Note, which will be taxable as described above) and the U.S. Holder's tax basis in such Secured Note. Except to the extent of accrued interest or market discount not previously included in income, gain or loss from the disposition of a Secured Note generally will be long term capital gain or loss if the U.S. Holder held the Secured Note for more than one year at the time of disposition, provided that such Secured Note is held as a "capital asset" (generally, property held for investment) within the meaning of Section 1221 of the Code.

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.

Gain recognized by a U.S. Holder on the sale, exchange, redemption, retirement or other taxable disposition of a Secured Note generally will be treated as from sources within the United States and loss so recognized generally will offset income from sources in the United States.

Alternative Characterization of the Secured Notes. Notwithstanding special U.S. tax counsel's opinion, U.S. Holders should recognize that there is some uncertainty regarding the appropriate classification of instruments such as the Secured Notes. It is possible, for example, that the IRS may contend that a Class of Secured Notes should be treated as equity interests (or as part debt, part equity) in the Issuer. Such a recharacterization might result in material adverse U.S. federal income tax consequences to U.S. Holders. If U.S. Holders of a Class of the Secured Notes were treated as owning equity interests in the Issuer, the U.S. federal income tax consequences to U.S. Holders of such recharacterized Secured Notes would be as described under "—Tax Treatment of U.S. Holders of Subordinated Notes", "—Certain Reporting Requirements" and "—Tax Return Disclosure and Investor List Requirements." In order to avoid the application of the PFIC rules, each U.S. Holder of a Note should consider making a qualified electing fund election provided in Section 1295 of the Code on a "protective" basis (although such protective election may not be respected by the IRS because current regulations do not specifically authorize that particular election). See "—Investment in a Passive Foreign Investment Company. Further, U.S. Holders of any Class of Secured Notes that may be recharacterized as equity in the Issuer should consult with their own tax advisors with respect to whether, if they owned equity in the Issuer, they would be required to file information returns in accordance with sections 6038, 6038B, and 6046 of the Code (and, if so, whether they should file such returns on a protective basis

Tax Treatment of U.S. Holders of Subordinated Securities

Although not denominated as equity, based on the capital structure of the Issuer and the terms of the Subordinated Securities, it is likely the Subordinated Securities will be treated as equity for United States federal income tax purposes. The following discussion is based on the Subordinated Securities being treated as equity of the Issuer.

Investment in a Passive Foreign Investment Company. The Issuer will constitute a "passive foreign investment company" ("**PFIC**"). Accordingly, U.S. Holders of Subordinated Securities (other than certain U.S. Holders that are subject to the rules pertaining to a "controlled foreign corporation", described below) will be considered U.S. shareholders in a PFIC and will be required to file annual information returns on IRS Form 8621 with their U.S. federal income tax returns. In general, a U.S. Holder of a PFIC may desire to make an election to treat the Issuer as a "qualified electing fund" ("**QEF**") with respect to such U.S. Holder. Generally, a QEF election should be made with the filing of IRS Form 8621 with a U.S. Holder's federal income tax return for the first taxable year for which it held Subordinated Securities. If a timely QEF election is made for the Issuer, an electing U.S. Holder generally will be required in each taxable year to include in gross income (i) as ordinary income, such holder's *pro rata* share of the Issuer's ordinary earnings and (ii) as long term capital gain, such holder's *pro rata* share of the Issuer's net capital gain, whether or not distributed. A U.S. Holder will not be eligible for the preferential income tax rate on "qualified dividend income" (as defined in the Code) or the dividends received deduction with respect to any such income or gain. In addition, any losses of the Issuer in a taxable year will not be available to such U.S. Holder and may not be carried back or forward in computing the Issuer's ordinary earnings and net capital gain in other taxable

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years. An amount included in an electing U.S. Holder's gross income should be treated as income from sources outside the United States for U.S. foreign tax credit limitation purposes. However, if U.S. Holders collectively own (directly or constructively) 50% or more (measured by vote or value) of the Subordinated Securities, such amount will be treated as income from sources within the United States for such purposes to the extent that such amount is attributable to income of the Issuer from sources within the United States. If applicable to a U.S. Holder of Subordinated Securities, the rules pertaining to a "controlled foreign corporation", discussed below, generally override those pertaining to a PFIC with respect to which a QEF election is in effect.

In certain cases in which a QEF does not distribute all of its earnings in a taxable year, U.S. shareholders may also be permitted to elect to defer payment of some or all of the taxes on the QEF's income subject to an interest charge on the deferred amount. In this respect, prospective purchasers of Subordinated Securities should be aware that it is possible that the Collateral Obligations may be purchased by the Issuer with substantial OID, the cash payment of which may be deferred, perhaps for a substantial period of time, and the Issuer may use interest and other income from the Collateral Obligations to purchase additional Collateral Obligations or to retire Securities. As a result, the Issuer may have in any given year substantial amounts of earnings for U.S. federal income tax purposes that are not distributed on the Subordinated Securities. Thus, absent an election to defer payment of taxes, U.S. Holders that make a QEF election with respect to the Issuer may owe tax on significant "phantom" income.

In addition, it should be noted that if the Issuer invests in obligations that are not in registered form, a U.S. Holder making a QEF election (a) may not be permitted to take a deduction for any loss attributable to such obligations when calculating its share of the Issuer's earnings and (b) may be required to treat income attributable to such obligations as ordinary income even though the income would otherwise constitute capital gains. It is possible that some portion of the investments of the Issuer will constitute obligations that are not in registered form.

The Issuer will provide, upon request, all information and documentation that a U.S. Holder making a QEF election is required to obtain for U.S. federal income tax purposes.

A U.S. Holder of Subordinated Securities (other than certain U.S. Holders that are subject to the rules pertaining to a "controlled foreign corporation", described below) that does not make a timely QEF election will be required to report any gain on disposition (including gain recognized upon a redemption) of any Subordinated Securities as if it were an excess distribution, rather than capital gain, and to compute the tax liability on such gain and any excess distribution received with respect to the Subordinated Securities as if such items had been earned ratably over each day in the U.S. Holder's holding period (or a certain portion thereof) for the Subordinated Securities. The U.S. Holder will be subject to tax on such items at the highest ordinary income tax rate for each taxable year, other than the current year of the U.S. Holder, in which the items were treated as having been earned, regardless of the rate otherwise applicable to the U.S. Holder. Further, such U.S. Holder will also be liable for an additional tax equal to interest on the tax liability attributable to income allocated to prior years as if such liability had been due with respect to each such prior year. For purposes of these rules, gifts, exchanges pursuant to corporate reorganizations and use of the Subordinated Securities as security for a loan may be treated as a taxable disposition of such Subordinated Securities. Very generally, an "excess distribution" is the amount by which distributions during a taxable year with respect to a Subordinated Security exceed 125 percent of the average amount of distributions in respect thereof during the three preceding taxable years (or, if shorter, the U.S. Holder's holding period for the Subordinated Security). In addition, a stepped-up basis in the Subordinated Securities upon the death of an individual U.S. Holder may not be available.

In many cases, application of the tax on gain on disposition and receipt of excess distributions will be substantially more onerous than the treatment applicable if a timely QEF election is made. ACCORDINGLY, U.S. HOLDERS OF SUBORDINATED SECURITIES SHOULD CONSIDER CAREFULLY WHETHER TO MAKE A QEF ELECTION WITH RESPECT TO THE SUBORDINATED SECURITIES AND THE CONSEQUENCES OF NOT MAKING SUCH AN ELECTION.

Investment in a Controlled Foreign Corporation. The Issuer may be classified as a controlled foreign corporation ("**CFC**"). In general, a foreign corporation will be classified as a CFC if more than 50% of the

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shares of the corporation, measured by reference to combined voting power or value, is owned (actually or constructively) by "U.S. Shareholders". A U.S. Shareholder, for this purpose, is any U.S. person that possesses (actually or constructively) 10% or more of the combined voting power (generally the right to vote for directors of the corporation) of all classes of shares of a corporation. Although the Subordinated Securities do not vote for directors of the Issuer, it is possible that the IRS would assert that the Subordinated Securities are de facto voting securities and that U.S. Holders possessing (actually or constructively) 10% or more of the total combined voting power of all classes of stock entitled to vote (including the Subordinated Securities) are U.S. Shareholders. If this argument were successful and more than 50% of the Subordinated Securities (determined with respect to aggregate value or combined voting power) are owned (actually or constructively) by such U.S. Shareholders, the Issuer would be treated as a CFC.

If the Issuer were treated as a CFC, a U.S. Shareholder of the Issuer would be treated, subject to certain exceptions, as receiving a deemed dividend at the end of the taxable year of the Issuer in an amount equal to that person's *pro rata* share of the "subpart F income" of the Issuer (which may include any subpart F income of the Issuer during the warehousing of the Collateral Obligations). Such deemed dividend would be treated as income from sources within the United States for U.S. foreign tax credit limitation purposes to the extent that it is attributable to income of the Issuer from sources within the United States. Among other items, and subject to certain exceptions, "subpart F income" includes dividends, interest, annuities, gains from the sale or exchange of shares and securities, certain gains from commodities transactions, certain types of insurance income and income from certain transactions with related parties. It is likely that, if the Issuer were to constitute a CFC, all or most of its income would be subpart F income and, in general, if the Issuer's subpart F income exceeds 70% of its gross income for a taxable year, the entire amount of the Issuer's income for such taxable year will be treated as subpart F income.

If the Issuer were treated as a CFC, a U.S. Shareholder of the Issuer which made a QEF election with respect to the Issuer would be taxable on the subpart F income of the Issuer under rules described in the preceding paragraph and not under the QEF 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 under the CFC rules, notwithstanding the fact that the character of such gains generally would otherwise be preserved under the QEF rules.

Furthermore, if the Issuer were treated as a CFC and a U.S. Holder were treated as a U.S. Shareholder therein, the Issuer would not be treated as a PFIC or a QEF with respect to such U.S. Holder for the period during which the Issuer remained a CFC and such U.S. Holder remained a U.S. Shareholder therein (the "qualified portion" of the U.S. Holder's holding period for the Subordinated Securities). If the qualified portion of such U.S. Holder's holding period for the Subordinated Securities subsequently ceased (either because the Issuer ceased to be a CFC or the U.S. Holder ceased to be a U.S. Shareholder), then solely for purposes of the PFIC rules, such U.S. Holder's holding period for the Subordinated Securities would be treated as beginning on the first day following the end of such qualified portion, unless the U.S. Holder had owned any Subordinated Securities for any period of time prior to such qualified portion and had not made a QEF election with respect to the Issuer. In that case, the Issuer would again be treated as a PFIC which is not a QEF with respect to such U.S. Holder and the beginning of such U.S. Holder's holding period for the Subordinated Securities would continue to be the date upon which such U.S. Holder acquired the Subordinated Securities, unless the U.S. Holder made an election to recognize gain with respect to the Subordinated Securities and a QEF election with respect to the Issuer.

Indirect Interests in PFICs and CFCs. If the Issuer owns a Collateral Obligation or an Equity Security issued by a non-U.S. corporation that is treated as equity for U.S. federal income tax purposes, U.S. Holders of Subordinated Securities could be treated as owning an indirect equity interest in a PFIC or a CFC and could be subject to certain adverse tax consequences.

In particular, if the Issuer owns equity interests in PFICs ("**Lower-Tier PFICs**"), a U.S. Holder of Subordinated Securities would be treated as owning directly the U.S. Holder's proportionate amount (by value) of the Issuer's equity interests in the Lower-Tier PFICs. A U.S. Holder's QEF election with respect to the Issuer would not be effective with respect to such Lower-Tier PFICs. However, a U.S. Holder would be able to make QEF elections with respect to such Lower-Tier PFICs if the Lower-Tier PFICs provide certain

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information and documentation to the Issuer in accordance with applicable Treasury Regulations. However, there can be no assurance that the Issuer would be able to obtain such information and documentation from any Lower-Tier PFIC, and thus there can be no assurance that a U.S. Holder would be able to make or maintain a QEF election with respect to any Lower-Tier PFIC. If a U.S. Holder does not have a QEF election in effect with respect to a Lower-Tier PFIC, as a general matter, the U.S. Holder would be subject to the adverse consequences described above under "—Investment in a Passive Foreign Investment Company" with respect to any excess distributions made by such Lower-Tier PFIC to the Issuer, any gain on the disposition by the Issuer of its equity interest in such Lower-Tier PFIC treated as indirectly realized by such U.S. Holder, and any gain treated as indirectly realized by such U.S. Holder on the disposition of its equity in the Issuer (which may arise even if the U.S. Holder realizes a loss on such disposition). Such amount would not be reduced by expenses or losses of the Issuer, but any income recognized may increase a U.S. Holder's tax basis in its Subordinated Securities. Moreover, if the U.S. Holder has a QEF election in effect with respect to a Lower-Tier PFIC, the U.S. Holder would be required to include in income the U.S. Holder's *pro rata* share of the Lower-Tier PFIC's ordinary earnings and net capital gain as if the U.S. Holder's indirect equity interest in the Lower-Tier PFIC were directly owned, and it appears that the U.S. Holder would not be permitted to use any losses or other expenses of the Issuer to offset such ordinary earnings and/or net capital gains, but recognition of such income may increase a U.S. Holder's tax basis in its Subordinated Securities.

Accordingly, if any of the Collateral Obligations or Equity Securities are treated as equity interests in a PFIC, such U.S. Holders could experience significant amounts of phantom income with respect to such interests. Other adverse tax consequences may arise for such U.S. Holders that are treated as owning indirect interests in CFCs. U.S. Holders should consult their own tax advisors regarding the tax issues associated with such investments in light of their own individual circumstances.

Distributions on Subordinated Securities. The treatment of actual distributions of cash on the Subordinated Securities, in very general terms, will vary depending on whether a U.S. Holder has made a timely QEF election as described above. See "—Investment in a Passive Foreign Investment Company". If a timely QEF election has been made, distributions should be allocated first to amounts previously taxed pursuant to the QEF election (or pursuant to the CFC rules, if applicable) and to this extent will not be taxable to U.S. Holders. Distributions in excess of amounts previously taxed pursuant to a QEF election (or pursuant to the CFC rules, if applicable) will be treated as dividends (but not eligible for the reduced tax rate applicable to "qualified dividend income") and taxable to U.S. Holders as ordinary income upon receipt to the extent of any remaining amounts of untaxed current and accumulated earnings and profits of the Issuer. Distributions in excess of any current and accumulated earnings and profits will be treated first as a nontaxable reduction to the U.S. Holder's tax basis for the Subordinated Securities to the extent thereof and then as capital gain.

In the event that a U.S. Holder does not make a timely QEF election, then except to the extent that distributions may be attributable to amounts previously taxed pursuant to the CFC rules, some or all of any distributions with respect to the Subordinated Securities may constitute "excess distributions", taxable as previously described. See "—Investment in a Passive Foreign Investment Company". In that event, except to the extent that distributions may be attributable to amounts previously taxed to the U.S. Holder pursuant to the CFC rules or are treated as "excess distributions", distributions on the Subordinated Securities generally would be treated as dividends to the extent paid out of the Issuer's current or accumulated earnings and profits not allocated to any "excess distributions", then as a nontaxable reduction to the U.S. Holder's tax basis for the Subordinated Securities to the extent thereof and then as capital gain. Dividends on the Subordinated Securities would not be "qualified dividend income" and therefore would be taxable to individuals, trusts and estates as ordinary income rather than at the 15% net capital gain rate. Dividends received from a foreign corporation generally will be treated as income from sources outside the United States for U.S. foreign tax credit limitation purposes. However, if U.S. Holders collectively own (directly or constructively) 50% or more (measured by vote or value) of the Subordinated Securities, a percentage of the dividend income equal to the proportion of the Issuer's earnings and profits from sources within the United States generally will be treated as income from sources within the United States for such purposes.

Disposition of the Subordinated Securities. In general, a U.S. Holder of a Subordinated Security will recognize gain or loss upon the sale, exchange, redemption, retirement or other taxable disposition of a

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Subordinated Security equal to the difference between the amount realized and such U.S. Holder's adjusted tax basis in the Subordinated Security. Except as discussed below, such gain or loss will be long-term capital gain or loss if the U.S. Holder held the Subordinated Security for more than one year at the time of the disposition. In certain circumstances, U.S. Holders who 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. Gain recognized by a U.S. Holder on the sale, exchange, redemption, retirement or other taxable disposition of a Subordinated Security (other than, in the case of a U.S. Holder treated as a "U.S. Shareholder", any such gain characterized as a dividend, as discussed below) generally will be treated as from sources within the United States and loss so recognized generally will offset income from sources within the United States.

Initially, a U.S. Holder's tax basis for a Subordinated Security will equal the amount paid for the Subordinated Security. Such basis will be increased by amounts taxable to such U.S. Holder by virtue of a QEF election, or by virtue of the CFC rules, as applicable, and decreased by actual distributions from the Issuer that are deemed to consist of such previously taxed amounts or are treated as a nontaxable reduction to the U.S. Holder's tax basis for the Subordinated Security (as described above).

If a U.S. Holder does not make a timely QEF election as described above, any gain realized on the sale, exchange, redemption, retirement or other taxable disposition of a Subordinated Security (or any gain deemed to accrue prior to the time a non-timely QEF election is made) will be taxed as ordinary income and subject to an additional tax reflecting a deemed interest charge under the special tax rules described above. See "—Investment in a Passive Foreign Investment Company".

Except for a limited exception applicable to individuals, 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 U.S. Holder upon the disposition of Subordinated Securities, other than gain constituting an excess distribution under the PFIC rules, if applicable, would be treated as a dividend to the extent of the U.S. Holder's share of the current or accumulated earnings and profits of the Issuer. In this regard, earnings and profits would not include any amounts previously taxed pursuant to a timely QEF election or pursuant to the CFC rules.

Certain Reporting Requirements

A U.S. Holder of Subordinated Securities that owns (actually or constructively) at least 10% by vote or value of the Issuer (and each officer or director of the Issuer that is a U.S. citizen or resident) may be required to file an information return on IRS Form 5471. A U.S. Holder of Subordinated Securities generally is required to provide additional information regarding the Issuer annually on IRS Form 5471 if it owns (actually or constructively) more than 50% by vote or value of the Issuer. U.S. Holders should consult their own tax advisors regarding whether they are required to file IRS Form 5471.

A U.S. person (including a tax exempt entity) that purchases the Subordinated Securities for cash will be required to file an IRS Form 926 or similar form with the IRS if (a) such person owned, directly or by attribution, immediately after the transfer at least 10% by vote or value of the Issuer or (b) if the transfer, when aggregated with all transfers made by such person (or any related person) within the preceding 12 month period, exceeds $100,000. In the event a U.S. Holder fails to file any such required form, the U.S. Holder could be required to pay a penalty equel to 10% of the gross amount paid for such Subordinated Securities (subject to a maximum penalty of $100,000, except in cases involving intentional disregard). U.S. persons should consult their tax advisors with respect to this or any other reporting requirement which may apply with respect to their acquisition of the Subordinated Securities.

Tax Treatment of Tax-Exempt U.S. Holders of Securities

U.S. Holders which are tax-exempt entities (**"Tax-Exempt U.S. Holders"**) will not be subject to the tax on unrelated business taxable income (**"UBTI"**) with respect to interest and capital gains income derived from an investment in the Co-Issued Notes or the Class E Notes (assuming that the Class E Notes are treated as debt of the Issuer). However, a Tax-Exempt U.S. Holder that also acquires the Subordinated Securities (or, if recharacterized as equity in the Issuer, the Class E Notes) should consider whether interest

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it receives with respect to the Securities may be treated as UBTI under rules governing certain payments received from controlled entities.

A Tax-Exempt U.S. Holder generally will not be subject to the tax on UBTI with respect to regular distributions or "excess distributions" (defined above under "—Tax Treatment of U.S. Holders of Subordinated Securities—Investment in a Passive Foreign Investment Company") on the Subordinated Securities. A Tax-Exempt U.S. Holder which is not subject to tax on UBTI with respect to "excess distributions" may not make a QEF election. In addition, a Tax-Exempt U.S. Holder which is subject to the rules relating to "controlled foreign corporations" with respect to the Subordinated Securities (or, if recharacterized as equity in the Issuer, the Class E Notes) generally should not be subject to the tax on UBTI with respect to income from such Subordinated Securities (or the Class E Notes).

Notwithstanding the discussion in the preceding two paragraphs, a Tax-Exempt U.S. Holder which incurs "acquisition indebtedness" (as defined in Section 514(c) of the Code) with respect to the Securities may be subject to the tax on UBTI with respect to income from the Securities to the extent that the Securities constitute "debt-financed property" (as defined in Section 514(b) of the Code) of the Tax-Exempt U.S. Holder. A Tax-Exempt U.S. Holder subject to the tax on UBTI with respect to income from the Subordinated Securities (or, if recharacterized as equity in the Issuer, the Class E Notes) will be taxed on "excess distributions" in the manner discussed above under "—Tax Treatment of U.S. Holders of Subordinated Securities—Investment in a Passive Foreign Investment Company". Such a Tax-Exempt U.S. Holder will be permitted, and should consider whether, to make a QEF election with respect to the Issuer as discussed above.

Tax-Exempt U.S. Holders should consult their own tax advisors regarding an investment in the Securities.

Tax Return Disclosure and Investor List Requirements

Any person that files a U.S. federal income tax return or U.S. federal information return and participates in a "reportable transaction" in a taxable year is required to disclose certain information on IRS Form 8886 (or its successor form) attached to such person's U.S. tax return for such taxable year (and also file a copy of such form with the IRS's Office of Tax Shelter Analysis) and to retain certain documents related to the transaction. In addition, under these regulations, under certain circumstances, certain organizers and sellers and other advisors with respect to a "reportable transaction" will be required to file reports with the IRS and maintain lists of participants in the transaction containing identifying information, retain certain documents related to the transaction, and furnish those lists and documents to the IRS upon request. There are significant penalties for failure to comply with these disclosure and list keeping requirements. The definition of "reportable transaction" is highly technical. However, in very general terms, a transaction may be a "reportable transaction" if, among other things, it is offered under conditions of confidentiality or it results in the claiming of a loss or losses for U.S. federal income tax purposes in excess of certain threshold amounts.

In this regard, in order to prevent the investors' purchase of Securities in this offering from being treated as offered under conditions of confidentiality, the Collateral Manager, the Issuer and the holders and beneficial owners of the Securities (and each of their respective employees, representatives or other agents) may disclose to any and all persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of the transactions described herein and all materials of any kind (including opinions or other tax analyses) that are provided to them relating to such U.S. tax treatment and U.S. tax structure. For this purpose, the U.S. tax treatment of a transaction is the purported or claimed U.S. tax treatment of the transaction under applicable U.S. federal, state or local tax law, and the U.S. tax structure of a transaction is any fact that may be relevant to understanding the purported or claimed U.S. tax treatment of the transaction under applicable U.S. federal, state or local tax law.

If the Issuer participates in a "reportable transaction", a U.S. Holder of Subordinated Securities that is a "reporting shareholder" of the Issuer will be treated as participating in the transaction and will be subject to the rules described above. Although most of the Issuer's activities generally are not expected to give rise to "reportable transactions", the Issuer nevertheless may participate in certain types of transactions that

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could be treated as "reportable transactions". A U.S. Holder of Subordinated Securities will be treated as a "reporting shareholder" of the Issuer if (i) such U.S. Holder owns 10% or more of the Subordinated Securities and makes a QEF election with respect to the Issuer or (ii) the Issuer is treated as a CFC and such U.S. Holder is a "U.S. Shareholder" (as defined above) of the Issuer. The Issuer will make reasonable efforts to make such information available.

Prospective investors in the Securities should consult their own tax advisors concerning any possible disclosure obligations under these Treasury Regulations with respect to their ownership or disposition of the Securities in light of their particular circumstances.

Tax Treatment of Non-U.S. Holders of Securities

In general, payments on the Securities to a Holder that is not, for U.S. federal income tax purposes, a U.S. Holder (a "**Non-U.S. Holder**") and gain realized on the sale, exchange, redemption, retirement or other disposition of the Securities by a Non-U.S. Holder, will not be subject to U.S. federal income or withholding tax, unless (a) such income is effectively connected with a trade or business conducted by such Non-U.S. Holder in the United States, or (b) in the case of gain, such Non-U.S. Holder is a nonresident alien individual who holds the Securities as a capital asset and is present in the United States for more than 182 days in the taxable year of the sale, exchange, redemption, retirement or other disposition of the Securities and certain other conditions are satisfied.

Information Reporting and Backup Withholding

Under certain circumstances, the Code requires "information reporting", and may require "backup withholding", with respect to certain payments made on the Securities and the payment of the proceeds from the disposition of the Securities. Backup withholding generally will not apply to corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts. Backup withholding will apply to a U.S. Holder if the U.S. Holder fails to provide certain identifying information (such as the U.S. Holder's taxpayer identification number) or otherwise comply with the applicable requirements of the backup withholding rules. The application for exemption from backup withholding for a U.S. Holder is available by providing a properly completed IRS Form W-9.

A Non-U.S. Holder of the Securities generally will not be subject to these information reporting requirements or backup withholding with respect to payments of interest or distributions on the Securities if (a) it certifies to the Trustee its status as a Non-U.S. Holder under penalties of perjury on the appropriate IRS Form W-8, and (b) in the case of a Non-U.S. Holder that is a "nonwithholding foreign partnership", "foreign simple trust" or "foreign grantor trust" as defined in the applicable U.S. Treasury Regulations under the Code, the beneficial owners of such Non-U.S. Holder also certify their status as Non-U.S. Holders under penalties of perjury on the appropriate IRS Form W-8.

The payments of the proceeds from the disposition of a Security by a Non-U.S. Holder to or through the U.S. office of a broker generally will not be subject to information reporting and backup withholding if the Non-U.S. Holder certifies its status as a Non-U.S. Holder (and, if applicable, its beneficial owners also certify their status as Non-U.S. Holders) under penalties of perjury on the appropriate IRS Form W-8, satisfies certain documentary evidence requirements for establishing that it is a Non-U.S. Holder, or otherwise establishes an exemption. The payment of the proceeds from the disposition of a Security by a Non-U.S. Holder to or through a non-U.S. office of a non-U.S. broker will not be subject to backup withholding or information reporting unless the non-U.S. broker has certain specific types of relationships to the United States, in which case the treatment of such payment for such purposes will be as described in the following sentence. The payment of proceeds from the disposition of a Security by a Non-U.S. Holder to or through a non-U.S. office of a U.S. broker or to or through a non-U.S. broker with certain specific types of relationships to the United States generally will not be subject to backup withholding but will be subject to information reporting unless the Non-U.S. Holder certifies its status as a Non-U.S. Holder (and, if applicable, its beneficial owners also certify their status as Non-U.S. Holders) under penalties of perjury or the broker has certain documentary evidence in its files as to the Non-U.S. Holder's foreign status and the broker has no actual knowledge to the contrary.

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Backup withholding is not an additional tax and may be credited against the U.S. Holder's or Non-U.S. Holder's U.S. federal income tax liability, and then refunded to the extent of any excess thereon; provided that certain required information is furnished to the IRS. The information reporting requirements may apply regardless of whether withholding is required.

Cayman Islands Tax Considerations

The following discussion of certain Cayman Islands income tax consequences of an investment in the Securities is based on the advice of Maples and Calder as to Cayman Islands law. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It assumes that the Issuer will conduct its affairs in accordance with assumptions made by, and representations made to, counsel. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

The following is a general summary of Cayman Islands taxation in relation to the Securities.

Under existing Cayman Islands laws:

(i) payments of principal and interest in respect of, or distributions on, the Securities will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any Holder of a Secured Note and gains derived from the sale of Securities will not be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax; and

(ii) certificates evidencing the Securities, in registered form, to which title is not transferable by delivery, will not attract Cayman Islands stamp duty. However, an instrument transferring title to a Security, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has applied for and expects to obtain an undertaking from the Governor in Cabinet of the Cayman Islands substantially in the following form:

"THE TAX CONCESSIONS LAW
(1999 REVISION)
UNDERTAKING AS TO TAX CONCESSIONS

In accordance with Section 6 of the Tax Concessions Law (1999 Revision), the Governor in Cabinet undertakes with:

Greywolf CLO I, Ltd. ("the Company")

(a) 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 Company or its operations; and

(b) 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

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) 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).

These concessions shall be for a period of TWENTY years from the 29th day of August 2006.

GOVERNOR IN CABINET"

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The Cayman Islands does not have an income tax treaty arrangement with the United States or any other country. The Cayman Islands has entered into an information exchange agreement with the United States.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN TAX IMPLICATIONS OF AN INVESTMENT IN THE SECURITIES. PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS PRIOR TO INVESTING TO DETERMINE THE TAX IMPLICATIONS OF SUCH INVESTMENT IN LIGHT OF EACH SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

ERISA CONSIDERATIONS

The advice below was not written and is not intended to be used and cannot be used by any taxpayer for purposes of avoiding United States federal income tax penalties that may be imposed. The advice is written to support the promotion or marketing of the transaction. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The foregoing disclaimer is provided to satisfy obligations under Circular 230 governing standards of practice before the Internal Revenue Service.

The United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of, and that are subject to Title I of ERISA), including entities such as collective investment funds and insurance company 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 the Securities.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "**parties in interest**" or "**disqualified persons**") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code.

Governmental plans, certain church plans and non-U.S. plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state, local or other federal and non-U.S. laws that are substantially similar to the foregoing provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Securities.

The U.S. Department of Labor has promulgated regulations, 29 C.F.R. Section 2510.3-101 (the "**Plan Asset Regulations**"), 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 and Section 4975 of the Code, including the fiduciary responsibility provisions of Title I of ERISA and Section 4975 of the Code. Under the Plan Asset Regulations, 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

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assets, unless it is established that the entity is an "operating company" or, as further discussed below, that equity participation in the entity by "benefit plan investors" is not "significant".

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if Securities are acquired with the assets of a Plan with respect to which the Issuer, the Co-Issuer, the Initial Purchaser, the Trustee, the Collateral Manager, any seller of Collateral Obligations to the Issuer and the Co-Issuer or any of their respective Affiliates, is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire a Security and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Class Exemption ("**PTCE**") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 95-60 (relating to investments by insurance company general accounts), and PTCE 96-23 (relating to transactions effected by in-house asset managers) ("**Investor-Based Exemptions**"). There is also a statutory exemption that may be available under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code to a party in interest that is a service provider to a Plan investing in the Securities for adequate consideration, provided such service provider is not (i) the fiduciary with respect to the Plan's assets used to acquire the Securities or an affiliate of such fiduciary or (ii) an affiliate of the employer sponsoring the Plan (the "**Service Provider Exemption**"). Adequate consideration means fair market as determined in good faith by the Plan fiduciary pursuant to regulations to be promulgated by the U.S. Department of Labor. There can be no assurance that any of these Investor-Based Exemptions or the Service Provider Exemption or any other administrative or statutory exemption will be available with respect to any particular transaction involving the ERISA Offered Securities.

Any insurance company proposing to invest assets of its general account in Securities should consider the extent to which such investment would be subject to the requirements of Title I of ERISA and Section 4975 of the Code in light of the U.S. Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993), and the enactment of Section 401(c) of ERISA on August 20, 1996. In particular, such an insurance company should consider (i) the exemptive relief granted by the U.S. Department of Labor for transactions involving insurance company general accounts in PTCE 95-60 and (ii) if such exemptive relief is not available, whether its purchase of Securities will be permissible under the final regulations issued under Section 401(c) of ERISA. The final regulations provide guidance on which assets held by an insurance company constitute "plan assets" for purposes of the fiduciary responsibility provisions of ERISA and Section 4975 of the Code. The regulations do not exempt the assets of insurance company general accounts from treatment as "plan assets" to the extent they support certain participating annuities issued to Plans after December 31, 1998.

The Co-Issued Notes

The Plan Asset Regulations define an "equity interest" as any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. As noted above in Income Tax Considerations, it is the opinion of tax counsel to the Issuer and the Co-Issuer that the Co-Issued Notes will be treated as debt for U.S. income tax purposes. Although there is little guidance on the subject, at the time of their issuance, the Co-Issued Notes should be treated as indebtedness without substantial equity features for purposes of the Plan Asset Regulations. This determination is based in part upon (i) tax counsel's opinion that the Co-Issued Notes will be classified as debt for U.S. federal income tax purposes when issued and (ii) the traditional debt features of the Co-Issued Notes, including the reasonable expectation of purchasers of the Co-Issued Notes that they will be repaid when due, as well as the absence of conversion rights, warrants and other typical equity features. Based upon and subject to the foregoing and other considerations, and subject to the considerations described below, the Co-Issued Notes may be purchased by a Plan. Nevertheless, without regard to whether the Co-Issued Notes are considered equity interests, prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if the Co-Issued Notes are acquired with the assets of an ERISA Plan with respect to which the Issuer, the Co-Issuer, the Initial Purchaser or the Trustee or, in certain circumstances, any of their respective Affiliates, is a party in interest or a disqualified person. The Investor-

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Based Exemptions or the Service Provider Exemption may be available to cover such prohibited transactions.

By its purchase of any Co-Issued Notes, each purchaser and subsequent transferee thereof will be deemed to have represented and warranted, at the time of its acquisition and throughout the period it holds such Co-Issued Note, either that (a) it is neither a Plan nor any entity whose underlying assets include "plan assets" (within the meaning of the Plan Asset Regulations) by reason of such Plan's investment in the entity, nor a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (b) its purchase, holding and disposition of a Co-Issued Note will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church, non-U.S. or other plan, a non-exempt violation of any substantially similar law).

The Subordinated Securities and the Class E Notes

Equity participation in an issuer of Securities by "benefit plan investors" is "significant" and will cause the assets of the Issuer to be deemed the assets of an investing Plan (in the absence of another applicable Plan Asset Regulations exception) if 25% or more of the value of any class of equity interest in the Issuer is held by "benefit plan investors". Recently, the Pension Protection Act of 2006 effectively amended, by statute, the definition of "benefit plan investors" in the Plan Asset Regulations. Employee benefit plans that are not subject to Title I of ERISA and plans that are not subject to Section 4975 of the Code, such as U.S. governmental and most U.S. church plans or non-U.S. plans, are no longer considered "benefit plan investors". Accordingly, only employee benefit plans subject to Title I of ERISA or Section 4975 of the Code or an entity whose underlying assets include plan assets by reason of such plan's investment in the entity are considered in determining whether investment by "benefit plan investors" represents 25% or more of any class of equity of the Issuer. Hence, the term "benefit plan investor" includes (a) an employee benefit plan (as defined in Section 3(3) of ERISA) that is subject to the provisions of Title I of ERISA, (b) a plan as defined in Section 4975(e)(1) of the Code that is subject to Section 4975 of the Code, (c) any entity whose underlying assets include "plan assets" by reason of any such employee benefit plan's or plan's investment in the entity or (d) as such term is otherwise defined in any regulations promulgated by the U.S. Department of Labor under Section 3(42) of ERISA (collectively, "**Benefit Plan Investors**"). For purposes of making the 25% determination, the value of any equity interests held by a person (other than a Benefit Plan Investor) who has discretionary authority or control with respect to the assets of the Issuer or any person who provides investment advice for a fee (direct or indirect) with respect to such assets, or any affiliate of such person (each, a "**Controlling Person**"), is disregarded. Under the Plan Asset Regulations, an "affiliate" of a person includes any person, directly or indirectly through one or more intermediaries, controlling, controlled by or under common control with the person, and "control" with respect to a person other than an individual, means the power to exercise a controlling influence over the management or policies of such person. The Subordinated Securities and the Class E Notes are considered equity investments for the purposes of applying Title I of ERISA and Section 4975 of the Code. Accordingly, purchases of (i) Subordinated Securities by Benefit Plan Investors from the Initial Purchaser or the Issuer and any subsequent purchaser will be limited to less than 25% of the value of each of all Outstanding Subordinated Securities by requiring each such purchaser to make certain representations and/or to agree to certain transfer restrictions regarding their status as Benefit Plan Investors or Controlling Persons and (ii) the Class E Notes by Benefit Plan Investors will not be permitted. Subordinated Securities either (i) held as principal by the Collateral Manager, the Trustee, any of their respective affiliates, employees of the Collateral Manager, the Trustee or any of their affiliates and any charitable foundation of any such employees (other than any of such interests held as a Benefit Plan Investor) or (ii) held by persons that have represented that they are Controlling Persons (to the extent that such a Controlling Person is not a Benefit Plan Investor), will be disregarded and will not be treated as Outstanding for purposes of determining compliance with such 25% limitation.

With respect to the U.S. Subordinated Securities or any beneficial interest therein, a purchaser will be required to represent and warrant, at the time of its acquisition and throughout the period it holds such Subordinated Security, (1) whether or not the purchaser is a Benefit Plan Investor, (2) whether or not the purchaser is a Controlling Person and (3) (a) if it is a Benefit Plan Investor, its purchase, holding and disposition of Subordinated Securities will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or (b) if it is a governmental, church, non-U.S. or

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other plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, its purchase, holding and disposition of Subordinated Securities will not constitute or result in non-exempt violation under any such substantially similar law.

With respect to the purchase of a beneficial interest in the Regulation S Global Subordinated Securities from the Initial Purchaser or the Issuer, as the case may be, a purchaser will be required to represent and warrant , at the time of its acquisition and throughout the period it holds such Subordinated Security, (1) whether or not the purchaser is a Benefit Plan Investor, (2) whether or not the purchaser is a Controlling Person and (3) (a) if it is a Benefit Plan Investor, its purchase, holding and disposition of Subordinated Securities will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or (b) if it is a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, its purchase, holding and disposition of Subordinated Securities will not constitute or result in non-exempt violation under any such substantially similar law. Each purchaser and subsequent transferee of a beneficial interest in a Regulation S Global Subordinated Security purchased from persons other than the Initial Purchaser or the Issuer, as the case may be, will be deemed to represent that the purchaser or transferee, as the case may be, from the date on which it acquires its interest in such Subordinated Securities through and including the date on which such purchaser or transferee disposes of its interest in such Subordinated Securities, (a) is not a Benefit Plan Investor or a Controlling Person and (b) if it is a governmental, church, non-U.S. or other plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, its purchase, holding and disposition of Subordinated Securities will not constitute or result in a non-exempt violation under any such substantially similar law

By its purchase of any Class E Notes, each purchaser and subsequent transferee thereof will be deemed to have represented and warranted that it, from the date on when it acquires its interest in such Class E Notes through and including the date on which such purchaser or transferee disposes of its interest in such Class E Notes, (a) is not a Benefit Plan Investor and (b) if it is a governmental, church, non-U.S. or other plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, its purchase, holding and disposition of Class E Notes will not constitute or result in a non-exempt violation under any such substantially similar law

There can be no assurance that, despite the transfer restrictions relating to purchases by Benefit Plan Investors and Controlling Persons and the procedures to be employed by the Issuer to attempt to limit ownership by Benefit Plan Investors of the Class E Notes and the Subordinated Securities to less than 25%, Benefit Plan Investors will not in actuality own 25% or more of the outstanding Class E Notes or Subordinated Securities.

If for any reason the assets of the Issuer are deemed to be "plan assets" of a Plan subject to ERISA or Section 4975 of the Code because one or more Plans is an owner of Class E Notes or Subordinated Securities (or of a Co-Issued Note characterized as an "equity interest" in the Issuer), certain transactions that the Collateral Manager might enter into, or may have entered into, on behalf of the Issuer in the ordinary course of its business might constitute non-exempt "prohibited transactions" under Section 406 of ERISA or Section 4975 of the Code and might have to be rescinded at significant cost to the Issuer. The Collateral Manager could be deemed to be an ERISA fiduciary and may be prevented from engaging in certain investments (as not being deemed consistent with the ERISA prudent investment standards) or engaging in certain transactions or fee arrangements because they might be deemed to cause non-exempt prohibited transactions. It also is not clear that Section 403(a) of ERISA, which limits delegation of investment management responsibilities by fiduciaries of ERISA Plans, would be satisfied.

Any Plan fiduciary or other person who proposes to use assets of any Plan to purchase 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 to such an investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

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The sale of any Security to a Plan, or to a person using assets of any Plan to effect its purchase, is in no respect a representation by the Issuer, the Initial Purchaser or the Collateral Manager that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

CERTAIN LEGAL INVESTMENT CONSIDERATIONS

None of the Issuer, the Co-Issuer, the Collateral Manager and the Initial Purchaser make any representation as to the proper characterization of the Securities for legal investment or other purposes, as to the ability of particular investors to purchase Securities for legal investment or other purposes or as to the ability of particular investors to purchase Securities under applicable investment restrictions. Without limiting the generality of the foregoing, none of the Issuer, the Co-Issuer, the Collateral Manager and the Initial Purchaser make any representation as to the characterization of the Securities as a U.S. domestic or foreign (non-U.S.) investment under any state insurance code or related regulations, and they are not aware of any published precedent that addresses such characterization. Notwithstanding the foregoing, the Issuers understand that certain state insurance regulators, in response to a request for guidance, may be considering the characterization (as U.S. domestic or foreign (non-U.S.)) of certain collateralized debt obligation securities co-issued by a non-U.S. issuer and a U.S. co-issuer. There can be no assurance as to the nature of any guidance or other action that may result from such consideration. The uncertainties described above (and any unfavorable future determinations concerning legal investment or financial institution regulatory characteristics of the Securities) may affect the liquidity of the Securities. Accordingly, all institutions the activities of which are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult their own legal advisors in determining whether and to what extent the Securities are subject to investment, capital or other restrictions.

SETTLEMENT AND CLEARING

Global Securities

Upon the issuance of the Global Securities, DTC or its custodian will credit, on its internal system, the respective aggregate original principal amount or number, as the case may be, of the individual beneficial interests represented by such Global Securities to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the Initial Purchaser. Ownership of beneficial interests in Global Securities will be limited to persons who have accounts with DTC ("**participants**") or persons who hold interests through participants. Ownership of beneficial interests in a Global Security will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

So long as DTC, or its nominee, is the registered owner or Holder of the Global Securities, DTC or such nominee, as the case may be, will be considered the sole owner or Holder of each Class of the Securities represented by such Global Securities for all purposes under the Indenture and such Securities. Unless DTC notifies the Issuers that it is unwilling or unable to continue as depositary for a global security or ceases to be a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act, owners of the beneficial interests in the Global Securities will not be entitled to have any portion of such Global Securities registered in their names, will not receive or be entitled to receive physical delivery of Securities in certificated form and will not be considered to be the owners or Holders of any Securities under the Indenture. The owner of a beneficial interest in a Global Security will also be entitled to receive a certificated Security in exchange for such interest if an Event of Default has occurred and is continuing. In addition, no beneficial owner of an interest in the Global Securities will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the Indenture referred to herein and, if applicable, those of Euroclear and Clearstream).

Investors may hold their interests in Regulation S Global Securities directly through Clearstream or Euroclear, if they are participants in these systems, or indirectly through organizations that are participants in these systems. Clearstream and Euroclear will hold interests in the Regulation S Global Securities on behalf of their participants through their respective depositaries, which in turn will hold the interests in the

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Regulation S Global Securities in customers' securities accounts in the depositaries' names on the books of DTC. Investors may hold their interests in a Rule 144A Global Secured Note directly through DTC if they are participants in the system, or indirectly through organizations that are participants in the system.

Payments of the principal of and interest or distributions on Global Securities will be made to DTC or its nominee, as the registered owner thereof. None of the Issuers, the Trustee nor any paying agent will have any responsibility or liability for any aspect of the records relating to or payments or distributions made on account of beneficial ownership interests in the Global Securities or for any notice permitted or required to be given to Holders of Securities or any consent given or actions taken by DTC as Holder of Securities. The Issuers expect that DTC or its nominee, upon receipt of any payment of principal, interest or distributions, as the case may be, in respect of a Global Security representing any Securities held by it or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective interests in the principal amount of such Security in global form as shown on the records of DTC or its nominee. The Issuers also expect that payments by participants to owners of interests in such Global Security held through such 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. Such payments will be the responsibility of such participants. Payments of the principal of and interest or distributions on the Regulation S Global Securities will be made to Clearstream or Euroclear, as applicable, as indirect participants in DTC, in accordance with their respective rules and operating procedures.

Transfers between participants will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in Global Securities to these 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 having a beneficial interest in Global Securities to pledge its interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of its interest, may be affected by the lack of a physical certificate of the interest. Transfers between account holders 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, cross-market transfers between DTC participants, on the one hand, and, directly or indirectly through Euroclear or Clearstream account holders, on the other, will be effected in DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, these cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in the system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in a Regulation S Global Security in DTC, and making or receiving payment in accordance with normal procedures for a same-day funds settlement applicable to DTC.. Clearstream and Euroclear account holders may not deliver instructions directly to the depositaries for Clearstream or Euroclear.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Security from a DTC participant will be credited during the securities settlement processing day (which must be a Business Day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date and the credit of any transactions in interests in a Global Security 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 Security 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 in DTC.

DTC has advised the Issuers that it will take any action permitted to be taken by a Holder of the Securities (including the presentation of the applicable Securities for exchange as described below) only at the direction of one or more participants to whose account with DTC interests in a Global Security are

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credited and only in respect of that portion of the aggregate principal amount or aggregate notional amount, as applicable, of the Securities as to which the participant or participants has or have given direction.

The giving of notices and other communications by DTC to participants, by participants to persons who hold accounts with them and by such persons to Holders of beneficial interests in a Global Security will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised the Issuers as follows: DTC is a limited purpose trust company principally located under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the 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 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 ("**indirect participants**").

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in Global Securities among participants of DTC, Clearstream and Euroclear, they ere under no obligation to perform or continue to perform these procedures, and the procedures may be discontinued at any time. Neither the Issuers nor the Trustee 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.

Individual Definitive Securities

If (i) DTC or any successor to DTC advises the Issuer in writing that it is at any time unwilling or unable to continue as a depositary for the reasons described in "—Global Securities" and a successor depositary is not appointed by the Issuer within 90 days, (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 become effective on or after the Closing Date, the Issuer or the paying agent is, or will be, required to make any deduction or withholding from any payment in respect of the Securities which would not be required if the Securities were in definitive form or (iii) upon the written request of any beneficial owner of an interest in a Global Security following the occurrence of an Event of Default, the Issuer will issue individual definitive Securities in registered form in exchange for the Global Securities. Upon receipt of such notice from DTC, the Issuer will use its best efforts to make arrangements with DTC for the exchange of interests in the Global Securities for individual definitive Securities and cause the requested individual definitive Securities to be executed and delivered to the Registrar in sufficient quantities and authenticated by or on behalf of the Trustee for delivery to Holders of the Global Securities. Persons exchanging interests in a Global Security for individual definitive Securities will be required to provide to the Trustee, through DTC, Clearstream or Euroclear, (i) written instructions and other information required by the Issuer and the Trustee to complete, execute and deliver such individual definitive Securities, (ii) in the case of an exchange of an interest in a Rule 144A Global Secured Note, such certification as to "Qualified Institutional Buyer" status, and that such Holder is a Qualified Purchaser, as the Issuer shall require and (iii) in the case of an exchange of an interest in a Regulation S Global Security, such certification as the Issuer shall require as to non-U.S. Person status. In all cases, individual definitive Securities delivered in exchange for any Security in global form or beneficial interests therein will be registered in the names, and issued in denominations in compliance with the minimum denominations specified for the applicable Securities in global form, requested by DTC.

Individual definitive Securities will bear, and be subject to, such legend as the Issuer requires in order to assure compliance with any applicable law. Individual definitive Securities will be transferable subject to the minimum denomination applicable to such Securities, in whole or in part, and exchangeable for individual definitive Securities of the same kind, at the office of the Trustee or the office of any transfer agent, including the transfer agent in Ireland, upon compliance with the requirements set forth in the Indenture.

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Individual definitive Securities may be transferred through any transfer agent, including the transfer agent in Ireland, upon the delivery and duly completed assignment of such Securities. Upon a partial transfer of any Securities represented by the applicable definitive notes, the Trustee will issue in exchange therefor to the transferee one or more individual definitive Securities representing the amount being so transferred and will issue to the transferor one or more individual definitive Securities representing the remaining amount not being transferred. No service charge will be imposed for any registration of transfer or exchange, but payment of a sum sufficient to cover any tax or other governmental charge may be required. The Holder of a restricted individual definitive Security may transfer such Security subject to compliance with the provisions of the legend thereon. Upon the transfer, exchange or replacement of Securities bearing the legend, or upon specific request for removal of the legend on a Security, the Issuer will deliver only Securities that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act. Payments of principal and interest on individual definitive Secured Notes and Subordinated Securities shall be payable by wire transfer in immediately available funds to a Dollar account maintained by the Holder thereof or its nominee or, if appropriate instructions are not received at least fifteen days prior to the relevant Payment Date, by Dollar check drawn on a bank in the United States of America and sent by mail to the Registered holder thereof or, for so long as any of the Securities are listed on the Irish Stock Exchange and the rules of such Exchange shall so require, at the office of the paying agent in Ireland.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Securities. Any purchase or transfer of the Securities will be subject to the minimum denomination requirements set forth in "Summary—The Offering—Securities Issued" (except in the limited circumstances set forth in the Indenture).

Rule 144A Global Secured Notes

Each purchaser of a beneficial interest in a Rule 144A Global Secured Note will be deemed to have represented and agreed with the Issuer as follows:

(i) (A) The purchaser is a Qualified Institutional Buyer and a Qualified Purchaser, (B) the purchaser is purchasing the Secured Notes for its own account or the account of another Qualified Purchaser that is also a Qualified Institutional Buyer as to which the purchaser exercises sole investment discretion, (C) the purchaser and any such account is acquiring the Secured Notes as principal for its own account for investment and not for sale in connection with any distribution thereof, (D) the purchaser and any such account was not formed solely for the purpose of investing in the Secured Notes (except when each beneficial owner of the purchaser or any such account is a Qualified Purchaser), (E) to the extent the purchaser (or any account for which it is purchasing the Secured Notes) is a private investment company formed on or before April 30, 1998, the purchaser and each such account has received the necessary consent from its beneficial owners, (F) the purchaser is not a broker-dealer that owns and invests on a discretionary basis less than $25,000,000 in securities of unaffiliated issuers, (G) the purchaser is not a pension, profit-sharing or other retirement trust fund or plan in which the partners, beneficiaries or participants or affiliates may designate the particular investment to be made, (H) the purchaser agrees that it and each such account shall not hold such Secured Notes for the benefit of any other Person and shall be the sole beneficial owner thereof for all purposes and that it shall not sell participation interests in the Secured 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 Secured Notes (except when each beneficial owner of the purchaser or any such account is a Qualified Purchaser), (I) the Secured Notes purchased directly or indirectly by the purchaser or any account for which it is purchasing the Secured Notes constitute an investment of no more than 40% of the purchaser's and each such account's assets (except when each beneficial owner of the purchaser or any such account is a Qualified Purchaser), (J) the purchaser and each such account is purchasing the Secured Notes in a principal amount of not less than the minimum denomination requirement for the purchaser and each such account, (K) the purchaser will provide notice of the transfer restrictions set forth in the Indenture (including the exhibits thereto) to any transferee of its

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Secured Notes, (L) the purchaser understands and agrees that the Issuer may receive a list of participants in the Secured Notes from one or more book-entry depositories and (M) the purchaser understands and agrees that any purported transfer of the Secured Notes to a purchaser that does not comply with the requirements of this paragraph (i) shall be null and void *ab initio*.

(ii) If any U.S. Person that is not both a Qualified Institutional Buyer and a Qualified Purchaser at the time it acquires an interest in a Secured Note shall become the beneficial owner of any Secured Note, (any such Person, a **"Non-Permitted Holder"**), the Issuer shall, promptly after discovery that such Person is a Non-Permitted Holder by the Issuer, the Co-Issuer or the Trustee (and notice by the Trustee or the Co-Issuer to the Issuer, if either of them makes the discovery), send notice to such Non-Permitted Holder demanding that such Non-Permitted Holder transfer its interest to a Person that is not a Non-Permitted Holder within 30 days of the date of such notice. If such Non-Permitted Holder fails to transfer its Secured Notes, the Issuer shall have the right, without further notice to the Non-Permitted Holder, to sell such Secured Notes or interest in Secured Notes to a purchaser selected by the Issuer that is not a Non-Permitted Holder on such terms as the Issuer may choose. The Issuer, an investment bank selected by the Issuer, or the Trustee at the written direction of the Issuer (and approved by the Collateral Manager) may select the purchaser by soliciting one or more bids from one or more brokers or other market professionals that regularly deal in securities similar to the Secured Notes, and selling such Secured Notes to the highest such bidder. However, the Issuer or the Trustee, at the written direction of the Issuer, may select a purchaser by any other means determined by it in its sole discretion. The Holder of each Secured Note, the Non-Permitted Holder and each other Person in the chain of title from the Holder to the Non-Permitted Holder, by its acceptance of an interest in the Secured Notes, agrees to cooperate with the Issuer and the Trustee to effect such transfers. The proceeds of such sale, net of any commissions, expenses, including fees of attorneys and agents, and taxes due in connection with such sale shall be remitted to the Non-Permitted Holder. The terms and conditions of any sale under this paragraph shall be determined in the sole discretion of the Issuer, and neither the Issuer nor the Trustee shall be liable to any Person having an interest in the Secured Notes sold as a result of any such sale or the exercise of such discretion (including for the price of such sale).

(iii) The purchaser understands and agrees that the Secured Notes have not been and will not be registered or qualified under the Securities Act or any applicable state securities laws or the securities laws of any other jurisdiction and the sale of the Secured Notes to the purchaser is being made in reliance on an exemption from registration under the Securities Act, and may be reoffered, resold or pledged or otherwise transferred only (A)(i) to a Person whom the purchaser reasonably believes is a Qualified Institutional Buyer purchasing for its own account or for the account of a Qualified Institutional Buyer as to which the purchaser exercises sole investment discretion in a transaction meeting the requirements of Rule 144A or (ii) to a person that is not a U.S. Person in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S and (B) in accordance with all applicable securities laws of the states of the United States. The Issuer, the Co-Issuer and the Collateral have not been registered under the Investment Company Act and, therefore, no transfer having the effect of causing the Issuer, the Co-Issuer or the Collateral to be required to be registered as an investment company under the Investment Company Act will be recognized. The Secured Notes are subject to the restrictions on transfer set forth herein and in the Indenture and the Secured Notes. The purchaser understands and agrees that any purported transfer of the Secured Notes to a purchaser that does not comply with the requirements of this paragraph (iii) shall be null and void *ab initio*.

(iv) The purchaser is not purchasing the Secured Notes with a view toward the resale, distribution or other disposition thereof in violation of the Securities Act. The purchaser understands and agrees that an investment in the Secured Notes involves certain risks, including the risk of loss of its entire investment in the Secured Notes under certain circumstances. The purchaser has had access to such financial and other information concerning the Issuer, the Co-Issuer and the Secured Notes as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Secured Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Co-Issuer.

(v) In connection with the purchase of the Secured Notes: (A) none of the Issuers, the Initial Purchaser, the Trustee, the Collateral Manager, the Collateral Administrator, the Administrator or the

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Registrar (or any of their respective Affiliates) is acting as a fiduciary or financial or investment adviser for the purchaser; (B) the purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuers, the Initial Purchaser, the Trustee, the Collateral Manager, the Collateral Administrator, the Administrator or the Registrar (or any of their respective Affiliates) other than the Issuers and the Collateral Manager (with respect to the sections entitled "The Collateral Manager", and "Risk Factors—Conflicts of Interest Involving the Collateral Manager and Affiliates" in the final offering circular for such Secured Notes and any representations expressly set forth in a written agreement with such party; (C) none of the Issuers, the Initial Purchaser, the Trustee, the Collateral Manager, the Collateral Administrator, the Administrator or the Registrar (or any of their respective Affiliates) has given to the purchaser (directly or indirectly through any other Person) any assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment in the Secured Notes; (D) the purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture) 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 Issuers, the Initial Purchaser, the Collateral Manager, the Trustee, the Collateral Administrator, the Administrator or the Registrar (or any of their respective Affiliates); (E) the purchaser has evaluated the terms and conditions of the purchase and sale of the Secured Notes with a full understanding of all of the risks thereof (economic and otherwise), and it is capable of assuming, and willing to assume (financially and otherwise) those risks; (F) the purchaser is a sophisticated investor; and (G) if acquiring the Secured Notes for any account, the purchaser has not made any disclosure, assurance, guarantee or representation not consistent with the provisions and the requirements contained herein.

(vi) With respect to Rule 144A Global Secured Notes (other than Rule 144A Global Class E Notes), at the time of its acquisition and throughout the period it holds such Rule 144A Global Secured Note (other than a Rule 144A Global Class E Note), either (A) the purchaser is not a Plan or an entity whose underlying assets include "plan assets" (within the meaning of 29 C.F.R. § 2510.3-101) by reason of such Plan's investment in the entity or a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (B) if the purchaser is an entity described in (A), the purchase, holding and disposition of a Secured Note, as the case may be, will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church, non-U.S. or other plan, a non-exempt violation under any substantially similar federal, state, local or non-U.S. law). Any purported transfer of a Secured Note to a purchaser that does not comply with the applicable requirements of this subclause (vi) shall be null and void *ab initio*.

(vii) The Secured Notes will bear a legend substantially to the following effect:

THE SECURED NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUERS HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE SECURED NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUERS THAT THE SECURED NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT OR (2) TO A PERSON THAT IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND, IN THE CASE OF CLAUSE (1), THAT (U) IS A QUALIFIED PURCHASER WITHIN THE MEANING OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (V) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS

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A QUALIFIED PURCHASER), (W) UNDERSTANDS AND AGREES THAT THE ISSUERS MAY RECEIVE A LIST OF PARTICIPANTS IN THE SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES, (X) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS, (Y) IS NOT A PENSION, PROFIT-SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS OR AFFILIATES MAY DESIGNATE THE PARTICULAR INVESTMENT TO BE MADE AND (Z) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED ON OR BEFORE APRIL 30, 1996, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION OR EXCLUSION, (B) IN A PRINCIPAL AMOUNT OF NOT LESS THAN THE MINIMUM DENOMINATION SET FORTH IN THE INDENTURE AND (C) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES OR OTHER APPLICABLE JURISDICTION. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUERS, THE TRUSTEE OR ANY INTERMEDIARY. EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER MAINTAINS THE RIGHT TO RESELL SECURITIES PREVIOUSLY TRANSFERRED TO NON-PERMITTED HOLDERS (AS DEFINED IN THE INDENTURE) IN ACCORDANCE WITH AND SUBJECT TO THE TERMS OF THE INDENTURE.

ANY TRANSFER, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN, UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC"), NEW YORK, NEW YORK, TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.).

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE, AND TRANSFERS OF PORTIONS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO HEREIN.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE TRUSTEE.

THE FAILURE TO PROVIDE THE ISSUER, THE TRUSTEE AND ANY PAYING AGENT WITH THE APPLICABLE U.S. FEDERAL INCOME TAX CERTIFICATIONS (GENERALLY, AN INTERNAL REVENUE SERVICE FORM W-9 (OR SUCCESSOR APPLICABLE FORM) IN THE CASE OF A PERSON THAT IS A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(A)(30) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") OR AN APPLICABLE INTERNAL REVENUE SERVICE FORM W-8 (OR SUCCESSOR APPLICABLE FORM) IN THE CASE OF A PERSON THAT IS NOT A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(A)(30) OF THE CODE) MAY RESULT IN U.S. FEDERAL BACK-UP WITHHOLDING FROM PAYMENTS TO THE HOLDER IN RESPECT OF THIS NOTE.

(viii) The Co-Issued Notes will also bear the following legend:

EACH HOLDER OF THIS NOTE OR INTERESTS HEREIN WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE INDENTURE, INCLUDING THE REPRESENTATION AND AGREEMENT THAT IF IT IS AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) WHICH IS SUBJECT TO TITLE I OF ERISA OR A PLAN (AS DEFINED IN SECTION 4975(e)(1)

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OF THE CODE AND SUBJECT TO SECTION 4975 OF THE CODE) OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" (WITHIN THE MEANING OF 29 C.F.R. § 2510.3-101) BY REASON OF SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY OR A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, ITS PURCHASE, HOLDING AND DISPOSITION OF THE NOTE WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH, NON U.S. OR OTHER PLAN, A NON-EXEMPT VIOLATION OF ANY SUBSTANTIALLY SIMILAR FEDERAL, STATE, LOCAL OR FOREIGN LAW). ANY PURPORTED TRANSFER OF THIS NOTE TO A PURCHASER THAT DOES NOT COMPLY WITH THE ABOVE REQUIREMENTS SHALL BE NULL AND VOID *AB INITIO*.

(ix) The Class E Notes will also bear the following legend:

THIS NOTE MAY NOT BE TRANSFERRED TO (1) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA, (2) A "PLAN" AS DEFINED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (3) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY OR (4) A "BENEFIT PLAN INVESTOR" AS SUCH TERM IS OTHERWISE DEFINED IN ANY REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR UNDER SECTION 3(42) OF ERISA. IF A PURCHASER IS A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE, SUCH PURCHASER SHALL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT ITS PURCHASE, HOLDING AND DISPOSITION OF THIS NOTE WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT VIOLATION UNDER ANY SUCH SUBSTANTIALLY SIMILAR LAW. ANY PURPORTED TRANSFER OF THIS NOTE TO A PURCHASER THAT DOES NOT COMPLY WITH THE ABOVE REQUIREMENTS SHALL BE NULL AND VOID *AB INITIO*.

(x) The purchaser understands that Executive Orders issued by the President of the United States of America, Federal regulations administered by the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**") and other federal laws prohibit, among other things, U.S. persons or persons under the jurisdiction of the United States from engaging in certain transactions with certain foreign countries, territories, entities and individuals, and that the lists of prohibited countries, territories, entities and individuals can be found on, among other places, the OFAC website at www.treas.gov/ofac. Neither the purchaser nor any of its Affiliates, owners, directors or officers is, or is acting on behalf of, a country, territory, entity or individual named on such lists, nor is the purchaser or any of its Affiliates, owners, directors or officers a natural person or entity with whom dealings are prohibited under any OFAC regulation or other applicable federal law or acting on behalf of such a natural person or entity.

(xi) The purchaser represents that it is not a member of the public in the Cayman Islands.

(xii) Each purchaser and subsequent transferee of a Class E Note or any interest therein shall be deemed to represent and warrant, at the time of its acquisition and throughout the period that it holds a Class E Note or any interest therein, that (A) either (1) it is not a Benefit Plan Investor, and if after its initial acquisition of a Class E Note or any interest therein, such beneficial owner determines, or it is determined by another party, that such beneficial owner is a Benefit Plan Investor, such beneficial owner will dispose of all of its Class E Notes in a manner consistent with the restrictions set forth in the applicable agreements or (2) if it is a governmental, church, non-U.S. or other plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, its purchase, holding and disposition of Class E Notes will not constitute or result in a non-exempt violation under any such substantially similar law and (B) it will not sell or otherwise transfer a Class E Note or interest therein to any person who is unable to satisfy the same foregoing representations in (A) above. The purchaser acknowledges that a transfer of the Class E Notes to a Benefit Plan Investor will not be permitted, and no

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such transfer will be registered under the Indenture. Any purported transfer of a Class E Note in violation of the requirements set forth in this paragraph shall be null and void *ab initio* and will not operate to transfer any rights to the transferee, notwithstanding any instructions to the contrary to the Issuers, the Trustee or any intermediary. In addition to the foregoing, the Issuer maintains the right to resell any Class E Note previously transferred to non-permitted holders in accordance with and subject to the terms of the Indenture.

(xiii) Each purchaser and each transferee of Class E Notes that (i) is not a "United States person" (as defined in Section 7701(a)(30) of the Code) and (ii) is acquiring, directly or in conjunction with affiliates, more than 33 1/3% of the Aggregate Outstanding Amount of the Class E Notes will be deemed to make a representation to the effect that it is not an Affected Bank.

Regulation S Global Secured Notes

Each purchaser of a beneficial interest in a Regulation S Global Secured Note will be deemed to have represented and agreed with the Issuer (A) as set forth in paragraphs (ii) through (viii), (x) and (xi) (other than paragraphs (vi) and (viii) in the case of the Class E Notes) and solely in the case of the Class E Notes, paragraphs (ix), (xii) and (xiii), under "—Rule 144A Global Secured Notes," *mutatis mutandis*, (B) that the purchaser is not a U.S. Person and is acquiring the Secured Notes in an offshore transaction meating the requirements of Rule 903 or Rule 904 of Regulation S and in a principal amount of not less than the applicable minimum denomination requirement and (C) either (1) such purchaser's principal place of business is not located within any Federal Reserve District of the United States Federal Reserve Bank or (2) such purchaser has satisfied and will satisfy any applicable registration or other requirements of the Board of Governors of the Federal Reserve System including Regulation U in connection with its acquisition of the Secured Notes.

U.S. Subordinated Securities

Each purchaser of a U.S. Subordinated Security will be required to represent and agree with the Issuer as follows:

(i) Subject to the last sentence of subclause (ii) below, the purchaser is (a) either (x) a Qualified Institutional Buyer or (y) an Accredited Investor and (b) (1) a Qualified Purchaser or (2) a Knowledgeable Employee.

(ii) (A) The purchaser is purchasing the Subordinated Securities for its own account or for the account of another Qualified Purchaser or Knowledgeable Employee that is also a Qualified Institutional Buyer or, subject to the last sentence of this subclause (ii), an Accredited Investor as to which the purchaser exercises sole investment discretion, (B) each of the purchaser and any such account is acquiring the Subordinated Securities as principal for its own account for investment and not for sale in connection with any distribution thereof, (C) neither the purchaser nor any such account was formed solely for the specific purpose of investing in the Subordinated Securities (except when each beneficial owner of the purchaser or each such account is a Qualified Purchaser or a Knowledgeable Employee), (D) to the extent the purchaser (or any account for which it is purchasing the Subordinated Securities) is a private investment company formed on or before April 30, 1996, the purchaser and each such account has received the necessary consent from its beneficial owners, (E) the purchaser agrees that it and each such account shall not hold such Subordinated Securities for the benefit of any other Person and shall be the sole beneficial owner thereof for all purposes and that it shall not sell participation interests in the Subordinated Securities or enter into any other arrangement pursuant to which any other Person shall be entitled to a beneficial interest in the distributions on the Subordinated Securities (except when such Person is a Qualified Purchaser), (F) the Subordinated Securities purchased directly or indirectly by the purchaser or any account for which it is purchasing the Subordinated Securities constitute an investment of no more than 40% of the purchaser's and each such account's assets (except when each beneficial owner of the purchaser and each such account is a Qualified Purchaser or a Knowledgeable Employee), (G) the purchaser and each such account is purchasing the Subordinated Securities in a notional amount of not less than the minimum denomination requirement for the purchaser and each such account (except in the limited circumstances set forth in the

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Indenture), (H) the purchaser will provide notice of the transfer restrictions set forth in the Indenture (including the exhibits thereto) to any transferee of its Subordinated Securities and (I) the purchaser understands and agrees that any purported transfer of the Subordinated Securities to a purchaser that does not comply with the requirements of the immediately preceding paragraph (I) and this paragraph (ii) shall be null and void ab initio. Notwithstanding the foregoing, in limited circumstances approved by Goldman, Sachs & Co., Subordinated Securities may be sold to Qualified Purchasers for purposes of Section 3(c)(7) of the Investment Company Act who are not Accredited Investors, provided that such purchasers have purchaser representatives (as such term is defined in Regulation D).

(iii) Other than with respect to the circumstances described in the last sentence of subclause (ii) above, if any U.S. Person that is not (i)(a) a Qualified Purchaser or (b) a Knowledgeable Employee and (ii)(a) a Qualified Institutional Buyer or (b) an Accredited Investor, shall become the owner of any Subordinated Securities (any such person, a "**Non-Permitted Holder**"), the Issuer shall, promptly after discovery that such Person is a Non-Permitted Holder by the Issuer or the Trustee (and notice by the Trustee to the Issuer, if the Trustee makes the discovery), send notice to such Non-Permitted Holder demanding that such Non-Permitted Holder transfer its interest to a Person that is not a Non-Permitted Holder within 30 days of the date of such notice. If such Non-Permitted Holder fails to transfer its Subordinated Securities, the Issuer shall have the right, without further notice to the Non-Permitted Holder, to sell such Subordinated Securities to a purchaser selected by the Issuer that is not a Non-Permitted Holder on such terms as the Issuer may choose. The Issuer, an investment bank selected by the Issuer, or the Trustee at the written direction of the Issuer (and approved by the Collateral Manager) may select a purchaser by any means determined by it in its sole discretion. The Holder of each Subordinated Security, the Non-Permitted Holder and each other Person in the chain of title from the Holder to the Non-Permitted Holder, by its acceptance of an interest in the Subordinated Securities, agrees to cooperate with the Issuer and the Trustee to effect such transfers. The proceeds of such sale, net of any commissions, expenses, including fees of attorneys and agents, and taxes due in connection with such sale shall be remitted to the Non-Permitted Holder. The terms and conditions of any sale under this paragraph shall be determined in the sole discretion of the Issuer, and neither the Issuer nor the Trustee shall be liable to any Person having an interest in the Subordinated Securities sold as a result of any such sale or the exercise of such discretion (including for the price of such sale).

(iv) The purchaser will not, at any time, offer to buy or offer to sell the Subordinated Securities by any form of general solicitation or advertising, including, but not limited to, any advertisement, article, notice or other communication published in any newspaper, magazine or similar medium or broadcast over the television or radio or seminar or meeting whose attendees have been invited by general solicitations or advertising.

(v) The purchaser understands and agrees that the Subordinated Securities have not been and will not be registered or qualified under the Securities Act or any applicable state securities laws or the securities laws of any other jurisdiction and the sale of the Subordinated Securities to the purchaser is being made in reliance on an exemption from registration under the Securities Act, and may be reoffered, resold, pledged or otherwise transferred only (A)(i) to a person whom the purchaser reasonably believes is a Qualified Institutional Buyer purchasing for its own account or for the account of a Qualified Institutional Buyer as to which the purchaser exercises sole investment discretion in a transaction meeting the requirements of Rule 144A, (ii) to a person that is not a U.S. Person in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (iii) to an Accredited Investor for its own account or for the account of en Accredited Investor, and in the case of subclauses (i) and (iii), to a transferee that is either (a) a Qualified Purchaser or (b) a Knowledgeable Employee and (B) in accordance with all applicable securities laws of the states of the United States. The Issuer and the Collateral have not been registered under the Investment Company Act and, therefore, no transfer having the effect of causing the Issuer or the Collateral to be required to be registered as an investment company under the Investment Company Act will be recognized. The Subordinated Securities are subject to the restrictions on transfer set forth herein, in the Indenture and in the Subordinated Securities. Before any interest in a U.S. Subordinated Security may be offered, sold, pledged or otherwise transferred, the transferee will be required to provide the Issuer and the Trustee with a written certificate as to compliance with the transfer restrictions described herein. The purchaser understands and agrees that any purported transfer of the Subordinated Securities to a purchaser that does not comply with the requirements of this paragraph (v) shall be null and void *ab initio*.

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(vi) The purchaser is not purchasing the Subordinated Securities with a view toward the resale, distribution or other disposition thereof in violation of the Securities Act. The purchaser understands and agrees that an investment in the Subordinated Securities involves certain risks, including the risk of loss of its entire investment in the Subordinated Securities under certain circumstances. The purchaser has had access to such financial and other information concerning the Issuer and the Subordinated Securities as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Subordinated Securities, including an opportunity to ask questions of, and request information from, the Issuer.

(vii) In connection with the purchase of the Subordinated Securities: (A) none of the Issuers, the Initial Purchaser, the Trustee, the Collateral Manager (except such representation is not made by advisory clients of the Collateral Manager that purchase any Subordinated Securities, with respect to the Collateral Manager), the Collateral Administrator, the Administrator, or the Registrar (or any of their respective Affiliates) is acting as a fiduciary or financial or investment adviser for the purchaser; (B) the purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuers, the Initial Purchaser, the Trustee, the Collateral Manager, the Collateral Administrator, the Administrator or the Registrar (or any of their respective Affiliates) other than the Issuers and the Collateral Manager (with respect to the sections entitled "The Collateral Manager", and "Risk Factors—Conflicts of Interest Involving the Collateral Manager and Affiliates") in the final offering circular and any representations expressly set forth in a written agreement with such party; (C) none of the Issuers, the Initial Purchaser, the Trustee, the Collateral Manager, the Collateral Administrator, the Administrator or the Registrar (or any of their respective Affiliates) has given to the purchaser (directly or indirectly through any other person) any assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment in the Subordinated Securities; (D) the purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture) 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 Issuers, the Initial Purchaser, the Collateral Manager, the Trustee, the Collateral Administrator, the Administrator or the Registrar (or any of their respective Affiliates); (E) the purchaser has evaluated the terms and conditions of the purchase and sale of the Subordinated Securities with a full understanding of all of the risks thereof (economic and otherwise), and it is capable of assuming and is willing to assume (financially and otherwise) those risks; (F) the purchaser is a sophisticated investor; and (G) if acquiring the Subordinated Securities for any account, the purchaser has not made any disclosure, assurance, guarantee or representation not consistent with the provisions and the requirements contained herein.

(viii) It is (or is not, as applicable) a Benefit Plan Investor or a Controlling Person. No Benefit Plan Investor or Controlling Person will be permitted to purchase Subordinated Securities, unless its purchase, holding and disposition of such Subordinated Securities, (i) will not cause participation by Benefit Plan Investors to be "significant" within the meaning of the Plan Asset Regulations and (ii) if the purchaser is a Benefit Plan Investor, the acquisition, holding and disposition of such Subordinated Securities, or any interest therein will not constitute or result in a non-exempt prohibited transaction under Title I of ERISA or Section 4975 of the Code. If the purchaser is a governmental, church or other plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, such purchaser shall represent and warrant that its purchase, holding and disposition of a U.S. Subordinated Security will not constitute or result in a non-exempt violation under any such substantially similar law.

In determining whether participation by Benefit Plan Investors is "significant", Subordinated Securities beneficially held by (i) the Collateral Manager, the Trustee, any of their respective Affiliates, employees of the Collateral Manager, or any of their respective Affiliates and any charitable foundation of any such employees or (ii) persons that have represented that they are Controlling Persons, will be disregarded and will not be treated as Outstanding for purposes of whether participation by Benefit Plan Investors is "significant" to the extent that persons listed in (i) or (ii) are not Benefit Plan Investors.

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The purchaser acknowledges that a transfer of the Subordinated Securities will not be permitted, and no such transfer or exchange will be registered under the Indenture, to the extent that the transfer or exchange would result in Benefit Plan Investors owning 25% or more of the Aggregate Outstanding Amount of the Subordinated Securities immediately after such transfer or exchange (determined in accordance with the Plan Asset Regulations and the Indenture).

(ix) The purchaser understands and agrees that, in order for the Issuer to satisfy its obligations to provide certain United States federal income tax information to beneficial owners of the Subordinated Securities that are United States persons within the meaning of Section 7701(a)(30) of the Code, the Initial Purchaser or any respective Affiliates thereof, the Issuer or the Trustee may provide to the Issuer's accountants information concerning the purchaser's name and address, the notional amount of Subordinated Securities owned by the purchaser and the date of such purchaser's purchase, and the information related to the tax status of the purchaser as provided by the purchaser to the Issuer pursuant to the certifications required in the Indenture.

(x) The purchaser understands and agrees that the Issuer will treat the Subordinated Securities as equity in the Issuer for United States federal, state and local income tax purposes, and the purchaser and the registered holder of the Subordinated Securities (if different from the purchaser), by acceptance of its Subordinated Securities or its interests in the Subordinated Securities, agrees to treat the Subordinated Securities as equity in the Issuer for United States federal, state and local income tax purposes.

(xi) Each purchaser or subsequent transferee of U.S. Subordinated Securities that (i) is not a "United States person" (as defined in Section 7701(a)(30) of the Code) and (ii) is acquiring, directly or in conjunction with affiliates, more than 33 1/3% of the Aggregate Outstanding Amount of the Subordinated Securities will be deemed to make a representation to the effect that it is not an Affected Bank.

(xii) To the extent required by the Issuer, as determined by the Issuer or the Collateral Manager on behalf of the Issuer, the Issuer may, upon written notice to the Trustee and the Registrar, impose additional transfer restrictions on the Subordinated Securities to comply with the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the USA PATRIOT Act) and other similar laws or regulations, including, without limitation, requiring each transferee of a beneficial interest in a Subordinated Security to make representations to the Issuer in connection with such compliance.

(xiii) Each U.S. Subordinated Security will bear a legend substantially to the following effect:

THE SUBORDINATED SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE SUBORDINATED SECURITIES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH SUBORDINATED SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) TO AN ACCREDITED INVESTOR (AS DEFINED IN REGULATION D UNDER THE SECURITIES ACT) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF AN ACCREDITED INVESTOR, IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, OR (3) TO A PERSON THAT IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND, IN EACH CASE, IN A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000, FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH IT IS ACTING (EXCEPT AS OTHERWISE SET FORTH IN THE INDENTURE) AND, IN THE CASE OF SUBCLAUSES (1) AND (2), TO A PURCHASER THAT (X) IS A QUALIFIED PURCHASER WITHIN THE MEANING OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT OR A

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KNOWLEDGEABLE EMPLOYEE WITHIN THE MEANING OF RULE 3c-5 OF THE INVESTMENT COMPANY ACT, (Y) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER WITHIN THE MEANING OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT OR A KNOWLEDGEABLE EMPLOYEE WITHIN THE MEANING OF RULE 3c-5 OF THE INVESTMENT COMPANY ACT) AND (Z) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED ON OR BEFORE APRIL 30, 1996, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION OR EXCLUSION, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES OR OTHER APPLICABLE JURISDICTION. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE TRUSTEE OR ANY INTERMEDIARY. EACH TRANSFEROR OF THE SUBORDINATED SECURITIES REPRESENTED HEREBY WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER MAINTAINS THE RIGHT TO RESELL ANY SUBORDINATED SECURITIES PREVIOUSLY TRANSFERRED TO NON-PERMITTED HOLDERS (AS DEFINED IN THE INDENTURE) IN ACCORDANCE WITH AND SUBJECT TO THE TERMS OF THE INDENTURE.

EACH PURCHASER OF THIS SUBORDINATED SECURITY ACQUIRING SUCH SUBORDINATED SECURITY FROM THE INITIAL PURCHASER OR THE ISSUER, AS THE CASE MAY BE, AND EACH SUBSEQUENT TRANSFEREE ACQUIRING SUCH SUBORDINATED SECURITY FROM PERSONS OTHER THAN THE INITIAL PURCHASER OR THE ISSUER, AS THE CASE MAY BE, WILL BE REQUIRED TO REPRESENT, WITH RESPECT TO EACH DAY IT HOLDS SUCH SUBORDINATED SECURITY OR ANY BENEFICIAL INTEREST HEREIN, (1) WHETHER OR NOT IT IS (A) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA, A "PLAN" AS DEFINED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") THAT IS SUBJECT TO SECTION 4975 OF THE CODE, ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY OR A "BENEFIT PLAN INVESTOR" AS SUCH TERM IS OTHERWISE DEFINED IN ANY REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR UNDER SECTION 3(42) OF ERISA (COLLECTIVELY, "BENEFIT PLAN INVESTORS") OR (B) A PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR ANY PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO SUCH ASSETS, OR ANY AFFILIATE OF SUCH A PERSON AND (2) (A) IF IT IS A BENEFIT PLAN INVESTOR, ITS PURCHASE, HOLDING AND DISPOSITION OF SUBORDINATED SECURITIES WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (B) IF IT IS A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE, ITS PURCHASE, HOLDING AND DISPOSITION OF SUBORDINATED SECURITIES WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT VIOLATION UNDER ANY SUCH SUBSTANTIALLY SIMILAR LAW AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SUCH SUBORDINATED SECURITIES OR INTERESTS THEREIN TO ANY PERSON WHO IS UNABLE TO SATISFY THE SAME FOREGOING REPRESENTATION AND WARRANTIES. NO TRANSFER OF ANY INTEREST IN THIS SUBORDINATED SECURITY WILL BE EFFECTIVE, AND THE TRUSTEE WILL NOT RECOGNIZE ANY SUCH TRANSFER IF IT WOULD RESULT IN 25% OR MORE OF THE VALUE OF THE SUBORDINATED SECURITIES BEING HELD BY BENEFIT PLAN INVESTORS. ANY PURPORTED TRANSFER OF THE SUBORDINATED SECURITIES IN VIOLATION OF THE REQUIREMENTS SET FORTH IN THIS PARAGRAPH SHALL BE NULL AND VOID *AB INITIO*.

DISTRIBUTIONS OF PRINCIPAL PROCEEDS AND INTEREST PROCEEDS TO THE HOLDER OF THE SUBORDINATED SECURITIES REPRESENTED HEREBY ARE SUBORDINATE, IN THE CASE OF THE SUBORDINATED SECURITIES TO THE PAYMENT ON EACH PAYMENT DATE OF PRINCIPAL OF

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AND INTEREST ON THE SECURED NOTES AND THE PAYMENT OF CERTAIN OTHER AMOUNTS, TO THE EXTENT AND AS DESCRIBED IN THE INDENTURE REFERRED TO HEREIN.

THE FAILURE TO PROVIDE THE ISSUER, THE TRUSTEE AND ANY PAYING AGENT WITH THE APPLICABLE U.S. FEDERAL INCOME TAX CERTIFICATIONS (GENERALLY, AN INTERNAL REVENUE SERVICE FORM W-9 (OR APPLICABLE SUCCESSOR FORM) IN THE CASE OF A PERSON THAT IS A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(A)(30) OF THE CODE OR AN APPLICABLE INTERNAL REVENUE SERVICE FORM W-8 (OR APPLICABLE SUCCESSOR FORM) IN THE CASE OF A PERSON THAT IS NOT A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(A)(30) OF THE CODE) MAY RESULT IN U.S. FEDERAL BACK-UP WITHHOLDING FROM PAYMENTS TO THE HOLDER IN RESPECT OF THE SUBORDINATED SECURITIES REPRESENTED HEREBY.

(xiv) The purchaser understands that Executive Orders issued by the President of the United States of America, Federal regulations administered by OFAC and other federal laws prohibit, among other things, U.S. persons or persons under the jurisdiction of the United States from engaging in certain transactions with certain foreign countries, territories, entities and individuals, and that the lists of prohibited countries, territories, entities and individuals can be found on, among other places, the OFAC website at www.treas.gov/ofac. Neither the purchaser nor any of its Affiliates, owners, directors or officers is, or is acting on behalf of, a country, territory, entity or individual named on such lists, nor is the purchaser or any of its Affiliates, owners, directors or officers a natural person or entity with whom dealings are prohibited under any OFAC regulation or other applicable federal law or acting on behalf of such a natural person or entity.

(xv) The purchaser represents that it is not a member of the public in the Cayman Islands.

Regulation S Global Subordinated Securities

(i) Each purchaser of a beneficial interest in a Regulation S Global Subordinated Security will be deemed to have represented and agreed with the Issuer (A) as set forth in paragraphs (iii), (iv), (v), (vi), (vii), (ix) and (xi) under "—U.S. Subordinated Securities", *mutatis mutandis*, and (B) that the purchaser is not a U.S. Person and is acquiring the Subordinated Securities in an offshore transaction meeting the requirements of Rule 903 or Rule 904 of Regulation S.

(ii) The purchaser understands and agrees that the Issuer will treat the Subordinated Securities as equity in the Issuer for United States federal, state and local income tax purposes, and the purchaser and the registered Holder of the Subordinated Securities (if different from the purchaser), by acceptance of its Subordinated Securities or its interests in the Subordinated Securities, agrees to treat the Subordinated Securities as equity in the Issuer for United States federal, state and local income tax purposes.

Each purchaser or subsequent transferee of a Regulation S Global Subordinated Security that (i) is not a "United States person" (as defined in Section 7701(a)(30) of the Code) and (ii) is acquiring, directly or in conjunction with affiliates, more than 33 1/3% of the Aggregate Outstanding Amount of the Subordinated Securities will be deemed to make a representation to the effect that it is not an Affected Bank.

(iii) With respect to the purchase of Regulation S Global Subordinated Securities from the Initial Purchaser or the Issuer, as the case may be, the purchaser will be required to represent that (a) it is (or is not, as applicable) a Benefit Plan Investor or a Controlling Person and (b) (1) if it is a Benefit Plan Investor, its purchase, holding and disposition of Subordinated Securities will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or (2) if it is a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, its purchase, holding and disposition of Subordinated Securities will not constitute or result in non-exempt violation under any such substantially similar law.

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No Benefit Plan Investor or Controlling Person will be permitted to purchase Regulation S Global Subordinated Securities from the Initial Purchaser or the Issuer, as the case may be, unless its purchase, holding and disposition of such Subordinated Securities (i) will not cause participation by Benefit Plan Investors to be "significant" within the meaning of the Plan Asset Regulations and (ii) if the purchaser is a Benefit Plan Investor, the acquisition, holding and disposition of such Securities or any interest therein will not constitute or result in a non-exempt, prohibited transaction under Title I of ERISA or Section 4975 of the Code. If a purchaser is a governmental, church, non-U.S. or other plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, such purchaser shall represent and warrant or be deemed to have represented and warranted that its purchase, holding and disposition of a Regulation S Global Subordinated Security will not constitute or result in a non-exempt violation under any such substantially similar law.

In determining whether participation by Benefit Plan Investors is "significant", Subordinated Securities beneficially held by (I) the Collateral Manager, the Trustee, any of their respective Affiliates, employees of the Collateral Manager, or any of their respective Affiliates and any charitable foundation of any such employees or (ii) persons that have represented that they are Controlling Persons will be disregarded and will not be treated as Outstanding for purposes of whether participation by Benefit Plan Investors is "significant" to the extent that persons listed in (i) or (ii) are not Benefit Plan Investors.

EACH SUBSEQUENT TRANSFEREE OF A BENEFICIAL INTEREST IN A REGULATION S GLOBAL SUBORDINATED SECURITY PURCHASED FROM PERSONS OTHER THAN THE INITIAL PURCHASER OR THE ISSUER, AS THE CASE MAY BE, WILL BE DEEMED TO REPRESENT THAT THE TRANSFEREE FROM THE DATE ON WHICH IT ACQUIRES ITS INTEREST IN SUCH SUBORDINATED SECURITIES THROUGH AND INCLUDING THE DATE ON WHICH SUCH TRANSFEREE, AS THE CASE MAY BE, DISPOSES OF ITS INTEREST IN SUCH SUBORDINATED SECURITIES, (A) IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND (B) IF IT IS A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE, ITS PURCHASE, HOLDING AND DISPOSITION OF SUBORDINATED SECURITIES WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT VIOLATION UNDER ANY SUCH SUBSTANTIALLY SIMILAR LAW. The transferee acknowledges that a transfer of the Subordinated Securities will not be permitted, and the Trustee will not register any such transfer of which it has actual knowledge, to the extent that the transfer would result in Benefit Plan Investors owning 25% or more of the Aggregate Outstanding Amount of the Subordinated Securities immediately after such transfer (determined in accordance with the Plan Asset Regulations and the Indenture). Any purported transfer of a beneficial interest in a Regulation S Global Subordinated Security in violation of the requirements set forth in this paragraph shall be null and void *ab initio*.

(iv) Each Regulation S Global Subordinated Security will bear a legend substantially to the following effect:

THE SUBORDINATED SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE SUBORDINATED SECURITIES IN RESPECT OF WHICH THIS SECURITY HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE SUBORDINATED SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) TO AN ACCREDITED INVESTOR (AS DEFINED IN REGULATION D UNDER THE SECURITIES ACT) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF AN ACCREDITED INVESTOR, IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, OR (3) TO A PERSON THAT IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN AN OFFSHORE

TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND, IN EACH CASE, IN A NOTIONAL AMOUNT OF NOT LESS THAN $100,000 FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH IT IS ACTING (EXCEPT AS OTHERWISE SET FORTH IN THE INDENTURE) AND, IN THE CASE OF SUBCLAUSES (1) AND (2), TO A PURCHASER THAT (W) IS A QUALIFIED PURCHASER WITHIN THE MEANING OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT OR A KNOWLEDGEABLE EMPLOYEE WITHIN THE MEANING OF RULE 3c-5 OF THE INVESTMENT COMPANY ACT, (X) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER WITHIN THE MEANING OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT OR A KNOWLEDGEABLE EMPLOYEE WITHIN THE MEANING OF RULE 3c-5 OF THE INVESTMENT COMPANY ACT), (Y) UNDERSTANDS AND AGREES THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS IN THE SUBORDINATED SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES AND (Z) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED ON OR BEFORE APRIL 30, 1996, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION OR EXCLUSION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES OR OTHER APPLICABLE JURISDICTION. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE TRUSTEE OR ANY INTERMEDIARY. EACH TRANSFEROR OF THE SUBORDINATED SECURITIES REPRESENTED HEREBY WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER MAINTAINS THE RIGHT TO RESELL SUBORDINATED SECURITIES PREVIOUSLY TRANSFERRED TO NON-PERMITTED HOLDERS (AS DEFINED IN THE INDENTURE) IN ACCORDANCE WITH AND SUBJECT TO THE TERMS OF THE INDENTURE.

EACH PURCHASER OF THIS SUBORDINATED SECURITY ACQUIRING SUCH SUBORDINATED SECURITY FROM THE INITIAL PURCHASER OR THE ISSUER, AS THE CASE MAY BE, WILL BE REQUIRED TO REPRESENT, WITH RESPECT TO EACH DAY IT HOLDS SUCH SUBORDINATED SECURITY OR ANY BENEFICIAL INTEREST HEREIN, (1) WHETHER OR NOT IT IS (A) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA, A "PLAN" AS DEFINED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") THAT IS SUBJECT TO SECTION 4975 OF THE CODE, ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY OR A "BENEFIT PLAN INVESTOR" AS SUCH TERM IS OTHERWISE DEFINED IN ANY REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR UNDER SECTION 3(42) OF ERISA (COLLECTIVELY, "BENEFIT PLAN INVESTORS") OR (B) A PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR ANY PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO SUCH ASSETS, OR ANY AFFILIATE OF SUCH A PERSON AND (2) (A) IF IT IS A BENEFIT PLAN INVESTOR, ITS PURCHASE, HOLDING AND DISPOSITION OF SUBORDINATED SECURITIES WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (B) IF IT IS A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE, ITS PURCHASE, HOLDING AND DISPOSITION OF SUBORDINATED SECURITIES WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT VIOLATION UNDER ANY SUCH SUBSTANTIALLY SIMILAR LAW AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SUCH SUBORDINATED SECURITIES OR INTERESTS THEREIN TO ANY PERSON WHO IS UNABLE TO SATISFY THE SAME FOREGOING REPRESENTATION AND WARRANTIES. EACH PURCHASER OF THIS SUBORDINATED SECURITY FROM PERSONS OTHER THAN THE INITIAL PURCHASER OR THE ISSUER, AS THE CASE MAY BE, WILL BE DEEMED TO REPRESENT AND WARRANT THAT, FROM THE DATE ON WHICH IT ACQUIRES ITS INTEREST IN SUCH SUBORDINATED SECURITY THROUGH

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AND INCLUDING THE DATE ON WHICH SUCH PURCHASER DISPOSES OF ITS INTEREST IN SUCH SUBORDINATED SECURITY, (I) IT IS NOT (A) A BENEFIT PLAN INVESTOR OR (B) A CONTROLLING PERSON AND (II) IF IT IS A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE, ITS PURCHASE, HOLDING AND DISPOSITION OF THIS SUBORDINATED SECURITY WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT VIOLATION UNDER ANY SUCH SUBSTANTIALLY SIMILAR LAW. NO TRANSFER OF ANY INTEREST IN THIS SUBORDINATED SECURITY WILL BE EFFECTIVE, AND THE TRUSTEE WILL NOT RECOGNIZE ANY SUCH TRANSFER IF IT WOULD RESULT IN 25% OR MORE OF THE VALUE OF THE SUBORDINATED SECURITIES BEING HELD BY BENEFIT PLAN INVESTORS. EACH BENEFICIAL OWNER OF THIS SUBORDINATED SECURITY WILL BE REQUIRED TO MAKE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE INDENTURE. ANY PURPORTED TRANSFER OF THE SUBORDINATED SECURITIES IN VIOLATION OF THE REQUIREMENTS SET FORTH IN THIS PARAGRAPH SHALL BE NULL AND VOID *AB INITIO*.

ANY TRANSFER, PLEDGE OR OTHER USE OF THE SUBORDINATED SECURITIES REPRESENTED HEREBY FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN, UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC"), NEW YORK, NEW YORK, TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY SUBORDINATED SECURITIES ISSUED ARE REGISTERED IN THE NAME OF CEDE & CO. OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.).

TRANSFERS OF THE SUBORDINATED SECURITIES REPRESENTED HEREBY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE, AND TRANSFERS OF THE SUBORDINATED SECURITIES REPRESENTED HEREBY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE.

DISTRIBUTIONS OF PRINCIPAL PROCEEDS AND INTEREST PROCEEDS TO THE HOLDER OF THE SUBORDINATED SECURITIES REPRESENTED HEREBY ARE SUBORDINATE TO THE PAYMENT ON EACH PAYMENT DATE OF PRINCIPAL OF AND INTEREST ON THE SECURED NOTES OF THE ISSUER AND THE PAYMENT OF CERTAIN OTHER AMOUNTS, TO THE EXTENT AND AS DESCRIBED IN THE INDENTURE REFERRED TO HEREIN.

THE FAILURE TO PROVIDE THE ISSUER, THE TRUSTEE AND ANY PAYING AGENT WITH THE APPLICABLE U.S. FEDERAL INCOME TAX CERTIFICATIONS (GENERALLY, AN INTERNAL REVENUE SERVICE FORM W-9 (OR APPLICABLE SUCCESSOR FORM) IN THE CASE OF A PERSON THAT IS A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(A)(30) OF THE CODE OR AN APPROPRIATE INTERNAL REVENUE SERVICE FORM W-8 (OR APPLICABLE SUCCESSOR FORM) IN THE CASE OF A PERSON THAT IS NOT A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(A)(30) OF THE CODE) MAY RESULT IN U.S. FEDERAL BACK-UP WITHHOLDING FROM PAYMENTS TO THE HOLDER IN RESPECT OF THIS SECURITY.

LISTING AND GENERAL INFORMATION

1. Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for this Offering Circular to be approved. Application has been made to the Irish Stock Exchange for the Securities to be admitted to the *Official List* and to trading on its regulated market. Such approval relates only to Securities which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 93/22/EEC. This document is considered an advertisement for purposes of applicable measures implementing E.U. Directive 2003/71/EC. Upon listing on the Irish Stock Exchange being granted, a "prospectus" prepared pursuant to the Prospectus Directive will be published, which can be obtained from the Issuer. There can be no assurance that such listing will be approved or maintained. See "Risk Factors—

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Irish Stock Exchange Listing". The Issuers have been advised by Arthur Cox Listing Services Limited (in such capacity, the "**Irish Listing Agent**") that the estimated upfront fees and expenses for obtaining such listing will be approximately €15,190 and the estimated ongoing expenses for maintaining such listing will be approximately €2,250 per annum.

2. Copies of the Certificate of Incorporation and Memorandum and Articles of Association of the Issuer, the Certificate of Incorporation and By-laws of the Co-Issuer, the Administration Agreement, the resolutions of the Board of Directors of the Issuer authorizing the issuance of the Securities, the resolutions of the Board of Directors of the Co-Issuer authorizing the issuance of the Co-Issued Notes, the Indenture, the Collateral Management Agreement and any Hedge Agreements will be available in electronic form for inspection in the City of Houston, Texas at the office of the Trustee and at the office of the paying agent for the Securities in Ireland for so long as the Securities are listed on the Irish Stock Exchange.

3. Since the date of establishment, there has been no significant change in the financial or trading position of the Issuer or the Co-Issuer and no annual report or accounts have been prepared as of the date of this document. Since incorporation, the Issuers have not commenced trading, established any accounts or declared any dividends, except for the transactions described herein.

4. The Issuers are not involved in any legal, arbitration or governmental proceedings relating to claims on amounts which are material in the context of the issue of the Securities, nor, so far as each of the Issuers is aware, is any such litigation or arbitration involving it pending or threatened.

5. The issuance of the Securities will be authorized by the Board of Directors of the Issuer by resolution passed on or before the Closing Date. The issuance of the Co-Issued Notes will be authorized by the sole Director of the Co-Issuer by resolution on or before the Closing Date.

6. The Securities sold to Persons that are not U.S. Persons in offshore transactions in reliance on Regulation S under the Securities Act represented by Regulation S Global Securities are expected to be accepted for clearance through Clearstream and Euroclear. The Secured Notes sold to Persons that are Qualified Institutional Buyers/Qualified Purchasers under the Securities Act and represented by Rule 144A Global Secured Notes have been accepted for clearance through DTC. The CUSIP Numbers, Common Codes and International Securities Identification Numbers (ISIN) for the Securities represented by Rule 144A Global Secured Notes and Regulation S Global Securities are as indicated in the chart "Summary—The Offering—Securities Issued," as applicable.

7. For so long as any of the Securities are listed on the Irish Stock Exchange and the rules of such Exchange shall so require, the Issuer will inform the Irish Stock Exchange and publish a notice in an authorized newspaper, which is expected to be on the *Official List*, if the ratings assigned to any of the Securities are reduced or withdrawn.

8. The Securities representing the U.S. Subordinated Securities will bear the identification numbers as indicated in the chart "Summary—The Offering—Securities Issued," as applicable.

9. The Issuers do not intend to publish annual reports and accounts. The Indenture, however, requires the Issuers to provide written confirmation to the Trustee on an annual basis that no Event of Default or other matter which is required to be brought to the Trustee's attention has occurred. Copies of such confirmation will be available for inspection at the offices of the Issuer and Co-Issuer and in the City of Houston, Texas at the office of the Trustee and at the office of the paying agent for the Securities in Ireland for so long as the Securities are listed on the Irish Stock Exchange.

10. References to website addresses herein do not form part of the Offering Circular for the purposes of listing the Securities on the Irish Stock Exchange.

UNDERWRITING

Subject to the terms and conditions set forth in the Purchase Agreement, the Issuers, with respect to the Co-Issued Notes, and the Issuer, with respect to the Subordinated Securities, have agreed to sell, on the

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Closing Date, and the Initial Purchaser has agreed to purchase $2,000,000 in Aggregate Outstanding Amount of the Class S Notes, $365,000,000 in Aggregate Outstanding Amount of the Class A Notes, $22,500,000 in Aggregate Outstanding Amount of the Class B Notes, $25,000,000 in Aggregate Outstanding Amount of the Class C Notes, $30,000,000 in Aggregate Outstanding Amount of the Class D Notes, $17,500,000 in Aggregate Outstanding Amount of the Class E Notes and $40,000,000 in Aggregate Outstanding Amount of the Subordinated Securities.

Under the terms and conditions of the Purchase Agreement, the Initial Purchaser is committed to take and pay for all the Securities to be offered by it, if any are taken. Under the terms and conditions of the Purchase Agreement, the Initial Purchaser will be entitled to (i) an underwriting discount on the Securities, and (ii) a fixed structuring fee based upon the aggregate principal or notional amount, as applicable, of the Securities. After the Securities are released for sale, the Initial Purchaser may change the offering price and other selling terms. The Initial Purchaser may allow a concession, not in excess of their respective underwriting discounts, to certain brokers or dealers.

The Securities have not been and will not be registered under the Securities Act for offer or sale as part of their distribution and may not be offered or sold within the United States or to, or for the account or benefit of, a U.S. Person or a U.S. resident (as determined for purposes of the Investment Company Act, a "**U.S. Resident**") except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act.

The Issuers have been advised by the Initial Purchaser that it proposes to resell the Securities, in each case outside the United States through their agents to Persons that are not U.S. Persons in offshore transactions in reliance on Regulation S and in accordance with applicable law. In addition, the Issuers have been advised by the Initial Purchaser that it proposes to resell the Securities to U.S. Persons and in the United States in reliance on Rule 144A or another exemption under the Securities Act, but only to Qualified Institutional Buyers (or, with respect to the U.S. Subordinated Securities, Accredited Investors) purchasing for their own accounts or for the accounts of Qualified Institutional Buyers (or, with respect to the U.S. Subordinated Securities, Accredited Investors) each of which purchasers or accounts is a Qualified Purchaser (or, with respect to the U.S. Subordinated Securities, a Knowledgeable Employee). Notwithstanding the foregoing, in limited circumstances approved by the Initial Purcheser, Subordinated Securities may be sold to Qualified Purchasers for purposes of Section 3(c)(7) of the Investment Company Act who are not Accredited Investors, provided that such purchasers have purchaser representatives (as such term is defined in Regulation D). The offering price and the Initial Purchaser's underwriting discount will be the same for the Regulation S Global Securities, the Rule 144A Global Secured Notes and the U.S. Subordinated Securities, as applicable, within each Class of Securities. Any offer or sale of Rule 144A Global Secured Notes or U.S. Subordinated Securities in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act will be made by broker-dealers who are registered as such under the Exchange Act. After the Securities are released for sale, the offering price and other selling terms may from time to time be varied by the Initial Purchaser.

The Initial Purchaser has acknowledged and agreed that it will not offer, sell or deliver any Securities sold pursuant to Regulation S to, or for the account or benefit of, any U.S. Person or a U.S. Resident as part of their distribution at any time and that the Initial Purchaser will send to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which they sell Securities pursuant to Regulation S a confirmation or other notice setting forth the prohibition on offers and sales of Securities sold pursuant to Regulation S within the United States or to, or for the account or benefit of, any U.S. Person or a U.S. Resident.

With respect to the Securities initially sold pursuant to Regulation S, until the expiration of 40 days after the commencement of the distribution of the offering of Securities by the Initial Purchaser, an offer or sale of such Securities within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

In connection with the issue of the Securities, the Initial Purchaser (the "**Stabilising Manager**") (or persons acting on behalf of the Stabilising Manager) may over-allot Securities (*provided* that the aggregate

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principal amount of Securities allotted does not exceed 105 per cent. 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 Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the Closing Date 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.

The Initial Purchaser has represented, warranted and agreed that (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Securities in circumstances in which section 21(1) of FSMA does not apply to the Issuers; and (ii) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by them in relation to the Securities in, from or otherwise involving the United Kingdom.

The Securities may not be offered, sold or transferred to the public in a Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") prior to the publication of a prospectus in relation to the Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, make an offer of Securities to the public in that Relevant Member State at any time: (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of this paragraph, the expression an "offer of Securities to the public" in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The Initial Purchaser has acknowledged and agreed that the Securities have not been registered under the Securities and Exchange Law of Japan and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (ii) in compliance with any other applicable requirements of Japanese law.

The Initial Purchaser has agreed that it has not made and will not make any invitation to the public in the Cayman Islands to purchase any of the Securities.

Buyers of Securities pursuant to Regulation S sold by Goldman Sachs International, as the agent of the Initial Purchaser, may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Securities, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Issuers or the Securities, in any jurisdiction where action for such purpose is required. Accordingly, the Securities may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Securities may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

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The Securities are a new issue of securities with no established trading market. The Issuers have been advised by the Initial Purchaser that the Initial Purchaser intends to make a market in the Securities but the Initial Purchaser is not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Securities. See "Risk Factors—Certain Conflicts of Interest".

Material portions of certain Classes of Securities may be purchased by other structured vehicles, which may result in less liquidity in such Classes in the secondary market.

Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for this Offering Circular to be approved. Application has been made to the Irish Stock Exchange for the Securities to be admitted to the *Official List* and to trading on its regulated market. There can be no assurance that such listing will be approved or maintained.

The Issuers have agreed to indemnify the Initial Purchaser, the Collateral Manager, the Administrator and the Trustee against certain liabilities, including, but not limited to, liabilities under the Securities Act, or to contribute to payments they may be required to make in respect thereof. In addition, the Issuers have agreed to reimburse the Initial Purchaser for certain of its expenses.

LEGAL MATTERS

Certain legal matters will be passed upon for the Issuers and the Initial Purchaser by McKee Nelson LLP, New York, New York. Certain matters with respect to Cayman Islands corporate law and tax law will be passed upon for the Issuer by Maples and Calder. Certain legal matters will be passed upon for the Collateral Manager by Sidley Austin LLP, New York, New York.

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GLOSSARY OF DEFINED TERMS

"**Accredited Investor**": An "accredited investor" as defined in Regulation D.

"**Accrued Interest Collateral Obligation**": Any Collateral Obligation whose sale price customarily includes accrued but unpaid interest.

"**Accumulation Period**": The period prior to the Closing Date during which the Issuer acquires Collateral Obligations.

"**Additional Issuance Date**": In respect of each subclass of additional Subordinated Securities as set forth under "Description of the Securities—The Indenture—Additional Issuance", the date on which such subclass of Subordinated Securities is issued.

"**Administrative Expenses**": Amounts (other than any Reserved Expenses) due or accrued with respect to any Payment Date to:

(i) the Trustee pursuant to the Indenture;

(ii) the Collateral Administrator under the Collateral Administration Agreement;

(iii) any fees, costs, or expenses (including without limitation, any indemnity payments but excluding the Collateral Management Fee) under the Collateral Management Agreement;

(iv) the Independent accountants, agents and counsel of the Issuers for fees, including retainers, and expenses;

(v) the Rating Agencies for fees and expenses in connection with rating the Secured Notes, for conducting on-going surveillance of the Secured Note ratings, and for providing and maintaining credit estimates for certain Collateral Obligations included in the Collateral Portfolio;

(vi) the Irish Paying Agent under the Irish Paying Agency Agreement;

(vii) any other Person in respect of any governmental fee, including all filing, registration and annual return fees payable to the Cayman Islands government and registered office fees, charges or taxes (other than withholding taxes);

(viii) without duplication, any Person in respect of any other reasonable fees or expenses of the Issuer (including in respect of any indemnity obligations, if applicable) not prohibited under the Indenture (including, without limitation, any monies owed to the Administrator under the Administration Agreement) and any reports and documents delivered pursuant to or in connection with the Indenture and the Securities;

(ix) any fees, costs or expenses (including, without limitation, any indemnity payments) in connection with any Securities Lending Agreement; and

(x) any fees, costs or expenses (including, without limitation, any indemnity payments, but excluding any Hedge Payment Amount or any applicable termination payments) in connection with any Hedge Agreement.

"**Affiliate**" or "**Affiliated**": With respect to a Person, (i) any other Person who, directly or indirectly, is in control of, or controlled by, or is under common control with, such Person or (ii) any other Person who is a director, officer or employee (a) of such Person, (b) of any subsidiary or parent company of such Person or (c) of any Person described in subclause (i) above. For purposes of this definition, control of a Person shall mean the power, direct or indirect, (i) to vote more than 50% of the securities having ordinary voting power for the election of directors of any such Person or (ii) to direct or cause the direction of the management and

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policies of such Person whether by contract or otherwise. With respect to the Issuers, this definition shall exclude the Administrator, its Affiliates and any other special purpose vehicle to which the Administrator is or will be providing administrative services and/or acting as Share Trustee, as a result solely of the Administrator acting in such capacity or capacities.

"Aggregate Funded Spread": As of any date of determination, the sum of the products obtained by multiplying (as applicable):

(i) (a) in the case of each Floating Rate Collateral Obligation (excluding any Defaulted Obligation and any Deferrable Interest Obligation to the extent of any non-cash interest and the unfunded portion of any Revolving Credit Facility or Delayed Funding Term Loan) that bears interest at a spread over a London interbank offered rate-based index, the stated interest rate spread on such Floating Rate Collateral Obligation above such index;

(b) in the case of each Floating Rate Collateral Obligation (excluding any Defaulted Obligation and any Deferrable Interest Obligation to the extent of any non cash interest and the unfunded portion of any Revolving Credit Facility or Delayed Funding Term Loan) that bears interest at a spread over an index other than a London interbank offered rate based index, the excess of the sum of such spread and such index then in effect as of such date over LIBOR calculated with respect to the Secured Notes then in effect as of such date; and

(c) in the case of each Fixed Rate Collateral Obligation (excluding any Defaulted Obligation and any Deferrable Interest Obligation to the extent of any non cash interest and the unfunded portion of any Revolving Credit Facility or Delayed Funding Term Loan), the excess of the coupon rate on such Fixed Rate Collateral Obligation above LIBOR calculated with respect to the Secured Notes then in effect as of such date (which spread or excess in the case of clause (b) or (c) may be expressed as a negative percentage); by

(ii) the Aggregate Principal Amount of each such Collateral Obligation that is not a Revolving Credit Facility or Delayed Funding Term Loan and the funded portion of each such Revolving Credit Facility or Delayed Funding Term Loan, in each case as of such date.

"Aggregate Interest Reserve Distribution Amount": With respect to any Payment Date, the sum of all Interest Reserve Distribution Amounts as of such Payment Date; *provided* that the Aggregate Interest Reserve Distribution Amount on any Payment Date shall not exceed the Interest Reserve Amount as of such Payment Date.

"Aggregate Outstanding Amount": When used with respect to any or all of the Securities, (i) the aggregate principal or notional amount of such Securities Outstanding on the date of determination plus (ii) in the case of the Class C Notes, the Class D Notes and the Class E Notes, for purposes other than determining whether a sufficient principal amount of the Class C Notes, the Class D Notes or the Class E Notes has voted with respect to matters relating to the Indenture or the Collateral Management Agreement, any related Deferred Interest.

"Aggregate Principal Amount": When used with respect to any or all of the Collateral Obligations, Eligible Investments or cash, the aggregate of the Principal Balances of such Collateral Obligations, Eligible Investments or cash on the date of determination.

"Aggregate Underlying Undrawn Amount": At any time of determination, the unfunded portion of all Revolving Credit Facilities and Delayed Funding Term Loans held by the Issuer at such time.

"Aggregate Unfunded Spread": As of any date of determination, the products obtained by multiplying (i) for each Revolving Credit Facility or Delayed Funding Term Loan (other than a Revolving Credit Facility or Delayed Funding Term Loan that is a Defaulted Obligation), the commitment fee and/or facility fee then in effect as of such date and (ii) the undrawn commitments of each such Revolving Credit Facility or Delayed Funding Term Loan as of such date.

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"**Applicable Period**": For the first Interest Accrual Period, the period from and including the Closing Date to but excluding the first Scheduled Payment Date and for each Interest Accrual Period thereafter, three months (except with respect to the last Applicable Period, the period from and including the immediately preceding Scheduled Payment Date to but excluding the Stated Maturity or the Redemption Date, as applicable).

"**Assignment**": An interest in a loan acquired directly by way of sale or assignment.

"**Bank**": The Bank of New York Trust Company, National Association, a limited purpose national banking association with trust powers, but in its individual capacity and not as Trustee, and any successor thereto.

"**Bankruptcy Code**": The United States Bankruptcy Code, as set forth in Title 11 of the United States Code, as amended.

"**Bivariate Risk Obligation**": (i) A Collateral Obligation that is loaned pursuant to a Securities Lending Agreement, (ii) a Synthetic Security, (iii) a Participation or (iv) an obligation of a Non-U.S. Obligor organized under the laws of a sovereign jurisdiction, the foreign currency rating of which is below "AA" by S&P.

"**Business Day**": Any day other than (i) Saturday or Sunday or (ii) a day on which commercial banking institutions are authorized by law, regulation or executive order to close in (a) New York, New York, (b) Houston, Texas, (c) solely with respect to the calculation of LIBOR, London, England, and (d) with respect to matters relating solely to the Irish Stock Exchange, Dublin, Ireland.

"**Caa/CCC Collateral Obligation**": Any Collateral Obligations with a Moody's Default Probability Rating of "Caa1" or lower or with an S&P Rating of "CCC+" or lower; it being understood and agreed that, notwithstanding any provision of the Indenture, the foregoing definition of "Caa/CCC Collateral Obligation" shall specifically exclude any Defaulted Obligation or Discount Collateral Obligation.

"**CDO Security**": Any collateralized debt obligation (cashflow or synthetic or a combination thereof), whose underlying collateral consists primarily of bank loans or any other similar collateral.

"**Class**": All of the Securities having the same priority and the same Stated Maturity.

"**Class A Break-even Default Rate**": As of any Measurement Date, the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain, as determined through application by the Collateral Manager of the S&P CDO Monitor, which, after giving effect to S&P's assumptions on recoveries on defaulted securities and timing of such recoveries and to the Priority of Payments, will result in sufficient funds remaining for the payment of the Class A Notes in full by their Stated Maturity and the timely payment of interest on the Class A Notes.

"**Class A Interest Distribution Amount**": With respect to any Payment Date, an amount equal to the sum of:

(a) the aggregate amount of interest accrued, at the applicable Note Interest Rate, during the related Interest Accrual Period on the Aggregate Outstanding Amount of the Class A Notes as of the first day of such Interest Accrual Period;

(b) to the extent lawful and enforceable, the aggregate amount of interest accrued, at the applicable Note Interest Rate, during the related Interest Accrual Period, on any unpaid Defaulted Interest relating to the Class A Notes; and

(c) any unpaid Defaulted Interest relating to the Class A Notes.

"**Class A Loss Differential**": As of any Measurement Date, the rate calculated by subtracting the Class A Scenario Default Rate at such time from the Class A Break-even Default Rate at such time.

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"Class A Note Interest Amount": As to each Interest Accrual Period, the amount of interest for such Interest Accrual Period payable in respect of each $1,000 principal amount of the Class A Notes.

"Class A Notes": The Class A Floating Rate Notes having the applicable Note Interest Rate and Stated Maturity as set forth under "Summary—The Offering—Securities Issued," including any additional Class A Notes issued as set forth under "Description of the Securities—The Indenture—Additional Issuance".

"Class A Par Value Ratio": On any Measurement Date, the Par Value Ratio as calculated with respect to the Class A Notes.

"Class A Scenario Default Rate": As of any Measurement Date, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with a rating of "AAA" by S&P as determined by application of the S&P CDO Monitor at such time.

"Class A/B Interest Coverage Ratio": On the Second Determination Date and any subsequent Measurement Date, the Interest Coverage Ratio as calculated with respect to the Class A Notes and the Class B Notes.

"Class A/B Interest Coverage Test": A test satisfied as of the Second Determination Date and any subsequent Measurement Date if the Class A/B Interest Coverage Ratio is equal to or greater than the applicable amount set forth under "Summary—The Offering—Coverage Tests and the Reinvestment Test".

"Class A/B Par Value Ratio": On any Measurement Date, the Par Value Ratio as calculated with respect to the Class A Notes and the Class B Notes.

"Class A/B Par Value Test": A test satisfied as of the Effective Date and any subsequent Measurement Date if the Class A/B Par Value Ratio is equal to or greater than the applicable amount set forth under "Summary—The Offering—Coverage Tests and the Reinvestment Test".

"Class B Break-even Default Rate": As of any Measurement Date, the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain, as determined through application by the Collateral Manager of the S&P CDO Monitor, which, after giving effect to S&P's assumptions on recoveries on defaulted securities and timing of such recoveries and to the Priority of Payments, will result in sufficient funds remaining for the payment of the Class B Notes in full by their Stated Maturity and the timely payment of interest on the Class B Notes.

"Class B Interest Distribution Amount": With respect to any Payment Date, an amount equal to the sum of:

(a) the aggregate amount of interest accrued, at the applicable Note Interest Rate, during the related Interest Accrual Period on the Aggregate Outstanding Amount of the Class B Notes as of the first day of such Interest Accrual Period;

(b) to the extent lawful and enforceable, the aggregate amount of interest accrued, at the applicable Note Interest Rate, during the related Interest Accrual Period, on any unpaid Defaulted Interest relating to the Class B Notes; and

(c) any unpaid Defaulted Interest relating to the Class B Notes.

"Class B Loss Differential": As of any Measurement Date, the rate calculated by subtracting the Class B Scenario Default Rate at such time from the Class B Break-even Default Rate at such time.

"Class B Note Interest Amount": As to each Interest Accrual Period, the amount of interest for such Interest Accrual Period payable in respect of each $1,000 principal amount of the Class B Notes.

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"Class B Notes": The Class B Floating Rate Notes having the applicable Note Interest Rate and Stated Maturity as set forth under "Summary—The Offering—Securities Issued," including any additional Class B Notes issued as set forth under "Description of the Securities—The Indenture—Additional Issuance".

"Class B Scenario Default Rate": As of any Measurement Date an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with a rating of "AA" by S&P as determined by application of the S&P CDO Monitor at such time.

"Class C Break-even Default Rate": As of any Measurement Date, the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain, as determined through application by the Collateral Manager of the S&P CDO Monitor, which, after giving effect to S&P's assumptions on recoveries on defaulted securities and timing of such recoveries and to the Priority of Payments, will result in sufficient funds remaining for the payment of the Class C Notes in full by their Stated Maturity and the ultimate payment of interest on the Class C Notes.

"Class C Interest Coverage Ratio": On the Second Determination Date and any subsequent Measurement Date, the Interest Coverage Ratio as calculated with respect to the Class C Notes.

"Class C Interest Coverage Test": A test satisfied as of the Second Determination Date and any subsequent Measurement Date if the Class C Interest Coverage Ratio is equal to or greater than the applicable amount set forth under "Summary—The Offering—Coverage Tests and the Reinvestment Test".

"Class C Interest Distribution Amount": With respect to any Payment Date, an amount equal to the sum of:

(a) the aggregate amount of interest accrued, at the applicable Note Interest Rate, during the related Interest Accrual Period on the Aggregate Outstanding Amount of the Class C Notes as of the first day of such Interest Accrual Period;

(b) any Deferred Interest relating to the Class C Notes;

(c) to the extent lawful and enforceable, the aggregate amount of interest accrued, at the applicable Note Interest Rate, during the related Interest Accrual Period, on any unpaid Defaulted Interest relating to the Class C Notes; and

(d) any unpaid Defaulted Interest relating to the Class C Notes.

"Class C Loss Differential": As of any Measurement Date, the rate calculated by subtracting the Class C Scenario Default Rate at such time from the Class C Break-even Default Rate at such time.

"Class C Note Interest Amount": As to each Interest Accrual Period, the amount of interest for such Interest Accrual Period payable in respect of each $1,000 principal amount of the Class C Notes.

"Class C Notes": The Class C Deferrable Floating Rate Notes having the applicable Note Interest Rate and Stated Maturity as set forth under "Summary—The Offering—Securities Issued," including any additional Class C Notes issued as set forth under "Description of the Securities—The Indenture—Additional Issuance".

"Class C Par Value Ratio": On any Measurement Date, the Par Value Ratio as calculated with respect to the Class C Notes.

"Class C Par Value Test": A test satisfied as of the Effective Date and any subsequent Measurement Date if the Class C Par Value Ratio is equal to or greater than the applicable amount set forth under "Summary—The Offering—Coverage Tests and the Reinvestment Test".

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"Class C Scenario Default Rate": As of any Measurement Date an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with a rating of "A" by S&P as determined by application of the S&P CDO Monitor at such time.

"Class D Break-even Default Rate": As of any Measurement Date, the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain, as determined through application by the Collateral Manager of the S&P CDO Monitor, which, after giving effect to S&P's assumptions on recoveries on defaulted securities and timing of such recoveries and to the Priority of Payments, will result in sufficient funds remaining for the payment of the Class D Notes in full by their Stated Maturity and the ultimate payment of interest on the Class D Notes.

"Class D Interest Coverage Ratio": On the Second Determination Date and any subsequent Measurement Date, the Interest Coverage Ratio as calculated with respect to the Class D Notes.

"Class D Interest Coverage Test": A test satisfied as of the Second Determination Date and any subsequent Measurement Date if the Class D Interest Coverage Ratio is equal to or greater than the applicable amount set forth under "Summary—The Offering—Coverage Tests and the Reinvestment Test".

"Class D Interest Distribution Amount": With respect to any Payment Date, an amount equal to the sum of:

(a) the aggregate amount of interest accrued, at the applicable Note Interest Rate, during the related Interest Accrual Period on the Aggregate Outstanding Amount of the Class D Notes as of the first day of such Interest Accrual Period;

(b) any Deferred Interest relating to the Class D Notes;

(c) to the extent lawful and enforceable, the aggregate amount of interest accrued, at the applicable Note Interest Rate, during the related Interest Accrual Period, on any unpaid Defaulted Interest relating to the Class D Notes; and

(d) any unpaid Defaulted Interest relating to the Class D Notes.

"Class D Loss Differential": As of any Measurement Date, the rate calculated by subtracting the Class D Scenario Default Rate at such time from the Class D Break-even Default Rate at such time.

"Class D Note Interest Amount": As to each Interest Accrual Period, the amount of interest for such Interest Accrual Period payable in respect of each $1,000 principal amount of the Class D Notes.

"Class D Notes": The Class D Deferrable Floating Rate Notes having the applicable Note Interest Rate and Stated Maturity as set forth under "Summary—The Offering—Securities Issued," including any additional Class D Notes issued as set forth under "Description of the Securities—The Indenture—Additional Issuance".

"Class D Par Value Ratio": On any Measurement Date, the Par Value Ratio as calculated with respect to the Class D Notes.

"Class D Par Value Test": A test satisfied as of the Effective Date and any subsequent Measurement Date if the Class D Par Value Ratio is equal to or greater than the applicable amount set forth under "Summary—The Offering—Coverage Tests and the Reinvestment Test".

"Class D Scenario Default Rate": As of any Measurement Date, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with a rating of "BBB" by S&P as determined by application of the S&P CDO Monitor at such time.

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"**Class E Break-even Default Rate**": As of any Measurement Date, the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain, as determined through application by the Collateral Manager of the S&P CDO Monitor, which, after giving effect to S&P's assumptions on recoveries on defaulted securities and timing of such recoveries and to the Priority of Payments, will result in sufficient funds remaining for the payment of the Class E Notes in full by their Stated Maturity and the ultimate payment of interest on the Class E Notes.

"**Class E Interest Distribution Amount**": With respect to any Payment Date, an amount equal to the sum of:

(a) the aggregate amount of interest accrued, at the applicable Note Interest Rate, during the related Interest Accrual Period on the Aggregate Outstanding Amount of the Class E Notes as of the first day of such Interest Accrual Period;

(b) any Deferred Interest relating to the Class E Notes;

(c) to the extent lawful and enforceable, the aggregate amount of interest accrued, at the applicable Note Interest Rate, during the related Interest Accrual Period, on any unpaid Defaulted Interest relating to the Class E Notes; and

(d) any unpaid Defaulted Interest relating to the Class E Notes.

"**Class E Loss Differential**": As of any Measurement Date, the rate calculated by subtracting the Class E Scenario Default Rate at such time from the Class E Break-even Default Rate at such time.

"**Class E Note Interest Amount**": As to each Interest Accrual Period, the amount of interest for such Interest Accrual Period payable in respect of each $1,000 principal amount of the Class E Notes.

"**Class E Notes**": The Class E Deferrable Floating Rate Notes having the applicable Note Interest Rate and Stated Maturity as set forth under "Summary—The Offering—Securities Issued," including any additional Class E Notes issued as set forth under "Description of the Securities—The Indenture—Additional Issuance".

"**Class E Par Value Ratio**": On any Measurement Date, the Par Value Ratio as calculated with respect to the Class E Notes.

"**Class E Par Value Test**": A test satisfied as of the Effective Date and any subsequent Measurement Date if the Class E Par Value Ratio is equal to or greater than the applicable amount set forth under "Summary—The Offering—Coverage Tests and the Reinvestment Test".

"**Class E Scenario Default Rate**": As of any Measurement Date, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with a rating of "BB" by S&P as determined by application of the S&P CDO Monitor at such time.

"**Class S Break-even Default Rate**": As of any Measurement Date, the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain, as determined through application by the Collataral Manager of the S&P CDO Monitor, which, after giving effect to S&P's assumptions on recoveries on defaulted securities and timing of such recoveries and to the Priority of Payments, will result in sufficient funds remaining for the payment of the Class S Notes in full by their Stated Maturity and the timely payment of interest on the Class S Notes.

"**Class S Interest Distribution Amount**": With respect to any Payment Date, an amount equal to:

(a) the aggregate amount of interest accrued, at the applicable Note Interest Rate, during the related Interest Accrual Period on the Aggregate Outstanding Amount of the Class S Notes as of the first day of such Interest Accrual Period;

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(b) to the extent lawful and enforceable, the aggregate amount of interest accrued, at the applicable Note Interest Rate, during the related Interest Accrual Period, on any unpaid Defaulted Interest relating to the Class S Notes; and

(c) any unpaid Defaulted Interest relating to the Class S Notes.

"Class S Loss Differential": As of any Measurement Date, the rate calculated by subtracting the Class S Scenario Default Rate at such time from the Class S Break-even Default Rate at such time.

"Class S Note Interest Amount": As to each Interest Accrual Period, the amount of interest for such Interest Accrual Period payable in respect of each $100,000 principal amount of the Class S Notes.

"Class S Notes": The Class S Floating Rate Notes having the applicable Note Interest Rate and Stated Maturity as set forth under "Summary—The Offering— Securities Issued", including any additional such Class S Notes issued as set forth under "Description of the Securities—The Indenture—Additional Issuance".

"Class S Principal Distribution Amount": With respect to any Payment Date, the amount set forth on Annex I hereto.

"Class S Scenario Default Rate": As of any Measurement Date an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with a rating of "AAA" by S&P as determined by application of the S&P CDO Monitor at such time.

"Clearstream": Clearstream Banking, société anonyme, a corporation organized under the laws of the Grand Duchy of Luxembourg.

"Closing Date": January 18, 2007.

"Co-Issued Notes": Collectively, the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes.

"Collateral": All money, instruments, investment property and other property and rights and all Proceeds thereof that have been granted by the Issuer to the Trustee under the Indenture. For the avoidance of doubt, Collateral will not include any Warehouse Accrued Interest.

"Collateral Account": The segregated trust account or accounts into which the Issuer shall, from time to time, deposit Collateral.

"Collateral Administration Agreement": An agreement dated as of the Closing Date, among the Issuer, the Collateral Manager and the Collateral Administrator.

"Collateral Administrator": The Bank, solely in its capacity as Collateral Administrator under the Collateral Administration Agreement, until a successor Person shall have become the Collateral Administrator pursuant to the applicable provisions of the Collateral Administration Agreement, and thereafter "Collateral Administrator" shall mean such successor Person.

"Collateral Interest Amount": As of any date of determination, an amount, determined in accordance with the Indenture, equal to (i) the aggregate amount of Interest Proceeds that have been received by the Issuer or are expected by the Collateral Manager to be received by the Issuer (other than Interest Proceeds with respect to Collateral Obligations that pay interest less frequently than quarterly) in each case during the Due Period in which such date of determination occurs plus (ii) the Aggregate Interest Reserve Distribution Amount for the immediately following Payment Date, minus (iii) the amounts payable in respect of subclauses (i)(a), (ii), (iii), (iv) and (v) of "Description of the Securities—Priority of Payments—Interest Proceeds" on the following Payment Date.

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"Collateral Management Agreement": An agreement dated as of the Closing Date, between the Issuer and the Collateral Manager relating to the Collateral Manager's performance on behalf of the Issuer of certain investment management duties with respect to the Collateral, as amended from time to time in accordance with its terms and the terms of the Indenture.

"Collateral Portfolio": On any date of determination, (i) all Pledged Obligations and all cash held in any Issuer Accounts (excluding Eligible Investments and cash constituting in each case Interest Proceeds), (ii) after the occurrence of an event of default, as such term is defined under a Securities Lending Agreement, Securities Lending Collateral deposited by the related Securities Lending Counterparty in the Securities Lending Account (but not to exceed the amount of the Securities Lending Counterparty's obligations owed to the Issuer) and (iii) the amount by which the amounts deposited in the Synthetic Security Collateral Accounts exceed the amounts owed by the Issuer to Synthetic Security Counterparties.

"Controlling Class": The Class S Notes and the Class A Notes (voting together as a single class), until the Class S Notes and the Class A Notes have been paid in full, then the Class B Notes until the Class B Notes have been paid in full, then the Class C Notes until the Class C Notes have been paid in full, then the Class D Notes until the Class D Notes have been paid in full, and then the Class E Notes until the Class E Notes have been paid in full, and then the Subordinated Securities.

"Corporate Family Rating": With respect to any Collateral Obligation and the issuer or obligor thereof, (i) as of any date of determination, the "corporate family rating" as published by Moody's as of such date of determination, if applicable and available; or (ii) if Moody's has not published a "corporate family rating" for the issuer or obligor of the Collateral Obligation as of such date of determination, but has published a "corporate family rating" for a parent company or another affiliate under the management control of the entity to which it is assigned, such rating.

"Credit Improved Criteria": With respect to any Collateral Obligation, the occurrence of any of the following:

(i) if such Collateral Obligation has been upgraded or put on a watch list for possible upgrade above the rating in effect on the date on which such Collateral Obligation was purchased by the Issuer by either of the Rating Agencies; or

(ii) if such Collateral Obligation is a Structured Finance Security (a) it has experienced an increase of at least 1.00% in its par value ratio and an increase of at least 5.00% of the weighted average rating factor after the date on which such Structured Finance Security was purchased by the Issuer or (b) the Issuer thereof has since first (1) failing any of its coverage tests (which failure must have occurred after the date on which such Structured Finance Security was purchased by the Issuer), begun passing all of its coverage tests or (2) paying interest "in kind" (which payment "in kind" must have occurred after the date on which such Structured Finance Security was purchased by the Issuer), begun making interest payments in cash; or

(iii) if such Collateral Obligation is a Collateral Obligation other than a Structured Finance Security, (X) in the case of a loan, (1) the interest rate spread over the applicable reference rate for such Collateral Obligation has been decreased since the date of purchase by 0.25% or more due to an improvement in the related borrower's financial ratios or financial results in accordance with the underlying Collateral Obligation or (2) the percentage change in price of such Collateral Obligation during the period from the date on which it was acquired by the Issuer to the date of determination is either more positive, or less negative, as the case may be, than 0.50% *plus* the percentage change in the average price of, or average price specified in, an Eligible Loan Index in respect of the same period or (Y) in the case of a bond, such Collateral Obligation changed in price during the period from the date on which it was purchased by the Issuer to the date of determination by a percentage either more positive, or less negative, as the case may be, than the percentage change in the Merrill Lynch High Yield Index, Bloomberg ticker JOAO, Average Price Option *plus* 3.00%, over the same period.

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"Credit Improved Obligation": Any Collateral Obligation that has significantly improved in credit quality (as determined by the Collateral Manager in its sole judgment, which judgment shall not be subject to question as a result of subsequent events).

"Credit Risk Criteria": With respect to any Collateral Obligation, the occurrence of any of the following:

(i) if such Collateral Obligation has been downgraded or put on a watch list for possible downgrade below the rating in effect on the date on which such Collateral Obligation was purchased by the Issuer by either of the Rating Agencies; or

(ii) if such Collateral Obligation is a Structured Finance Security (e) it has experienced a decrease of at least 1.00% in its par value ratio and a decrease of at least 5.00% of the weighted average rating factor after the date on which such Structured Finance Security was purchased by the Issuer or (b) the issuer thereof has since first (1) passing all of its coverage tests (which such issuer must have been passing on the date on which such Structured Finance Security was purchased by the Issuer), begun failing any of its coverage tests or (2) making interest payments in cash (which payments in cash such issuer must have been making on the date on which such Structured Finance Security was purchased by the Issuer), begun paying interest "in kind"; or

(iii) if such Collateral Obligation is a Collateral Obligation other than a Structured Finance Security, (X) in the case of a loan, (1) the interest rate spread over the applicable reference rate for such Collateral Obligation has been increased since the date of purchase by 0.25% or more due to a deterioration in the related borrower's financial ratios or financial results in accordance with the underlying Collateral Obligation or (2) the percentage change in price of such Collateral Obligation during the period from the date on which it was acquired by the Issuer to the date of determination is either more negative, or less positive, as the case may be, than 0.50% below the percentage change in the average price of, or average price specified in, an Eligible Loan Index in respect of the same period or (Y) in the case of a bond, such Collateral Obligation changed in price during the period from the date on which it was purchased by the Issuer to the date of determination by a percentage either more negative, or less positive, as the case may be, than the percentage change in the Merrill Lynch High Yield Index, Bloomberg ticker JOAO, Average Price Option *less* 3.00%, over the same period.

"Credit Risk Obligation": Any Collateral Obligation that has a significant risk of declining in credit quality or, with the lapse of time, becoming a Defaulted Obligation (as determined by the Collateral Manager in its sole judgment, which judgment shall not be subject to question as a result of subsequent events).

"Current Pay Obligation": A Collateral Obligation (other than a DIP Loan, a Structured Finance Security or a Finance Lease):

(i) as to which no interest or principal payments are due and unpaid;

(ii) that pays interest at least quarterly;

(iii) that would satisfy subclauses (ii), (iii) or (iv) of the definition of "Defaulted Obligation" (without giving effect to the proviso in subclauses (ii), (iii) and (iv) relating to Current Pay Obligations);

(iv) that has a rating of at least "Caa2" by Moody's (if rated by Moody's) (provided that if such rating is "Caa2," such rating must not be on watch for possible downgrade by Moody's); and

(v) if the issuer of such Collateral Obligation is subject to a bankruptcy proceeding, a bankruptcy court has authorized the payment of interest, principal and/or amounts that would constitute adequate protection to the lender due and payable on such Collateral Obligation.

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A Collateral Obligation may not be designated as a Current Pay Obligation if doing so would cause more than 5.0% in Aggregate Principal Amount of the Collateral Portfolio to consist of Current Pay Obligations. For the avoidance of doubt, as specified in subclause (viii) of the definition of "Defaulted Obligation," the portion of any Collateral Obligation that would otherwise satisfy the definition of "Current Pay Obligation" but the inclusion of which would cause more than 5.0% in Aggregate Principal Amount of the Collateral Portfolio to consist of Current Pay Obligations shall be treated as a Defaulted Obligation.

"Current Portfolio": At any time, the Collateral Portfolio held by the Issuer.

"Defaulted Hedge Termination Payment": Any termination payment required to be made by the Issuer to a Hedge Counterparty pursuant to a Hedge Agreement as a result of an "Event of Default" with respect to which the Hedge Counterparty is the "Defaulting Party" or a "Termination Event" (other than "Illegality" or "Tax Event") (each as defined in the Hedge Agreement) with respect to which the Hedge Counterparty is the sole "Affected Party" or with respect to a termination resulting from a Downgrade Terminating Event.

"Defaulted Interest": Any interest due and payable in respect of any Class A Note or Class B Note (or in respect of any Class C Note after the Class A Notes and the Class B Notes have been paid in full, or in respect of any Class D Note, after the Class A Notes, the Class B Notes and the Class C Notes have been paid in full, or in respect of any Class E Note, after the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes have been paid in full), which is not punctually paid or duly provided for on the applicable Payment Date or at the Stated Maturity, as the case may be.

"Defaulted Obligation": Any Collateral Obligation shall constitute a "Defaulted Obligation" if:

(i) there has occurred and is continuing, (x) without regard to any waiver, for the lesser of five Business Days and any applicable grace period (as the case may be, the **"Cure Period"**) a default with respect to the payment of interest or principal or (y) any other default under the related underlying instrument in respect of such Collateral Obligation and an acceleration of such Collateral Obligation by the holders thereof; *provided, however*, that, (A) for purposes of clause (x) above, a Collateral Obligation shall constitute a Defaulted Obligation only until such default has been cured or the existence of such default has been eliminated in connection with a restructuring and a Cure Period shall only be available if the Collateral Manager has certified to the Trustee in writing that, in the judgment of the Collateral Manager, such default resulted from non-credit related causes and (B) for purposes of clause (y) above, a Collateral Obligation shall constitute a Defaulted Obligation only until such default has been cured or waived;

(ii) (x) any bankruptcy, insolvency or receivership proceeding has been initiated in connection with the issuer of such Collateral Obligation and is unstayed and undismissed; *provided* that if such proceeding is an involuntary proceeding, the condition of this subclause (ii)(x) will not be satisfied until the earliest of the following: (I) the issuer consents to such proceeding, (II) an order for relief under the Bankruptcy Code, or any substantially similar order under a proceeding not taking place under the Bankruptcy Code, has been entered, and (III) such proceeding remains unstayed and undismissed for 90 days; *provided, further*, that a Current Pay Obligation or a DIP Loan shall not constitute a Defaulted Obligation under this subclause (ii)(x) notwithstanding such bankruptcy, insolvency or receivership proceeding; or (y) as to which there has been proposed or effected any distressed exchange or other distressed debt restructuring where the issuer of such Collateral Obligation has offered the debt holders a new security or package of securities that, in the judgment of the Collateral Manager, amounts to a diminished financial obligation; *provided* that a Collateral Obligation that was determined to be a Defaulted Obligation pursuant to this subclause (ii)(y), shall not be considered to be a Defaulted Obligation if, as a result of subsequent events, the new security or package of securities received in connection with any distressed exchange or restructuring, in the judgment of the Collateral Manager, no longer amounts to a diminished financial obligation;

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(iii) the Collateral Manager has actual knowledge that the issuer thereof is in default as to payment of principal and/or interest on another obligation (and such default has not been cured), but only if one of the following conditions (i) or (II) is met: (I) both such other obligation and the Collateral Obligation are unsecured obligations with the same recourse and the other obligation is senior to or *pari passu* with the Collateral Obligation in right of payment or (II) all of the following conditions (A), (B) and (C) are satisfied: (A) both such other obligation and the Collateral Obligation are full recourse secured obligations secured by identical collateral, (B) the security interest securing the other obligation is senior to or *pari passu* with the security interest securing the Collateral Obligation and (C) the other obligation is senior to or *pari passu* with the Collateral Obligation in right of payment; provided that a Collateral Obligation shall not constitute a Defaulted Obligation under this subclause (iii) if it is a Current Pay Obligation or a DIP Loan, as the case may be;

(iv) (1) such Collateral Obligation (x) has been rated "D" or "SD" (or, with respect to a Collateral Obligation that is a Structured Finance Security, "CC" or below) by S&P or (y) is a Structured Finance Security rated "Ca" or below by Moody's or (2) S&P has withdrawn its rating on such Collateral Obligation for negative credit related reason(s) and immediately prior to such withdrawal by S&P, such Collateral Obligation was rated "CC" or below by S&P; *provided* that (A) a Collateral Obligation shall not constitute a Defaulted Obligation pursuant to subclause (2) above if the S&P Rating Condition has been satisfied and (B) a Collateral Obligation shall not constitute a Defaulted Obligation under this subclause (iv) if it is a Current Pay Obligation or a DIP Loan, as the case may be;

(v) such Collateral Obligation is a Synthetic Security, and (1) there has occurred a "credit event" (as such term is defined in the related Synthetic Security) with respect to a Reference Obligation or a Reference Obligor specified in such Synthetic Security, or (2) the related Synthetic Security Counterparty fails to make payments to the Issuer in accordance with the terms of such Synthetic Security;

(vi) such Collateral Obligation is an obligation that is delivered to the Issuer under a Synthetic Security that does not satisfy the definition of "Collateral Obligation";

(vii) such Collateral Obligation is a Participation and the related Selling Institution fails to make payments to the Issuer in accordance with the terms of such Participation; or

(viii) such Collateral Obligation or the portion of any such Collateral Obligation that would otherwise satisfy the definition of "Current Pay Obligation" but the inclusion of which in the definition of "Current Pay Obligation" would cause more than 5.0% in Aggregate Principal Amount of the Collateral Portfolio to consist of Current Pay Obligations.

For the avoidance of doubt, the Collateral Manager shall be deemed to have knowledge of all information of which the analysts and portfolio managers involved in the management of the Collateral Portfolio under the Collateral Management Agreement have actual knowledge.

Notwithstanding the foregoing definition, the Collateral Manager may declare any Collateral Obligation to be a Defaulted Obligation if, in the Collateral Manager's sole judgment, the credit quality of the issuer of such Collateral Obligation (or, in the case of a Synthetic Security, the credit quality of the Synthetic Security Counterparty or Reference Obligor with respect thereto, as applicable) has significantly deteriorated such that there is a reasonable expectation of payment default as of the next scheduled payment date with respect to such Collateral Obligation; *provided* that a Collateral Obligation that has been declared to be a Defaulted Obligation pursuant to this paragraph, shall cease to be considered as a Defaulted Obligation if, in the Collateral Manager's sole judgment, the circumstances supporting such declaration no longer exist.

"Deferrable Interest Obligation": Any Collateral Obligation that is a debt security or a loan (including a Finance Lease) that is permitted, at the time of its purchase or commitment to purchase, under its terms in certain (but not all) circumstances to make interest payments due thereon, which are otherwise payable in cash, on a deferred basis "in kind".

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"**Delayed Funding Term Loan**": A loan that requires one or more future advances to be made to the borrower but which, once all such advances have been made, has the characteristics of a term loan; *provided* that such loan shall only be considered a Delayed Funding Term Loan for so long as any future funding obligations remain in effect and only with respect to any portion which constitutes a future funding obligation.

"**Deliverable Obligation**": A debt obligation or other security that is delivered to the Issuer upon the occurrence of certain "credit events" under a Synthetic Security (if physical settlement is permitted thereunder) that satisfies the definition of "Collateral Obligation" at the time it is delivered to the Issuer, except that such debt obligation or other security (i) may be a Defaulted Obligation or a Credit Risk Obligation at the time delivered to the Issuer and (ii) does not have to satisfy the requirements set forth in subclause (ii) of the definition of "Collateral Obligation".

Notwithstanding any provision to the contrary contained herein, the Issuer may accept the delivery of a Deliverable Obligation that does not meet the requirements set forth in the definition of "Deliverable Obligation" if (i) the terms of the related Synthetic Security otherwise satisfy the definition of "Deliverable Obligation" at the time it is purchased by or entered into by the Issuer and (ii) it would be impractical or impossible for the Synthetic Security Counterparty to deliver a Deliverable Obligation that satisfies the requirements set forth in the definition of "Deliverable Obligation" and cash settlement is not permitted; *provided, however,* the Issuer may accept a Deliverable Obligation that does not meet the requirements of this definition (a "**Substitute Deliverable Obligation**"), notwithstanding the foregoing, if the Collateral Manager has obtained written advice of a nationally recognized tax counsel experienced in such matters that the Issuer's taking delivery of the "deliverable obligation" will not cause the Issuer to be treated as engaged in a United States trade or business for U.S. federal income tax purposes or to otherwise be subject to tax on a net income basis and that payments on such "deliverable obligation" are not subject to withholding tax. The Issuer shall notify S&P of the acquisition of any Substitute Deliverable Obligation.

"**Determination Date**": With respect to a Payment Date, the last Business Day of the immediately preceding Due Period.

"**DIP Loan**": A loan made to a debtor in possession as described in Section 1107 of the Bankruptcy Code (or a trustee if appointment of a trustee has been ordered) that is:

(i) paying interest on a current basis; and

(ii) approved by an order of the United States Bankruptcy Court, the United States District Court or any other court of competent jurisdiction, the enforceability of which order is not subject to any pending contested matter or proceeding, which order must provide that:

(1) such loan is secured by liens on the debtor's otherwise unencumbered assets pursuant to either section 364(c) or 364(d) (or any combination thereof) of the Bankruptcy Code;

(2) 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 pursuant to either section 364(c) or 364(d) (or any combination thereof) of the Bankruptcy Code;

(3) such loan is secured by junior liens on the debtor's encumbered assets and is fully secured based upon a current valuation or appraisal report; or

(4) if such loan or any portion thereof is unsecured, the repayment of such loan retains priority over all other administrative expenses pursuant to either section 364(c) or 364(d) (or any combination thereof) of the Bankruptcy Code;

provided, however, that (a)(i) such loan shall be rated by S&P or S&P shall have provided in writing an estimated rating of such loan to the Issuer, and (ii) such loan shall be explicitly rated by Moody's or

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Moody's shall have provided in writing an estimated rating of such loan to the Issuer, or (b) in either case, the Collateral Manager has applied for such rating within five Business Days of its purchase of the loan;

provided, further, that if such loan or any portion thereof is unsecured, (a) either (x) the acquisition of such loan shall be subject to the satisfaction of the Moody's Rating Condition or (y) such loan must have (i) a rating from Moody's of at least "Caa1" and a market value of at least 80% of par or (ii) a rating from Moody's of at least "Caa2" and a market value of at least 85% of par and, in the case of any rating of under this clause (y), such rating must not be on watch for possible downgrade by Moody's, and (b) the acquisition of such loan shall be subject to the satisfaction of the S&P Rating Condition.

If the DIP Loan has an S&P Rating pursuant to (v)(2)(a) or (v)(2)(b) of the definition thereof, then the Issuer (or the Collateral Manager on behalf of the Issuer), upon receipt thereof, shall cause to be forwarded to S&P any notice of restructuring or amendments relating to any DIP Loans held by the Issuer.

"Discount Collateral Obligation": A Collateral Obligation

(i) that is purchased at a price of less than 80% of par if the Collateral Obligation is a loan and has a Moody's Rating of "B3" or higher (including a DIP Loan and a Synthetic Security that has a Reference Obligation that is a loan that, at the time of the purchase of such Synthetic Security, has a Market Value of less than 80% of the principal balance of the Reference Obligation as defined under such Synthetic Security and has a Moody's Rating of "B3" or higher);

(ii) that is purchased at a price of less than 85% of par if the Collateral Obligation is a loan and has a Moody's Rating of "Caa1" or lower (including a DIP Loan and a Synthetic Security that has a Reference Obligation that is a loan that, at the time of the purchase of such Synthetic Security, has a Market Value of less than 85% of the principal balance of the Reference Obligation as defined under such Synthetic Security and has a Moody's Rating of "Caa1" or lower); or

(iii) that is purchased at a price of less than 80% of par if the Collateral Obligation is not a loan and has a Moody's Rating below "B3" (including a Synthetic Security that has a Reference Obligation that is a bond that, at the time of the purchase of such Synthetic Security, has a Market Value of less than 80% of the principal balance of the Reference Obligation as defined under such Synthetic Security and has a Moody's Rating below "B3");

(iv) that is purchased at a price of less than 75% of par if the Collateral Obligation is not a loan and has a Moody's Rating of "B3" or higher (including a Synthetic Security that has a Reference Obligation that is a bond that, at the time of the purchase of such Synthetic Security, has a Market Value of less than 75% of the principal balance of the Reference Obligation as defined under such Synthetic Security and has a Moody's Rating of "B3" or higher); or

(v) that is purchased at a price of less than 75% of par if the Collateral Obligation is a Structured Finance Security or a Finance Lease;

provided, however, that with respect to any Measurement Date on or after the 30th consecutive day on which the Market Value of a Discount Collateral Obligation (including for the avoidance of doubt, the Market Value of a Reference Obligation with respect to a Synthetic Security that is a Discount Collateral Obligation) has been equal to or greater than 90% of par (or, in the case of a Synthetic Security, the principal balance or notional amount of the Reference Obligation as defined under such Synthetic Security), such Collateral Obligation will cease to be a Discount Collateral Obligation.

"Disposition Proceeds": Proceeds received with respect to sales of Collateral Obligations, Eligible Investments or Equity Securities and the termination of any Hedge Agreement, in each case, net of reasonable out-of-pocket expenses and disposition costs in connection with such sales.

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"Distribution": Any payment of principal or interest or any dividend, premium or fee payment made on, or any other distribution in respect of, a security or obligation.

"Diversity Score": A single number that indicates Collateral concentration in terms of both issuer and industry concentration. The Diversity Score for the Collateral Obligations is calculated by summing each of the Industry Diversity Scores, which are calculated as follows:

(i) An **"Obligor Par Amount"** is calculated for each obligor represented in the Collateral Obligations by summing the Principal Balance of all Collateral Obligations in the Collateral issued by that obligor.

(ii) An **"Average Par Amount"** is calculated by summing the Obligor Par Amounts and dividing by the number of obligors represented.

(iii) An **"Equivalent Unit Score"** is calculated for each obligor by taking the lesser of (A) one and (B) the Obligor Par Amount for each obligor divided by the Average Par Amount.

(iv) An **"Aggregate Industry Equivalent Unit Score"** is then calculated for each of the Moody's Industry Category groups by summing the Equivalent Unit Scores for each obligor in the industry.

(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 purposes of calculating the Diversity Score, an affiliate of an obligor that is in a different industry from such obligor shall be treated as a separate obligor from such obligor if such treatment satisfies the Moody's Rating Condition.

In the event Moody's modifies its industrial classification groups, the Collateral Manager may elect to have each Collateral Obligation reallocated among such modified industrial classification groups for purposes of determining the Industry Diversity Score and the Diversity Score; provided that (i) the Collateral Manager shall have provided written notice of such election to Moody's, the Trustee and the Collateral Administrator and (ii) the Moody's Rating Condition has been satisfied.

Diversity Score Table

Aggregate Industry Equivalent Unit Score	Industry Diversity Score	Aggregate Industry Equivalent Unit Score	Industry Diversity Score	Aggregate Industry Equivalent Unit Score	Industry Diversity Score	Aggregate Industry 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

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Aggregate Industry Equivalent Unit Score	Industry Diversity Score	Aggregate Industry Equivalent Unit Score	Industry Diversity Score	Aggregate Industry Equivalent Unit Score	Industry Diversity Score	Aggregate Industry Equivalent Unit Score	Industry Diversity Score
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		

"Dollar" or **"$"**: A dollar or other equivalent unit in such coin or currency of the United States of America as at the time shall be legal tender for all debts, public and private.

"DTC": The Depository Trust Company, its nominees, and their respective successors.

"Due Period": With respect to any Payment Date, the period commencing on the day immediately following the seventh Business Day prior to the preceding Payment Date (or in the case of the Due Period relating to the first Payment Date, beginning on the Closing Date) and ending on (and including) the seventh Business Day prior to such Payment Date (or, in the case of a Due Period that is applicable to the Payment Date relating to the Stated Maturity of any Security or a Redemption Date, ending on (and including) the Business Day immediately preceding such Payment Date).

"Effective Date": The earlier of (i) the date designated by the Collateral Manager by notice to the Trustee pursuant to the Indenture and (ii) the Business Day immediately preceding the Payment Date in August 2007.

"Effective Date Ratings Downgrade Event": The event that results from (i) the reduction or withdrawal of the initial ratings assigned to the Secured Notes by any of the Rating Agencies by the Effective Date or (ii) the failure of the Issuer (or the Collateral Manager on behalf of the Issuer) to obtain from the Rating Agencies confirmation of the initial ratings of such Secured Notes by the Effective Date; *provided* that (A) in the case of (ii) and with respect to Moody's only, the Issuer shall not be considered to have failed to obtain such confirmation if all of the Collateral Quality Tests (other than the S&P CDO Monitor Test), the Par Value Tests, the Minimum Par Value Ratio and the Concentration Limitations were satisfied as of the

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Effective Date; *provided* that such deemed confirmation from Moody's shall no longer be effective (and thereby an Effective Date Ratings Downgrade Event will be deemed to have occurred) if the Issuer has failed to deliver to Moody's the accountant's certificate required to be delivered under the Indenture, and (B) the Issuer (or the Collateral Manager on behalf of the Issuer) shall have made the request (and delivered all the necessary information) to S&P no later than 30 days prior to the Effective Date.

"Effective Spread": With respect to any Floating Rate Collateral Obligation, the current per annum rate at which it pays interest in excess of three-month LIBOR or, if such Floating Rate Collateral Obligation bears interest based on a non-LIBOR based floating rate index, the Effective Spread shall be the then-current base rate applicable to such Floating Rate Collateral Obligation plus the rate at which such Floating Rate Collateral Obligation pays interest in excess of such base rate minus three-month LIBOR, which number may be less than zero.

"Eligibility Criteria": The requirements specified in subclause (i) through (xviii) of the definition of "Collateral Obligation" in "Summary—Collateral Obligations".

"Eligible Investment": Any Dollar-denominated investment that, at the time it, or evidence of it, is delivered to the Trustee (directly or through a Clearing Corporation, Securities Intermediary, bailee or through book-entry crediting to a securities account in the name of, or under the "control" (as defined in Section 8-106 of the UCC) of, the Trustee), is one or more of the following obligations or securities:

(i) direct Registered debt obligations of, and Registered debt obligations the timely payment of principal and interest on which is fully and expressly guaranteed by, the United States of America or any agency or instrumentality of the United States of America the obligations of which are expressly backed by the full faith and credit of the United States of America;

(ii) demand and time deposits in, certificates of deposit of, or banker's acceptances issued by any depository institution or trust company incorporated under the laws of the United States of America (including the Bank) or any state thereof, which depository institution or trust company is subject to supervision and examination by federal or state authorities, so long as the commercial paper and/or the debt obligations of such depositary institution or trust company (or, in the case of the principal depositary 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 have been assigned a credit rating of at least "Aa3" by Moody's and "AAA" by S&P in the case of long-term senior unsecured debt obligations, or "P-1" by Moody's and "A-1+" by S&P in the case of commercial paper, time deposits and short-term debt obligations; *provided* that in the case of commercial paper, time deposits and short-term debt obligations with a maturity of 91 days or less, at the time of such investment, the issuer thereof must also have been assigned a rating of at least "A1" by Moody's; *provided, further*, that in the case of commercial paper and short-term debt obligations with a maturity of longer than 91 days, at the time of such investment, the issuer thereof must have been assigned a rating of at least "Aa3" by Moody's and "AAA" by S&P and; *provided, further*, that any investment in commercial paper or banker's acceptances shall not have a maturity in excess of 183 days;

(iii) unleveraged repurchase obligations with respect to (a) any security described in subclause (i) above or (b) any other security issued or guaranteed by an agency or instrumentality of the United States of America entered into with a depository institution or trust company (acting as principal) described in subclause (ii) above or entered into with a corporation (acting as principal) whose long-term senior unsecured rating is at least "Aa3" by Moody's and "AAA" by S&P and whose short-term credit rating is "P-1" by Moody's and "A-1+" by S&P at the time of such investment (except that investments with a term not exceeding 30 days may be made in unleveraged repurchase obligations with corporations whose short term credit rating is "P-1" by Moody's and at least "A-1" by S&P; *provided* that the amount of such repurchase obligations, when combined with the amount of (x) all other Eligible Investments issued by institutions that have a short term credit rating of "P-1" by Moody's and at least "A-1" by S&P and (y) all other Eligible Investments that have a short term credit

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rating of "P-1" by Moody's and at least "A-1" by S&P, does not at such time exceed 20% of the Aggregate Outstanding Amount of the Secured Notes); *provided* that if such repurchase obligation has a maturity of 91 days or less, at the time of such investment, the obligor thereunder must also have been assigned a long-term credit rating of at least "A1" by Moody's; *provided* that if such repurchase obligation has a maturity of longer than 91 days, at the time of such investment, the obligor thereunder must also have been assigned a long-term credit rating of at least "Aa3" by Moody's and "AAA" by S&P, respectively; *provided, further*, that the value of the securities transferred by the obligor under any such repurchase agreement must equal or exceed the proceeds received by the obligor and provided that no such repurchase agreement shall extend for a term in excess of 183 days;

(iv) Registered debt securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of (x) the United States of America or (y) any state thereof, which Registered debt securities have a credit rating of at least "Aa3" by Moody's and "AAA" by S&P, in the case of long-term senior unsecured debt obligations, and "P-1" by Moody's and "A-1+" by S&P in the case of commercial paper and short-term debt obligations, at the time of such investment or contractual commitment providing for such investment (except that investments with a term not exceeding 30 days may be made in Registered debt securities having a short term credit rating of "P-1" by Moody's and at least "A-1" by S&P; *provided* that the amount of such Registered debt securities, when combined with the amount of all other Eligible Investments that have a short term credit rating of "P-1" by Moody's and at least "A-1" by S&P, does not at such time exceed 20% of the Aggregate Outstanding Amount of the Secured Notes); and *provided, further*, that in the case of commercial paper and short-term debt obligations, at the time of such investment or contractual commitment providing for such investment, the issuer thereof has a rating of at least "Aa3" by Moody's with respect to such issuer's senior unsecured debt obligations;

(v) commercial paper (including, without limitation, any asset-backed commercial paper) or other short-term debt obligations of a corporation, partnership, limited liability company or trust, or any branch or agency thereof, principally located, incorporated or otherwise located in the United States of America or any of its territories, such commercial paper or other short-term obligations (i) having been assigned at the time of such investment a rating of "P-1" by Moody's and "A-1+" by S&P (except that investments with a term not exceeding 30 days may be made in commercial paper or other short-term debt obligations having a short term credit rating of "P-1" by Moody's and at least "A-1" by S&P; *provided* that the amount of investments in such commercial paper and short-term obligations, when combined with the amount of (x) all other Eligible Investments entered into with institutions that have a short term credit rating of "P-1" by Moody's and at least "A-1" by S&P and (y) all other Eligible Investments that have a short term credit rating of "P-1" by Moody's and at least "A-1" by S&P, does not at such time exceed 20% of the Aggregate Outstanding Amount of the Secured Notes), and (II) being Registered and either (x) are interest bearing or (y) are sold at a discount from the face amount thereof and have a maturity of not more than 183 days from their date of issuance; *provided* that if such debt security has a maturity of 91 days or less, at the time of such investment, the issuer thereof must also have been assigned a long-term senior unsecured rating of at least "A1" by Moody's; and *provided, further*, that if such debt security has a maturity of longer than 91 days, at the time of such investment, the issuer thereof must also have been assigned a long-term senior unsecured rating of at least "Aa3" by Moody's and "AAA" by S&P; and

(vi) non-U.S. money market funds which have, at the time of such reinvestment, a credit rating of "Aaa" and "MR1+" by Moody's and "AAAm" or "AAAm-G" by S&P;

and, in each case, matures (giving effect to any applicable grace period) no later than the second Business Day (or, in the case of direct Registered debt obligations described in subclause (i) above, no later than one Business Day) prior to the Payment Date next following the Due Period in which the date of investment occurs, unless such Eligible Investment is issued by the Bank, in which event such Eligible Investment may mature (giving effect to any applicable grace period) on the Business Day preceding such Payment Date;

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provided, however, that Eligible Investments shall not include any mortgage-backed security, interest-only security, any security purchased at a price in excess of 100% of par, any security that is the subject of an Offer other than an offer of publicly registered securities with equal or greater face value and substantially identical terms issued in exchange for securities issued under Rule 144A or a Permitted Offer, any security that is subject to withholding or similar taxes unless the issuer or obligor thereof is required to make "gross-up" payments that cover the full amount of such taxes on an after-tax basis or any security whose repayment is subject to substantial non-credit related risk as determined by the Collateral Manager in its sole judgment (which judgment shall not be subject to question as a result of subsequent events); and *provided, further*, that the maturity of an investment shall be the date on which the holder of such a security will put (at par) the security to the issuer thereof for redemption if each put (at par) is either to the issuer of such security or to another entity rated "P-1" by Moody's and "A-1+" by S&P. Eligible Investments may include those investments with respect to which the Trustee, the Bank or the Collateral Manager or an Affiliate of the Trustee, the Bank or the Collateral Manager is an obligor or provides services. As used in this definition, ratings may not include ratings with a "t," "p," "q," "pi" or an "r" subscript. For purposes of the rating requirements contained in this definition, each investment on negative credit watch by Moody's shall be treated as having been downgraded one rating subcategory by Moody's and each investment on credit watch for possible upgrade by Moody's shall be treated as having been upgraded one rating subcategory by Moody's.

"**Eligible Loan Index**": With respect to each Collateral Obligation that is a loan, the S&P/LSTA Leveraged Loan Index and its sub-indices, the Credit Suisse Leveraged Loan Index and its sub-indices, the Lehman Brothers U.S. High Yield Loan Index and its sub-indices and the Goldman Sachs/LPC Liquid Leveraged Loan Index or any other loan index selected by the Collateral Manager at the relevant time of determination (subject to the satisfaction of the Moody's Rating Condition).

"**Eligible Post Reinvestment Proceeds**": Any Unscheduled Principal Payments or Sale Proceeds of Credit Improved Obligations or Credit Risk Obligations, in each case received after the Reinvestment Period.

"**Equity Security**": (a) Any equity security or any other security that is not eligible for purchase by the Issuer under the Indenture and is received with respect to a Collateral Obligation or (b) any security purchased as part of a "unit" with a Collateral Obligation and that itself is not eligible for purchase by the Issuer under the Indenture.

"**Euroclear**": The Euroclear System.

"**European I Country**": Austria, Belgium, Denmark, Finland, France, Germany, Iceland, Ireland, Liechtenstein, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland and United Kingdom and any other European country subject to the satisfaction of the Moody's Rating Condition and the S&P Rating Condition.

"**European II Country**": Greece, Italy and Portugal.

"**Excess Equity Feature Value**": In respect of any Collateral Obligation which either has equity features attached or which is convertible into an Equity Security, the portion of the acquisition price thereof which, in the sole judgment of the Collateral Manager, is attributable to the value of such equity feature or conversion option of such Equity Security and which is in excess of 2% of the total purchase price of such Collateral Obligation.

"**Exchange Act**": The U.S. Securities Exchange Act of 1934, as amended.

"**Exchanged Defaulted Obligation**": Any Defaulted Obligation exchanged for another Defaulted Obligation.

"**Exchanged Equity Security**": Any equity security or any other security that is not eligible for purchase by the Issuer under the definition of "Collateral Obligation" and received in exchange for a Collateral Obligation.

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"Excluded Subclass": Any subclass of Subordinated Securities issued under "Description of the Securities—The Indenture—Additional Issuance" which shall be excluded for purposes of calculating the Incentive Collateral Management Fee payable pursuant to the Collateral Management Agreement.

"Expense Reserve Amount": $1,800,000.

"Finance Lease": A lease agreement or other agreement entered into in connection with and evidencing a Leasing Finance Transaction.

"Fitch": Fitch Ratings and any successor or successors thereto.

"Fixed Rate Collateral Obligations": Collateral Obligations (other than Defaulted Obligations) that, at the time of determination, bear interest at a fixed rate, including (i) any Step-Up Coupon Securities that (1) bear interest at a fixed rate at the time of determination or (2) do not bear any interest at the time of determination but whose interest rate will increase to a fixed rate and (ii) Synthetic Securities that provide for a payment to the Issuer based on a fixed rate.

"Floating Rate Collateral Obligations": Collateral Obligations (other than Defaulted Obligations) that, at the time of determination, bear interest at a floating rate, including (i) any Step-Up Coupon Securities that (1) bear interest at a floating rate at the time of determination or (2) do not bear any interest at the time of determination but whose interest rate will increase to a floating rate and (ii) Synthetic Securities that provide for a payment to the Issuer based solely on a floating rate.

"Floating Rate Note Interest Amounts": Collectively, the Class S Note Interest Amount, the Class A Note Interest Amount, the Class B Note Interest Amount, the Class C Note Interest Amount, the Class D Note Interest Amount and the Class E Note Interest Amount.

"Floating Rate Note Interest Rates": Collectively, the Note Interest Rate for the Class S Notes, the Note Interest Rate for the Class A Notes, the Note Interest Rate for the Class B Notes, the Note Interest Rate for the Class C Notes, the Note Interest Rate for the Class D Notes and the Note Interest Rate for the Class E Notes.

"Floating Rate Notes": Collectively, the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes.

"Form-Approved Synthetic Security": A Synthetic Security:

(a) the Reference Obligation of which (or the relevant obligation(s) of the Reference Obligor), if it were a Collateral Obligation, could be purchased by the Issuer without any required action by the Rating Agencies or which would not cause either the Moody's Rating Condition or the S&P Rating Condition to be not satisfied in the reasonable judgment of the Collateral Manager;

(b) the documentation of which conforms (but for the amount and timing of periodic payments, the name of the Reference Obligation and/or Reference Obligor, the notional amount, the premium, the effective date, the termination date or maturity and other similarly necessary changes) to a form (it being understood that such documentation may incorporate by reference the Syndicated Secured Loan Credit Default Swap Standard Terms Supplement as published by ISDA as of June 8, 2006) (1) with respect to S&P, previously approved and not subsequently revoked by S&P for use in this transaction, and (2) with respect to Moody's, for which the Issuer or the Collateral Manager on behalf of the Issuer had previously obtained certification that the Moody's Rating Condition was satisfied; and

(c) which provides that any "credit event" thereunder shall be limited to either "bankruptcy" or "failure to pay" or both.

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The Issuer or the Collateral Manager on behalf of the Issuer shall promptly notify the Rating Agencies after any acquisition of a Form- Approved Synthetic Security and cause the delivery of any documentation relating to such Form-Approved Synthetic Security to S&P within ten Business Days of such acquisition; *provided, however*, that in the event the Collateral Manager fails to deliver any documentetion within ten Business Days as required above, such failure shall not constitute a breach of any material terms under the Indenture or the Collateral Management Agreement; *provided* that if S&P or Moody's notifies the Trustee and the Collateral Manager that it has withdrawn form-approved status with respect to a particular Form-Approved Synthetic Security, then the Issuer shall no longer use such form as a Form-Approved Synthetic Security.

"Future Drawdown Amount": At any time of determination, an amount equal to the greater of (A) zero and (B) (i) the Aggregate Underlying Undrawn Amount at such time less (ii) the amount of funds in the Revolving Credit Facility Reserve Account at such time.

"Global Class E Notes": Collectively, the Rule 144A Global Class E Notes and the Regulation S Global Class E Notes.

"Global Securities": Collectively, the Rule 144A Global Secured Notes, the Regulation S Global Secured Notes and the Regulation S Global Subordinated Securities.

"Hedge Agreement": Any interest rate exchange, cap or protection agreement or agreements entered into between the Issuer and a Hedge Counterparty, as amended from time to time, including any confirmations evidencing the transactions thereunder.

"Hedge Counterparty": One or more institutions entering into or guaranteeing a Hedge Agreement with the Issuer (i) satisfying the Required Hedge Counterparty Rating or (ii) if not so rated by both of the Rating Agencies, the Moody's Rating Condition and the S&P Rating Condition (as applicable to any Rating Agency that has not so rated such institution) have been satisfied with respect to any given Hedge Agreement, including any successor under any Hedge Agreement satisfying the foregoing rating requirements at the time of such succession.

"Hedge Payment Amount": With respect to a Hedge Agreement and any Payment Date, the positive amount, if any, then payable to the Hedge Counterparty by the Issuer (excluding any applicable termination payments) net of all amounts (excluding any applicable termination payments) then payable to the Issuer by the Hedge Counterparty.

"Holder" or **"Securityholder"**: With respect to any Security, the Person in whose name such Security is registered in the Register, or for purposes of voting and determinations hereunder, as long as such Security is in global form, a beneficial owner thereof.

"Included Subclass": (i) The subclass of Subordinated Securities issued on the Closing Date and (ii) any subclass of Subordinated Securities issued under "Description of the Securities—The Indenture—Additional Issuance" which shall be included for purposes of calculating the Incentive Collateral Management Fee payable pursuant to the Collateral Management Agreement.

"Indenture": The indenture, dated as of January 18, 2007, among the Issuer, the Co-Issuer and the Trustee.

"Independent": As to any Person, any other Person (including a firm of accountants or lawyers and any member thereof or an investment bank and any member thereof) who (i) does not have and is not committed to acquire any material direct or any material indirect financial interest in such Person or in any Affiliate of such Person, (ii) is not connected with such Person as an officer, employee, promoter, underwriter, voting trustee, partner, director or Person performing similar functions and (iii) is not Affiliated with a firm that fails to satisfy the criteria set forth in (i) and (ii). "Independent" when used with respect to any accountant may include an accountant who audits the books of any Person if in addition to satisfying the criteria set forth above the accountant is independent with respect to such Person within the meaning of Rule 101 of the Code of Ethics of the American Institute of Certified Public Accountants.

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"Initial Investment Period": The period from, and including, the Closing Date to, but excluding, the Effective Date.

"Interest Accrual Period": The period from and including the Closing Date to but excluding the first Scheduled Payment Date, and each successive period from and including each Scheduled Payment Date to but excluding the following Scheduled Payment Date (except with respect to the Scheduled Payment Date preceding the Stated Maturity or the Redemption Date, to but excluding the Stated Maturity or the Redemption Date, as the case may be).

"Interest Coverage Ratio": On any Measurement Date and as to any applicable Class of Secured Notes, the ratio (expressed as a percentage), after giving effect to clauses (i) through (iv) as described under "Security for the Secured Notes—The Coverage Tests", obtained by dividing:

(a) the Collateral Interest Amount as of such date; by

(b) the sum of the scheduled interest payments due on the Securities of such Class (excluding the Class S Notes) and each senior Class (excluding the Class S Notes) on the following Payment Date; *provided, however*, the Class A Notes and the Class B Notes shall constitute one Class of Secured Notes for purposes of the Interest Coverage Ratio determined for the Class A/B Interest Coverage Test.

For purposes of calculating the Interest Coverage Ratio:

(1) distributions in the Due Period in which such Measurement Date occurs (but not yet paid) with respect to a Collateral Obligation which, in accordance with its terms, has an outstanding deferred interest balance, shall be included in such calculation only if (x) such Collateral Obligation paid all interest then currently due in cash on its immediately preceding payment date (including interest due on deferred interest, if any) and (y) the Collateral Manager believes (in its sole judgment) such Collateral Obligation will not defer interest or make a payment "in kind" on its next succeeding payment date;

(2) distributions on the Collateral Obligations and the Eligible Investments will not include any scheduled interest payments as to which the Issuer or the Collateral Manager has actual knowledge that such payment will not be made during the applicable Due Period; and

(3) the expected interest income on Floating Rate Collateral Obligations and Eligible Investments and the expected interest payable on the applicable Class of Secured Notes will be calculated using the then-current interest rates applicable thereto.

"Interest Coverage Tests": The Class A/B Interest Coverage Test, the Class C Interest Coverage Test and the Class D Interest Coverage Test.

"Interest Proceeds": With respect to any Payment Date and the Stated Maturity, without duplication:

(i) all payments of interest and dividends, commitment fees and facility fees received during the related Due Period on the Pledged Obligations (including Reinvestment Income, if any), other than any payment of interest received on any Defaulted Obligation if the outstanding principal amount thereof then due and payable has not been received by the Issuer after giving effect to the receipt of such payments of interest;

(ii) to the extent not included in the definition of "Sale Proceeds," if so designated by the Collateral Manager (in its sole discretion) and notice thereof is conveyed in writing to the Trustee, any portion of the accrued interest received during the related Due Period in connection with the sale of any Pledged Obligations (excluding accrued interest received in connection with the sale of (x) Defaulted Obligations if the outstanding principal amount

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thereof has not been received by the Issuer after giving effect to such sale or (y) Pledged Obligations in connection with an optional redemption of the Securities);

(iii) unless otherwise designated by the Collateral Manager (in its sole discretion) as Principal Proceeds and notice thereof is conveyed in writing to the Trustee, all amendment and waiver fees, all late payment fees, all securities lending fees (net of administration fees paid in connection with securities lending) and all other fees received during such Due Period in connection with the Pledged Obligations, excluding (A) fees received in connection with Defaulted Obligations (but only to the extent that the outstanding principal amount thereof has not been received by the Issuer); (B) fees received in connection with the purchase of Pledged Obligations and any Revolving Credit Facility Net-Backs; and (C) premiums (including prepayment premiums) constituting Principal Proceeds in accordance with subclause (iii) of the definition thereof);

(iv) all net payments (other than (w) termination payments, (x) payments constituting Liquidation Proceeds, (y) upfront payments by a replacement Hedge Counterparty that are to be paid to a replaced Hedge Counterparty in accordance with the relevant Hedge Agreements, which payments shall, if received by the Issuer, be paid directly to such replaced Hedge Counterparty and not be subject to the Priority of Payments and (z) upfront payments by a replacement Hedge Counterparty that constitute Principal Proceeds in accordance with subclause (vi)(B) or (C) of the definition thereof) received pursuant to Hedge Agreements during the related Due Period or on the related Payment Date or the Business Day preceding the related Payment Date;

(v) any recoveries on Defaulted Obligations in excess of the outstanding principal amount thereof (including, without limitation, any payments received by the Issuer upon the occurrence of a "credit event" under a Synthetic Security in excess of the Principal Balance of such Synthetic Security);

(vi) proceeds received from any additional issuance of Securities if treated as Interest Proceeds in accordance with the Treatment of Additional Issuances of Securities;

(vii) (x) any amounts remaining on deposit in the Interest Collection Account from the immediately preceding Payment Date and (y) any Principal Proceeds and unused proceeds transferred to the Interest Collection Account for application as Interest Proceeds as set forth in "Security for the Secured Notes—Principal Collection Account";

(viii) after an event of default, as such term is defined under the related Securities Lending Agreement, any interest payment received by the Issuer from the related Securities Lending Colleteral during the related Due Period (but not to exceed the amount of the Securities Lending Counterparty's obligations owed to the Issuer);

(ix) (x) any amounts transferred from the Synthetic Security Collateral Account that are deposited in the Interest Collection Account during the related Due Period and (y) all fixed payments received by the Issuer on Synthetic Securities; and

(x) all payments of principal and interest on Eligible Investments purchased with the proceeds of any of items (i) through (ix) of this definition (without duplication);

provided, *however*, that in connection with the final Payment Date, Interest Proceeds shall include any amount referred to in subclauses (i) through (ix) above that is received from the sale of Collateral Obligations or the additional issuance of the Subordinated Securities on or prior to the day immediately preceding the final Payment Date.

For the avoidance of doubt, if the Issuer receives any payment from a Securities Lending Counterparty that relates to a Collateral Obligation that has been loaned to such Securities Lending Counterparty pursuant to a related Securities Lending Agreement, the portion of such payment that

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would have constituted Interest Proceeds had such payment been paid from the issuer of such loaned Collateral Obligation to the Issuer shall constitute "Interest Proceeds," and prior to an event of default, as such term is defined under the related Securities Lending Agreement, any payment received by the Issuer under the related Securities Lending Collateral shall not constitute "Interest Proceeds" and such amounts shall be deposited in the Securities Lending Account.

"Interest Reserve Amount": With respect to any Scheduled Payment Date, (i) the sum of all interest payments received on Collateral Obligations which pay scheduled interest less frequently than quarterly during all previous Due Periods (including, for the avoidance of doubt, the Due Period corresponding to such Scheduled Payment Date), less (ii) the sum of the Aggregate Interest Reserve Distribution Amounts on all prior Scheduled Payment Dates, less (iii) all amounts applied pursuant to the penultimate paragraph in "Description of the Securities—Priority of Payments—Interest Proceeds".

"Interest Reserve Distribution Amount": For a Collateral Obligation that pays scheduled interest less frequently than quarterly, an amount equal to:

(i) if such Collateral Obligation is a Fixed Rate Collateral Obligation, the product of (1) the actual number of days in the related Due Period on a 30/360 basis, divided by 360, (2) the annual coupon on such Collateral Obligation as of the immediately preceding Determination Date and (3) the Principal Balance of such Collateral Obligation, or

(ii) if such Collateral Obligation is a Floating Rate Collateral Obligation, the product of (1) the actual number of days in the related Due Period divided by 360, (2) the sum of (I) three-month LIBOR, as of the immediately preceding Determination Date, and (II) the Effective Spread, as of the immediately preceding Determination Date, on such Collateral Obligation and (3) the Principal Balance of such Collateral Obligation.

"Interim Targets": With respect to the Collateral Portfolio on the Interim Targets Date, (i) a Minimum Par Value Ratio equal to or greater than 96%, (ii) a Diversity Score equal to or greater than 48, (iii) a Moody's Weighted Average Rating Factor less than or equal to 2500, (iv) a Weighted Average Spread equal to or greater than 2.40% and (v) a Moody's Weighted Average Recovery Rate equal to or greater than 43.00%.

"Interim Targets Date": April 18, 2007.

"Internal Rate of Return": With respect to each Payment Date, the rate of return that would result in a net present value of zero, assuming: (i) an aggregate purchase price of par for the Subordinated Securities issued on the Closing Date or any related Additional Issuance Date as the negative cash flow and all distributions on the Subordinated Securities on each Payment Date after the Closing Date or any related Additional Issuance Date as positive cash flows, (ii) the initial date for the calculation as the Closing Date or the related Additional Issuance Date, as applicable, and (iii) the number of days to each Payment Date after the Closing Date or related Additional Issuance Date, as applicable, being calculated on the basis of a 360-day year consisting of twelve 30-day months. Such rate of return shall be expressed on a semi-annual bond equivalent basis and take into account any payments of the Incentive Collateral Management Fee on such Payment Date.

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

"Investment Due Period": The first Due Period following the Due Period of receipt of any Principal Proceeds, Sale Proceeds of Credit Improved Obligations or Credit Risk Obligations, Unscheduled Principal Payments or proceeds from additional issuances of the Securities, as applicable.

"Irish Paying Agency Agreement": An agreement between the Irish Paying Agent and the Issuer, as amended from time to time in accordance with the terms thereof.

"Irish Paying Agent": Custom House Administration & Corporate Services Ltd. in Ireland, until a successor Person shall have been appointed by the Issuer, and thereafter "Irish Paying Agent" shall mean such successor person.

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"**Issuer Accounts**": The Interest Collection Account, the Subordinated Securities Interest Collection Account, the Payment Account, the Subordinated Securities Collateral Account, the Collateral Account, the Principal Collection Account, the Subordinated Securities Principal Collection Account, the Expense Reserve Account, the Discretionary Reserve Account and the Revolving Credit Facility Reserve Account.

"**Knowledgeable Employee**": A "knowledgeable employee" within the meaning of Rule 3c-5 of the Investment Company Act.

"**Leasing Finance Transaction**": Any transaction pursuant to which the obligations of the lessee to pay rent or other amounts on a triple net basis under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, are required to be classified and accounted for as a capital lease on a balance sheet of such lessee under generally accepted accounting principles in the United States; but only if (a) such lease or other transaction provides for the unconditional obligation of the lessee to pay a stated amount of principal no later than a stated maturity date, together with interest thereon, and the payment of such obligation is not subject to any material non-credit related risk as determined by the Collateral Manager, (b) the obligations of the lessee in respect of such lease or other transaction are fully secured, directly or indirectly, by the property that is the subject of such lease and (c) the interest held in respect of such lease or other transaction is treated as debt for U.S. federal income tax purposes.

"**LIBOR**": The London Interbank Offered Rate. For purposes of calculating the Floating Rate Note Interest Rates for each Applicable Period, LIBOR shall, as more fully described in a schedule to the Indenture, be calculated as follows:

(i) On each LIBOR Determination Date, LIBOR shall equal the rate, as obtained by the Calculation Agent, for Eurodollar deposits for the Applicable Period which appears on Telerate Page 3750 (as defined in the International Swaps and Derivatives Association, Inc. 2000 Interest Rate and Currency Exchange Definitions), or such page as may replace Telerate Page 3750, as of 11:00 a.m. (London time) on such LIBOR Determination Date.

(ii) If, on any LIBOR Determination Date, such rate does not appear on Telerate Page 3750, or such page as may replace Telerate Page 3750, the Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks to leading banks in the London interbank market for Eurodollar deposits for the Applicable Period in an amount determined by the Calculation Agent by reference to requests for quotations as of approximately 11:00 a.m. (London time) on the LIBOR Determination Date made by the Calculation Agent to the Reference Banks. 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 the City of New York selected by the Calculation Agent are quoting on the relevant LIBOR Determination Date for Eurodollar deposits for the Applicable Period in an amount determined by the Calculation Agent by reference to the principal London offices of leading banks in the London interbank market; *provided, however*, that if the 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 LIBOR as determined on the most recent date LIBOR was available. As used herein, "**Reference Banks**" means four major banks in the London interbank market selected by the Calculation Agent.

(iii) LIBOR for the first Applicable Period shall be determined based on the actual number of days in the Applicable Period using straight-line interpolation of two rates calculated in accordance with the above procedure, except that instead of using three-month deposits, one rate shall be determined using the period for which rates are obtainable next shorter than the Applicable Period and the other rate shall be determined using the period for which rates are obtainable next longer than the Applicable Period.

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As soon as 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 Calculation Agent will, with respect to any Scheduled Payment Date, cause notice of the Floating Rate Note Interest Rates for the next Interest Accrual Period and the Class A Note Interest Amount, the Class B Note Interest Amount, the Class C Note Interest Amount, the Class D Note Interest Amount and the Class E Note Interest Amount (rounded to the nearest cent, with half a cent being rounded upward) on the related Payment Date to be communicated to the Issuers, the Trustee, Euroclear, Clearstream, the Collateral Manager and the paying agents. The Calculation Agent will also specify to the Issuers the quotations upon which the Floating Rate Note Interest Rates are based, and in any event the Calculation Agent shall notify the Issuers, or the Collateral Manager on behalf of the 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 applicable Floating Rate Note Interest Rate(s) and the applicable Floating Rate Note Interest Amount(s); or (ii) it has not determined and is not in the process of determining the applicable Floating Rate Note Interest Rate(s) and the applicable Floating Rate Note Interest Amount(s), together with its reasons therefor.

"**LIBOR Determination Date**": The second London Business Day prior to the commencement of an Interest Accrual Period.

"**Liquidation Proceeds**": With respect to any optional redemption include, without duplication: (i) all Sale Proceeds from Collateral Obligations sold in connection with such redemption; (ii) the aggregate amount received by the Issuer on or prior to the Business Day immediately preceding the relevant Payment Date from the termination or reduction of any Hedge Agreement in connection with such optional redemption; and (iii) all cash and Eligible Investments (other than Principal Proceeds and Interest Proceeds that will be paid pursuant to the Priority of Payments on such Redemption Date) on deposit in the Issuer Accounts.

"**London Business Day**": A day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

"**Majority**": With respect to the Securities or any Class thereof, the Holders of more than 50% of the Aggregate Outstanding Amount of the Securities or of such Class, as the case may be.

"**Margin Stock**": The meaning specified under Regulation U.

"**Maritime Collateral Obligation**": An obligation, other than a Structured Finance Security, in which the issuer thereof (i) is organized in a Maritime Jurisdiction and (ii) is determined by the Collateral Manager to be in the shipping industry and to have (or whose relevant obligations are guaranteed by an entity that the Collateral Manager has determined to have) at least 60% (by reference to the latest available consolidated financial statements) of (A) its business operations or (B) its assets primarily responsible for generating its revenue located in (1) the United States of America, Canada, Australia, (2) a European I Country or European II Country (so long as, in each case, at the time of the acquisition by the Issuer, the foreign currency rating of such country is rated at least "AA" by S&P) or (3) upon the satisfaction of each of the Moody's Rating Condition and the S&P Rating Condition, any other jurisdiction.

"**Maritime Jurisdiction**": (i) Australia, the Bahamas, Bermuda, the Cayman Islands, Norway, or, (ii) upon the satisfaction of each of the Moody's Rating Condition and the S&P Rating Condition, any other jurisdiction; *provided* that, if any of the countries listed in subclause (i) have a foreign currency rating of less than "AA" by S&P at the time of purchase of the related Maritime Collateral Obligation, the Collateral Manager shall notify S&P in writing of such fact; *provided, further,* that, none of the countries listed in subclause (i) shall have a foreign currency rating of less than "Aa2" by Moody's.

"**Market Value**": With respect to any Collateral Obligations, the amount determined by the Collateral Manager equal to: (i) the product of the principal amount and the average of the average bid and average ask price value determined by the Loan Pricing Corporation, Mark-It Partners Inc. or any other loan pricing service that is Independent of the Collateral Manager and acceptable to S&P; (ii) if any such service is not available or applicable then the average of at least three firm bids obtained from dealers (that are Independent of the Collateral Manager and Independent of each other) that the Collateral Manager

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determines (in its sole discretion) to be reasonably representative of the Collateral Obligation's current market value and reasonably reflective of current market conditions; (iii) if only two such bids can be obtained, the lower of such two bids shall be the Market Value of the Collateral Obligation; (iv) if only one such bid can be obtained, such bid shall be the Market Value of the Collateral Obligation; and (v) if no such bids can be obtained, then, the Market Value of such Collateral Obligation shall be:

(A) so long as the Collateral Manager is registered as an investment adviser under the Advisers Act, the outstanding principal amount of such Collateral Obligation multiplied by the lesser of (x) 70% and (y) its market value (expressed as a percentage) of such Collateral Obligation as determined by the Collateral Manager consistent with the procedures used by the Collateral Manager to determine the market value for assets included in other funds managed by the Collateral Manager; or

(B) if the Collateral Manager is no longer registered as an investment adviser under the Advisers Act, the outstanding principal amount of such Collateral Obligation multiplied by the least of (x) 70%, (y) its Moody's Recovery Rate and (z) its fair market value (expressed as a percentage of par) determined by the Collateral Manager; *provided* that so long as the Collateral Manager is not registered as an investment adviser under the Advisers Act, if the Market Value of a Collateral Obligation cannot be calculated in accordance with any of subclauses (i) through (iv) above for a period of 30 consecutive days, then from the 31st such consecutive day until the first day on which the Market Value of such Collateral Obligation can be calculated in accordance with any of subclauses (i) through (iv) above, the Market Value of such Collateral Obligation shall be deemed to be zero.

"maturity": With respect to any Collateral Obligation, the date on which such obligation shall be deemed to mature (or its maturity date) shall be the earlier of (x) the Stated Maturity of such obligation and (y) if the Issuer has a right to require the issuer or obligor of such Collateral Obligation to purchase, redeem or retire such Collateral Obligation (at par) on any one or more dates prior to its Stated Maturity (a **"put right"**) and the Collateral Manager determines (in its sole discretion) that it shall exercise such put right on any such date, the maturity date shall be the date specified in such certification.

"Maturity": With respect to any Security, the date on which any unpaid principal or notional amount, as applicable, of such Security becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Maximum Rating Factor": As of any Measurement Date the number set forth in the Ratings Matrix corresponding to the "row/column combination" chosen by the Collateral Manager as currently applicable to the Collateral Obligations in accordance with the terms of the Indenture.

"Measurement Date": On and after the Effective Date, (i) each date the Reinvestment Criteria apply in connection with a sale, purchase or substitution of a Collateral Obligation (giving effect to such sale, purchase or substitution), (ii) each Determination Date, (iii) the 20th day of each month for purposes of producing monthly reports provided by the Issuer pursuant to the Indenture summarizing the performance of the Collateral Portfolio and (iv) any Business Day specified as a Measurement Date, with not less than two Business Days' notice, by either of the Rating Agencies.

"Minimum Diversity": As of any Measurement Date the number set forth in the column entitled "Minimum Diversity" in the Ratings Matrix set forth in "Summary—The Offering—Collateral Quality Tests" based upon the "row/column combination" chosen by the Collateral Manager as currently applicable to the Collateral Obligations in accordance with the terms in the Indenture.

"Minimum Par Value Ratio": The Minimum Par Value Ratio will be satisfied, as of any Measurement Date if, the Class D Par Value Ratio is equal to or greater than 110.34%; *provided* that in calculating the Minimum Par Value Ratio, any portion of principal due on a Collateral Obligation after the Stated Maturity of the Securities will be treated as a Collateral Obligation that matures prior to or on the Stated Maturity.

"Moody's": Moody's Investors Service, Inc. and any successor or successors thereto.

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"**Moody's Default Probability Rating**": With respect to any Collateral Obligation as of any date of determination, the rating determined as follows:

(i) With respect to a Collateral Obligation (other than a DIP Loan) that is a Senior Secured Loan or Participation in a Senior Secured Loan, if the obligor of such Collateral Obligation has a Corporate Family Rating, then such Corporate Family Rating.

(ii) With respect to a Collateral Obligation (other than a DIP Loan) that is a Senior Secured Loan or Participation in a Senior Secured Loan, if not determined pursuant to subclause (i) above, if such Collateral Obligation (A) is publicly rated by Moody's, such public rating, or (B) is not publicly rated by Moody's but a rating or rating estimate has been assigned by Moody's upon the request of the Issuer or the Collateral Manager, such rating or the rating estimate, as applicable.

(iii) With respect to a Collateral Obligation other than a Synthetic Security or a DIP Loan, if not determined pursuant to subclause (i) or (ii) above, (A) if the obligor of such Collateral Obligation has one or more senior unsecured obligations publicly rated by Moody's, then the Moody's public rating on any such obligation as selected by the Collateral Manager or, if no such rating is available, then (B) if such Collateral Obligation is publicly rated by Moody's, such public rating or, if no such rating is available, then (C) if a rating or rating estimate has been assigned to such Collateral Obligation by Moody's upon the request of the Issuer or the Collateral Manager, such rating or, in the case of a rating estimate, the applicable rating estimate for such obligation.

(iv) With respect to a DIP Loan, (i) one rating subcategory below the facility rating (whether public or private) of such DIP Loan rated by Moody's or (ii) if such DIP Loan does not have a facility rating assigned by Moody's, (e) if Moody's has provided a ratings estimate with respect to such DIP Loan, one rating subcategory below the ratings estimate provided by Moody's, (b) if Moody's has been requested by the Issuer or the Collateral Manager to assign a rating or ratings estimate with respect to such DIP Loan but such rating or ratings estimate has not been received, pending receipt of such estimate, "B3" if the Collateral Manager believes that such estimate will be at least "B3" and if the Aggregate Principal Amount of Collateral Obligations determined pursuant to this clause (iv), together with the Aggregate Principal Amount of Collateral Obligations the Moody's Derived Rating of which is determined pursuant to subclause (B)(1) of the definition of "Moody's Derived Rating", does not exceed 10% of the Aggregate Principal Amount of all Collateral Obligations or (c) otherwise, "Caa1".

(v) With respect to a Collateral Obligation other than a Synthetic Security, if not determined pursuant to subclause (i), (ii), (iii) or (iv) above, the Moody's Derived Rating.

(vi) With respect to a Synthetic Security, as determined as set forth in "Security for the Secured Notes—Certain Matters Relating to Synthetic Securities".

For purposes of calculating a Moody's Default Probability Rating, each applicable rating on credit watch by Moody's with positive or negative implication at the time of calculation will be treated as having been upgraded or downgraded by one rating subcategory, as the case may be; except that, with respect to ratings issued for Structured Finance Securities, each applicable rating will be treated as having been upgraded or downgraded by two rating subcategories.

"**Moody's Derived Rating**": With respect to a Collateral Obligation whose Moody's Rating or Moody's Default Probability Rating cannot otherwise be determined pursuant to the definitions thereof, such Moody's Rating or Moody's Default Probability Rating shall be determined as set forth below:

(i) If the obligor of such Collateral Obligation has a long-term issuer rating by Moody's, then such long-term issuer rating.

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(ii) If not determined pursuant to subclause (i) above, if another obligation of the obligor is rated by Moody's, then by adjusting the rating of the related Moody's rated obligation of the related obligor by the number of rating sub-categories according to the table below:

Obligation Category of Rated Obligation	Rating of Rated Obligation	Number of Subcategories Relative to Rated Obligation Rating
Senior secured obligation	greater than or equal to B2	-1
Senior secured obligation	less than B2	-2
Subordinated obligation	greater than or equal to B3	+1
Subordinated obligation	less than B3	0

(iii) If not determined pursuant to subclause (i) or (ii) above, if the obligor of such Collateral Obligation has a Corporate Family Rating, then one subcategory below such Corporate Family Rating.

(iv) If not determined pursuant to subclause (i), (ii) or (iii) above, then by using any one of the methods provided below:

(A) (1) If such Collateral Obligation is rated by S&P, then by adjusting the S&P Rating by the number of rating sub-categories according to the table below:

S&P Rating	Collateral Obligation Rated by S&P	Number of Subcategories Relative to Moody's Equivalent of S&P Rating
≥BBB-	Not a Loan or Participation	-1
≤BB+	Not a Loan or Participation	-2
	Loan or Participation Interest in Loan	-2

(2) if such Collateral Obligation is not rated by S&P but another security or obligation of the obligor is rated by S&P (a "**parallel security**"), then the rating of such parallel security will at the election of the Collateral Manager be determined in accordance with the table set forth in subclause (A)(1) above, and the Moody's Rating or Moody's Default Probability Rating of such Collateral Obligation will be determined in accordance with the methodology set forth in subclause (i) above (for such purposes treating the parallel security as if it were rated by Moody's at the rating determined pursuant to this subclause (A)(2)); or

(3) if such Collateral Obligation is a DIP Loan, no Moody's Rating or Moody's Default Probability Rating may be determined based on a rating by S&P or any other rating agency;

provided, *however*, that the Aggregate Principal Amount of Collateral Obligations the Moody's Default Probability Rating of which is determined pursuant to this clause (iv)(A) shall not exceed 10% of the Aggregate Principal Amount of all Collateral Obligations;

(B) if such Collateral Obligation is not rated by Moody's or S&P and no other security or obligation of the issuer of such Collateral Obligation is rated by Moody's or S&P, and if Moody's has been requested by the Issuer or the Collateral Manager to assign a rating or rating estimate with respect to such Collateral Obligation but such rating or rating estimate has not been received, pending receipt of such estimate, (1) "B3" if the Collateral Manager believes that such estimate will be at least "B3" and if the Aggregate Principal Amount of Collateral Obligations determined pursuant to this subclause (B)(1), together with the Aggregate Principal Amount of Collateral Obligations the Moody's Default Probability Rating of which is determined pursuant to clause (iv) of the definition of

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"Moody's Default Probability Rating", does not exceed 10% of the Aggregate Principal Amount of all Collateral Obligations or (2) otherwise, "Caa1";

(C) if the obligor of such Collateral Obligation is a U.S. obligor and if such Collateral Obligation is a senior secured obligation of the obligor and (1) neither the obligor nor any of its Affiliates is subject to reorganization or bankruptcy proceedings, (2) no debt securities or obligations of the obligor are in default, (3) neither the obligor nor any of its Affiliates have defaulted on any debt during the past two years, (4) the obligor has been in existence for the past five years, (5) the obligor is current on any cumulative dividends, (6) the fixed-charge ratio for the obligor exceeds 125% for each of the past two fiscal years and for the most recent quarter, (7) the obligor had a net profit before tax in the past fiscal year and the most recent quarter and (8) the annual financial statements of the obligor are unqualified and certified by a firm of independent accountants of national reputation, and quarterly statements are unaudited but signed by a corporate officer, "Caa1";

(D) if the obligor of such Collateral Obligation is a U.S. obligor and if such Collateral Obligation is a senior secured or senior unsecured obligation of the obligor and (1) neither the obligor nor any of its Affiliates is subject to reorganization or bankruptcy proceedings and (2) no debt security or obligation of the obligor has been in default during the past two years, "Caa3"; or

(E) if a debt security or obligation of the obligor has been in default during the past two years, "Ca".

For purposes of calculating a Moody's Derived Rating, each applicable rating on credit watch by Moody's with positive or negative implication at the time of calculation will be treated as having been upgraded or downgraded by one rating subcategory, as the case may be; except that, with respect to ratings issued for Structured Finance Securities, each such applicable rating will be treated as having been upgraded or downgraded by two rating subcategories.

"Moody's Industry Category": Any of the industry categories set forth in the Indenture, including any such modifications that may be made thereto or such additional categories that may be subsequently established by Moody's and provided by the Collateral Manager or Moody's to the Trustee.

"Moody's Rating": With respect to any Collateral Obligation as of any date of determination, the rating determined as follows:

(i) With respect to a Collateral Obligation (including a Synthetic Security) that (A) is publicly rated by Moody's, such public rating, or (B) is not publicly rated by Moody's but for which a rating or rating estimate has been assigned by Moody's upon the request of the Issuer or the Collateral Manager, such rating or, in the case of a rating estimate, the applicable rating estimate for such obligation.

(ii) With respect to a Collateral Obligation that is a Senior Secured Loan or Participation in a Senior Secured Loan, if not determined pursuant to subclause (i) above, if the obligor of such Collateral Obligation has a Corporate Family Rating, then such Corporate Family Rating.

(iii) With respect to a Collateral Obligation other than a Synthetic Security, if not determined pursuant to subclause (i) or (ii) above, if the obligor of such Collateral Obligation has one or more senior unsecured obligations publicly rated by Moody's, then the Moody's public rating on any such obligation as selected by the Collateral Manager.

(iv) With respect to a Collateral Obligation other than a Synthetic Security, if not determined pursuant to subclause (i), (ii) or (iii) above, the Moody's Derived Rating.

(v) With respect to a Synthetic Security, if not determined pursuant to subclause (i) above, as provided by Moody's.

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For purposes of calculating a Moody's Rating, each applicable rating on credit watch by Moody's with positive or negative implication at the time of calculation will be treated as having been upgraded or downgraded by one rating subcategory, as the case may be; except that, with respect to ratings issued for Structured Finance Securities, each such applicable rating will be treated as having been upgraded or downgraded by two rating subcategories.

"Moody's Rating Condition": With respect to any proposed action to be taken under the Indenture or any other document contemplated by the Indenture, a condition that is satisfied when Moody's has confirmed in writing to the Issuer, the Trustee and the Collateral Manager that an immediate withdrawal or reduction with respect to any then-current rating by Moody's of any Class of Co-Issued Notes will not occur as a result of such proposed action.

"Moody's Rating Factor": With respect to any Collateral Obligation, is the number set forth in the table below opposite the rating of such Collateral Obligation, which may be adjusted from time to time by Moody's:

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

Solely for purposes of determining the Maximum Rating Factor Test:

(i) any Collateral Obligation issued or guaranteed as to the payment of principal and interest by the United States of America or any agency or instrumentality thereof, the obligations of which are expressly backed by the full faith and credit of the United States of America, shall be assigned a Moody's Rating Factor of 1;

(ii) any Collateral Obligation with only a short-term rating of "P-1" by Moody's shall be assigned a Moody's Rating Factor equivalent to that of the senior unsecured rating of the issuer;

(iii) any Collateral Obligation with only a short-term rating of "P-1" by Moody's of an issuer that does not have a senior unsecured rating shall be assigned a Moody's Rating Factor of 180; and

(iv) if a Collateral Obligation is not rated by Moody's and no other security or obligation of the issuer is rated by Moody's, and such Collateral Obligation does not have a Moody's Derived Rating, then the Moody's Rating Factor of such Collateral Obligation will be deemed to be such estimate thereof as may be assigned by Moody's upon the request of the Issuer or the Collateral Manager; *provided, however*, that until such rating estimate is made, the Moody's

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Rating Factor of such security shall be deemed to be the lower of the Moody's Rating Factor corresponding to such security's rating as determined pursuant to the definition of "Moody's Default Probability Rating" and 10,000.

"Moody's Recovery Rate": With respect to any Collateral Obligation, as of any Measurement Date, the recovery rate specified in Table I below corresponding to such type of Collateral Obligation:

Table I

Moody's Recovery Rates

Type of Collateral Obligation	Recovery Rate
Senior Secured Loans and Senior Secured Floating Rate Notes	The recovery rate determined by reference to Table II below
Senior Unsecured Loans and Subordinated Loans	The recovery rate determined by reference to Table III below
bonds	The recovery rate determined by reference to Table IV below
Synthetic Securities	Pending assignment by Moody's on a case-by-case basis, 25.00% and, thereafter, as provided by Moody's
DIP Loans	50.00%
Finance Leases	Pending assignment by Moody's on a case-by-case basis, 10.00% and, thereafter, as provided by Moody's

Table II

Moody's Recovery Rates for Senior Secured Loans and Senior Secured Floating Rate Notes

Number of rating sub-categories by which the Moody's Rating exceeds the Moody's Default Probability Rating	Recovery Rate
-3 or less	20%
-2	30%
-1	40%
0	45%
1	50%
2	60%
3	60% or such higher recovery rate as provided by Moody's due to changes in its rating methodology
4 or more	60% or such higher recovery rate as provided by Moody's due to changes in its rating methodology

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Table III

Moody's Recovery Rates For Senior Unsecured Loans and Subordinated Loans

Number of rating sub-categories by which the Moody's Rating exceeds the Moody's Default Probability Rating	Recovery Rate
-3 or less	10.0%
-2	15.0%
-1	30.0%
0	40.0%
1	42.5%
2	45.0%
3	45.0% or such higher recovery rate as provided by Moody's due to changes in its rating methodology
4 or more	45.0% or such higher recovery rate as provided by Moody's due to changes in its rating methodology

Table IV

Moody's Recovery Rates For Bonds

Number of rating sub-categories by which the Moody's Rating exceeds the Moody's Default Probability Rating	Recovery Rate
-3 or less	2%
-2	10%
-1	15%
0	30%
1	35%
2 or more	40%

* The recovery rate for a subordinated debt security shall be 15% if its Moody's Rating has been determined by reference to the definition of "Moody's Derived Rating".

"**Moody's Weighted Average Rating Factor**": As of any Measurement Date, will equal the number obtained by summing the products obtained by multiplying the Principal Balance of each Collateral Obligation by its Moody's Rating Factor, dividing such sum by the Aggregate Principal Amount of all such Collateral Obligations and rounding the result up to the nearest whole number.

"**Moody's Weighted Average Recovery Rate**": As of any Measurement Date, the number (expressed as a percentage) obtained by summing the product of the Moody's Recovery Rate of each Collateral Obligation and the Principal Balance of such Collateral Obligation, and dividing such sum by the Aggregate Principal Amount of all such Collateral Obligations.

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"Non-U.S. Obligor": An issuer or obligor of a Collateral Obligation (i) that is not a Special Purpose Vehicle and (ii) that is organized in a sovereign jurisdiction other than the United States of America.

"Note Interest Rate": With respect to the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, the annual rate at which interest accrues thereon, as specified in "Summary—The Offering—Securities Issued".

"Note Payment Sequence": The application, in accordance with the Priority of Payments, of Interest Proceeds or Principal Proceeds, as applicable, in the following order: to the payment of principal of the Class A Notes until redeemed or otherwise paid in full, then to the payment of principal of the Class B Notes until redeemed or otherwise paid in full, then to the payment of principal of the Class C Notes until redeemed or otherwise paid in full, and then to the payment of principal of the Class D Notes until redeemed or otherwise paid in full and then to the payment of principal of the Class E Notes until redeemed or otherwise paid in full.

"Offer": (i) With respect to any Collateral Obligation or Eligible Investment, any offer by the issuer of such security or borrower with respect to such debt obligation or by any other Person made to all of the holders of such security or debt obligation to purchase or otherwise acquire such security or debt obligation (other than pursuant to any redemption in accordance with the terms of any related Reference Instrument or for the purpose of registering the security or debt obligation) or to exchange such security or debt obligation for any other security, debt obligation, cash or other property or (ii) with respect to any Collateral Obligation or Eligible Investment that constitutes a bond, any solicitation by the issuer of such security or borrower with respect to such debt obligation or any other Person to amend, modify or waive any provision of such security or debt obligation or any related Reference Obligation.

"Offering": The offering of the Securities on the Closing Date.

"Outstanding": With respect to a Class of Securities or all of the Securities, as of any date of determination, all of such Class of Securities or all of the Securities, theretofore authenticated and delivered under the Indenture, except:

(a) Securities theretofore cancelled by the Registrar or delivered to the Registrar for cancellation;

(b) Securities or, in each case, portions thereof for whose payment or redemption funds in the necessary amount have been theretofore irrevocably deposited with the Trustee or any paying agent in trust for the Holders of such Securities; provided that if such Securities or portions thereof are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;

(c) Securities in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to the Indenture, unless proof satisfactory to the Trustee is presented that any such original Securities are held by a holder in due course;

(d) Securities alleged to have been mutilated, destroyed, lost or stolen for which replacement Securities have been issued as provided in the Indenture;

(e) in determining whether the Holders of the requisite Outstanding amount have given any request, demand, authorization, direction, notice, consent or waiver hereunder:

(i) Securities owned by the Issuer or the Co-Issuer shall be disregarded and deemed not to be Outstanding;

(ii) (1) with respect to any vote in connection with the removal and replacement of the Collateral Manager, any Securities held by, or with respect to which discretionary voting rights are held by, the Collateral Manager and/or its Affiliates, shall be disregarded and deemed not to be Outstanding, except that, with respect to

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subclause (i) above and this subclause (ii)(1), in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities that a Trust Officer of the Trustee knows to be so owned shall be so disregarded; and

(2) except as otherwise provided in the immediately preceding subclause (ii)(1), any Securities held by, or with respect to which discretionary voting rights are held by, the Collateral Manager and/or its Affiliates or their respective employees will have voting rights with respect to all matters as to which the Holders of Securities are entitled to vote;

(f) for the avoidance of doubt, any Securities held by, or with respect to which discretionary voting rights are held by, the Initial Purchaser and/or its Affiliates or its employees will have voting rights with respect to all matters as to which the Holders of Securities are entitled to vote; and

(g) Securities so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee that the pledgee has the right so to act with respect to such Securities and the pledgee is not the Issuer, the Co-Issuer or any other obligor upon the Securities or any Affiliate of the Issuer, the Co-Issuer or such other obligor.

"Par Value Ratio": With respect to any applicable Class of Secured Notes, the ratio determined as of any Measurement Date (expressed as a percentage), after giving effect to the definition of "Coverage Tests" and "Principal Balance", obtained by dividing:

(a) the sum of (without duplication):

(i) the Aggregate Principal Amount of the Collateral Obligations (other than Defaulted Obligations) minus any Securities Lending Collateral Losses;

(ii) the principal amount of any cash and Eligible Investments together with any uninvested amounts on deposit in the Issuer Accounts (excluding amounts deposited in the Revolving Credit Facility Reserve Account) reprasenting Principal Proceeds or Liquidation Proceeds (in each case excluding Reinvestment Income); and

(iii) the sum of the Principal Balances of all Defaulted Obligations; by

(b) (i) the Aggregate Outstanding Amount of the Secured Notes of such Class and each Class senior to it (excluding the Class S Notes); *provided, however*, the Class A Notes and the Class B Notes shall constitute one Class of Secured Notes for purposes of the Par Value Ratio determined for the Class A/B Par Value Test plus (ii) an amount equal to the Aggregate Underlying Undrawn Amount at such time less the amounts deposited in the Revolving Credit Facility Reserve Account.

"Par Value Tests": The Class A/B Par Value Test, the Class C Par Value Test, the Class D Par Value Test and the Class E Par Value Test.

"Participation": An interest in a loan acquired indirectly by way of participation from a Selling Institution.

"Payment Date": Each Scheduled Payment Date and any Redemption Date.

"Payment Default": Any Event of Default specified in subclauses (a), (b), (c), (g) or (h) of the definition of such term.

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"Permitted Offer": An offer (i) pursuant to the terms of which the offeror offers to acquire a debt obligation (including a Collateral Obligation) in exchange for consideration consisting solely of cash in an amount equal to or greater than the full face amount of such debt obligation plus any accrued and unpaid interest and (ii) as to which the Collateral Manager has determined in its judgment that the offeror has sufficient access to financing to consummate the offer.

"Permitted Reinvestment Period": With respect to Principal Proceeds received during a Due Period, the period beginning on the day such Principal Proceeds are received by the Issuer and ending the later of the last day of (i) the Reinvestment Period and (ii) the Investment Due Period.

"Person": An individual, corporation (including a business trust), partnership, limited liability company, joint venture, association, joint stock company, trust (including any beneficiary thereof), bank, unincorporated association or government or any agency or political subdivision thereof or any other entity of a similar nature.

"Plan": An employee benefit plan that is defined in Section 3(3) of ERISA and subject to Title I of ERISA or a plan that is defined in Section 4975(e)(1) of the Code and subject to Section 4975 of the Code.

"Pledged Obligations": On any date of determination, the Collateral Obligations and the Eligible Investments owned by the Issuer that have been granted to the Trustee.

"Principal Allocated Accrued Interest": With respect to any date of determination after the Effective Date, the aggregate cumulative amount of accrued interest received in connection with sales of Accrued Interest Collateral Obligations that constitutes Sale Proceeds pursuant to subclauses (ii) and (iii) of the definition thereof.

"Principal Balance": As of any date of determination, with respect to any Collateral Obligation, Eligible Investment or cash, the outstanding principal amount of such Collateral Obligation, Eligible Investment or cash; *provided*, *however*, that:

(i) the Principal Balance of a Synthetic Security (a) as to which a credit event has not occurred thereunder shall be the notional amount or the outstanding principal amount, as the case may be, specified in such Synthetic Security and (b) as to which a credit event has occurred thereunder, for purposes of calculating (A) the Par Value Ratios, shall be as determined under subclause (iii) below, (B) the Collateral Quality Tests, shall be zero; and (C) the amounts payable to the Trustee and the Collateral Management Fee, shall be the notional amount or the outstanding principal amount specified in such Synthetic Security;

(ii) the Principal Balance of a Collateral Obligation received upon acceptance of an Offer (as described in subclause (i) of the definition thereof) (other than a Permitted Offer) to exchange a Collateral Obligation for such Collateral Obligation shall, until such time as Interest Proceeds or Principal Proceeds, as applicable, are first received when due with respect to such Collateral Obligation, be deemed to be the lesser of (x) a percentage of the outstanding principal amount equal to the Moody's Recovery Rate for such Collateral Obligation and (y) a percentage of the outstanding principal amount equal to the S&P Recovery Rate for such Collateral Obligation (determined with respect to each Class of Secured Notes and the relevant Par Value Ratio for such Class of Secured Notes; it being agreed that, with respect to the Class A/B Par Value Ratio, the S&P Recovery Rate shall be determined by reference to the Class A Notes only); *provided* that, for the purpose of calculating (1) the Collateral Quality Tests and the Concentration Limitations, the Principal Balance of such Collateral Obligation shall be zero, (2) the amounts payable to the Trustee pursuant to the Indenture, the Principal Balance of such Collateral Obligation shall be the outstanding principal amount thereof and (3) the Collateral Management Fee, the Principal Balance of such Collateral Obligation shall be the outstanding principal amount thereof;

(iii) the Principal Balance of each Defaulted Obligation shall be deemed to be zero; *provided* that (1) for the purpose of calculating the amounts payable to the Trustee pursuant to the

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Indenture, the Principal Balance of a Defaulted Obligation shall be the outstanding principal amount of such Defaulted Obligation, (2) for the purpose of calculating the Collateral Management Fee, the Principal Balance of a Defaulted Obligation shall be the outstanding principal amount of such Defaulted Obligation and (3) for the purpose of calculating the Par Value Ratios (including the calculation of the Class E Par Value Ratio for purposes of determining whether the Reinvestment Test has been satisfied), the Principal Balance of a Defaulted Obligation (A) that has been held by the Issuer for less than three years (or, if held by the Issuer for more than three years, such Collateral Obligation does not constitute those Defaulted Obligations in excess of 2.0% of the Aggregate Principal Amount of the Collateral Portfolio) shall be the product of (i) the least of the Moody's Recovery Rate, the S&P Recovery Rate (determined with respect to each Class of Secured Notes and the relevant Par Value Ratio for such Class of Secured Notes; it being agreed that, with respect to the Class A/B Par Value Ratio, the S&P Recovery Rate shall be determined by reference to the Class A Notes only) and the Market Value (expressed as a percentage) for such Defaulted Obligation and (ii) the principal amount of such Defaulted Obligation (or, in the case of a Defaulted Obligation that is a Step-Up Coupon Security during a period for which no interest is payable or a Zero-Coupon Security, the accreted value thereof at the time of default) or (B) that has been held by the Issuer for three years or more and that constitutes those Defaulted Obligations in excess of 2.0% of the Aggregate Principal Amount of the Collateral Portfolio, shall be deemed to have a Principal Balance of zero;

(iv) the Principal Balance of each Equity Security and Exchanged Equity Security shall be deemed to be zero;

(v) the Principal Balance of any Zero-Coupon Security which, by its terms, does not at any time, pay interest thereon or any Step-Up Coupon Security during a period for which no interest is payable shall be deemed to be the accreted value of such Pledged Obligation as at the date of determination and any Deferrable Interest Obligation which, by its terms, does not et any time or from time to time pay interest thereon, shall be deemed to exclude capitalized interest;

(vi) the Principal Balance of any Collateral Obligations and any Eligible Investments in which the Trustee does not have a first priority perfected security interest shall be deemed to be zero (other than Collateral Obligations loaned to a Securities Lending Counterparty for so long as an event of default, as such term is defined under the related Securities Lending Agreement, shall not have occurred and be continuing under the related Securities Lending Agreement); *provided* that for the purpose of calculating the Collateral Management Fee and the amounts payable to the Trustee pursuant to the Indenture, the Principal Balance of such Collateral Obligation or Eligible Investment shall be the outstanding principal amount thereof;

(vii) for the purpose of calculating the Par Value Ratios (including the calculation of the Class E Par Value Ratio for purposes of determining whether the Reinvestment Test has been satisfied), the Principal Balance of any Deferrable Interest Obligation that is in accordance with its terms deferring interest or making payments due thereon "in kind" for (i) with respect to securities with a Moody's Rating of "Ba1" or lower, the lesser of 6 months or one payment period and (ii) with respect to securities with a Moody's Rating of "Baa3 or higher, the lesser of one year or two consecutive payment periods, shall be the product of (x) the least of the Moody's Recovery Rate, the S&P Recovery Rate (determined with respect to each Class of Secured Notes and the relevant Par Value Ratio for such Class of Secured Notes; it being agreed that, with respect to the Class A/B Par Value Ratio, the S&P Recovery Rate shall be determined by reference to the Class A Notes only) and the Market Value (expressed as a percentage) for such Deferrable Interest Obligation and (y) the principal amount of such Deferrable Interest Obligation;

(viii) the Principal Balance of any Revolving Credit Facility or Delayed Funding Term Loan shall be the sum of the funded portion of such Revolving Credit Facility or Delayed Funding Term

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Loan and the unfunded portion of such Revolving Credit Facility or Delayed Funding Term Loan;

(ix) subject to subclause (xii) below, the Principal Balance of a Current Pay Obligation for purposes of calculating the Par Value Ratios (including the calculation of the Class E Par Value Ratio for purposes of determining whether the Reinvestment Test has been satisfied) shall be (i) if the Market Value of such Current Pay Obligation is 85% or more of its Aggregate Principal Amount and such Collateral Obligation is rated Caa2, the outstanding principal amount thereof, (ii) if the Market Value of such Current Pay Obligation is less than 85% of its Aggregate Principal Amount and such Collateral Obligation is rated Caa2, 95% of its Market Value; (iii) if the Market Value of such Current Pay Obligation is 80% or more of its Aggregate Principal Amount and such Collateral Obligation is rated Caa1 or above, the outstanding principal amount thereof and (iv) if the Market Value of such Current Pay Obligation is less than 80% of its Aggregate Principal Amount and such Collateral Obligation is rated Caa1 or above, 95% of its Market Value;

(x) subject to subclause (xii) below, the Principal Balance of a Caa/CCC Collateral Obligation for purposes of calculating the Par Value Ratios (including the calculation of the Class E Par Value Ratio for purposes of determining whether the Reinvestment Test has been satisfied) shall be determined as follows: if on any date (without duplication) the Aggregate Principal Amount of all Caa/CCC Collateral Obligations exceeds 7.5% of the Aggregate Principal Amount (as calculated without taking into consideration this subclause (x)) of the Collateral Portfolio, the Principal Balance of each Caa/CCC Collateral Obligation (or portion of a Caa/CCC Collateral Obligation) in excess of 7.5% of the Aggregate Principal Amount (as calculated without taking into consideration this subclause (x)) of the Collateral Portfolio will be included in the calculation of compliance with the Par Value Tests at each Collateral Obligation's Market Value, it being understood that for purposes of determining the Caa/CCC Collateral Obligations (or portion of a Caa/CCC Collateral Obligation) comprising the excess of 7.5% of the Aggregate Principal Amount (as calculated without taking into consideration this subclause (x)) of the Collateral Portfolio, the Caa/CCC Collateral Obligations (or portion of a Caa/CCC Collateral Obligation) that have the lowest Market Value shall be deemed to comprise such excess;

(xi) subject to subclause (xii) below, the Principal Balance of a Discount Collateral Obligation for purposes of calculating the Par Value Ratios (including the calculation of the Class E Par Value Ratio for purposes of determining whether the Reinvestment Test has been satisfied) shall be the lesser of its Market Value and 90% of its outstanding principal amount;

(xii) for purposes of calculating the Par Value Ratios (including the calculation of the Class E Par Value Ratio for purposes of determining whether the Reinvestment Test has been satisfied), the Principal Balance of a Collateral Obligation that has the characteristics of a Current Pay Obligation, a Caa/CCC Collateral Obligation (without giving effect to the proviso in the definition thereof) and/or a Discount Collateral Obligation shall be the lowest value of the values that corresponds to the relevent type of Collateral Obligations (as determined by subclause (ix), (x) and/or (xi) above);

(xiii) for purposes of calculating each of the Par Value Ratios (including the calculation of the Class E Par Value Ratio for purposes of determining whether the Reinvestment Test has been satisfied but not including calculating the Minimum Par Value Ratio), the Principal Balance of the portion of principal due on a Collateral Obligation after the Stated Maturity shall be (a) with respect to any such portion of principal due in one year or less following the Stated Maturity, (1) if such Collateral Obligation is a loan, 80% of the amount of such principal due in one year or less following the Stated Maturity and (2) if such Collateral Obligation is a bond, 75% of the amount of such principal due in one year or less following the Stated Maturity, or (b) with respect to any such portion of principal due after one year following the Stated Maturity, the amount of such portion of principal multiplied by the lower of its Moody's Recovery Rate and its S&P Recovery Rate (determined with respect to each

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Class of Secured Notes and the relevant Par Value Ratio for such Class of Secured Notes; it being agreed that, with respect to the Class A/B Par Value Ratio, the S&P Recovery Rate shall be determined by reference to the Class A Notes only);

(xiv) for the avoidance of doubt, the Principal Balance of a DIP Loan will be the outstanding principal amount thereof; and

(xv) for the avoidance of doubt, the Principal Balance of any Substitute Deliverable Obligation will be deemed to be zero.

"Principal Payments": With respect to any Payment Date, an amount equal to the sum of any payments of principal (including optional or mandatory redemptions or prepayments) received on the Pledged Obligations during the related Due Period, including payments of principal received in respect of exchange offers and tender offers and recoveries on Defaulted Obligations up to the outstanding principal amount thereof (including, without limitation, any payments received by the Issuer upon the occurrence of a "credit event" under a Synthetic Security up to the Principal Balance of such Synthetic Security), but not including Sale Proceeds received during the Reinvestment Period.

"Principal Proceeds": With respect to any Payment Date and the Stated Maturity, without duplication:

(i) all Principal Payments, including Unscheduled Principal Payments, received during the related Due Period on the Pledged Obligations;

(ii) any amounts, distributions or proceeds (including resulting from any sale) received on any Defaulted Obligations (other than proceeds that constitute Interest Proceeds under subclause (ii) of the definition thereof) during the related Due Period if the outstanding principal amount thereof then due and payable has not been received by the Issuer after giving effect to the receipt of such amounts, distributions or proceeds, as the case may be;

(iii) all premiums (including prepayment premiums) received during the related Due Period on the Collateral Obligations;

(iv) (A) any amounts constituting unused proceeds remaining in the Principal Collection Account and the Subordinated Securities Principal Collection Account from the Offering (1) at the end of the Reinvestment Period or (2) on any Determination Date on which any of the Par Value Tests are not satisfied or on any Determination Date on or after the Second Determination Date on which any of the Interest Coverage Tests are not satisfied, other than Reinvestment Income (which shall be treated as Interest Proceeds), (B) all amounts transferred to the Principal Collection Account from the Expense Reserve Account during the related Due Period and (C) any Principal Proceeds and unused proceeds designated for application as Principal Proceeds as set forth in "Security for the Sacured Notes—Principal Collection Account";

(v) Sale Proceeds received during the related Due Period (excluding any Sale Proceeds received in connection with an optional redemption of the Securities);

(vi) (A) any net termination payments paid to the Issuer under any Hedge Agreement during the related Due Period (excluding any amounts received in connection with an optional redemption of the Securities);

(B) any upfront payment made by a Hedge Counterparty during the related Due Period that is not a replacement Hedge Counterparty if so designated by the Collateral Manager; and

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(C) any upfront payment made by a replacement Hedge Counterparty during the related Due Period in excess of any hedge termination payment required to be paid by the Issuer to the replaced Hedge Counterparty;

(vii) proceeds received from any additional issuance of Securities if treated as Principal Proceeds in accordance with the Treatment of Additional Issuances of Securities;

(viii) Revolving Credit Facility Net-Backs received during the related Due Period;

(ix) any amounts transferred from the Synthetic Security Collateral Account that are deposited in the Principal Collection Account during the related Due Period;

(x) any up-front payments received in connection with the purchase of a Synthetic Security;

(xi) any amounts transferred to the Principal Collection Account from the Revolving Credit Facility Reserve Account; and

(xii) all other payments received during the related Due Period on the Collateral not included in Interest Proceeds;

provided that any of the amounts referred to in subclauses (i) through (xii) above shall be excluded from Principal Proceeds to the extent such amounts were previously reinvested in Collateral Obligations or are designated by the Collateral Manager as retained for investment or funding in accordance with the Reinvestment Criteria and certain other restrictions set forth in the Indenture; *provided, however*, that with respect to the final Payment Date, "Principal Proceeds" shall include any amounts referred to in subclauses (i) through (xiii) above that are received from the sale of Collateral Obligations on or prior to the day immediately preceding the final Payment Date.

For the avoidance of doubt, if the Issuer receives any payment from a Securities Lending Counterparty that relates to a Collateral Obligation that has been loaned to such Securities Lending Counterparty pursuant to a related Securities Lending Agreement, the portion of such payment that would have constituted Principal Proceeds had such payment been paid from the issuer of such loaned Collateral Obligation to the Issuer shall constitute Principal Proceeds, and prior to an event of default, as such term is defined under the related Securities Lending Agreement, any other payment received by the Issuer under the related Securities Lending Collateral shall not constitute Principal Proceeds and such amounts shall be deposited in the Securities Lending Account.

"Proceeds": (i) Any property (including but not limited to cash and securities) received as a Distribution on the Collateral or any portion thereof, (ii) any property (including but not limited to cash and securities) received in connection with the sale, liquidation, exchange or other disposition of the Collateral or any portion thereof, including any amounts resulting from the sale or disposition of any security pledged as collateral pursuant to a Securities Lending Agreement and (iii) all proceeds (as such term is defined in the UCC) of the Collateral or any portion thereof.

"Proposed Portfolio": The Collateral Portfolio resulting from the sale, maturity or other disposition of a Collateral Obligation or a proposed reinvestment of Principal Proceeds or Interest Proceeds, as the case may be, in a Substitute Collateral Obligation, as the case may be.

"Purchase Agreement": The purchase agreement, dated as of December 8, 2006, among the Issuer, the Co-Issuer and Goldman, Sachs & Co., as the Initial Purchaser.

"Qualified Institutional Buyer": A qualified institutional buyer as defined in Rule 144A.

"Qualified Purchaser": Any Person that, at the time of its acquisition, purported acquisition or proposed acquisition of the Securities, is a qualified purchaser for purposes of Section 3(c)(7) of the Investment Company Act.

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"Rating Agencies": Moody's and S&P (each, a "Rating Agency") or, with respect to Collateral Obligations generally, if at any time Moody's or S&P ceases to provide rating services generally, any other nationally recognized investment rating agency selected by the Issuer and reasonably satisfactory to a Majority of the Controlling Class. In the event that at any time the Rating Agencies do not include Moody's or S&P, references to rating categories of Moody's or S&P in the Indenture shall be deemed instead to be references to the equivalent categories of such other rating agency as of the most recent date on which such other rating agency and Moody's or S&P published ratings for the type of security in respect of which such alternative rating agency is used; *provided* that, with respect to S&P, the ratings of such other rating agency may not be used for notching purposes without S&P's written approval. References to Rating Agencies with respect to a Class of Secured Notes shall apply only to Rating Agencies that assigned a rating (public or confidential) to such Class of Secured Notes on the Closing Dete.

"Redemption Date": Any date specified for a redemption of Securities pursuant to the Indenture or if such date is not a Business Day, the next following Business Day.

"Reference Instrument": The indenture, credit agreement or other agreement pursuant to which a Collateral Obligation has been issued or created and each other agreement that governs the terms of or secures the obligations represented by such Collateral Obligation or of which the holders of such Collaterel Obligation are the beneficiaries.

"Reference Obligation": An obligation upon which a Synthetic Security is based; *provided* that such debt security or other obligation:

(i) is not itself a Synthetic Security or a Structured Finance Security;

(ii) satisfies (and, if owned by the Issuer, would satisfy) the definition of "Collateral Obligation" except for subclauses (iv), (v), (vi), (xi), (xii), (xiii) and (xvi) of the definition of "Collateral Obligation"; and

(iii) is not an Equity Security.

"Reference Obligor": An obligor on (i) a Reference Obligation (if e Reference Obligation is specified) or (ii) a reference entity (if no Reference Obligation is specified).

"Register": The register maintained by the Trustee or any Registrar with respect to the Securities under the Indenture.

"Registered": A debt obligation that is issued after July 18, 1984 and that is in registered form within the meaning of Section 881(c)(2)(B)(i) of the Code and the Treasury regulations promulgated thereunder, provided that an interest in a grantor trust will be considered to be Registered if such interest is in registered form and each of the obligations or securities held by such trust was issued after July 18, 1984.

"Registrar": The agent appointed by the Issuer under the Indenture to act as registrar for the purpose of registering and recording in the Register the Securities and transfers of such Securities.

"Regulation D" or **"Reg D"**: Regulation D under the Securities Act.

"Regulation S" or **"Reg S"**: Regulation S under the Securities Act.

"Regulation S Global Class E Notes": One or more permanent global notes for the Class E Notes in fully registered form without interest coupons sold in reliance on exemption from registration under Regulation S with the applicable legends set forth in the exhibit to the Indenture added to the form of such Class E Notes.

"Regulation S Global Secured Notes": One or more permanent global notes for the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes in fully registered form without interest coupons sold in reliance on exemption from registration under

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Regulation S with the applicable legends set forth in the exhibit to the Indenture added to the form of such Secured Notes.

"Regulation S Global Securities": Collectively, the Regulation S Global Secured Notes and the Regulation S Global Subordinated Securities.

"Regulation S Global Subordinated Securities": One or more permanent global securities for the Subordinated Securities in fully registered form without interest coupons sold in reliance on exemption from registration under Regulation S.

"Regulation U": Regulation U issued by the Board of Governors of the Federal Reserve System.

"Reinvestment Income": Any interest or other earnings on unused proceeds deposited in the Principal Collection Account or the Subordinated Securities Principal Collection Account, as the case may be.

"Reinvestment Test": A test satisfied as of any Measurement Date during the Reinvestment Period if the Class E Par Value Ratio is equal to or greater than the applicable amount set forth under "Summary—The Offering—Coverage Tests and the Reinvestment Test". The Reinvestment Test is calculated using the same methodology as the Class E Par Value Test.

"Repository": The internet-based password protected electronic repository of transaction documents relating to privately offered and sold collateralized debt obligation securities located at "www.cdolibrary.com" operated by The Bond Market Association and Intex or any other CDO modeling service selected by the Collateral Manager (provided that the delivery requirements of any such other CDO modeling service selected by the Collateral Menager shall be reasonably acceptable to the Trustee and Collateral Administrator).

"Required Hedge Counterparty Rating": Except to the extent otherwise epproved by the Rating Agencies, with respect to a counterparty or entity guaranteeing the obligations of such counterparty, (x) either (i) if such counterparty or entity has only a long-term rating by Moody's, e long-term senior unsecured debt rating, financial program rating, derivatives counterparty rating, counterparty risk rating or similar rating (as the case may be, the **"long-term rating"**) of at least "Aa3" by Moody's and if rated "Aa3" by Moody's is not on negative credit watch by Moody's or (ii) if such counterparty or entity hes a long-term rating and a short-term rating by Moody's, a long-term rating of at least "A1" by Moody's and a short-term rating of "P-1" by Moody's and, in each case, such rating is not on negative credit watch by Moody's and (y) (i) a short-term rating of at least "A-1" by S&P or (ii) if such counterparty or entity does not have a short-term rating by S&P, a long-term rating of at least "A+" by S&P.

"Revolving Credit Facility": A debt instrument that provides the borrower with a line of credit ageinst which one or more borrowings may be made to the steted principel amount of such facility and which provide that such borrowed amount may be repaid and reborrowed from time to time; *provided* that such debt instrument shall only be considered a Revolving Credit Facility for so long as any future funding obligations remain in effect and only with respect to any portion which constitutes a future funding obligation.

"Revolving Credit Facility Net-Back": An amount representing a purchase price adjustment received by the Issuer in connection with the acquisition of a Revolving Credit Facility.

"Revolving Credit Facility Reserve Account": The trust account or accounts so designated and established pursuant to the Indenture.

"Rule 144A": Rule 144A under the Securities Act.

"Rule 144A Global Class E Notes": One or more permanent global notes for the Class E Notes in fully registered form without interest coupons sold in reliance on exemption from registration under Rule 144A with the applicable legends set forth in the exhibit to the Indenture added to the form of such Class E Notes.

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"Rule 144A Global Secured Notes": One or more permanent global notes for the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Rule 144A Global Class E Notes in fully registered form without interest coupons sold in reliance on exemption from registration under Rule 144A with the applicable legends set forth in the exhibit to the Indenture added to the form of such Secured Notes.

"S&P": Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or any successor to the ratings business thereof.

"S&P CDO Evaluator": A dynamic, analytical computer program developed by S&P to determine the credit risk of a portfolio of Collateral Obligations, which will be provided to the Collateral Manager and the Issuer after the Effective Date, and which may be modified by S&P from time to time.

"S&P CDO Evaluator Test": A test satisfied, as of any Measurement Date after the Reinvestment Period if, after giving effect to any purchase or sale (or both, if applicable) of a Collateral Obligation, as the case may be, each of the Class S Scenario Default Rate, the Class A Scenario Default Rate, the Class B Scenario Default Rate, the Class C Scenario Default Rate, the Class D Scenario Default Rate and the Class E Scenario Default Rate is maintained or improved.

"S&P CDO Monitor": A dynamic, analytical computer program developed by S&P to determine the credit risk of a portfolio of Collateral Obligations and which may be modified by S&P from time to time which is used to determine the credit risk of a portfolio of underlying instruments, and which will be provided to the Collateral Manager, the Trustee and the Issuer (together with all assumptions and instructions necessary for running such program) after the Effective Date.

"S&P Priority Category": The meaning ascribed to such term in the table that is included under clause (b) in the definition of "S&P Weighted Average Recovery Rate".

"S&P Rating": With respect to a Collateral Obligation, the rating determined as follows (for the issuer or the obligation, as applicable):

(i) if there is an issuer credit rating by S&P of the issuer of such Collateral Obligation, or the guarantor who unconditionally and irrevocably guarantees such Collateral Obligation, then the S&P Rating of such issuer, or the guarantor, shall be such rating (regardless of whether there is a published rating by S&P on the Collateral Obligation of such issuer held by the Issuer);

(ii) if there is not an issuer credit rating by S&P but there is a rating by S&P on a senior unsecured obligation of the issuer, then the S&P Rating of such Collateral Obligation shall be such rating;

(iii) if such Collateral Obligation is a senior secured or senior unsecured obligation of the issuer:

(a) if there is not an issuer credit rating or a rating on a senior unsecured obligation of the issuer by S&P, but there is a rating by S&P on a senior secured obligation of the issuer, then the S&P Rating of such Collateral Obligation shall be one subcategory below such rating; and

(b) if there is not an issuer credit rating or a rating on a senior unsecured or senior secured obligation of the issuer by S&P, but there is a rating by S&P on a subordinated obligation of the issuer, then the S&P Rating of such Collateral Obligation shall be one subcategory above such rating if such rating is higher than "BB+" and will be two subcategories above such rating if such rating is "BB+" or lower;

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(iv) with respect to any Collateral Obligation that is a Synthetic Security, the S&P Rating of such Synthetic Security shall be determined in accordance with the table set forth in "Security for the Secured Notes—Certain Matters Relating to Synthetic Securities";

(v) (1) with respect to a DIP Loan that has an S&P issue rating, the S&P Rating of such DIP Loan will be such S&P issue rating, (2) with respect to a DIP Loan that has no S&P issue rating, (a) if S&P has provided an estimated rating with respect to such DIP Loan, the S&P rating of such DIP Loan will be the estimated rating of such DIP Loan as provided by S&P, (b) if the Issuer or the Collateral Manager on behalf of the Issuer has applied to S&P for a rating estimate, pending receipt from S&P of such estimate, such DIP Loan shall have an S&P Rating of "B-" if the Collateral Manager believes that such estimate will be at least "B-" and if the Aggregate Principal Amount of Collateral Obligations that have an S&P Rating by reason of this subclause (v)(2)(b), together with the Aggregate Principal Amount of Collateral Obligations that have an S&P Rating by reason of the first proviso to subclause (ix)(b) below, does not exceed 10% of the Aggregate Principal Amount of all Collateral Obligations; *provided, however*, that, if the rating estimate subsequently provided by S&P for any such DIP Loan is below "B-", then the Collateral Manager shall no longer have the ability to assign ratings to any DIP Loans pursuant to this subclause (v)(2)(b), and (c) in all other cases, such DIP Loan shall have an S&P Rating of "CCC+";

(vi) (1) with respect to a Current Pay Obligation that has an S&P issue rating, the S&P Rating of such Current Pay Obligation will be such S&P issue rating and (2) with respect to a Current Pay Obligation that is rated "D", "SD" or has no S&P issue rating, the S&P Rating of such Current Pay Obligation will be the greater of (a) "CCC-" or (b) one subcategory below the S&P Rating of any related DIP Loan;

(vii) if such Collateral Obligation is a Structured Finance Security, the S&P Rating of such Collateral Obligation shall be determined as follows:

(a) if S&P has assigned a rating to such Collateral Obligation either publicly or privately (in the case of a private rating, with the appropriate consents for the use of such private rating), the S&P Rating shall be the rating assigned thereto by S&P;

(b) if such Collateral Obligation is not rated by S&P but the Issuer or the Collateral Manager on behalf of the Issuer has requested that S&P assign a rating to such Collateral Obligation, the S&P Rating shall be the rating so assigned by S&P; *provided* that pending receipt from S&P of such rating, if such Collateral Obligation is not eligible for notching in accordance with a certain schedule ("Schedule H") to the Indenture, such Collateral Obligation shall have an S&P Rating of "CCC-", otherwise such S&P Rating shall be the rating assigned according to another schedule ("Schedule G") to the Indenture until such time as S&P shall have assigned a rating thereto; or

(c) if any Collateral Obligation is a Collateral Obligation that has not been assigned a rating by S&P and is not a Collateral Obligation listed in Schedule H to the Indenture, as identified by the Collateral Manager, the S&P Rating of such Collateral Obligation shall be determined in accordance with Schedule G to the Indenture; *provided* that if any Collateral Obligation shall, at the time of its purchase by the Issuer, be listed for a possible upgrade or downgrade on either Moody's or Fitch then current credit rating watch list, then the S&P Rating of such Collateral Obligation shall be one subcategory above or below, respectively, the rating then assigned to such item in accordance with Schedule G to the Indenture; *provided, further*, that the aggregate Principal Balance of the Collateral Obligation that may be given a rating based on this subparagraph (c) may not exceed 10% of the Aggregate Principal Amount of Collateral Obligations;

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(viii) if such Collateral Obligation is a Finance Lease that is cancelable or does not have a "hell or highwater" provision, then the S&P Rating of such Finance Lease shall be (1) with respect to a Finance Lease that has an S&P facility rating, such S&P facility rating and (2) with respect to a Finance Lease that has no S&P facility rating, the estimated rating of such Finance Lease as provided by S&P;

(ix) if subclauses (i) through (viii) above do not apply, then the S&P Rating for such Collateral Obligation may be determined using any one of the methods below:

(a) if an obligation of the issuer has a published rating from Moody's, then the S&P Rating will be determined in accordance with the methodologies for establishing the Moody's Rating, except that the S&P Rating of such obligation shall be (1) one subcategory below the S&P equivalent of the Moody's Rating if such security has a Moody's Rating of "Baa3" or higher and (2) two subcategories below the S&P equivalent of the Moody's Rating if such security has a Moody's Rating of "Ba1" or lower; *provided* that no more than 15% of the Collateral Obligations, by Aggregate Principal Amount, may be given an S&P Rating based on a rating given by Moody's as provided in this subclause (a);

(b) if no security or obligation of the issuer or obligor is rated by S&P or Moody's, then the Issuer or the Collateral Manager on behalf of the Issuer may apply to S&P for a rating estimate, which shall be its S&P Rating; *provided*, that pending receipt from S&P of such estimate, such Collateral Obligation shall have an S&P Rating of "CCC" if the Collateral Manager believes that such estimate will be at least "B-" and if no more than 10% of the Collateral Obligations, by Aggregate Principal Amount, have such S&P Rating by reason of this proviso or subclause (v)(2)(b) above; *provided, further*, that the Trustee, the Issuer and the Collateral Manager will not disclose any such estimated rating received from S&P; or

(c) if a security or obligation is not otherwise rated by S&P or Moody's and the Issuer or the Collateral Manager on behalf of the Issuer elects not to apply to S&P for a rating estimate, which would otherwise be its S&P Rating, such security or obligation shall have an S&P Rating of "CCC-";

(x) notwithstanding the foregoing, so long as any of the Secured Notes remain Outstanding and are rated by S&P, prior to or immediately following the acquisition of any Collateral Obligation not publicly rated by S&P 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 estimate.

Notwithstanding anything to the contrary in any of the foregoing:

(1) if such Collateral Obligation is (a) on S&P's then current watchlist for upgrade, it shall be treated as upgraded by one rating subcategory or (b) on watchlist for downgrade, it shall be treated as downgraded by one rating subcategory unless S&P has notified the Collateral Manager that such downgrade treatment is no longer required;

(2) if the obligor (or guarantor, as applicable) of a Collateral Obligation is not organized in the United States or its territories, then any reference to the S&P issuer credit rating in this definition shall mean the S&P foreign currency issuer credit rating of such obligor (or guarantor, as applicable);

(3) any reference in this definition to an S&P credit rating shall mean the public S&P credit rating unless (i) the obligor of a Collateral Obligation and any relevant parties have provided written authorization to S&P (which form of authorization shall be

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satisfactory to S&P) for the use of such private or confidential credit rating in this transaction and (ii) such private or confidential credit rating is continuously monitored by S&P;

(4) any S&P credit rating that contains a qualifier, including "p", "pi", "t", "r" or "q", shall not be a valid credit rating for use in this definition unless such use by the Issuer or the Collateral Manager satisfies the S&P Rating Condition; and

(5) any reference in this definition to an S&P rating estimate or estimated rating must be such rating provided by S&P in writing and any such rating shall expire after one year of its provision by S&P.

"S&P Rating Condition": With respect to any proposed action to be taken under the Indenture or any other document contemplated by the Indenture, a condition that is satisfied when S&P has confirmed in writing to the Issuer, the Trustee and the Collateral Manager that an immediate withdrawal or reduction with respect to any then-current rating by S&P of any Class of Secured Notes will not occur as a result of such proposed action.

"S&P Recovery Rate": The meaning ascribed to such term in the table that is included in the definition of "S&P Weighted Average Recovery Rate".

"S&P Recovery Rating": The S&P recovery rating assigned to a Collateral Obligation and used in the tables included under clause (a) in the definition of "S&P Weighted Average Recovery Rate".

"S&P Weighted Average Recovery Rate": As of any Measurement Date, the number (expressed as a percentage) obtained by summing the products obtained by multiplying the Principal Balance of each Collateral Obligation by its S&P Recovery Rate (as set forth below in clause (a) or, if clause (a) is not applicable, then clause (b) or (c), as applicable), dividing such sum by the Aggregate Principal Amount of all such Collateral Obligations.

(a) (i) If a Collateral Obligation has an S&P Recovery Rating, the S&P Recovery Rate for such Collateral Obligation shall be determined as follows:

	S&P Rating of Secured Notes						
S&P Recovery Rating of a Collateral Obligation	S&P Recovery Rate for Secured Notes rated "AAA"	S&P Recovery Rate for Secured Notes rated "AA"	S&P Recovery Rate for Secured Notes rated "A"	S&P Recovery Rate for Secured Notes rated "BBB"	S&P Recovery Rate for Secured Notes rated "BB"	S&P Recovery Rate for Secured Notes rated "B"	S&P Recovery Rate for Sacured Notes rated "CCC"
1+	100%	100%	100%	100%	100%	100%	100%
1	92%	93%	94%	96%	98%	100%	100%
2	84%	86%	88%	90%	92%	94%	94%
3	60%	63%	65%	69%	72%	74%	74%
4	40%	42%	44%	46%	48%	48%	48%
5	16%	17%	19%	21%	23%	24%	24%

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	S&P Recovery Rate*
	*The S&P Recovery Rate will be the applicable rate set forth above based on the applicable Class of Secured Notes and the current rating thereof at the time of determination.

(ii) If (x) a Collateral Obligation does not have an S&P Recovery Rating and such Collateral Obligation belongs to any one of the following S&P Priority Categories (as described in clause (b) below): Senior Unsecured Loans, Second Lien Loans or senior unsecured debt securities and (y) the issuer of such Collateral Obligation has issued another debt instrument that is outstanding and senior to such Collateral Obligation, belongs to any one of the following S&P Priority Categories (as described in clause (b) below): Senior Secured Loans, Senior Secured Floating Rate Notes or senior secured debt securities, and has an S&P Recovery Rating (such other debt instrument, a **"Senior Debt Instrument"**), the S&P Recovery Rate for such Collateral Obligation shall be determined as follows:

	S&P Rating of Secured Notes					
S&P Recovery Rating of the Senior Debt Instrument	S&P Recovery Rate for Secured Notes rated "AAA"	S&P Recovery Rate for Secured Notes rated "AA"	S&P Recovery Rate for Secured Notes rated "A"	S&P Recovery Rate for Secured Notes rated "BBB"	S&P Recovery Rate for Secured Notes rated "BB"	S&P Recovery Rate for Secured Notes rated "B" and "CCC"
1+	53%	55%	57%	59%	61%	61%
1	48%	50%	52%	54%	56%	56%
2	43%	45%	47%	49%	51%	51%
3	39%	41%	43%	45%	47%	47%
4	20%	20%	20%	20%	20%	20%
5	10%	10%	10%	10%	10%	10%
	S&P Recovery Rate*					
	*The S&P Recovery Rate will be the applicable rate set forth above based on the applicable Class of Secured Notes and the current rating thereof at the time of determination.					

(iii) If (x) a Collateral Obligation does not have an S&P Recovery Rating and such Collateral Obligation belongs to any one of the following S&P Priority Categories (as described in clause (b) below): Subordinated Loans or subordinated debt securities and (y) the issuer of such Collateral Obligation has issued another debt instrument that is outstanding and senior to such Collateral Obligation, belongs to any one of the following S&P Priority Categories (as described in clause (b) below): Senior Secured Loans, Senior Secured Floating Rate Notes or senior secured debt securities, and has an S&P Recovery Rating (such other debt instrument, a **"Senior Debt Instrument"**), the S&P Recovery Rate for such Collateral Obligation shall be determined as follows:

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	S&P Rating of Secured Notes					
S&P Recovery Rating of the Senior Debt Instrument	S&P Recovery Rate for Secured Notes rated "AAA"	S&P Recovery Rate for Secured Notes rated "AA"	S&P Recovery Rate for Secured Notes rated "A"	S&P Recovery Rate for Secured Notes rated "BBB"	S&P Recovery Rate for Secured Notes rated "BB"	S&P Recovery Rate for Secured Notes rated "B" and "CCC"
1+	25%	25%	25%	25%	25%	25%
1	22%	22%	22%	22%	22%	22%
2	20%	20%	20%	20%	20%	20%
3	20%	20%	20%	20%	20%	20%
4	10%	10%	10%	10%	10%	10%
5	5%	5%	5%	5%	5%	5%
	S&P Recovery Rate*					
	*The S&P Recovery Rate will be the applicable rate set forth above based on the applicable Class of Secured Notes and the current rating thereof at the time of determination.					

(b) If clause (a) is not applicable, the S&P Recovery Rate shall be determined as follows:

S&P Priority Category	**S&P Rating of Secured Notes**					
	S&P Recovery Rate for Secured Notes rated "AAA"	S&P Recovery Rate for Secured Notes rated "AA"	S&P Recovery Rate for Secured Notes rated "A"	S&P Recovery Rate for Secured Notes rated "BBB"	S&P Recovery Rate for Secured Notes rated "BB"	S&P Recovery Rate for Secured Notes rated "B" and "CCC"
Senior Secured Loans	56%	60%	64%	67%	70%	70%
(a) Senior Unsecured Loans and (b)Second Lien Loans not exceeding 15% of the Aggregate Principal Amount of the Collateral Portfolio	40%	42%	44%	46%	48%	48%

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(a) Subordinated Loans and (b) Second Lien Loans in excess of 15% of the Aggregate Principal Amount of the Collateral Portfolio	22%	22%	22%	22%	22%	22%
Senior Secured Floating Rate Notes	56%	60%	64%	67%	70%	70%
Senior secured debt securities	48%	49%	50%	51%	52%	52%
Senior unsecured debt securities	38%	41%	42%	44%	45%	45%
Subordinated debt securities	19%	19%	19%	19%	19%	19%
DIP Loans	56%	60%	64%	67%	70%	70%
Structured Finance Securities	See S&P Weighted Average Structured Finance Matrix or, at the election of the Collateral Manager, as assigned by S&P on a case-by-case basis					
	S&P Recovery Rate* *The S&P Recovery Rate will be the applicable rate set forth above based on the applicable Class of Secured Notes and the current rating thereof at the time of determination.					

(c) If the rating of any Class of Secured Notes by S&P is below "CCC-" or has been withdrawn by S&P, the S&P Recovery Rate relating to such Class of Secured Notes with respect to any Collateral Obligations shall be as assigned by S&P on a case-by-case basis.

"S&P Weighted Average Structured Finance Matrix": The following information has been provided to the Issuer by S&P and the asset classes and related capitalized terms, to the extent not defined in the Indenture, have the meanings ascribed thereto by S&P.

(a) Subject to subclause (c) through (f) below, if a Structured Finance Security is the senior-most tranche of securities issued by the relevant obligor, the S&P Recovery Rate shall be as set forth below:

	If current rating of senior CLO tranche is "AAA"	If current reting of senior CLO tranche ia "AA"	If current rating of senior CLO tranche is "A"	If current rating of senior CLO tranche is "BBB"	If current rating of senior CLO tranche is "BB"	If current rating of senior CLO tranche ia "B"	If current rating of senior CLO tranche is "CCC"
S&P Rating at the time of determination							
AAA	80.00%	85.00%	90.00%	90.00%	90.00%	90.00%	90.00%
AA	70.00%	75.00%	85.00%	90.00%	90.00%	90.00%	90.00%

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A	60.00%	65.00%	75.00%	85.00%	90.00%	90.00%	90.00%
BBB	50.00%	55.00%	65.00%	75.00%	85.00%	85.00%	85.00%

(b) Subject to subclause (c) through (f) below, if a Structured Finance Security is not the senior-most tranche of securities issued by the relevant obligor, the S&P Recovery Rate shall be as set forth below:

	If current rating of senior CLO tranche is "AAA"	If current rating of senior CLO tranche is "AA"	If current rating of senior CLO tranche is "A"	If current rating of senior CLO tranche is "BBB"	If current rating of senior CLO tranche is "BB"	If current rating of senior CLO tranche is "B"	If current rating of senior CLO tranche is "CCC"
S&P Rating at the time of determination							
AAA*	65.00%	70.00%	80.00%	85.00%	85.00%	85.00%	85.00%
AA	55.00%	65.00%	75.00%	80.00%	80.00%	60.00%	80.00%
A	40.00%	45.00%	55.00%	85.00%	80.00%	80.00%	80.00%
BBB	30.00%	35.00%	40.00%	45.00%	50.00%	60.00%	70.00%
BB	10.00%	10.00%	10.00%	25.00%	35.00%	40.00%	50.00%
B	2.50%	5.00%	5.00%	10.00%	10.00%	20.00%	25.00%
CCC	0.00%	0.00%	0.00%	0.00%	2.50%	5.00%	5.00%

* Applies only to Junior AAA tranche that are not *pari passu* with the Senior AAA tranche after an Event of Default is triggered.

(c) If such Structured Finance Security is a CDO of ABS, CDO of CDOs or a Market Value CDO, the recovery rate will be determined by S&P on a case by case basis.

(d) If such Structured Finance Security is a REIT Debt Security, the recovery rate will be 40.00%.

(e) If such Structured Finance Security has its payment obligations guaranteed by a primary monoline insurer, then the recovery rate will be 50.00%.

(f) If such Structured Finance Security is a Non-FER Company Guaranteed Security, the recovery rate will be 40.00%.

"Sale Proceeds": All amounts representing:

(i) proceeds from the sale or other disposition of any Collateral Obligation (other than Defaulted Obligations) or an Equity Security (including any accrued interest thereon, as provided for in subclauses (ii) and (iii) below);

(ii) to the extent that the sale of the Accrued Interest Collateral Obligation occurs on any date on which the Minimum Par Value Ratio is not satisfied, accrued interest received in connection with the sale of such Accrued Interest Collateral Obligation up to an amount equal to the greater of the amount of Unreplenished Principal Proceeds as of such date and zero;

(iii) at the Collateral Manager's sole discretion, any accrued interest received in connection with the sale of any Collateral Obligation not included in subclause (ii) above or any Eligible Investment purchased with any proceeds described in subclause (i);

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(iv) any proceeds from liquidating Securities Lending Collateral after an event of default, as such term is defined under the related Securities Lending Agreement, has occurred and is continuing under a Securities Lending Agreement (but not to exceed the amount of the Securities Lending Counterparty's obligations owed to the Issuer); and

(v) any proceeds of the foregoing, including from the sale of Eligible Investments purchased with any proceeds described in subclause (i) above (including any accrued interest thereon, but only to the extent so provided in subclause (iii) above).

In the case of each of subclauses (i) through (v), Sale Proceeds (a) shall only include proceeds received on or prior to the last day of the relevant Due Period (or with respect to the final Payment Date, the day immediately preceding the final Payment Date) and (b) shall be net of any reasonable amounts incurred by the Collateral Manager or the Trustee in connection with such sale or other disposition.

"Scheduled Payment Date": Each February 18, May 18, August 18, and November 18 each year (or, if such day is not a Business Day, then the next succeeding Business Day), commencing August 18, 2007 and ending on the Stated Maturity.

"Second Determination Date": With respect to the second Scheduled Payment Date to occur after the Closing Date, the last Business Day of the immediately preceding Due Period.

"Second 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 Senior Secured 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 Senior Secured 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.

"Secured Note Redemption Price": With respect to the Secured Notes, an amount equal to the Aggregate Outstanding Amount thereof on a Redemption Date.

"Secured Notes": Collectively, the Co-Issued Notes and the Class E Notes.

"Secured Parties": (i) The Trustee, (ii) the Holders of the Secured Notes, (iii) the Hedge Counterparties, (iv) the Collateral Manager, (v) any Synthetic Security Counterparty in respect of a Synthetic Security which requires the Issuer to place funds in a Synthetic Security Collateral Account pursuant to the Indenture (but, in the case of subclause (v), only with respect to the applicable Synthetic Security Collateral Account) and (vi) the Collateral Administrator.

"Securities": Collectively, the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Subordinated Securities.

"Securities Account Control Agreement": The agreement dated January 18, 2007, by and among the Issuer, the Trustee and the Bank, as Securities Intermediary.

"Securities Act": The U.S. Securities Act of 1933, as amended.

"Securities Intermediary": The meaning specified in Section 8-102(a)(14) of the UCC.

"Securities Lending Agreement": An agreement pursuant to which, for a term of 90 days or less, the Issuer agrees to loan any Securities Lending Counterparty one or more Collateral Obligations and such Securities Lending Counterparty agrees to post Securities Lending Collateral with the Trustee or a Securities Intermediary to secure its obligation to return to the Issuer the Collateral Obligations.

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"Securities Lending Collateral Losses": With regard to any collateral posted by a Securities Lending Counterparty to the Issuer to secure the Securities Lending Counterparty's obligations under a Securities Lending Agreement, the positive difference, if any, between the value of the Collateral Obligations lent pursuant to the terms of a Securities Lending Agreement and the value of such collateral from the date such collateral was posted until the applicable date of determination; *provided, however*, that the amount of such difference will not be Securities Lending Collateral Losses unless the Issuer invests such collateral and is obligated, under the applicable Securities Lending Agreement, to return collateral the value of which is equal to the value of the posted collateral as of the date of the posting of such collateral to such Securities Lending Counterparty.

"Securities Lending Counterparty": Any bank, broker-dealer or other financial institution that has a short-term senior unsecured debt rating or a guarantor with a rating of "P-1" from Moody's (and not placed on credit watch by Moody's) and "A-1" from S&P (and if so rated by S&P, must not be placed on credit watch by S&P); or, if no such short-term ratings are available, a long-term rating of at least "A1" by Moody's and a long-term rating of at least "A+" by S&P. No more than 20% of the Aggregate Principal Amount of the Collateral Portfolio may be loaned pursuant to Securities Lending Agreements regardless of duration.

"Selling Institution": Each institution from which a Participation is acquired. Immediately following the time a Participation is acquired by the Issuer, the percentage of the Aggregate Principal Amount of the Collateral Portfolio that represents Participations entered into by the Issuer with a single Selling Institution (or, if applicable, its guarantor), when combined with the Synthetic Securities entered into by the Issuer with a single Synthetic Securities Counterparty that is also a Selling Institution (or, if applicable, its guarantor) and the Securities Lending Agreements entered into by the Issuer with a single Securities Lending Counterparty that is also a Selling Institution (or, if applicable, its guarantor), will not exceed the individual percentage set forth below for the credit rating of such Selling Institution (or its Affiliates and, if applicable, guarantors), and the percentage of the Aggregate Principal Amount of the Collateral Portfolio that represents Participations entered into by the Issuer with the Selling Institutions (or their Affiliates and, if applicable, guarantors) having the same credit rating will not exceed the aggregate percentage set forth below for such credit rating:

Long Term Senior Unsecured Debt Rating***		Individual Synthetic Security Counterparty Limit/Selling Institution Limit/Securities Lending Counterparty Limit	Aggregate Selling Institution Limit
Moody's	S&P		
Aaa	AAA	20.0%	10.0%
Aa1	AA+	10.0%	10.0%
Aa2	AA	10.0%	10.0%
Aa3	AA-	10.0%	10.0%
A1	A+	5.0%	5.0%
A2*	A**	5.0%	5.0%

* Applies only so long as Moody's short-term unsecured debt rating is "P-1".

** Applies only so long as the S&P short-term unsecured debt rating is "A-1".

*** For purposes of determining compliance with this credit rating requirement, if the Moody's long-term senior unsecured debt rating of a Selling Institution (or, if applicable, its guarantor) or Synthetic Security Counterparty has been put on a watch list for possible downgrade, such credit rating shall be one subcategory below its then current Moody's rating or, if such credit rating has been put on a watch list for possible upgrade, one subcategory above its then current Moody's rating.

provided that the Issuer may enter into a Participation with a Selling Institution (or, if applicable, its guarantor) having, at such time, a long-term senior unsecured debt rating below "A2" by Moody's and "A" by S&P if the Moody's Rating Condition and the S&P Rating Condition have been satisfied.

"Senior Secured Floating Rate Note": Any dollar-denominated senior secured note issued pursuant to an indenture by a corporation, partnership or other person that (i) has a stated coupon that bears a floating rate of interest and (ii) is secured by a first priority, perfected security interest or lien to or on specified collateral securing the issuer's obligations under such note and if the obligation is rated by Moody's, such rating is not lower than the Corporate Family Rating of such issuer.

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"Senior Secured Loan": Any Assignment of or Participation in or other interest (including a Synthetic Security) in a loan (i) that is not (and cannot by its terms become) subordinate (except with respect to (1) liquidation preferences with respect to pledged collateral and (2) any super-priority lien imposed by operation of law) in right of payment to any obligation of the obligor in any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings, (ii) that is secured by the pledge of collateral and (iii) unless secured by a first priority security interest in such collateral, (a) with respect to which the Collateral Manager determines in its reasonable business judgment (which shall not be subject to question as a result of subsequent events) that the value of the collateral securing the loan on or about the time of origination equals or exceeds the outstanding principal balance of the loan plus the aggregate outstanding balances of all other loans of equal or higher seniority secured by the same collateral, and (b) the facility rating is not lower than the Corporate Family Rating of such Issuer; *provided* that for purposes of the definition of "S&P Recovery Rate," subclause (iii) shall not apply.

"Senior Unsecured Loan": Any Assignment of or Participation in or other interest (including a Synthetic Security) in a loan that is not subordinated in right of payment and is not a Senior Secured Loan.

"Share Trustee": The Administrator as the trustee pursuant to the terms of a declaration of trust.

"Special Purpose Vehicle": Any special purpose vehicle organized under the laws of (i) any sovereign jurisdiction that is commonly used as the place of organization for an entity for the purpose of reducing or eliminating tax liabilities for such entity, which shall be limited to: the Cayman Islands, Bermuda, the British Virgin Islands, the Netherlands Antilles, the Netherlands, Luxembourg or the Channel Islands or (ii) upon the satisfaction of each of the Moody's Rating Condition and the S&P Rating Condition, any other jurisdiction; *provided* that, if any of the countries listed in subclause (i) have a foreign currency rating of less than "Aa2" by Moody's or "AA" by S&P at the time of purchase, the Collateral Manager shall notify Moody's or S&P, as applicable, in writing of such fact.

"Stated Maturity": With respect to any security or debt obligation, including a Security, the date specified in such security or debt obligation as the fixed date on which the final payment of principal of such security or debt obligation is due and payable or, if such date is not e Business Day, the next following Business Day. The Stated Maturity with respect to the Securities (other than the Class S Notes) will be February 18, 2021 and, with respect to the Class S Notes, February 18, 2014.

"Step-Up Coupon Security": A security (i) that does not pay interest over a specified period of time ending prior to its maturity, but which does provide for the payment of interest after the expiration of such specified period or (ii) the interest rate of which increases over a specified period of time other then due to the increase of the index relating to a Floating Rate Collateral Obligation.

"Structured Finance Security": Any obligation secured directly by, referenced to or representing ownership of, a pool consisting primarily of bank loans or similar security or repackeged security, but not including any Synthetic Security.

"Subordinated Loan": Any Assignment of or Participation in or other interest (including a Synthetic Security) in a loan that is subordinated in right of payment.

"Subordinated Securities": The U.S.$40,000,000 Subordinated Securities having the Steted Meturity as set forth under "Summary—The Offering—Securities Issued".

"Subordinated Securities Collateral Obligations": Collateral Obligations that (i) were purchased on or prior to the Closing Date and that were designated by the Collateral Manager in a writing delivered to the Trustee es Collateral Obligations the distributions on which, and the proceeds received in respect of which, are to be deposited in the Subordinated Securities Interest Collection Account or the Subordinated Securities Principal Collection Account, as applicable; *provided, however*, that the amount of the Collateral Obligations (measured by the Issuer's ecquisition cost, including any purchased interest) to be designeted as Subordinated Securities Collateral Obligations by the Collateral Manager on the Closing Date, plus any amount deposited in the Subordinated Securities Principal Collection Account on the Closing Date, shall not

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exceed $500,000 or (ii) are purchased after the Closing Date with funds from the Subordinated Securities Principal Collection Account or the Subordinated Securities Interest Collection Account.

"Substitute Collateral Obligation": A Collateral Obligation that is acquired by the Issuer in accordance with the Reinvestment Criteria in connection with the sale or other disposal of another Collateral Obligation.

"Substitute Deliverable Obligation": The meaning specified in the definition of Deliverable Obligation.

"Synthetic Security": Any derivative financial instrument with respect to a loan or a collateralized loan obligation, whether in the form of a swap transaction, credit-linked note, structured bond investment or otherwise (which derivative financial instrument is not a security backed by more than one credit default swap or more than one reference entity (unless such derivative financial instrument references an index) or a synthetic collateralized debt obligation, which, for the avoidance of doubt, shall, in each case, be treated as a Structured Finance Security), purchased, or entered into, by the Issuer with or from a Synthetic Security Counterparty which investment may contain (A) a maturity, interest rate, currency and other non-credit characteristics and recovery rates that may be different from that of the Reference Obligation (or the relevant obligation(s) of the Reference Obligor) to which the credit risk of the Synthetic Security relates or (B) terms that require the Issuer to make payments to a Synthetic Security Counterparty upon the occurrence of a credit event, an event of default or a termination event (each as defined in such Synthetic Security); *provided* that:

(i) the Issuer shall at no time during any taxable year of the Issuer hold a Synthetic Security which is not either (a) a credit default swap or treated as debt for U.S. federal income tax purposes, or (b) a security (as defined in Section 2(a)(36) of the Investment Company Act) other then any security which represents an interest in an entity treated as a grantor trust or a partnership for U.S. federal income tax purposes, unless, the Issuer has obtained an opinion or advice of tax counsel of nationally recognized standing in the United States experienced in such matters to the effect that the acquisition, disposition or ownership by the Issuer of such Synthetic Security will not cause the Issuer to be treated as engaged in a United States trade or business or subject to United States income tax on a net basis;

(ii) each Synthetic Security shall provide that no Deliverable Obligation may be delivered to the Issuer in settlement of the Synthetic Security if delivery thereof to the Issuer or transfer thereof by the Issuer to a third party would require or cause the Issuer to assume, or to subject the Issuer to, any obligation or liability (other than immaterial, nonpayment obligations);

(iii) each Synthetic Security contains appropriate limited recourse and non-petition provisions (to the extent that the Issuer has contractual payment or other obligations to the Synthetic Security Counterparty) equivalent (mutatis mutandis) to those contained in the Indenture;

(iv) each of Moody's or S&P may revoke its consent to the documentation underlying a Form-Approved Synthetic Security upon 30 days' prior written notice (which revocation shall only take effect prospectively and not retroactively with respect to any Form-Approved Synthetic Securities then included in the Collateral Portfolio);

(v) unless the Synthetic Security is a Form-Approved Synthetic Security, the S&P Rating Condition shall have been satisfied (and upon the satisfaction of the S&P Rating Condition, S&P shall provide the Issuer with the S&P Rating and the S&P Recovery Rate for such Synthetic Security) and, in the case of a Form-Approved Synthetic Security, the Issuer shall have requested that S&P provide the S&P Recovery Rate for such Synthetic Security; *provided*, that:

(a) Moody's has been provided with notice of such proposed Synthetic Security and the documents relating to such Synthetic Security;

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(b) Moody's has acknowledged in a written confirmation (such written confirmation to be signed by an authorized officer of Moody's) that the documentation received in connection with such Synthetic Security is adequate for rating purposes (*provided* that if Moody's fails to provide such acknowledgement within five Business Days, it will be deemed to have provided such acknowledgement);

(c) Moody's has not indicated (orally or in writing) within ten Business Days of such acknowledgment that the inclusion of such proposed Synthetic Security will, at that time, cause it to downgrade, withdraw or qualify any of its then current ratings of any of the Co-Issued Notes; and

(d) Moody's has provided to the Issuer the Moody's Rating Factor and the Moody's Recovery Rate for such Synthetic Security;

(vi) a Synthetic Security shall not be used as a means of making future advances to a Synthetic Security Counterparty;

(vii) for the avoidance of doubt, a Synthetic Security need not specify a Reference Obligation and may specify an index;

(viii) the only "credit events" which a Synthetic Security may include are "failure to pay" and "bankruptcy"; and

(ix) a Synthetic Security whose Reference Obligation is a senior secured obligation shall provide that any Deliverable Obligation must be a senior secured obligation and rank *pari passu* with the Reference Obligation.

"Synthetic Security Collateral": Collateral required to be pledged to a Synthetic Security Counterparty as collateral pursuant to the terms of e Synthetic Security, which collateral shall consist of Eligible Investments.

"Synthetic Security Collateral Account": The trust account or accounts established pursuant to the Indenture.

"Synthetic Security Counterparty": An entity required to make payments on a Synthetic Security pursuant to the terms of such Synthetic Security or any guarantee thereof to the extent that a Reference Obligor makes payments on a related Reference Obligation, (a) which counterparty, or the long-term senior unsecured debt of such counterparty (or its secured debt if such counterparty is a trust and its debt is secured by a reference obligation), shall individually and, together with all other Synthetic Security Counterparties, in the aggregate satisfy the required debt ratings set forth in the table below, and (b) with respect to which, the S&P Rating Condition is satisfied. At the time a Synthetic Security is acquired by the Issuer, the percentage of the Aggregate Principal Amount of the Collateral Portfolio that represents Synthetic Securities entered into by the Issuer with a single Synthetic Security Counterparty, when combined with the Participations entered into by the Issuer with such Synthetic Security Counterparty, if such Synthetic Security Counterparty is also a Selling Institution, and the Securities Lending Agreements entered into by the Issuer with a single Securities Lending Counterparty, if such Synthetic Security Counterparty is also a Securities Lending Counterparty, will not exceed the individual percentage set forth below for the credit rating of such Synthetic Security Counterparty and/or Selling Institution (or its Affiliates), and the percentage of the Aggregate Principal Amount of the Collateral Portfolio that represents Synthetic Securities entered into by the Issuer with counterparties having the same credit rating will not exceed the aggregate percentage set forth below for such credit rating:

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Long Term Senior Unsecured Debt Rating***		Individual Synthetic Security Counterparty Limit/Selling Institution Limit/Securities Lending Counterparty Limit	Aggregate Synthetic Security Counterparty Limit
Moody's	S&P		
Aaa	AAA	20.0%	20.0%
Aa1	AA+	10.0%	10.0%
Aa2	AA	10.0%	10.0%
Aa3	AA-	10.0%	10.0%
A1	A+	5.0%	5.0%
A2*	A**	5.0%	5.0%

* Applies only so long as Moody's short-term unsecured debt rating is "P-1".

** Applies only so long as the S&P short-term unsecured debt rating is "A-1".

*** For purposes of determining compliance with this credit rating requirement, if the Moody's long-term senior unsecured debt rating of a Selling Institution (or, if applicable, its guarantor) or Synthetic Security Counterparty has been put on a watch list for possible downgrade, such credit rating shall be one subcategory below its then current Moody's rating or, if such credit rating has been put on a watch list for possible upgrade, one subcategory above its then current Moody's rating.

provided that the Issuer may enter into a Synthetic Security with a Synthetic Security Counterparty having at such time a long-term senior unsecured debt rating below "A2" by Moody's and "A" by S&P, if the S&P Rating Condition has been satisfied.

Notwithstanding any provision to the contrary contained herein, if Moody's or S&P notifies the Issuer that it deems a Structured Finance Security to be subject to counterparty risk at the time such Structured Finance Security is purchased by the Issuer, the percentage limitations set forth in the above table of the preceding paragraph shall be applicable to the entity which is required to make payments on such Structured Finance Security pursuant to the terms of such Structured Finance Security (as if such entity were a Synthetic Security Counterparty).

"Tax Haven Collateral Obligation": An obligation, other than a Structured Finance Security, in which the issuer thereof (i) is organized in a Tax Haven Jurisdiction and (ii) is determined by the Collateral Manager in its sole judgment (which judgment shall not be subject to question as a result of subsequent events) to have (or whose relevant obligations are guaranteed by an entity that the Collateral Manager has determined to have) at least 60% (by reference to the latest available consolideted financial statements) of (A) its business operations or (B) its assets primarily responsible for generating its revenue located in (1) the United States of America, Canada, Australia, (2) a European I Country or a European II Country (so long as, in each case, at the time of the acquisition by the Issuer, the foreign currency reting of such country is rated at laast "AA" by S&P) or (3) upon the satisfaction of each of the Moody's Rating Condition and the S&P Rating Condition, any other jurisdiction.

"Tax Haven Jurisdiction": (i) Any sovereign jurisdiction that is commonly used as the place of organization for an entity for the purpose of reducing or eliminating tax liabilities for such entity, which shall be limited to: the Cayman Islands, Bermuda, the British Virgin Islands, the Netherlands Antilles, the Netherlands, Luxembourg or the Channel Islands or (ii), upon the satisfaction of each of the Moody's Rating Condition and the S&P Rating Condition, any other jurisdiction; *provided* that, if any of the countries listed in subclause (i) have a foreign currency rating of less than "AA" by S&P at the time of purchase, the Collateral Manager shall notify S&P in writing of such fact; *provided, further,* that, none of the countries listed in subclause (i) shall have a foreign currency rating of less than "Aa2" by Moody's.

"Trading Plan": Any written trading plan delivered to the Trustee (a) pursuant to which the Collateral Manager believes all trades contemplated thereby will be entered into within ten calendar days, (b) specifying certain (i) amounts received or expected to be received as Principal Proceeds in connection with such Trading Plan, (ii) Collateral Obligations related to such Principal Proceeds and (iii) Collateral Obligations acquired or intended to be acquired as a result of such Trading Plan, (c) for which the Collateral Manager believes (in its sole judgment) such plan can be executed according to its terms and (d) as to which the Aggregate Principal Amount of the Collateral Obligations expected to be acquired thereunder constitute

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no more than 5% of the Aggregate Principal Amount of the Collateral Portfolio. The time period for such Trading Plan shall be measured from the earliest trade date to the letest trade date of any such amounts.

"Treasury": The U.S. Department of the Treasury.

"Trust Officer": When used with respect to the Trustee, any officer within the Corporate Trust Office (or any successor group of the Trustee) including any director, managing director, vice president, assistant vice president, associate or officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, having direct responsibility for the administration of the Indenture or to whom any corporate trust matter is referred at the Corporate Trust Office because of his knowledge of and familiarity with the particular subject.

"Trustee": The Bank of New York Trust Company, National Association solely in its capacity as Trustee for the Securityholders, unless a successor Person shall have become the Trustee pursuant to the applicable provisions of the Indenture, and thereafter "Trustee" shall mean such successor Person.

"U.S. Person": The meaning specified under Regulation S.

"U.S. Subordinated Securities": Subordinated Securities in fully registered, certificated, form without interest coupons sold to Qualified Institutional Buyers or Accredited Investors in reliance on exemption from registration under Rule 144A or another applicable exemption from registration under the Securities Act, respectively, registered in the name of the owner thereof.

"UCC": The Uniform Commercial Code as in effect in the state of the United States that governs the relevant security interest as amended from time to time.

"Unreplenished Principal Proceeds": As of any date of determination after the Effective Date, an amount (which may be negative) equal to (a) the aggregate cumulative amount of accrued interest purchased after the Effective Date that was purchased with Principal Proceeds or Sale Proceeds less (b) the aggregate cumulative amount of Principal Allocated Accrued Interest to such date.

"Unscheduled Principal Payments": All Principal Payments received with respect to a Collateral Obligation as a result of optional redemptions, exchange offers, tender offers or other payments or prepayments made at the option of the issuer thereof.

"Warehouse Accrued Interest": Interest on Collateral Obligations that has accrued on or prior to the Closing Date but paid on or after the Closing Date, which interest shall not at any time be included as Interest Proceeds or part of the Collateral.

"Weighted Average Life": As of any Measurement Date, the number obtained by (i) for each Collateral Obligation (other than Defaulted Obligations), multiplying each scheduled Principal Payment by the number of years (rounded to the nearest hundredth) from the Measurement Date until such scheduled Principal Payment is due; (ii) summing all of the products calculated pursuant to subclause (i); and (iii) dividing the sum calculated pursuant to subcleuse (ii) by the sum of all scheduled Principal Payments due on all the Collaterel Obligations as of such Measurement Date. For purposes of determining the Weighted Average Life of a Collateral Obligation that matures after the Stated Maturity, such Collateral Obligation shall be deemed to mature at the Stated Maturity of the Securities.

"Weighted Average Spread": As of any Measurement Date, a fraction (expressed as a percentage) obtained by dividing (A) the sum of (i) the Aggregate Funded Spread and (ii) the Aggregate Unfunded Spread *by* (B) the Aggregate Principal Amount of all of the Collateral Obligations (excluding Defaulted Obligations) held by the Issuer as of such Measurement Date.

"Withholding Tax Event": The adoption of, or a change in, any tax statute (including the Code), treaty, regulation (whether proposed, temporary or final), rule, ruling, practice, procedure or judicial decision or interpretation which results or will result in payments due from the obligors of Collateral Obligations representing in excess of 5% of the Aggregate Principal Amount of Collateral Obligations becoming properly

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subject to the imposition of U.S. or other withholding tax as of the next scheduled payment date under such Collateral Obligations (other than withholding taxes with respect to commitment fees associated with Collateral Obligations constituting Revolving Credit Facilities or Delayed Funding Term Loans) with respect to which such obligors are not required to make gross-up payments that cover the full amount of such withholding taxes on an after-tax basis.

"Withholding Tax Security": A Collateral Obligation if (a) any payments thereon to the Issuer are subject to withholding tax imposed by any jurisdiction (other than U.S. backup withholding tax or other similar withholding tax and other than withholding tax with respect to commitment fees associated with Collateral Obligations constituting Revolving Credit Facilities or Delayed Funding Term Loans), and (b) under the Reference Instrument with respect to such Collateral Obligation, the issuer of or counterparty with respect to such Collateral Obligation is not required to make "gross-up" payments to the Issuer that cover the full amount of such withholding tax on an after-tax basis.

"Zero-Coupon Security": A security (other than a Step-Up Coupon Security) that, at the time of determination, does not make periodic payments of interest.

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ANNEX I: CLASS S PRINCIPAL DISTRIBUTION AMOUNTS

Period	Payment Date	Class S Principal Distribtion Amount
1	18-Aug-07	142,857.18
2	18-Nov-07	71,428.57
3	18-Feb-08	71,428.57
4	18-May-08	71,428.57
5	18-Aug-08	71,428.57
6	18-Nov-08	71,428.57
7	18-Feb-09	71,428.57
8	18-May-09	71,428.57
9	18-Aug-09	71,428.57
10	18-Nov-09	71,428.57
11	18-Feb-10	71,428.57
12	18-May-10	71,428.57
13	18-Aug-10	71,428.57
14	18-Nov-10	71,428.57
15	18-Feb-11	71,428.57
16	18-May-11	71,428.57
17	18-Aug-11	71,428.57
18	18-Nov-11	71,428.57
19	18-Feb-12	71,428.57
20	18-May-12	71,428.57
21	18-Aug-12	71,428.57
22	18-Nov-12	71,428.57
23	18-Feb-13	71,428.57
24	18-May-13	71,428.57
25	18-Aug-13	71,428.57
26	18-Nov-13	71,428.57
27	18-Feb-14	71,428.57
28	18-May-14	0.00
29	18-Aug-14	0.00
30	18-Nov-14	0.00
31	18-Feb-15	0.00
32	18-May-15	0.00
33	18-Aug-15	0.00
34	18-Nov-15	0.00
35	18-Feb-16	0.00
36	18-May-16	0.00
37	18-Aug-16	0.00
38	18-Nov-16	0.00
39	18-Feb-17	0.00
40	18-May-17	0.00
41	18-Aug-17	0.00
42	18-Nov-17	0.00
43	18-Feb-18	0.00
44	18-May-18	0.00
45	18-Aug-18	0.00
46	18-Nov-18	0.00
47	18-Feb-19	0.00

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Period	Payment Date	Class S Principal Distribtion Amount
48	18-May-19	0.00
49	18-Aug-19	0.00
50	18-Nov-19	0.00
51	18-Feb-20	0.00
52	18-May-20	0.00
53	18-Aug-20	0.00
54	18-Nov-20	0.00
55	18-Feb-21	0.00

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EXHIBIT A: FORM OF SECURITY OWNER CERTIFICATE

The Bank of New York Trust Company, National Association
as Trustee
601 Travis Street, 16th Floor
Houston, Texas 77002
Attn: Global Corporate Trust—Greywolf CLO I, Ltd.

Greywolf CLO I, Ltd.
P.O. Box 1093 GT
Queensgate House
South Church Street
George Town
Grand Cayman, Cayman Islands

Greywolf CLO I, Corp.
850 Library Avenue, Suite 204
Newark, Delaware 19711

Re: Reports Prepared Pursuant to the Indenture, dated as of January 18, 2007 among Greywolf CLO I, Ltd., Greywolf CLO I, Corp. and The Bank of New York Trust Company, National Association (the "Indenture").

Ladies and Gentlemen:

The undersigned hereby certifies that it is the beneficial owner of U.S.$_____ in principal/notional amount of the (Please check all that apply.):

_____ Class S Notes
_____ Class A Notes
_____ Class B Notes
_____ Class C Notes
_____ Class D Notes
_____ Class E Notes
_____ Subordinated Securities

end hereby requests the Trustee to provide to it (or its designated nominee set forth below) at the following address or with respect to certain monthly accounting reports or certain other accounting reports, grant access to such information at the Trustee's website the:

_____ notice after the occurrence of any Default (specified in Section 6.2 of the Indenture)
_____ information with respect to certain tax matters (specified in Section 7.19 of the Indenture)
_____ certain monthly accounting reports with respect to the Collateral (specified in Section 10.5(a) of the Indenture)
_____ certain accounting reports determined as of the Determination Date (specified in Section 10.5(b) of the Indenture).

Please return form via facsimile to the Trustee at (713) 216-2101.

IN WITNESS WHEREOF, the undersigned has caused this certificate to be duly executed this ____ day of _____, ____.

[NAME OF SECURITY OWNER]

By: _____
Authorized Signatory

_____
Print Name Here

Address: _____

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Footnote Exhibits - Page 5199

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U.S.$2,000,000 Class S
Floating Rate Notes, Due 2014

U.S.$365,000,000 Class A
Floating Rate Notes, Due 2021

U.S.$22,500,000 Class B
Floating Rate Notes, Due 2021

U.S.$25,000,000 Class C
Deferrable Floating Rate Notes, Due 2021

U.S.$30,000,000 Class D
Deferrable Floating Rate Notes, Due 2021

U.S.$17,500,000 Class E
Deferrable Floating Rate Notes, Due 2021

U.S.$40,000,000 Subordinated Securities, Due 2021

GREYWOLF CLO I, LTD.
GREYWOLF CLO I, CORP.

Secured (with respect to the Secured Notes) Primarily by a Portfolio of Loans that are Senior Secured Loans

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From: Tourre, Fabrice
Sent: Monday, March 12, 2007 1:47 PM
To: Egol, Jonathan; ficc-mtgcorr-desk
Subject: Re: Abacus ACA

As discussed with Nartey, we are taking his feedback into account and once we have gotten more feedback from accounts accross the cap structure we will decide what the best cours of action is.

Gerstie, we need to have a follow up call with Paulson to see how they feel about the strike spreads and upfront fees we mentioned to them. When is this call happening ?

Sent from my BlackBerry Wireless Handheld

----- Original Message -----
From: Egol, Jonathan
To: Tourre, Fabrice; ficc-mtgcorr-desk
Sent: Mon Mar 12 14:32:55 2007
Subject: RE: Abacus ACA

So what do you suggest we say to Joerg?

-----Original Message-----
From: Tourre, Fabrice
Sent: Monday, March 12, 2007 2:29 PM
To: Egol, Jonathan; ficc-mtgcorr-desk
Subject: Re: Abacus ACA

I suggest to hold off for the time being. Paulson will likely not agree to this unless we tell them that nobody will buy these bonds if we don't make that change.

Sent from my BlackBerry Wireless Handheld

----- Original Message -----
From: Egol, Jonathan
To: ficc-mtgcorr-desk
Sent: Mon Mar 12 14:18:07 2007
Subject: FW: Abacus ACA

I suggest we ask Gail to relay. Thoughts?

From: Zimmermann, Jörg [mailto:joerg.zimmermann@ikb-cam.de]
Sent: Monday, March 12, 2007 1:51 PM
To: Nartey, Michael
Cc: Egol, Jonathan; Tourre, Fabrice
Subject: Abacus ACA

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2530

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660521.135

M,

did you hear something on my request to remove Fremont and New Cenutry serviced bonds ? I would like to try to the advisory comitee this week and would need consent on it.

Rgds

J

Jörg Zimmermann

Vice President – Portfolio Investments

IKB Credit Asset Management GmbH

Uerdinger Straße 90

40474 Düsseldorf

Tel.: +49 (0)211 8221-6283

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E-Mail: joerg.zimmermann@ikb-cam.de

Internet: www.ikb-cam.de

Rechtsform Gesellschaft mit beschränkter Haftung

Sitz Düsseldorf

Handelsregister Amtsgericht Düsseldorf B Nr. 54720

Geschäftsführer: Winfried Reinke

Vorsitzender des Beirats: Stefan Ortseifen

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660521.136

From: Lehman, David A.
Sent: Monday, March 12, 2007 1:30 PM
To: Tourre, Fabrice; Egol, Jonathan; ficc-mtgcorr-desk
Subject: RE: Abacus ACA

[redacted]

-----Original Message-----
From: Tourre, Fabrice
Sent: Monday, March 12, 2007 2:29 PM
To: Egol, Jonathan; ficc-mtgcorr-desk
Subject: Re: Abacus ACA

I suggest to hold off for the time being. Paulson will likely not agree to this unless we tell them that nobody will buy these bonds if we don't make that change.

Sent from my BlackBerry Wireless Handheld

[redacted] = Redacted by the Permanent Subcommittee on Investigations

----- Original Message -----
From: Egol, Jonathan
To: ficc-mtgcorr-desk
Sent: Mon Mar 12 14:18:07 2007
Subject: FW: Abacus ACA

I suggest we ask Gail to relay. Thoughts?

From: Zimmermann, Jörg [mailto:joerg.zimmermann@ikb-cam.de]
Sent: Monday, March 12, 2007 1:51 PM
To: Nartey, Michael
Cc: Egol, Jonathan; Tourre, Fabrice
Subject: Abacus ACA

M,

did you hear something on my request to remove Fremont and New Cenutry serviced bonds ? I would like to try to the advisory comitee this week and would need consent on it.

Rgds

J

Jörg Zimmermann

Vice President - Portfolio Investments

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2531

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E-Mail: joerg.zimmermann@ikb-cam.de
Internet: www.ikb-cam.de

Rechtsform Gesellschaft mit beschränkter Haftung
Sitz Düsseldorf
Handelsregister Amtsgericht Düsseldorf B Nr. 54720
Geschäftsführer: Winfried Reinke
Vorsitzender des Beirats: Stefan Ortseifen

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2/12/07

Joe Pimbley
Nora Dahlman
Alan Roseman
Ted Gilpin

CDO Asset "Management" Proposal
For
ABACUS 2007-AC1

non-voting members
Keith Gorman
Vincent Ingato
Laura Schwartz

Commitments Committee
February 12, 2007

Submitted by:
Keith Gorman

Discussion on
- portfolio selection work with the equity investor
- meetings with the investor to win mandate

Commitments Committee Votes

Member	Approve	Decline	Signature
Alan Roseman	✓		
Ted Gilpin			
Joseph Pimbley	✓		
Nora Dahlman	✓		
Credit Committee Decision			Approval Date:

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
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by Fried Frank Harris Shriver & Jacobson LLP

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PROPOSAL

We are seeking Senior Credit Committee's approval for: (1) ACA Management to act as Portfolio Selection Agent (an upfront role only) to a synthetic CDO backed by approximately 90 Baa2 subprime mortgage reference entities, by which we would receive ongoing asset management fees for identifying (but not managing) the portfolio; and (2) working with Goldman Sachs, the underwriter, to assist in their marketing efforts to sell Aaa/AAA through A2/A rated notes. This transaction was structured as a result of a "beauty pageant" whereby a New York City hedge fund did due diligence on several CDO managers and selected us as the Portfolio Selection Agent for a reverse equity inquiry CDO. The hedge fund is taking the 0-9% tranche. Structured Credit will have the opportunity to look at the super senior tranche as well. This is our first ABS CDO with Goldman Sachs (we are currently in ramp-up with them on a U.S. CLO).

Key Transaction Metrics

Transaction Type:	$1 billion to $2 billion static synthetic mezzanine ABS CDO Liabilities will be modified sequential pay (target notional o/c based)
ACA Management's (ACA) Role:	Portfolio Selection Agent only
Underwriter:	Goldman Sachs
ACA Required Investment:	None
Asset Class:	Underlying collateral will be 100% synthetic Baa2 subprime residential mortgage positions.
Expected WAL of Underlying Assets:	4 years
Management Fees to ACA per annum:	As per tranche schedule on page 3 below with a minimum annual fee of $1 million.
Warehouse:	ACA is not taking any warehouse risk/return or any ongoing risk (no equity investment).
Non-Call Period:	3 years

The hedge fund equity investor wanted to invest in the 0-9% tranche of a static mezzanine ABS CDO backed 100% by subprime residential mortgage securities. Over the past 3 weeks we have worked with the investor to construct a portfolio that meets their needs as well as ours. Our requirements for the portfolio were that all of the positions had been reviewed and approved by ACA's ABS credit committee and that all seasoned positions were performing within expectations for the vintage. Since there is no ongoing management function (no ability to defensively sell credit risk securities), we proposed a portfolio that was 100% Baa2 to potentially minimize the downgrade risk versus Baa3 underlying bonds. The risk to ACA in this transaction is one of reputation but even this is limited since we acted solely as the portfolio selection advisor and have no ongoing management role (we may need to discuss our ongoing credit opinions on the underlying positions with investors upon request by investors).

What we have done in terms of minimizing our reputation risk is look at stressing the portfolio to determine what downgrades (and defaults) can be sustained before the issued tranches are downgraded. Attached to the back of this write-up is the analysis provided by Goldman Sachs. We are working with our quant team on verifying this work.

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by Fried Frank Harris Shriver & Jacobson LLP

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Key Portfolio Metrics

We are seeking approval to build a portfolio of asset backed securities which would have the ratings and sector characteristics as shown below.

Number of Reference Obligations:	Approximately 90
Average Size of Each Underlying Position:	1.1%
Moody's WARF:	360 (Baa2)
Expected WAS:	Approximately 250 bps
Sector Concentrations:	100% Baa2 subprime mortgage positions

Transaction Overview

The following is the expected transaction capitalization structure:

Class	Rating	Size	Management Fee
Unfunded super senior	Aaa/AAA	35-100%	n/a
Class A	Aaa/AAA	21-35%	25 bps
Class B	Aa2/AA	18-21%	50 bps
Class C	Aa3/AA-	13-18%	50 bps
Class D	A2/A	9.5-13%	100 bps
Equity	Not rated	0-9.5%	

The rationale for this ABACUS transaction is our ongoing core, ABS CDO platform and the fact that this is new business with both a significant hedge fund and Goldman Sach's ABS platform. We anticipate pricing and closing this transaction in March (once our current exclusive on ACA ABS 2007-1 expires).

STRENGTHS AND RISKS/MITIGATING FACTORS

Strengths	Risks/Mitigants
Incremental Fee Income: ♦ ACA's revenue from the deal will come in the form of ongoing portfolio selection advisory fees. • Expected initial management fees will be approximately $1,000,000 per annum.	Potentially adverse credit environment: • Multiple portfolio defaults and downgrades could adversely affect ACA's reputation in the market as a CDO manager should the portfolio experience realized losses and/or tranche downgrades. This is mitigated by the fact that we are not the manager to the CDO (no ongoing responsibility) and that there is cushion to withstand downgrades to positions in the portfolio before the model indicates that the ratings on any tranche would be affected. *Mitigants:* + All credits in the portfolio have been reviewed under ACA's ABS credit and committee guidelines. + ACA will not take any warehouse or equity exposure to this transaction.
Incremental Revenue from Existing Platform: • Since our role was only as portfolio selection agent, there is no specific ongoing monitoring or surveillance work that will need to be done.	

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Abacus 2007-AC1, non-equity "GAAP" Projection (was not in business plan)

REVENUES	2007 Business Plan (1)	2007 (estimate) (2)	2008 Business Plan	2008 (per engagement letter)
Warehouse Income	$0	$0	$0	$0
Structuring Fee	$0	$0	$0	$0
Asset Mgt Fees	$0	$650,000	$0	$1,000,000
Equity Investment	$0	$0	$0	$0
Equity Return	n/a	n/a	n/a	n/a
AUM at year end	$0	$1,000,000,000	$0	$1,000,000,000

(1) ABACUS was not in the business plan.
(2) Assumes a $1 billion transaction closing 4/30/07, $1 million minimum management fee.

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Moody's Metric Results as Provided by Goldman Sachs

Closing Date - all Reference Obligations rated Baa2

	T1	T2	T3	T4
Notional Size %	14.00%	3.00%	5.00%	3.50%
Notional Size ($)	280,000,000.00	60,000,000.00	100,000,000.00	70,000,000.00
CE (Attachment Point)	21.00%	18.00%	13.00%	8.50%
CE ($)	420,000,000.00	360,000,000.00	260,000,000.00	190,000,000.00
Initial / Target Rating	Aaa	Aa2	Aa3	A2
EL	0.00157%	0.01414%	0.05619%	0.22319%
Variance	0.0006%	0.0118%	0.0411%	0.1772%
Proximity	0.0075%	0.0229%	0.1183%	0.3783%
EL - Initial Case	0.00175%	0.01494%	0.05768%	0.22629%
Additional EL	0.00200%	0.01500%	0.01500%	0.01500%
Discounted EL	**0.00329%**	**0.02605%**	**0.08276%**	**0.20096%**
Rating	Aaa	Aa2	Aa3	A2
Moody's Metric (MM)	**0.7852**	**2.7235**	**3.8486**	**5.6531**
Spread	0.30%	0.70%	0.90%	3.00%
Tranche Life	4.24	4.57	4.65	4.64
Default Date (Year)	2.67	2.74	2.79	2.90

10 downgrades, 0.5 year decrease to WAL

	T1	T2	T3	T4
Notional Size %	14.00%	3.00%	5.00%	3.50%
Notional Size ($)	280,000,000.00	60,000,000.00	100,000,000.00	70,000,000.00
CE (Attachment Point)	21.00%	18.00%	13.00%	8.50%
CE ($)	420,000,000.00	360,000,000.00	260,000,000.00	190,000,000.00
Initial / Target Rating	Aaa	Aa2	Aa3	A2
EL	0.00125%	0.01167%	0.04784%	0.19372%
Variance	0.0004%	0.0097%	0.0349%	0.1537%
Proximity	0.0061%	0.0191%	0.1020%	0.3281%
EL - Scenario	0.00140%	0.01239%	0.04922%	0.19661%

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Additional EL	0.00200 %	0.01500 %	0.01500 %	0.01500%
Discounted EL	**0.00306 %**	**0.02460 %**	**0.05755 %**	**0.18869%**
Rating	**Aaa**	**Aa2**	**Aa3**	**A2**
Moody's Metric (MM)	**0.9363**	**2.8999**	**3.9679**	**5.7993**
Spread				
Tranche Life	3.94	4.07	4.15	4.34
Default Date (year)	2.37	2.44	2.49	2.60

20 downgrades, 0.5 year decrease to WAL

	T1	T2	T3	T4
Notional Size %	14.00%	3.00%	6.00%	3.50%
	280,000,000.00	60,000,000.00	100,000,000.00	70,000,000.00
CE (Attachment Point)	21.00%	18.00%	15.00%	8.50%
	420,000,000.00	360,000,000.00	280,000,000.00	190,000,000.00
Initial / Target Rating	Aaa	Aa2	Aa3	A2
EL	0.00168 %	0.01508 %	0.06024 %	0.23800%
Recovery	0.0006 %	0.0126 %	0.0441 %	0.1896%
Funds Rate	0.0081 %	0.0245 %	0.1268 %	0.3993%
	0.00186 %	0.01591 %	0.06179 %	0.24120%
Additional EL	0.00200 %	0.01500 %	0.01500 %	0.01500%
Discounted EL	**0.00348 %**	**0.02778 %**	**0.08881 %**	**0.22846%**
Rating	**Aa1**	**Aa3**	**A1**	**A3**
Moody's Metric (MM)	**1.0501**	**3.0531**	**4.2478**	**6.1611**
Spread				
Tranche Life	3.94	4.07	4.15	4.34
Default Date (year)	2.37	2.44	2.49	2.60

30 downgrades, 0.5 year decrease to WAL

	T1	T2	T3	T4
Notional Size %	14.00%	3.00%	6.00%	3.50%
	280,000,000.00	60,000,000.00	100,000,000.00	70,000,000.00
CE (Attachment Point)	21.00%	18.00%	12.00%	6.50%
	420,000,000.00	360,000,000.00	280,000,000.00	190,000,000.00
Initial / Target Rating	Aaa	Aa2	Aa3	A2

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Rating				
EL	0.00213 %	0.01815 %	0.07197 %	0.27977%
Variance	0.0008 %	0.0151 %	0.0528 %	0.2231%
Frequency	0.0099 %	0.0293 %	0.1501 %	0.4683%
EL + Std Error	0.00233 %	0.01905 %	0.07366 %	0.28325%
Additional EL	0.00200 %	0.01500 %	0.01500 %	0.01500%
Diversified EL	**0.00391 %**	**0.03058 %**	**0.07945 %**	**0.26595%**
Rating	Aa1	Aa3	A1	A3
Moody's Metric (MM)	**1.1441**	**3.1801**	**4.4785**	**6.5007**
Spread				
Tranche Life	3.94	4.07	4.16	4.34
Default Date (year)	2.37	2.44	2.49	2.60

40 downgrades, 0.5 year decrease to WAL

	T1	T2	T3	T4
Notional Size %	14.00%	3.00%	5.00%	8.50%
Notional Size $	280,000,000.00	60,000,000.00	100,000,000.00	70,000,000.00
CE (Attachment Point)	21.00%	18.00%	13.00%	9.50%
$ Attached	420,000,000.00	360,000,000.00	260,000,000.00	190,000,000.00
Inquiry Target Rating	Aa1	Aa2	Aa3	A2
EL	0.00265 %	0.02190 %	0.08576 %	0.32839%
Variance	0.0010 %	0.0183 %	0.0632 %	0.2623%
Frequency	0.0118 %	0.0354 %	0.1777 %	0.5482%
EL + Std Error	0.00289 %	0.02289 %	0.08761 %	0.33216%
Additional EL	0.00200 %	0.01500 %	0.01500 %	0.01500%
Diversified EL	**0.00440 %**	**0.03403 %**	**0.09195 %**	**0.30956%**
Rating	Aa1	Aa3	A1	A3
Moody's Metric (MM)	**1.2412**	**3.3203**	**4.7130**	**6.8401**
Spread				
Tranche Life	3.94	4.07	4.16	4.34
Default Date (year)	2.37	2.44	2.49	2.60

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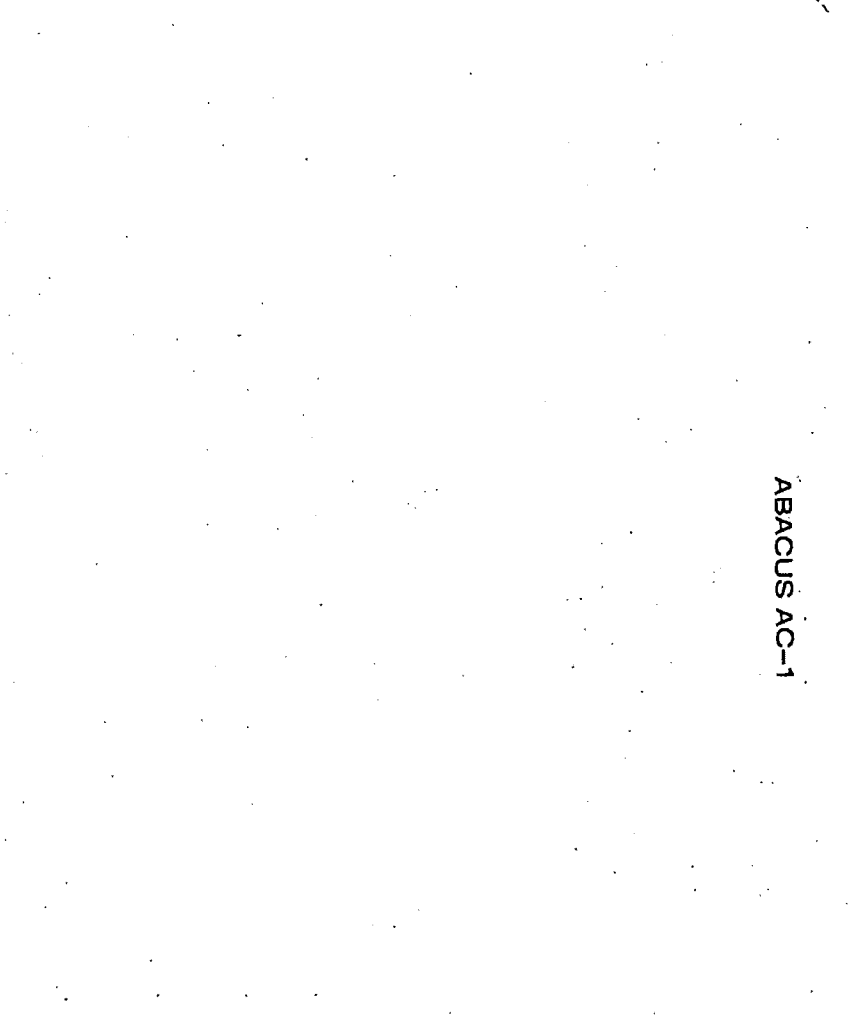

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Wall Street & The Financial Crisis
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Q

Goldman Trade

2/9/2007 Spoke to Mel. $2B deal – static del, portfolio selected by ACA.
2 yr optional call – told Mel no – we need 3 or 4 yr call.
- BBB Plat portfolio.
- 35% attachment
- Sequential pay
- Any OC/IC triggers? No.
- Purely synthetic?
- Pricing? High teens
- Similar to Fairway (need to compare spreads)
Pricing – 18 net to us.
WAS is 270 vs 115 bps for Fairway Grenadier.

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2/23 Call w/ Mel) - Counterparty motivation - reverse inquiry from Paulson who interviewed several collateral management terms - one being ACA. Paulson taking 0-10%. ACA getting fees on subordinate tranches. Goldman gets makes $ on bid-ask spread.

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ACA ABACUS 00004174—ACA ABACUS 00004176

From: Laura Schwartz [lschwartz@aca.com]
Sent: Tuesday, April 10, 2007 4:12 PM
To: Alan Roseman; Ted Gilpin; Joseph Pimbley; Nora Dahlman; James Rothman; Brad Larson
Subject: Abacus 2007-AC1

We did price $192 million in total of Class A1 and A2 today to settle April 26th. Paulson took down a proportionate amount of equity (0-10% tranche). Goldman does expect to issue more over the next 2 weeks as well.

Laura Schwartz
ACA Capital
(212) 375 2011
Lschwartz@aca.com

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From: Tourre, Fabrice
Sent: Wednesday, January 10, 2007 11:54 AM
To: lschwartz@aca.com
Cc: Gerst, David; Kreitman, Gail; ficc-mtgcorr-desk
Subject: Transaction Summary

Laura: we wanted to summarize ACA's proposed role as "Portfolio Selection Agent" for the transaction that would be sponsored by Paulson (the "Transaction Sponsor"). Feel free to let David and I know if you have any questions.

-- CDO Transaction Size: between $1bn and $2bn notional
-- Reference Portfolio: static, fully identified upfront, and consisting of approx 100 equally-sized mezzanine subprime RMBS names issued between Q4 2005 and today. Starting portfolio would be ideally what the Transaction Sponsor shared, but there is flexibility around the names.
-- Portfolio monitoring required: none
-- Transaction reporting: on a monthly basis, done by trustee (trustee expected to be Lasalle)
-- Portfolio reinvestments required: none
-- Portfolio Selection Agent would be disclosed as having selected the Reference Portfolio
-- Portfolio Selection Agent would not be required to retain any risk in the CDO transaction, although it would have the option to buy CDO notes/unfunded swaps that will be distributed in the market.
-- Portfolio Selection Agent would be asked to facilitate the marketing of the notes (including putting together marketing materials on ACA, discussing with customers on conference calls). No roadshow is expected; no travel is expected.
-- No BWICs required to be run by the Portfolio Selection Agent
-- Timing: the Transaction Sponsor is working under the assumption that Goldman be in the market with this transaction early February

Contemplated Capital Structure -- subject to Reference Portfolio:

- [34]% - [100]%: unfunded supersenior tranche distributed to a supersenior protection writer
- [22]% - [34]%: Aaa/AAA class A tranche distributed broadly on a best efforts' basis by Goldman
- [15]% - [22]%: Aa2/AA class B tranche distributed broadly on a best efforts' basis by Goldman
- [9]% - [15]%: A2/A class C tranche distributed broadly on a best efforts' basis by Goldman
- [0]% - [9]%: pre-committed first loss

-- Economics: for transactions like this, where the Portfolio Selection Agent is not required to retain any risk, we have seen fees in the order of 15bps to 20bps paid on the portfolio notional amount (that's what we have been seeing for most of the Magnetar-sponsored transactions). In the context of this transaction, the portfolio selection fees will be paid in the form of a spread on the outstanding amount of the class A through class C tranches. For example, if you are asking to be paid:

- Class A Portfolio Management Fee: 0.25% p.a. (the tranche is [12]% thick)
- Class B Portfolio Management Fee: 0.50% p.a. (the tranche is [7]% thick)
- Class C Portfolio Management Fee: 1.00% p.a. (the tranche is [6]% thick)

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This would mean that if Goldman is able to distribute 100% of the class A, class B and class C notes, the Portfolio Selection Agent would, on a blended basis, receive 0.125% p.a. on the portfolio notional. This compensation structure aligns everyone's incentives: the Transaction Sponsor, the Portfolio Selection Agent and Goldman.

-- The Transaction Sponsor is in discussions with a couple of potential CDO managers, and will work with the manager who will provide the most appealing economic proposal and will be able to address all the stated objectives.

We will send to you later today a termsheet that outlines the transaction structure. What would be constructive is for you to think about the fees that you would need to get paid to act as Portfolio Advisor, and also a draft portfolio that you would select, based upon the preliminary work you mentioned to us during the call.

Thanks,

Regards,

Fabrice

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Goldman, Sachs & Co.
85 Broad Street | 26th Floor | New York, NY 10004
Tel: 212-902-5691 | Fax: 212-493-0106 | Cell: 917[redacted]
Email: fabrice.tourre@gs.com

Fabrice Tourre
Structured Products Group

Goldman Sachs

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From: Tourre, Fabrice
Sent: Thursday, January 18, 2007 9:59 AM
To: Lehman, David A.; Swenson, Michael; Ostrem, Peter L; Rosenblum, David J.
Cc: Wisenbaker, Scott; ficc-mtgcorr-desk
Subject: ACA/Paulson post

ACA is going to be ok acting as portfolio selection agent for Paulson, in exchange for a portfolio advisory fee of at least $1mm per year. We will have to distribute supersenior through single-A rated notes off a static portfolio of mezzanine subprime RMBS obligations selected by ACA.

The transaction will not be broadly marketed until February 23 since ACA is already locked with another investment bank until that date. If everyone agrees, the idea is to quietly show this trade to a select number of accounts, and broadly announce the transaction on Feb 23 if it fits with the overall CDO pipeline and if we feel ok with our existing Baa2 RMBS risk position.

We are trying to get Paulson to give us an order on the following tranches:

-- Up to $1,300mm of supersenior @ a strike spread of 34bps. Distribution fee of 0.20% + 1/2 the upside vs. the strike spread
-- Up to $240mm of Aaa/AAA @ an all-in strike spread (including portfolio advisory fees) of 100bps. Distribution fee of 1.00% + 1/2 the upside vs. the strike spread
-- Up to $100mm of Aa2/AA @ an all-in strike spread (including portfolio advisory fees) of 150bps. Distribution fee of 2.00% + 1/2 the upside vs. the strike spread
-- Up to $80mm of Aa3/AA- @ an all-in strike spread (including portfolio advisory fees) of 175bps. Distribution fee of 2.50% + 1/2 the upside vs. the strike spread
-- Up to $100mm of A2/A @ an all-in strike spread (including portfolio advisory fees) of 425bps. Distribution fee of 3.00% + 1/2 the upside vs. the strike spread

My assumption is that we can execute at the levels below, and P&L in that case would be up to $15mm for this trade ($7.5mm for a $1bn trade):

-- supersenior @ 25bps
-- Aaa/AAA @ L+60bps (+20bps of portfolio advisory fees) = 85bps
-- Aa2/AA @ L+80bps (+50bps of portfolio advisory fees) = 130bps
-- Aa3/AA- @ L+95bps (+50bps of portfolio advisory fees) = 145bps
-- A2/A @ L+275bps (+100bps of portfolio advisory fees) = 375bps

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Wall Street & The Financial Crisis
Report Footnote #2548

From: Paolo Pellegrini
Sent: Wednesday, March 14, 2007 9:16 AM
To: Sihan Shu

Attachments: ACA ABACUS Paulson Fee Illustration 20070306.xls

Paolo M. Pellegrini
Managing Director
Paulson & Co. Inc.
590 Madison Avenue
New York, NY 10022
Phone: (212) 956-4129 (direct)
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Footnote Exhibits - Page 5226

	A	B
1		
2	Incentive Based Fee Schedule	
3		
4		
5		
6		
7		Tranche
8		Super Senior
9		Class A-1
10		Class A-2
11		Class B
12		Class C
13		Class D
14		First Loss
15		
16		
17		
18		
19		
20		
21	* Annual Cost to Paulson for each Distributed Tranche represents the sum of (a) the Executed Spread for such Tranche and (b) the Upfront Fee Rate for such Distributed Tranche and (8) 2	
22		
23		
24		
25		Disclaimer:
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44		referred to in this material. In addition, Goldman Sachs may have acted upon or used information contained in this material, or the research or analysis on which it is based, before the
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46		securities or other financial instruments mentioned herein in any jurisdiction where such offer or solicitation would be illegal. This material is not intended for any person or entity in any
47		jurisdiction where the distribution or availability of this material would be prohibited or otherwise contrary to applicable laws, rules or regulations. Any failure to comply with these

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PAULSON-ABACUS 0250402

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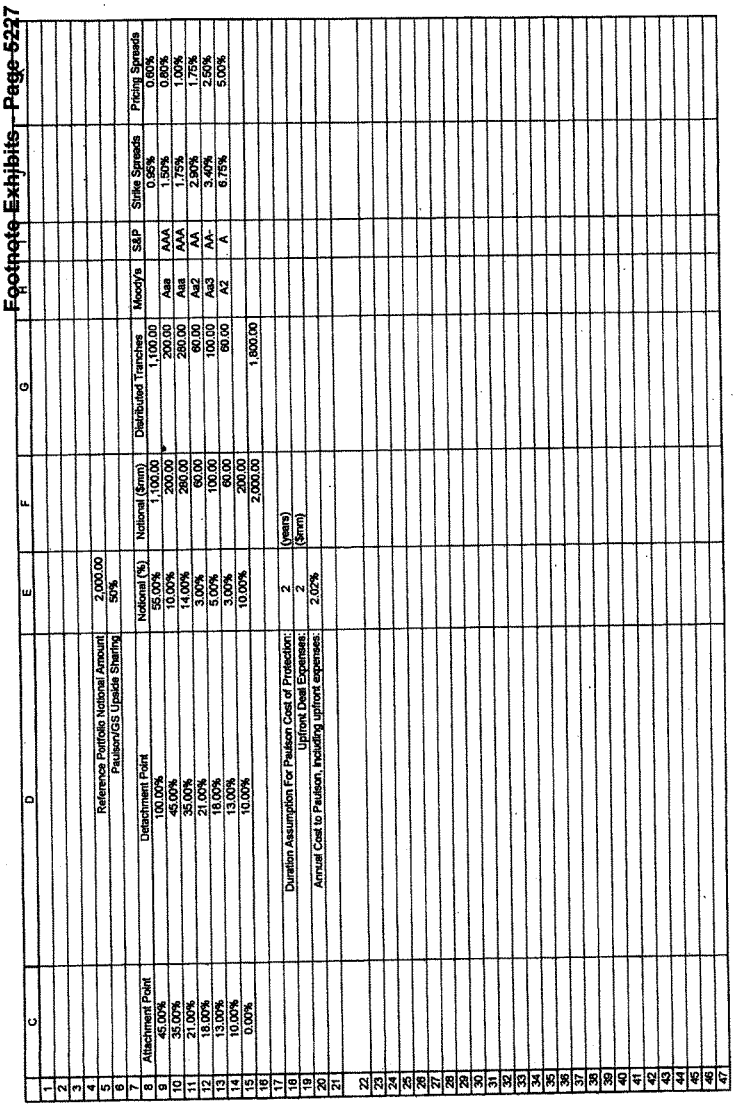

	C	D	E	F	G	H			
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4		Reference Portfolio Notional Amount:	2,000.00						
5		Paulson/GS Upside Sharing:	50%						
6									
7			Notional (%)	Notional ($mm)	Distributed Tranches	Moody's	S&P	Strike Spreads	Pricing Spreads
8	Attachment Point	Detachment Point	55.00%	1,100.00	1,100.00			0.95%	0.80%
9	45.00%	100.00%	10.00%	200.00	200.00	Aaa	AAA	1.50%	0.80%
10	35.00%	45.00%	14.00%	280.00	280.00	Aaa	AAA	1.75%	1.00%
11	21.00%	35.00%	3.00%	60.00	60.00	Aa2	AA	2.90%	1.75%
12	18.00%	21.00%	5.00%	100.00	100.00	Aa3	AA-	3.40%	2.50%
13	13.00%	18.00%	3.00%	60.00	60.00	A2	A	6.75%	5.00%
14	10.00%	13.00%	10.00%	200.00					
15	0.00%	10.00%		2,000.00	1,800.00				
16									
17									
18		Duration Assumption For Paulson Cost of Protection:	2	(years)					
19		Upfront Deal Expenses:	2	($mm)					
20		Annual Cost to Paulson, including upfront expenses:	2.02%						
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Footnote Exhibits Page 5227

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Footnote Exhibits - Page 5228

	L	M	N	O	P	Q
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7	Portfolio Advisory Fees	Put Fee (if applicable)	Executed Spreads	Minimum Fee Rate	Upfront Fee Rate	Annual Cost to Paulson*
8			0.60%	0.375%	0.90%	1.05%
9	0.25%	0.06%	1.11%	1.500%	2.29%	2.15%
10	0.25%	0.06%	1.31%	1.500%	2.19%	2.39%
11	0.50%	0.06%	2.31%	2.500%	3.39%	4.00%
12	0.50%	0.06%	3.06%	3.500%	4.01%	5.01%
13	1.00%	0.06%	6.06%	4.500%	5.54%	8.63%
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PAULSON-ABACUS 0250404

From: Tourre, Fabrice
Sent: Friday, September 08, 2006 8:23 PM
To: Sparks, Daniel L
Cc: Swenson, Michael; Egol, Jonathan; Lehman, David A.; Gerst, David
Subject: Paulson Post

Attachments: ABACUS Engagement Letter, Paulson Execution Copy 20060908.pdf



ABACUS
agement Letter, Pa

Dan,

We have been working with Paulson (Cactus and Kyle have done a great job at covering the account) over the past few weeks to help them short the RMBS market at a macro level through a $1.32bn supersenior swap trade referencing a portfolio of 100 equally sized 2006-vintage Baa2-rated RMBS bonds. The engagement letter attached is a letter according to which Goldman agrees to work an order for Paulson on this trade, and Goldman gets compensated according to a incentive-based schedule - I will come by on Monday and ask you to sign the letter.

In a nutshell, if we are able to place $1.32bn of supersenior risk at a spread inside 30bps running, we get paid 20bps upfront (on the trade notional) plus half the upside vs. the strike spread of 30bps. In other words:

- if we are able to source supersenior protection @ 30bps on the $1.32bn size, our P&L will be approx $2.6mm

- if we are able to source supersenior protection @ 20bps on the $1.32bn size, our P&L will be approx $4.6mm

We have had dialogue with a couple of accounts who are interested in taking the risk at a spread around 20bps, we will post you next week when the trade materializes.

Fabrice

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2548

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May 31, 2007

ACA Credit Products – ABN AMRO, L.L.C.
C/o ACA Service L.L.C.
140 Broadway, 47th Floor
New York, New York 10005

Re: **Credit Default Swap Insurance Policy No. SF0507-58 dated May 31, 2007, together with Endorsement No. 1 attached thereto and dated the date thereof (together, the "Policy")**

Reference is hereby made to that certain ISDA Master Agreement (Multicurrency—Cross Border) and Schedule thereto dated as of May 31, 2007 (the "Master Agreement") between ABN AMRO BANK, N.V. (the "Bank") and you and the Confirmation with a trade date of May 31, 2007 between the Bank and you (the "Confirmation" and, together with the Master Agreement, the "Transaction Agreement").

In connection with and in consideration for the issuance by ACA Financial Guaranty Corporation ("ACAFG") of the Policy, you hereby agree to pay to ACAFG a premium (the "Premium") equal to 95% of the Fixed Amount payable under the Transaction Agreement. The Premium will be paid to ACAFG promptly upon receipt of payment of any Fixed Amount under the Transaction Agreement.

This agreement (i) shall be governed by and construed in accordance with New York law, (ii) sets forth the entire understanding with respect to the subject matter hereof and cancels any prior communications, understanding and agreements between the parties, (iii) may be amended only by a writing executed by each of the parties hereto, and (iv) may be executed and delivered in counterparts (including facsimile transmission), each of which will be deemed an original.

Please confirm your agreement with the foregoing by executing this letter agreement in the space provided below.

ACA Financial Guaranty Corporation

By: _____
Name: Robin J. Travisky
Title: Associate G.C.

ACCEPTED AND AGREED:

ACA Credit Products – ABN AMRO, L.L.C.

By: _____
Name: Eric J. Tveksen
Title: Assistant Secretary and Associate General Counsel

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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2549

ACA ABACUS 0000593

ACA Financial Guaranty Corporation
140 Broadway, 47th Floor
New York, NY 10005
For information, contact:
(212) 375-2000
(888) 427-2833

ACA Capital

CREDIT DEFAULT SWAP INSURANCE POLICY

Policy Number: SF0507-58 **Effective Date: May 31, 2007**

Obligor: ACA Credit Products – ABN AMRO, L.L.C.

Counterparty: ABN AMRO BANK, N.V.

Agreement: (1) ISDA Master Agreement dated as of May 31, 2007 between Counterparty and Obligor including the Schedule thereto dated as of May 31, 2007 (together, the "Master"); (2) the Confirmation entered into thereunder with a trade date of May 31, 2007(the "Confirmation", and together with the Master, the "Agreement")

ACA FINANCIAL GUARANTY CORPORATION ("ACA"), a Maryland stock insurance company, in consideration of the payment of the premium and subject to the terms and conditions contained in this Policy (which includes each exhibit and endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the Counterparty that portion of each Insured Payment which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

ACA will make such payments to the Counterparty on the later of the day on which such Insured Payment becomes Due for Payment or the Business Day next following the Business Day on which ACA shall have received a Notice of Nonpayment in the form of Exhibit A hereto, properly completed and duly executed by an authorized officer of the Counterparty, together with a properly completed instrument of assignment in the form of Exhibit B hereto. Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. New York time on such Business Day; otherwise, it will be deemed received on the next Business Day. A Notice of Nonpayment may be given to ACA by prepaid telegram, telecopy, telex, certified mail, or express courier service (in all cases with return receipt or the equivalent thereof). Upon disbursement in respect of any portion of an Insured Payment, ACA shall become the owner of the right to payment of such portion of such Insured Payment and shall be fully subrogated to all of the Counterparty's rights with respect thereto under the Agreement, including the Counterparty's right to payment thereof to the extent of any payment by ACA hereunder.

This Policy is non-cancelable for any reason, including, without limitation, non-payment of premium, and the premium on this Policy is not refundable for any reason, including the payment of any amount payable by or on behalf of the Obligor pursuant to the Agreement. This Policy shall expire upon the termination of the Agreement.

The following terms shall have the meanings specified for all purposes of this Policy. The terms "Obligor" and "Counterparty" mean the respective entities identified as such above. The term "Agreement" means the Agreement identified as such above, together with any supplement, amendment and modification thereof consented to in writing by ACA. "Insured Payment" means (i) each net floating payment payable by the Obligor under the Agreement, to the extent payable thereunder, after giving effect to any applicable adjustments, netting and set-off thereunder (each, a "Floating Payment"), and (ii) each termination payment payable by the Obligor under Section 6(e) of the Master upon the designation of an Early Termination Date in connection with an Event of Default involving the Obligor as the Defaulting Party or as a result of a Termination Event involving the Obligor as the Affected Party, to the extent payable thereunder, after giving effect to any applicable adjustments, netting and set-off thereunder (an "Termination Payment"). "Insured Payment" shall never include any amounts (including, without limitation, taxes, withholdings, fees, expenses, indemnification, penalty payments or default rates) other than Floating Payments and Termination Payments. "Due for Payment" means (a) when referring to a Floating Payment or Termination Payment, the date on which such payment is due under the Agreement. "Nonpayment" with respect to any Insured Payment means the failure of the Obligor to have provided sufficient funds to the Counterparty for payment of such Insured Payment. "Nonpayment" shall also include that portion of any Insured Payment made to the Counterparty by the Obligor which has been rescinded or recovered from the Counterparty pursuant to a final, non-appealable order of a court of competent jurisdiction that such payment constitutes an avoidable preference to the Counterparty within the meaning of any applicable bankruptcy law. "Business Day" means any day other than a Saturday, Sunday or a day on which banking institutions in the States of Maryland, New York, or the Insurer's Fiscal Agent are authorized or required by law to remain closed.

ACA may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Counterparty specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Counterparty (a) copies of all notices required to be delivered to ACA pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to ACA and shall not be deemed received until received by both and (b) all payments required to be made by ACA under this Policy may be made directly by ACA or by the Insurer's Fiscal Agent on behalf of ACA. The Insurer's Fiscal Agent is the agent of ACA only and the Insurer's Fiscal Agent shall in no event be liable to the Counterparty for any act of the Insurer's Fiscal Agent or any failure of ACA to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

IN WITNESS WHEREOF, ACA has caused this Policy to be signed with its corporate seal and to be executed on its behalf by its duly authorized representative.

ACA FINANCIAL GUARANTY CORPORATION

Authorized Representative

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CREDIT DEFAULT SWAP INSURANCE POLICY — Policy Number: SFI507-5B

Exhibit A

NOTICE OF NONPAYMENT

ACA Financial Guaranty Corporation
140 Broadway, 47th Floor
New York, New York 10005
Attention: General Counsel

Ladies and Gentlemen:

We refer to Credit Default Swap Insurance Policy No. SFI507-5B (the "Policy") issued by ACA Financial Guaranty Corporation ("ACA"). Capitalized terms used herein have the meanings assigned to them in the Policy or the Agreement, as the case may be, unless the context clearly requires otherwise.

By our duly authorized officers named below, we hereby certify that we are the Counterparty referred to in the Policy and further certify as follows:

[FOR NONPAYMENT OF FLOATING PAYMENT:

1. Pursuant to the [IDENTIFY CONFIRMATION] Confirmation under the Master, the Obligor is required to make a Floating Payment in the amount of $[INSERT FULL AMOUNT OF FLOATING PAYMENT] on [INSERT PAYMENT DUE DATE].

2. The Counterparty has received $[INSERT 0 OR PARTIAL AMOUNT PAID BY OBLIGOR] from or on behalf of the Obligor in respect of the Floating Payment referred to in paragraph 1 above. Accordingly, by reason of Nonpayment by the Obligor, the Floating Payment referred to in paragraph 1 above is unpaid in the amount of $[INSERT AMOUNT BY WHICH OBLIGOR HAS FAILED TO MAKE FLOATING PAYMENT] (such unpaid amount being referred to as the "Deficiency").]

[FOR NONPAYMENT OF TERMINATION PAYMENT:

1. Pursuant to the Agreement, an Early Termination Date has been designated. As a result of such termination, the Obligor is required to make an Termination Payment in the amount of $[INSERT FULL AMOUNT OF TERMINATION PAYMENT] on [INSERT DATE ON WHICH TERMINATION PAYMENT IS DUE]. There are attached the quotations, calculations and other information required under the Agreement supporting the determination of the amount of such Termination Payment.

2. The Counterparty has received $[INSERT 0 OR PARTIAL AMOUNT PAID BY OBLIGOR] from or on behalf of the Obligor in respect of the Termination Payment referred to in paragraph 1 above. Accordingly, by reason of Nonpayment by the Obligor, the Termination Payment referred to in paragraph 1 above is unpaid in the amount of $[INSERT AMOUNT BY WHICH OBLIGOR HAS FAILED TO MAKE TERMINATION PAYMENT] (such unpaid amount being referred to as the "Deficiency").]

3. The Deficiency does not include any taxes, withholdings, fees, expenses, indemnification, penalty payments or default rates.

4. There are attached hereto the instruments of assignment referred to in the second paragraph of the Policy.

5. We hereby request that ACA make payment of the Deficiency to us in accordance with the Policy by wire transfer of immediately available funds to the following account: [INSERT COUNTERPARTY'S WIRE INSTRUCTIONS].

IN WITNESS WHEREOF, we have executed and delivered this Notice of Nonpayment as of the date set forth below.

ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR OTHER PERSON FILES A STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION, OR CONCEALS FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY FACT MATERIAL THERETO, COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME, AND SHALL ALSO BE SUBJECT TO A CIVIL PENALTY.

[NAME OF COUNTERPARTY]

By: _____
Print Name:
Print Title:

By: _____
Print Name:
Print Title:

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by Fried Frank Harris Shriver & Jacobson LLP

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CREDIT DEFAULT SWAP INSURANCE POLICY Policy Number: SF0507-5S

Exhibit B

Form of Assignment
(Credit Default Swap Insurance Policy No. SF0507-5S

Reference is hereby made to the Credit Default Swap Insurance Policy No. _____ dated _____, 200_ (together with the Endorsement attached thereto, and any amendments thereof, the "Policy") issued by ACA Financial Guaranty Corporation ("ACA") relating to the (i) ISDA Master Agreement dated as of ____ between the Counterparty and Obligor (each as defined therein) including the Schedule thereto dated as of _____ (the "Master") and (ii) Confirmation dated _____entered into by such parties under the Master (the "Confirmation" and together with the "Master", the "Agreement"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in the Policy.

1. In connection with the Insured Payment which is not an Avoided Payment of $_____ paid by ACA to the Counterparty pursuant to a claim therefore on _____under the Policy in accordance with the terms thereof; [and/or]

2. In connection with the Avoided Payment of $_____ made by the Obligor to the Counterparty under the Agreement and the payment by ACA in respect of such Avoided Payment pursuant to a claim therefore on _____under the Policy in accordance with the terms thereof:

the Counterparty hereby irrevocably and unconditionally, without recourse, representation or warranty (except as provided below), sells, assigns, transfers, conveys and delivers to ACA all of its rights, title and interest in and to any rights or claims, whether accrued, contingent or otherwise, which the Counterparty now has or may hereafter acquire under the Agreement, at law or otherwise, against any person (including, but not limited to, the Obligor) relating to, arising out of or in connection with such Insured Payment or Avoided Payment, as the case may be, subject to the limitation that the rights acquired by ACA hereunder are and shall be subordinate and junior in right of payment to the prior indefeasible payment in full of all amounts due and owing to the Counterparty under the Agreement. The Counterparty represents and warrants to ACA that such claims and rights are free and clear of any lien or encumbrance created or incurred by the Counterparty[1].

IN WITNESS WHEREOF, the Counterparty has duly executed and delivered this Assignment as of _____, 200_.

[NAME OF COUNTERPARTY]

By: _____
Name:
Title:

[1] In the event that the terms of this form of assignment are reasonably determined to be insufficient solely as a result of a change of law or applicable rules after the date of the Policy to fully vest all of the Counterparty's right, title and interest in such rights and claims, the Counterparty and ACA shall agree on such other form as is reasonably necessary to affect such assignment, which assignment shall be without recourse, representation or warranty except as provided above.

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660521.162

From: Birnbaum, Josh
Sent: Tuesday, May 08, 2007 9:24 PM
To: Tourre, Fabrice; Egol, Jonathan; Williams, Geoffrey
Cc: Swenson, Michael; Lehman, David A.
Subject: RE: Post on Paulson and ABACUS 07-AC1
x-gs-classification: Internal-GS

Ok, thanks. LDL in the morning.

From: Tourre, Fabrice
Sent: Tuesday, May 08, 2007 9:22 PM
To: Birnbaum, Josh; Salem, Deeb
Subject: RE: Post on Paulson and ABACUS 07-AC1

2006 vintage. Tier 2/Tier 3 names. Avg spread of approx 450bps mid-market. We already executed a few trades on 21-35 tranche (got that done at 110bps $150mm notional, VERY good level), also traded 35-45 (got that done at 85bps $50mm notional, also good level, more to be printed over the next few weeks). Give me a buzz if you want to discuss live.

From: Birnbaum, Josh
Sent: Tuesday, May 08, 2007 9:19 PM
To: Tourre, Fabrice; Salem, Deeb
Subject: RE: Post on Paulson and ABACUS 07-AC1

vintage? tier?

what do we think is the portfolio spread?

From: Tourre, Fabrice
Sent: Tuesday, May 08, 2007 9:17 PM
To: Birnbaum, Josh
Subject: RE: Post on Paulson and ABACUS 07-AC1

100% Baa2 RMBS selected by ACA/Paulson

From: Birnbaum, Josh
Sent: Tuesday, May 08, 2007 9:17 PM
To: Tourre, Fabrice; Sparks, Daniel L
Cc: Egol, Jonathan; Lehman, David A.; Gerst, David; Williams, Geoffrey; Swenson, Michael
Subject: RE: Post on Paulson and ABACUS 07-AC1

Remind me, what is the ref portfolio?

From: Tourre, Fabrice
Sent: Tuesday, May 08, 2007 8:35 PM
To: Sparks, Daniel L
Cc: Egol, Jonathan; Lehman, David A.; Gerst, David; Williams, Geoffrey; Swenson, Michael; Birnbaum, Josh

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2551

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660521.163

Subject: Post on Paulson and ABACUS 07-AC1

Dan,

As you know we have been working on the ABACUS 07-AC1 trade, the RMBS CDO short that we are brokering for Paulson. The supersenior tranche off that portfolio is most likely going to be executed with ACA, through ABN Amro as intermediation counterparty. The exact trade would be the following: GS would buy protection on $1bn notional of 50-100 tranche off the reference portfolio at an all-in level 67bps. Paulson was initially expecting to short the 45-100 tranche, and at this point we are not 100% sure they would want to execute on 50-100. Here are the options we are going to walk them through:

Option 1: we offer them protection on 50-100 @ 80bps running, 1pt upfront, $1bn notional. We would make risk-free approx $14mm

Option 2: we offer them protection on 45-100 @ 80bps running, 1.50pt upfront, $1.1bn notional. We would be at risk on $100mm of the 45-50 tranche, but assuming we can trade that tranche at approx 100bps spread (which i am confident we can do), we would make $18mm.

Let me know if you have any questions on this.

Goldman, Sachs & Co.
85 Broad Street | 26th Floor | New York, NY 10004
Tel: 212-902-5891 | Fax: 212-493-0106 | Cell: 917-[redacted]
Email: fabrice.tourre@gs.com

Goldman Sachs

Fabrice Tourre
Structured Products Group

[redacted] = **Redacted by the Permanent Subcommittee on Investigations**

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From: Remnant, Charlie
Sent: Friday, April 13, 2007 1:10 PM
To: Tourre, Fabrice
Subject: RE: ABACUS 07-AC1

Hey Fab, I just caught up with Wade. He has confirmed he has lines for ACA and is interested in the trade. He has to wait to get the amount of capital it will use from Amsterdam on early Monday and then if all still ok will call us and haggle over price as he thinks there is a lot of money in the deal for GS. This seems to be moving in the right direction I have set up lunch for you with him on Thursday next week

Have a good weekend

Charlie

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Goldman Sachs International
Peterborough Court | 133 Fleet Street | London EC4A 2BB
Tel: +44 (0)20 7552 0296 | Mobile: +44 [redacted]
E-mail: charles.remnant@gs.com
Goldman
Sachs

Charlie Remnant CFA
Executive Director
Fixed Income, Currency & Commodities

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-----Original Message-----
From: Tourre, Fabrice
Sent: Friday, April 13, 2007 5:25 AM
To: 'wade.newmark@uk.abnamro.com'
Cc: Remnant, Charlie; stephen.potter@uk.abnamro.com
Subject: RE: ABACUS 07-AC1

Wade, sorry for the late response I was travelling yesterday and today. Here are my thoughts on your question:

1) the total credit spread of this 45-100 supersenior tranche is going to be approx 55bps

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2551

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(the tranche below, 35-45, just traded at 85bps). As you said this total spread is to be split intermediation/end credit risk.

2) As intermediary, you are getting paid for taking the supersenior tranche credit risk contingent on ACA defaulting. Therefore the fee intermediaries are traditionally paid is often directly proportional to the maximum potential exposure of a trade - a measure of how volatile the MtM of the trade can be. The fact that the spread on that supersenior tranche is wide can not directly be translated into higher MtM volatility than trades done at tighter spread levels. Note also that this transaction has been built with a full sequential paydown sequence (i.e. fast amortization of the supersenior tranche, roll down pretty significant, and short projected average life of the trade), which is going to rapidly reduce your counterparty risk.

3) I am sure we can discuss collectively with ACA and come up with an arrangement that can be satisfactory to all parties. We used to trade with a couple of other counterparties in the past at a cost of approx 4-5 bps running for similar underlying risks. Those intermediaries have slowly gotten full on ACA's name and that is why we are now trading at the 8-10bps wider level for ACA intermediation.

Let Charlie and I know if you are available tomorrow, we would love to get on the phone and discuss this with you. Thanks,

Regards,

Fabrice

-----Original Message-----
From: wade.newmark@uk.abnamro.com [mailto:wade.newmark@uk.abnamro.com]
Sent: Wednesday, April 11, 2007 12:20 PM
To: Tourre, Fabrice
Cc: Remnant, Charlie; stephen.potter@uk.abnamro.com
Subject: RE: ABACUS 07-AC1

Thanks for your note.

We may have issues on the economics.

It seems that GS have agreed 50 for ACA. This is troubling on two counts:

- Normally on intermediation the risk taker economics are shared 1/3 2/3 Bank and Insurer. On this calculation we should be seeing around 17 bp to us and 43 to ACA if ACA was AAA.
- However there is the additional challenge that ACA is a worse credit rating than us which to be honest should flip round the ratios.

Considering the above a figure of 8 to 10 is way off the mark.

Thoughts please?

Wade R. Newmark
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[redacted] = Redacted by the Permanent Subcommittee on Investigations

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From: Thabe, Tim
Sent: Wednesday, May 09, 2007 1:29 PM
To: Tourre, Fabrice
Cc: ficc-mtgcorr-desk; Remnant, Charlie; Singh, Niharika; Nartey, Michael; Friedman, Nicolas B.; Bartie, James M.; Lutkin, Kerry; Gunhold, Tiffany
Subject: RE: ABN Amro

Fabrice,

This is approved for GSI assuming that the trade will be covered under the existing ISDA/CSA with ABN AMRO BANK N.V.

Thanks
Tim

From: Tourre, Fabrice
Sent: Wednesday, May 09, 2007 1:26 PM
To: Thabe, Tim
Cc: ficc-mtgcorr-desk; Remnant, Charlie; Singh, Niharika; Nartey, Michael; Friedman, Nicolas B.; Bartie, James M.
Subject: RE: ABN Amro

Tim, please check with Nico Friedman in GS Credit New York how the potential exposure calculation has been done in the past for these trades. Nico, we are talking about trading the 50-100 tranche ($1bn notional) @ 67bps p.a., portfolio details attached below.

<< File: ABACUS 2007-AC1 Reference Portfolio (GS Credit) 20070508.xls >>

Please call me if you have any questions.

From: Thabe, Tim
Sent: Wednesday, May 09, 2007 5:05 AM
To: Tourre, Fabrice
Cc: ficc-mtgcorr-desk; Remnant, Charlie; Singh, Niharika; Nartey, Michael; Friedman, Nicolas B.; Bartie, James M.
Subject: RE: ABN Amro

Fabrice,

Could you give us an estimate of the spread volatility and expected maturity/duration of the tranche? Could you also please confirm that this trade would fall under the existing ISDA/CSA we have with GSI.

Thanks
Tim

From: Tourre, Fabrice
Sent: Tuesday, May 08, 2007 11:57 PM
To: Thabe, Tim; Friedman, Nicolas B.
Cc: ficc-mtgcorr-desk; Remnant, Charlie; Singh, Niharika; Nartey, Michael
Subject: ABN Amro

Tim, Nico,

We are close to executing with ABN AMRO Bank NV London Branch (acting as protection seller) a $1bn supersenior swap referencing the 50-100 tranche off a portfolio of Baa2 RMBS obligation -- see the trade details below. We wanted to make sure we have capacity to take ABN's counterparty risk for this trade. Please let me

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know if you have any questions or issues, thanks.

Summary of Terms

- Trade Date: [ ]
- Reference Portfolio: ABACUS 2007-AC1

<< File: Portfolio Information 20070328.xls >>

- Counterparty: ABN AMRO Bank NV London Branch
- Protection Buyer: GSI
- Counterparty ("Seller") writes protection to Goldman Sachs International ("GSI" or "Buyer") on tranched CDS with specified attachment point and specified exhaustion point. Seller receives premium on the related Notional Amount (payable on a monthly basis by Buyer, Actual/360 daycount convention).
- Initial Reference Portfolio Notional Amount: USD 2,000,000,000
- Initial Swap Notional Amount: USD 1,000,000,000
- Attachment Point: 50%
- Exhaustion Point: 100%
- Senior Amount: (1 - Exhaustion Point) x Initial Reference Portfolio Notional Amount
- First Loss Amount: (Attachment Point) x Initial Reference Portfolio Notional Amount
- Tranche Thickness: Exhaustion Point - Attachment Point
- Tranche Notional Amount: (Tranche Thickness) x Initial Reference Portfolio Notional Amount; as reduced by (a) Amortizations on the Reference Portfolio after the Senior Amount has been reduced to zero, and (b) Loss Amounts after the First Loss Amount has been reduced to zero.
- Tranche Spread: 0.67%
- Non-Call Period: 3 years (Buyer has the right to cancel the CDS at no cost at any time after the end of the Non-Call Period)
- Credit Events/Settlement Mechanics: Writedown and Failure to Pay Principal; Cash Settlement only. Definitions consistent with the current form of Standard Terms Supplement for a Credit Derivative Transaction on Mortgage-Backed Security with Pay-As-You-Go or Physical Settlement (Form I) (Dealer Form) and Form of Confirmation.
- Premium Payments: monthly, ACT/360, accrued on the notional amount of the Tranche Notional Amount.
- Scheduled Termination Date: May 28, 2037
- CDS Calculation Agent: Protection Buyer
- Notifying Party: Protection Buyer only

<< File: GS-Intermediary Tranche CDS Confirmation template (ACA) 20070226.pdf >>

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From: Tourre, Fabrice
Sent: Tuesday, April 10, 2007 7:51 AM
To: Friedman, Nicolas B.; Gerst, David
Cc: Raazi, Cactus
Subject: RE: ABACUS 07-AC1

Nico -- smaller list -- can you call me when you get a chance ? This is the first trades i believe we are doing with this specific entity, would love to try to figure out a way to do more business with Paulson -- happy to discuss that P&L opportunity as well. thanks Nico

From: Friedman, Nicolas B.
Sent: Monday, April 09, 2007 7:44 PM
To: Gerst, David; Tourre, Fabrice; ficc-mtgcorr-tradeapproval
Cc: Raazi, Cactus; CDS approvals
Subject: RE: ABACUS 07-AC1

Approved

Cactus - please not that we do not have any additional risk appetite with this fund. No more derivative business with this fund, unless offsetting from risk perspective. Are you ok with this?

From: Gerst, David
Sent: Monday, April 09, 2007 5:13 PM
To: Friedman, Nicolas B.; Tourre, Fabrice; ficc-mtgcorr-tradeapproval
Cc: Raazi, Cactus; CDS approvals
Subject: RE: ABACUS 07-AC1

Nico,

We were just informed that the entity we will face is "Paulson Credit Opportunitias Master II Ltd." rather than "Paulson Credit Opportunities Master Ltd.". Can you confirm approval and margin, if any.

Thanks,

David

From: Friedman, Nicolas B.
Sent: Wednesday, April 04, 2007 2:05 PM
To: Tourre, Fabrice; ficc-mtgcorr-tradeapproval
Cc: Raazi, Cactus; CDS approvals
Subject: RE: ABACUS 07-AC1

You have credit approval - no IA required

From: Tourre, Fabrice
Sent: Tuesday, April 03, 2007 2:37 PM
To: ficc-mtgcorr-tradeapproval
Cc: Raazi, Cactus
Subject: ABACUS 07-AC1

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Footnote Exhibits - Page 5241

In connection with the ABACUS 07-AC1 transaction which is expected to price on Tuesday, April 10, 2007, we expect, on that same day, to execute the following tranched CDS with Paulson (entity would be Paulson Credit Opportunities):

– GS sells protection on $50mm notional of 35%-45% tranche off ABACUS 07-AC1 reference portfolio at a price of 2.30% upfront, 1.16% p.a. - 2 year non-call
– GS sells protection on $142mm notional of 21%-35% tranche off ABACUS 07-AC1 reference portfolio at a price of 2.30% upfront, 1.41% p.a. - 2 year non-call

See attached reference portfolio.

GS Strat: can you include this portfolio in TAP ?

GS Credit: can you please confirm that we are ok with those trades, and confirm the margin, if any, associated with those trades.

Goldman, Sachs & Co.
85 Broad Street | 26th Floor | New York, NY 10004
Tel: 212-902-5691 | Fax: 212-493-0106 | Cell: 917-[redacted]
Email: fabrice.tourre@gs.com

Goldman Sachs

Fabrice Tourre
Structured Products Group

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Subject: GS Liquidation Agent Role in ABS CDOs

Start: Thu 7/19/2007 9:00 AM
End: Thu 7/19/2007 10:00 AM
Show Time As: Tentative

Recurrence: (none)

Meeting Status: Not yet responded

Required Attendees: Lehman, David A.; Egol, Jonathan; Bieber, Matthew G.; Case, Benjamin; Kang, Connie; West, Ariane; Gerst, David; Sharma, Nityanand; Mishra, Deva R.; Lin, Shelly; Ganapathy, Mahesh; Saunders, Tim; Kim, Sang; Zack, David; Horvath, Jordan

Here are some notes we put together so far relating to Goldman's liquidation agent role. We can discuss and add on to this list during the meeting tomorrow.

Below is a summary of transactions wherein Goldman Sachs serves as Liquidation Agent and Goldman's responsibilities in the event any asset in these portfolios experiences rating downgrades and/or other distress:

Goldman currently serves as Liquidation Agent for the following transactions:
Hout Bay 2006-1
Hudson High Grade Funding 2006-1
Hudson Mezzanine Funding 2006-1
Hudson Mezzanine Funding 2006-2
Anderson Mezzenine Funding 2007-1

In all of these transactions, Goldman, upon receiving notice from the Trustee or other designated parties, shall within 12 months sell/assign a combination of Credit Risk Obligations, Directed Sale Securities and Delivered Obligations as applicable.

The following assets are currently identified as Credit Risk Obligations based on our calculation, however, we have not received notifications from respective trustees to sell these asset as of yet. This list needs be to refreshed again to incorporate yesterday and today's rating actions:

Hudson Mezz 06-1:

Name	*Par*	*Moody's*	*S&P*
LBMLT 2006-1 M9	15,000,000.00	B1	B
MSAC 2006-WMC2 B3	15,000,000.00	B3	B
OOMLT 2006-2 M8	13,000,000.00	Ba1	B
SAIL 2006-4 M7	15,000,000.00	Ba2	CCC
SAIL 2006-4 M8	15,000,000.00	B1	CCC

Hudson Mezz 06-2:

Name	*Par*	*Moody's*	*S&P*
SAIL 2006-4 M7	5,000,000.00	Ba2	CCC
LBMLT 2006-1 M9	5,000,000.00	B1	B
MSAC 2006-WMC2 B3	5,000,000.00	B3	B
SAIL 2006-4 M8	5,000,000.00	B1	CCC

In Hudson High Grade, Anderson Mezzanine Funding, and Hout Bay, no asset is currently identified as Credit Risk Obligations

Sales Price Determination
Prior to any assignment, termination or other disposition of a Directed Sale Security, a Credit Risk Obligation or a

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Delivered Obligation, the Liquidation Agent shall use commercially reasonable efforts to solicit bids with respect to such security from at least three (3) independent dealers then making a market in such security (no more than one of which is the Liquidation Agent or an Affiliate thereof) on the Business Day on which the Indenture requires the Liquidation Agent to arrange such sale. If the Liquidation Agent obtains three (3) or more bids in accordance with the preceding sentence, then the Liquidation Agent shall use its commercially reasonable efforts to arrange for the sale of the applicable security at the highest bid price. If the Liquidation Agent obtains fewer than three (3) bids as provided above, then the Liquidation Agent, consistent with the other provisions of this Agreement and the Indenture, shall use its commercially reasonable efforts to arrange for the assignment, termination or other disposition of the applicable security at the higher of two (2) bid prices received and, if only one (1) bid is received, at the price so bid. Assuming at least one bid is received in accordance with the preceding sentence, the applicable security shall be disposed of at the highest bid price.

One exception in Anderson Mezz:
In the case of a disposition of a CDS Transaction, such CDS Transaction shall only be disposed of if the Market Quotation (as such term is defined in the Credit Default Swap) obtained pursuant to the terms of the Credit Default Swap expressed as a percentage of the related initial Reference Obligation Notional Amount shall be equal to or less than 60%. (checking with deal counsel currently on what this means exactly)

What constitutes a Credit Risk Obligation varies from transaction to transaction:
Hout Bay 2006-1
A "Credit Risk Obligation" is a Collateral Asset (i) the rating of which has been (a) downgraded to below "BBB-" or "Baa3" by any Rating Agency (but not including any Collateral Asseta which are rated "BBB-" or "Baa3" and on credit watch for possible downgrade) or (b) withdrawn or, (ii) that is a Defaulted Obligation, (iii) that is a PIK Bond that has been deferring interest for at least twelve consecutive months or (iv) identified in Appendix B as Collateral Asset FHR 3050 KF, FHR 3120 FG, FNR 2005 79 FA or FNR 2005 79 GF and one-month LIBOR exceeds 6.30% for at least twelve consecutive months. ("PIK Bond" means a CDO Security on which the deferral of interest does not constitute an event of default pursuant to the terms of the related underlying instruments (while any other senior debt obligation is outstanding if so provided by the related indenture or other underlying instruments).

Hudson High Grade Funding 2006-1
A "Credit Risk Obligation" is a Collateral Asset (i) the rating of which has been (a) downgraded to below "BBB-" or "Baa3" by any Rating Agency (but not including any Collateral Assets which are rated "BBB-" or "Baa3" and on credit watch for possible downgrade) or (b) withdrawn or, (ii) that is a Defaulted Obligation or (iii) that is a PIK Bond that has been deferring interest for at least twelve consecutive months. The proceeds from the disposition of a Collateral Asset may not be reinvested in other Collateral Assets. ("PIK Bond" means a CDO Security on which the deferral of interest does not constitute an event of default pursuant to the terms of the related underlying instruments (while any other senior debt obligation is outstanding if so provided by the related indenture or other underlying instruments).

Hudson Mezzanine Funding 2006-1 and 2006-2
A "Credit Risk Obligation" is a Reference Obligation (i) the rating of which has been (a) downgraded to below "BB-" or "Ba3" by any Rating Agency (but not including any Reference Obligations which are rated "BB-" or "Ba3" and on credit watch for possible downgrade) or (b) withdrawn or, (ii) that is e Defaulted Obligation or (iii) that is a PIK Bond that has been deferring interest for at least twelve consecutive months. ("PIK Bond" means a Reference Obligation or Delivered Obligation on which the deferral of interest does not constitute an event of default pursuant to the terms of the related underlying instruments (while any other senior
debt obligation is outstanding if so provided by the related indenture or other underlying instruments).

Anderson Mezzanine Funding 2007-1
A "Credit Risk Obligation" is a Reference Obligation (i) the rating of which has been (a) downgraded to below "B-" or "B3" by any Rating Agency (but not including any Reference Obligations which are rated "B-" or "B3" and on credit watch for possible downgrade) or (b) withdrawn or, (ii) that is a Defaulted Obligation or (iii) that is a PIK Bond that has been deferring interest for at least twelve consecutive month. ("PIK Bond" means a Reference Obligation or Delivered Obligation on which the deferral of interest does not constitute an event of default pursuant to the terms of the related underlying instruments (while any other senior debt obligation is outstanding if so provided by the related indenture or other underlying instruments).

Other Notes:
In the event that the Liquidation Agent is terminating a CDS contract on behalf of tha CDO and a termination payment is owed to the Credit Protection Buyer (GSI), the Credit Protection Buyer will be paid first from cash and eligible investments on deposit in the CDS collateral account (to the extent available), and then from the proceeds of liquidation of the Collateral Securities.

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MEMORANDUM

Goldman Sachs

To: Mortgage Capital Committee

From: Peter L. Ostrem
Darryl K. Herrick
Deva Mishra
John X. Li

Cc: Jonathan Sobel
Danial L. Sparks
David J. Rosenblum
Tim Saunders

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Date: July 17, 2006

Re: **Placing debt and equity on a static high grade structured product CDO Squared with [redacted]**

I. Introduction

Investec has engaged Goldman with respect to a $1.0 billion static high grade structured product CDO Squared ("Hout Bay II") backed by a $1.0 billion portfolio of primarily double-A and single-A rated CDO assets with remaining assets consisting of A3/A- and higher rated RMBS, ABS, and CMBS with an average rating on the portfolio of Aa3/A1. Goldman will be engaged by Hout Bay II as Liquidation Agent and in this role will have the responsibility of liquidating "Credit Risk Assets" (defined below in section III). Goldman and Investec will co-select the portfolio that will collateralize the CDO. Goldman will be lead placement agent for the debt and equity. [redacted] will be co-placement agent with respect to the equity and has pre-committed to purchase half of the equity, subject to a cap of $7MM, with greater commitment subject to their credit committee's prior approval (expected size of equity tranche is $10 to $14MM), upon closing of the transaction. Investec will share 50% of warehouse risk, subject to a cap of $10 MM, during the portfolio ramp-up.

In return for warehousing, structuring, its role as Liquidation Agent for, and placing the transaction, Goldman will receive a 0.25% fee ($2.5MM on a $1.0 billion deal) from the CDO at closing, and an ongoing fee of 0.04% of the CDO's par portfolio balance. Total economics for Goldman are expected to be approx. $6.2 MM (includes $2.5 mm upfront fee, 0.04% ongoing fee, and approx. $1.2 MM net carry). We will be offering equity to third parties with a no-loss yield of approximately 17% and expected return of approximately 15% to 16%. In return for co-placing the equity and pre-committing to 50% of the equity, [redacted] will receive a 0.25% fee ($2.5MM on a $1.0 billion deal) from the CDO at closing.

As Liquidation Agent, Goldman will liquidate assets determined by the Trustee to be "Credit Risk Assets" based on specific guidelines. Goldman will have 12 months to sell these assets. Sales will be made under a competitive bidding process whereby we will solicit three outside bids and select the highest. Prior to executing Hout Bay I, in which we also played the Liquidation Agent role, we spoke with multiple counterparties as to our role as Liquidation Agent. We received approval for our role in this transaction from legal and accounting. We spoke with outside counsel, Orrick Harrington, and they were comfortable providing true sale and non-consolidation opinions for the transaction. We spoke with Mary Marr in Accounting Policy and John Little in Product Control, and they in collaboration with PricewaterhouseCoopers are comfortable that the transaction meets true sale and non-consolidation conditions from an accounting perspective. Finally, we spoke with outside counsel, Wilmer Cutler, about potential issues related to the Investment Advisor Act. They are of the opinion that our role of Liquidation Agent does not cause us to be deemed an Investment Advisor based on an exception to the Advisors Act for a "limited grant of discretion". For a more detailed account of Goldman's role as Liquidation Agent and

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related discussions with legal and accounting counterparts please see section III, "The Liquidation Agent: Goldman".

So long as Goldman holds no more than half of the expected losses in the transaction, accounting is comfortable that Goldman will not have to consolidate the CDO on balance sheet. We will hold no more than half of this risk in this transaction at closing.

We expect at least 30% of the portfolio upon closing will have been acquired from our various structured product trading desks in both cash and synthetic form.

We are currently discussing preliminary debt and equity commitments with third party investors on this transaction and we will be conducting a debt and equity roadshow with Investec in December 2006 in Europe and Asia.

For the subordinate triple-A, double-A debt and single-A, we expect to offer it to the market through our syndicate. The double-A and single-A debt from our most recent high grade structured product CDOs was oversubscribed. For single-A and triple-B debt, we will be pursuing early commitments from investors in exchange for more customized debt tranches and/or commitment fees, similar to Hout Bay I.

II. Transaction Overview

A Cayman Islands limited liability company (the "Issuer") will be established which will purchase the warehoused portfolio at closing and will issue the following notes and equity:

Class	Balance	% of Capital Structure	Expected Ratings (Moody's/S&P)	Expected Spread	Expected Average Life
Class A-1 Notes	$850.0 MM	85.0%	Aaa/AAA	L+28bp	6.0yr
Class A-2 Notes	40.0 MM	4.0%	Aaa/AAA	L+48bp	6.0yr
Class B Notes	50.0 MM	5.0%	Aa2/AA	L+58bp	6.2yr
Class C Notes	26.0 MM	2.6%	A2/A	L+150bp	6.4yr
Class D Notes	20.0 MM	2.0%	Baa2/BBB	L+350bp	6.8yr
Class E Shares	14.0 MM	1.4%	NR	NA	NA
Portfolio	**$1,000.0 MM**	**100.0%**	**Avg. Aa3**	**L+41bp**	**6.2yr**

The transaction will have a legal maturity of 35 years. However, the expected average life of the notes will be approximately 6 years respectively. The CDO equity will also have the option to call the transaction after 3 years.

Structuring, placement and Liquidation Agent fees to Goldman will be approximately $5 MM ($2.5 MM Upfront plus 0.04% of the CDO's portfolio balance per annum). In return for fees and 70% of the net warehouse carry (70% of the net carry will be approx. $1.2 MM), Goldman will take half of the warehouse risk on the first $20mm of loss, Goldman will take all of the warehouse risk above $20MM in losses, and Goldman will place the Class A, B, C and D Notes on a "best efforts" basis. While [redacted] has pre-committed to purchase half of the equity, we have agreed to reduce their allocation pro-rata vs. Goldman with third party equity sales. [redacted] will fund their warehouse risk share upfront by initially depositing the entire $5MM with Goldman and subsequently depositing another $5MM once the deal is 50% ramped.

Collateral Description

- 100% of the Hout Bay II portfolio will be identified at closing. There will be no discretionary trading of the portfolio and Goldman's role as Liquidation Agent will be to liquidate assets determined to be

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credit risk assets (such determination will be made by the trustee pursuant to the Indenture). The liquidation proceeds from any credit risk sales will be used to pay down the CDO notes.

- 15% of the portfolio will be rated Aaa by Moody's or AAA by S&P. 50% of the portfolio will be rated at least Aa3 by Moody's or AA- S&P. 100% of the portfolio will be rated at least A3 by Moody's or A- by S&P.
- The Hout Bay II portfolio is expected to be approximately 10% subprime RMBS, 10% prime RMBS, 10% Commercial Real Estate CDOs, 55% Structured Products CDOs, 10% CLOs, and 5% ABS. Approximately 20-40% of the portfolio will be single-name synthetic exposures that will be collateralized with triple-A credit card or money market notes.

III. The Liquidation Agent: Goldman

Goldman will be engaged by the CDO at closing as the Liquidation Agent (same as Hout Bay I role). As Liquidation Agent, Goldman will be responsible with selling any asset that is determined to be a "Credit Risk Asset." Whether an asset is a Credit Risk Asset will be solely determined by the trustee to the CDO based on specific rules (see Credit Risk Rules below). Once an asset is determined to be a Credit Risk Asset, Goldman is responsible with liquidating that asset within 12 months of such determination and any liquidation proceeds will be remitted to the CDO bond holders according to the cashflow waterfall. The liquidation price of any Credit Risk Asset must be in the context of "Market Value" as determined by a three-bid process. For acting as Liquidation Agent, Goldman will receive an ongoing fee equal to 4bp of the total portfolio par balance.

Credit Risk Assets:
- Any asset that is downgraded by Moody's or S&P below Ba2
- Any asset that is defaulted

Traditionally, structured product CDO's have engaged Collateral Managers to trade and sell assets in the CDO portfolio. Any decisions to trade or sell an asset are made solely by the Collateral Manager, but such decisions are constrained by various covenants of the CDO (e.g. maximum trading limitations of 15% per annum, generic rules for credit improved or credit impaired sales). For a static high grade structured product CDO, Collateral Managers typically receive an 8-10bp ongoing collateral management fee. However, for high grade portfolios (double-A avg. credit quality), there is substantially less credit risk in the assets vs. a mezzanine structured product CDO portfolio (triple-B avg. credit quality). Also, the static nature of the portfolio eliminates reinvestment risk in the CDO portfolio while substantially limiting the ability of any Collateral Manager to add value through ongoing surveillence of the portfolio. Given the limited value of such a Collateral Manager in this case, [redacted] and Goldman have agreed to eliminate the Collateral Manager role in this transaction and instead, we will create the role of Liquidation Agent where Goldman will receive part of the ongoing fees that would otherwise be paid to a Collateral Manager. Also, since the all-in fees are less than a CDO which engages a Collateral Manager, the equity yield will be higher when compared to a similar transaction with a higher fee structure if we assume that expected portfolio losses will be comparable (we assume losses will be 0.2% or less).

We have discussed Goldman's role as Liquidation Agent internally with Tim Saunders and externally with outside counsel, Wilmer Cutler. One concern about that role was whether Goldman would be viewed as an Investment Advisor. We specifically crafted Goldman's role in Hout Bay I and in this case to eliminate both internal and external counsel's concern about Goldmen being treated as an Investment Advisor. The main factors that made Tim Saunders and Wilmer Cutler comfortable that Goldman will not be treated as an Investment Advisor were:

- Goldman's role is Liquidation Agent and not Collateral Manager. Goldman is engaged by the CDO to liquidate Credit Risk Assets and will receive an ongoing Liquidation Agent Fee for such services;
- Goldman does not determine whether an asset is a Credit Risk Asset. Such determination is made by the CDO based on specific rules (LaSalle will provide reporting on a monthly basis that shows whether an asset has become a Credit Risk Asset);
- Goldman must liquidate such Credit Risk Assets within 12 months of such determination and the price received on such liquidation must be in the context of a three-bid process;

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- Goldman does not receive any additional compensation and or control of the CDO for acting as Liquidation Agent.

We have discussed Goldman's role as Liquidation Agent in Hout Bay I with internal accounting, Matt Schroeder, Mary Marr and John Little. One concern about this transaction was whether Goldman will receive a true sale of warehoused assets to the CDO once the transaction closes. Accounting was specifically concerned that the CDO's inability to trade / rehypothecate the underlying assets may cause problems based on FASB 140 rules. They argued that a CDO's independence needs to be demonstrated by either (a) being a QSPE or (b) ability to rehypotheticate the underlying portfolio. Otherwise, the sale of our warehoused assets to the CDO may not receive true sale. We have agreed with accounting that we will structure the CDO such that the investors in the CDO will have the ability to perform a Beneficial Interest Exchange ("BIE") on any asset in the portfolio. In addition, investors will also have the ability to perform a BIE on any security held in the funded collateral account for any single-name synthetic exposures in the portfolio ("CDS Collateral Account"). Under the BIE rules, a majority of each tranche of the CDO may request an exchange of a certain asset in the portfolio / a certain security in the CDS Collateral Account, with a similar third party asset / security so long as the exchange is at market, the cost of such exchange is covered by such investors, and the exchange will not violate the covenants of the CDO. On Hout Bay 2006-1, we worked together with accounting and agreed on parameters for the BIE option. By structuring the BIE option into the CDO, accounting was comfortable that Goldman will receive a true sale.

We will build a provision into the deal documents to allow Goldman to resign as Liquidation Agent if appropriate notice is given and a replacement Liquidation Agent is in place.

IV. The Co-Placement Agent: [redacted]

[redacted]

4 [redacted] = Redacted by the Permanent Subcommittee on Investigations

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[redacted]

For [redacted], Hout Bay II represents an opportunity to continue to expand their role in a CDO beyond investor, and to build upon the static CDO platform built together with Goldman Sachs in the first Hout Bay CDO. [redacted] is also committing to 50% of the equity.

V. Underwriting Commitments:

Goldman Sachs will act as sole placement agent of the Class A, B, C and D Notes, and up to 50% of the Class E Shares, and will be working on a "best efforts" basis on all of the debt. [redacted] is pre-committed to 50% of the equity, but third party equity sales can reduce Goldman and [redacted] equity retention pro-rata.

The primary demand for mezzanine notes / equity in these types of transactions comes from other structured investment vehicles and CDOs of CDOs, Asian investment funds, high net worth individuals, and CDO equity funds. These various accounts continue to express interest in gaining a leveraged exposure to the U.S. high grade structured product market. The static high grade structured product CDO allows them to gain this exposure on a diversified basis without having to pay the significantly higher management fees associated with managed CDO transactions.

Goldman's current portfolio of CDO and CLO equity held within the CDO group is detailed in Appendix B.

VI. Portfolio Ramp-Up and Equity Marketing

Goldman will assume half of the first loss risk (first $20MM of risk) and all of the second loss risk (losses in excess of $20MM) in the warehouse in the event the CDO fails to close. [redacted] will be taking the other half of the first loss risk in the warehouse [redacted] will deposit [redacted] into the warehouse account upon opening of the warehouse).

Additionally, we will continue to pursue early equity and mezzanine debt commitments from additional investors to reduce the risk of a failed closing. Appendix A details our current warehouse exposures across the CDO group.

The general terms of the portfolio ramp-up are as follows:

- GS selects assets for purchase and Investec has the right to veto certain asset purchases;
- GS has unilateral right to liquidate an asset or the warehouse;
- All assets are sold-forward to the CDO at time of purchase and the forward price covers any hedge or trading gains/losses on assets during the warehouse phase;
- 70% of positive carry will be paid to GS (positive carry is equal to any net income in excess of Goldman's cost of financing during the warehousing period). Net carry is expected to be approximately $1.75 MM which will be shared 70/30 between Goldman and Investec;
- Position sizes will be limited to $30 MM for assets rated triple-A, $20 MM for double-A, and $15 MM for single-A;

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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- 100% of the collateral for the transaction will be identified at closing.

VII. Expected Fees

Goldman will earn a structuring, placement and Liquidation Agent fee equal to 0.25% times the par balance of the collateral portfolio at closing plus 0.04% per annum times the par balance of the collateral portfolio. We expect a $1.0 billion transaction and the fees, in that case, would be $2.5 MM plus 0.04% per annum of the par balance of the collateral. Additionally, Goldman expects to earn profits by selling assets into the CDO and from Goldman's share of warehouse net carry (which is estimated to be $1.2 MM).

Separately, [redacted] will earn a co-placement fee equal to 0.25% of the par balance of the collateral portfolio at closing.

VIII. Reasons to Pursue

We are pursuing this transaction for the following reasons:

1. The respective trading desks are posted on each asset offered into the CDO from the Street. In addition, we expect thet 30% of the portfolio by closing will come from Goldman's offerings.
2. Although we will be marketing a $1.0 billion Hout Bay II transaction, Goldman can price the transaction earlier with a lower balance if we are concerned about future market conditions or we can upsize the transaction if there are reasons to merit that action.
3. We will be offering the equity to third party investors with an expected return of approx. 15%.
4. [redacted] is taking a portion of the warehouse risk, [redacted] is committed to 50% of the equity. Goldman has a "best efforts" underwriting commitment on the debt and remaining equity, and Goldman's fees are 0.25% upfront ($2.5 MM on e $1.0 billion deal) plus 0.04% per annum of the CDO's portfolio balance plus approx. $1.2 MM in net warehouse carry.

IX. Strengths / Issues to Consider

Strengths

- **Pre-sold Equity:** [redacted] hes pre-committed to purchase half of the equity.
- **Sponsorship Opportunity:** [redacted] has asked Goldman to structure and place Hout Bay II and act as Liquidation Agent for the portfolio. [redacted] will sponsor the CDO through their warehouse risk sharing and equity commitment. In addition to the Hout Bay II mandate and the Hout Bay I equity purchase, [redacted] hes invested in or plans to invest in other SP CDO and CLO transactions underwritten by Goldman, and we expect our ongoing relationship with them to result in continued sponsorship of CDOs brought to market by Goldman.
- **Efficient Fee Structure:** Lower overall fees in this transaction (vs. other high grade CDO squared deals in the market) allow more flexibility to select higher quality assets and ramp-up the portfolio quickly and reduces execution risk to Goldmen and Investec.

Issues to Consider

- **Warehouse:** Goldman Sachs will be exposed to half of the first $20MM of any net losses and all of the risk above $20MM if the deal fails to close. [redacted] is depositing $[redacted] when the warehouse opens to cover their entire risk exposure in the warehouse.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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- **"Best Efforts" Underwriting Obligation:** Goldman Sachs will make a "best efforts" obligation to distribute all of the Class A, B, C and D Notes.

X. Recommendation

Goldman Sachs will be involved in ramping and warehousing the portfolio for the transaction, structuring the transaction, placing the notes and the equity of the CDO, and in return will earn a $2.5 MM fee at closing, an ongoing fee of 0.04% per annum of the CDO's portfolio balance and approximately $1.2 MM in net carry in the warehouse. [redacted] has committed to half of the equity in the transaction, to 50% of the first $20MM in warehouse losses in the event the CDO does not close, will collaborate with Goldman to ramp the portfolio for the CDO prior to the closing, and will be an ongoing surveillance agent after the CDO closes.

In light of the above, we request that the Capital Committee approve our proposal to enter into a "best efforts" underwriting of the CDO debt and commitment to 50% of the equity and to move forward with the warehouse risk sharing arrangement with Investec.

Appendix A: Current CDO Warehouses

Structured Product CDO Warehouses

Deal Name	Size / Current Warehouse	Collateral Description	GS Warehouse Risk	Expected Pricing	Approx. Fees
Hudson	$1.5 Billion / $777.6 MM	Aa2/Aa3 – RMBS, CMBS, ABS, CDO	[redacted] 1st Loss – 50% up to $16 MM 2nd Loss – 100% above $16 MM	Apr-06	$5.25 MM
Highland	$500 Million / $110 MM	Baa2/Baa3 – RMBS, CDO	[redacted] 1st Loss – 50% up to $20 MM 2nd Loss – 100% above $20 MM	Oct-06	$6 MM
GSC High Grade (GSC Partners)	$1.5 Billion / $1.47 Billion	A1/A2 – RMBS, CMBS, ABS, CDO	[redacted] 1st Loss – 100% on fixed rate assets 2nd Loss – 100% above $50 MM losses on floating rate collateral	Sept-06	$6 MM
[redacted]	$1.5 Billion/ $841 Million	Aa2/Aa3 – RMBS, CMBS, CDO	100% to GS on first $500mm in ramped assets [redacted]	Jul-06	$7.5 MM
Davis Square VII [redacted]	$2.0 Billion/ $1.79 Billion	Aa2/Aa3 – RMBS, CMBS, ABS, CDO	100% to GS	Sept-06	$10 MM
Altius III [redacted]	$2.0 Billion/ $1.84 Billion	Aa2/Aa3 – RMBS, CMBS, ABS, CDO	[redacted] 1st Loss – 50% up to $6 MM 2nd Loss – 100% above $6 MM	Aug-06	$10 MM
West Coast [redacted]	$2.7 Billion/ $2.67 Billion	Aa2/Aa3 – Prime and Alt-A RMBS	Priced	June-06	$13 MM
[redacted]	$2.0 Billion/ $178 Million	Aa2/Aa3 – RMBS, CMBS, ABS, CDO	100% to GS	Dec-06	$10 MM
[redacted]	$1.0 Billion/$0	CDO	1st $20mm of Losses - 50/50 Additional Losses - 100% to GS	Jan-07	$9 MM

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CLO Warehouses

Deal Name	Size / Current Warehouse	Collateral Description	GS Warehouse Risk	Cost of Financing	Expected Pricing	Approx. Fees
[redacted]	$400 MM / $291 MM	90% Loans 10% Bonds	Priced	L + 75 bps	Priced Jun 24	$5.0 MM
[redacted]	$475 MM / $188 MM	90% Loans 10% Bonds	50% to GS [redacted]	Fed + 37.5 bps	July 2006	$7.0 MM
[redacted]	$500 MM / $366 MM	100% Loans	100% to GS	L + 75 bps	July 2006	$6.5 MM
[redacted]	$500 MM / $219 MM	90% Loans 10% Bonds	50% to GS [redacted]	Fed + 37.5 bps	3Q 2006	$6.0 MM
[redacted]	$400 MM / $136 MM	100% Loans	100% to GS	L + 75 bps	4Q 2006	$5.0 MM
[redacted]	$400 MM / $0 MM	90% Loans 10% Bonds	[redacted] 50% to GSAM	L + 75 bps	4Q 2006	$5.0 MM
[redacted]	$400 MM / $0 MM	100% Loans	50% to GS [redacted]	L + 75 bps	4Q 2006	$5.0 MM

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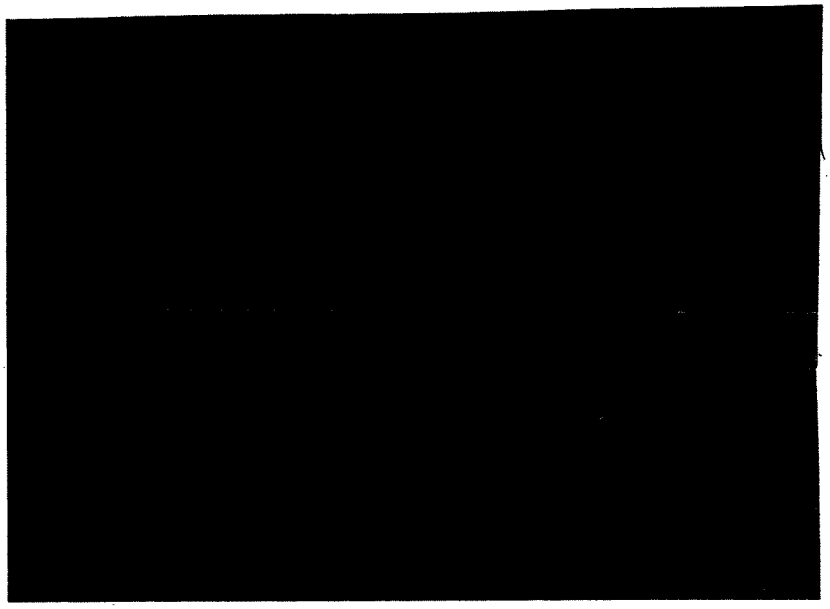
Footnote Exhibits - Page 5252



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From: Case, Benjamin
Sent: Monday, July 23, 2007 3:12 PM
To: Bieber, Matthew G.
Subject: CDO Liquidation Agent Role - Draft Talking Points - INTERNAL USE ONLY

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Liquidation Agent Role -- Talking Points

Liquidation Agent Process
- our goal as Liquidation Agent is to attempt to maximize proceeds on the unwind of credit risk assets pursuant to the liquidation process governed by the CDO documents, rather than to liquidate at an arbitrary pre-specified time without regard to market conditions
- original goal of the rating agencies in structuring the 12 month time period was to avoid forcing the CDO to liquidate in the immediate time period after significant ratings downgrades (which the rating agencies were concerned may be the worst time to liquidate due to decreased market liquidity)
- although we are required to ask for unwind levels from three independent dealers, our intention is to go out to more than three dealers in order to increase possible number of bidders to try to get the best level available in the market
- Liquidation Agent role is run by GS CDO team (independent from the ABS flow secondary trading desk), with access to full resources and market color from ABS trading desk, Mortgage Strategies, and external resources (including color and credit views from third party CDO collateral managers)

Fundamentals
- current credit performance data on the six Credit Risk Obligations between Hudson Mezz 1, Hudson Mezz 2, and Anderson:

Name	Current Face	Moody's	S&P	Current Credit Support	Foreclosure + REO	90+ Delinq.	60+ Delinq.	30+ D
LBMLT 2006-1 M9	15,000,000	B1	B	5.91	14.98	19.83	23.13	
MSAC 2006-WMC2 B3	15,000,000	B3	B	3.07	11.78	14.34	16.94	
OOMLT 2006-2 M8	13,000,000	Ba1	B	3.72	10.43	15.64	18.23	
SAIL 2006-4 M7	15,000,000	Ba2	CCC	3.25	11.48	14.96	17.21	
SAIL 2006-4 M8	15,000,000	B1	CCC	2.26	11.48	14.96	17.21	

Technicals
- current indicative unwind levels on the six current Credit Risk Obligations range from 75-83 points upfront
- recent flows in these types of nemes have been driven by hedge funds covering shorts, with dealers willing to take the other side (given length of IO remaining and out-of-the-money option value)
- no significant new initiation of trades on these names (in either direction) -- hedge funds have preferred to initiate new shorts up the capitel structure and on cleaner names - trades with more upside to short side of trade

Current strategy -- wait and continue to evaluate market conditions, rather than liquidating now
- upside is that continued short-covering by hedge funds anxious to monetize profits could cause minor rally (5-10 points)
- downside is that a speed up of foreclosure process vs. current timeline expected by market could decrease IO value, or significant forced selling of similar names by CDO vehicles could push levels wider

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Wall Street & The Financial Crisis
Report Footnote #2571

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October 20, 2006

Preliminary Termsheet

Goldman Sachs

Hudson Mezzanine Funding 2006-1, LTD.

$2.0 Billion Static Mezzanine Structured Product CDO

Note: The Class S, Senior Swap, A, B, C, D and E Notes (the "Notes") have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and are being sold (a) in the United States only to qualified institutional buyers ("QIBs") in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A who are also qualified purchasers as defined in the Investment Company Act of 1940, and (b) outside the United States to non- U.S. persons in reliance on Regulation S.

Security	Par Amount	%of Par	Initial Over-Collateralization	Target Over-Collateralization	Ratings (Moody's/S&P)	Coupon	Avg Life
Class S	37.0 MM	N/A	N/A	N/A	Aaa/AAA	1mL+15 bps	3.1
Senior Swap	$1,200.0 MM	60.0%	166.7%	N/A	Aaa/AAA	Not Offered	3.9
Class A-1	$110.0 MM	5.5%	139.9%	143.8%	Aaa/AAA	1mL+ 26 bps	2.6
Class A-2	$120.0 MM	6.0%	139.9%	143.8%	Aaa/AAA	1mL+ 50 bps	6.8
Class B	$230.0 MM	11.5%	120.5%	122.5%	Aa2/AA	1mL+ 62 bps	5.3
Class C	$170.0 MM	8.5%	109.3%	110.2%	A2/A	1mL+160 bps	5.6
Class D	$84.0 MM	4.2%	104.5%	105.8%	Baa2/BBB	1mL+375 bps	5.1
Class E	$26.0 MM	1.3%	103.1%	104.2%	Ba1/BB+	1mL+ 675 bps	5.8
Income Notes	$60.0 MM	3.0%	N/A	N/A	NR	N/A	N/A

Transaction Overview

- Hudson Mezzanine Funding 2006-1 will be a static $2.0 billion cashflow CDO consisting of a diversified portfolio of single-name credit default swaps on RMBS securities.
- Goldman Sachs, & Co. ("Goldman") selects the assets.
- 60% of the assets will be single name CDS referencing all forty obligors in ABX 2006-1 and ABX 2006-2.
- The portfolio consists of collateral which is rated at least Baa3 and BBB- with an average rating of Baa2/Baa3. 100% will be real-estate related securities.
- Low fee structure and less "bar-belled" portfolio than other mezzanine CDOs in the current market
- Goldman, as Liquidation Agent, will liquidate any asset determined to be a "credit risk" within 12 months of said determination. Credit Risk assets will include:
  - Any asset downgraded by Moody's or S&P below Ba3 or BB-
  - Any asset that is defaulted or would be experiencing a credit event as defined by the PAUG confirm
- There will be no reinvestment, substitution, discretionary trading or discretionary sales. After closing, assets that are determined to be "credit risk" will be sold by the Liquidation Agent within one year of such determination.
- Goldman will invest in a portion of the Income Notes at closing.

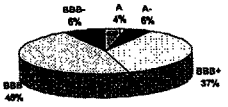
Structural Highlights

- Pure static structure eliminates reinvestment risk and shortens expected weighted average lives on liabilities
  - No reinvestment, substitution, or discretionary trading
  - Proceeds from credit-risk sales will be treated as principal paydowns or notional reduction of the Senior Swap
- Liquidation Agent Fees: 10 bps per annum
- 100% ramped at closing and 100% certainty of all assets in collateral portfolio to be included in transaction
- No fixed rate assets in the portfolio eliminates possibility of an interest rate swap hedge mismatch

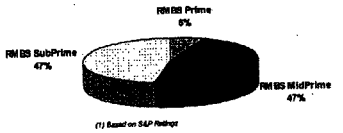
Current Portfolio Characteristics

Par Value of Collateral ($MM)	$2,000
Total Expected Portfolio Size ($MM)	$2,000
% Ramped	100%
Moody's Weighted Average Rating Factor	486
Weighted Average Life	4.25 years
Number of Positions	140
Distinct Obligors	100
Duration Weighted DM	183 bps

Ratings Composition of Target Warehouse Portfolio (1)



Sector Composition of Target Warehouse Portfolio



(1) Based on S&P Ratings

CDO Structuring, Marketing and Principal Investments		Syndicate	
Peter Ostrem	+1 (212) 357-4617	Barry Bohrs	+1 (212) 357-4617
Darryl Herrick	+1 (212) 902-9305	Scott Wisenbaker	+1 (212) 902-3665
Deva Mishra	+1 (212) 902-7002	Mitch Resnick	+44 20 7774 3068
Roman Shimonov	+1 (212) 902-6964	Omar Chaudhary	+91 3 6437 7198
Ariane West	+1 (212) 902-3665	Malcolm Mui	+1 (212) 902-3689
Mahesh Ganapathy	+1 (212) 902-6265		

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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2574

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Transaction Details

Issuer:	Hudson Mezzanine Funding 2006-1, LTD, incorporated with limited liability in the Cayman Islands
Co-Issuer:	Hudson Mezzanine Funding 2006-1, Corp, corporation organized under the laws of the State of Delaware
Liquidation Agent:	Goldman, Sachs & Co.
Initial Purchaser:	Goldman, Sachs & Co.
Offering Type:	Reg S (Non-U.S. Persons only), Rule 144A. Rule 144A purchasers must be qualified purchasers under the Investment Company Act of 1940
Listing, Clearing & Settlement:	Application may be made to admit the securities on a stock exchange at the issuer's choice, if practicable. There can be no assurance that any such application will be made and that any such admission will be granted. The Class S, A, B, C, D and E Notes will settle through Euroclear/Clearstream/DTC. Notes will settle with accrued interest, if any, from the Closing Date. The initial LIBOR Rate on the S, A, B, C, D and E Notes will be set two business days prior to the Closing Date
Reinvestment Period:	None
Non-Call Period:	Approximately three years. Callable in whole on or after April 2010 by a majority vote of the Income Notes
Auction Call Date:	Starting April 2015 and annually in April thereafter
Minimum Call Price:	Class S, A, B, C, D and E Notes (if issued) at par plus accrued interest. There is no call premium to the Income Notes
Legal Final Maturity:	April 2042 for the Senior Swap, Class A, B, C, D and E Notes. [August] 2012 for the Class S Notes
Payment Frequency:	The Senior Swap, Class S, A, B, C, D and E Notes will receive premium and interest payments monthly, commencing April 2007. The Senior Swap, Class S, A, B, C, D and E Notes will receive principal payments and reduce outstanding principal amounts monthly, commencing April 2007. Income Notes will receive distributions according to the payment waterfall monthly, commencing April 2007
Liquidation Agent Fee:	10 bps per annum, payable senior to premium on the Senior Swap and payable monthly, commencing April 2007
ERISA Eligible:	The Class S, A, B, C, and D Notes are expected to be ERISA eligible, assuming that the purchase is not a prohibited transaction for the purchaser
Tax Treatment:	Class S, Senior Swap, A, B, C, and D Notes will be treated as debt
Controlling Class:	The Class S, Senior Swap and A Notes (the "Senior Notes") voting in the aggregate until paid in full, then Class B, Class C, Class D and Class E Notes in that order until each Class is paid in full
Collateral:	Single name credit default swaps referencing RMBS securities

Coverage Tests

Coverage Test	Expected Closing Date Values	Minimum Ongoing OC Coverage Requirement
Senior Overcollateralization Ratio [1]	120.5%	116.5%
Class C Note Overcollateralization Ratio	109.3%	106.5%
Class D Note Overcollateralization Ratio	104.5%	102.4%
Class E Note Overcollateralization Ratio [2]	103.1%	101.4%

[1] The Senior Swap, Class A and Class B ratios will be combined and known as Senior OC ratios
[2] After regular payments of premium, interest, amortization and principal to the Senior Swap, Class S, A, B, C, D and E Notes but before any payment to the Income Notes, if the Class E Note Overcollateralization Ratio is less than [101.4%, then all excess interest proceeds will be paid to amortize the principal balance of the Class E Notes

Synthetic Securities

Synthetic Securities:	Pay-As-You-Go ("PAUG") ISDA
Interest Shortfall Basis:	Fixed Cap Applicable
Credit Events:	Writedown Failure to Pay Principal Distressed Ratings Downgrade
Default Swap Collateral:	Proceeds from the issuance of the securities deposited with Goldman Sachs in exchange for Default Swap Collateral. Default Swap Collateral will be delivered to Goldman, (i) to settle any Credit Events, (ii) to pay Physical Settlement Amounts, (iii) to pay certain Synthetic Security Termination Payments and in exchange for Synthetic Security Counterparty Principal Payments. If the Default Swap Collateral is not sufficient to settle any Credit Event, pay any Physical Settlement Amount, or to pay any such Synthetic Security Termination Payment, generally, the Senior Swap Counterparty will pay such amounts.

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Priority of Payments

i. to the payment of taxes and filing and registration fees (including, without limitation, annual return fees) owed by the Issuers, if any;

ii. to the payment of accrued and unpaid fees of the Trustee up to a maximum amount on any Payment Date equal to the greater of U.S.$ [ ] and [ ]% of the Monthly Asset Amount for the related Due Period (or, in the case of the first Due Period, as such amounts are adjusted based on the number of days in such Due Period);

iii. (a) *first*, to the payment of any remaining accrued and unpaid Administrative Expenses of the Issuers, excluding any indemnities (and legal expenses related thereto) payable by the Issuers *first*, to the Trustee, the Collateral Administrator and the Fiscal Agent and second, *pro rata*, to any other parties entitled thereto; (b) *second*, to the payment of any indemnities (and legal expenses related thereto) payable by the Issuers *first*, to the Trustee, the Collateral Administrator and the Fiscal Agent and *second*, *pro rata*, to any other parties entitled thereto; and (c) *third*, to the Expense Reserve Account the lesser of U.S.$ [ ] and the amount necessary to bring the balance of such account to U.S.$ [ ]; *provided, however*, that the aggregate payments pursuant to subclauses (a) through (c) of this clause (iii) on any Payment Date shall not exceed U.S.$[ ] and the aggregate payments pursuant to subclauses (a) and (b) of this clause (iii) and the prior 11 Payment Dates shall not exceed U.S.$ [ ];

iv. to the payment of, (a) *first*, *pro rata* (based on amounts due) and *pari passu* (i) accrued and unpaid Collateral Put Provider Fee Amounts, (ii) accrued and unpaid interest on the Class S Notes (including Defaulted Interest and interest thereon) and (iii) beginning with the Payment Date occurring in [April] 2007, principal of the Class S Notes in an amount equal to the Class S Notes Amortizing Principal Amount until the Class S Notes are paid in full, and (b) *second*, if an Event of Default or Tax Event shall have occurred and is continuing or an Optional Redemption or Auction has occurred and the Pledged Assets are being liquidated pursuant to the terms of the Indenture, to the payment of principal to the Class S Notes until the Class S Notes are paid in full prior to any distributions to any other Notes;

v. to the payment to the Liquidation Agent of the accrued and unpaid Liquidation Agent Fee;

vi. to the payment of, *pro rata* (based on the amounts due) (i) the Senior Swap Premium and (ii) accrued and unpaid interest on the Class A Notes (including any Defaulted Interest and interest thereon);

vii. to the payment of accrued and unpaid interest on the Class B Notes (including any Defaulted Interest and any interest thereon);

viii. if the Senior Overcollateralization Test is not satisfied on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal and reduction of the Outstanding Notional Amount of the Senior Swap on such Payment Date (without giving effect to any payments or notional reduction pursuant to this clause (viii) or clauses (x), (xii) and (xiii) below), then *first*, to reduce the Outstanding Notional Amount of the Senior Swap until amortized in full, *second*, to the payment of principal of the Class A Notes until the Class A Notes are paid in full, and *third*, to the payment of principal of the Class B Notes until the Class B Notes are paid in full; *provided* that, as long as the Senior Swap is outstanding on such date, any remaining Interest Proceeds will be deposited in the Collateral Account for investment in Collateral Securities and Eligible Investments, and the Outstanding Notional Amount of the Senior Swap shall be reduced by the same amount;

ix. to the payment of accrued and unpaid interest on the Class C Notes (including Defaulted Interest and any interest thereon but not including Class C Deferred Interest);

x. if the Class C Overcollateralization Test is not satisfied on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal and the reduction of the Outstanding Notional Amount of the Senior Swap on such Payment Date (without giving effect to any payments or notional reduction pursuant to this clause (x) or clauses (xii) and (xiii) below), then if the Senior Overcollateralization Test was satisfied on each Determination Date with respect to each preceding Payment Date and the Aggregate Outstanding Portfolio Amount is greater than or equal to U.S.$[1,050,000,000] on the Determination Date with respect to the related Payment Date, Principal Proceeds will be applied, *pro rata* (i) to reduce the Outstanding Notional Amount of the Senior Swap by the Senior Swap Reduction Amount for such Payment Date and to the payment of principal of the Class A Notes pursuant to the Senior Principal Allocation, (ii) to the payment of principal of the Class B Notes and (iii) to the payment of principal of the Class C Notes, until the Outstanding Notional Amount of the Senior Swap is reduced to zero and the Class A Notes, the Class B Notes and the Class C Notes are paid in full and, any remaining Proceeds to the payment of principal of all outstanding Class C Notes until the Class C Notes are paid in full; *provided* that, if the Aggregate Outstanding Portfolio Amount is less than U.S.$[1,050,000,000] on the Determination Date with respect to the related Payment Date or if the Senior Overcollateralization Test was not satisfied on any Determination Date with respect to any preceding Payment Date, Principal Proceeds will be applied *first* (i) to reduce the Outstanding Notional Amount of the Senior Swap by the Senior Swap Reduction Amount for such Payment Date, *second* (ii) to the payment of principal of the Class A Notes until the Class A Notes are paid in full, *provided* that, if the Senior Overcollateralization Test has been satisfied on each Determination Date, including the Determination Date related to the current Payment Date, the amount allocated to the Class A Notes will be paid first to the Class A-f Notes until the Class A-f Notes are paid in full and then to the Class A-b Notes until the Class A-b Notes are paid in full, *third* (iii) to the payment of principal of the Class B Notes until the Class B Notes are paid in full and *fourth* (iv) to the payment of principal of the Class C Notes until the Class C Notes are paid in full, and any remaining Proceeds to the payment of principal of all outstanding Class C Notes until the Class C Notes are paid in full;

xi. to the payment of accrued and unpaid interest on the Class D Notes (including Defaulted Interest and any interest thereon but not including Class D Deferred Interest);

xii. if the Class D Overcollateralization Test is not satisfied on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal and the reduction of the Outstanding Notional Amount of the Senior Swap on such Payment Date (without giving effect to any payments or notional reduction pursuant to this clause (xii) or clause (xiii) below), then if the Senior Overcollateralization Test was satisfied on each Determination Date with respect to each preceding Payment Date and the Aggregate Outstanding Portfolio Amount is greater than or equal to U.S.[1,050,000,000] on the Determination Date with respect to the related Payment Date, Principal Proceeds will be applied *pro rata* (i) to reduce the Outstanding Notional Amount of the Senior Swap by the Senior

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Swap Reduction Amount for such Payment Date and to the payment of principal of the Class A Notes pursuant to the Senior Principal Allocation, (ii) to the payment of principal of the Class B Notes, (iii) to the payment of principal of the Class C Notes and (iv) to the payment of principal of the Class D Notes, until the Outstanding Notional Amount of the Senior Swap is reduced to zero and the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes are paid in full and, any remaining Proceeds to the payment of principal of all outstanding Class D Notes until the Class D Notes are paid in full; *provided* that, if the Aggregate Outstanding Portfolio Amount is less than U.S.$[1,050,000,000] on the Determination Date with respect to the related Payment Date or if the Senior Overcollateralization Test was not satisfied on any Determination Date with respect to any preceding Payment Date, Principal Proceeds will be applied, *first* (i) to reduce the Outstanding Notional Amount of the Senior Swap by the Senior Swap Reduction Amount for such Payment Date, *second* (ii) to the payment of principal of the Class A Notes until the Class A Notes are paid in full, *provided* that, if the Senior Overcollateralization Test has been satisfied on each Determination Date, including the Determination Date related to the current Payment Date, the amount allocated to the Class A Notes will be paid first to the Class A-f Notes until the Class A-f Notes are paid in full and second to the Class A-b Notes until the Class A-b Notes are paid in full, *third* (iii) to the payment of principal of the Class B Notes until the Class B Notes are paid in full, *fourth* (iii) to the payment of principal of the Class C Notes until the Class C Notes are paid in full, and *fifth* (iv) to the payment of principal of the Class D Notes until the Class D Notes are paid in full; and any remaining Proceeds to the payment of principal of all outstanding Class D Notes until the Class D Notes are paid in full;

xiii. *first*, (i) to reduce the Outstanding Notional Amount of the Senior Swap by the Senior Swap Reduction Amount for such Payment Date and (ii) to the payment of principal of the Class A Notes pursuant to the Senior Principal Allocation, up to the amount specified in clause (b)(1) below, *second*, to the payment of principal of the Class B Notes up to the amount specified in clause (b)(2) below, *third*, to the payment of principal of the Class C Notes up to the amount specified in clause (b)(3) below, and *fourth*, to the payment of principal of the Class D Notes up to the amount specified in clause (b)(4) below, in an aggregate amount equal to the lesser of (a) the Principal Proceeds for the related Due Period, and (b) the sum of (1) the amount necessary to increase the Class A Adjusted Overcollateralization Ratio to or maintain it at [143.8]%, plus (2) the amount necessary to increase the Class B Adjusted Overcollateralization Ratio to or maintain it at [122.5]%, plus (3) the amount necessary to increase the Class C Adjusted Overcollateralization Ratio to or maintain it at [110.2]%, plus (4) the amount necessary to increase the Class D Adjusted Overcollateralization Ratio to or maintain it at [105.8]%; *provided* that, if the Aggregate Outstanding Portfolio Amount is less than U.S.$[1,050,000,000] on the Determination Date with respect to the related Payment Date, then only the amount described in sub-clause (a) of this clause (xiii) will be applied, *first*, to reduce the Outstanding Notional Amount of the Senior Swap, *second*, to the payment of principal of the Class A Notes until the Class A Notes are paid in full, *provided* that, if the Senior Overcollateralization Test has been satisfied on each Determination Date, including the Determination Date related to the current Payment Date, the amount allocated to the Class A Notes will be paid first to the Class A-f Notes until the Class A-f Notes are paid in full and then to the Class A-b Notes until the Class A-b Notes are paid in full, *third*, to the payment of principal of the Class B Notes until the Class B Notes are paid in full, *fourth*, to the payment of principal of the Class C Notes until the Class C Notes are paid in full and *fifth*, to the payment of principal of the Class D Notes until the Class D Notes are paid in full;

xiv. *first*, to the payment of principal of the Class C Notes in an amount equal to that portion of the principal of the Class C Notes comprised of Class C Deferred Interest unpaid after giving effect to payments under the clauses above (amounts will be considered unpaid for this purpose if the principal balance of the Class C Notes after giving effect to the clauses above exceeds any previous lowest amount outstanding) and *second*, to the payment of principal of the Class D Notes in an amount equal to that portion of the principal of the Class D Notes comprised of the Class D Deferred Interest unpaid after giving effect to payments under the clauses above (amounts will be considered unpaid for this purpose if the principal balance of the Class D Notes after giving effect to the clauses above exceeds any previous lowest amount outstanding);

xv. to the payment of accrued and unpaid interest on the Class E Notes (including Defaulted Interest and any interest thereon but not including Class E Daferred Interest);

xvi. to the payment of principal of the Class E Notes, in an amount necessary to increase the Class E Adjusted Overcollateralization Ratio to or maintain at [104.2]%;

xvii. if the Class E Interest Diversion Test is not satisfied on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal on such Payment Date, then to the payment of principal of all outstanding Class E Notes until paid in full;

xviii. after the Payment Date occurring in [April] 2015, *first*, to the payment of principal of all outstanding Class C Notes until the Class C Notes are paid in full, *second*, to the payment of principal of all outstanding Class D Notes until the Class D Notes are paid in full and, *third*, to the payment of principal of all outstanding Class E Notes until the Class E Notes are paid in full;

xix. to the payment of principal of the Class E Notes in an amount equal to that portion of the principal of the Class E Notes comprised of Class E Deferred Interest unpaid after giving effect to payments under the clauses above (amounts will be considered unpaid for this purpose if the principal balance of the Class E Notes after giving effect to the clauses above exceeds any previous lowest amount outstanding);

xx. to the payment of, *pro rata*, (based on the amount due) any unpaid Defaulted Credit Default Swap Termination Payments;

xxi. *first* (a) to the payment of any remaining accrued and unpaid Administrative Expenses of the Issuers not paid pursuant to clauses (ii) and (iii) above (as the result of the limitations on amounts set forth therein) in the same order of priority set forth above in clause (iii) excluding any indemnities (and legal expenses related thereto) payable by the Issuers not paid pursuant to clause (iii) above (as the result of the limitation on amounts set forth therein) in the same order or priority set forth above in clause (iii); and *third*, (c) to the Expense Reserve Account until the balance of such account reaches U.S.$[ ] (after giving effect to any deposits made therein on such Payment Date under clause (iii) above); *provided, however*, that the aggregate payments pursuant to subclause (c) of this clause (xxi) and subclause (c) of clause (iii) on any Payment Date shall not exceed U.S.$[ ];

xxii. to the payment of *first* (i) the Class D Notes Amortizing Principal Amount, and *second* (ii) the Class E Notes Amortizing Principal Amount;

xxiii. any remaining amount to the Fiscal Agent for deposit into the Income Note Payment Account for payment to the Holders of the Income Notes;

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From: Herrick, Darryl K
Sent: Thursday, October 12, 2006 7:15 PM
To: Lee, Lira; Shimonov, Roman; Mishra, Deva R.
Cc: Fraser, Bridget; Ha, Olivia; Mui, Malcolm H; Wisenbaker, Scott; Ostrem, Peter L; Recktenwald, Sara
Subject: RE: RABO Bank on Hudson - please read - IMPORTANT

Lira, like always we appreciate the focus Glad Mike is being patient with his need for a response Absolutely happy to get on this call tomorrow Want to make certain if we go down this route (which will be fairly long), Mike has approval to execute given the synthetic nature of the collateral.
We can discuss with Mike tomorrow if that works and get a better feel for his ability to participate Tomorrow, my schedule is calls at 8, 9, 1, 3 and 3:30 and can get on the call at a time other than that Thank you

-----Original Message-----
From: Lee, Lira
Sent: Thursday, October 12, 2006 6:06 PM
To: Herrick, Darryl K; Shimonov, Roman; Mishra, Deva R.
Cc: Fraser, Bridget; Ha, Olivia; Mui, Malcolm H; Wisenbaker, Scott; Ostrem, Peter L; Recktenwald, Sara
Subject: RABO Bank on Hudson - please read - IMPORTANT
Importance: High

Just had a really good heart-to-heart with Michael Halevi, who was very understanding of our inability to provide him with a written response thus far to his questions below. Rather than focussing on buying a tranche GS is not focussed on selling, Halevi wanted to know what part of the capital structure GS was going to be focussed on because he didn't want to go through the process [redacted]

Bottom line:
He will focus on getting approvals to buy a chunk of Class B (Aa2/AA rated) tranch as his conduit can buy down to single A rated notes but he was uncomfortable focussing on Class Cs since this was synthetic underlyer which would be difficult for him to get approvals on single A on the first go around.

Next steps:
He has made himself available for a call any time tomorrow. I need to email him with availability for Darryl or someone on his team to answer his below questions verbally so he can get business committee approval process in place to potentially buy the [redacted] Please come back to me asap with a firm time for us to give him a call tomorrow. Once this call is in place, he will try submit for business committee approval, and if it passes, he will need to have another due dilligence call with his credit committee approval. We are working on a very tight timetable with Rabo because [redacted]

Darryl - Ideally we would like you to be on the call since you already know Mike Halevi well. Can you please get back to me asap with available time slots for us to have a call with him tomorrow? Tjamls

-----Original Message-----
From: Halevi, M (Michael) [mailto:Michael.Halevi@rabobank.com]
Sent: Friday, October 06, 2006 5:45 PM
To: Ha, Olivia
Cc: Lee, Lira; Fraser, Bridget; Bazoian, J (Jeff); O'Keefe, M (Mark); Asadi, EK (Eraj)
Subject: Hudson Mezzanine Funding 2006-1

Olivia,

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2578

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Before we can determine whether the A2 note is a suitable investment for Nieuw Amsterdam, it would be helpful if your structuring team could provide answers to the following 'big picture' questions.

A) It is understood that Goldman Sachs will act as liquidation agent and as such is required to liquidate any asset that is downgraded below Ba3 or BB-. What I'd like more clarity on is how transitional risk can be quantified. It seems as if we'd have to assess the historical transitional ratings of mezz RMBS against market spreads alongside the adequacy of loss/default coverage. Do you have a 'worst case' example(s) of how much subordination can be lost from a deteriorating, but non-defaulted mezz tranche. Further, why is Goldman afforded up to 12 months to sell a credit risk asset?

B) How is the 'tail' risk on the A2 note mitigated as all subordinate notes may be paid down prior to our note?

C) Explain how "credit risk" trading occurs for an index. The PAUG structure for single-name CDS is understood.

Enjoy the holiday weekend,

Regards,
Michael Halevi
Rabobank International
245 Park Avenue
New York, NY 10017
Ph 212 808 6962
Fax 212 309-5120

-----Original Message-----
From: Ha, Olivia [mailto:Olivia.Ha@gs.com]
Sent: Thursday, October 05, 2006 1:30 PM
To: Asadi, EK (Eraj); Halevi, M (Michael); O'Keefe, M (Mark)
Cc: Lee, Lira; Fraser, Bridget
Subject: GS: Hudson Mezzanine Funding, 2006-1 Ltd. -- New Issue Announcement (144a/RegS) (external) [T-Mail]

Hudson Mezzanine Funding, 2006-1 Ltd. -- New Issue Announcement
(144a/RegS) (external)
Lead Manager & Sole Bookrunner: Goldman Sachs Liquidation Agent:
Goldman, Sachs & Co.
$2.0bn Static Mezzanine Structured Product CDO

Class	Size($mm)	%Deal	Mdy/S&P	WAL(y)	Init OC	Guidance
S	[ ]	N/A	Aaa/AAA	[2.8]	N/A	N/A
Sen Swp	1,200	60.0%	Aaa/AAA	[3.7]	166.7%	N/A
A1	150	7.5%	Aaa/AAA	[2.0]	133.3%	1mL+TBD
A2	150	7.5%	Aaa/AAA	[6.0]	133.3%	1mL+TBD
B	160	8.0%	Aa2/AA	[5.1]	120.5%	1mL+TBD
C	100	5.0%	A2/A	[5.2]	113.6%	1mL+TBD
D	150	7.5%	Baa2/BBB	[5.2]	104.7%	1mL+TBD
E	30	1.5%	Ba1/BB+	[5.3]	103.1%	1ML+TBD
PS	60	3.0%	Not Rated	N/A	N/A	**CALL DESK**

Termsheet, Debt Marketing Book & Warehouse Portfo <<Hudson Mezz Debt Book Announcement.pdf>> l <<Hudson Mezz Termsheet Announcement.pdf>> i <<Hudson Mezz Funding 2006-1 WH Asset Portfolio.xls>> o - Attached

Expected Timing:
Price Guidance & Red - w/o Oct 16
Pricing - w/o Oct 23

GS Structured Products Global Syndicate
Asia: Omar Chaudhary, Jay Lee, & Hirotaka Sugioka +81 (3) 6437-7198

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Europe: Mitch Resnick & Tets Ishikawa +44 (0)20 7774-3068 N. America: Bunty Bohra, Scott Wisenbaker, Scott Walter, Tony Kim & Malcolm Mui +1 (212) 902-7645

Structured Product CDO Desk:
Peter Ostrem +1 (212) 357-4617 // Darryl Herrick +1 (212) 902-9305

Risk Factors: An investment in the securities presents certain risks, please see the Preliminary Offering Circular for a description of certain risk factors.

Disclaimer:
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From: Kalavar, Naina
Sent: Monday, October 15, 2007 2:06 PM
To: Lee, Lira; Fraser, Bridget; Case, Benjamin; Shimonov, Roman
Subject: NAB//Hudson Mezz Update 2

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Conference Call - round 2 , Hudson Mezz
Ben Case
Naina Kalavar
[redacted]

NAB -How will the most recent downgrades affect the position?
Ben -About 27%-28% is now at credit risk obligation overall a total 43% of the portfolio affected by ratings actions
The majority names that look the worst have been downgraded except a handful of Alt A (moodys said this would be their next focus)
The timing of the agency action is always uncertain, but otherwise this is not a huge surprise - actually surprising that market has traded off on higher ratings rather than BBB

Management update -
Starting to talk about transferring liquidation rights to 3rd party experienced ABS CDO collateral manager -
Think it will be in best interest of investors -The credit obligation term was originally written in with expectations that it was unlikely to happen
Liquidity has dried up so market priced in before rating change, so automatic sale feature was not able to get these assets out before market priced in the decline
Good for deal for several reasons:
1.Large institutional asset mngr will be able to access more liquidity b/c they can access other broker dealers and get good pricing
2. even keeping the deal the way it is, the decision of when in the 12 month period to liquidate could be better handled by an experienced manager
3. Potential amendment could be made to benefit the deal by giving more flexibility to agent
NAB - what is the cost of this
Ben - they get transferred over the fees. No increase in fees - if an increase was needed, this would influence our decision about how to proceed.
NAB - will they be able trade into new names
Ben - unlikely to amend the deal to add new names, but may be able to make an amendment to give them greater discretion to add value to the daal and to loosen other restrictions - ie the 12 month mandatory sale requirement
NAB - do we have a choice, as an investor, on this decision. Do we have a say in the choice of the manager?
Ben - Not yet able to speak about specific names
NAB - What role would GS have? We don't want to see GS disappear from transaction
Ben - the liquidation agent duties would be assigned - we would not have discretion in the process. GS is involved on ongoing basis in terms of working with manger and trustee to make sure it is being administered properly, structural advice, strategic advice - to at least the same level as with any other GS structured CDO.

NAB seems to doubt the idea that GS would not be able to get as good bid/offers as a 3rd party would.
Ben - brokers will prefer to deal with clients and give them much more considaration than they would another broker
NAB - are there any credit assets that the trading desk considers to be worthless?
Ben - no - generally they all at least pay interest
NAB - What % of portfolio is being priced as IO?

NAB - Could all investors come together and come up with a repackaging plan?
Ben- All options that would benefit the deal are being considered. Not a clear way to restructure that would benefit equally all investors - so tough to get unanimous consent.

NAB What is the recovery on sale today - weighted avg price of the 28% in credit risk?
Ben -80-90 bps up front -average recovery will be 15%
NAB -GS holds equity piece. have you written that off completely
Ben -Looks unlikely that equity would ever receive another payment.

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NAB If sold off all 28% of credit risk would that break our tranche
Ben - Your tranche is at around 28.5% - this sale would probably result in 23% loss and the Alt A that is not in credit risk yet also assuming 15% recovery, but there is a little extra cushion b/c of excess spread trapped due to credit risk provision- this tranche is probably right on the cusp

NAB - what are other investors saying?
Ben -Variety of sentiments- pessimistic, wait and see, nothing too different than what NAB is saying, Limited feedback on transfer of liquidation agent has been positive
NAB - GS view on the rest (remaining 65% of portfolio)
Ben - If we continue to see home price declines, these could decline in value. If home prices recover - we may see a better scenario

Next step - let them know what happens with the liquidity agent change. They are most interested in removing the 12 month forced liquidation term.

From: Kalavar, Naina
Sent: Wednesday, October 10, 2007 5:42 PM
To: Kalavar, Naina
Subject: FW: NAB//Hudson Mezz Update

[redacted] = Redacted by the Permanent Subcommittee on Investigations

NAB: [redacted]
GS: Ben Case, Roman Shimonov, Bridget Fraser, Naina Kalavar

This is the structure giving them the most trouble, interested in whether it will be restructure. Last spoke in July. Senior OC test continues to fail. None of underlying securities have experienced amortization - locked out for 3 yrs from origination on each security

Based on the definition credit risk obligation in the doc (if 7 asset (5%) of portf hava been down graded below BBB) GS as liquidation would have to sell with in 12 months of the down grade to cred risk obligation status

NAB - are you currently waiting to see when to sell? When do you think will be good time to sell these assets?
CB - Monitoring market conditions and the assets - current distressed nature of the assets has been fully priced in and has not moved over the past 2 months - if unwound those cds it would be at 80-90 points, that is % points to be paid up front to unwind swap - equiv of 20 cents to dollar in cash bond terms
Across entire universe of loans already in liquidation - been generally seen 50-60-70% recovery rates. Rates are not coming back high enough to make the market optomistic that bonds will come back to recover principle and on the second piece of the pricing, the option value of return of principle - mrkt pricing that option at way out of money.

NAB 50-70% recover is after fees?
CB Yes, it is ultimate recovery net of servicer fees and costs

NAB - is it tough or does it create a conflct for GS to try to get info from the servicer since this it is a synthetic?
CB - We have cash info for many of these - a lot is released pubically - we use databases like loan performance, or generall averages across similar loan portfolios. It is harder to get specific bond and underlier info. The aggregate stats show even bleaker outlook - that we are expecting

NAB When is the right time to liquidate the assets? F
CB - We are focusseed on fundamentals and mrtk technicals. Lots of hedgefunds have shorts on these names - the names the mrkt is pricing as most distressed were driven dramatically lower even before ratings down grade - mainly by repeated shorting and protection buying from HF.
Our view that there is upside in waiting anf evaluating mtkt conditions before liquidating. Based on technicals - floor or IO value is stable. We think that the shorts may get impatient - minor rallies from short covering - domino effect/momentum creates a rally b/c shorts get nervous at little rally --- this provides potential upside to waiting to liquidate.
Downside of waiting - if foreclosure timelines shorten across country and IO losses value - media and govt and regulation seems to be pushing to slow the forecosure process, which skews away from this downside risk

MM underlying secties locked out for 3 year - possibility to amending deal to extend the liquidation period

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BC -talked briefly, if we thoguth could get investor consent would be a good option - would need somewhere between majority (15-20 investors) of each class (41 investors)and unanimous depending on how material the change is judged to be

[redacted] does GS hold any of this
Yes - def own equity and different pieces of various tranches no sure exactly, but decent size and number of clsses on our books

[redacted] no physical settlement if a default even?
No writedown or default is a very unlikely to have phyical settlement = prob cash

[redacted] could we expect to have impairement
Don't have current mark - but looking at fundamentals high degree of uncertainty about whether NAB will be paid off in full - hard to say - range of scenarios

[redacted] is significant risk premium priced in b.c of liquididty - what is the risk we are facing by holding out vs liquidation at market price?
BC - hard to say b/c market conditions are uncertain - different types of == overall large amount of current and future sellers of risk and not a lot of buyers - so this influences current mark to market

Range of reasonable assumptions - e number of scenarios and outcomes

[redacted] what is surveilance/monitoring process- have loss pools?
BC-- liquidation agent duties are run by CDO team , Ben and romen et al - work with mortgage dept to get best resources to fulfil duties - trading desk to understand technicals of the markets, mortgage research and strat groups focussed on funds and quant analysis of mortgage credits includiong BBB names like these, other intepley with mort. Group = loan orignitors and serivicers for color
Use all of these inputs and resources to be most effective in making liquidation decsions

[redacted] have you applied your loss curves to this portfolio - setting liquidation aside
BC - don't have one base case loss curve for each pool - much more complex given number of moving parts and number of drivers of loss curves

[redacted] what if we wanted to break the analysis based on specific HPAs? What would breajk the deal in terms of HPA?

BC - dispersion of home price appreciation vs average HPA makes
[redacted] can you set up my major city/location and use blanket for rest?
BC - we don't apply standardized HPA across multiple areas - our analysis goes down to individual loan level and looks at different scenarios

[redacted] timing - when would we know if we would experience wite down of principle
BC - when the assets get to the point that the assets that are going to be writen down are, and the one going to return prin have - and have gone through waterfuall - will see how it affects your payments -- given the 3 yr lock, this would take at least 4 years OR - in a worse case
assets going through foreclosure could result in earlier write downs - event of default -shortfall of interest to AAA and AA - could come signif earlier than the return of principal would affect a write down

How would shortfall of interst occur?
Would happen if actual write downs of cash underlier assets - administered by servicers - loating rate payment on CDS due to write down and prot seller has to make payment to prot buyer

If keep failing - the cash will be diverted to senior holders and there will not be cash for rest of
Write downs will only be triggered by

Next steps - monitoring? Or others?
BC - actively monitorign the performance of assets and market conditions/potential for liquidation
Potential amendment to max liquidation pd or other beneficial structural change - looking for those as well, but nothing that is imenent now - not a lot of great options yet. Actively seeking possible structural changes

[redacted] watchlist of potential risky assets?

Watch headline numbers Roll rate of loans from currentt o 30 day deli 30-60 60-90 and how many go into foreclosure

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and what recovery is, prepayment
Harder to predict rating agency downgrade decisions

[redacted] - so basically a 50% chance of impairment to our class?
BC- that is hard to pin down but that does not sound unreasonable

[redacted] if impairment do you think it will be all or nothing or somewhere inbetween?
BC - thick trannche possible for some but not total impairmnt

[redacted] - At what point do you try to get votes for an amendment?
Are considerng that - would be something we would want to do as soon as we believe we can gather critical mass

[redacted] - is it possible to take a poll of the investors and regroup
We are trying to do that and we will reach back out to you when we have other info

Minor vs material amendment - how long would that determination take?
That is in deal counsels hands, relatively quick
Are their fees paid out of the waterfall?
Yes - but that should not impact whether or not to do amendment - not a material amount

[redacted] What about rating agencies - how would they view the ammendment
BC -They would have to consent but are likely to do so based on the way they model cash flows on a CDO

[redacted] when do you think you will be ready to discuss options?
Few weeks to talk to all investors to get sense of whether could make a change to structure -

[redacted] Could you please follow up with what GS holds?
BC for what purpose?
Want to make sure you are making restructuring decisions for the right reasons - make sure serving the right intersts

Our intended goal of liquidation agent is to serve the best interests of the CDO - that is the duty of liquidation agent - it is a policy end process

Did GS write the super senior swap?
BC - no we don't hold risk - did back to back swaps transferring voting rights etc

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From: Fraser, Bridget
Sent: Wednesday, October 10, 2007 9:13 AM
To: Case, Benjamin; Shimonov, Roman
Cc: Lee, Lira; Kalavar, Naina
Subject: NAB//Hudson Mezz Update

Natalie Rutzell called in. She would like to have a follow up conf call (from the last one in July) at 4pm. Hudson Mezz is the deal giving them the most trouble and they are preparing an update for Credit.

She would like to cover the following:
- Where is it now? Any updates? How is it performing?
- Are we still considering to sell the assets?
- Any good news possible if govt comes through package - how will it perform in this case. They know it is lightly managed
- Any possible downgrades?

Please let me know if 4pm works for you.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Bridget Fraser
Vice President
Derivative Products
Fixed Income, Currencies & Commodities

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Ph: 212 902 4960 Fax 212 493 9616
Email: bridget.fraser@gs.com

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From: Case, Benjamin
Sent: Friday, November 09, 2007 5:36 PM
To: Lehman, David A.
Subject: RE: What r next steps re: liq agent?

Just a post, I received the transfer and amendment docs from Sidley, but at this point I'm going to wait until Monday morning to send to [redacted] for their sign-off.

-----Original Message-----
From: Lehman, David A.
Sent: Friday, November 09, 2007 4:40 PM
To: Case, Benjamin
Subject: Re: What r next steps re: liq agent?

Sounds good thx

[redacted] = Redacted by the Permanent Subcommittee on Investigations

---

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-[redacted]
e-mail: david.lehman@gs.com

----- Original Message -----
From: Case, Benjamin
To: Lehman, David A.
Sent: Fri Nov 09 15:11:56 2007
Subject: RE: What r next steps re: liq agent?

Sidley is working on the various documents related to both the Liquidation Agent transfer and an amendment to remove the 12-month forced sale (discussed with [redacted] and that's the amendment they want to pursue). When we get the first drafts of the docs (I spoke to Sidley this morning and they said later today, so should be soon), we'll send them to [redacted], get their sign-off, and then collect the consents from investors and rating agencies. Once [redacted] signs off on the investor consent forms, I'll begin speaking to investors - first, equity and super-senior for the Liquidation Agent transfer, and then after that, the other investors for the removal of forced sale amendment. Will need to discuss with you how to approach MS Prop on Hudson Mezz 1. Susan Helfrick in legal has already reviewed the first draft of the Liquidation Agent transfer docs.

-----Original Message-----
From: Lehman, David A.
Sent: Friday, November 09, 2007 3:00 PM
To: Case, Benjamin
Subject: What r next steps re: liq agent?

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2590

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David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-[redacted]
e-mail: david.lehman@gs.com

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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1221 Ave of the Americas
New York, NY 10020

Morgan Stanley

February 29, 2008

Mr. Pablo Salame
Goldman Sachs & Co.
85 Broad Street
New York, NY 10004

Dear Mr. Salame:

We are writing because Goldman, Sachs & Co. ("GS") has breached (and continues to breach) its contractual obligations by exercising investment discretion in connection with its role as Liquidation Agent for Hudson Mezzanine Funding 2006-1, Ltd. ("Hudson"), a synthetic CDO transaction structured and offered by GS in late 2006.[1]

As Liquidation Agent, GS is currently responsible for liquidating approximately $1,000,000,000 of Credit Risk Obligations. The transaction documents clearly state that GS would not exercise investment discretion in its role as Liquidation Agent. GS has not yet liquidated a single Credit Risk Obligation, notwithstanding that some date back to August 2007. The GS employee handling the liquidation has explained this by stating that he believes the price for these obligations will increase in the future and it is better for the deal to liquidate these obligations at a later date.

We believe GS has breached the terms of the Liquidation Agency Agreement and that its actions as Liquidation Agent are contrary to the disclosures contained in the OC. In addition, as a result of GS taking on the role of an "investment adviser", as defined under the Investment Adviser's Act of 1940 ("Adviser's Act"), the Credit Default Swap with Hudson constitutes a violation under the Advisers Act, as GS never secured informed consent to act as Credit Default Swap Counterparty while exercising investment discretion.

As a result of GS's actions, Morgan Stanley and Hudson have already suffered approximately $150 million in incremental losses, and these losses are continuing to increase. We demand that GS immediately cease exercising investment discretion regarding when to liquidate the Credit Risk Obligations and proceed to liquidate these obligations forthwith as required by the Liquidation Agency Agreement.

[1] Capitalized terms used but not defined in this letter have the meanings ascribed thereto in the Offering Circular for the Hudson transaction dated December 3, 2006 (the "OC").

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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
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The Transaction

GS offered the Hudson transaction as an unmanaged synthetic ABS CDO in which Hudson, among other things, was to:

- issue approximately $800,000,000 in various Notes;
- sell credit protection to Goldman Sachs International ("GSI") under a "pay as you go" credit default swap transaction with an initial notional amount of $2,000,000,000 relating to a portfolio of 140 RMBS securities (the "Credit Default Swap", and each underlying component swap on a particular RMBS security, a "CDS Transaction"); and
- buy credit protection from GSI under another "pay as you go" swap transaction with an initial notional amount of $1,200,000,000 to fund payments that could be due under the Credit Default Swap in the event amounts available from the proceeds of the Notes pursuant to the Collateral Liquidation Procedure had been exhausted (the "Senior Swap").

The Hudson transaction closed on December 5, 2006. As of that date, Morgan Stanley Capital Services Inc. ("MSCS") purchased the Senior Swap through Goldman Sachs Capital Markets, LP ("GSCM") by entering into a swap transaction with GSCM explicitly linked and exactly mirroring the terms of the Senior Swap, under which GSCM, among other things, passed through to MSCS all rights of the Senior Swap Counterparty to act in its capacity as a member of the Controlling Class or otherwise. GS provided the OC to Morgan Stanley in connection with its marketing of the Senior Swap.

Amongst various other roles, GS was engaged by Hudson to act as Liquidation Agent pursuant to a Liquidation Agency Agreement dated December 5, 2006. Under the relevant terms of the Liquidation Agency Agreement, GS is obligated to assign, terminate or otherwise dispose of the CDS Transactions relating to Reference Obligations which become Credit Risk Obligations within twelve months after receiving notification thereof.

Exercise of Investment Discretion Prohibited

The Hudson transaction documents make it clear that GS is prohibited from providing investment advisory services or exercising investment discretion in connection with its role as Liquidation Agent. The Liquidation Agency Agreement states that "the Liquidation Agent (i) shall arrange for the assignment, termination or other disposition of Pledged Assets, by following the procedures in Section 7 hereof, but shall have no ability or authority to direct the assignment, termination or other disposition of any Pledged Assets; (ii) **shall not provide investment advisory services to the Issuer or act as the "collateral manager" for the Pledged Assets** and (iii) shall not have fiduciary duties to the Issuer or the Holders of the Notes." (Section 2(g) (emphasis added).)

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Similarly, the OC states that "[t]he Liquidation Agent **will not have** the right, or the obligation, to exercise **any discretion** with respect to the method or price of any assignment, termination or disposition of a CDS Transaction that references a Reference Obligation that is ... a Credit Risk Obligation; the sole obligation of the Liquidation Agent will be to execute the assignment, termination or disposition of such CDS Transaction in accordance with the terms of the Liquidation Agency Agreement." (OC p. 46 (emphasis added).) The OC reinforces this point in a section titled "No Collateral Manager" which states that "[t]he Issuer has not engaged, and will not engage, a collateral manager to select the Pledged Assets ... to monitor the Pledged Assets ... or to consult with the Issuer with respect to the Pledged Assets, including the advisability, **timing** or terms of any disposition thereof. **None of the Liquidation Agent or any of their [sic] affiliates will provide investment advisory services to or act as an advisor to or an agent of the Issuer or the Holders of the Notes ...**". (OC p. 48 (emphasis added).)[2]

The Current Dispute

During the month of October 2007, thirty-eight Reference Obligations became Credit Risk Obligations, leaving the Hudson transaction with approximately $568,000,000 original notional amount of CDS Transactions classified as Credit Risk Obligations. Reference Obligations have continued to become Credit Risk Obligations over time, including twenty-six more in January 2008. There are currently approximately $1,000,000,000 original notional amount of CDS Transactions that are Credit Risk Obligations.

Morgan Stanley learned in December 2007 that GS had appointed Ben Case as the GS employee responsible for handling the Liquidation Agent function for GS. Since that time, our trader John Pearce has consistently requested that GS, in its role as Liquidation Agent, assign, terminate or otherwise dispose of the relevant CDS Transactions forthwith. Mr. Case has consistently resisted Mr. Pearce's requests, asserting that according to his analysis, the optimal time for the Hudson transaction to exit the positions had not yet come. This is clearly an exercise of investment discretion, which renders GS a collateral manager and a fiduciary, in each case a violation of the provisions of the Liquidation Agency Agreement.[3]

As stated above, Morgan Stanley believes that GS has breached the Liquidation Agency Agreement by exercising investment discretion over the liquidation timing of the relevant CDS Transactions. Also, since the OC makes it clear that the Liquidation Agent cannot and will not be acting as a collateral manager or exercising investment discretion,

[2] While the Liquidation Agency Agreement provides that the Liquidation Agent must complete the process of liquidating the relevant assets within twelve months, it does not provide the Liquidation Agent with any right to delay the liquidation process based on the exercise of investment discretion. To the contrary, the Liquidation Agency Agreement and the OC clearly state that no discretion or investment advisory services are ever to be provided by the Liquidation Agent.

[3] Mr. Case has indicated that he is employing technical and fundamental analysis and his trading judgment in an attempt to maximize recovery for Hudson. On his most recent call with Mr. Pearce, Mr. Case explained his refusal to liquidate the CDS Transactions at this time by stating that he believes RMBS markets will rally as short positions are covered.

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Morgan Stanley believes the OC, upon which we relied in making our decision to enter into the Senior Swap, contains material misstatements.

Furthermore, Morgan Stanley believes Mr. Case's actions have resulted in GS becoming an "investment adviser" as defined under the Adviser's Act. While GS did disclose and receive consent to act in the dual roles of Liquidation Agent and Credit Default Swap Counterparty, that consent and disclosure was predicated upon GS not acting as a collateral manager or exercising the sort of investment discretion that Mr. Case has undertaken. Therefore, Morgan Stanley believes that the informed consent required under Section 206(3) of the Adviser's Act for GS to act as an investment adviser and for an affiliate to act as Credit Default Swap Counterparty was never granted, making the Credit Default Swap an unlawful transaction pursuant to Section 206.[4]

As a result of GS's breach of contract and violation of laws, Morgan Stanley and Hudson have suffered significant incremental losses. These incremental losses have already reached approximately $150 million and could increase substantially in the future.[5]

Conclusion

At this time, Morgan Stanley is demanding only that GS fulfill its contractual duties as required by the Liquidation Agency Agreement and assign, terminate or otherwise dispose of the relevant CDS Transactions forthwith. However, Morgan Stanley reserves all rights and remedies arising from the various contractual breaches and violations of law by GS arising from or in connection with the Hudson transaction. We look forward to discussing this situation and how best to resolve these issue with you in the near future.

Sincerely,

John Faulkner
Managing Director and
General Counsel of Institutional Securities

cc: Ms. Fran Bermanzohn, Goldman Sachs

[4] The level of investment discretion currently being exercised by Mr. Case also raises regulatory questions, such as whether Mr. Case is subject to GS's compliance procedures applicable to persons acting as investment advisers, whether GS's form ADV discloses the sort of advisory services provided to Hudson, and whether (and when) GS's form ADV was delivered to Hudson.

[5] Our calculation is based on looking at the level of the relevant vintage and rating category of ABX on the first trading day a Reference Obligation became a Credit Risk Obligation and comparing that level to the relevant ABX level on February 27, 2008. In all cases, the relevant ABX index had dropped between the two measurement dates.

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660521.201

From: Rosenblum, David J.
Sent: Thursday, November 29, 2007 7:50 PM
To: Case, Benjamin
Subject: RE: TCW - Liquidation Agent

tx for post

From: Case, Benjamin
Sent: Thursday, November 29, 2007 7:04 PM
To: Rosenblum, David J.
Subject: FW: TCW - Liquidation Agent

Just wanted to make you aware of this, since it might come up in your dealings with TCW -- we're going to assign our Liquidation Agent duties to TCW on the 5 static ABS CDOs that we issued last year (Hudson Mezz 1, Hudson Mezz 2, Hudson High Grade, Anderson, and Hout Bay), and as part of the agreement they're going to share 30% of the fees back to us. Win-win for both sides.

From: Case, Benjamin
Sent: Thursday, November 29, 2007 6:52 PM
To: Lehman, David A.; Bieber, Matthew G.; Sparks, Daniel L; Bash-Polley, Stacy; Egol, Jonathan; Swenson, Michael; Saunders, Tim
Subject: TCW - Liquidation Agent

Dick Loggins and I just spoke to Lou Lucido about the Liquidation Agent opportunity and offered him the opportunity at the 2nd best economic proposal shown to us -- sharing 30% of the fees back to us on a running basis ($1.1mm annually to GS). Lou sounded excited, ran it by Jeffrey, and called back to say they'd like to agree on those terms, subject to sign-off by his legal (they looked at the docs during the first round, but he wants them to review again -- he understands the docs are on an "as is" basis).

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660521.202

From: Lee, Lira
Sent: Tuesday, December 18, 2007 2:43 PM
To: Case, Benjamin
Cc: Fraser, Bridget; Kalavar, Naina
Subject: FW: Rabo Enquiry

Specific questions from Doreen:
Why TCW vs other liquidation agent potentials, specifically why not RABO?
What fees will TCW receive?

Can you please call me when you have a second?

From: Lee, Lira
Sent: Tuesday, December 18, 2007 5:01 PM
To: Fraser, Bridget; Kalavar, Naina
Subject: RE: Rabo Enquiry

Spoke to Ben Case.
GS is soliciting consent to assign GS role as liquidation agent to TCW bec when liquidation agent role was designed, it was very "out of the money"; now when the risk is very real, it is much more efficient to have a sophisticated collateral manager bec
(i) TCW can access better liquidity than GS, ie get bids from the entire street
(ii) real asset manager can pursue further amendments to the doc to make liquidation more efficient bec GS is not an asset mgr under the investment act in 1940 and cannot act investment advisory services and can't act with optimal discretion

Requires approvals of:
both rating agencies Moody's and S&P
Simple majority (51%) of the controlling class (SS holders) and equity

He will also send the TW OM.

From: Lee, Lira
Sent: Tuesday, December 18, 2007 4:42 PM
To: Case, Benjamin; Bieber, Matthew G.
Cc: Fraser, Bridget; Kalavar, Naina
Subject: Rabo Enquiry

Doreen Crawford from Rabo called asking
1 - Hudson Mezz - whether GS was potentially seeking an amendment on indenture
wrt if there is an impairment on the asset, there is a forced liquidation, which may not be the best for the deal
Is GS the other 50% controlling class of the SS?

2 - Also, Rabo needs the indenture for TW, she has OM but missing indenture

---

Lira Lee
FICC Derivative Products
Fixed Income, Currencies & Commodities

GOLDMAN, SACHS & CO.
1 NY Plaza | New York, NY 10004
Voice: 212.902.4960 || Fax : 212.346.4287
Email: lira.lee@gs.com

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660521.203

From: Case, Benjamin
Sent: Wednesday, December 19, 2007 4:54 PM
To: Martin, Nicole
Cc: Lin, Shelly
Subject: Hudson Mezz 2006-1 - Morgan Stanley consent

Attachments: (Assignment of LAA) Majority of Controlling Class - Notice and Request for Consent.pdf; (Assignment of LAA) Senior Swap Counterparty - Notice and Request for Consent.pdf; MSCI Swap - Written Direction.pdf

Nicole,

Attached please find:

- the Notice and Request for Consent forms discussing the proposed Liquidation Agent assignment, which are addressed to Goldman Sachs International (who faces the CDO)
- a direction letter related to the swap we have with Morgan Stanley, which Morgan Stanley can use to direct us if they would like to consent to the proposed assignment

Please ask Morgan Stanley to sign the direction letter and fax a signed copy to me at 212-428-1211.

If they have any questions or would like to discuss, please let me know and we'd be happy to discuss with them.

Regards,
Ben


(Assignment of LAA) Majority o...


(Assignment of LAA) Senior Swa...


MSCI Swap - Written Direction....

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660521.204

From: Martin, Nicole
Sent: Wednesday, January 16, 2008 9:38 AM
To: Lehman, David A.
Subject: FW: Tried calling with david

want me to push for today....looks like he would rather do friday as he is in london.

From: Pearce, John (FID) [mailto:John.Pearce@morganstanley.com]
Sent: Wednesday, January 16, 2008 12:36 PM
To: Martin, Nicole
Subject: Re: Tried calling with david

Fine if early. 9:30?

----- Original Message -----
From: Martin, Nicole <Nicole.Martin@gs.com>
To: Pearce, John (FID)
Cc: Lehman, David A. <David.Lehman@gs.com>; Fertel-Kramer, Sue <sue.fertel@gs.com>
Sent: Wed Jan 16 12:34:56 2008
Subject: RE: Tried calling with david

ok...david out tomorrow..friday?

From: Pearce, John (FID) [mailto:John.Pearce@morganstanley.com]
Sent: Wednesday, January 16, 2008 11:46 AM
To: Martin, Nicole
Subject: Re: Tried calling with david

Will be back in office tomorrow. Assume this is Hudson related.

Happy to do a call today if we need to discuss liquidation strategy. If non execution related, let's do it tomorrow when I'm back in NY.

----- Original Message -----
From: Martin, Nicole <Nicole.Martin@gs.com>
To: Pearce, John (FID)
Cc: Lehman, David A. <David.Lehman@gs.com>; Fertel-Kramer, Sue <sue.fertel@gs.com>
Sent: Tue Jan 15 16:45:29 2008
Subject: Tried calling with david

Understand you are in london...want to try to do a call from london tomorrow?

Goldman, Sachs & Co.
One New York Plaza - 47th Floor | New York, NY 10004
Tel: 212-902-4570 | Fax: 212-493-0511 | Mob: 201[redacted]
e-mail: nicole.martin@gs.com
Goldman
Sachs

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660521.205

Nicole Martin
Managing Director
Fixed Income, Currency & Commodities

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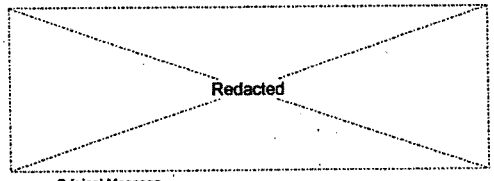
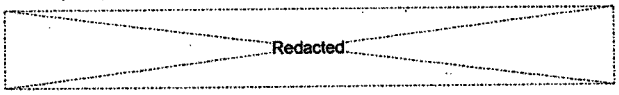
660521.206

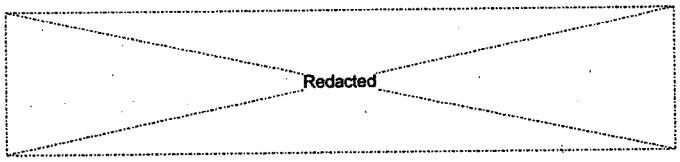
To: Pearce, John (FID)[John.Pearce@morganstanley.com]
Subject: RE: Updates
Sent: Wed 1/16/2008 6:42:49 PM
From: Petrick, Michael (FID)



—Original Message—
From: Pearce, John (FID)
Sent: Wednesday, January 16, 2008 1:31 PM
To: Petrick, Michael (FID)
Subject: Updates



GS:
Had another call with their sr. trader about GS's liquidation agent role in the $1.2bb HUDSON deal. They insist they are NOT acting as a fiduciary per the docs in this deal. Will discuss further with R. Ostrander tomm.



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660521.207

To: Lehman, David A.[David.Lehman@gs.com]
Cc: Martin, Nicole[Nicole.Martin@gs.com]
Subject: Hudson
Sent: Tue 2/5/2008 5:44:32 PM
From: Pearce, John (FID)

please call when possible - $969mm now eligible to be liqudated post S&P doewngrades.

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FEMALE AUTOMATED VOICE	WEDNESDAY, 2/13/2008 AT 11:30 A.M.
[redacted]	Morgan Stanley
Ben Case	[redacted] it's Ben Case.
[redacted]	Hey, Ben, How you doing, man?
Ben Case	Good, How you doing?
[redacted]	Oh, hanging in. Hanging in. Just, you know, just another, I wanted to sorta follow up, I don't know, you know, how obviously we talked in the past, and, going through these things, just basically calling to see, you know, what if any updates, you know, from your front, how you see the market, how you're thinking about, this trade, the eligible assets, the timing, the state of the market, you know, kinda, kinda similar to what we talked about last week.
Ben Case	Sure. Well let me give you my current thoughts. I mean I'd say, in general I'd say not a lot of new, new developments or new information -
[redacted]	Yep.
Ben Case	- that's, that's affecting our current strategy, from the markets, since our last conversation, um, you know, in terms of the timing of the liquidations which I know is the point that you're most specifically focused on -
[redacted]	Yep.
Ben Case	I, you know, I'd say, kind of consistent with, with, with, uh, the conversation that, kind of, uh, topics we walked in our last, and my kind of thought process that we walked in the last conversation, I mean I do see the, the wave of short covering in the market kind of continuing to proceed -
[redacted]	Yep.
Ben Case	- and, you know, if, you know kind of as expected, kind of helping hold up valuations for these kind of assets, even where the ultimate, you know, fundamental, you know, write down amount, looks bleak, but, you know not causing, an actual uptick in prices due to kind of a variety of, of other market forces that are, are holding levels down. And, you know, the farther we get into the short covering wave, the more the, the balance between the upside of holding longer, versus the downside of holding longer -

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[redacted]	Right.
Ben Case	- you know, the risk balance in holding rather than liquidating, you know, changes to the downside -
[redacted]	Um hum.
Ben Case	So I think, as we see the short covering wave kind of continue to proceed to, you know, far enough along where we feel like that balance shifts further enough down, you know, it's gonna get to the point where it's in the best interest of the deal to start liquidating them -
[redacted]	Yep.
Ben Case	You know, I know we've talked about this twelve month period, you know, I can't give you a ton of specifics or predictions cause, as you know, we're constantly re-evaluating, but I can give you my current thought is, you know, it doesn't seem like it's gonna take till late in the twelve month process for the majority of these assets to get to that point -
[redacted]	Okay.
Ben Case	- you know, as we see the market moving along, it does seem to be, you know, coming noticeably sooner than that, so, you know, we do see that in progress we do see it moving along, and I think it's, you know, I think that's gonna mean the liquidatings are gonna come, you know, kind of sooner rather than later within the twelve month period or the remaining period for, you know, each asset, but exactly what time frame that is, you know, how quickly that is, you know, will be governed by those market conditions, it's tough for me to put an exact, specific answer on that -
[redacted]	Right. Well, I mean, look, okay, so now we're, we're what, basically a billion dollars now of eligible assets, right? A lot of it, you know, there have been fits and starts, a lot of it came on in October, and then a significant, you know, big, you know, another big chunk, you know, but, you know, sort of sixty percent October, forty percent, you know, at the end of January here, you know, we don't need to get into, you know, sort of my feelings about, you know, what, you know, what from an economic, cost standpoint that's meant for our position, because I do think it's significant -
Ben Case	I, I understand that, I -
[redacted]	And that's, and it's unfortunate -
Ben Case	- understand that.

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[redacted]	So, so, and look, we've gone back and forth a lot, I wanna try to keep these discussions, you know, constructive, cause I wanna, you know, I don't want you to be dreading, dreading these conversations every week, or whatever, but, you know, I think that, as they, as they come in, right, give me, if you can, you know, one, sort of a way that you've sort of thought about, you know, kinda, kind of the market from October till now, you know, it's hard for me to, you know, looking at, let's just look when I talk to my management, for example, about, you know, the trends in the ABX, and the price movements since October, it's difficult for me to just sorta go back, and hindsight's always twenty-twenty, and I respect that. But it's, it's difficult to go back and sorta, sort of break that down, so, you know, just in general, clearly prices are down from, from where they were when these assets first got downgraded, right, so clearly the strategy, if it is centered on short covering, hasn't, at least thus far paid off, of course it certainly could, you know, we can start to see a massive short covering rally in the market, no one would welcome it more than I would, but it may or may not happen, and then second, so that's part one, it's sort of, you know, your overall thought process, so I can get a feel if you can't give me specifics on liquidation, at least I can get a feel for, for your thoughts. And then two, if you've given any sort of thought to, from, when you do get to the liquidation point, if you've given any thought to how you would actually execute the liquidation. In other words, I don't think it makes sense to wait to the very last day of eligibility and then sell the things on that day, right, that's not gonna be a price optimization exercise any more than selling it on the first day of eligibility would. So, you know, those, I think those two things right now would be most helpful in terms of me thinking about kinda, where you guys are coming from, in terms of thinking about this role.
Ben Case	Sure, okay, well let me go, let me address both of those things, I mean, certainly, you know, since I, on the first part, kind of what we've seen since October, and, you know, how we think about our strategy and how it's developed, you know, I mean, certainly, you know, it's pretty, pretty transparent to see just what the ABX, oh six two and oh six one -
[redacted]	Yep.
Ben Case	- kind of [inaudible] minus, indices you know, it's cover, a good portion of the portfolio, you know, what the price action has looked like over that time. You know, yeah, I think it's, you know, your characterization is right that, you know, over the course of this time and starting at, you know, kind of, you know, the beginning of the time, you know, sort of say, starting in October for the majority of assets that were, you know, were downgraded and became credit risk obligations -
[redacted]	Yep.
Ben Case	- at that point -

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[redacted]	Um hum.
Ben Case	You know, our strategy at that point was, you know, given expected market technicals and given, you know, weighing the, you know, the presented probability prices were gonna stay the same, which, you know, is, you know, kinda flat to the deal, I mean I'd say it's, you know our goal is sort of, is to, you know, execute this in as responsible a manner as possible, relative to the goal that, or excuse me, relative to the chance that the prices were gonna go up, versus the prices were gonna go down -
[redacted]	Sure. You know, I understand, you guys don't have a crystal ball.
Ben Case	Eliminating the, eliminating the percentage chance, you know, the probability chance that the assets were gonna stay the same, and comparing kind of the up versus the down -
[redacted]	Yep.
Ben Case	- you know, we do think there was more upside than downside, and it, you know, specifically, you know, was driven by our expectation of, you know, our view on market technical flows, which, you know, it's interesting, cause it's kind of, come to pass and it hasn't, I mean, if you looked at, you know, the flows we see, and exactly these kind of names that were, are credit risk obligations, these kind of CUSIPS -
[redacted]	Um hum.
Ben Case	- you know, it has to come to pass that, the vast majority of flows are from short covering rather than, you know, either, either new long initiation or new short initiation -
[redacted]	Yep.
Ben Case	You know, however, it did not cause upward price action, you know, due to, you know, the overall downward trend in prices related to, you know, all forms of residential credit -
[redacted]	Um hum.
Ben Case	- particularly up the capital structure, you know, it certainly, driven to some degree, you know, particularly when you get up this capital structure by the new remittance report and housing prices and other fundamental, data that's come out-
[redacted]	Sure.

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Ben Case	- over the time.
[redacted]	Yep.
Ben Case	It's driven, you know, to some degree by other kind of technical market factors such as, rating agency downgrades and, you know, the S&P actions in January -
[redacted]	Right. And throughout this, hold on one second, and I don't mean to cut you off, I appreciate, obviously all this color, I definitely, you know, I definitely want to try to get, you know, into, into what's how you're thinking about it, but through this time, you were, you know, getting pri-, like when these assets become eligible, do you get prices on them? Like how do you, like how do you judge kind of where the market is, and where it is, cause you're not, right I know, cause we've talked about this before too, I know you're not part of the trading desk, right? Your are separate, cordoned off from that -
Ben Case	Right.
[redacted]	So, how do you get, like, what is the process from which you continue to evaluate the market, are you just looking at ABX, or -
Ben Case	Sure, well to be clear I have access to the resources and color of, the trading desk is also part of -
[redacted]	Okay.
Ben Case	- the mortgage department here, so, it is, it is not, it is not accurate to say I, don't talk to those guys, or I'm, I'm segregated with it, a function that's independent -
[redacted]	Yep.
Ben Case	It is, independent in its decision making, but all, everything they can offer as an input -
[redacted]	Yep.
Ben Case	I have access to. So I'd say, yeah, my color on market pricing and, and levels, comes primarily on a day-to-day basis from, our trading desk.
[redacted]	Okay, [inaudible] cool.
Ben Case	You know, I say secondarily from other market sources you know, people I talk to in the market, you know, other, you know, other stuff we see from, from, you know, either clients or other dealers or other parties in the market,

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	you know, that's, that, adds color as well, but the primary source would be -
[redacted]	Would be your guy. Now, but you don't have like I do, you don't have street coverage, right, you're not sitting there talking everyday to sales people at other firms, and to traders at other firms, or are you?
Ben Case	That's correct.
[redacted]	You're not. Okay, cool. All right. So I mean look, going forward, we're, you know, kinda, gonna, you know I guess take under advisement, I, just so you know, my opinion stays the same, I'd like to see a bid list before three o'clock today -
Ben Case	OK.
[redacted]	We're gonna, I guess take it under advisement, right, and consider it to evaluate. Not what are looking sort of, you know, we talked the last time about, we hear, you know, we feel like, all right, we're at least partway through this short covering, there may or may not be more of these deals liquidating as we go into event of default, it will be sort of a tug of war between those two guys, you know, I don't want to put words in your mouth, I, you know, that's kind of what I'm thinking, would you agree generally with that statement?
Ben Case	Yeah, I, I do, I mean I think the, the majority of the flows, you know, that we estimate we will see on a going forward basis, is continued short covering, and then, you know, also, to whatever extent there are in the market, you know, CDO liquidations -
[redacted]	Yep.
Ben Case	And, yeah, I, the balance between those two, you know, kind of technically it's probably gonna be the biggest driver of pricing, given -
[redacted]	Yep.
Ben Case	- you know, we expect those two phenomenons to be the vast majority of flows in these exact types of CUSIPS. Yeah, and I say the short covering wave is, you know, it's far enough along that it, you know, it feels like it's closer to the end than the beginning -
[redacted]	Sure.
Ben Case	- I think last week I, you know, as I tried to amass, kind of across, you know the big macro guys, how much of, you know, their position that they want to get out of relatively in the future, have they already gotten out of?

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[redacted]	Yeah.
Ben Case	And I think it's probably beyond half, I mean, I think it's somewhere between fifty and sixty percent -
[redacted]	Yep. So that's kinda where it was last week when we talked, right?
Ben Case	Yeah, I mean, maybe, you know, maybe it's marginally -
[redacted]	Little bit more.
Ben Case	Farther, you know, we haven't seen this huge amount of activity in the last week -
[redacted]	Yeah that's a good point
Ben Case	obviously the conference last week kept things slow -
[redacted]	Yep.
Ben Case	So, you know, as that gets closer to the end, it's, you know, the upside down, down side balance changes, I would also say, you know, yes there are, I think at last count something like seventy-nine ABS CDOs in event of default -
[redacted]	Yep.
Ben Case	- and we've seen a handful, but it's certainly a single digit number -
[redacted]	Yep.
Ben Case	- proceeding with liquidations -
[redacted]	Okay.
Ben Case	And it's, you know, the greater the likelihood that a bigger number of magnitudes of move forward with liquidations, certainly is a big factor in changing the upside, downside balance -
[redacted]	Sure.
Ben Case	- holding versus liquidating -
[redacted]	Yep.
Ben Case	I, you know, I'd say it is not my expectation that imminently, we see -
[redacted]	-a bunch of liquidations.

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Ben Case	- you know, a lot more of, the seventy-nine, that have not started liquidation -
[redacted]	Okay.
Ben Case	immediately starting -
[redacted]	All right.
Ben Case	But I do think the farther time goes -
[redacted]	Sure.
Ben Case	you know, on the margin, the percentage chance of, that happening goes up, and the percentage chance that the short covering will affect pricing goes down, which is why, you know, I, right now, given all that, I don't see it, you know, being the best decision to wait until, very late in the twelve months -
[redacted]	Right.
Ben Case	I think it's, you know, it's gonna be noticeably sooner than that. And it'll be, you know, how those two phenomenons develop whether it's, you know, two weeks, a month, two months, whatever.
[redacted]	We'll see. Now what about fundamentals side, have you spent, you know, any time, either internally or externally or just for your own purposes, thinking about, you know, things like this lifeline thing, that we heard yesterday, or, you know, the fact that the HOPE NOW is kind of up and running and actually executing stuff, I mean, do you have any expectations for, you know, maybe, not for this particular set of assets but for the market more generally, you know, any hope really of any fundamental, you know, given the, given that we're working with this limited time frame for the documents, do you feel there's anything beyond sort of the technical nature of the markets that we've talked about in the past, that might help, or is that sort of, you know, like we're playing with technicals, and that's the nature of the beast at this point?
Ben Case	You know, the one thing, I mean, I think there is some chance, and I wouldn't necessarily call it a very high chance -
[redacted]	Yep.
Ben Case	- but I think there is some, you know, some non-zero chance that, through these kind of programs, there will be, you know, a reasonable expectation of the market, of some lengthening of the foreclosure process -
[redacted]	Okay.

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Ben Case	- and for the IO value on these kind of assets -
[redacted]	Okay.
Ben Case	- separate from technicals moving the price up and down, you know, all this stuff in terms of, loan modifications, and, you know, moratoriums on foreclosures, and, you know, pressuring, you know, servicers to, push for home retention -
[redacted]	Yep.
Ben Case	- programs as a bigger priority rela-
[redacted]	Have you thought about interest rates, you know, does that, is that enough to offset the lower liable running, you know, the points up front, you get paid to sell the protection here, what's your view kinda on the forward curve?
Ben Case	Yeah, I mean, look, you know, obviously, you know, the Fed has done what it's done, you know, it's down, significant from where it was, you know, there's more of that priced in, I'm somewhat agnostic, you know, kind of up or down on the forward curve from what's already priced in -
[redacted]	Okay.
Ben Case	- in terms of future Fed action, but, you know, the future Fed action, I mean, the expectations what's already priced in, you know I think it's real, and I'm not -
[redacted]	So you like the forward curve. You don't think it's been -
Ben Case	Yeah, I don't
[redacted]	- bent out of shape.
Ben Case	There's not a, I don't have a, strong view yeahthat the forward curve is bent of shape in one direction or the other -
[redacted]	Okay.
Ben Case	- that would affect us.
[redacted]	All right. So last thing is, okay, let's say, all right, that's all great, you know, we can agree, I mean, there's a lot of that I agree with you with, I'm probably a little, obviously a little less optimistic about, you know, at least the short term prospects for any significant return of principal from, you know, from some of these initiatives for, at least this pool of assets.

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Ben Case	I agree with that, by the way, when I talk about lengthening the IO, it's really, you know, the biggest or only possible factor, you know, when you talk about these kind of programs looking at, you know, what chance they're gonna affect increased principal levels -
[redacted]	Well, especially for these bonds, right?
Ben Case	Yeah, exactly. First you gotta look at the loan pool, and it's, you know, maybe it's marginal, but, you know, whatever effects it have I think are, gonna take much farther off the time for the market to get comfortable with, and incorporate in the pricing, it's not a, you know, immediate next few months -
[redacted]	Yep.
Ben Case	- phenomenon, and yeah, particularly with, you know, what kind of, you know, marginal effects it'll have at the loan pool level relative to these kind of securities, yeah, I don't think there's much or any impact in terms of changing expectations for principal recovery or the lack thereof on these securities,
[redacted]	Which is really, I mean that would be, if that, I mean that's really the key to the, of a big change in price, right, I mean, that's, you know, you can, we can move up in a plus or minus, three or four or five point range on technicals and IO but, to get any kind of real pop, would you agree that we need some sort of, you know, some sort of assumption by the market that, hey, wait a minute, we might be missing something here, maybe losses aren't as bad as we think they're gonna be? And that just seems pretty farfetched as this point.
Ben Case	Yeah, you know, yeah, I think that's right, that's obviously gonna be much bigger magnitude than, you know, the IO, or the technicals, you know, yeah, and it's, I mean, to some extent if you have a given security in the markets, pricing in, you know, zero probability of any principal recovery?
[redacted]	Yep.
Ben Case	Then there's only one direction it could go, but I, the chance that it could move in that direction, at least in the next few months, you know, I mean, we're not talking about, we have the choice here to wait, you know, five years or sell now -
[redacted]	Right.
Ben Case	- is de minimis I'd say.
[redacted]	Okay. All right. So let's switch gears now, just in terms of, you know, all right, let's see now, I don't know whether it's a week, or two weeks, or a month, or whenever we get to the point where you, you know, start to initiate this process, you kinda decide that it's the right time, what, have you thought

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	about the actual execution at all, you know, is it one big list, are you gonna react to, you know, maybe actions you're seeing from a customer base, you know, are there certain rules regarding the publicness of the execute, like how does it, have you thought about, you know, from an execution standpoint how you think you'd optimize value once you decide it's the right time?
Ben Case	Sure. Let me give you the automated process -
[redacted]	Yep.
Ben Case	- that we're required to file, and then I'll give you a couple of other thoughts related to the questions you've just asked.
[redacted]	Yep.
Ben Case	We, the process will be, we'll go out with, you know, one or more lists to a minimum of three nationally recognized broker dealers -
[redacted]	Okay.
Ben Case	- making markets in these kind of assets -
[redacted]	Yep.
Ben Case	- at the time we go out with it -
[redacted]	Yep.
Ben Case	- you know, I'd say, right now my expectation is, there's no reason to limit it to three, you know, that's, you know, why not go to as many guys as possible -
[redacted]	Sure.
Ben Case	- as many guys as we think could give us a price -
[redacted]	Um hum.
Ben Case	- to, you know, maximize the deal's chances of getting the best levels -
[redacted]	Right.
Ben Case	- so, you know, it's not that we do it in, you know, kind of one off negotiate a private transactions, it has to be done through that auction process, we have to -
[redacted]	Okay.

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Ben Case	- get the best levels of all we get, which are, you know, a minimum of three solicitations but, you know, more are permitted -
[redacted]	Right. But just like any manager you'd wanna try to broaden the net as wide as possible -
Ben Case	Yeah, yeah, absolutely, that -
[redacted]	Okay.
Ben Case	- it's in the best interest of the deal, I think.
[redacted]	Okay.
Ben Case	You know, in terms of whether it'd be driven by, you know, kind of, you know, flows we see from our clients on the flows of the market, I, yeah, I'd say that's, you know, just in terms of the, you know, exact implementation of this process, you know, kind of all the color that we see and that's at our disposal, you know, will be used to try to do it in the most responsible manner -
[redacted]	Now the reserve levels apply, like do you have, you know, do you have ability, okay, so there's a decision about, okay, we're gonna do it on this day, and then as we get the prices in, like how much, you know, in terms of evaluating the prices themselves, I don't imagine that I, as a participant in the deal, you know, just like the equity or triple A's or anybody else, but, would be able to opine on whether or not you should hit bids, or lift off or some protection, how, have you thought about, you know, reserve levels apply in sort of your decision making process in regard to the actual bids when they come back?
Ben Case	Sure. You know, I'd say, there is no formal process built in to the deal by which we, you know, go out as if we're starting the official liquidation process for assets -
[redacted]	Okay.
Ben Case	- and then evaluate the reserve level and then pull back. You know, the formal process is, you know, we go out and we trade at the best level we get -
[redacted]	Okay.
Ben Case	- now I think, you know, we'll want to implement that as responsibly as possible, and certainly we, you know, we do have the ability, to outside of, whatever is the formal, official, you know, sale process -
[redacted]	Yep.

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Ben Case	- prior to that, go out and solicit levels and decide not to trade, so, you know, we, I don't, I think when it makes sense for the deal, we're gonna want to implement it in, you know, just as straightforward a manner as possible -
[redacted]	Yep.
Ben Case	- you know, but we're gonna be responsible about it, too, and it's, you know, we have some amount of, you know, decision in terms of, is this the formal last process that we're going out with, in which case we're required to sell at the best level, or is this a precursor to that, in which case -
[redacted]	Right.
Ben Case	- you know, there's no requirement on what we do.
[redacted]	So there could be some level, even at the individual line item asset of, you know, decision making that you could put into, okay, you know, gees, you know, we're not gonna sell protection on this thing, you know, or buy protection on this thing at ninety-nine and a half points up front, or something like that.
Ben Case	Yeah, I, you know, yeah, we're gonna want to be responsible about it, absolutely, and, you know, the other thing I'd say is in terms of how much do we put out at once, you know, one option is the whole thing in one, one slug -
[redacted]	Yep.
Ben Case	- but we certainly also have the ability to do it in, you know, multiple phases, you know, I don't have a final decision on that for you, and that'll certainly be, you know, kind of, due to our valuation of market conditions this at the time, and we'll see how things go in the future, but my feeling is right now that, you know, a billion is a big list to put out in one day -
[redacted]	Yeah.
Ben Case	- and -
[redacted]	Didn't have to get to a billion, baby.
Ben Case	No, well, I hear ya. But it's, in terms of maximizing the -
[redacted]	Yeah, at this point it is what it is.
Ben Case	returns, in terms of maximizing the levels we get back -
[redacted]	Yep.

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Ben Case	- it's not clear to me that putting out a billion or frankly anything close to that, is going to get us the highest levels back, so in terms of legging into with some kind of responsible manner, and certainly, we can put it out, and -
[redacted]	But if the deal doesn't restrict you necessarily from, but if the deal doesn't necessarily restrict you from executing on price X, Y or Z, why wouldn't you get as much information back as you possibly could about the widest net of asset.
Ben case	Agree, other than if the size of the list initially affects the levels the guys are willing to give us.
[redacted]	Okay. So, sort of, you know, along the lines here, it sounds like I have, you know, you guys are gonna be involved in deciding not only when, but at the time when you decide it's sort of, you know, how, in terms of list size, and then even at the line item level there may be some level of decision about, you know, about price points.
Ben Case	Yeah, and I'd say, you know, look, if we're, you know, if we wanna do it in a couple of phases -
[redacted]	Yep.
Ben Case	- I, you know, my thought is obviously that, you know, the different line items that are gonna be at the highest dollar prices or lowest points up front -
[redacted]	Yep.
Ben Case	- have the, you know, most additional downside to waiting on them -
[redacted]	Right.
Ben Case	- versus the ones that are, you know, as close to zero or a hundred -
[redacted]	Sure.
Ben Case	points up front
[redacted]	- yeah, I mean, you know -
Ben Case	there's less you know, if you're putting those worst names out on a list of a hundred million or billion, there's only so much worse the price can get.
[redacted]	Not that much proceeds.
Ben Case	Right.

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[redacted]	A billion doesn't get so scary at ninety-nine and a half up.
Ben Case	So if we're going to, you know, do it in phases rather than all at once, it would make sense to me to try to maximize value where there's the most value to -
[redacted]	Okay.
Ben Case	- to be maximized.
[redacted]	Yeah.
Ben Case	In the you know, early part of that rather than later part of it.
[redacted]	Okay.
Ben Case	And I, you know -
[redacted]	All right.
Ben Case	- certainly give me, you know, any thoughts you have on anything specific I'm giving you like that, I know some of it is just, you know, we'll evaluate it and be as responsible as possible at, you know, as we do it, but if you have other thoughts I'm happy to hear your thoughts too.
[redacted]	Yeah, I mean look, I think the key first step is, you know, I need to know, you know, when you guys, when you guys decide, or when you decide that this is the time, you know, I'm more than happy to engage in discussions with you about, you know, the execution side. I want to get a feel for it today, because we haven't really spent a lot of time on that, and, it does sound like you guys are, it's not there, at least getting closer to being there, you know, which is obviously given my stance, kind of music to my ears, and again, just for the record I, you know, I'd be happy if you, if you'd call me later today and told me it was this week, and at that time, again, more than happy to sort of talk about, you know, the execution strategy that we would prefer given that, you know, look, we still, we do that, we've been selling a lot of stuff lately, we've gotten pretty good at that, so, that's it, but this is, look man, this is helpful.
Ben Case	Okay.
[redacted]	All right.
Ben Case	Cool.
[redacted]	So we'll, touch base with you again next week.
Ben Case	Sounds good.

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John Pearce	All right, man.
Ben Case	[redacted]
John Pearce	Bye.
Ben Case	Bye.
	HANG UP

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From: Case, Benjamin
Sent: Thursday, February 28, 2008 9:59 PM
To: Fertel-Kramer, Sue
Cc: Martin, Nicole; Lehman, David A.
Subject: Re: MS Prop - want to arrange a call for tomorrow AM

9:30

----- Original Message -----
From: Fertel-Kramer, Sue
To: Case, Benjamin
Cc: Martin, Nicole; Lehman, David A.
Sent: Thu Feb 28 21:50:39 2008
Subject: Re: MS Prop - want to arrange a call for tomorrow AM

Let's do it after your 8:30 call. What time do you estimate that to be over?

----- Original Message -----
From: Case, Benjamin
To: Fertel-Kramer, Sue
Cc: Martin, Nicole; Lehman, David A.
Sent: Thu Feb 28 20:34:51 2008
Subject: Re: MS Prop - want to arrange a call for tomorrow AM

I have calls at 8:30am and 11am tomorrow morning - happy to do a call with JD in between or anytime in the afternoon.

----- Original Message -----
From: Fertel-Kramer, Sue
To: Case, Benjamin
Cc: Martin, Nicole; Lehman, David A.
Sent: Thu Feb 28 17:56:19 2008
Subject: MS Prop - want to arrange a call for tomorrow AM

Ben,

JD from MS Prop would like to set up a conference call with you for early tomorrow morning are you available? He'd like to get updates on the following:

1. With Quarter end approaching - sensitivity on all SS positions - he wants to update everyone internally (particularly on Hudson) 2. In wake of recent market volatility with unwind of Peloton, wants to hear your market view at this point (remember last call we discussed our thought that market was going to rebound) 3. JD will give us an update on where they stand at this point

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Wall Street & The Financial Crisis
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660521.225

To: Vanacker, Vanessa (FID)[Vanessa.Vanacker@morganstanley.com]
Subject: Re: Updates
Sent: Thur 2/21/2008 10:05:36 PM
From: Pearce, John (FID)

Perfect. Do we have a spreadsheet summary of this?

---- Original Message ----
From: Vanacker, Vanessa (FID)
To: Pearce, John (FID); Feeney, Ryan (FID)
Sent: Thu Feb 21 16:47:49 2008
Subject: RE: Updates

Hudson: 999.00mm are now credit ref obs.
Using ABX changes from downgrade date to today's close it is 130.5mm.

-----Original Message-----
From: Pearce, John (FID)
Sent: Thursday, February 21, 2008 8:34 AM
To: Feeney, Ryan (FID); Vanacker, Vanessa (FID)
Subject: Updates

Redacted

2. Hudson: we need to determine exactly when the refobs became "credit risk obs". I believe that EMay did some work here. Once we do this, we'll pick a relevant ABX benchmark to calculate the damages we've suffered by GS not liquidating.

Redacted

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Goldman, Sachs & Co | One New York Plaza | New York, New York 10004
Tel: 212-902-2609 | Fax: 212-428-1780 | e-mail: fran.bermanzohn@gs.com

Frances R. Bermanzohn
Managing Director
Deputy General Counsel

Goldman Sachs

March 10, 2008

John Faulkner, Esq.
Managing Director and
General Counsel of Institutional Securities
Morgan Stanley
1221 Avenue of the Americas
New York, New York 10020

Dear John:

I am responding to your letter of February 29, 2008 to Pablo Salame of Goldman Sachs regarding Goldman's role as Liquidation Agent for Hudson Mezzanine Funding 2006-1, Ltd. ("Hudson") pursuant to a Liquidation Agency Agreement between Hudson and Goldman Sachs.

As a preliminary matter, we were surprised and disappointed to receive a letter containing such serious accusations, without any prior dialogue among our respective legal professionals. We have always tried to maintain a professional working relationship between our institutions, and our firms have many communication channels that could have been employed constructively before such a letter was sent. It would also not be our custom to have our lawyers initiate contact through your business professionals.

As to its substance, your letter is entirely mistaken in its suggestion that Goldman Sachs has somehow breached its obligations under the Liquidation Agency Agreement. As Mr. Faulkner's letter recognizes, Section 2(b) of the Liquidation Agency Agreement specifically provides that Goldman, acting as Liquidation Agent, has up to twelve months in which to assign, terminate or otherwise dispose of Credit Risk Obligations assigned to it for that purpose. Obviously, establishment of a liquidation period of that duration contemplates – and, indeed, embodies Hudson's informed consent – that the Liquidation Agent will necessarily exercise judgment in determining when and how to dispose of Credit Risk Obligations assigned to it for that purpose. Had the parties intended to require disposition in some kind of mechanical manner without regard to any market judgments or timing, the heavily lawyered contract would have read very differently and Goldman Sachs may well have declined to undertake such a constrained role.

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Wall Street & The Financial Crisis
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Nor does this expressly intended contractual latitude transform Goldman Sachs into a *de facto* "investment adviser" to Hudson, as you suggest. The Agreement (Section 8) in fact categorically disclaims that Goldman Sachs or its affiliates will be providing investment advisory services or otherwise acting as an adviser or fiduciary to Hudson by virtue of its liquidation services. That disclaimer is perfectly consistent with discretion routinely accorded to securities brokers in seeking to fulfill their obligation to obtain the best execution possible for their clients without making them "investment advisers." We assume that across Morgan Stanley's diverse broker/dealer businesses, including to the extent Morgan Stanley plays similar roles as a liquidation agent, your firm does not register as an investment adviser and follow the Investment Advisers Act simply by virtue of exercising such judgment and limited discretion.

In all events, we respectfully reject any suggestion that Goldman Sachs has failed to act in a commercially reasonable manner or in good faith in attempting to achieve an orderly liquidation of the Credit Risk Obligations in a challenging market environment. To the contrary, Goldman Sachs has exercised its best judgment based on its experience and the available information affecting these volatile markets. We note that although you clearly disagree with Goldman Sachs' judgments, you do not appear to contend that those judgments are not genuine or have been arrived at for a bad faith purpose.

Finally, we see no purpose at this time in addressing at length other matters raised by your letter, including its significant mischaracterization of Mr. Case's statements. Morgan Stanley's lack of standing even to advance many positions that are within the exclusive province of Hudson, and the preclusive effect on Morgan Stanley's contentions of the Agreement's broad exculpation and conflict waiver provisions provide sufficient response. Suffice it to say that Goldman Sachs will continue to perform its role in good faith, and we truly hope that Morgan Stanley will not escalate this matter into a needless legal dispute that will simply increase the costs for Hudson and the holders, given the Agreement's indemnification provisions. We are, of course, open to the views of Morgan Stanley and all other interested parties in this transaction. However, while it is obviously easy to criticize any judgment with hindsight, we believe that it would be more productive in the future if Morgan Stanley simply shares its own informed views about these markets and their directions.

Sincerely,

Frances R. Bermanzohn
Managing Director
Deputy General Counsel

MAR-10-2008 17:37 From: To:Goldman Sachs Co P.2/2

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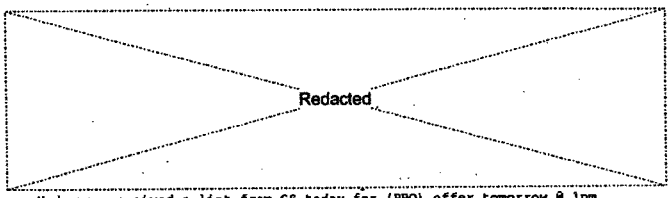
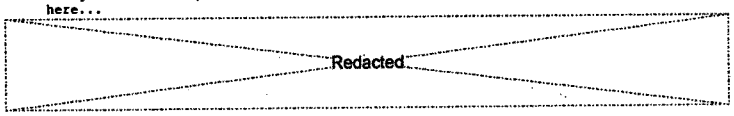
From: Pearce, John (FID) [John.Pearce@morganstanley.com],
Sent: Thursday, March 27, 2008 6:10 PM
To: Petrick, Michael (FID)
Subject: 3/27 recap



Hudson: received a list from GS today for (PRO) offer tomorrow @ 1pm. $112mm notional. Although this is the first list we've seen, this will bring the total liquidated to $321mm/$1bb eligible. Great job by Rick O here...



John Pearce, Managing Director
Morgan Stanley | Fixed Income
1585 Broadway, 10th Floor | New York, NY 10036
Phone: +1 212 761-2100
John.Pearce@morganstanley.com

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Wall Street & The Financial Crisis
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From: Ostrander, Richard (LEGAL) [Richard.Ostrander@morganstanley.com]
Sent: Monday, March 24, 2008 12:20 PM
To: Littlejohn, Darren
Subject: Re: Hudson

Darren:

Let's proceed with the liquidation. Pls let us know the expected timing. Thanks,

Rick

Sent from my BlackBerry Wireless Handheld

----- Original Message -----
From: Littlejohn, Darren <Darren.Littlejohn@gs.com>
To: Ostrander, Richard (LEGAL)
Cc: Bermanzohn, Fran <fran.bermanzohn@gs.com>
Sent: Mon Mar 24 13:58:04 2008
Subject: Hudson

Rick:

Notwithstanding our conversation on Thursday, I am forwarding details of an unwind level which our traders put together today (the email from our trading desk is pasted immediately below). Please let me know if you have any questions.

Kind regards,

Darren

$9-00 bid flat for the hudson mezzanine 1 super senior swap ($91 points upfront, no accrued)

No delta exchange

Subject to market moves, please call desk to trade 212 902 2927

T+3 settlement

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From: Tarantino, Jason
Sent: Thursday, March 20, 2008 2:11 PM
To: eric.vasquez@bnymellon.com
Cc: Lin, Shelly; Ficc-CDO-MO; Case, Benjamin; Epshteyn, Faina
Subject: Re: Hudson Mezz 2006-1 - Liquidation Agent trades

Eric,

I just left a VM, we've yet to receive any of the novation requests. Please send as soon as possible, especially it being an early close.

Thanks

----- Original Message -----
From: Tarantino, Jason
To: 'eric.vasquez@bnymellon.com' <eric.vasquez@bnymellon.com>
Cc: Lin, Shelly; Ficc-CDO-MO; Case, Benjamin; Epshteyn, Faina
Sent: Thu Mar 20 13:47:41 2008
Subject: RE: Hudson Mezz 2006-1 - Liquidation Agent trades

Eric,

If you can please send the novation requests as soon as possible, if you have not already, thanks.

Jason

From: Case, Benjamin
Sent: Thursday, March 20, 2008 1:00 PM
To: 'eric.vasquez@bnymellon.com'
Cc: Lin, Shelly; Ficc-CDO-MO
Subject: Hudson Mezz 2006-1 - Liquidation Agent trades

Eric,

Attached are details on today's liquidations of Credit Risk Obligations from Hudson Mezz 2006-1. Trades listed with Lehman and Deutsche Bank will be novations -- please follow the same novation protocal as last time. Trades with GS will be terminations. Trade levels are listed as the percentage of the notional amount that Hudson Mezz 2006-1 pays to the counterparties to novate or terminate, before adjusting for accrued interest.

Please let us know if you have any questions or need any more information.

Regards,
Ben

<< File: ABS CDS OWIC 3-20-08 - trade details.xls >>

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Goldman, Sachs & Co., as Liquidation Agent
85 Broad Street
New York NY 10004

June 6, 2008

To: The Issuers
The Trustee
(Each as defined in the Indenture referred to below)

Re: Hudson Mezzanine Funding 2006-1, Ltd. – Certain Dispositions

Ladies and Gentlemen:

Reference is made to the Indenture dated as of December 5, 2006 among Hudson Mezzanine Funding 2006-1, Ltd., Hudson Mezzanine Funding 2006-1, Corp. and The Bank of New York Trust Company, National Association, as Trustee (as the same may be amended, supplemented or otherwise modified from time to time, the "Indenture"). Capitalized terms used but not defined herein are used as defined in the Indenture.

The undersigned is the Liquidation Agent under the Liquidation Agency Agreement. The first sentence of Section 2(b) of the Liquidation Agency Agreement provides that the Liquidation Agent will, on behalf of the Issuer, pursuant to the terms of the Liquidation Agency Agreement, assign, terminate or otherwise dispose of (i) CDS Transactions held by the Issuer the Reference Obligations of which are determined by the Collateral Administrator, on behalf of the Issuer, pursuant to the Collateral Administration Agreement, to be Credit Risk Obligations and (ii) Delivered Obligations.

Attached hereto is a schedule of transactions effected pursuant to the first sentence of Section 2(b) of the Liquidation Agency Agreement during the period referred to in the schedule, together with certain related information.

The Liquidation Agent is providing this letter to the Issuers and the Trustee with the understanding that the Issuer is requesting that the Trustee promptly deliver a copy of this letter to each Noteholder.

Very truly yours,

Goldman, Sachs & Co., as Liquidation Agent

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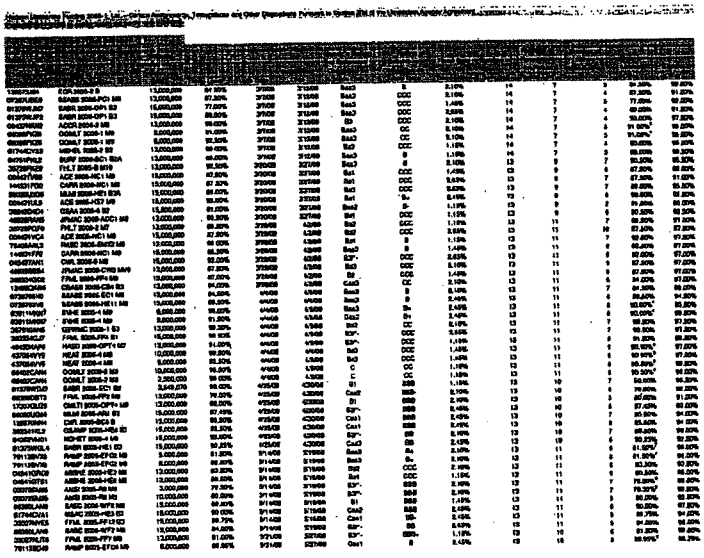
Footnote Exhibits - Page 5304



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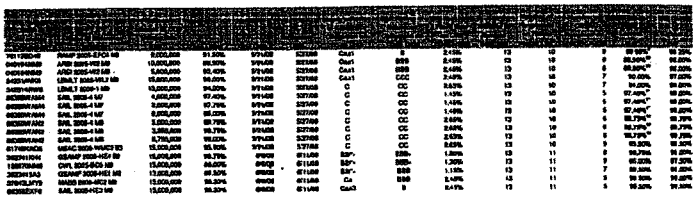

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TIMBERWOLF I, LTD.
Issuer

AND

TIMBERWOLF I (DELAWARE) CORP.
Co-Issuer

AND

THE BANK OF NEW YORK
Trustee and Securities Intermediary

INDENTURE

Dated as of March 27, 2007

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
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and under the exclusive control of the Trustee, to be held in trust for the benefit of the Secured Parties, as described herein. To the extent monies deposited in a trust account exceed amounts insured by the Federal Deposit Insurance Corporation, or any agencies succeeding to the insurance functions thereof, and are not fully collateralized by direct obligations of the United States of America, such excess shall be invested in Eligible Investments pursuant to an Issuer Order.

ARTICLE 12

DISPOSITION OF COLLATERAL ASSETS

Section 12.1 Sale and Removal of Credit Risk Obligations and Defaulted Obligations.

(a) Provided that no Event of Default has occurred and is continuing and subject to the satisfaction of the conditions specified in Section 10.5 as applicable, and the remainder of this Section 12.1, the Collateral Manager may direct the Issuer to sell Credit Risk Obligations, Defaulted Obligations or equity securities or assign or terminate Synthetic Securities the Reference Obligations of which are Credit Risk Obligations, Defaulted Obligations or equity securities.

(b) The assignment, termination or disposition price for any such sale or removal of a Collateral Asset will equal the fair market value of such Collateral Asset. The fair market value of any such Collateral Asset will be the highest bid received by the Collateral Manager after attempting to solicit a bid from up to three independent third parties making a market in such Collateral Asset, at least one of which is not from the Collateral Manager; *provided* that, if upon commercially reasonable efforts of the Collateral Manager, bids from three independent third parties making a market in such Collateral Asset are not available, the higher of the bids from two such third parties may be used; *provided, further* that, if upon commercially reasonable efforts of the Collateral Manager, bids from two independent third parties making a market in such Collateral Asset are not available, one such bid may be used so long as it is not from the Collateral Manager. The proceeds from any such sale of Collateral Asset will be applied as Principal Proceeds on the next succeeding Payment Date and may not be reinvested in other Collateral Assets. The proceeds from the disposition of a Collateral Asset may not be reinvested in any other Collateral Asset.

(c) Equity securities received in exchange offers shall be sold as soon as commercially practicable in the Collateral Manager's reasonable business judgment. Subject to applicable law, the Issuer shall use commercially reasonable efforts to sell any Margin Stock acquired by it by a date not later than 45 days after the date of the Issuer's acquisition of such Margin Stock. The limits and time periods provided in this Section 12.1(c) may be extended subject to satisfaction of the Rating Agency Condition.

(d) If no Event of Default has occurred and is continuing, a Synthetic Security, if eligible for sale in accordance with Section 12.1(a) hereof, shall be assigned, terminated or sold (treating such assignment or termination as a sale for purposes of this Article 12) as directed by the Collateral Manager on behalf of the Issuer. Any cash received in payment of principal on or

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upon the liquidation of Default Swap Collateral or Synthetic Security Collateral (net of any amounts payable to the Synthetic Security Counterparty) shall be deemed to be Principal Proceeds.

(e) The Issuer may also,

(i) in the case of an Optional Redemption by Liquidation, at the direction of the Collateral Manager, direct the Trustee to sell, terminate or assign and the Trustee shall sell, terminate or assign in the manner directed by the Collateral Manager in writing, the Collateral Assets without respect to the limitations of Section 12.1(a), (b), (c) or (d) hereof and the remaining Collateral; *provided* that the requirements set forth in Sections 9.1(a) and 9.2 hereof can be demonstrably met prior to any such sale, and that the proceeds from such sale, determined in accordance with the criteria for an Optional Redemption by Liquidation, will equal or exceed the Total Redemption Amount, and upon such sale the Trustee shall release such Collateral from the lien of this Indenture;

(ii) in the case of a Tax Redemption, at the direction, or with the consent, of the Collateral Manager on any Payment Date, direct the Trustee to sell, terminate or assign, and the Trustee shall sell, terminate or assign in the manner directed by the Collateral Manager in writing, the Collateral Assets without respect to the limitations of Section 12.1(a), (b), (c) or (d) above and the remaining Collateral; *provided* that the requirements set forth in Sections 9.1(b) and 9.2 hereof can be demonstrably met prior to any such sale, and that the proceeds from such sale will equal or exceed the Total Redemption Amount, and upon such sale the Trustee shall release such Collateral from the lien of this Indenture; and

(iii) if, in connection with an Auction, the Collateral Manager receives timely bids (which are each "firm offers") that are, in the aggregate, at least equal to the Minimum Bid Amount, at the direction of the Collateral Manager, direct the Trustee to sell, terminate or assign and the Trustee shall sell, terminate or assign the Collateral Assets in the manner directed by the Collateral Manager in writing; *provided further* that, the procedures set forth in this Indenture and in Schedule E of this Indenture, as applicable, are satisfied.

Section 12.2 General Cashflow Swap Agreement Provisions.

(a) On the Closing Date, the Issuer shall enter into a Cashflow Swap Agreement with Goldman Sachs International as initial Cashflow Swap Counterparty, *provided* that the Issuer may replace the Cashflow Swap Agreement but shall not enter into any additional hedge agreements after the Closing Date.

Pursuant to the Cashflow Swap Agreement, on each Payment Date occurring through the termination of the Cashflow Swap Agreement in accordance with the Priority of Payments, the Issuer will pay certain amounts due to the Cashflow Swap Counterparty in accordance with the Cashflow Swap Agreement and the Cashflow Swap Counterparty will make advances to the Issuer in accordance with the Cashflow Swap Agreement.

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(b) The Issuer shall ensure that the Cashflow Swap Agreement shall provide that the Cashflow Swap Counterparty will agree (a) that the Issuer's obligations under the Cashflow Swap Agreement are limited recourse obligations of the Issuer payable solely from the Collateral and subordinated as set forth in the Priority of Payments, (b) to a standard non-petition clause, and (c) such Cashflow Swap Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

(c) Pursuant to the initial Cashflow Swap Agreement, the Issuer may terminate the initial Cashflow Swap Agreement if (A) Moody's First Rating Trigger Requirements apply and 30 or more local business days have elapsed since the last time the Moody's First Rating Trigger Requirements did not apply and Goldman Sachs International has failed to comply with or perform any obligation to be complied with or performed under the Credit Support Annex, and (B) (x) the Moody's Second Rating Trigger Requirements apply and 30 or more local business days have elapsed since the last time the Moody's Second Rating Trigger Requirements did not apply and (y) (i) an Eligible Replacement has not become the transferee of a transfer made in accordance with Part 5(b)(i) of the Cashflow Swap Agreement, subject to satisfaction of the Rating Agency Condition and/or (ii) an entity with the Moody's First Trigger Required Ratings has not provided an Eligible Guarantee in respect of all of the initial Cashflow Swap Counterparty's present and future obligations under the Cashflow Swap Agreement;

(d) The Collateral Manager may cause the Issuer, promptly following the early termination of the Cashflow Swap Agreement (other than on a Final Payment Date) and to the extent possible through application of funds available in the Cashflow Swap Termination Receipts Account, to enter into a replacement Cashflow Swap agreement (a "Replacement Cashflow Swap") which may have different terms; *provided* that the Rating Agency Condition is satisfied.

(i) If (A) the funds available in the Cashflow Swap Termination Receipts Account exceed the costs of entering into a Replacement Cashflow Swap, (B) the Collateral Manager determines not to replace the terminated Cashflow Swap Agreement and the Rating Agency Condition is satisfied, or (C) the termination is occurring with respect to a Final Payment Date, then amounts in the Cashflow Swap Termination Receipts Account (after providing for the costs of entering into a Replacement Cashflow Swap, if any) shall be transferred to the Collection Account on the next following Transfer Date and shall be treated as Principal Proceeds and distributed in accordance with the Priority of Payments on the next Payment Date (or on such Final Payment Date, in the event the Notes are redeemed).

(ii) If the Cashflow Swap Agreement is terminated and the costs of entering into a Replacement Cashflow Swap exceed the funds credited to and available therefor in the Cashflow Swap Termination Receipts Account, then, after using the funds in the Cashflow Swap Termination Receipts Account, the Issuer may enter into a Replacement Cashflow Swap with such Cashflow Swap Replacement Amount payable to the replacement Cashflow Swap Counterparty in accordance with Section 11.1(a)(iv) hereof on subsequent Payment Dates or, if such termination would result in a Defaulted Cashflow Swap Termination Payment, in accordance with Section 11.1(a)(xviii) hereof on subsequent Payment Dates.

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(e) The amounts in the Cashflow Swap Replacement Account shall be applied directly to the payment of termination payments owing to the Cashflow Swap Counterparty, if any. To the extent not fully paid from Cashflow Swap Replacement Proceeds, such amounts shall be payable to the Cashflow Swap Counterparty in accordance with Section 11.1(a)(iv) hereof on subsequent Payment Dates or, if such termination payment is a Defaulted Cashflow Swap Termination Payment, in accordance with Section 11.1(a)(xviii) hereof on subsequent Payment Dates. To the extent that the funds available in the Cashflow Swap Replacement Account exceed any such termination payments (or if there are no termination payments), the excess amounts in the Cashflow Swap Replacement Account shall be transferred to the Collection Account on the next Transfer Date and shall be treated as Principal Proceeds and distributed in accordance with the Priority of Payments on the next Payment Date. If the termination amounts owing to the Cashflow Swap Counterparty exceed the Cashflow Swap Replacement Proceeds for such agreements, then, unless such amounts represent Defaulted Cashflow Swap Termination Payments, they will be paid before funds are applied to pay principal or interest on any Notes (except the Class S-1 Notes) in accordance with the Priority of Payments.

(f) The Issuer shall ensure that the Cashflow Swap Agreement may be terminated, whether or not the Notes have been paid in full on or prior to such termination, upon, among other things, (i) certain events of bankruptcy, insolvency, conservatorship, receivership or reorganization of the Issuer or the Cashflow Swap Counterparty, (ii) failure on the part of the Issuer or the Cashflow Swap Counterparty to make any payment under the Cashflow Swap Agreement within the applicable grace period, (iii) certain withholding or other taxes being imposed on payments to be made under the Cashflow Swap Agreement as set forth in Sections 5(b)(ii) and (iii) of the ISDA Master Agreement incorporated in the Cashflow Swap Agreement, (iv) a change in law making it illegal for either the Issuer or the Cashflow Swap Counterparty to be a party to, or perform an obligation under, the Cashflow Swap Agreement, (v) an Event of Default under the Indenture occurs and is continuing and there has been a liquidation (in whole), or the commencement of a liquidation (in whole) of assets of the Issuer, (vi) the Indenture is supplemented or amended without the consent of the Cashflow Swap Counterparty as described therein, (vii) the Cashflow Swap Counterparty is no longer a Secured Party under the Indenture or (viii) the aggregate Principal Balance of the Collateral Assets becoming less than U.S.$50,000,000. Notwithstanding the foregoing, the Issuer will not optionally terminate any Cashflow Swap Agreement unless the Rating Agency Condition is satisfied in connection with such termination.

(g) In the event of the occurrence of an Optional Redemption by Liquidation, Tax Redemption or a successful Auction, if the Cashflow Swap Agreement is terminated in accordance with the terms thereof, the Collateral Manager, on behalf of the Issuer, shall furnish to the Trustee evidence in form and substance satisfactory to the Trustee that the Collateral Manager on behalf of the Issuer has entered into one or more binding agreements (i) for the purchase of the Collateral with purchasers or counterparties whose short term debt ratings are "P-1" by Moody's and "A-1+" by S&P and (ii) for the pricing of termination payments under the Cashflow Swap Agreement, and which agreements provide for the purchase of the Collateral Assets and the termination of the Cashflow Swap Agreement in 10 days or less from the date thereof and that such redemption is non-revocable.

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(h) The Trustee shall credit to the Cashflow Swap Collateral Account all amounts, securities and other collateral that are received from the Cashflow Swap Counterparty to secure the obligations of the Cashflow Swap Counterparty in accordance with the terms of such Cashflow Swap Agreement. Each item of collateral credited to the Cashflow Swap Collateral Account will be credited to a separate sub-account relating to the Cashflow Swap Counterparty which pledged such collateral. Except for investment earnings, the Cashflow Swap Counterparty shall not have any legal, equitable or beneficial interest in any Cashflow Swap Collateral Account other than in accordance with this Indenture, the applicable Cashflow Swap Agreement and applicable law.

As directed by an Issuer Order executed by the Collateral Manager in writing and in accordance with the Cashflow Swap Agreement (which may be in the form of standing instructions), amounts credited to a Cashflow Swap Collateral Account shall be invested in investments meeting the criteria of "Eligible Investments" unless otherwise specified in the Cashflow Swap Agreement (*provided*, for the avoidance of doubt, that such investments shall not constitute "Eligible Investments" for purposes of the Coverage Tests). Income received on amounts credited to the Cashflow Swap Collateral Account shall be withdrawn from such account and paid to the Cashflow Swap Counterparty in accordance with the applicable Cashflow Swap Agreement.

Section 12.3 Reserved.

Section 12.4 Reserved.

Section 12.5 Synthetic Securities.

(a) Under certain conditions described in the Synthetic Securities, each Synthetic Security Counterparty may be required to post Synthetic Security Collateral under the circumstances and as described in the Synthetic Securities. The Synthetic Security Collateral pledged by such Synthetic Security Counterparty will be credited by the Trustee to the Synthetic Security Collateral Account and held therein pursuant to the terms of the related Synthetic Security. Each item of collateral credited to the Synthetic Security Collateral Account will be credited to a separate subaccount relating to the Synthetic Security for which the related Synthetic Security Counterparty has pledged such collateral.

(b) The Synthetic Securities shall be structured as "pay-as-you-go" credit default swaps. As part of the purchase of each Synthetic Security on or before the Closing Date, the Issuer will be required to purchase Default Swap Collateral which satisfies the Default Swap Collateral Eligibility Criteria set forth in the related Synthetic Security and the inclusion of which has been consented to by the Synthetic Security Counterparty in the amount required to secure the obligations of the Issuer in accordance with the terms of the related Synthetic Security which shall be in at least an amount equal to the Aggregate Reference Obligation Notional Amount. The Synthetic Security Counterparty shall have consent rights with respect to the Default Swap Collateral and no Default Swap Collateral objected to by the Synthetic Security Counterparty may be purchased by the Issuer. Default Swap Collateral shall be credited to the Default Swap Collateral Account. The amount payable by the Issuer to the Synthetic Security Counterparty under a Synthetic Security shall not exceed the Default Swap Collateral.

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Interest payments and redemption premiums, dividend distributions or investment earnings on and any fees paid with respect to the Default Swap Collateral shall constitute property of the Issuer and shall be paid to the Trustee and credited to the Collection Account and treated as Proceeds unless such amounts are required to be paid to the related Synthetic Security Counterparty under the terms of the related Synthetic Security. Principal payments on the Default Swap Collateral prior to the termination of the Synthetic Security shall be held in accordance with such Synthetic Security in the Default Swap Collateral Account and invested in Eligible Investments until reinvested in Default Swap Collateral at the direction of the Collateral Manager on behalf of the Issuer with the consent of the Synthetic Security Counterparty.

In the event a Synthetic Security is terminated prior to its scheduled maturity without the occurrence of a Credit Event or a Floating Amount Event, the Collateral Manager on behalf of the Issuer shall cause such portion of the related Default Swap Collateral chosen by the Synthetic Security Counterparty as may be required to make any Synthetic Security Termination Payments, to be liquidated and any such Synthetic Security Termination Payments to be paid directly to the Synthetic Security Counterparty; provided that, in the case of Defaulted Synthetic Security Termination Payments, such amounts will be deposited to the Collection Account and paid in accordance with the Priority of Payments. The Synthetic Security Counterparty will bear any market risk on the liquidation of the Default Swap Collateral. The remaining related Default Swap Collateral to the extent not required to remain credited to the Default Swap Collateral Account and pledged to the Trustee for the benefit and security of the related Synthetic Security Counterparty shall be credited to the Collection Account. In the event that no Credit Event or Floating Amount Event under a Synthetic Security has occurred prior to the termination or scheduled maturity of the Synthetic Security, upon the termination or scheduled maturity of the Synthetic Security, the Collateral Manager on behalf of the Issuer shall cause such Default Swap Collateral to be credited to the Collection Account.

The Synthetic Securities provide for cash settlement or physical settlement upon the occurrence of a Credit Event or Floating Amount Event under a Synthetic Security at the Synthetic Security Counterparty's choice. If the Synthetic Security Counterparty has chosen cash settlement, the item of Default Swap Collateral chosen by the Synthetic Security Counterparty after the application of any cash and Eligible Investments credited to the Default Swap Collateral Account will be sold by the Trustee in a sale arranged by the Collateral Manager and any amounts owed to the Synthetic Security Counterparty will be paid by the Issuer from the liquidation proceeds of such Default Swap Collateral. In the event such liquidation proceeds are less than par, the Synthetic Security Counterparty will accept the liquidation proceeds applicable to the face amount of Default Swap Collateral sold which is equal to the amount due to the Synthetic Security Counterparty. Any Proceeds net of purchased accrued interest or interest payments received upon the maturity or liquidation of a Deliverable Obligation shall be deposited to the Default Swap Collateral Account. In the event a Credit Event has occurred and the Issuer is required to liquidate Default Swap Collateral and deliver cash to the Synthetic Security Counterparty, the Synthetic Security Counterparty will bear any market risk on the liquidation of the Default Swap Collateral. If the Synthetic Security Counterparty has chosen physical settlement, the Default Swap Collateral chosen by the Synthetic Security Counterparty will be delivered to the Synthetic Security Counterparty in exchange for the related Reference Obligation.

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Any Default Swap Collateral credited to the Collection Account and any related Reference Obligation delivered to the Issuer whether either of such satisfies the definition of an Eligible Investment or qualifies as a Collateral Asset in the business judgment of the Collateral Manager may be retained or sold by the Issuer at the direction of and in the sole discretion of the Collateral Manager without regard to whether such sale would be permitted as a sale of a Defaulted Obligation or a Credit Risk Obligation. Any Proceeds net of purchased accrued interest or interest payments received upon the maturity or liquidation of the Default Swap Collateral credited to the Collection Account shall be deposited to the Default Swap Collateral Account.

Upon the occurrence of any Interest Shortfall with respect to any Reference Obligation, the Fixed Amount payable under the related Synthetic Security by the Synthetic Security Counterparty to the Issuer will be reduced by an amount equal to the related Interest Shortfall Payment Amount, such reduction amount not to exceed the Fixed Amount, if "fixed cap" is applicable, or such reduction amount not to exceed the applicable floating cap, if "variable cap" is applicable, as described in each Synthetic Security. If any amount in satisfaction of the Interest Shortfall which gave rise to any Interest Shortfall Payment Amount, including interest accrued thereon, is later paid with respect to a Reference Obligation, the Synthetic Security Counterparty will pay such amount, or in certain circumstances a portion of such amount to the Issuer as an Interest Shortfall Reimbursement. Interest Shortfall Reimbursement Amounts will not exceed the cumulative Interest Shortfall Amounts (including any interest thereon) previously determined in relation to such Reference Obligation.

So long as the long-term ratings of the Synthetic Security Counterparty or any guarantor of the Synthetic Security Counterparty's obligation under a Synthetic Security are equal to or higher than (i) "Aa3" by Moody's (and, if rated "Aa3" by Moody's, is not on watch for possible downgrade) and (ii) "AA-" by S&P (and, if rated "AA-" by S&P, is not on watch for possible downgrade), the Fixed Amount due by the Synthetic Security Counterparty will be payable in arrears. However, if the long-term ratings of the Synthetic Security Counterparty or any guarantor fall below any such levels, the Synthetic Security Counterparty will be required to pay the Fixed Amount due under the Synthetic Securities in advance. The failure of the Synthetic Security Counterparty to pay the Fixed Amount in advance if such rating levels are no longer satisfied will constitute an "event of default" under the terms of the Synthetic Securities with the Synthetic Security Counterparty as the sole "Defaulting Party" under such Synthetic Security.

With respect to any Writedown Amount or Interest Shortfall Amounts received after the long-term rating of the Synthetic Security Counterparty is below "AA-" by S&P, the Synthetic Security Counterparty will be required to reserve the related Writedown Reserve Amount and the related Interest Shortfall Reserve Amount in the Synthetic Security Collateral Account in accordance with the terms of the Synthetic Security.

The Issuer will pay certain Floating Amounts to the Synthetic Security Counterparty following the occurrence of a Floating Amount Event with respect to a Reference Obligation. The Issuer will pay Floating Amounts to the Synthetic Security Counterparty on the Floating Rate Payer Payment Date following the occurrence of a Floating Amount Event with respect to the related Reference Obligation.

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Following the occurrence of a Credit Event with respect to a Reference Obligation, the Synthetic Security Counterparty may deliver such Reference Obligation as a Deliverable Obligation to the Issuer, in exchange for which the Issuer will pay to the Synthetic Security Counterparty an amount (a "Physical Settlement Amount"), which amount shall be calculated in accordance with the related Synthetic Security and paid on the related Physical Settlement Date. The Synthetic Security Counterparty may elect to physically settle a Synthetic Security only in part, in which case, there may be more than one Physical Settlement Amount payable by the Issuer with respect to such Synthetic Security.

Any Deliverable Obligation delivered to the Issuer may be retained or sold by the Issuer at the sole discretion of the Collateral Manager without regard to whether such sale would be permitted as a sale of a Defaulted Obligation or a Credit Risk Obligation. The proceeds of such sale will be deposited by the Trustee into the Default Swap Collateral Account net of purchased accrued interest or interest payments thereon. In addition, any principal proceeds or interest received on such Deliverable Obligations prior to such sale will be deposited by the Trustee into the Collateral Account.

In connection with any early termination or assignment of a Synthetic Security, the Issuer may owe a Synthetic Security Termination Payment. Synthetic Security Termination Payments will generally be paid directly and outside of the Priority of Payment; provided that Defaulted Synthetic Security Termination Payments will be paid in accordance with the Priority of Payments.

The Issuer shall satisfy the Rating Agency Condition prior to any (i) replacement of the Synthetic Security Counterparty or (ii) assignment of the Synthetic Securities.

The Synthetic Securities may be amended only with (i) the satisfaction of the Rating Agency Condition and (ii) the consent of the Collateral Manager (which consent shall not be unreasonably withheld); provided however, that with respect to (i), such condition need not be satisfied with respect to any amendment that corrects a manifest error.

All principal payments on the Default Swap Collateral in the Default Swap Collateral Account will be invested in Eligible Investments at the direction of the Trustee until invested in Default Swap Collateral satisfying the Default Swap Collateral Eligibility Criteria at the direction of the Collateral Manager with the consent of the Synthetic Security Counterparty. Notwithstanding the foregoing, if and so long as the unsecured, unsubordinated debt rating of the Synthetic Security Counterparty or the credit support provider for the Synthetic Security Counterparty, whichever is higher, assigned by Moody's is below "A1", all principal payments on the Default Swap Collateral and Eligible Investments in the Default Swap Collateral Account will be maintained in Cash and Eligible Investments (unless otherwise required to be applied, in accordance with the terms of this Indenture, to either (i) the payment of the Notes or other amounts in accordance with the Priority of Payments or (ii) the payment of Credit Protection Amounts) until such time as the Balance of the Cash and Eligible Investments in the Default Swap Collateral Account is equal to the Aggregate Outstanding Amount of the Class A Notes and the Class B Notes. Furthermore, all principal payments on the Default Swap Collateral and Eligible Investments in the Default Swap Collateral Account will be maintained in Cash and Eligible Investments (unless otherwise required to be applied, in accordance with the terms of

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660521.243

From: Bentami, Slim
Sent: Friday, June 29, 2007 2:19 PM
To: Sparks, Daniel L
Subject: RE: Potential trade booking issues

will do. will have to convince ourselves obviously that it is not a violation.

From: Sparks, Daniel L
Sent: Friday, June 29, 2007 1:59 PM
To: Bentami, Slim
Subject: RE: Potential trade booking issues

Sure - speak with turok and john mchugh

It sounds like the issue that started all this may not be a violation after all (based on preliminary discussion with controllers and strat). In any case - we need to identify all potential items so there is good awareness.

From: Bentami, Slim
Sent: Friday, June 29, 2007 1:57 PM
To: Sparks, Daniel L
Subject: RE: Potential trade booking issues

thanks. if i may ask:

- what business areas do you think we should focus on and who would be the trading contacts.
- ok if i mention your sponsorship or at least agreement to get people around the table? 'dan asked me to ..' is a bit strong but would do wonders. "after talking to dan ..." would do the trick i think.

best meanwhile,

slim

From: Sparks, Daniel L
Sent: Friday, June 29, 2007 12:13 PM
To: Bentami, Slim
Subject: RE: Potential trade booking issues

I think that would be helpful. I thought a scrub occurred at the end of the first quarter to identify the open items. I am aware of a number of them. You should coordinate with John McHugh who already has put together a list. Also, talk to Turok who I think was involved in the Q1 scrub.
Thanks, and please keep me posted and informed real time on how it progresses.

From: Bentami, Slim
Sent: Friday, June 29, 2007 11:51 AM
To: Sparks, Daniel L
Subject: RE: Potential trade booking issues

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660521.244

thanks dan,
in some sense, this is even more concerning to me. our processes have failed in a deeper way if some ops & controllers etc... were aware but (as seems to be the case) none of the pople in this email list knew.
awaiting for john's list which i suppose will be a survey of what various constituencies know.
in my opinion a reconciliation is warranted here. by this i mean reviewing all trades in areas that with your help we can identify as potentially having such issues and going through the chain. I think this would give us comfort and also be the opportunity to get everyone on the same page.
i'd be very happy to coordinate such an effort. having representatives from ops/controllers/trading/strats & ourselves work together to that effect.
pls let me know your thoughts,

slim

From: Sparks, Daniel L
Sent: Thursday, June 28, 2007 8:12 PM
To: Bentami, Slim; Mullen, Donald; Petersen, Bruce; Wiesel, Elisha; Lee, Brian-J (FI Controllers)
Subject: Potential trade booking issues

John McHugh is putting together a list of outstanding items to make sure people (trading, strats, ops, risk) are aware of the situations that need to be addressed.

As you can see below, the put issue is not a new one and the topic has been outstanding for over a year.

From: Little, John
Sent: Wednesday, April 12, 2006 3:14 PM
To: Bieber, Matthew G.; Ostrem, Peter L; Turok, Michael
Cc: Pantow, Albert
Subject: RE: Peloton pricing today

Peter/Matt - will spreads on the AAA default swap collateral be easily observable? how wide is the range of eligible assets (in terms of sectors, etc.)?

Mike - do you expect any difficulties with modelling the put (that may include collateral from various sectors, of which the makeup could change, etc.)? would you expect the value of the collateral puts to be material (or at least materially off from the -200K estimate below)?

Eventhough the ABACUS puts are different, we are trying to stay consistent in terms of P&L recognition - I believe those puts are modelled based on the actual collateral spreads (which are assessed for observability) and strats was asked their opinion on the materiality of the put value

thanks

From: Bieber, Matthew G.
Sent: Wednesday, April 12, 2006 1:00 PM
To: Little, John
Cc: Pantow, Albert
Subject: RE: Peloton pricing today

yes, because we we're taking market value risk on the collateral securing the synthetics. I think that is the whole point.

From: Little, John
Sent: Wednesday, April 12, 2006 1:00 PM

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660521.245

To: Bieber, Matthew G.
Cc: Pantow, Albert
Subject: RE: Peloton pricing today

does the termination arrangement match on your sell side? is there a chance you would incur unwind costs in excess of what you received from the CDO?

From: Bieber, Matthew G.
Sent: Wednesday, April 12, 2006 12:27 PM
To: Little, John; Ostrem, Peter L
Cc: Turok, Michael; Pantow, Albert
Subject: RE: Peloton pricing today

1. If the deal is called and there are termination payments payable to GS - those would come from default swap collateral

2. The default swap collateral is managed by the collateral manager, with approval rights by goldman. there is predetermined criteria as to the composition of the account, so as assets in the account may pre-pay, they will still be subject to the criteria established in the indenture

3. investors.

From: Little, John
Sent: Wednesday, April 12, 2006 11:47 AM
To: Ostrem, Peter L
Cc: Turok, Michael; Bieber, Matthew G.; Pantow, Albert
Subject: RE: Peloton pricing today

Peter/matt - a few questions:
1. If the equity investor calls the deal in 3 years - are there agreed upon unwind costs and what happens in terms of your sell trades (trying to determine what type of risk you have there)?
2. After default swap collateral is transferred to the CDO, how much ability do you have to change the makeup and do you decide where principal paydowns are reinvested?
3. Who gets the benefit if the default swap collateral is sold above par - GS or investors?

We are currently discussing modelling/obervability with the appropriate people on our end.

thanks

From: Ostrem, Peter L
Sent: Wednesday, April 12, 2006 7:56 AM
To: Little, John; Leventhal, Robert
Cc: Turok, Michael; Bieber, Matthew G.
Subject: Peloton pricing today

Can we agree on how we want to treat P&L on Peloton relative to the put swap? We expect P&L of over $1mm for the 5bp reduction in the CDS premiums. I propose we

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separately book the put swap at close to zero (contingent MTM risk on 2 yr AAA diversified portfolio where Goldman retains selection optionality seems low), but we are open to booking 1bp in negative put cost (i.e., -$200k).

Need to have an approved view here until Turok can model the put risk for these trades going forward.

Please advise.

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660521.247

From: Scales, Carly
Sent: Friday, June 29, 2007 11:35 AM
To: Bieber, Matthew G.
Subject: RE: Unbooked CDO Put issue

Sure...give me 15 min or so...I'm on 5th floor right now

From: Bieber, Matthew G.
Sent: Friday, June 29, 2007 11:35 AM
To: Scales, Carly
Subject: RE: Unbooked CDO Put issue

Swing by when you have a sec.

From: Scales, Carly
Sent: Friday, June 29, 2007 11:33 AM
To: Bieber, Matthew G.
Cc: Tarantino, Jason
Subject: FW: Unbooked CDO Put issue

Hey Bieber, this is what J and I sent out on our end. Let me know if anything is misstated or if you have any additional color to add.
Thx
c

From: Scales, Carly
Sent: Thursday, June 28, 2007 7:33 PM
To: Armstrong, Phil; Schultz, Steve
Cc: Murphy, Rohan; O'Mahony, Kerrill; Godfrey, John; Tarantino, Jason
Subject: Unbooked CDO Put issue

Hi Phil, Steve,

Wanted to come back with more color on the issue that was raised yesterday with regards to unbooked CDO puts.
Below is a high level summary of the issue, current process, and proposed solution. This was vetted today with Strats and the desk (Sparks was part of the conversation as well).
This is being bumped up the Strats priority list in terms of getting a tradable in place for this. There is a follow up meeting next week which my team will attend as well.
I believe some of the email correspondence forwarded by Steve indicated that there were upwards of 2 dozen trades potentially unbooked. This number is actually 18- Steve we should probably log these as violations until the tradable is in place.

The bottom line on this is for the trades where this put option was not booked, Ops were not aware there was a put. It seems that although it has now come to light that this is a feature of all synthetic CDO's that we do - each Deal team on the GS CDO desk documented and communicated this differently.

Please let me know if you'd like to discuss live at some point. Apologies, I realize this is a lot of information, but wanted you to have all the facts. It might be easier for us to put together a simple diagram for you to speak to.

Mechanics of CDO Put Option:

- For **all** GS underwritten Cash CDO's that have MTG Credit Default swaps in them -- GS CDO desk is Buying Protection from the SPV/CDO
- The CDO Desk/Manager selects the **cash bond** default swap collateral (1-3 year duration & AAA rated) to coincide/match the total notional of MTG CDS trades that GS is buying protection on.
- The SPV writes the Put Option with the GS CDO desk which effectively means:
  -In the event of a CDS Credit Event, the GS trading desk will instruct the Trustee/SPV to liquidate a specific default swap collateral asset (if cash is not available) to pay GS as protection buyer on the CDS

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- Ex: 1mm Credit Event has occurred then 1mm of Default Swap Collateral will need to be liquidated to cover the CE payment.
-The risk the desk is bearing is the difference the default swap collateral par value compared to the current market level. **I think the risk here in terms of asset quality is low, we're basically writing a put to liquidate AAA rated securities at Par.**

Current Put Option Booking State: 22 Deals with the Put Option Feature

- **4 Deals that do have a Put Option Booked**
  - For these trades, Ops knew about the Put as there was a confirmation and a trade booked.
  - The confirm went through our ETR process and was executed by both the SPV and GS

- **18 Deals that do not have a Put Option Booked:**
  - For these deals, there was no mention of a Put at all at the time of closing.
  - There was no derivative confirmation
  - The Put option was embedded into the deal documents (Indenture, Offering Circular, etc ---both of which are reviewed by outside counsel and GS legal as normal course of business -- but are not reviewed by Operations .)
  -For these trades, an intermediation fee was being taken on the CDS trades, but no specific Put was booked in our systems.
  - The original explanation from the desk was the intermediation fee was being taken for the risks associated with standing in between the Street and the deal with no mention of the Put

Proposed Solution (draft):
-A new model will need to be created (***Projected Time Frame by this Quarter's End***)
-Strats & CDO Desk will assign one designated person on the project
-Once model is approved the un-booked Puts from past deals will be booked in Mtg TAP
-The un-booked Puts would be booked to reflect the risk but with 0 bps fee since the fee is already taken on the single names (mentioned above)
-Amend the existing 4 Put Options booked to the new calculator

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Goldman
Sachs

Carly Scales
Vice President
Structured Products Group, Middle Office

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From: Bieber, Matthew G.
Sent: Wednesday, June 20, 2007 11:19 AM
To: Lehman, David A.
Subject: RE: Default Swap Collateral

AAA paper held in trust that collateralizes CDS contracts. GS writes put on these in situation where there's a credit event.

-----Original Message-----
From: Lehman, David A.
Sent: Wednesday, June 20, 2007 11:18 AM
To: Bieber, Matthew G.
Subject: Re: Default Swap Collateral

What do u mean?

[redacted] = Redacted by the Permanent Subcommittee on Investigations

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917[redacted]
e-mail: david.lehman@gs.com

----- Original Message -----
From: Bieber, Matthew G.
To: Chitson, Michele; Creed, Christopher J; Ganapathy, Mahesh; Kang, Connie; Lee, Jung H.; Lehman, David A.; Lin, Shelly; Mishra, Deva R.; Sharma, Nityanand; Shimonov, Roman; Siegel, Eric; West, Ariane
Cc: Egol, Jonathan
Sent: Wed Jun 20 11:16:57 2007
Subject: Default Swap Collateral

Below are the deals I recall us having significant exposure to in terms of default swap collateral. Who is responsible for each of the deals? We need to get Dan a list this morning. If there are any I'm missing, please let me know.

Adirondack 1
Adirondack 2
Coolidge Funding Bieber
Broadwick Bieber
Hudson HG
Hudson Mezz I
Hudson Mezz II
Fortius I
Fortius II
Camber 7
Hout Bay
Point Pleasant
Timberwolf
Anderson Mezz
Altius I
Altius III
Altius IV

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660521.250

From: Lehman, David A.
Sent: Thursday, July 19, 2007 10:44 PM
To: Bieber, Matthew G.
Subject: RE: Structured product CDO collateral

np

The cover bid for me is doing month end pricing so it fits

-----Original Message-----
From: Bieber, Matthew G.
Sent: Thursday, July 19, 2007 10:43 PM
To: Lehman, David A.
Subject: Re: Structured product CDO collateral

I didn't tell him you were responsible - only "now responsible for the overall business"

----- Original Message -----
From: Lehman, David A.
To: Welch, Patrick
Cc: Kiflu, Alpha; Bieber, Matthew G.
Sent: Thu Jul 19 22:34:32 2007
Subject: RE: Structured product CDO collateral

I am not responsible for the pricing of the collateral securities, but Bieber and I are going to appoint someone to monitor the collat security MTM on a regular basis and provide you with updated pricing

Agree we need to monitor these on a regular basis

We will come back to you on this shortly

From: Welch, Patrick
Sent: Thursday, July 19, 2007 3:53 PM
To: Lehman, David A.
Cc: Kiflu, Alpha
Subject: FW: Structured product CDO collateral

David
We understand that you are responsible for marking the collateral in relation to the below CDO's. Is that true? If so can you please put us on your distribution list for these. We have some sizeable in the money swap positions (i.e. cdo owes GS) and Credit needs to monitor these positions vs. collateral market value.
Thanks.
Pat

From: Kiflu, Alpha
Sent: Wednesday, July 18, 2007 9:55 PM
To: Bieber, Matthew G.
Cc: Welch, Patrick
Subject: Structured product CDO collateral

Hi Matt,

From our discussion earlier today, we were able to verify the MTM exposures on the below CDOs against what we have in our credit systems (they are in fact as large as we

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mentioned). Our next step is understanding how the collateral pools are performing in each of the deals. Would you be able to give us a summary of the current marks and default writedowns for the below deals? This would help us in monitoring the collateralization in relation to our exposure from CDS.

Thanks

Hudson Mezz Funding 2006-1
Timberwolf I
Camber 7 PLC
Hudson Mezz Funding 2006-2
GSC ABS Funding 2006-3G
Anderson Mezz Funding 2007-1

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Email: Alpha.Kiflu@gs.com

Alpha Kiflu
Credit Risk Management

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From: Lehman, David A.
Sent: Thursday, July 19, 2007 1:13 PM
To: Bieber, Matthew G.
Cc: Swenson, Michael
Subject: RE: Credit would like ABS desk to mark all default swap collateral in CDOs

Yes - What do you think swenny? Bruns?

From: Bieber, Matthew G.
Sent: Thursday, July 19, 2007 12:59 PM
To: Lehman, David A.
Cc: Swenson, Michael
Subject: RE: Credit would like ABS desk to mark all default swap collateral in CDOs

I like Connie.

Possible to have someone on abs trading desk be point of contact for her w/r/t the collateral? Bruns or kaufman?

From: Lehman, David A.
Sent: Thursday, July 19, 2007 11:59 AM
To: Bieber, Matthew G.
Cc: Swenson, Michael
Subject: RE: Credit would like ABS desk to mark all default swap collateral in CDOs

Let's put someone in charge of AAA collateral (including MTM each month)

Nitya and Connie ?

From: Bieber, Matthew G.
Sent: Thursday, July 19, 2007 11:34 AM
To: Lehman, David A.
Cc: Swenson, Michael
Subject: RE: Credit would like ABS desk to mark all default swap collateral in CDOs

I don't think it needs to be daily. They are looking at counterparty MTM exposure- and are seeing hudson mezz 1 as largest ~$411. Credit understands the mechanics of the lien GS has on these assets, etc. but wants to get a sense of the MV supporting the deals obligation to pay us, if necessary.

From: Lehman, David A.
Sent: Thursday, July 19, 2007 11:31 AM
To: Bieber, Matthew G.
Cc: Swenson, Michael
Subject: RE: Credit would like ABS desk to mark all default swap collateral in CDOs

I think that makes sense - Daily? Or as part of the month-end mark process?

From: Bieber, Matthew G.
Sent: Thursday, July 19, 2007 11:29 AM
To: Lehman, David A.
Subject: Credit would like ABS desk to mark all default swap collateral in CDOs

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From: Bieber, Matthew G.
Sent: Wednesday, July 25, 2007 6:31 PM
To: Tourre, Fabrice; Egol, Jonathan; Lehman, David A.
Cc: Ganapathy, Mahesh
Subject: RE: Timberwolf Report

CDS across all of our transactions are in the money. We've had conversations at length with credit regarding our exposure to the default swap collateral and are setting ourselves up for weekly monitoring/pricing of the default swap collateral across the cdo business.

We have discretionary approval over default swap collateral, however, it will be difficult for us to take the non-reinvestment approach.

From: Tourre, Fabrice
Sent: Wednesday, July 25, 2007 6:17 PM
To: Egol, Jonathan; Lehman, David A.; Bieber, Matthew G.
Cc: Ganapathy, Mahesh
Subject: FW: Timberwolf Report

We need to start monitoring MtM of the CDS collateral for the Wolf, given how much in the money the CDS are -- right now, average bid side for the AAA cash bonds is approx 96.89 - per Mahesh analysis below. Matt/Mahesh -- maybe we should look at the collateral reinvestment provisions in this deal - ideally principal proceeds on the CDS collateral should not be reinvested but I guess Greywolfe has discretion on this, right ?

From: Ganapathy, Mahesh
Sent: Wednesday, July 25, 2007 6:08 PM
To: Stanley, Michael
Cc: Tourre, Fabrice
Subject: Timberwolf Report

INTERNAL ONLY

Please find the requested details on the Timberwolf transaction attached.

Timberwolf 1

Original Deal Size	$1,000,000,000.00
Original CDS Notional	$930,000,000.00
Current Deal Size	$998,358,100.36
Current CDS Notional	$928,595,280.00
Original Default Swap Collateral Balance	$930,000,000.00
Current Default Swap Par	$881,163,827.51
Cash in Default Swap Collateral Acct	$47,431,452.49
Book	MTG02124
Total Mark($) on CDS facing the deal**	$204,141,014.00
Wt Avg Mark on Default Swap Collateral*	$96.89

*Source : ABS trading Desk
**As of 07/25/07

<< File: Timberwolf Report.xls >>

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2636

Confidential Treatment Requested by Goldn

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01258 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

660521.254

Thanks,

Mahesh Ganapathy
CDO Structuring,Marketing & Principal Investments
Fixed Income,Currency and Commodities Division
Goldman, Sachs & Co.
Ph: 212-902-6265
Fax:212-256-6570
mahesh.ganapathy@gs.com

Confidential Treatment Requested by Goldman Sachs

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01259 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

660521.255

From: Lin, Shelly
Sent: Thursday, July 26, 2007 9:19 AM
To: Shieh, Will; Siegel, Eric; Ganapathy, Mahesh; Scales, Carly; Mishra, Deva R.; Tarantino, Jason; Kang, Connie; Bieber, Matthew G.
Subject: RE: *NEW ISSUE* $642.197mm CBASS 2007-CB7 **TALK**

We are going to pass on this bond. Given current market conditions, we'd like to keep some cash in the default swap account.

-----Original Message-----
From: Shieh, Will [mailto:wshieh@gsc.com]
Sent: Thursday, July 26, 2007 8:46 AM
To: Siegel, Eric; Ganapathy, Mahesh; Scales, Carly; Mishra, Deva R.; Tarantino, Jason; Kang, Connie; Lin, Shelly; Bieber, Matthew G.
Subject: FW: *NEW ISSUE* $642.197mm CBASS 2007-CB7 **TALK**

Following up on approval of the 3.5mm of the A1 for the 2006-3g default swap collateral. Updated status is below.

Will Shieh
GSC Group
12 E 49th St., Suite 3200
New York, NY 10017
E: wshieh@gsc.com
T: 212-583-4477

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NEW ISSUE $642.197mm CBASS 2007-CB7 **TALK**
LEAD/BOOKS: Barclays Capital Co's: GS, HSBC, ML
SERVICER: Litton Loan Servicing

Cls	$Amt-mm	M/S&P/F	WAL	Window	C/E%	Bench+Talk
A-1	383.142	Aaa/AAA/AAA	1.00	1-26	30.75	1mL+20A
A-2	88.962	Aaa/AAA/AAA	2.54	26-36	30.75	1mL+L/M30'S
M-1	33.064	Aa1/AA+/AA+	5.98	36-72	25.90	1mL+75A
M-2	28.974	Aa2/AA/AA	5.44	57-72	21.65	1mL+85A
M-3	17.725	Aa3/AA-/AA-	4.90	52-72	19.05	1mL+105/110
M-4	16.021	A1/A+/A+	4.68	48-72	16.70	1mL+150A
M-5	14.998	A2/A/A	4.53	46-72	14.50	1mL+200A
M-6	13.976	A3/A-/A-	4.43	44-72	12.45	1mL+250A
SUBJ						
M-7	13.294	Baa1/BBB+/BBB+	4.36	42-72	10.50	1mL+400A
M-8	11.589	Baa2/BBB/BBB	4.30	41-72	8.80	1mL+500A
M-9	10.226	Baa3/BBB-/BBB-	4.26	40-72	7.30	1mL+800A
B-1	10.226	Ba1/BB-/BB-	4.22	**** ****	NOT OFFERED	****
****						

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2639

Confidential Treatment Requested by Goldm

GS MBS-E-015232129

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01260 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

660521.256

SETTLE: July 31

Intexnet name: A7XJ

Password: barcbass2007cb7

Originators >4%: Fieldstone 52.01%, Household Bank 33.69%. all others < than 4%.

Confidential Treatment Requested by Goldman Sachs

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01261 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

660521.257

From: Lehman, David A.
Sent: Monday, July 30, 2007 8:58 PM
To: Bieber, Matthew G.
Subject: RE: Catch up on Default Swap Collateral

10 mins

From: Bieber, Matthew G.
Sent: Monday, July 30, 2007 4:48 PM
To: Lehman, David A.
Subject: Catch up on Default Swap Collateral

Have gotten several requests today for reinvestment (Greywolf on TWOLF and TCW on DS7). Would like to sit down this evening to discuss how we're going to respond as this comes up. Connie been chasing tim down - but has yet to connect.

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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2640

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01262 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

660521.258

From: Bieber, Matthew G.
Sent: Monday, August 06, 2007 7:22 PM
To: Egol, Jonathan
Subject: FW: Default Swap Collateral

Attachments: Default Swap Collateral Master File 08.03.07.xls

fyi

From: Kang, Connie
Sent: Monday, August 06, 2007 6:20 PM
To: Lehman, David A.
Cc: Bieber, Matthew G.; Ganapathy, Mahesh
Subject: Default Swap Collateral

David,

Please find attached calculations of IC ratios with and without investing in AAA securities for CDS Collateral. Let us know when you have some time to discuss. Aladdin is asking for approval on another purchase of assets for CDS collateral. Would like to discuss with you and finalize our approach before getting back to them.

Thanks,
Connie



Default Swap Collateral Master...

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2641

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01263 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

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VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01264 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

Default Swap Collateral
Summary

Acc. Days

By Deal

Deal Name	Face of AAA ratedcollateral	Cash in Acct	WAS Spread	Interest on Cash	LIBOR	Spread to LIBOR	Model CDS Collateral Spread	Cash %	Rating Agency %
							L	L-0.25	L-0.25
Hout Bay	$ 98,302,805.42	$ 740,306.90	15.33	4.985	5.321	-0.336	L	L-0.25	L-1
Altius 2005-1	$ 121,643,454.49	$ 2,347,914.01	7.30	4.985	5.321	-0.336		L-0.25	
Altius IV	$ 378,046,168.59	$ 6,496,933.36	18.42	4.985	5.321	-0.336			
Broadwick	$ 492,367,096.06	$ 14,200,713.91	20.12	4.985	5.321	-0.336			
Hudson HG	$ 94,642,294.57	$ 829,293.15	11.84	4.910	5.321	-0.411			
Hudson Mezz 06-1	$ 749,005,576.38	$ 16,199,471.06	10.95	4.910	5.321	-0.411			
Hudson Mezz 06-2	$ 392,129,110.51	$ 1,958,179.78	10.14	4.985	5.321	-0.336			
Anderson Mezz 2007-1	$ 297,777,252.96	$ 1,109,279.81	10.24	4.985	5.321	-0.336			
Point Pleasant Funding 2007-1	$ 551,539,388.07	$ 26,454,270.10	12.33	4.985	5.321	-0.336			
GSC ABS 2006-3g	$ 297,452,754.79	$ 5,116,599.01	16.19	4.985	5.321	-0.336			
Davis Square 7	$ 109,646,825.46	$ 1,829,151.62	9.63	4.860	5.321	-0.461			
Adirondack 2005-1	$ 166,174,523.84	$ 3,887,099.16	15.08	4.985	5.321	-0.336			
Adirondack 2005-2	$ 122,029,924.94	$ 4,386,734.77	12.27	4.985	5.321	-0.336			
Davis Square 6	$ 9,284,993.03	$ 690,622.23	4.49	4.860	5.321	-0.461			
Camber 7	$ 863,192,746.40	$ 5,188,050.77	25.84	4.930	5.321	-0.391			
Coolidge	$ 82,355,717.71	$ 9,719,060.40	1.51	4.985	5.321	-0.336			
Timberwolf	$ 861,089,305.20	$ 47,431,452.49	27.82	5.170	5.321	-0.151			
Fortius II	$ 175,942,675.64	$ 3,630,497.29	6.26	5.110	5.321	-0.211			
Fortius I	$ 463,833,055.70	$ 8,178,395.54	20.02	5.110	5.321	-0.211			
Altius III	$ 106,881,896.31	$ 4,316,991.17	7.52	5.110	5.321	-0.211			
West Coast	$ 329,153,286.14	$ 5,634,878.42	24.17	4.910	5.321	-0.411			

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Default Swap Collateral Summary 90.00

By Deal

Drag Caused by 100% Cash in Default Swap Collateral Account

Deal Name	100% Cash Case ($ difference)	Name of Test	IC Denominator	Cushion (Old)	Cushion (New)	Trigger	Name of Test
Hout Bay	$ 120,306.89	Class A/B	$ 6,631,698.23	11.37%	9.56%	105.00%	Class C
Altius 2005-1	$ 124,456.85	Class A/B	$ 8,929,071.98	18.75%	17.36%	101.00%	Class C/D
Altius IV	$ 491,875.60	Class A/B	$ 6,993,619.22	37.00%	29.97%	101.00%	Class C
Broadwick	$ 661,601.21	No IC Test					No IC Test
Hudson HG	$ 125,316.77	Class A/B	$ 7,612,008.34	10.44%	8.79%	102.00%	Class C
Hudson Mezz 06-1	$ 975,061.82	No IC Test					No IC Test
Hudson Mezz 06-2	$ 429,073.51	No IC Test					No IC Test
Anderson Mezz 2007-1	$ 326,517.63	No IC Test					No IC Test
Point Pleasant Funding 2007-1	$ 633,696.28	No IC Test					No IC Test
GSC ABS 2006-3g	$ 370,462.99	Class A/B	$ 6,543,382.22	11.95%	6.26%	102.00%	Class C
Davis Square 7	$ 152,840.78	Class A/B	$ 9,256,600.00	20.86%	19.21%	102.00%	Class C
Adirondack 2005-1	$ 202,355.64	Class A/B	$ 8,278,821.46	17.14%	13.92%	105.00%	Class C/D
Adirondack 2005-2	$ 140,006.33	Class A/B	$ 6,801,440.78	16.49%	14.43%	105.00%	Class C
Davis Square 8	$ 11,750.11	Class A/B	$ 8,963,407.61	8.71%	8.58%	102.00%	Class C
Camber 7	$ 1,402,001.36	Class A/B	$ 3,477,183.33	42.80%	2.48%	102.00%	Class C
Coolidge	$ 72,343.51	Class A/B	$ 4,548,983.58	25.65%	24.06%	112.00%	Class C/D
Timberwolf	$ 924,537.89	No IC Test					No IC Test
Fortius II	$ 120,488.52	Class A/B	$ 1,840,672.96	53.55%	47.01%	114.00%	Class C
Fortius I	$ 477,066.18	Class A/B	$ 2,312,868.26	100.54%	78.91%	101.00%	Class C/D
Altius III	$ 78,393.84	Class A/B	$ 8,009,722.85	35.24%	34.29%	101.00%	Class C
West Coast	$ 537,282.77	Class A/B	$ 12,401,317.50	12.55%	8.22%	102.00%	Class C

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Default Swap Collateral
Summary

By Deal

Deal Name	IC Denominator	Cushion (Old)	Cushion (New)	Trigger	Name of Test	IC Denominator	Cushion (Old)	Cushion (New)
Hout Bay	$ 6,990,010.73	8.91%	7.19%	101.50%	Class D	7,349,789.34	4.00%	2.36%
Altius 2005-1	$ 10,079,190.74	6.08%	4.85%	100.00%				
Altius IV	$ 7,654,561.60	26.00%	19.57%	100.00%		8,242,161.01	17.00%	11.03%
Broadwick					No IC Test			
Hudson HG	$ 7,967,267.79	6.42%	4.85%	101.00%	Class D	8,247,886.81	3.77%	2.25%
Hudson Mezz 06-1					No IC Test			
Hudson Mezz 06-2					No IC Test			
Anderson Mezz 2007-1					No IC Test			
Point Pleasant Funding 2007-1					No IC Test			
GSC ABS 2006-3g	$ 6,798,767.11	8.67%	3.22%	101.00%	Class D	6,798,767.11	9.67%	4.22%
Davis Square 7	$ 9,477,242.50	19.00%	17.39%	101.00%	Class D	9,922,741.64	14.61%	13.07%
Adirondack 2005-1	$ 6,998,252.64	7.56%	4.69%	102.00%				
Adirondack 2005-2	$ 7,323,650.78	10.83%	8.92%	102.00%	Class D	7,816,836.39	4.71%	2.92%
Davis Square 6	$ 9,158,532.61	7.35%	7.22%	101.00%	Class D	9,687,533.89	2.43%	2.31%
Camber 7	$ 3,954,813.33	25.11%	-10.34%	101.00%	Class D	4,305,423.33	25.02%	-7.54%
Coolidge	$ 5,213,448.23	14.11%	12.72%	106.00%				
Timberwolf					No IC Test			
Fortius II	$ 1,943,850.74	46.36%	40.16%	100.00%	Class D	2,126,953.52	33.75%	28.09%
Fortius I	$ 3,202,787.11	45.54%	30.64%	100.00%				
Altius III	$ 8,393,247.85	30.01%	29.10%	100.00%	Class D	8,790,909.54	24.13%	23.26%
West Coast	$ 12,747,626.25	10.44%	6.23%	101.00%	Class D	13,456,455.58	5.57%	1.58%

By Issuer

GSAA 2007-4	$ 299,034,534.28
PTKM 2002-1A	$ 119,500,000.00
GSAA 2007-5	$ 111,916,060.59
GSAA 2006-18	$ 107,415,920.77
GSAMP 2007-HE1	$ 88,652,073.00
GSMS 2007-EOP	$ 88,212,077.37
CWL 2006-S10	$ 83,962,113.29
CWL 2007-3	$ 78,713,842.37
CBASS 2007-SL1A	$ 78,214,561.28
CWL 2006-20	$ 76,557,920.30
CARR 2005-NC5	$ 75,778,376.71
IMSA 2007-2	$ 74,838,082.26
BSABS 2006-HE10	$ 74,134,854.31
CWL 2006-17	$ 71,490,572.60
CMLTI 2007-AMC1	$ 72,149,302.93
CWALT 2006-OC9	$ 71,698,948.30
BSABS 2007-FS1	$ 68,387,705.10
GSAA 2006-17	$ 68,135,300.40
GSAMP 2007-FM2	$ 62,864,000.00
GSAA 2006-S1	$ 62,598,894.62
CWL 2007-S2	$ 61,789,935.62
CWALT 2006-OC10	$ 60,248,365.00
FFML 2007-FFB5	$ 59,769,700.97
HUDMZ 2006-1A	$ 59,594,526.07
PHHAM 2007-3	$ 58,873,822.58
AMIT 2006-1	$ 57,232,000.00
FHLT 2006-D	$ 55,205,997.00
GPMF 2007-HE1	$ 52,741,723.77
GSAMP 2006-S03	$ 52,412,822.48
NHELI 2006-FM2	$ 51,447,242.88
BSMF 2007-SL2	$ 50,253,525.87
HEAT 2006-7	$ 50,000,000.00
MABS 2007-WMC1	$ 48,850,000.00
AHMA 2007-3	$ 47,044,323.88
FFML 2007-FF2	$ 46,500,000.00
CARR 2006-NC5	$ 45,298,622.44
FMIC 2006-1	$ 45,000,000.00
RHEL 2006-6	$ 45,000,000.00
CARR 2006-FRE2	$ 43,754,000.00
FMIC 2006-S1	$ 41,850,274.23
NCAMT 2006-ALT2	$ 41,763,396.93
GSRPM 2006-2	$ 41,495,858.33
GSMS 2006-FL8A	$ 41,360,000.00
INDX 2007-AR7	$ 40,892,752.80
CWL 2006-17	$ 40,000,000.00
GSAA 2006-5	$ 40,000,000.00
MLMI 2006-HE5	$ 40,000,000.00
SABR 2006-WM2	$ 40,000,000.00
GSAA 2007-6	$ 39,803,649.27
ACST 2006-1A	$ 39,581,695.03
CARR 2006-NC1	$ 39,195,000.00
GSTR 2002-2A	$ 37,921,986.75
QUEST 2005-X2	$ 37,542,765.46
LXS 2006-4N	$ 35,994,000.00
FHLT 2006-E	$ 35,810,000.00
BCAP 2006-AA2	$ 35,501,656.00
FHLT 2006-C	$ 35,000,000.00
SWFT 2003-A8	$ 35,000,000.00
MSAC 2006-HE8	$ 34,000,000.00
GSAA 2007-3	$ 33,474,409.44
GSAA 2006-20	$ 32,612,718.87
MSAC 2006-HE5	$ 32,000,000.00
OWNIT 2005-5	$ 31,727,500.00
FHLT 2006-B	$ 31,645,000.00
ARMT 2006-3	$ 31,244,717.86
ARSI 2006-W4	$ 31,000,000.00
NAA 2007-S1	$ 30,975,854.81
SASC 2007-GEL1	$ 30,306,352.22
CARR 2006-NC3	$ 30,000,000.00
CMLTI 2006-WFH3	$ 30,000,000.00
FORDF 2005-1	$ 30,000,000.00
NCHET 2006-1	$ 30,000,000.00
TMTS 2006-9HGA	$ 30,000,000.00
CCMFC 2007-2A	$ 29,956,024.92
JPALT 2007-S1	$ 27,715,356.81
SACO 2006-8	$ 27,223,906.91
MSC 2007-XLFA	$ 27,000,000.00
SASC 2007-BC2	$ 26,814,000.00
GSAMP 2006-S6	$ 25,872,961.55
HALO 2007-WF1	$ 25,906,852.47
AMSI 2005-R6	$ 25,819,325.68
OSCNT 2006-FL2	$ 25,339,683.15
CWL 2006-18	$ 25,000,000.00
GCCFC 2006-FL4A	$ 25,000,000.00
LBMLT 2006-1	$ 25,000,000.00
MLFT 2006-1	$ 25,000,000.00
OOMLT 2006-1	$ 25,000,000.00
RASC 2005-KS10	$ 25,000,000.00
SABR 2006-FR4	$ 25,000,000.00
TMTS 2006-3	$ 25,000,000.00
BNDS 2006-A	$ 24,567,475.63
SACO 2007-2	$ 24,423,884.79
CSMS 2006-HC1A	$ 24,005,000.00
CWALT 2006-OA17	$ 23,973,520.17
CWALT 2007-OH1	$ 23,469,617.83
ABSHE 2006-HE7	$ 23,414,000.00
GSAMP 2006-HE1	$ 23,196,000.00
SASC 2006-WF1	$ 22,500,000.00
CSMC 2006-TF2A	$ 23,455,417.64
CWALT 2006-OA22	$ 23,458,719.13
SAMI 2006-AR3	$ 22,429,218.48
BAYV 2006-D	$ 22,137,867.00
CWALT 2006-OC2	$ 21,557,100.84
MSC 2006-XLF	$ 21,385,840.83
CWALT 2005-59	$ 20,931,328.04
LBFRC 2006-LLFA	$ 20,852,402.53
NSAC 2007-HE3	$ 20,829,378.21
HVMLT 2005-2	$ 20,715,173.80
RAMP 2006-NC1	$ 20,519,000.00
NAA 2006-AP2	$ 20,483,935.66
CWL 2006-BC5	$ 20,105,300.67
CARR 2006-NC4	$ 20,000,000.00
CWL 2007-1	$ 20,000,000.00
GSAMP 2006-FM3	$ 20,000,000.00
NMT 2005-2	$ 20,000,000.00
RAMP 2006-RZ2	$ 20,000,000.00
TMTS 2006-5	$ 20,000,000.00
GSAMP 2006-FM2	$ 19,392,000.00
HASC 2006-HE1	$ 19,355,413.75
LABSM 2007-1	$ 19,097,608.60
ABSHE 2006-HE4	$ 19,000,000.00
MABS 2006-WMC4	$ 19,000,000.00
SOMS 2006-OPT2	$ 19,000,000.00
GSAMP 2007-HE2	$ 18,852,517.34
BSABS 2006-PC1	$ 18,000,000.00
MSAC 2006-NC3	$ 18,000,000.00
SARMT 2005-A	$ 18,000,000.00
FONDF 2006-3	$ 17,950,000.00
INDX 2007-FLX1	$ 17,859,011.08
CWL 2007-QH1	$ 17,740,279.34
MSM 2006-6AR	$ 17,695,879.00
NAA 2006-AR2	$ 17,462,688.80
CARR 2005-NC3	$ 17,314,775.15
BSMF 2006-SL2	$ 17,155,738.75
CWHEL 2006-C	$ 16,884,659.47
GPMF 2005-HE4	$ 16,803,792.22
LBMLT 2005-WL2	$ 16,657,555.96
CWL 2007-8	$ 16,595,853.98
BMAT 2006-1A	$ 16,299,569.02
TMST 2006-S	$ 16,259,678.80
SASC 2006-GEL3	$ 16,056,875.19
SAMI 2006-AR3	$ 15,723,940.72
ACCR 2005-4	$ 15,628,344.74
MSM 2006-9AR	$ 15,314,405.73
DVSQ 2005-SA	$ 15,300,000.00
WAMU 2006-AR4	$ 15,153,289.63
FFML 2006-FF5	$ 15,036,000.00
ABFC 2006-HE1	$ 15,000,000.00
BSABS 2006-AQ1	$ 15,000,000.00
CWL 2007-S	$ 15,000,000.00
RASC 2006-EMX9	$ 15,000,000.00
SABR 2006-WM3	$ 15,000,000.00
SQMS 2006-FRE2	$ 15,000,000.00
WFHET 2006-3	$ 15,000,000.00
CDMM 2007-FL1A	$ 14,958,152.99
JPMAC 2006-FRE1	$ 14,864,190.66
FFML 2007-FFC	$ 14,702,414.94
IHABS 2006-A	$ 14,500,000.00
DOS 2006-HE1	$ 14,500,000.00
FMIC 2006-2	$ 14,091,133.80
RFMS2 2007-HSA3	$ 13,849,962.92
CWL 2006-SP51	$ 13,576,019.25
OOMLT 2007-2	$ 13,400,000.00
CWL 2007-BC1	$ 13,284,935.09
AMSI 2005-R9	$ 13,003,393.89
GSAMP 2005-HE4	$ 12,938,451.03
AHM 2006-1	$ 12,793,034.60
ACCR 2007-1	$ 12,474,389.67
SAIL 2006-1	$ 12,429,000.00
POPLR 2007-A	$ 12,432,212.19
COMM 2005-F10A	$ 12,385,096.30
NAA 2006-S3	$ 12,087,982.16
ACE 2006-FM2	$ 12,000,000.00
BSABS 2006-HE9	$ 12,000,000.00
CWL 2007-6	$ 12,000,000.00
GPMF 2006-OH1	$ 11,691,685.25
GSAA 2005-11	$ 11,576,526.67
CWALT 2006-OC3	$ 11,574,779.20
ACE 2006-ASP1	$ 11,500,000.00
NCHET 2006-3	$ 11,488,271.57
MSDI 2006-2	$ 11,470,000.00
WMALT 2007-OC1	$ 11,441,397.67
FCMLT 2005-2	$ 11,312,000.00
FORTS 2006-2A	$ 11,028,945.00
RALI 2006-QA3	$ 10,958,571.43
GSAA 2005-6	$ 10,481,792.00
GSAMP 2006-HE4	$ 10,368,000.00
GSAA 2007-7	$ 10,298,303.84
MASL 2006-1	$ 10,271,930.64
SVHE 2006-EQ2	$ 10,170,000.00
ABSHE 2006-HE6	$ 10,000,000.00
CMLTI 2006-HE3	$ 10,000,000.00
CSMC 2007-7FLA	$ 10,000,000.00
HEAT 2006-6	$ 10,000,000.00
RASC 2006-KS3	$ 10,000,000.00
SVHE 2006-OPT1	$ 10,000,000.00
SWIFT 2005-A12	$ 10,000,000.00
FHABS 2007-HE1	$ 9,920,324.32
RFMS2 2006-HSA1	$ 9,783,580.98
NCHET 2005-1	$ 9,763,636.36
ARMT 2006-1	$ 9,520,601.12
CWL 2007-4	$ 9,503,732.65
CWL 2006-6	$ 9,486,244.11
MASC 2006-OPT1	$ 9,300,000.00
FMIC 2007-1	$ 9,218,401.26
PHHAM 2007-2	$ 9,161,319.59
MABS 2006-HE3	$ 9,010,187.78
GSAA 2007-1	$ 8,852,480.11
HFCMC 2006-1	$ 8,835,203.27
FORTS 2006-1A	$ 8,740,000.00
WBCMT 2006-WL7A	$ 8,708,773.32
IRWHE 2006-2	$ 8,435,525.41
SASC 2005-15	$ 8,415,094.97
BSCMS 2006-88A7	$ 8,344,294.50
FNR 2006-5	$ 8,301,885.80
AHM 2004-4	$ 8,299,913.76
NHET 2005-3	$ 8,036,033.16
MLMI 2006-HE1	$ 7,940,861.20
HUDMZ 2006-2A	$ 7,768,333.00
RASC 2006-3	$ 7,500,000.00
LBFRC 2004-LLFA	$ 7,454,223.78
RFMS2 2006-HSA5	$ 7,432,511.39
IMSA 2006-2	$ 7,307,106.17
GSAA 2005-12	$ 7,196,734.43
SAST 2006-3	$ 7,100,000.00
MABS 2005-NC2	$ 6,973,017.83
TMTS 2006-17HE	$ 6,827,028.12
NHELI 2006-HE3	$ 6,761,000.00
GSAA 2005-7	$ 6,477,064.50
GMACM 2006-HE3	$ 6,462,203.63
RSCMS 2007-RPA6	$ 6,400,000.00
IMM 2005-3	$ 6,259,580.60
CWL 2006-S6	$ 6,169,917.89
BSABS 2005-HE12	$ 6,037,427.40
CBASS 2006-SL3	$ 6,000,000.00
RALI 2006-QO10	$ 5,783,461.57
SVHE 2006-A	$ 5,677,415.50
MSM 2006-10SL	$ 5,662,247.02
MLMI 2006-SL1	$ 5,561,062.11
FFML 2006-FF10	$ 5,500,000.00
CWL 2006-S3	$ 5,472,282.46
GOLDS 2003-A	$ 5,462,431.47
ALTS 2006-3X	$ 5,449,866.53
MHL 2005-2	$ 5,410,474.50
SURF 2006-BC3	$ 5,225,000.00
HUDMS 2006-1A	$ 5,160,526.25
ARSI 2006-M1	$ 5,000,000.00
JPMCC 2006-FL2A	$ 5,000,000.00
LBMLT 2006-10	$ 5,000,000.00
MABS 2005-WMC1	$ 5,000,000.00
MLMI 2006-AR1	$ 5,000,000.00
NCHET 2005-C	$ 5,000,000.00
WAMU 2005-AR8	$ 4,984,740.37
HASC 2006-HE2	$ 4,900,000.00
GSAA 2006-10	$ 4,877,170.68
TMTS 2006-7	$ 4,844,081.31
MSM 2006-1AR	$ 4,831,956.32
GSAMP 2006-SD2	$ 4,740,381.37
PFMS 2006-1	$ 4,661,111.06
TMTS 2006-11	$ 4,631,687.94
NAA 2006-AR3	$ 4,586,087.74
CWL 2006-S5	$ 4,586,041.57
GSAMP 2007-H1	$ 4,555,470.65
ABSHE 2005-HE4	$ 4,507,203.57
IRWHE 2006-1	$ 4,363,210.84
GSAA 2006-3	$ 4,230,388.69
BALL 2005-MB1	$ 4,219,579.58
WMALT 2006-AR10	$ 4,147,842.81
ARC 2001-BC6	$ 3,919,720.50
NEPTN 2006-3A	$ 3,916,671.00
HASC 2007-HC1	$ 3,860,912.40
RAMP 2006-RZ1	$ 3,778,736.16
NSAC 2006-HE1	$ 3,750,000.00
GSAA 2006-4	$ 3,736,323.49
HOUT 2006-1A	$ 3,652,000.00
SABR 2006-FR3	$ 3,500,000.00
GSAMP 2006-S4	$ 3,411,692.10
CUSH 2005-1A	$ 3,325,000.00
TMST 2006-1	$ 3,295,639.30
CSMC 2006-TFLA	$ 3,052,884.81
LBMLT 2006-4	$ 3,033,344.67
SASC 2005-S6	$ 2,869,877.99
RAMP 2004-RS10	$ 2,766,107.82
GMACM 2005-HE3	$ 2,750,000.00
INDS 2006-1	$ 2,735,849.78
NCHET 2006-S1	$ 2,465,813.78
RASC 2004-KS9	$ 2,251,688.98
MLMI 2005-HE2	$ 2,057,107.27
CWALT 2006-OC11	$ 2,044,774.36
CDMM 2005-FL11	$ 2,000,000.00
CWALT 2007-HY6	$ 1,970,891.68
GSAA 2006-7	$ 1,961,422.69
SAIL 2005-10	$ 1,941,362.31
RASC 2004-KS9	$ 1,824,379.27
CWL 2006-S2	$ 1,789,069.72
BVMBS 2005-2	$ 1,701,307.90
FHABS 2006-HE2	$ 1,676,114.11
TMST 2005-4	$ 1,508,278.15
GSAA 2006-9	$ 1,422,059.48
LBMLT 2005-WL3	$ 1,408,109.99
ACCR 2002-1	$ 1,353,156.94
BSABS 2005-EC1	$ 1,343,648.62
RAMP 2006-NC3	$ 1,200,000.00
GSRPM 2006-1	$ 1,082,350.62
LBFRC 2005-LLFA	$ 1,042,995.84
CARR 2005-NC1	$ 1,025,805.38
CMLTI 2006-HE2	$ 1,000,000.00
GSAMP 2005-WMC2	$ 1,000,000.00
JPMAC 2005-OPT2	$ 1,000,000.00
SASC 2005-AR1	$ 865,026.87
DOS 2005-HE4	$ 365,878.97
RAMP 2005-EFC3	$ 219,232.39
JPMCC 2006-FL1A	$ 137,611.97

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Footnote Exhibits - Page 5335

By CUSIP

CUSIP		Sum of Current Face
3622EBAA6	$	252,342,534.28
746869AZ9	$	119,500,000.00
3622ECAA4	$	111,916,060.59
3622ELAA4	$	107,415,920.77
1248MKAB1	$	78,214,561.28
12667HAB7	$	76,557,920.20
144531DL1	$	75,778,376.71
452570AA2	$	74,936,062.26
12668VAA7	$	72,490,572.60
17311KAA3	$	72,149,302.93
23245GAA9	$	71,698,948.30
073855AA6	$	68,387,705.10
362257AA5	$	68,135,300.40
3622MHAC0	$	62,884,000.00
40051CAA5	$	62,598,894.62
12670BAA7	$	61,789,935.62
23245FAB9	$	60,248,265.00
30248EAA6	$	59,769,700.97
12668YAA1	$	55,974,746.10
35729VAB3	$	55,205,997.00
443860AB7	$	54,290,307.32
36244RAA8	$	52,412,822.48
65537FAB7	$	51,447,242.88
07401RAA8	$	50,253,329.87
07389RAP1	$	50,000,000.00
43709NAD5	$	50,000,000.00
55275TAC2	$	48,850,000.00
026935AC0	$	47,044,322.88
3622EBAB4	$	46,692,000.00
52029GAC8	$	46,500,000.00
38539JAA4	$	45,467,003.25
31659TEY7	$	45,000,000.00
66988RAC1	$	45,000,000.00
3622MDAB1	$	44,461,073.00
3622MDAC9	$	44,191,000.00
12668UAE1	$	43,712,842.37
31659XAA4	$	41,850,274.23
643529AA8	$	41,763,396.93
36298UAC2	$	41,360,000.00
45670CAA5	$	40,892,792.80
362334GS7	$	40,000,000.00
59022QAD4	$	40,000,000.00
12668VAC5	$	40,000,000.00
81376GAD2	$	40,000,000.00
00505HAA0	$	39,381,895.03
36240UAB3	$	37,921,986.75
748351AP0	$	37,542,769.46
36228CZS5	$	37,432,077.37
144539AC7	$	36,034,000.00
525221KK2	$	35,964,000.00
35729NAD7	$	35,810,000.00
05550MAA7	$	35,501,656.00
86837TAB0	$	35,000,000.00
35729TAD4	$	35,000,000.00
61749NAC1	$	32,000,000.00
69121PBT9	$	31,727,500.00
36245RAG4	$	31,254,563.70
00703QAD4	$	31,244,717.86
69337MAA8	$	31,073,822.58
040104TF8	$	31,000,000.00
655374AA4	$	30,499,856.81
88362QAA1	$	30,306,352.22
00252GAB5	$	30,000,000.00
34528PAG1	$	30,000,000.00
44352VQR5	$	30,000,000.00
88156TAB5	$	30,000,000.00
17309QAC8	$	30,000,000.00
61750FAE0	$	30,000,000.00
166798AA9	$	29,956,024.92
36228CZW6	$	29,780,000.00
12668YAA1	$	27,987,373.19

CUSIP		Sum of Current Face
69337MAB6	$	27,800,000.00
466275AB0	$	27,715,356.81
00252GAC3	$	27,332,000.00
78577RAA7	$	27,223,906.92
61752LAB1	$	27,000,000.00
86362YAC0	$	26,814,000.00
36245CAC6	$	26,672,961.55
030725FB1	$	25,813,325.68
20173RAB5	$	25,000,000.00
542514RL0	$	25,000,000.00
59023UAC6	$	25,000,000.00
75405WAB8	$	25,000,000.00
81377GAB5	$	25,000,000.00
681561T61	$	25,000,000.00
23243WAC2	$	25,000,000.00
43709UAA5	$	24,567,475.63
78581NAA0	$	24,423,884.79
07389RAN6	$	24,154,354.91
22943NAA1	$	24,005,000.00
12668PAB8	$	23,973,520.17
362725AC7	$	23,901,514.50
14454AAB5	$	23,754,000.00
3622EAAX8	$	23,507,655.07
04544QAD9	$	23,414,000.00
3623414R7	$	23,196,000.00
863576FF6	$	22,500,000.00
23243PAC5	$	22,453,719.13
86359LSP5	$	22,429,218.48
12668BRE5	$	21,557,100.84
617455AB6	$	21,385,840.83
617538AA1	$	20,829,378.21
41161PLS0	$	20,713,173.80
761118W97	$	20,519,000.00
126665AB4	$	20,105,300.67
144528AC0	$	20,000,000.00
14453MAB0	$	20,000,000.00
23245CAC4	$	20,000,000.00
362351AB4	$	20,000,000.00
36245TAC9	$	20,000,000.00
59159UBX5	$	20,000,000.00
75156UAB3	$	20,000,000.00
8815612F0	$	20,000,000.00
14454AAC3	$	20,000,000.00
144531EW6	$	19,500,000.00
36245DAD2	$	19,392,000.00
44328AAB6	$	19,355,412.75
52521MAB4	$	19,097,606.60
04544GAF6	$	19,000,000.00
36228CZU0	$	19,000,000.00
78420MAE9	$	19,000,000.00
37645MAE1	$	19,000,000.00
52521TAC1	$	18,786,526.20
35729QAC2	$	18,763,536.00
12668AEW1	$	18,727,415.70
07387UAV3	$	18,000,000.00
12668UAF8	$	18,000,000.00
61744CXZ4	$	18,000,000.00
80555PAG0	$	18,000,000.00
34528QAA2	$	17,950,000.00
45668WAA5	$	17,856,011.08
12669HAA7	$	17,740,579.94
61749CAB7	$	17,695,879.00
362725AA1	$	17,594,343.83
40431KAA8	$	17,532,852.47
65535VUS5	$	17,462,688.80
144531CV0	$	17,314,775.15
07400YAA4	$	17,155,739.75
12668UAG6	$	17,000,000.00
126673MY5	$	16,884,659.47
39538WDC9	$	16,802,752.23
105667AA7	$	16,299,569.02

CUSIP		Sum of Current Face
88522RAA2	$	16,259,673.80
86360KAA8	$	16,056,375.19
17309KAB5	$	15,853,000.00
86360KAC2	$	15,723,940.72
22545RAB2	$	15,700,000.00
61748JAA5	$	15,314,405.73
239156AJ1	$	15,300,000.00
93934FPR7	$	15,153,289.63
65536XAN3	$	15,102,149.20
32027EAE1	$	15,036,000.00
00075WAC3	$	15,000,000.00
07389PAB6	$	15,000,000.00
12668KAC7	$	15,000,000.00
68389FKP8	$	15,000,000.00
74924VAC3	$	15,000,000.00
78420BAD2	$	15,000,000.00
81577EAB0	$	15,000,000.00
9497EBAB5	$	15,000,000.00
200476AA7	$	14,958,153.99
46626LFL9	$	14,866,190.66
07325HAH8	$	14,712,000.00
32029HAB8	$	14,700,414.94
43071KDD3	$	14,500,000.00
45660EKY4	$	14,500,000.00
02150KAB5	$	14,108,721.72
31659EAB4	$	14,091,133.80
43710WAA8	$	13,849,962.92
004375EH0	$	13,843,000.00
12666MAA9	$	13,528,019.25
68401TAD0	$	13,400,000.00
362440AC3	$	13,347,000.00
12668TAB0	$	13,284,935.09
030725P33	$	13,003,591.86
144531EV8	$	13,000,000.00
362341KA6	$	12,998,451.03
02660TJD6	$	12,793,034.60
362351AD0	$	12,621,713.87
00438QAA2	$	12,474,389.67
86358EAB9	$	12,459,000.00
73316NAA9	$	12,432,213.19
65536WAA3	$	12,097,082.16
07389MAB3	$	12,000,000.00
126169BF7	$	12,000,000.00
12669LAC4	$	12,000,000.00
00442CAD1	$	12,000,000.00
542514MZ4	$	11,887,658.42
39539GAC6	$	11,691,689.25
362341QH5	$	11,576,526.67
12668BJE4	$	11,574,779.20
004421VV2	$	11,500,000.00
64352VLG4	$	11,488,271.57
617463AC8	$	11,470,000.00
93936LAA5	$	11,441,397.67
71085PBX0	$	11,322,000.00
34957TAA5	$	11,018,945.00
75114RAD7	$	10,918,921.43
36242D3U5	$	10,461,792.00
362439AD3	$	10,368,000.00
362498AA8	$	10,298,303.84
57644DAR4	$	10,271,930.64
83611XAC8	$	10,270,000.00
04544NAD6	$	10,000,000.00
14452BAB2	$	10,000,000.00
17310VAC4	$	10,000,000.00
2254ERAC0	$	10,000,000.00
437097AD0	$	10,000,000.00
68389FKN3	$	10,000,000.00
76113ABK3	$	10,000,000.00
83611MLX4	$	10,000,000.00
86837YAA2	$	10,000,000.00
3622EAAD2	$	9,966,754.39

CUSIP		Sum of Current Face
32053JAA5	$	9,920,324.32
76110VTC2	$	9,793,380.98
64352VTY8	$	9,763,636.36
12669WAC0	$	9,751,853.98
225470B98	$	9,520,601.12
12668WAA5	$	9,503,731.65
126670ZJ0	$	9,496,244.11
17309XAA7	$	9,386,683.15
02150KAA7	$	9,360,895.11
40430HDB1	$	9,300,000.00
144539AA1	$	9,264,622.44
31659YAB0	$	9,218,401.26
69337HAA9	$	9,181,319.59
57645JAA7	$	9,010,137.78
3622EQAA5	$	8,852,480.11
40430WAB1	$	8,835,203.27
34958CAF1	$	8,740,000.00
36245RAE9	$	8,548,885.56
46412QAA5	$	8,435,525.41
86359DPN1	$	8,415,094.97
40431KAB6	$	8,374,000.00
07387KAA1	$	8,344,294.50
31394VL32	$	8,301,885.80
02660TCU5	$	8,299,913.76
66987XGU3	$	8,036,033.16
35729QAC2	$	7,850,000.00
59020U3A1	$	7,840,861.20
44186QAA2	$	7,768,333.00
45255RAY3	$	7,500,000.00
52519NJC9	$	7,434,223.78
437099AA2	$	7,432,611.39
07325HAK1	$	7,425,847.00
45256VAA3	$	7,307,106.17
39539JAA4	$	7,274,720.52
3623415P5	$	7,196,734.43
80556AAC1	$	7,100,000.00
57643LML7	$	6,971,017.83
12669WAD8	$	6,844,000.00
88156EAA4	$	6,827,028.12
65536QAC2	$	6,761,000.00
22545RAA4	$	6,755,417.64
144531EV8	$	6,695,000.00
929768HK1	$	6,484,000.00
362341AM1	$	6,477,066.50
38012TAA0	$	6,463,203.65
07388TAB9	$	6,400,000.00
45254NNP8	$	6,259,580.60
126684AA7	$	6,169,917.89
14983AAC3	$	6,000,000.00
751153AB3	$	5,783,461.52
83612GAA8	$	5,677,415.30
61749TAA2	$	5,663,267.02
59020U2N4	$	5,662,062.11
32029AAD9	$	5,500,000.00
23242MAA9	$	5,472,282.46
381175AA6	$	5,462,451.47
8CCDT8SV3	$	5,449,966.53
61915RAA4	$	5,420,474.50
443860AA9	$	5,404,218.75
65536VAA5	$	5,380,186.46
562440AB5	$	5,305,517.34
64751NAE4	$	5,225,000.00
44379PAF2	$	5,160,526.25
35729QAC2	$	5,031,462.00
04012MAC7	$	5,000,000.00
46629RAB0	$	5,000,000.00
54251TAD0	$	5,000,000.00
57643LGV2	$	5,000,000.00
59020VAV5	$	5,000,000.00
64352VNW7	$	5,000,000.00
92922FS25	$	4,984,240.37

CUSIP		Sum of Current Face
44328BAD0	$	4,900,000.00
36237SAA5	$	4,877,170.88
88156PAX3	$	4,844,081.31
61748HUF6	$	4,831,956.32
542514MW1	$	4,769,897.54
362405AA0	$	4,740,381.37
71103XAA1	$	4,661,111.06
88156YAB8	$	4,631,687.94
65537EAA2	$	4,586,057.74
126683AA9	$	4,586,041.57
36245YAV6	$	4,553,670.65
073879SL8	$	4,543,376.50
04541GRJ3	$	4,507,202.57
464126CW9	$	4,363,210.34
362334BQ6	$	4,230,388.69
00424HBE6	$	4,219,578.58
93935TAA8	$	4,147,842.81
61750FAD2	$	4,000,000.00
86358RMY0	$	3,919,720.50
64069PAA8	$	3,916,671.00
40430TAA0	$	3,860,012.40
761128Y79	$	3,778,736.16
617451DQ9	$	3,750,000.00
362334FH2	$	3,736,323.49
442451AG5	$	3,652,000.00
91376SAB0	$	3,500,000.00
36244MAA9	$	3,411,692.10
40166RAF3	$	3,325,000.00
885220KG7	$	3,295,659.30
12638CAA6	$	3,052,884.61
34251MAB0	$	3,039,244.87
86359DTQ0	$	2,869,877.99
761128EB2	$	2,766,107.82
361856EH6	$	2,750,000.00
457089AA3	$	2,735,849.78
64352VQC8	$	2,465,813.76
76110WF35	$	2,251,488.98
929768HJ4	$	2,225,773.22
12668AEX9	$	2,203,912.34
52521TAA5	$	2,065,876.33
59020UR98	$	2,057,107.27
23244JAB2	$	2,044,774.36
126164AN2	$	2,000,000.00
02151JAA9	$	1,970,991.68
362334NA8	$	1,961,422.69
86358EYV2	$	1,941,362.31
761128R44	$	1,824,379.27
126685DV5	$	1,789,069.73
07820QCC7	$	1,701,507.90
32052XAA5	$	1,676,114.11
004375EF4	$	1,585,344.74
885220JQ7	$	1,506,273.15
073879SL8	$	1,484,050.90
362382AD5	$	1,422,059.48
542514LF9	$	1,409,109.99
004375AF8	$	1,355,164.84
07387942B	$	1,343,649.62
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46626LEJ5	$	1,000,000.00
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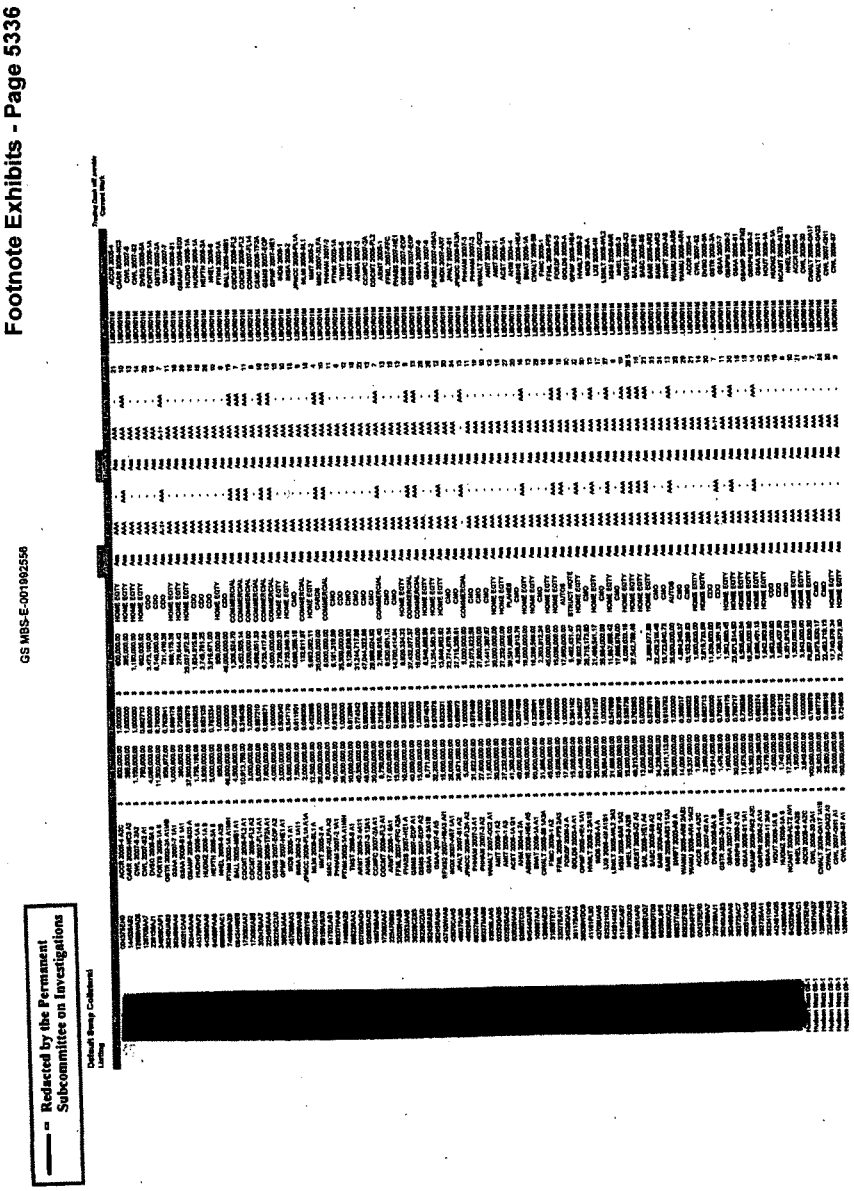
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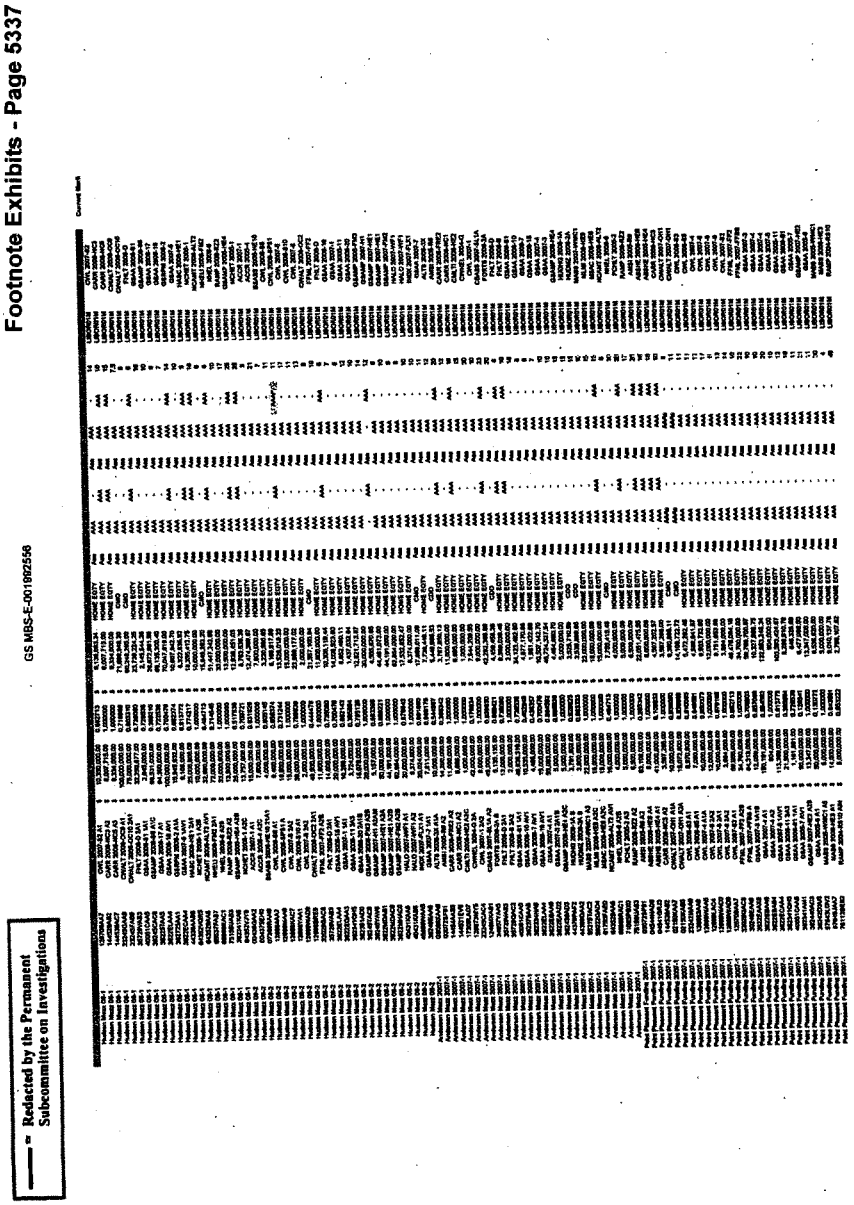
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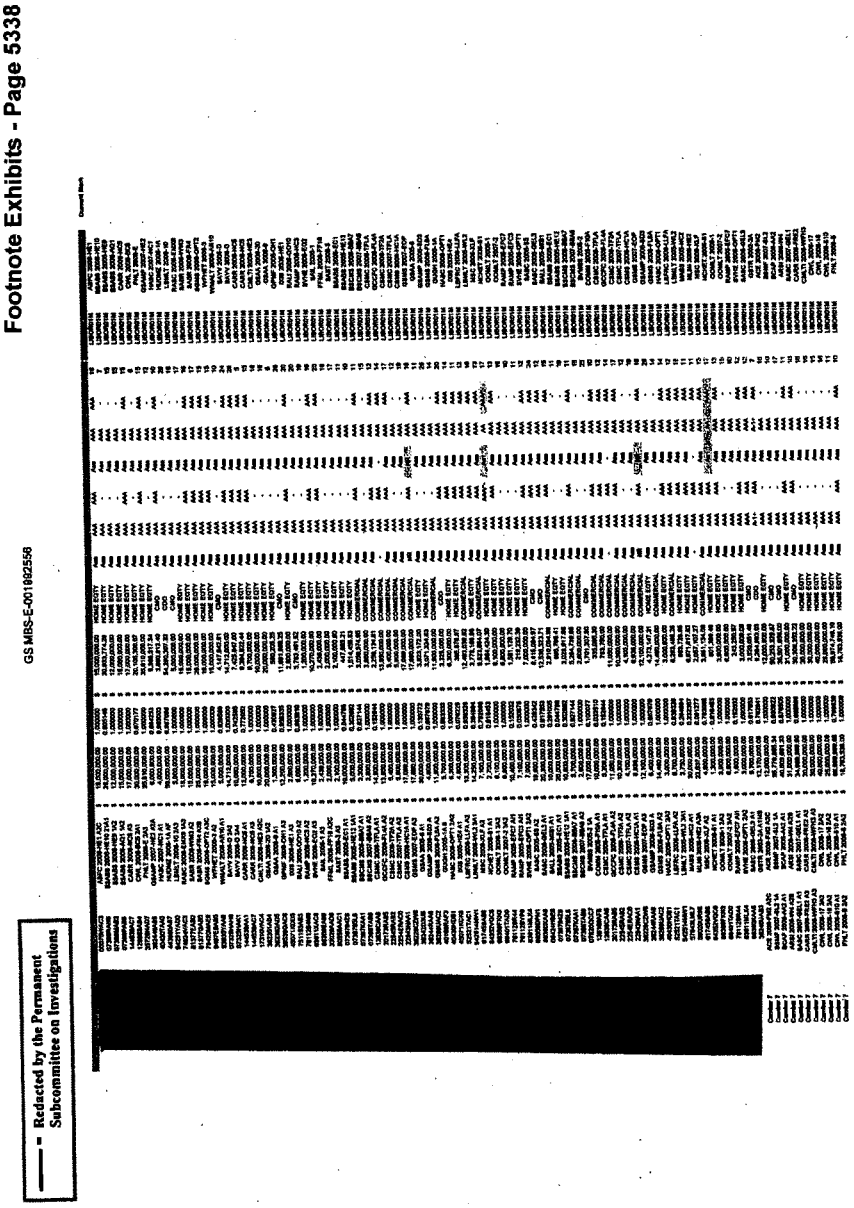
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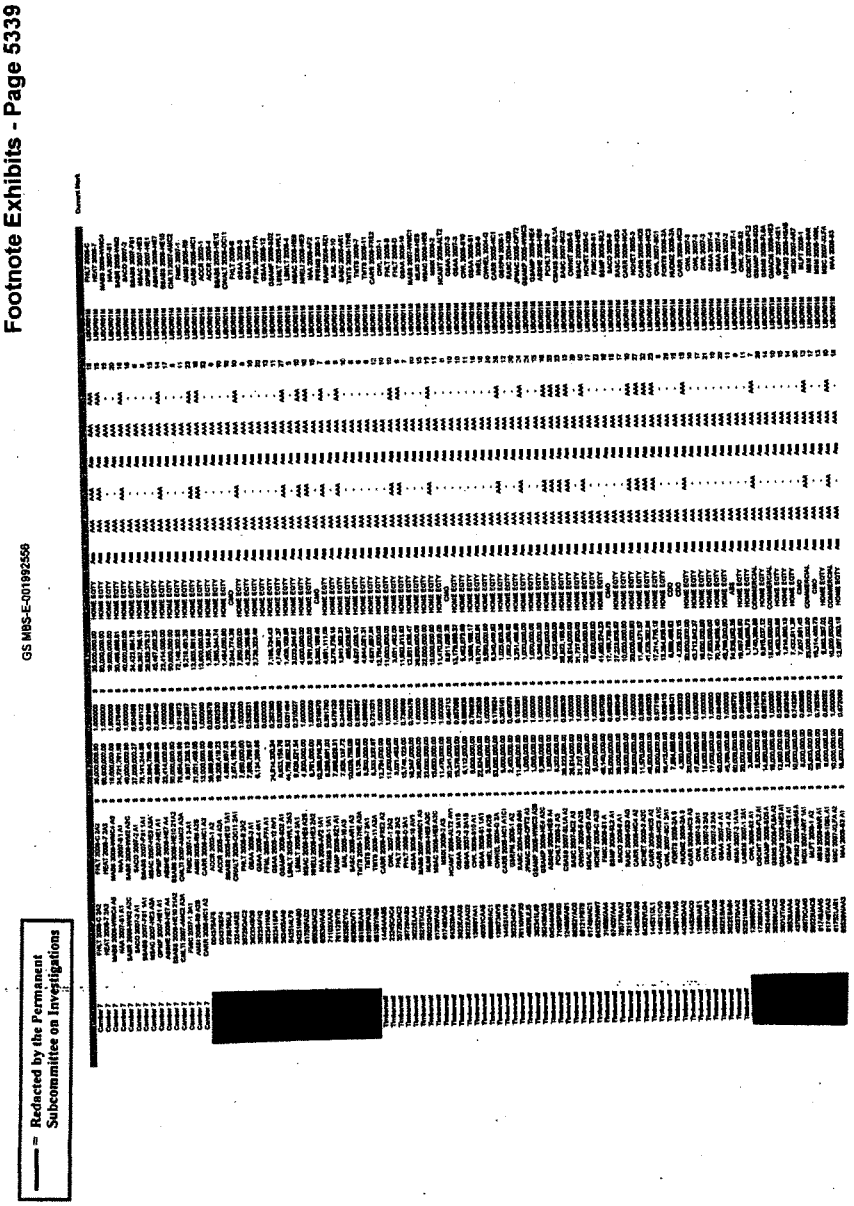
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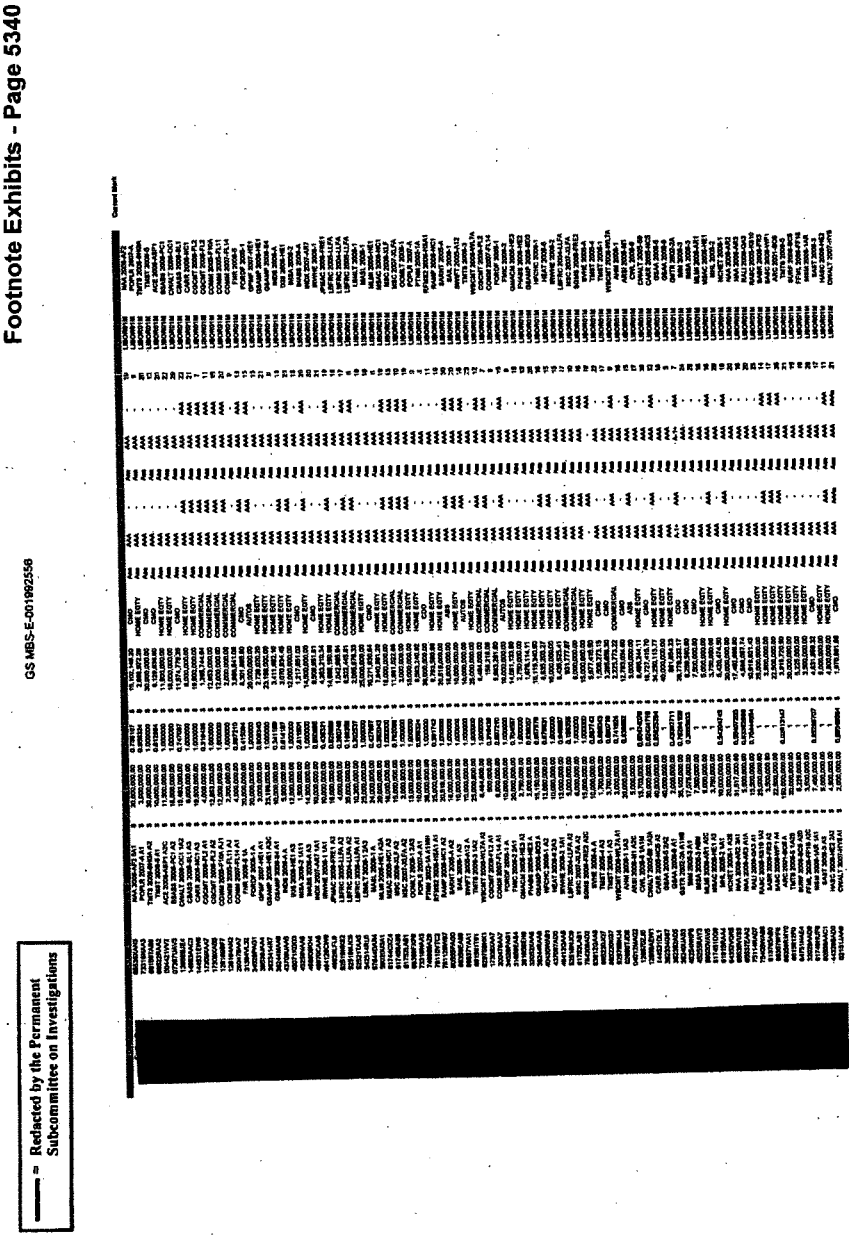
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From: Ganapathy, Mahesh
Sent: Thursday, August 09, 2007 11:16 AM
To: Lehman, David A.; Bieber, Matthew G.; Egol, Jonathan
Cc: Kang, Connie
Subject: Default Swap Collateral Summary

Attachments: Default Swap Collateral Master File 08.08.07.xls

As discussed , we have updated the default swap collateral file with WALs , WA Mark by Deal and Asset Type (Please note marks on CMOs are yet to be received).



Default Swap Collateral Master...

Thanks

Mahesh Ganapathy
CDO Structuring,Marketing & Principal Investments
Fixed Income,Currency and Commodities Division
Goldman, Sachs & Co.
Ph: 212-902-6265
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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2641

Confidential Treatment Requested by Gol

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Default Swap Collateral Summary

GS MBS-E-001930307

Acc. Days	90.00

By Deal

Deal Name	Face of AAA ratedcollateral	Cash in Acct	WAL	WAS Spread	WA Price	Interest on Cash	LIBOR	Spread to LIBOR	Change (bps)	Drag Caused by 100% Cash in Default Swap Collateral Account 100% Cash Case ($ difference)
Hout Bay	$ 96,302,805.42	$ 740,306.90	1.90	15.33	$96.98	4.985	5.321	-0.336	15.68	$ 120,306.89
Altius 2005-1	$ 121,643,454.49	$ 2,347,914.01	1.06	7.30	$79.77	4.985	5.321	-0.336	7.94	$ 124,456.85
Altius IV	$ 378,046,168.59	$ 6,496,933.36	2.45	18.42	$32.24	4.985	5.321	-0.336	18.76	$ 491,875.60
Broadwick	$ 492,367,096.06	$ 14,200,715.91	2.05	20.12	$67.60	4.985	5.321	-0.336	20.46	$ 661,501.21
Hudson HG	$ 94,642,294.57	$ 629,293.15	2.75	11.84	$88.37	4.910	5.321	-0.411	12.25	$ 125,318.77
Hudson Mezz 06-1c	$ 749,005,576.36	$ 16,199,471.06	0.94	10.95	$70.31	4.910	5.321	-0.411	11.36	$ 975,061.82
Hudson Mezz 06-2	$ 392,129,110.51	$ 1,958,179.78	1.32	10.14	$86.45	4.985	5.321	-0.336	10.48	$ 429,073.51
Anderson Mezz 2007-1	$ 297,777,252.96	$ 2,109,279.81	1.72	10.24	$92.12	4.985	5.321	-0.336	10.57	$ 326,517.63
Point Pleasant Funding 2007-1	$ 551,539,388.07	$ 28,454,270.10	1.24	12.33	$92.22	4.985	5.321	-0.336	12.67	$ 633,696.26
GSC ABS 2006-3	$ 297,452,754.79	$ 15,116,569.01	2.83	16.19	$86.20	4.985	5.321	-0.336	16.53	$ 370,462.99
Davis Square 7	$ 109,646,825.46	$ 1,829,151.62	2.64	9.63	$80.34	4.860	5.321	-0.461	10.09	$ 152,840.76
Adirondack 2006-1	$ 166,174,523.84	$ 3,887,099.16	1.01	15.06	$86.32	4.985	5.321	-0.336	15.42	$ 202,355.64
Adirondack 2005-2	$ 122,029,924.94	$ 4,386,734.77	0.93	12.27	$94.49	4.985	5.321	-0.336	12.60	$ 140,008.33
Davis Square 6	$ 9,284,993.03	$ 690,822.23	0.80	4.49	$99.75	4.860	5.321	-0.461	4.96	$ 11,750.11
Camber 7	$ 863,192,746.40	$ 5,188,050.77	2.42	25.84	$82.22	4.930	5.321	-0.391	26.23	$ 1,402,001.36
Coolidge	$ 82,355,717.77	$ 9,719,060.40	0.69	22.91	$67.73	4.985	5.321	-0.336	21.56	$ 472,343.51
Timberwolf	$ 861,069,305.20	$ 47,431,452.49	1.93	27.82	$92.39	5.170	5.321	-0.151	27.97	$ 924,537.89
Fortius II	$ 175,942,675.64	$ 3,630,487.29	2.06	6.26	$53.90	5.110	5.321	-0.211	6.47	$ 2,120,466.52
Fortius I	$ 483,833,055.70	$ 8,176,395.54	2.13	20.02	$87.48	5.110	5.321	-0.211	20.23	$ 477,066.18
Altius III	$ 106,681,696.31	$ 4,316,991.17	2.23	7.52	$91.07	5.110	5.321	-0.211	7.73	$ 76,393.84
West Coast	$ 329,153,286.14	$ 5,634,876.42	2.89	24.17	$70.34	4.910	5.321	-0.411	24.58	$ 537,282.77
Total	$ 6,762,270,852.20	$ 172,145,994.96	1.89	17.43	$79.83	5.000	5.321	-0.321	17.75	$ 8,378,430.48

% of Portfolio Marked		83.5%
Wgt. Avg. Marked Price	$	95.57

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Default Swap Collateral Summary

GS MBS-E-001930307

By Deal

Deal Name	Name of Test	Cushion (New)	Trigger	Name of Test	Cushion (New)	Trigger	Name of Test	Cushion (New)
Hout Bay	Class A/B	9.56%	105.00%	Class C	7.19%	101.50%	Class D	2.36%
Altius 2005-1%	Class A/B	17.36%	101.00%	Class C/D	4.85%	100.00%		
Altius IV	Class A/B	29.97%	101.00%	Class C	19.57%	100.00%		11.03%
Broadwick II	No IC Test			No IC Test			No IC Test	
Hudson HG	Class A/B	8.79%	102.00%	Class C	4.85%	101.00%	Class D	2.25%
Hudson Mezz 06-1	No IC Test			No IC Test			No IC Test	
Hudson Mezz 06-2	No IC Test			No IC Test			No IC Test	
Anderson Mezz 2007-1	No IC Test			No IC Test			No IC Test	
Point Pleasant Funding 2007-1	No IC Test			No IC Test			No IC Test	
GSC ABS 2006-3	Class A/B	6.29%	102.00%	Class C	3.22%	101.00%	Class D	4.22%
Davis Square 7	Class A/B	19.21%	102.00%	Class C	17.39%	101.00%	Class D	13.07%
Adirondack 2005-1	Class A/B	13.92%	105.00%	Class C/D	4.69%	102.00%		
Adirondack 2005-2	Class A/B	14.43%	105.00%	Class C	8.92%	102.00%	Class D	2.92%
Davis Square 8	Class A/B	8.58%	102.00%	Class C	7.22%	101.00%	Class D	2.31%
Camber 7	Class A/B	28.02%	102.00%	Class C	13.34%	101.00%	Class D	15.71%
Coolidge	Class A/B	24.06%	112.00%	Class C/D	12.72%	106.00%		
Timberwolf	No IC Test			No IC Test			No IC Test	
Fortius II	Class A/B	46.33%	101.00%	Class C	50.80%	100.00%	Class D	37.68%
Fortius I	Class A/B	79.91%	101.00%	Class C/D	30.64%	100.00%		
Altius III	Class A/B	34.29%	101.00%	Class C	29.10%	100.00%	Class D	23.26%
West Coast	Class A/B	8.22%	102.00%	Class C	6.23%	101.00%	Class D	1.58%

% of Portfolio Marked
Wgt. Avg. Marked Price

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Default Swap Collateral Summary

GS MBS-E-001930307

By Deal

Deal Name	Interest Proceeds	Interest Reduction as % of I.P.	Tranche Effected	Interest Reduction as % of Equity Payment	Comment
Hout Bay	7,717,446.70	1.56%	Equity, D and E Notes	141%	
Altius 2005-1	10,892,433.96	1.16%	Equity	40%	
Altius IV	9,807,179.35	5.02%	Equity and BBB	126%	Model Projection
Broadwick	5,097,013.63	12.96%	Equity and Sub Mgt Fee	100.0%	
Hudson HG	8,558,702.00	1.46%	Equity	71.5%	
Hudson Mezz 06-1	16,185,419.81	11.91%	Super Snr		AB OC Failure; D OC Failure
Hudson Mezz 06-2	2,677,462.76	18.03%	BBB	14.5%	
Anderson Mezz 2007-1	16,345,765.07	3.91%	Equity	31.3%	Model Projection
Point Pleasant Funding 2007-1	18,770,655.37	3.38%	Equity	91.6%	
GSC/ABS 2006-3a	9,206,802.63	4.02%	Equity	31.7%	
Davis Square 7	11,372,912.48	1.34%	Equity	98.4%	
Adirondack 2005-1	7,568,827.27	2.64%	Equity	54.6%	
Adirondack 2005-2	8,152,822.27	1.72%	Equity	41%	
Davis Square 6	9,923,190.60	0.12%	Equity	261%	
Camber 7	17,875,551.48	7.84%	Equity, Sub Mgt Fee, D & E Turbo	10.2%	
Coolidge	26,077,061.50	1.19%	Equity	89.1%	Model Projection
Timberwolf	17,250,148.86	5.36%	Equity		E OC Failure
Fortius II	3,331,606.57	5.62%	Class E	46.5%	
Fortius I	4,661,340.39	10.23%	Equity		D OC Failure
Altius III	9,916,597.16	0.77%	BBB		
West Coast	14,205,667.05	3.76%	Class E, X, Sub Mgmt fee, and D notes	254.4%	
Total					

% of Portfolio Marked
Wgt. Avg. Marked Price

Footnote Exhibits - Page 5345

By Issuer

GSAA 2007-4	$	299,034,534.28
PTNM 2002-1A	$	119,500,000.00
GSAA 2007-5	$	111,916,060.59
GSAA 2006-18	$	107,415,820.77
GSAMP 2007-HE1	$	88,652,073.00
GSMS 2007-EOP	$	86,212,077.37
CWL 2006-S10	$	83,962,119.29
CWL 2007-3	$	78,712,842.37
CBASS 2007-SL1A	$	78,214,561.28
CWL 2006-20	$	76,557,920.20
CARR 2005-NC5	$	75,778,376.71
IMSA 2007-2	$	74,836,061.26
BSABS 2006-HE10	$	74,154,854.91
CWL 2006-S7	$	72,490,572.60
CMLTI 2007-AMC2	$	72,149,302.93
CWALT 2006-OC9	$	71,698,948.30
BSABS 2007-FS1	$	68,387,705.10
GSAA 2006-17	$	68,135,300.40
GSAMP 2007-FM2	$	62,864,000.00
GSAA 2006-S1	$	62,598,894.62
CWL 2007-S2	$	61,789,835.62
CWALT 2006-OC10	$	60,248,265.00
FFML 2007-FFB5	$	59,768,700.97
HUDMZ 2006-1A	$	59,694,526.07
PHHAM 2007-3	$	58,873,822.58
AMIT 2006-1	$	57,282,600.00
FHLT 2006-D	$	55,305,897.00
GPMF 2007-HE1	$	53,741,721.77
GSAMP 2006-SD3	$	53,412,021.48
NHELI 2006-FM2	$	51,447,242.82
BSMF 2007-SL2	$	50,258,829.87
HEAT 2006-7	$	50,000,000.00
MABS 2007-WMC1	$	48,850,000.00
AHMA 2007-3	$	47,044,322.88
FFML 2007-FF2	$	46,500,000.00
CARR 2006-NC5	$	45,298,622.44
FMIC 2006-1	$	45,000,000.00
NHEL 2006-6	$	45,000,000.00
CARR 2006-FRE2	$	43,754,000.00
FMIC 2006-S1	$	41,850,274.23
NCAMT 2006-ALT2	$	41,763,396.93
GSRPM 2006-2	$	41,495,858.33
GSMS 2006-FL8A	$	41,380,000.00
INDX 2007-AR7	$	40,892,791.80
CWL 2006-17	$	40,000,000.00
GSAA 2006-5	$	40,000,000.00
MLMI 2006-HE5	$	40,000,000.00
SABR 2006-WM2	$	40,000,000.00
GSAA 2007-6	$	39,803,449.27
ACST 2006-1A	$	39,581,895.03
CARR 2006-NC1	$	39,195,000.00
GSTR 2002-2A	$	37,521,986.75
QUEST 2005-X2	$	37,542,769.46
LXS 2006-4N	$	35,964,000.00
FHLT 2006-E	$	35,810,000.00
BCAP 2006-AA2	$	35,501,656.00
FHLT 2006-C	$	35,000,000.00
SWIFT 2003-A8	$	35,000,000.00
MSAC 2006-HE6	$	34,000,000.00
GSAA 2007-3	$	33,474,409.46
GSAA 2006-20	$	32,621,712.87
MSAC 2006-HE5	$	32,000,000.00
OWNIT 2005-5	$	31,727,500.00
FHLT 2006-B	$	31,645,000.00
ARMT 2006-3	$	31,244,717.86
ARSI 2006-W4	$	31,000,000.00
NAA 2007-S1	$	30,499,856.81

SASC 2007-GEL1	$	30,306,852.22
CARR 2006-NC3	$	30,000,000.00
CMLTI 2006-WFH3	$	30,000,000.00
FORDF 2005-1	$	30,000,000.00
NCHET 2006-1	$	30,000,000.00
TMTS 2006-9HGA	$	30,000,000.00
CCMFC 2007-2A	$	29,856,024.92
JPALT 2007-S1	$	27,715,356.81
SACO 2006-9	$	27,223,906.92
MSC 2007-XLFA	$	27,000,000.00
SASC 2007-BC2	$	26,814,000.00
GSAMP 2006-S6	$	26,672,961.55
HALO 2007-WF1	$	25,906,852.47
AMSI 2005-R6	$	25,818,325.68
CGCMT 2006-FL2	$	25,239,683.15
CWL 2006-18	$	25,000,000.00
GCCFC 2006-FL4A	$	25,000,000.00
LBMLT 2006-1	$	25,000,000.00
MLFT 2006-1	$	25,000,000.00
OOMLT 2006-1	$	25,000,000.00
RASC 2006-KS10	$	25,000,000.00
SABR 2006-FR4	$	25,000,000.00
TMTS 2006-3	$	25,000,000.00
INDS 2006-A	$	24,567,475.63
SACO 2007-2	$	24,423,884.79
CSMS 2006-HC1A	$	24,000,000.00
CWALT 2006-OA17	$	23,973,520.17
CWALT 2007-OH1	$	23,469,617.83
ABSHE 2006-HE7	$	23,414,000.00
GSAMP 2006-HE1	$	23,196,000.00
SASC 2006-WF1	$	22,500,000.00
CSMC 2006-TF2A	$	22,455,417.64
CWALT 2006-OA22	$	22,453,718.13
SAMI 2006-AR2	$	22,429,218.48
BAYV 2006-D	$	22,137,847.00
CWALT 2006-OC2	$	21,557,100.84
MSC 2006-XLF	$	21,385,840.83
CWALT 2005-59	$	20,831,318.04
LBFRC 2006-LLFA	$	20,852,402.53
MSAC 2007-HE3	$	20,829,276.21
HVMLT 2005-2	$	20,715,173.80
RAMP 2006-NC1	$	20,519,000.00
NAA 2006-AF2	$	20,482,315.66
CWL 2006-BC5	$	20,105,800.67
CARR 2006-NC4	$	20,000,000.00
CWL 2007-1	$	20,000,000.00
GSAMP 2006-FM3	$	20,000,000.00
MMT 2005-2	$	20,000,000.00
RAMP 2006-RZ2	$	20,000,000.00
TMTS 2006-5	$	20,000,000.00
GSAMP 2006-FM2	$	19,392,000.00
HASC 2006-HE1	$	19,355,411.75
LABSM 2007-1	$	19,087,606.60
ABSHE 2006-HE4	$	19,000,000.00
MABS 2006-WMC4	$	19,000,000.00
SGMS 2006-OPT2	$	19,000,000.00
GSAMP 2007-HE2	$	18,651,517.34
BSABS 2006-PC1	$	18,000,000.00
MSAC 2006-NC1	$	18,000,000.00
SARNT 2005-A	$	18,000,000.00
FORDF 2006-3	$	17,950,000.00
INDX 2007-FLX1	$	17,859,011.08
CWL 2007-QH1	$	17,740,579.34
MSM 2006-6AR	$	17,695,879.00
NAA 2006-AR2	$	17,462,686.80
CARR 2005-NC3	$	17,314,775.15
BSMF 2006-SL2	$	17,155,729.75

CWHEL 2004-Q	$	18,854,659.47
GPMF 2005-HE4	$	18,802,752.23
LBMLT 2005-WL2	$	16,657,555.96
CWL 2007-8	$	16,595,853.98
BMAT 2006-1A	$	16,298,589.02
TMST 2006-5	$	16,259,673.80
SASC 2006-GEL3	$	16,056,875.19
SAMI 2006-AR3	$	15,723,940.72
ACCR 2005-4	$	15,428,344.74
MSM 2006-9AR	$	15,314,405.73
OVSQ 2005-3A	$	15,300,000.00
WAMU 2006-AR4	$	15,153,289.63
FFML 2006-FF5	$	15,036,000.00
ABFC 2006-HE1	$	15,000,000.00
BSABS 2006-AQ1	$	15,000,000.00
CWL 2007-5	$	15,000,000.00
RASC 2006-EMX9	$	15,000,000.00
SABR 2006-WM3	$	15,000,000.00
SGMS 2006-FRE2	$	15,000,000.00
WFHET 2006-3	$	15,000,000.00
COMM 2007-FL14	$	14,958,153.99
JPMAC 2006-FRE1	$	14,866,190.66
FFML 2007-FFC	$	14,700,414.94
INABS 2006-A	$	14,500,000.00
DUS 2006-HE1	$	14,500,000.00
FMIC 2006-2	$	14,091,133.80
RFMS2 2007-HSA3	$	13,849,962.92
CWL 2006-SPS1	$	13,528,019.25
OOMLT 2007-2	$	13,400,000.00
CWL 2007-BC1	$	13,284,935.09
AMSI 2005-R9	$	13,003,591.86
GSAMP 2005-HE4	$	12,838,451.03
AHM 2006-1	$	12,791,034.60
ACCR 2007-1	$	12,474,389.67
SAIL 2006-1	$	12,439,000.00
POPLR 2007-A	$	12,432,213.19
COMM 2005-F10A	$	12,335,095.30
NAA 2006-S3	$	12,097,082.16
ACE 2006-FM2	$	12,000,000.00
BSABS 2006-HE9	$	12,000,000.00
CWL 2007-6	$	12,000,000.00
GPMF 2006-OH1	$	11,691,689.25
GSAA 2005-11	$	11,576,526.67
CWALT 2006-OC1	$	11,574,779.20
ACE 2006-ASP1	$	11,500,000.00
NCHET 2005-3	$	11,488,271.57
MSDI 2006-2	$	11,470,000.00
WMALT 2007-OC2	$	11,441,387.67
PCHLT 2005-2	$	11,322,000.00
FORTS 2006-2A	$	11,018,945.00
RALI 2006-QA3	$	10,918,971.43
GSAA 2005-6	$	10,461,792.00
GSAMP 2006-HE4	$	10,368,000.00
GSAA 2007-7	$	10,298,303.84
MASL 2006-1	$	10,271,930.64
SVHE 2006-EQ2	$	10,270,000.00
ABSHE 2006-HE6	$	10,000,000.00
CMLTI 2006-HE3	$	10,000,000.00
CSMC 2007-TFLA	$	10,000,000.00
HEAT 2006-6	$	10,000,000.00
RASC 2006-KS3	$	10,000,000.00
SVHE 2006-OPT1	$	10,000,000.00
SWIFT 2005-A12	$	10,000,000.00
FHABS 2007-HE1	$	9,930,324.32
RFMS2 2006-HSA1	$	9,793,580.98
NCHET 2005-1	$	9,763,636.36
ARMT 2006-1	$	9,520,601.13

CWL 2007-4	$	9,503,732.65
CWL 2006-6	$	9,496,244.11
HASC 2006-OPT1	$	9,300,000.00
FMIC 2007-1	$	9,218,401.26
PHHAM 2007-2	$	9,161,319.59
MABS 2006-HE3	$	9,010,137.78
GSAA 2007-1	$	8,852,480.11
HFCHC 2006-1	$	8,835,203.27
FORTS 2006-1A	$	8,740,000.00
WBCMT 2006-WL7A	$	8,708,773.22
IRWHE 2006-2	$	8,435,525.41
SASC 2005-S5	$	8,415,094.97
BSCMS 2006-BBA7	$	8,344,294.50
FNR 2006-5	$	8,301,885.80
AHM 2004-4	$	8,299,913.76
NHEL 2005-3	$	8,036,033.16
MLMI 2006-HE1	$	7,840,861.20
HUDMZ 2006-2A	$	7,788,335.00
IMSA 2006-3	$	7,500,000.00
LBFRC 2006-LLFA	$	7,454,223.78
RFMS2 2006-HSA5	$	7,432,611.39
IMSA 2006-2	$	7,307,106.17
GSAA 2005-12	$	7,196,734.43
SAST 2006-3	$	7,100,000.00
MABS 2005-NC2	$	6,971,017.83
TMTS 2006-17HE	$	6,827,028.12
NHELI 2006-HE3	$	6,761,000.00
GSAA 2005-7	$	6,477,066.50
GMACM 2006-HE3	$	6,463,203.65
BSCMS 2007-BBA8	$	6,400,000.00
IMM 2005-3	$	6,259,580.60
CWL 2006-S6	$	6,169,917.89
BSABS 2005-HE12	$	6,027,427.40
CBASS 2006-SL1	$	6,000,000.00
RALI 2006-QO10	$	5,783,461.52
SVHE 2006-A	$	5,677,415.50
MSM 2006-10SL	$	5,663,267.02
MLMI 2006-SL1	$	5,662,062.11
FFML 2006-FF18	$	5,500,000.00
CWL 2006-S3	$	5,472,262.46
GOLDS 2003-A	$	5,462,431.47
ALTS 2006-3X	$	5,449,866.53
MHL 2005-2	$	5,420,474.50
SURF 2006-BC5	$	5,225,000.00
HUDHG 2006-1A	$	5,160,526.25
ARSI 2006-M1	$	5,000,000.00
JPMCC 2006-FL2A	$	5,000,000.00
LBMLT 2006-10	$	5,000,000.00
MABS 2005-WMC1	$	5,000,000.00
MLMI 2006-AR1	$	5,000,000.00
NCHET 2005-C	$	5,000,000.00
WAMU 2005-AR8	$	4,984,240.37
HASC 2006-HE2	$	4,900,000.00
GSAA 2006-10	$	4,877,170.68
TMTS 2006-7	$	4,844,081.31
MSM 2006-1AR	$	4,831,956.32
GSAMP 2006-SD2	$	4,740,381.37
PFRMS 2006-1	$	4,661,111.06
TMTS 2006-11	$	4,631,687.94
NAA 2006-AR3	$	4,586,057.74
CWL 2006-SS	$	4,586,041.57
GSAMP 2007-H1	$	4,555,670.65
ABSHE 2005-HE4	$	4,507,202.57
IRWHE 2006-1	$	4,363,210.34
GSAA 2006-3	$	4,230,388.69
BALL 2005-MIB1	$	4,219,579.58
WMALT 2006-AR10	$	4,147,842.81

ARC 2001-BC6	$	3,919,720.50
NEPTN 2006-3A	$	3,916,671.00
HASC 2007-NC1	$	3,860,012.40
RAMP 2006-RZ1	$	3,778,736.16
MSAC 2006-HE1	$	3,750,000.00
GSAA 2006-4	$	3,736,323.49
NOUT 2006-1A	$	3,652,000.00
SABR 2006-FR3	$	3,500,000.00
GSAMP 2006-S4	$	3,411,892.10
GUGH 2005-1A	$	3,325,000.00
TMST 2006-1	$	3,195,859.30
CSMC 2006-TFLA	$	3,052,884.61
LBMLT 2006-4	$	3,033,244.67
SASC 2005-S6	$	2,869,877.99
RAMP 2004-RS10	$	2,784,107.82
GMACM 2005-HE3	$	2,750,000.00
INDS 2006-1	$	2,735,849.78
NCHET 2006-S1	$	2,465,813.78
RASC 2004-KS9	$	2,251,488.98
MLMI 2005-HE2	$	2,057,307.27
CWALT 2006-OC11	$	2,044,774.86
COMM 2005-FL11	$	2,000,000.00
CWALT 2007-HY6	$	1,970,991.68
GSAA 2006-7	$	1,961,422.68
SAIL 2005-10	$	1,941,362.31
RAMP 2005-EFC7	$	1,824,379.27
CWL 2006-S2	$	1,789,069.73
BVMBS 2005-2	$	1,701,307.90
FHABS 2006-HE1	$	1,676,114.11
TMST 2005-4	$	1,506,273.15
GSAA 2006-9	$	1,422,059.48
LBMLT 2005-WL1	$	1,408,309.99
ACCR 2002-1	$	1,355,164.84
BSABS 2005-EC1	$	1,343,649.62
RAMP 2006-NC3	$	1,200,000.00
GSRPM 2006-1	$	1,082,850.62
LBFRC 2005-LLFA	$	1,041,995.84
CARR 2005-NC1	$	1,025,805.38
CMLTI 2006-HE2	$	1,000,000.00
GSAMP 2005-WMC3	$	1,000,000.00
JPMAC 2005-OPT2	$	1,000,000.00
SASC 2005-AR1	$	865,026.87
BOS 2005-HE4	$	365,878.97
RAMP 2005-EFC3	$	219,232.39
JPMCC 2006-FL1A	$	132,611.97

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By CUSIP

CUSIP		Sum of Current Face
3622EBAA6	$	252,342,534.28
746865AZ9	$	119,500,000.00
3622ECAA4	$	111,916,080.59
3622ELAA4	$	107,415,920.77
1248MXAB1	$	78,214,561.28
12667HAB7	$	76,557,820.20
144531DL1	$	75,778,376.71
452570AA2	$	74,936,062.26
12668VAA7	$	72,490,572.60
17311XAA3	$	72,149,302.93
23245GAA9	$	71,698,948.30
073855AA6	$	68,387,705.10
362257AA5	$	68,135,300.40
3622MHAC0	$	62,864,000.00
40051CAA5	$	62,598,894.62
126708AA7	$	61,789,835.62
23245FAB9	$	60,248,265.00
30248EAA6	$	58,769,700.87
12668VAA1	$	55,974,746.10
35729VAB1	$	55,205,997.00
449860AB7	$	54,290,507.32
36244RAA8	$	52,412,822.48
65537FAB7	$	51,447,242.88
07401RAA8	$	50,253,329.87
07389RAP1	$	50,000,000.00
43709NAD5	$	50,000,000.00
55275TAC2	$	48,850,000.00
026935AC0	$	47,044,322.84
3622EBAB4	$	46,892,000.00
32029GAC8	$	46,500,000.00
39539JAA4	$	45,467,003.25
31659TEY7	$	45,000,000.00
66988RAC1	$	45,000,000.00
3622MDAB1	$	44,461,073.00
3622MDAC9	$	44,191,000.00
12668UAE1	$	43,712,842.37
31659XAA4	$	41,850,274.23
64352BAA8	$	41,763,396.93
36298UAC2	$	41,360,000.00
45670CAA5	$	40,892,792.80
362334GS7	$	40,000,000.00
59022QAD4	$	40,000,000.00
12666VAC5	$	40,000,000.00
81376GAD2	$	40,000,000.00
00505HAA0	$	39,581,895.03
36240UAB1	$	37,921,986.75
748351AF0	$	37,541,769.46
36128CZ55	$	37,432,077.37
144539AC7	$	36,034,000.00
525221KK2	$	35,964,000.00
35729NAD7	$	35,810,000.00
05530MAA7	$	35,501,656.00
86837TAB0	$	35,000,000.00
35729TAD4	$	35,000,000.00
61749NAC1	$	32,000,000.00
69121PBT9	$	31,727,500.00
36245RAG4	$	31,294,563.70
00703QAD4	$	31,244,717.86
69337MAA8	$	31,073,822.58
040104TF6	$	31,000,000.00
655374AA4	$	30,499,856.81
863620AA1	$	30,306,352.22
00252GAB5	$	30,000,000.00
34528PAG1	$	30,000,000.00
64352VQR5	$	30,000,000.00
88156TAB9	$	30,000,000.00
17309QAC8	$	30,000,000.00
61750FAE0	$	30,000,000.00
166798AA9	$	29,956,024.92
36228CZW6	$	29,780,000.00
12668YAA1	$	27,987,373.19
69387MAB6	$	27,800,000.00
466275AB0	$	27,715,356.81
00252GAC3	$	27,232,000.00
78577RAA7	$	27,223,906.92
61752LAB1	$	27,000,000.00
86362YAC0	$	26,814,000.00
36245CAC6	$	26,672,961.55
030725FF1	$	25,919,825.68
20173RAB5	$	25,000,000.00
542514RL0	$	25,000,000.00
59023UAC6	$	25,000,000.00
75405WAB8	$	25,000,000.00
81377GAB5	$	25,000,000.00
681561T61	$	25,000,000.00
23343WAC2	$	25,000,000.00
43709UAA5	$	24,567,475.63
78561NAA0	$	24,423,884.75
07389RAN6	$	24,154,354.91
22943NAA1	$	24,005,000.00
12668PAB8	$	23,973,520.17
362725AC7	$	23,901,514.50
14454AAB5	$	23,754,000.00
3622EAAX8	$	23,507,655.07
04544QAD9	$	23,414,000.00
3623414R7	$	23,196,000.00
863576FF6	$	22,500,000.00
23245PAC5	$	22,453,718.13
86359LSP5	$	22,429,218.48
12668BRE5	$	21,557,100.84
617455AB6	$	21,385,840.83
61753BAA1	$	20,829,378.21
41161PL50	$	20,715,173.80
76112BW97	$	20,519,000.00
126663AB4	$	20,105,300.67
14452BAC0	$	20,000,000.00
14453MAB0	$	20,000,000.00
23245CAC4	$	20,000,000.00
362351AB4	$	20,000,000.00
36245TAC9	$	20,000,000.00
59159UBK5	$	20,000,000.00
75156UAB3	$	20,000,000.00
881561JF0	$	20,000,000.00
14454AAC3	$	20,000,000.00
144931EW6	$	19,500,000.00
36245DAD2	$	19,392,000.00
44328AAB6	$	19,355,412.75
52521MAB8	$	19,097,606.60
04544GAF6	$	19,000,000.00
3622BC2U0	$	19,000,000.00
76420MAE9	$	19,000,000.00
57645MAE2	$	19,000,000.00
52521TAC1	$	18,786,526.20
35729QAC2	$	18,763,538.00
12668AEW1	$	18,727,415.70
07387UAV3	$	18,000,000.00
12668UAF8	$	18,000,000.00
61744CXZ4	$	18,000,000.00
60555PAG0	$	18,000,000.00
34528QAA2	$	17,950,000.00
45668WAA5	$	17,859,011.08
12669HAA7	$	17,740,579.34
61749CAB7	$	17,695,879.00
362725AA1	$	17,594,343.83
40431KAA8	$	17,532,852.47
65535VUS5	$	17,462,688.80
144531CV0	$	17,314,775.15
07400YAA4	$	17,155,789.75
12668UAG6	$	17,000,000.00
126673MY1	$	16,884,659.47
39538WDC3	$	16,802,752.23
105667AA7	$	16,299,569.02
88522RAA1	$	16,259,673.80
86360XAA8	$	16,056,875.18
17308XAB5	$	15,853,000.00
86360XAC2	$	15,723,940.72
22545RAB2	$	15,700,000.00
61748JAA5	$	15,314,405.73
239156AJ1	$	15,300,000.00
93934FPR7	$	15,153,289.63
65536XAN3	$	15,102,149.20
32027EAE1	$	15,036,000.00
00075WAC3	$	15,000,000.00
07389FAB6	$	15,000,000.00
12668KAC7	$	15,000,000.00
68389FKF8	$	15,000,000.00
74924VAC3	$	15,000,000.00
784208AD2	$	15,000,000.00
81377EAB0	$	15,000,000.00
9497EBAB5	$	15,000,000.00
200476AA7	$	14,958,153.99
46626LFL9	$	14,866,190.66
07325HAH8	$	14,712,000.00
32029HAB8	$	14,700,414.94
45071KDD3	$	14,500,000.00
456606EH4	$	14,500,000.00
01150KAB5	$	14,108,772.72
31659EAB4	$	14,091,133.80
43710WAA8	$	13,849,962.92
004375EH0	$	13,843,000.00
12666MAA9	$	13,528,019.25
68401TAD0	$	13,400,000.00
362440AC5	$	13,347,000.00
12668TAB0	$	13,284,935.09
030725P33	$	13,003,591.96
144531EV8	$	13,000,000.00
362341KA6	$	12,938,451.03
02660TJD6	$	12,793,034.60
362351AD0	$	12,621,713.87
00438QAA1	$	12,474,389.67
86354EAB9	$	12,439,000.00
73316NAA3	$	12,432,213.19
65536WAA3	$	12,097,082.16
07389MAB3	$	12,000,000.00
126169BF7	$	12,000,000.00
12669LAC4	$	12,000,000.00
00442CAD1	$	12,000,000.00
542514MZ4	$	11,887,658.42
39539GAC6	$	11,691,689.25
362341QH5	$	11,576,526.67
12668BJE4	$	11,574,779.20
004421VV2	$	11,500,000.00
64352VLG4	$	11,488,271.57
617463AC8	$	11,470,000.00
93936LAA5	$	11,441,397.67
71085PBX0	$	11,322,000.00
34957YAA5	$	11,028,945.00
75114RAD7	$	10,918,921.43
36242DSU5	$	10,461,792.00
362439AD3	$	10,388,000.00
36249BAA8	$	10,298,303.84
57644DAB4	$	10,271,830.64
83611XAC8	$	10,170,000.00
04544NAD6	$	10,000,000.00
144518AB2	$	10,000,000.00
17310VAC4	$	10,000,000.00
1254ERAC0	$	10,000,000.00
437097AD0	$	10,000,000.00
68389FKN3	$	10,000,000.00
76113ABH3	$	10,000,000.00
83611MLK4	$	10,000,000.00
86837YAA1	$	10,000,000.00
3622EAAD2	$	9,966,754.39
32051JAA5	$	9,920,324.32
76110VTC2	$	9,783,580.98
64352VJY8	$	9,763,636.36
12669WAC0	$	9,751,853.98
225470B93	$	9,520,601.12
12668WAA5	$	9,503,732.65
1266702J0	$	9,496,244.11
17309XAA7	$	9,386,683.15
02150KAA7	$	9,360,895.11
40430HDB1	$	9,300,000.00
144539AA1	$	9,264,622.44
31659YAB0	$	9,218,401.26
69337HAA9	$	9,161,319.59
57645JAA7	$	9,010,137.78
3622EQAA3	$	8,852,460.11
40430WAB1	$	8,835,203.27
34958CAF1	$	8,740,000.00
36245RAE9	$	8,548,885.56
46412QAA5	$	8,435,525.41
86359DPN1	$	6,415,094.97
40431KAB6	$	8,374,000.00
07387KAA1	$	8,344,294.50
31394VL32	$	8,301,885.80
02660TCU5	$	8,299,913.76
66987XGU3	$	8,036,033.16
35729QAC1	$	7,850,000.00
59020U3A1	$	7,840,861.20
44386QAA2	$	7,768,333.00
45255RAY3	$	7,500,000.00
52519NJC9	$	7,454,223.73
437099AA2	$	7,431,611.39
07325HAK1	$	7,425,847.00
45256VAA5	$	7,307,106.17
59539JAA4	$	7,274,720.53
3623415P5	$	7,196,734.43
80556AAC1	$	7,100,000.00
57643LML7	$	6,971,017.83
12669WAD8	$	6,844,000.00
88156EAA4	$	6,827,028.12
65536QAC2	$	6,761,000.00
22545RAA4	$	6,755,417.64
144531EV8	$	6,695,000.00
92976BHK1	$	6,484,000.00
362341AM1	$	6,477,066.50
38012TAA0	$	6,463,203.65
07388TAB9	$	6,400,000.00
45254NNP8	$	6,259,580.60
126684AA7	$	6,169,917.89
14983AAC3	$	6,000,000.00
751153AB3	$	5,783,461.52
83612GAA8	$	5,677,415.50
61749TAA2	$	5,663,287.02
59020U2N4	$	5,663,062.11
32029AAD9	$	5,500,000.00
23242MAA9	$	5,472,281.46
38117SAA6	$	5,462,431.47
BCC0T8SV3	$	5,449,966.53
61915RAA4	$	5,420,474.50
449860AA9	$	5,404,218.75
65538VAA5	$	5,380,166.46
362440AB5	$	5,305,517.34
84751NAE4	$	5,225,000.00
44379PAF2	$	5,160,528.25
35729QAC2	$	5,031,462.00
04012MAQ2	$	5,000,000.00
46629RAB0	$	5,000,000.00
54251YAD0	$	5,000,000.00
57643LGV2	$	5,000,000.00
59020VAV5	$	5,000,000.00
64352VNW7	$	5,000,000.00
92922FS25	$	4,984,240.37
44328BAD0	$	4,900,000.00
362375AA5	$	4,877,170.88
88156PAK9	$	4,844,081.31
61748HUF6	$	4,831,956.32
542514MW1	$	4,769,897.54
362405AA0	$	4,740,381.37
71103XAA2	$	4,661,111.06
88156YAB8	$	4,631,687.94
65537EAA2	$	4,586,057.74
126683AA9	$	4,586,041.57
36245YAV6	$	4,555,670.65
073879SL8	$	4,543,376.50
04541GAJ3	$	4,507,202.57
464126CW9	$	4,363,210.34
3623348Q6	$	4,230,388.69
06424HBE6	$	4,318,579.58
93935YAA8	$	4,147,842.81
61750FAD2	$	4,000,000.00
86358RMY0	$	3,919,720.50
64069PAA6	$	3,916,671.00
40430TAA0	$	3,860,012.40
76112BY79	$	3,778,736.16
617451DC9	$	3,750,000.00
362334FH2	$	3,736,323.49
442451AG5	$	3,652,000.00
813765AB0	$	3,500,000.00
36244MAA9	$	3,411,592.10
40166RAF3	$	3,325,000.00
885220KG7	$	3,295,659.30
12638CAA6	$	3,052,884.61
54251MAB0	$	3,032,244.67
86359DTQ0	$	2,863,877.99
76112BEB2	$	2,766,107.82
361856EH6	$	2,750,000.00
437089AA3	$	2,735,849.78
64352VQC8	$	2,465,813.78
76110WF35	$	2,251,488.99
929766HJ4	$	2,225,773.22
12668AEX9	$	2,203,912.34
52521TAA5	$	2,065,876.33
59020UR94	$	2,057,107.27
23244JAB2	$	2,044,774.36
126164AN2	$	2,000,000.00
02151JAA9	$	1,970,991.68
362334NA8	$	1,961,422.69
86358EYV2	$	1,941,362.31
76112BR44	$	1,824,379.27
126685DV5	$	1,739,069.73
07820QCC7	$	1,701,307.90
52092XAA5	$	1,676,114.11
004375EF4	$	1,585,344.74
885220JQ7	$	1,506,273.15
073879SL8	$	1,484,050.90
362382AD5	$	1,412,059.48
542514LF9	$	1,409,109.99
004375AF8	$	1,355,164.84
073879428	$	1,343,649.62
76112B4M9	$	1,200,000.00
362334QF4	$	1,082,350.62
52519NKS2	$	1,042,985.84
144531AY6	$	1,025,805.38
17309LAD7	$	1,000,000.00
362341149	$	1,000,000.00
46626LEJ5	$	1,000,000.00
86359DVT1	$	885,026.87
45071KCK8	$	365,878.97
126169AF8	$	335,095.30
76112BYP9	$	219,232.39
46625YF65	$	132,011.97
362341KA0	$	-
86358EUQ7	$	-

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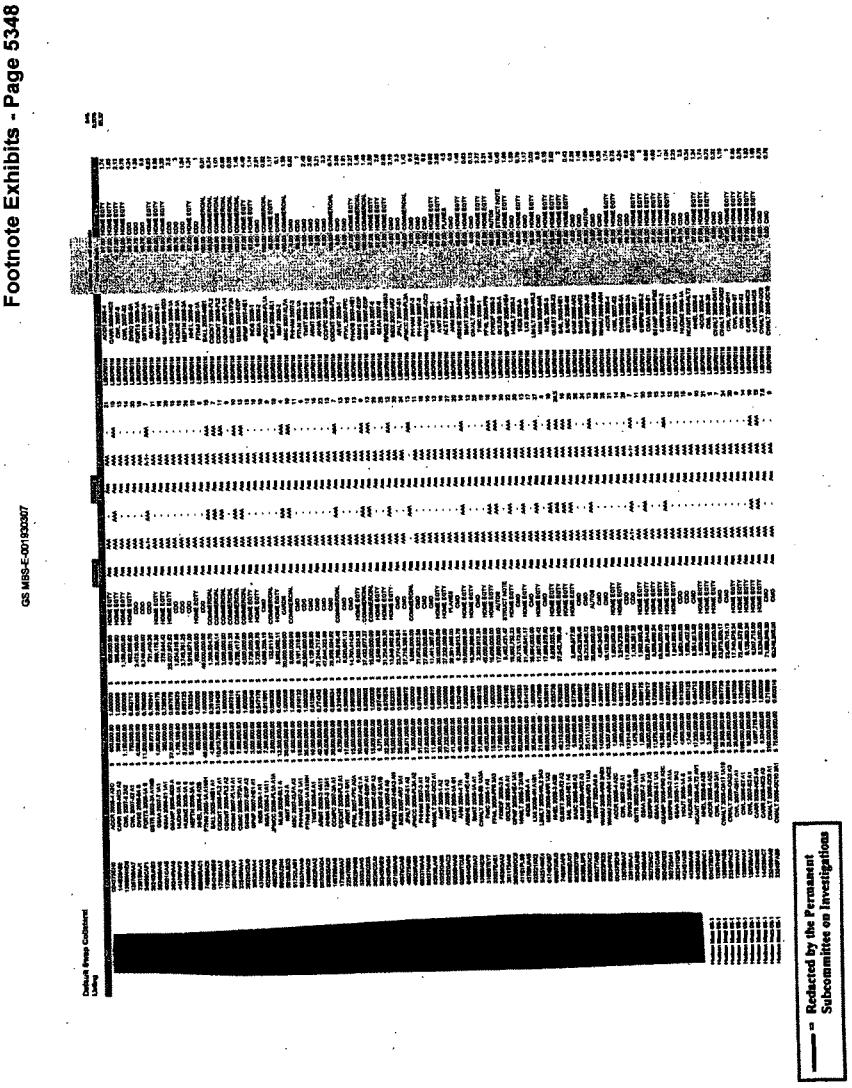
Footnote Exhibits - Page 5347

Asset type	Notional		WAL	
ABS	97,936,062.26	$	96.90	
AUTOS	92,950,000.00	$	99.19	
CARDS	20,000,000.00	$	99.80	
CDO	281,457,954.60	$	92.83	
CMO	1,113,446,705.59	$	-	*Yet to be marked*
COMMERCIAL	402,160,034.30	$	100.00	
HOME EQTY	4,709,275,568.94	$	95.22	
PLANES	39,581,895.03	$	97.00	
STRUCT NOTE	5,462,431.47	$	99.00	

GS MBS-E-001930307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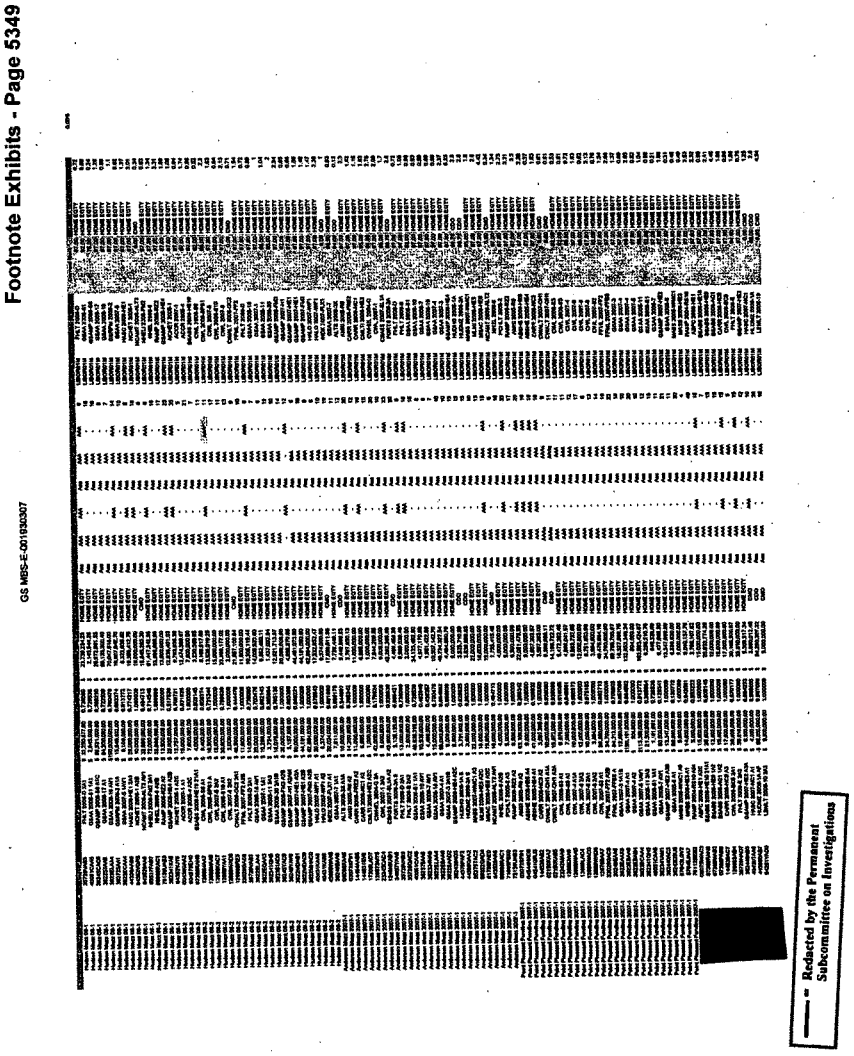
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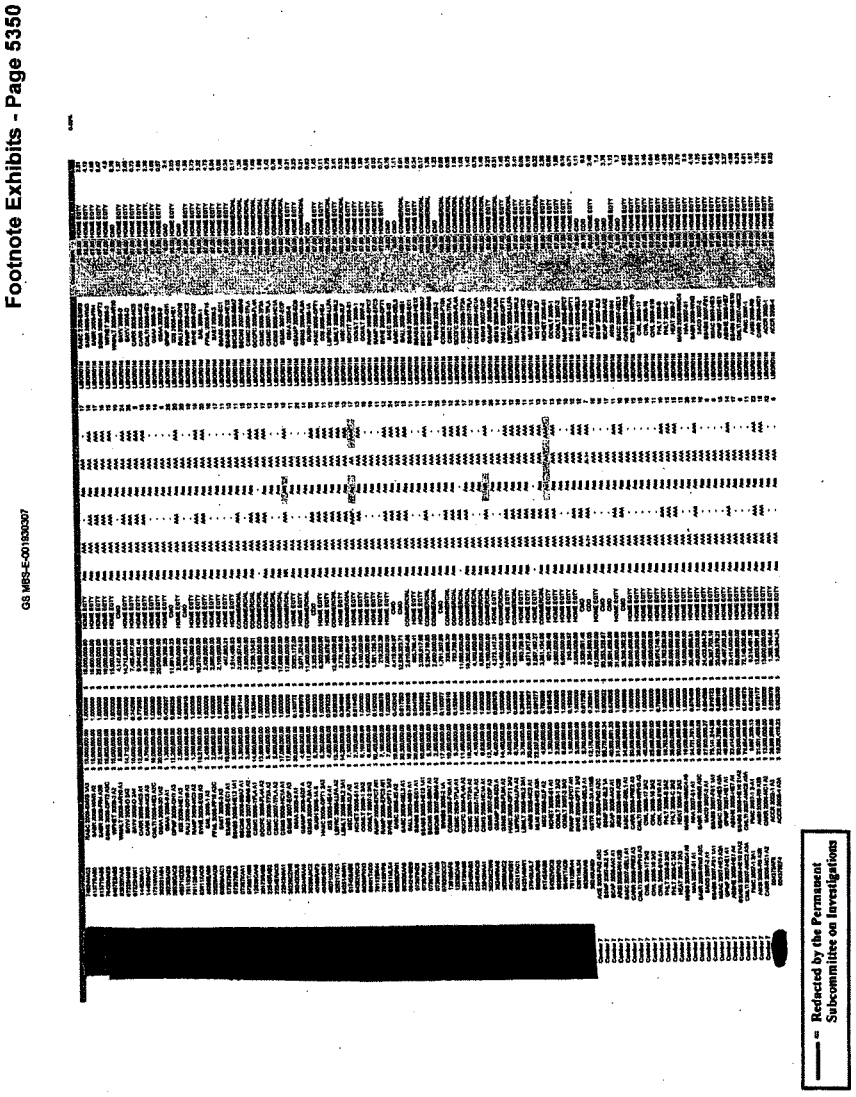
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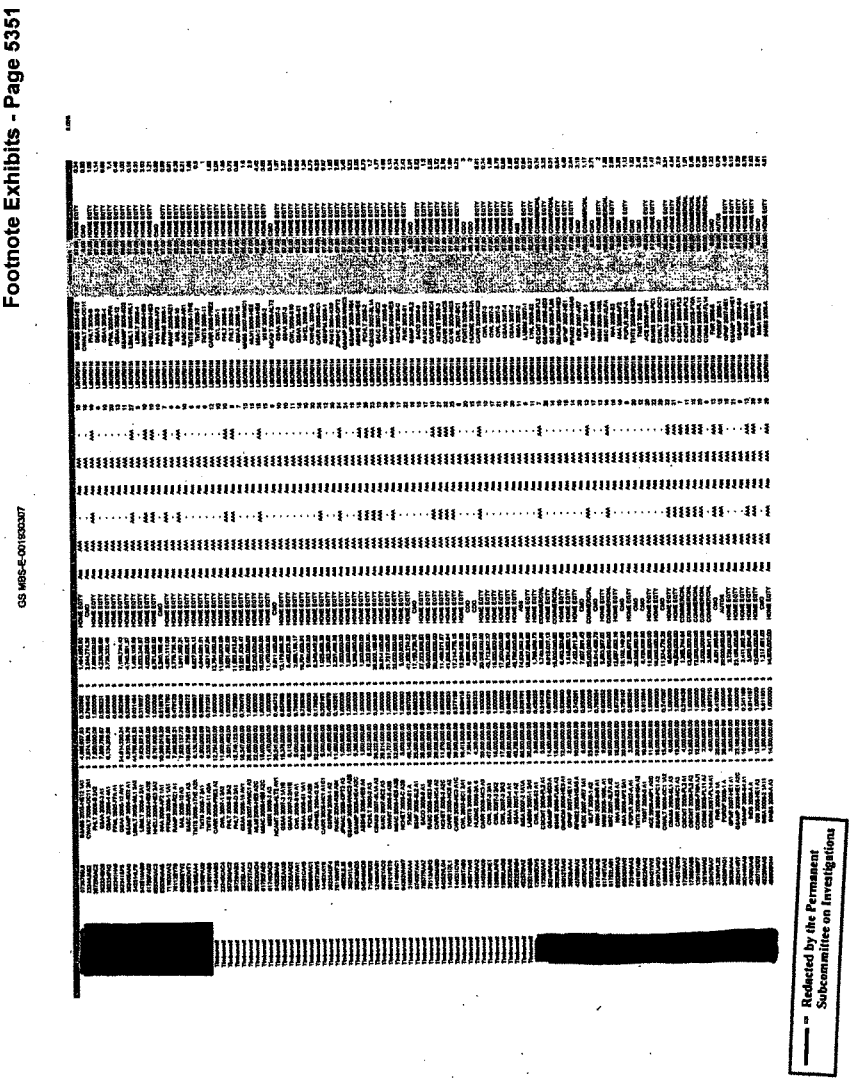
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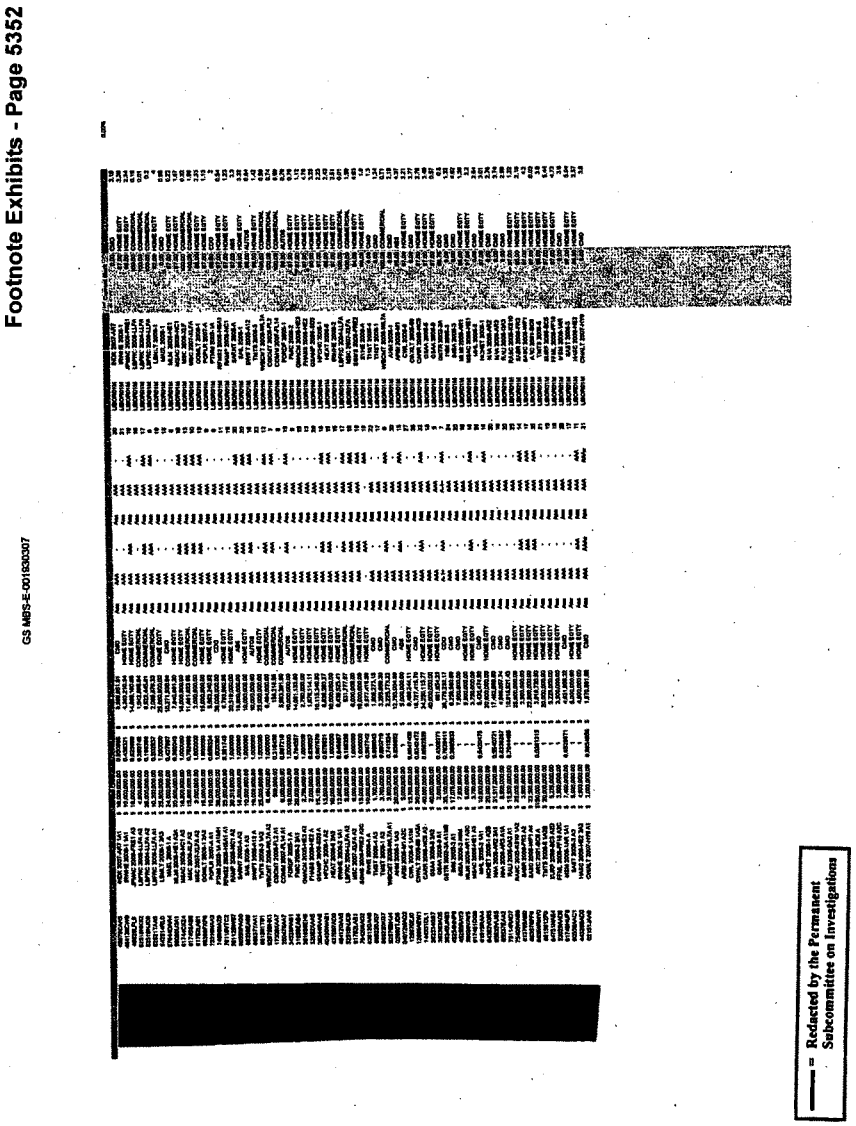
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From: Ganapathy, Mahesh
Sent: Sunday, August 12, 2007 5:59 PM
To: Lehman, David A.; Bieber, Matthew G.
Cc: Egol, Jonathan
Subject: RE: Default Swap Collateral

Attachments: Default Swap Collateral Master File 08.12.07.zip

Please find attached- Have included WA CDS spread (trader marked on TAP), WA CDS NPV and Total CDS NPV. Please let me know if there are any questions. Reachable on cell also 909 [redacted]



Default Swap Collateral Master...

Thanks
Mahesh

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Lehman, David A.
Sent: Sunday, August 12, 2007 4:56 PM
To: Ganapathy, Mahesh; Bieber, Matthew G.
Cc: Egol, Jonathan
Subject: RE: Default Swap Collateral

Send over what you have

From: Ganapathy, Mahesh
Sent: Sunday, August 12, 2007 4:26 PM
To: Lehman, David A.; Bieber, Matthew G.
Subject: Default Swap Collateral

David /Matt,

I have added these fields - WA spread on the CDS facing the deals and NPV(WA and total) as discussed on Friday. I can send over what I have done so far if you prefer; if not I can add in the remaining marks on tomorrow morning and send in a completed version. Please let me know.

Thanks

Mahesh Ganapathy
CDO Structuring,Marketing & Principal Investments
Fixed Income,Currency and Commodities Division
Goldman, Sachs & Co.
Ph: 212-902-6265
Fax:212-256-6570
mahesh.ganapathy@gs.com

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2641

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01286 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT
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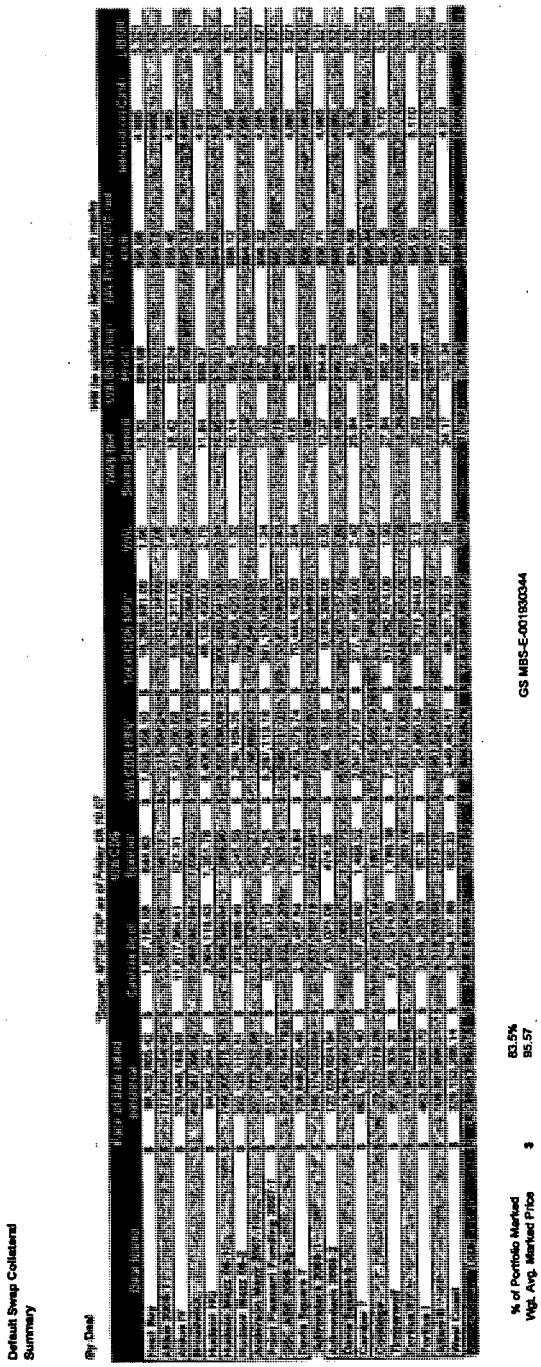
Footnote Exhibits - Page 5354



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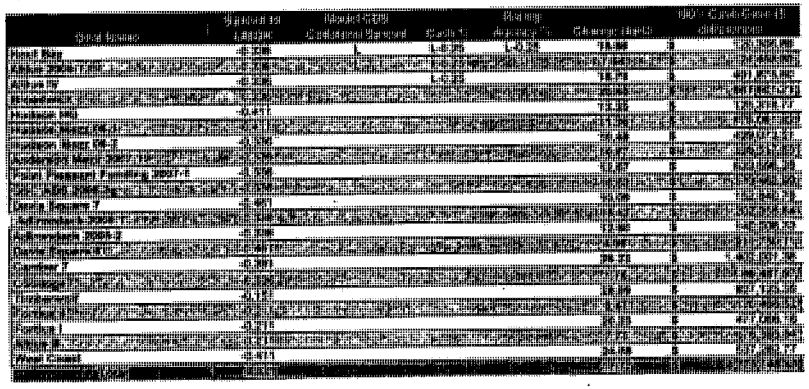
Default Swap Collateral Summary

Acc. Days	90.00

Drag Caused by 100% Cash in Default Swap Collateral Account

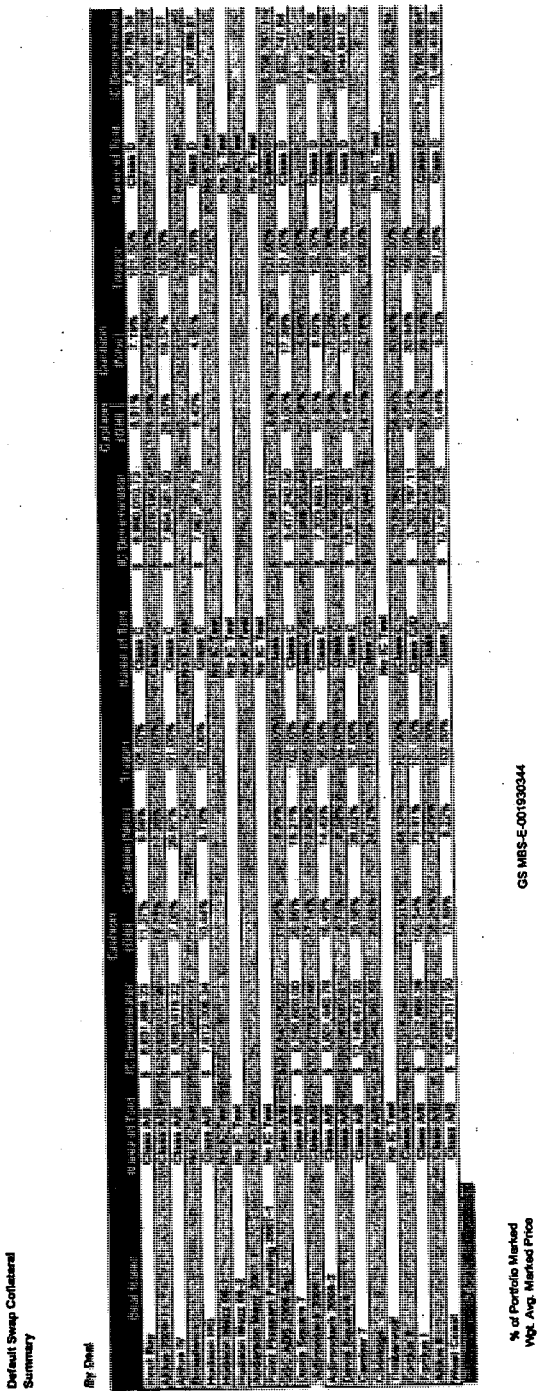
By Deal



% of Portfolio Marked
Wgt. Avg. Marked Price

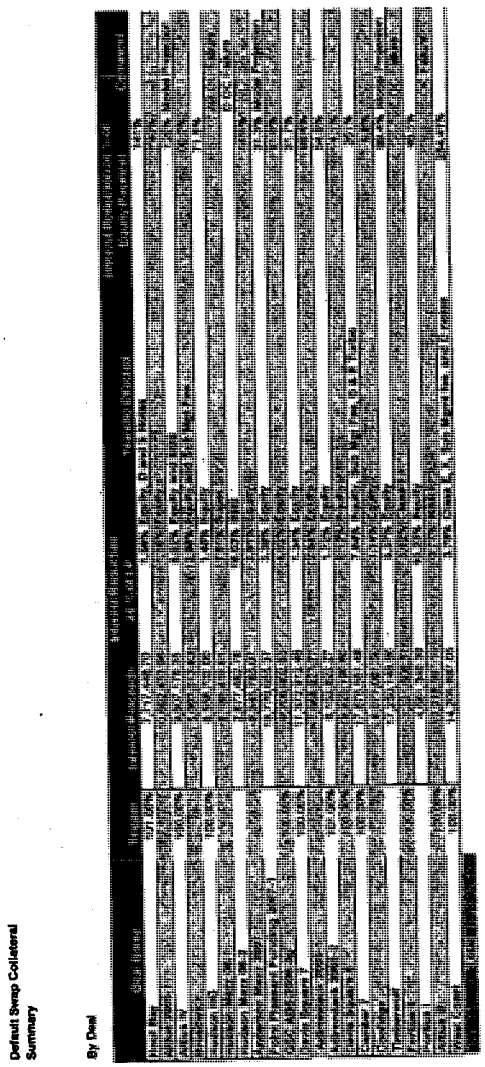
660521.284

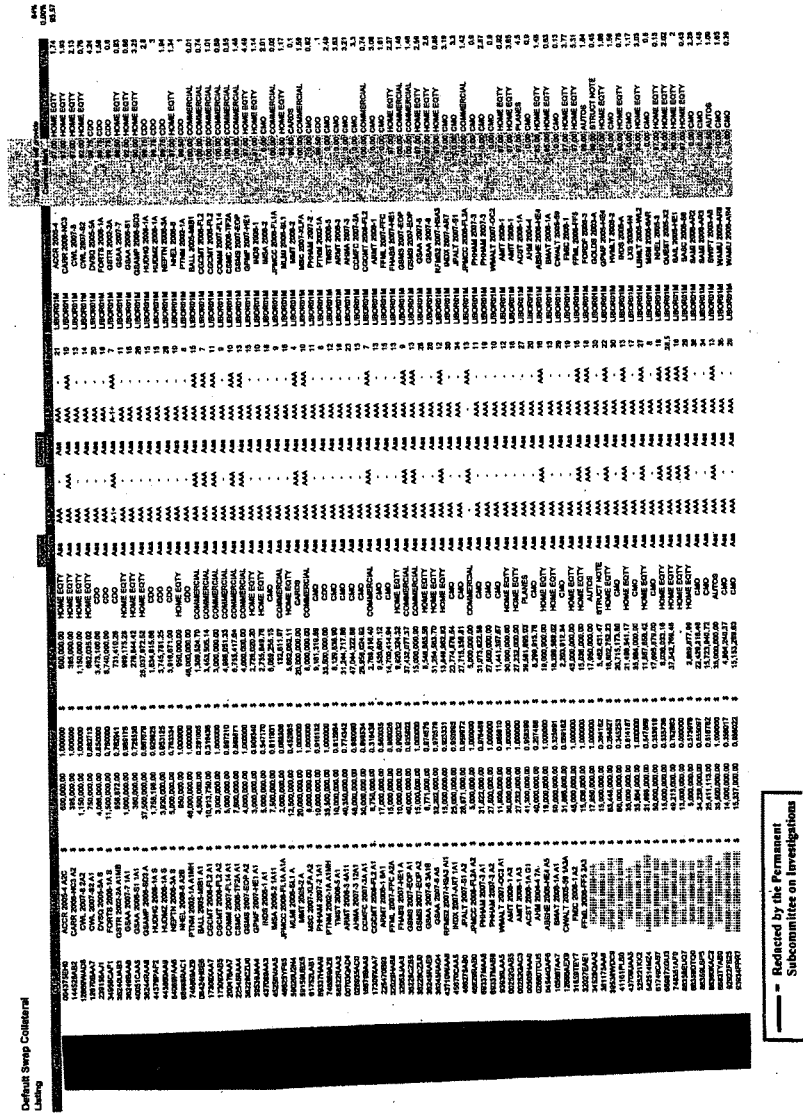
Footnote Exhibits - Page 5356



Footnote Exhibits - Page 5357

Footnote Exhibits - Page 5358




Footnote Exhibits - Page 5359
Default Swap Collateral Listing
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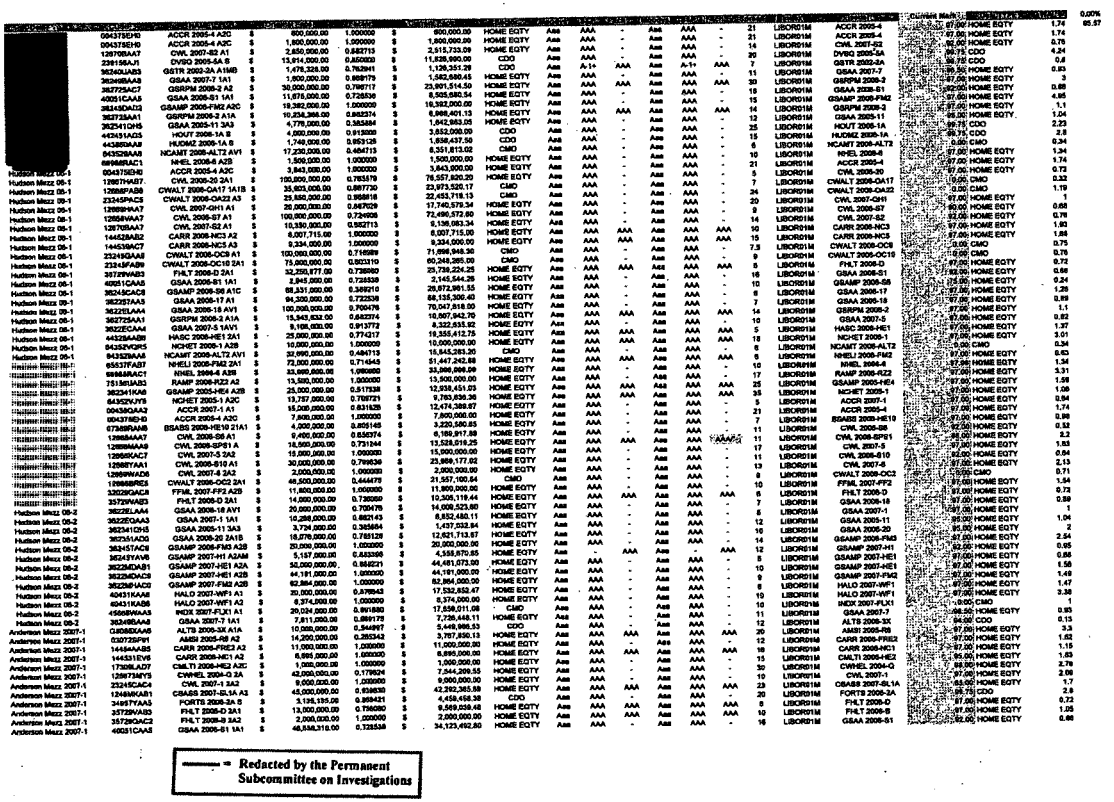

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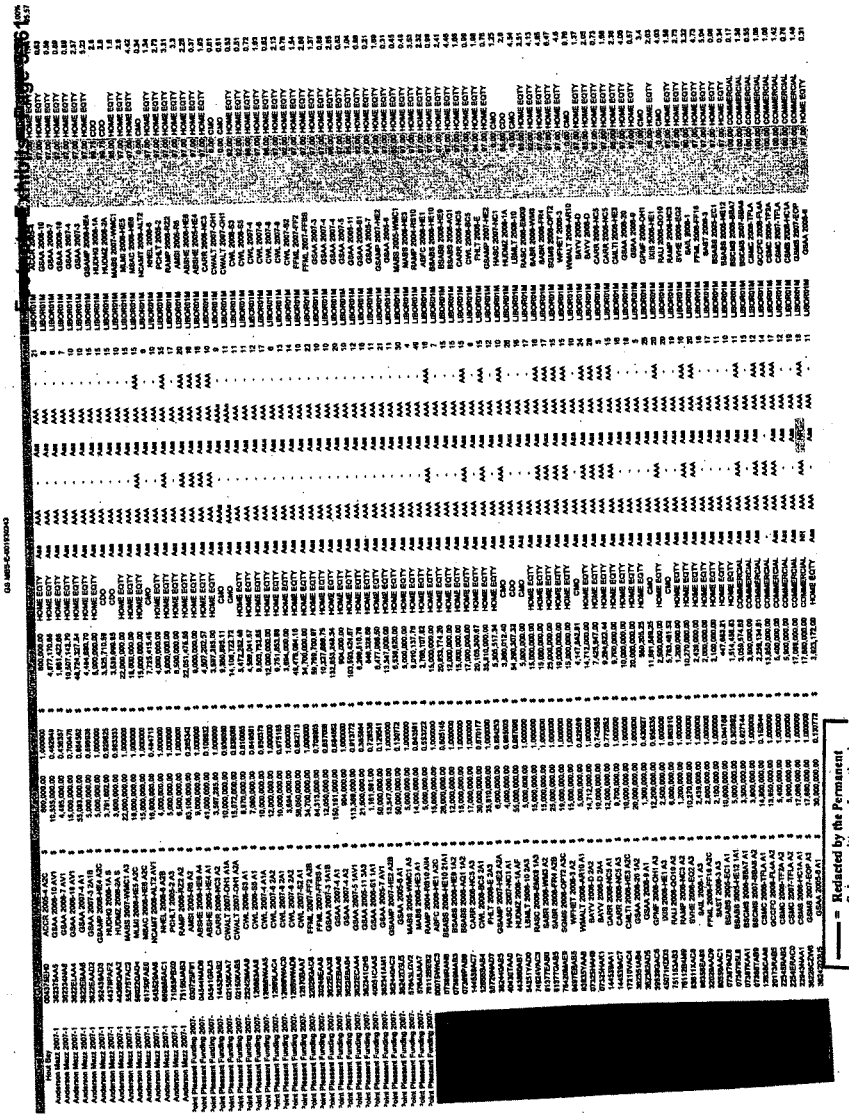
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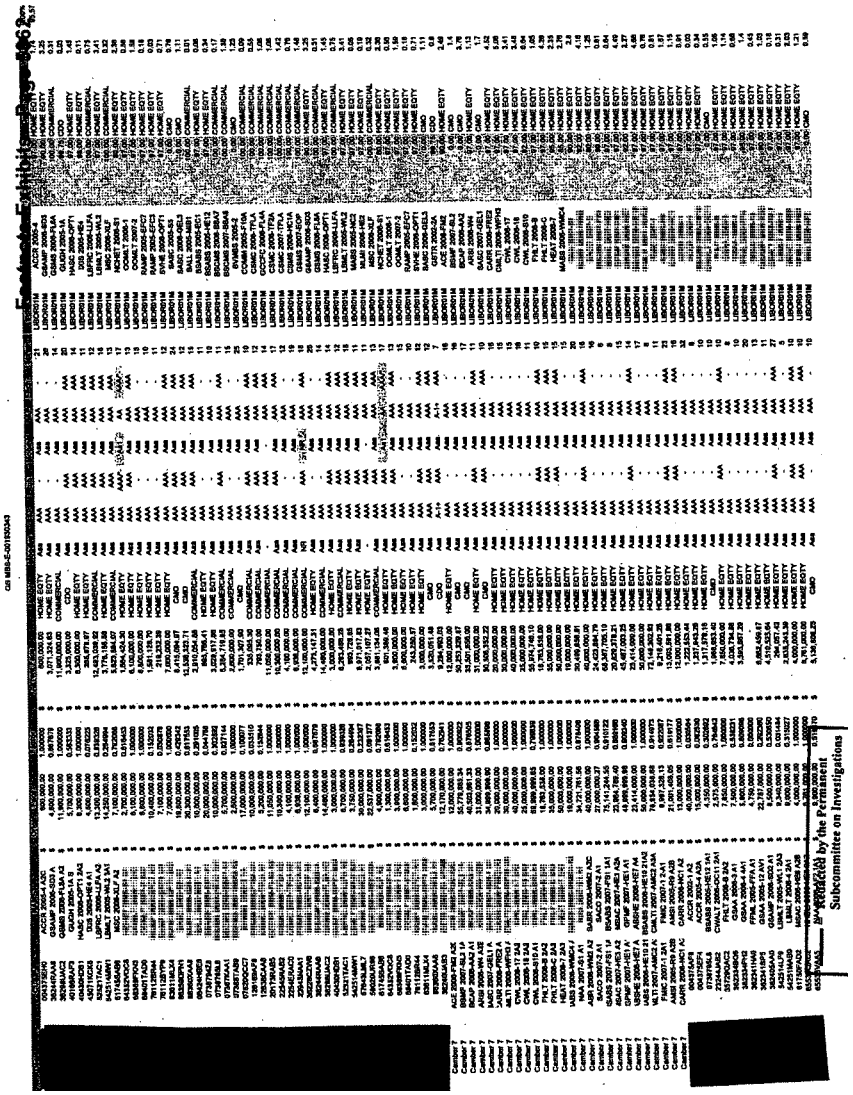
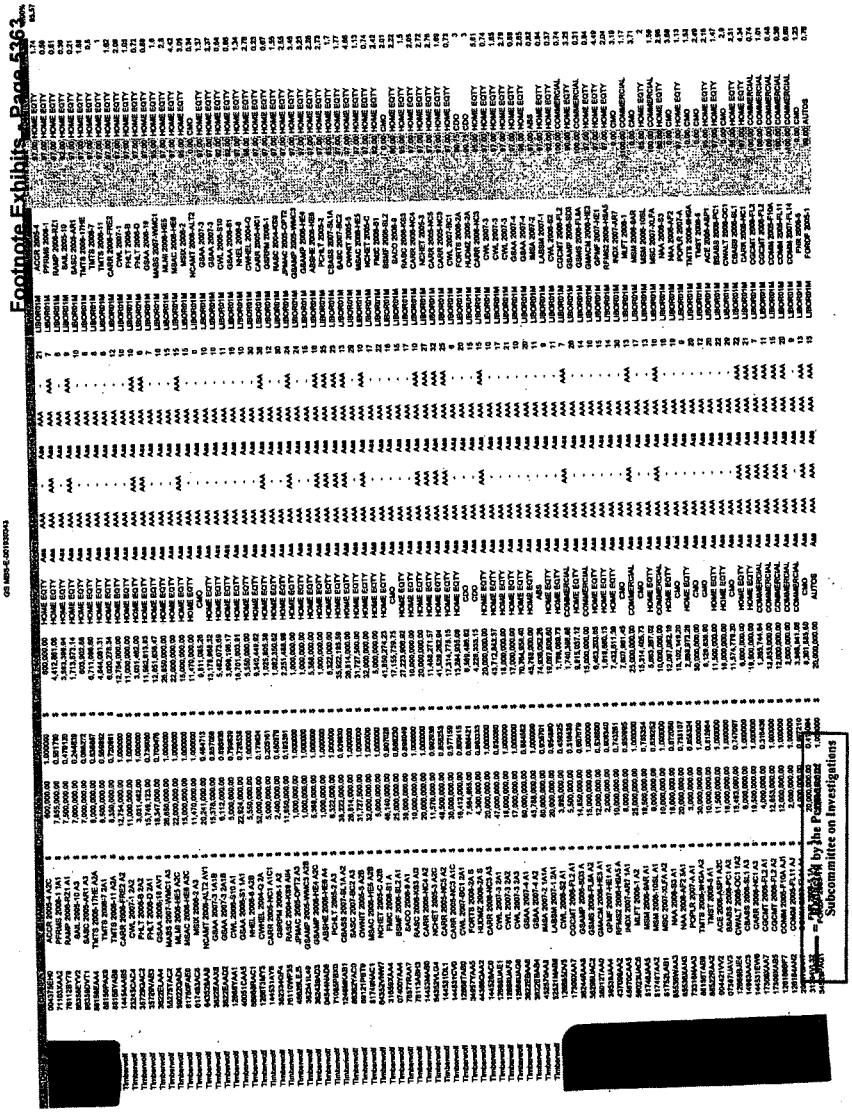
GS MBS-E-001930343

Footnote Exhibits - Page 1062

	004375EH0	ACCR 2005-4 A2C	$	600,000.00	1.000000	$	600,000.00	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	21	LIBOR01M	ACCR 2005-4	0.00	HOME EQTY	1.74
	36244RAA8	GSAMP 2005-SD3 A	$	4,800,000.00	0.867679	$	3,071,324.63	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	29	LIBOR01M	GSAMP 2005-SD3	100.00	HOME EQTY	3.25
	36298UAC2	GSMS 2006-FL8A A2	$	11,900,000.00	1.000000	$	11,900,000.00	COMMERCIAL	Aaa	AAA	-	Aaa	AAA	-	14	LIBOR01M	GSMS 2006-FL8A	100.00	COMMERCIAL	0.31
	40166RAF3	GUGH 2005-1A B	$	5,700,000.00	0.583333	$	3,325,000.00	CDO	Aaa	AAA	AAA	Aaa	AAA	AAA	20	LIBOR01M	GUGH 2005-1A	99.75	CDO	0.25
	404309DB1	HASC 2006-OPT1 2A2	$	8,300,000.00	1.000000	$	8,300,000.00	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	14	LIBOR01M	HASC 2006-OPT1	97.00	HOME EQTY	1.45
	43071KCK6	DOS 2005-HE4 A1	$	4,600,000.00	0.076223	$	355,673.97	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	11	LIBOR01M	DOS 2005-HE4	99.00	HOME EQTY	0.11
	52521TAC1	LBFRC 2006-LLFA A2	$	13,300,000.00	0.939328	$	12,493,039.82	COMMERCIAL	Aaa	AAA	AAA	Aaa	AAA	AAA	12	LIBOR01M	LBFRC 2006-LLFA	100.00	COMMERCIAL	0.75
	54251AMW1	LBMLT 2005-WL2 3A1	$	14,250,000.00	0.254994	$	3,776,156.58	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	16	LIBOR01M	LBMLT 2005-WL2	97.00	HOME EQTY	3.41
	61745BAB6	MSC 2006-XLF A2	$	7,100,000.00	0.792086	$	5,623,884.07	COMMERCIAL	Aaa	AAA	AAA	Aaa	AAA	AAA	13	LIBOR01M	MSC 2006-XLF	100.00	COMMERCIAL	0.32
	64352VDC8		$	2,700,000.00	0.816433	$	1,864,424.30	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	17	LIBOR01M	NCHET 2006-S1	99.00	HOME EQTY	2.38
	68369FKH3		$	6,100,000.00	1.000000	$	6,100,000.00	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	13	LIBOR01M	OOMLT 2006-1	97.00	HOME EQTY	0.86
	684017AD0		$	8,800,000.00	1.000000	$	8,800,000.00	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	10	LIBOR01M	OOMLT 2007-2	97.00	HOME EQTY	1.58
	76112BR44		$	10,400,000.00	0.152032	$	1,581,128.70	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	11	LIBOR01M	RAMP 2005-EFC7	97.00	HOME EQTY	0.18
	76112BYP9		$	7,100,000.00	0.030878	$	219,232.39	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	11	LIBOR01M	RAMP 2005-EFC3	97.00	HOME EQTY	0.03
	83011MLX4		$	7,000,000.00	1.000000	$	7,000,000.00	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	12	LIBOR01M	SVHE 2006-OPT1	97.00	HOME EQTY	0.71
	86358DPN1		$	19,800,000.00	0.429342	$	8,415,094.87	CMO	Aaa	AAA	AAA	Aaa	AAA	AAA	24	LIBOR01M	SABC 2005-S5	0.00	CMO	0.78
	86360XAA9		$	20,300,000.00	0.617653	$	12,538,323.71	CMO	Aaa	AAA	AAA	Aaa	AAA	AAA	12	LIBOR01M	SABC 2006-GEL3	100.00	CMO	1.11
	05424HBE8		$	10,000,000.00	0.291035	$	2,910,354.68	COMMERCIAL	Aaa	AAA	AAA	Aaa	AAA	AAA	18	LIBOR01M	BALL 2005-MB1	100.00	COMMERCIAL	0.01
	073879AZ8		$	20,000,000.00	0.044768	$	895,766.41	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	11	LIBOR01M	BSABS 2005-EC1	97.00	HOME EQTY	0.08
	073879BL8		$	10,000,000.00	0.302892	$	3,029,917.88	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	10	LIBOR01M	BSABS 2005-HE12	97.00	HOME EQTY	0.34
	073876AA1		$	5,700,000.00	0.927144	$	5,284,719.85	COMMERCIAL	Aaa	AAA	AAA	Aaa	AAA	AAA	11	LIBOR01M	BSCMS 2006-BBA7	100.00	COMMERCIAL	0.17
	073887AB9		$	2,600,000.00	1.000000	$	2,600,000.00	COMMERCIAL	Aaa	AAA	-	Aaa	AAA	-	15	LIBOR01M	BSCMS 2007-BBA8	100.00	COMMERCIAL	1.39
	07820QCC7		$	17,000,000.00	0.100077	$	1,701,307.90	CMO	Aaa	AAA	-	Aaa	AAA	-	25	LIBOR01M	SVMBS 2005-2	0.00	CMO	1.23
	12816BAF8		$	10,000,000.00	0.033510	$	335,095.30	COMMERCIAL	Aaa	AAA	AAA	Aaa	AAA	AAA	10	LIBOR01M	COMM 2005-F10A	100.00	COMMERCIAL	0.09
	12838CAA8		$	9,200,000.00	0.152844	$	793,750.00	COMMERCIAL	Aaa	AAA	AAA	Aaa	AAA	AAA	12	LIBOR01M	CSMC 2006-TFLA	100.00	COMMERCIAL	0.55
	20173RAB5		$	11,050,000.00	1.000000	$	11,050,000.00	COMMERCIAL	-	AAA	AAA	-	AAA	AAA	14	LIBOR01M	GCCFC 2006-FL4A	100.00	COMMERCIAL	1.08
	22545RAB2		$	10,300,000.00	1.000000	$	10,300,000.00	COMMERCIAL	Aaa	AAA	AAA	Aaa	AAA	AAA	17	LIBOR01M	CSMC 2006-TF2A	100.00	COMMERCIAL	1.08
	22545RAC0		$	4,100,000.00	1.000000	$	4,100,000.00	COMMERCIAL	Aaa	AAA	-	Aaa	AAA	-	12	LIBOR01M	CSMC 2007-TFLA	100.00	COMMERCIAL	1.42
	22545RAA1		$	8,938,000.00	1.000000	$	8,938,000.00	COMMERCIAL	Aaa	AAA	-	Aaa	AAA	-	19	LIBOR01M	CSMS 2006-HC1A	100.00	COMMERCIAL	0.78
	36228CZW8		$	12,100,000.00	1.000000	$	12,100,000.00	COMMERCIAL	NR	AAA	AAA	NR	AAA	AAA	18	LIBOR01M	GSMS 2007-EOP	100.00	COMMERCIAL	1.48
	36246AAA8		$	6,400,000.00	0.667679	$	4,273,147.31	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	26	LIBOR01M	GSAMP 2006-SD3	100.00	HOME EQTY	3.25
	36298UAC2		$	14,400,000.00	1.000000	$	14,400,000.00	COMMERCIAL	Aaa	AAA	-	Aaa	AAA	-	14	LIBOR01M	GSMS 2006-FL8A	100.00	COMMERCIAL	0.31
	404309DB1		$	3,000,000.00	1.000000	$	3,000,000.00	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	14	LIBOR01M	HASC 2006-OPT1	97.00	HOME EQTY	1.45
	52521TAC1		$	8,700,000.00	0.939328	$	8,283,489.28	COMMERCIAL	Aaa	AAA	AAA	Aaa	AAA	AAA	12	LIBOR01M	LBFRC 2006-LLFA	100.00	COMMERCIAL	0.75
	54251AMW1		$	3,750,000.00	0.264494	$	993,728.85	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	18	LIBOR01M	LBMLT 2005-WL2	97.00	HOME EQTY	3.41
	67643LML7		$	30,000,000.00	0.232347	$	6,971,017.83	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	11	LIBOR01M	MLMI 2005-HE2	97.00	HOME EQTY	0.06
	59020UR96		$	22,537,000.00	0.091277	$	2,057,107.27	HOME EQTY	-	AAA	AAA	-	AAA	AAA	11	LIBOR01M	MLMI 2006-HE2	97.00	HOME EQTY	0.19
	617455AB6		$	4,900,000.00	0.792086	$	3,881,134.08	COMMERCIAL	Aaa	AAA	AAA	Aaa	AAA	AAA	13	LIBOR01M	MSC 2006-XLF	100.00	COMMERCIAL	0.32
	64352VDC8		$	1,300,000.00	0.816433	$	601,369.48	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	17	LIBOR01M	NCHET 2006-S1	99.00	HOME EQTY	2.38
	68369FKH3		$	3,900,000.00	1.000000	$	3,900,000.00	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	13	LIBOR01M	OOMLT 2006-1	97.00	HOME EQTY	0.58
	684017AD0		$	6,600,000.00	1.000000	$	6,600,000.00	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	15	LIBOR01M	OOMLT 2007-2	97.00	HOME EQTY	1.59
	76112BR44		$	1,800,000.00	0.152032	$	243,250.57	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	10	LIBOR01M	RAMP 2005-EFC7	97.00	HOME EQTY	0.18
	63011MLX4		$	3,000,000.00	1.000000	$	3,000,000.00	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	12	LIBOR01M	SVHE 2006-OPT1	97.00	HOME EQTY	0.71
	86360XAA8		$	5,700,000.00	0.617653	$	3,520,051.48	CMO	Aaa	AAA	AAA	Aaa	AAA	AAA	12	LIBOR01M	SABC 2006-GEL3	100.00	CMO	1.11
	36246UAB3		$	12,170,000.00	0.762341	$	9,284,993.03	CDO	Aaa	A-1+	AAA	Aaa	A-1+	AAA	7	LIBOR01M	GSTR 2002-2A	99.75	CDO	0.8
Camber 7	ACE 2006-FM2 A2C		$	12,000,000.00	1.000000	$	12,000,000.00	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	16	LIBOR01M	ACE 2006-FM2	99.00	HOME EQTY	2.49
Camber 7	BSMF 2007-SL2 1A		$	55,779,883.34	0.900822	$	50,253,329.87	CMO	Aaa	AAA	-	Aaa	AAA	-	16	LIBOR01M	BSMF 2007-SL2	0.00	CMO	1.4
Camber 7	BCAP 2006-AA2 A1		$	40,503,861.33	0.876505	$	35,501,858.00	CMO	Aaa	AAA	-	Aaa	AAA	-	17	LIBOR01M	BCAP 2006-AA2	0.00	CMO	3.76
Camber 7	ARSI 2006-W4 A2B		$	31,000,000.00	1.000000	$	31,000,000.00	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	11	LIBOR01M	ARSI 2006-W4	97.00	HOME EQTY	1.13
Camber 7	BASC 2007-GEL1 A		$	34,999,999.90	0.865498	$	30,308,352.22	CMO	Aaa	AAA	AAA	Aaa	AAA	AAA	10	LIBOR01M	BASC 2007-GEL1	0.00	CMO	1.7
Camber 7	CARR 2006-FRE2 A		$	20,000,000.00	1.000000	$	20,000,000.00	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	16	LIBOR01M	CARR 2006-FRE2	97.00	HOME EQTY	4.52
Camber 7	MLTI 2006-WFH3 A		$	30,000,000.00	1.000000	$	30,000,000.00	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	15	LIBOR01M	CMLTI 2006-WFH3	97.00	HOME EQTY	5.08
Camber 7	CWL 2006-17 2A3		$	40,000,000.00	1.000000	$	40,000,000.00	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	15	LIBOR01M	CWL 2006-17	97.00	HOME EQTY	3.41
Camber 7	CWL 2006-18 2A3		$	25,000,000.00	1.000000	$	25,000,000.00	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	16	LIBOR01M	CWL 2006-18	97.00	HOME EQTY	3.48
Camber 7	CWL 2006-S10 A1		$	69,999,999.85	0.799839	$	55,974,748.10	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	11	LIBOR01M	CWL 2006-S10	97.00	HOME EQTY	6.64
Camber 7	FHLT 2006-B 2A2		$	18,763,538.00	1.000000	$	18,763,538.00	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	10	LIBOR01M	FHLT 2006-B	97.00	HOME EQTY	1.05
Camber 7	FHLT 2006-C 2A3		$	35,000,000.00	1.000000	$	35,000,000.00	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	15	LIBOR01M	FHLT 2006-C	97.00	HOME EQTY	4.39
Camber 7	HEAT 2006-7 2A3		$	50,000,000.00	1.000000	$	50,000,000.00	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	15	LIBOR01M	HEAT 2006-7	99.00	HOME EQTY	2.35
Camber 7	MABS 2006-WMC4 A		$	19,000,000.00	1.000000	$	19,000,000.00	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	15	LIBOR01M	MABS 2006-WMC4	99.00	HOME EQTY	2.76
Camber 7	NAA 2007-S1 A1		$	34,721,761.56	0.878408	$	30,499,858.81	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	20	LIBOR01M		99.00	HOME EQTY	2.8
Camber 7	ABSI 2006-WM2 A2	SABR 2006-WM2 A2C	$	40,000,000.00	1.000000	$	40,000,000.00	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	16	LIBOR01M		99.00	HOME EQTY	4.16
Camber 7	SACO 2007-2 A1	SACO 2007-2 A1	$	27,000,000.27	0.904589	$	24,423,884.79	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	16	LIBOR01M		99.00	HOME EQTY	1.25
Camber 7	BSABS 2007-FS1 1A	BSABS 2007-FS1 1A1	$	75,141,244.55	0.910122	$	68,347,705.10	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	8	LIBOR01M		99.00	HOME EQTY	0.81
Camber 7	MSAC 2007-HE3 A2	MSAC 2007-HE3 A2A	$	23,964,769.40	0.869169	$	20,829,278.21	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	8	LIBOR01M		97.00	HOME EQTY	0.64
Camber 7	GPMF 2007-HE1 A1	GPMF 2007-HE1 A1	$	49,999,999.98	0.909340	$	45,467,003.25	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	15	LIBOR01M		97.00	HOME EQTY	4.49
Camber 7	ABSHE 2006-HE7 A	ABSHE 2006-HE7 A4	$	23,414,000.00	1.000000	$	23,414,000.00	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	14	LIBOR01M		99.00	HOME EQTY	2.27
Camber 7	MBS 2006-HE10 21	BSABS 2006-HE10 21A2	$	50,000,000.00	1.000000	$	50,000,000.00	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	17	LIBOR01M		97.00	HOME EQTY	4.66
Camber 7	MLTI 2007-AMC2 A	CMLTI 2007-AMC2 A3A	$	76,934,036.68	0.914973	$	72,148,302.92	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	8	LIBOR01M		97.00	HOME EQTY	0.76
Camber 7	FMIC 2007-1 2A1	FMIC 2007-1 2A1	$	8,997,328.13	0.922087	$	8,218,401.25	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	11	LIBOR01M		97.00	HOME EQTY	0.81
Camber 7	AMSI 2005-R9 A2B	AMSI 2005-R9 A2B	$	21,001,408.05	0.619177	$	13,003,591.88	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	23	LIBOR01M		97.00	HOME EQTY	1.67
Camber 7	CARR 2006-HC1 A2	CARR 2006-HC1 A2	$	13,000,000.00	1.000000	$	12,000,000.00	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	16	LIBOR01M		97.00	HOME EQTY	1.15
	004375AF8	ACCR 2002-1 A2	$	40,000,000.00	0.030564	$	1,222,553.44	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	32	LIBOR01M		97.00	HOME EQTY	0.91
	004375EF4	ACCR 2005-4 A2A	$	15,000,000.00	0.082530	$	1,237,943.28	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	8	LIBOR01M		97.00	HOME EQTY	0.03
	073879SL8	BSABS 2005-HE12 1A1	$	4,350,000.00	0.302892	$	1,317,578.16	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	10	LIBOR01M		97.00	HOME EQTY	0.34
	23244JAB2	CWALT 2006-OC11 2A1	$	2,575,000.00	0.794843	$	1,968,853.40	CMO	Aaa	AAA	-	Aaa	AAA	-	10	LIBOR01M		0.00	CMO	0.55
	55729QAC2	FHLT 2006-B 2A2	$	7,850,000.00	1.000000	$	7,850,000.00	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	10	LIBOR01M		97.00	HOME EQTY	1.05
	362334BQ6	GSAA 2006-3 A1	$	7,500,000.00	0.538231	$	4,036,734.88	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	8	LIBOR01M		97.00	HOME EQTY	1.14
	362334PH2	GSAA 2006-4 4A1	$	5,800,000.00	0.809098	$	3,393,867.29	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	10	LIBOR01M		97.00	HOME EQTY	0.68
	362341HA9	FFML 2005-FFA A1	$	4,750,000.00	0.000000	$	-	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	20	LIBOR01M		99.00	HOME EQTY	1.4
	362341BP5	GSAA 2005-12 AV1	$	22,787,000.00	0.292260	$	6,662,459.67	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	13	LIBOR01M		97.00	HOME EQTY	0.45
	362405AA0	GSAMP 2006-SD2 A1	$	8,500,000.00	0.530850	$	4,510,523.64	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	11	LIBOR01M		99.00	HOME EQTY	1.03
	54251ALF9	LBMLT 2005-WL1 2A3	$	9,340,000.00	0.031484	$	294,057.42	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	27	LIBOR01M		97.00	HOME EQTY	0.18
	54251MAB0	LBMLT 2006-4 2A1	$	8,000,000.00	0.315027	$	2,838,243.39	HOME EQTY	Aaa	AAA	-	Aaa	AAA	-	5	LIBOR01M		97.00	HOME EQTY	0.31
	61750FAD2	MSAC 2006-HE8 A2B	$	4,000,000.00	1.000000	$	4,000,000.00	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	10	LIBOR01M		97.00	HOME EQTY	2.03
	65535QAC2	MSAC 2006-HE8 A2B	$	8,761,000.00	1.000000	$	8,761,000.00	HOME EQTY	Aaa	AAA	AAA	Aaa	AAA	AAA	10	LIBOR01M		97.00	HOME EQTY	1.21
	65535VAA5	MAA 2006-HE1 A1	$	9,900,000.00	0.519170	$	5,136,606.25	CMO	Aaa	AAA	-	Aaa	AAA	-	10	LIBOR01M		0.00	CMO	0.59

Redacted by the Permanent Subcommittee on Investigations




Footnote Exhibits - Page 5363
Subcommittee on Investigations

Footnote Exhibits - Page 5365

GS MBS-E-001930343

CMO Marks

Source : Edwin Chin

525221KK2	LXS 2006-4N A1B1	RES B/C	90.00
86362QAA1	SASC 2007-GEL1 A1	RES B/C	97.00
86360XAA8	SASC 2006-GEL3 A1	RES B/C	97.00
32029HAB8	FFML 2007-FFC A2A	RES B/C	90.00
54251YAD0	LBMLT 2006-10 2A3	RES B/C	92.00
40430TAA0	HASC 2007-NC1 A1	RES B/C	97.00
57644DAR4	MASL 2006-1 A	ABS	60.00
86359DPN1	SASC 2005-S5 A2	ABS	85.00
02660TCU5	AHM 2004-4 7A	ABS	95.00
57644DAR4	MASL 2006-1 A	HOMEQ	60.00
07401RAA8	BSMF 2007-SL2 1A	30yr	70.00
643529AA8	NCAMT 2006-ALT2 AV	30yr	97.50
69337MAA8	PHHAM 2007-3 A1	30YR	95.00
69337MAB6	PHHAM 2007-3 A2	30yr	90.00
466275AB0	JPALT 2007-S1 A2	30yr	70.00
07400YAA4	BSMF 2006-SL2 A1	30YR	70.00

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Counterparty on TAP	Deal Name	WA CDS Spread	WA NPV	Total NPV
ADIRONDACK 2005-1 LT (GSI, GEORGETOWN, ADIRONDACK 2005 1 LTD.)	Adirondack 2005-1	493.0391412	1,537,529.60	28,021,849.00
ADIRONDACK 2005-2 LT (GSI, GEORGE TOWN, ADIRONDACK 2005-2 LTD)	Adirondack 2005-2	474.3538462	696,183.69	9,076,386.00
ALTIUS I FUNDING LTD (GSI, GEORGETOWN, ALTIUS I FUNDING LTD)	Altius 2005-1	58.128	115,394.24	1,013,124.00
ALTIUS III FUNDING L (GSI, GEORGETOWN, ALTIUS III FUNDING LTD)	Altius III	373.7801802	981,624.69	12,393,918.00
ANDERSON MEZZ 2007-1 (GSI, GEORGE TOWN, ANDERSON MEZZANINE FUNDING2007-1 LTD)	Anderson Mezz 2007-1	1537.272131	1,746,669.43	106,546,835.00
BROADWICK FUNDING LT (GSI, GEORGE TOWN, BROADWICK FUNDING LTD)	Broadwick	1026.520044	650,486.33	43,385,098.00
CAMBER 7 PUBLIC LTD (GSI, DUBLIN, CAMBER 7 PUBLIC LIMITED CO)	Camber 7	1468.522847	2,047,217.02	277,161,409.00
COOLIDGE FUNDING LTD (GSI, CHICAGO, COOLIDGE FUNDING LTD)	Coolidge	160.0984184	62,565.79	959,932.00
DAVIS SQ FNDG VII CR (GSI, GEORGE TOWN, DAVIS SQUARE FUNDING VII LTD)	Davis Square 7	1724.839363	4,679,279.74	70,444,162.00
DAVIS SQUARE FUNDING (GSI, GEORGE TOWN, DAVIS SQUARE FUNDING VI LTD.)	Davis Square 6	1755.7	6,007,157.00	6,007,157.00
FORTIUS I FUNDING LT (GSI, GEORGE TOWN, FORTIUS I FUNDING LTD)	Fortius I	921.3467492	724,860.54	59,731,244.00
FORTIUS II FUNDING L (GSI, GEORGE TOWN, FORTIUS II FUNDING LTD)	Fortius II	1200.783736	1,811,116.62	45,925,674.00
GSC ABS CDO 2006-3G (GSI, GEORGE TOWN, GSC ABS CDO 2006-3G LTD.)	GSC ABS 2006-3g	1357.452489	5,599,111.03	133,671,055.00
HOUT BAY 2006-1 LTD (GSI, GEORGE TOWN, HOUT BAY 2006-1 LTD)	Hout Bay	644.63	1,628,568.10	16,285,681.00
HUDSON HG 06-1 (GSI, GEORGE TOWN, HUDSON HIGH GRADE FUNDING2006-1 LTD)	Hudson HG	1351.761725	8,406,836.15	46,135,420.00
HUDSON MEZ 06-1 (GSI, GEORGE TOWN, HUDSON MEZZANINE FUNDING2006-1 LTD)	Hudson Mezz 06-1	1889.903943	5,820,836.09	800,083,041.00
TIMBERWOLF I LTD GSI (GSI, GEORGE TOWN, TIMBERWOLF I LTD)	Timberwolf	1789.383946	7,245,314.67	512,082,574.00
WEST COAST FUNDING I (GSI, GEORGE TOWN, WEST COAST FUNDING I LTD.)	West Coast	630.3266087	2,449,404.51	46,201,792.00
ALTIUS IV FUNDING LT (GSI, GEORGE TOWN, ALTIUS IV FUNDING LTD)	Altius IV	521.3067751	1,913,280.68	55,342,311.00
Marine Serres (MTG Sales Book)	Point Pleasant Funding 2007-1	1764.245299	5,287,113.18	381,130,068.00
HUDSON MEZ 06-2 (GSI, GEORGE TOWN, HUDSON MEZZANINE FUNDING2006-2, LTD)	Hudson Mezz 06-2	2245.58375	2,285,105.25	182,808,420.00
		1,431.58	3,808,525.76	2,834,386,952.00

From: Ganapathy, Mahesh
Sent: Monday, August 13, 2007 4:52 PM
To: Bieber, Matthew G.; Lehman, David A.; Egol, Jonathan
Cc: Kang, Connie
Subject: Default Swap Collateral File with Marks updated

Attachments: Default Swap Collateral Master File 08.13.07v3.xls

Have added Total Notional of the CDS trades as well. Also , just to clarify, Hudson Mezz 1 and Point Pleasant had Unfunded Super Seniors. In the case of Point Pleasant , we face IXIS on 700mm approx of CDS trades(the rest were shorted to the deal directly by IXIS) and the default Swap collateral par at closing = $1.0085b- 403.4mm = 605.1mm.



Default Swap Collateral Master...

Thanks

From: Ganapathy, Mahesh
Sent: Monday, August 13, 2007 12:53 PM
To: Lehman, David A.; Bieber, Matthew G.; Egol, Jonathan
Cc: Kang, Connie
Subject: Default Swap Collateral File with Marks updated

David/Matt/Jon

Please find attached-I have updated the marks on the underlying bonds. Please let me know if there are any questions.
<< File: Default Swap Collateral Master File 08.13.07v2.xls >>

Thanks ,

Mahesh Ganapathy
CDO Structuring,Marketing & Principal Investments
Fixed Income,Currency and Commodities Division
Goldman, Sachs & Co.
Ph: 212-902-6265
Fax:212-256-6570
mahesh.ganapathy@gs.com

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2641

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01300 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

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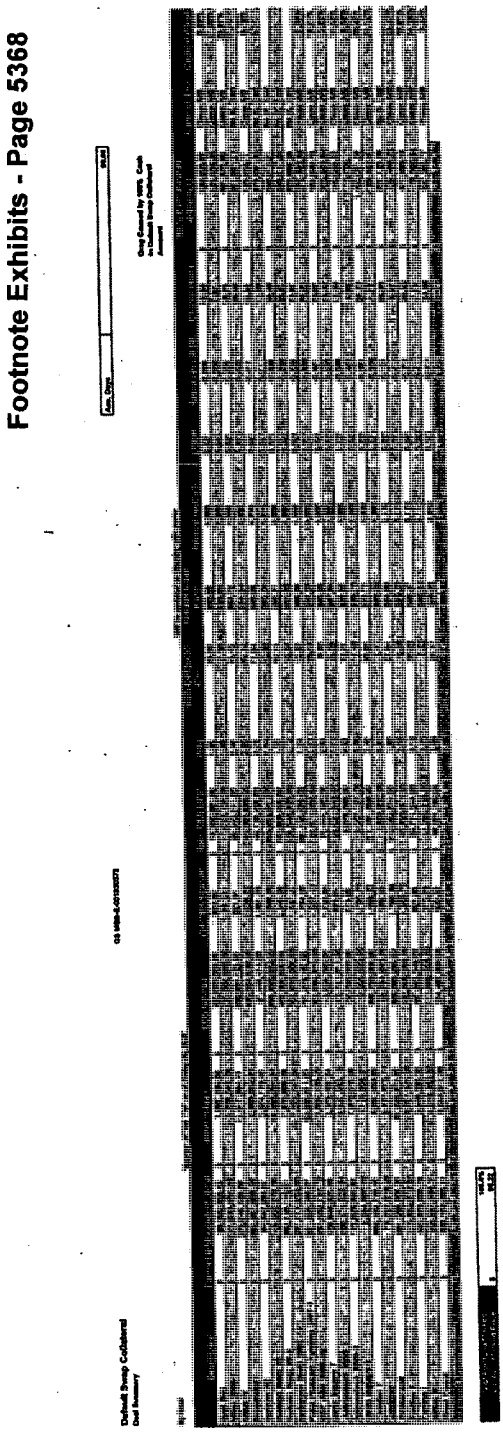
Footnote Exhibits - Page 5368



Default Swap Collateral
Deal Summary

GS MBS-E-001930572

By Deal

Deal Name	Trigger	Name of Test	Cushion (New)	Trigger	Name of Test	Cushion (New)
Hout Bay	105.00%	Class C	7.19%	101.50%	Class D	2.36%
Altius 2005-1	101.00%	Class C/D	4.85%	100.00%		
Altius IV	101.00%	Class C	19.57%	100.00%		11.03%
Broadwick		No IC Test			No IC Test	
Hudson HG	102.00%	Class C	4.85%	101.00%	Class D	2.25%
Hudson Mezz 08-1		No IC Test			No IC Test	
Hudson Mezz 06-2		No IC Test			No IC Test	
Anderson Mezz 2007-1		No IC Test			No IC Test	
Point Pleasant Funding 2007-1		No IC Test			No IC Test	
GSC ABS 2006-3g	102.00%	Class C	5.22%	101.00%	Class D	4.22%
Davis Square 7	102.00%	Class C	17.39%	101.00%	Class D	13.07%
Adirondack 2006-1	105.00%	Class C/D	4.89%	102.00%		
Adirondack 2005-2	105.00%	Class C	8.92%	102.00%	Class D	2.92%
Davis Square 6	102.00%	Class C	7.22%	101.00%	Class D	2.31%
Camber 7	102.00%	Class C	13.34%	101.00%	Class D	15.71%
Coolidge	112.00%	Class C/D	12.78%	100.00%		
Timberwolf		No IC Test			No IC Test	
Fortius II	101.00%	Class C	50.80%	100.00%	Class D	37.68%
Fortius I	101.00%	Class C/D	30.64%	100.00%		
Altius III	101.00%	Class C	29.10%	100.00%	Class D	22.28%
West Coast	102.00%	Class C	6.23%	101.00%	Class D	1.58%
[illegible]						

% of Portfolio Marked
Wt. Avg. Marked Price

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VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01303 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

Default Swap Collateral
Deal Summary

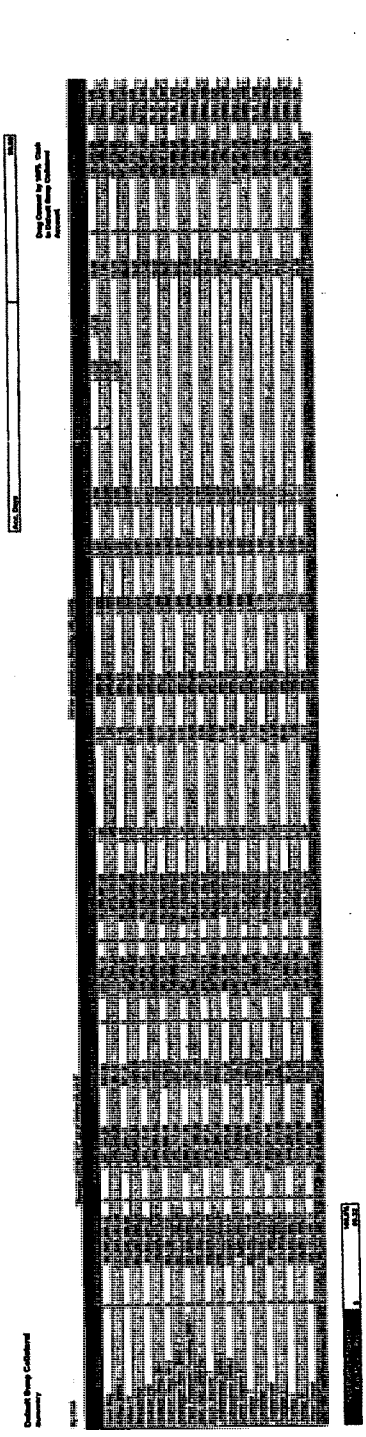
GS MBS-E-001930572

By Deal

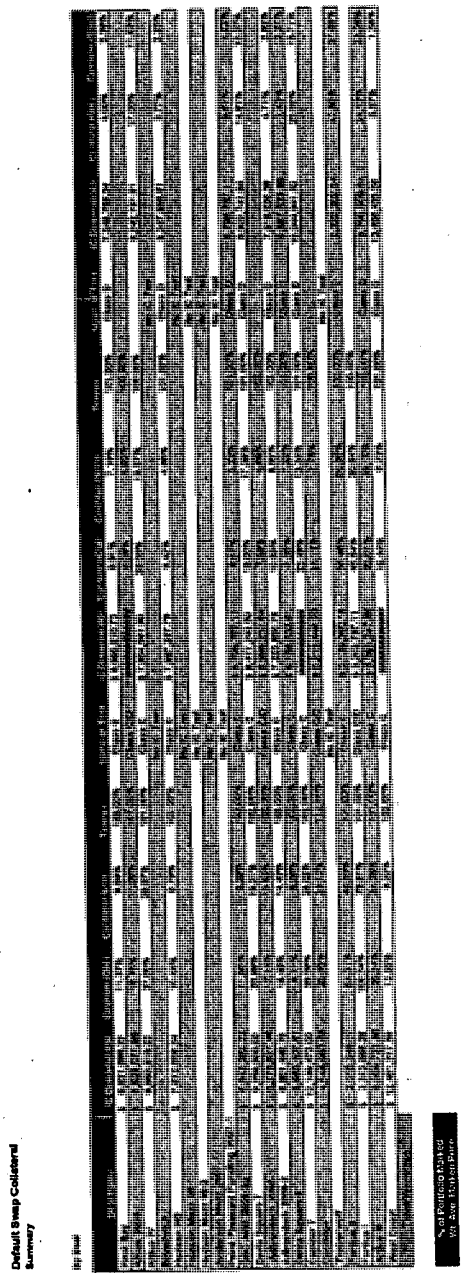
Deal Name	Interest Proceeds	Interest Reduction as % of I.P.	Tranche Effected	Interest Reduction as % of Equity Payment	Comment
Hout Bay	7,717,448.70	1.56%	Equity, D and E Notes	141%	
Altius 2005-1	10,692,433.06	1.18%	Equity	40%	
Altius IV	9,807,179.35	5.02%	Equity and BBB	126%	Model Projection
Broadwick	5,097,013.63	12.96%	Equity and Sub Mgt Fee	100.0%	
Hudson HG	8,558,702.00	1.46%	Equity	71.5%	
Hudson Mezz 06-1	8,185,419.61	11.91%	Super Snr		AB OC Failure
Hudson Mezz 06-2	2,677,462.76	16.03%	BBB		D OC Failure
Anderson Mezz 2007-1	5,345,765.07	3.91%	Equity	14.5%	
Point Pleasant Funding 2007-1	16,770,655.37	3.36%	Equity	31.3%	Model Projection
GSC ABS 2006-3q	9,206,802.63	4.02%	Equity	91.6%	
Davis Square 7	11,372,912.48	1.34%	Equity	31.7%	
Adirondack 2005-1	7,668,627.27	2.64%	Equity	98.4%	
Adirondack 2005-2	6,152,822.27	1.72%	Equity	54.6%	
Davis Square 6	9,923,190.60	0.12%	Equity	4.1%	
Camber 7	17,875,551.48	7.84%	Equity, Sub Mgt Fee, D & E Turbo	261%	
Coolidge	6,677,061.50	1.14%	Equity	9.6%	
Timberwolf	17,250,148.66	5.37%	Equity	89.4%	Model Projection
Fortius II	3,331,506.57	3.63%	Class E		E OC Failure
Fortius I	4,661,340.39	10.23%	Equity	46.5%	
Altius III	9,916,597.16	0.77%	BBB		D OC Failure
West Coast	14,205,667.05	3.78%	Class E, X, Sub Mgmt fee, and D note	254.41%	

% of Portfolio Marked
Wt. Avg. Marked Price

Footnote Exhibits - Page 5371



Footnote Exhibits - Page 5372



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Default Swap Collateral
Summary

By Deal

Deal Name	Trigger	Interest Proceeds	Interest Reduction as % of LP	Tranche Effected	Interest Reduction as % of Equity Payment	Comment
Hout Bay	101.00%	7,717,448.70	1.66%	Equity, D and E Notes	141%	
Altius 2005-1		10,692,433.96	1.16%	Equity	40%	
Attius IV	100.00%	9,807,179.35	6.02%	Equity and BBB	126%	Model Projection
Broadwick		5,097,013.63	12.99%	Equity and Sub Mgt Fee	100.0%	
Hudson HG	100.00%	8,558,702.00	1.46%	Equity	71.5%	
Hudson Mezz 06-1		8,185,419.61	11.91%	Super Snr		AB OC Failure
Hudson Mezz 06-2		2,677,462.76	16.03%	BBB		D OC Failure
Anderson Mezz 2007-1		9,345,765.07	3.81%	Equity	14.5%	
Point Pleasant Funding 2007-1		16,770,655.37	3.38%	Equity	31.3%	Model Projection
GSC ABS 2006-3g	100.00%	9,206,802.63	4.02%	Equity	91.8%	
Davis Square 7	100.00%	11,372,912.46	1.34%	Equity	31.7%	
Adirondack 2005-1		7,668,627.27	2.64%	Equity	98.4%	
Adirondack 2006-2	101.00%	8,152,822.27	1.72%	Equity	54.6%	
Davis Square 6	100.00%	9,923,190.60	0.12%	Equity	4.1%	
Camber 7	100.00%	17,875,551.48	7.84%	Equity, Sub Mgt Fee, D & E Turbo	261%	
Coolidge		6,077,061.50	1.14%	Equity	8.8%	
Timberwolf		17,250,148.86	8.37%	Equity	89.4%	Model Projection
Fortius II	100.00%	3,331,608.57	3.82%	Class E		E OC Failure
Fortius I		4,661,340.39	10.23%	Equity	46.5%	
Attius III	100.00%	9,916,597.16	0.77%	BBB		D OC Failure
West Coast	100.00%	14,205,667.05	3.78%	Class E, X, Sub Mgmt fee, and D note:	264.41%	
Total/Average						

% of Portfolio Marked
Wt. Avg. Marked Price

From: Lehman, David A.
Sent: Tuesday, August 21, 2007 9:30 PM
To: Bieber, Matthew G.
Subject: RE: Default Swap Collateral Reinvestment

ok

From: Bieber, Matthew G.
Sent: Tuesday, August 21, 2007 9:30 PM
To: Lehman, David A.
Subject: RE: Default Swap Collateral Reinvestment

Ok. I think we should be proactive in letting mangers know, then, rather than waiting for them to come to us for approval and then denying. There are a couple of one off situations which we should go through tomorrow morning.

From: Lehman, David A.
Sent: Tuesday, August 21, 2007 9:19 PM
To: Bieber, Matthew G.
Subject: RE: Default Swap Collateral Reinvestment

Nothing further - I think our gameplan remains to build cash for now

From: Bieber, Matthew G.
Sent: Tuesday, August 21, 2007 8:31 AM
To: Lehman, David A.
Subject: Default Swap Collateral Reinvestment

Was there any further discussion over the past few days on what we're going to be doing? With the 25th coming up, I suspect a bunch of mangers are going to be looking to put cash to work....

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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2643

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01307 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

660521.303

From: Case, Benjamin
Sent: Monday, September 24, 2007 2:59 PM
To: Bieber, Matthew G.; Lehman, David A.
Subject: FW: CDS Collateral re-investment

Any thoughts on CMBS floaters?

From: Marty Devito [mailto:Mdevito@aladdincapital.com]
Sent: Monday, September 24, 2007 5:45 PM
To: Case, Benjamin
Cc: Anatoly Burman; Nunzio Masone
Subject: RE: CDS Collateral re-investment

Ben - While I agree the ability for a fair amount of the floating rate loans in CMBS to refi in here is limited, are there any other reasons you left CMBS off the list??

MD
CMBS Guy

From: Case, Benjamin [mailto:Benjamin.Case@gs.com]
Sent: Monday, September 24, 2007 4:17 PM
To: Marty Devito
Cc: Pinkos, Steve; Anatoly Burman; Nunzio Masone; Shirley Cho; Bieber, Matthew G.; Lehman, David A.; Shimonov, Roman; Mishra, Deva R.; Kang, Connie
Subject: RE: CDS Collateral re-investment

Marty,

Good speaking to you today. As discussed -

RMBS: CBASS, GSAMP, JPMAC, WFHET
CARDS: AMXCA, BACCT, BOIT, MBNAS, CCCIT, CHAIT, DCMT
AUTOS: COPAR, DCMOT, FORDO, HAROT, HDMOT, NALT, USAOT
STUDENT LOANS: ACCSS, GCOE, KSLT, NCSLT, SLMA (FFELP)

Generally speaking, looking at securities that are currently amortizing with average lives of less than 2 years.

Also, please make sure Matt Bieber is included in trade-by-trade approval requests.

Regards,
Ben

From: Marty Devito [mailto:Mdevito@aladdincapital.com]
Sent: Friday, September 21, 2007 2:12 PM
To: Case, Benjamin
Cc: Pinkos, Steve; Anatoly Burman; Nunzio Masone; Shirley Cho
Subject: CDS Collateral re-investment

Ben -

We, at the direction of Connie and Roman, have not been reinvesting CDS collateral as it matures.

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2644

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660521.304

We've brought the topic up a few times over the past few months with your team. Last I heard, you were re-evaluating the market, and would come back to us with a breakdown of acceptable replacements. As the cash balances continue to grow, I'd like to address this issue, as the amount of cash drag is beginning to become meaningful.

Thank you in advance.

MD

Martin DeVito
Senior Managing Director
Aladdin Capital Management
Six Landmark Square
Stamford, Connecticut 06901
(203) 487-6731

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660521.305

From: Shimonov, Roman
Sent: Thursday, September 06, 2007 8:26 AM
To: Bieber, Matthew G.
Subject: Re: Timberwolf II -- Default Swap Collateral

Just got it. Thanks. Can you pls help with Adrock 05-2 cp rolls today. Really appreciate it.

Roman Shimonov, CFA
Goldman, Sachs & Co.
Tel: 212-902-6964
Roman.Shimonov@gs.com

Sent from my Blackberry device

----- Original Message -----
From: Bieber, Matthew G.
To: Shimonov, Roman
Sent: Thu Sep 06 08:24:31 2007
Subject: RE: Timberwolf II -- Default Swap Collateral

See my previous email.

-----Original Message-----
From: Shimonov, Roman
Sent: Thursday, September 06, 2007 8:17 AM
To: Bieber, Matthew G.
Subject: Fw: Timberwolf II -- Default Swap Collateral

Guess we can't delay talking to him anymore...

Roman Shimonov, CFA
Goldman, Sachs & Co.
Tel: 212-902-6964
Roman.Shimonov@gs.com

Sent from my Blackberry device

----- Original Message -----
From: Joe Marconi <joe.marconi@greywolfcapital.com>
To: Shimonov, Roman
Cc: Joe Marconi <joe.marconi@greywolfcapital.com>; Bieber, Matthew G.; Martin, Nicole
Sent: Thu Sep 06 08:18:27 2007
Subject: Timberwolf II -- Default Swap Collateral

Roman:

We are doing our credit work on these 3 bonds which are shown on the GS inventory sheet. If we get comfortable with these positions, would GS be ok adding them to Timberwolf as Default Swap Collateral? We should be done with our credit work today.

Thanks. Joe.

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2645

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FLOATING	Home Equity		AVL	DM	Ppy	App Prc	Fctr/Notes
75.247	SVHE 2005-4 2A3	83611MKB3	0.6	+90	35	99-191	1.00/YTC
5.000	CWL 2005-BC5 3A2	126670NC8	0.6	+90	35	99-195	0.76/YTC
13.335	ABFC 2006-HE1 A2A	00075WAB5	0.8	+70	20	99-161	0.68/YTC

From: Bruns, William [mailto:William.Bruns@gs.com]
Sent: Thursday, September 06, 2007 7:48 AM
To: undisclosed-recipients
Subject: Goldman Sachs ABS Inventory (External)

ABS Cash Trading: Mike Swenson Deeb Salem Edwin Chin Jordan Kaufman Will Bruns +1 (212)902-5090

In autos:
- CARMX announced a $500mm deal.

In cards:
- CCCIT announced a $750mm deal.

<<Inventory.xls>>

Amt ($mm)	Issue	CUSIP	AVL	Sprd	Ppy	Approx Price	Fctr/Notes
FIXED Credit Cards/Dealer Floorplan/Student Loans							
3.750	MBNAS 2003-A11 A11	55264TCH2	1.1	E+24		98-	1.00/YTC/Aaa/AAA/AAA
3.750	BOIT 2003-A9 A9	06423RBE5	1.1	E+24		SOLD	1.00/YTC/Aaa/AAA/AAA
10.000	MBNAM 1999-J B	55262TEV1	2.0	N+50		104-	1.00/YTC/A2/A+/A+
FLOATING Credit Cards/Dealer Floorplan/Autos/UK & Aussie RMBS/Equipment/Stranded Cost							
3.300	CNHMT 2005-1 A	12615SAE0	0.8	+20		99-297	1.00/YTC/Aaa/AAA/AAA
1.500	CCCIT 2007-A2 A2	17305EDS1	2.7	+28		99-072	1.00/YTC/Aaa/AAA/AAA
12.500	COMET 2004-C2 C2	14041NBH3	6.4	+125		98-305	
1.00/YTC/Baa2/BBB/BBB							
3.000	GEBL 2006-2A D	36159EAG7	#N/A	N+300		90-101	
0.98/YTC/Baa2/BBB+/BBB							

FIXED Auto & Equipment Loans			AVL	Sprd	Ppy	Handle	Fctr/Notes
41.780	GSALT 2004-1 A4	36292RAM3	0.0	E+35	1.25	SOLD	0.47/YTC
8.555	NAVOT 2003-B A4	63936XAD6	0.3	E+50	0.75	99-	0.71/YTC
3.000	AESOP 2003-3A A3	00103RAX4	0.7	E+25	0.00	98-	1.00/YTC
7.000	GSALT 2005-1 A4	36292RAV3	1.3	E+40	1.35	98-	1.00/YTC
2.150	HDMOT 2005-2 A2	41283ABV0	1.2	E+30	1.45	98-	1.00/YTC
3.750	TAROT 2006-C A3	89578PAC3	1.4	E+55	1.45	99-	1.00/YTC
17.210	HERTZ 2004-1A A3	42805RAC3	0.5	E+25	0.00	98-	1.00/YTC

FIXED Stranded Cost			AVL	Sprd	Ppy	Handle	Fctr/Notes
15.000	CNP 2001-1 A3	75953MAC4	1.3	E+20	0	99-	1.00/YTC
5.000	CPL 2002-1 A3	12617AAC1	1.7	E+20	0	100-	1.00/YTC
4.000	CONFD 2001-1 A4	210523AD8	1.3	E+20	S1	99-	0.90/YTC
5.060	CONFD 2001-1 A5	210523AE6	4.2	N+28	S1	101-	1.00/YTC

Student Loans			AVL	DM	Ppy	App Prc	Fctr/Notes
4.650	SLMA 2006-9 A2	78443KAB2	1.5	+20	100	99-214	1.00/YTC
50.025	SLMA 2006-6 A1	83149FAA2	1.5	+20	150	99-205	0.68/YTC
13.675	SLMA 2007-3 A1	78443YAA4	0.8	+20	20	99-253	0.81/YTC

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Footnote Exhibits - Page 5379

			AVL	Sprd	Ppy	Handle	Fctr/Notes
FIXED Home Equity							
12.000	CWL 2002-S4 A5	126671UD6	0.2	E+50	25	99-	0.87/YTC
5.000	POPLR 2005-1 AF3	73316PBK5	1.0	E+45	15	98-	0.57/YTC
24.456	CBASS 2004-CB1 AF1	04542BFH0	1.4	E+55	30	97-	0.03/YTC
7.585	ACCR 2003-2 A1	004375AN1	2.8	N+100	100	95-	0.31/YTC
5.273	SAIL 2005-8 M7	86358EXW1	3.8			55-	1.00/YTC/Ba3/BBB/
10.000	SAIL 2005-8 M8	86358EXX9	3.8			45-	1.00/YTC/B3/B/
4.220	CWL 2005-11 MF8	126670CU0	4.0	N+500	S3	87-	1.00/YTC/Baa2/BBB/
4.364	GSAMP 2004-AR2 B4	36242DDY6	0.8	E+1500	45	89-	0.36/YTC/Ba1//BB+
FLOATING	Home Equity		AVL	DM	Ppy	App Prc	Fctr/Notes
75.247	SVHE 2005-4 2A3	83611MKB3	0.6	+90	35	99-191	1.00/YTC
5.000	CWL 2005-BC5 3A2	126670NC8	0.6	+90	35	99-195	0.76/YTC
13.335	ABFC 2006-HE1 A2A	00075WAB5	0.8	+70	20	99-161	0.68/YTC
20.000	MSAC 2004-HE8 A4	61744CGW0	0.1	+45	35	99-317	0.04/YTC
5.000	CMLTI 2007-WFH2 A3	17312BAC6	2.3	+150	100	97-053	1.00/YTC
2.000	OWNIT 2006-5 A2C	69121EAE8	2.8	+140	S3	96-262	1.00/YTC
12.000	GSAMP 2005-WMC3 A1B	362341L23	3.0	+65	20	99-064	0.54/YTC
10.000	JPMAC 2006-NC1 A5	46626LJQ4	4.7	+175	100	94-025	1.00/YTC
11.000	GSAMP 2005-WMC2 A2C	362341UZ0	5.0	+95	100	97-141	1.00/YTC
9.437	TMTS 2006-3 2A3	881561W26	3.9	+375	S3	88-186	1.00/YTC
10.000	AMSI 2005-R3 M2	03072SZY4	1.9	+450	30	93-067	YTC/Aa2/AA/AA
2.000	RASC 2005-AHL3 M2	76110W6P6	2.9	+750	30	83-164	YTC/Aa2/AA/
7.000	SURF 2006-BC2 M2	84751PLR8	3.2	+550	S3	86-098	YTC/Aa2/AA/
7.115	BAYV 2004-C M1	073247BL1	0.1	+200	21	97-097	YTM/Aa2/AA/AA
3.050	HEAT 2006-6 M3	437097AJ7	3.3	+1000	100	75-093	YTC/Aa3/AA/AA+
15.836	OWNIT 2006-6 M1	69121TAF2	4.1	+450	S3	86-044	YTC/Aa1/AA+/
12.376	GSAMP 2007-FM1 M3	3622MAAH4	5.6	+600	100	76-143	YTC/Aa3/AA-/
15.992	HASC 2006-WMC1 M3	40430MAJ6	5.7	+900	30	66-075	YTC/Aa3/AA/BBB-
16.000	ABFC 2003-OPT1 M2	04542BDJ8	0.4	+800	S4	97-248	YTC/A2/AA/A+
3.000	ACE 2005-RM1 M6	004421LR2	0.7	+900	30	92-208	YTM/A3/A/A-
7.810	GSAMP 2004-NC2 M3	36242DHC0	1.3	+550	100	95-102	YTC//A-/A-
2.341	BSABS 2005-1 M3	073877AX0	1.2	+1500	35	85-244	YTC//A-/A-
10.554	HEAT 2005-1 M5	437084HU3	1.5	+1600	100	80-223	YTC/A2/A+/
2.500	AMSI 2005-R6 M2	03072SG33	2.0	+700	40	88-300	YTC/NR/AA/AA
2.500	AMSI 2005-R6 M3	03072SG41	1.8	+700	40	89-266	YTC/NR/AA-/AA-
2.000	CWL 2005-6 M5	126673W65	2.2	+355	30	94-134	YTC/A2/A/
1.000	CBASS 2005-CB7 M6	12489WPR9	2.6	+600	S3	88-125	YTC/A3/AA/A+
8.218	FFML 2006-FF11 M6	32028PAM7	3.3	+1300	100	69-291	YTC/A3/A/BBB+
8.733	ABFC 2006-OPT1 M6	00075QAK8	3.1	+600	S4	85-158	YTC/A3/A-/A-
1.029	CARR 2005-FRE1 M5	144531EK2	3.2	+500	25	88-151	YTC/A2/A/
10.378	LBMLT 2006-7 M6	54251TAL3	3.4	+2500	100	50-032	YTC/A3/A+/BBB
3.902	JPMAC 2006-NC2 M6	46629FAK6	3.4	+1200	100	71-067	YTC/A3/A-/A-
7.000	JPMAC 2006-CW2 MV6	46629BAY5	3.4	+1200	100	71-052	YTC/A3/A-/A-
2.400	MABS 2006-NC2 M6	55275BAL1	3.4	+1600	100	63-125	YTC/A2/A-/A-
3.330	LBMLT 2006-8 M6	54251UAL0	3.5	+2500	100	49-071	YTC/A3/A+/
2.500	SASC 2006-BC5 M6	86359SAL8	3.8	+800	30	77-293	YTC/A2/A-/A
3.000	SASC 2006-WF3 M6	86361EAL5	3.9	+800	30	77-304	YTC/A2/A-/A-
2.000	SABR 2006-NC3 M5	81377CAH1	3.5	+1400	100	66-102	YTC/A2/A-/A-
4.000	SAST 2006-3 M6	80556AAK3	3.5	+1300	S4	68-107	YTC/A3/A/
2.320	CARR 2006-NC5 M6	144539AL7	3.6	+850	100	77-136	YTC/A2/A-/A-
4.000	MLMI 2006-MLN1 M6	59023AAL0	3.6	+1300	S3	68-005	YTC/A3/A/
6.000	LBMLT 2006-9 M6	54251WAL6	3.6	+2500	100	48-112	YTC/A3/A-/
2.423	MSAC 2006-HE3 M5	61749HAK6	3.7	+1100	S3	71-280	YTC/A2/A/BBB+
2.436	CMLTI 2006-NC2 M6	17309TAL2	3.4	+1400	100	67-112	YTC/A3/A-/
6.802	MABS 2006-WMC3 M6	55291KAL1	3.6	+1600	100	62-121	YTC/A3/A/
7.278	JPMAC 2006-RM1 M6	46629NAM5	3.7	+1500	100	63-215	YTC/A3/A-/BBB
9.833	NHEL 2007-1 M6	669971AL7	3.8	+900	100	76-134	YTC/A3/A-/
5.007	GSAMP 2007-H1 M6	36245YAK0	3.9	+1600	S3	60-272	YTC/A3//A-
3.000	ACCR 2007-1 M6	00438QAK0	4.1	+1000	100	71-241	YTC/A3/A/

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Footnote Exhibits - Page 5380

1.000	ACE 2003-HE1 M4	004421DD2	0.2	+2200	45	96-114	YTC/Baa1/BBB+/BBB+
1.000	SURF 2003-BC4 B2	84751PBP3	0.4	+1500	50	94-265	YTC/Baa2/BBB/
1.000	ACE 2003-HE1 M5	004421DE0	0.2	+2000	45	96-246	YTC/Baa2/BBB/BBB
1.500	SACO 2006-6 B1	785779AH2	2.6			20-000	YTC/C/CCC/
3.000	SACO 2006-6 B2	785779AJ8	2.6			10-000	YTC/C/CCC/
7.550	CWL 2005-13 MV8	126670HR2	2.2	+800	40	88-301	YTC/Baa2/BBB+/
1.250	WFHET 2006-1 M7	9497EUAP2	2.8	+2000	100	62-301	YTC/Baa1/A/
3.650	MLMI 2006-HE2 B1	59020VAL7	2.9	+1500	S3	70-266	YTC/Baa1/A-/
3.600	SVHE 2006-OPT4 M7	83611YAM4	2.9	+2250	S3	59-096	YTC/Baa2/BBB+/
3.243	GSAMP 2006-HE4 M7	362439AM3	3.1	+1400	100	70-136	YTC/Baa1/A/
3.825	HEAT 2006-6 M7	437097AN8	3.2	+2500	100	53-024	YTC/Baa1/A/BBB+
11.250	FFML 2006-FF13 M7	30247DAM3	3.4	+1550	100	65-007	YTC/Baa1/A/
3.275	SURF 2006-BC3 B1	84751WAM6	3.3	+1200	S3	72-293	YTC/Baa1/A-/
4.125	HEAT 2006-7 M7	43709NAN3	3.4	+2200	100	54-297	YTC/Baa1/A-/BBB
12.000	CWL 2006-8 M7	045427AL5	3.7	+1600	S3	63-198	YTC/Baa1/BBB+/
2.837	GSAMP 2006-HE8 M7	3622M8AM8	3.6	+1400	100	66-293	YTC/Baa1/BBB+/
3.000	LBMLT 2006-10 M7	54251YAM0	3.7	+3000	100	42-155	YTC/Baa1/BBB+/
2.000	WMABS 2006-HE3 M7	93934MAM9	3.4	+1200	100	71-296	YTC/Baa1/BBB+/
4.000	LBMLT 2006-9 M7	54251WAM4	3.6	+3000	100	43-063	YTC/Baa1/A-/
7.000	GSAMP 2007-NC1 M7	3622MGAM0	3.8	+1200	100	69-261	YTC/Baa1/BBB+/
5.000	WMHE 2007-HE1 M7	933631AM5	3.9	+2000	100	54-103	YTC/Baa1/BBB+/
5.862	SURF 2007-BC1 B1	84752BAP4	4.0	+1400	S3	64-198	YTC/Baa1/BBB+/
7.000	MSAC 2007-NC1 B1	617505AM4	4.7	+1400	S3	61-304	YTC/Baa1/BBB+/
2.000	MSAC 2005-WMC1 B3	61744CMC7	0.6	+2500	S3	88-108	YTC/Baa3/BBB-/BBB-
5.000	FHLT 2005-B M10	35729PKE9	1.2	+3650	S4	69-292	YTC/Baa3/BBB-/
10.218	PPSI 2004-WCW1 M7	70069FAJ6	1.3	+2000	S4	82-191	YTC/Baa2//BBB
4.500	ECR 2005-4 M9	29256PBE3	1.9	+2000	40	73-151	YTC/Baa3/BBB-/
3.000	INABS 2005-B M9	456606HB1	2.1	+2050	100	71-267	YTC/Baa3/BBB/BBB-
3.150	RASC 2005-KS12 M9	753910AM0	2.7	+1700	S4	71-276	YTC/Baa3/BBB+/
2.400	SVHE 2006-OPT4 M8	83611YAN2	2.8	+3200	S3	50-042	YTC/Baa3/BBB/
7.156	GSAMP 2006-HE3 M9	36244KAP0	2.9	+3000	100	50-281	YTC/Baa3/BBB+/
1.500	FHLT 2006-A M8	35729RAP1	2.9	+2600	100	55-214	YTC/Ba3/BB/BB
5.000	NCHET 2006-1 M9	64352VRB9	3.0	+3300	100	48-137	YTC/B3/B/BB
8.410	GSAMP 2006-HE5 M9	362437AP0	3.3	+3000	100	47-293	YTC/Baa3/BBB/
3.131	FHLT 2006-D M9	35729VAP2	3.6	+2700	100	49-225	YTC/Baa3/BBB-/BB
4.000	SASC 2006-EQ1A M9	86360RAP8	3.7	+1300	30	72-127	YTC/Baa3/BBB-/
7.100	RAMP 2006-RZ3 M9	75156MAM7	3.9	+2000	100	59-037	YTC/Baa3//BBB-
1.421	MSAC 2006-HE7 B3	61750MAQ8	4.1	+2500	S3	48-252	YTC/Ba2/BBB-/
FIXED Alt-A			AVL	Sprd	Ppy	App Prc	Fctr/Notes
FLOATING Alt-A			AVL	DM	Ppy	App Prc	Fctr/Notes
4.000	GSAA 2006-10 AV1	362375AA5	0.6	+75	20	99-196	0.44/YTC/Aaa/AAA/
7.300	GSAA 2006-3 A1	362334BQ6	1.0	+75	20	99-111	0.52/YTC/Aaa/AAA/
4.300	GSAA 2006-12 A1	362381AA3	1.2	+75	20	99-066	0.65/YTC/Aaa/AAA/
20.000	GSAA 2006-19 A1	362244AA3	1.2	+75	20	99-074	0.69/YTC/Aaa/AAA/
25.000	GSAA 2004-6 A2	36228F7E0	1.2	+50	40	99-280	0.14/YTC/Aaa/AAA/
21.500	IMM 2005-4 1A2	45254NPC5	1.9	+75	20	99-091	0.33/YTC/Aaa/AAA/
3.000	GSAA 2006-20 1A1	362351AA6	1.3	+75	20	99-046	0.76/YTC/Aaa/AAA/
20.000	GSAA 2005-15 2A2	362341D71	3.2	+95	20	97-298	1.00/YTC/Aaa/AAA/
15.000	IMM 2004-11 2M2	45254NME4	0.9	+300	20	97-256	0.24/YTC/Aa2/AA/
10.255	BSABS 2007-AC1 M1	07389XAE3	6.0	+400	20	83-188	1.00/YTC/Aa2/AA/
5.000	BSABS 2007-AC2 M1	073854AD3	6.2	+400	20	83-056	1.00/YTC/Aa2/AA/
1.000	GSAA 2005-5 B2	36242DS38	1.0	+3000	20	76-233	
1.00/YTC/Baa2/BBB/BBB							
0.700	GSAA 2005-9 B3	362341GT0	3.1	+2500	20	55-253	1.00/YTC/Baa3/BBB-/
0.730	GSAA 2005-6 M3	36242D3Z4	3.7	+2500	20	52-283	1.00/YTC/A2/A/
1.000	GSAA 2006-9 B1	362382AP8	4.8	+1900	20	51-284	1.00/YTC/Baa2/A/
4.551	GSAA 2005-11 M4	362341PE3	4.6	+800	20	76-095	1.00/YTC/A3/A-/
6.552	CWALT 2005-AR1 M5	12668A4X0	5.3	+1350	20	60-097	1.00/YTC/A2/*-/A+/

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Footnote Exhibits - Page 5381

William Street Funding	AVL	DM	Ppy	App Prc	Fctr/Notes
Small Business Administration	AVL	Sprd	Ppy	Handle	Fctr/Notes
SP CDOs	AVL	DM	Ppy	App Prc	Fctr/Notes
NIMs	AVL	Yield	Ppy	App Prc	Fctr/Notes

	Floating Cards	Fixed Cards	Autos	RRB	HomeEq Fxd	HomeEq Flt	Student Loan FFELP	Student Loan Private
1	-2/-3	-3/-4	-1/-2	-4/-5	30/25	10/8	0/-1	2/1
2	-1/-2	-2/-3	0/-1	-3/-4	42/37	16/13	1/0	3/2
3	0/-1	-1/-2	4/3	-2/-3	52/47	25/20	3/2	4/3
5	4/3	2/1		1/0	85/80	29/24	7/6	6/5
7	6/5	5/4		6/5	105/95	35/30	11/10	14/13
10	9/7	8/7		9/8	112/107		13/12	18/17

HomeEq Flt Mezz/Sub	
AA	70/55
A	145/125
BBB+	375/300
BBB	575/450
BBB-	800/625

ABX.HE.07-2 Closes

	Price	Spread	Change
AAA	96-00	141	-25bp
AA	85-00	588	-154bp
A	61-00	1470	-105bp
BBB	42-00	2213	-4bp
BBB-	39-00	2318	-33bp

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From: Joe Marconi <joe.marconi@greywolfcapital.com>
Sent: Friday, September 7, 2007 7:23 AM
To: david.lehman@gs.com
Cc: Joe Marconi <joe.marconi@greywolfcapital.com>; Greg Mount <greg.mount@greywolfcapital.com>; Bieber, Matthew G. <Matthew.Bieber@gs.com>; Swenson, Michael <Michael.Swenson@gs.com>
Subject: FW: Timberwolf -- Default Swap Collateral
Attach: Inventory.xls

David: As we discussed yesterday, I believe that your refusal to approve the purchase of any additional Default Swap Collateral into Timberwolf is unreasonable and inconsistent with the way the transaction structure was originally presented to us. We were told that the purpose of the approval rights was to permit GS to review specific assets and approve or disapprove specific assets based on their relative credit merits. If we thought for a second that you had the right to prohibit all new purchases indefinitely, we would have implemented the much simpler GIC structure that is used in most other synthetic CDOs and CDO^2 transactions and thereby locked in a fixed spread to LIBOR for the term of our transaction. Also, the Timberwolf CDS economics include an ongoing fee to GS for the put swap component of the trade; we would not have agreed to those terms if we thought you had this option. Finally, I believe that if anyone on the deal team thought you had this option, it would have been clearly disclosed in the OM. Especially given current market conditions, I am surprised that you are taking a position that will directly result in less cash flow being available to debt and equity investors. As I said yesterday, we recognize the impact of current market conditions and, even before I spoke with Matt, I was suggesting we collectively focus on shorter average life AAA RMBS for the deal and I specifically solicited feedback on securities where GS would be comfortable. I continue to be surprised by your response. Joe.

Joe Marconi
GREYWOLF CAPITAL
4 Manhattanville Road, Suite 201
Purchase, NY 10577
P) 914.251.8249
F) 914.251.8244
M) 914[redacted]
E) joe.marconi@greywolfcapital.com

[redacted] = **Redacted by the Permanent Subcommittee on Investigations**

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From: Joe Marconi
Sent: Thursday, September 06, 2007 9:19 AM
To: 'david.lehman@gs.com'
Cc: Joe Marconi; Greg Mount; Bieber, Matthew G.; Swenson, Michael
Subject: FW: Timberwolf -- Default Swap Collateral
Importance: High

David: I would like to have a call with you to discuss the purchase of Default Swap Collateral into Timberwolf. I understand you are traveling this week. Let me know when you will have some time to talk. In response to the attached message, Matt told me that GS will not approve the purchase of any additional Default Swap Collateral into Timberwolf. While GS does have consent rights regarding the purchase of Default Swap Collateral, a blanket refusal to approve any assets is inappropriate, inconsistent with the parties' original expectations and will negatively impact the performance of both the debt and equity issued by Timberwolf. Give me a call when you can. Joe.

Joe Marconi
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M) 914[redacted]

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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
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E) joe.marconi@greywolfcapital.com

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From: Joe Marconi
Sent: Thursday, September 06, 2007 8:18 AM
To: 'Shimonov, Roman'
Cc: Joe Marconi; Bieber, Matthew G.; 'Martin, Nicole'
Subject: Timberwolf -- Default Swap Collateral

Roman:

We are doing our credit work on these 3 bonds which are shown on the GS inventory sheet. If we get comfortable with these positions, would GS be ok adding them to Timberwolf as Default Swap Collateral? We should be done with our credit work today.

Thanks. Joe.

FLOATING Home Equity			AVL	DM	Ppy	App Prc	Fctr/Notes
75.247	SVHE 2005-4 2A3	83611MKB3	0.6	+90	35	99-191	1.00/YTC
5.000	CWL 2005-BC5 3A2	126670NC8	0.6	+90	35	99-195	0.76/YTC
13.335	ABFC 2006-HE1 A2A	00075WAB5	0.8	+70	20	99-161	0.68/YTC

From: Bruns, William [mailto:William.Bruns@gs.com]
Sent: Thursday, September 06, 2007 7:48 AM
To: undisclosed-recipients
Subject: Goldman Sachs ABS Inventory (External)

ABS Cash Trading: Mike Swenson Deeb Salem Edwin Chin Jordan Kaufman Will Bruns +1 (212)902-5090

In autos:
- **CARMX** announced a $500mm deal.

In cards:
- CCCIT announced a $750mm deal.

<<Inventory.xls>>

Amt ($mm)	Issue	CUSIP	AVL	Sprd	Ppy	Approx Price	Fctr/Notes
FIXED Credit Cards/Dealer Floorplan/Student Loans							
3.750	MBNAS 2003-A11 A11	55264TCH2	1.1	E+24		98-	
1.00/YTC/Aaa/AAA/AAA							
3.750	BOIT 2003-A9 A9	06423RBE5	1.1	E+24		SOLD	
1.00/YTC/Aaa/AAA/AAA							
10.000	MBNAM 1999-J B	55262TEV1	2.0	N+50		104-	1.00/YTC/A2/A+/A+

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FLOATING Credit Cards/Dealer Floorplan/Autos/UK & Aussie RMBS/Equipment/Stranded Cost							
3.300	CNHMT 2005-1 A	12615SAE0	0.8	+20		99-297	
1.00/YTC/Aaa/AAA/AAA							
1.500	CCCIT 2007-A2 A2	17305EDS1	2.7	+28		99-072	
1.00/YTC/Aaa/AAA/AAA							
12.500	COMET 2004-C2 C2	14041NBH3	6.4	+125		98-305	
1.00/YTC/Baa2/BBB/BBB							
3.000	GEBL 2006-2A D	36159EAG7	#N/A	N+300		90-101	
0.98/YTC/Baa2/BBB+/BBB							
FIXED Auto & Equipment Loans			AVL	Sprd	Ppy	Handle	Fctr/Notes
41.780	GSALT 2004-1 A4	36292RAM3	0.0	E+35	1.25	SOLD	0.47/YTC
8.555	NAVOT 2003-B A4	63936XAD6	0.3	E+50	0.75	99-	0.71/YTC
3.000	AESOP 2003-3A A3	00103RAX4	0.7	E+25	0.00	98-	1.00/YTC
7.000	GSALT 2005-1 A4	36292RAV3	1.3	E+40	1.35	98-	1.00/YTC
2.150	HDMOT 2005-2 A2	41283ABV0	1.2	E+30	1.45	98-	1.00/YTC
3.750	TAROT 2006-C A3	89578PAC3	1.4	E+55	1.45	99-	1.00/YTC
17.210	HERTZ 2004-1A A3	42805RAC3	0.5	E+25	0.00	98-	1.00/YTC
FIXED Stranded Cost			AVL	Sprd	Ppy	Handle	Fctr/Notes
15.000	CNP 2001-1 A3	75953MAC4	1.3	E+20	0	99-	1.00/YTC
5.000	CPL 2002-1 A3	12617AAC1	1.7	E+20	0	100-	1.00/YTC
4.000	CONFD 2001-1 A4	210523AD8	1.3	E+20	S1	99-	0.90/YTC
5.060	CONFD 2001-1 A5	210523AE6	4.2	N+28	S1	101-	1.00/YTC
Student Loans			AVL	DM	Ppy	App Prc	Fctr/Notes
4.650	SLMA 2006-9 A2	78443KAB2	1.5	+20	100	99-214	1.00/YTC
50.025	SLMA 2006-6 A1	83149FAA2	1.5	+20	150	99-205	0.68/YTC
13.675	SLMA 2007-3 A1	78443YAA4	0.8	+20	20	99-253	0.81/YTC
FIXED Home Equity			AVL	Sprd	Ppy	Handle	Fctr/Notes
12.000	CWL 2002-S4 A5	126671UD6	0.2	E+50	25	99-	0.87/YTC
5.000	POPLR 2005-1 AF3	73316PBK5	1.0	E+45	15	98-	0.57/YTC
24.456	CBASS 2004-CB1 AF1	04542BFH0	1.4	E+55	30	97-	0.03/YTC
7.585	ACCR 2003-2 A1	004375AN1	2.8	N+100	100	95-	0.31/YTC
5.273	SAIL 2005-8 M7	86358EXW1	3.8			55-	1.00/YTC/Ba3/BBB/
10.000	SAIL 2005-8 M8	86358EXX9	3.8			45-	1.00/YTC/B3/B/
4.220	CWL 2005-11 MF8	126670CU0	4.0	N+500	S3	87-	1.00/YTC/Baa2/BBB/
4.364	GSAMP 2004-AR2 B4	36242DDY6	0.8	E+1500	45	89-	0.36/YTC/Ba1//BB+
FLOATING Home Equity			AVL	DM	Ppy	App Prc	Fctr/Notes
75.247	SVHE 2005-4 2A3	83611MKB3	0.6	+90	35	99-191	1.00/YTC
5.000	CWL 2005-BC5 3A2	126670NC8	0.6	+90	35	99-195	0.76/YTC
13.335	ABFC 2006-HE1 A2A	00075WAB5	0.8	+70	20	99-161	0.68/YTC
20.000	MSAC 2004-HE8 A4	61744CGW0	0.1	+45	35	99-317	0.04/YTC
5.000	CMLTI 2007-WFH2 A3	17312BAC6	2.3	+150	100	97-053	1.00/YTC
2.000	OWNIT 2006-5 A2C	69121EAE8	2.8	+140	S3	96-262	1.00/YTC
12.000	GSAMP 2005-WMC3 A1B	362341L23	3.0	+65	20	99-064	0.54/YTC
10.000	JPMAC 2006-NC1 A5	46626LJQ4	4.7	+175	100	94-025	1.00/YTC

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11.000	GSAMP 2005-WMC2 A2C	362341UZ0	5.0	+95	100	97-141	1.00/YTC
9.437	TMTS 2006-3 2A3	881561W26	3.9	+375	S3	88-186	1.00/YTC
10.000	AMSI 2005-R3 M2	03072SZY4	1.9	+450	30	93-067	YTC/Aa2/AA/AA
2.000	RASC 2005-AHL3 M2	76110W6P6	2.9	+750	30	83-164	YTC/Aa2/AA/
7.000	SURF 2006-BC2 M2	84751PLR8	3.2	+550	S3	86-098	YTC/Aa2/AA/
7.115	BAYV 2004-C M1	073247BL1	0.1	+200	21	97-097	YTM/Aa2/AA/AA
3.050	HEAT 2006-6 M3	437097AJ7	3.3	+1000	100	75-093	YTC/Aa3/AA/AA+
15.836	OWNIT 2006-6 M1	69121TAF2	4.1	+450	S3	86-044	YTC/Aa1/AA+/
12.376	GSAMP 2007-FM1 M3	3622MAAH4	5.6	+600	100	76-143	YTC/Aa3/AA-/
15.992	HASC 2006-WMC1 M3	40430MAJ6	5.7	+900	30	66-075	YTC/Aa3/AA/BBB-
16.000	ABFC 2003-OPT1 M2	04542BDJ8	0.4	+800	S4	97-248	YTC/A2/AA/A+
3.000	ACE 2005-RM1 M6	004421LR2	0.7	+900	30	92-208	YTM/A3/A/A-
7.810	GSAMP 2004-NC2 M3	36242DHC0	1.3	+550	100	95-102	YTC//A-/A-
2.341	BSABS 2005-1 M3	073877AX0	1.2	+1500	35	85-244	YTC//A-/A-
10.554	HEAT 2005-1 M5	437084HU3	1.5	+1600	100	80-223	YTC/A2/A+/
2.500	AMSI 2005-R6 M2	03072SG33	2.0	+700	40	88-300	YTC/NR/AA/AA
2.500	AMSI 2005-R6 M3	03072SG41	1.8	+700	40	89-266	YTC/NR/AA-/AA-
2.000	CWL 2005-6 M5	126673W65	2.2	+355	30	94-134	YTC/A2/A/
1.000	CBASS 2005-CB7 M6	12489WPR9	2.6	+600	S3	88-125	YTC/A3/AA/A+
8.218	FFML 2006-FF11 M6	32028PAM7	3.3	+1300	100	69-291	YTC/A3/A/BBB+
8.733	ABFC 2006-OPT1 M6	00075QAK8	3.1	+600	S4	85-158	YTC/A3/A-/A-
1.029	CARR 2005-FRE1 M5	144531EK2	3.2	+500	25	88-151	YTC/A2/A/
10.378	LBMLT 2006-7 M6	54251TAL3	3.4	+2500	100	50-032	YTC/A3/A+/BBB
3.902	JPMAC 2006-NC2 M6	46629FAK6	3.4	+1200	100	71-067	YTC/A3/A-/A-
7.000	JPMAC 2006-CW2 MV6	46629BAY5	3.4	+1200	100	71-052	YTC/A3/A-/A-
2.400	MABS 2006-NC2 M6	55275BAL1	3.4	+1600	100	63-125	YTC/A2/A-/A-
3.330	LBMLT 2006-8 M6	54251UAL0	3.5	+2500	100	49-071	YTC/A3/A+/
2.500	SASC 2006-BC5 M6	86359SAL8	3.8	+800	30	77-293	YTC/A2/A-/A
3.000	SASC 2006-WF3 M6	86361EAL5	3.9	+800	30	77-304	YTC/A2/A-/A-
2.000	SABR 2006-NC3 M5	81377CAH1	3.5	+1400	100	66-102	YTC/A2/A-/A-
4.000	SAST 2006-3 M6	80556AAK3	3.5	+1300	S4	68-107	YTC/A3/A/
2.320	CARR 2006-NC5 M6	144539AL7	3.6	+850	100	77-136	YTC/A2/A-/A-
4.000	MLMI 2006-MLN1 M6	59023AAL0	3.6	+1300	S3	68-005	YTC/A3/A/
6.000	LBMLT 2006-9 M6	54251WAL6	3.6	+2500	100	48-112	YTC/A3/A-/
2.423	MSAC 2006-HE3 M5	61749HAK6	3.7	+1100	S3	71-280	YTC/A2/A/BBB+
2.436	CMLTI 2006-NC2 M6	17309TAL2	3.4	+1400	100	67-112	YTC/A3/A-/
6.802	MABS 2006-WMC3 M6	55291KAL1	3.6	+1600	100	62-121	YTC/A3/A/
7.278	JPMAC 2006-RM1 M6	46629NAM5	3.7	+1500	100	63-215	YTC/A3/A-/BBB
9.833	NHEL 2007-1 M6	669971AL7	3.8	+900	100	76-134	YTC/A3/A-/
5.007	GSAMP 2007-H1 M6	36245YAK0	3.9	+1600	S3	60-272	YTC/A3//A-
3.000	ACCR 2007-1 M6	00438QAK0	4.1	+1000	100	71-241	YTC/A3/A/
1.000	ACE 2003-HE1 M4	004421DD2	0.2	+2200	45	96-114	YTC/Baa1/BBB+/BBB+
1.000	SURF 2003-BC4 B2	84751PBP3	0.4	+1500	50	94-265	YTC/Baa2/BBB/
1.000	ACE 2003-HE1 M5	004421DE0	0.2	+2000	45	96-246	YTC/Baa2/BBB/BBB
1.500	SACO 2006-6 B1	785779AH2	2.6			20-000	YTC/C/CCC/
3.000	SACO 2006-6 B2	785779AJ8	2.6			10-000	YTC/C/CCC/
7.550	CWL 2005-13 MV8	126670HR2	2.2	+800	40	88-301	YTC/Baa2/BBB+/
1.250	WFHET 2006-1 M7	9497EUAP2	2.8	+2000	100	62-301	YTC/Baa1/A/
3.650	MLMI 2006-HE2 B1	59020VAL7	2.9	+1500	S3	70-266	YTC/Baa1/A-/

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3.600	SVHE 2006-OPT4 M7	83611YAM4	2.9	+2250	S3	59-096	YTC/Baa2/BBB+/
3.243	GSAMP 2006-HE4 M7	362439AM3	3.1	+1400	100	70-136	YTC/Baa1/A/
3.825	HEAT 2006-6 M7	437097AN8	3.2	+2500	100	53-024	YTC/Baa1/A/BBB+
11.250	FFML 2006-FF13 M7	30247DAM3	3.4	+1550	100	65-007	YTC/Baa1/A/
3.275	SURF 2006-BC3 B1	84751WAM6	3.3	+1200	S3	72-293	YTC/Baa1/A-/
4.125	HEAT 2006-7 M7	43709NAN3	3.4	+2200	100	54-297	YTC/Baa1/A-/BBB
12.000	CWL 2006-8 M7	045427AL5	3.7	+1600	S3	63-198	YTC/Baa1/BBB+/
2.837	GSAMP 2006-HE8 M7	3622M8AM8	3.6	+1400	100	66-293	YTC/Baa1/BBB+/
3.000	LBMLT 2006-10 M7	54251YAM0	3.7	+3000	100	42-155	YTC/Baa1/BBB+/
2.000	WMABS 2006-HE3 M7	93934MAM9	3.4	+1200	100	71-296	YTC/Baa1/BBB+/
4.000	LBMLT 2006-9 M7	54251WAM4	3.6	+3000	100	43-063	YTC/Baa1/A-/
7.000	GSAMP 2007-NC1 M7	3622MGAM0	3.8	+1200	100	69-261	YTC/Baa1/BBB+/
5.000	WMHE 2007-HE1 M7	933631AM5	3.9	+2000	100	54-103	YTC/Baa1/BBB+/
5.862	SURF 2007-BC1 B1	84752BAP4	4.0	+1400	S3	64-198	YTC/Baa1/BBB+/
7.000	MSAC 2007-NC1 B1	617505AM4	4.7	+1400	S3	61-304	YTC/Baa1/BBB+/
2.000	MSAC 2005-WMC1 B3	61744CMC7	0.6	+2500	S3	88-108	YTC/Baa3/BBB-/BBB-
5.000	FHLT 2005-B M10	35729PKE9	1.2	+3650	S4	69-292	YTC/Baa3/BBB-/
10.218	PPSI 2004-WCW1 M7	70069FAJ6	1.3	+2000	S4	82-191	YTC/Baa2//BBB
4.500	ECR 2005-4 M9	29256PBE3	1.9	+2000	40	73-151	YTC/Baa3/BBB-/
3.000	INABS 2005-B M9	456606HB1	2.1	+2050	100	71-267	YTC/Baa3/BBB/BBB-
3.150	RASC 2005-KS12 M9	753910AM0	2.7	+1700	S4	71-276	YTC/Baa3/BBB+/
2.400	SVHE 2006-OPT4 M8	83611YAN2	2.8	+3200	S3	50-042	YTC/Baa3/BBB/
7.156	GSAMP 2006-HE3 M9	36244KAP0	2.9	+3000	100	50-281	YTC/Baa3/BBB+/
1.500	FHLT 2006-A M8	35729RAP1	2.9	+2600	100	55-214	YTC/Ba3/BB/BB
5.000	NCHET 2006-1 M9	64352VRB9	3.0	+3300	100	48-137	YTC/B3/B/BB
8.410	GSAMP 2006-HE5 M9	362437AP0	3.3	+3000	100	47-293	YTC/Baa3/BBB/
3.131	FHLT 2006-D M9	35729VAP2	3.6	+2700	100	49-225	YTC/Baa3/BBB-/BB
4.000	SASC 2006-EQ1A M9	86360RAP8	3.7	+1300	30	72-127	YTC/Baa3/BBB-/
7.100	RAMP 2006-RZ3 M9	75156MAM7	3.9	+2000	100	59-037	YTC/Baa3//BBB-
1.421	MSAC 2006-HE7 B3	61750MAQ8	4.1	+2500	S3	48-252	YTC/Ba2/BBB-/
FIXED Alt-A			AVL	Sprd	Ppy	App Prc	Fctr/Notes
FLOATING Alt-A			AVL	DM	Ppy	App Prc	Fctr/Notes
4.000	GSAA 2006-10 AV1	362375AA5	0.6	+75	20	99-196	0.44/YTC/Aaa/AAA/
7.300	GSAA 2006-3 A1	362334BQ6	1.0	+75	20	99-111	0.52/YTC/Aaa/AAA/
4.300	GSAA 2006-12 A1	362381AA3	1.2	+75	20	99-066	0.65/YTC/Aaa/AAA/
20.000	GSAA 2006-19 A1	362244AA3	1.2	+75	20	99-074	0.69/YTC/Aaa/AAA/
25.000	GSAA 2004-6 A2	36228F7E0	1.2	+50	40	99-280	0.14/YTC/Aaa/AAA/
21.500	IMM 2005-4 1A2	45254NPC5	1.9	+75	20	99-091	0.33/YTC/Aaa/AAA/
3.000	GSAA 2006-20 1A1	362351AA6	1.3	+75	20	99-046	0.76/YTC/Aaa/AAA/
20.000	GSAA 2005-15 2A2	362341D71	3.2	+95	20	97-298	1.00/YTC/Aaa/AAA/
15.000	IMM 2004-11 2M2	45254NME4	0.9	+300	20	97-256	0.24/YTC/Aa2/AA/
10.255	BSABS 2007-AC1 M1	07389XAE3	6.0	+400	20	83-188	1.00/YTC/Aa2/AA/
5.000	BSABS 2007-AC2 M1	073854AD3	6.2	+400	20	83-056	1.00/YTC/Aa2/AA/
1.000	GSAA 2005-5 B2	36242DS38	1.0	+3000	20	76-233	
1.00/YTC/Baa2/BBB/BBB							
0.700	GSAA 2005-9 B3	362341GT0	3.1	+2500	20	55-253	1.00/YTC/Baa3/BBB-/
0.730	GSAA 2005-6 M3	36242D3Z4	3.7	+2500	20	52-283	1.00/YTC/A2/A/

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Footnote Exhibits - Page 5387

1.000	GSAA 2006-9 B1	362382AP8	4.8	+1900	20	51-284	1.00/YTC/Baa2/A/
4.551	GSAA 2005-11 M4	362341PE3	4.6	+800	20	76-095	1.00/YTC/A3/A-/
6.552	CWALT 2005-AR1 M5	12668A4X0	5.3	+1350	20	60-097	1.00/YTC/A2/*-/A+/

William Street Funding	AVL	DM	Ppy	App Prc	Fctr/Notes
Small Business Administration	AVL	Sprd	Ppy	Handle	Fctr/Notes
SP CDOs	AVL	DM	Ppy	App Prc	Fctr/Notes
NIMs	AVL	Yield	Ppy	App Prc	Fctr/Notes

	Floating Cards	Fixed Cards	Autos	RRB	HomeEq Fxd	HomeEq Flt	Student Loan FFELP	Student Loan Private
1	-2/-3	-3/-4	-1/-2	-4/-5	30/25	10/8	0/-1	2/1
2	-1/-2	-2/-3	0/-1	-3/-4	42/37	16/13	1/0	3/2
3	0/-1	-1/-2	4/3	-2/-3	52/47	25/20	3/2	4/3
5	4/3	2/1		1/0	85/80	29/24	7/6	6/5
7	6/5	5/4		6/5	105/95	35/30	11/10	14/13
10	9/7	8/7		9/8	112/107		13/12	18/17

HomeEq Flt	Mezz/Sub
AA	70/55
A	145/125
BBB+	375/300
BBB	575/450
BBB-	800/625

ABX.HE.07-2 Closes

	Price	Spread	Change
AAA	96-00	141	-25bp
AA	85-00	588	-154bp
A	61-00	1470	-105bp
BBB	42-00	2213	-4bp
BBB-	39-00	2318	-33bp

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[redacted] **Footnote Exhibits - Page 5388**

From: Blalack, K. Lee [redacted]
Sent: Friday, January 07, 2011 3:20 PM
To: Roach, Bob (HSGAC)
Cc: [redacted]
Subject: RE: Follow up

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Bob,

[redacted]

With respect to your second question below, as noted in my letter of December 21, 2010, Section 12.5 of the Indenture for the Timberwolf CDO confers on the Secured Party the right to consent to the selection and reinvestment of default swap collateral. It is the position of Goldman Sachs that neither Section 12.5 of the Indenture nor any other relevant deal documents impose any obligation on the Secured Party to consent to reinvestment of default swap collateral, either on a case-by-case basis or generally. Of course, as you know, with respect to Timberwolf, reinvestment of default swap collateral did occur.

Thanks. Lee

From: Roach, Bob (HSGAC) [redacted]
Sent: Thursday, December 23, 2010 4:09 PM
To: Blalack, K. Lee
[redacted]
Subject: RE: Follow up

Hi Lee – [redacted] There are two items I wanted to follow up on with you:

1. [redacted]

2. I have read Goldman's answer regarding its current views with respect to its right to object to reinvestment of collateral in the Timberwolf CDO. I realize that Section 12.5 of the Indenture provides consent rights to the Secured Party (GSI) and no default swap collateral may be purchased by the issuer if it is objected to by the Secured Party. What I would like Goldman's view on is whether that right can extend to and permit objecting to the purchase of <u>any</u> proposed default swap collateral (either on a case by case basis or via a blanket refusal to consent to the purchase of any default swap collateral0, so that the issuer is unable to purchase any new or additional purchases of default swap collateral. In other words, would the rights given to Goldman as the Secured Party under Section 12.5 enable Goldman to prevent the issuer from purchasing any new or additional default swap collateral, so that as existing default swap collateral yields interest or dividends or pays down, all the income remains in cash and is not used to purchase new or additional default swap collateral?

Thanks.

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2653

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Bob.

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Pages 2-8 of email chain redacted by the Permanent Subcommittee on Investigations.

From: Horvath, Jordan
Sent: Friday, September 07, 2007 8:42 AM
To: Saunders, Tim; Bieber, Matthew G.; Helfrick, Susan
Cc: Lehman, David A.
Subject: RE: Timberwolf -- Default Swap Collateral

I can do 1:15 -- I will send around an invite to mark it off on our calendars.

-----Original Message-----
From: Saunders, Tim
Sent: Friday, September 07, 2007 8:14 AM
To: Bieber, Matthew G.; Helfrick, Susan; Horvath, Jordan
Cc: Lehman, David A.
Subject: Re: Timberwolf -- Default Swap Collateral

Perfect. You want to say 1pm? Susan and Jordan does that work for u all?

----- Original Message -----
From: Bieber, Matthew G.
To: Saunders, Tim; Helfrick, Susan; Horvath, Jordan
Cc: Lehman, David A.
Sent: Fri Sep 07 08:11:46 2007
Subject: RE: Timberwolf -- Default Swap Collateral

I am as well...this afternoon works for me, though.

-----Original Message-----
From: Saunders, Tim
Sent: Friday, September 07, 2007 8:11 AM
To: Bieber, Matthew G.; Helfrick, Susan; Horvath, Jordan
Cc: Lehman, David A.
Subject: Re: Timberwolf -- Default Swap Collateral

Let's discuss live. I'm pretty tied up this morning but will try to break away.

----- Original Message -----
From: Bieber, Matthew G.
To: Saunders, Tim; Helfrick, Susan; Horvath, Jordan
Cc: Lehman, David A.
Sent: Fri Sep 07 07:46:29 2007
Subject: FW: Timberwolf -- Default Swap Collateral

Pls see email we received below - wanted to get your take on what response (if any) we should craft. This is related to the default swap collateral account in Timberwolf used to collateralize the exposure we have to the CDO on the CDS contracts that are the assets in TWOLF.

From: Joe Marconi [mailto:joe.marconi@greywolfcapital.com]
Sent: Friday, September 07, 2007 7:23 AM
To: Lehman, David A.
Cc: Joe Marconi; Greg Mount; Bieber, Matthew G.; Swenson, Michael
Subject: FW: Timberwolf -- Default Swap Collateral
Importance: High

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2654

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David: As we discussed yesterday, I believe that your refusal to approve the purchase of any additional Default Swap Collateral into Timberwolf is unreasonable and inconsistent with the way the transaction structure was originally presented to us. We were told that the purpose of the approval rights was to permit GS to review specific assets and approve or disapprove specific assets based on their relative credit merits. If we thought for a second that you had the right to prohibit all new purchases indefinitely, we would have implemented the much simpler GIC structure that is used in most other synthetic CDOs and CDO^2 transactions and thereby locked in a fixed spread to LIBOR for the term of our transaction. Also, the Timberwolf CDS economics include an ongoing fee to GS for the put swap component of the trade; we would not have agreed to those terms if we thought you had this option. Finally, I believe that if anyone on the deal team thought you had this option, it would have been clearly disclosed in the OM. Especially given current market conditions, I am surprised that you are taking a position that will directly result in less cash flow being available to debt and equity investors. As I said yesterday, we recognize the impact of current market conditions and, even before I spoke with Matt, I was suggesting we collectively focus on shorter average life AAA RMBS for the deal and I specifically solicited feedback on securities where GS would be comfortable. I continue to be surprised by your response. Joe.

Joe Marconi
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M) 914[redacted]
E) joe.marconi@greywolfcapital.com <mailto:s@greywolfcapital.com>

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From: Joe Marconi
Sent: Thursday, September 06, 2007 9:19 AM
To: 'david.lehman@gs.com'
Cc: Joe Marconi; Greg Mount; Bieber, Matthew G.; Swenson, Michael
Subject: FW: Timberwolf -- Default Swap Collateral
Importance: High

David: I would like to have a call with you to discuss the purchase of Default Swap Collateral into Timberwolf. I understand you are traveling this week. Let me know when you will have some time to talk. In response to the attached message, Matt told me that GS will not approve the purchase of any additional Default Swap Collateral into Timberwolf. While GS does have consent rights regarding the purchase of Default Swap Collateral, a blanket refusal to approve any assets is inappropriate, inconsistent with the parties' original expectations and will negatively impact the performance of both the debt and equity issued by Timberwolf. Give me a call when you can. Joe.

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E) joe.marconi@greywolfcapital.com <mailto:s@greywolfcapital.com>

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From: Joe Marconi
Sent: Thursday, September 06, 2007 8:18 AM
To: 'Shimonov, Roman'
Cc: Joe Marconi; Bieber, Matthew G.; 'Martin, Nicole'
Subject: Timberwolf -- Default Swap Collateral

Roman:

We are doing our credit work on these 3 bonds which are shown on the GS inventory sheet. If we get comfortable with these positions, would GS be ok adding them to Timberwolf as Default Swap Collateral? We should be done with our credit work today.

Thanks. Joe.

FLOATING	Home Equity		AVL	DM	Ppy	App Prc	Fctr/Notes
75.247	SVHE 2005-4 2A3	83611MKB3	0.6	+90	35	99-191	1.00/YTC
5.000	CWL 2005-BC5 3A2	126670NC8	0.6	+90	35	99-195	0.76/YTC
13.335	ABFC 2006-HE1 A2A	00075WAB5	0.8	+70	20	99-161	0.68/YTC

From: Bruns, William [mailto:William.Bruns@gs.com]
Sent: Thursday, September 06, 2007 7:48 AM
To: undisclosed-recipients
Subject: Goldman Sachs ABS Inventory (External)

ABS Cash Trading: Mike Swenson Deeb Salem Edwin Chin Jordan Kaufman Will Bruns +1 (212)902-5090

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In autos:
- CARMX announced a $500mm deal.

In cards:
- CCCIT announced a $750mm deal.

<<Inventory.xls>>

Amt ($mm)	Issue	CUSIP	AVL	Sprd	Ppy	Approx Price	Fctr/Notes
FIXED Credit Cards/Dealer Floorplan/Student Loans							
3.750	MBNAS 2003-A11 A11	55264TCH2	1.1	E+24		98-	1.00/YTC/Aaa/AAA/AAA
3.750	BOIT 2003-A9 A9	06423RBE5	1.1	E+24		SOLD	1.00/YTC/Aaa/AAA/AAA
10.000	MBNAM 1999-J B	55262TEV1	2.0	N+50		104-	1.00/YTC/A2/A+/A+
FLOATING Credit Cards/Dealer Floorplan/Autos/UK & Aussie RMBS/Equipment/Stranded Cost							
3.300	CNHMT 2005-1 A	12615SAE0	0.8	+20		99-297	1.00/YTC/Aaa/AAA/AAA
1.500	CCCIT 2007-A2 A2	17305EDS1	2.7	+28		99-072	1.00/YTC/Aaa/AAA/AAA
12.500	COMET 2004-C2 C2	14041NBH3	6.4	+125		98-305	
1.00/YTC/Baa2/BBB/BBB							
3.000	GEBL 2006-2A D	36159EAG7	#N/A	N+300		90-101	
0.98/YTC/Baa2/BBB+/BBB							
FIXED Auto & Equipment Loans			AVL	Sprd	Ppy	Handle	Fctr/Notes
41.780	GSALT 2004-1 A4	36292RAM3	0.0	E+35	1.25	SOLD	0.47/YTC
8.555	NAVOT 2003-B A4	63936XAD6	0.3	E+50	0.75	99-	0.71/YTC
3.000	AESOP 2003-3A A3	00103RAX4	0.7	E+25	0.00	98-	1.00/YTC
7.000	GSALT 2005-1 A4	36292RAV3	1.3	E+40	1.35	98-	1.00/YTC
2.150	HDMOT 2005-2 A2	41283ABV0	1.2	E+30	1.45	98-	1.00/YTC
3.750	TAROT 2006-C A3	89578PAC3	1.4	E+55	1.45	99-	1.00/YTC
17.210	HERTZ 2004-1A A3	42805RAC3	0.5	E+25	0.00	98-	1.00/YTC
FIXED Stranded Cost			AVL	Sprd	Ppy	Handle	Fctr/Notes
15.000	CNP 2001-1 A3	75953MAC4	1.3	E+20	0	99-	1.00/YTC
5.000	CPL 2002-1 A3	12617AAC1	1.7	E+20	0	100-	1.00/YTC
4.000	CONFD 2001-1 A4	210523AD8	1.3	E+20	S1	99-	0.90/YTC
5.060	CONFD 2001-1 A5	210523AE6	4.2	N+28	S1	101-	1.00/YTC
Student Loans			AVL	DM	Ppy	App Prc	Fctr/Notes
4.650	SLMA 2006-9 A2	78443KAB2	1.5	+20	100	99-214	1.00/YTC
50.025	SLMA 2006-6 A1	83149FAA2	1.5	+20	150	99-205	0.68/YTC
13.675	SLMA 2007-3 A1	78443YAA4	0.8	+20	20	99-253	0.81/YTC
FIXED Home Equity			AVL	Sprd	Ppy	Handle	Fctr/Notes
12.000	CWL 2002-S4 A5	126671UD6	0.2	E+50	25	99-	0.87/YTC
5.000	POPLR 2005-1 AF3	73316PBK5	1.0	E+45	15	98-	0.57/YTC
24.456	CBASS 2004-CB1 AF1	04542BFH0	1.4	E+55	30	97-	0.03/YTC
7.585	ACCR 2003-2 A1	004375AN1	2.8	N+100	100	95-	0.31/YTC
5.273	SAIL 2005-8 M7	86358EXW1	3.8			55-	1.00/YTC/Ba3/BBB/
10.000	SAIL 2005-8 M8	86358EXX9	3.8			45-	1.00/YTC/B3/B/
4.220	CWL 2005-11 MF8	126670CU0	4.0	N+500	S3	87-	1.00/YTC/Baa2/BBB/
4.364	GSAMP 2004-AR2 B4	36242DDY6	0.8	E+1500	45	89-	0.36/YTC/Ba1//BB+
FLOATING Home Equity			AVL	DM	Ppy	App Prc	Fctr/Notes
75.247	SVHE 2005-4 2A3	83611MKB3	0.6	+90	35	99-191	1.00/YTC
5.000	CWL 2005-BC5 3A2	126670NC8	0.6	+90	35	99-195	0.76/YTC
13.335	ABFC 2006-HE1 A2A	00075WAB5	0.8	+70	20	99-161	0.68/YTC
20.000	MSAC 2004-HE8 A4	61744CGW0	0.1	+45	35	99-317	0.04/YTC

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5.000	CMLTI 2007-WFH2 A3	17312BAC6	2.3	+150	100	97-053	1.00/YTC
2.000	OWNIT 2006-5 A2C	69121EAE8	2.8	+140	S3	96-262	1.00/YTC
12.000	GSAMP 2005-WMC3 A1B	362341L23	3.0	+65	20	99-064	0.54/YTC
10.000	JPMAC 2006-NC1 A5	46626LJQ4	4.7	+175	100	94-025	1.00/YTC
11.000	GSAMP 2005-WMC2 A2C	362341UZ0	5.0	+95	100	97-141	1.00/YTC
9.437	TMTS 2006-3 2A3	881561W26	3.9	+375	S3	88-186	1.00/YTC
10.000	AMSI 2005-R3 M2	03072SZY4	1.9	+450	30	93-067	YTC/Aa2/AA/AA
2.000	RASC 2005-AHL3 M2	76110W6P6	2.9	+750	30	83-164	YTC/Aa2/AA/
7.000	SURF 2006-BC2 M2	84751PLR8	3.2	+550	S3	86-098	YTC/Aa2/AA/
7.115	BAYV 2004-C M1	073247BL1	0.1	+200	21	97-097	YTM/Aa2/AA/AA
3.050	HEAT 2006-6 M3	437097AJ7	3.3	+1000	100	75-093	YTC/Aa3/AA/AA+
15.836	OWNIT 2006-6 M1	69121TAF2	4.1	+450	S3	86-044	YTC/Aa1/AA+/
12.376	GSAMP 2007-FM1 M3	3622MAAH4	5.6	+600	100	76-143	YTC/Aa3/AA-/
15.992	HASC 2006-WMC1 M3	40430MAJ6	5.7	+900	30	66-075	YTC/Aa3/AA/BBB-
16.000	ABFC 2003-OPT1 M2	04542BDJ8	0.4	+800	S4	97-248	YTC/A2/AA/A+
3.000	ACE 2005-RM1 M6	004421LR2	0.7	+900	30	92-208	YTM/A3/A/A-
7.810	GSAMP 2004-NC2 M3	36242DHC0	1.3	+550	100	95-102	YTC//A-/A-
2.341	BSABS 2005-1 M3	073877AX0	1.2	+1500	35	85-244	YTC//A-/A-
10.554	HEAT 2005-1 M5	437084HU3	1.5	+1600	100	80-223	YTC/A2/A+/
2.500	AMSI 2005-R6 M2	03072SG33	2.0	+700	40	88-300	YTC/NR/AA/AA
2.500	AMSI 2005-R6 M3	03072SG41	1.8	+700	40	89-266	YTC/NR/AA-/AA-
2.000	CWL 2005-6 M5	126673W65	2.2	+355	30	94-134	YTC/A2/A/
1.000	CBASS 2005-CB7 M6	12489WPR9	2.6	+600	S3	88-125	YTC/A3/AA/A+
8.218	FFML 2006-FF11 M6	32028PAM7	3.3	+1300	100	69-291	YTC/A3/A/BBB+
8.733	ABFC 2006-OPT1 M6	00075QAK8	3.1	+600	S4	85-158	YTC/A3/A-/A-
1.029	CARR 2005-FRE1 M5	144531EK2	3.2	+500	25	88-151	YTC/A2/A/
10.378	LBMLT 2006-7 M6	54251TAL3	3.4	+2500	100	50-032	YTC/A3/A+/BBB
3.902	JPMAC 2006-NC2 M6	46629FAK6	3.4	+1200	100	71-067	YTC/A3/A-/A-
7.000	JPMAC 2006-CW2 MV6	46629BAY5	3.4	+1200	100	71-052	YTC/A3/A-/A-
2.400	MABS 2006-NC2 M6	55275BAL1	3.4	+1600	100	63-125	YTC/A2/A-/A-
3.330	LBMLT 2006-8 M6	54251UAL0	3.5	+2500	100	49-071	YTC/A3/A+/
2.500	SASC 2006-BC5 M6	86359SAL8	3.8	+800	30	77-293	YTC/A2/A-/A
3.000	SASC 2006-WF3 M6	86361EAL5	3.9	+800	30	77-304	YTC/A2/A-/A-
2.000	SABR 2006-NC3 M5	81377CAH1	3.5	+1400	100	66-102	YTC/A2/A-/A-
4.000	SAST 2006-3 M6	80556AAK3	3.5	+1300	S4	68-107	YTC/A3/A/
2.320	CARR 2006-NC5 M6	144539AL7	3.6	+850	100	77-136	YTC/A2/A-/A-
4.000	MLMI 2006-MLN1 M6	59023AAL0	3.6	+1300	S3	68-005	YTC/A3/A/
6.000	LBMLT 2006-9 M6	54251WAL6	3.6	+2500	100	48-112	YTC/A3/A-/
2.423	MSAC 2006-HE3 M5	61749HAK6	3.7	+1100	S3	71-280	YTC/A2/A/BBB+
2.436	CMLTI 2006-NC2 M6	17309TAL2	3.4	+1400	100	67-112	YTC/A3/A-/
6.802	MABS 2006-WMC3 M6	55291KAL1	3.6	+1600	100	62-121	YTC/A3/A/
7.278	JPMAC 2006-RM1 M6	46629NAM5	3.7	+1500	100	63-215	YTC/A3/A-/BBB
9.833	NHEL 2007-1 M6	669971AL7	3.8	+900	100	76-134	YTC/A3/A-/
5.007	GSAMP 2007-H1 M6	36245YAK0	3.9	+1600	S3	60-272	YTC/A3//A-
3.000	ACCR 2007-1 M6	00438QAK0	4.1	+1000	100	71-241	YTC/A3/A/
1.000	ACE 2003-HE1 M4	004421DD2	0.2	+2200	45	96-114	YTC/Baa1/BBB+/BBB+
1.000	SURF 2003-BC4 B2	84751PBP3	0.4	+1500	50	94-265	YTC/Baa2/BBB/
1.000	ACE 2003-HE1 M5	004421DE0	0.2	+2000	45	96-246	YTC/Baa2/BBB/BBB
1.500	SACO 2006-6 B1	785779AH2	2.6			20-000	YTC/C/CCC/
3.000	SACO 2006-6 B2	785779AJ8	2.6			10-000	YTC/C/CCC/
7.550	CWL 2005-13 MV8	126670HR2	2.2	+800	40	88-301	YTC/Baa2/BBB+/
1.250	WFHET 2006-1 M7	9497EUAP2	2.8	+2000	100	62-301	YTC/Baa1/A/
3.650	MLMI 2006-HE2 B1	59020VAL7	2.9	+1500	S3	70-266	YTC/Baa1/A-/
3.600	SVHE 2006-OPT4 M7	83611YAM4	2.9	+2250	S3	59-096	YTC/Baa2/BBB+/
3.243	GSAMP 2006-HE4 M7	362439AM3	3.1	+1400	100	70-136	YTC/Baa1/A/
3.825	HEAT 2006-6 M7	437097AN8	3.2	+2500	100	53-024	YTC/Baa1/A/BBB+
11.250	FFML 2006-FF13 M7	30247DAM3	3.4	+1550	100	65-007	YTC/Baa1/A/
3.275	SURF 2006-BC3 B1	84751WAM6	3.3	+1200	S3	72-293	YTC/Baa1/A-/
4.125	HEAT 2006-7 M7	43709NAN3	3.4	+2200	100	54-297	YTC/Baa1/A-/BBB
12.000	CWL 2006-8 M7	045427AL5	3.7	+1600	S3	63-198	YTC/Baa1/BBB+/
2.837	GSAMP 2006-HE8 M7	3622M8AM8	3.6	+1400	100	66-293	YTC/Baa1/BBB+/
3.000	LBMLT 2006-10 M7	54251YAM0	3.7	+3000	100	42-155	YTC/Baa1/BBB+/

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Footnote Exhibits - Page 5395

2.000	WMABS 2006-HE3 M7	93934MAM9	3.4	+1200	100	71-296	YTC/Baa1/BBB+/
4.000	LBMLT 2006-9 M7	54251WAM4	3.6	+3000	100	43-063	YTC/Baa1/A-/
7.000	GSAMP 2007-NC1 M7	3622MGAM0	3.8	+1200	100	69-261	YTC/Baa1/BBB+/
5.000	WMHE 2007-HE1 M7	933631AM5	3.9	+2000	100	54-103	YTC/Baa1/BBB+/
5.862	SURF 2007-BC1 B1	84752BAP4	4.0	+1400	S3	64-198	YTC/Baa1/BBB+/
7.000	MSAC 2007-NC1 B1	617505AM4	4.7	+1400	S3	61-304	YTC/Baa1/BBB+/
2.000	MSAC 2005-WMC1 B3	61744CMC7	0.6	+2500	S3	88-108	YTC/Baa3/BBB-/BBB-
5.000	FHLT 2005-B M10	35729PKE9	1.2	+3650	S4	69-292	YTC/Baa3/BBB-/
10.218	PPSI 2004-WCW1 M7	70069FAJ6	1.3	+2000	S4	82-191	YTC/Baa2//BBB
4.500	ECR 2005-4 M9	29256PBE3	1.9	+2000	40	73-151	YTC/Baa3/BBB-/
3.000	INABS 2005-B M9	456606HB1	2.1	+2050	100	71-267	YTC/Baa3/BBB/BBB-
3.150	RASC 2005-KS12 M9	753910AM0	2.7	+1700	S4	71-276	YTC/Baa3/BBB+/
2.400	SVHE 2006-OPT4 M8	83611YAN2	2.8	+3200	S3	50-042	YTC/Baa3/BBB/
7.156	GSAMP 2006-HE3 M9	36244KAP0	2.9	+3000	100	50-281	YTC/Baa3/BBB+/
1.500	FHLT 2006-A M8	35729RAP1	2.9	+2600	100	55-214	YTC/Ba3/BB/BB
5.000	NCHET 2006-1 M9	64352VRB9	3.0	+3300	100	48-137	YTC/B3/B/BB
8.410	GSAMP 2006-HE5 M9	362437AP0	3.3	+3000	100	47-293	YTC/Baa3/BBB/
3.131	FHLT 2006-D M9	35729VAP2	3.6	+2700	100	49-225	YTC/Baa3/BBB-/BB
4.000	SASC 2006-EQ1A M9	86360RAP8	3.7	+1300	30	72-127	YTC/Baa3/BBB-/
7.100	RAMP 2006-RZ3 M9	75156MAM7	3.9	+2000	100	59-037	YTC/Baa3//BBB-
1.421	MSAC 2006-HE7 B3	61750MAQ8	4.1	+2500	S3	48-252	YTC/Ba2/BBB-/
FIXED Alt-A			AVL	Sprd	Ppy	App Prc	Fctr/Notes
FLOATING Alt-A			AVL	DM	Ppy	App Prc	Fctr/Notes
4.000	GSAA 2006-10 AV1	362375AA5	0.6	+75	20	99-196	0.44/YTC/Aaa/AAA/
7.300	GSAA 2006-3 A1	362334BQ6	1.0	+75	20	99-111	0.52/YTC/Aaa/AAA/
4.300	GSAA 2006-12 A1	362381AA3	1.2	+75	20	99-066	0.65/YTC/Aaa/AAA/
20.000	GSAA 2006-19 A1	362244AA3	1.2	+75	20	99-074	0.69/YTC/Aaa/AAA/
25.000	GSAA 2004-6 A2	36228F7E0	1.2	+50	40	99-280	0.14/YTC/Aaa/AAA/
21.500	IMM 2005-4 1A2	45254NPC5	1.9	+75	20	99-091	0.33/YTC/Aaa/AAA/
3.000	GSAA 2006-20 1A1	362351AA6	1.3	+75	20	99-046	0.76/YTC/Aaa/AAA/
20.000	GSAA 2005-15 2A2	362341D71	3.2	+95	20	97-298	1.00/YTC/Aaa/AAA/
15.000	IMM 2004-11 2M2	45254NME4	0.9	+300	20	97-256	0.24/YTC/Aa2/AA/
10.255	BSABS 2007-AC1 M1	07389XAE3	6.0	+400	20	83-188	1.00/YTC/Aa2/AA/
5.000	BSABS 2007-AC2 M1	073854AD3	6.2	+400	20	83-056	1.00/YTC/Aa2/AA/
1.000	GSAA 2005-5 B2	36242DS38	1.0	+3000	20	76-233	
1.00/YTC/Baa2/BBB/BBB							
0.700	GSAA 2005-9 B3	362341GT0	3.1	+2500	20	55-253	1.00/YTC/Baa3/BBB-/
0.730	GSAA 2005-6 M3	36242D3Z4	3.7	+2500	20	52-283	1.00/YTC/A2/A/
1.000	GSAA 2006-9 B1	362382AP8	4.8	+1900	20	51-284	1.00/YTC/Baa2/A/
4.551	GSAA 2005-11 M4	362341PE3	4.6	+800	20	76-095	1.00/YTC/A3/A-/
6.552	CWALT 2005-AR1 M5	12668A4X0	5.3	+1350	20	60-097	1.00/YTC/A2/*-/A+/
William Street Funding			AVL	DM	Ppy	App Prc	Fctr/Notes
Small Business Administration			AVL	Sprd	Ppy	Handle	Fctr/Notes
SP CDOs			AVL	DM	Ppy	App Prc	Fctr/Notes
NIMs			AVL	Yield	Ppy	App Prc	Fctr/Notes

	Floating Cards	Fixed Cards	Autos	RRB	HomeEq Fxd	HomeEq Flt	Student Loan FFELP	Student Loan Private
1	-2/-3	-3/-4	-1/-2	-4/-5	30/25	10/8	0/-1	2/1
2	-1/-2	-2/-3	0/-1	-3/-4	42/37	16/13	1/0	3/2
3	0/-1	-1/-2	4/3	-2/-3	52/47	25/20	3/2	4/3
5	4/3	2/1		1/0	85/80	29/24	7/6	6/5
7	6/5	5/4		6/5	105/95	35/30	11/10	14/13
10	9/7	8/7		9/8	112/107		13/12	18/17

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HomeEq Flt Mezz/Sub
AA 70/55
A 145/125
BBB+ 375/300
BBB 575/450
BBB- 800/625

ABX.HE.07-2 Closes

	Price	Spread	Change
AAA	96-00	141	-25bp
AA	85-00	588	-154bp
A	61-00	1470	-105bp
BBB	42-00	2213	-4bp
BBB-	39-00	2318	-33bp

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From: Bieber, Matthew G.
Sent: Friday, September 07, 2007 9:05 AM
To: Helfrick, Susan; Saunders, Tim; Horvath, Jordan
Cc: Lehman, David A.
Subject: RE: Timberwolf – Default Swap Collateral
Attachments: Timberwolf - CDS Confirm (executed).pdf; Timberwolf - Indenture (executed).pdf; Final Offering Circular (disclaimed).pdf

From: Helfrick, Susan
Sent: Friday, September 07, 2007 8:59 AM
To: Bieber, Matthew G.; Saunders, Tim; Horvath, Jordan
Cc: Lehman, David A.
Subject: RE: Timberwolf -- Default Swap Collateral

Matt:

Could you send me a copy of the OM and the operative doc that contains our rights/obligations with respect to the collateral?
Thanks.

Susan Helfrick
Vice President & Assistant General Counsel
Goldman, Sachs & Co.
One New York Plaza, 38th Floor
New York, New York 10004
Tel: (212) 902-9612
Fax: (917) 977-3540
susan.helfrick@gs.com

From: Bieber, Matthew G.
Sent: Friday, September 07, 2007 7:46 AM
To: Saunders, Tim; Helfrick, Susan; Horvath, Jordan
Cc: Lehman, David A.
Subject: FW: Timberwolf -- Default Swap Collateral
Importance: High

Pls see email we received below - wanted to get your take on what response (if any) we should craft. This is related to the default swap collateral account in Timberwolf used to collateralize the exposure we have to the CDO on the CDS contracts that are the assets in TWOLF.

From: Joe Marconi [mailto:joe.marconi@greywolfcapital.com]
Sent: Friday, September 07, 2007 7:23 AM
To: Lehman, David A.
Cc: Joe Marconi; Greg Mount; Bieber, Matthew G.; Swenson, Michael

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2656

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Subject: FW: Timberwolf -- Default Swap Collateral
Importance: High

David: As we discussed yesterday, I believe that your refusal to approve the purchase of any additional Default Swap Collateral into Timberwolf is unreasonable and inconsistent with the way the transaction structure was originally presented to us. We were told that the purpose of the approval rights was to permit GS to review specific assets and approve or disapprove specific assets based on their relative credit merits. If we thought for a second that you had the right to prohibit all new purchases indefinitely, we would have implemented the much simpler GIC structure that is used in most other synthetic CDOs and CDO^2 transactions and thereby locked in a fixed spread to LIBOR for the term of our transaction. Also, the Timberwolf CDS economics include an ongoing fee to GS for the put swap component of the trade; we would not have agreed to those terms if we thought you had this option. Finally, I believe that if anyone on the deal team thought you had this option, it would have been clearly disclosed in the OM. Especially given current market conditions, I am surprised that you are taking a position that will directly result in less cash flow being available to debt and equity investors. As I said yesterday, we recognize the impact of current market conditions and, even before I spoke with Matt, I was suggesting we collectively focus on shorter average life AAA RMBS for the deal and I specifically solicited feedback on securities where GS would be comfortable. I continue to be surprised by your response. Joe.

Joe Marconi
GREYWOLF CAPITAL
4 Manhattanville Road, Suite 201
Purchase, NY 10577
P) 914.251.8249
F) 914.251.8244
M) 914[redacted]
E) joe.marconi@greywolfcapital.com

[redacted] = **Redacted by the Permanent Subcommittee on Investigations**

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From: Joe Marconi
Sent: Thursday, September 06, 2007 9:19 AM
To: 'david.lehman@gs.com'
Cc: Joe Marconi; Greg Mount; Bieber, Matthew G.; Swenson, Michael
Subject: FW: Timberwolf -- Default Swap Collateral
Importance: High

David: I would like to have a call with you to discuss the purchase of Default Swap Collateral into Timberwolf. I understand you are traveling this week. Let me know when you will have some time to talk. In response to the attached message, Matt told me that GS will not approve the purchase of any additional Default Swap Collateral into Timberwolf. While GS does have consent rights regarding the purchase of Default Swap Collateral, a blanket refusal to approve any assets is inappropriate, inconsistent with the parties' original expectations and will negatively impact the performance of both the debt and equity issued by Timberwolf. Give me a call when you can. Joe.

Joe Marconi
GREYWOLF CAPITAL
4 Manhattanville Road, Suite 201
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M) 914[redacted]
E) joe.marconi@greywolfcapital.com

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From: Joe Marconi

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Sent: Thursday, September 06, 2007 8:18 AM
To: 'Shimonov, Roman'
Cc: Joe Marconi; Bieber, Matthew G.; 'Martin, Nicole'
Subject: Timberwolf -- Default Swap Collateral

Roman:

We are doing our credit work on these 3 bonds which are shown on the GS inventory sheet. If we get comfortable with these positions, would GS be ok adding them to Timberwolf as Default Swap Collateral? We should be done with our credit work today.

Thanks. Joe.

FLOATING Home Equity			AVL	DM	Ppy	App Prc	Fctr/Notes
75.247	SVHE 2005-4 2A3	83611MKB3	0.6	+90	35	99-191	1.00/YTC
5.000	CWL 2005-BC5 3A2	126670NC8	0.6	+90	35	99-195	0.76/YTC
13.335	ABFC 2006-HE1 A2A	00075WAB5	0.8	+70	20	99-161	0.68/YTC

From: Bruns, William [mailto:William.Bruns@gs.com]
Sent: Thursday, September 06, 2007 7:48 AM
To: undisclosed-recipients
Subject: Goldman Sachs ABS Inventory (External)

ABS Cash Trading: Mike Swenson Deeb Salem Edwin Chin Jordan Kaufman Will Bruns
+1 (212) 902-5090

In autos:
- **CARMX** announced a $500mm deal.

In cards:
- **CCCIT** announced a $750mm deal.

<<Inventory.xls>>

Amt ($mm)	Issue	CUSIP	AVL	Sprd	Ppy	Approx Price	Fctr/Notes
FIXED Credit Cards/Dealer Floorplan/Student Loans							
3.750	MBNAS 2003-A11 A11	55264TCH2	1.1	E+24		98-	
1.00/YTC/Aaa/AAA/AAA							
3.750	BOIT 2003-A9 A9	06423RBE5	1.1	E+24		SOLD	
1.00/YTC/Aaa/AAA/AAA							
10.000	MBNAM 1999-J B	55262TEV1	2.0	N+50		104-	
1.00/YTC/A2/A+/A+							
FLOATING Credit Cards/Dealer Floorplan/Autos/UK & Aussie RMBS/Equipment/Stranded							
Cost							
3.300	CNHMT 2005-1 A	12615SAE0	0.8	+20		99-297	
1.00/YTC/Aaa/AAA/AAA							
1.500	CCCIT 2007-A2 A2	17305EDS1	2.7	+28		99-072	
1.00/YTC/Aaa/AAA/AAA							

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12.500	COMET 2004-C2 C2	14041NBH3	6.4	+125		98-305		
1.00/YTC/Baa2/BBB/BBB								
3.000	GEBL 2006-2A D	36159EAG7	#N/A	N+300		90-101		
0.98/YTC/Baa2/BBB+/BBB								
FIXED Auto & Equipment Loans			AVL	Sprd	Ppy	Handle	Fctr/Notes	
41.780	GSALT 2004-1 A4	36292RAM3	0.0	E+35	1.25	SOLD	0.47/YTC	
8.555	NAVOT 2003-B A4	63936XAD6	0.3	E+50	0.75	99-	0.71/YTC	
3.000	AESOP 2003-3A A3	00103RAX4	0.7	E+25	0.00	98-	1.00/YTC	
7.000	GSALT 2005-1 A4	36292RAV3	1.3	E+40	1.35	98-	1.00/YTC	
2.150	HDMOT 2005-2 A2	41283ABV0	1.2	E+30	1.45	98-	1.00/YTC	
3.750	TAROT 2006-C A3	89578PAC3	1.4	E+55	1.45	99-	1.00/YTC	
17.210	HERTZ 2004-1A A3	42805RAC3	0.5	E+25	0.00	98-	1.00/YTC	
FIXED Stranded Cost			AVL	Sprd	Ppy	Handle	Fctr/Notes	
15.000	CNP 2001-1 A3	75953MAC4	1.3	E+20	0	99-	1.00/YTC	
5.000	CPL 2002-1 A3	12617AAC1	1.7	E+20	0	100-	1.00/YTC	
4.000	CONFD 2001-1 A4	210523AD8	1.3	E+20	S1	99-	0.90/YTC	
5.060	CONFD 2001-1 A5	210523AE6	4.2	N+28	S1	101-	1.00/YTC	
Student Loans			AVL	DM	Ppy	App Prc	Fctr/Notes	
4.650	SLMA 2006-9 A2	78443KAB2	1.5	+20	100	99-214	1.00/YTC	
50.025	SLMA 2006-6 A1	83149FAA2	1.5	+20	150	99-205	0.68/YTC	
13.675	SLMA 2007-3 A1	78443YAA4	0.8	+20	20	99-253	0.81/YTC	
FIXED Home Equity			AVL	Sprd	Ppy	Handle	Fctr/Notes	
12.000	CWL 2002-S4 A5	126671UD6	0.2	E+50	25	99-	0.87/YTC	
5.000	POPLR 2005-1 AF3	73316PBK5	1.0	E+45	15	98-	0.57/YTC	
24.456	CBASS 2004-CB1 AF1	04542BFH0	1.4	E+55	30	97-	0.03/YTC	
7.585	ACCR 2003-2 A1	004375AN1	2.8	N+100	100	95-	0.31/YTC	
5.273	SAIL 2005-8 M7	86358EXW1	3.8			55-		
1.00/YTC/Ba3/BBB/								
10.000	SAIL 2005-8 M8	86358EXX9	3.8			45-	1.00/YTC/B3/B/	
4.220	CWL 2005-11 MF8	126670CU0	4.0	N+500	S3	87-		
1.00/YTC/Baa2/BBB/								
4.364	GSAMP 2004-AR2 B4	36242DDY6	0.8	E+1500	45	89-		
0.36/YTC/Ba1//BB+								
FLOATING Home Equity			AVL	DM	Ppy	App Prc	Fctr/Notes	
75.247	SVHE 2005-4 2A3	83611MKB3	0.6	+90	35	99-191	1.00/YTC	
5.000	CWL 2005-BC5 3A2	126670NC8	0.6	+90	35	99-195	0.76/YTC	
13.335	ABFC 2006-HE1 A2A	00075WAB5	0.8	+70	20	99-161	0.68/YTC	
20.000	MSAC 2004-HE8 A4	61744CGW0	0.1	+45	35	99-317	0.04/YTC	
5.000	CMLTI 2007-WFH2 A3	17312BAC6	2.3	+150	100	97-053	1.00/YTC	
2.000	OWNIT 2006-5 A2C	69121EAE8	2.8	+140	S3	96-262	1.00/YTC	
12.000	GSAMP 2005-WMC3 A1B	362341L23	3.0	+65	20	99-064	0.54/YTC	
10.000	JPMAC 2006-NC1 A5	46626LJQ4	4.7	+175	100	94-025	1.00/YTC	
11.000	GSAMP 2005-WMC2 A2C	362341UZ0	5.0	+95	100	97-141	1.00/YTC	
9.437	TMTS 2006-3 2A3	881561W26	3.9	+375	S3	88-186	1.00/YTC	
10.000	AMSI 2005-R3 M2	03072SZY4	1.9	+450	30	93-067	YTC/Aa2/AA/AA	

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2.000	RASC 2005-AHL3 M2	76110W6P6	2.9	+750	30	83-164	YTC/Aa2/AA/
7.000	SURF 2006-BC2 M2	84751PLR8	3.2	+550	S3	86-098	YTC/Aa2/AA/
7.115	BAYV 2004-C M1	073247BL1	0.1	+200	21	97-097	YTM/Aa2/AA/AA
3.050	HEAT 2006-6 M3	437097AJ7	3.3	+1000	100	75-093	YTC/Aa3/AA/AA+
15.836	OWNIT 2006-6 M1	69121TAF2	4.1	+450	S3	86-044	YTC/Aa1/AA+/
12.376	GSAMP 2007-FM1 M3	3622MAAH4	5.6	+600	100	76-143	YTC/Aa3/AA-/
15.992	HASC 2006-WMC1 M3	40430MAJ6	5.7	+900	30	66-075	
YTC/Aa3/AA/BBB-							
16.000	ABFC 2003-OPT1 M2	04542BDJ8	0.4	+800	S4	97-248	YTC/A2/AA/A+
3.000	ACE 2005-RM1 M6	004421LR2	0.7	+900	30	92-208	YTM/A3/A/A-
7.810	GSAMP 2004-NC2 M3	36242DHC0	1.3	+550	100	95-102	YTC//A-/A-
2.341	BSABS 2005-1 M3	073877AX0	1.2	+1500	35	85-244	YTC//A-/A-
10.554	HEAT 2005-1 M5	437084HU3	1.5	+1600	100	80-223	YTC/A2/A+/
2.500	AMSI 2005-R6 M2	03072SG33	2.0	+700	40	88-300	YTC/NR/AA/AA
2.500	AMSI 2005-R6 M3	03072SG41	1.8	+700	40	89-266	YTC/NR/AA-/AA-
2.000	CWL 2005-6 M5	126673W65	2.2	+355	30	94-134	YTC/A2/A/
1.000	CBASS 2005-CB7 M6	12489WPR9	2.6	+600	S3	88-125	YTC/A3/AA/A+
8.218	FFML 2006-FF11 M6	32028PAM7	3.3	+1300	100	69-291	YTC/A3/A/BBB+
8.733	ABFC 2006-OPT1 M6	00075QAK8	3.1	+600	S4	85-158	YTC/A3/A-/A-
1.029	CARR 2005-FRE1 M5	144531EK2	3.2	+500	25	88-151	YTC/A2/A/
10.378	LBMLT 2006-7 M6	54251TAL3	3.4	+2500	100	50-032	YTC/A3/A+/BBB
3.902	JPMAC 2006-NC2 M6	46629FAK6	3.4	+1200	100	71-067	YTC/A3/A-/A-
7.000	JPMAC 2006-CW2 MV6	46629BAY5	3.4	+1200	100	71-052	YTC/A3/A-/A-
2.400	MABS 2006-NC2 M6	55275BAL1	3.4	+1600	100	63-125	YTC/A2/A-/A-
3.330	LBMLT 2006-8 M6	54251UAL0	3.5	+2500	100	49-071	YTC/A3/A+/
2.500	SASC 2006-BC5 M6	86359SAL8	3.8	+800	30	77-293	YTC/A2/A-/A
3.000	SASC 2006-WF3 M6	86361EAL5	3.9	+800	30	77-304	YTC/A2/A-/A-
2.000	SABR 2006-NC3 M5	81377CAH1	3.5	+1400	100	66-102	YTC/A2/A-/A-
4.000	SAST 2006-3 M6	80556AAK3	3.5	+1300	S4	68-107	YTC/A3/A/
2.320	CARR 2006-NC5 M6	144539AL7	3.6	+850	100	77-136	YTC/A2/A-/A-
4.000	MLMI 2006-MLN1 M6	59023AAL0	3.6	+1300	S3	68-005	YTC/A3/A/
6.000	LBMLT 2006-9 M6	54251WAL6	3.6	+2500	100	48-112	YTC/A3/A-/
2.423	MSAC 2006-HE3 M5	61749HAK6	3.7	+1100	S3	71-280	YTC/A2/A/BBB+
2.436	CMLTI 2006-NC2 M6	17309TAL2	3.4	+1400	100	67-112	YTC/A3/A-/
6.802	MABS 2006-WMC3 M6	55291KAL1	3.6	+1600	100	62-121	YTC/A3/A/
7.278	JPMAC 2006-RM1 M6	46629NAM5	3.7	+1500	100	63-215	YTC/A3/A-/BBB
9.833	NHEL 2007-1 M6	669971AL7	3.8	+900	100	76-134	YTC/A3/A-/
5.007	GSAMP 2007-H1 M6	36245YAK0	3.9	+1600	S3	60-272	YTC/A3//A-
3.000	ACCR 2007-1 M6	00438QAK0	4.1	+1000	100	71-241	YTC/A3/A/
1.000	ACE 2003-HE1 M4	004421DD2	0.2	+2200	45	96-114	
YTC/Baa1/BBB+/BBB+							
1.000	SURF 2003-BC4 B2	84751PBP3	0.4	+1500	50	94-265	YTC/Baa2/BBB/
1.000	ACE 2003-HE1 M5	004421DE0	0.2	+2000	45	96-246	
YTC/Baa2/BBB/BBB							
1.500	SACO 2006-6 B1	785779AH2	2.6			20-000	YTC/C/CCC/
3.000	SACO 2006-6 B2	785779AJ8	2.6			10-000	YTC/C/CCC/
7.550	CWL 2005-13 MV8	126670HR2	2.2	+800	40	88-301	YTC/Baa2/BBB+/
1.250	WFHET 2006-1 M7	9497EUAP2	2.8	+2000	100	62-301	YTC/Baa1/A/
3.650	MLMI 2006-HE2 B1	59020VAL7	2.9	+1500	S3	70-266	YTC/Baa1/A-/
3.600	SVHE 2006-OPT4 M7	83611YAM4	2.9	+2250	S3	59-096	YTC/Baa2/BBB+/
3.243	GSAMP 2006-HE4 M7	362439AM3	3.1	+1400	100	70-136	YTC/Baa1/A/

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Footnote Exhibits - Page 5402

3.825	HEAT 2006-6 M7	437097AN8	3.2	+2500	100	53-024	
YTC/Baa1/A/BBB+							
11.250	FFML 2006-FF13 M7	30247DAM3	3.4	+1550	100	65-007	YTC/Baa1/A/
3.275	SURF 2006-BC3 B1	84751WAM6	3.3	+1200	S3	72-293	YTC/Baa1/A-/
4.125	HEAT 2006-7 M7	43709NAN3	3.4	+2200	100	54-297	YTC/Baa1/A-
/BBB							
12.000	CWL 2006-8 M7	045427AL5	3.7	+1600	S3	63-198	YTC/Baa1/BBB+/
2.837	GSAMP 2006-HE8 M7	3622M8AM8	3.6	+1400	100	66-293	YTC/Baa1/BBB+/
3.000	LBMLT 2006-10 M7	54251YAM0	3.7	+3000	100	42-155	YTC/Baa1/BBB+/
2.000	WMABS 2006-HE3 M7	93934MAM9	3.4	+1200	100	71-296	YTC/Baa1/BBB+/
4.000	LBMLT 2006-9 M7	54251WAM4	3.6	+3000	100	43-063	YTC/Baa1/A-/
7.000	GSAMP 2007-NC1 M7	3622MGAM0	3.8	+1200	100	69-261	YTC/Baa1/BBB+/
5.000	WMHE 2007-HE1 M7	933631AM5	3.9	+2000	100	54-103	YTC/Baa1/BBB+/
5.862	SURF 2007-BC1 B1	84752BAP4	4.0	+1400	S3	64-198	YTC/Baa1/BBB+/
7.000	MSAC 2007-NC1 B1	617505AM4	4.7	+1400	S3	61-304	YTC/Baa1/BBB+/
2.000	MSAC 2005-WMC1 B3	61744CMC7	0.6	+2500	S3	88-108	YTC/Baa3/BBB-
/BBB-							
5.000	FHLT 2005-B M10	35729PKE9	1.2	+3650	S4	69-292	YTC/Baa3/BBB-/
10.218	PPSI 2004-WCW1 M7	70069FAJ6	1.3	+2000	S4	82-191	YTC/Baa2//BBB
4.500	ECR 2005-4 M9	29256PBE3	1.9	+2000	40	73-151	YTC/Baa3/BBB-/
3.000	INABS 2005-B M9	456606HB1	2.1	+2050	100	71-267	
YTC/Baa3/BBB/BBB-							
3.150	RASC 2005-KS12 M9	753910AM0	2.7	+1700	S4	71-276	YTC/Baa3/BBB+/
2.400	SVHE 2006-OPT4 M8	83611YAN2	2.8	+3200	S3	50-042	YTC/Baa3/BBB/
7.156	GSAMP 2006-HE3 M9	36244KAP0	2.9	+3000	100	50-281	YTC/Baa3/BBB+/
1.500	FHLT 2006-A M8	35729RAP1	2.9	+2600	100	55-214	YTC/Ba3/BB/BB
5.000	NCHET 2006-1 M9	64352VRB9	3.0	+3300	100	48-137	YTC/B3/B/BB
8.410	GSAMP 2006-HE5 M9	362437AP0	3.3	+3000	100	47-293	YTC/Baa3/BBB/
3.131	FHLT 2006-D M9	35729VAP2	3.6	+2700	100	49-225	YTC/Baa3/BBB-
/BB							
4.000	SASC 2006-EQ1A M9	86360RAP8	3.7	+1300	30	72-127	YTC/Baa3/BBB-/
7.100	RAMP 2006-RZ3 M9	75156MAM7	3.9	+2000	100	59-037	YTC/Baa3//BBB-
1.421	MSAC 2006-HE7 B3	61750MAQ8	4.1	+2500	S3	48-252	YTC/Ba2/BBB-/
FIXED Alt-A			AVL	Sprd	Ppy	App Prc	Fctr/Notes
FLOATING Alt-A			AVL	DM	Ppy	App Prc	Fctr/Notes
4.000	GSAA 2006-10 AV1	362375AA5	0.6	+75	20	99-196	
0.44/YTC/Aaa/AAA/							
7.300	GSAA 2006-3 A1	362334BQ6	1.0	+75	20	99-111	
0.52/YTC/Aaa/AAA/							
4.300	GSAA 2006-12 A1	362381AA3	1.2	+75	20	99-066	
0.65/YTC/Aaa/AAA/							
20.000	GSAA 2006-19 A1	362244AA3	1.2	+75	20	99-074	
0.69/YTC/Aaa/AAA/							
25.000	GSAA 2004-6 A2	36228F7E0	1.2	+50	40	99-280	
0.14/YTC/Aaa/AAA/							
21.500	IMM 2005-4 1A2	45254NPC5	1.9	+75	20	99-091	
0.33/YTC/Aaa/AAA/							
3.000	GSAA 2006-20 1A1	362351AA6	1.3	+75	20	99-046	
0.76/YTC/Aaa/AAA/							
20.000	GSAA 2005-15 2A2	36234LD71	3.2	+95	20	97-298	
1.00/YTC/Aaa/AAA/							

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15.000	IMM 2004-11 2M2	45254NME4	0.9	+300	20	97-256	
0.24/YTC/Aa2/AA/							
10.255	BSABS 2007-AC1 M1	07389XAE3	6.0	+400	20	83-188	
1.00/YTC/Aa2/AA/							
5.000	BSABS 2007-AC2 M1	073854AD3	6.2	+400	20	83-056	
1.00/YTC/Aa2/AA/							
1.000	GSAA 2005-5 B2	36242DS38	1.0	+3000	20	76-233	
1.00/YTC/Baa2/BBB/BBB							
0.700	GSAA 2005-9 B3	362341GT0	3.1	+2500	20	55-253	
1.00/YTC/Baa3/BBB-/							
0.730	GSAA 2005-6 M3	36242D3Z4	3.7	+2500	20	52-283	1.00/YTC/A2/A/
1.000	GSAA 2006-9 B1	362382AP8	4.8	+1900	20	51-284	
1.00/YTC/Baa2/A/							
4.551	GSAA 2005-11 M4	362341PE3	4.6	+800	20	76-095	1.00/YTC/A3/A-
/							
6.552	CWALT 2005-AR1 M5	12668A4X0	5.3	+1350	20	60-097	1.00/YTC/A2/*-
/A+/							

William Street Funding	AVL	DM	Ppy	App Prc	Fctr/Notes
Small Business Administration	AVL	Sprd	Ppy	Handle	Fctr/Notes
SP CDOs	AVL	DM	Ppy	App Prc	Fctr/Notes
NIMs	AVL	Yield	Ppy	App Prc	Fctr/Notes

	Floating Cards	Fixed Cards	Autos	RRB	HomeEq Fxd	HomeEq Flt	Student Loan FFELP	Student Loan Private
1	-2/-3	-3/-4	-1/-2	-4/-5	30/25	10/8	0/-1	2/1
2	-1/-2	-2/-3	0/-1	-3/-4	42/37	16/13	1/0	3/2
3	0/-1	-1/-2	4/3	-2/-3	52/47	25/20	3/2	4/3
5	4/3	2/1		1/0	85/80	29/24	7/6	6/5
7	6/5	5/4		6/5	105/95	35/30	11/10	14/13
10	9/7	8/7		9/8	112/107		13/12	18/17

HomeEq Flt	Mezz/Sub
AA	70/55
A	145/125
BBB+	375/300
BBB	575/450
BBB-	800/625

ABX.HE.07-2 Closes

	Price	Spread	Change
AAA	96-00	141	-25bp
AA	85-00	588	-154bp
A	61-00	1470	-105bp
BBB	42-00	2213	-4bp
BBB-	39-00	2318	-33bp

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I am an attorney employed by Goldman, Sachs & Co. ("Goldman Sachs") and, during 2007, my coverage responsibilities included, among other things, providing advice to the firm's Mortgages Department. I have no present recollection of the circumstances surrounding any disagreement between Goldman Sachs and Greywolf Capital Management LP regarding Goldman Sachs' right to consent to reinvestment of default swap collateral in Timberwolf I. I am aware that certain documents from that period appear to reflect that I may have been consulted in connection with the firm's dealings with Greywolf on this issue in September 2007, but reviewing these documents has not refreshed my present recollection.

Timothy K. Saunders, Jr.
Managing Director & Associate General Counsel
Goldman, Sachs & Co.

December 22, 2010
Date

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2657

From August 27, 2007 through November 2008, I was employed by Goldman, Sachs & Co. ("Goldman Sachs" or the "Firm") as an attorney in its legal department, reporting to Tim Saunders. Throughout this time, my responsibilities included, among other things, providing advice to the Firm's Mortgages Department. Although I recall that a party raised issues concerning Goldman Sachs' right to consent to certain actions related to collateralized debt obligations, I have no recollection of any additional circumstances surrounding these issues, including the identity of the party that raised them, what the consent rights related to or any discussions concerning these issues. Although I understand that there are emails that suggest that a meeting was held to discuss these issues, I have no recollection of such a meeting, or whether a meeting even occurred. I have reviewed the documents identified by the Subcommittee staff that appear to reflect that I may have been asked to attend a meeting to discuss the Firm's dealings with Greywolf Capital Management LP on this issue in September 2007, but reviewing these documents has not refreshed my present recollection.

Susan Helfrick

1/7/11
Date

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2657

From November 2005 through November 2008, I was employed by Goldman, Sachs & Co. ("Goldman Sachs" or the "Firm") in its Compliance department. During this time, I was assigned to provide coverage to the Firm's Mortgages Department. I have no present recollection of the circumstances surrounding any disagreement between Goldman Sachs and Greywolf Capital Management LP ("Greywolf") regarding Goldman Sachs' right to consent to reinvestment of default swap collateral in Timberwolf I. I have reviewed the documents identified by the Subcommittee staff that appear to reflect that I was invited to a meeting to discuss the Firm's dealings with Greywolf on this issue in September 2007, but reviewing these documents has not refreshed my present recollection. I would also note that my job responsibilities at the time did not include reviewing or interpreting transactional documents such as indentures, and it was not my practice to do so.

Jordan Horvath

Date 7.2011

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2657

I am a Managing Director at Goldman, Sachs & Co. ("Goldman Sachs" or "the Firm") and the co-head of the Structured Products Group Trading Desk, a position I have held since 2006.

As I discussed during my interview with the Subcommittee staff on September 27, 2010, my understanding is that on deals in which there was a collateral manager, such as the Timberwolf I CDO, the collateral manager would source collateral investments subject to the terms specified in the offering documents. Although I do not recall the specific rights that Goldman Sachs had under the agreements for each deal, my understanding is that Goldman Sachs generally retained the right to consent to the selection of collateral in order to protect its interests in the transaction. As I also explained in my Subcommittee interview, I do not recall any formal agreements, other than the operative agreement for the deals, limiting the assets the collateral manager could select as default swap collateral. Further, as I stated in my interview, although I recall that counsel was consulted on the issue of contractual provisions relating to collateral reinvestment, I do not recall any advice counsel gave. I also recall informal discussions concerning the extent of Goldman Sachs' exposure related to collateral in CDOs, but do not recall any resolution of this issue. I do not recall there being a significant debate with collateral managers on this subject.

More specifically, I have no present recollection of the circumstances surrounding any discussions between Goldman Sachs and Greywolf Capital Management LP ("Greywolf") regarding Goldman Sachs' right to consent to reinvestment of default swap collateral in Timberwolf I. I have reviewed documents showing that I was emailed in September 2007 by Joe Marconi of Greywolf in connection with the Firm's dealings with Greywolf on this issue and was carbon copied on emails proposing an internal meeting regarding the subject, but reviewing these documents has not refreshed my present recollection. I have no present recollection of what might have been discussed in such a meeting or even if such a meeting ever occurred.

David Lehman
Managing Director
Goldman, Sachs & Co.

1/26/11
Date

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2657

From: Bieber, Matthew G.
Sent: Friday, September 07, 2007 6:16 PM
To: Lehman, David A.
Subject: RE: Timberwolf -- Default Swap Collateral

Spoke with legal/compliance. Not doing anything w/o discussing with dan first. Agree with the point on consistency.

-----Original Message-----
From: Lehman, David A.
Sent: Friday, September 07, 2007 6:13 PM
To: Bieber, Matthew G.
Subject: Re: Timberwolf -- Default Swap Collateral

U spoke w egol?

What abt legal/compliance

Just make sure Dan is ok w it

Also I do thk we shd be consistent across deals...so if slmas and credit cards are "ok" I thk we tell our mgrs that...maybe 2yrs and shorter

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David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-[redacted]
e-mail: david.lehman@gs.com

----- Original Message -----
From: Bieber, Matthew G.
To: Lehman, David A.
Sent: Fri Sep 07 18:08:35 2007
Subject: RE: Timberwolf -- Default Swap Collateral

Yeah - I need to speak with dan...we're thinking about offering some 1-3 yr SLMAs

-----Original Message-----
From: Lehman, David A.
Sent: Friday, September 07, 2007 6:07 PM
To: Bieber, Matthew G.
Subject: FW: Timberwolf -- Default Swap Collateral
Importance: High

Any action steps on this?

David A. Lehman

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2659

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660521.337

Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-[redacted]
e-mail: david.lehman@gs.com

----- Original Message -----
From: Joe Marconi <joe.marconi@greywolfcapital.com>
To: Lehman, David A.
Cc: Joe Marconi <joe.marconi@greywolfcapital.com>; Greg Mount <greg.mount@greywolfcapital.com>; Bieber, Matthew G.; Swenson, Michael
Sent: Fri Sep 07 07:22:49 2007
Subject: FW: Timberwolf -- Default Swap Collateral

David: As we discussed yesterday, I believe that your refusal to approve the purchase of any additional Default Swap Collateral into Timberwolf is unreasonable and inconsistent with the way the transaction structure was originally presented to us. We were told that the purpose of the approval rights was to permit GS to review specific assets and approve or disapprove specific assets based on their relative credit merits. If we thought for a second that you had the right to prohibit all new purchases indefinitely, we would have implemented the much simpler GIC structure that is used in most other synthetic CDOs and CDO^2 transactions and thereby locked in a fixed spread to LIBOR for the term of our transaction. Also, the Timberwolf CDS economics include an ongoing fee to GS for the put swap component of the trade; we would not have agreed to those terms if we thought you had this option. Finally, I believe that if anyone on the deal team thought you had this option, it would have been clearly disclosed in the OM. Especially given current market conditions, I am surprised that you are taking a position that will directly result in less cash flow being available to debt and equity investors. As I said yesterday, we recognize the impact of current market conditions and, even before I spoke with Matt, I was suggesting we collectively focus on shorter average life AAA RMBS for the deal and I specifically solicited feedback on securities where GS would be comfortable. I continue to be surprised by your response. Joe.

Joe Marconi
GREYWOLF CAPITAL
4 Manhattanville Road, Suite 201

Purchase, NY 10577

P) 914.251.8249
F) 914.251.8244
M) 914.[redacted]
E) joe.marconi@greywolfcapital.com <mailto:s@greywolfcapital.com>

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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From: Joe Marconi
Sent: Thursday, September 06, 2007 9:19 AM
To: 'david.lehman@gs.com'
Cc: Joe Marconi; Greg Mount; Bieber, Matthew G.; Swenson, Michael

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660521.338

Subject: FW: Timberwolf -- Default Swap Collateral
Importance: High

David: I would like to have a call with you to discuss the purchase of Default Swap Collateral into Timberwolf. I understand you are traveling this week. Let me know when you will have some time to talk. In response to the attached message, Matt told me that GS will not approve the purchase of any additional Default Swap Collateral into Timberwolf. While GS does have consent rights regarding the purchase of Default Swap Collateral, a blanket refusal to approve any assets is inappropriate, inconsistent with the parties' original expectations and will negatively impact the performance of both the debt and equity issued by Timberwolf. Give me a call when you can. Joe.

Joe Marconi
GREYWOLF CAPITAL
4 Manhattanville Road, Suite 201

Purchase, NY 10577

P) 914.251.8249
F) 914.251.8244
M) 914.[redacted]
E) joe.marconi@greywolfcapital.com <mailto:s@greywolfcapital.com>

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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From: Joe Marconi
Sent: Thursday, September 06, 2007 8:18 AM
To: 'Shimonov, Roman'
Cc: Joe Marconi; Bieber, Matthew G.; 'Martin, Nicole'
Subject: Timberwolf -- Default Swap Collateral

Roman:

We are doing our credit work on these 3 bonds which are shown on the GS inventory sheet. If we get comfortable with these positions, would GS be ok adding them to Timberwolf as Default Swap Collateral? We should be done with our credit work today.

Thanks. Joe.

		AVL	DM	Ppy	App Prc	Fctr/Notes
FLOATING Home Equity 75.247 SVHE 2005-4 2A3	83611MKB3	0.6	+90	35	99-191	1.00/YTC

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5.000	CWL 2005-BC5 3A2	126670NC8	0.6	+90	35	99-195	0.76/YTC
13.335	ABFC 2006-HE1 A2A	00075WAB5	0.8	+70	20	99-161	0.68/YTC

From: Bruns, William [mailto:William.Bruns@gs.com]
Sent: Thursday, September 06, 2007 7:48 AM
To: undisclosed-recipients
Subject: Goldman Sachs ABS Inventory (External)

ABS Cash Trading: Mike Swenson Deeb Salem Edwin Chin Jordan Kaufman Will Bruns +1 (212)902-5090

In autos:
- CARMX announced a $500mm deal.

In cards:
- CCCIT announced a $750mm deal.

<<Inventory.xls>>

Amt ($mm)	Issue	CUSIP	AVL	Sprd	Ppy	Approx Price	Fctr/Notes
FIXED Credit Cards/Dealer Floorplan/Student Loans							
3.750	MBNAS 2003-A11 A11	55264TCH2	1.1	E+24		98-	1.00/YTC/Aaa/AAA/AAA
3.750	BOIT 2003-A9 A9	06423RBE5	1.1	E+24		SOLD	1.00/YTC/Aaa/AAA/AAA
10.000	MBNAM 1999-J B	55262TEV1	2.0	N+50		104-	1.00/YTC/A2/A+/A+
FLOATING Credit Cards/Dealer Floorplan/Autos/UK & Aussie RMBS/Equipment/Stranded Cost							
3.300	CNHMT 2005-1 A	12615SAE0	0.8	+20		99-297	1.00/YTC/Aaa/AAA/AAA
1.500	CCCIT 2007-A2 A2	17305EDS1	2.7	+28		99-072	1.00/YTC/Aaa/AAA/AAA
12.500	COMET 2004-C2 C2	14041NBH3	6.4	+125		98-305	
1.00/YTC/Baa2/BBB/BBB							
3.000	GEBL 2006-2A D	36159EAG7	#N/A	N+300		90-101	
0.98/YTC/Baa2/BBB+/BBB							

			AVL	Sprd	Ppy	Handle	Fctr/Notes
FIXED Auto & Equipment Loans							
41.780	GSALT 2004-1 A4	36292RAM3	0.0	E+35	1.25	SOLD	0.47/YTC
8.555	NAVOT 2003-B A4	63936XAD6	0.3	E+50	0.75	99-	0.71/YTC
3.000	AESOP 2003-3A A3	00103RAX4	0.7	E+25	0.00	98-	1.00/YTC
7.000	GSALT 2005-1 A4	36292RAV3	1.3	E+40	1.35	98-	1.00/YTC
2.150	HDMOT 2005-2 A2	41283ABV0	1.2	E+30	1.45	98-	1.00/YTC
3.750	TAROT 2006-C A3	89578PAC3	1.4	E+55	1.45	99-	1.00/YTC
17.210	HERTZ 2004-1A A3	42805RAC3	0.5	E+25	0.00	98-	1.00/YTC

			AVL	Sprd	Ppy	Handle	Fctr/Notes
FIXED Stranded Cost							
15.000	CNP 2001-1 A3	75953MAC4	1.3	E+20	0	99-	1.00/YTC
5.000	CPL 2002-1 A3	12617AAC1	1.7	E+20	0	100-	1.00/YTC
4.000	CONFD 2001-1 A4	210523AD8	1.3	E+20	S1	99-	0.90/YTC
5.060	CONFD 2001-1 A5	210523AE6	4.2	N+28	S1	101-	1.00/YTC

			AVL	DM	Ppy	App Prc	Fctr/Notes
Student Loans							
4.650	SLMA 2006-9 A2	78443KAB2	1.5	+20	100	99-214	1.00/YTC
50.025	SLMA 2006-6 A1	83149FAA2	1.5	+20	150	99-205	0.68/YTC
13.675	SLMA 2007-3 A1	78443YAA4	0.8	+20	20	99-253	0.81/YTC

			AVL	Sprd	Ppy	Handle	Fctr/Notes
FIXED Home Equity							
12.000	CWL 2002-S4 A5	126671UD6	0.2	E+50	25	99-	0.87/YTC

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Footnote Exhibits - Page 5412

5.000	POPLR 2005-1 AF3	73316PBK5	1.0	E+45	15	98-	0.57/YTC
24.456	CBASS 2004-CB1 AF1	04542BFH0	1.4	E+55	30	97-	0.03/YTC
7.585	ACCR 2003-2 A1	004375AN1	2.8	N+100	100	95-	0.31/YTC
5.273	SAIL 2005-8 M7	86358EXW1	3.8			55-	1.00/YTC/Ba3/BBB/
10.000	SAIL 2005-8 M8	86358EXX9	3.8			45-	1.00/YTC/B3/B/
4.220	CWL 2005-11 MF8	126670CU0	4.0	N+500	S3	87-	1.00/YTC/Baa2/BBB/
4.364	GSAMP 2004-AR2 B4	36242DDY6	0.8	E+1500	45	89-	0.36/YTC/Ba1//BB+

FLOATING	Home Equity		AVL	DM	Ppy	App Prc	Fctr/Notes
75.247	SVHE 2005-4 2A3	83611MKB3	0.6	+90	35	99-191	1.00/YTC
5.000	CWL 2005-BC5 3A2	126670NC8	0.6	+90	35	99-195	0.76/YTC
13.335	ABFC 2006-HE1 A2A	00075WAB5	0.8	+70	20	99-161	0.68/YTC
20.000	MSAC 2004-HE8 A4	61744CGW0	0.1	+45	35	99-317	0.04/YTC
5.000	CMLTI 2007-WFH2 A3	17312BAC6	2.3	+150	100	97-053	1.00/YTC
2.000	OWNIT 2006-5 A2C	69121EAE8	2.8	+140	S3	96-262	1.00/YTC
12.000	GSAMP 2005-WMC3 A1B	362341L23	3.0	+65	20	99-064	0.54/YTC
10.000	JPMAC 2006-NC1 A5	46626LJQ4	4.7	+175	100	94-025	1.00/YTC
11.000	GSAMP 2005-WMC2 A2C	362341UZ0	5.0	+95	100	97-141	1.00/YTC
9.437	TMTS 2006-3 2A3	881561W26	3.9	+375	S3	88-186	1.00/YTC
10.000	AMSI 2005-R3 M2	03072SZY4	1.9	+450	30	93-067	YTC/Aa2/AA/AA
2.000	RASC 2005-AHL3 M2	76110W6P6	2.9	+750	30	83-164	YTC/Aa2/AA/
7.000	SURF 2006-BC2 M2	84751PLR8	3.2	+550	S3	86-098	YTC/Aa2/AA/
7.115	BAYV 2004-C M1	073247BL1	0.1	+200	21	97-097	YTM/Aa2/AA/AA
3.050	HEAT 2006-6 M3	437097AJ7	3.3	+1000	100	75-093	YTC/Aa3/AA/AA+
15.836	OWNIT 2006-6 M1	69121TAF2	4.1	+450	S3	86-044	YTC/Aa1/AA+/
12.376	GSAMP 2007-FM1 M3	3622MAAH4	5.6	+600	100	76-143	YTC/Aa3/AA-/
15.992	HASC 2006-WMC1 M3	40430MAJ6	5.7	+900	30	66-075	YTC/Aa3/AA/BBB-
16.000	ABFC 2003-OPT1 M2	04542BDJ8	0.4	+800	S4	97-248	YTC/A2/AA/A+
3.000	ACE 2005-RM1 M6	004421LR2	0.7	+900	30	92-208	YTM/A3/A/A-
7.810	GSAMP 2004-NC2 M3	36242DHC0	1.3	+550	100	95-102	YTC//A-/A-
2.341	BSABS 2005-1 M3	073877AX0	1.2	+1500	35	85-244	YTC//A-/A-
10.554	HEAT 2005-1 M5	437084HU3	1.5	+1600	100	80-223	YTC/A2/A+/
2.500	AMSI 2005-R6 M2	03072SG33	2.0	+700	40	88-300	YTC/NR/AA/AA
2.500	AMSI 2005-R6 M3	03072SG41	1.8	+700	40	89-266	YTC/NR/AA-/AA-
2.000	CWL 2005-6 M5	126673W65	2.2	+355	30	94-134	YTC/A2/A/
1.000	CBASS 2005-CB7 M6	12489WPR9	2.6	+600	S3	88-125	YTC/A3/AA/A+
8.218	FFML 2006-FF11 M6	32028PAM7	3.3	+1300	100	69-291	YTC/A3/A/BBB+
8.733	ABFC 2006-OPT1 M6	00075QAK8	3.1	+600	S4	85-158	YTC/A3/A-/A-
1.029	CARR 2005-FRE1 M5	144531EK2	3.2	+500	25	88-151	YTC/A2/A/
10.378	LBMLT 2006-7 M6	54251TAL3	3.4	+2500	100	50-032	YTC/A3/A+/BBB
3.902	JPMAC 2006-NC2 M6	46629FAK6	3.4	+1200	100	71-067	YTC/A3/A-/A-
7.000	JPMAC 2006-CW2 MV6	46629BAY5	3.4	+1200	100	71-052	YTC/A3/A-/A-
2.400	MABS 2006-NC2 M6	55275BAL1	3.4	+1600	100	63-125	YTC/A2/A-/A-
3.330	LBMLT 2006-8 M6	54251UAL0	3.5	+2500	100	49-071	YTC/A3/A+/
2.500	SASC 2006-BC5 M6	86359SAL8	3.8	+800	30	77-293	YTC/A2/A-/A
3.000	SASC 2006-WF3 M6	86361EAL5	3.9	+800	30	77-304	YTC/A2/A-/A-
2.000	SABR 2006-NC3 M5	81377CAH1	3.5	+1400	100	66-102	YTC/A2/A-/A-
4.000	SAST 2006-3 M6	80556AAK3	3.5	+1300	S4	68-107	YTC/A3/A/
2.320	CARR 2006-NC5 M6	144539AL7	3.6	+850	100	77-136	YTC/A2/A-/A-
4.000	MLMI 2006-MLN1 M6	59023AAL0	3.6	+1300	S3	68-005	YTC/A3/A/
6.000	LBMLT 2006-9 M6	54251WAL6	3.6	+2500	100	48-112	YTC/A3/A-/
2.423	MSAC 2006-HE3 M5	61749HAK6	3.7	+1100	S3	71-280	YTC/A2/A/BBB+
2.436	CMLTI 2006-NC2 M6	17309TAL2	3.4	+1400	100	67-112	YTC/A3/A-/
6.802	MABS 2006-WMC3 M6	55291KAL1	3.6	+1600	100	62-121	YTC/A3/A/
7.278	JPMAC 2006-RM1 M6	46629NAM5	3.7	+1500	100	63-215	YTC/A3/A-/BBB
9.833	NHEL 2007-1 M6	669971AL7	3.8	+900	100	76-134	YTC/A3/A-/
5.007	GSAMP 2007-H1 M6	36245YAK0	3.9	+1600	S3	60-272	YTC/A3//A-
3.000	ACCR 2007-1 M6	00438QAK0	4.1	+1000	100	71-241	YTC/A3/A/
1.000	ACE 2003-HE1 M4	004421DD2	0.2	+2200	45	96-114	YTC/Baa1/BBB+/BBB+
1.000	SURF 2003-BC4 B2	84751PBP3	0.4	+1500	50	94-265	YTC/Baa2/BBB/

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1.000	ACE 2003-HE1 M5	004421DE0	0.2	+2000	45	96-246	YTC/Baa2/BBB/BBB
1.500	SACO 2006-6 B1	785779AH2	2.6			20-000	YTC/C/CCC/
3.000	SACO 2006-6 B2	785779AJ8	2.6			10-000	YTC/C/CCC/
7.550	CWL 2005-13 MV8	126670HR2	2.2	+800	40	88-301	YTC/Baa2/BBB+/
1.250	WFHET 2006-1 M7	9497EUAP2	2.8	+2000	100	62-301	YTC/Baa1/A/
3.650	MLMI 2006-HE2 B1	59020VAL7	2.9	+1500	S3	70-266	YTC/Baa1/A-/
3.600	SVHE 2006-OPT4 M7	83611YAM4	2.9	+2250	S3	59-096	YTC/Baa2/BBB+/
3.243	GSAMP 2006-HE4 M7	362439AM3	3.1	+1400	100	70-136	YTC/Baa1/A/
3.825	HEAT 2006-6 M7	437097AN8	3.2	+2500	100	53-024	YTC/Baa1/A/BBB+
11.250	FFML 2006-FF13 M7	30247DAM3	3.4	+1550	100	65-007	YTC/Baa1/A/
3.275	SURF 2006-BC3 B1	84751WAM6	3.3	+1200	S3	72-293	YTC/Baa1/A-/
4.125	HEAT 2006-7 M7	43709NAN3	3.4	+2200	100	54-297	YTC/Baa1/A-/BBB
12.000	CWL 2006-8 M7	045427AL5	3.7	+1600	S3	63-198	YTC/Baa1/BBB+/
2.837	GSAMP 2006-HE8 M7	3622M8AM8	3.6	+1400	100	66-293	YTC/Baa1/BBB+/
3.000	LBMLT 2006-10 M7	54251YAM0	3.7	+3000	100	42-155	YTC/Baa1/BBB+/
2.000	WMABS 2006-HE3 M7	93934MAM9	3.4	+1200	100	71-296	YTC/Baa1/BBB+/
4.000	LBMLT 2006-9 M7	54251WAM4	3.6	+3000	100	43-063	YTC/Baa1/A-/
7.000	GSAMP 2007-NC1 M7	3622MGAM0	3.8	+1200	100	69-261	YTC/Baa1/BBB+/
5.000	WMHE 2007-HE1 M7	933631AM5	3.9	+2000	100	54-103	YTC/Baa1/BBB+/
5.862	SURF 2007-BC1 B1	84752BAP4	4.0	+1400	S3	64-198	YTC/Baa1/BBB+/
7.000	MSAC 2007-NC1 B1	617505AM4	4.7	+1400	S3	61-304	YTC/Baa1/BBB+/
2.000	MSAC 2005-WMC1 B3	61744CMC7	0.6	+2500	S3	88-108	YTC/Baa3/BBB-/BBB-
5.000	FHLT 2005-B M10	35729PKE9	1.2	+3650	S4	69-292	YTC/Baa3/BBB-/
10.218	PPSI 2004-WCW1 M7	70069FAJ6	1.3	+2000	S4	82-191	YTC/Baa2//BBB
4.500	ECR 2005-4 M9	29256PBE3	1.9	+2000	40	73-151	YTC/Baa3/BBB-/
3.000	INABS 2005-B M9	456606HB1	2.1	+2050	100	71-267	YTC/Baa3/BBB/BBB-
3.150	RASC 2005-KS12 M9	753910AM0	2.7	+1700	S4	71-276	YTC/Baa3/BBB+/
2.400	SVHE 2006-OPT4 M8	83611YAN2	2.8	+3200	S3	50-042	YTC/Baa3/BBB/
7.156	GSAMP 2006-HE3 M9	36244KAP0	2.9	+3000	100	50-281	YTC/Baa3/BBB+/
1.500	FHLT 2006-A M8	35729RAP1	2.9	+2600	100	55-214	YTC/Ba3/BB/BB
5.000	NCHET 2006-1 M9	64352VRB9	3.0	+3300	100	48-137	YTC/B3/B/BB
8.410	GSAMP 2006-HE5 M9	362437AP0	3.3	+3000	100	47-293	YTC/Baa3/BBB/
3.131	FHLT 2006-D M9	35729VAP2	3.6	+2700	100	49-225	YTC/Baa3/BBB-/BB
4.000	SASC 2006-EQ1A M9	86360RAP8	3.7	+1300	30	72-127	YTC/Baa3/BBB-/
7.100	RAMP 2006-RZ3 M9	75156MAM7	3.9	+2000	100	59-037	YTC/Baa3//BBB-
1.421	MSAC 2006-HE7 B3	61750MAQ8	4.1	+2500	S3	48-252	YTC/Ba2/BBB-/

FIXED Alt-A		AVL	Sprd	Ppy	App Prc	Fctr/Notes

FLOATING Alt-A			AVL	DM	Ppy	App Prc	Fctr/Notes
4.000	GSAA 2006-10 AV1	362375AA5	0.6	+75	20	99-196	0.44/YTC/Aaa/AAA/
7.300	GSAA 2006-3 A1	362334BQ6	1.0	+75	20	99-111	0.52/YTC/Aaa/AAA/
4.300	GSAA 2006-12 A1	362381AA3	1.2	+75	20	99-066	0.65/YTC/Aaa/AAA/
20.000	GSAA 2006-19 A1	362244AA3	1.2	+75	20	99-074	0.69/YTC/Aaa/AAA/
25.000	GSAA 2004-6 A2	36228F7E0	1.2	+50	40	99-280	0.14/YTC/Aaa/AAA/
21.500	IMM 2005-4 1A2	45254NPC5	1.9	+75	20	99-091	0.33/YTC/Aaa/AAA/
3.000	GSAA 2006-20 1A1	362351AA6	1.3	+75	20	99-046	0.76/YTC/Aaa/AAA/
20.000	GSAA 2005-15 2A2	362341D71	3.2	+95	20	97-298	1.00/YTC/Aaa/AAA/
15.000	IMM 2004-11 2M2	45254NME4	0.9	+300	20	97-256	0.24/YTC/Aa2/AA/
10.255	BSABS 2007-AC1 M1	07389XAE3	6.0	+400	20	83-188	1.00/YTC/Aa2/AA/
5.000	BSABS 2007-AC2 M1	073854AD3	6.2	+400	20	83-056	1.00/YTC/Aa2/AA/
1.000	GSAA 2005-5 B2	36242DS38	1.0	+3000	20	76-233	
1.00/YTC/Baa2/BBB/BBB							
0.700	GSAA 2005-9 B3	362341GT0	3.1	+2500	20	55-253	1.00/YTC/Baa3/BBB-/
0.730	GSAA 2005-6 M3	36242D3Z4	3.7	+2500	20	52-283	1.00/YTC/A2/A/
1.000	GSAA 2006-9 B1	362382AP8	4.8	+1900	20	51-284	1.00/YTC/Baa2/A/
4.551	GSAA 2005-11 M4	362341PE3	4.6	+800	20	76-095	1.00/YTC/A3/A-/
6.552	CWALT 2005-AR1 M5	12668A4X0	5.3	+1350	20	60-097	1.00/YTC/A2/*-/A+/

William Street Funding	AVL	DM	Ppy	App Prc	Fctr/Notes

Small Business Administration	AVL	Sprd	Ppy	Handle	Fctr/Notes

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Footnote Exhibits - Page 5414

SP CDOs AVL DM Ppy App Prc Fctr/Notes

NIMs AVL Yield Ppy App Prc Fctr/Notes

	Floating Cards	Fixed Cards	Autos	RRB	HomeEq Fxd	HomeEq Flt	Student Loan FFELP	Student Loan Private
1	-2/-3	-3/-4	-1/-2	-4/-5	30/25	10/8	0/-1	2/1
2	-1/-2	-2/-3	0/-1	-3/-4	42/37	16/13	1/0	3/2
3	0/-1	-1/-2	4/3	-2/-3	52/47	25/20	3/2	4/3
5	4/3	2/1		1/0	85/80	29/24	7/6	6/5
7	6/5	5/4		6/5	105/95	35/30	11/10	14/13
10	9/7	8/7		9/8	112/107		13/12	18/17

HomeEq Flt Mezz/Sub	
AA	70/55
A	145/125
BBB+	375/300
BBB	575/450
BBB-	800/625

ABX.HE.07-2 Closes

	Price	Spread	Change
AAA	96-00	141	-25bp
AA	85-00	588	-154bp
A	61-00	1470	-105bp
BBB	42-00	2213	-4bp
BBB-	39-00	2318	-33bp

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660521.343

From: Egol, Jonathan
Sent: Friday, September 07, 2007 2:18 PM
To: Bieber, Matthew G.
Subject: FW: Timberwolf -- Default Swap Collateral

FYI

From: Swenson, Michael
Sent: Friday, September 07, 2007 2:02 PM
To: Egol, Jonathan; Lehman, David A.
Subject: RE: Timberwolf -- Default Swap Collateral

agreed

From: Egol, Jonathan
Sent: Friday, September 07, 2007 2:00 PM
To: Swenson, Michael; Lehman, David A.
Subject: RE: Timberwolf -- Default Swap Collateral

I suggest we round up some AAA cards/slabs to propose

From: Swenson, Michael
Sent: Friday, September 07, 2007 7:22 AM
To: Egol, Jonathan
Subject: FW: Timberwolf -- Default Swap Collateral
Importance: High

From: Joe Marconi [mailto:joe.marconi@greywolfcapital.com]
Sent: Friday, September 07, 2007 7:23 AM
To: Lehman, David A.
Cc: Joe Marconi; Greg Mount; Bieber, Matthew G.; Swenson, Michael
Subject: FW: Timberwolf -- Default Swap Collateral
Importance: High

David: As we discussed yesterday, I believe that your refusal to approve the purchase of any additional Default Swap Collateral into Timberwolf is unreasonable and inconsistent with the way the transaction structure was originally presented to us. We were told that the purpose of the approval rights was to permit GS to review specific assets and approve or disapprove specific assets based on their relative credit merits. If we thought for a second that you had the right to prohibit all new purchases indefinitely, we would have implemented the much simpler GIC structure that is used in most other synthetic CDOs and CDO^2 transactions and thereby locked in a fixed spread to LIBOR for the term of our transaction. Also, the Timberwolf CDS economics include an ongoing fee to GS for the put swap component of the trade; we would not have agreed to those terms if we thought you had this option. Finally, I believe that if anyone on the deal team thought you had this option, it would have been clearly disclosed in the OM. Especially given current market conditions, I am surprised that you are taking a position that will directly result in less cash flow being available to debt and equity investors. As I said yesterday, we recognize the impact of current market conditions and, even before I spoke with Matt, I was suggesting we collectively focus on shorter average life AAA RMBS for

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Wall Street & The Financial Crisis
Report Footnote #2661

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the deal and I specifically solicited feedback on securities where GS would be comfortable. I continue to be surprised by your response. Joe.

Joe Marconi
GREYWOLF CAPITAL
4 Manhattanville Road, Suite 201
Purchase, NY 10577
P) 914.251.8249
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M) 914[redacted]
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[redacted] = **Redacted by the Permanent Subcommittee on Investigations**

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From: Joe Marconi
Sent: Thursday, September 06, 2007 9:19 AM
To: 'david.lehman@gs.com'
Cc: Joe Marconi; Greg Mount; Bieber, Matthew G.; Swenson, Michael
Subject: FW: Timberwolf -- Default Swap Collateral
Importance: High

David: I would like to have a call with you to discuss the purchase of Default Swap Collateral into Timberwolf. I understand you are traveling this week. Let me know when you will have some time to talk. In response to the attached message, Matt told me that GS will not approve the purchase of any additional Default Swap Collateral into Timberwolf. While GS does have consent rights regarding the purchase of Default Swap Collateral, a blanket refusal to approve any assets is inappropriate, inconsistent with the parties' original expectations and will negatively impact the performance of both the debt and equity issued by Timberwolf. Give me a call when you can. Joe.

Joe Marconi
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From: Joe Marconi
Sent: Thursday, September 06, 2007 8:18 AM
To: 'Shimonov, Roman'
Cc: Joe Marconi; Bieber, Matthew G.; 'Martin, Nicole'
Subject: Timberwolf -- Default Swap Collateral

Roman:

We are doing our credit work on these 3 bonds which are shown on the GS inventory sheet. If we get comfortable with these positions, would GS be ok adding them to Timberwolf as Default Swap Collateral? We should be done with our credit work today.

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Thanks. Joe.

FLOATING Home Equity			AVL	DM	Ppy	App Prc	Fctr/Notes
75.247	SVHE 2005-4 2A3	83611MKB3	0.6	+90	35	99-191	1.00/YTC
5.000	CWL 2005-BC5 3A2	126670NC8	0.6	+90	35	99-195	0.76/YTC
13.335	ABFC 2006-HE1 A2A	00075WAB5	0.8	+70	20	99-161	0.68/YTC

From: Bruns, William [mailto:William.Bruns@gs.com]
Sent: Thursday, September 06, 2007 7:48 AM
To: undisclosed-recipients
Subject: Goldman Sachs ABS Inventory (External)

ABS Cash Trading: Mike Swenson Deeb Salem Edwin Chin Jordan Kaufman Will Bruns +1 (212)902-5090

In autos:
- **CARMX** announced a $500mm deal.

In cards:
- **CCCIT** announced a $750mm deal.

<<Inventory.xls>>

Amt ($mm)	Issue	CUSIP	AVL	Sprd	Ppy	Approx Price	Fctr/Notes
FIXED Credit Cards/Dealer Floorplan/Student Loans							
3.750	MBNAS 2003-A11 A11	55264TCH2	1.1	E+24		98-	1.00/YTC/Aaa/AAA/AAA
3.750	BOIT 2003-A9 A9	06423RBE5	1.1	E+24		SOLD	1.00/YTC/Aaa/AAA/AAA
10.000	MBNAM 1999-J B	55262TEV1	2.0	N+50		104-	1.00/YTC/A2/A+/A+
FLOATING Credit Cards/Dealer Floorplan/Autos/UK & Aussie RMBS/Equipment/Stranded Cost							
3.300	CNHMT 2005-1 A	12615SAE0	0.8	+20		99-297	1.00/YTC/Aaa/AAA/AAA
1.500	CCCIT 2007-A2 A2	17305EDS1	2.7	+28		99-072	1.00/YTC/Aaa/AAA/AAA
12.500	COMET 2004-C2 C2	14041NBH3	6.4	+125		98-305	1.00/YTC/Baa2/BBB/BBB

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3.000	GEBL 2006-2A D	36159EAG7	#N/A	N+300		90-101	
0.98/YTC/Baa2/BBB+/BBB							
FIXED Auto & Equipment Loans			AVL	Sprd	Ppy	Handle	
Fctr/Notes							
41.780	GSALT 2004-1 A4	36292RAM3	0.0	E+35	1.25	SOLD	
0.47/YTC							
8.555	NAVOT 2003-B A4	63936XAD6	0.3	E+50	0.75	99-	
0.71/YTC							
3.000	AESOP 2003-3A A3	00103RAX4	0.7	E+25	0.00	98-	
1.00/YTC							
7.000	GSALT 2005-1 A4	36292RAV3	1.3	E+40	1.35	98-	
1.00/YTC							
2.150	HDMOT 2005-2 A2	41283ABV0	1.2	E+30	1.45	98-	
1.00/YTC							
3.750	TAROT 2006-C A3	89578PAC3	1.4	E+55	1.45	99-	
1.00/YTC							
17.210	HERTZ 2004-1A A3	42805RAC3	0.5	E+25	0.00	98-	
1.00/YTC							
FIXED Stranded Cost			AVL	Sprd	Ppy	Handle	
Fctr/Notes							
15.000	CNP 2001-1 A3	75953MAC4	1.3	E+20	0	99-	
1.00/YTC							
5.000	CPL 2002-1 A3	12617AAC1	1.7	E+20	0	100-	
1.00/YTC							
4.000	CONFD 2001-1 A4	210523AD8	1.3	E+20	S1	99-	
0.90/YTC							
5.060	CONFD 2001-1 A5	210523AE6	4.2	N+28	S1	101-	
1.00/YTC							
Student Loans			AVL	DM	Ppy	App Prc	
Fctr/Notes							
4.650	SLMA 2006-9 A2	78443KAB2	1.5	+20	100	99-214	
1.00/YTC							
50.025	SLMA 2006-6 A1	83149FAA2	1.5	+20	150	99-205	
0.68/YTC							
13.675	SLMA 2007-3 A1	78443YAA4	0.8	+20	20	99-253	
0.81/YTC							
FIXED Home Equity			AVL	Sprd	Ppy	Handle	
Fctr/Notes							
12.000	CWL 2002-S4 A5	126671UD6	0.2	E+50	25	99-	
0.87/YTC							
5.000	POPLR 2005-1 AF3	73316PBK5	1.0	E+45	15	98-	
0.57/YTC							
24.456	CBASS 2004-CB1 AF1	04542BFH0	1.4	E+55	30	97-	
0.03/YTC							
7.585	ACCR 2003-2 A1	004375AN1	2.8	N+100	100	95-	
0.31/YTC							
5.273	SAIL 2005-8 M7	86358EXW1	3.8			55-	
1.00/YTC/Ba3/BBB/							
10.000	SAIL 2005-8 M8	86358EXX9	3.8			45-	
1.00/YTC/B3/B/							
4.220	CWL 2005-11 MF8	126670CU0	4.0	N+500	S3	87-	

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1.00/YTC/Baa2/BBB/

4.364 GSAMP 2004-AR2 B4 36242DDY6 0.8 E+1500 45 89-
0.36/YTC/Ba1//BB+

FLOATING Home Equity Fctr/Notes			AVL	DM	Ppy	App Prc
75.247	SVHE 2005-4 2A3	83611MKB3	0.6	+90	35	99-191
1.00/YTC						
5.000	CWL 2005-BC5 3A2	126670NC8	0.6	+90	35	99-195
0.76/YTC						
13.335	ABFC 2006-HE1 A2A	00075WAB5	0.8	+70	20	99-161
0.68/YTC						
20.000	MSAC 2004-HE8 A4	61744CGW0	0.1	+45	35	99-317
0.04/YTC						
5.000	CMLTI 2007-WFH2 A3	17312BAC6	2.3	+150	100	97-053
1.00/YTC						
2.000	OWNIT 2006-5 A2C	69121EAE8	2.8	+140	S3	96-262
1.00/YTC						
12.000	GSAMP 2005-WMC3 A1B	362341L23	3.0	+65	20	99-064
0.54/YTC						
10.000	JPMAC 2006-NC1 A5	46626LJQ4	4.7	+175	100	94-025
1.00/YTC						
11.000	GSAMP 2005-WMC2 A2C	362341UZ0	5.0	+95	100	97-141
1.00/YTC						
9.437	TMTS 2006-3 2A3	881561W26	3.9	+375	S3	88-186
1.00/YTC						
10.000	AMSI 2005-R3 M2	03072SZY4	1.9	+450	30	93-067
YTC/Aa2/AA/AA						
2.000	RASC 2005-AHL3 M2	76110W6P6	2.9	+750	30	83-164
YTC/Aa2/AA/						
7.000	SURF 2006-BC2 M2	84751PLR8	3.2	+550	S3	86-098
YTC/Aa2/AA/						
7.115	BAYV 2004-C M1	073247BL1	0.1	+200	21	97-097
YTM/Aa2/AA/AA						
3.050	HEAT 2006-6 M3	437097AJ7	3.3	+1000	100	75-093
YTC/Aa3/AA/AA+						
15.836	OWNIT 2006-6 M1	69121TAF2	4.1	+450	S3	86-044
YTC/Aa1/AA+/						
12.376	GSAMP 2007-FM1 M3	3622MAAH4	5.6	+600	100	76-143
YTC/Aa3/AA-/						
15.992	HASC 2006-WMC1 M3	40430MAJ6	5.7	+900	30	66-075
YTC/Aa3/AA/BBB-						
16.000	ABFC 2003-OPT1 M2	04542BDJ8	0.4	+800	S4	97-248
YTC/A2/AA/A+						
3.000	ACE 2005-RM1 M6	004421LR2	0.7	+900	30	92-208
YTM/A3/A/A-						
7.810	GSAMP 2004-NC2 M3	36242DHC0	1.3	+550	100	95-102
YTC//A-/A-						
2.341	BSABS 2005-1 M3	073877AX0	1.2	+1500	35	85-244
YTC//A-/A-						
10.554	HEAT 2005-1 M5	437084HU3	1.5	+1600	100	80-223
YTC/A2/A+/						
2.500	AMSI 2005-R6 M2	03072SG33	2.0	+700	40	88-300

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YTC/NR/AA/AA							
2.500	AMSI 2005-R6 M3	03072SG41	1.8	+700	40	89-266	
YTC/NR/AA-/AA-							
2.000	CWL 2005-6 M5	126673W65	2.2	+355	30	94-134	
YTC/A2/A/							
1.000	CBASS 2005-CB7 M6	12489WPR9	2.6	+600	S3	88-125	
YTC/A3/AA/A+							
8.218	FFML 2006-FF11 M6	32028PAM7	3.3	+1300	100	69-291	
YTC/A3/A/BBB+							
8.733	ABFC 2006-OPT1 M6	00075QAK8	3.1	+600	S4	85-158	
YTC/A3/A-/A-							
1.029	CARR 2005-FRE1 M5	144531EK2	3.2	+500	25	88-151	
YTC/A2/A/							
10.378	LBMLT 2006-7 M6	54251TAL3	3.4	+2500	100	50-032	
YTC/A3/A+/BBB							
3.902	JPMAC 2006-NC2 M6	46629FAK6	3.4	+1200	100	71-067	
YTC/A3/A-/A-							
7.000	JPMAC 2006-CW2 MV6	46629BAY5	3.4	+1200	100	71-052	
YTC/A3/A-/A-							
2.400	MABS 2006-NC2 M6	55275BAL1	3.4	+1600	100	63-125	
YTC/A2/A-/A-							
3.330	LBMLT 2006-8 M6	54251UAL0	3.5	+2500	100	49-071	
YTC/A3/A+/							
2.500	SASC 2006-BC5 M6	86359SAL8	3.8	+800	30	77-293	
YTC/A2/A-/A							
3.000	SASC 2006-WF3 M6	86361EAL5	3.9	+800	30	77-304	
YTC/A2/A-/A-							
2.000	SABR 2006-NC3 M5	81377CAH1	3.5	+1400	100	66-102	
YTC/A2/A-/A-							
4.000	SAST 2006-3 M6	80556AAK3	3.5	+1300	S4	68-107	
YTC/A3/A/							
2.320	CARR 2006-NC5 M6	144539AL7	3.6	+850	100	77-136	
YTC/A2/A-/A-							
4.000	MLMI 2006-MLN1 M6	59023AAL0	3.6	+1300	S3	68-005	
YTC/A3/A/							
6.000	LBMLT 2006-9 M6	54251WAL6	3.6	+2500	100	48-112	
YTC/A3/A-/							
2.423	MSAC 2006-HE3 M5	61749HAK6	3.7	+1100	S3	71-280	
YTC/A2/A/BBB+							
2.436	CMLTI 2006-NC2 M6	17309TAL2	3.4	+1400	100	67-112	
YTC/A3/A-/							
6.802	MABS 2006-WMC3 M6	55291KAL1	3.6	+1600	100	62-121	
YTC/A3/A/							
7.278	JPMAC 2006-RM1 M6	46629NAM5	3.7	+1500	100	63-215	
YTC/A3/A-/BBB							
9.833	NHEL 2007-1 M6	669971AL7	3.8	+900	100	76-134	
YTC/A3/A-/							
5.007	GSAMP 2007-H1 M6	36245YAK0	3.9	+1600	S3	60-272	
YTC/A3//A-							
3.000	ACCR 2007-1 M6	00438QAK0	4.1	+1000	100	71-241	
YTC/A3/A/							
1.000	ACE 2003-HE1 M4	004421DD2	0.2	+2200	45	96-114	
YTC/Baa1/BBB+/BBB+							
1.000	SURF 2003-BC4 B2	84751PBP3	0.4	+1500	50	94-265	
YTC/Baa2/BBB/							
1.000	ACE 2003-HE1 M5	004421DE0	0.2	+2000	45	96-246	

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YTC/Baa2/BBB/BBB						
1.500	SACO 2006-6 B1	785779AH2	2.6			20-000
YTC/C/CCC/						
3.000	SACO 2006-6 B2	785779AJ8	2.6			10-000
YTC/C/CCC/						
7.550	CWL 2005-13 MV8	126670HR2	2.2	+800	40	88-301
YTC/Baa2/BBB+/						
1.250	WFHET 2006-1 M7	9497EUAP2	2.8	+2000	100	62-301
YTC/Baa1/A/						
3.650	MLMI 2006-HE2 B1	59020VAL7	2.9	+1500	S3	70-266
YTC/Baa1/A-/						
3.600	SVHE 2006-OPT4 M7	83611YAM4	2.9	+2250	S3	59-096
YTC/Baa2/BBB+/						
3.243	GSAMP 2006-HE4 M7	362439AM3	3.1	+1400	100	70-136
YTC/Baa1/A/						
3.825	HEAT 2006-6 M7	437097AN8	3.2	+2500	100	53-024
YTC/Baa1/A/BBB+						
11.250	FFML 2006-FF13 M7	30247DAM3	3.4	+1550	100	65-007
YTC/Baa1/A/						
3.275	SURF 2006-BC3 B1	84751WAM6	3.3	+1200	S3	72-293
YTC/Baa1/A-/						
4.125	HEAT 2006-7 M7	43709NAN3	3.4	+2200	100	54-297
YTC/Baa1/A-/BBB						
12.000	CWL 2006-8 M7	045427AL5	3.7	+1600	S3	63-198
YTC/Baa1/BBB+/						
2.837	GSAMP 2006-HE8 M7	3622M8AM8	3.6	+1400	100	66-293
YTC/Baa1/BBB+/						
3.000	LBMLT 2006-10 M7	54251YAM0	3.7	+3000	100	42-155
YTC/Baa1/BBB+/						
2.000	WMABS 2006-HE3 M7	93934MAM9	3.4	+1200	100	71-296
YTC/Baa1/BBB+/						
4.000	LBMLT 2006-9 M7	54251WAM4	3.6	+3000	100	43-063
YTC/Baa1/A-/						
7.000	GSAMP 2007-NC1 M7	3622MGAM0	3.8	+1200	100	69-261
YTC/Baa1/BBB+/						
5.000	WMHE 2007-HE1 M7	933631AM5	3.9	+2000	100	54-103
YTC/Baa1/BBB+/						
5.862	SURF 2007-BC1 B1	84752BAP4	4.0	+1400	S3	64-198
YTC/Baa1/BBB+/						
7.000	MSAC 2007-NC1 B1	617505AM4	4.7	+1400	S3	61-304
YTC/Baa1/BBB+/						
2.000	MSAC 2005-WMC1 B3	61744CMC7	0.6	+2500	S3	88-108
YTC/Baa3/BBB-/BBB-						
5.000	FHLT 2005-B M10	35729PKE9	1.2	+3650	S4	69-292
YTC/Baa3/BBB-/						
10.218	PPSI 2004-WCW1 M7	70069FAJ6	1.3	+2000	S4	82-191
YTC/Baa2//BBB						
4.500	ECR 2005-4 M9	29256PBE3	1.9	+2000	40	73-151
YTC/Baa3/BBB-/						
3.000	INABS 2005-B M9	456606HB1	2.1	+2050	100	71-267
YTC/Baa3/BBB/BBB-						
3.150	RASC 2005-KS12 M9	753910AM0	2.7	+1700	S4	71-276
YTC/Baa3/BBB+/						
2.400	SVHE 2006-OPT4 M8	83611YAN2	2.8	+3200	S3	50-042
YTC/Baa3/BBB/						
7.156	GSAMP 2006-HE3 M9	36244KAP0	2.9	+3000	100	50-281

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YTC/Baa3/BBB+/						
1.500	FHLT 2006-A M8	35729RAP1	2.9	+2600	100	55-214
YTC/Ba3/BB/BB						
5.000	NCHET 2006-1 M9	64352VRB9	3.0	+3300	100	48-137
YTC/B3/B/BB						
8.410	GSAMP 2006-HE5 M9	362437AP0	3.3	+3000	100	47-293
YTC/Baa3/BBB/						
3.131	FHLT 2006-D M9	35729VAP2	3.6	+2700	100	49-225
YTC/Baa3/BBB-/BB						
4.000	SASC 2006-EQ1A M9	86360RAP8	3.7	+1300	30	72-127
YTC/Baa3/BBB-/						
7.100	RAMP 2006-RZ3 M9	75156MAM7	3.9	+2000	100	59-037
YTC/Baa3//BBB-						
1.421	MSAC 2006-HE7 B3	61750MAQ8	4.1	+2500	S3	48-252
YTC/Ba2/BBB-/						
FIXED Alt-A			AVL	Sprd	Ppy	App Prc
Fctr/Notes						
FLOATING Alt-A			AVL	DM	Ppy	App Prc
Fctr/Notes						
4.000	GSAA 2006-10 AV1	362375AA5	0.6	+75	20	99-196
0.44/YTC/Aaa/AAA/						
7.300	GSAA 2006-3 A1	362334BQ6	1.0	+75	20	99-111
0.52/YTC/Aaa/AAA/						
4.300	GSAA 2006-12 A1	362381AA3	1.2	+75	20	99-066
0.65/YTC/Aaa/AAA/						
20.000	GSAA 2006-19 A1	362244AA3	1.2	+75	20	99-074
0.69/YTC/Aaa/AAA/						
25.000	GSAA 2004-6 A2	36228F7E0	1.2	+50	40	99-280
0.14/YTC/Aaa/AAA/						
21.500	IMM 2005-4 1A2	45254NPC5	1.9	+75	20	99-091
0.33/YTC/Aaa/AAA/						
3.000	GSAA 2006-20 1A1	362351AA6	1.3	+75	20	99-046
0.76/YTC/Aaa/AAA/						
20.000	GSAA 2005-15 2A2	362341D71	3.2	+95	20	97-298
1.00/YTC/Aaa/AAA/						
15.000	IMM 2004-11 2M2	45254NME4	0.9	+300	20	97-256
0.24/YTC/Aa2/AA/						
10.255	BSABS 2007-AC1 M1	07389XAE3	6.0	+400	20	83-188
1.00/YTC/Aa2/AA/						
5.000	BSABS 2007-AC2 M1	073854AD3	6.2	+400	20	83-056
1.00/YTC/Aa2/AA/						
1.000	GSAA 2005-5 B2	36242DS38	1.0	+3000	20	76-233
1.00/YTC/Baa2/BBB/BBB						
0.700	GSAA 2005-9 B3	362341GT0	3.1	+2500	20	55-253
1.00/YTC/Baa3/BBB-/						
0.730	GSAA 2005-6 M3	36242D3Z4	3.7	+2500	20	52-283
1.00/YTC/A2/A/						
1.000	GSAA 2006-9 B1	362382AP8	4.8	+1900	20	51-284
1.00/YTC/Baa2/A/						
4.551	GSAA 2005-11 M4	362341PE3	4.6	+800	20	76-095
1.00/YTC/A3/A-/						
6.552	CWALT 2005-AR1 M5	12668A4X0	5.3	+1350	20	60-097

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1.00/YTC/A2/*-/A+/

William Street Funding	AVL	DM	Ppy	App Prc
Fctr/Notes				
Small Business Administration	AVL	Sprd	Ppy	Handle
Fctr/Notes				
SP CDOs	AVL	DM	Ppy	App Prc
Fctr/Notes				
NIMs	AVL	Yield	Ppy	App Prc
Fctr/Notes				

	Floating Cards	Fixed Cards	Autos	RRB	HomeEq Fxd	HomeEq Flt	Student Loan FFELP	Student Loan
Private								
1	-2/-3	-3/-4	-1/-2	-4/-5	30/25	10/8	0/-1	2/1
2	-1/-2	-2/-3	0/-1	-3/-4	42/37	16/13	1/0	3/2
3	0/-1	-1/-2	4/3	-2/-3	52/47	25/20	3/2	4/3
5	4/3	2/1		1/0	85/80	29/24	7/6	6/5
7	6/5	5/4		6/5	105/95	35/30	11/10	14/13
10	9/7	8/7		9/8	112/107		13/12	18/17

HomeEq Flt Mezz/Sub	
AA	70/55
A	145/125
BBB+	375/300
BBB	575/450
BBB-	800/625

ABX.HE.07-2 Closes

	Price	Spread	Change
AAA	96-00	141	-25bp
AA	85-00	588	-154bp
A	61-00	1470	-105bp
BBB	42-00	2213	-4bp
BBB-	39-00	2318	-33bp

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From: Lehman, David A.
Sent: Tuesday, September 11, 2007 2:56 AM
To: Bieber, Matthew G.; Egol, Jonathan
Subject: Re: TWOLF default swap collateral

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Ok

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-[redacted]
e-mail: david.lehman@gs.com

----- Original Message -----
From: Bieber, Matthew G.
To: Lehman, David A.; Egol, Jonathan
Sent: Mon Sep 10 14:32:15 2007
Subject: TWOLF default swap collateral

Managed to catch up with Dan just now..we're going to put together a list of SLMA floaters in our inventory to show Joe. Going over w/ Dan tomorrow before sending anything externally

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From: Bieber, Matthew G.
Sent: Tuesday, September 25, 2007 11:18 AM
To: 'Joe Marconi'
Subject: RE: CMBS Candidates for TWOLF Default Swap Collateral

great. our eyes are open for this paper as well.

From: Joe Marconi [mailto:joe.marconi@greywolfcapital.com]
Sent: Tuesday, September 25, 2007 10:37 AM
To: Bieber, Matthew G.
Cc: Joe Marconi
Subject: RE: CMBS Candidates for TWOLF Default Swap Collateral

Matt: Thank you. We are looking at these and will get back to the desk. Also, we are trying to find some short credit card ABS from the programs you have approved. We will let you know what we find. Joe.

Joe Marconi
GREYWOLF CAPITAL
4 Manhattanville Road, Suite 201
Purchase, NY 10577
P) 914.251.8249
F) 914.251.8244
M) 914[redacted]
E) joe.marconi@greywolfcapital.com

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From: Bieber, Matthew G. [mailto:Matthew.Bieber@gs.com]
Sent: Tuesday, September 25, 2007 10:02 AM
To: Joe Marconi
Cc: Solomon, Benjamin; AcriGarofalo, Domenico; Lehman, David A.
Subject: CMBS Candidates for TWOLF Default Swap Collateral

Joe -

Had a look through our CMBS inventory and found some suitable candidates for default swap collateral. If you are interested in these positions pls contact Ben or Dom (cc'd on this email). They can also be reached at 212-902-2927.

Orig Face	Curr Face	Name	Avg Life	Indicative Level	S&P	Moody's	Fitch
7.6	6.018	CSMC 06TF2A A1	0.5	99-24	AAA	Aaa	AAA
13.9	10.119	WBCMT 06WL7A A1	0.6	99-20	AAA	Aaa	AAA
5	5	CSMS 06HC1A A1	0.6	99-00	AAA	Aaa	

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From: Sparks, Daniel L
Sent: Tuesday, November 20, 2007 1:27 PM
To: Saunders, Tim; Bieber, Matthew G.; Lehman, David A.
Subject: FW: Funded Collateral for Synthetics

From: Ron Beller [mailto:Ron.Beller@pelotonpartners.com]
Sent: Tuesday, November 20, 2007 1:00 PM
To: Sparks, Daniel L
Subject: FW: Funded Collateral for Synthetics

One of the examples of the emails I mentioned below. There are others as well as contemporaneous notes of our conversation with peter ostrem when he presented the idea to us, and contemporaneous notes taken from other calls and meetings with your team. In case I wasn't clear on the call, our three main points would be:

1. The aim of the collateral account was to provide LIBOR and not add additional risk to the deal.
2. GS said they would take market risk and clearly represented that to us and to the ratings agencies.
3. The only way the deal works, and the way the deal was marketed and explained to us, is that paydowns are equivalent to partial terminations. We do not believe you have any right to refuse to release excess cash that is no longer needed as collateral, and we do not believe you have the right to release bonds into the waterfall ever, and certainly not when cash exists.

Perhaps the way you did these deals changed over time and you are comparing our deal to ones which you marketed or structured later/differently?

I look forward to hearing from you.

Ron

From: Peter Howard
Sent: 08 November 2007 13:38
To: Ron Beller
Cc: David Watson
Subject: FW: Funded Collateral for Synthetics

From: Bieber, Matthew G. [mailto:matthew.bieber@gs.com]
Sent: 13 March 2006 17:23
To: Peter Howard
Subject: RE: Funded Collateral for Synthetics

GS has exposure to 100% of the funded collateral backing the synthetic positions. if the liquidation proceeds of an asset (gs as swap counterparty gets to choose which assets are liquidated) are less than the writedown amt owed to goldman - goldman has mv risk. Deal retains upside (collateral liquidated at a premium).

From: Peter Howard [mailto:Peter.Howard@pelotonpartners.com]
Sent: Monday, March 13, 2006 12:20 PM
To: Bieber, Matthew G.

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Subject: RE: Funded Collateral for Synthetics

Doesn't 100% of the facility have exposure to GS put?

From: Bieber, Matthew G. [mailto:matthew.bieber@gs.com]
Sent: 13 March 2006 15:51
To: Peter Howard
Subject: Funded Collateral for Synthetics

Here's an overview of the asset criteria we used in our last transaction:

(i) rated "P-1" and, if such asset has a long-term rating from Moody's, "Aaa" by Moody's and "A-1+" and, if such asset has a long-term rating from S&P

(ii) expected to have an outstanding principal balance of less than $1,000 after stated maturity of class A-1 notes, assuming a constant prepayment rate since the date of purchase equal to the lesser of (a) 5% per annum and (b) the constant prepayment rate reasonably expected by the collateral manager as of the date of purchase

(iii) after taking into consideration the addition of any such security (a) at least 20% of the default swap collateral by principal balance has an expected average life of less than or equal to 1 year, (b) at least 80% of the Default Swap Collateral by principal balance has an expected average life of less than or equal to 3.25 years and (c) all default swap collateral has an expected average life of less than or equal to 4 years

(iv) with the inclusion of such security, no more than 30% of the Default Swap Collaterel by principal balance has single counterparty exposure including servicer, issuer and put swap counterparty exposure

(v) provides for payments of periodic interest and for a payment of principal in full at its final maturity and

(vi) each such security satisfies the definition of an "Eligible Investment" or is a residential mortgage backed security, a commercial mortgage backed security, an asset backed security or a collateralized debt obligation.

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From: Trinh, Kristina [Kristina.Trinh@tcw.com]
Sent: Tuesday, November 27, 2007 5:38 PM
To: Bieber, Matthew G.; Lin, Shelly
Cc: Nichols, Susan; Fiorillo, Vincent; Shinoda, Ken
Subject: FW: AAA Default swap collateral

Hi Matt,

As of today we have $5.5mm and $11.7mm in synthetic collateral cash in DSVII and WCI respectively from paydowns of synthetic collateral securities. We were able to find bonds from the September approved list below. Please let us know if you approve these names – or would like to keep the cash in the overnight account. Also let us know if you have a preferred allocation.

BOIT 02-A6 A
GSAMP 2005-WMC3 A1B
CHAIT 2005-A9 A9
BACCT 2007-A13 A13

Thank you.

Kristina

865 S. Figueroa Street, Suite 1800
Los Angeles, CA 90017
Tel: 213-244-0177 | Fax: 213-244-0506
kristina.trinh@tcw.com

From: Bieber, Matthew G. [mailto:Matthew.Bieber@gs.com]
Sent: Tuesday, October 23, 2007 5:32 PM
To: Trinh, Kristina; Lin, Shelly
Cc: Nichols, Susan; Fiorillo, Vincent; Shinoda, Ken; Lee, Michael; Case, Benjamin
Subject: RE: AAA Default swap collateral

Hi Kristina -

Lets keep in cash in the overnight account - until collateral can be found.

Regards,
Matt

From: Trinh, Kristina [mailto:Kristina.Trinh@tcw.com]
Sent: Tuesday, October 23, 2007 7:13 PM
To: Lin, Shelly; Bieber, Matthew G.
Cc: Nichols, Susan; Fiorillo, Vincent; Shinoda, Ken; Lee, Michael
Subject: FW: AAA Default swap collateral

Hi Matt and Shelly,

Tomorrow the CP in DSVII's synthetic collateral account rolls, leaving $4.6mm in synthetic collateral cash. So we will try to look for bonds per the email below. If we are unable to find one under the following parameters, would you still want to keep the cash in the overnight account or did you want to take a look at corp CP again? Thanks.

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Kristina

From: Bieber, Matthew G. [mailto:Matthew.Bieber@gs.com]
Sent: Thursday, September 20, 2007 11:47 AM
To: Fiorillo, Vincent
Cc: Lin, Shelly
Subject: AAA Default swap collateral

Per our discussion earlier today -

RMBS: CBASS, GSAMP, JPMAC, WFHET
CARDS: AMXCA, BACCT, BOIT, MBNAS, CCCIT, CHAIT, DCMT
AUTOS: COPAR, DCMOT, FORDO, HAROT, HDMOT, NALT, USAOT
STUDENT LOANS: ACCSS, GCOE, KSLT, NCSLT, SLMA (FFELP)

Generally speaking, looking at avg life less than 2 years on securities that are open window (currently amortizing). Pls include shelly lin and I on any proposed securities for approval.

Regards,
Matt

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From: Bieber, Matthew G.
Sent: Monday, October 15, 2007 3:23 PM
To: Verrochi, Matthew P.
Cc: Lehman, David A.; Case, Benjamin
Subject: Default Swap Collateral Reinvestment

Here are the shelves we'd like to use for default swap collateral reinvestment.

RMBS: CBASS, GSAA, GSAMP, JPMAC, WFHET
CARDS: AMXCA, BACCT, BOIT, MBNAS, CCCIT, CHAIT, DCMT
AUTOS: COPAR, DCMOT, FORDO, HAROT, HDMOT, NALT, USAOT
STUDENT LOANS: ACCSS, GCOE, KSLT, NCSLT, SLMA (FFELP)

In addition to the default swap collateral constraints in the docs for each transaction, also looking to securities that are (a) floating rate (b) monthly pay (c) senior-most bond in capital structure (d) avg life of less than or equal to 2 yrs (e) currently amortizing .

Please let me know if you have any questions.

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From: Bieber, Matthew G. <Matthew.Bieber@gs.com>
Sent: Thursday, September 27, 2007 9:57 AM
To: Joe Marconi <joe.marconi@greywolfcapital.com>
Cc: Shimonov, Roman <Roman.Shimonov@gs.com>
Subject: RE: Timberwolf Default Swap Collateral

No - we need to give approval on a security by security basis.

-----Original Message-----
From: Joe Marconi [mailto:joe.marconi@greywolfcapital.com]
Sent: Thursday, September 27, 2007 9:51 AM
To: Bieber, Matthew G.
Cc: Joe Marconi; Shimonov, Roman
Subject: Timberwolf Default Swap Collateral

Matt: I am seeing this list from another dealer. Can I assume that I can buy any name on your approved list? I'd like to bid on a couple of these at 10:30am. Thanks. Joe.

-----Original Message-----
From: JOE MARCONI, GREYWOLF CAPITAL MAN
[mailto:joemarconi@bloomberg.net]
Sent: Thursday, September 27, 2007 9:49 AM
To: Joe Marconi
Subject: joe - card list @ 10:30 ...

joe - card list @ 10:30 ...

5.125M AMXCA 03-3 A 0.54yr
27,500M CCCIT 03-A9 A9 1.13yr
10.000M CCCIT 02-A8 A8 2.10yr
10.930M CHAIT 05-A1 A1 0.54yr
11.305M CHAMT 03-3 A 0.70yr
12.660M MBNAS 03-A9 A9 0.95yr
20.700M MBNAS 04-A10 A 2.04yr

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United States
Policies for the Preparation, Supervision, Distribution and Retention of Written And Electronic Communications



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February 1, 2001

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I. Introduction

Goldman Sachs communicates with its customers (including private individuals, institutions and other broker/dealers), counterparties, and the general public in many ways. The integrity of these communications is essential to the firm's reputation and success. Therefore, with this manual, the firm is setting forth its policies regarding the preparation, supervision, distribution and retention of all written and electronic communications relating to our business.

For the purposes of these policies, *"communication"* is defined very broadly. It includes any and all written or electronic communication — from formal recommendations to casual opinions and thoughts relating to our business. It includes words, diagrams, pictures, graphs, and images. And it does not matter whether these be conveyed by note, letter, prospectus, advertisement, e-mail, television or radio broadcast, or any other means or media. Although these policies do not specifically cover oral communications, the same content guidelines apply to oral communications.

The policies stated in this memorandum outline the firm's expectations and requirements with respect to communications with the public relating to any business of the firm. Individual divisions or business units may establish policies that supplement or supercede parts of the policies outlined here. In addition, the section entitled *"Firm Expectations of Employee Conduct"* in the firm's Employee Handbook contains standards and guidelines that apply to the communications covered here.

Therefore, this manual must be read and implemented in conjunction with the applicable Divisional Compliance policies and the requirements of the Employee Handbook. You are responsible to know the additional requirements of the Handbook and those of your division and business unit.

Business units and **Divisional Compliance** will be responsible for communicating the contents of these policies and any related divisional or regional policies by distributing them to all appropriate personnel, by distributing any periodic updates or revisions to them, and through both new employee and on-going training programs.

While business units and **Divisional Compliance** are responsible for communicating policies, it is the responsibility of each individual to understand the rules of the firm and of the businesses in which s/he works. **Failure to comply with the policies may result in disciplinary action, including potential separation from the firm.**

As with any compliance issues, the most important thing is that you be aware of your responsibilities and seek clarification and help if you have any questions. If you have any questions about the application or interpretation of these standards and requirements or about possible exceptions to them, speak with your **Divisional Compliance** officers, to Central Compliance or the Legal Department.

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II. Categorization of Communications

While these policies apply to all written and electronic communication, there are three categories of communications for which there are specific rules. These categories are **advertisements, sales literature,** and **sales correspondence**. There are two types of content that merit special attention, as well. These are **research** and **recommendations.** These categories of communication and types of content are defined below.

A. Categories of Communication

Advertisements

An advertisement is any written or electronic communication relating to the firm's securities business that is made publicly available in such a way that the individual recipients are not known to and cannot be limited by the firm. In other words, the firm does not have control over who receives, sees, or hears an advertisement.

An advertisement may include material published or designed for use in a newspaper, magazine or other periodical, radio, television, telephone or tape recording, on a generally accessible website or in or on another publicly available medium.

Advertisements must conform to standards established by Corporate Communications and must be approved before use (as described later in this manual).

Sales Literature

Sales literature is any written or electronic communication relating to the firm's securities business that is sent or made available to multiple public recipients who are known or directly targeted by the firm.

Sales literature may include, but is not limited to, circulars, research reports (including most of the publications of the firm's Investment Research Department), market letters, performance reports or summaries, and form letters. Sales literature also includes the written text of any communication delivered orally to a broad audience, such as a telemarketing script or a seminar text and material posted on password-protected websites available to clients.

The key characteristic of sales literature is that it is addressed to multiple recipients specifically targeted by the firm.

As is the case with advertisements, sales literature must be approved before use (as described later in this manual).

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Sales Correspondence

Sales correspondence is any written or electronic communication (other than that classified as advertising or sale literature) that is sent or made available to a current or prospective customer by a salesperson involved in the firm's securities business or by a person who is soliciting fee-based investment advisory or management services.

The key characteristic of sales correspondence is that it is directed to a specific recipient. It may or may not need to be approved prior to use.

B. Research and Recommendations

Sales literature and sales correspondence may include a ***recommendation to a customer*** and, in certain contexts, may constitute ***research***. Recommendations and research each has its own approval process, and research requires specialized legends, which are discussed later in this manual. For the purposes of this manual:

- ***Research*** is an analysis of individual companies, industries, market conditions, or securities or other investment vehicles that provides information reasonably sufficient upon which to base an investment decision. While reports prepared by one of the firm's investment research departments generally fall into the category of research, materials prepared by other personnel also may constitute research under applicable regulations. Research does **not** include publicly available information, consensus data, or data attributable to management of the company being discussed.

- A ***recommendation*** to a customer is the promotion or endorsement of a transaction involving a security.

Note that there are significant restrictions on including any research or recommendations in marketing materials for asset management services. Consult **Divisional Compliance** policies for further guidance.

C. General Communication

As stated above, although these particular categories and types of communication require special attention, except where otherwise noted, this manual covers all written or electronic communication with the public relating to any business of the firm.

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III. Content Standards

A. General Standards

No matter what you are communicating to the public, your words reflect on the reputation of the firm. Furthermore, the firm can be held accountable for what you communicate. The firm, therefore, requires that your communication reflect the high standards of the firm, not only in what you say, but also in the way you say it.

The following are general standards and requirements that the firm expects all of its employees to understand and follow in all of their communications.

Truthfulness and Completeness

Communications may not omit material facts or include untrue or misleading statements. Keep in mind that the level of detail or explanation necessary to make a communication clear, accurate, and understandable will depend, in part, on the breadth and sophistication of the intended audience and the complexity of the subject matter. For example, communicating complicated material or the lack of financial sophistication of the recipient will often warrant a more detailed presentation.

Professionalism and Good Taste

- All communications should be professional and in good taste. Of course, your communications should never contain obscene, offensive, or otherwise inappropriate, unprofessional, or unlawful language. Remember, that you do not control and you cannot always predict who the reader will be.
- Write using standard, formal written language. Pay attention to proper grammar and accurate word usage.
- Avoid superlatives and exaggerations.
- Communicate succinctly. Stay strictly to the topic of your communication. Do not include any gratuitous comments.
- Remember, your business communications become part of the official records of the firm. Regulators and other third parties may have access to these communications in the case of dispute, litigation, or criminal action.

Records of Past Performance

Any communication that portrays past performance of recommendations or actual transactions must be balanced and not misleading. In particular:

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- Past performance may not be used to promise or suggest, directly or indirectly, future profits or income, nor may it be presented as indicative of future performance.
- Records or statistics must:
  - disclose the existence of any relevant costs (*e.g.*, commissions and interest charges, if applicable).
  - be clearly defined as to scope (i.e., the universe of securities or transaction types covered) and context.
  - cover at least the most recent 12-month period, if available.
- Whenever annualized rates of return are used:
  - All material assumptions used in the process of annualization must be disclosed.
  - The date and price of each initial recommendation or transaction and the date and price at the earlier of when liquidation was suggested or effected must be included.
  - Summaries or averages may be presented so long as they include the total number of items recommended or transacted, the number that advanced and declined, and an offer to provide the complete record upon request.

Finally, the communication should include an indication of general market conditions during the relevant period (*e.g.*, the performance of the S&P 500). Any such comparison should be reasonable.

Note that there are special requirements for showing past performance of mutual funds and separate account composites, and for certain other investments (*e.g.*, options). Consult **Divisional Compliance** policies for further guidance.

Speculating on Litigation Results

Do not speculate on or predict the outcome of any litigation involving the issuer of a security.

Guarantees

Do not make any guarantee of profit or against loss, or offer any promise of specific results.

Projections and Predictions

Communications may include projections and predictions (including forecasts of financial performance), but those projections and predictions must:

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- Be based on reasonable assumptions.
- Be clearly labeled as opinion.
- Include a description of the assumptions and information upon which projections and predictions are based or indicate that the underlying assumptions and information are available upon request.

Hypotheticals that look backwards in time and recalculate performance based on stated assumptions are not necessarily subject to the same standard of reasonableness as forward-looking projections or predictions. This is because with backward-looking projections evidence of what actually occurred is always available for consideration. The availability of actual data limits the danger of acting on an unreasonable assumption. Forward-looking projections, on the other hand, require more care.

Note that significantly stricter standards apply to the use of forward-looking or backward-looking projections in connection with asset management services. Consult **Divisional Compliance** policies for further guidance.

Balance of Risks and Potential Rewards

Any discussion of the merits of a potential investment should be balanced with a discussion of its risks. The discussion must also provide enough information to allow the recipient to understand the full nature of the investment and of its potential risks and rewards.

Suitability of Investments

Communications may not state or imply that any particular investment is suitable for all investors.

Subject to otherwise applicable firm policies on suitability and requirements to "know your customer," communications may state that an investment is suitable for a particular customer or class of similarly-situated customers.

Rumors

Communications may not circulate or encourage dissemination of unsubstantiated rumors. Therefore, it is the policy of the firm to make no comment on rumors whatsoever, even to deny rumors you believe to be untrue.

Dating Communications

All communications should be appropriately dated. Any significant information that is more than six months old or otherwise is not reasonably current must be noted.

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Identifying Sources

All communications should include the firm's name and, when appropriate, the name of the person who prepared the communication.

Disclosure of Client Names and Positions

Names of clients of the firm and their assets, objectives, and positions are confidential and may not be disclosed outside of the firm, or to anyone within the firm without a "need to know". Despite this general rule, the name of a client may be disclosed with the client's consent, if permitted by applicable **Divisional Compliance** policies.

B. Providing Customers with Valuations of Their Positions

Because valuations of positions can be used for a variety of reasons (risk management, accounting, as the basis of trading decisions, margining, etc.) it is imperative that valuations are carefully prepared and that both the valuations themselves and the basis on which they have been calculated are communicated clearly and completely.

Check individual divisional policies for requirements as to the form and content of valuations and as to any disclosure statements (hedge clauses) that may be required to be used.

C. Third Party Material and Testimonials

Attribution of Sources

Using outside sources without attribution is plagiarism. Plagiarism is a serious breach of the firm's standards and exposes the firm to significant legal and reputational risk. Therefore:

- All material --- whether words, graphs, charts, analyses, or other matter taken from outside sources, and whether directly quoted or simply referred to --- **must be** properly attributed. This includes paraphrases and summaries of discussions.
- Attribution may appear in footnotes or in the text.
- The attribution must be specific. Generic phrases such as "experts claim" or "market sources agree" are not sufficient or acceptable.

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- Any market letter or research report prepared by an outside organization must identify the preparer and not give the impression that it was prepared by Goldman Sachs. See divisional policies regarding the use of such third-party material.

Testimonials

A testimonial is a quotation from a customer or outside expert expressing support for a Goldman Sachs product or activity. Any testimonial must be accompanied by a disclaimer, the substance of which includes the following:

- That the testimonial may not be representative of the experience of other customers.
- That the testimonial is not indicative of future performance or success.
- That it is a paid testimonial (if more than a nominal sum was paid for the testimonial).
- That the person making the testimonial has the knowledge and experience to form a valid opinion (if the testimonial concerns a technical aspect of investing).
- That the person making the testimonial has a relationship with the firm (if such a relationship exists).

If a testimonial is used in an advertisement, the Corporate Communications Department must also be consulted. **Testimonials are prohibited in any communication related to asset management services.**

D. Copyright Issues

Using published material from sources outside of the firm, with or without attribution, may constitute a copyright infringement. Copyright rules differ from situation to situation and from jurisdiction to jurisdiction.

Note that copyright rules are not restricted to printed material. They extend to material published in other media, including the Internet.

You should consult the section entitled "*Copyrighted Materials*" in the Employee Handbook.

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E. Recommendations of Securities Transactions by Securities Salespeople*

Suitability of Recommendations Made to Customers

Prior to recommending that a customer purchase, sell or exchange any security, salespeople must have reasonable grounds for believing that the recommendation is suitable for that particular customer upon the basis of the facts disclosed by the customer as to his/her other security holdings, investment objectives and financial situation.

Know the Security Being Recommended

The suitability concept also requires a salesperson to have an adequate and reasonable basis for his/her recommendation of a particular security. This requires familiarity with the characteristics (including potential risks and rewards) of the security being recommended. Therefore, salespeople must "know their security", as well as their customer.

Determining Whether a Recommendation is Made

A broad range of circumstances may cause a transaction to be considered recommended, and this determination does not depend on the classification of the transaction by divisional policies as "solicited" or "unsolicited." In particular, a transaction will be considered to be recommended when a representative of the firm brings a *specific* security to the attention of a *particular* customer (or group of customers) through any means, including telephone, mail, e-mail or fax.

Trade Ideas

Firm employees frequently provide so-called "trade ideas" to multiple recipients. Such trade ideas are designed to help clients take advantage of market conditions and intelligence, but are not intended to be specific buy/sell recommendations for specific clients or customers. Characteristics of trade ideas frequently include:

- Market situations to watch closely.
- "If/then" suggestions, such as: "If your position is X, consider taking advantage of Y"; "if a security begins to do A, consider taking action B."
- Delivery to multiple recipients, rather than to specific clients.
- Suggestions about a range of actions rather than a specific transaction.

* Note that the requirements of this section apply to securities brokerage (including discretionary brokerage) accounts. For advisory account requirements, consult Divisional Compliance policies.

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- Common distribution via e-mail.

Such trade ideas are not considered to fall within the definition of a recommendation.

Seeking Additional Guidance

In sum, whether a particular transaction is in fact recommended depends on an analysis of all the relevant facts and circumstances. Therefore, employees are required to be familiar with divisional policies on recommendations and suitability, and are encouraged to consult their Divisional Compliance personnel or the Legal Department for assistance in answering any questions.

F. Recommendations Contained In Research Reports*

When a recommendation to a customer is made in advertisements or sales literature (including the firm's published research), the market price of the security at the time of the recommendation must be indicated and the following information must be disclosed:

- Whether the firm makes a market in the security or will buy or sell the security on a principal basis
- Whether the firm was a manager or co-manager of any public offering by the issuer within the past three years
- Whether the firm, its officers, or any personnel involved in preparing the communication may have positions in the securities or options of the issuer.
- Whether the firm or any of its employees is a director of the issuer.

The publication of all research reports must be approved by one of the firm's investment research departments, which will add any additional required disclosures.

G. Restricted Trading List Securities

Sales correspondence may not include discussion of, nor may a salesperson recommend transactions in, any security on the firm's Restricted Trading List without the **prior approval** of the Central Compliance Control Room.

Asset management personnel should refer to their Divisional Compliance policies which, in some instances, may differ from the foregoing.

* Note that the requirements of this section apply to securities brokerage (including discretionary brokerage) accounts. For advisory account requirements, consult Divisional Compliance policies.

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H. Hedge Clauses

The proper hedge clauses must accompany all advertisements and sales literature. The hedge clauses may not be misleading or inconsistent with the content of the communication.

The required hedge clauses vary based upon product, country, recipient and a number of other factors. Therefore, contact Divisional Compliance to determine the proper hedge clauses to use on any material sent to third parties on behalf of the firm.

I. Internal-Use-Only Documents

No written or electronic communication marked (or customarily handled as) "for internal use only" or "for broker use only" may be distributed, in whole or in part, to anyone outside of the firm. This includes e-mail and material on the internal website.

If a particular business unit determines that material originally prepared for internal or broker-only use becomes appropriate for dissemination to the public, any internal use designation must be removed and all appropriate approval procedures and standards governing outside written communications, as detailed in this document, must be satisfied.

J. Distributing "To All" Memoranda

"To All" memos, whether distributed by memo, e-mail or other means, must be approved as described in the section entitled "*Firmwide Memoranda*" in the Employee Handbook.

K. Dissemination of Information Concerning The Goldman Sachs Group, Inc.

The NYSE prohibits any recommendation or solicitation with respect to the common stock of The Goldman Sachs Group, Inc. Accordingly, only the Investor Relations or Corporate Communications Departments are authorized to make any comments regarding The Goldman Sachs Group, Inc.

L. Registered, Publicly-Offered Securities (other than GSAM Mutual Funds)

The U.S. securities laws impose severe restrictions on the distribution of any written materials in the United States by participants in a U.S. registered public offering (including both IPOs and follow-on offerings) in connection with such offering other than the most

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recent "red herring" prospectus and, after the offering is priced, the final prospectus. It has always been the firm's policy to adhere strictly to these requirements. In addition, it is the firm's policy to apply these requirements in a variety of other circumstances.

These restrictions are as follows:

- No written materials may be distributed outside the firm in the United States in connection with any U.S. registered public offering (both IPOs and follow-on offerings) other than the "red herring" prospectus and, after pricing of the offering, the final prospectus. This includes e-mails (including responses to clients' e-mails to us), faxes, and any other method of written communication. For example, neither the sales memorandum for the offering nor any portion thereof (nor any summary thereof) may be distributed outside the firm. In addition, only the entire "red herring" or final prospectus may be distributed; employees must not distribute selected pages from a prospectus, nor highlight or draw attention to selected portions of the prospectus. These restrictions continue in effect for the first 25 days after the pricing of a U.S. registered IPO.

- It is firm policy, in connection with U. S. registered public offerings, to observe the foregoing restrictions with respect to the distribution of written materials outside the U. S.

- It is also firm policy to observe the foregoing restrictions with respect to the distribution of written materials, both inside and outside the U. S., in connection with Regulation S and Rule 144A offerings.

Any exceptions to the first of the foregoing restrictions must be approved by the Legal Department or a senior member of the Special Execution Group. Any exceptions to the second or third of the foregoing restrictions must be approved by a member of the Commitments Committee in consultation with a senior member of the Special Execution Group.

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IV. Reviews and Approvals

A. General

Responsibility for obtaining reviews

In general, the employee preparing and sending a communication is responsible for obtaining any necessary approvals and for following the appropriate procedures for retention and review.

Documents previously approved

In certain instances, divisional policies may designate certain material sent to specified recipients as "pre-approved", in which case the pre-approved documents do not have to be re-approved each time they are sent.

Any additional correspondence accompanying the approved documents, such as a cover letter or note, may have to be approved, depending on the substance contained in it. For instance, casual correspondence, thank you notes, confirmations or schedules for meetings, invitations, and other correspondence that does not relate to business does not require approval.

Reviewer's Signature

When approval is required, the reviewer must initial or sign and date the firm's retained copy of any written communication (or, for certain business units, a *"Compliance Cover Sheet"*) to indicate and record his/her review and approval or maintain a comparable record.

In cases where electronic correspondence requires approval, a record of the review and approval must be maintained. The nature of that record — an addition to the electronic file, a log file of reviews, a physical record on a hard copy, or other means — can be determined by the business unit. Whatever the nature of the record, it must clearly indicate the reviewer's approval and maintain a clear audit trail to the reviewed communication.

Advertisements and Sales Literature

In general, advertisements must be approved in advance by the Corporate Communications Department in order to assure compliance with firm-wide identity, branding, logo and other standards. In some divisions, this approval process may be handled by Divisional Compliance. In addition, advertisements related to the firm's sales and trading of securities must be approved prior to first use or first availability by a registered principal in the relevant business unit.

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All sales literature must also comply with firm-wide design and content standards established by Corporate Communications. In addition, sales literature related to the firm's sales and trading of securities must be approved, prior to first use or availability, by a registered principal in the relevant business unit.

For any options-related sales literature, the approving registered principal must be the Compliance Registered Options Principal (CROP) or the CROP's designee.

Research reports must be approved by a supervisory analyst prior to issuance.

SRO Filing Requirements

Certain product-specific sales literature and advertisements (e.g., certain investment company-related materials, CMO-related advertisements, and options-related educational materials) must be filed with an appropriate SRO (NASD, CBOE, etc.) at least 10 days prior to first use or first availability. Approvals must be sought from the appropriate registered principal or Corporate Communications early enough to meet the 10-day filing requirement.

B. Review of Certain Outgoing Correspondence

Outgoing correspondence with the public by registered representatives and associated persons involved in the sale of securities, whether in hard-copy, fax, e-mail or other electronic format, will be subject to review by a registered principal or his/her designee.

Each division or business unit involved in the firm's broker/dealer business may approach the review of outgoing correspondence in one of two ways:

- Review **all** outgoing sales correspondence **before** it is sent; or
- Review a **sample** of outgoing sales correspondence **after** it is sent.

Guidelines for developing a sampling program appear in the Appendix at the end of this manual. Check your Divisional Compliance policies for the procedures applicable to you.

A copy of all such correspondence, no matter the medium in which it is delivered, must be retained in accordance with procedures established by the applicable division and must be readily available for review. The person who reviewed the correspondence must be easily ascertainable. Finally, the outgoing communications file will be subject to periodic review to assure compliance with these requirements.

Compliance with the requirements of these policies will be a subject of discussion at annual or other periodic performance reviews and will be the subject of remedial action, if required.

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Compliance with the requirements for review of communications (including appropriate monitoring, testing, and documenting of results and evaluation of effectiveness) are subject to annual Central Compliance review and will be included in the Management Controls Department's periodic audits.

C. Review of Incoming Correspondence

All incoming written and electronic correspondence from the public directed to registered representatives and associated persons involved in the sale of securities are also subject to the firm's supervision and review in accordance with divisional procedures. Except for written correspondence (i.e., material in paper form) sent to registered representatives (all of which must be reviewed as described below), divisional policies may provide for either review of all such correspondence or a sample selected in substantially the same manner as outgoing correspondence.

Review of Incoming Written Correspondence Sent to Sales Representatives

In order to provide early notice of potential sales practice issues and customer complaints, and to help ensure proper handling of customer funds and securities, a registered principal or his/her designee will review all incoming written correspondence (i.e., correspondence in paper form) that is directed to registered representatives involved in the sale of securities. To facilitate this review:

- The correspondence will be opened by, or in the presence of, an authorized individual (a principal or his/her designee) to identify any possible complaints and to remove customer funds and securities.
- The individual reviewing the correspondence will, after the review is completed, forward the material as appropriate for proper retention.
- Funds and securities will be forwarded to the personnel responsible for custody of funds and securities in the office in which the funds or securities were received. These items should be delivered by hand, if possible, or by an alternative delivery method approved by the firm's operations officials.
- Any correspondence containing a possible customer complaint must be handled as described in the following section.

Correspondence that can be readily identified as regulatory bulletins, research or promotional material, advertising, periodicals, fund raising appeals or similar non-customer material need not be subject to this procedure.

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Treatment of Customer Inquiries and Complaints

As a matter of good business practice, it is the firm's policy to handle and resolve any customer or client inquiry expeditiously, especially when it regards proper handling of business solicitations, transactions, and customer securities or funds. In addition, the Legal Department and Central Compliance will designate certain types of inquiries as "customer complaints," which require specific handling and regulatory reporting.

To make sure that all inquiries and potential "customer complaints" are handled expeditiously and properly, both from the business and regulatory points of view, employees must observe the following procedure.

Any employee who receives a written, electronic, or oral communication from a customer or any person acting on behalf of a customer alleging a grievance involving the solicitation or execution of any transaction or the disposition of securities or funds of that customer must report it to his or her supervisor immediately. A copy of the communication (unless it is oral) must be sent immediately to the supervisor.

The supervisor will first determine whether the communication **might** be classified as a "customer complaint". If the supervisor considers the communication to be a possible complaint, the supervisor will notify and forward copies of the communication to the Director of Central Compliance, the Legal Department and Divisional Compliance.

The Legal Department or Central Compliance will determine whether the inquiry actually constitutes a "customer complaint." If it does, Central Compliance will be responsible for reporting the complaint as required by regulation. The Legal Department will coordinate the firm's response to the communication and advise the Central Compliance Department and Divisional Compliance of the resolution.

Regulatory Inquiries and Litigation

Any complaint, notice, subpoena, interrogatories or other document relating to a litigation matter, an arbitration proceeding, or a regulatory investigation should be forwarded immediately to the Legal Department. See the section entitled "*Legal Matters*" in the Employee Handbook.

D. Handling of Sales Literature and Correspondence Off Firm Premises

Written Material

All sales literature and sales correspondence must be sent to and from the premises of the firm to facilitate proper supervision.

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E-mail and FAX Communications

All electronic communications, including e-mail and fax traffic, concerning firm business that is to or from customers must be sent and received from or to a firm e-mail address or firm fax machine or from and to a firm-approved third-party computer system .

Therefore:

- All e-mail traffic concerning firm business that is to and from the public **must** take place at the firm's premises or be routed through firm-provided, secure equipment.
- Faxes containing sales literature or sales correspondence must be sent from and to the premises of the firm. Personnel who are out of town on business should route faxes to the firm where they will be forwarded to the appropriate recipients.

Additional policies concerning e-mail and other electronic communications are contained in the Employee Handbook.

Employees working from home offices

All sales correspondence from or to employees working from home offices must be routed through regional offices for purposes of review, approval, distribution and retention.

Employees working from home offices **may not** direct customers to send correspondence to the home office.

Employees may not send faxes containing sales literature or sales correspondence to customers or potential customers from home fax machines unless Divisional Compliance has approved such communication and established procedures for its supervision and retention.

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V. Retention

A. Material Relating to Securities Business

All written or electronic advertisements, sales literature, sales correspondence and other communications related to the firm's broker/dealer business must be retained for a minimum period of three years, except that:

- Communications relating to commodities or futures or options on commodities or futures must be retained for a minimum of five years.
- Communications relating to customer complaints must be retained for eight years.
- Communications relating to asset management services must be retained for six years.

Supervisors must retain evidence of supervisory reviews and approvals for the same periods.

B. Other Material

Retention of all other material will be in accordance with requirements established by individual divisions or business units.

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VI. Other Issues

A. Education and Training

The firm's policies and procedures regarding written and electronic communications may be included in the firm's required annual compliance meeting and will otherwise be a part of the firm's continuing education program.

B. Monitoring

The policies set forth above will be subject to periodic review by the firm's Management Controls Department.

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VII. Appendix

Appendix 1. Guidelines for Sampling Correspondence

Divisions or business units may set up a system of reviewing appropriate samples of outgoing sales correspondence after they have been distributed.

If the division or business unit selects a sampling approach, regulations require that:

- Specific procedures must be designed and documented to provide reasonable supervision of each representative who conducts business with the public.
- The sampling techniques must be designed so that they can reasonably detect any potential violation of regulations under which the firm and its individual business units and divisions do business. Sampling levels must be set to provide statistically acceptable results. These levels must be determined in consultation with technology experts, business people, and the Legal and Compliance Departments. They will be reviewed periodically to assure reasonable accuracy and effectiveness.

In developing a sampling system, a number of additional factors should be taken into account:

- In determining the level of supervision appropriate for each sales representative, supervisors should consider the representative's overall complaint and disciplinary history, with particular emphasis on previous incidents involving communication with customers.
- Samples should be designed to reflect the breadth of an individual's communications, but need not be strictly random; samples may be concentrated on, for example, very active periods of time or very complicated or sensitive transactions.
- Electronic communications must be covered by the sample. Therefore, a selection of e-mails (and other electronic communications, if any) must also be reviewed. Where e-mail systems automatically save copies of outgoing e-mails, procedures should be adopted for the periodic review of saved e-mail folders for each person subject to review.
- The selection of specific electronic communications to be reviewed may be made by an automated system that selects individual communications for review based on key words or phrases.
- Individual supervisors are generally in the best position to determine the transactions or activities most likely to give rise to deviations from firm policies or risk to customers. Input will be sought from line-of-business supervisors in setting sampling guidelines.

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- Reviews are required to confirm the appropriateness of a representative's recommendations to customers. Therefore, sample selection criteria should assure that recommendations are included in the material reviewed for all representatives.

- Frequency of reviews should follow these guidelines:

  - Each individual's correspondence must be sampled no less often than annually.

  - Supervisors may wish to review the correspondence of junior employees (e.g., second- and third-year salespersons, certain lateral hires from other firms, etc.) more frequently than annually.

  - For the least-experienced employees (e.g., new hires, recent graduates of training programs, etc.), supervisors may find it advisable to review all correspondence prior to use or distribution until a level of confidence is reached as to the individual's work product.

- Records must be kept of the reviews.

- Divisions, business units, or supervisors may choose to review material more frequently or to increase the size of any sample.

- In conjunction with the sampling program, a program of periodic training must be established to educate employees as to the regulatory requirements applicable to their communications. Records showing when programs were conducted and who attended or otherwise participated must be maintained and be available for audit.

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GOLDMAN SACHS CEO LLOYD BLANKFEIN IS INTERVIEWED ON CNBC

May 7, 2010 Friday

EVENT DATE: May 7, 2010

TYPE: NEWS PROGRAM

SPEAKER: GOLDMAN SACHS CEO LLOYD BLANKFEIN

WITNESSES:
DAVID FABER, CNBC ANCHOR
GOLDMAN SACHS CEO LLOYD BLANKFEIN

TEXT:

FABER: We're with Lloyd Blankfein, chairman and CEO of Goldman Sachs after the company's annual meeting.

You mentioned introspection in answer to one of those questions that you received today, in terms of your own introspection when you looked back at this recent period. I'm curious, given that you've been introspective - not that you aren't always, what are you finding? What are you thinking about? What conclusions, if any, have you come to as a result of that?

BLANKFEIN: In connection with what's - in connection with what's going on, there's been - everybody is aware of the intense focus on us and how we've had to respond in the conditions in which we've been responding. If there is a silver lining to this for us, it causes us to have to be thoughtful about the context in which people are saying what they're saying.

In other words, we can say this particular lawsuit that we don't think - we may not think it has merit, or this activity - defend this activity against what somebody says is a poor activity. But we have to look at it and be honest and say, somehow there's a context here in which there is a gap between the way we think about ourselves and the way the general public has thought about us and thinks about us. And we have to respond to it.

Now, a lot of our attention is going to still be, how do we work out some of the things and some of the things that people thought and defend certain aspects of behavior. But let me tell you, it is our nature, always, to be self critical and want to improve.

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2706

And the silver lining here is this causes me, the entire organization and I think ultimately the industry to be self critical about how they did things with a view to take standards which we may believe to be fine, and in our case, maybe we think we're already at the highest standards - we think we are. But to say, where do we need to go? Can we take it even higher.

FABER: Well, all right. Give me some specifics. I mean, you and I talked only a couple of weeks ago about synthetic CDO transactions. I asked you then whether they were appropriate. You at least gave an indication a couple of weeks ago, by a lot of introspection since then, that perhaps there are things that could have been done differently. Can you build on that?

BLANKFEIN: No, I think - well, in that case - and again, this is work we're going to do. And we're going to be quite focused on this. We'll come up, I'm sure, with a lot of different points.

The question you had asked is about the social purpose. And I explained what the purpose of CDO's are, and allowing people with portfolios of exposure to the mortgage markets to be able to reshape their portfolio in an efficient way, which is what a lot of people use derivatives for across the spectrum.

I then said there may be another side, like complexity and a liquidity, which might mean that not withstanding that purpose, we may decide not to do that.

That's an inquiry we would ask ourselves.

FABER: And it's one that continue - because I'm trying to get to the point - if you're being introspective, have you come to any conclusions? Or when will you? Or when will we see?

BLANKFEIN: I'll give you categories of things - transparency, how we show ourselves. I know we have been criticized in the past for not being transparent about what we show about our business - you know, our business mix. There's always concerns.

You know, there's a reason why you get to any place you are. There's investors - or someone who need to know versus your own competitive advantage about not wanting to disclose to much. We're going to analyze these things and look at this. And maybe we'll come out with a different conclusion with respect to various trade-offs. How we manage business selection, who we represent

You know, it can be very frequently the case that there's a property in the world for sale, and maybe five of the potential buyers might be clients of Goldman Sachs. How do we pick among them?

FABER: Right. But I mean, those are always challenges.

BLANKFEIN: They are.

FABER: Things that you deal with in your business. That's no different, I would think, then the way you've thought about those challenges in the past.

BLANKFEIN: No.

Listen, we are not going to originate some new issue that hasn't come across before. But how these things are resolved, how analytic, what kind of weight you give to one consideration versus another, most of these things are trade-offs in activities. And we're going to approach that, in, you know, frankly in a way that's

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informed by the current context in which we're operating.

FABER: There are reports that you're in settlement talks with the SEC. Is that true?

BLANKFEIN: There must be true that there are reports, because I saw things in the paper.

The fact is, that we - we're in a litigation with the SEC, but the SEC is not an ordinary litigant, it's someone who regulates us with whom we interact all the time on a lot of different bases in a normal course of activity. And so we're interacting with them regularly. And people...

FABER: Should there be an expectation in some way, though, that the fraud charges will be resolved prior to going to court?

BLANKFEIN: I can't - I can't comment on that.

FABER: Do you continue to maintain as you did vociferously when the charges first were made that you did nothing wrong? That Goldman Sachs has done nothing wrong?

BLANKFEIN: Yes. We maintain our belief that on the facts and on the law we think we were right and acted appropriately.

FABER: You said during the annual meeting as well that this period has been a strain on Goldman Sachs and on its clients.

BLANKFEIN: Yes.

FABER: Why?

BLANKFEIN: Well, when you retain Goldman Sachs, you're retaining us for our capability, our competence, our discretion, our ability to get things done cleanly - again, it's about the client. It puts a - you know, you can't deny that with Goldman so much in the forefront and so much in the news, people have to overcome a certain reticence to be to potentially join the, you know, the public scrutiny, if that's there.

Not withstanding that, and I don't take this for granted, and believe me I'm very grateful, our clients have been tremendously loyal to us. They've supported us in every way beyond my expectations. At the same time I say that, I acknowledge I regret that we're in a position where showing our - showing support for us, you know, is not being made easy for them.

FABER: Right. Well, you said during the meeting that they were enthusiastic. Can you give me any evidence in terms of what you're talking about when you say that you've been shown support?

BLANKFEIN: I think our clients have, you know, have stuck with us. And you'll see - the proof is in the pudding.

FABER: Right. I mean, again, I know you don't like to comment quarter to quarter. I asked you this 10 days ago. Are you seeing any diminution in your business that you believe is a result of the reputational issues that are at stake for Goldman Sachs?

BLANKFEIN: You know, it's hard to know because of the cyclical aspects in the market as a whole is doing things differently today than it was doing before. And it's hard to know. And we'll know when we look back and we'll be able to see market shares.

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But I believe we've been shown - and I know we've been shown, great, great support for our clients uniformly. And I even think some of our clients are, frankly, do more with us especially to show that kind of support.

FABER: You believe that they actually may be saying...

(CROSSTALK)

BLANKFEIN: Some people have had that conversation. I don't take it for granted. I appreciate it.

FABER: You're not going to do this again just to...

BLANKFEIN: I would say that it's not - it hasn't been worth it.

FABER: You and I spoke after you came out of a very long day of hearings not that long ago. When you look back on that interaction, particularly with you and Senator Levin, do you think that there's an understanding of what you're talking about when you speak to member of Congress?

BLANKFEIN: You know, I do largely. I think when you are a generalist - like a very smart generalist like a senator who has to have a sense and legislate and balance different elements - you know, like just like we were talking a few minutes ago, it's not a question is this good or is this bad, it's how good is this versus how bad is that? What should the trade-offs be. I think they are informed enough to make those kind of judgments.

Do they know the technicalities of the market? Is it...

FABER: Well, do they want to acknowledge the difference between an underwriter and a market maker? Because they certainly didn't seem to or...

BLANKFEIN: No, but I think they had an intuition that this didn't feel right. And to some extent, maybe I was inadequate to my purpose.

Let me tell you, in all our businesses, we put our clients first and we support our clients. That means different things in different parts of the business. So, for example, in an advisory business like banking, it's obvious we have a duty, a relationship to make sure they do the right thing. If they want to do X and we think it'll be right to do Y, we say, don't do X. We think you should do Y.

On the market making side, our duty to clients is served by us - whatever market conditions, whatever chaos prevails, using our capital to help our clients accomplish what they want to accomplish - we make hundreds of thousands, maybe millions of markets a day. Think of somebody going to the New York Stock Exchange, which is another kind of market.

No one is saying, I wouldn't sell that security here. No, you should buy this and not that. Client service and dedication to client in that case is standing there and being able to provide liquidature (ph) client no matter how tough the market is.

FABER: Before we wrap up, you mentioned the market, you mentioned the NYSE. Have you ever seen anything quite like that five minutes we saw yesterday in the equity markets?

BLANKFEIN: It was very unusual in the market.

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FABER: Have you been told? Do you know? I mean, obviously Goldman has a pretty good feel for what's going on. Do you have an understanding of what happened yesterday?

BLANKFEIN: I've been - nobody has told me explicitly. I've been given several theories, because I have several theories - because I have several theories, I realize I have no theory. I think we're still examining some of these things.

FABER: So you don't feel as though you even understand at this point what actually - I mean, stocks traded at a penny. I mean, something went very wrong.

BLANKFEIN: But you know what I've been doing for the last few hours? Because I can't tell you, doesn't mean that people don't know it, or it's not understandable. It's just that, you know where I'd been....

FABER: High frequency trading may be blamed, in part, for what went on. Goldman conducts that business.

BLANKFEIN: I can't - I'm just not familiar with this theory. I just don't know.

FABER: But what about that business in and of itself?

BLANKFEIN: I think that business in and of itself is a good business at Goldman Sachs. And I think it's an important liquidity generator for the market. I have no opinion, because I haven't heard any connection made to me.

FABER: And finally Europe. We're dealing with, of course, a crisis there. I'm curious - you know, there's not a lot of business going on in Europe right now. And everybody is worrying about what's happening with sovereign debt and the issues that these countries - are you seeing a slow down in Europe? Are you concerned about Goldman's business in Europe? You have 5,000 people alone in London.

BLANKFEIN: Well, of course I'm concerned about the economy in Europe. And frankly - you know, the whole political and social environment reaches back to the European community. I'm pretty confident that the European sovereigns will do what's necessary to restore confidence.

A lot of what's going on, not that dissimilar to what happened a couple of years ago in the market has to do with confidence and sentiment and less to do with the actualities of someone's ability to make payments.

But confidence matters, sentiment matters. And I think that...

FABER: Matters, it's the most important thing.

BLANKFEIN: It's the most important thing. And I think that the governments have - in Europe, have the motive and the wherewithal to restore that confidence. And I believe they will.

FABER: And business in Europe, you seen a slow down?

BLANKFEIN: I think generally in business, but for this interlude which is just sort of recent, I think business around the world is correlating with, you know, renewed optimism about growth. And that's occurring in Europe as well as the United States and Asia.

FABER: Lloyd Blankfein, thank you.

BLANKFEIN: Thank you very much, David.

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CONFIDENTIAL

TIMBERWOLF I, LTD.
TIMBERWOLF I (DELAWARE) CORP.

U.S.$ 9,000,000 Class S-1 Floating Rate Notes Due 2011
U.S.$ 8,300,000 Class S-2 Floating Rate Notes Due 2011
U.S.$ 100,000,000 Class A-1a Floating Rate Notes Due 2039
U.S.$ 200,000,000 Class A-1b Floating Rate Notes Due 2039
U.S.$ 100,000,000 Class A-1c Floating Rate Notes Due 2044
U.S.$ 100,000,000 Class A-1d Floating Rate Notes Due 2044
U.S.$ 305,000,000 Class A-2 Floating Rate Notes Due 2047
U.S.$ 107,000,000 Class B Floating Rate Notes Due 2047
U.S.$ 36,000,000 Class C Deferrable Floating Rate Notes Due 2047
U.S.$ 30,000,000 Class D Deferrable Floating Rate Notes Due 2047
U.S.$ 22,000,000 Income Notes Due 2047

Secured (with Respect to the Notes) Primarily by a Portfolio of CDO Securities and Synthetic Securities (referencing CDO Securities)

The Notes (as defined herein) and the Income Notes (as defined herein) (collectively, the "Securities") are being offered hereby in the United States to qualified institutional buyers (as defined in Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act")), in reliance on Rule 144A under the Securities Act, and, solely in the case of the Income Notes, to accredited investors (as defined in Rule 501(a) under the Securities Act) who have a net worth of not less than U.S.$10 million in transactions exempt from registration under the Securities Act. The Securities are being offered hereby in the United States only to persons that are also "qualified purchasers" for purposes of Section 3(c)(7) under the United States Investment Company Act of 1940, as amended (the "Investment Company Act"). The Securities are being offered hereby outside the United States to non U.S. Persons in offshore transactions in reliance on Regulation S ("Regulation S") under the Securities Act. See "Underwriting."

See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Securities.

There is no established trading market for the Securities. Application may be made to admit the Securities on a stock exchange of the Issuer's choice, if practicable. There can be no assurance that such admission will be sought, granted or maintained.

It is a condition of the issuance of the Securities that the Class S-1 Notes, the Class S-2 Notes, the Class A-1a Notes, the Class A-1b Notes, the Class A-1c Notes, the Class A-1d Notes and the Class A-2 Notes be issued with a rating of "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P," and together with Moody's, the "Rating Agencies"), that the Class B Notes be issued with a rating of at least "Aa2" by Moody's and at least "AA" by S&P, that the Class C Notes be issued with a rating of at least "A2" by Moody's and at least "A" by S&P and that the Class D Notes be issued with a rating of at least "Baa2" by Moody's and at least "BBB" by S&P. The Income Notes will not be rated. A credit 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. See "Ratings of the Notes."

See "Underwriting" for a discussion of the terms and conditions of the purchase of the Securities by the Initial Purchaser.

THE ASSETS OF THE ISSUER (AS DEFINED HEREIN) ARE THE SOLE 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 HOLDERS OF THE SECURITIES, THE COLLATERAL MANAGER (AS DEFINED HEREIN), THE CASHFLOW SWAP COUNTERPARTY (AS DEFINED HEREIN), GOLDMAN, SACHS & CO. (AS INITIAL PURCHASER (AS DEFINED HEREIN)), THE ISSUER ADMINISTRATOR (AS DEFINED HEREIN), THE AGENTS (AS DEFINED HEREIN), THE TRUSTEE (AS DEFINED HEREIN), THE SHARE TRUSTEE (AS DEFINED HEREIN) OR ANY OF THEIR RESPECTIVE AFFILIATES.

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, AND NEITHER OF THE ISSUERS (AS DEFINED HEREIN) WILL BE REGISTERED UNDER THE INVESTMENT COMPANY ACT. THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS SUCH TERMS ARE DEFINED UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. ACCORDINGLY, THE SECURITIES ARE BEING OFFERED HEREBY ONLY TO (A) (1) QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND, SOLELY IN THE CASE OF THE INCOME NOTES, ACCREDITED INVESTORS (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) THAT HAVE A NET WORTH OF NOT LESS THAN U.S.$10 MILLION AND, WHO ARE (2) QUALIFIED PURCHASERS FOR PURPOSES OF SECTION 3(c)(7) UNDER THE INVESTMENT COMPANY ACT AND (B) CERTAIN NON-U.S. PERSONS OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT. PURCHASERS AND SUBSEQUENT TRANSFEREES OF CLASS D NOTES AND INCOME NOTES (OTHER THAN REGULATION S CLASS D NOTES AND REGULATION S INCOME NOTES) WILL BE REQUIRED TO EXECUTE AND DELIVER A LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS, AND PURCHASERS AND SUBSEQUENT TRANSFEREES OF CLASS S NOTES, CLASS A-1a NOTES, CLASS A-1b NOTES, CLASS A-1c NOTES, CLASS A-1d NOTES, CLASS A-2 NOTES, CLASS B NOTES, CLASS C NOTES AND CLASS D NOTES AND REGULATION S INCOME NOTES WILL BE DEEMED TO HAVE MADE SUCH REPRESENTATIONS AND AGREEMENTS, AS SET FORTH UNDER "NOTICE TO INVESTORS." THE SECURITIES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED UNDER "NOTICE TO INVESTORS."

The Securities are being offered by Goldman, Sachs & Co. (in the case of the Securities offered outside the United States, selling through its selling agent) (the "Initial Purchaser"), in each case, as specified herein, subject to its right to reject any order in whole or in part, in one or more negotiated transactions or otherwise at varying prices to be determined at the time of sale *plus* accrued interest, if any, from the Closing Date (as defined herein). It is expected that the Class S-1 Notes, Class S-2 Notes, Class A-1a Notes, Class A-1b Notes, Class A-1c Notes, Class A-1d Notes, Class A-2 Notes, Class B Notes, Class C Notes, Regulation S Class D Notes and the Regulation S Income Notes will be ready for delivery in book entry form only in New York, New York, on or about March 27, 2007 (the "Closing Date"), through the facilities of DTC and in the case of the Securities sold outside the United States, for the accounts of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream"), against payment therefor in immediately available funds. It is expected that the Class D Notes (other than the Regulation S Class D Notes) the Income Notes (other than the Regulation S Income Notes) will be ready for delivery in definitive form in New York, New York on the Closing Date, against payment therefor in immediately available funds. The Notes sold in reliance on Rule 144A will be issued in minimum denominations of U.S.$250,000 and integral multiples of U.S.$1 in excess thereof. The Notes sold in reliance on Regulation S will be issued in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1 in excess thereof. The Income Notes will be issued in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1 in excess thereof.

Goldman, Sachs & Co.

Offering Circular dated March 23, 2007.

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2724

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Timberwolf I, Ltd., an exempted company incorporated with limited liability under the laws of the Cayman Islands (the "Issuer"), and Timberwolf I (Delaware) Corp., a Delaware corporation (the "Co-Issuer" and, together with the Issuer, the "Issuers"), will issue U.S.$9,000,000 principal amount of Class S-1 Floating Rate Notes Due September 2011 (the "Class S-1 Notes"), U.S.$8,300,000 principal amount of Class S-2 Floating Rate Notes Due September 2011, (the "Class S-2 Notes" and, together with the Class S-1 Notes, the "Class S Notes"), U.S.$ 100,000,000 principal amount of Class A-1a Floating Rate Notes Due 2039 (the "Class A-1a Notes"), U.S.$ 200,000,000 principal amount of Class A-1b Floating Rate Notes Due 2039 (the "Class A-1b Notes"), U.S.$ 100,000,000 principal amount of Class A-1c Floating Rate Notes Due 2044 (the "Class A-1c Notes"), U.S.$ 100,000,000 principal amount of Class A-1d Floating Rate Notes Due 2044 (the "Class A-1d Notes" and, together with the Class A-1a Notes, Class A-1b Notes and Class A-1c Notes, the "Class A-1 Notes"), U.S.$ 305,000,000 principal amount of Class A-2 Floating Rate Notes Due 2047 (the "Class A-2 Notes" and, together with the Class A-1 Notes, the "Class A Notes"), U.S.$ 107,000,000 principal amount of Class B Floating Rate Notes Due 2047 (the "Class B Notes") and U.S.$ 38,000,000 principal amount of Class C Deferrable Floating Rate Notes Due 2047 (the "Class C Notes"), and the Issuer will issue U.S.$ 30,000,000 principal amount of Class D Deferrable Floating Rate Notes Due 2047 (the "Class D Notes" and, together with the Class S Notes, Class A Notes, Class B Notes and Class C Notes, the "Notes") pursuant to an Indenture (the "Indenture") dated on or about March 27, 2007 among the Issuers and The Bank of New York, as trustee and securities intermediary (the "Trustee" and the "Securities Intermediary," respectively).

In addition, the Issuer will issue U.S.$ 22,000,000 notional principal amount of Income Notes (the "Income Notes" and, together with the Notes, the "Securities") constituted by the deed of covenant executed by the Issuer on March 27, 2007 (the "Deed of Covenant") and subject to the terms and conditions thereof (the "Terms and Conditions") and issued pursuant to a fiscal agency agreement (the "Fiscal Agency Agreement") dated on or about March 27, 2007 between the Issuer and The Bank of New York, London Branch, as fiscal agent (the "Fiscal Agent").

The net proceeds received from the offering of the Securities will be applied by the Issuer to purchase a portfolio of CDO Securities and Synthetic Securities (the Reference Obligations of which are CDO Securities) as described herein (collectively, together with Deliverable Obligations and any Default Swap Collateral that has been released from the lien of the Synthetic Security Counterparty and credited to the Collateral Account as described herein, "Collateral Assets"), Default Swap Collateral and Eligible Investments. Certain summary information about the Collateral Assets and the Reference Obligations is set forth in Appendix B to this Offering Circular. On the Closing Date, the Issuer will enter into the Cashflow Swap Agreement. The Collateral Assets, the Eligible Investments and certain other assets of the Issuer will be pledged under the Indenture to the Trustee, for the benefit of the Secured Parties, as security for, among other obligations, the Issuers' obligations under the Notes (but not the Income Notes) and to certain service providers. The Income Notes will be unsecured obligations of the Issuer.

Interest will be payable on the Class S-1 Notes, the Class S-2 Notes, the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes in arrears on the 3rd day of March, June, September and December of each year, or if any such date is not a Business Day, the immediately following Business Day (each such date, a "Payment Date") commencing on September 4, 2007. The Class S-1 Notes will bear interest at a *per annum* rate equal to LIBOR *plus* 0.20% for each Interest Accrual Period (as defined herein). The Class S-2 Notes will bear interest at a *per annum* rate equal to LIBOR *plus* 0.35% for each Interest Accrual Period. The Class A-1a Notes will bear interest at a *per annum* rate equal to LIBOR *plus* 0.05% for each Interest Accrual Period. The Class A-1b Notes will bear interest at a *per annum* rate equal to LIBOR *plus* 0.50% for each Interest Accrual Period. The Class A-1c Notes will bear interest at a *per annum* rate equal to LIBOR *plus* 0.60% for each Interest Accrual Period. The Class A-1d Notes will bear interest at a *per annum* rate equal to LIBOR *plus* 1.30% for each Interest Accrual Period. The Class A-2 Notes will bear interest at a *per annum* rate equal to LIBOR *plus* 0.90% for each Interest Accrual Period. The Class B Notes will bear interest at a *per annum* rate equal to LIBOR *plus* 1.40% for each Interest Accrual Period. The Class C Notes will bear interest at a *per annum* rate equal to LIBOR *plus* 4.00% for each Interest Accrual Period. The Class D Notes will bear interest at a *per annum* rate equal to LIBOR *plus* 10.00% for each Interest Accrual Period. Payments will be payable on the Income Notes from funds available in accordance with the Priority of Payments.

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All payments on the Securities will be made from Proceeds available in accordance with the Priority of Payments. On each Payment Date, except as otherwise provided in the Priority of Payments, payments on the Class S-1 Notes will be senior to payments on the Class S-2 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; payments on the Class S-2 Notes will be senior to payments on the Class A-2 Notes (*provided*, that payments of interest on the Class S-2 Notes and the Class A Notes will be paid pro rata), the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes; payments on the Class A-1 Notes will be senior to payments on the Class A-2 Notes (*provided*, that payments of interest on the Class A Notes will be paid pro rata), the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes; payments on the Class A-2 Notes will be senior to payments on the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes; payments on the Class B Notes will be senior to payments on the Class C Notes, the Class D Notes and the Income Notes; payments on the Class C Notes will be senior to payments on the Class D Notes and the Income Notes; and payments on the Class D Notes will be senior to payments on the Income Notes, in accordance with the Priority of Payments as described herein. The Notes (other than the Class S-1 Notes) are subject to mandatory redemption if a Coverage Test is not satisfied on any date of determination which may result in variations to the seniorities of distributions described above and as more fully described in the Priority of Payments. Payments of principal on the Class A-1 Notes will be paid in accordance with the Class A-1 Note Payment Sequence.

The Notes and, to the extent described herein, the Income Notes, are subject to redemption, (i) at any time as a result of a Tax Redemption, (ii) on an Auction Payment Date as a result of a successful Auction or (iii) as a result of an Optional Redemption by Refinancing or an Optional Redemption by Liquidation on or after the March 2010 Payment Date. The Income Notes will not be redeemed in full, or in part, in connection with an Optional Redemption by Refinancing. The stated maturity of the Notes and the Income Notes (other than the Class S Notes and the Class A-1 Notes) is the Payment Date in December 2047. The stated maturity of the Class S Notes is the Payment Date in September 2011. The stated maturity of the Class A-1a Notes and the Class A-1b Notes is the Payment Date in December 2039. The stated maturity of the Class A-1c Notes and the Class A-1d Notes is the Payment Date in September 2044. The actual final distribution on the Securities (other then the Class S Notes) is expected to occur substantially earlier than their respective stated maturities. See "Risk Factors—Securities—Average Lives, Duration and Prepayment Considerations."

Notes sold in reliance on Rule 144A under the Securities Act ("Rule 144A") will be evidenced by one or more global notes (the "Rule 144A Global Notes") in fully registered form without coupons, deposited with a custodian for, and registered in the name of, a nominee of The Depository Trust Company ("DTC"). Beneficial interests in the Rule 144A Global Notes will trade in DTC's Same Day Funds Settlement System, and secondary market trading activity in such interests will therefore settle in immediately available funds. Except as described herein, beneficial interests in the Rule 144A Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants. The Income Notes sold in reliance on Rule 144A under the Securities Act will be evidenced by one or more Definitive Notes in fully registered form.

The Securities that are being offered hereby in reliance on the exemption from registration under Regulation S (the "Regulation S Securities") have not been and will not be registered under the Securities Act and neither of the Issuers will be registered under the Investment Company Act. The Regulation S Securities may not be offered or sold within the United States or to U.S. Persons (as defined in Regulation S) unless the purchaser certifies or is deemed to have certified that it is a qualified institutional buyer as defined in Rule 144A (a "Qualified Institutional Buyer") and a "qualified purchaser" for the purposes of Section 3(c)(7) of the Investment Company Act (a "Qualified Purchaser") or, solely in the case of the Income Notes, that it is an "accredited investor" as defined in Rule 501(a) under the Securities Act (an "Accredited Investor") who has a net worth of not less than U.S. $10 million and a Qualified Purchaser. See "Description of the Securities" and "Underwriting."

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The Income Notes (other than the Regulation S Income Notes) will be evidenced by one or more definitive notes in fully registered form (each, an "Income Note Certificate"). See "Description of the Securities."

This Offering Circular is confidential and is being furnished by the Issuers in connection with an offering exempt from registration under the Securities Act, solely for the purpose of enabling a prospective investor to consider the purchase of the Securities described herein. The information contained in this Offering Circular has been provided by the Issuers and other sources identified herein. Except in respect of the information contained under the heading "The Collateral Manager," (other than the information contained under the subheading "General") for which the Collateral Manager accepts sole responsibility, to the extent described in such section, no representation or warranty, express or implied, is made by the Initial Purchaser, the Collateral Manager, the Cashflow Swap Counterparty (or any guarantor thereof), the Trustee, the Collateral Administrator, the Note Agents (as defined herein) or the Fiscal Agent (the Note Agents, the Collateral Administrator and the Fiscal Agent together, the "Agents") as to the accuracy or completeness of such information, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Initial Purchaser, the Trustee, the Collateral Manager, the Cashflow Swap Counterparty (or any guarantor thereof) or the Agents. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Securities is prohibited. Each offeree of the Securities, by accepting delivery of this Offering Circular, agrees to the foregoing.

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

The distribution of this Offering Circular and the offering and sale of the Securities in certain jurisdictions may be restricted by law. The Issuers and the Initial Purchaser require persons into whose possession this Offering Circular comes to inform themselves about and to observe any such restrictions. For a further description of certain restrictions on offering and sales of the Securities, see "Underwriting." This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Securities in any jurisdiction in which such offer or invitation would be unlawful.

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

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No invitation may be made to the public in the Cayman Islands to subscribe for the Securities.

The Initial Purchaser has represented, warranted and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and (ii) 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. See "Underwriting."

The Securities may not be offered or sold by means of any document other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, and no advertisement, invitation or document relating to the Securities may be issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation or subscription or purchase, of the Securities may not be circulated or distributed, nor may the Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than under circumstances in which such offer, sale or invitation does not constitute an offer or sale, or invitation for subscription or purchase, of the Securities to the public in Singapore.

The Securities have not been and will not be registered under the Securities and Exchange Law of Japan (the Securities and Exchange Law) and the Initial Purchaser 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, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

NOTICE TO RESIDENTS OF THE REPUBLIC OF IRELAND

THIS OFFERING CIRCULAR IS NOT A PROSPECTUS AND DOES NOT CONSTITUTE AN INVITATION TO THE PUBLIC TO PURCHASE OR SUBSCRIBE FOR ANY SECURITIES AND NEITHER IT NOR ANY FORM OF APPLICATION WILL BE ISSUED, CIRCULATED OR DISTRIBUTED TO THE PUBLIC.

THIS OFFERING CIRCULAR AND THE INFORMATION CONTAINED HEREIN IS CONFIDENTIAL AND IS FOR THE USE SOLELY OF THE PERSON TO WHOM IT IS ADDRESSED. ACCORDINGLY, IT MAY NOT BE REPRODUCED IN WHOLE OR IN PART, NOR MAY ITS CONTENTS BE DISTRIBUTED IN WRITING OR ORALLY TO ANY THIRD PARTY AND IT MAY BE READ SOLELY BY THE PERSON TO WHOM IT IS ADDRESSED AND HIS/HER PROFESSIONAL ADVISERS.

In this offering circular, references to "U.S. Dollars," "$" and "U.S.$" are to United States dollars.

The Issuers (and, with respect to the information contained in this offering circular under the heading "The Collateral Manager" (other than the information contained under the subheading "General"), the Collateral Manager to the extent described in such section), having made all reasonable inquiries, confirm that the information contained in this offering circular is true and correct in all material respects and is not misleading, that the opinions and intentions expressed in this offering circular are honestly held and that there are no other facts the omission of which would make any such information or the expression of any such opinions or intentions misleading. The Issuers (and, with respect to the information in this offering circular under the heading "The Collateral Manager" (other than the information contained under the subheading "General"), the Collateral Manager, to the extent described in such section) take responsibility accordingly.

No person has been authorized to give any information or to make any representation other than those contained in this offering circular, and, if given or made, such information or representation must not be relied upon as having been authorized. This offering circular does not constitute an offer to sell or the solicitation of an offer to buy eny securities other than the securities to which it relates, or an offer to sell or the solicitation of en offer to buy such securities by eny person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this offering circular nor any sale hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date of this offering circular.

NOTWITHSTANDING ANY OTHER EXPRESS OR IMPLIED AGREEMENT TO THE CONTRARY, EACH RECIPIENT OF THIS OFFERING CIRCULAR AGREES AND ACKNOWLEDGES THAT THE ISSUERS HAVE AGREED THAT EACH OF THEM AND THEIR EMPLOYEES, REPRESENTATIVES AND OTHER AGENTS MAY DISCLOSE, IMMEDIATELY UPON COMMENCEMENT OF DISCUSSIONS, TO ANY AND ALL PERSONS THE TAX TREATMENT AND TAX STRUCTURE OF THE SECURITIES, THE TRANSACTIONS DESCRIBED HEREIN AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO ANY OF THEM RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE EXCEPT WHERE CONFIDENTIALITY IS REASONABLY NECESSARY TO COMPLY WITH THE SECURITIES LAWS OF ANY APPLICABLE JURISDICTION.

PROSPECTIVE INVESTORS SHOULD READ THIS OFFERING CIRCULAR CAREFULLY BEFORE DECIDING WHETHER TO INVEST IN THE SECURITIES AND SHOULD PAY PARTICULAR ATTENTION TO THE INFORMATION SET FORTH UNDER THE HEADING "RISK FACTORS". INVESTMENT IN THE SECURITIES IS SPECULATIVE AND INVOLVES SIGNIFICANT RISK. INVESTORS SHOULD UNDERSTAND SUCH RISKS AND HAVE THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT THEM FOR AN EXTENDED PERIOD OF TIME.

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NOTICE TO INVESTORS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes or the Income Notes offered hereby.

Each purchaser who has purchased Class S Notes, Class A Notes, Class B Notes, Class C Notes, Regulation S Class D Notes and Regulation S Income Notes will be deemed to have represented and agreed, and each purchaser of a Class D Note that is a Definitive Note and an Income Note Certificate will be required to represent and agree, in each case with respect to such Securities, as follows (terms used herein that are defined in Rule 144A or Regulation S are used herein as defined therein):

1. (a) In the case of Notes sold in reliance on Rule 144A (the "Rule 144A Notes"), the purchaser of such Rule 144A Notes (i) is a qualified institutional buyer (as defined in Rule 144A) (a "Qualified Institutional Buyer"), (ii) is aware that the sale of Notes to it is being made in reliance on Rule 144A, (iii) is acquiring the Rule 144A Notes for its own account or for the account of a Qualified Institutional Buyer as to which the purchaser exercises sole investment discretion, and in a principal amount of not less than U.S.$250,000 and (iv) will provide notice of the transfer restrictions described in this "Notice to Investors" to any subsequent transferees.

(b) In the case of the Income Notes, other than any Income Notes sold in reliance on Regulation S, the purchaser of such Income Notes (i) is a Qualified Institutional Buyer, (ii) is aware that the sale of the Income Notes to it is being made in reliance on Rule 144A, (iii) is acquiring the Income Notes for its own account or for the account of a Qualified Institutional Buyer as to which the purchaser exercises sole investment discretion, and, unless otherwise permitted by the Fiscal Agency Agreement, is purchasing an aggregate notional principal amount of not less than U.S.$100,000 Income Notes for the purchaser and for each such account and (iv) will provide notice of the transfer restrictions described in this "Notice to Investors" to any subsequent transferees; or, if the purchaser is not a Qualified Institutional Buyer, such purchaser (w) is a person who is an "accredited investor" (as defined in Rule 501(a) under the Securities Act) (an "Accredited Investor") who has a net worth of not less than U.S.$10 million that is purchasing the Income Notes for its own account, (x) is not acquiring the Income Notes with a view to any resale or distribution thereof, other than in accordance with the restrictions set forth below, (y) is purchasing an aggregate notional principal amount of not less than U.S.$100,000 Income Notes (unless otherwise permitted by the Fiscal Agency Agreement) and (z) will provide notice of tha transfer restrictions described in this "Notice to Investors" to any subsequent transferees.

2. The purchaser understands that the Securities have not been and will not be registered or qualified under the Securities Act or any applicable state securities laws or the securities laws of any other jurisdiction, are being offered only in a transaction not involving any public offering, and may be reoffered, resold or pledged or otherwise transferred only (A)(i) to a person whom the purchaser reasonably believes is a Qualified Institutional Buyer and is purchasing for its own account or for the account of a Qualified Institutional Buyer as to which the purchaser exercises sole investment discretion in a transaction meeting the requirements of Rule 144A, (ii) to a non-U.S. Person in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (iii) solely in the case of the Income Notes, to an Accredited Investor who has a net worth of not less than U.S.$10 million, and who shall have satisfied, and shall have represented, warranted, covenanted and agreed in the case of the Class D Notes and the Income Notes (other than the Regulation S Class D Notes and Regulation S Income Notes), or shall be deemed to have satisfied, and shall otherwise be deemed to have represented, warranted, covenanted and agreed that it will continue to comply with, all requirements for transfer of the Securities specified in this offering circular, the Indenture, and, in the case of the Class D Notes and the Income Notes (other than the Regulation S Class D Notes and Regulation S Income Notes), in the Income Notes Purchase and Transfer Letter and the Fiscal Agency Agreement, and, in the case of the Regulation S Income Notes, in the Fiscal Agency Agreement, and all other requirements for it to qualify for an exemption from registration under the Securities Act and (B) in accordance with all applicable securities laws of the states of the United States. Before any interest in a Rule 144A Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, the transferor will be required to provide the Note Transfer Agent with a written certification (in the form provided in the Indenture) as to compliance with the transfer restrictions

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described herein. Before any interest in an Income Note Certificate or a Class D Note that is a Definitive Note may be offered, sold, pledged or otherwise transferred, the transferee will be required to provide the Issuer and the Fiscal Agent with a letter substantially in the form attached to this Offering Circular as Annex A-1 (the "Income Notes Purchase and Transfer Letter"). The purchaser understands and agrees that any purported transfer of Securities to a purchaser that does not comply with the requirements of this paragraph (2) will, in the case of the Class S Notes, Class A Notes, Class B Notes, Class C Notes, the Regulation S Class D Notes and the Regulation S Income Notes, be null and void *ab initio* and, in the case of the Class D Notes (other than the Regulation S Class D Notes) and Income Notes (other than the Regulation S Income Notes), not be permitted or registered by the Trustee or the Registrar or the Fiscal Agent or the Income Note Registrar, as applicable. The purchaser further understands that the Issuers have the right to compel any beneficial owner of Securities that is a U.S. Person and is not a Qualified Institutional Buyer or, in the case of the Income Notes, an Accredited Investor to sell its interest in such Securities, or the Issuers may sell such Securities on behalf of such owner.

3. The purchaser of such Securities also understands that neither of the Issuers has been registered under the Investment Company Act. In the case of the Rule 144A Notes and the Income Notes described in paragraph (1) above, the purchaser and each account for which the purchaser is acquiring such Securities is a qualified purchaser for the purposes of Section 3(c)(7) of the Investment Company Act (a "Qualified Purchaser"). The purchaser is acquiring Notes in a principal amount, in the case of Rule 144A Notes, of not less than U.S.$250,000, or, in the case of Notes sold in reliance on Regulation S ("Regulation S Notes"), of not less than U.S.$100,000, or is purchasing Income Notes in the aggregate notional principal amount of not less than U.S.$100,000. The purchaser (or if the purchaser is acquiring Securities for any account, each such account) is acquiring the Securities as principal for its own account for investment and not for sale in connection with any distribution thereof. The purcheser and each such account: (a) was not formed for the specific purpose of investing in the Securities (except when each beneficial owner of the purchaser and each such account is a Qualified Purchaser), (b) to the extent the purcheser is a private investment company formed before April 30, 1996, the purchaser has received the necessary consent from its beneficial owners, (c) is not a pension, profit sharing or other retirement trust fund or plan in which the partners, beneficiaries or participants, as applicable, may designate the particular investments to be made and (d) is not a broker dealer that owns and invests on a discretionary basis less than U.S.$25,000,000 in securities of unaffiliated issuers. Further, the purchaser agrees with respect to itself and each such account: (i) that it shall not hold such Securities for the benefit of any other person and shall be the sole beneficial owner thereof for all purposes and (ii) that it shall not sell participation interests in the Securities or enter into any other arrangement pursuant to which any other person shall be entitled to a beneficial interest in the distributions on the Securities. The purchaser understands and agrees that any purported transfer of Securities to a purchaser that does not comply with the requirements of this paragraph (3) will, in the case of the Class S Notes, Class A Notes, Class B Notes, Class C Notes, the Regulation S Class D Notes and Regulation S Income Notes, be null and void *ab initio* and, in the case of the Class D Notes (other than the Regulation S Class D Notes) and the Income Notes (other than the Regulation S Income Notes), not be permitted or registered by the Trustee or the Note Registrar or the Fiscal Agent or the Income Note Registrar, as applicable. The purchaser further understands that the Issuers have the right to compel any beneficial owner of Securities that is a U.S. Person and is not a Qualified Purchaser to sell its interest in such Securities, or the Issuers may sell such Securities on behalf of such owner.

4. (a) With respect to the Class S Notes, Class A Notes, Class B Notes and Class C Notes, each purchaser will be deemed, by its purchase, to have represented and warranted that either (i) the purchaser is not and will not be an ERISA Plan (as defined herein), a plan that is subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "Code"), or any entity whose underlying assets include "plan assets" by reason of any such plan's investment in the entity ("Plan Assets") or (ii) the purchaser's purchase and holding of a Class S Note, Class A Note, Class B Note or Class C Note does not and will not constitute or result in a prohibited transaction under Section 406 of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 4975 of the Code for which an exemption is not available. The purchaser understands and agrees that any purported transfer of a Note to a purchaser that does not comply with the requirements of this paragraph (4)(a) shall be null and void *ab initio*.

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(b) With respect to each of the Income Notes and Class D Notes (other than Regulation S Income Notes and Regulation S Class D Notes) purchased or transferred on or after the Closing Date, the purchaser or transferee must disclose in writing in advance to the Trustee or the Fiscal Agent, as applicable, (i) whether or not it is (A) an "employee benefit plan" (as defined in Section 3(3) of ERISA), that is subject to Title I of ERISA, (B) a "plan" described in and subject to Section 4975 of the Code, or (C) an entity whose underlying assets include "plan assets" within the meaning of ERISA by reason of any such plan's investment in the entity (all such persons and entities described in clauses (A) through (C) being referred to herein as "Benefit Plan Investors"); (ii) if the purchaser is a Benefit Plan Investor, either (x) the purchase and holding of Income Notes or Class D Notes (other than Regulation S Income Notes and Regulation S Class D Notes), as applicable, do not and will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code for which an exemption is not available or (y) the purchase and holding of Income Notes or Class D Notes (other than Regulation S Income Notes and Regulation S Class D Notes), as applicable, is exempt under an identified Prohibited Transaction Class Exemption or individual exemption, based on the assumption that less than 25% of each of the outstanding Income Notes or Class D Notes, as applicable, are owned by Benefit Plan Investors; and (iii) whether or not it is the Issuer or any other person (other than a Benefit Plan Investor) that has discretionary authority or control with respect to the assets of the Issuer, a person who provides investment advice for a fee (direct or indirect) with respect to the assets of the Issuer, or any "affiliate" (within the meaning of 29 C.F.R. Section 2510.3-101(f)(3)) of any such person (each, a "Controlling Person"). If a purchaser is an entity described in (i)(C) above, or an insurance company acting on behalf of its general account, it may be required to so indicate, and to identify a maximum percentage of its assets or the assets in its general account, as applicable, that may be or become plan assets, in which case it will be required to make certain further agreements that would apply in the event that such maximum percentage would thereafter be exceeded. The purchaser agrees that, before any interest in an Income Note or a Class D Note (other then a Regulation S Income Note or a Regulation S Class D Note) may be offered, sold, pledged or otherwise transferred, the transferee will be required to provide the Trustee or Fiscal Agent, as applicable, with an Income Notes Purchase and Transfer Letter or a Class D Notes Purchase and Transfer Letter stating, among other things, whether the transferee is a Benefit Plan Investor. The purchaser acknowledges and agrees that no purchase or transfer will be permitted, and the Trustee or Fiscal Agent will not register any such transfer, to the extent that the purchase or transfer would result in Benefit Plan Investors owning 25% or more of either of the outstanding Income Notes or Class D Notes, immediately after such purchase or transfer (determined in accordance with the Fiscal Agency Agreement). The foregoing procedures are intended to enable Income Notes and Class D Notes (other than Regulation S Income Notes and Regulation S Class D Notes) to be purchased by or transferred to Benefit Plan Investors at any time, although no assurance can be given that there will not be circumstances in which purcheses or transfers of Income Notes or Class D Notes will be required to be restricted in order to comply with the aforementioned 25% limitation. No Benefit Plan Investor or Controlling Person may purchase a Regulation S Income Note or Regulation S Class D Note. Purchasers of Regulation S Income Notes or Regulation S Class D Note are deemed to represent that they are not Benefit Plan Investors or Controlling Persons. See "ERISA Considerations."

5. The purchaser is not purchasing the Securities with a view toward the resale, distribution or other disposition thereof in violation of the Securities Act. The purchaser understands that an investment in the Securities involves certain risks, including the risk of loss of its entire investment in the Securities under certain circumstances. The purchaser has had access to such financial and other information concerning the Issuers and the Securities as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Securities, including an opportunity to ask questions of, and request information from, the Issuer.

6. In connection with the purchase of the Securities: (i) none of the Issuers, the Initial Purchaser, the Collateral Manager, the Trustee, the Agents, the Cashflow Swap Counterparty (or any guarantor thereof), the Issuer Administrator or the Share Trustee (as defined herein) is acting as a fiduciary or financial or investment adviser for the purchaser; (ii) the purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuers, the Initial Purchaser, the Collateral Manager, the Trustee, the Agents, the Cashflow Swap Counterparty (or any guarantor thereof), the Issuer Administrator or the Share Trustee

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other than in this offering circular for such Securities and any representations expressly set forth in a written agreement with such party; (iii) none of the Issuers, the Initial Purchaser, the Collateral Manager, the Trustee, the Agents, the Cashflow Swap Counterparty (or any guarantor thereof), the Issuer Administrator or the Share Trustee has given to the purchaser (directly or indirectly through any other person) any assurance, guarantee or representation whatsoever as to the expected or projected success, profitability, return, performance, results, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment in the Securities; (iv) the purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture and Fiscal Agency Agreement) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by Issuers, the Initial Purchaser, the Collateral Manager, the Trustee, the Agents, the Cashflow Swap Counterparty (or any guarantor thereof), the Issuer Administrator or the Share Trustee; (v) the purchaser has evaluated the rates, prices or amounts and other terms and conditions of the purchase and sale of the Securities with a full understanding of all of the risks thereof (economic and otherwise), and is capable of assuming and willing to assume (financially and otherwise) those risks; and (vi) the purchaser is a sophisticated investor.

7. Pursuant to the terms of the Indenture, unless otherwise determined by the Issuers in accordance with the Indenture, the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes sold to non-U.S. Persons in offshore transactions (the "Regulation S Class D Notes") will bear a legend to the following effect:

> THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUERS HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUERS, IN THE CASE OF THE NOTES OTHER THAN THE CLASS D NOTES, AND THE ISSUER, IN THE CASE OF THE CLASS D NOTES, THAT THE NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT IS NOT A BROKER DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE INITIAL PURCHASER AND IS NOT A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT OR (2) TO A NON U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND, IN THE CASE OF CLAUSE (1), IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.$250,000 OR IN THE CASE OF CLAUSE (2), IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.$100,000, FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH IT IS ACTING, TO A PURCHASER THAT, OTHER THAN IN THE CASE OF CLAUSE (2), (V) IS A QUALIFIED PURCHASER FOR PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A

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BROKER DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. EACH HOLDER HEREOF SHALL BE DEEMED TO MAKE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE INDENTURE (AS DEFINED HEREIN). ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE NULL AND VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUERS, THE NOTE TRANSFER AGENT OR ANY INTERMEDIARY. EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUERS HAVE THE RIGHT, UNDER THE INDENTURE (AS DEFINED HEREIN), TO COMPEL ANY BENEFICIAL OWNER OF AN INTEREST IN A RULE 144A GLOBAL NOTE (AS DEFINED IN THE INDENTURE) THAT IS A U.S. PERSON AND IS NOT BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER TO SELL ITS INTEREST IN THE NOTES, OR MAY SELL SUCH INTERESTS ON BEHALF OF SUCH OWNER.

THE PURCHASER OR TRANSFEREE OF A CLASS D NOTE IS DEEMED REPRESENT (i) THAT IT IS NOT (A) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF ERISA) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (B) A "PLAN" DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE CODE, OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF ANY SUCH PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); AND (ii) THAT IT IS NOT THE COLLATERAL MANAGER OR ANY OTHER PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. NO PURCHASE OR TRANSFER OF CLASS D NOTES WILL BE PERMITTED OR REGISTERED TO THE EXTENT THAT THE PURCHASE OR TRANSFER WOULD RESULT IN BENEFIT PLAN INVESTORS OWNING 25% OR MORE OF THE OUTSTANDING CLASS D NOTES (OTHER THAN THE CLASS D NOTES OWNED BY THE COLLATERAL MANAGER, THE TRUSTEE AND THEIR AFFILIATES) IMMEDIATELY AFTER SUCH PURCHASE OR TRANSFER (DETERMINED IN ACCORDANCE WITH SECTION 3(42) OF ERISA, 29 C.F.R. SECTION 2510.3-101 AND THE INDENTURE).

ANY TRANSFER, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN, UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC"), NEW YORK, NEW YORK, TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.).

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TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE NOTE PAYING AGENT.

[CLASS C NOTES AND CLASS D NOTES ONLY] THE FOLLOWING INFORMATION IS PROVIDED PURSUANT TO UNITED STATES TREASURY REGULATION SECTION 1.1275-3(b). THIS NOTE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE HOLDER OF THIS NOTE MAY OBTAIN THE INFORMATION DESCRIBED IN UNITED STATES TREASURY REGULATION SECTION 1. 1275-3(b)(1)(i) FROM THE ADMINISTRATOR, AT THE FOLLOWING ADDRESS: P.O. BOX 1093 GT, GRAND CAYMAN, CAYMAN ISLANDS.

8. Pursuant to the terms of the Indenture, unless otherwise determined by the Issuer in accordance with the Indenture, the Class D Notes (other than the Regulation S Class D Notes) will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUERS HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT IS NOT A BROKER DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE INITIAL PURCHASER AND IS NOT A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT OR (2) TO A NON U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND, IN THE CASE OF CLAUSE (1), IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.$250,000 OR IN THE CASE OF CLAUSE (2), IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.$100,000, FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH IT IS ACTING, TO A PURCHASER THAT, OTHER THAN IN THE CASE OF CLAUSE (2), (V) IS A QUALIFIED PURCHASER FOR PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER

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IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY PURPORTED TRANSFER IN VIOLATION OF THE FOREGOING WILL NOT BE PERMITTED OR REGISTERED BY THE NOTE TRANSFER AGENT. EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE TO ITS TRANSFEREE.

IF THE TRANSFER OF CLASS D NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(1) OF THE PRECEDING PARAGRAPH, THE TRANSFEREE OF THE CLASS D NOTES WILL BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE NOTE TRANSFER AGENT A CLASS D NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE INDENTURE, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS (1) 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 AND (2) A QUALIFIED PURCHASER FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT.

THE PURCHASER OR TRANSFEREE OF THIS NOTE MUST DISCLOSE IN WRITING IN ADVANCE TO THE TRUSTEE (i) WHETHER OR NOT IT IS (A) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (B) A "PLAN" DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF ANY SUCH PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); (ii) IF THE PURCHASER OR TRANSFEREE IS A BENEFIT PLAN INVESTOR, THAT THE PURCHASE AND HOLDING OR TRANSFER AND HOLDING OF CLASS D NOTES DO NOT AND WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE FOR WHICH AN EXEMPTION IS NOT AVAILABLE; AND (iii) WHETHER OR NOT IT IS THE COLLATERAL MANAGER OR ANY OTHER PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. IF A PURCHASER IS AN ENTITY AS DESCRIBED IN (i)(C) ABOVE, OR AN INSURANCE COMPANY ACTING ON BEHALF OF ITS GENERAL ACCOUNT, IT WILL BE PERMITTED TO SO INDICATE, AND REQUIRED TO IDENTIFY A MAXIMUM PERCENTAGE OF ITS ASSETS OR THE ASSETS IN ITS GENERAL ACCOUNT, AS APPLICABLE, THAT MAY BE OR BECOME PLAN ASSETS, IN WHICH CASE IT WILL BE REQUIRED TO MAKE CERTAIN FURTHER AGREEMENTS THAT WOULD APPLY IN THE EVENT THAT SUCH MAXIMUM PERCENTAGE WOULD THEREAFTER BE EXCEEDED. THE PURCHASER AGREES THAT, BEFORE ANY INTEREST IN A CLASS D NOTE MAY BE OFFERED, SOLD,

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PLEDGED OR OTHERWISE TRANSFERRED, THE TRANSFEREE WILL BE REQUIRED TO PROVIDE THE NOTE TRANSFER AGENT WITH A CLASS D NOTES PURCHASE AND TRANSFER LETTER (SUBSTANTIALLY IN THE FORM ATTACHED TO THE INDENTURE) STATING, AMONG OTHER THINGS, WHETHER THE TRANSFEREE IS A BENEFIT PLAN INVESTOR. NO PURCHASE OR TRANSFER OF CLASS D NOTES WILL BE PERMITTED OR REGISTERED TO THE EXTENT THAT THE PURCHASE OR TRANSFER WOULD RESULT IN BENEFIT PLAN INVESTORS OWNING 25% OR MORE OF THE OUTSTANDING CLASS D NOTES (OTHER THAN THE CLASS D NOTES OWNED BY THE COLLATERAL MANAGER, THE TRUSTEE AND THEIR AFFILIATES) IMMEDIATELY AFTER SUCH PURCHASE OR TRANSFER (DETERMINED IN ACCORDANCE WITH SECTION 3(42) OF ERISA, 29 C.F.R. SECTION 2510.3-101 AND THE INDENTURE).

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE NOTE PAYING AGENT.

THE FOLLOWING INFORMATION IS PROVIDED PURSUANT TO UNITED STATES TREASURY REGULATION SECTION 1.1275-3(b). THIS NOTE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE HOLDER OF THIS NOTE MAY OBTAIN THE INFORMATION DESCRIBED IN UNITED STATES TREASURY REGULATION SECTION 1. 1275-3(b)(1)(i) FROM THE ADMINISTRATOR, AT THE FOLLOWING ADDRESS: P.O. BOX 1093 GT, GRAND CAYMAN, CAYMAN ISLANDS.

9. 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, state and local income and franchise tax and any other income taxes, the Issuer will be treated as a non-U.S. corporation; the Notes will be treated as indebtedness of the Issuer; and the Income Notes will be treated as equity in the Issuer. The purchaser agrees to such treatment and agrees to take no action inconsistent with such treatment.

10. If the purchaser or beneficial owner is a Non-U.S. Holder, such purchaser or beneficial owner represents that (x) either (i) its purchase of the Note is not, directly or indirectly, an extension of credit made by a bank pursuant to a loan agreement entered into in the ordinary course of its trade or business, (ii) it 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 or (iii) all income from the Note is effectively connected with a trade or business within the United States (as such terms are used in Section 882(a)(1) of the Code) conducted by such Holder and (y) it is not purchasing the Note in order to reduce its United States federal income tax liability or pursuant to a tax avoidance plan.

11. The purchaser agrees not to treat the Issuer as being engaged in the active conduct of a banking, financing, insurance, or other similar business for purposes of Section 954(h)(2) of the Code.

12. The purchaser agrees to timely furnish the Issuer or its agents any U.S. federal income tax form or certification (such as IRS Form W-8BEN (Certification of Foreign Status), Form W-8IMY (Certification of Foreign Intermediary Status), Form W-9 (Request for Texpayer Identification Number and Certification) or Form W-8ECI (Certification of Foreign Person's Claim for Exemption from Withholding on Income Effectively Connected with Conduct of a U.S. Trade or Business) or any successors to such IRS forms) that the Issuer or its agents may reasonably request and to update or replace such form or certification in accordance with its terms or its subsequent amendments.

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13. The purchaser agrees to timely furnish the Issuer, upon request, with such information as may reasonably be requested by the Issuer (including but not limited to information relating to the beneficial owner of the Note) in connection with the Issuer's fulfillment of its tax reporting, notification, withholding and similar obligations arising under the Code (as amended from time to time) or the Transaction Documents.

14. The purchaser understands that the Issuers, the Trustee, the Initial Purchaser and the Collateral Manager and their counsel will rely upon the accuracy and truth of the foregoing representations, and the purchaser hereby consents to such reliance.

15. Pursuant to the terms of the Fiscal Agency Agreement, unless otherwise determined by the Issuer in accordance with the Fiscal Agency Agreement, the Income Notes (other than the Regulation S Income Notes) will bear a legend to the following effect:

> THE INCOME NOTES ARE CONSTITUTED BY THE DEED OF COVENANT EXECUTED BY THE ISSUER ON OR ABOUT MARCH 27, 2007 AND ARE SUBJECT TO THE TERMS AND CONDITIONS THEREOF AND CERTAIN CONDITIONS OF THE FISCAL AGENCY AGREEMENT, DATED ON OR ABOUT MARCH 27, 2007 (THE "FISCAL AGENCY AGREEMENT") BY AND AMONG THE ISSUER AND THE BANK OF NEW YORK, LONDON BRANCH, AS FISCAL AGENT AND TRANSFER AGENT. COPIES OF THE DEED OF COVENANT, THE TERMS AND CONDITIONS OF THE INCOME NOTES AND THE FISCAL AGENCY AGREEMENT MAY BE OBTAINED FROM THE FISCAL AGENT.
>
> THE INCOME NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE INCOME NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH INCOME NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND IN EACH CASE IN A MINIMUM DENOMINATION OF U.S.$100,000. FURTHERMORE THE PURCHASER AND EACH ACCOUNT FOR WHICH IT IS ACTING AS A PURCHASER, OTHER THAN IN THE CASE OF CLAUSE (A)(3) ABOVE, REPRESENTS FOR THE BENEFIT OF THE ISSUER THAT IT (V) IS A QUALIFIED PURCHASER FOR THE PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A

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TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY PURPORTED TRANSFER IN VIOLATION OF THE FOREGOING WILL NOT BE PERMITTED OR REGISTERED BY THE FISCAL AGENT OR THE INCOME NOTE REGISTRAR. EACH TRANSFEROR OF THE INCOME NOTES WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE FISCAL AGENCY AGREEMENT TO ITS TRANSFEREE.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(1) OR (A)(2) OF THE PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE FISCAL AGENT, AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS (X) 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, OR (Y) AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION AND (Z) A QUALIFIED PURCHASER FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT.

THE PURCHASER OR TRANSFEREE MUST DISCLOSE IN WRITING IN ADVANCE TO THE FISCAL AGENT (i) WHETHER OR NOT IT IS (A) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (B) A "PLAN" DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF ANY SUCH PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); (ii) IF THE PURCHASER OR TRANSFEREE IS A BENEFIT PLAN INVESTOR, THAT THE PURCHASE AND HOLDING OR TRANSFER OF INCOME NOTES DO NOT AND WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE FOR WHICH AN EXEMPTION IS NOT AVAILABLE; AND (iii) WHETHER OR NOT IT IS THE COLLATERAL MANAGER OR ANY OTHER PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. IF A PURCHASER IS AN ENTITY AS DESCRIBED IN (i)(C) ABOVE, OR AN INSURANCE COMPANY ACTING ON BEHALF OF ITS GENERAL ACCOUNT, IT WILL BE PERMITTED TO SO INDICATE, AND REQUIRED TO IDENTIFY A MAXIMUM PERCENTAGE OF ITS ASSETS OR THE ASSETS IN ITS GENERAL ACCOUNT, AS APPLICABLE, THAT MAY BE OR BECOME PLAN ASSETS, IN WHICH CASE IT WILL BE REQUIRED TO MAKE CERTAIN FURTHER AGREEMENTS THAT WOULD APPLY IN THE EVENT THAT SUCH MAXIMUM PERCENTAGE WOULD THEREAFTER BE EXCEEDED. THE PURCHASER AGREES THAT, BEFORE ANY INTEREST IN AN INCOME NOTE MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, THE TRANSFEREE WILL BE REQUIRED TO PROVIDE THE FISCAL AGENT WITH AN INCOME NOTES PURCHASE AND TRANSFER LETTER (SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT) STATING, AMONG OTHER THINGS, WHETHER THE TRANSFEREE IS

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A BENEFIT PLAN INVESTOR. NO PURCHASE OR TRANSFER OF INCOME NOTES WILL BE PERMITTED OR REGISTERED TO THE EXTENT THAT THE PURCHASE OR TRANSFER WOULD RESULT IN BENEFIT PLAN INVESTORS OWNING 25% OR MORE OF THE OUTSTANDING INCOME NOTES (OTHER THAN THE INCOME NOTES OWNED BY THE COLLATERAL MANAGER, THE TRUSTEE AND THEIR AFFILIATES) IMMEDIATELY AFTER SUCH PURCHASE OR TRANSFER (DETERMINED IN ACCORDANCE WITH SECTION 3(42) OF ERISA, 29 C.F.R. SECTION 2510.3-101 AND THE FISCAL AGENCY AGREEMENT).

PAYMENTS TO THE HOLDERS OF THE INCOME NOTES ARE SUBORDINATE TO THE PAYMENT ON EACH PAYMENT DATE OF PRINCIPAL OF AND INTEREST ON THE NOTES OF THE ISSUERS AND THE PAYMENT OF CERTAIN OTHER AMOUNTS, TO THE EXTENT AND AS DESCRIBED IN THE INDENTURE.

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE FISCAL AGENCY AGREEMENT.

16. Pursuant to the terms of the Fiscal Agency Agreement, unless otherwise determined by the Issuer in accordance with the Fiscal Agency Agreement, the certificates in respect of the Regulation S Income Notes will bear a legend to the following effect:

THE INCOME NOTES ARE CONSTITUTED BY THE DEED OF COVENANT EXECUTED BY THE ISSUER ON OR ABOUT MARCH 27, 2007 AND ARE SUBJECT TO THE TERMS AND CONDITIONS THEREOF AND CERTAIN CONDITIONS OF THE FISCAL AGENCY AGREEMENT, DATED ON OR ABOUT MARCH 27, 2007 (THE "FISCAL AGENCY AGREEMENT") BY AND AMONG THE ISSUER AND THE BANK OF NEW YORK, LONDON BRANCH, AS FISCAL AGENT AND INCOME NOTE TRANSFER AGENT. COPIES OF THE DEED OF COVENANT, THE TERMS AND CONDITIONS OF THE INCOME NOTES AND THE FISCAL AGENCY AGREEMENT MAY BE OBTAINED FROM THE FISCAL AGENT.

THE INCOME NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE INCOME NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH INCOME NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND IN EACH CASE IN A MINIMUM DENOMINATION OF U.S.$100,000. FURTHERMORE THE PURCHASER AND EACH ACCOUNT FOR WHICH IT IS ACTING AS A PURCHASER, OTHER THAN IN THE CASE OF CLAUSE (A)(3) ABOVE, REPRESENTS FOR THE BENEFIT OF THE ISSUER THAT IT (V) IS A QUALIFIED PURCHASER FOR THE PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT; (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY

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CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY PURPORTED TRANSFER IN VIOLATION OF THE FOREGOING WILL NOT BE PERMITTED OR REGISTERED BY THE FISCAL AGENT OR THE INCOME NOTE REGISTRAR. EACH TRANSFEROR OF THE INCOME NOTES WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE FISCAL AGENCY AGREEMENT TO ITS TRANSFEREE.

THE TRANSFEREE OF THIS SECURITY WILL BE DEEMED TO HAVE REPRESENTED THAT THE TRANSFEREE IS NOT A U.S. PERSON.

THE PURCHASER OR TRANSFEREE OF THIS INCOME NOTE IS DEEMED TO REPRESENT (i) THAT IT IS NOT (A) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF ERISA) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (B) A "PLAN" DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE CODE, OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF ANY SUCH PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); AND (ii) THAT IT IS NOT THE COLLATERAL MANAGER OR ANY OTHER PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. NO PURCHASE OR TRANSFER OF INCOME NOTES WILL BE PERMITTED OR REGISTERED TO THE EXTENT THAT THE PURCHASE OR TRANSFER WOULD RESULT IN BENEFIT PLAN INVESTORS OWNING 25% OR MORE OF THE OUTSTANDING INCOME NOTES (OTHER THAN THE INCOME NOTES OWNED BY THE COLLATERAL MANAGER, THE TRUSTEE AND THEIR AFFILIATES) IMMEDIATELY AFTER SUCH PURCHASE OR TRANSFER (DETERMINED IN ACCORDANCE WITH SECTION 3(42) OF ERISA, 29 C.F.R. SECTION 2510.3-101 AND THE FISCAL AGENCY AGREEMENT).

ANY TRANSFER, PLEDGE OR OTHER USE OF THIS INCOME NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN, UNLESS THIS INCOME NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC"), NEW YORK, NEW YORK, TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY INCOME NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.).

TRANSFERS OF THIS INCOME NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS

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OF THIS INCOME NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE FISCAL AGENCY AGREEMENT.

PAYMENTS TO THE HOLDERS OF THE INCOME NOTES ARE SUBORDINATE TO THE PAYMENT ON EACH PAYMENT DATE OF PRINCIPAL OF AND INTEREST ON THE NOTES OF THE ISSUERS AND THE PAYMENT OF CERTAIN OTHER AMOUNTS, TO THE EXTENT AND AS DESCRIBED IN THE INDENTURE.

The Securities that are being offered hereby in reliance on the exemption from registration under Regulation S (the "Regulation S Notes"; the "Regulation S Income Notes"; and collectively, the "Regulation S Securities") have not been and will not be registered under the Securities Act and neither of the Issuers will be registered under the Investment Company Act. The Regulation S Securities may not be offered or sold within the United States or to U.S. Persons (as defined in Regulation S) unless the purchaser certifies or is deemed to have certified that it is a qualified institutional buyer as defined in Rule 144A (a "Qualified Institutional Buyer") and a "qualified purchaser" for the purposes of Section 3(c)(7) of the Investment Company Act (a "Qualified Purchaser") or, solely in the case of the Income Notes, that it is an "accredited investor" as defined in Rule 501(a) under the Securities Act (an "Accredited Investor") who has a net worth of not less than U.S.$10 million and a Qualified Purchaser, and takes delivery in the form of (i) an interest in a Rule 144A Global Note or a definitive Class D Note in an amount at least equal to the minimum denomination applicable to the Rule 144A Notes or (ii) an Income Note in a notional principal amount of not less than U.S.$100,000. See "Description of the Securities" and "Underwriting."

The requirements set forth under "Notice to Investors" above apply only to Securities offered in the United States, except for the requirements set forth in Paragraphs (4), (5), (6), (9), (10), (11), (12), (13) and (14) and except that the Regulation S Securities will bear the legends set forth in Paragraphs (7) and (16) under "Notice to Investors" above.

THE ISSUERS ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR OTHER THAN INFORMATION PROVIDED IN THE SECTION ENTITLED "THE COLLATERAL MANAGER." THE COLLATERAL MANAGER ACCEPTS RESPONSIBILITY FOR THE INFORMATION PROVIDED IN "THE COLLATERAL MANAGER" SECTION (OTHER THAN THE INFORMATION CONTAINED UNDER THE SUBHEADING "GENERAL"). TO THE BEST OF THE KNOWLEDGE AND THE BELIEF OF THE 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.

EACH PURCHASER OF THE SECURITIES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN EACH JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS SUCH SECURITIES OR POSSESSES OR DISTRIBUTES THIS OFFERING CIRCULAR AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED FOR THE PURCHASE, OFFER OR SALE BY IT OF SUCH SECURITIES UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTIONS TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES, AND NONE OF THE ISSUERS, THE INITIAL PURCHASER, THE COLLATERAL MANAGER, THE CASHFLOW SWAP COUNTERPARTY (OR ITS GUARANTOR) OR THEIR AGENTS SPECIFIED HEREIN SHALL HAVE ANY RESPONSIBILITY THEREFOR.

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AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with the resale of the Securities, the Issuers will be required under the Indenture and the Fiscal Agency Agreement, to furnish upon request to a holder or beneficial owner of a Security and to a prospective investor who is a Qualified Institutional Buyer designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) if, at the time of the request neither the Issuer nor the Co-Issuer, as applicable, is a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

To the extent the Trustee delivers any annual or other periodic report to the Holders of the Notes, the Trustee will include in such report a reminder that (1) each holder (other than those holders who are not U.S. Persons and have purchased their Notes outside the United States pursuant to Regulation S) is required to be (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser, in each case that can make all of the representations in the Indenture applicable to a holder that is a U.S. Person; (2) the Notes can only be transferred (i) to a transferee that is (a) a Qualified Institutional Buyer and (b) a Qualified Purchaser that can make all of the representations in the Indenture applicable to a holder who is a U.S. Person or (ii) to a non-U.S. Person in an offshore transaction complying with Rule 903 or 904 under Regulation S; and (3) the Issuers have the right to compel any holder who does not meet the transfer restrictions set forth in the Indenture to transfer its interest in the Notes to a person designated by the Issuers or sell such interests on behalf of the holder.

To the extent the Fiscal Agent delivers any annual or periodic reports to the Holders of the Income Notes, the Fiscal Agent will include in such report a reminder that (1) each holder (other than those holders who are not U.S. Persons and have purchased their Income Notes outside the United States pursuant to Regulation S) is required to be (a) a Qualified Institutional Buyer or an Accredited Investor who has a net worth of not less than U.S.$10 million and (b) a Qualified Purchaser that can make all of the representations in the Income Notes Purchase and Transfer Letter applicable to a holder who is a U.S. Person; (2) the Income Notes can only be transferred to a transferee that is (i)(a) a Qualified Institutional Buyer or an Accredited Investor who has a net worth not less than U.S.$10 million and (b) a Qualified Purchaser or (ii) a non-U.S. Person in an offshore transaction complying with Rule 903 or Rule 904 under Regulation S; and (3) the Issuer has the right to compel any holder who does not meet the transfer restrictions set forth in the Fiscal Agency Agreement to transfer its Income Notes to a person designated by the Issuer or sell such Income Notes on behalf of the holder.

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SUMMARY

The following summary is qualified in its entirety by the detailed information appearing elsewhere in this Offering Circular. For definitions of certain terms used in this Offering Circular see "Appendix A — Certain Definitions" and for the location of the definitions of those and other terms, see "Index of Defined Terms." For a discussion of certain factors to be considered in connection with an investment in the Securities, see "Risk Factors."

The Issuers .....

Timberwolf I, Ltd. (the "Issuer") is an exempted company incorporated with limited liability under the laws of the Cayman Islands for the sole purpose of acquiring the Collateral Assets, Default Swap Collateral and the Eligible Investments, entering into, and performing its obligations under, the Collateral Management Agreement and Cashflow Swap Agreement, co-issuing the Notes and the Income Notes and engaging in certain related transactions.

The Issuer will not have any material assets other than the portfolio consisting of CDO Securities and Synthetic Securities (the Reference Obligations of which are CDO Securities) as described herein (collectively, together with Deliverable Obligations and any Default Swap Collateral that has been released from the lien of the Synthetic Security Counterparty and credited to the Collateral Account as described herein, "Collateral Assets"), the Default Swap Collateral Account, Eligible Investments and the cashflow swap agreement (the "Cashflow Swap Agreement"), the Collateral Management Agreement and certain other assets. The Collateral Assets, the Eligible Investments and certain other assets of the Issuer will be pledged by the Issuer to the Trustee under the Indenture, for the benefit of the Secured Parties, as security for, among other obligations, the Issuers' obligations under the Notes. The Default Swap Collateral Account will be pledged by the Issuer to the Trustee under the Indenture for the benefit of the Synthetic Security Counterparty as security for the Issuer's obligations under the Synthetic Securities.

Timberwolf I (Delaware) Corp. (the "Co-Issuer" and, together with the Issuer, the "Issuers") is a corporation formed under the laws of the State of Delaware for the sole purpose of co-issuing the Notes (other than the Class D Notes).

The Co-Issuer will not have any assets (other than U.S.$10 of equity capital) and will not pledge any assets to secure the Notes. The Co-Issuer will have no claim against the Issuer in respect of the Collateral Assets or otherwise.

The authorized share capital of the Issuer is U.S.$50,000 which consists of 50,000 ordinary shares, par value U.S.$1.00 per share, ("Issuer Ordinary Shares"), 250 of which have been issued. The Issuer Ordinary Shares will be held by Maples Finance Limited, a licensed trust company incorporated in the Caymen Islands (the "Issuer Administrator") as the trustee pursuant to the terms of a charitable trust (the "Share Trustee") and all of the outstanding common equity of the Co-Issuer will be held by the Issuer.

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The Collateral Manager	Greywolf Capital Management LP, a Delaware limited liability company ("Greywolf") or any successor thereto (the "Collateral Manager"), will perform certain monitoring functions with respect to the Collateral Assets pursuant to a collateral management agreement to be dated as of the Closing Date (the "Collateral Management Agreement") between the Issuer and Greywolf, as Collateral Manager. Greywolf is a registered investment adviser under the United States Investment Advisers Act of 1940, as amended. See "The Collateral Manager."
Securities Offered	On the Closing Date, the Issuer and the Co-Issuer will issue U.S.$9,000,000 principal amount of Class S-1 Floating Rate Notes Due September 2011 (the "Class S-1 Notes"), U.S.$8,300,000 principal amount of Class S-2 Floating Rate Notes Due September 2011 (the "Class S-2 Notes" and, together with the Class S-1 Notes, the "Class S Notes"), U.S.$ 100,000,000 principal amount of Class A-1a Floating Rate Notes Due 2039 (the "Class A-1a Notes"), U.S.$ 200,000,000 principal amount of Class A-1b Floating Rate Notes Due 2039 (the "Class A-1b Notes"), U.S.$ 100,000,000 principal amount of Class A-1c Floating Rate Notes Due 2044 (the "Class A-1c Notes"), U.S.$ 100,000,000 principal amount of Class A-1d Floating Rate Notes Due 2044 (the "Class A-1d Notes" and, together with the Class A-1a Notes, Class A-1b Notes and Class A-1c Notes, the "Class A-1 Notes"), U.S.$ 305,000,000 principal amount of Class A-2 Floating Rate Notes Due 2047 (the "Class A-2 Notes" and, together with the Class A-1 Notes, the "Class A Notes"), U.S.$ 107,000,000 principal amount of Class B Floating Rate Notes Due 2047 (the "Class B Notes") and U.S.$ 36,000,000 principal amount of Class C Deferrable Floating Rate Notes Due 2047 (the "Class C Notes"), and the Issuer will issue U.S.$ 30,000,000 principal amount of Class D Deferrable Floating Rate Notes Due 2047 (the "Class D Notes" and, together with the Class S Notes, Class A Notes, Class B Notes and Class C Notes, the "Notes") pursuant to an Indenture (the "Indanture") dated on or about March 27, 2007 among the Issuers and The Bank of New York, as trustee and as securities intermediary (the "Trustaa" and the "Securities Intermediary," respectively). Under the Indenture, The Bank of New York will also act as principal paying agent for the Notes (the "Principal Note Paying Agent"), as registrar (the "Note Registrar"), as calculation agent (the "Note Calculation Agent"), as transfer agent (the "Note Transfer Agent") and as paying agent for the Notes (tha "Note Paying Agent" and, together with the Principal Note Paying Agent, the Note Registrar, the Note Calculation Agent, the Note Transfer Agent and the Listing and Paying Agent, the "Note Agents"). On the Closing Date, the Issuer will also issue U.S.$ 22,000,000 notional principal amount of Income Notes Due 2047 (the "Income Notes" and, together with the Notes, the "Securities"), pursuant to a deed of covenant (the "Deed of Covenant"), dated on or about the Closing Date, executed by

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	the Issuer and subject to the terms and conditions of the Income Notes (the "Terms and Conditions") appended thereto and a fiscal agency agreement (the "Fiscal Agency Agreement") dated on or about the Closing Date between the Issuer and The Bank of New York, London Branch, as fiscal agent and transfer agent for the Income Notes (in such capacities, the "Fiscal Agent" and, together with the Note Agents and the Collateral Administrator, the "Agents"). Only the Notes and the Income Notes (collectively, the "Securities") are offered hereby. The Note Paying Agent, the Principal Note Paying Agent and any other Note paying agents appointed from time to time under the Indenture are collectively referred to as the "Note Paying Agents." The Note Paying Agents and the Fiscal Agent are collectively referred to as the "Paying Agents." The Note Transfer Agent and the Fiscal Agent are collectively referred to as the "Transfer Agents." The Indenture, the Collateral Management Agreement, the Cashflow Swap Agreement, the Collateral Administration Agreement, the Administration Agreement, the Deed of Covenant and the Fiscal Agency Agreement are collectively referred to as the "Transaction Documents."
Closing Date	The Issuer will issue the Income Notes and the Issuers will issue the other Notes on or about March 27, 2007 (the "Closing Date").
Status of the Securities	The Notes (other than the Class D Notes) will be limited recourse obligations of the Issuers and the Class D Notes and the Income Notes will be limited recourse obligations of the Issuer. The Income Notes will not be secured obligations of the Issuer and will only be entitled to receive amounts available for distribution on any Payment Date after payment of all amounts payable prior thereto under the Priority of Payments. The Class S-1 Notes will be senior in right of payment on each Payment Date to the Class S-2 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; the Class S-2 Notes will be senior in right of payment on each Payment Date to the Class A-2 Notes (*provided*, that payments of interest on the Class S-2 Notes and the Class A Notes will be paid pro rata), the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes; the Class A-1 Notes will be senior in right of payment on each Payment Date to the Class A-2 Notes (*provided*, that payments of interest on the Class A Notes will be paid pro rata), the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes; the Class A-2 Notes will be senior in right of payment on each Payment Date to the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes; the Class B Notes will be senior in right of payment on each Payment Date to the Class C Notes, the Class D Notes and the Income Notes; the Class C Notas will be senior in right of payment on each Payment Date to the Class D Notes and the Income Notes and the Class D Notes will be senior in right of payment on each Payment Date to the Income Notes,

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	each to the extent provided in the Priority of Payments. Payments of principal on the Class A-1 Notes will be paid in accordance with the Class A-1 Note Payment Sequence. See "Description of the Securities—Status and Security" and "—Priority of Payments."
Use of Proceeds	The net proceeds associated with the offering of the Securities issued on the Closing Date are expected to equal approximately U.S.$1,005,119,000. The net proceeds will be used by the Issuer to purchase on the Closing Date or within 90 days thereafter pursuant to agreements to purchase entered into on or prior to the Closing Date, the portfolio of Collateral Assets described herein having an aggregate Principal Balance of approximately U.S.$1,000,000,000 and to purchase the Default Swap Collateral. See "Security for the Notes—Disposition of Collateral Assets" and "Use of Proceeds."
The Collateral Assets	The Collateral Assets (or, in the case of the Synthetic Securities, the Reference Obligations related thereto) are initially expected to be comprised of 55 issues of CDO Securities. Approximately 93.00% of the Collateral Assets (by Principal Balance) on the Closing Date are expected to be Synthetic Securities. All of the Reference Obligations referenced in the Synthetic Securities are expected to be CDO Securities. See "Security for the Notes—The Collateral Assets." Certain summary information about the Collateral Assets is set forth in Appendix B to this Offering Circular.
Synthetic Security Counterparty	The initial Synthetic Security Counterparty under the Synthetic Securities is Goldman Sachs International. The swap guarantor with respect to the initial Synthetic Securities is The Goldman Sachs Group, Inc., a Delaware corporation, which is an affiliate of the Synthetic Security Counterparty.
Synthetic Securities	Each of the Synthetic Securities to be entered into by the Issuer and the Synthetic Security Counterparty on or before the Closing Date will be structured as "pay-as-you-go" credit default swaps related to single Reference Obligations. Pursuant to each Synthetic Security, the Issuer will receive the Fixed Amount in exchange for providing credit protection to the Synthetic Security Counterparty in connection with certain Credit Events and Floating Amount Events that may occur with respect to the related Reference Obligations. To support any payments which may become due by the Issuer to the Synthetic Security Counterparty under the Synthetic Securities, the Issuer will be required to purchase Default Swap Collateral with a face value equal to the initial Aggregate Reference Obligation Notional Amount of the Synthetic Securities and pledge to the Synthetic Security Counterparty a first priority security interest in such Default Swap Collateral. It is expected that all of the Reference Obligations referenced under the Synthetic Securities will be CDO Securities. For a detailed description of the Synthetic Securities, see "Security for the Notes—Synthetic Securities".

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Interest Payments and Certain Distributions	The Notes will accrue interest from the Closing Date and such interest will be payable on the 3rd day of March, June, September and December of each year, or if any such date is not a Business Day, the immediately following Business Day (each such date, a "Payment Date") commencing on September 4, 2007. Payments on the Income Notes will be payable in arrears on each Payment Date, commencing on September 4, 2007. All payments on the Securities will be made from Proceeds in accordance with the Priority of Payments. The Class S-1 Notes will bear interest during each Interest Accrual Period at a *per annum* rate (the "Class S-1 Note Interest Rate") equal to LIBOR for such Interest Accrual Period *plus* 0.20%. The Class S-2 Notes will bear interest during each Interest Accrual Period at a *per annum* rate (the "Class S-2 Note Interest Rate") equal to LIBOR for such Interest Accrual Period *plus* 0.35%. The Class A-1a Notes will bear interest during each Interest Accrual Period at a *per annum* rate (the "Class A-1a Note Interest Rate") equal to LIBOR for such Interest Accrual Period *plus* 0.05%. The Class A-1b Notes will bear interest during each Interest Accrual Period at a *per annum* rate (the "Class A-1b Note Interest Rate") equal to LIBOR for such Interest Accrual Period *plus* 0.50%. The Class A-1c Notes will bear interest during each Interest Accrual Period at a *per annum* rate (the "Class A-1c Note Interest Rate") equal to LIBOR for such Interest Accrual Period *plus* 0.80%. The Class A-1d Notes will bear interest during each Interest Accrual Period at a *per annum* rate (the "Class A-1d Note Interest Rate") equal to LIBOR for such Interest Accrual Period *plus* 1.30%. The Class A-2 Notes will bear interest during each Interest Accrual Period at a *per annum* rate (the "Class A-2 Note Interest Rate") equal to LIBOR for such Interest Accrual Period *plus* 0.90%. The Class B Notes will bear interest during each Interest Accrual Period at a *per annum* rate (the "Class B Note Interest Rate") equal to LIBOR for such Interest Accrual Period *plus* 1.40%. The Class C Notes will bear interest during each Interest Accrual Period at a *per annum* rate (the "Class C Note Interest Rate") equal to LIBOR for such Interest Accrual Period *plus* 4.00%.

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The Class D Notes will bear interest during each Interest Accrual Period at a *per annum* rate (the "Class D Note Interest Rate") equal to LIBOR for such Interest Accrual Period *plus* 10.00%.

The Class S-1 Note Interest Rate, the Class S-2 Note Interest Rate, the Class A-1a Note Interest Rate, the Class A-1b Note Interest Rate, the Class A-1c Note Interest Rate, the Class A-1d Note Interest Rate, the Class A-2 Note Interest Rate, the Class B Note Interest Rate, the Class C Note Interest Rate and the Class D Note Interest Rate are collectively referred to herein as the "Note Interest Rates."

To the extent interest that is due is not paid on the Class C Notes on any Payment Date ("Class C Deferred Interest"), such unpaid amounts will be added to the principal amount of the Class C Notes, and shall accrue interest at the Class C Note Interest Rate to the extent lawful and enforceable. So long as any Class S Notes, Class A Notes or Class B Notes are outstanding, the failure to pay any interest on the Class C Notes on any Payment Date will not be an Event of Default under the Indenture. To the extent interest that is due is not paid on the Class D Notes on any Payment Date ("Class D Deferred Interest"), such unpaid amounts will be added to the principal amount of the Class D Notes, and shall accrue interest at the Class D Note Interest Rate to the extent lawful and enforceable. So long as any Class S Notes, Class A Notes, Class B Notes or Class C Notes are outstanding, the failure to pay any interest on the Class D Notes on any Payment Date will not be an Event of Default under the Indenture.

See "Description of the Securities – Interest and Distributions" and "—Priority of Payments."

LIBOR for the first Interest Accrual Period with respect to each Class of Notes will be determined as of the second Business Day preceding the Closing Date. Calculations of interest on each Class of the Notes will be made on the basis of a 360-day year and the actual number of days in each Interest Accrual Period.

The "Interest Accrual Period" with respect to the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes and any Payment Date, is the period commencing on and including the immediately preceding Payment Date (or the Closing Date in the case of the first Interest Accrual Period) and ending on and including the day immediately preceding such Payment Date.

The Holders of the Income Notes will be entitled to receive, on each Payment Date, all cash remaining after the payment of all other amounts required to be paid in accordance with the Priority of Payments.

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Principal Payments	The Notes (other than the Class S Notes and the Class A-1 Notes) and the Income Notes will mature on the Payment Date in December 2047 (such date the "Stated Maturity" with respect to each Class of Notes (other than the Class S Notes and the Class A-1 Notes) and Income Notes), the Class S Notes will mature on the Payment Date in September 2011 (the "Stated Maturity" with respect to the Class S Notes), the Class A-1a Notes and the Class A-1b Notes will mature on the Payment Date in December 2039 (the "Stated Maturity" with respect to the Class A-1a Notes and the Class A-1b Notes) and the Class A-1c Notes and the Class A-1d Notes will mature on the Payment Date in September 2044 (the "Stated Maturity" with respect to the Class A-1c Notes and the Class A-1d Notes) unless redeemed or retired prior thereto. The average life of the Notes (other than the Class S Notes) and the duration of the Income Notes is expected to be substantially shorter than the number of years from issuance until Stated Maturity for each Class of Notes and the Income Notes. See "Description of the Securities—Principal" and "Risk Factors—Securities—Average Lives, Duration and Prepayment Considerations." Principal will be payable on the Class S-1 Notes in accordance with the Priority of Payments on each Payment Date commencing on the Payment Date occurring in December 2007 in an amount equal to the Class S-1 Notes Amortizing Principal Amount with respect to such Payment Date and, if an Event of Default or Tax Event has occurred and is continuing or an Optional Redemption by Liquidation or successful Auction has occurred and the Collateral is being liquidated pursuant to the terms of the Indenture, the Class S-1 Notes will be paid in full prior to any distributions to any other Securities. Principal will be payable on the Class S-2 Notes in accordance with the Priority of Payments on each Payment Date commencing on the Payment Date occurring in December 2007 in an amount equal to the Class S-2 Notes Amortizing Principal Amount with respect to such Payment Date and, if an Event of Default or Tax Event has occurred and is continuing or an Optional Redemption by Liquidation or successful Auction has occurred and the Collateral is being liquidated pursuant to the terms of the Indenture, the Class S-2 Notes will be paid in full prior to any distributions to any other Securities (other than the Class S-1 Notes and the Class A-1 Notes). The Class S-2 Notes are subject to mandatory redemption if the Class A/B Overcollateralization Test is not satisfied on any date of determination. "Shifting principal" will be payable on the Notes (other than the Class S Notes) in accordance with clause (xi) of the Priority of Payments on each Payment Date in accordance with the Priority of Payments. As a result of the Priority of Payments, notwithstanding the subordination of the Notes described under "Status of the Securities" above, the Class S-2 Notes may be entitled to receive certain payments of principal while the Class S-1 Notes and the Class A-1 Notes are outstanding, the Class A-

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1 Notes may be entitled to receive certain payments of principal while the Class S Notes are outstanding, the Class A-2 Notes may be entitled to receive certain payments of principal while the Class S Notes and the Class A-1 Notes are outstanding, the Class B Notes may be entitled to receive certain payments of principal while the Class S Notes and the Class A Notes are outstanding, the Class C Notes may be entitled to receive certain payments of principal while the Class S Notes, the Class A Notes and the Class B Notes are outstanding and the Class D Notes may be entitled to receive certain payments of principal while the Class S Notes, the Class A Notes, the Class B Notes and the Class C Notes are outstanding. In addition, the Income Notes may be entitled to receive certain payments while the Notes are outstanding. See "Description of the Securities—Priority of Payments."

In addition, to the extent funds are available therefor in accordance with the Priority of Payments, the Notes (other than the Class S-1 Notes) will be subject to mandatory redemption on any Payment Date if the Coverage Tests are not satisfied as described herein. See "Description of the Securities—Principal" and "—Mandatory Redemption."

Tax Redemption ..... Subject to certain conditions described herein, the Notes will be redeemed from Liquidation Proceeds, in whole but not in part, on any Payment Date upon the occurrence of a Tax Event, at the written direction of, or with the written consent of, Holders of at least 66-2/3% of the eggregate outstanding notional principal amount of the affected Income Notes or Holders of at least a Majority of any Class of Notes which, as a result of the occurrence of such Tax Event, have not received 100% of the aggregate amount of principal and interest or other amounts due and payable to such Holders (such redemption, a "Tax Redemption"). No such Tax Redemption will occur unless the expected Liquidation Proceeds equal or exceed the Total Redemption Amount. Upon the occurrence of a Tax Redemption, the Income Notes will be simultaneously redeemed.

With respect to a Tax Redemption as described above, the Notes will be redeemed at their Redemption Prices, respectively, as described herein. The amount payable as the final payment to the Income Notes following any Tax Redemption will be the Liquidation Proceeds remaining after the payment of the Total Redemption Amount in accordance with the Priority of Payments.

See "Description of the Securities—Tax Redemption."

Auction ..... Sixty days prior to the Payment Date occurring in September of each year (the "Auction Date"), commencing on the September 2015 Payment Date, the Collateral Manager shall take steps to conduct an auction (the "Auction") of the Collateral in accordance with the procedures specified in the Indentura. If the Collateral Manager receives one or more bids from Eligible Bidders not later than ten Business Days prior to the Auction Date equal to or greater than the

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Minimum Bid Amount, it will sell the Collateral for settlement on or before the fifth Business Day prior to such Auction Date and the Notes will be redeemed in whole on such Auction Date (any such date, the "Auction Payment Date"). If a successful Auction occurs, the Income Notes will also be redeemed in full. The Collateral Manager and its affiliates shall be considered Eligible Bidders. If the highest single bid on the entire portfolio of Collateral, or the aggregate amount of multiple bids with respect to individual items of Collateral, does not equal or exceed the aggregate Minimum Bid Amount or if there is a failure at settlement, the Collateral will not be sold and no redemption of Notes or Income Notes on the related Auction Date will be made.

Optional Redemption by Liquidation.....

The Notes may be redeemed by the Issuers from Liquidation Proceeds, in whole but not in part, on any Payment Date on or after the Payment Date occurring in March 2010 (the "Optional Redemption Date"), at the written direction of, or with the written consent of the Holders of at least a Majority of the Income Notes (an "Optional Redemption" or an "Optional Redemption by Liquidation"). If the Holders of the Income Notes so elect to cause an Optional Redemption by Liquidation, the Income Notes will also be redeemed in full.

In the event of an Optional Redemption by Liquidation, the Notes will be redeemed at their Redemption Prices as described herein.

No Securities shall be redeemed pursuant to an Optional Redemption by Liquidation and a final payment to the Income Notes shall not be made unless the Collateral Manager furnishes certain assurances that the Total Redemption Amount will be available for distribution on the related Optional Redemption Date.

See "Description of the Securities–Optional Redemption by Liquidation."

Optional Redemption by Refinancing.....

Any Class or Classes of Notes may be redeemed by the Issuers from the net cash proceeds (the "Refinancing Proceeds") of a loan, credit or similar facility or an issuance of replacement notes, from or to one or more financial institutions or purchasers, in whole but not in part, on any Payment Date on or after the Optional Redemption Date, at the written direction of, or with the written consent of the Holders of at least a Majority of the Income Notes (an "Optional Redemption" or an "Optional Redemption by Refinancing") subject to the satisfaction of the Rating Agency Condition (other than with respect to the Notes being redeemed) and the other restrictions described herein.

In the event of an Optional Redemption by Refinancing, the Class or Classes of Notes subject to such redemption will be redeemed at their Redemption Prices as described herein.

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If the Holders of the Income Notes so elect to cause an Optional Redemption by Refinancing, the Income Notes will not be redeemed in full and will remain outstanding.

See "Description of the Notes and the Income Notes—Optional Redemption by Refinancing."

Mandatory Redemption..... On any Payment Date on which the Class A/B Overcollateralization Test, the Class C Overcollateralization Test or the Class D Overcollateralization Test is not satisfied as of the preceding Determination Date, certain of the Notes (other than the Class S-1 Notes) will be subject to mandatory redemption in accordance with the Priority of Payments, until the applicable Notes have been paid in full (a "Mandatory Redemption"). The Collateral Manager is not permitted to sell Collateral Assets to generate additional Proceeds to be applied to redeem the Notes except to the extent such Collateral Assets may, at the discretion of the Collateral Manager, be otherwise sold as Credit Risk Obligations, equity securities or Defaulted Obligations. The Class S-1 Notes and the Income Notes are not subject to mandatory redemption as a result of the failure of any Coverage Test. See "Description of the Securities—Mandatory Redemption" and "—Priority of Payments."

Security for the Notes..... Under the terms of the Indenture, the Issuer will grant to the Trustee, for the benefit and security of the Trustee, for itself and on behalf of the Noteholders, the Fiscal Agent, the Collateral Administrator, the Collateral Manager, the Cashflow Swap Counterparty and the Synthetic Security Counterparty (together the "Secured Parties"), to secure the Issuer's obligations under the Notes, the Indenture, the Cashflow Swap Agreement, the Collateral Management Agreement and the Synthetic Securities (the "Secured Obligations"), a first priority security interest in the Collateral. The Income Notes will not be secured.

Reports..... A report will be made available to the Holders of the Notes and Holders of the Income Notes and will provide information on the Collateral Assets and payments to be made in accordance with the Priority of Payments (each, a "Payment Report") beginning in September 2007. See "Security for the Notes—Reports."

Coverage Tests..... The following table identifies the Coverage Tests and the value at which such tests will be satisfied. See "Security for the Notes—The Coverage Tests."

Coverage Test		Value at Which Test is Satisfied
Class A/B Test	Overcollateralization	Class A/B Overcollateralization Ratio is equal to or greater than 106.4%.

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	Class C Overcollateralization Test — Class C Overcollateralization Ratio is equal to or greater than 103.3%
	Class D Overcollateralization Test — Class D Overcollateralization Ratio is equal to or greater than 101.1%
	On the Closing Date, the Class A/B Overcollateralization Ratio is expected to be 109.6%, the Class C Overcollateralization Ratio is expected to be 105.5% and the Class D Overcollateralization Ratio is expected to be 102.2%.
The Offering	The Securities are being offered to non-U.S. Persons in offshore transactions in reliance on Regulation S, and in the United States to persons who are Qualified Institutional Buyers purchasing in reliance on the exemption from registration under Rule 144A or, with respect to Income Notes only, Accredited Investors purchasing in transactions exempt from registration under the Securities Act. Each purchaser who is a U.S. Person must also be a Qualified Purchaser. Each Accredited Investor must have e net worth of at least U.S.$10 million. See "Description of the Securities—Form of the Securities," "Underwriting" and "Notice to Investors."
Minimum Denominations	The Notes will be issued in minimum denominations of U.S.$250,000 (in the case of the Rule 144A Notes) and U.S.$100,000 (in the case of the Regulation S Notes) and integral multiples of U.S.$1 in excess thereof for each Class of Notes. The Income Notes will be issued in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1 in excess thereof.
Form of the Securities	Each Class of Notes sold in offshore transactions in reliance on Regulation S will initially be represented by one or more temporary global notes (each, a "Temporary Regulation S Global Note"). Each Temporary Regulation S Global Note will be deposited on the Closing Date with The Bank of New York as custodian for, and registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), for the respective accounts of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, société anonyme ("Clearstream"). Beneficial interests in a Temporary Regulation S Global Note may be held only through Euroclear or Clearstream and may not be held at any time by a U.S. Person ("U.S. Person") (as such term is defined in Regulation S under the Securities Act). Each Class of Rule 144A Notes will be issued in the form of one or more global notes in fully registered form (the "Rule 144A Global Notes" and, together with the Temporary Regulation S Global Notes and the Regulation S Global Notes, the "Global Notes"), deposited with The Bank of New York as custodian for, and registered in the name of Cede & Co. as nominee of, DTC, which will credit the account of each of its participants with the principal amount of Notes being

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purchased by or through such participant. Beneficial interests in the Rule 144A Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants.

The Class D Notes (other than the Regulation S Class D Notes) will be evidenced by one or more notes in definitive, fully registered form, registered in the name of the owner thereof (each, a "Definitive Note").

Beneficial interests in the Global Notes and the Definitive Notes may not be transferred except in compliance with the transfer restrictions described herein. See "Description of the Securities—Form of the Securities" and "Notice to Investors."

The Income Notes (other than the Regulation S Income Notes) will be evidenced by one or more notes in definitive, fully registered form, registered in the name of the owner thereof (each, an "Income Note Certificate"). The Regulation S Income Notes will be evidenced by a global note in fully registered form. The Income Notes may not be transferred except in compliance with the transfer restrictions described herein. See "Description of the Securities—Form of the Securities" and "Notice to Investors."

Governing Law	The Indenture, the Notes, the Cashflow Swap Agreement, the Synthetic Securities, the Collateral Administration Agreement and the Collateral Management Agreement will be governed by the laws of the State of New York. The Deed of Covenant, including the Terms and Conditions of the Income Notes and the Income Notes, the Fiscal Agency Agreement will be governed by the laws of the Cayman Islands.
Listing and Trading	There is currently no market for the Notes or Income Notes and there can be no assurance that such a market will develop. See "Risk Factors—Securities—Limited Liquidity and Restrictions on Transfer." Application may be made to admit the Securities on a stock exchange of the Issuer's choice, if practicable. There can be no assurance that such admission will be sought, granted or maintained. See "Listing and General Information."
Ratings	It is a condition of the issuance of the Securities that the Class S Notes, the Class A-1 Notes and the Class A-2 Notes be rated "Aaa" by Moody's and "AAA" by S&P, that the Class B Notes be rated at least "Aa2" by Moody's and at least "AA" by S&P, that the Class C Notes be rated at least "A2" by Moody's and at least "A" by S&P and that the Class D Notes be rated at least "Baa2" by Moody's and at least "BBB" by S&P. The Income Notes will not be rated. A credit 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. See "Ratings of the Notes."
Tax Status	See "Income Tax Considerations."
ERISA Considerations	See "ERISA Considerations."

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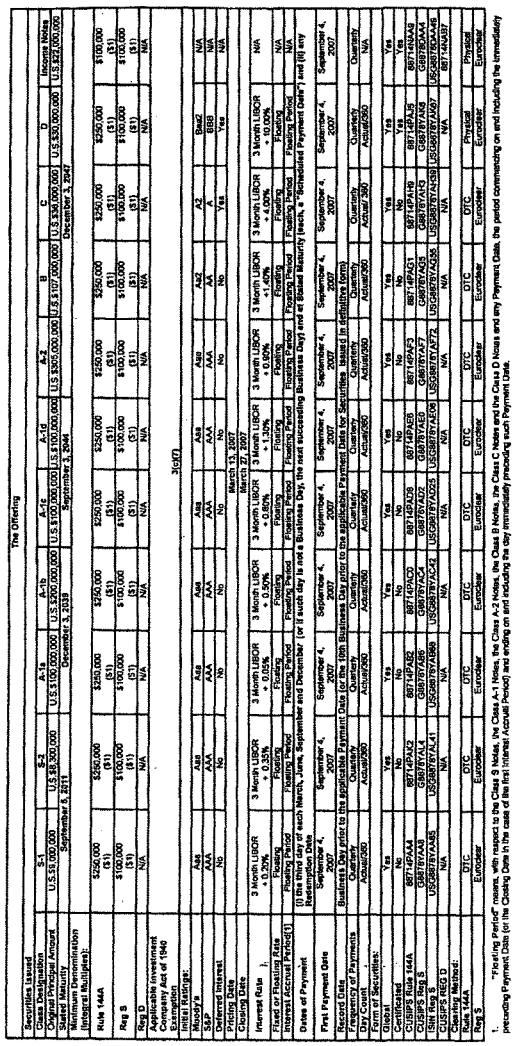

The Offering											
Securities Issued	S-1	S-2	A-1a	A-1b	A-1c	A-1d	A-2	B	C	D	Interest Notes
Class Designation	U.S.$5,000,000	U.S.$8,300,000	U.S.$100,000,000	U.S.$200,000,000	U.S.$100,000,000	U.S.$100,000,000	U.S.$305,000,000	U.S.$107,000,000	U.S.$30,000,000	U.S.$30,000,000	U.S.$20,000,000
Original Principal Amount	September 4, 2011		December 3, 2039		September 3, 2044				December 3, 2047		
Stated Maturity											
Minimum Denomination											
Integral Multiples											
Rule 144A	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)	$100,000 ($1)
Reg S	$100,000 ($1)	$100,000 ($1)	$100,000 ($1)	$100,000 ($1)	$100,000 ($1)	$100,000 ($1)	$100,000 ($1)	$100,000 ($1)	$100,000 ($1)	$100,000 ($1)	$100,000 ($1)
Reg D	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Applicable investment Company Act of 1940 Exemption											
Initial Ratings:											
Moody's	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aa1	Aa2	A2	Baa2	N/A
S&P	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	A	BBB	N/A
Deferred Interest	No	No	No	No	No	No	No	No	Yes	Yes	N/A
Pricing Date					March 13, 2007						
Closing Date					March 27, 2007						
Interest Rate	3 Month LIBOR + 0.30%	3 Month LIBOR + 0.50%	3 Month LIBOR + 0.70%	3 Month LIBOR + 1.00%	3 Month LIBOR + 1.75%	3 Month LIBOR + 1.75%	3 Month LIBOR + 4.00%	3 Month LIBOR + 4.50%	3 Month LIBOR + 6.00%	3 Month LIBOR + 10.00%	N/A
Fixed or Floating Rate	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating	N/A
Interest Accrual Period[1]	Floating Period	Floating Period	Floating Period	Floating Period	Floating Period	Floating Period	Floating Period	Floating Period	Floating Period	Floating Period	N/A
Dates of Payment	(i) the third day of each March, June, September and December (or if such day is not a Business Day, the next succeeding Business Day) and (ii) any Redemption Date.										
First Payment Date	September 4, 2007	September 4, 2007	September 4, 2007	September 4, 2007	September 4, 2007	September 4, 2007	September 4, 2007	September 4, 2007	September 4, 2007	September 4, 2007	September 4, 2007
Record Date	Business Day prior to the applicable Payment Date (or the 15th Business Day prior to the applicable Payment Date for Securities issued in definitive form)										
Frequency of Payments	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
Day Count	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360	N/A
Form of Securities:											
Global	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Certificated	No	No	No	No	No	No	No	No	No	No	No
CUSIP/S Rule 144A	88714PAA4	88714PAC0	88714PAE6	88714PAG1	88714PAJ5	88714PAL0	88714PAN6	88714PAQ9	88714PAS5	88714PAU0	88714PAW6
CUSIP/S Reg S	G2814YAA1	G2814YAB9	G2814YAC7	G2814YAD5	G2814YAE3	G2814YAF0	G2814YAG8	G2814YAH6	G2814YAJ2	G2814YAK9	G2814YAL7
ISIN Reg S	USG2814YAA85	USG2814YAB68	USG2814YAC42	USG2814YAD25	USG2814YAE08	USG2814YAF72	USG2814YAG55	USG2814YAH39	USG2814YAJ04	USG2814YAK77	USG2814YAL50
CUSIP/S REG D	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Clearing Method:											
Rule 144A	DTC	DTC	DTC	DTC	DTC	DTC	DTC	DTC	DTC	Physical	Physical
Reg S	Euroclear	Euroclear	Euroclear	Euroclear	Euroclear	Euroclear	Euroclear	Euroclear	Euroclear	Euroclear	Euroclear

1. "Floating Period" means, with respect to the Class S Notes, the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes and any Payment Date, the period commencing on and including the immediately preceding Payment Date (or the Closing Date in the case of the first Interest Accrual Period) and ending on (and including the day immediately preceding such Payment Date.

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RISK FACTORS

Prior to making an investment decision, prospective investors should carefully consider, in addition to the matters set forth elsewhere in this Offering Circular, the following factors:

Securities

Limited Liquidity and Restrictions on Transfer. There is currently no market for the Securities. Although the Initial Purchaser has advised the Issuers that it intends to make a market in the Securities, the Initial Purchaser is not obligated to do so, and any such market making with respect to the Securities may be discontinued at any time without notice. There can be no assurance that any secondary market for any of the Notes will develop or, if a secondary market does develop, that it will provide the Holders of the Notes with liquidity of investment or that it will continue for the life of such Notes and consequently a purchaser must be prepared to hold the Notes until maturity. Consequently, a purchaser must be prepared to hold the Notes for an indefinite period of time or until Stated Maturity. Since it is likely that there will never be a secondary market for the Income Notes, a purchaser must be prepared to hold its Income Notes until the Stated Maturity.

In addition, no sale, assignment, participation, pledge or transfer of the Securities may be effected if, among other things, it would require any of the Issuer, the Co-Issuer or any of their officers or directors to register under, or otherwise be subject to the provisions of, the Investment Company Act or any other similar legislation or regulatory action. Furthermore, the Securities will not be registered under the Securities Act or any state securities laws or the laws of any other jurisdiction, and the Issuer has no plans, and is under no obligation, to register the Securities under the Securities Act or any state securities laws or under the laws of any other jurisdiction. The Securities are subject to certain transfer restrictions and can be transferred only to certain transferees as described herein under "Description of the Securities—Form of the Securities" and "Notice to Investors." Such restrictions on the transfer of the Securities may further limit their liquidity. See "Description of the Securities—Form of the Securities." Application may be made to admit the Securities on a stock exchange of the Issuer's choice, if practicable. There can be no assurance that such admission will be sought, granted or maintained.

Limited Recourse Obligations. The Income Notes and the Class D Notes will be limited recourse obligations of the Issuer and the Notes (other than the Class D Notes) will be limited recourse obligations of the Issuers payable solely from the Collateral pledged by the Issuer to secure the Notes. The Income Notes are denominated as debt of the Issuer and are not secured by the Collateral Assets or the other collateral securing the Notes. None of the Collateral Manager, the Holders of the Notes, the Holders of the Income Notes, the Initial Purchaser, the Trustee, the Issuer Administrator, the Agents, the Cashflow Swap Counterparty or any affiliates of any of the foregoing or the Issuers' affiliates or any other person or entity will be obligated to make payments on the Notes or the Income Notes. Consequently, Holders of the Notes and Income Notes must rely solely on distributions on the Collateral pledged to secure the Notes for the payment of principal, interest and premium, if any, thereon. If distributions on the Collateral are insufficient to make payments on the Notes and Income Notes, no other assets (and, in particular, no assets of the Collateral Manager, the Holders of the Notes, the Holders of the Income Notes, the Initial Purchaser, the Trustee, the Issuer Administrator, the Agents, the Cashflow Swap Counterparty or any affiliates of any of the foregoing) will be available for payment of the deficiency, and following realization of the Collateral pledged to secure the Notes, the obligations of the Issuers to pay such deficiency shall be extinguished.

Subordination of the Securities. Payments of principal on the Class S-1 Notes will be senior to payments of principal of the Class S-2 Notes, the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes and Class D Notes and senior to payments on the Income Notes on each Payment Date. Payments of principal on the Class S-2 Notes will be senior to payments of principal of the Class A-2 Notes, Class B Notes, Class C Notes and Class D Notes and senior to payments on the Income Notes on each Payment Date. Payments of principal on the Class A-1 Notes will be senior to payments of principal of the Class A-2 Notes, Class B Notes, Class C Notes and Class D Notes and senior to payments on the Income Notes on each Payment Date. Payments of principal on the Class S-2 Notes and the Class A-1

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Notes will be paid as described in the Priority of Payments. Payments of principal on the Class A-2 Notes will be senior to payments of principal of the Class B Notes, Class C Notes and Class D Notes and senior to payments on the Income Notes on each Payment Date. Payments of principal on the Class B Notes will be senior to payments of principal on the Class C Notes and the Class D Notes and senior to payments on the Income Notes on each Payment Date. Payments of principal on the Class C Notes will be senior to payments of principal on the Class D Notes and senior to payments on the Income Notes on each Payment Date. Payments of principal on the Class D Notes due on any Payment Date will be senior to payments on the Income Notes on such Payment Date. As a result of the Priority of Payments, notwithstanding the subordination of the Notes described under "Description of the Securities—Status and Security," the Class S-2 Notes will be entitled to receive certain payments of principal while the Class S-1 Notes are outstanding, the Class A-1 Notes will be entitled to receive certain payments of principal while the Class S Notes are outstanding, the Class A-2 Notes will be entitled to receive certain payments of principal while the Class S Notes and the Class A-1 Notes are outstanding, the Class B Notes will be entitled to receive certain payments of principal while the Class S Notes and the Class A Notes are outstanding, the Class C Notes will be entitled to receive certain payments of principal while the Class S Notes, the Class A Notes and the Class B Notes are outstanding and the Class D Notes will be entitled to receive certain payments of principal while the Class S Notes, the Class A Notes, the Class B Notes and the Class C Notes are outstanding. In addition, the Income Notes will be entitled to receive certain payments while the Notes are outstanding. See "Description of the Securities—Priority of Payments." To the extent that any losses are incurred by the Issuer in respect of any Collateral, such losses will be borne first by Holders of the Income Notes; then, by Holders of the Class D Notes; then, by Holders of the Class C Notes; then, by Holders of the Class B Notes; then, by Holders of the Class A-2 Notes; then, by Holders of the Class S-2 Notes; then, by the Holders of the Class A-1d Notes; then, by the Holders of the Class A-1c Notes; then, by the Holders of the Class A-1b Notes; then, by the Holders of the Class A-1a Notes and finally, by Holders of the Class S-1 Notes.

Payments of interest on the Class S-1 Notes due on any Payment Date will be senior to payments of interest on the Class S-2 Notes, the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes and Class D Notes and senior to payments on the Income Notes on such Payment Date. Payments of interest on the Class S-2 Notes due on any Payment Date will be paid pro rata with payments of interest on the Class A-1 Notes and the Class A-2 Notes and will be senior to payments of interest on the Class B Notes, Class C Notes and Class D Notes and senior to payments on the Income Notes on such Payment Date. Payments of interest on the Class A-1 Notes due on any Payment Date will be paid pro rata with payments of interest on the Class S-2 Notes and the Class A-2 Notes and will be senior to payments of interest on the Class B Notes, Class C Notes and Class D Notes and senior to payments on the Income Notes on such Payment Date. Payments of interest on the Class A-2 Notes due on any Payment Date will be paid pro rata with payments of interest on the Class S-2 Notes and the Class A-1 Notes and will be senior to payments of interest on the Class B Notes, Class C Notes and Class D Notes and senior to payments on the Income Notes on such Payment Date. Payments of interest on the Class B Notes due on any Payment Date will be senior to payments of interest on the Class C Notes and the Class D Notes and senior to payments on the Income Notes on such Payment Date. Payments of interest on the Class C Notes due on any Payment Date will be senior to payments of interest on the Class D Notes and senior to payments on the Income Notes on such Payment Date. Payments of interest on the Class D Notes due on any Payment Date will be senior to payments on the Income Notes on such Payment Date. See "Description of the Securities."

On any Payment Date on which certain conditions are satisfied and funds are available therefor, the "shifting principal" method in clause (xii) of the Priority of Payments may permit Holders of the Class A Notes, the Class B Notes, Class C Notes and Class D Notes to receive payments of principal in accordance with the Priority of Payments while more senior Classes of Notes remain outstanding and may permit distributions of Principal Proceeds to the Holders of the Income Notes, to the extent funds are available in accordance with the Priority of Payments, while the Notes are outstanding. Amounts properly paid pursuant to the Priority of Payments to a junior Class of Notes or to the Income Notes will not be recoverable in the event of a subsequent shortfall in the amount required to pay a more senior Class of Notes.

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Holders of the Controlling Class may not be able to effect a liquidation of the Collateral in an Event of Default; Holders of other Classes of Notes and the Income Notes may be Adversely Affected by Actions of the Controlling Class. If an Event of Default occurs and is continuing, a Majority of the Controlling Class will be entitled to determine the remedies to be exercised under the Indenture; however, the Majority of the Controlling Class will not be able to direct a sale or liquidation of the Collateral unless, among other things, the Trustee determines that the anticipated proceeds of such sale or liquidation (after deducting the reasonable expenses of such sale or liquidation) would be sufficient to pay in full the sum of (A) the principal (including any Class C Deferred Interest and Class D Deferred Interest) and accrued interest (including all Defaulted Interest, and interest thereon) and any other amounts due with respect to all the outstanding Notes, (B) unpaid Administrative Expenses, (C) all amounts payable by the Issuer to the Synthetic Security Counterparty or an assignee of a Synthetic Security (other than Defaulted Synthetic Security Termination Payments) net of all amounts payable to the Issuer by any Synthetic Security Counterparty or an assignee of a Synthetic Security, (D) all amounts payable by the Issuer to any Cashflow Swap Counterparty (including any applicable termination payments other than Defaulted Cashflow Swap Termination Payments) net of all amounts payable to the Issuer by any Cashflow Swap Counterparty, (E) accrued and unpaid Deferred Structuring Expenses, (F) accrued and unpaid Collateral Management Fees, including any Cumulative Deferred Management Fees and (G) all other items in the Priority of Payments ranking prior to payments on the Notes. There can be no assurance that proceeds of a sale and liquidation, together with all other available funds, will be sufficient to pay in full such amount. In addition, even if the anticipated proceeds of such sale or liquidation would not be sufficient to pay in full such amount, the Holders of a SupraMajority of the Controlling Class and any Cashflow Swap Counterparty (unless any such Cashflow Swap Counterparty will be paid in full the amounts due to it other than any Defaulted Cashflow Swap Termination Payments at the time of distribution of the proceeds of any sale or liquidation of the Collateral) may direct the sale and liquidation of the Collateral.

Remedies pursued by the Holders of the Class S-1 Notes and the Class A-1 Notes could be adverse to the interests of the Holders of the Class S-2 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes. After the Class S-1 Notes and the Class A-1 Notes are no longer outstanding, the Holders of the Class S-2 Notes and Class A-2 Notes will be entitled to determine the remedies to be exercised under the Indenture (except as noted above) if an Event of Default occurs. After the Class S Notes and the Class A Notes are no longer outstanding, the Holders of the Class B Notes will be entitled to determine the remedies to be exercised under the Indenture (except as noted above) if an Event of Default occurs. After the Class S Notes, the Class A Notes and the Class B Notes are no longer outstanding, the Holders of the Class C Notes will be entitled to determine the remedies to be exercised under the Indenture (except as noted above) if an Event of Default occurs. After the Class S Notes, the Class A Notes, the Class B Notes and the Class C Notes are no longer outstanding, the Holders of the Class D Notes will be entitled to determine the remedies to be exercised under the Indenture (except as noted above) if an Event of Default occurs. See "Description of the Securities—The Indenture and the Fiscal Agency Agreement—Events of Default."

CDO Securities May Defer Interest. Certain of the CDO Securities and Synthetic Securities the Reference Obligations of which are CDO Securities as of the Closing Date consists of or references PIK Bonds. While the Cashflow Swap Counterparty will make advances to the Issuer to cover certain Cashflow Swap Shortfall Amounts that could result in e shortfall of current interest payments on the Class S Notes, the Class A Notes and the Class B Notes, the Issuer may have insufficient funds as a result of such deferrals or payments "in-kind" to make payments on the Notes or distributions in respect of the Income Notes.

Status of the Income Notes. The Income Notes are unsecured debt obligations of the Issuer and are not secured by the Collateral Assets or the other Collateral securing the Notes. As such, the Holders of the Income Notes will rank behind the Holders of the Notes and any other secured creditors as set forth in the Indenture and *pari passu* with the unsecured creditors, whether secured or unsecured and known or unknown, of the Issuer. No person or entity other than the Issuer will be required to make any payments on the Income Notes. Except with respect to the obligations of the Issuer to make payments pursuant to the Priority of Payments (and outside of the Priority of Payments with respect to the Synthetic

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Security Counterparties), the Issuer does not expect to have any creditors. The funds available to be paid to the Fiscal Agent for the benefit of the Holders of the Income Notes will depend in part on the weighted average of the Note Interest Rates.

Amounts on deposit in the Income Note Payment Account (as defined herein) will not be available to pay amounts due to the Holders of the Notes, the Trustee, the Collateral Manager, the Cashflow Swap Counterparty, the Synthetic Security Counterparty or any other creditor of the Issuer whose claim is limited in recourse to the Collateral. However, amounts on deposit in the Income Note Payment Account (as defined herein) may be subject to the claims of creditors of the Issuer that have not contractually limited their recourse to the Collateral. The Indenture and the Fiscal Agency Agreement will limit the Issuer's activities to the issuance and sale of the Securities, the acquisition and disposition of the Collateral Assets, the acquisition and disposition of, and investment and reinvestment in, the Eligible Investments and the other activities related to the issuance and the sale of the Securities described under "The Issuers". The Issuer does not expect to have any significant full recourse liabilities that would be payable out of amounts on deposit in the Income Note Payment Account (as defined herein).

Leveraged Investment. The Income Notes represent a leveraged investment in the underlying Collateral Assets. The use of leverage generally magnifies an investor's opportunities for gain and risk of loss. Therefore, changes in the market value of the Income Notes can be expected to be greater than changes in the market value of the underlying assets included in the Collateral Assets, which are also subject to credit, liquidity and interest rate risk.

Optional Redemption and Tax Redemption of Securities. Subject to the satisfaction of certain conditions, the Securities may be optionally redeemed in whole and not in part (i) on any Payment Date on or after the March 2010 Payment Date in connection with an Optional Redemption by Liquidation at the written direction of, or with the written consent of, Holders of at least a Majority of the Income Notes or (ii) on any Payment Date upon the occurrence of a Tax Event, at the written direction of, or with the written consent of, Holders of at least 66-2/3% of the aggregate outstanding notional principal amount of the affected Income Notes or the Holders of at least a Majority of any Class of Notes, if as a result of an occurrence of a Tax Event, such Class of Notes has not received 100% of the aggregate amount of principal and interest due and payable on such Class of Notes. Subject to the satisfaction of certain conditions, any Class or Classes of Notes may be optionally redeemed in whole and not in part on any Payment Date on or after the March 2010 Payment Date in connection with an Optional Redemption by Refinancing at the written direction of, or with the written consent of, Holders of at least a Majority of the Income Notes. If an Optional Redemption by Liquidation or Tax Redemption occurs, the Income Notes will be redeemed simultaneously.

There can be no assurance that after payment of the Redemption Prices for the Securities and all other amounts payable in accordance with the Priority of Payments, any additional Proceeds will remain to distribute to the Holders of the Income Notes upon redemption. See "Description of the Securities—Optional Redemption" and "—Tax Redemption." An Optional Redemption by Liquidation or Tax Redemption of the Securities 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 Assets sold. In addition, the redemption procedures in the Indenture may require the Collateral Manager to aggregate securities to be sold together in one block transaction, thereby possibly resulting in a lower aggregate realized value for the Collateral Assets sold. In any event, there can be no assurance that the market value of the Collateral Assets will be sufficient for the Holders of the Income Notes to direct an Optional Redemption or, in the case of a Tax Redemption, for the Holders of the affected Class of Notes or Income Notes to direct a Tax Redemption. A decrease in the market value of the Collateral Assets would adversely affect the proceeds that could be obtained upon a sale of the Collateral Assets; consequently, the conditions precedent to the exercise of an Optional Redemption by Liquidation or a Tax Redemption may not be met. The interests of the Holders of the Income Notes in determining whether to elect to effect an Optional Redemption and the interests of the Holders of the affected Class of Notes and the Income Notes with respect to a Tax Redemption may be different from the interests of the Holders of the other Classes of Securities in such respect. The Holders of the Securities also may not be able to invest the proceeds of the redemption of the Securities in one or more investments providing a return

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equal to or greater than the Holders of the Securities expected to obtain from their investment in the Securities. An Optional Redemption or a Tax Redemption will shorten the average lives of the Securities and the duration of the Securities and may reduce the yield to maturity of the Notes.

Refinancing. Subject to the satisfaction of certain conditions, the Issuer (at the direction of or with the written consent of the Holders of a Majority of the Income Notes) may effect an Optional Redemption through an Optional Redemption by Refinancing. Among other reasons, the Holders of the Income Notes may elect to direct the Issuer to effect an Optional Redemption by Refinancing if interest rates on investments similar to any Class or Classes of Notes fall below current levels or if such Holders otherwise expect the Issuer to be able to achieve improved pricing. If exercised, such Optional Redemption by Refinancing would result in each such Class of Notes being redeemed at the Redemption Price in respect thereof at a time when they may be trading in the market at a premium and when other investments bearing the same rate of interest relative to the level of risk assumed may be difficult or expensive to acquire. In addition, if any Class or Classes of Notes are redeemed in connection with an Optional Redemption by Refinancing in which additional notes are issued or borrowings under secured loans are made, the Income Notes will be, and certain Classes of Notes may be, subordinate to payments on such additional notes or secured loans. The additional notes issued, or secured loans obtained, as the case may be, in connection with an Optional Redemption by Refinancing would have such terms and priorities as are negotiated at the time and that are set forth in a supplemental indenture.

Auction. There can be no assurance that an Auction of the Collateral on any Auction Date will be successful. The failure of an Auction may lengthen the expected average lives of the Notes and the duration of the Income Notes, may reduce the yield to maturity of the Notes and may adversely affect the yield on the Income Notes. A successful Auction of the Collateral is not required to result in any proceeds for distribution to the Holders of the Income Notes. Accordingly, in the event of an Auction, Holders of Income Notes may have their Income Notes redeemed without receiving any additional distributions on such Income Notes. In addition, the success of an Auction will shorten the average lives of the Notes and the duration of the Securities and may reduce the yield to maturity of the Notes.

Mandatory Redemption of Notes. If the Class A/B Overcollateralization Test is not met on the Determination Date immediately preceding a Payment Date, Proceeds that otherwise might have been distributed to the Holders of the Class C Notes, the Class D Notes and the Income Notes will be used to redeem, first, the Class A-1 Notes until paid in full (in accordance with the Class A-1 Note Payment Sequence), second, the Class S-2 Notes until paid in full, third, the Class A-2 Notes until paid in full and fourth, the Class B Notes until paid in full. If the Class C Overcollateralization Test is not met on the Determination Date immediately preceding a Payment Date, Proceeds that otherwise might have been distributed to the Holders of the Class D Notes and/or the Holders of the Income Notes will be used (a) to redeem, from Principal Proceeds only, pro rata, the Class A Notes until paid in full (*provided*, that the Class A-1 Notes will be paid in accordance with the Class A-1 Note Payment Sequence), the Class B Notes until paid in full and the Class C Notes until paid in full; *provided, however*, that if the Net Outstanding Portfolio Collateral Balance is less than U.S.$500,000,000, then such amount shall be paid first, to the payment of principal of all outstanding Class A-1 Notes in accordance with the Class A-1 Note Payment Sequence until the Class A-1 Notes are paid in full, second, to the payment of principal of all outstanding Class A-2 Notes until the Class A-2 Notes are paid in full, third, to the payment of principal of all outstanding Class B Notes until the Class B Notes are paid in full, and fourth, to the payment of principal of all outstanding Class C Notes, until the Class C Notes are paid in full and (b) to pay, with any remaining Proceeds, the principal of all outstanding Class C Notes until the Class C Notes are paid in full. If the Class D Overcollateralization Test is not met on the Determination Date immediately preceding a Payment Date, Proceeds that otherwise might have been distributed to the Holders of the Class C Notes and the Income Notes will be used to redeem the Class D Notes until paid in full. The foregoing redemptions could result in an elimination, deferral or reduction in the amounts available to make payments to the Holders of the Class C Notes, the Class D Notes and the Income Notes. See "Security for the Notes—The Coverage Tests." Any such redemptions will shorten the average life of the redeemed Notes, may lower the yield to maturity of the Notes and may adversely affect the yield on the Income Notes.

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Collateral Accumulation. In anticipation of the issuance of the Securities, an affiliate of Goldman, Sachs & Co. has agreed to "warehouse" up to approximately U.S.$1,000,000,000 aggregate Principal Balance (or, in the case of Synthetic Securities, Reference Obligation Notional Amount) of Collateral Assets and up to U.S.$930,000,000 aggregate principal amount of Default Swap Collateral selected by the Collateral Manager for resale to the Issuer pursuant to the terms of a forward purchase agreement. As part of the warehouse arrangement, such affiliate of Goldman, Sachs & Co., the Issuer and third parties may enter into certain ancillary arrangements under which the risk of loss of the value of the Collateral Assets during the accumulation period will be shared. Of such amount of Collateral Assets to be "warehoused", it is expected that a portion will be purchased from affiliates of Goldman, Sachs & Co. and a portion will be purchased from third parties. It is also expected that a portion of such amount will be represented by one or more Synthetic Securities entered into between the Issuer and Goldman, Sachs & Co. or an affiliate thereof wherein the Issuer will be selling credit protection. Pursuant to the terms of the forward purchase agreement, the Issuer will be obligated to purchase the "warehoused" assets *provided* such Collateral Assets satisfy certain eligibility criteria on the Closing Date for a formula purchase price designed to reflect the yields or spreads (or premiums in the case of Synthetic Securities) at which the Collateral Assets were purchased (using the prepayment speed and other assumptions used to set the initial price of each individual asset), as adjusted for any hedging gain or loss and any loss or gain on any Collateral Assets sold to a party other than the Issuer during the warehousing period. Consequently, the market values of "warehoused" Collateral Assets at the Closing Date may be less than or greater than the formula purchase price paid by the Issuer. In addition, if a Collateral Asset becomes ineligible during the warehousing period and is not purchased by the Issuer on the Closing Date, or if a Collateral Asset is otherwise sold at the direction of the Collateral Manager or Goldman, Sachs & Co. (which sale may only occur with the consent of Goldman, Sachs & Co.'s), the Issuer will bear the loss or receive the gain on the sale of such Collateral Asset to a third party.

Disposition of Collateral Assets by the Collateral Manager Under Certain Circumstances. Under the Indenture, the Collateral Manager has the right, but is not obligated, to direct the Issuer to sell, at a price equal to the fair market value, Collateral Assets meeting the definition of Credit Risk Obligations, Defaulted Obligations or equity securities subject to satisfaction of the conditions described herein. Such sales of Collateral Assets may result in losses by the Issuer, which losses may result in the reduction or withdrawal of the rating of any or all of the Notes by any of the Rating Agencies. On the other hand, circumstances may exist under which it is in the best interests of the Issuer or the Holders of the Securities to dispose of Collateral Assets, but the Collateral Manager does not direct the Issuer or the Issuer does not otherwise sell such Collateral Assets.

Average Lives, Duration and Prepayment Considerations. The average lives of the Notes (other than the Class S Notes) and the duration of the Securities is expected to be shorter than the number of years until their Stated Maturity. See "Weighted Average Life and Yield Considerations."

The average lives of the Notes and the duration of the Securities will be affected by the financial condition of the obligors on or issuers of the Collateral Assets and the characteristics of the Collateral Assets, including the existence and frequency of exercise of any prepayment, optional redemption or sinking fund features, the prepayment speed, the occurrence of any early amortization events, the prevailing level of interest rates, the redemption price, the actual default rate and the actual level of recoveries in respect of any Defaulted Obligations, the frequency of tender or exchange offers for the Collateral Assets and the tenor of any sales of Collateral Assets.

Some or all of the securities underlying the CDO Securities may be prepaid at any time (although certain of such securities may have "lockout" periods, defeasance provisions, prepayment penalties or other disincentives to prepayment). Defaults on and liquidations of the securities and other collateral underlying the CDO Securities may also lead to early repayment thereof. The existence and frequency of such prepayments, optional redemptions, defaults and liquidations will affect the average lives of, and credit support for, the Notes and the duration of the Securities. See "—Collateral Assets," "Weighted Average Life and Yield Considerations" and "Security for the Notes."

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Projections, Forecasts and Estimates. Estimates of the weighted average lives of, and returns on, the Notes included herein, together with any other projections, forecasts and estimates provided to prospective purchasers of the Securities, are forward looking statements. Such statements are necessarily speculative in nature, as they are based on certain assumptions. It can be expected that some or all of the assumptions underlying such statements will not reflect actual conditions. Accordingly, there can be no assurance that any estimated projections, forecasts or estimates will be realized or that the forward looking statements will materialize, and 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 changes in interest rates, market, financial or legal uncertainties, levels of default, liquidation and prepayments of the underlying assets, mismatches between the timing of accrual and receipt of Proceeds from the Collateral Assets and the effectiveness of the Cashflow Swap Agreement, among others.

None of the Issuer, the Co-Issuer, the Collateral Manager, the Initial Purchaser or any of their respective affiliates 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.

Dependence of the Issuer on the Collateral Manager. The Issuer has no employees and is dependent on the employees of the Collateral Manager to advise the Issuer in accordance with the terms of the Indenture and the Collateral Management Agreement. Consequently, the loss of one or more of the individuals employed by the Collateral Manager to administer the Collateral Assets or to provide disposition related services in respect of the Collateral Assets could have an adverse effect, which effect may be material, on the performance of the Issuer. See "The Collateral Manager" and "The Collateral Management Agreement."

Collateral Assets

General. The following description of the Collateral Assets, the Default Swap Collateral and the Reference Obligations and the underlying documents and the risks related thereto is general in nature. Prospective purchasers of the Securities should review the summaries of the initial Collateral Assets and Reference Obligations set forth in Appendix B to this Offering Circular.

Nature of Collateral. The Collateral is subject to credit, liquidity, prepayment and interest rate risks. The amount and nature of collateral securing the Notes has been established to withstand certain assumed deficiencies in payment occasioned by defaults in respect of the Collateral Assets and the Reference Obligations. See "Ratings of the Notes." If any deficiencies exceed such assumed levels, however, payment of the Notes could be adversely affected. To the extent that e default or credit event occurs with respect to any Collateral Asset securing the Notes and the Collateral Manager exercises its right to cause the sale or other disposition of such Collateral Asset, it is not likely that the proceeds of such sale or other disposition will be equal to the amount of principal and interest owing to the Issuer in respect of such Collateral Asset.

The market value of the Collateral Assets and the Reference Obligations generally will fluctuate with, among other things, the financial condition of the Reference Obligations and obligors on or issuers of the Collateral Assets and the Reference Obligations, the credit quality of the underlying pool of assets in any Collateral Asset or Reference Obligation, the Synthetic Security Counterparty, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. None of the Issuer, the Co-Issuer, the Initial Purchaser, the Collateral Manager, the Collateral Administrator or the Trustee has any liability or obligation to the Holders of Securities as to the amount or value of, or decrease in the value of the Collateral Assets from time to time.

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If a Collateral Asset becomes a Credit Risk Obligation or a Defaulted Obligation, the Collateral Manager may direct the Issuer to sell, terminate or assign the affected Collateral Asset. There can be no assurance as to the timing of the Issuer's sale, termination or assignment of the affected Collateral Asset, or as to the rates of recovery on such affected Collateral Asset. The inability to realize immediate recoveries at the recovery levels assumed herein may result in lower cash flow and a lower yield to maturity of the Notes and may adversely affect the yield on the Income Notes.

Synthetic Securities. Approximately 93.00% of the Collateral Assets (by Principal Balance) as of the Closing Date are expected to consist of Synthetic Securities. All of the Reference Obligations referenced in the Synthetic Securities are expected to be CDO Securities.

The economic return on a Synthetic Security depends substantially upon the performance of the related Reference Obligation and partially upon the performence of the collateral posted by the Issuer to secure its obligations to the Synthetic Security Counterparty on deposit in the Default Swap Collateral Account. Synthetic Securities generally have probability of default, recovery upon default and expected loss characteristics, which are closely correlated to the corresponding Reference Obligation, but may have different maturity dates, coupons, payment dates or other non credit characteristics then the corresponding Reference Obligation. In addition to the credit risks associated with holding the Reference Obligation, with respect to Synthetic Securities, the Issuer will usually have a contractual relationship only with the relatad Synthetic Security Counterparty, and not with the Reference Obligor of the Reference Obligation. Due to the fact that a Synthetic Security may be illiquid or may not be terminable on demand (or terminable on demand only upon peyment of a substantial fee by the Issuer), the Issuer's ability to dispose of a Synthetic Security, if circumstances arise permitting such disposal, may be limited. Any settlement payments and termination payments payable by the Issuer (net of any termination payments owing by the Synthetic Security Counterparty) to the Synthetic Security Counterparty will reduce the amount available to pay the Holders of the Income Notes and the Notes in inverse order of seniority. The Issuer generally will have no right to directly enforce compliance by the Reference Obligor with the terms of the Reference Obligation nor any rights of set off against the Reference Obligor, nor have any voting rights with respect to the Reference Obligation. The Issuer will not directly benefit from the 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.

Because neither the Synthetic Security Counterparty nor the Issuer is required to hold any Reference Obligation, the Issuer will not have any right to obtain from either the Synthetic Security Counterparty or the Reference Obligor information on the Reference Obligations or information regarding any Reference Obligor. The Synthetic Security Counterparty will have no obligation to keep the Issuer, the Trustee, the Collateral Manager, the Collateral Administrator, the Holders of the Notes or the Holders of the Income Notes informed as to matters arising in relation to any Reference Obligation including whether or not circumstances exist under which there is a possibility of the occurrence of a Credit Event of a Floating Amount Event.

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 Obligor or 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 Obligor and the Reference Obligation. As a result, concentrations of Synthetic Securities in any one Synthetic Security Counterparty subject the Notes and the Income Notes to an additional degree of risk with respect to defaults by such Synthatic Security Counterparty. It is expected that Goldman Sachs International, an affiliate of Goldman, Sachs & Co., will act as the sole Synthetic Security Counterparty with respect to the Synthetic Securities, which creates concentretion risk and may create certain conflicts of interest. In addition, neither the Synthetic Security Counterparty nor its affiliates will be (or will be deemed to be acting as) the agent or trustee of the Issuer, the Holders of the Notes or the Holders of the Income Notes in connection with the exercise of, or the failure to exercise, any of the rights or powers of the Synthetic Security Counterparty and/or its affiliates arising undar or in connaction with their respective holding of any Reference Obligation. The Synthetic Security Counterparty and its affiliates (i) may deal in any Reference Obligation, (ii) may generally engage in any kind of commercial or investment banking or other

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business transactions with any issuer of a Reference Obligation, and (iii) may act with respect to transactions described in the preceding clauses (i) and (ii) in the same manner as if the Synthetic Securities and the Notes did not exist and without regard to whether any such action might have an adverse affect on such Reference Obligation, the Issuer, the Holders of the Notes or the Holders of the Income Notes.

All of the Synthetic Securities are expected to be structured as "pay-as-you-go" credit default swaps. The obligation of the Issuer to make payments to the Synthetic Security Counterparty under the Synthetic Securities creates credit exposure to the related Reference Obligations (as well as to the default risk of the related Synthetic Security Counterparty). Following the occurrence of a Credit Event, the Issuer may be required to pay to the Synthetic Security Counterparty a "physical settlement payment". In addition, each Synthetic Security may require the Issuer, in its capacity as protection seller, to pay certain Floating Amounts to the Synthetic Security Counterparty equal to certain principal shortfall amounts, writedown payments and interest shortfalls with respect to the Reference Obligation upon the occurrence thereof. The payment of any such Credit Protection Amounts and Floating Amounts will be funded by the Issuer, through the liquidation Default Swap Collateral as described herein. The Synthetic Security Counterparty will be obligated to reimburse all or part of such payments to the Issuer if the writedown payments of the related shortfalls are ultimately paid to holders of the Reference Obligations or if the related Reference Obligations are written up, the amounts available to the Issuer to make payments in respect of the Notes and the Income Notes may be reduced after payment by the Issuer of the relevant payment to the Synthetic Security Counterparty until the Issuer receives such reimbursement, if any, from the Synthetic Security Counterparty. Any Floating Amounts or Credit Protection Amounts payable by the Issuer, may result in a reduction of the Reference Obligation Notional Amount of the related Synthetic Security, and therefore reduce the amounts payable by the Synthetic Security Counterparty and the amount of interest collections available to pay interest on the Notes and distributions to Income Notes. In addition, any Floating Amounts or Credit Protection Amounts would reduce the Default Swap Collateral on deposit in the Default Swap Collateral Account that is available to pay the principal of the Notes and may reduce the interest collections available to pay interest on the Notes.

Determination of the Floating Amounts and Additional Fixed Amounts (as described in the Master Confirmation) will depend on the relevant servicer reports being available and on such reports containing adequate information to enable the required calculations to be made. Current private industry investigations of the market practices show that such reports can vary and that not all reports contain adequate information. In addition, access to servicer reports may be limited if such reports are confidential and neither counterparty holds the related Reference Obligation.

The Issuer will be required to purchase Default Swap Collateral and pledge to the Synthetic Security Counterparty a first priority security interest in such Default Swap Collateral. In the event a Credit Event or Floating Amount Event occurs under a Synthetic Security, the item of Default Swap Collateral chosen by the Synthetic Security Counterparty after the application of any cash on deposit in the Default Swap Collateral Account will be sold by the Trustee at the direction of the Collateral Manager and the amount owed to the Synthetic Security Counterparty will be paid by the Issuer from the liquidation proceeds of such Default Swap Collateral. In the event such liquidation proceeds are less than par, the Synthetic Security Counterparty will accept the liquidation proceeds applicable to the face amount of Synthetic Security Collateral sold which is equal to the amount due to the Synthetic Security Counterparty. In addition, under certain circumstances upon the occurrence of a Credit Event, the Default Swap Collateral chosen by the Synthetic Security Counterparty will instead be delivered to the Synthetic Security Counterparty in exchange for a Deliverable Obligation. Any Deliverable Obligation delivered to the Issuer will be treated as a Collateral Asset, *provided* that, notwithstanding the foregoing, each such Deliverable Obligation may be retained by the Collateral Manager or sold by the Collateral Manager at the sole discretion of the Collateral Manager without regard to whether such sale would be permitted as a sale of a Defaulted Obligation or a Credit Risk Obligation. *Provided* that no Event of Default has occurred and is continuing in the event that no Credit Event under a Synthetic Security occurs prior to the termination or scheduled maturity of such Synthetic Security, upon the termination or scheduled maturity of such Synthetic Security, the related Default Swap Collateral will be released from the lien of the Synthetic Security Counterparty and be treated as a Collateral Asset. If the Collateral Manager elects to

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sell or terminate a portion of a Synthetic Security prior to its scheduled maturity, the Synthetic Security Counterparty will choose the Default Swap Collateral to be liquidated to make any termination payments due to the Synthetic Security Counterparty after the application of cash available in the Default Swap Collateral Account and the Collateral Manager will cause such portion of the Default Swap Collateral to be sold and the liquidation proceeds equaling any such termination payment to be paid to the Synthetic Security Counterparty. The remaining portion of Default Swap Collateral not required to be pledged to such Synthetic Security Counterparty will be delivered to the Trustee free of such lien. The Collateral Manager, in accordance with the terms of the related Synthetic Security and the Indenture and with the consent of the Synthetic Security Counterparty, may be able to reinvest the proceeds of Default Swap Collateral in substitute Default Swap Collateral prior to the termination or maturity of the related Synthetic Security. The Issuer may realize a loss upon any sale of any Default Swap Collateral.

Termination payments due to the Synthetic Security Counterparty, other than Defaulted Synthetic Termination Payments, will be paid by the Issuer directly through the liquidation of Default Swap Collateral outside of the Priority of Payments. In addition, Liquidation Proceeds needed to conduct an Auction, an Optional Redemption by Liquidation or a Tax Redemption or to liquidate the Collateral in connection with an Event of Default and acceleration under the Indenture, will be calculated after taking into account any termination payments (other than Defaulted Synthetic Security Termination Payments) that may be due to the Synthetic Security Counterparty upon the termination of the Synthetic Securities or any assignment payments due to an assignee of the Synthetic Securities. Any termination or assignment payments paid directly to the Synthetic Security Counterparty or any assignee of a Synthetic Security and not through the Priority of Payments may reduce amounts available for payments on the Securities.

"Pay-as-you-go" credit default swaps are a type of credit default swap developed to incorporate the unique structures of asset-backed securities. The International Swaps and Derivatives Association, Inc. ("ISDA") has published a form confirmation for "pay-as-you-go" credit default swaps referencing CDO Securities. The form confirmation expected to be used to document the Synthetic Securities is expected to be similar, but may differ substantially from the ISDA "pay-as-you-go" form. While ISDA has published its form confirmations and has published and supplemented the Credit Derivatives Definitions in order to facilitate transactions and promote uniformity in the credit default swap market, the credit default swap market is expected to change and the "pay-as-you-go" credit default swap forms and the Credit Derivatives Definitions and terms applied to credit derivatives are subject to interpretation and further evolution. ISDA is currently preparing forms for other types of asset-backed securities. There can be no assurance that such forms will be substantially similar to the form confirmation expected to be used for the Synthetic Securities. Past events have shown that the views of market participants may differ as to how the Credit Derivatives Definitions operate or should operate. As a result of the continued evolution of the ISDA "pay-as-you-go" credit default swap forms, the confirmations used to document the Synthetic Securities may differ from the future market standard. Such a result may have a negative impact on the liquidity and market value of the Synthetic Securities.

There can be no assurances that changes to the Credit Derivatives Definitions and other terms applicable to credit derivatives generally will be predictable or favorable to the Issuer. Amendments or supplements to the "pay-as-you-go" credit default swap forms and amendments and supplements to the Credit Derivatives Definitions that are published by ISDA will only apply to the Synthetic Securities executed prior to such amendment or supplement if the Issuer and the Synthetic Security Counterparty agree to amend the Synthetic Securities to incorporate such amendments or supplements and the Rating Agency Condition has been satisfied. Markets in different jurisdictions have also already adopted and may continue to adopt different practices with respect to the Credit Derivatives Definitions. Furthermore, the Credit Derivatives Definitions may contain ambiguous provisions that are subject to interpretation and may result in consequences that are adverse to the Issuer. In addition to the credit risk of the Reference Obligations and the credit risk of the Synthetic Security Counterparty, the Issuer is also subject to the risk that the Credit Derivatives Definitions could be interpreted in a manner that would be adverse to the Issuer or that the credit derivatives market generally may evolve in a manner that would be adverse to the Issuer.

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PROSPECTIVE PURCHASERS OF THE NOTES AND THE INCOME NOTES SHOULD CONSIDER AND ASSESS FOR THEMSELVES THE LIKELY LEVEL OF DEFAULTS ON THE COLLATERAL ASSETS, AS WELL AS THE LIKELY LEVEL AND TIMING OF RECOVERIES ON THE COLLATERAL ASSETS.

CDO Securities.

On the Closing Date, all of the Collateral Assets are expected to be CDO Securities and Synthetic Securities the Reference Obligations of which are CDO Securities, including without limitation high grade and mezzanine structured finance CDO Securities and CDOs of CDOs. A portion of the Default Swap Collateral could consist of CDO Securities.

CDO Securities generally are limited recourse obligations of the issuer thereof payable solely from the underlying assets of the issuer ("CDO Collateral") or proceeds thereof. Consequently, holders of CDO Securities must rely solely on distributions on the underlying CDO Collateral or proceeds thereof for payment in respect thereof. If distributions on the underlying CDO Collateral are insufficient to make payments on the CDO Securities, no other assets will be available for payment of the deficiency and following realization of the underlying assets, the obligations of the issuer to pay such deficiency shall be extinguished. Many subordinate classes of CDO Securities provide that a deferral of interest thereon or a write-down does not constitute an event of default and the holders of such securities will not have available to them any associated default remedies. During such periods of non payment or partial non-payment, such non-paid interest will generally be capitalized and added to the outstanding principal balance of the related security. Any such deferral will reduce the amount of current payments made on such CDO Securities.

CDO Securities are subject to credit, liquidity and interest rate risks. The assets backing CDO Securities may consist of high yield debt securities, loans, structured finance securities, other debt instruments and Synthetic Securities referencing debt instruments. High yield debt securities are generally unsecured (and loans may be unsecured) and may be subordinated to certain other obligations of the issuer thereof. An increase in the default rates of high yield corporate debt securities or loans could increase the likelihood that payments may not be made to holders of CDO Securities which are secured by high yield corporate debt securities and loans. The risks associated with structured finance securities can vary widely depending on the type of collateral, use of credit enhancements, the relative seniority or subordination of the class of securities, the relative allocation of principal and interest payments in the priorities, credit losses and defaults and whether the collateral represents a fixed pool or allows for reinvestment. In addition, CDO Securities backed by Synthetic Securities will be subject to risks similar to those described in respect of Synthetic Securities herein.

Issuers of CDO Securities may acquire interests in loans and other debt obligations by way of assignment or participation. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution.

In purchasing participations, an issuer of CDO Securities will usually have a contractual relationship only with the selling institution, and not the borrower. The issuer generally will have no right directly to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set off against the borrower, nor have the right to object to certain changes to the loan agreement agreed to by the selling institution. The issuer may not directly benefit from the collateral supporting the related loan and may be subject to any rights of set off the borrower has against the selling institution. In addition, in the event of the insolvency of the selling institution, under the laws of the United States of America and the states thereof, the issuer may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the loan. Consequently, the issuer may be subject to the credit risk of the selling institution as well as of the borrower.

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CDO Securities are subject to interest rate risk and day count basis risk. The CDO Collateral of an issuer of CDO Securities may bear interest at a fixed (floating) rate while the CDO Securities issued by such issuer may bear interest at a floating (fixed) rate. As a result, there could be a floating/fixed rate or basis mismatch between such CDO Securities and CDO Collateral which bears interest at a fixed rate and there may be a timing mismatch between the CDO Securities and assets that bear interest at a floating rate as the interest rate on such assets bearing interest at e floating rate may adjust more frequently or less frequently, on different dates and based on different indices than the interest rates on the CDO Securities. As a result of such mismatches, an increase or decreese in the level of the floating rate indices could adversely impact the ability to make payments on the CDO Securities. In addition, hedges may hava been acquired to manage the interest rate risk of such CDO Securities, making such CDO Securities also subject to the credit risk of the applicable hedge counterparty.

Subordination of CDO Securities. 100% of the CDO Securities representing 100% of the Collateral Assets (by Principal Balance) to be acquired by the Issuer are expected to be investment grade, each as of the Closing Date. Certain of the CDO Securities will be subordinated to one or more other classes of securities of the same series for purposes of, among other things, offsetting losses end other shortfalls with respect to the related underlying mortgage loans or assets. The subordinete classes are more sensitive to risk of loss and writedowns than senior classes of such securities.

Commercial Mortgage-Backed Securities.

A portion of the Default Swap Collateral may consist of Commercial Mortgage-Backed Securities ("CMBS") that satisfy the Default Swap Eligibility Criterie.

Holders of CMBS bear various risks, including credit, market, interest rate, structural and legal risks. CMBS are securities backed by obligations (including certificates of participation in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, nursing homes and senior living centers. CMBS have been issued in public end private transactions by a variety of public and private issuers using a variety of structures, including senior and subordinated classes. Risks affecting real estate investments include general economic conditions, the condition of financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. The cyclicality and leverage associated with real estate-related investments have historically resulted in periods, including significant periods, of adverse performance, including performance that may be materially more adverse than the performance associated with other investments. In addition, commercial mortgage loans generally lack standardized terms, tend to have shorter maturities than residential mortgage loans and may provide for the payment of all or substantially all of the principal only at maturity. Additional risks may be presented by the type and use of a particular commercial property. For instance, commercial properties that operate as hospitals and nursing homes may present special risks to lenders due to the significant governmental regulation of the ownership, operation, maintenance and financing of health care institutions. Hotel and motel properties are often operated pursuant to franchise, management or operating agreements which may be terminable by the franchisor or operator; and the transferability of a hotel's operating, liquor and other licenses upon a transfer of the hotel, whether through purchase or foreclosure, is subject to local law requirements. All of these factors increase the risks involved with commercial real estate lending. Commercial properties tend to be unique and are more difficult to value than single-family residential properties. Commercial lending is generally viewed as exposing a lender to a greater risk of loss than residential one-to-four family lending since it typically involves larger loans to a single borrower than residential one-to-four family lending.

Commercial mortgage lenders typically look to the debt service coverage ratio of a loan secured by income-producing property as an important measure of the risk of default on such a loan. Commercial property values and net operating income are subject to volatility, and net operating income may be sufficient or insufficient to cover debt service on the related mortgage loan at any given time. The repayment of loans secured by income-producing properties is typically dependent upon the successful operation of the related real estate project rather than upon the liquidation value of the underlying real

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estate. Furthermore, the net operating income from and value of any commercial property may be adversely affected by risks generally incident to interests in real property, including events which the borrower or manager of the property, or the issuer or servicer of the related issuance of commercial mortgage-backed securities, may be unable to predict or control, such as changes in general or local economic conditions and/or specific industry segments; declines in real estate values; declines in rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; changes in governmental rules, regulations and fiscal policies; acts of God; and social unrest and civil disturbances. The value of commercial real estate is also subject to a number of laws, such as laws regarding environmental clean-up and limitations on remedies imposed by bankruptcy laws and state laws regarding foreclosures and rights of redemption. Any decrease in income or value of the commercial real estate underlying an issue of CMBS could result in cash flow delays and losses on the related issue of CMBS.

A commercial property may not readily be converted to an alternative use in the event that the operation of such commercial property for its original purpose becomes unprofitable. In such cases, the conversion of the commercial property to an alternative use would generally require substantial capital expenditures. Thus, if the borrower becomes unable to meet its obligations under the related commercial mortgage loan, the liquidation value of any such commercial property may be substantially less, relative to the amount outstanding on the related commercial mortgage loan, than would be the case if such commercial property were readily adaptable to other uses. The exercise of remedies and successful realization of liquidation proceeds may be highly dependent on the performance of CMBS servicers or special servicers, of which there may be a limited number and which may have conflicts of interest in any given situation. The failure of the performance of such CMBS servicers or special servicers could result in cash flow delays and losses on the related issue of CMBS.

Mortgage loans underlying a CMBS issue may provide for no amortization of principal or may provide for amortization based on a schedule substantially longer than the maturity of the mortgage loan, resulting in a "balloon" payment due at maturity. If the underlying mortgage borrower experiences business problems, or other factors limit refinancing alternatives, such balloon payment mortgages are likely to experience payment delays or even default. As a result, the related issue of CMBS could experience delays in cash flow and losses.

In addition, structural and legal risks include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or affiliates), the assets of the issuer could be treated as never having been truly sold by the originator to the issuer or could be substantively consolidated with those of the originator or the servicer, or the transfer of such assets to the issuer could be voided as a fraudulent transfer. Challenges based on such doctrines could result also in cash flow delays and losses on the related issue of CMBS.

It is expected that none of the CMBS included (or to be included) in the Default Swap Collateral will be guaranteed or insured by any governmental agency or instrumentality or by any other person. Distributions on CMBS will depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans.

Realized losses and trust expenses generally will be allocated to the most subordinated class of securities of the related series. Accordingly, to the extent any CMBS becomes the most subordinated class of securities of the related series, any delinquency or default on any underlying mortgage loan may result in shortfalls, realized loss allocations or extensions of its weighted average life and will have a more immediate and disproportionate effect on the raleted CMBS than on the related more senior securities. Certain of the Underlying CMBS Series have experienced delinquencies, defaults and losses on the underlying commercial mortgage loans.

In addition, in the case of certain CMBS, no distributions of principal will generally be made until the aggregate principal balance of the corresponding more senior securities has been reduced to zero and, in other cases, all or a disproportionate amount of principal distributions will be made to the holders of the more senior securities for a specified period of time. The holders of classes of securities that are

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subordinate to the classes of CMBS owned by the Issuer will generally control the exercise of remedies in connection with such CMBS. Such exercise of remedies by a holder of subordinate classes may be in conflict with the interests of the more senior securities. See "—Other Considerations—Certain Conflicts of Interest."

Residential Mortgage-Backed Securities.

A portion of the Default Swap Collateral may consist of Residential Mortgage-Backed Securities ("RMBS") that satisfy the Default Swap Eligibility Criteria.

Holders of RMBS bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by one to four family residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity, although such loans may be securitized by agencies and the securities issued are guaranteed. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the area where the related mortgaged property is located, the borrower's equity in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

At any one time, a portfolio of RMBS may be backed by residential mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the residential mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations. In addition, the residential mortgage loans may include so called "jumbo" mortgage loans, having original principal balances that are higher than is generally the case for residential mortgage loans. As a result, such portfolio of RMBS may experience increased losses.

Each underlying residential mortgage loan in an issue of RMBS may have a balloon payment due on its maturity date. Balloon residential mortgage loans involve a greater risk to a lender than self amortizing loans, because the ability of a borrower to pay such amount will normally depend on its ability to obtain refinancing of the related mortgage loan or sell the related mortgaged property at a price sufficient to permit the borrower to make the balloon payment, which will depend on a number of factors prevailing at the time such refinancing or sale is required, including, without limitation, the strength of the residential real estate markets, tax laws, the financial situation and operating history of the underlying property, interest rates and general economic conditions. If the borrower is unable to make such balloon payment, the related issue of RMBS may experience losses.

Prepayments on the underlying residential mortgage loans in an issue of RMBS will be influenced by the prepayment provisions of the related mortgage notes and may also be affected by a variety of economic, geographic and other factors, including the difference between the interest rates on the underlying residential mortgage loans (giving consideration to the cost of refinancing) and prevailing mortgage rates and the availability of refinancing. In general, if prevailing interest rates fall significantly below the interest rates on the related residential mortgage loans, the rate of prepayment on the underlying residential mortgage loans would be expected to increase. Conversely, if prevailing interest rates rise to a level significantly above the interest rates on the related mortgages, the rate of prepayment would be expected to decrease. Prepayments could reduce the yield received on the related issue of RMBS.

Structural and Legal Risks of RMBS. Residential mortgage loans in an issue of RMBS may be subject to various federal and state laws, public policies and principles of equity that protect consumers, which among other things may regulate interest rates and other charges, require certain disclosures, require licensing of originators, prohibit discriminatory lending practices, regulate the use of consumer

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credit information and regulate debt collection practices. Violation of certain provisions of these laws, public policies and principles may limit the servicer's ability to collect all or part of the principal of or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and sanctions. Any such violation could result also in cash flow delays and losses on the related issue of RMBS.

RMBS may have structural characteristics that distinguish them from other asset-backed securities. The rate of interest payable on RMBS may be set or effectively capped at the weighted average net coupon of the underlying mortgage loans themselves. As a result of this cap, the return to investors is dependent on the relative timing and rate of delinquencies and prepayments of mortgage loans bearing a higher rate of interest. In general, early prepayments will have a greater impact on the yield to investors. Federal and state law may also affect the return to investors by capping the interest rates payable by certain mortgagors. The Servicemembers' Civil Relief Act of 2003 (the "Relief Act") provides relief for soldiers and members of the reserve called to active duty by capping the interest rates on their mortgage loans at 6% *per annum*. Certain RMBS may provide for the payment of only interest for a stated period of time.

In addition, structural and legal risks of RMBS include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or affiliates), the assets of the issuer could be treated as never having been truly sold by the originator to the issuer or could be substantively consolidated with those of the originator or the servicer, or the transfer of such assets to the issuer could be voided as a fraudulent transfer. Challenges based on such doctrines could result also in cash flow delays and losses on the related issue of RMBS.

It is not expected that the RMBS will be guaranteed or insured by any governmental agency or instrumentality or by any other person. Distributions on RMBS will depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans.

Recent Developments in RMBS May Adversely Affect the Performance and Market Value of RMBS. Recently, the residential mortgage market in the United States has experienced a variety of difficulties and changed economic conditions that may adversely effect the performance and market value of RMBS. Delinquencies and losses with respect to residential mortgage loans generally have increased in recent months, and may continue to increase, particularly in the subprime sector. In addition, in recent months housing prices and appraisal values in many states have declined or stopped appreciating. A continued decline or an extended flattening of those values may result in additional increases in delinquencies and losses on RMBS generally.

Another factor that may result in higher delinquency rates is the increase in monthly payments on adjustable rate mortgage loans. Borrowers with adjustable rate mortgage loans are being exposed to increased monthly payments when the related mortgage interest rate adjusts upward from the initial fixed rate or a low introductory rate. Borrowers seeking to avoid these increased monthly payments by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. A decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance. Furthermore, borrowers who intend to sell their homes on or before the expiration of the fixed rate periods on their mortgage loans may find that they cannot sell their properties for an amount equal to or greater than the unpaid principal balance of their loans. These events, alone or in combination, may contribute to higher delinquency rates and, as a result, adversely affect the performance and market value of RMBS.

In addition, numerous residential mortgage loan originators that originate subprime mortgage loans have recently experienced serious financial difficulties and, in some cases, bankruptcy. According to published reports, those difficulties have resulted in part from declining markets for mortgage loans as well as from claims for repurchases of mortgage loans previously sold under provisions that require repurchase in the event of early payment defaults, or for material breaches of representations and warranties made on the mortgage loans, such as fraud claims. These difficulties may effect the performance and market value of RMBS.

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Asset-Backed Securities.

A portion of the Default Swap Collateral may consist of Asset-Backed Securities that satisfy the Default Swap Eligibility Criteria.

The structure of an Asset-Backed Security and the terms of the investors' interest in the collateral can vary widely depending on the type of collateral, the desires of investors and the use of credit enhancements. Individual transactions can differ markedly in both structure and execution. Important determinants of the risk associated with issuing or holding Asset-Backed Securities include the relative seniority or subordination of the class of Asset-Backed Securities held by an investor, the relative allocation of principal and interest payments in the priorities by which such payments are made under the governing documents, how credit losses affect the issuing vehicle and the return to investors, whether collateral represents a fixed set of specific assets or accounts, whether the underlying collateral assets are revolving or closed end, under what terms (including maturity of the asset backed instrument) any remaining balance in the accounts may revert to the issuing company and the extent to which the company that is the actual source of the collateral assets is obligated to provide support to the issuing vehicle or to the investors. With respect to some types of Asset-Backed Securities, the risk is more closely correlated with the default risk on corporate bonds of similar terms and maturities than with the performance of a pool of receivables. In addition, certain Asset-Backed Securities (particularly subordinated Asset-Backed Securities) provide that the non payment of interest in cash on such securities will not constitute an event of default in certain circumstances and the holders of such securities will not have available to them any associated default remedies. Interest not paid in cash will generally be capitalized and added to the outstanding principal balance of the related security. Any such deferral will reduce the yield on such Asset-Backed Securities.

Holders of Asset-Backed Securities bear various risks, including credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks and legal risks. Credit risk arises from losses due to defaults by the borrowers in the underlying collateral and the issuer's or servicer's failure to perform. These two elements may be related, as, for example, in the case of a servicer which does not provide adequate credit review scrutiny to the serviced portfolio, leading to higher incidence of defaults. Market risk arises from the cash flow characteristics of the security, which for most Asset-Backed Securities tend to be predictable. The greatest variability in cash flows comes from credit performance, including the presence of wind down or acceleration features designed to protect the investor in the event that credit losses in the portfolio rise well above expected levels. Interest rate risk arises for the issuer from the relationship between the pricing terms on the underlying collateral and the terms of the rate paid to holders of securities and from the need to mark to market the excess servicing or spread account proceeds carried on the balance sheet. For the holder of the security, interest rate risk depends on the expected life of the Asset-Backed Securities which may depend on prepayments on the underlying assets or the occurrence of wind down or termination events.

If the servicer becomes subject to financial difficulty or otherwise ceases to be able to carry out its functions, it may be difficult to find other acceptable substitute servicers and cash flow disruptions or losses may occur, particularly with non standard receivables or receivables originated by private retailers who collect many of the payments at their stores. Structural and legal risks include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or affiliates), the assets of the issuer could be treated as never having been truly sold by the originator to the issuer and could be substantively consolidated with those of the originator or the servicer, or the transfer of such assets to the issuer could be voided as a fraudulent transfer. Challenges based on such doctrines could result also in cash flow delays and reductions. Other similar risks relate to the degree to which cash flows on the assets of the Issuer may be commingled with those on the originator's or the servicer's other assets.

Insolvency Considerations with Respect to Issuers of Collateral Assets. Various laws enacted for the protection of creditors may apply to the Collateral Assets. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of an issuer of a Collateral Asset, such as a trustee in bankruptcy, were to find that the issuer did not receive fair consideration or reasonably equivalent value for incurring

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the indebtedness constituting the Collateral Asset or for granting a lien securing the Collateral Asset, and, after giving effect to such indebtedness or such lien, 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 such lien as a fraudulent conveyance, to subordinate such indebtedness or such lien to existing or future creditors of such issuer, or to recover amounts previously paid by such 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 saleable value of its assets was 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 Asset or the grant of a lien securing the Collateral Asset or that, regardless of the method of valuation, a court would not determine that the issuer was "insolvent" upon giving effect to such incurrence or grant. In addition, in the event of the insolvency of an issuer of a Collateral Asset, payments made on such Collateral Asset or a lien securing such Collateral Asset could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year or longer) before insolvency. Payments made under loans underlying Collateral Assets may also be subject to avoidance in the event of the bankruptcy of the borrower.

In general, if payments on a Collateral Asset are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured. To the extent that any such payments are recaptured, the resulting loss will be borne first by the Holders of the Income Notes, then by the Holders of the Class D Notes, then by the Holders of the Class C Notes, then by the Holders of the Class B Notes, then by the Holders of the Class A-2 Notes, then by the Holders of the Class S-2 Notes, then by the Holders of the Class A-1d Notes, then by the Holders of the Class A-1c Notes, then by the Holders of the Class A-1b Notes, then by the Holders of the Class A-1a Notes and, finally, by the Holders of the Class S-1 Notes.

Illiquidity of Collateral Assets; Certain Restrictions on Transfer. There may be a limited trading market for many of the Collateral Assets purchased by the Issuer, and in certain instances there may be effectively no trading market therefor.

In addition, it is expected that substantially all of the Collateral Assets will generally not have been registered or qualified under the Securities Act, or the securities laws of any other jurisdiction, and no person or entity will be obligated to register or qualify any such Collateral Assets under the Securities Act or any other securities law. Consequently, the Issuer's transfer of such Collateral Assets will be subject to satisfaction of legal requirements applicable to transfers that do not require registration or qualification under the Securities Act or any applicable state securities laws and upon satisfaction of certain other provisions of the respective agreements pursuant to which the Collateral Assets were issued. It is expected that such transfers will also be subject to satisfaction of certain other restrictions regarding the transfer thereof to, for the benefit of or with assets of, a Plan, as well as certain other transfer restrictions. The existence of such transfer restrictions will negatively affect the liquidity of, and consequently the price that may be realized upon a sale of, such securities.

The Issuer's investment in illiquid Collateral Assets may affect the Issuer's right to sell such investments if they become Credit Risk Obligations or Defaulted Obligations and the timing and price thereof. The value of illiquid Collateral Assets may be less than comparable, more liquid investments. The illiquidity of Collateral Assets and the restrictions on transfer of Collateral Assets, in each case as described above, may also affect the ability of the Issuer to conduct a successful Auction, to exercise redemptions and may also affect the amount and timing of receipt of proceeds from the sale of Collateral Assets in connection with the exercise of remedies following an Event of Default.

Volatility of Market Value of Collateral Assets. The market value of the Collateral Assets and the Reference Obligations will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, developments or trends in

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any particular industry and the financial condition of the issuers of the Collateral Assets and the Reference Obligations. A decrease in the market value of the Collateral Assets and the Reference Obligations would adversely affect the proceeds that could be obtained upon the sale of the Collateral Assets and could ultimately affect the ability of the Issuer to effect an Auction, an Optional Redemption by Liquidation or a Tax Redemption, or to pay the principal of the Notes, or make distributions on the Income Notes, upon a liquidation of the Collateral Assets following the occurrence of an Event of Default.

Interest Rate Risk; Cashflow Swap Agreement. There will be a basis and timing mismatch between such Notes and the Collateral Assets which bear interest at a floating rate, since the interest rates on such Collateral Assets bearing interest at a floating rate may adjust more frequently or less frequently, on different dates and based on different indices, than the interest rate on the Notes. The fixed rates and the margins over LIBOR or other floating rates borne by Collateral Assets may be lower than those on sold or amortized Collateral Assets which could cause a significant decline in interest coverage for the Notes.

On the Closing Date, the Issuer will enter into a Cashflow Swap Agreement to reduce the impact of the timing mismatches between payments of interest on the Class S Notes, the Class A Notes and the Class B Notes and the receipt of payments on the Collateral Assets that are PIK Bonds. After the Closing Date, even if the Collateral Manager believes that engaging in a hedging technique (other than replacing an existing Cashflow Swap Agreement that is terminated) would be beneficial, the Collateral Manager will be unable to do so. Despite the Issuer having the benefit of a Cashflow Swap Agreement, there can be no assurance that the Collateral Assets and the Eligible Investments will in all circumstances generate sufficient Proceeds to make timely payments of stated interest on the Notes or amounts subordinated thereto. There is no assurance that the Cashflow Swap Agreement will solve all cashflow deferral mismatches.

The Issuer may only terminate the Cashflow Swap Agreement if the Rating Agency Condition is satisfied. In the event the Cashflow Swap Agreement is terminated other than from termination events described in the Cashflow Swap Agreement, the Issuer has agreed to use reasonable efforts to enter into a substitute Cashflow Swap Agreement unless the Rating Agency Condition would not be satisfied by a substitute Cashflow Swap Agreement, but there is no assurance that a substitute will be found or that the Rating Agency Condition will be satisfied. Any termination of the Cashflow Swap Agreement, whether in whole or in part, may require the Issuer to pay termination payments to the Cashflow Swap Counterparty, which amounts are payable in accordance with the Priority of Payments prior to any payments on the Notes unless such payments are Defaulted Cashflow Swap Termination Payments.

The Issuer's ability to meet its obligations on the Notes will largely depend on the ability of the Cashflow Swap Counterparty to meet its obligations under the Cashflow Swap Agreement. In the event the Cashflow Swap Counterparty defaults or the Cashflow Swap Agreement is terminated, there can be no assurance that the amounts received from the Collateral Assets will be sufficient to provide for full payments due and payable on the Notes, or that amounts otherwise distributable to the Holders of the Income Notes will not be reduced.

In the event of the insolvency of the Cashflow Swap Counterparty, the Issuer will be treated as a general creditor of such Cashflow Swap Counterparty. Consequently, the Issuer will be subject to the credit risk of the Cashflow Swap Counterparty. As a result, concentrations of Cashflow Swap Agreements in any one Cashflow Swap Counterparty subject the Notes to an additional degree of risk with respect to defaults by such Cashflow Swap Counterparty.

Goldman Sachs International will be the initial Cashflow Swap Counterparty.

Prospective purchasers of the Notes and the Income Notes should consider and assess for themselves the likelihood of a default by the Cashflow Swap Counterparty or a guarantor of its obligations, as well as the obligations of the Issuer under the Cashflow Swap Agreement, including the obligation to make termination payments to the Cashflow Swap Counterparty, and the likely ability of the Issuer to terminate or reduce the Cashflow Swap Agreement or enter into additional Cashflow Swap Agreements.

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Concentration Risk. The Issuer will invest in a pool of Collateral Assets consisting of U.S. Dollar denominated CDO Securities and Synthetic Securities referencing CDO Securities. With regard to the Collateral Assets or the securities underlying the CDO Securities with respect to any particular obligor, industry or country (other than the United States), the concentration of the Collateral Assets (or the portfolios of securities underlying certain Collateral Assets) in any one obligor would subject the Securities to a greater degree of risk with respect to defaults by such obligor, and the concentration of the Collateral Assets (or the portfolios of securities underlying certain Collateral Assets) in any one industry would subject the Securities to a greater degree of risk with respect to economic downturns relating to such industry. In addition, the concentration of the Collateral Assets (or the portfolios of securities underlying certain Collateral Assets) in any one country (other than the United States) would subject the Securities to special risks related to regional economic conditions and sovereign risks. Further, the concentration of the Collateral Assets will change after the Closing Date as the underlying securities backing the CDO Securities or Reference Obligations are sold, paid or redeemed.

No single issuer (or, with respect to Synthetic Securities, no single issuer of the related Reference Obligation) will represent as of the Closing Date more than approximately 2.0% of the Collateral Assets by outstanding Principal Balance. See "Security for the Notes—The Collateral Assets."

Other Considerations

Changes in Tax Law; No Gross-Up. Payments on the Collateral Assets generally are expected to be exempt under current United States tax law from the imposition of United States withholding tax. See "Income Tax Considerations—United States Tax Considerations—Tax Treatment of Issuer." However, the Issuer will not be making any independent investigation of the circumstances surrounding the individual assets comprising the Collateral Assets and, as a result, there can be no assurance that the payments on the Collateral Assets may not be subject to withholding taxes imposed by the United States of America or another jurisdiction. In that event, if the obligors of such Collateral Assets were not then required to make "gross-up" payments that cover the full amount of any such withholding taxes, the amounts available to make payments on, or distributions to, the Holders of the Securities would accordingly be reduced. There can be no assurance that remaining payments on the Collateral would be sufficient to make timely payments of interest on and payment of principal at the Stated Maturity of each Class of the Notes and, consequently, to make any payments on the Income Notes on the Stated Maturity.

In the event that any withholding tax is imposed on payments on the Securities, the Holders of such Securities will not be entitled to receive "grossed-up" amounts to compensate for such withholding tax. In addition, upon the occurrence of a Tax Event, the Issuer will redeem in whole but not in part, at applicable Redemption Prices specified herein, the Notes in accordance with the procedures described under "Description of the Securities—Tax Redemption," "—Optional Redemption by Liquidation," "—Optional Redemption by Refinancing—Optional Redemption/Tax Redemption Procedures" herein.

Lack of Operating History. Each of the Issuers is a recently incorporated entity and has no substantial prior operating history. Accordingly, neither of the Issuers has a performance history for a prospective investor to consider.

Investment Company Act. Neither of the Issuers has registered with the United States Securities and Exchange Commission (the "SEC") as an investment company pursuant to the Investment Company Act. The Issuer has not so registered in reliance on an exception for investment companies organized under the laws of a jurisdiction other than the United States whose investors resident in the United States are solely Qualified Purchasers and which do not make a public offering of their securities in the United States. Counsel for the Issuers will opine, in connection with the sale of the Securities by the Initial Purchaser, that neither the Issuer nor the Co-Issuer is on the Closing Date an investment company required to be registered under the Investment Company Act (assuming, for the purposes of such opinion, that the Securities are sold by the Initial Purchaser in accordance with the terms of the Purchase Agreement). No opinion or no-action position has been requested of the SEC.

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

The Securities are only permitted to be transferred to Qualified Institutional Buyers in transactions meeting the requirements of Rule 144A and, solely in the case of the Income Notes, to Accredited Investors having a net worth of not less than U.S.$10 million in transactions exempt from registration under the Securities Act, or in an offshore transaction, to a non-U.S. Person, complying with Rule 903 or Rule 904 of Regulation S. The Securities being offered in the United States are being offered only to persons that are also Qualified Purchasers. Any non-permitted transfer will be voided and the Issuers can require the transferee to sell its Securities to a permitted transferee, with such sale to be effected within 30 days after notice of such sale requirement is given. If such sale is not effected within such 30 day period, upon written direction from the Issuer, the Trustee will be authorized to conduct a commercially reasonable sale of such Securities to a permitted transferee and pending such transfer, no further payments will be made in respect of such Securities or any beneficial interest therein. See "Description of the Securities—Form of the Securities" and "Notice to Investors."

Credit Ratings. Credit ratings of debt securities represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value, therefore, they may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse then a rating indicates. Credit ratings of non-investment grade and comparable unrated obligations included in the Collateral Assets and Reference Obligations may be less reliable indicators of investment quality than would be the case with investments in investment-grade debt obligations.

Implementation of Securities Regulation in Europe. As part of a coordinated action plan for harmonization of securities markets in Europe, the European Parliament and the Council of the European Union has adopted a series of directives, including the Prospectus Directive (2003/71/EC) the Transparency Directive (2004/109/EC) and the Market Abuse Directive (2003/6/EC) which aim to ensure investor protection and market efficiency in accordance with high regulatory standards across the European community. Pursuant to such directives member states have introduced, or are in the process of introducing, legislation into their domestic markets to implement the requirements of these directives. The introduction of such legislation has effected and will effect the regulation of issuers of securities that are offered to the public or admitted to trading on a European Union regulated market and the nature and content of disclosure required to be made in respect of such issuers and their related securities. The listing of Notes or Income Notes on any European Union 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 apply for, list or maintain a listing for any Class of Notes or Income Notes on a European Union stock exchange if compliance with these directives (or other requirements adopted by the European Parliament and Council of the European Union or a relevant member state) becomes burdensome. Should the Notes or Income Notes be delisted from any exchange, the ability of the holders of such Securities to sell such Securities in the secondary market may be negatively impacted.

EU Savings Directive. If, following implementation of European Council Directive 2003/48/EC, a payment were to be made or collected through a member state that opted for e withholding system and an amount of or in respect of tax ware to be withheld from that payment, neither the issuer nor the paying

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agent nor any other person would be obliged to pay additional amounts as a result of the imposition of such withholding tax. If a withholding tax is imposed on a payment made by a paying agent following implementation of this Directive, the issuer will be required to maintain a paying agent in a member state that will not be obliged to withhold or deduct tax pursuant to the Directive.

Certain Conflicts of Interest. Various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of the Collateral Manager, its affiliates and their respective clients and employees and from the overall investment activity of the Initial Purchaser, including in other transactions with the Issuer, including, without limitation, acting as counterparty with respect to any Cashflow Swap Agreement. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

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

The Collateral Manager and/or its affiliates have ongoing relationships with, render service to, finance and engage in transactions with, and may own debt or equity securities issued by issuers of certain of the Collateral Assets. The Collateral Manager and its affiliates may invest on behalf of themselves and other clients in securities that are senior or subordinated to, or have interests different from or adverse to, the Collateral Assets. The interests of such parties may be different than or adverse to the interests of the Holders of the Securities. In addition, such persons may possess information relating to the Collateral Assets which is not known to the individuals at the Collateral Manager responsible for monitoring the Collateral Assets and performing the other obligations under the Collateral Management Agreement. Such persons will not be required (and may not be permitted) to share such information or pass it along to the Issuer, the Collateral Manager or any Holder of any Security. Neither the Collateral Manager nor any of such person will have liability to the Issuer or any Holder of any Security for failure to disclose such information or for taking, or failing to take, any action based upon such information.

In addition, the Collateral Manager and/or any of its affiliates may engage in any other business and furnish investment management and advisory services to others which may include, without limitation, serving as consultant or servicer for, investing in, lending to, being affiliated with or have other ongoing relationships with, other entities organized to issue collateralized debt obligations secured by assets similar to the Collateral Assets, and other trusts and pooled investments vehicles that acquire interests in, provide financing to, or otherwise deal with securities issued by issuers that would be suitable investments for the Issuer. In the course of monitoring the Collateral Assets held by the Issuer, the Collateral Manager may consider its relationships with other clients (including entities whose securities (or those of its affiliates) are pledged to secure the Notes) and its affiliates. In providing services to other clients, the Collateral Manager and its affiliates may recommend activities that would compete with or otherwise adversely affect the Issuer. In addition, the Collateral Manager will be free, in its sole discretion, to make recommendations to others, or effect transactions on behalf of itself or for others, that may be the same as or different from those effected on behalf of the Issuer, and the Collateral Manager may furnish advisory services to others who may have investment policies similar to those followed by the Issuer and who may own securities of the same class, or which are the same type as, the Collateral Assets. Under the terms of the Collateral Management Agreement, the Collateral Manager will be permitted to take whatever action is in the Collateral Manager's best interest regardless of the impact on the Collateral Assets. In addition, under certain circumstances the Collateral Manager may direct the Issuer to sell certain Collateral Assets. Such sales of Collateral Assets may result in losses by the Issuer, which losses may result in the reduction or withdrawal of the rating of any or all of the Securities by any of the Rating Agencies. In determining whether to exercise such right, the Collateral Manager need not take into account the interests of the Issuers, the Noteholders, the Income Noteholders or any other party.

The Collateral Manager and/or its affiliates may at certain times be simultaneously seeking to purchase or dispose of investments for their respective accounts or for another entity, including other collateralized debt obligation vehicles, at the same time as it is purchasing or disposing of investments for the Issuer. Accordingly, conflicts may arise regarding the allocation of sale opportunities.

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The Collateral Manager may aggregate sales of securities placed with respect to the Collateral Assets with similar sales being made simultaneously for other clients or other accounts managed by the Collateral Manager or with accounts of the affiliates of the Collateral Manager, if in the Collateral Manager's reasonable business judgment such aggregation will result in an overall economic benefit to the Issuer, taking into consideration the advantageous selling price, brokerage commission and other expenses. However, no provision of the Collateral Management Agreement requires the Collateral Manager or its affiliates to execute orders as part of concurrent authorizations or to aggregate sales. Nevertheless, 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 used by the Collateral Manager in connection with the Collateral Manager's other advisory services or investment operations.

No provision in the Collateral Management Agreement prevents the Collateral Manager or any of its affiliates from rendering services of any kind to the Issuer of any Collateral Assets and its affiliates, the Trustee, the Holders of the Securities, the Cashflow Swap Counterparty or any other entity. Without prejudice to the generality of the foregoing, the Collateral Manager and its affiliates, directors, officers, employees and agents may, among other things: (a) serve as general partner, adviser, sponsor or manager of partnerships or companies organized to issue collateralized bond or loan obligations secured by assets similar to the Collateral Assets, directors (whether supervisory or managing), partners, officers, employees, agents, nominees or signatories for an issuer of any Collateral Assets; (b) receive fees for services rendered to the issuer of any Collateral Assets or any affiliate thereof; (c) be retained to provide services unrelated to the Collateral Management Agreement to the Issuer or its Affiliates and be paid therefor; (d) a secured or unsecured creditor of, or hold an equity interest in, any issuer of any Collateral Assets; (e) serve as a member of any "creditors' board" or "creditors' committee" with respect to any Collateral Assets which has become or may become a Defaulted Obligation or with respect to any commercial mortgage loan securing any Collateral Assets or the respective borrower for any such commercial mortgage loan; (f) own or make loans to any borrower or affiliate of any borrower on any of the commercial mortgage loans securing the Collateral Assets; (g) invest, or have already invested, in obligations and/or other securities that are identical to or senior to, or have interests different from or adverse to, the Collateral Assets; (h) make investments on their own behalf without offering such investment opportunities to the Issuer or informing the Issuer of any investments before engaging in any investment for themselves; (i) recommend or effect direct trades between the Issuer and the Collateral Manager or a Collateral Manager Affiliate or funds or accounts for which the Collateral Manager or an Affiliate serve as Collateral Manager, acting as principal or agent, subject to applicable legal requirements; (j) invest in obligations that would be appropriate as Collateral and have ongoing relationships with, render services to or engage in transaction with, companies whose obligations are included in the Collateral and may own equity or debt securities by issuers of and other obligors of Collateral Assets; and (k) enter into agency cross-transactions where the Collateral Manager and/or the Collateral Manage Affiliates acts as broker for the Issuer and for the other party to the transaction, to the extent permitted under applicable law. Under the terms of the Collateral Management Agreement, the Collateral Manager will be permitted to take whatever action is in the Collateral Manager's best interest regardless of the impact on the Collateral Assets.

On the Closing Date it is expected that the Collateral Manager or one or more clients or affiliates of the Collateral Manager will purchase approximately 50% of the aggregate notional amount of the Income Notes and 100% of the Aggregate Outstanding Amount of the Class D Notes and may purchase Notes and/or Income Notes on or after the Closing Date. The Collateral Maneger or such clients or affiliates may at times also own other Securities. There is no assurance that the Collateral Manager or any of such clients or affiliates will continue to hold any or all of the Notes or the Income Notes (including the Income Notes and the Class D Notes purchased on the Closing Date) or that they will continue to hold interests in any securities related to the Collateral Assets. For so long as Greywolf is the Collateral Manager and any funds managed by Greywolf continue to hold any Income Notes, any Collateral Management Fees otherwise payable to the Collateral Maneger hereunder shall be paid by the Issuer in the following order: (i) first, to such funds managed by Greywolf (on a *pro rata* basis among such funds), in an amount equal to the product of (x) such Collateral Management Fees and (y) a fraction the

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numerator of which is the notional amount of the Income Notes held by such funds managed by Greywolf and the denominator of which is the aggregate notional amount of all the Income Notes and (ii) second, the remainder, if any, to Greywolf.

Greywolf or any of its affiliates or subsidiaries will be permitted to exercise all voting rights with respect to any Securities that they may acquire (other than with respect to a vote regarding the removal of the Collateral Manager or the termination or assignment of the Collateral Management Agreement). The interests of such persons may be different from or adverse to the interests of the other Holders of Securities.

The Collateral Manager, in its sole discretion, may, from time to time, waive all or any portion of the Collateral Management Fee, and may defer all or any portion of the Collateral Management Fee. Any deferred Collateral Management Fees will become payable on the next Payment Date (and, if not paid on such Payment Date, on one or more subsequent Payment Dates) in accordance with the Priority of Payments.

Members of the board of directors of the Issuer who are not affiliated with the Collateral Manager or their delegates or other authorized representatives of the Issuer will have the responsibility for approving any transactions between the Issuer and the Collateral Manager or its affiliates involving significant conflicts of interest (including principal trades). More particularly, directors unaffiliated with the Collateral Manager or any delegate designated by such directors will be responsible for approving any principal transactions for which Issuer consent is required pursuant to Section 206(3) of the Advisers Act.

In addition, with the prior authorization of the Issuer, which has been given and can be revoked at any time, the Collateral Manager and/or its affiliates may enter into agency cross-transactions where the Collateral Manager and/or its affiliates acts as broker for the Issuer and for the other party to the transaction, to the extent permitted under applicable law, in which case the Collateral Manager or any such affiliate will receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding, both parties to the transaction.

The Initial Purchaser. Various potential and actual conflicts of interest may arise from the conduct by the Initial Purchaser and its affiliates in other transactions with the Issuer, including, without limitation, acting as counterparty with respect to any Cashflow Swap Agreement and Synthetic Securities. The Initial Purchaser and/or its affiliates will act as an initial Synthetic Security Counterparty and an affiliate of the Initial Purchaser will act as the initial Cashflow Swap Counterparty. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

It is expected that Goldman, Sachs & Co. and/or its affiliates and selling agent will have placed or underwritten certain of the Collateral Assets at original issuance, will own equity or other securities of issuers of or obligors on Collateral Assets and will have provided investment banking services, advisory, banking and other services to issuers of Collateral Assets. The Issuer may invest in the securities of companies affiliated with Goldman, Sachs & Co. and/or any of its affiliates or in which Goldman, Sachs & Co. and/or any of its affiliates have an equity or participation interest. The purchase, holding and sale of such investments by the Issuer may enhance the profitability of Goldman, Sachs & Co.'s and/or any of its affiliates' own investments in such companies. In addition, it is expected that one or more affiliates of Goldman, Sachs & Co. may also act as counterparty with respect to one or more Synthetic Securities and may act as a counterparty with respect to total return swaps with certain investors in the Notes or the Income Notes. The Issuer may invest in money market funds that are managed by Greywolf or Goldman, Sachs & Co. or any of their affiliates; *provided* that such money market funds otherwise qualify as Eligible Investments. Goldman, Sachs & Co. and/or a consolidated entity controlled by Goldman, Sachs & Co. or an affiliate thereof intends to provide "warehouse" financing to the Issuer prior to the Closing Date. See "—Collateral Accumulation."

There is no limitation or restriction on the Initial Purchaser or any of its affiliates with regard to acting as investment advisor, initial purchaser or placement agent (or in a similar role) to other parties or persons. This and other future activities of the Initial Purchaser and/or its respective affiliates may give rise to additional conflicts of interest.

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Anti Money Laundering Provisions. Uniting and Strengthening America By Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act"), signed into law on and effective as of October 26, 2001, imposes anti money laundering obligations on different types of financial institutions, including banks, broker dealers and investment companies. The USA PATRIOT Act requires the Secretary of the United States Department of the Treasury (the "Treasury") to prescribe regulations to define the types of investment companies subject to the USA PATRIOT Act and the related anti money laundering obligations. It is not clear whether Treasury will require entities such as the Issuer to enact anti money laundering policies. It is possible that Treasury will promulgate regulations requiring the Issuers or the Initial Purchaser or other service providers to the Issuers, in connection with the establishment of anti money laundering procedures, to share information with governmental authorities with respect to investors in the Notes and/or the Income Notes. Such legislation and/or regulations could require the Issuers to implement additional restrictions on the transfar of the Notes and/or the Income Notes. As may be required, the Issuer reserves the right to request such information and take such ections as are necessary to enable it to comply with the USA PATRIOT Act.

The Issuer. The Issuer is a recently incorporated Cayman Islands exempted limited liability company and has no substantial prior operating history. The Issuer will have no significant assets other than the Collateral Assets, the Default Swap Collateral Account, Eligible Investments, rights under the Cashflow Swap Agreement and certain othar accounts and agreements entered into as described herein, and proceeds thereof, all of which have been pledged to the Trustee to secure the Issuer's obligations to the Holders of the Notes and the Cashflow Swap Counterparty. The Issuer will not engage in any business activity other than the issuance and sale of the Notes and the Income Notes as described herein, the issuance of the Ordinary Shares, the acquisition and disposition of the Collateral Assets and Eligibla Investments as described herein, the entering into of, and the performance of its obligations under, the Indenture, the Cashflow Swap Agreement, the Account Control Agreement, the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agraement, the Fiscal Agancy Agreement, the Deed of Covenant, any other applicable Transaction Document, the pledge of tha Collateral as security for its obligations in respect of the Notes end otherwise for the benefit of the Secured Parties, certain activities conducted in connection with tha payment of amounts in respect of the Notes and tha Income Notes and the management of tha Collateral and other activities incidental to the foregoing. Income derived from the Collateral Assets and other Collateral will be the Issuer's only source of cash.

The Co-Issuer. The Co-Issuer is a newly incorporated Delaware corporation and has no prior operating history. Tha Co-Issuer does not have and will not have any significant assets. The Co-Issuer will not engage in any business activity other than the co-issuance of the Class S Notes, the Class A Notes, the Class B Notes and the Class C Notes.

Tax. See "Income Tax Considerations."

ERISA. See "ERISA Considerations."

DESCRIPTION OF THE SECURITIES

The Income Notas will be constituted by the deed of covenant executed by the Issuer on March 27, 2007 (the "Deed of Covenant") and subject to the tarms and conditions thereof (the "Terms and Conditions") and the Income Notes will be issued pursuant to the Fiscal Agency Agreement. The following summery describes certain provisions of the Securities, the Indenture, the Fiscal Agency Agreement and the Deed of Covenant. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Securities, the Indenture, the Fiscal Agency Agreement and the Deed of Covenant. Copies of the Indenture may be obtained by prospective purchasers of the Notes upon request in writing to the Trustee at The Bank of New York, 101 Barclay Street, Floor 8E, New York, New York, 10286, Attention: CDO Transaction Management Group – Timberwolf I, fax (212) 815-3115, and, so long as any Notes and/or Income Notes are listed on a stock exchange, tha Indenture will be available for inspection free of charge from the office of the Listing and Paying Agent. Copies of the Fiscal Agency Agreement and the Issuer's Memorandum and Articles of Association may be obtained by prospective purchasers of Notes and Incoma Notes upon raquest in

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writing to the Fiscal Agent at The Bank of New York, London Branch, One Canada Square, London E14 5AL, the United Kingdom, fax +44 20 7964 6399, phone +44 20 7961 7073-Attention: Corporate Trust Administration.

Status and Security

The Notes (other than the Class D Notes) will be limited recourse obligations of the Issuers and the Class D Notes and the Income Notes will be limited recourse obligations of the Issuer, secured as described below. The Income Notes will be debt obligations of the Issuer, and will not be secured under the terms of the Indenture and will only be entitled to receive amounts available for payment to the Holders of the Income Notes after payment of all amounts payable prior thereto under the Priority of Payments. The Class S-1 Notes will be senior in right of payment on each Payment Date to 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 to the extent provided in the Priority of Payments. The Class S-2 Notes will be senior in right of payment on each Payment Date to the Class A-2 Notes (*provided*, that payments of interest on the Class S-2 Notes and the Class A Notes will be paid pro rata), the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes to the extent provided in the Priority of Payments. The Class A-1 Notes will be senior in right of payment on each Payment Date to the Class A-2 Notes (*provided*, that payments of interest on the Class A Notes will be paid pro rata), the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes to the extent provided in the Priority of Payments. Payments of principal on the Class S-2 Notes and the Class A-1 Notes will be paid as described in the Priority of Payments. The Class A-2 Notes will be senior in right of payment on each Payment Date to the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes to the extent provided in the Priority of Payments. The Class B Notes will be senior in right of payment on each Payment Date to the Class C Notes, the Class D Notes and the Income Notes to the extent provided in the Priority of Peyments. The Class C Notes will be senior in right of peyment on each Payment Date to the Class D Notes and the Income Notes to the extent provided in the Priority of Payments. The Class D Notes will be senior in right of payment on each Payment Date to the Income Notes to the extent provided in the Priority of Payments. Payments of principal on the Class A-1 Notes will be paid in accordance with the Class A-1 Note Payment Sequence. See "—Priority of Payments."

Under the terms of the Indenture, the Issuer will grant to the Trustee, for the benefit and security of the Trustee for itself and on behalf of the Noteholders, the Fiscal Agent, the Collateral Administretor, the Collateral Manager, the Cashflow Swap Counterparty and the Synthetic Security Counterparty (collectively, the "Secured Parties"), a first priority security interest in (i) the Collateral Assets; (ii) the Collection Account; (iii) the Payment Account; (iv) the Cashflow Swap Termination Receipts Account, the Cashflow Swap Replacement Account and the Cashflow Swap Collateral Account (subject, in each case, to the rights of the Cashflow Swap Counterparty); (v) the Expense Reserve Account; (vi) the Collateral Account; (vii) the Synthetic Security Collateral Account and the Default Swap Collateral Account (subject, in each case, to the rights of the Synthetic Security Counterparty) (items (ii) through (vii), the "Accounts"); (viii) Eligible Investments; (ix) the Issuer's rights under the Cashflow Swap Agreement; (x) the Issuer's rights under the Colleteral Management Agreement and (xi) certain other property (collectively, the "Collateral").

Payments of interest on and principal of the Notes end payments on the Income Notes will be made solely from the proceeds of the Collateral in accordance with the Priority of Payments.

The aggregate amount that will be available for payments required or permitted to be made on the Notes and of certain expenses of the Issuers, the Trustee and the Agents on any Payment Date will be the total amount of payments and collections in respect of the Collateral (including the proceeds of the sale of any Colleteral) received during the period (a "Due Period") ending on (end including) the fourth Business Day prior to such Payment Date (or, in the case of e Due Period that is applicable to the Payment Date relating to the Stated Maturity of any Note, ending on (and including) the day preceding such Payment Date) (*provided*, that if the fourth Business Day prior to such Payment Date occurs before the 25th day of any calendar month, such Due Period shall end on, and include, the 25th day of such calendar month (or if the 25th day is not a Business Day, the immediately following Business Day)), and

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commencing immediately following the fourth Business Day prior to the preceding Payment Date (or, in the case of the Due Period relating to the first Payment Date, on the Closing Date) (*provided*, that if a Due Period ends on the 25th day of a calendar month, the next succeeding Due Period shall commence immediately following the 25th day of such calendar month (or if such day is not a Business Day, the immediately following Business Day)) and any such amounts received in prior Due Periods that were not disbursed on a previous Payment Date.

Interest and Distributions

The Class S-1 Notes will bear interest during each Interest Accrual Period at the Class S-1 Note Interest Rate for such Interest Accrual Period. The Class S-2 Notes will bear interest during each Interest Accrual Period at the Class S-2 Note Interest Rate for such Interest Accrual Period. The Class A-1a Notes will bear interest during each Interest Accrual Period at the Class A-1a Note Interest Rate for such Interest Accrual Period. The Class A-1b Notes will bear interest during each Interest Accrual Period at the Class A-1b Note Interest Rate for such Interest Accrual Period. The Class A-1c Notes will bear interest during each Interest Accrual Period at the Class A-1c Note Interest Rate for such Interest Accrual Period. The Class A-1d Notes will bear interest during each Interest Accrual Period at the Class A-1d Note Interest Rate for such Interest Accrual Period. The Class A-2 Notes will bear interest during each Interest Accrual Period at the Class A-2 Note Interest Rate for such Interest Accrual Period. The Class B Notes will bear interest during each Interest Accrual Period at the Class B Note Interest Rate for such Interest Accrual Period. The Class C Notes will bear interest during each Interest Accrual Period at the Class C Note Interest Rate for such Interest Accrual Period. The Class D Notes will bear interest during each Interest Accrual Period at the Class D Note Interest Rate for such Interest Accrual Period. Interest with respect to the Class S Notes, the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes will be payable quarterly in arrears, commencing on the September 2007 Payment Date. LIBOR for the first Interest Accrual Period with respect to the Notes will be determined as of the second Business Day preceding the Closing Date. Calculations of interest on the Notes will be made based on a 360-day year and the actual number of days in each Interest Accrual Period. The Holders of the Income Notes will receive on each Payment Date any amount of Proceeds that are available for distribution thereon in accordance with the Priority of Payments on such Payment Date. The "Interest Accrual Period," is with respect to the Notes and any Payment Date, the period commencing on and including the immediately preceding Payment Date (or the Closing Date in the case of the first Interest Accrual Period) and ending on and including the day immediately preceding such Payment Date.

If funds are not available on any Payment Data to pay the full amount of interest on the Class C Notes, or to the extent interest that is due on such Notes is not paid in order to satisfy certain Coverage Tests, the interest not paid (the "Class C Deferred Interest"), will not be due and payable on such Payment Date, but will be addad to the principal amount of the Class C Notes and, to the extent lawful and enforceable, thereafter shall accrue interest at the Class C Note Interest Rate. If funds are not available on any Payment Date to pay the full amount of interest on the Class D Notes, or to the extent interest that is dua on such Notes is not paid in order to satisfy certain Coverage Tests, the interest not paid (the "Class D Deferred Interest"), will not be due and payable on such Payment Date, but will be added to the principal amount of the Class D Notes and, to the extent lawful and enforceable, thereafter shall accrue interest at the Class D Note Interest Rate. So long as any Class S Notes, Class A Notes or Class B Notes are outstanding, the failure to pay interest to the Holders of the Class C Notes will not be an Event of Default under the Indenture and so long as any Class S Notes, Class A Notes, Class B Notes or Class C Notes are outstanding, the failure to pay interest to the Holders of the Class D Notes will not be an Event of Default under the Indenture. See "—Priority of Payments" and "—The Indenture and the Fiscal Agency Agreement—Events of Default."

Interest will ceese to accrue on each Note from the date of repayment in full or Stated Maturity, or in tha case of partial repeyment, on such part, unless payment of principal is improperly withheld or unless default is otherwise made with respect to such payments of principal. See "—Principal." To the extent lawful and enforceable, interest on any Defaulted Interest on each Class of Notes entitled thereto will accrue at the interest rate applicable to such Class of Notes, until paid as provided herein. "Defaulted Interest" means eny interest due and payable in respect of (i) any Class S Note, Class A Note or Class B

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Note or (ii) if there are no Class S Notes, Class A Notes or Class B Notes outstanding, any Class C Note or if there are no Class S Notes, Class A Notes, Class B Notes or Class C Notes outstanding, any Class D Note which, in any such case, is not punctually paid or duly provided for on the applicable Payment Date or at Stated Maturity, as the case may be.

Determination of LIBOR

For purposes of calculating each of the Note Interest Rates, the Issuers will appoint as agent The Bank of New York (in such capacity, the "Note Calculation Agent"). LIBOR shall be determined by the Note Calculation Agent in accordance with the following provisions:

(i) On the second Business Day prior to the commencement of an Interest Accrual Period (each such day, a "LIBOR Determination Date"), LIBOR ("LIBOR") shall equal the rate, as obtained by the Note Calculation Agent, for Eurodollar deposits for, with respect to the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, a three-month period (or, in the case of a designated initial payment period of less than 25 days or, in the case of the first Interest Accrual Period, the linear interpolation thereof, calculated in accordance with generally acceptable methodology) which appears on Bridge Telerate Page 3750 (as Telerate is defined in the International Swaps and Derivatives Association, Inc. Annex to the 2000 ISDA Definitions (June 2000 version)), or such page as may replace Bridge Telerate Page 3750, as of 11:00 a.m. (London time) on such LIBOR Determination Date.

(ii) If, on any LIBOR Determination Date, such rate does not appear on Bridge Telerate Page 3750, or such page as may replace Bridge Telerate Page 3750, the Note Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks to leading banks in the London interbank market for Eurodollar deposits for, with respect to Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, a three month period (or, in the case of a designated initial payment period of less than 25 days, or, in the case of the first Interest Accrual Period, the linear interpolation thereof, calculated in accordance with generally acceptable methodology) in an amount determined by the Note Calculation Agent by reference to requests for quotations as of approximately 11:00 a.m. (London time) on the LIBOR Determination Date made by the Note Calculation Agent to the Reference Banks. 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 provide such quotations, LIBOR shall be deemed to be the arithmetic mean of the offered quotations that leading banks in the City of New York selected by the Note Calculation Agent (after consultation with the Issuer or the Collateral Manager on behalf of the Issuer) are quoting on the relevant LIBOR Determination Date for Eurodollar deposits for the applicable period in an amount determined by the Note Calculation Agent (after consultation with the Issuer or the Collateral Manager on behalf of the Issuer) by reference to the principal London offices of leading banks in the London interbank market; *provided, however*, that if the Note 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 LIBOR as determined on the most recent date LIBOR was available. As used herein, "Reference Banks" means four major banks in the London interbank market selected by the Note Calculation Agent (after consultation with the Issuer or the Collateral Manager on behalf of the Issuer).

As soon as possible after 11:00 a.m. (New York time) on each LIBOR Determination Date, but in no event later than 11:00 a.m. (New York time) on the Business Day immediately following each LIBOR Determination Date, the Note Calculation Agent will cause notice of each of the Note Interest Rates for the next Interest Accrual Period and the amount of interest for such Interest Accrual Period payable in respect of each U.S.$1,000 principal amount of the Class S-1 Notes (the "Class S-1 Note Interest Amount"), of the Class S-2 Notes (the "Class S-2 Note Interest Amount"), of the Class A-1a Notes (the "Class A-1a Note Interest Amount"), of the Class A-1b Notes (the "Class A-1b Note Interest Amount"), of the Class A-1c Notes (the "Class A-1c Note Interest Amount"), of the Class A-1d Notes (the "Class A-1d Note Interest Amount"), of the Class A-2 Notes (the "Class A-2 Note Interest Amount"), of the Class B Notes (the "Class B Note Interest Amount"), of the Class C Notes (the "Class C Note Interest Amount") and of the Class D Notes (the "Class D Note Interest Amount") (collectively, the "Note Interest Amounts") (each rounded to the nearest cent, with half a cent being rounded upward) on the related Payment Date,

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to be communicated to the Issuers, DTC, Euroclear, Clearstream, the Note Paying Agents, the Trustee, the Collateral Manager, the Securities Intermediary and the Listing and Paying Agent for further delivery to any stock exchange so long as any of the Notes are listed thereon. In the last case, the Note Calculation Agent will furnish such information as soon as possible after its determination to the Listing and Paying Agent as long as any Notes are listed on any stock exchange. The Note Calculation Agent will also specify to the Issuers and the Collateral Manager the quotations upon which each of the Note Interest Rates are based. The Note Calculation Agent shall notify the Issuers and the Collateral Manager before 12:00 p.m. (New York time) on any LIBOR Determination Date if it has not determined and is not in the process of determining the applicable Note Interest Rates and Note Interest Amounts (collectively, the "Interest Calculations"), together with its reasons therefor. With respect to the Notes, "Business Day" means any day other than (x) Saturday or Sunday or (y) a day on which commercial banking institutions are authorized or obligated by law, regulation or executive order to close in New York, New York, London, England or in the city of the Trustee's corporate trust office (initially, The Bank of New York, 101 Barclay Street, Floor 8E, New York, New York, 10286, Attention: CDO Transaction Management Group); *provided, however*, that for the sole purpose of determining LIBOR, "Business Day" shall be defined as any day on which dealings in deposits in U.S. Dollars are transacted in the London interbank market and *provided further*, that to the extent action is required of the Listing and Paying Agent, the location of the Listing and Paying Agent shall be considered in determining the "Business Day" for purposes of determining when such Listing and Paying Agent action is required.

The Note Calculation Agent may be removed by the Issuers at the direction of the Collateral Manager at any time. If the Note Calculation Agent is unable or unwilling to act as such or is removed by the Issuers, or if the Note Calculation Agent fails to determine the applicable Interest Calculations for any Interest Accrual Period, the Issuers will promptly appoint as a replacement Note Calculation Agent a leading bank which is engaged in transactions in Eurodollar deposits in the international Eurodollar market and which does not control or is not controlled by or under common control with the Issuers or their affiliates. The Note Calculation Agent may not resign its duties without a successor having been duly appointed. In addition, for so long as any Notes are listed on any stock exchange and the rules of such exchange so require, notice of the appointment of any Note Calculation Agent will be furnished to such stock exchange. For so long as any of the Notes remain outstanding, there will at all times be a Note Calculation Agent for the purpose of calculating the applicable Interest Calculations. The determination of the applicable Interest Calculations by the Note Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

Payments on Income Notes

On each Payment Date, the Holders of the Income Notes will be entitled to receive, as interest on the Income Notes, after payment of items ranking higher in accordance with the Priority of Payments, payments (if available) equal to amounts remaining after payment of all other senior amounts payable in accordance with the Priority of Payments. Upon a Tax Redemption, Optional Redemption by Liquidation or successful Auction, the Holders of the Income Notes will be entitled to receive any amounts remaining after distribution of the Liquidation Proceeds in accordance with the Priority of Payments. Upon an Optional Redemption by Refinancing, any Refinancing Proceeds remaining after the redemption of the Class or Classes of Notes to be redeemed in respect of such Optional Redemption and the payment of any expense or fees in connection therewith will be characterized as Principal Proceeds and will be applied on the related Optional Redemption Date in accordance with the Priority of Payments.

Principal

The Notes (other than the Class S Notes and the Class A-1 Notes) and the Income Notes will mature on the Payment Date in December 2047 (the "Stated Maturity" with respect to the Notes (other than the Class S Notes and the Class A-1 Notes) and the Income Notes), the Class S Notes will mature on the Payment Date in September 2011 (the "Stated Maturity" with respect to the Class S Notes), the Class A-1a Notes and the Class A-1b Notes will mature on the Payment Date in December 2039 (the "Stated Maturity" with respect to the Class A-1a Notes and the Class A-1b Notes) and the Class A-1c Notes and the Class A-1d Notes will mature on the Payment Date in September 2044 (the "Stated

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Maturity" with respect to the Class A-1c Notes and the Class A-1d Notes). The average life of each Class of Notes (other than the Class S Notes) and duration of the Income Notes is expected to be substantially shorter than the number of years from issuance until the Stated Maturity for such Class of Notes or Income Notes. See "Risk Factors—Securities—Average Lives, Duration and Prepayment Considerations."

Principal will be payable on the Class S-1 Notes in accordance with the Priority of Payments on each Payment Date commencing on the Payment Date occurring in December 2007 in an amount equal to the Class S-1 Notes Amortizing Principal Amount with respect to such Payment Date and, if an Event of Default or Tax Event has occurred and is continuing or an Optional Redemption by Liquidation or successful Auction has occurred and the Collateral is being liquidated pursuant to the terms of the Indenture, the Class S-1 Notes will be paid in full prior to any distributions to any other Notes. Principal will be payable on the Class S-2 Notes in accordance with the Priority of Payments on each Payment Date commencing on the Payment Date occurring in December 2007 in an amount equal to the Class S-2 Notes Amortizing Principal Amount with respect to such Payment Date and, if an Event of Default or Tax Event has occurred and is continuing or an Optional Redemption by Liquidation or successful Auction has occurred and the Collateral is being liquidated pursuant to the terms of the Indenture, the Class S-2 Notes will be paid in full prior to any distributions to any other Notes (other than the Class S-1 Notes and the Class A-1 Notes). The Class S-2 Notes are subject to mandatory redemption if the Class A/B Overcollateralization Test is not satisfied on any date of determination. Principal will be payable on certain of the Securities on each Payment Date in accordance with the Priority of Payments.

On any Payment Date on which certain conditions are satisfied, principal will be paid to the Holders of the Class A Notes (pro rata between the Class A-1 Notes and the Class A-2 Notes; *provided* that principal on the Class A-1 Notes will be paid in accordance with the Class A-1 Note Payment Sequence), only in an amount required to increase (or maintain) the Class A Adjusted Overcollateralization Ratio to a specified target of 126.7%. After achieving and maintaining such target and minimum, the payment of remaining principal will shift to the Holders of the Class B Notes until such Holders have been paid an amount required to increase (or maintain) the Class B Adjusted Overcollateralization Ratio to the specified target of 110.6%. After achieving and maintaining such target level, the payment of remaining principal shifts to the Holders of the Class C Notes which will receive principal only in an amount required to increase (or maintain) the Class C Adjusted Overcollateralization Ratio to a specified target of 106.0%. After achieving and maintaining such target level, the payment of remaining principal shifts to the Holders of the Class D Notes which will receive principal only in an amount required to increase (or maintain) the Class D Adjusted Overcollateralization Ratio to a specified target of 102.7%. However, if the Net Outstanding Portfolio Collateral Balance is less than U.S.$300,000,000, then only Principal Proceeds received or held during the related Due Period will be paid, first, to the Class A-1 Notes in accordance with the Class A-1 Note Payment Sequence and then sequentially through the Class D Notes. The foregoing "shifting principal" method permits Holders of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes to receive payments of principal in accordance with the Priority of Payments while more senior Classes of Notes remain outstanding and permits distributions of Principal Proceeds to the Holders the Income Notes, to the extent funds are available in accordance with the Priority of Payments, while Notes are outstanding.

Subject to the availability of funds therefor in accordance with the Priority of Payments, if any of the Coverage Tests are not satisfied on any Determination Date, the Notes (other than the Class S-1 Notes) will be subject to mandatory redemption on the related Payment Date until paid in full. See "—Mandatory Redemption" and the Priority of Payments for a description of the order in which such Notes are paid in connection with the failure of a Coverage Test.

Stated Maturity of the Income Notes

On or prior to the date that is one Business Day prior to the end of the Due Period applicable to the Stated Maturity of the Income Notes, the Collateral Manager will sell all remaining Collateral. The settlement dates for any such sales shall be no later than one Business Day prior to the end of such Due

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Period. The proceeds of such sales will be paid to the Fiscal Agent after the payment of amounts senior to the Holders of the Income Notes in the Priority of Payments for deposit into the account maintained therefor by the Fiscal Agent (the "Income Note Payment Account") and payment to the Holders of the Income Notes as the redemption price for the Income Notes upon such payment (the "Income Notes Redemption Price"). Upon such payment, the Issuer shall redeem the Income Notes.

Auction

Sixty days prior to the Payment Date occurring in September of each year (each, an "Auction Date") commencing on the September 2015 Payment Date, the Collateral Manager will take steps to conduct an auction (the "Auction") of the Collateral in accordance with procedures specified in the Indenture. If the Collateral Manager receives one or more bids from Eligible Bidders not later than ten Business Days prior to the Auction Date equal to or greater than the Minimum Bid Amount, the Issuer will sell the Collateral for settlement on or before the fifth Business Day prior to such Auction Date and the Notes will be redeemed in whole on such Auction Date (any such date, an "Auction Payment Date"). If a successful Auction occurs, the Income Notes will also be redeemed in full. The Collateral Manager and its affiliates shall be considered Eligible Bidders. If the highest single bid on the entire portfolio of Collateral, or the aggregate amount of multiple bids with respect to individual items of Collateral, does not equal or exceed the Minimum Bid Amount or if there is a failure at settlement, then the redemption of Notes and the Income Notes on the related Auction Date will not occur.

The Notes will be redeemed following a successful Auction in accordance with the Priority of Payments at the applicable Redemption Price. The amount distributable as the final payment on the Income Notes following any such redemption will equal any amount remaining after the redemption of the Notes, the payment of any amounts due in connection with the termination of the Cashflow Swap Agreement and Synthetic Securities and the payment of all expenses in accordance with the Priority of Payments.

Tax Redemption

Subject to certain conditions described herein, the Securities may be redeemed by the Issuers at any time, in whole but not in part upon the occurrence of a Tax Event at their Redemption Prices at the written direction of, or with the written consent of, (i) the Holders of at least 66-2/3% of the aggregate outstanding notional principal amount of the affected Income Notes or (ii) the Holders of a Majority of any Class of Notes which, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate amount of principal and interest or other amounts then due and payable on such Notes on any Payment Date (such redemption, a "Tax Redemption"); *provided* that no such redemption shall be effected unless the expected Liquidation Proceeds equal or exceed the sum of all amounts due as of the Redemption Date pursuant to clauses (i) through (ix) of the Priority of Payments for Final Payment Dates (the "Total Redemption Amount"), which includes the Redemption Prices of the Notes. If a Tax Redemption occurs, the Income Notes will be redeemed simultaneously.

In connection with a Tax Redemption, the Issuers (in the case of the Notes) and the Issuer (in the case of the Income Notes) shall notify the Trustee of such Tax Redemption and the Payment Date which is the date for redemption (the "Tax Redemption Date") and direct the Trustee, in writing, to sell, in the manner determined by the Collateral Manager, and in accordance with the Indenture, any Collateral and upon any such sale the Trustee shall release the lien upon such Collateral pursuent to the Indenture; *provided, however,* that the Issuer may not direct the Trustee to sell (and the Trustee shall not be obligated to release the lien upon) any Collateral except in accordance with the procedures set forth in the Indenture including, without limitation, the requirement that the Collateral Manager shall have forwarded to tha Trustee binding agreements or certificates evidencing that the Liquidation Proceeds anticipeted from the disposition of the Collateral and other assets of the Issuer will equal or exceed the Total Redemption Amount. Liquidation Proceeds available for distribution in connection with a Tax Redemption will be reduced by the amount of expected termination payments (other than Defaulted Synthetic Security Termination Payments) due to the Synthetic Security Counterparty.

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The amount payable in connection with any Tax Redemption of the Notes will equal the Total Redemption Amount. The amount payable as a final payment on the Income Notes following any Tax Redemption will equal the Liquidation Proceeds, if any, remaining after the distribution of the Total Redemption Amount by the Issuer in accordance with the Priority of Payments.

Optional Redemption by Liquidation

Subject to certain conditions described herein, the Notes may be redeemed by the Issuers and the Income Notes may be redeemed by the Issuer, in whole but not in part at their Redemption Prices on any Payment Date on or after the March 2010 Payment Date, at the written direction of, or with the written consent of, the Holders of at least a Majority of the aggregate outstanding notional principal amount of Income Notes (including Income Notes held by the Collateral Manager or any affiliate thereof) (such redemption, an "Optional Redemption" or an "Optional Redemption by Liquidation"); *provided* that no Optional Redemption by Liquidation shall be effected unless the expected Liquidation Proceeds will equal or exceed the Total Redemption Amount. If the Holders of the Income Notes so elect to cause an Optional Redemption by Liquidation, the Income Notes will be redeemed simultaneously.

In connection with an Optional Redemption by Liquidation, the Issuers (in the case of the Notes) and the Issuer (in the case the Income Notes) shall notify the Trustee of such Optional Redemption by Liquidation and the Optional Redemption Date and direct the Trustee, in writing, to sell, in the manner determined by the Collateral Manager, and in accordance with the Indenture, any Collateral Asset and upon any such sale the Trustee shall release the lien upon such Collateral Assets pursuant to the Indenture; *provided, however*, that the Issuer may not direct the Trustee to sell (and the Trustee shall not be obligated to release the lien upon) any Collateral except in accordance with the procedures set forth in the Indenture including, without limitation, the requirement that the Collateral Manager shall have forwarded to the Trustee binding agreements or certificates evidencing that the Liquidation Proceeds anticipated from the disposition of the Collateral Assets and other assets of the Issuer will equal or exceed the Total Redemption Amount. Amounts available for distribution in connection with an Optional Redemption by Liquidation will be reduced by the amount of expected termination payments (other than Defaulted Synthetic Security Termination Payments) due to the Synthetic Security Counterparty.

The amount payable in connection with any Optional Redemption by Liquidation of the Notes will equal the Total Redemption Amount. The amount payable as the final payment on the Income Notes following any Optional Redemption by Liquidation will equal the Liquidation Proceeds, if any, remaining after the distribution of the Total Redemption Amount by the Issuer in accordance with the Priority of Payments.

Optional Redemption by Refinancing

Subject to certain conditions described herein, any Class or Classes of Notes may be redeemed by the Issuers from the net cash proceeds (the "Refinancing Proceeds") of a loan, credit or similar facility or an issuance of replacement notes, from or to one or more financial institutions or purchasers, in whole but not in part, on any Payment Date on or after the Optional Redemption Date, at the written direction of, or with the written consent of, the Holders of at least a Majority of the Income Notes (an "Optional Redemption" or an "Optional Redemption by Refinancing"). The Issuer will conduct an Optional Redemption by Refinancing only if the Collateral Manager determines that: (i) the principal amount of any obligations providing the funds to be applied in respect of such Optional Redemption by Refinancing is no greater than the principal amount of the Notes being redeemed; (ii) the stated maturity of the obligations providing the funds to be applied in respect of such Optional Redemption by Refinancing is no earlier than the Stated Maturity of the Notes being redeemed; (iii) the agreements relating to the Optional Redemption by Refinancing contain limited-recourse and non-petition provisions equivalent to those set forth in the Indenture; (iv) the proceeds from the Optional Redemption by Refinancing will be at least sufficient to pay in full the Aggregate Outstanding Amount of the applicable Notes); (v) amounts are expected to be available in accordance with the Priority of Payments on the Payment Date related to such Optional Redemption by Refinancing (a) to pay any fees and administrative expenses of the Issuer related to the Optional Redemption by Refinancing, (b) to pay any accrued and unpaid interest on the Notes being

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redeemed (including Defaulted Interest and interest on Defaulted Interest) and (c) to pay any "Cashflow Swap Shortfall Amounts" (as such term is defined in the Cashflow Swap Agreement) that have been paid by the Cashflow Swap Counterparty under the Cashflow Swap Agreement but that have not been repaid to the Cashflow Swap Counterparty (*plus* any accrued and unpaid interest thereon) pursuant to the Priority of Payments; (vi) the Refinancing Proceeds will be used (to the extent necessary) to redeem the applicable Notes; (vii) such Optional Redemption by Refinancing will not cause an Event of Default; and (viii) the Rating Agency Condition for each Rating Agency shall be satisfied (other than with respect to the Notes being redeemed). If any Holder of an Income Note so elects, such Holder may pay all or a portion (pro rata with any other electing Holder of an Income Note) of the amounts required under clause (v) above directly as opposed to requiring that such amounts be paid through funds available in accordance with the Priority of Payments on the Payment Date related to the Optional Redemption by Refinancing. If any Holder of an Income Note so elects, the amounts due shall be remitted to the Trustee at least two days prior to the related Payment Date. Any such amounts paid by the Holders of the Income Notes will not be reimbursed by the Issuer. Any Refinancing Proceeds will be applied directly on the related Optional Redemption Date pursuant to the Indenture to redeem the Notes being refinanced without regard to the Priority of Payments described herein. Any Refinancing Proceeds that are not used to redeem the applicable Notes and to pay any administrative expenses of the Issuer will be treated as Principal Proceeds and will be applied in accordance with the Priority of Payments. None of the Issuers, the Trustee or any other Person will be liable to the Holders of the Income Notes for the failure to issue additional notes or to obtain secured loans.

Optional Redemption/Tax Redemption Procedures. To conduct an Optional Redemption or a Tax Redemption, the procedures set forth in the Indenture must be followed and any conditions precedent thereto must be satisfied.

Upon the occurrence of a Tax Redemption or an Optional Redemption, the Collateral Manager shall notify the Principal Note Paying Agent, in the case of the Holders of Notes or the Fiscal Agent, in the case of Holders of Income Notes, which in each case, shall notify the Trustee (with a copy to the Issuer) in writing no less than thirty (30) Business Days prior to the Redemption Date. Such notice shall be irrevocable. The Fiscal Agent shall, within three (3) Business Days after receiving such notice, notify the other Holders of the Income Notes of the receipt of such notice.

The Trustee will provide notice of any Optional Redemption or Tax Redemption by first-class mail, postage prepaid, mailed not less than ten (10) Business Days prior to the scheduled Tax Redemption Date or Optional Redemption Date, as applicable, to the Principal Note Paying Agent, to the Fiscal Agent, to each Cashflow Swap Counterparty, to each Noteholder at such Holder's address in the register maintained by the Note Registrar under the Indenture and to each Holder of an Income Note at such Holder's address in the income note register maintained pursuant to the Fiscal Agency Agreement and, as long as any Notes or Income Notes are listed on any stock exchange, the Trustee will also give notice to the Listing and Paying Agent.

Notes called for redemption must be surrendered at the office of any paying agent appointed under the Indenture in order to receive the Redemption Price. The initial paying agents for the Notes are The Bank of New York, as Principal Note Paying Agent, and, so long as any Notes are listed on a stock exchange, the Listing and Paying Agent.

Income Notes called for redemption must be surrendered at the office of any paying agent appointed under the Fiscal Agency Agreement in order to receive final payments, if any, thereon. The initial paying agent for the Income Notes is The Bank of New York, London Branch.

Any such notice of redemption may be withdrawn by the Issuers (with respect to the Notes) and the Issuer (with respect to the Income Notes) on or prior to the seventh Business Day prior to the scheduled redemption date by written notice from the Issuers to the Collateral Manager, the Trustee, each Cashflow Swap Counterparty, the Rating Agencies, the Holders of the Notes and the Holders of the Income Notes, but only if the Collateral Manager shall be unable to deliver the sale agreement or agreements or certifications or, in the case of an Optional Redemption by Refinancing, the loan, credit or

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similar facility, required by the Indenture, in form satisfactory to the Trustee. The Cashflow Swap Agreement will not terminate upon notice to the respective counterparties of redemption until the time for withdrawal of notice has expired. The Collateral Manager shall be liable only for the failure to effect an Optional Redemption or Tax Redemption due to the Collateral Manager's gross negligence or willful misconduct. Notice of any such withdrawal shall be given at the Issuer's expense by the Trustee to each Holder of a Security at the address appearing in the applicable register maintained by the Note Transfer Agent under the Indenture or the Income Note Registrar under the Fiscal Agency Agreement, as applicable, by overnight courier guaranteeing next day delivery sent not later than the third Business Day prior to the scheduled redemption date. The Trustee or the Fiscal Agent will also give notice to the Listing and Paying Agent of the stock exchange if any Securities are then listed on a stock exchange.

Mandatory Redemption

On any Payment Date on which the Class A/B Overcollateralization Test was not satisfied on the last Business Day of the immediately preceding Due Period (such Business Day, the "Determination Date"), without giving effect to amounts payable under clauses (vii), (x) and (xii) of the Priority of Payments, Proceeds will be used to redeem the Class A-1 Notes in accordance with the Class A-1 Note Payment Sequence until the Class A-1 Notes have been paid in full, then to redeem the Class S-2 Notes until the Class S-2 Notes have been paid in full, then to redeem the Class A-2 Notes until the Class A-2 Notes have been paid in full and then to redeem the Class B Notes until the Class B Notes have been paid in full.

On any Payment Date on which the Class C Overcollateralization Test was not satisfied on the related Determination Date, without giving effect to amounts payable under clauses (x) and (xii) of the Priority of Paymants, Principal Proceeds will be used to redeem the Class A Notes (in accordance with the Class A-1 Note Peyment Sequence), the Class B Notes and the Class C Notes, pro rata, until paid in full *provided, however*, that if the Net Outstanding Portfolio Collateral Balance is less than U.S.$500,000,000, then such amount shall be paid first, to the payment of principal of all outstanding Class A-1 Notes (pursuant to the Class A-1 Note Payment Sequence), second, to the payment of principal of all outstanding Class A-2 Notes, third, to the payment of principal of all outstanding Class B Notes and fourth, to the payment of principal of all outstanding Class C Notes, and any remaining Proceeds will be used to redeem the Class C Notes until the Class C Notes have been paid in full.

On any Payment Date on which the Class D Overcollateralization Test (together with the Class A/B Overcollateralization Test and tha Class C Overcollateralization Test the "Coverage Tests") was not satisfied on the related Determination Date, Proceeds net of amounts payable under clauses (i) through (xii) of the Priority of Payments will be used to redeem the Class D Notes until the Class D Notes have been paid in full.

The Class S-1 Notes, the Class C Notes, the Class D Notes and the Income Notes will not be subject to mandatory redemption as a result of the failure of the Class A/B Overcollateralization Test. The Class S Notes, the Class D Notes and tha Income Notes will not be subject to mandatory redemption as a result of the failure of any Class C Overcollateralization Test. The Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes and the Income Notes will not be subject to mandatory redemption as a result of the failure of any Class D Overcollateralization Test.

Cancellation

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

Payments

Payments on any Payment Date in respect of principal of and interest on the Notes issued as Global Notes will be made to the person in whose name the relevant Global Note is registered at the close of business on the Business Day prior to such Payment Date. For the Securities issued in definitive

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form, payments on any Payment Date in respect of principal, interest and other distributions will be made to the person in whose name the relevant Security is registered as of the close of business 10 Business Days prior to such Payment Date. Payments on the Global Notes will be payable by wire transfer in immediately available funds to a U.S. Dollar account maintained by DTC or its nominee (in the case of the Global Notes) or each Holder (in the case of individual Definitive Notes) to the extent practicable or otherwise by U.S. Dollar check drawn on a bank in the United States sent by mail either to DTC or its nominee (in the case of the Global Notes), or to each Holder at its address appearing in the applicable register. Final payments in respect of principal on the Notes will be made only against surrender of the Notes at the office of any paying agent. None of the Issuers, the Securities Intermediary, the Trustee, the Collateral Manager, the Cashflow Swap Counterparty or any paying agent will have any responsibility or liability for any aspects of the records maintained by DTC or its nominee or any of its participants relating to, or for payments made thereby on account of beneficial interests in, a Global Note.

The Issuers expect that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note held by DTC or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in such Global Notes as shown on the records of DTC or its nominee. The Issuers also expect that payments by participants to owners of beneficial interests in such Global Notes held through such 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. Such payments will be the responsibility of such participants.

If any payment on a Security is due on a day that is not a Business Day, then payment will not be made until the next succeeding Business Day.

For so long as the Securities are listed on any stock exchange and the rules of such exchange so require, the Issuers will have a paying agent and a transfer agent (which shall be the Listing and Paying Agent) for such Securities and payments on and transfers or exchanges of interest in such Securities may be effected through the Listing and Paying Agent. In the event that the Listing and Paying Agent is replaced at any time during such period, notice of the appointment of any replacement will be given to the applicable stock exchange as long as any Securities are listed thereon.

Priority of Payments

With respect to any Payment Date, all Proceeds received on the Collateral during the related Due Period will be applied by the Trustee in the priority set forth below (the "Priority of Payments"). For purposes of the Priority of Payments, amounts paid as interest, fees or distributions on the Notes on a "*pro rata*" basis shall be *pro rata* based on the amount of interest due on such Class or subclass of Notes or fees, amounts paid as principal shall be paid *pro rata* based on the amount of principal then outstanding on such Class or subclass of Notes and unless stated otherwise, Proceeds not constituting Principal Proceeds will be assumed to be applied prior to any Principal Proceeds.

Two Business Days prior to each Payment Date, to the extent there is a positive Aggregate Amortization Amount determined as of the related Determination Date, an amount (in cash or par amount, as applicable) equal to the Aggregate Amortization Amount shall be withdrawn by the Trustee from the Default Swap Collateral Account (first, by applying cash on deposit in the Default Swap Collateral Account received as principal, second, by liquidating Eligible Investments in the Default Swap Collateral Account and third, by releasing Default Swap Collateral from the Default Swap Collateral Account and from the lien of the Synthetic Security Counterparty and depositing it to the Collateral Account) and deposited to the Payment Account for application as Principal Proceeds in accordance with the Priority of Payments on the related Payment Date or in the case of the release of Default Swap Collateral, for deposit to the Collateral Account.

On the Business Day prior to each Payment Date (other than a Final Payment Date), the Trustee will transfer all funds then on deposit in the Collection Account (other than amounts received after the end of the related Due Period) into the Payment Account. On each Payment Date (other than a Final

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Payment Date), amounts in the Payment Account and any payments received from the Cashflow Swap Counterparty since the previous Payment Date will be applied by the Trustee in the manner and order of priority set forth below:

i. to the payment of taxes and filing and registration fees (including, without limitation, annual return fees) owed by the Issuers, if any;

ii. to the payment of accrued and unpaid fees of the Trustee up to a maximum amount on any Payment Date equal to the greater of U.S.$12,062.50 and 0.0018125% of the Quarterly Asset Amount for the related Due Period (or, in the case of the first Due Period, as such amounts are adjusted based on the number of days in such Due Period);

iii. (a) first, to the payment of any remaining accrued and unpaid Administrative Expenses of the Issuers, excluding any indemnities (and legal expenses related thereto) payable by the Issuers first, to the Trustee, the Collateral Administrator and the Fiscal Agent and second, pro rata, to any other parties entitled thereto; (b) second, to the payment of any indemnities (and legal expenses related thereto) payable by the Issuers first, to the Trustee, the Collateral Administrator, the Fiscal Agent and second, pro rata, to any other parties entitled thereto; and (c) third, to the Expense Reserve Account the lesser of U.S.$50,000 and the amount necessary to bring the balance of such account to U.S.$200,000; *provided, however*, that the aggregate payments pursuant to subclauses (a) through (c) of this clause (iii) on any Payment Date shall not exceed U.S.$250,000 and the aggregate payments pursuant to subclauses (a) and (b) of this clause (iii) on the current and prior three Payment Dates shall not exceed U.S.$300,000;

iv. to the payment of (a) first, pro rata (based on amounts due) (i) amounts, if any, to be paid to the Cashflow Swap Counterparty pursuant to the Cashflow Swap Agreement including termination and partial terminetion payments (other than Defaulted Cashflow Swap Termination Payments payable under clause (xviii) below) and including on any Payment Date related to an Optional Redemption by Refinancing all "Cashflow Swap Amounts" that have been advanced by the Cashflow Swap Counterparty under the Cashflow Swap Agreement but that have not been repaid *plus* accrued and unpaid interest thereon, (ii) accrued and unpaid interest on the Class S-1 Notes (including Defaulted Interest and interest thereon) and (iii) beginning with the Payment Data occurring in December 2007, principal of the Class S-1 Notes in an amount equal to the Class S-1 Notes Amortizing Principal Amount until the Class S-1 Notes are paid in full and (b) second, if an Event of Default or a Tex Event shall have occurred and is continuing or an Optional Redemption by Liquidation or a successful Auction has occurred and the Collateral Assets are being liquidated pursuant to the terms of the Indenture, to the payment of principal of the Class S-1 Notes until the Class S-1 Notes are paid in full;

v. to the payment, *pro rata* based on the amount due (a), to the Collateral Manager of the accrued and unpaid Collateral Management Fee, *plus* interest due on any portion of such Collateral Management Fee not paid on a prior Payment Date at a rate equal to LIBOR (excluding any portion thereof included in any Cumulative Deferred Management Fees that were not paid on a previous Payment Dete); *provided, however*, the Collateral Manager may at its option defer all or a portion of such Collateral Management Fee (the amount, if any, so deferred on such Payment Date to be included in the Current Deferred Management Fee on such date) and (b) to the payment to the Initial Purchaser of any unpaid Deferred Structuring Expense, *plus* interest due on any portion of the Deferred Structuring Expense not paid on the prior Payment Date at a rate equal to LIBOR;

vi. to the payment of (a) first, *pro rata*, (i) accrued and unpaid interest on the Class A-1 Notes (including any Defaulted Interest and interest thereon), (ii) accrued and unpaid interest on the Class A-2 Notes (including any Defaulted Interest and interest thereon),

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and (iii) accrued and unpaid interest on the Class S-2 Notes (including any Defaulted Interest and any interest thereon), and (b) second, accrued and unpaid interest on the Class B Notes (including any Defaulted Interest and any interest thereon);

vii. if the Class A/B Overcollateralization Test is not satisfied on the Determination Date with respect to the related Payment Date after giving effect to all peyments of principal on such Payment Date (without giving effect to any payments pursuant to this clause (vii) or clauses (x) and (xii) below), *first*, to the payment of principal of all outstanding Class A-1 Notes in accordance with the Class A-1 Note Payment Sequence until the Class A-1 Notes are paid in full, *second*, to the payment of principal of all outstanding Class S-2 Notes until the Class S-2 Notes are paid in full, *third*, to the payment of principal of all outstanding Class A-2 Notes until the Class A-2 Notes are paid in full, and *fourth*, to the payment of principal of all outstanding Class B Notes until the Class B Notes are paid in full;

viii. to the payment of (a) beginning with the Payment Date occurring in December 2007, principal of the Class S-2 Notes in an amount equal to the Class S-2 Notes Amortizing Principal Amount until the Class S-2 Notes are paid in full, and (b) if an Evant of Default or a Tax Event shall have occurred and is continuing or an Optional Redemption by Liquidation or successful Auction has occurred and the Collateral Assets are being liquidated pursuant to the terms of the Indenture, principal of the Class S-2 Notes until the Class S-2 Notes are paid in full;

ix. to the payment of accrued and unpaid interest on the Class C Notes (including Defaulted Interest and any interest thereon but not including Class C Deferred Interest);

x. if the Class C Overcollateralization Test is not satisfied on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal on such Payment Date (without giving effect to any payments pursuant to this clause (x) or clause (xii) below), then, (a) pro rata, Principal Proceeds only (i) to the payment of principal of all outstanding Class A-1 Notes in accordance with the Class A-1 Note Payment Sequence, (ii) to the payment of principal of all outstanding Class A-2 Notes, (iii) to the payment of principal of all outstanding Class B Notes and (iv) to the payment of principal of all outstanding Class C Notes, until the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, and the Class C Notes are paid in full; *provided, however*, that if the Net Outstanding Portfolio Collateral Balance is less than U.S.$500,000,000, then such amount shall be paid *first*, to the payment of principal of all outstanding Class A-1 Notes in accordance with the Class A-1 Note Payment Sequence until the Class A-1 Notes are paid in full, *second*, to the payment of principal of all outstanding Class A-2 Notes until the Class A-2 Notes are paid in full, *third*, to the payment of principal of all outstanding Class B Notes until the Class B Notes are paid in full and *fourth*, to the payment of principal of all outstanding Class C Notes until the Class C Notes are paid in full; and (b) any remaining Proceeds to the payment of principal of all outstanding Class C Notes until the Class C Notes are paid in full;

xi. to the peyment of accrued and unpaid interest on the Class D Notes (including Defaulted Interest and any interest thereon but not including Class D Deferred Interest);

xii. to the payment of principal of *first*, pro rata, the Class A Notes up to the amount specified in clause (b)(1) below (*provided*, that the Class A-1 Notes shall be paid in accordance with the Class A-1 Note Payment Sequence), *second*, the Class B Notes up to the amount specified in clause (b)(2) below, *third*, the Class C Notes up to the amount specified in clause (b)(3) below and *fourth*, the Class D Notes up to the amount specified in clause (b)(4) below in an aggregate amount equal to the lesser of (a) Principal Proceeds received or held during the related Due Period, and (b) the sum of (1) the amount necessary to increase the Class A Adjusted Overcollateralization Ratio to or

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maintain it at 126.7%, *plus* (2) the amount necessary to increase the Class B Adjusted Overcollateralization Ratio to or maintain it at 110.6%, *plus* (3) the amount necessary to increase the Class C Adjusted Overcollateralization Ratio to or maintain it at 106.0%, *plus* (4) the amount necessary to increase the Class D Adjusted Overcollateralization Ratio to or maintain it at 102.7%; *provided, however,* that if the Net Outstanding Portfolio Collateral Balance is less than U.S.$300,000,000, then only the amount described in sub-clause (a) of this clause (xii) will be paid, such amount to be allocated, *first*, to the payment of principal of all outstanding Class A-1 Notes in accordance with the Class A-1 Note Payment Sequence, *second*, to the payment of principal of all outstanding Class A-2 Notes, *third*, to the payment of principal of all outstanding Class B Notes, *fourth*, to the payment of principal of all outstanding Class C Notes, and *fifth*, to the payment of principal of all outstanding Class D Notes, until the Class A Notes, the Class B Notes, the Class C Notes, and the Class D Notes are paid in full;

xiii. if the Class D Overcollateralization Test is not satisfied on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal on such Payment Date (without giving effect to any payments pursuant to this clause (xiii)) then to the payment of principal of all outstanding Class D Notes until the Class D Notes are paid in full;

xiv. to the payment to the Collateral Manager of the Cumulative Deferred Management Fee (or any portion thereof as directed by the Collateral Manager);

xv. *first*, to the payment of principal of the Class C Notes in an amount equal to that portion of the principal of the Class C Notes comprised of Class C Deferred Interest unpaid after giving effect to payments under clauses (x) and (xii) above (amounts will be considered unpaid for this purpose if the principal balance of the Class C Notes after giving effect to clauses (x) and (xii) above exceeds any previous lowest amount outstanding) and *second*, to the payment of principal of the Class D Notes in an amount equal to that portion of the principal of the Class D Notes comprised of Class D Deferred Interest unpaid after giving effect to payments under clauses (xii) and (xiii) above (amounts will be considered unpaid for this purpose if the principal balance of the Class D Notes after giving effect to clauses (xii) and (xiii) above exceeds any previous lowest amount outstanding);

xvi. after the Payment Date occurring in September 2015, *first*, to the payment of principal of all outstanding Class C Notes until the Class C Notes are paid in full, and *second*, to the payment of principal of all outstanding Class D Notes until the Class D Notes are paid in full;

xvii. to the payment of principal of the Class D Notes in an amount equal to the Class D Notes Amortizing Principal Amount;

xviii. to the payment of, pro rata, any Defaulted Cashflow Swap Termination Payments, with respect to the Cashflow Swap Agreement, pro rata, based on the amount owed and Defaulted Synthetic Security Termination Payments, with respect to the Synthetic Securities, pro rata, based on the amount owed;

xix. *first* (a) to the payment of any remaining accrued and unpaid Administrative Expenses of the Issuers not paid pursuant to clauses (ii) and (iii) above (as the result of the limitations on amounts set forth therein) in the same order of priority set forth above in clause (iii) excluding any indemnities (and legal expenses related thereto) payable by the Issuers; *second*, (b) to the payment, pro rata, of any indemnities (and legal expenses related thereto) payable by the Issuers not paid pursuant to clause (iii) above (as the result of the limitation on amounts set forth therein) in the same order of priority set forth above in clause (iii); and *third*, (c) to the Expense Reserve Account until the balance of such

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account reaches U.S.$200,000 (after giving effect to any deposits made therein on such Payment Date under clause (iii) above); *provided, however*, that the aggregate payments pursuant to subclause (c) of this clause (xix) and subclause (c) of clause (iii) on any Payment Date shall not exceed U.S.$50,000; and

xx. any remaining amount to the payment to the Fiscal Agent for deposit into the Income Note Payment Account for payment to the Holders of the Income Notes as additional distributions (subject to certain restrictions imposed under Cayman Islands law and to the extent of funds legally available therefor).

On the Business Day prior to the Final Payment Date, the Trustee will transfer all funds then on deposit in the Collection Account into the Payment Account. On the Final Payment Date, amounts in the Payment Account will be applied by the Trustee in the manner and order of priority set forth below:

i. to the payment of the amounts referred to in clauses (i) through (vi) of the Priority of Payments for Payment Dates which are not Final Payment Dates, in that order (without regard to the limitations in clause (iii) except for any Final Payment Date which is the Stated Maturity of a Note (other than the Class S Notes)); *provided* that no deposit shall be made to the Expense Reserve Account pursuant to subclause (iii);

ii. to the payment to the Class A-1 Notes in accordance with the Class A-1 Note Payment Sequence of the amount necessary to pay the outstanding principal amount of such Notes;

iii. to the payment to the Class S-2 Notes of the amount necessary to pay the outstanding principal amount of such Notes;

iv. to the payment to the Class A-2 Notes of the amount necessary to pay the outstanding principal amount of such Notes;

v. to the payment to the Class B Notes of the amount necessary to pay the outstanding principal amount of such Notes in full;

vi. to the payment to the Class C Notes of the amount necessary to pay accrued and unpaid interest on and the outstanding principal amount of such Notes (including any Class C Deferred Interest and Defaulted Interest and any interest thereon) in full;

vii. to the payment to the Class D Notes of the amount necessary to pay accrued and unpaid interest on and the outstanding principal amount of such Notes (including any Class D Deferred Interest and Defaulted Interest and any interest thereon) in full;

viii. to the payment of the amounts referred to in clause (xiv) of the Priority of Payments for Payment Dates that are not Final Payment Dates;

ix. to the payment of the amounts referred to in clause (xviii) of the Priority of Payments for Payment Dates that are not Final Payment Dates;

x. to the payment of the amounts referred to in subclause (a) and subclause (b) of clause (xix) of the Priority of Payments on any Final Payment Date that is the Stated Maturity of any Notes (other than the Class S Notes); and

xi. to the payment of the amounts referred to in clause (xx) of the Priority of Payments for Payment Dates which are not Final Payment Dates in accordance with the Fiscal Agency Agreement.

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Upon payment in full of the last outstanding Note, the Issuer (or the Collateral Manager acting pursuant to the Collateral Management Agreement on behalf of the Issuer) will liquidate any remaining Collateral Assets, Eligible Investments, the Cashflow Swap Agreement and any other items comprising the Collateral and deposit the proceeds thereof in the Collection Account. The net proceeds of such liquidation and all available cash (other than the U.S.$250 of capital contributed by the owners of the Issuer Ordinary Shares in accordance with the Issuer's Memorandum and Articles of Association and U.S.$250 representing a transaction fee to the Issuer (the "Excepted Property") will be distributed in accordance with the Priority of Payments for Final Payment Dates and all amounts remaining thereafter will be paid to the Holders of the Income Notes as a redemption payment, whereupon all of the Notes and the Income Notes will be canceled.

Income Notes

The final payment on the Income Notes will be made by the Issuer on the Stated Maturity of the Income Notes, unless redeemed or retired prior thereto in accordance with the Priority of Payments.

The Indenture and the Fiscal Agency Agreement

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

Indenture

Events of Default. An "Event of Default" under the Indenture includes:

i. a default in the payment, when due and payable, of any interest on any Class S Note, Class A Note or Class B Note or, if there are no Class S Notes, Class A Notes or Class B Notes outstanding, any Class C Note or, if there are no Class S Notes, Class A Notes, Class B Notes or Class C Notes outstanding, any Class D Note and a continuation of such default, in each case, for a period of 7 days (or, in the case of a default in payment resulting solely from an administrative error or omission by the Trustee, any Note Paying Agent or the Note Registrar, such default continues for a period of 7 days after the Trustee is made aware of such administrative error or omission);

ii. a default in the payment of principal due on any Note at its Stated Maturity or on any Redemption Date (or, in the case of a default in payment resulting solely from an administrative error or omission by the Trustee, any Note Paying Agent or the Note Registrar, such default continues for a period of 7 days after the Trustee is made aware of such administrative error or omission);

iii. the failure on any Payment Date to disburse amounts (other than in payment of interest on any Note or principal of any Note at its Stated Maturity or any date set for redemption as described in (i) and (ii) above) available in the Payment Account in excess of U.S.$500 in accordance with the Priority of Payments and a continuation of such failure for a period of 7 days after such failure has been recognized;

iv. a circumstance in which either of the Issuers or the Collateral or any portion thereof becomes an investment company required to be registered under the Investment Company Act;

v. a default, which has a material adverse effect on the Holders of the Notes (as determined by at least 50% in aggregate principal amount of the Controlling Class), in the performance, or breach, of any covenant, representation, warranty or other agreement of the Issuers in the Indenture (it being understood that a failure to satisfy a Coverage Test is not a default or breach) or in any certificate or writing delivered pursuant to the

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Indenture, or if any representation or warranty of the Issuers made in the Indenture or in any certificate or writing delivered pursuant thereto proves to be incorrect in any material respect when made, and the continuation of such default or breach for a period of 30 days after notice thereof shall have been given to the Issuers and the Collateral Manager by the Trustee or to the Issuers, the Collateral Manager and the Trustee by the Holders of at least 50% in Aggregate Outstanding Amount of the Controlling Class; and

vi. certain events of bankruptcy, insolvency, receivership or reorganization of either of the Issuers.

If an Event of Default should occur and be continuing, the Trustee may, with the consent of the Holders of at least a Majority of the Controlling Class, and will at the direction of the Holders of at least a Majority of the Controlling Class, declare the principal of and accrued and unpaid interest on all Notes to be immediately due and payable (except that in the case of an Event of Default described in clause (vi) above, such an acceleration will occur automatically and shall not require any action by the Trustee or any Noteholder).

If an Event of Default should occur and be continuing, the Trustee is required to retain the Collateral intact and collect all payments in respect of the Collateral and continue making payments in the manner described under Priority of Payments unless (a) the Trustee determines (which determination will be based upon a certificate from the Collateral Manager) that the anticipated proceeds of a sale or liquidation of the Collateral based on an estimate obtained from a nationally recognized investment banking firm (which estimate takes into account the time elapsed between such estimate and the anticipated sale of the Collateral) would equal the amount necessary to pay in full (after deducting the reasonable expenses of such sale or liquidation) the sum of (i) the principal (including any Class C Deferred Interest and Class D Deferred Interest) and accrued interest (including all Defaulted Interest, and interest thereon) and any other amounts due with respect to all the outstanding Notes; (ii) all Administrative Expenses; (iii) all amounts payable by the Issuer to the Synthetic Security Counterparty or an assignee of a Synthetic Security (other than Defaulted Synthetic Security Termination Payments) net of all amounts payable to the Issuer by any Synthetic Security Counterparty or an assignee of a Synthetic Security; (iv) all amounts payable by the Issuer to the Cashflow Swap Counterparty (other than Defaulted Cashflow Swap Termination Payments) net of all amounts peyable to the Issuer by any Cashflow Swap Counterparty; (v) accrued and unpaid Deferred Structuring Expenses; (vi) accrued and unpaid Collateral Management Fees, including any Cumulative Deferred Management Fees; and (vii) all other items in the Priority of Payments ranking prior to payments on the Notes, and, in any case, the Holders of a Majority of the Controlling Class agree with such determination or (b) the Holders of at least 66-2/3% of the Aggregate Outstanding Amount of the Controlling Class and any Cashflow Swap Counterparty (other than any Cashflow Swap Counterparty which will be paid in full the amounts due to it, including in any applicable termination payments other than Defaulted Cashflow Swap Termination Payments at the time of distribution of the proceeds of any sale or liquidation of the Collateral) direct, subject to the provisions of the Indenture, the sale and liquidation of the Collateral.

The Holders of a Majority of the Controlling Class will have the right to direct the Trustee in writing in the conduct of any proceedings or in the sale of any or all of the Collateral, but only if (i) such direction will not conflict with any rule of law or the Indenture (including the limitations described in the paragraph above) and (ii) the Trustee determines that such action will not involve it in liability (unless the Trustee has received an indemnity which is reasonably acceptable to the Trustee against any such liability).

Subject to the provisions of the Indentura relating to the duties of the Trustee, in case an Event of Default with respect to the Notes occurs and is continuing, the Trustee is under no obligation to exercise any of the rights or powers under the Indenture at the request of any Holders of Notes, unless such Holders have offered to the Trustee reasonable security or an indemnity which is reasonably acceptable to the Trustee. The Holders of a Majority of the Controlling Class may waive any default with respect to the Notes, except (a) a default in the payment of principal or interest on any Note; (b) failure on any Payment Date to disburse amounts available in the Payment Account in accordance with the Priority of Payments and continuation of such failure for a period of five days; (c) certain events of bankruptcy or

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insolvency with respect to the Issuers; or (d) a default in respect of a provision of the Indenture that cannot be modified or amended without the waiver or consent of Holder of each outstanding Note adversely effected thereby.

Furthermore, any declaration of acceleration of maturity of the Notes may be revoked and annulled by the Holders of a Majority of the Controlling Class before a judgment or decree for the payment of money has been obtained by the Trustee or the Collateral has been sold or foreclosed in whole or in part, by notice to the Issuers, the Trustee and any Cashflow Swap Counterparty, if (a) the Issuer has paid or deposited with the Trustee a sum sufficient to pay, in accordance with the Priority of Payments, the principal and accrued interest (including all Defaulted Interest and the interest thereon), discount or other unpaid amounts with respect to the outstanding Notes and any other administrative expenses, fees or other amounts that, under the Transaction Documents and pursuant to the Priority of Peyments, are payable prior to the payment of the principal of and interest on the outstanding Notes, and (b) the Trustee has determined that all Events of Default, other than the non-payment of the interest on or principal of the outstanding Notes that have become due solely by such acceleration, have been cured and the Holders of a Majority of the Controlling Class by notice to the Trustee have agreed with such determination (which agreement shall not be unreasonably withheld) or waived such Event of Default in accordance with the provisions set forth in the Indenture.

Only the Trustee may pursue the remedies available under the Indenture and the Notes and no Holder of a Note will have the right to institute any proceeding with respect to the Indenture, its Note or otherwise unless (i) such Holder previously has given to the Trustee written notice of a continuing Event of Default; (ii) except in the case of a default in the payment of principal or interest, the Holders of at least 25%, by Aggregate Outstanding Amount, of the Controlling Class have made a written request upon the Trustee to institute such proceedings in its own name as Trustee and such Holders have offered the Trustee an indemnity which is reasonably acceptable to the Trustee; (iii) the Trustee hes for 30 days failed to institute any such proceeding; and (iv) no direction inconsistent with such written request has been given to the Trustee during such 30-day period by the Holders of a Majority of the Controlling Class.

In determining whether the Holders of the requisite percentage of Notes have given any direction, notice or consent, Notes owned by the Issuer, the Co-Issuer or any affiliate thereof shall be disregarded and deemed not to be outstanding. In addition, Holders of Income Notes will not be considered to be affiliates of the Issuer or Co-Issuer by virtue of such ownership of Income Notes.

Notices. Notices to the Holders of the Notes shall be given by first-class mail, postage prepaid, to each Noteholder at the address appearing in the applicable note register. In addition, for so long as any of the Notes are listed on any stock exchange and so long as the rules of such exchange so require, notices to the Holders of such Notes shall also be published by the Listing and Paying Agent in the official list thereof.

Modification of the Indenture. Except as provided below, with the consent of the Holders of a Majority, by Aggregate Outstanding Amount, of the Notes materially adversely affected thereby, voting together as a single class, and a Majority of the Income Notes materially and adversely affected thereby, the Trustee and the Issuers, with respect to the Notes, may execute a supplemental Indenture to add 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 or the Income Notes; *provided* that the Rating Agency Condition would be satisfiad after such addition, change or elimination. The Trustee may, consistent with the written advice of legal counsel or an officer's certificate, at the expense of the Issuer, determine whether or not the Holders of the Notes or Income Notes would be materially and adversely affected by such change. Such determination shall be conclusive and binding on all present and future Holders.

Without the consent of the Holders of each adversely affected Note and each adversely affected Income Note, end unless the Rating Agency Condition is satisfied, no supplemental indenture may be entered into which would (i) change the Stated Maturity of the principal of or the due date of any installment of interest or discount on a Note; reduce the principal amount thereof or the rate of interest thereon, or the applicable Redemption Price with respect thereto; change the earliest date on which a

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Note may be redeemed; change the provisions of the Indenture relating to the application of proceeds of any Collateral to the payment of principal of or interest or discount on Notes or change any place where, or the coin or currency in which, Notes or the principal thereof or interest or discount thereon are payable; or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date); (ii) reduce the percentage in aggregate principal amount of Holders of the Notes of each Class and Holders of the Income Notes whose consent is required for the authorization of any supplemental indenture or for any waiver of compliance with certain provisions of the Indenture or certain defaults thereunder or their consequences; (iii) impair or adversely affect the Collateral except as otherwise permitted by the Indenture; (iv) permit the creation of any security interest ranking prior to or on a parity with the security interest created by the Indenture with respect to any part of the Collateral (it being understood that the addition of the Cashflow Swap Counterparty having the benefit of the Indenture pursuant to its terms does not require consent under this clause) or terminate such security interest on any property at any time subject thereto or deprive the Holder of any Note, the Trustee or any other Secured Party of the security afforded by the Indenture; (v) reduce the percentage of Holders of the Notes of each Class whose consent is required to request the Trustee to preserve the Collateral or rescind the Trustee's election to preserve the Collateral or to sell or liquidate the Collateral pursuant to the Indenture; (vi) modify any of the provisions of the Indenture with respect to supplemental indentures, except to increase the percentage of outstanding Notes whose Holders' consent 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 Holder of each outstanding Note adversely affected thereby; (vii) modify the definition of the term "Outstanding" or the Priority of Payments set forth in the Indenture; (viii) modify any of the provisions of the Indenture in such a manner as to affect the calculation of the amount of any payment of interest or discount on or principal of any Note or modify any amount distributable to the Fiscal Agent for payment to the Holders of the Income Notes on any Payment Date or to affect the right of the Holders of the Notes or the Trustee to the benefit of any provisions for the redemption of such Notes contained therein; (ix) amend any provision of the Indenture or any other agreement entered into by the Issuer with respect to the transactions contemplated by the Indenture relating to the institution of proceedings for the Issuer or the Co-Issuer to be adjudicated as bankrupt or insolvent, or the consent of the Issuer or the Co-Issuer to the institution of bankruptcy or insolvency proceedings against it, or the filing with respect to the Issuer or the Co-Issuer of a petition or answer or consent seeking reorganization, errangement, moratorium or liquidation proceedings, or other proceedings under the United States Bankruptcy Code or any similar laws, or the consent of the Issuer or the Co-Issuer to the filing of any such petition or the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Issuer or the Co-Issuer or any substantial part of its property, respectively; (x) increase the amount of the Collateral Management Fees payable to the Collateral Manager beyond the amount provided for in the original Collateral Management Agreement; (xi) amend any provision of the Indenture or any other agreement entered into by the Issuer with respect to the transactions contemplated thereby that provides that the obligations of the Issuers or the Issuer, as the case may be, are limited recourse obligations of the Issuers or the Issuer, respectively, payable solely from the Collateral in accordance with the terms of the Indenture; (xii) at the time of execution of such supplemental indenture, cause the Issuer, any Cashflow Swap Counterparty, the Collateral Manager or any Paying Agents to become subject to withholding or other taxes, fees or assessments or cause the Issuer to be treated as engaged in a United States trade or business or otherwise be subject to United States federal, state or local income tax on a net income basis; or (xiii) at the time of execution of such supplemental indenture, result in a deemed sale or exchange of any of the Notes under Section 1001 of the Code (items (i) through (xiii) above collectively, the "Reserved Matters").

Except as provided above, the Issuers and the Trustee may also enter into one or more supplemental indentures, without obtaining the consent of Holders of the Notes or the Income Notes but with satisfaction of the Rating Agency Condition, (i) if such supplemental indentures would have no material adverse effect on any of the Noteholders (as evidenced by an officer's certificate delivered by the Issuer, or the Collateral Manager on behalf of the Issuer, to the Trustee) or (ii) for any of the following purposes: (a) to evidence the succession of any person to either the Issuer or Co-Issuer and the assumption by any such successor of the covenants of the Issuer or Co-Issuer in the Notes, the Fiscal Agency Agreement and the Indenture; (b) to add to the covenants of the Issuers or the Trustee for the benefit of the Holders of the Notes or the Income Notes or to surrender any right or power conferred upon

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the Issuers; (c) to convey, transfer, assign, mortgage or pledge any property to the Trustee, or add to the conditions, limitations or restrictions on the authorized amount, terms and purposes of the issue, authentication and delivery of the Notes or the Income Notes; (d) to 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 trusts under the Indenture by more than one Trustee; (e) to correct or amplify the description of any property at any time subject to the security interest created by the Indenture, or to better assure, convey, and confirm unto the Trustee any property subject or required to be subject to the security interest created by the Indenture (including, without limitation, eny and all actions necessary or desirable as a result of changes in law or regulations) or subject to the security interest created by the Indenture any additional property; (f) to otherwise correct any inconsistency or cure any ambiguity or manifest error or correct or supplement any provisions contained herein which may be defective or inconsistent with any provision contained herein or make any modification that is of a formal, minor or technical nature or which is made to correct a manifest error; (g) to take any action necessary or advisable to prevent the Issuer, the Trustee or any Paying Agents from becoming subject to withholding or other taxes, fees or assessments or to prevent the Issuer from being treated as engaged in a United States trade or business or otherwise being subject to United States federal, state or local income tax on a net income basis; (h) to conform the Indenture to the descriptions thereof in the final Offering Circular; (i) to comply with any reasonable requests made by any stock exchange in order to list or maintain the listing of any Notes or Income Notes on such stock exchange; (j) to reflect the terms of an Optional Redemption by Refinancing (including the grant of a security interest in the Collateral); or (k) to enter into any additional agreements not expressly prohibited by any of the Indenture or the other Transaction Documents, as well as any amendment, modification or waiver if the Issuer determines that entering into such an agreement or such amendment, modification or waiver thereof would not, upon or after becoming effective, materially and adversely affect the rights or interests of Holders of any Class of Notes or Income Notes. The Issuers and the Trustee shall not enter into any supplemental indenture, amendment or modification of the Indenture which would require the consent of any of the Holders of the Notes or Income Notes, any Cashflow Swap Counterparty or any Synthetic Security Counterparty due to an adverse effect or a material adverse effect, as applicable, on such person as a result of such supplemental indenture, amendment or modification without any such person's consent (except as provided below) if any such person could be reasonably determined to be adversely affected or materially adversely affected, as applicable, by any supplemental indenture, amendment or modification to this Indenture. The Issuer may give at least five (5) Business Days' prior notice of any such supplemental indenture, amendment or modification which could reasonably be determined to give rise to an adverse effect or a material adverse effect to the Holders of the Notes and of the Income Notes, the Cashflow Swap Counterparty and the Synthetic Security Counterparty. All Classes and counterparties that fail to respond to any such notice on or before the return date indicated on such notice shall be deemed to be not adversely effected or materially adversely affected by such change and the Issuers, the Trustee and any opinion of counsel may rely on the results of any such notice or on a certificate from the Issuer or the Collateral Manager. The Trustee may require the delivery of an opinion of counsel or an officer's certificate delivered by the Issuer (or the Collateral Manager on behalf of the Issuer) to the Trustee, reasonably satisfactory to it, at the expense of the Issuer, that the execution of such amendment or modification is authorized or permitted under the terms of the Indenture. Such determination shall be conclusive and binding on all present and future Holders of Notes or Income Notes, any Synthetic Security Counterparty, the Collateral Manager and any Cashflow Swap Counterparty.

Notwithstanding anything to the contrary herein, (i) the Issuer will not consent to enter into any supplemental indenture or any supplement or amendment to any other document related thereto unless and until the Collateral Manager has received written notice of such proposed amendment or supplement and has consented in writing thereto and has received a final copy thereof from the Issuer or the Trustee and, if any such supplement or amendment could reasonably be expected to have a material adverse effect on any Synthetic Security Counterparty, such Synthetic Security Counterparty has received written notice of such amendment or supplement and has consented thereto in writing (which consent shall not be unreasonably withheld) and (ii) no amendment to the Indenture will be effective until the consent of each Cashflow Swap Counterparty (which shall not be unreasonably withheld) has been obtained to the extent required under the Cashflow Swap Agreement.

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Under the Indenture, the Trustee will, for so long as any of the Securities are outstanding and rated by the Rating Agencies, deliver a copy of any proposed supplemental indenture (whether or not required to be approved by the Holders of any Notes or Income Notes) to the Rating Agencies, each Cashflow Swap Counterparty and each Synthetic Security Counterparty not later than 20 Business Days prior to the execution of such proposed supplemental indenture, and no such supplemental indenture shall be entered into unless the Rating Agency Condition is met; *provided* that the Trustee shall, with the consent of the Holders of 100% of the Aggregate Outstanding Amount of Notes of each Class and Income Notes, each Synthetic Security Counterparty and each Cashflow Swap Counterparty, enter into any such supplemental indenture notwithstanding any potential reduction or withdrawal of the ratings of any outstanding Class of Notes. In addition, the Trustee will deliver a copy of any proposed supplemental indenture with respect to which a determination must be made pursuant to the terms of the Indenture as to whether the Controlling Class would be materially adversely affected thereby to the Controlling Class not later than five (5) Business Days prior to the execution of such proposed supplemental indenture (or such shorter period prior to the execution of such proposed supplemental indenture as a Majority of the Controlling Class shall consent to, or otherwise agree is sufficient). The Trustee must provide notice of any amendment or modification of the Indenture (whether or not required to be approved by the Holders of any Notes or Income Notes) to the Holders of the Notes and Income Notes, each Cashflow Swap Counterparty, each Synthetic Security Counterparty and, for so long as any Notes or Income Notes are listed on any stock exchange, the Listing and Paying Agent, promptly upon the execution of such supplemental indenture.

In connection with any amendment, the Trustee may require the delivery of an opinion of counsel satisfactory to it, at the expense of the Issuer, that such amendment is permitted under the terms of the Indenture.

Jurisdictions of Incorporation and Formation. Under the Indenture, the Issuer and the Co-Issuer will be required to maintain their rights and franchises as a company incorporated under the laws of the Cayman Islands and a corporation formed under laws of the State of Delaware, respectively, to comply with the provisions of their respective organizational documents and to obtain and preserve their qualification to do business as foreign corporations in each jurisdiction in which such qualifications are or shall be necessary to protect the validation and enforceability of the Indenture, the Notes or any of the Collateral; *provided, however,* that the Issuers shall be entitled to change their jurisdictions of incorporation from the Cayman Islands or Delaware, as applicable, to any other jurisdiction reasonably selected by such Issuer or Co-Issuer, as applicable, and approved by its common shareholders, so long as (i) the Issuer or Co-Issuer, as applicable, does not believe such change is disadvantageous in any material respect to such entity, the Holders of any Class of Notes, the Cashflow Swap Counterparty or any Synthetic Security Counterparty; (ii) written notice of such change shall have been given by the Issuer or Co-Issuer, as applicable to the other of the Issuer or Co-Issuer, as applicable, the Trustee, the Agents, the Collateral Manager, the Cashflow Swap Counterparty, each Synthetic Security Counterparty, the Holders of each Class of Notes and each of the Rating Agencies at least thirty (30) Business Days prior to such change of jurisdiction; and (iii) on or prior to the 25th Business Day following such notice the Trustee shall not have received written notice from Holders of a Majority of the Controlling Class, the Collateral Manager, the Cashflow Swap Counterparty, any Synthetic Security Counterparty or, so long as any Notes or Income Notes are listed thereon, any stock exchange objecting to such change.

Petitions for Bankruptcy. The Indenture will provide that no Secured Party may, prior to the date which is one year and one day (or, if longer, the applicable preference period then in effect) after the payment in full of all Securities, institute against, or join any other person in instituting against, the Issuer or Co-Issuer any bankruptcy, reorganization, arrangement, moratorium, liquidation or similar proceedings under the laws of any jurisdiction.

Satisfaction and Discharge of the Indenture. The Indenture will be discharged with respect to the Collateral securing the Notes upon delivery to the Note Paying Agent for cancellation all of the Notes, or, within certain limitations (including the obligation to pay principal and interest), upon deposit with the Trustee of funds sufficient for the payment or redemption thereof and the payment by the Issuers of all other amounts due under the Indenture.

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Trustee. The Bank of New York will be the Trustee under the Indenture. The Issuers and their affiliates may maintain other banking relationships in the ordinary course of business with the Trustee. The payment of the fees and expenses of the Trustee relating to the Notes is solely the obligation of the Issuers. The Trustee and/or its affiliates may receive compensation in connection with the Trustee's investment of trust assets in certain Eligible Investments as provided in the Indenture and in connection with the Trustee's administration of any securities lending activities of the Issuer.

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 the acceptance or administration of the Indenture. The Trustee will not be bound to take any action unless indemnified for such action. The Noteholders shall together have the power, exercisable by a Majority of the Controlling Class, to remove the Trustee as set forth in the Indenture. The removal of the Trustee shall not become effective until the later of the effective date of the appointment of a successor trustee and the acceptance of appointment by a successor trustee. If the Trustee is removed without cause, costs and expenses of the Trustee incurred in connection with the transfer to the successor Trustee shall be paid by the successor Trustee or the Issuer.

Agents. The Bank of New York will be the Note Paying Agent, the Note Registrar, the Note Calculation Agent and the Note Transfer Agent under the Indenture. The Bank of New York will also be the Collateral Administrator pursuant to the Collateral Administration Agreement. The Issuers and their affiliates may maintain other banking relationships in the ordinary course of business with The Bank of New York. The payment of the fees and expenses of The Bank of New York relating to the Notes is solely the obligation of the Issuers. The Indenture contains provisions for the indemnification of The Bank of New York for any loss, liability or expense incurred without gross negligence, willful misconduct, default or bad faith on its part arising out of or in connection with the acceptance or administration of the Indenture.

Listing and Paying Agent. For so long as any of the Notes or the Income Notes are listed on any stock exchange and the rules of such exchange shall so require, the Issuers will have a Listing and Paying Agent and a paying agent (which shall be the "Listing and Paying Agent") for the Securities. The Issuers and their affiliates may maintain other relationships in the ordinary course of business with the Listing and Paying Agent. The payment of the fees and expenses of the Listing and Peying Agent relating to the Securities is solely the obligation of the Issuers. The Indenture contains provisions for the indemnification of the Listing and Paying Agent for any loss, liability or expense incurred without negligence, willful misconduct or bad faith on their respective parts arising out of or in connection with the acceptance or administration of the Indenture.

Status of the Income Notes. The Holders of the Income Notes will have certain rights to vote with respect to limited matters arising under the Indenture and the Collateral Management Agreement including, without limitation, in connection with certain modifications to the Indenture. However, the Holders of the Income Notes will have no right to vote in connection with the realization of the Collateral or certain other matters under the Indenture.

Consolidation, Merger or Transfer of Assets. Except under the limited circumstances set forth in the Indenture, the Issuer will not be permitted to consolidate with, merge into, or transfer or convey all or substantially all of its assets to, any other corporation, partnership, trust or other person or other entity. Except under the limited circumstances set forth in the Indenture, the Co-Issuer will not be permitted to consolidate with, merge into, or transfer or convey all or substantially all of its assets to, any other limited liability company, corporation, partnership, trust or other person or entity.

Fiscal Agency Agreement

Pursuant to the Fiscal Agency Agreement, the Fiscal Agent will perform various fiscal services on behalf of the Holders of the Income Notes. The payment of the fees and expenses of the Fiscal Agent is solely the obligation of the Issuer. The Fiscal Agency Agreement contains provisions for the

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indemnification of the Fiscal Agent for any loss, liability or expense incurred without gross negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Fiscal Agency Agreement.

Governing Law of the Indenture, the Notes, the Fiscal Agency Agreement, the Cashflow Swap Agreement, the Synthetic Securities, the Deed of Covenant, the Income Notes, the Collateral Management Agreement and the Collateral Administration Agreement

The Indenture, the Notes, the Cashflow Swap Agreement, the Collateral Management Agreement and the Collateral Administration Agreement will be governed by, and construed in accordance with, the laws of the State of New York applicable to agreements made and to be performed therein without regard to the conflict of laws principles thereof. Under the Indenture, the Fiscal Agency Agreement, the Cashflow Swap Agreement, the Collateral Management Agreement and the Collateral Administration Agreement the Issuers, as applicable, have submitted irrevocably to the non-exclusive jurisdiction of the courts of the State of New York and the courts of the United States of America in the State of New York (in each case sitting in the County of New York) for the purposes of hearing and determining any suit, action or proceedings or settling any disputes arising out of or in connection with the Indenture, the Notes, the Fiscal Agency Agreement, the Cashflow Swap Agreement, the Collateral Management Agreement and the Collateral Administration Agreement. The Fiscal Agency Agreement, the Deed of Covenant and the Income Notes will be governed by, and construed in accordance with, the laws of the Cayman Islands.

Form of the Securities

The Notes. Each Class of Notes (other than the Class D Notes) sold in reliance on Rule 144A under the Securities Act will be represented by one or more Rule 144A Global Notes and will be deposited with The Bank of New York as custodian for DTC and registered in the name of Cede & Co., a nominee of DTC. The Rule 144A Notes which are Class D Notes will be issued in definitive, fully registered form, registered in the name of the owner thereof ("Definitive Notes"). The Rule 144A Global Notes and the Definitive Notes (and any Notes issued in exchange therefor) will be subject to certain restrictions on transfer as set forth under "Notice to Investors."

Each Class of Notes sold in offshore transactions in reliance on Regulation S will initially be represented by a Temporary Regulation S Global Note deposited on the Closing Date with The Bank of New York as custodian for DTC and registered in the name of Cede & Co., a nominee of DTC, for the respective accounts of Euroclear and Clearstream. Beneficial interests in a Temporary Regulation S Global Note may be held only through Euroclear or Clearstream. Beneficial interests in a Temporary Regulation S Global Note will be exchanged for beneficial interests in a permanent Regulation S Global Note for the related Class of Notes in definitive, fully registered form upon the later of (i) the expiration of the Distribution Compliance Period and (ii) the first date on which the requisite certifications (in the form provided in the Indenture) are provided to the Trustee. The Regulation S Global Note will be registered in the name of Cede & Co., a nominee of DTC, and deposited with The Bank of New York as custodian for DTC for credit to the accounts of Euroclear and Clearstream for the respective accounts of the Holders of such Notes. Beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream.

A beneficial interest in a Regulation S Global Note, a Temporary Regulation S Global Note or a Regulation S Income Note may be transferred, whether before or after the expiration of the Distribution Compliance Period, to a U.S. person only, with respect to the Class S Notes, the Class A Notes, the Class B Notes or the Class C Notes, in the form of a beneficial interest in a Rule 144A Global Note and, with respect to a Regulation S Class D Note or a Regulation S Income Note, in the form of a Definitive Note or an Income Note Certificate, as applicable, and only upon receipt by the Note Transfer Agent, in the case of the Notes, or Fiscal Agent, in the case of the Income Notes, of a written certification from the transferor (in the form provided in the Indenture, in the case of the Notes, or in the form provided in the Fiscal Agency Agreement, in the case of the Income Notes) to the effect that the transfer is being made to a person the transferor reasonably believes is a Qualified Institutional Buyer and a Qualified Purchaser.

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In addition, transfers of a beneficial interest in a Regulation S Global Note or Temporary Regulation S Global Note to a person who takes delivery in the form of an interest in a Rule 144A Global Note may occur only in denominations greater than or equal to the minimum denominations applicable to the Rule 144A Global Notes.

A beneficial interest in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Temporary Regulation S Global Note or a Regulation S Global Note, as the case may be, whether during or after the expiration of the Distribution Compliance Period, only upon receipt by the Note Registrar of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made to a non U.S. Person in accordance with Rule 903 or 904 of Regulation S.

Any beneficial interest in one of the Global Notes that is transferred to the person who takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such interest.

Except in the limited circumstances described below, owners of beneficial interests in any Global Note will not be entitled to receive a Definitive Note. The Notes are not issuable in bearer form.

Each Note will be issued in minimum denominations of U.S.$250,000 (in the case of Rule 144A Notes) and U.S.$100,000 (in the case of Regulation S Notes) and integral multiples of U.S.$1 in excess thereof.

The Income Notes will be issued in minimum denominations of U.S.$100,000 notional principal amount of Income Notes and integral multiples of U.S.$1 in excess thereof.

Global Notes. Upon the issuance of the Global Notes, DTC or its custodian will credit, on its internal system, the respective aggregate original principal amount of the individual beneficial interests represented by such Global Notes to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the Initial Purchaser. Ownership of beneficial interests in Global Notes will be limited to persons who have accounts with DTC ("participants") or persons who hold interests through participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

So long as DTC, or its nominee, is the registered owner or Holder of the Global Notes, DTC or such nominee, as the case may be, will be considered the sole owner or Holder of each Class of the Notes represented by such Global Notes for all purposes under the Indenture and such Notes. Unless DTC notifies the Issuers that it is unwilling or unable to continue as depositary for a global note or ceases to be a "Clearing Agency" registered under the Exchange Act, owners of the beneficial interests in the Global Notes will not be entitled to have any portion of such Global Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in certificated form and will not be considered to be the owners or Holders of any Notes under the Indenture. In addition, no beneficial owner of an interest in the Global Notes will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the Indenture referred to herein and, if applicable, those of Euroclear and Clearstream).

Investors may hold their interests in a Regulation S Global Note or a Temporary Regulation S Global Note directly through Clearstream or Euroclear, if they are participants in these systems, or indirectly through organizations which are participants in these systems. Clearstream and Euroclear will hold interests in the Regulation S Global Notes on behalf of their participants through their respective depositaries, which in turn will hold the interests in the Regulation S Global Notes and Temporary

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Regulation S Global Notes in customers' securities accounts in the depositories' names on the books of DTC. Investors may hold their interests in a Rule 144A Global Note directly through DTC if they are participants in the system, or indirectly through organizations which are participants in the system.

Payments of the principal of and interest on the Global Notes will be made to DTC or its nominee, as the registered owner thereof. Neither the Issuers, the Trustee, the Note Registrar, the Income Note Registrar nor any paying agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for any notice permitted or required to be given to Holders of Notes or any consent given or actions taken by DTC as Holder of Notes. The Issuers expect that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note representing any Notes held by it or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective interests in the principal amount of such Global Notes as shown on the records of DTC or its nominee. The Issuers also expect that payments by participants to owners of interests in such Global Notes held through such 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. Such payments will be the responsibility of such participants.

Transfers between participants will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in Global Notes to these 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 having a beneficial interest in Global Notes to pledge its interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of its interest, may be affected by the lack of a physical certificate of the interest. Transfers between account holders 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 Notes described above, cross-market transfers between DTC participants, on the one hand, and, directly or indirectly through Euroclear or Clearstream account holders, on the other, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, these cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in the system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in a Temporary Regulation S Global Note or a Regulation S Global Note in DTC, and making or receiving payment in accordance with normal procedures for a same-day funds settlement applicable to DTC. Clearstream and Euroclear account holders may not deliver instructions directly to the depositaries 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 or Clearstream, as the case may be) 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 in DTC.

DTC has advised the Issuers that it will take any action permitted to be taken by a Holder of the Notes (including the presentation of the applicable Notes for exchange as described below) only at the direction of one or more participants to whose account with DTC interests in a Global Note are credited and only in respect of that portion of the aggregate principal amount of the Notes as to which the participant or participants has or have given direction.

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The giving of notices and other communications by DTC to participants, by participants to persons who hold accounts with them and by such persons to Holders of beneficial interests in a Global Note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised the Issuers as follows: 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 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 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 ("indirect participants").

Clearstream. Clearstream Banking, société anonyme, was incorporated as a limited liability company under Luxembourg law. Clearstream is owned by Cedel International, société anonyme, and Deutsche Börse AG. The shareholders of these two entities are banks, securities dealers and financial institutions.

Clearstream holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream customers through electronic book-entry changes in accounts of Clearstream customers, thus eliminating the need for physical movement of certificates. Clearstream provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities, securities lending and borrowing and collateral management. Clearstream interfaces with domestic markets in a number of countries. Clearstream has established an electronic bridge with Euroclear Bank S.A./N.V., the operator of the Euroclear System, to facilitate settlement of trades between Clearstream and Euroclear.

As a registered bank in Luxembourg, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector. Clearstream customers are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. In the United States, Clearstream customers are limited to securities brokers and dealers and banks and may include the Initial Purchaser. Other institutions that maintain a custodial relationship with a Clearstream customer may obtain indirect access to Clearstream. Clearstream is an indirect participant in DTC.

Distributions with respect to the Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream customers in accordance with its rules and procedures, to the extent received by Clearstream.

The Euroclear System. The Euroclear System was created in 1968 to hold securities for participants of the Euroclear System and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thus eliminating the need for physical movement of certificates and risk from lack of simultaneous transfers of securities and cash. Transactions may now be settled in many currencies, including U.S. Dollars and Japanese Yen. The Euroclear System provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described above.

The Euroclear System is operated by Euroclear Bank S.A./N.V. (the "Euroclear Operator"), under contract with Euroclear Clearance System plc, a U.K. corporation (the "Euroclear Clearance System"). The Euroclear Operator conducts all operations, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Euroclear Clearance System. The Euroclear Clearance System establishes policy for the Euroclear System on behalf of Euroclear

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participating organizations. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the Initial Purchaser. Indirect access to the Euroclear System is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly. Euroclear is an indirect participant in DTC.

The Euroclear Operator is a Belgian bank. The Belgian Banking Commission regulates and examines the Euroclear Operator.

The Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System and applicable Belgian law govern securities clearance accounts and cash accounts with the Euroclear Operator. Specifically, these terms and conditions govern:

(a) transfers of securities and cash within the Euroclear System;

(b) withdrawal of securities and cash from the Euroclear System; and

(c) receipts of payments with respect to securities in the Euroclear System.

All securities in the Euroclear System are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the terms and conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding securities through Euroclear participants.

Distributions with respect to Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participating organizations in accordance with the Euroclear Terms and Conditions, to the extent received by the Euroclear Operator and by Euroclear.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Notes and in the Rule 144A 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. Neither the Issuers nor the Trustee 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.

Payments; Certifications by Holders of Temporary Regulation S Global Notes. A Holder of a beneficial interest in a Temporary Regulation S Global Note must provide Clearstream or Euroclear, as the case may be, with a certificate in the form required by the Indenture certifying that the beneficial owner of the interest in such Global Note is not a U.S. Person (as defined in Regulation S), and Clearstream or Euroclear, as the case may be, must provide to the Trustee a certificate in the form required by the Indenture prior to (i) the payment of interest or principal with respect to such Holder's beneficial interest in the Temporary Regulation S Global Note and (ii) any exchange of such beneficial interest for a beneficial interest in a Regulation S Global Note.

Individual Definitive Notes. The Class S Notes, the Class A Notes, the Class B Notes and the Class C Notes will be initially issued in global form. The Class D Notes (other than Regulation S Class D Notes) will be represented by one or more Definitive Notes and will be subject to certain transfer restrictions as set forth under "Notice to Investors". If DTC or any successor to DTC advises the Issuer in writing that it is at any time unwilling or unable to continue es a depositary for the reasons described in "—Global Notes" end a successor depositary is not appointed by the Issuers within ninety (90) days or as a result of any amendment to or change in, the laws or regulations of the Cayman Islands or the State of Delaware, as applicable, or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which become effective on or after the Closing Date, the Issuers or the Note Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required if the Notes were in definitive form and the

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Issuers will issue Definitive Notes in registered form in exchange for the Regulation S Global Notes and the Rule 144A Global Notes, as the case may be. Upon receipt of such notice from DTC, the Issuers will use their best efforts to make arrangements with DTC for the exchange of interests in the Global Notes for individual Definitive Notes and cause the requested individual Definitive Notes to be executed and delivered to the Note Registrar in sufficient quantities and authenticated by or on behalf of the Note Transfer Agent for delivery to Holders of the Notes. Persons exchanging interests in a Global Note for individual Definitive Notes will be required to provide to the Note Transfer Agent, through DTC, Clearstream or Euroclear, (i) written instructions and other information required by the Issuers and the Note Transfer Agent to complete, execute and deliver such individual Definitive Notes, (ii) in the case of an exchange of an interest in a Rule 144A Global Note, such certification as to Qualified Institutional Buyer status and that such Holder is a Qualified Purchaser, as the Issuers shall require and (iii) in the case of an exchange of an interest in a Regulation S Global Note, such certification as the Issuers shall require as to non-U.S. Person status. In all cases, individual Definitive Notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in denominations in compliance with the minimum denominations specified for the applicable Global Notes, requested by DTC.

Individual Definitive Notes will bear, and be subject to, such legend as the Issuers require in order to assure compliance with any applicable law. Individual Definitive Notes will be transferable subject to the minimum denomination applicable to the Rule 144A Global Notes and Regulation S Global Notes, in whole or in part, and exchangeable for individual Definitive Notes of the same Class at the office of the Note Paying Agent, Note Transfer Agent or the office of any transfer agent, upon compliance with the requirements set forth in the Indenture. Individual Definitive Notes may be transferred through any transfer agent upon the delivery and duly completed assignment of such Notes. Upon transfer of any individual Definitive Note in part, the Note Transfer Agent will issue in exchange therefor to the transferee one or more individual Definitive Notes in the amount being so transferred and will issue to the transferor one or more individual Definitive Notes in the remaining amount not being transferred. No service charge will be imposed for any registration of transfer or exchange, but payment of a sum sufficient to cover any tax or other governmental charge may be required. The Holder of a restricted individual Definitive Note may transfer such Note, subject to compliance with the provisions of the legend thereon. Upon the transfer, exchange or replacement of Notes bearing the legend, or upon specific request for removal of the legend on a Note, the Issuer will deliver only Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act. Payments of principal and interest on individual Definitive Notes shall be payable by the Note Paying Agents by U.S. Dollar check drawn on a bank in the United States of America and sent by mail to the registered Holder thereof, by wire transfer in immediately available funds. In addition, for so long as any Notes are listed on any stock exchange and the rules of such exchange shall so require, in the case of a transfer or exchange of individual Definitive Notes, a Holder thereof may effect such transfer or exchange by presenting such Notes at, and obtaining a new individual Definitive Note from the office of the Listing and Paying Agent, in the case of a transfer of only a part of an individual Definitive Note, a new individual Definitive Note in respect of the balance of the principal amount of the individual Definitive Note not transferred will be delivered at the office of applicable stock exchange, and in the case of a replacement of any lost, stolen, mutilated or destroyed individual Definitive Notes, a Holder thereof may obtain a new individual Definitive Note from the Listing and Paying Agent.

The Class D Notes (other than Regulation S Class D Notes). The Class D Notes (other than Regulation S Class D Notes) will be represented by one or more notes in definitive form and will be subject to certain restrictions on transfer as set forth under "Notice to Investors."

The Class D Notes (other than Regulation S Class D Notes) may be transferred only upon receipt by the Issuer and the Note Transfer Agent of a Class D Notes Purchase and Transfer Letter to the effect that the transfer is being made (i) to a Qualified Institutional Buyer that has acquired an interest in the Class D Notes in a transaction meeting the requirements of Rule 144A who is also a Qualified Purchaser

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or (ii) to a non-U.S. Person in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S. The transferee must also make certain other representations applicable to such transferee, as set forth in the Class D Notes Purchase and Transfer Letter.

Payments on the Class D Notes (other than Regulation S Class D Notes) on any Payment Date will be made to the person in whose name the relevant Note is registered as of the close of business 10 Business Days prior to such Payment Date.

The Income Notes (other than the Regulation S Income Notes). The Income Notes (other than the Regulation S Income Notes) will be represented by one or more Income Note Certificates in definitive form and the Income Notes will be subject to certain restrictions on transfer as set forth under "Notice to Investors."

Income Notes (other than Regulation S Income Notes) may be transferred only upon receipt by the Issuer and the Fiscal Agent of an Income Notes Purchase and Transfer Letter to the effect that the transfer is being made (i)(a) to a Qualified Institutional Buyer that has acquired an interest in the Income Notes in a transaction meeting the requirements of Rule 144A, or (b) to an Accredited Investor having a net worth of not less than U.S.$10 million in a transaction exempt from registration under the Securities Act, who is a Qualified Purchaser, or (ii) to a non-U.S. Person in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S. The transferee must also make certain other representations applicable to such transferee, as set forth in the Income Notes Purchase and Transfer Letter.

The Income Notes will be issued in minimum denominations of U.S.$100,000 notional principal amount of Income Notes and integral multiples of U.S.$1 in excess thereof. Payments on the Income Notes (other than Regulation S Income Notes) on any Payment Date will be made to the person in whose name the relevant Income Note is registered in the income note register as of the close of business on the first calendar day of the month in which such Payment Date occurs (or if such day is not a Business Day, the next succeeding Business Day).

USE OF PROCEEDS

The gross proceeds associated with the offering of the Securities are expected to equal approximately U.S.$1,007,169,000. Approximately U.S.$1,850,000 of such gross proceeds will be applied by the Issuer to pay upfront fees and expenses associated with the offering of the Securities. In addition, on the Closing Date, approximately U.S.$200,000 of the proceeds from the issuance of the Securities will be deposited into the Expense Reserve Account. On the Closing Date or promptly thereafter as is consistent with customary settlement procedures, pursuant to agreements to purchase entered into on or before the Closing Date, the Issuer will apply the net proceeds to purchase the Collateral Assets which are cash assets described herein having an aggregate Principal Balance of approximately U.S.$70,000,000 and to purchase the Default Swap Collateral and Eligible Investments of approximately U.S.$930,000,000 and will have entered into the Cashflow Swap Agreement.

RATINGS OF THE NOTES

It is a condition to the issuance of the Notes that the Class S Notes, the Class A-1 Notes and the Class A-2 Notes be rated "Aaa" by Moody's and "AAA" by S&P, that the Class B Notes be rated at least "Aa2" by Moody's and at least "AA" by S&P, that the Class C Notes be rated at least "A2" by Moody's and at least "A" by S&P and that the Class D Notes be rated at least "Baa2" by Moody's and at least "BBB" by S&P. The Income Notes will not be rated. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

Moody's Ratings

The ratings assigned to the Notes by Moody's are based upon its assessment of the probability that the Collateral Assets will provide sufficient funds to pay such Securities, based largely upon Moody's statistical analysis of historical default rates on debt obligations with various ratings, expected recovery

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rates on the Collateral Assets and the asset and interest coverage required for such Securities (which is achieved through the subordination of more junior Notes), and the diversification requirements that the Collateral Assets must satisfy.

Moody's rating of (i) the Class S Notes, the Class A Notes and the Class B Notes addresses the ultimate cash receipt of all required principal payments and the timely cash receipt of all interest payments as provided in the governing documents and (ii) the Class C Notes and the Class D Notes addresses the ultimate cash receipt of all required interest and principal payments as provided in the governing documents. Moody's ratings are based on the expected loss posed to the Holders of the Notes relative to the promise of receiving the present value, calculated using a discounted rate equal to the promised interest rate of such payments. Moody's analyzes the likelihood that each debt obligation included in the portfolio will default, based on historical default rates for similar debt obligations, the historical volatility of such default rates (which increases as securities with lower ratings are added to the portfolio) and an additional default assumption to account for future fluctuations in defaults. Moody's then determines the level of credit protection necessary to achieve the expected loss associated with the rating of the structured securities, taking into account the potential recovery value of the Collateral Assets and the expected volatility of the default rate of the portfolio based on the level of diversification by issuer and industry.

In addition to these quantitative tests, Moody's ratings take into account qualitative features of a transaction, including the experience of the Collateral Manager, the legal structure and the risks associated with such structure, its view as to the quality of the participants in the transaction and other factors that it deems relevant.

S&P Ratings

S&P will rate the Notes in a manner similar to the manner in which it rates other structured issues. The ratings assigned to the Class S Notes, the Class A Notes and the Class B Notes by S&P address the likelihood of the timely payment of interest and the ultimate payment of principal on such Notes. The ratings assigned to the Class C Notes and the Class D Notes by S&P address the likelihood of the ultimate payment of interest and principal on such Notes. This requires an analysis of the following: (i) credit quality of the Collateral Assets securing the Notes; (ii) cash flow used to pay liabilities and the priorities of these payments; and (iii) legal considerations. Based on these analyses, S&P determines the necessary level of credit enhancement needed to achieve a desired rating.

S&P's analysis includes the application of its proprietary default expectation computer model, the Standard & Poor's CDO Monitor (which will be provided to the Collateral Manager), which is used to estimate the default rate the portfolio is likely to experience. The Standard & Poor's CDO Monitor calculates the projected cumulative default rate of a pool of Collateral Assets consistent with a specified benchmark rating level based upon S&P's proprietary corporate debt default studies. The Standard & Poor's CDO Monitor takes into consideration the rating of each issuer or obligor, the number of issuers or obligors, the issuer or obligor industry concentration and the remaining weighted average maturity of each of the Collateral Assets and Eligible Investments included in the portfolio. The risks posed by these variables are accounted for by effectively adjusting the necessary default level needed to achieve a desired rating. The higher the desired rating, the higher the level of defaults the portfolio must withstand.

Credit enhancement to support a particular rating is then provided based, in part, on the results of the Standard & Poor's CDO Monitor, as well as other more qualitative considerations such as legal issues and management capabilities. Credit enhancement is typically provided by a combination of overcollateralization/subordination, cash collateral/reserve account, excess spread/interest and amortization. A transaction-specific cash flow model (the "Transaction-Specific Cash Flow Model") is used to evaluate the portfolio and determine whether it can withstand an estimated level of default while fully repaying the class of debt under consideration.

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There can be no assurance that actual loss on the Collateral Assets will not exceed those assumed in the application of the Standard & Poor's CDO Monitor or that recovery rates and the timing of recovery with respect thereto will not differ from those assumed in the Transaction-Specific Cash Flow Model. The Issuers make no representation as to the expected rate of defaults on the portfolio or as to the expected timing of any defaults that may occur.

S&P's rating of the Notes will be established under various assumptions and scenario analyses. There can be no assurance, and no representation is made, that actual defaults on the Collateral Assets will not exceed those in S&P's analysis, or that recovery rates with respect thereto (and, consequently, loss rates) will not differ from those in S&P's analysis.

SECURITY FOR THE NOTES

Under the terms of the Indenture, the Issuer will grant to the Trustee, for the benefit of the Secured Parties (but not the Holders of the Income Notes), a first priority perfected security interest in the Collateral (subject to the Synthetic Security Counterparty's interest in the Default Swap Collateral), including the Collateral Assets, that is free of any adverse claim, to secure the Issuers' obligations under the Indenture, the Notes and the Cashflow Swap Agreement.

On the Closing Date, the Issuer expects to acquire approximately U.S.$1,000,000,000 in aggregate Principal Balance of Collateral Assets. The Collateral Assets are expected to consist of CDO Securities and Synthetic Securities (the Reference Obligations of which are CDO Securities). Certain information with respect to the Collateral Assets and the Reference Obligations is included in Appendix B herein. This information was provided by or derived from information provided by the issuers, underwriters and/or the servicers for each underlying Collateral Asset. None of the Issuers, the Initial Purchaser, the Collateral Manager, the Collateral Administrator, the Cashflow Swap Counterparty, the Synthetic Security Counterparty (or any guarantor thereof), the Trustee, any of their affiliates or any party on their behalf has made any independent review or verification as to the accuracy and completeness of the information contained below. Accordingly, prospective purchasers must make their own evaluation regarding the extent to which they will rely on such information in making an investment decision.

The Collateral Assets

The Collateral Assets had an aggregate Principal Balance of approximately U.S.$1,000,000,000 (an aggregate "Collateral Asset Principal Balance") on or about March 21, 2007 (the "Reference Date"). The Reference Date balances of the Collateral Assets reflect their Principal Balances after giving effect to distributions received on March 21, 2007 and (without duplication) after application of all payments due on the Collateral Assets before the Reference Date, whether or not received. However, the first distributions on the Collateral Assets available to make payments on the Notes will be those made from March 27, 2007 through the end of the first Due Period. The use of a later Reference Date would result in a lower Reference Date balance for certain Collateral Assets and, consequently, a lower aggregate Collateral Asset Principal Balance. Unless otherwise stated herein, statistical information relating to the Collateral Assets is calculated on the basis of the Principal Balances of such Collateral Assets.

For purposes of the information set forth herein, unless otherwise specified, Synthetic Securities included in the Collateral Assets are treated in the category in which the related Reference Obligation would be treated. All of the Synthetic Securities, constituting approximately 93.00% of the Collateral Assets (by Principal Balance) on the Closing Date will reference Reference Obligations which are CDO Securities.

On the Closing Date, the CDO Securities and the Reference Obligations which are CDO Securities include 56 whole and partial classes of CDO Securities, representing 100% of the Principal Balance of the Collateral Assets as of the Closing Date. The following is a list of the respective classes and series of CDO Securities included in the Collateral Assets:

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Collateral Asset	Principal Balance as of Closing Date	Percentage of Collateral Assets (by Principal Balance)	Ratings (Moody's/S&P)	Coupon Types	Weighted Average Life*
LOCH 2006-1A C	12,000,000	1.20%	A2/A	LIBOR01M	6.2
SMSTR 2005-1A B	10,000,000	1.00%	A3/A-	synthetic spread	7.1
TABS 2006-5A A3	20,000,000	2.00%	A2/A	LIBOR01M	6.8
TOPG 2005-1A B	15,000,000	1.50%	A3/A-	synthetic spread	7.5
VRGO 2006-1A A3	15,000,000	1.50%	A2/A	synthetic spread	6.8
ACABS 2005-2A A3	18,240,508	1.82%	A3/A-	synthetic spread	9.6
DUKEF 2006-10A A3	20,000,000	2.00%	A2/A	synthetic spread	6.8
GSCSF 2006-2A D	20,000,000	2.00%	A2/A	synthetic spread	5.3
GEMST 2005-4A C	20,000,000	2.00%	A2/A	synthetic spread	5.3
PINEM 2005-A C	20,000,000	2.00%	A2/A	synthetic spread	4.1
RIVER 2005-1A C	15,000,000	1.50%	A2/A	synthetic spread	6.0
STAK 2006-1A 5	20,000,000	2.00%	A2/A	synthetic spread	8.0
VERT 2006-1A A3	20,000,000	2.00%	A2/A	synthetic spread	6.4
DVSQ 2005-5A C	15,000,000	1.50%	A2/A	synthetic spread	7.9
CAMBR 5A B	15,000,000	1.50%	A3/A-	synthetic spread	7.6
CRNMZ 2006-2A C	3,000,000	0.30%	A2/A	LIBOR03M	6.9
BLHV 2005-1A C	15,000,000	1.50%	A2/A	synthetic spread	6.3
FTDRB 2005-1A A3L	15,000,000	1.50%	A2/A	synthetic spread	6.5
ICM 2005-2A C	15,000,000	1.50%	A2/A	synthetic spread	6.2
SCF 8A C	14,762,894	1.48%	A2/A	synthetic spread	6.0
ABAC 2006-HG1A C	6,000,000	0.60%	A2/A	LIBOR01M	6.8
ABAC 2006-HG1A D	9,000,000	0.90%	A3/A-	LIBOR01M	8.8
TOPG 2006-2A B	10,000,000	1.00%	A2/A	LIBOR01M	7.2
CRNMZ 2006-2A C	17,000,000	1.70%	A2/A	synthetic spread	6.5
FORTS 2006-2A C	20,000,000	2.00%	A2/A	synthetic spread	5.4
ICM 2006-3A C	20,000,000	2.00%	A2/A	synthetic spread	6.7
ACABS 2006-1A A3L	19,939,607	1.99%	A2/A	synthetic spread	7.0
CACDO 2006-1A C1	20,000,000	2.00%	A2/A	synthetic spread	7.5
GSCSF 2006-4A A3	20,000,000	2.00%	A2/A	synthetic spread	6.9
INDE7 7A D	20,000,000	2.00%	A3/A-	synthetic spread	5.1
LSTRT 2006-1A D	20,000,000	2.00%	A2/A	synthetic spread	6.2
TABS 2005-4A D	20,000,000	2.00%	A2/A	synthetic spread	6.7
BFCSL 2006-1A D	20,000,000	2.00%	A2/A	synthetic spread	7.6
ICM 2006-S2A A3L	10,000,000	1.00%	A2/A	LIBOR03M	6.0
SHERW 2005-2A C	20,000,000	2.00%	A2/A	synthetic spread	6.0
ADROC 2005-2A C	20,000,000	2.00%	A2/A	synthetic spread	5.3
GRAND 2005-1A C	20,000,000	2.00%	A2/A	synthetic spread	7.3
STAK 2006-2A 5	20,000,000	2.00%	A2/A	synthetic spread	7.0
NEPTN 2006-3A B	20,000,000	2.00%	A2/A	synthetic spread	5.7
DGCDO 2005-2A C	20,000,000	2.00%	A2/A	synthetic spread	6.2
ADMSQ 2006-1A C	20,000,000	2.00%	A2/A	synthetic spread	6.5
MNTRS 2006-1A C	20,000,000	2.00%	A2/A	synthetic spread	6.8
CETUS 2006-1A B	20,000,000	2.00%	A2/A	synthetic spread	6.7
CETUS 2006-2A B	20,000,000	2.00%	A2/A	synthetic spread	6.6
GSCSF 2006-1A B	20,000,000	2.00%	A2/A	synthetic spread	6.4
MKP 8A C	20,000,000	2.00%	A2/A	synthetic spread	6.6
SHERW 2006-3A A3	20,000,000	2.00%	A2/A	synthetic spread	6.6
PYXIS 2006-1A C	20,000,000	2.00%	A2/A	synthetic spread	6.8
GLCR 2006-4A C	9,936,305	0.99%	A2/A	synthetic spread	4.8
MAYF 2006-1A A3L	20,000,000	2.00%	A2/A	synthetic spread	6.4
TRNTY 2005-1A B	20,000,000	2.00%	A3/A-	synthetic spread	8.8
TOPG 2006-2A B	10,000,000	1.00%	A2/A	synthetic spread	7.2

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Collateral Asset	Principal Balance as of Closing Date	Percentage of Collateral Assets (by Principal Balance)	Ratings (Moody's/S&P)	Coupon Types	Weighted Average Life*
DVSQ 2006-6A C	15,000,000	1.50%	A2/A	synthetic spread	8.2
GSCSF 2005-1A A3	20,000,000	2.00%	A2/A	synthetic spread	5.3
BFCGE 2006-1A A3L	19,852,320	1.99%	A2/A	synthetic spread	7.0
CAMBR 7A C	20,248,366	2.02%	A2/A	synthetic spread	7.9
CRNMZ 2006-1A 5	15,000,000	1.50%	A2/A	synthetic spread	7.2
VERT 2006-2A A3	20,000,000	2.00%	A2/A	synthetic spread	5.8

* For purposes hereof, the Weighted Average Life of each Collateral Asset has been calculated individually in accordance with market convention. Such methodology may differ as between each Collateral Asset and may not reflect the actual Weighted Average Life of such Collateral Asset.

Each of the CDO Securities are debt securities issued by a special purpose issuer, all of the assets of which are pledged to repay the CDO Securities and other classes of securities issued by such issuer. Certain of the CDO Securities provide for a revolving period during which certain proceeds of the underlying assets are reinvested in additional assets, and for a lockout period during which the CDO Securities will be redeemed or receive principal payments only in limited circumstances. While the classes of CDO Securities included in the Collateral Assets are each rated investment grade as of the date hereof, certain of the CDO Securities are subordinate in right of payment and rank junior to other securities in the same issuance, and all of the CDO Securities are senior to other more subordinate securities of the same issuance. Certain CDO Securities included in the Collateral Assets provide for the deferral of interest under certain circumstances and the failure to pay current interest on such classes of CDO Securities generally will not be an event of default so long as any more senior classes of securities are outstanding. The deferral of interest payments, if it occurs, would adversely affect the cash flow available to the Issuer.

Appendix B. The information included in Appendix B to this Offering Circular and elsewhere herein does not purport to be complete and is subject to and qualified in its entirety by reference to, the provisions of the various agreements pursuant to which each of the Collateral Assets and the Reference Obligations were issued as to the other documents referred to herein pursuant to which certain classes of the Collateral Assets and the Reference Obligations were originally offered. Prospective investors are strongly urged to read them in their entirety to obtain material information concerning the Collateral Assets and the Reference Obligations. Investors should note, however, that, although they are substantially consistent in their overall presentation of information, this Offering Circular and such Disclosure Documents may vary in their use of defined terms, and any particular defined term should be read in the context of the document in which it is contained. Notwithstanding the foregoing, none of the respective Issuers of the Collateral Assets or the Reference Obligations has passed on the accuracy or completeness of this Offering Circular or is in any way associated with the offering of the Securities, nor does any such issuer make any representation or warranty as to the appropriateness of any document for use in connection with the offering of the Securities or take any responsibility for such use. None of the Issuers, the Initial Purchaser, the Collateral Manager, the Collateral Administrator, or the Trustee takes any responsibility for, or makes any representation or warranty as to the accuracy or completeness of, any of the Disclosure Documents used in connection with the original offerings of the Collateral Assets.

All numerical information provided herein with respect to the Collateral Assets and the Reference Obligations is provided on an approximate basis as of, unless otherwise specified, the Reference Date. All weighted average information provided herein with respect to the Collateral Assets and the Reference Obligations reflects weighting by the related Reference Date Balance.

The information contained herein with respect to the Collateral Assets and the Reference Obligations has been derived from a variety of sources including the disclosure documents, and reports from and communications with the related trustee, servicer, master servicer or special servicer. The Issuers, the Collateral Manager, the Collateral Administrator, the Initial Purchaser and the Trustee are limited in their ability to independently verify the information obtained from the above-referenced sources.

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The Coverage Tests

The Coverage Tests will be used primarily to determine whether interest may be paid on the Class C Notes and the Class D Notes and whether Proceeds will be paid to the Holders of the Income Notes, and whether Proceeds must be used to make mandatory redemptions of the Class S-2 Notes, the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes. See "Description of the Securities—Principal" and "—Priority of Payments." The Coverage Tests will consist of the Class A/B Overcollateralization Test, the Class C Overcollateralization Test and the Class D Overcollateralization Test. For purposes of the Coverage Tests, the Class A Adjusted Overcollateralization Ratio, the Class B Adjusted Overcollateralization Ratio, the Class C Adjusted Overcollateralization Ratio and the Class D Adjusted Overcollateralization Ratio, (i) unless otherwise specified, a Synthetic Security shall be included as a Collateral Asset having the characteristics of the Reference Obligation (including, for the purposes of determining whether such Synthetic Security is a Defaulted Obligation) and not of the Synthetic Security; *provided*, that if such Synthetic Security Counterparty is in default under the related Synthetic Security, such Synthetic Security shall not be included in the Coverage Tests or such Synthetic Security will be treated in such a way that will satisfy the Rating Agency Condition and (ii) the calculation of the Class A/B Overcollateralization Ratio, the Class C Overcollateralization Ratio and the Class D Overcollateralization Ratio on any Determination Date that such Coverage Test is applicable shall be made by giving effect to all payments scheduled or expected to be made pursuant to the Priority of Payments on the Payment Date following such Determination Date with certain exceptions. See "Description of the Securities—Principal" and "—Priority of Payments." For purposes of each of the Class A/B Overcollateralization Test, the Class C Overcollateralization Test and the Class D Overcollateralization Test, notwithstanding the definition of Principal Balance contained herein, the Principal Balance of any security that is not currently paying cash interest (excluding any security that is, in accordance with its terms, making payments due thereon "in kind") shall be the accreted value of such security as of the date on which it was purchased by the Issuer; *provided*, that such accreted value shall not exceed the par amount of such security.

The Class A/B Overcollateralization Test

The "Class A/B Overcollateralization Ratio" as of any Determination Date will equal the ratio (expressed as a percentage) obtained by dividing (i) the Net Outstanding Portfolio Collateral Balance on such Determination Date (for the purposes of such calculation, the Net Outstanding Portfolio Collateral Balance will not include Principal Proceeds held as cash and Eligible Investments) by (ii) the sum of the Aggregate Outstanding Amount of the Class A Notes and the Class B Notes *minus* Principal Proceeds expected to be available prior to clause (xii) of the Priority of Payments on the related Payment Date assuming that the Coverage Tests are satisfied.

The "Class A/B Overcollateralization Test" will be satisfied on any Determination Date on which any Class A Notes or Class B Notes remain outstanding if the Class A/B Overcollateralization Ratio on such Determination Date is equal to or greater than 106.4%. As of the Closing Date, the Class A/B Overcollateralization Ratio is expected to be equal to 109.6%.

The Class C Overcollateralization Test

The "Class C Overcollateralization Ratio" as of any Determination Date will equal the ratio (expressed as a percentage) obtained by dividing (i) the Net Outstanding Portfolio Collateral Balance on such Determination Date (for the purposes of such calculation, the Net Outstanding Portfolio Collateral Balance will not include Principal Proceeds held as cash and Eligible Investments) by (ii) the sum of the Aggregate Outstanding Amount of the Notes (other than the Class S Notes and the Class D Notes and including Class C Deferred Interest), *minus* Principal Proceeds expected to be available prior to clause (xii) of the Priority of Payments on the related Payment Date assuming that the Coverage Tests are satisfied.

The "Class C Overcollateralization Test" will be satisfied on any Determination Date on which any Class C Notes remain outstanding if the Class C Overcollateralization Ratio on such Determination Date is equal to or greater than 103.3%. As of the Closing Date, the Class C Overcollateralization Ratio is expected to be equal to 105.5%.

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The Class D Overcollateralization Test

The "Class D Overcollateralization Ratio" as of any Determination Date will equal the ratio (expressed as a percentage) obtained by dividing (i) the Net Outstanding Portfolio Collateral Balance on such Determination Date (for the purposes of such calculation, the Net Outstanding Portfolio Collateral Balance will not include Principal Proceeds held as cash and Eligible Investments) by (ii) the sum of the Aggregate Outstanding Amount of the Notes (other than the Class S Notes and including Class C Deferred Interest and Class D Deferred Interest), *minus* Principal Proceeds expected to be available prior to clause (xii) of the Priority of Payments on the related Payment Date assuming that the Coverage Tests are satisfied.

The "Class D Overcollateralization Test" will be satisfied on any Determination Date on which any Class D Notes remain outstanding if the Class D Overcollateralization Ratio on such Determination Date is equal to or greater than 101.1%. As of the Closing Date, the Class D Overcollateralization Ratio is expected to be equal to 102.2%.

Disposition of CDO Securities and Removal of Reference Obligations

The Collateral Assets may be retired, or in the case of a Synthetic Security, removed from the reference portfolio, prior to their respective final maturities due to, among other things, the existence and frequency of exercise of any optional or mandatory redemption features of such Collateral Assets and the Reference Obligations related thereto. In addition, pursuant to the Indenture and subject to the restrictions contained therein, so long as no Event of Default has occurred and is continuing, the Collateral Manager may direct the Issuer to sell Credit Risk Obligations, Defaulted Obligations or equity securities or assign or terminate Synthetic Securities the Reference Obligations of which are Credit Risk Obligations, Defaulted Obligations or equity securities. The assignment, termination or disposition price for any such sale or removal of a Collateral Asset will equal the fair market value of such Collateral Asset. The fair market value of any such Collateral Asset will be the highest bid received by the Collateral Manager after attempting to solicit a bid from up to three independent third parties making a market in such Collateral Asset, at least one of which is not from the Collateral Manager; *provided* that, if upon commercially reasonable efforts of the Collateral Manager, bids from three independent third parties making a market in such Collateral Asset are not available, the higher of the bids from two such third parties may be used; *provided, further* that, if upon commercially reasonable efforts of the Collateral Manager, bids from two independent third parties making a market in such Collateral Asset are not available, one such bid may be used so long as it is not from the Collateral Manager. The proceeds from any such sale of Collateral Asset will be applied as Principal Proceeds on the next succeeding Payment Date. A "Credit Risk Obligation" is a Collateral Asset and, in the case of Synthetic Securities, a Reference Obligation (i) the rating of which has been downgraded, qualified or withdrawn by any Rating Agency or has been put on "negative credit watch" or similar status for possible downgrading, qualification or withdrawal from the ratings that were in place as of the date the Issuer purchased such Collateral Asset or entered into such Synthetic Security and in respect of which the Collateral Manager believes that, since such Collateral Asset was purchased or such Synthetic Security was entered into by the Issuer, it has a material risk of declining in credit quality or, with a lapse of time, a risk of becoming a Defaulted Obligation or (ii) in respect of which the Collateral Manager believes that, since such Collateral Asset was purchased or such Synthetic Security was entered into by the Issuer, it has a material risk of declining in credit quality or, with a lapse of time, a risk of becoming a Defaulted Obligation; *provided* that, if Moody's has withdrawn or reduced its long-term ratings on any of the Class S Notes, the Class A Notes or the Class B Notes by two or more subcategories below the ratings in effect on the Closing Date (disregarding any withdrawal or reduction if subsequent thereto Moody's has upgraded any such reduced or withdrawn ratings to at least one subcategory below the initial long-term rating) or if Moody's has withdrawn or reduced its long-term ratings on any of the Class C Notes or the Class D Notes by three or more subcategories below the ratings in effect on the Closing Date (disregarding any withdrawal or reduction if subsequent thereto Moody's has upgraded any such reduced or withdrawn ratings to at least two subcategories below the initial long-term rating), (a) such Reference Obligation or Collateral Asset has been downgraded by Moody's at least one or more rating subcategories since it was acquired by the

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Issuer or placed by Moody's on a watch list with negative implications since the date on which such Reference Obligation or Collateral Asset was purchased by the Issuer, (b) the Holders of a Majority of the Controlling Class vote to waive the requirement of subclause (a) of this proviso or (c) such Reference Obligation or Collateral Asset has experienced an increase in credit spread of 10% or more compared to the credit spread at which such Reference Obligation or Collateral Asset was purchased by the Issuer, determined by reference to an applicable index selected by the Collateral Manager (subject to the satisfaction of the Rating Agency Condition with respect to Moody's). The proceeds from the disposition of a Collateral Asset may not be reinvested in other Collateral Asset.

The Issuer may also (i) in the case of an Auction, at the direction of the Collateral Manager, direct the Trustee to sell, terminate or assign and the Trustee shall sell, terminate or assign in the manner directed by the Collateral Manager in writing, the Collateral Assets and liquidate the remaining Collateral in connection with an Auction; *provided*, that the criteria for an Auction can be demonstrably met prior to any such sale and that the expected Liquidation Proceeds equal or exceed the Minimum Bid Amount; (ii) in the case of a Tax Redemption, at the direction, or with the consent, of the Collateral Manager on any Payment Date, direct the Trustee to sell, terminate or assign, and the Trustee shall sell, terminate or assign in the manner directed by the Collateral Manager in writing, the Collateral Assets and liquidate the remaining Collateral in connection with a Tax Redemption; *provided* that the criteria for a Tax Redemption can be demonstrably met prior to any such sale and that the expected Liquidation Proceeds equal or exceed the Total Redemption Amount; and (iii) in the case of an Optional Redemption by Liquidation, at the direction of the Collateral Manager, direct the Trustee to sell, terminate or assign and the Trustee shall sell, terminate or assign in the manner directed by the Collateral Manager in writing, the Collateral Assets and liquidate the remaining Collateral in connection with an Optional Redemption by Liquidation; *provided* that the criteria for an Optional Redemption by Liquidation can be demonstrably met prior to any such sale and that the expected Liquidation Proceeds equal or exceed the Total Redemption Amount. See "Description of the Securities—Auction," "—Tax Redemption" and "—Optional Redemption by Liquidation."

Accounts

Pursuant to the Indenture, the Issuer shall cause there to be opened and at all times maintained the Collection Account, the Payment Account, the Expense Reserve Account, the Collateral Account, the Cashflow Swap Termination Receipts Account, the Cashflow Swap Replacement Account, the Cashflow Swap Collateral Account, the Default Swap Collateral Account and the Synthetic Security Collateral Account (each as hereinafter defined), each of which shall be a segregated account or sub-account established with the Securities Intermediary in the name of the Trustee for the benefit of the Secured Parties as further described in the Indenture. Each Account is required to be maintained by the Trustee or by another financial institution that is an Eligible Depositary.

All distributions on the Collateral Assets and any proceeds received from the disposition of any Collateral Assets, all net proceeds from, and associated with the issuance of the Notes and the Income Notes not used on the Closing Date to purchase Collateral Assets or Default Swap Collateral or to enter into Cashflow Swap Agreement or to be deposited to the Default Swap Collateral Account, the initial payment, if any, pursuant to the Cashflow Swap Agreement, any Cashflow Swap Receipt Amounts received prior to a Payment Date and any other amounts transferred to the Collection Account from other Accounts as provided for in the Indenture will be remitted to an account (the "Collection Account") and will be available, together with reinvestment earnings thereon, for application in accordance with the Priority of Payments.

On the Business Day prior to each Payment Date other than a Final Payment Date (the "Transfer Date"), the Trustee will deposit into a separate account (the "Payment Account") all funds (including any reinvestment income) in the Collection Account (to the extent received prior to the end of the related Due Period) and any Ceshflow Swap Receipt Amount received on the Trensfer Date related to such Payment Date for application in accordance with the Priority of Payments.

Principal Proceeds shall be deposited in the Collection Account and applied in accordance with the Priority of Payments except as otherwise provided herein.

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On the Closing Date, U.S.$200,000 from the net proceeds of the offering of the Securities will be deposited by the Trustee into a single, segregated account established and maintained by the Trustee under the Indenture (the "Expense Reserve Account"). On each Payment Date, to the extent that funds are available for such purpose in accordance with and subject to the limitations of the Priority of Payments, the Trustee will deposit into the Expense Reserve Account an amount from Proceeds such that the amount on deposit in the Expense Reserve Account (after giving effect to such deposit) will equal U.S.$200,000. Amounts on deposit in the Expense Reserve Account may be withdrawn from time to time to pay accrued and unpaid Administrative Expenses of the Issuers. With respect to the first Payment Date, funds on deposit in the Expense Reserve Account in excess of U.S.$200,000 will be transferred by the Trustee to the Payment Account for application as interest proceeds. All funds on deposit in the Expense Reserve Account at the time when substantially all of the Issuer's assets have been sold or otherwise disposed of will be transferred by the Trustee to the Payment Account for application as Proceeds on the immediately succeeding Payment Date.

The Synthetic Securities will require that the Issuer purchase or post Default Swap Collateral as security for its obligations under such Synthetic Security which complies with the criteria set forth in the Indenture and the Synthetic Securities. The Default Swap Collateral shall be deposited in a segregated trust account (the "Default Swap Collateral Account"). The Default Swap Collateral Account shall be established in the name of the Trustee.

Any Cashflow Swap Collateral pledged by the Cashflow Swap Counterparty will be deposited by the Trustee into a segregated account (the "Cashflow Swap Collateral Account") established in the name of the Trustee and held therein pursuant to the terms of the Cashflow Swap Agreement.

Under certain conditions described in the Synthetic Securities, the Synthetic Security Counterparty may be required to post collateral ("Synthetic Security Collateral") under the terms of the related Synthetic Security. The Synthetic Security Collateral pledged by such Synthetic Security Counterparty will be deposited by the Trustee into a segregated account (the "Synthetic Security Collateral Account") established in the name of the Trustee and held therein pursuant to the terms of the related Synthetic Security. A separate sub-account of the Synthetic Security Collateral Account shall be established for each Synthetic Security Counterparty.

Amounts retained in the Accounts during a Due Period will be invested in Eligible Investments.

Synthetic Securities

The following description of the Synthetic Securities is a summary of certain provisions of the Synthetic Securities but does not purport to be complete and prospective investors must refer to the Synthetic Securities for more detailed information. Copies of the Master Agreement and the Master Confirmation will be available to investors from the Trustee. Capitalized terms not otherwise defined in this section will have the meanings set forth in the Master Agreement or Master Confirmation.

The Synthetic Securities will be structured as "pay-as-you-go" credit default swaps and will be documented pursuant to a 1992 ISDA Master Agreement (Multicurrency-Cross Border), including the Schedule thereto (the "Master Agreement"), between the Issuer and the Synthetic Security Counterparty, along with a confirmation (the "Master Confirmation") evidencing a transaction with respect to each Reference Obligation referenced thereunder.

Each Synthetic Security will have a specified Reference Obligation Notional Amount that represents the dollar amount of the credit exposure which the Issuer is assuming thereunder with respect to the Reference Obligation related to such Synthetic Security. The "Aggregate Reference Obligation Notional Amount" is the sum of the Reference Obligation Notional Amounts of all Synthetic Securities. On or before the Closing Date, the Issuer expects to enter into Synthetic Securities with an Aggregate Reference Obligation Notional Amount of approximately U.S.$930,000,000. After the Closing Date, in accordance with the terms of the Master Confirmation, the Reference Obligation Notional Amount of each Synthetic Security will be: (i) decreased on each day on which a Reference Obligation Principal Payment is made by an amount equal to the relevant Reference Obligation Principal Amortization Amount; (ii) decreased on each day on which a Failure to Pay Principal occurs by an amount equal to the relevant

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Principal Shortfall Amount; (iii) decreased on each day on which a Writedown occurs by an amount equal to the relevant Writedown Amount; (iv) increased on each day on which a Writedown Reimbursement occurs by an amount equal to any Writedown Reimbursement Amount in respect of a Writedown Reimbursement within paragraphs (ii) or (iii) of the definition of "Writedown Reimbursement"; and (v) decreased on each Delivery Date by an amount equal to the relevant Exercise Amount *minus* the relevant amount determined pursuant to paragraph (b) under the heading, "Settlement Terms—Physical Settlement Amount" in the Master Confirmation; *provided* that, in accordance with the Master Confirmation, if any Relevant Amount is applicable, the Exercise Amount will also be deemed to be decreased by such Relevant Amount (or increased by the absolute value of such Relevant Amount if such Relevant Amount is negative) with effect from such Delivery Date.

The effective date of the Synthetic Securities will be the Closing Date and the Synthetic Securities will terminate by their terms on the scheduled termination date thereof referenced in the Master Confirmation (the "Scheduled Termination Date") unless a Credit Event occurs with respect to a Synthetic Security and the final physical settlement date is scheduled to occur after such date.

For purposes of the Coverage Tests and for purposes of determining whether a Synthetic Security is a Defaulted Obligation or a Credit Risk Obligation, a Synthetic Security shall be included as a Collateral Asset having the characteristics of the Reference Obligation and not of the Synthetic Security; *provided*, that if such Synthetic Security Counterparty is in default under the related Synthetic Security, such Synthetic Security shall not be included in the Coverage Tests or such Synthetic Security will be treated in such a way that will satisfy the Rating Agency Condition.

All principal payments on the Default Swap Collateral in the Default Swap Collateral Account will be invested in Eligible Investments at the direction of the Trustee until invested in Default Swap Collateral satisfying the Default Swap Collateral Eligibility Criteria at the direction of the Collateral Manager with the consent of the Synthetic Security Counterparty. Notwithstanding the foregoing, if and so long as the unsecured, unsubordinated debt rating of the Synthetic Security Counterparty or the credit support provider for the Synthetic Security Counterparty, whichever is higher, assigned by Moody's is below "A1", all principal payments on the Default Swap Collateral and Eligible Investments in the Default Swap Collateral Account will be maintained in Cash and Eligible Investments (unless otherwise required to be applied, in accordance with the terms of the Indenture, to either (i) payment of the Notes or other amounts in accordance with the Priority of Payments or (ii) the payment of Credit Protection Amounts) until such time as the Balance of the Cash and Eligible Investments in the Default Swap Collateral Account is equal to the Aggregate Outstanding Amount of the Class A Notes and the Class B Notes. Furthermore, all principal payments on the Default Swap Collateral and Eligible Investments in the Default Swap Collateral Account will be maintained in Cash and Eligible Investments (unless otherwise required to be applied, in accordance with the terms of the Indenture, to either (i) the payment of the Notes or other amounts in accordance with the Priority of Payments or (ii) the payment of Credit Protection Amounts) such that the Balance of the Cash and Eligible Investments in the Default Swap Collateral Account is at least equal to 120% of the projected amortization of the Aggregate Reference Obligation Notional Amount for the following six month period (recalculated on each Determination Date). Principal Shortfall Reimbursement Payment Amounts and Writedown Reimbursement Payment Amounts received by the Issuer from the Synthetic Security Counterparty will be deposited to the Default Swap Collateral Account.

Payments by the Synthetic Security Counterparty

Pursuant to the Synthetic Securities, on each Fixed Rate Payer Payment Date the Synthetic Security Counterparty will make a fixed rate payment (net of any related Interest Shortfall Amounts as described below and in the Master Confirmation) (the "Fixed Amount") to the Issuer, representing the aggregate Fixed Amounts payable with respect to the Reference Obligation Payment Date for the related Fixed Rate Payer Calculation Period. The Synthetic Security Counterparty will make certain other payments under the Synthetic Securities to the Issuer at the times and in the amounts described herein, including any Interest Shortfall Reimbursement Payment Amounts, Writedown Reimbursement Payment Amounts and any Principal Shortfall Reimbursement Payment Amounts (together "Additional Fixed Amounts"). In connection with any termination or assignment of a Synthetic Securities, proceeds, if any, from such termination or assignment will be deposited into the Default Swap Collateral Account.

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Upon the occurrence of any Interest Shortfall with respect to any Reference Obligation, the Fixed Amount payable under the related Synthetic Security by the Synthetic Security Counterparty to the Issuer will be reduced by an amount equal to the related Interest Shortfall Payment Amount, such reduction amount not to exceed the Fixed Amount, if "fixed cap" is applicable, or such reduction amount not to exceed the applicable floating cap, if "variable cap" is applicable, as described in each Synthetic Security. Interest may accrue on any Interest Shortfall Payment Amount at a rate equal to LIBOR *plus* the fixed rate as specified in the applicable Synthetic Security. If any amount in satisfaction of the Interest Shortfall which gave rise to any Interest Shortfall Payment Amount, including interest accrued thereon, is later paid with respect to a Reference Obligation, the Synthetic Security Counterparty will pay such amount, or in certain circumstances a portion of such amount to the Issuer as an Interest Shortfall Reimbursement. Interest Shortfall Reimbursement Amounts will not exceed the cumulative Interest Shortfall Amounts (including any interest thereon) previously determined in relation to such Reference Obligation.

So long as the long-term ratings of the Synthetic Security Counterparty or any guarantor of the Synthetic Security Counterparty's obligation under a Synthetic Security are equal to or higher than (i) "Aa3" by Moody's (and, if rated "Aa3" by Moody's, is not on watch for possible downgrade) and (ii) "AA-" by S&P (and, if rated "AA-" by S&P, is not on watch for possible downgrade), the Fixed Amount due by the Synthetic Security Counterparty will be payable in arrears. However, if the long-term ratings of the Synthetic Security Counterparty or any guarantor fell below any such levels, the Synthetic Security Counterparty will be required to pay the Fixed Amount due under the Synthetic Securities in advance. The failure of the Synthetic Security Counterparty to pay the Fixed Amount in advance if such rating levels are no longer satisfied will constitute an "event of default" under the terms of the Synthetic Securities with the Synthetic Security Counterparty as the sole "Defaulting Party" under such Synthetic Security.

With respect to any Writedown Amount or Interest Shortfall Amounts received after the long-term rating of the Synthetic Security Counterparty is below "AA-" by S&P, the Synthetic Security Counterparty will be required to reserve the related Writedown Reserve Amount and Interest Shortfall Reserve Amount in the Synthetic Security Counterparty Collateral Account in accordance with the terms of the Synthetic Securities.

Payments by the Issuer

Under the Synthetic Securities, the Issuer will be required to pay certain Floating Amounts to the Synthetic Security Counterparty following the occurrence of a Floating Amount Event with respect to a Reference Obligation as described herein. The Issuer will pay Floating Amounts to the Synthetic Security Counterparty on the Floating Rate Payer Payment Date following the occurrence of a Floating Amount Event with respect to the related Reference Obligation.

Following the occurrence of a Credit Event with respect to a Reference Obligation, the Synthetic Security Counterparty may deliver such Reference Obligation as a Deliverable Obligation to the Issuer, in exchange for which the Issuer will pay to the Synthetic Security Counterparty an amount (a "Physical Settlement Amount"), which amount shall be calculated in accordance with the related Synthetic Security and paid on the related Physical Settlement Date. The Synthetic Security Counterparty may elect to physically settle a Synthetic Security only in part, in which case, there may be more than one Physical Settlement Amount payable by the Issuer with respect to such Synthetic Security.

Any Deliverable Obligation delivered to the Issuer will be deemed to be a Collateral Asset and may be retained or sold by the Issuer at the sole discretion of the Collateral Manager without regard to whether such sale would be permitted as a sale of a Defaulted Obligation or a Credit Risk Obligation. The proceeds of such sale will be deposited by the Trustee into the Default Swap Collateral Account net of purchased accrued interest or interest payments thereon. In addition, any principal proceeds or interest received on such Deliverable Obligations prior to such sale, will be deposited by the Trustee into the Collateral Account.

In connection with any early termination or assignment of a Synthetic Security, the Issuer may owe a Synthetic Security Termination Payment. Synthetic Security Termination Payments will generally be paid directly and outside of the Priority of Payment; *provided* that Defaulted Synthetic Security Termination Payments will be paid in accordance with the Priority of Payments.

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The obligations of the Issuer to make payments under a Synthetic Security will exist irrespective of whether the Synthetic Security Counterparty suffers a loss on the related Reference Obligation upon the occurrence of a Credit Event. The Issuer will have no rights of subrogation under the Synthetic Securities.

Credit Events and Floating Amount Events

A Credit Event with respect to any Synthetic Security and a Reference Obligation means the occurrence of any of the events specified in the Master Confirmation as a Credit Event on or before the scheduled termination date for such Synthetic Security. The Credit Events are expected to be Failure to Pay Principal, Writedown, Distressed Ratings Downgrade and Failure to Pay Interest. In addition to Credit Events which may trigger physical settlement, the Synthetic Securities will require the Issuer to pay to the Synthetic Security Counterparty Floating Amounts in connection with the occurrence of Floating Amount Events, which are expected to be Failure to Pay Principal, Writedown and Interest Shortfall. Failure to Pay Principal and Writedown are Floating Amount Events as well as Credit Events. Interest Shortfall is only a Floating Amount Event. The Master Confirmation may alter the standard definitions of such terms and the actual Synthetic Securities should be consulted for the details of the Credit Events applicable thereto. The capitalized terms used in this section and not otherwise defined, have the meanings set forth in the related Synthetic Securities.

A "Credit Event" is the occurrence of any of the following (however caused, directly or indirectly), as applicable:

(i) Failure to Pay Principal

"Failure to Pay Principal" means (i) a failure by the Reference Obligor (or any Insurer) to pay an Expected Principal Amount on the Final Amortization Date or the Legal Final Maturity Date, as the case may be or (ii) payment on any such day of an Actual Principal Amount that is less than the Expected Principal Amount; *provided* that the failure by the Reference Obligor (or any Insurer) to pay any such amount in respect of principal in accordance with the foregoing shall not constitute a Failure to Pay Principal if such failure has been remedied within any grace period applicable to such payment obligation under the underlying instruments or, if no such grace period is applicable, within three Business Days after the day on which the Expected Principal Amount was scheduled to be paid.

(ii) Writedown

"Writedown" means the occurrence at any time on or after the Effective Date of: (i)(A) a writedown or applied loss (however described in the underlying instruments) resulting in a reduction in the Outstanding Principal Amount (other than as a result of a scheduled or unscheduled payment of principal); or (B) the attribution of a principal deficiency or realized loss (howsoever described in the underlying instruments) to the Reference Obligation resulting in a reduction of the current interest payable on the Reference Obligation; (ii) the forgiveness of any amount of principal by the holders of the Reference Obligation pursuant to an amendment to the underlying instruments resulting in a reduction in the Outstanding Principal Amount; or (iii) if the underlying instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (i) above to occur in respect of the Reference Obligation, an Implied Writedown Amount (if Implied Writedown Amounts are applicable to the related Synthetic Security) being determined in respect of the Reference Obligation by the Calculation Agent.

(iii) Distressed Ratings Downgrade:

"Distressed Ratings Downgrade" means, with respect to a Reference Obligation:

(i) if publicly rated by Moody's, (A) is downgraded to "Caa2" or below by Moody's or (B) has the rating assigned to it by Moody's withdrawn and, in either case, not reinstated within five Business Days of such downgrade or withdrawal; *provided* that if such Reference Obligation was assigned a public rating of at least "Baa3" or higher by Moody's immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "Caa1" by Moody's within three calendar months after such withdrawal; or

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(ii) if publicly rated by Standard & Poor's, (A) is downgraded to "CCC" or below by Standard & Poor's or (B) has the rating assigned to it by Standard & Poor's withdrawn and, in either case, not reinstated within five Business Days of such downgrade or withdrawal; *provided* that if such Reference Obligation was assigned a public rating of at least "BBB-" or higher by Standard & Poor's immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "CCC+" by Standard & Poor's within three calendar months after such withdrawal; or

(iii) if publicly rated by Fitch, (A) is downgraded to "CCC") or below by Fitch or (B) has the rating assigned to it by Fitch withdrawn and, in either case, not reinstated within five Business Days of such downgrade or withdrawal; *provided* that if such Reference Obligation was assigned a public rating of at least "BBB-" or higher by Fitch immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "CCC+" by Fitch within three calendar months after such withdrawal.

(iv) Failure to Pay Interest:

"Failure to Pay Interest" means, with respect to a Reference Obligation, the occurrence of an Interest Shortfall Amount or Interest Shortfall Amounts (calculated on a cumulative basis) in excess of the relevant Payment Requirement.

Implied Writedown will be applicable with respect to certain Reference Obligations where "Fixed Cap" is applicable under the Master Confirmation. Because most CDO Securities do not experience actual writedowns, the Master Confirmation has a modified form of Implied Writedown applicable to CDO Securities, whereby the Synthetic Security Counterparty, acting in its role as calculation agent thereunder, will be required to determine the Implied Writedown Amount by reference to the reported overcollateralization ratio in the servicer report for the Reference Obligation; *provided, however*, that if the overcollateralization ratio for the Reference Obligation is not reported there, the Synthetic Security Counterparty in its capacity as calculation agent may use other amounts, to the extent set forth in the servicer report, to determine an overcollateralization ratio. The overcollateralization ratio in the servicer report generally will take into account the "haircuts" on assets provided in the Underlying Instruments for the Reference Obligation (for example, on assets that have been downgraded, have "PIKed," have defaulted or were purchased at a discount), which will make an Implied Writedown more likely to occur on the Reference Obligation.

Credit Events must be physically settled with respect to a Distressed Ratings Downgrade and Failure to Pay Interest; *provided, however*, that if the Reference Obligation is a PIKable Reference Obligation, it will be a condition to physical settlement that a period of at least 360 calendar days have elapsed since the occurrence of the Failure to Pay Interest without reimbursement in full of the relevant Interest Shortfall. In the case of a Writedown or a Failure to Pay Principal, the Synthetic Security Counterparty may elect to receive a Floating Amount Payment from the Issuer rather than physical settlement. Multiple Credit Event notices may be delivered with respect to each Synthetic Security.

The Synthetic Security Counterparty will be required to reimburse the Issuer for all or part of any Floating Amount Payment if a corresponding payment has been made by the Reference Obligor to holders of the related Reference Obligation within one year after the earlier of (i) the legal final maturity date of the Reference Obligation underlying such Synthetic Security, as set forth in such Synthetic Security, and (ii) the related Final Amortization Date. However, in the case of an Interest Shortfall Reimbursement with respect to a Synthetic Security, the Synthetic Security Counterparty generally will be entitled to receive recovery of any portion of an Interest Shortfall under such Synthetic Security for which it was not compensated by the Issuer before it makes any payment to the Issuer in respect of an Interest Shortfall Reimbursement.

Synthetic Security Early Termination

The Issuer will have the right to terminate the Synthetic Securities upon the occurrence of an "Event of Default" or "Termination Event," including, but not limited to, (a) payment defaults by the Synthetic Security Counterparty and any guarantor lasting a period of at least three local business days,

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(b) a default by the Synthetic Security Counterparty or any guarantor on specific financial transactions as specified in the Synthetic Security, (c) bankruptcy-related events applicable to the Synthetic Security Counterparty or any guarantor, (d) any redemption of the Notes in whole, (e) a liquidation of the Collateral following the occurrence of an Event of Default under the Indenture, (f) it becomes unlawful for the Issuer to perform its obligations under the Synthetic Securities and the Issuer is not able to transfer its obligations to a different jurisdiction or substitute another entity in its place so that such illegality ceases to apply, (g) because of (x) any action taken by a taxing authority, or brought in a court, on or after the Closing Date or (y) a change in tax law, there is a substantial likelihood that the Issuer will be required to (1) make a "gross-up" payment or (2) receive a payment subject to withholding for which another party is not required to make a "gross-up" payment or (h) the unsecured, unsubordinated debt rating of the Synthetic Security Counterparty or any guarantor of the Synthetic Security Counterparty, whichever is higher, assigned by S&P or Moody's at any time falls below "AA-" (or is on downgrade watch at "AA-") or "Aa3" (or is on downgrade watch at "Aa3"), the Synthetic Security Counterparty fails to make an Expected Fixed Amount as set forth in the Synthetic Securities and the Synthetic Security Counterparty, or its guarantor, fails to either (a) transfer all of its rights and obligations under the Synthetic Securities to another entity which has such ratings or (b) cause an entity which has such ratings to guarantee or to provide an indemnity in respect of the Synthetic Security Counterparty's or its guarantor's, obligations under the Synthetic Securities which satisfies the Rating Agency Condition.

The Synthetic Security Counterparty will have the right to terminate the Synthetic Securities upon the occurrence of an "Event of Default" or "Termination Event" under the Synthetic Securities, including, but not limited to (a) an Event of Default under the Indenture caused by a payment default by the Issuer lasting a period of at least three local business days, (b) any redemption of the Notes in whole, (c) bankruptcy-related events applicable to the Issuer, (d) an Event of Default under the Indenture that occurs and is continuing and there has been a liquidation (in whole), or the commencement of a liquidation (in whole) of the assets of the Issuer, (e) the Indenture is supplemented or amended without the consent of the Synthetic Security Counterparty as described therein, (f) the Synthetic Security Counterparty is no longer a Secured Party under the Indenture or the Trustee's security interest in the Default Swap Collateral or the Default Swap Collateral Account is impaired or no longer existing, (g) it becomes unlawful for the Synthetic Security Counterparty to perform its obligations under the Synthetic Securities and the Synthetic Security Counterparty is not able to transfer its obligations to a different jurisdiction or substitute another entity in its place so that such illegality ceases to apply, or (h) because of (x) any action taken by a taxing authority, or brought in a court, on or after the Closing Date or (y) a change in tax law, there is a substantial likelihood that the Synthetic Security Counterparty will be required to make (1) a "gross-up" payment or (2) receive a payment subject to withholding for which another party is not required to make a "gross-up" payment. If the Synthetic Securities are terminated, the Issuer will no longer receive payments from the Synthetic Security Counterparty and will likely not have sufficient funds to make payments when due on the Notes and may not have sufficient funds to redeem the Notes in full.

The Issuer is required to satisfy the Rating Agency Condition prior to any (i) replacement of the Synthetic Security Counterparty or (ii) assignment of the Synthetic Securities.

If an Event of Default or a Termination Event occurs under the Synthetic Securities "Market Quotation" and "Second Method" will apply as set forth in the Synthetic Securities.

Payments on Synthetic Security Early Termination

Payments by the Issuer. Upon the occurrence of an early termination of a Synthetic Security, the Issuer will be required to pay to the Synthetic Security Counterparty the following amounts:

(i) any Physical Settlement Amounts owed by the Issuer to the Synthetic Security Counterparty for any Credit Events that occur on or prior to the termination date of the Synthetic Securities for which the Conditions to Settlement have been satisfied; and

(ii) any Synthetic Security Termination Payment due to the Synthetic Security Counterparty.

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Payments by the Synthetic Security Counterparty. Upon the occurrence of an early termination of a Synthetic Security, the Synthetic Security Counterparty will be required to pay to the Issuer the following amounts:

(i) any accrued but unpaid Fixed Amounts and Additional Fixed Amounts; and

(ii) any Synthetic Security Termination Payment due to the Issuer.

There can be no assurance that, upon early termination by the Issuer or the Synthetic Security Counterparty, either the Synthetic Security Counterparty would be required to make any termination payment to the Issuer or, if it did make such a payment, the amount of the termination payment made by the Synthetic Security Counterparty would be sufficient to pay any amounts due in respect of the Notes. If the Issuer is required to make a Synthetic Security Termination Payment, such termination payment may be substantial and may result in losses to the holders of the Notes.

Amendment

The Synthetic Securities may be amended only with (i) the satisfaction of the Rating Agency Condition and (ii) the consent of the Collateral Manager (which consent shall not be unreasonably withheld); *provided however*, that with respect to (i), such condition need not be satisfied with respect to any amendment that corrects a manifest error.

Guarantee

The GS Group will guarantee the obligations of the Synthetic Security Counterparty under the Synthetic Security.

The Synthetic Security Counterparty

The initial Synthetic Security Counterparty under the Synthetic Security will be Goldman Sachs International. The swap guarantor with respect to the Synthetic Security is The Goldman Sachs Group, Inc., a Delaware corporation (the "GS Group"), which is an affiliate of the Synthetic Security Counterparty. Goldman Sachs International is located at Peterborough Court 133 Fleet Street, London EC4A 2BB.

The Annual Report on Form 10-K for the fiscal year ended November 30, 2006 filed by GS Group with the SEC (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with SEC rules) will not form part of a prospectus prepared for the purposes of admission to the official list of the Irish Stock Exchange and to trading on its regulated market should any Notes be listed on such exchange.

GS Group, together with its subsidiaries, is a global investment banking, securities and investment management firm that provides financial services worldwide to clients that include corporations, financial institutions, governments and high net-worth individuals.

Any statement contained in a document incorporated or deemed to be incorporated by reference into this Offering Circular, or contained in this Offering Circular, will be deemed to be modified or superseded for purposes of this Offering Circular to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. Any such statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular. GS Group's filings with the SEC are available to the public through the SEC's Internet site at http://www.sec.gov, and through the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which GS Group's common stock is listed.

The Notes do not represent an obligation of, and will not be insured or guaranteed by, GS Group or any of its subsidiaries and investors will have no rights or recourse against GS Group or any of its subsidiaries.

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The Default Swap Collateral

Pursuant to the Synthetic Securities, the Issuer will use the net proceeds from the offering of the Notes to purchase Default Swap Collateral and Eligible Investments which, in the aggregate, will have an initial principal amount as of the Closing Date of approximately U.S.$930,000,000, which shall be deposited to the Default Swap Collateral Account.

The Default Swap Collateral is required to satisfy the following "Default Swap Collateral Eligibility Criteria":

(i) it (a) is rated "Aaa" by Moody's and, if such asset has a short-term rating from Moody's, "P-1", and "AAA" by S&P, and, if such asset has a short-term rating from S&P, it must be "A-1+" and (b) does not have a "t", "q", "pi" or "r" subscript;

(ii) (a) in all cases, the payments with respect to which are not payable in a currency other than U.S. Dollars and (b) it is expected to have an outstanding principal balance of less than U.S.$1,000 after the Stated Maturity of the Class B Notes, assuming a constant prepayment rate since the date of purchase equal to the constant prepayment rate reasonably expected by the Collateral Manager as of the date of purchase;

(iii) it is eligible to be entered into by, sold or assigned to, the Issuer;

(iv) it is not subject to an offer;

(v) it is an obligation upon which no payments are subject to withholding tax imposed by any jurisdiction unless the obligor thereof is required to make "gross-up" payments that cover the full amount of any such withholding taxes on an after-tax basis;

(vi) after taking into consideration the addition of any such security (a) at least 40% of the Default Swap Collateral acquired after the Closing Date and Eligible Investments in the Default Swap Collateral Account by principal balance have an expected average life (calculated by the Collateral Manager (1) based on market prepayment assumptions and (2) assuming that Eligible Investments have a weighted average life of zero) of less than or equal to 1.0 year, (b) 100% of the Default Swap Collateral acquired after the Closing Date and Eligible Investments in the Default Swap Collateral Account by principal balance has an expected average life (calculated by the Collateral Manager (1) based on market prepayment assumptions and (2) assuming that Eligible Investments have a weighted average life of zero) of less than or equal to 2.0 years, and (c) after Closing Date, the expected weighted average life (calculated by the Collateral Manager (1) based on market pre payment assumptions and (2) assuming that Eligible Investments have a weighted average life of zero) of the Default Swap Collateral acquired after the Closing Date and Eligible Investments in the Default Swap Collateral Account does not exceed the expected weighted average life of the portfolio of Reference Obligations at such time;

(vii) after taking into consideration the addition of any such security, the aggregate of the weighted average spread and the rate of the related index of the Default Swap Collateral and Eligible Investments in the Default Swap Collateral Account, in the aggregate, is at least equal to LIBOR *plus* 0.05% *per annum* or if prior to acquisition of such item of Default Swap Collateral or Eligible Investment, the spread and the rate of the related index of the Default Swap Collateral and Eligible Investments in the Default Swap Collateral Account was less than LIBOR *plus* 0.05% *per annum*, such acquisition would maintain or improve the aggregate of the weighted average spread and the rate of the related index of the Default Swap Collateral and Eligible Investments in the Default Swap Collateral Account;

(viii) after taking into consideration the addition of any such security, no more than 50% of the Default Swap Collateral and Eligible Investments in the Default Swap Collateral Account by principal balance has single counterparty exposure including servicer, issuer and swap counterparty exposure;

(ix) it provides for payments of monthly periodic interest in cash at a floating rate and for a payment of principal in full and in cash at its final maturity;

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(x) (A) either (1) constitutes a Residential Mortgage-Backed Security, a Commercial Mortgage-Becked Security, an Asset-Backed Security or a CDO Security which in each instance was either (a) offered by an underwriter, a placement agent or any person acting in a similar capacity through a public prospectus, a private placement memorandum or any other similar document, as to which neither the Collateral Manager nor any affiliate thereof was either the underwriter, collateral manager, placement agent or otherwise involved in the negotiation of the terms or the conditions thereof and as to which a substantial amount of the security was acquired by one or more persons unrelated to the Issuer, the Collateral Manager or any other structured finance vehicle managed or controlled by the Collateral Manager substantially contemporaneously with, and on substantially the same terms as, the securities acquired by the Issuer or (b) (i) acquired on the secondary market, (ii) not acquired directly or indirectly from the issuer of such security pursuant to a legally binding agreement made prior to the second business day after the issuance of such security, (iii) not acquired from the Collateral Manager, its Affiliates or any other structured finance vehicle managed or controlled by the Collateral Manager unless such entity regularly acquires securities of the same type for its own account, could have held the security for its own account consistent with its investment policies, did not identify the security as intended for sale to the Issuer within 90 days of its issuance and held the security, without any hedge with the Issuer, for at least 90 days and (iv) as to which neither the Collateral Manager nor any Affiliate thereof was involved in the negotiation of the terms or conditions of the security or (2) satisfies the definition of an "Eligible Investment"; (B) is not a United States real property interest within the meaning of Section 897 of the Code and (C) is treated as debt for U.S. federal income tax purposes,

(xi) if it is a CDO Security, such CDO Security must (a) be a CDO S Note Security and (b) as of the time of purchase by the Issuer, be in compliance with the applicable eligibility criteria, profile tests and quality tests set forth in the related underlying instruments;

(xii) at least 87.5% of the Default Swap Collateral by principal balance consists of Asset-Backed Securities, Residential Mortgage-Backed Securities or Commercial Mortgege-Backed Securities;

(xiii) the purchase price thereof is equal to at least 98% of the par value of such security and

(xiv) it is a security the acquisition (including the manner of acquisition), ownership or disposition of which will not cause the Issuer to be treated as engaged in a trade or business within the United States for United States federal income tax purposes.

The Default Swap Collateral is expected to be purchased in a face amount equal to the initial Aggregate Notional Amount of the Synthetic Securities. Under the terms of the Indenture, all Default Swap Collateral is required to be deposited in the Default Swap Collateral Account for the benefit of the Synthetic Security Counterparty. The Issuer will also grant to the Trustee for the benefit of the Secured Parties, a security interest in the Default Swap Collateral, subject to the lien of the Synthetic Security Counterparty, and shall notify the Synthetic Security Counterparty of such security interest. The Issuer must obtain the consent of the Synthetic Security Counterparty with respect to any initial Default Swap Collateral purchased by the Issuer and any Default Swap Collateral purchased thereafter.

Interest payments, redemption premiums, dividend distributions, investment earnings on and any fees paid with respect to any Default Swap Collateral will constitute property of the Issuer and will be paid to the Trustee and deposited into the Collection Account and treated as Proceeds unless such amounts are required to be paid to the related Synthetic Security Counterparty under the terms of the related Synthetic Security. Principal payments on the Default Swap Collateral prior to the termination of the Synthetic Securities shall be held in accordance with the Synthetic Securities in the Default Swap Collateral Account and invested in Eligible Investments until reinvested in Default Swap Collateral which satisfy the Default Swap Collateral Eligibility Criteria with the consent of the Synthetic Security Counterparty.

In the event a Synthetic Security is terminated prior to its scheduled maturity without the occurrence of a Credit Event or a Floating Amount Event, the Collateral Manager on behalf of the Issuer shall cause such portion of the related Default Swap Collateral chosen by the Synthetic Security Counterparty as may be required to make any Synthetic Security Termination Payments, to be liquidated

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and any such Synthetic Security Termination Payments to be paid directly to the Synthetic Security Counterparty; *provided* that, in the case of Defaulted Synthetic Security Termination Payments, such amounts will be deposited to the Collection Account and paid in accordance with the Priority of Payments. The remaining related Default Swap Collateral to the extent not required to be pledged to the related Synthetic Security Counterparty shall be released from the lien of the Synthetic Security Counterparty and delivered to the Trustee free of such lien. In the event that no Credit Event or Floating Amount Event under a Synthetic Security has occurred prior to the scheduled maturity of the Synthetic Security, upon the scheduled maturity of the Synthetic Security, the Synthetic Security Counterparty's lien on the Default Swap Collateral shall be released and the Collateral Manager on behalf of the Issuer shall cause such Default Swap Collateral to be delivered to the Trustee free of such lien. Upon release of the lien of the Synthetic Security Counterparty, the Issuer shall direct the Trustee to take any specific actions necessary to create in favor of the Trustee a valid, perfected, first priority security interest in such Default Swap Collateral under applicable law and regulations for the benefit of the Secured Parties. Any Default Swap Collateral released from the lien of the Synthetic Security Counterparty shall be treated as a Collateral Asset and may be retained by the Trustee or sold by the Collateral Manager in the sole discretion of the Collateral Manager without regard to whether such sale would be permitted as a sale of a Defaulted Obligation or a Credit Risk Obligation; *provided* that no Event of Default has occurred and is continuing. Any Proceeds net of purchase accrued interest or interest payments received upon the maturity or liquidation of the Default Swap Collateral released from the lien of the Synthetic Security Counterparty shall be deposited to the Default Swap Collateral Account.

Upon the occurrence of a Credit Event or Floating Amount Event under a Synthetic Security, the Default Swap Collateral chosen by the Synthetic Security Counterparty after the application of any cash and Eligible Investments on deposit in the Default Swap Collateral Account will be sold by the Collateral Manager in a sale arranged by the Collateral Manager and any amounts owed to the Synthetic Security Counterparty will be paid by the Issuer from the liquidation proceeds of such Default Swap Collateral. In the event such liquidation proceeds are less than par, the Synthetic Security Counterparty will accept the liquidation proceeds applicable to the face amount of Default Swap Collateral sold which is equal to the amount due to the Synthetic Security Counterparty. In addition, under certain circumstances upon the occurrence of a Credit Event, the Default Swap Collateral chosen by the Synthetic Security Counterparty will instead be delivered to the Synthetic Security Counterparty in exchange for a Deliverable Obligation. Any Deliverable Obligation delivered to the Issuer will be deemed to be a Collateral Asset and may be retained or sold by the Issuer at the sole discretion of the Collateral Manager without regard to whether such sale would be permitted as a sale of a Defaulted Obligation or a Credit Risk Obligation. Any Proceeds net of purchased accrued interest or interest payments received upon the maturity or liquidation of a Deliverable Obligation shall be deposited to the Default Swap Collateral Account. In the event a Credit Event has occurred and the Issuer is required to liquidate Default Swap Collateral and deliver cash to the Synthetic Security Counterparty, the Synthetic Security Counterparty will bear any market risk on the liquidation of the Default Swap Collateral.

The Synthetic Security Counterparty has the right to purchase any Default Swap Collateral being sold for less than its par amount at a price equal to the highest bid received for such Default Swap Collateral. The Collateral Manager shall provide the Synthetic Security Counterparty prior notice of the price at which any Default Swap Collateral is being sold prior to such sale.

Reports

A report will be made available to the Holders of the Notes and Holders of the Income Notes and will provide information on the Collateral Assets as well as information with respect to payments made on the related Payment Date (each, a "Payment Report"), beginning in September 2007.

The information in each Payment Report will be prepared as of the Determination Date preceding the related Payment Date and will set out, among other things, the amounts payable in accordance with the Priority of Payments on such Payment Date. The Issuer will instruct the Trustee to transfer the amounts set forth in such Payment Report in the manner specified in, and in accordance with, the Priority of Payments. As long as any Notes are listed on any stock exchange, the Payment Reports will be obtainable at the office of the Listing and Paying Agent.

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Cashflow Swap Agreement

General. On the Closing Date, the Issuer will enter into a Cashflow Swap Agreement with Goldman Sachs International ("GSI") as initial Cashflow Swap Counterparty. The Issuer may replace the Cashflow Swap Agreement but shall not enter into any additional hedge agreements after the Closing Date.

Pursuant to the Cashflow Swap Agreement, on each Payment Date occurring through the termination of the Cashflow Swap Agreement in accordance with the Priority of Payments, the Issuer will pay certain amounts to the Cashflow Swap Counterparty and the Cashflow Swap Counterparty will make advances to the Issuer in an amount equal to certain Cashflow Swap Shortfall Amount as described in the Cashflow Swap Agreement. Any Cashflow Swap Shortfall Amounts paid under the Cashflow Swap Agreement by the Cashflow Swap Counterparty to the Issuer will accrue interest and be repaid to the Cashflow Swap Counterparty in accordance with the Priority of Payments. See "Description of the Notes – Payments on the Notes – Priority of Payments." To the extent the Issuers would have insufficient funds available to pay interest on the Class S Notes, the Class A Notes or the Class B Notes on a Payment Date as a result of any of the Collateral Assets deferring the payment of interest due thereon in accordance with its terms, interest on the Class S Notes, the Class A Notes and the Class B Notes will be payable by the Issuer from the amounts advanced by the Cashflow Swap Counterparty to the Issuer under the Cashflow Swap Agreement up to U.S.$50,000,000 (as reduced in accordance with the Cashflow Swap Agreement); *provided* that the Cashflow Swap Counterparty will not make advances to cover any shortfall resulting from any Collateral Asset deferring interest beyond the second year.

The Issuer shall ensure that the Cashflow Swap Agreement shall provide that the Cashflow Swap Counterparty will agree (a) that the Issuer's obligations under the Cashflow Swap Agreement are limited recourse obligations of the Issuer payable solely from the Collateral and subordinated as set forth in the Priority of Payments and (b) to a standard non-petition clause, and (c) that such Cashflow Swap Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Payments (other than Defaulted Cashflow Swap Termination Payments) due to the Cashflow Swap Counterparty under the Cashflow Swap Agreement shall be paid, in accordance with the Priority of Payments, prior to any payments on the Securities, from Proceeds available therefor on each Payment Date. The claims of the Cashflow Swap Counterparty shall rank pari passu with the claims of other Cashflow Swap Counterparties entitled to receive payments at the same level of priority within the Priority of Payments. Defaulted Cashflow Swap Termination Payments shall be paid after payment of Principal Proceeds to the Notes in accordance with the Priority of Payments.

Pursuant to the initial Cashflow Swap Agreement, the Issuer may terminate the initial Cashflow Swap Agreement if (A) the Moody's First Rating Trigger Requirements apply and 30 or more local business days have elapsed since the last time the Moody's First Rating Trigger Requirements did not apply and GSI has failed to comply with or perform any obligation to be complied with or performed under the Credit Support Annex, and (B) (x) the Moody's Second Rating Trigger Requirements apply and 30 or more local business days have elapsed since the last time the Moody's Second Rating Trigger Requirements did not apply and (y) (i) an Eligible Replacement has not become the transferee of a transfer made in accordance with Part 5(b)(i) of the Cashflow Swap Agreement, subject to satisfaction of the Rating Agency Condition and/or (ii) an entity with the Moody's First Trigger Required Ratings has not provided an Eligible Guarantee in respect of all of the initial Cashflow Swap Counterparty's present and future obligations under the Cashflow Swap Agreement.

The Cashflow Swap Agreement may be termineted, whether or not the Notes have been paid in full on or prior to such termination, upon, among other things, (i) certain events of bankruptcy, insolvency, conservatorship, receivership or reorgenization of the Issuer or the related Cashflow Swap Counterparty, (ii) failure on the part of the Issuer or the related Cashflow Swap Counterparty to make any payment under the Cashflow Swap Agreement within the applicable grace period, (iii) certain withholding or other taxes being imposed on payments to be made under the Cashflow Swap Agreement as set forth in Sections 5(b)(ii) and (iii) of the ISDA Master Agreement incorporated in the Cashflow Swap Agreement, (iv) a change in law making it illegal for either the Issuer or the related Cashflow Swap Counterparty to be

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a party to, or perform an obligation under, the Cashflow Swap Agreement, (v) an Event of Default under the Indenture occurs and is continuing and there has been a liquidation (in whole), or the commencement of a liquidation (in whole) of the assets of the Issuer, (vi) the Indenture is supplemented or amended without the consent of the Cashflow Swap Counterparty as described therein, (vii) the Cashflow Swap Counterparty is no longer a Secured Party under the Indenture or (viii) the aggregate Principal Balance of the Collateral Assets is less than U.S.$50,000,000. Notwithstanding the foregoing, the Issuer will not optionally terminate any Cashflow Swap Agreement unless the Rating Agency Condition is satisfied in connection with such termination.

A termination of a Cashflow Swap Agreement will not constitute an Event of Default under the Indenture. Although the Issuer believes that any such termination is unlikely, the Issuer has agreed to use reasonable efforts to enter into a substitute Cashflow Swap Agreement on similar terms to the extent that the Issuer is able to enter into such an agreement, and shall apply any termination receipts to the purchase of a new Cashflow Swap Agreement. If the Issuer is unable to obtain a substitute Cashflow Swap Agreement, interest due on the Notes will be paid from amounts received on the Collateral Assets and Default Swap Collateral without the benefit of any Cashflow Swap Agreement. There can be no assurance that such amounts will be sufficient to provide for the full payment of interest on the Notes, or that amounts that would otherwise be distributable to the Holders of the Income Notes will not be reduced.

In the event of any early termination of a Cashflow Swap Agreement (i) any Cashflow Swap Termination Receipts paid to the Issuer and not concurrently applied in connection with the Issuer's entering into a replacement Cashflow Swap Agreement will be deposited in a single, segregated trust account held in the name of the Trustee (the "Cashflow Swap Termination Receipts Account") for the benefit of the Secured Parties and (ii) any amounts received by the Issuer from a replacement counterparty in consideration for entering into a substantially similar replacement agreement that preserves for the Issuer the economic equivalent of the terminated Cashflow Swap Agreement ("Cashflow Swap Replacement Proceeds") will be deposited in a single, segregated trust account held in the United States in the name of the Trustee (the "Cashflow Swap Replacement Account") for the benefit of the Secured Parties.

The Collateral Manager may cause the Issuer, promptly following the early termination of a Cashflow Swap Agreement (other than with respect to a Final Payment Date) and to the extent possible through application of funds available in the Cashflow Swap Termination Receipts Account, to enter into a replacement Cashflow Swap Agreement (a "Replacement Cashflow Swap Agreement") which may have different terms, including different notional amounts, *provided* that the Rating Agency Condition is satisfied.

If (i) the funds available in the Cashflow Swap Termination Receipts Account exceed the costs of entering into a Replacement Cashflow Swap Agreement, (ii) the Collateral Manager determines not to replace the terminated Cashflow Swap Agreement and the Rating Agency Condition is satisfied, or (iii) the termination is occurring with respect to a Final Payment Date, then amounts in the Cashflow Swap Termination Receipts Account (after providing for the costs of entering into a Replacement Cashflow Swap Agreement, if any) will be transferred to the Collection Account on the next following Transfer Date and will be treated as Principal Proceeds and distributed in accordance with the Priority of Payments on the next Payment Date (or on such Final Payment Date, in the event the Notes are redeemed in full thereon).

If a Cashflow Swap Agreement is terminated and the costs of entering into a Replacement Cashflow Swap Agreement exceed the funds on deposit and available therefor in the Cashflow Swap Termination Receipts Account, then, after using the funds in the Cashflow Swap Termination Receipts Account, the Issuer may enter into a Replacement Cashflow Swap Agreement with the amount of such shortfall payable to the replacement Cashflow Swap Counterparty in accordance with the Priority of Payments on following Payment Dates.

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The amounts in the Cashflow Swap Replacement Account will be applied directly to the payment of termination amounts owing to the Cashflow Swap Counterparty, if any. To the extent not fully paid from Cashflow Swap Replacement Proceeds, such amounts will be payable to the Cashflow Swap Counterparty on subsequent Payment Dates in accordance with the Priority of Payments. To the extent that the funds available in the Cashflow Swap Replacement Account exceed any such termination amounts (or if there are no termination amounts), the excess amounts in the Cashflow Swap Replacement Account will be transferred to the Collection Account on the next Transfer Date and will be treated as Principal Proceeds and distributed in accordance with the Priority of Payments on the next Payment Date. If the termination amounts owing to the Cashflow Swap Counterparty exceed the Cashflow Swap Replacement Proceeds for such agreements, then, unless such amounts represent Defaulted Cashflow Swap Termination Payments, they will be paid before funds are applied to pay principal or interest on any Notes (except for the Class S-1 Notes) in accordance with the Priority of Payments.

In order to effect an Optional Redemption by Liquidation, Tax Redemption or Auction, the Cashflow Swap Agreement must be terminated and the proceeds from such termination and from the liquidation of the remaining Collateral must be sufficient to pay any termination payment owing to the Cashflow Swap Counterparty (other than any Defaultad Cashflow Swap Termination Payments) in addition to any amounts owing under the Notes and certain other expanses.

Each Cashflow Swap Agreement will provide that the related Cashflow Swap Counterparty may assign its obligations under a Cashflow Swap Agreement to any institution which satisfies the Rating Agency Condition with respect to such assignment.

The initial Cashflow Swap Counterparty is GSI. GSI is an affiliate of the Initial Purchaser, and other affiliates of the Initial Purchaser or the Collateral Manager may also act as Cashflow Swap Counterparties from time to time, which may create certain conflicts of interest. See "Risk Factors—Other Considerations—Certain Conflicts of Interest."

The Cashflow Swap Counterparty ratings requirements, termination events and the required consents and actions described herein are subject to modification prior to the Closing Date, and may be revised thereafter upon satisfaction of the Rating Agency Condition. The description of the provisions of the Cashflow Swap Agreement herein may vary from the actual Cashflow Swap Agreement to be enterad into by the Issuer and GSI on the Closing Date.

Cashflow Swap Agreement. As of the Closing Date, the Issuer will enter into a Cashflow Swap Agreement with GSI and may from time to time enter into additional Cashflow Swap Agreements (each, a "Cashflow Swap Agreement") with GSI or other counterparties (each, a "Cashflow Swap Counterparty").

WEIGHTED AVERAGE LIFE AND YIELD CONSIDERATIONS

The Stated Maturity of the Notes (other than the Class S Notes and the Class A-1 Notes) and the Income Notes is the Payment Date in December 2047, the Stated Maturity of the Class S Notes is the Payment Date in September 2011, the Stated Maturity of the Class A-1a Notes and the Class A-1b Notes is the Payment Date in December 2039 and the Stated Maturity of the Class A-1c Notes and the Class A-1d Notes is the Payment Date in September 2044. However, the principal of the Notes (other than the Class S Notes) is expected to be paid in full prior to the Stated Maturity. Average life refers to the average amount of time that will elepse from the date of delivery of a security until each dollar of the principal of such security will be paid to the investor. The average lives of the Notes will be determined by the amount of principal payments which are dependent on a number of factors, including when the Collateral Assets are repaid.

Weighted Average Life. Weighted average life refers to the average amount of time that will elapse from the date of delivery of a security until each dollar of the principal of such security will be paid to the investor. The weighted average lives of the Notes of each Class will be determined by the amount and frequency of principal payments, which are dependent upon, among other things, tha amount of

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payments received at or in advance of the scheduled maturity of the Collateral Assets (whether through sale, maturity, redemption, prepayment, default or other liquidation or disposition). The actual weighted average lives and actual maturities of the Notes will be affected by the financial conditions of the obligors on or the issuers of the Collateral Assets or the obligors on the underlying assets, and the characteristics of such securities and assets, including the existence and frequency of exercise of any optional or mandatory redemption features, the prevailing level of interest rates, the redemption price, prepayment rates, any lockout periods or prepayment premiums or penalties, the actual default rate and the actual level of recoveries on any Defaulted Obligations, and the frequency of tender or exchange offers for such Collateral Assets. Any disposition of a Collateral Asset will change the composition and characteristics of the Collateral Assets and the scheduled payments and payment characteristics thereon, and, accordingly, may affect the actual weighted average lives of the Notes. The rate of future defaults and the amount and timing of any cash realization from Defaulted Obligations and Credit Risk Obligations also will affect the maturity and weighted average lives of the Notes. The weighted average life of the Notes of each Class may also vary depending on whether or not the Notes are redeemed. The weighted average lives of the Notes are expected to be shorter, and may be substantially shorter, than the Stated Maturity of the Notes.

The table set forth below indicates the percentage of the initial balance of each Class of Notes that would be outstanding on each Payment Date assuming no prepayments or losses and the weighted average life of each Class of Notes and principal window of each Class based on the following assumptions (the "Collateral Assets Assumptions"):

i. Forward three month LIBOR curve as of March 20, 2007 are assumed;

ii. the Closing Date is March 27, 2007, the first Payment Date is September 4, 2007, and Payment Dates are the third day of every March, June, September and December, not adjusting for Business Days;

iii. all of the net proceeds of the offering of the Securities are invested as of the Closing Date in the Collateral Assets and Default Swap Collateral;

iv. the Coverage Tests are satisfied as of the Closing Date;

v. expenses due under clauses (i), (ii) and (iii) of the Priority of Payments are paid on each Payment Date and will be $35,500 *plus* the greater of U.S.$12,062.50 and 0.0018125% of the Quarterly Asset Amount for the related Due Period (or, with respect to the first Payment Date, as such amounts are adjusted based on the number of days in such Due Period);

vi. the Collateral Management Fee is 0.04% *per annum* of the outstanding Principal Balance of the Collateral Assets;

vii. there are no Current Deferred Management Feas;

viii. the Deferred Structuring Expense is 0.04% *per annum* of the outstanding Principal Balance of the Collateral Assets;

ix. Prior to distribution on each Payment Date, interest collections are assumed to be deposited in the Collection Account for 30 days, and principal collections are assumed to be deposited in the Collection Account for 50 days, each earning a rate equal to three month LIBOR *minus* 0.30% *per annum*;

x. Default Swap Collateral and Eligible Investments in the Default Swap Collateral Account are assumed to accrue interest at three month LIBOR *plus* 0.10%;

xi. each Collateral Asset will pay principal and interest in accordance with its terms and scheduled payments will be timely received, unless otherwise specified;

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xii. failure to pay interest to the Holders of the Class A Notes and the Class B Notes is not an Event of Default;

xiii. all unpaid Class C Note and Class D Note interest is Deferred Interest;

xiv. there are no sales;

xv. no rating change occurs on any Collateral Asset or the Notes;

xvi. there is no Optional Redemption, Tax Redemption or, except with respect to the table setting forth the Percentages of Initial Principal Balance of the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes and Class D Notes and the table setting forth the Sensitivity of Principal Payments to CDR, Auction Call;

xvii. defaults are incurred at the constant annual default rates and are applied on each Payment Date to the outstanding Principal Balance of the Collateral Assets as of such Payment Date commencing on the Payment Date in September 2008; and

xviii. there is no PIK interest on the Collateral Assets.

Percentages of Initial Principal Balance of the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes and Class D Notes

	Class A-1a	Class A-1b	Class A-1c	Class A-1d	Class A-2	Class B	Class C	Class D
Closing Date	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
September 4, 2007	93.17%	100.00%	100.00%	100.00%	98.63%	100.00%	100.00%	99.33%
September 3, 2008	83.89%	100.00%	100.00%	100.00%	96.78%	100.00%	100.00%	98.00%
September 3, 2009	68.69%	100.00%	100.00%	100.00%	93.74%	100.00%	100.00%	96.67%
September 3, 2010	43.13%	100.00%	100.00%	100.00%	88.63%	97.06%	98.52%	92.55%
September 3, 2011	0.00%	95.95%	100.00%	100.00%	78.38%	85.84%	87.13%	80.44%
September 3, 2012	0.00%	68.84%	100.00%	100.00%	67.46%	73.88%	74.99%	69.19%
September 3, 2013	0.00%	23.80%	100.00%	100.00%	49.52%	54.23%	55.05%	50.70%
September 3, 2014	0.00%	0.00%	0.00%	25.22%	36.80%	40.30%	40.90%	37.59%
September 3, 2015	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected Principal Window(1)	September 4, 2007 to September 3, 2011	September 3, 2011 to March 3, 2014	March 3, 2014 to June 3, 2014	June 3, 2014 to December 3, 2014	September 4, 2007 to September 3, 2015	June 3, 2010 to September 3, 2015	September 3, 2010 to September 3, 2015	September 4, 2007 to September 3, 2015
Expected Weighted Average Life(2)	2.99 years	5.96 years	7.14 years	7.49 years	6.11 years	6.73 years	6.79 years	8.45 years

(1) The "Expected Principal Window" for a Class of Notes is the period in which (a) the initial principal payment of the Class is expected to be made and (b) the final payment of principal of the Class is expected to be made under the Collateral Assets Assumptions (assuming no defaults).

(2) The "Expected Weighted Average Life" of each Class of Notes is determined by (i) multiplying the amount of each principal distribution on such Class that would result under the Collateral Assets Assumptions (assuming no defaults) by the number of years from the date of determination to the related Payment Date (assuming 30 days in each month and a 360-day year), (ii) adding the results and (iii) dividing the sum by the aggregated principal distributions referred to in clause (i).

The following table shows the "Expected Weighted Average Life" and the "Expected Principal Window" for each Class of Notes under various constant default rates. The "Expected Weighted Average Life" of each Class of Notes is determined by (i) multiplying the amount of each principal distribution on such Class that would result under the Collateral Assets Assumptions by the number of years from the

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date of determination to the related Payment Date (assuming 30 days in each month and a 360-day year), (ii) adding the results and (iii) dividing the sum by the aggregated principal distributions referred to in clause (i). The "Expected Principal Window" for a Class of Notes is when the first and last payments of principal are expected to be made under the Collateral Assets Assumptions. The loss severity is assumed to be 80%.

Sensitivity of Principal Payments to CDR

	0.0% CDR		0.1% CDR		0.25% CDR		0.5% CDR	
Class	Expected Weighted Average Life	Expected Principal Window	Expected Weighted Average Life	Expected Principal Window	Expected Weighted Average Life	Expected Principal Window	Expected Weighted Average Life	Expected Principal Window
A-1a	2.99 years	September 4, 2007 to September 3, 2011	2.97 years	September 4, 2007 to September 3, 2011	2.95 years	September 4, 2007 to September 3, 2011	2.93 years	September 4, 2007 to September 3, 2011
A-1b	5.98 years	September 3, 2011 to March 3, 2014	5.94 years	September 3, 2011 to March 3, 2014	5.92 years	September 3, 2011 to March 3, 2014	5.88 years	September 3, 2011 to March 3, 2014
A-1c	7.14 years	March 3, 2014 to June 3, 2014	7.14 years	March 3, 2014 to June 3, 2014	7.14 years	March 3, 2014 to June 3, 2014	7.13 years	March 3, 2014 to June 3, 2014
A-1d	7.49 years	June 3, 2014 to December 3, 2014	7.49 years	June 3, 2014 to December 3, 2014	7.49 years	June 3, 2014 to December 3, 2014	7.49 years	June 3, 2014 to December 3, 2014
A-2	6.11 years	September 4, 2007 to September 3, 2015	6.10 years	September 4, 2007 to September 3, 2015	6.08 years	September 4, 2007 to September 3, 2015	6.05 years	September 4, 2007 to September 3, 2015
B	6.73 years	June 3, 2010 to September 3, 2015	6.72 years	June 3, 2010 to September 3, 2015	6.71 years	September 3, 2010 to September 3, 2015	6.70 years	December 3, 2010 to September 3, 2015
C	6.79 years	September 3, 2010 to September 3, 2015	6.78 years	December 3, 2010 to September 3, 2015	6.78 years	March 3, 2011 to September 3, 2015	6.87 years	September 3, 2011 to September 3, 2015
D	6.45 years	September 4, 2007 to September 3, 2015	6.47 years	September 4, 2007 to September 3, 2015	6.59 years	September 4, 2007 to September 3, 2015	7.12 years	September 4, 2007 to September 3, 2015

The table set forth below entitled "Class A-1, A-2, B, C and D Note Constant Default Rate Stress Tests" shows the Constant Default Rate ("CDR") and Cumulative Defaults for each Class of Notes under three stress scenarios, assuming a 80% loss severity on defaulted Collateral Assets. In column one ("First Dollar of Loss"), CDR represents the CDR starting on the September 2008 Payment Date that would result in the first dollar of principal loss to the respective Class of Notes. Cumulative Defaults represent the sum of such defaults divided by the aggregate principal balance of the Collateral Assets as of the Closing Date. In column two ("Flat Return"), CDR represents the CDR starting on the September

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2008 Payment Date that would result in a yield equivalent to a zero discount margin over three-month LIBOR for the Class A-1a Notes, Class A-1b Notes, Class A-1c Notes, Class A-1d Notes, Class A-2 Notes, Class B Notes, Class C Notes and Class D Notes. Cumulative Defaults represent the sum of such defaults divided by the aggregate principal balance of the Collateral Assets as of the Closing Date. In column three ("Return of Investment, (0% return)"), the CDR represents the CDR starting on the September 2008 Payment Date that would result in an approximate 0.0% return for the Class A-1a Notes, Class A-1b Notes, Class A-1c Notes, Class A-1d Notes, Class A-2 Notes, Class B Notes, Class C Notes and Class D Notes. Cumulative Defaults represent the sum of such defaults divided by the aggregate principal balance of the Collateral Assets as of the Closing Date.

Class A-1, A-2, B, C and D Notes Constant Default Rate Stress Tests

	First Dollar of Loss		Flat Return		Return of Investment (0% return)	
Constant Annual Default Rate at 80% Loss Severity	CDR	Cumulative Defaults	CDR	Cumulative Defaults	CDR	Cumulative Defaults
Class A-1a*	NA	NA	NA	NA	NA	NA
Class A-1b	24.4%	70.199%	24.8%	70.785%	28.4%	75.541%
Class A-1c	18.8%	60.597%	19.2%	61.377%	21.2%	65.050%
Class A-1d	14.6%	51.387%	15.1%	52.587%	16.6%	56.013%
Class A-2	5.9%	25.085%	6.5%	27.271%	9.7%	37.934%
Class B	3.5%	15.700%	3.9%	17.338%	5.0%	21.689%
Class C	2.3%	10.600%	2.6%	11.901%	2.9%	13.185%
Class D	0.9%	4.281%	1.7%	7.941%	1.9%	8.836%

* Under the given default and modeling assumptions, the Class A-1a Notes do not take a loss.

Yield. The yield to maturity of the Notes of each Class will also be affected by the rate of repayment of the Collateral Assets, as well as by the redemption of the Notes in an Auction, an Optional Redemption or Tax Redemption (and upon the Redemption Price then payable). The Issuer is not required to repay the Notes on any date prior to their Stated Maturity. The receipt of principal payments on the Notes at a rate slower than the rate enticipated by investors purchasing the Notes at a discount will result in an actual yield that is lower than anticipated by such investors.

The yield to maturity of the Notes may also be affected by the rate of delinquencies and defaults on and liquidations of the Collateral Assets, to the extent not absorbed by the Income Notes; sales of Collateral Assets; and/or purchases of Collateral Assets having different scheduled payments and payment characteristics and the effect of the Coverage Tests on payments under the Priority of Payments. The yield to investors in the Notes will also be adversely affected to the extent that the Issuers incur certain expenses that are not absorbed by the Income Notes.

THE COLLATERAL MANAGER

The information appearing in this section (other than the information contained under the subheading "General") has been prepared by the Collateral Manager and has not been independently verified by the Initial Purchaser or either of the Issuers. Neither the Initial Purchaser nor the Issuers assume any responsibility for the accuracy, completeness or applicability of such information.

General

Certain management, administrative and advisory functions with respect to the Collateral Assets will be performed by Greywolf Capital Management LP, a Delaware limited partnership ("Greywolf"), as the Collateral Manager under a Collateral Management Agreement between the Issuer and Greywolf dated as of the Closing Date (the "Collateral Management Agreement"). Pursuant to the terms of the Collateral Management Agreement, the Collateral Manager will (i) monitor the Collateral Assets and

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provide certain information with respect to the Collateral Assets to the Trustee, (ii) direct the disposition of the Collateral Assets under the limited circumstances described herein, (iii) direct the reinvestment of the proceeds therefrom in Eligible Investments, (iv) monitor the Cashflow Swap Agreement and determine whether and when the Issuer should exercise any rights available under any Cashflow Swap Agreement, and (v) direct the reinvestment of Default Swap Collateral with the consent of the Synthetic Security Counterparty. The Collateral Manager will perform its duties in accordance with the requirements set forth in the Indenture and in accordance with the provisions of the Collateral Management Agreement. The Collateral Manager is also subject to certain other conflicts of interest. See "Risk Factors–Other Considerations–Certain Conflicts of Interest" and "Risk Factors–Other Considerations–The Collateral Manager."

Greywolf Capital Management LP

Greywolf is an SEC- registered investment adviser and currently manages over $2,000,000,000 in capital. Greywolf was founded in 2003 by a team of former employees of Goldmen Sachs fixed income trading division and now hes 29 investment professionals with extensive experience in distressed, high yield and structured product investing. A copy of the Collateral Manager's Form ADV is being delivered to investors in connection with the delivery of this offering circular as Appendix B hereto.

Key Personnel

Set forth below is information regarding the background, principal responsibilities and other affiliations of certain of the principal officers and other employees of the Collateral Manager, including those personnel who will be primarily responsible for managing the Collateral Assets and for performing the advisory and administrative functions related thereto. Although these individuals are currently employed by the Collateral Manager and hold the offices indicated below with the Collateral Manager, such persons will not be engaged full time in the management of the Collateral. In addition, such persons may not necessarily continue to be so employed during the entire term of the Collateral Management Agreement or may not continue to perform services for the Collateral Manager under the Collateral Management Agreement.

Collateral Management Team

Gregory Mount, Partner. Mr. Mount joined Greywolf in September 2005 as a Partner and is responsible for structured product investments. Mr. Mount will be the co-portfolio manager of Timberwolf I, Ltd. with Joe Marconi. Prior to joining Greywolf, Mr. Mount worked at Goldman Sachs for 9 years from which he retired as a Partner of the firm in 2005. Mr. Mount founded Goldman's CDO business in 1996 and later held numerous senior positions in credit derivatives and structured products, including co-head of the Structured Products Group, which consisted of the CMBS, RMBS, ABS and CDO businesses and head of Portfolio Credit Derivatives which encompassed cash and synthetic CDOs. Mr. Mount also initiated Goldman's proprietary CDO investment activity in 2003 and was the primary decision-maker for that portfolio at its inception. Mr. Mount received a B.S. in Electrical Engineering from M.I.T. in 1987, and an M.B.A., with high honors, from The University of Chicago Graduate School of Business in 1992.

Joe Marconi, Vice President. Mr. Marconi joined Greywolf in April 2006 and is responsible for structured product investments. Mr. Marconi will be the co-portfolio manager of Timberwolf I, Ltd. with Mr. Mount. Prior to joining Greywolf, Mr. Marconi was a Managing Director in the Structured Products Group at Goldman Sachs where he was co-head of ABS Finance and a member of the Mortgage Capital Committee (which is responsible for approving capital commitments across the CMBS, RMBS, ABS and CDO businesses). Mr. Marconi joined Goldman Sachs in 1993 and became a Meneging Director in 2003. Prior to joining Goldman Sachs, from 1984 to 1993, Mr. Marconi was an attorney with Cravath, Swaine & Moore in New York and London. Mr. Marconi received a B.A. in Economics, *summa cum laude*, from Columbia College in 1983 and was elected to Phi Beta Kappa. Mr. Merconi also received a J.D. from Columbia Law School in 1984 and was a Harlan Fiske Stone Scholar each of his three years.

Jonathan Savitz, Partner. Mr. Savitz co-founded Greywolf in February 2003 and is the Firm's Chief Executive Officer and the Funds' Chief Investment Officer. Prior to co-founding Greywolf, Mr. Savitz worked at Goldman Sachs for over 15 years from which he retired as a Partner of the firm in 2002.

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From 1998 – 2002, Mr. Savitz led Goldman's global distressed trading, sales and research effort and was a primary decision maker and risk manager in Goldman's proprietary investing activities across the fixed income markets. From 1995 - 1998, Mr. Savitz managed the high yield trading desk and prior thereto held positions in distressed proprietary investing and corporate bond trading. Mr. Savitz joined Goldman in 1987 after graduating with a B.A., with honors, from The Johns Hopkins University.

James Gillespie, Partner. Mr. Gillespie is a co-founder of Greywolf and is a Portfolio Manager of the Special Situations Funds. Prior to founding Greywolf, Mr. Gillespie worked at Goldman Sachs for six years. Mr. Gillespie was head of Distressed Bond Investing where he ran Goldman's proprietary distressed bond portfolio on the trading desk. Prior thereto, Mr. Gillespie was director of distressed bond research after having been a distressed analyst for Goldman's bank loan and bond desks. Mr. Gillespie has significant experience in analyzing, valuing and investing in distressed securities as well as managing a large portfolio of distressed investments. He also has experience actively participating in the workout process as both a committee member and large creditor. Prior to Goldman, Mr. Gillespie worked at Salomon Brothers in high yield capital markets. Mr. Gillespie received a Bachelor of Commerce degree, with honors, from the University of British Columbia in 1995 and is a Leslie Wong Fellow. Mr. Gillespie is a CFA charterholder.

Robert Miller, Partner. Mr. Miller is a co-founder of Greywolf and a Portfolio Manager for the Greywolf High Yield Funds. Prior to founding Greywolf, Mr. Miller worked at Goldman Sachs for 10 years and ran Goldman's high yield trading desks in New York and London from 1998 – 2000. After retiring from Goldman, Mr. Miller was retained by the firm for almost two years as a consultant on electronic bond trading platforms. Prior to heading the high yield trading desk, Mr. Miller was a high yield and corporate bond trader for Goldman and prior thereto was a credit analyst for PNC Bank. During his career, Mr. Miller has traded and analyzed most major industry sectors and held proprietary positions in straight debt, common and preferred stock, futures, convertibles, trust preferred, and credit derivatives. Mr. Miller received a B.A. *magna cum laude* from Franklin and Marshall College in 1983 and an M.B.A., with honors, from UNC-Chapel Hill in 1989.

Cevdet Samikoglu, Partner. Mr. Samikoglu is a co-founder of Greywolf and a Portfolio Manager of the Special Situations Funds. Prior to founding Greywolf, Mr. Samikoglu worked at Goldman Sachs for ten years where he was one of three portfolio managers in the Special Situations Investing Group, a Goldman Sachs' proprietary internal hedge fund. Prior to assuming his portfolio management role in 2000, Mr. Samikoglu held numerous positions in distressed investing at Goldman including director of research in both the US and Europe. Mr. Samikoglu joined Goldman in 1992 as a corporate finance generalist before moving to the distressed investing business as a credit analyst in 1998 after returning from business school. Mr. Samikoglu has extensive experience investing in all layers of levered capital structures both on the long and short side and, at times, participating actively in steering and creditors' committees. Mr. Samikoglu received a B.A. *cum laude* from Hamilton College in 1992 and an M.B.A. from Harvard Business School in 1997.

William Troy, Partner. Mr. Troy is a co-founder of Greywolf and a Portfolio Manager of the High Yield Funds, as well has having responsibility for firmwide risk management. Prior to founding Greywolf, Mr. Troy was the key manager for JP Morgan's High Yield business, which he joined following the merger of Smith Barney with Salomon Brothers. At JP Morgan, Mr. Troy was a member of the Senior Trader's Committee, the Underwriting Committee, the Risk Committee and the Credit Committee. Prior to JP Morgan, Mr. Troy joined Smith Barney in 1996 as a Managing Director to co-head the High Yield business, overseeing sales, trading, research and syndicate. Prior to Smith Barney, Mr. Troy joined Goldman Sachs in 1986 as a senior corporate bond trader where he was responsible for risk taking activities with a further mandate to expand the business and develop new trading personnel. He was later asked to join the High Yield department in 1991 as the senior trader. Prior to Goldman Sachs, Mr. Troy joined Salomon Brothers in 1978 as a manager for the international business in cashiering operations and subsequently as a trader on the corporate bond trading desk. Mr. Troy began his 37-year Wall Street career in 1969 at Dean Witter.

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Conflicts of Interest

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

The Collateral Manager and/or its affiliates have ongoing relationships with, render service to, finance and engage in transactions with, and may own debt or equity securities issued by issuers of certain of the Collateral Assets. The Collateral Manager and its affiliates may invest on behalf of themselves and other clients in securities that are senior or subordinated to, or have interests different from or adverse to, the Collaterel Assets. The interests of such parties may be different than or adverse to the interest of the Holders of the Securities. In addition, such persons may possess information relating to the Collateral Assets that is not known to the individuals at the Collateral Manager responsible for monitoring the Collateral Assets and performing the other obligations under the Collateral Management Agreement. Such persons will not be required (and may not be permitted) to share such information or pass it along to the Issuer, the Collateral Manager or any holder of any Security. Neither the Collateral Manager nor any of such persons will have liability to the Issuer or any Holder of any Security for failure to disclose such information or for taking, or failing to take, any action based upon such information.

In addition, the Collateral Manager and/or any of its affiliates may engage in any other business and furnish investment management and advisory services to others which may include, without limitation, serving es consultant or servicer for, investing in, lending to, being affiliated with or have other ongoing relationships with, other entities organized to issue collateralized debt obligations secured by assets similar to the Collateral Assets, and other trusts and pooled investment vehicles that acquire interests in, provide financing to, or otherwise deal with securities issued by issuers that would be suitable investments for the Issuer. In the course of monitoring the Collateral Assets held by the Issuer, the Collateral Manager may consider its relationships with other clients (including entities whose securities (or those of its affiliates) ere pledged to secure the Notes) and its affiliates. In providing services to other clients, the Collateral Manager and its affiliates may recommend activities that would compete with or otherwise adversely affect the Issuer. In addition, the Collateral Manager will be free, in its sole discretion, to make recommendations to others, or effect transactions on behalf of itself or for others, that may be the same as or different from those effected on behalf of the Issuer, and the Collateral Manager may furnish advisory services to others who may have investment policies similar to those followed by the Issuer and who may own securities of the same class, or which are the same type as, the Collateral Assets. Under the terms of the Collateral Management Agreement, the Collateral Manager will be permitted to take whatever action is in the Collateral Manager's best interest regardless of the impact on the Collateral Assets. In addition, under certain circumstances the Collateral Manager may direct the Issuer to sell certain Collateral Assets. Such sales of Collateral Assets may result in losses by the Issuer, which losses may result in the reduction or withdrawal of the rating of any or all of the Securities by any of the Rating Agencies. In determining whether to exercise such right, the Collateral Manager need not take into account the interests of the Issuers, the Noteholders, the Income Noteholders or any other party.

The Collateral Manager and/or its affiliates may at certain times be simultaneously seeking to purchase or dispose of investments for their respective accounts or for another entity, including other collateralized debt obligation vehicles, at the same time as it is disposing of investments for the Issuer. Accordingly, conflicts may arise regarding the allocation of sale opportunities.

The Collateral Manager may aggregate sales of securities placed with respect to the Collateral Assets with similar sales being made simultaneously for other clients or other accounts managed by the Collateral Manager or with accounts of the affiliates of the Collateral Manager, if in the Collateral Manager's reasonable business judgment such aggregation will result in an overall economic benefit to the Issuer, taking into consideration the advantageous selling price, brokerage commission and other expenses. However, no provision of the Collateral Management Agreement requires the Collateral Manager or its affiliates to execute orders as part of concurrent authorizations or to aggregate sales.

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Nevertheless, 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 used by the Collateral Manager in connection with the Collateral Manager's other advisory services or investment operations.

No provision in the Collateral Management Agreement prevents the Collateral Manager or any of its affiliates from rendering services of any kind to the Issuer of any Collateral Assets and its affiliates, the Trustee, the Holders of the Securities, the Cashflow Swap Counterparty or any other entity. Without prejudice to the generality of the foregoing, the Collateral Manager and its affiliates, directors, officers, employees and agents may, among other things: (a) serve as general partner, adviser, sponsor or manager of partnerships or companies organized to issue collateralized bond or loan obligations secured by assets similar to the Collateral Assets, directors (whether supervisory or managing), partners, officers, employees, agents, nominees or signatories for an issuer of any Collateral Assets; (b) receive fees for services rendered to the issuer of any Collateral Assets or any affiliate thereof; (c) be retained to provide services unrelated to the Collateral Management Agreement to the Issuer or its Affiliates and be paid therefor; (d) a secured or unsecured creditor of, or hold an equity interest in, any Issuer of any Collateral Assets; (e) serve as a member of any "creditors' board" or "creditors' committee" with respect to any Collateral Assets which has become or may become a Defaulted Obligation or with respect to any commercial mortgage loan securing any Collateral Assets or the respective borrower for any such commercial mortgage loan; (f) own or make loans to any borrower or affiliate of any borrower on any of the commercial mortgage loans securing the Collateral Assets; (g) invest, or have already invested, in obligations and/or other securities that are identical to or senior to, or have interests different from or adverse to, the Collateral Assets; (h) make investments on their own behalf without offering such investment opportunities to the Issuer or informing the Issuer of any investments before engaging in any investment for themselves; (i) recommend or effect direct trades between the Issuer and the Collateral Manager or a Collateral Manager Affiliate or funds or accounts for which the Collateral Manager or an Affiliate serve as Collateral Manager, acting as principal or agent, subject to applicable legal requirements; (j) invest in obligations that would be appropriate as Collateral and have ongoing relationships with, render services to or engage in transaction with, companies whose obligations are included in the Collateral and may own equity or debt securities by issuers of and other obligors of Collateral Assets; and (k) enter into agency cross-transactions where the Collateral Manager and/or the Collateral Manage Affiliates acts as broker for the Issuer and for the other party to the transaction, to the extent permitted under applicable law. Under the terms of the Collateral Management Agreement, the Collateral Manager will be permitted to take whatever action is in the Collateral Manager's best interest regardless of the impact on the Collateral Assets.

Members of the board of directors of the Issuer who are not affiliated with the Collateral Manager or their delegates or other authorized representatives of the Issuer will have the responsibility for approving any transactions between the Issuer and the Collateral Menager or its affiliates involving significant conflicts of interest (including principal trades). More particularly, directors unaffiliated with the Collateral Manager or any delegate designated by such directors will be responsible for approving any principal transactions for which Issuer consent is required pursuant to Section 206(3) of the Advisers Act.

In addition, with the prior authorization of the Issuer, which has been given and can be revoked at any time, the Collateral Manager and/or its affiliates may enter into agency cross-transactions where the Collateral Manager and/or its affiliates acts as broker for the Issuer and for the other party to the transaction, to the extent permitted under applicable law, in which case the Collateral Manager or any such affiliate will receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding, both parties to the transaction.

On the Closing Date it is expected that the Collateral Manager or one or more clients or affiliates of the Collateral Manager will purchase approximately 50% of the aggregate notional amount of the Income Notes, 100% of the Aggregate Outstanding Amount of the Class D Notes and may purchase Notes and/or Income Notes on or after the Closing Date. The Collateral Manager and/or one or more of its affiliates or employees, or funds managed by Greywolf may own from time to time additional Securities of one or more types. There can be no assurance that any of the foregoing persons will continue to hold

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any or all of such Securities. As a Holder of Income Notes or any other Securities, such persons may have interests adverse to the other Holders of Securities. For so long as Greywolf is the Collateral Manager and any funds managed by Greywolf continue to hold any Income Notes, any Collateral management Fees otherwise payable to the Collateral Manager hereunder shall be paid by the Issuer in the following order: (i) first, to such funds managed by Greywolf (on a *pro rata* basis among such funds), in an amount equal to the product of (x) such Collateral Management Fees and (y) a fraction the numerator of which is the notional amount of the Income Notes held by such funds managed by Greywolf and the denominator of which is the aggregate notional amount of all the Income Notes and (ii) second, the remainder, if any, to Greywolf.

Greywolf or any of its clients, affiliates or subsidiaries will be permitted to exercise all voting rights with respect to any Securities which they may acquire (other than with respect to a vote regarding the removal of the Collateral Manager or the termination or assignment of the Collateral Management Agreement). The interests of such persons may be different from or adverse to the interests of the other holders of Notes.

THE COLLATERAL MANAGEMENT AGREEMENT

General

The Collateral Manager will perform certain investment management and administrative functions with respect to the Issuer and Collateral Assets on behalf of the Issuer in accordance with the applicable provisions of the Indenture and the Collateral Management Agreement.

The Collateral Manager agrees to exercise that degree of skill and care consistent with the practices and procedures and attention no less than that which the Collateral Manager exercises with respect to comparable assets that it manages for clients in substantially similar transactions in accordance with its practices and procedures and which is consistent with those followed by reasonable and prudent institutional managers of national standing relating to assets of the nature and character of the Collateral Assets.

Neither the Collateral Manager nor its partners, directors, officers, stockholders or employees (collectively, the "Collateral Manager Affiliates") will be liable to the Issuer, the Trustee, the Holders of the Securities, or any other person for any loss incurred as a result of the actions taken by or recommended by the Collateral Manager under the Collateral Management Agreement or the Indenture, except by reason of acts or omissions constituting bad faith, willful misconduct, gross negligence or reckless disregard, of its obligations thereunder. Subject to the above mentioned standard of liability, the Collateral Manager and its affiliates, and each of their respective partners, shareholders, members, officers, directors, managers, employees, agents, accountants and attorneys will be entitled to indemnification by the Issuer for any losses or liabilities, including legal or other expenses, relating to the issuance of the Securities, the transactions contemplated by the Indenture or the performance of the Collateral Manager's obligations under the Collateral Management Agreement.

The Collateral Manager may assign its rights or responsibilities under the Collateral Management Agreement *provided* that (i) such assignment satisfies the Rating Agency Condition, and (ii) the Collateral Manager obtains the consent of the Issuer as directed by a Majority of the Controlling Class and a Majority-in-Interest of Income Notes (unless such assignment would be deemed as "assignment" for purposes of Section 205(a)(2) of the Advisers Act, in which case such consent shall not be required). The Collateral Manager may delegate to an agent selected with reasonable care any or all of the duties (other than its asset selection or trade execution duties) assigned to the Collateral Manager under the Collateral Management Agreement, *provided* that no delegation by the Collateral Manager of any of its duties under the Collateral Management Agreement shall relieve the Collateral Manager of any of its duties under the Collateral Management Agreement nor relieve the Collateral Manager of any liability with respect to the performance of such duties.

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The Collateral Management Agreement may not be amended or modified (other than an amendment or modification of the type that may be made to the Indenture without the consent of the Holders of the Notes) without satisfaction of the Rating Agency Condition and the prior written consent of the Noteholders and any Cashflow Swap Counterparty, if the consent of such parties would be required were such an amendment made pursuant to the Indenture.

The Collateral Manager may be removed for cause by the Holders of at least 66-2/3% of the Controlling Class or a Special-Majority-in-Interest of Income Noteholders (as such term is defined in the Collateral Management Agreement) upon 20 calendar days' prior written notice; *provided, however,* that any such vote will exclude any Securities held by the Collateral Manager, any affiliate of the Collateral Manager or any Securities over which the Collateral Manager or any of its affiliates has discretionary voting authority (the "Collateral Manager Securities"). For purposes of the Collateral Management Agreement, "cause" will mean (i) willful violation by the Collateral Manager of any provision of the Collateral Menagement Agreement or the Indenture applicable to it, (ii) certain events of bankruptcy or insolvency in respect of the Collateral Manager, (iii) the occurrence and continuation of an Event of Default under the Indenture which directly results from any breach by the Collateral Manager of its duties under the Indenture or the Collateral Management Agreement, (iv) the occurrence of an act by the Collateral Manager which constitutes fraud or criminal activity in the performance of its obligations under the Collateral Management Agreement or the indictment of the Collateral Manager or any of its officers or directors for a criminal offense materially related to its business of providing investment advisory services and (v) the failure of any representation, warranty, certification or statement made or delivered by the Collateral Manager in or pursuant to the Collateral Management Agreement or the Indenture to be correct when made if such failure (a) has a material adverse effect on either of the Issuers, the Noteholders or the Holders of the Income Notes and (b) if such failure can be cured, such failure is not cured within 60 days after the Collateral Manager acquires actual knowledge of or receives notice from the Trustee of such failure.

The Collateral Manager may resign upon 60 days' written notice to the Issuer, the Trustee, the Cashflow Swap Counterparty and the Rating Agencies or such shorter notice as is acceptable to the Issuer, the Trustee and the Rating Agencies; *provided* that the Collateral Manager shall have the right to resign immediately upon the effectiveness of any material change in applicable laws or regulations which renders the performance by the Collateral Manager of its duties under the Collateral Management Agreement or the Indenture to be a violation of such laws or regulations. The Collateral Menagement Agreement will terminate automatically in the event the Notes and the Income Notes are redeemed or cancelled in their entirety, or in the event of its assignment by the Collateral Manager in violation of the Collateral Management Agreement or if it is determined in good faith that the Issuer or the Co-Issuer or the pool of Collateral Assets has become required to register under the Investment Company Act, and the Issuer so notifies the Collateral Manager.

No removal, termination or resignation of the Collateral Manager or termination of the Collateral Management Agreement will be effective unless (i) a successor Collateral Manager is appointed by the Issuer and agrees in writing to assume all of the Collateral Manager's duties and obligations pursuant to the Collateral Management Agreement, (ii) the successor Collateral Manager is not objected to by a Special-Majority-in-Interest of Income Noteholders (as such term is defined in the Collateral Management Agreement) or a Majority of the Controlling Class (including, except with respect to a termination for cause of the Collateral Manager, any Collateral Manager Securities) within 30 days after notice and (iii) the Rating Agency Condition has been satisfied with respect to the appointment of such successor Collateral Manager. Such successor Collateral Manager must, in addition, meet certain qualifications specified in the Collateral Management Agreement (the "Replacement Manager Conditions").

In the event that the Collateral Manager has been removed, terminated or resigned and a successor Collateral Manager meeting the Replacement Manager Conditions has not been appointed on or prior to (i) in the case of removal of the Collateral Manager "for cause," the date that is 60 days following the date of notice of removal delivered in accordance with the Collateral Management Agreement and (ii) in the case of any other removal or resignation of the Collateral Manager, the date of removal or resignation specified in the relevant notice, the resigning or removed Collateral Manager shall

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be entitled to appoint a successor Collateral Manager and shall so appoint a replacement manager satisfying the Replacement Manager Conditions within 60 days thereafter, *provided* that such successor Collateral Manager is not objected to by a Majority-in-Interest of Income Noteholders (as such term in defined in the Collateral Management Agreement) (excluding any Collateral Manager Securities) or a Majority of the Controlling Class (excluding any Collateral Manager Securities) within 15 days after such appointment. In lieu thereof, or if the successor Collateral Manager appointed by the resigning or removed Collateral Manager is not approved, the resigning or removed Collateral Manager may petition any court of competent jurisdiction for the appointment of a replacement manager satisfying the successor Collateral Manager Conditions, but such appointment shall not require the consent of, nor be subject to the disapproval of, the Issuer or any Noteholder or Income Noteholder. Upon the appointment of a successor Collateral Manager satisfying the Replacement Manager Conditions and the written acceptance of such appointment by the successor Collateral Manager, all authority and power of the Collateral Manager under the Collateral Management Agreement will be automatically vested in the successor Collateral Manager. No compensation payable to a successor Collateral Manager from the Collateral Assets shall be greater than that paid to the Collateral Manager without (i) the prior written consent of (a) a Majority-in-Interest of Income Noteholders (as such term is defined in the Collateral Management Agreement) and (b) in the case of any increase or any Collateral Management Fee, the prior written consent of a Majority of the Notes (each voting as a separate Class) and (ii) the satisfaction of the Rating Agency Condition.

There is no limitation or restriction on the Collateral Manager or any Collateral Manager Affiliate with regard to acting as collateral manager (or in a similar role) to other parties or persons. This and other future activities of the Collateral Manager and/or the Collateral Manager Affiliates may give rise to additional conflicts of interest. The Collateral Manager and the Collateral Manager Affiliates currently serve, and will continue to serve, as Collateral Manager for, invest in or be affiliated with, other entities organized to issue collateralized debt obligations secured by high yield loans and bonds.

Funds managed by Greywolf will commit to purchase on the Closing Date 100% of the initial Aggregate Outstanding Amount of the Class D Notes and approximately 50% of the initial notional amount of the Income Notes and may purchase other Securities after the Closing Date. In addition, Greywolf and/or one or more of its affiliates or employees, or funds managed by Greywolf may own from time to time additional Securities of one or more types. There can be no assurance that any of the foregoing persons will continue to hold any or all of such Securities. As a Holder of the Class D Notes and the Income Notes or any other Securities, such persons may have interests adverse to the other Holders of Securities.

The Collateral Manager may only assign its rights or responsibilities under the Collateral Management Agreement in accordance with the terms of the Collateral Management Agreement.

Compensation

As compensation for the performance of its obligations under the Collateral Management Agreement, the Collateral Manager will be entitled to receive a fee in accordance with the Priority of Payments, payable in arrears on each Payment Date, of 0.04% *per annum* (the "Collateral Management Fee") times the Aggregate Principal Amount, measured as of the beginning of the Due Period preceding such Payment Date. If amounts distributable on any Payment Date in accordance with the Priority of Payments are insufficient to pay the Collateral Management Fee in full, then the shortfall will be deferred and will be payable on subsequent Payment Dates on which funds are available therefor according to the Priority of Payments. Any interest due on the amounts so deferred will be payable in the same order of priority as the Collateral Management Fee and will accrue interest at a rate equal to LIBOR.

The Collateral Management Fee will be calculated on the basis of a 360 day year consisting of twelve 30-day months. All fees payable to the Collateral Manager on a Payment Date are subject to payment only in accordance with the Priority of Payments.

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In its sole discretion, the Collateral Manager may on any Payment Date, other than the Final Payment Date, elect to defer its receipt of all or any portion of the Collateral Management Fee payable to it (the aggregate of amounts so deferred on such Payment Date being the "Current Deferred Management Fee") by providing written notice to the Trustee of such election at least five Business Days prior to such Payment Date. After such Payment Date, the Current Deferred Management Fee will accrue interest with respect to each Interest Accrual Period at a rate equal to LIBOR, compounded monthly and calculated on the basis of a year of 360 days and the actual number of days elapsed and be added to the cumulative amount of the Current Deferred Management Fees from prior Payment Dates, if any (the aggregate amount of such Current Deferred Management Fees being the "Cumulative Deferred Management Fee") and will be payable on subsequent Payment Dates on which funds are available therefor according to the Priority of Payments. The Collateral Manager may elect to receive payment of all or any portion of the Cumulative Deferred Management Fee on any Payment Date to the extent of funds available in accordance with the Priority of Payments by providing notice to the Trustee of such election and the amount of such fees to be paid on or before five Business Days preceding such Payment Date.

For so long as Greywolf is the Collateral Manager and any funds managed by Greywolf continue to hold any Income Notes, any Collateral Management Fees otherwise payable to the Collateral Manager hereunder shall be paid by the Issuer in the following order: (i) first, to such funds managed by Greywolf (on a pro rata basis among such funds), in an amount equal to the product of (x) such Collateral Management Fees and (y) a fraction the numerator of which is the notional amount of the Income Notes held by such funds managed by Greywolf and the denominator of which is the aggregate notional amount of all the Income Notes and (ii) second, the remainder, if any, to Greywolf.

THE ISSUERS

General

The Issuer was incorporated on March 5, 2007 in the Cayman Islands with the registered number 183317. The registered office of the Issuer is at the offices of Maples Finance Limited, P.O. Box 1093 GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands. The Issuer has no substantial prior operating history. The Issuer's Memorandum of Association sets out the objects of the Issuer, which are unrestricted and therefore include the business to be carried out by the Issuer in connection with the Securities.

The Co-Issuer was incorporated on March 7, 2007 under the laws of the State of Delaware with the registered number 4312941. The registered office of the Co-Issuer is at Donald J. Puglisi, Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, Delaware 19711. The Co-Issuer has no prior operating history. Article 3 of the Co-Issuer's Certificate of Incorporation sets out the purposes of the Co-Issuer, which include the business to be carried out by the Co-Issuer in connection with the issuance of the Notes.

The Notes are obligations only of the Issuers and not of the Trustee, the Fiscal Agent, the Collateral Manager, the Initial Purchaser, the Issuer Administrator, the Collateral Manager, the Holders of the Income Notes, the Agents, the Share Trustee or any directors, managers or officers of the Issuers or any of their respective affiliates.

The authorized share capital of the Issuer consists of 50,000 ordinary shares, U.S.$1.00 par value per share (the "Issuer Ordinary Shares"). 250 of the Issuer Ordinary Shares have been issued and will be held by the Share Trustee under the terms of a charitable trust. All of the outstanding common equity of the Co-Issuer will be held by the Issuer. For so long as any of the Notes are outstanding, no beneficial interest in the ordinary shares of the Issuer or of the common equity of the Co-Issuer shall be registered to a U.S. Person.

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Capitalization of the Issuer

The initial proposed capitalization of the Issuer as of the Closing Date after giving effect to the issuance of the Securities and the Issuer Ordinary Shares and entry into the Cashflow Swap Agreement before deducting expenses of the offering of the Securities is as set forth below.

	Amount
Class S-1 Notes	$9,000,000
Class S-2 Notes	$8,300,000
Class A-1a Notes	$100,000,000
Class A-1b Notes	$200,000,000
Class A-1c Notes	$100,000,000
Class A-1d Notes	$100,000,000
Class A-2 Notes	$305,000,000
Class B Notes	$107,000,000
Class C Notes	$36,000,000
Class D Notes	$30,000,000
Income Notes	$22,000,000
Total Debt	$1,017,300,000
Issuer Ordinary Shares	250
Total Equity	$250
Total Capitalization	$1,017,300,250

Capitalization of the Co-Issuer

The Co-Issuer will be capitalized only to the extent of its common equity of U.S.$10, will have no assets other than its equity capital and will have no debt other than as Co-Issuer of the Notes (other than the Class D Notes). The Co-Issuer has agreed to co-issue the Notes (other than the Class D Notes) as an accommodation to the Issuer, and the Co-Issuer is receiving no remuneration for so acting. Because the Co-Issuer has no assets, and is not permitted to have any assets, Holders of Securities will not be able to exercise their rights against any assets of the Co-Issuer. Holders of Notes must rely on the Collateral held by the Issuer and pledged to the Trustee for payment on their respective Notes, in accordance with the Priority of Payments.

Flow of funds

The approximate flow of funds of the Issuer from the gross proceeds of the offering of the Securities on the Closing Date is as set forth below:

	Gross Proceeds*
Class S-1 Notes	$9,000,000
Class S-2 Notes	$8,300,000
Class A-1a Notes	$99,450,000
Class A-1b Notes	$200,000,000
Class A-1c Notes	$99,710,000
Class A-1d Notes	$99,700,000
Class A-2 Notes	$303,445,000
Class B Notes	$103,587,000
Class C Notes	$34,254,000
Class D Notes	$27,723,000
Income Notes	$22,000,000
Total:	$1,007,169,000

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Expenses*	
Third Party Expenses	$1,850,000
Expense Reserve Account	$200,000
Total:	$2,050,000
Collateral Assets	
Net Proceeds	$1,005,119,000
Principal Balance of Collateral Assets	$1,000,000,000
Clean Price of cash Collateral Assets and Default Swap Collateral	$910,810,000
Purchase Accrued Interest on cash Collateral Assets and Default Swap Collateral	$610,000
Cash and Eligible Investments deposited in Default Swap Collateral Account	$88,878,000
First Period Interest Reserve	$4,821,000

*Figures are approximate.

Business

The Issuers will not undertake any business other than the issuance of the Notes and, in the case of the Issuer, the issuance of the Income Notes, the acquisition and management of the Collateral and, in each case, other related transactions. Neither of the Issuers will have any subsidieries.

The Issuer Administrator will act as the administrator of the Issuer. The office of the Issuer Administrator will serve as the general business office of the Issuer. Through this office and pursuant to the terms of an agreement to be dated March 16, 2007 by and between the Issuer Administrator and the Issuer (the "Administration Agreement"), the Issuer Administrator will perform various administrative functions on behalf of the Issuer, including communications with shareholders and the generel public, and the provision of certain clerical, administrative and other services until termination of the Administration Agreement. In consideration of the foregoing, the Issuer Administrator will receive various fees and other charges payable by the Issuer at rates agreed upon from time to time *plus* expenses. The directors of the Issuer listed below are also officers and/or employees of the Issuer Administrator and may be contacted at the address of the Issuer Administrator.

The activities of the Issuer Administrator under the Administration Agreement will be subject to the overview of the Issuer's Board of Directors. The Administration Agreement may be terminated by either the Issuer or the Issuer Administrator upon 3 months' written notice (or, upon the occurrence of certain events, 14 days' written notice).

The Issuer Administrator's principal office is: Maples Finance Limited, P.O. Box 1093 GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands.

Directors

The Directors of the Issuer are: Guy Major and Carrie Bunton, each having an address at Maples Finance Limited, P.O. Box 1093 GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands.

The director of the Co-Issuer is Donald Puglisi who may be contacted at the address of the Co-Issuer.

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INCOME TAX CONSIDERATIONS

United States Tax Considerations

The following is a summary of certain of the United States federal income tax consequences of an investment in the Notes and the Income Notes by purchasers that acquire their Notes or Income Notes in the initial offering. The discussion and the opinions referenced below are based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the United States Internal Revenue Service (the "IRS") with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following summary does not deal with all United States federal income tax consequences applicable to any given investor, nor does it address the United States federal income tax considerations applicable to categories of investors subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain United States expatriates, banks, real estate investment trusts, regulated investment companies, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, natural persons, cash method taxpayers, S corporations, estates and trusts, investors that hold their Notes or Income Notes as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address alternative minimum tax consequences, or the indirect effects on persons who hold equity interests in either a U.S. Holder or a Non-U.S. Holder (as these terms are defined below). In addition, this summary is generally limited to investors that acquire their Notes or Income Notes on the Closing Date (and, in the case of Notes, acquire their Notes for the issue price applicable to such Notes) and who will hold their Notes or Income Notes as "capital assets" within the meaning of Section 1221 of the Code. Investors should consult their own tax advisors to determine the United States federal, state, local, and other tax consequences of the purchase, ownership, and disposition of the Notes and the Income Notes.

As used herein, "U.S. Holder" means a beneficial owner of a Note or Income Note that is an individual citizen or resident of the United States for United States federal income tax purposes, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). "Non-U.S. Holder" generally means any owner (or beneficial owner) of a Note or Income Note that is not a U.S. Holder (other than a partnership). If a partnership holds Notes or Income Notes, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Partnerships and partners of partnerships holding Notes or Income Notes should consult their own tax advisors regarding the tax consequences of an investment in the Notes or Income Notes (including their status as U.S. Holders or Non-U.S. Holders).

Tax Treatment of Issuer

Upon the issuance of the Notes, Orrick, Herrington & Sutcliffe LLP, special U.S. tax counsel to the Issuer, will deliver an opinion generally to the effect that under current law, and assuming compliance with the Indenture (and certain other documents) and based on certain factual representations made by the Issuer, although the matter is not free from doubt, the Issuer's permitted activities will not result in the Issuer being engaged in the conduct of a trade or business in the United States. Accordingly, the Issuer does not expect to be subject to net income taxation in the United States. Prospective investors should be aware that opinions of counsel are not binding on the IRS and the IRS might seek to treat the Issuer as engaged in a United States trade or business, in which event the Issuer would be subject, inter alia, to a 35% tax on such of its income as was effectively connected to the U.S. trade or business as well as a 30% "branch profits" tax when such income is viewed as having been repatriated to the Cayman Islands (thereby materially adversely effecting the Issuer's ability to make payments on the Securities).

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The opinion of special U.S. tax counsel is subject to several considerations. For example, the United States Treasury Department and the IRS recently announced that they are considering taxpayer requests for specific guidance on, among other things, whether a foreign person may be treated as engaged in a trade or business in the United States by virtue of entering into credit default swaps. No guidance has been issued to date. If any future guidance concludes that foreign persons entering into certain credit default swaps will be treated as engaged in a trade or business in the United States, such guidance would adversely impact the Issuer's ability to pay principal and interest on the Notes. Additionally, it should be noted that gain or loss on a disposition by a foreign person of a United States real property interest may be subject to United States federal income tax as if the foreign person were engaged in a United States trade or business (even if the foreign person is not, in fact, so engaged). The determination of whether an asset constitutes a United States real property interest is made periodically and, therefore, it is possible that an asset that was not e United States real property interest at the time it was acquired by the Issuer could, thereafter, become a United States real property interest. Similarly, if the Issuer accepted a new security in exchange for an existing security or if the terms of an existing security were modified, the new or modified security might cause the Issuer to become engaged in a United States trade or business for United States federal income tax purposes.

It is not expected that the Issuer will derive material amounts of any other items of income that will be subject to United States withholding taxes. Notwithstanding the foregoing, any commitment fee, facility fee and similar fee that the Issuer earns may be subject to e 30% withholding tax. Additionally, if the Issuer is a CFC (defined below), the Issuer would incur United States withholding tax on interest received from a related United States person. The Issuer will not make any independent investigation of the circumstances surrounding the individual assets comprising the Collateral Assets and, thus, there can be no assurance that payments of interest on and gain from the sale or disposition of the Collateral Assets will in all cases be received free of withholding tax.

The Issuer will not be required to pay additional amounts to any Holder of Income Notes or any Class of Notes if taxes or related amounts are withheld from payments on the Income Notes or Notes or from payments on any Collateral Asset. However, withholding on the Collateral Assets could result in the Securities being redeemed by the Issuer. See "—Tax Redemption."

Tax Treatment of U.S. Holders of Notes

The Issuer has agreed and, by its acceptance of a Note, each Holder of e Note will be deemed to have agreed, to treat its Notes as debt of the Issuer for United States federal income tax purposes (although this shall not prevent a U.S. Holder from making a QEF election, as defined below, on a protective basis or from making protective filings under Section 6038, 6038B or 6046 of the Code). Upon the issuance of the Notes, Orrick, Herrington & Sutcliffe LLP will deliver en opinion generally to the effect that, assuming compliance with the Indenture (and certain other documents) and based on certain factual representations made by the Issuer, the Class S Notes, Class A Notes, Class B Notes and Class C Notes will, and the Class D Notes should, be characterized as debt for United States federal income tax purposes. Prospective investors should be aware that opinions of counsel are not binding on the IRS, and there can be no assurance that the IRS will not seek to characterize any Class of Notes as other than indebtedness. Except as provided under "—Alternative Characterization of the Notes" below, the balance of this discussion assumes that the Notes will be characterized as debt of the Issuer for United States federal income tax purposes.

Each U.S. Holder will include interest on the Notes in income in accordance with its regular method of accounting for United States federal income tax purposes unless the Notes are viewed as having being issued with original issue discount ("OID") in which case, generally, each U.S. Holder would be required to accrue interest on the Note on an accrual basis under a constant yield methodology, based on the original yield to maturity of the Note. Because interest on the Class C Notes and Class D Notes may be deferred without giving rise to an Event of Default, all interest (including interest on accrued but unpaid interest) will be treated as OID unless the likelihood of deferral is remote. The Issuer has not determined whether the likelihood of interest being deferred is remote for this purpose and, hence, will treat the interest on the Class C Notes end Class D Notes as OID. Additionally, the Issuer will treat any

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Class of Notes as having been issued with OID if (A) such Class is issued at a discount equal to or in excess of the product of 0.25% of the stated redemption price at maturity of such Class and the anticipated weighted average life of such Class or (B) the issue price of such Class exceeds the principal amount thereof by more than the lesser of (i) 15% or (ii) 0.015 multiplied by the anticipated weighted average life of the Class. Any accrued but unpaid OID included in income by a U.S. Holder will increase the U.S. Holder's basis in its Note and thereby reduce the amount of gain or increase the amount of loss recognized by the U.S. Holder on a subsequent sale or other disposition of the Note.

Any OID on the Notes will likely be accruable under the special rules set forth in Section 1272(a)(6) of the Code (which apply to debt instruments that may be accelerated by reason of the prepayment of other debt obligations securing such debt instruments). If Section 1272(a)(6) does not apply, the Notes might be treated as "contingent payment debt instruments" ("CPDIs") within the meaning of Treasury Regulation Section 1.1275-4. If any such Class of Notes were considered CPDIs, among other consequences, gain on the sale of such Notes that might otherwise be capital gain would be ordinary income. Prospective investors should consult their own tax advisors regarding the potential application of Section 1272(a)(6) of the Code to the Notes and the rules governing CPDIs.

In general, a U.S. Holder of a Note will have a tax basis in such Note equal to the cost of such Note increased by any OID and any market discount that the U.S. Holder has elected to include in income on a current basis and reduced by any amortized premium and payments of principal and OID. Upon a sale, exchange or other disposition of such a Note, a U.S. Holder will generally recognize gain or loss equal to the difference between the amount realized on the sale, exchange or other disposition (less any accrued and unpaid interest, which would be taxable as such) and the U.S. Holder's tax basis in such Note (as reduced by any accrued and unpaid interest). Such gain or loss generally will be long term capital gain or loss (other than accrued market discount if the U.S. Holder has not elected to include such discount in income on a current basis) assuming that the U.S. Holder has held the Note for more than one year at the time of disposition. In certain circumstances, U.S. Holders that are individuals may be entitled to preferential treatment for net long term capital gains; however, the ability of U.S. Holders to offset capital losses against ordinary income is limited.

Alternative Characterization of the Notes. Notwithstanding special U.S. tax counsel's opinion, U.S. Holders should recognize that there is some uncertainty regarding the appropriate classification of instruments such as the Notes. It is possible, for example, that the IRS may contend that the Class D Notes and possibly other Classes of Notes should be treated as equity interests (or as part-debt, part-equity) in the Issuer. Such a recharacterization might result in materially adverse tax consequences to U.S. Holders. As a result, U.S. Holders of Notes may wish to consider the advisability of making "QEF election" provided in Section 1295 of the Code on a "protective" basis (although this election may not be respected since the current QEF regulations do not authorize protective QEF elections for debt that may be recharacterized as equity). Additionally, any such characterization might necessitate those U.S. Holders of a Class of Notes that is characterized as equity to file information returns with the IRS with respect to their acquisition of the Notes (and be subject to significant penalties for failure to do so). For the consequences that would apply if any Class of Notes were characterized as equity for United States federal income tax purposes, see below under " -- Tax Treatment of U.S. Holders of Income Notes."

Tax Treatment of U.S. Holders of Income Notes

The Income Notes, although in the form of debt, will likely be characterized as equity for U.S. federal income tax purposes. Additionally, the Issuer has agreed, and, by its acceptance of an Income Note, each Holder of an Income Note will be deemed to have agreed, to treat the Income Notes as equity for U.S. federal income tax purposes. For purposes of this discussion, it is assumed that the Income Notes will be so characterized. It is noted, however, that in the event that the Income Notes were characterized as debt for United States federal income tax purposes, they would constitute contingent payment debt instruments; among the consequences that would result from an application of the rules applicable to contingent payment debt instruments of the Income Notes is that gain on the sale of the Income Notes that might otherwise be capital gain would constitute ordinary income.

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Subject to the rules discussed below relating to "passive foreign investment companies" ("PFICs") and "controlled foreign corporation" ("CFCs"), payments on the Income Notes should be treated as dividends to the extent of the current or accumulated earnings and profits of the Issuer. Payments characterized as dividends would be taxable at regular marginal income tax rates applicable to ordinary income, and would not be entitled to the benefit of the dividends received deduction or any reduction in tax rates that may be available for certain dividends. Distributions in excess of the Issuer's earnings and profits would be non-taxable to the extent of, and would be applied against and reduce, the U.S. Holder's adjusted tax basis in the Income Notes and, to the extent in excess of such basis, would be taxable as gain from the sale or exchange of property.

The tax consequences discussed in the preceding paragraph are likely to be significantly modified as a result of the application of the PFIC and CFC rules discussed below. Thus, U.S. Holders of the Income Notes will be viewed as owning stock in a PFIC and, possibly, in a CFC (depending, in the latter instance, on the percentage of voting equity that is acquired and held by certain U.S. Holders). If applicable, the rules pertaining to CFCs would generally override those pertaining to PFICs, although in certain circumstances both set of rules could apply simultaneously.

Under the PFIC rules, U.S. Holders of the Income Notes (other than U.S. Holders that make a timely "QEF election", as described below) will be subject to special rules relating to the taxation of "excess distributions" – with excess distributions being defined to include certain distributions made by a PFIC on its stock as well as gain recognized on a disposition of PFIC stock. For this purpose, a U.S. Holder that uses its Income Notes as security for an obligation will be treated as having made a disposition of PFIC stock. In general, Section 1291 of the Code provides that the amount of any "excess distribution" will be allocated to each day of the U.S. Holder's holding period for its PFIC stock. The amount allocated to the current year will be included in the U.S. Holder's gross income for the current year as ordinary income. With respect to amounts allocated to prior years, the tax imposed for the current year will be increased by the "deferred tax amount," which is an amount calculated with respect to each prior year by multiplying the amount allocated to such year by the highest rate of tax in effect for such year, together with an interest charge as though the amounts of tax were overdue.

In order to avoid the application of the PFIC rules, U.S. Holders of Income Notes may wish to consider making the QEF election provided in Section 1295 of the Code. In lieu of the PFIC rules discussed above, a U.S. Holder of Income Notes that makes a valid QEF election will, in very general terms, be required to include its *pro rata* share of the Issuer's ordinary income and net capital gains, unreduced by any prior year losses, in income for each taxable year (as ordinary income and long-term capital gain, respectively) and to pay tax thereon, even if the amount of that income is not the same as the dividends paid on the Income Notes during the year. If the Issuer later distributes the income or gain on which the U.S. Holder has already paid taxes under the QEF rules, the amounts so distributed will not again be subject to tax in the hands of the U.S. Holder. A U.S. Holder's tax basis in any Income Notes as to which a QEF election has been validly made will be increased by the amount included in such U.S. Holder's income as a result of the QEF election and decreased by the amount of nontaxable distributions received by the U.S. Holder. On the disposition (including redemption or retirement) of an Income Note, a U.S. Holder making the QEF election generally will recognize capital gain or loss equal to the difference, if any, between the amount realized upon such disposition and its adjusted tax basis in the Income Note. In general, a protective 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 the U.S. Holder has held its Income Notes. In this regard, a QEF election is effective only if certain required information is made available by the Issuer. Upon request, the Issuer will provide any U.S. Holder of Income Notes and any U.S. Holder of a Class of Notes that may reasonably be characterized as equity in the Issuer for United States federal income tax purposes with the information necessary for such U.S. Holder to make the QEF election. Nonetheless, there can be no assurance that such information will always be available.

The Issuer may be treated as holding securities issued by non-U.S. corporations that are characterized as equity in one or more PFICs for United States federal income tax purposes, such as CDO Securities. In that event, U.S. Holders of the Income Notes would be treated as holding an interest in these indirectly-owned PFICs. Because the U.S. Holder – and not the Issuer – would be required to make any QEF election with respect any such indirectly-owned PFIC, and because PFIC information

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statements necessary for any such election may not be made available by the PFIC, there can be no assurance that a U.S. Holder would be able to make a QEF election with respect to any particular indirectly-held PFIC. If the U.S. Holder of any Income Notes has not made a QEF election with respect to an indirectly-owned PFIC, the U.S. Holder would be subject to the consequences described above with respect to the excess distributions of such PFIC (including gain indirectly realized with respect to such PFIC on the sale of the Issuer's interest in the PFIC and with respect to the sale by the U.S. Holder of its Income Notes). Alternatively, if the U.S. Holder has made a QEF election with respect to the indirectly-owned PFIC, the U.S. Holder would be required to include in income its share of the indirectly-owned PFIC's ordinary earnings and net capital gain.

U.S. tax law also contains special provisions relating to CFCs. A foreign corporation is a CFC if "U.S. Shareholders" in the aggregate own, directly or indirectly, more than 50% of the voting power or value of the stock of such corporation. For this purpose, a United States person that owns, directly or indirectly, ten percent or more of the voting stock of a CFC is considered a "U.S. Shareholder" with respect to the CFC. If any U.S. Holder of Income Notes were properly viewed as a U.S. Shareholder of the Issuer under the CFC rules, the U.S. Holder would be subject each year to U.S. income tax (at ordinary income rates) on its pro rata share of the income of the Issuer (assuming that the Issuer is properly classified as a CFC for the year end that the U.S. Holder holds its Income Notes as of the end of the year), regardless of the amount of cash distributions received by the U.S. Holder with respect to its Income Notes during the year. Earnings subject to tax to a U.S. Holder under the CFC rules would generally not be taxed again when distributed to the U.S. Holder. In addition, if the Issuer is a CFC and a U.S. Holder is a U.S. Shareholder with respect to the Issuer, all or a portion of the income that otherwise would be characterized as capital gain upon a sale of U.S. Holder's Income Notes may be classified as ordinary income.

Prospective investors should be aware that in computing the Issuer's earnings for purposes of the CFC rules, losses on dispositions of securities in bearer form may not be allowed, while in computing the Issuer's ordinary earnings and net capital gains for purposes of the PFIC rules, losses on dispositions of securities in bearer form may not be allowed and any gain on such securities may be ordinary rather than capital. Further, prospective investors should be aware that in the event that any of the Notes is not fully paid upon maturity, the Issuer may recognize cancellation of indebtedness income for United States federal income tax purposes, without any corresponding offsetting loss (due to tax character differences or otherwise). In such a case, U.S. Holders of the Income Notes (and U.S. Holders of any Class of Notes treated as equity for United States federal income tax purposes) may also have phantom income as a result of such recognition by the Issuer (pursuant to the QEF and CFC rules discussed above), as to which an offsetting loss may not be available to the U.S. Holders.

Tax Treatment of Non-U.S. Holders

A Non-U.S. Holder of Notes or Income Notes that has no connection with the United States generally should not be subject to United States withholding tax on payments in respect of the Notes or Income Notes, and also should not be subject to United States federal income tax on any gains recognized in connection with the sale or other disposition of the Notes or Income Notes, *provided* that the Non U.S. Holder makes certain tax representations regarding the identity of the beneficial owner of the Notes or Income Notes (and, with respect to any gain recognized in connection with the sale or other disposition of the Notes or Income Notes by a non resident alien individual, such individual is not present in the United States for 183 days or more in the taxable year of the sale or other disposition and certain other conditions are met).

Information Reporting Requirements

Information reporting to the IRS may be required with respect to payments on the Notes or Income Notes and with respect to proceeds from the sale of the Notes and Income Notes to Holders other than corporations and certain other exempt recipients. A "backup" withholding tax may also apply to those payments if a Holder fails to provide certain identifying information (such as the Holder's taxpayer identification number or an attestation to the status of the Holder as a Non-U.S. Holder). Backup

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withholding is not an additional tax and may be refunded (or credited against the Holder's United States federal income tax liability, if any) *provided* that certain required information is furnished to the IRS in a timely manner.

Prospective investors should consult with their own tax advisors regarding whether they are required to file an IRS Form 8886 in respect of this transaction (relating to certain "reportable transactions"). Thus, for example, if a U.S. Holder were to sell its Notes or Income Notes at a loss, it is possible that this loss could constitute a reportable transaction and need to be reported on Form 8886 As another example, a transaction may be reportable if it is offered under conditions of confidentiality. In this regard, each Holder and beneficial holder of a Note and Income Note (and each of their respective employees, representatives or other agents) is hereby advised that it is permitted to disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions described herein (including the ownership and disposition of the Notes or Income Notes) except where confidentiality is reasonably necessary to comply with the securities laws of any applicable jurisdiction. Significant penalties apply for failure to file Form 8886 when required, and U.S. Holders are therefore urged to consult their own tax advisors.

U.S. Holders of Income Notes and of any Class of Notes classified as equity for United States federal income tax purposes may be required to file Forms with the IRS under the applicable reporting provisions of the Code. For example, such U.S. Holders may be required, under Sections 6038, 6038B and/or 6046 of the Code, to supply the IRS with certain information regarding the U.S. Holder, other U.S. Holders and the Issuer if (i) such person owns at least 10% of the total value or 10% of the total combined voting power of all classes of stock entitled to vote or (ii) the acquisition, when aggregated with certain other acquisitions that may be treated as related under applicable regulations, exceeds $100,000. Upon request, the Issuer will provide U.S. Holders of Income Notes and of any Class of Notes that may reasonably be recharacterized as equity for United States federal income tax purposes with information about the Issuer and its shareholders that the Issuer possesses and that may be needed to complete any Form that is so required. In the event a U.S. Holder fails to file a form when required to do so, the U.S. Holder could be subject to substantial tax penalties.

Circular 230

Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), the Issuer and its tax advisors are (or may be) required to inform prospective investors that:

i. Any advice contained herein, including any opinions of counsel referred to herein, is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer;

ii. Any such advice is written to support the promotion or marketing of the Securities and the transactions described herein (or in such opinion or other advice); and

iii. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Cayman Islands Tax Considerations

The following discussion of certain Cayman Islands income tax consequences of an investment in the Notes is based on the advice of Maples and Calder as to Cayman Islands law. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It assumes that the Issuer will conduct its affairs in accordance with assumptions made by, and representations made to, counsel. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

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Under existing Cayman Islands laws:

(i) payments of principal and interest in respect of the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any Holder of a Note and gains derived from the sale of Notes will not be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax; and

(ii) the Holder of any Note (or the legal personal representative of such Holder) whose Note is 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 Note. In addition, an instrument transferring title to a Note, if bought or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has applied for and obtained an undertaking from the Governor in Cabinet of the Cayman Islands in the following form:

THE TAX CONCESSIONS LAW
(1999 REVISION)
UNDERTAKING AS TO TAX CONCESSIONS

In accordance with Section 6 of the Tax Concessions Law (1999 Revision) the Governor in Cabinet undertakes with Timberwolf I, Ltd. (the "Company"):

(a) 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 Company or its operations; and

(b) 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

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) 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).

These concessions shall be for a period of twenty years from the date of the undertaking.

ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to 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 such 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 the Securities.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" under ERISA or "disqualified persons" under the

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Code (collectively, "Parties in Interest")) having certain relationships to such Plans, unless a statutory, regulatory or administrative exemption is applicable to the transaction. A Party in Interest who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code.

The United States Department of Labor ("DOL") has promulgated a regulation, 29 C.F.R. Section 2510.3-101, describing what constitutes the assets of a Plan ("Plan Assets") with respect to the Plan's investment in an entity for purposes of applying ERISA and Section 4975 of the Code. Section 3(42) of ERISA also describes what constitutes Plan Assets. Section 3(42) of ERISA and 29 C.F.R. Section 2510.3-101 are collectively the "Plan Asset Regulation." 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." Section 3(42) of ERISA modified 29 C.F.R. Section 2510.3-101 to exclude plans not subject to Title I of ERISA or Section 4975 of the Code from the Benefit Plan Investor definition.

Prohibited transactions may arise under Section 406 of ERISA or Section 4975 of the Code if Securities are acquired with Plan Assets with respect to which the Issuer, the Initial Purchaser, the Collateral Manager or any of their respective affiliates, is a Party in Interest. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, including a statutory exemption under Section 408(b)(17) of ERISA for transactions involving "adequate consideration" with persons who are Parties in Interest solely by reason of their (or their affiliate's) status as a service provider to the Plan involved and none of whom is a fiduciary with respect to the Plan Assets involved (or an affiliate of such a fiduciary). In addition, an administrative exemption may be available depending in part on the type of Plan fiduciary making the decision to acquire a Security and the circumstances under which such decision is made. Included among these exemptions are: DOL Prohibited Transaction Class Exemption ("PTCE") 96-23, regarding transactions effected by certain "in-house asset managers"; PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by independent "qualified professional asset managers." There can be no assurance that any class or other exemption will be available with respect to any particular transaction involving the Securities, or that, if available, the exemption would cover all possible prohibited transactions.

Governmental plans and certain church and other plans, while not necessarily subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state or other federal laws that are substantially similar to the foregoing provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Securities.

Any insurance company proposing to invest assets of its general account in the Securities should consider the extent to which such investment would be subject to the requirements of ERISA in light of the U.S. Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993), and the enactment of Section 401(c) of ERISA. In particular, such an insurance company should consider the retroactive and prospective exemptive relief granted by the DOL for transactions involving insurance company general accounts in PTCE 95-60 and the regulations issued by the DOL, 29 C.F.R. Section 2550.401c-1 (January 5, 2000). Certain additional information regarding general accounts is set forth below.

Any Plan fiduciary or other person who proposes to use Plan Assets to purchase 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 to such an investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

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The sale of any Security to a Plan, or to a person using Plan Assets to effect its purchase of any Security, is in no respect a representation by the Issuers, the Initial Purchaser or the Collateral Manager that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

Class S Notes, Class A Notes, Class B Notes and Class C Notes

For purposes of the Plan Asset Regulation, an equity interest includes any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. Because the Notes (a) are expected to be treated as indebtedness under local law and for federal tax purposes (see "Income Tax Considerations" herein), and (b) should not be deemed to have any "substantial equity features," purchases of the Notes with Plan Assets should not be treated as equity investments and, therefore, the Collateral Assets should not be deemed to be Plan Assets of the investing Plans. Those conclusions are based, in part, upon the traditional debt features of the Notes, including the reasonable expectation of purchasers of the Notes that the Notes will be repaid when due, as well as the absence of conversion rights, warrants and other typical equity features. However, if the Notes were nevertheless treated as equity interests for purposes of the Plan Asset Regulation and if the assets of the Issuer were deemed to constitute Plan Assets of an investing Plan, (i) transactions involving the assets of the Issuer could be subject to the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code, (ii) the assets of the Issuer could be subject to ERISA's reporting and disclosure requirements, and (iii) the fiduciary causing the Plan to make an investment in the Notes could be deemed to have delegated its responsibility to manage Plan Assets.

By its purchase of any Class S Note, Class A Note, Class B Note or Class C Note, the purchaser thereof will be deemed to have represented and warranted either that (i) it is not and will not be a Plan or an entity whose underlying assets include Plan Assets by reason of any Plan's investment in the entity; or (ii) its purchase and holding of a Class S Note, Class A Note, Class B Note or Class C Note are eligible for the exemptive relief available under any of Section 408(b)(17) of ERISA or PTCE 84-14, 90-1, 91-38, 95-60, 96-23 or a similar exemption.

Class D Notes and Income Notes

Equity participation in an entity by Benefit Plan Investors is "significant" under the Plan Asset Regulation (see above) if 25% or more of the value of any class of equity interest in the entity is held by Benefit Plan Investors. If equity participation in the Issuer by Benefit Plan Investors is "significant," the assets of the Issuer could be deemed to be Plan Assets of Plans investing in the equity. If the assets of the Issuer were deemed to constitute Plan Assets of an investing Plan, (i) transactions involving the assets of the Issuer could be subject to the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code, (ii) the assets of the Issuer could be subject to ERISA's reporting and disclosure requirements, and (iii) the fiduciary causing the Plan to make an equity investment in the Issuer could be deemed to have delegated its responsibility to manage Plan Assets. The term "Benefit Plan Investor" includes (i) an employee benefit plan (as defined in Section 3(3) of ERISA) that is subject to the provisions of Title I of ERISA, (ii) a plan described in and subject to Section 4975(e)(1) of the Code and (iii) any entity whose underlying assets include Plan Assets by reason of any such plan's investment in the entity. An entity described in (iii) above will be asked (i) to identify the maximum percentage of its assets that may be or become Plan Assets and (ii) without limiting the remedies that may be available, in the event the maximum percentage is thereafter exceeded, to agree to notify the Issuer, and dispose of Income Notes as instructed by the Issuer, before the specified maximum percentage is exceeded. For purposes of making the 25% determination, the value of any equity interests in the Issuer held by a person (other than a Benefit Plan Investor) who has discretionary authority or control with respect to the assets of the Issuer, any person who provides investment advice for a fee (direct or indirect) with respect to such assets, or any affiliate of such a person (any of the foregoing, a "Controlling Person"), are disregarded. Under the Plan Asset Regulation, an "affiliate" of a person includes any person, directly or

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indirectly through one or more intermediaries, controlling, controlled by or under common control with the person, and "control" with respect to a person, other than an individual, means the power to exercise a controlling influence over the management or policies of such person.

The Income Notes are not indebtedness under applicable local law and will be equity interests for purposes of applying ERISA and Section 4975 of the Code. The Class D Notes may also be treated as equity interests for purposes of applying ERISA and Section 4975 of the Code. Accordingly, purchases and transfers of Income Notes will be limited, so that less than 25% of the value of each of the Class D Notes and Income Notes will be held by Benefit Plan Investors, by requiring each purchaser or transferee of a Class D Note and an Income Note to make certain representations and agree to additional transfer restrictions described under "Notice to Investors." Benefit Plan Investors and Controlling Persons will not be permitted to purchase Regulation S Income Notes or Regulation S Class D Notes. No purchase of a Class D Note or an Income Note (other than a Regulation S Income Note and a Regulation S Class D Note) by, or proposed transfer to, a person that has represented that it is a Benefit Plan Investor or a Controlling Person will be permitted to the extent that such purchase or transfer would result in persons that have represented that they are Benefit Plan Investors owning 25% or more of any of the outstanding Class D Notes and Income Notes immediately after such purchase or proposed transfer (determined in accordance with the Plan Asset Regulation and the Indenture and the Fiscal Agency Agreement), based upon the representations made by investors. In addition, the Initial Purchaser, the Collateral Manager and the Trustee agree that neither they nor any of their respective affiliates will acquire any Class D Notes or Income Notes unless such acquisition would not, as determined by the Trustee, result in persons that have acquired Class D Notes or Income Notes and represented that they are Benefit Plan Investors owning 25% or more of the outstanding Class D Notes or Income Notes immediately after such acquisition by the Initial Purchaser, the Collateral Manager or the Trustee. Class D Notes or Income Notes held as principal by the Initial Purchaser, the Collateral Manager, the Trustee, any of their respective affiliates and persons that have represented that they are Controlling Persons will be disregarded and will not be treated as outstanding for purposes of determining compliance with the 25% limitation to the extent that such a Controlling Person is not a Benefit Plan Investor. Any Benefit Plan Investor that acquires Class D Notes or Income Notes (other than Regulation S Income Notes or Regulation S Class D Notes) will be required to represent and agree that the acquisition and holding of the Class D Notes or Income Notes (other than Regulation S Income Notes or Regulation S Class D Notes) do not and will not constitute a prohibited transaction under ERISA or Section 4975 of the Code for which an exemption is not available.

The U.S. Supreme Court, in *John Hancock* (noted above), held that those funds allocated to the general account of an insurance company pursuant to a contract with an employee benefit plan which vary with the investment experience of the insurance company are "plan assets." In the preamble to PTCE 95-60 (also noted above), the DOL noted that, for purposes of calculating the 25% threshold under the significant participation test of the Plan Asset Regulation, only the proportion of an insurance company general account's equity investment in the entity that represents Plan Assets should be taken into account in calculating that portion of the general account that is a Benefit Plan Investor. Any insurance company using general account assets to purchase Class D Notes or Income Notes (other than Regulation S Income Notes or Regulation S Class D Notes) will be asked (i) to identify the maximum percentage of the assets of the general account that may be or become Plan Assets, (ii) whether it is a "Controlling Person" (defined above), and (iii) without limiting the remedies that may be available, in the event that the maximum percentage is thereafter exceeded, to agree to notify the Issuer, and dispose of Class D Notes or Income Notes as instructed by the Issuer, before the specified maximum percentage is exceeded. Insurance companies using general account assets that are Plan Assets may not purchase Regulation S Income Notes or Regulation S Class D Notes.

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 or the Income Notes. Any such institution should consult its legal advisors in determining whether and to what

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extent there may be restrictions on its ability to invest in the Notes and the Income Notes. Without limiting the foregoing, any financial institution that is subject to the jurisdiction of the Comptroller of Currency, the Board of Governors of the Federal Reserve System, 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 or the Income 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 Issuers or the Initial Purchaser make any representation as to the proper characterization of the Notes or Income Notes for legal investment or other purposes, or as to the ability of particular investors to purchase the Notes or Income Notes for legal investment or other purposes, or as to the ability of particular investors to purchase the Notes or Income Notes under applicable investment restrictions. The Issuers understand that certain state insurance regulators, in response to e request for guidance, may be considering the characterization (as U.S. domestic or foreign (non-U.S.)) of certain collateralized debt obligation securities co-issued by a non-U.S. issuer and e U.S. co-issuer. There can be no assurance as to the nature of any guidance or other action that may result from such consideration. The uncertainties described above (and any unfavorable future determinations concerning legal investment or financial institution regulatory characteristics of the Notes or Income Notes) may effect the liquidity of the Notes or Income 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 advisors in determining whether and to what extent the Notes or Income Notes are subject to investment, capital or other restrictions.

LISTING AND GENERAL INFORMATION

1. Application may be made to admit some or all of the Securities on a stock exchange of the Issuer's choice, if practicable. There can be no assurance that such admission will be sought, granted or maintained. Copies of this offering circular, the Memorandum and Articles of Association of the Issuer and the organization documents of the Co-Issuer, the Indenture, the Collateral Management Agreement, the Fiscal Agency Agreement and the Cashflow Swap Agreement will be deposited with the Note Paying Agents, the Listing and Paying Agent and at the registered office of the Issuer, where copies thereof may be obtained, free of charge, upon request within fourteen days of the date of the Listing Particulars.

2. Copies of the Memorandum and Articles of Association of the Issuer, the organizational documents of the Co-Issuer, the resolutions of the Board of Directors of the Issuer authorizing the issuance of the Securities, and the execution of the Indenture, the Deed of Covenant, the Fiscal Agency Agreement, the Collateral Management Agreement and the Cashflow Swap Agreement and the resolutions of the sole member of the Co-Issuer authorizing the issuance of the Notes, and the execution of the Indenture may be obtained free of charge upon request within thirty days of the date of this offering circuler et the office of a Paying Agent on behalf of the Issuer.

3. Each of the Issuers represents that there has been no material adverse change in its financial position since its date of creation.

4. 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 deliver to the Trustee a Director's Certificate stating, as to each signatory thereof, that (a) a review of the activities of the Issuer during the prior year and of the Issuer's performance under the Indenture has been made under his supervision; and (b) to the best of his knowledge, based on such review, the Issuer has fulfilled all of its obligations under the Indenture throughout the prior year, or, if there has been a default in the fulfillment of any such obligation, specifying each such default known to him and the nature and status thereof.

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5. The Issuers are not, and have not since incorporation or formation, as applicable, been, involved in any litigation or arbitration proceedings relating to claims in amounts which may have or have had a material effect on the Issuers in the context of the issue of the Notes nor, so far as each of the Issuers is aware, is any such litigation or arbitration involving it pending or threatened.

6. 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 Notes will be authorized by the sole member of the Co-Issuer by action by written consent of the sole member passed on or about the Closing Date. Since incorporation or formation, as applicable, neither the Issuer nor the Co-Issuer has commenced trading or established any accounts, except as disclosed herein or accounts used to hold amounts received with respect to share capital and fees.

7. The Notes sold in offshore transactions in reliance on Regulation S and represented by the Regulation S Global Notes have been accepted for clearance through Clearstream and Euroclear under the Common Codes indicated below. The CUSIP Numbers and International Securities Identification Numbers ("ISIN") for the Notes represented by Regulation S Global Notes and Rule 144A Global Notes are as indicated below:

	Regulation S Global Notes		Rule 144A Global Notes
	CUSIP	ISIN	CUSIP
Class S-1 Notes	G8878YAA8	USG8878YAA85	88714PAA4
Class S-2 Notes	G8878YAL4	USG8878YAL41	88714PAK2
Class A-1a Notes	G8878YAB8	USG8878YAB68	88714PAB2
Class A-1b Notes	G8878YAC4	USG8878YAC42	88714PAC0
Class A-1c Notes	G8878YAD2	USG8878YAD25	88714PAD8
Class A-1d Notes	G8878YAE0	USG8878YAE08	88714PAE6
Class A-2 Notes	G8878YAF7	USG8878YAF72	88714PAF3
Class B Notes	G8878YAG5	USG8878YAG55	88714PAG1
Class C Notes	G8878YAH3	USG8878YAH39	88714PAH9
Class D Notes	G8878YAK6	USG8878YAK87	88714PAJ5
Income Notes	G8878DAA4	USG8878DAA49	88714NAA9

LEGAL MATTERS

Certain legal matters will be passed upon for the Collateral Manager by Sidley Austin LLP, New York, New York. Certain matters with respect to Cayman Islands law will be passed upon for the Issuer by Maples and Calder. Certain legal matters will be passed upon for the Issuer and Goldman, Sachs & Co. by Orrick, Herrington & Sutcliffe LLP, New York, New York.

UNDERWRITING

The Securities will be offered by Goldman, Sachs & Co. (the "Initial Purchaser"), from time to time at varying prices in negotiated transactions subject to prior sale, when, as and if issued. Subject to the terms and conditions set forth in the Purchase Agreement (the "Purchase Agreement") dated as of March 27, 2007 among Goldman, Sachs & Co. and the Issuers, the Issuers have agreed to sell to Goldman, Sachs & Co. and Goldman, Sachs & Co. has agreed to purchase all of the Notes and the Income Notes.

Under the terms and conditions of the Purchase Agreement, Goldman, Sachs & Co. is committed to take and pay for all the Securities to be offered by it, if any are taken. Furthermore, under the terms and conditions of the Purchase Agreement, Goldman, Sachs & Co. may be entitled to an underwriting discount on the Securities purchased by it and will be entitled to the Deferred Structuring Expense on each Payment Date in accordance with the Priority of Payments.

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The Securities purchased from the Issuers by the Initial Purchaser will be offered by it from time to time for sale in negotiated transactions or otherwise at varying prices to be determined at the time of sale *plus* accrued interest, if any, from the Closing Date.

The Securities have not been and will not be registered under the Securities Act for offer or sale as part of their distribution and may not be offered or sold within the United States or to, or for the account or benefit of, a U.S. Person or a U.S. resident (as determined for purposes of the Investment Company Act, a "U.S. Resident") except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act.

The Issuers have been advised by the Initial Purchaser that (a) it proposes to resell the Securities outside the United States (in part, by Goldman, Sachs & Co., through its selling agent) in offshore transactions in reliance on Regulation S and in accordance with applicable law and (b) it proposes to resell the Securities in the United States only to (1) Qualified Institutional Buyers in reliance on Rule 144A purchasing for their own accounts or for the accounts of Qualified Institutional Buyers or (2) in the case of the Income Notes only, Accredited Investors, which have a net worth of not less than U.S.$10 million each of which purchasers or accounts is a Qualified Purchaser. The Initial Purchaser's discount will be the same for the Regulation S Notes and the Rule 144A Notes offered hereby and for the Income Notes within each Class of Securities.

The Initial Purchaser has acknowledged and agreed that it will not offer, sell or deliver any Regulation S Notes or Regulation S Income Notes purchased by it to, or for the account or benefit of, any U.S. Person or U.S. Resident (as determined for purposes of the Investment Company Act) as part of its distribution at any time and that it will send to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells Regulation S Notes or Regulation S Income Notes purchased by it a confirmation or other notice setting forth the prohibition on offers and sales of the Regulation S Notes or Regulation S Income Notes within the United States or to, or for the account or benefit of, any U.S. Person or U.S. Resident.

With respect to the Securities initially sold pursuant to Regulation S, until the expiration of (x) 40 days after the commencement of the distribution of the offering of the Notes by the Initial Purchaser, with respect to offers or sales of the Notes and (y) one year after the commencement of the distribution of the Income Notes, with respect to offers or sales of the Income Notes purchased by Goldman, Sachs & Co., an offer or sale of Securities within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise then in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

The Initial Purchaser has represented, warranted and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and (ii) 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. See "Underwriting."

The Securities may not be offered or sold by means of any document other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, and no advertisement, invitation or document relating to the Securities may be issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

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This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation or subscription or purchase, of the Securities may not be circulated or distributed, nor may the Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Securities under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

The Securities have not been and will not be registered under the Securities and Exchange Law of Japan (the Securities and Exchange Law) and the Initial Purchaser 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, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

The Initial Purchaser has agreed that it has not made and will not make any invitation to the public in the Cayman Islands to purchase any of the Securities.

Buyers of Regulation S Securities sold by the selling agent of Goldman, Sachs & Co. may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the purchase price.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Securities, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Issuers or the Securities, in any jurisdiction where action for such purpose is required. Accordingly, the Securities may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Securities may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

The Securities are a new issue of securities with no established trading market. The Issuers have been advised by the Initial Purchaser that it may make a market in the Securities it is offering but is not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Securities. There can be no assurance that any secondary market for any of the Securities will develop, or, if a secondary market does develop, that it will provide the Holders of the Securities with liquidity of investment or that it will continue for the life of the Securities.

Application may be made to admit the Securities on a stock exchange of the Issuer's choice, if practicable. There can be no assurance that such admission will be sought, granted or maintained.

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The Issuers have agreed to indemnify the Initial Purchaser, the Collateral Manager, the Issuer Administrator, the Collateral Administrator and the Trustee against certain liabilities, including in the case of the Initiel Purchaser, liabilities under the Securities Act, or to contribute to payments they may be required to make in respect thereof. In addition, the Issuers have made certain representations and warranties to the Initial Purchaser and have agreed to reimburse the Initial Purchaser for certain of their expenses.

The Initial Purchaser may, from time to time as principal or through one or more investment funds that it manages, make investments in the equity securities of one or more of the issuers of Collateral Assets with the result that one or more of such issuers may be or may become controlled by the Initial Purchaser

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APPENDIX A

Certain Definitions

"Accounts" means collectively, the Collection Account, the Payment Account, the Expense Reserve Account, the Cashflow Swap Termination Receipts Account, the Cashflow Swap Replacement Account, the Cashflow Swap Collateral Account, the Default Swap Collateral Account, the Synthetic Security Collateral Account and the Collateral Account.

"Actual Interest Amount" means with respect to any Reference Obligation Payment Date, payment by or on behalf of the Reference Entity of an amount in respect of interest due under the Reference Obligation (including, without limitation, any deferred interest or defaulted interest relating to the Synthetic Security but excluding payments in respect of prepayment penalties, yield maintenance provisions or principal, except that the Actual Interest Amount shall include any payment of principal representing capitalized interest) to the holder(s) of the Reference Obligation in respect of the Reference Obligation.

"Actual Principal Amount" means, with respect to the Final Amortization Date or the legal final maturity date of any Reference Obligation, the amount paid on such day by or on behalf of the Reference Entity in respect of principal (excluding any capitalized interest) to the holder(s) of the Reference Obligation in respect of the Reference Obligation.

"Actual Rating" means with respect to any Collateral Asset or Eligible Investment, the actual expressly monitored outstanding public rating assigned by a Rating Agency without reference to any other rating by another Rating Agency, and which rating by its terms addresses the full scope of the payment promise of the obligor on such Collateral Asset or Eligible Investment, after taking into account any applicable guarantee or insurance policy or if no such rating is available from a Rating Agency, any "credit estimate" or "shadow rating" assigned by such Rating Agency. For purposes of this definition, (i) the rating of "Aaa" assigned by Moody's to a Collateral Asset or an Eligible Investment placed on watch for possible downgrade by Moody's will be deemed to have been downgraded by Moody's by one subcategory and any other rating assigned by Moody's to a Collateral Asset or an Eligible Investment placed on watch for possible downgrade by Moody's will be deemed to have been downgraded by Moody's by two subcategories, (ii) the rating assigned by S&P to a Collateral Asset or an Eligible Investment placed on watch for possible downgrade by S&P will be deemed to have been downgraded by S&P by one subcategory, and (iii) the rating assigned by Moody's or S&P to a Collateral Asset or Eligible Investment placed on watch for possible upgrade by such Rating Agency will be deemed to have been upgraded by such Rating Agency by one subcategory.

"Adjusted Net Outstanding Portfolio Collateral Balance" means, on any Determination Date, the Net Outstanding Portfolio Collateral Balance reduced by the excess, if any, of (i) the product of (a) the Statistical Loss Amount and (b) the lesser of 1 and a fraction the numerator of which is U.S.$1,000,000,000 and the denominator of which is the Net Outstanding Portfolio Collateral Balance as of such Determination Date over (ii) the product of (a) U.S.$ 3,750,000 and (b) the lesser of 1 and a fraction the numerator of which is the Net Outstanding Portfolio Collateral Balance as of such Determination Date and the denominetor of which is U.S.$ 1,000,000,000.

"Administrative Expenses" means amounts (including indemnities) due or accrued with respect to any Payment Date and payable by the Issuer and/or the Co-Issuer to (i) the Trustee pursuant to the Indenture or any co-trustee appointed pursuant to the Indenture, the Collateral Administrator pursuant to the Collateral Administration Agreement and the Fiscal Agent pursuant to the Fiscal Agency Agreement; (ii) the Issuer Administrator pursuant to the Administration Agreement; (iii) the independent accountants, agents (including the Note Agents under the Indenture and the Income Note Registrar) and counsel of the Issuer for fees and expenses (including amounts payable in connection with the preparation of tax forms on behalf of the Issuers); (iv) the Collateral Manager pursuant to the Collateral Management Agreement (other than the Collateral Management Fee); (v) the Rating Agencies for fees and expenses in connection with any rating or credit estimate (including the fees payable to the Rating Agencies for the monitoring of

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any rating or credit estimate) of the Notes, including fees and expenses, if any, due or accrued in connection with any rating of the Collateral Assets; (vi) any other person in respect of any governmental fee, charge or tax in relation to the Issuer or the Co-Issuer; (vii) to the liquidator(s) of the Issuer for the fees and expenses of liquidating the Issuer following the redemption of all of the Notes; (viii) any stock exchange listing any Securities at the request of the Issuer; and (ix) any other person in respect of any other fees or expenses (including indemnities and fees relating to the provision of the Issuer's registered office) permitted under the Transaction Documents; *provided* that Administrative Expenses shall not include (a) any amounts due or accrued with respect to the actions taken on or in connection with the Closing Date, (b) amounts payable in respect of the Notes and the Income Notes, (c) amounts payable under any Cashflow Swap Agreement and (d) any Collateral Management Fee payable pursuant to the Collateral Management Agreement.

"Aggregate Amortization Amount" means, with respect to any Determination Date, the excess, if any, of (i) the par amount of Default Swap Collateral and Eligible Investments and cash from principal payments received thereon, on deposit in the Default Swap Collateral Account over (ii) the sum of (a) the Reference Obligation Notional Amount and (b) the par value of any Deliverable Obligations.

"Aggregate Calculation Amount of Defaulted Obligations and Deferred Interest PIK Bonds" means the least of (a) the Aggregate Moody's Recovery Value of all Defaulted Obligations and Deferred Interest PIK Bonds, (b) the Aggregate S&P Recovery Value of all Defaulted Obligations and Deferred Interest PIK Bonds, and (c) the aggregate of the Market Values of all Defaulted Obligations and Deferred Interest PIK Bonds.

"Aggregate Moody's Recovery Value" means, with respect to Defaulted Obligations and Deferred Interest PIK Bonds, the aggregate of (a) the Moody's Recovery Rate for each such asset multiplied by (b) the Principal Balance of such asset.

"Aggregate Outstanding Amount" means, with respect to any of the Notes or Income Notes, the aggregate principal amount of such Notes or Income Notes at the date of determination.

"Aggregate Principal Amount" means the aggregate of the Principal Balances of all Collateral Assets and Eligible Investments purchased with Principal Proceeds and the amount of any cash which constitutes Principal Proceeds.

"Aggregate S&P Recovery Value" means the sum of, with respect to each Defaulted Obligation and each Deferred Interest PIK Bond of the lesser of (a) the Market Value for such Defaulted Obligation or Deferred Interest PIK Bond, as applicable, and (b) the S&P Recovery Rate for such Collateral Asset multiplied by the Principal Balance of such Collateral Asset.

"Applicable Percentage" means, on any day, a percentage equal to A divided by B, where "A" means the product of the Initial Face Amount (as such term is defined in the Master Confirmation) and the Initial Factor (as such term is defined in the Master Confirmation) as decreased on each Delivery Date by an amount equal to (a) the outstanding principal balance of Delivered Obligations delivered to the Issuer (as adjusted by the Relevant Amount, if any) divided by the Current Factor (as such term is defined in the Master Confirmation) on such day multiplied by (b) the Initial Factor (as such term is defined in the Master Confirmation) and where "B" means the product of the Original Principal Amount (as such term is defined in the Master Agreement) of the related Reference Obligation and the Initial Factor (as such term is defined in the Master Confirmation); (a) as increased by the outstanding principal balance of any further issues by the Reference Entity that are fungible with and form part of the same legal series as the Reference Obligation; and (b) as decreased by any cancellations of some or all of the outstanding principal amount of the related Reference Obligation resulting from purchases of the Reference Obligation by or on behalf of the Reference Entity.

"Applicable Recovery Rate" means, with respect to any Collateral Asset on any Determination Date, the lesser of the Moody's Recovery Rate and the S&P Recovery Rate.

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"Asset-Backed Securities" or "ABS Securities" means any obligation that is a security that is primarily serviced by the cash flows of a discrete pool of receivables or other financial assets, either fixed or revolving and that, by its terms, converts to cash within a finite time period.

"Auction Payment Date" means the Auction Date on which the Notes and Income Notes are redeemed in whole in connection with a successful Auction.

"Board of Directors" means, with respect to the Issuer or the Co-Issuer, the directors of the Issuer or the Co-Issuer, as applicable, duly appointed by the shareholders or the directors of the Issuer or the Co-Issuer, as applicable.

"Calculation Amount" means, (I) with respect to any Defaulted Obligation or Deferred Interest PIK Bond not related to a Synthetic Security, the lesser of (a) the Market Value of such Defaulted Obligation or Deferred Interest PIK Bond or (b) the Applicable Recovery Rate multiplied by the Principal Balance of such Defaulted Obligation or Deferred Interest PIK Bond and (II) with respect to any Defaulted Obligation or Deferred Interest PIK Bond related to a Synthetic Security, the lesser of (a) the lesser of (x) the Market Value of the related Reference Obligation and (y) the Market Value of the Synthetic Security and (b) the Applicable Recovery Rate multiplied by the Principal Balance of such Defaulted Obligation or Deferred Interest PIK Bond. For purposes of determining the Calculation Amount, the Principal Balance of a Defaulted Obligation shall be deemed to be its outstanding principal amount and the Principal Balance of a Deferred Interest PIK Bond shall be deemed to be its outstanding principal amount without regard to any deferred or capitalized interest.

"Cashflow Swap Collateral" means, any cash, securities or other collateral delivered and/or pledged by the Cashflow Swap Counterparty to or for the benefit of the Issuer, including, without limitation, any upfront payment of cash or delivery of securities made by the Cashflow Swap Counterparty to satisfy or secure its payment obligations pursuant to the terms of the related Cashflow Swap Agreement.

"Cashflow Swap Receipt Amount" means, with respect to the Cashflow Swap Agreement and any Payment Date, any Cashflow Swap Agreement receipts, including any other amounts so payable in respect of a termination of any Cashflow Swap Agreement.

"Cashflow Swap Shortfall Replacement Amount" means the amount by which the costs of entering into a Replacement Cashflow Swap Agreement exceed the funds available therefor in the Cashflow Swap Termination Receipts Account.

"Cashflow Swap Shortfall Amount" has the meaning set forth in the Cashflow Swap Agreement.

"Cashflow Swap Termination Receipts" means any amount payable by a Cashflow Swap Counterparty to the Issuer upon termination of a Cashflow Swap Agreement.

"CDO Securities" means the collateralized debt obligations (including, without limitation, any synthetic collateralized debt obligations) at any time on deposit in the Collateral Account that are not subject to withholding or similar taxes unless the relevant issuer is required to make "gross up" payments that cover the full amount of any such taxes.

"CDO S Note Securities" means CDO Securities that, pursuant to the terms of the related underlying instruments, are senior to all other securities issued in the related transaction and are entitled to principal payments in accordance with a fixed payment schedule, which principal payments are paid by applying, first, interest proceeds available, and second, principal proceeds available.

"Class" means each class of Notes having the same Stated Maturity and same alphabetical (but not necessarily numerical) designation of any of "S-1", "S-2", "S", "A-1a", "A-1b", "A-1c", A-1d", "A-1", "A", "B", "C" or "D" as a single class, and the Income Notes as a single class.

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"Class A Adjusted Overcollateralization Ratio" means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance (for the purposes of such calculation, the Adjusted Net Outstanding Portfolio Collateral Balance will not include Principal Proceeds held as cash and Eligible Investments) *divided* by the Aggregate Outstanding Amount of the Class A-1 Notes and the Class A-2 Notes, after giving effect to payments to be made on the succeeding Payment Date in accordance with the Priority of Payments.

"Class A-1 Note Payment Sequence" shall mean the application of funds in respect of the Class A-1 Notes, *first*, to the payment of principal in respect of the Class A-1a Notes until the Aggregate Outstanding Amount thereof is paid in full, *second*, to the payment of principal in respect of the Class A-1b Notes until the Aggregate Outstanding Amount thereof is paid in full, *third*, to the payment of principal in respect of the Class A-1c Notes until the Aggregate Outstanding Amount thereof is paid in full and, *fourth*, to the payment of principal in respect of the Class A-1d Notes until the Aggregate Outstanding Amount thereof is paid in full.

"Class A-1a Note Redemption Price" shall equal (i) the Aggregate Outstanding Amount of the Class A-1a Notes *plus* (ii) accrued and unpaid interest thereon (including Defaulted Interest and interest on Defaulted Interest, if any) to but excluding the Redemption Date.

"Class A-1b Note Redemption Price" shall equal (i) the Aggregate Outstanding Amount of the Class A-1b Notes *plus* (ii) accrued and unpaid interest thereon (including Defaulted Interest and interest on Defaulted Interest, if any) to but excluding the Redemption Date.

"Class A-1c Note Redemption Price" shall equal (i) the Aggregate Outstanding Amount of the Class A-1c Notes *plus* (ii) accrued and unpaid interest thereon (including Defaulted Interest and interest on Defaulted Interest, if any) to but excluding the Redemption Date.

"Class A-1d Note Redemption Price" shall equal (i) the Aggregate Outstanding Amount of the Class A-1d Notes *plus* (ii) accrued and unpaid interest thereon (including Defaulted Interest and interest on Defaulted Interest, if any) to but excluding the Redemption Date.

"Class A-2 Note Redemption Price" shall equal (i) the Aggregate Outstanding Amount of the Class A-2 Notes *plus* (ii) accrued and unpaid interest thereon (including Defaulted Interest and interest on Defaulted Interest, if any) to but excluding the Redemption Date.

"Class B Adjusted Overcollateralization Ratio" means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance (for the purposes of such calculation, the Adjusted Net Outstanding Portfolio Collateral Balance will not include Principal Proceeds held as cash and Eligible Investments) *divided* by the sum of the Aggregate Outstanding Amount of the Class A Notes and the Class B Notes, after giving effect to payments, as applicable to be made on the succeeding Payment Date in accordance with the Priority of Payments.

"Class B Note Redemption Price" shall equal (i) the Aggregate Outstanding Amount of the Class B Notes, *plus* (ii) accrued interest thereon (including Defaulted Interest and Interest on Defaulted Interest, if any) to, but excluding, the Redemption Date.

"Class C Adjusted Overcollateralization Ratio" means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance (for the purposes of such calculation, the Adjusted Net Outstanding Portfolio Collateral Balance will not include Principal Proceeds held as cash and Eligible Investments) *divided by* the sum of the Aggregate Outstanding Amount of the Class A Notes, the Class B Notes and the Class C Notes, including Class C Deferred Interest, after giving effect to payments, as applicable, to be made on the succeeding Payment Date in accordance with the Priority of Payments.

"Class C Note Redemption Price" shall equal the sum of (i) Aggregate Outstanding Amount of the Class C Notes (including any Class C Deferred Interest) *plus* (ii) accrued interest thereon (including any Defaulted Interest and any interest on Defaulted Interest, if any) to but excluding the Redemption Date.

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"Class D Adjusted Overcollateralization Ratio" means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance (for the purposes of such calculation, the Adjusted Net Outstanding Portfolio Collateral Balance will not include Principal Proceeds held as cash and Eligible Investments) *divided by* the sum of the Aggregate Outstanding Amount of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, including Class C Deferred Interest and Class D Deferred Interest, after giving effect to payments, as applicable, to be made on the succeeding Payment Date in accordance with the Priority of Payments.

"Class D Note Redemption Price" shall equal the sum of (i) the Aggregate Outstanding Amount of the Class D Notes (including any Class D Deferred Interest) *plus* (ii) accrued interest thereon (including any Defaulted Interest and any interest on Defaulted Interest, if any) to but excluding the Redemption Date.

"Class D Notes Amortizing Principal Amount" means an amount equal to the lesser of (a) with respect to the first Payment Date U.S. $200,000, and with respect to any other Payment Date up to and including the Payment Date in March 2014, U.S.$100,000 and (b) the remaining principal balance of the Class D Notes (including any Deferred Interest and any Defaulted Interest and interest thereon).

"Class S-1 Note Redemption Price" shall equal (i) the Aggregate Outstanding Amount of the Class S-1 Notes, *plus* (ii) accrued interest thereon (including Defaulted Interest and interest on Defaulted Interest, if any) to, but excluding, the Redemption Date.

"Class S-1 Notes Amortizing Principal Amount" means, with respect to any Payment Date commencing with the Payment Date in December 2007, the lesser of (a) U.S.$ 562,500.00, *plus* the aggregate amount of any Class S-1 Notes Amortizing Principal Amounts that were due on any prior Payment Date and not paid on one or more prior Payment Dates, *plus* accrued interest at the Class S-1 Note Interest Rate on any such unpaid amount from the prior Payment Date and (b) the Aggregate Outstanding Amount of the Class S-1 Notes.

"Class S-2 Note Redemption Price" shall equal (i) the Aggregate Outstanding Amount of the Class S-2 Notes, *plus* (ii) accrued interest thereon (including Defaulted Interest and interest on Defaulted Interest, if any) to, but excluding, the Redemption Date.

"Class S-2 Notes Amortizing Principal Amount" means, with respect to any Payment Date commencing with the Payment Date in December 2007, the lesser of (a) U.S.$ 518,750.00, *plus* the aggregate amount of any Class S-2 Notes Amortizing Principal Amounts that were due on any prior Payment Date and not paid on one or more prior Payment Dates, *plus* accrued interest at the Class S-2 Note Interest Rate on any such unpaid amount from the prior Payment Date and (b) the Aggregate Outstanding Amount of the Class S-2 Notes.

"Collateral Account" means a segregated non-interest bearing trust account, including all sub-accounts thereof, held in the name of the Trustee into which Collateral will be deposited from time to time.

"Collateral Administration Agreement" means the Collateral Administration Agreement, dated as of the Closing Date, among the Issuer, the Collateral Administrator and the Collateral Manager, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

"Collateral Administrator" means The Bank of New York, or any successor Collateral Administrator under the Collateral Administration Agreement.

"Collateral Asset" means a Synthetic Security, a CDO Security, a Deliverable Obligation or an item of Default Swap Collateral that has been released from the lien of the Synthetic Security Counterparty and credited to the Collateral Account as described herein.

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"Commercial Mortgage-Backed Securities" or "CMBS" means securities backed by obligations (including certificates of participation in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, nursing homes and senior living centers.

"Controlling Class" will be the Class S-1 Notes and the Class A-1 Notes for so long as any Class S-1 Notes and Class A-1 Notes are outstanding; if no Class S-1 Notes are outstanding but Class A-1 Notes are outstanding, then the Class A-1 Notes; if no Class S-1 Notes or Class A-1 Notes are outstanding, then the Class S-2 Notes and the Class A-2 Notes, for so long as any Class S-2 Notes and Class A-2 Notes are outstanding; if no Class S-2 Notes are outstanding but Class A-2 Notes are outstanding, then the Class A-2 Notes; if no Class S Notes or Class A Notes are outstanding, then the Class B Notes, so long as any Class B Notes are outstanding; if no Class S Notes, Class A Notes or Class B Notes are outstanding, then the Class C Notes, so long as any Class C Notes are outstanding, and if no Class S Notes, Class A Notes, Class B Notes or Class C Notes are outstanding, then the Class D Notes, so long any Class D Notes are outstanding.

"Credit Derivatives Definitions" means the 2003 ISDA Credit Derivatives Definitions

"Credit Protection Amounts" means Physical Settlement Amounts, Writedown Amounts, Principal Shortfall Amounts, Interest Shortfall Amounts and Synthetic Security Termination Payments (which, for the avoidance of doubt, will not include Defaulted Swap Termination Payments) payable by the Issuer to the Synthetic Security Counterparty.

"Credit Support Annex" means the ISDA Credit Support Annex entered into by the Issuer and the Cashflow Swap Counterparty on the Closing Date.

"Deed of Covenant" means the deed of covenant executed by the Issuer on or about the Closing Date constituting the Income Notes.

"Default Swap Collateral" means the securities on deposit in the Default Swap Collateral Account which satisfy the Default Swap Collateral Eligibility Criteria.

"Defaulted Cashflow Swap Termination Payments" means any termination payment required to be made by the Issuer to the Cashflow Swap Counterparty pursuant to a Cashflow Swap Agreement in the event of a termination of a Cashflow Swap Agreement in respect of which such Cashflow Swap Counterparty is the sole Defaulting Party or the sole Affected Party (as defined in the Cashflow Swap Agreement), other than with respect to "Illegality" or "Tax Event" (as defined in the Cashflow Swap Agreement).

"Defaulted Obligation" means any Reference Obligation or CDO Security with respect to which:

(i) the issuer thereof has defaulted in the payment of principal or interest without regard to any applicable grace period or waiver; *provided* that a Collateral Asset will not constitute a Defaulted Obligation under this clause (i) if (a) the Collateral Manager certifies in writing to the Trustee, in its reasonable business judgment, that such payment default is due to non-credit and non-fraud related reasons and such default does not continue for more than five Business Days (or, if earlier, until the next succeeding Determination Date) or (ii) such payment default has been cured by the payment of all amounts that were originally scheduled to have been paid; *provided, further, however*, that, notwithstanding the foregoing, any Collateral Asset that is in default with respect to the payment of interest or principal as of a Determination Date shall not be a Defaulted Obligation if such default is cured through the payment of all past due interest and principal within three Business Days after such Determination Date (and the Collateral Manager shall determine whether a default has occurred and is continuing on or prior to the second Business Day prior to the Payment Date) or such Collateral Asset shall not be treated as a Defaulted Obligation if the Collateral Manager believes the default on such Collateral Asset will be cured as of the next Determination Date, such Collateral Asset does not have an S&P Rating of "CC" or lower, "D" or "SD" and the Rating Agency Condition has been satisfied relative to such treatment;

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(ii) the principal amount of such Collateral Asset has been written down;

(iii) any bankruptcy, insolvency or receivership proceeding has been initiated in connection with the issuer of such Collateral Asset and is unstayed and undismissed; *provided*, that, if such proceeding is an involuntary proceeding, the condition of this clause (iii) will not be satisfied until the earliest of the following: (I) the issuer consents to such proceeding, (II) an order for relief under the United States Bankruptcy Code, or any similar order under a proceeding not taking place under the United States Bankruptcy Code, has been entered, and (III) such proceeding remains unstayed and undismissed for 60 days;

(iv) such Collateral Asset has an S&P Rating of "CC" or lower, "D" or "SD" or, if S&P withdraws its rating and the S&P Rating at the time of withdrawal is "CCC" or below or such Collateral Asset has a Moody's Rating of "C" or lower or "Ca";

(v) in the case of a Synthetic Security, the related Synthetic Security Counterparty is in default pursuant to the terms of such Synthetic Security; or

(vi) the Collateral Manager believes that such Collateral Asset will default on or before the next Determination Date.

"Defaulted Synthetic Security Termination Payments" means any termination payment required to be made by the Issuer to the Synthetic Security Counterparty pursuant to a Synthetic Security in the event of a termination of a Synthetic Security in respect of which such Synthetic Security Counterparty is the sole Defaulting Party or the sole Affected Party (as defined in the Synthetic Security), other than with respect to "Illegality" or "Tax Event" (as defined in the Synthetic Security).

"Deferred Interest PIK Bond" means a PIK Bond that (1) has an Actual Rating of "Baa3" or above by Moody's and makes payments less frequently than monthly and has deferred interest in an amount equal to the amount of interest that would accrue over the shorter of two payment periods or one year, or (2) has an Actual Rating of "Baa3" or above by Moody's and makes payments on a monthly basis and has deferred interest in an amount equal to the amount of interest that would accrue over the shorter of (i) one year and (ii) the longer of (A) the number of months between any two consecutive deferrals of interest and (B) six months or (3) has an Actual Rating of "Ba1" or below by Moody's and makes payments less frequently than monthly and has deferred interest in an amount equal to the amount of interest that would accrue over the shorter of one payment period or six months, or (4) has an Actual Rating of "Ba1" or below by Moody's and makes payments on a monthly basis and has deferred interest in an amount equal to the amount of interest that would accrue over three months,; *provided* that such PIK Bond would no longer be a Deferred Interest PIK Bond once payment of interest has resumed and all capitalized or deferred interest has been paid in full in accordance with the underlying documents.

"Deferred Structuring Expense" means a fee payable to the Initial Purchaser in accordance with the Priority of Payments, payable in arrears on each Payment Date, of 0.04% *per annum* times the Aggregate Principal Amount, measured as of the beginning of the Due Period preceding such Payment Date. The Deferred Structuring Expense will be calculated on the basis of a 360 day year consisting of twelve 30-day months.

"Definitive Notes" means Notes or Income Notes issued in definitive, fully registered form, registered in the name of the owner thereof.

"Deliverable Obligation" means an obligation which, pursuant to the terms of the Synthetic Security, may be delivered to the Issuer as a result of a Credit Event.

"Delivery Date" means the date on which a Deliverable Obligation is delivered to the Issuer pursuant to the Synthetic Security.

"Distribution Compliance Period" means, with respect to the Notes, the period that ends 40 days after the later of (i) the commencement of the offering of the Notes and (ii) the Closing Date.

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"Double B Calculation Amount" means the sum of the products of (i) the Principal Balance of each Double B Rated Asset and (ii) 90%.

"Double B Rated Asset" means any Collateral Asset that is not a Single B Rated Asset or Triple C Rated Asset with an Actual Rating from S&P less than "BBB-" or with an Actual Rating from Moody's less than "Baa3".

"Effective Date" means March 27, 2007.

"Eligible Bidders" are (i) any institutions, which may include affiliates of the Initial Purchaser, the Collateral Manager and Holders of the Notes and the Income Notes, whose short-term unsecured debt obligations have a rating of at least "P-1" by Moody's or "A-1+" by S&P and (ii) the Collateral Manager.

"Eligible Depositary" shall be a financial institution organized under the laws of the United States or any state thereof, authorized to accept deposits, having a combined capital and surplus of at least U.S.$200,000,000, and having (or if its obligations are guaranteed by its parent company, its parent having), a long term debt rating of at least "Baa1" by Moody's (and if rated "Baa1", such rating is not on watch for downgrade) and "BBB+" by S&P and a short term debt rating of "P-1" by Moody's (and not on watch for downgrade) and at least "A-1" by S&P.

"Eligible Guarantee" means an unconditional and irrevocable guarantee that is provided by a guarantor as principal debtor rather then surety and is directly enforceable by the Issuer, where either (A) a law firm has given a legal opinion confirming that none of the guarantor's payments to Issuer under such guarantee will be subject to withholding for tax or (B) such guarantee provides that, in the event that any of such guarantor's payments to Issuer are subject to withholding for Tax, such guarantor is required to pay such additional amount as is necessary to ensure that the net amount actualty received by Issuer (free and clear of any withholding tax) will equal the full amount Issuer would have received has no such withholding been required.

"Eligible Investment" means any U.S. Dollar-denominated investment that, at the time it is delivered to the Trustee, is one or more of the following obligations or securities (including security entitlements with respect thereto): (i) direct Registered obligations of, and Registered obligations fully 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; (ii) demand and time deposits in, certificates of deposit of, or banker's acceptances issued by, any depository institution or trust company incorporated in the United States or any state thereof, which depository institution or trust company is subject to supervision and examination by federal or state authorities, with a maturity not in excess of 183 days; and with a credit rating by S&P of at least "A-1+" or at least "AA-", as applicable, a credit rating by Moody's of at least "P-1" or at least "Aa3" (and if rated "Aa3", not on watch for downgrade), as applicable, in the case of a maturity in excess of 30 days, or a credit rating by S&P of at least "A-1" and a credit rating by Moody's of at least "P-1" (and not on watch for downgrade) in the case of a maturity of less than 30 days; (iii) repurchase obligations with respect to (a) any security described in clause (i) above or (b) any other security issued or guaranteed by an agency or instrumentality of the United States, entered into with a depository institution or trust company described in clause (ii) above or entered into with e corporation whose long-term senior unsecured rating is at least "A1" (and if rated "A1", not on watch for downgrade) by Moody's and "A+" by S&P and whose short-term credit rating is "P-1" (and not on watch for downgrade) by Moody's end "A-1" by S&P at the time of such investment, with a term not in excess of 91 days; (iv) Registered debt securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States or any state thereof that have a credit rating of at least "Aa3" (and if rated "Aa3", not on watch for downgrade) or "P-1" (and not on watch for downgrade) by Moody's and "A+" or "A-1" by S&P; (v) commercial paper or other short-term obligations of a corporation, partnership, limited liability company or trust, or any branch or agency thereof located in the United States or any of its territories, such commercial paper or other short-term obligations having a credit rating of "P-1" (and not on watch for downgrade) by Moody's and "A-1" by S&P, and that are Registered and either are interest bearing or are sold at a discount from the face amount thereof and

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have a maturity of not more than 91 days from their date of issuance; and (vi) offshore money market funds which have a credit rating of not less than "Aaa/MR1+" by Moody's and "AAAm" or "AAAm-G" by S&P, *provided however*, that each rating in clauses (iii) through (vi) above by Moody's or S&P shall be an Actual Rating and *provided further*, that any such investment purchased on the basis of S&P's short-term rating of "A-1" shall mature no later than 30 days after the date of purchase and may not, other than overnight investments from The Bank of New York (so long as The Bank of New York is the Trustee under the Indenture), exceed 20% of the Aggregate Outstanding Amount of the Notes rated by S&P. Eligible Investments shall not include any RMBS, CMBS, any inverse floater, any security subject to withholding tax if owned by the Issuer, any security subject to an offer, any interest only security, any principal only security (other than treasury bills or commercial paper), any security with a price in excess of 100% of par or any security the repayment of which is dependent on substantial non-credit related risk as determined by the Collateral Manager or any security the acquisition (including the manner of acquisition), ownership or disposition of which would cause the Issuer to be treated as engaged in a trade or business within the United States for United States federal income tax purposes. Each such Eligible Investment shall mature no later than the second Business Day immediately preceding the Payment Date next following the Due Period in which the date of investment occurs, unless such Eligible Investment is issued by the institution acting as Securities Intermediary, in which event such Eligible Investment may mature on the Business Day preceding such Payment Date. Eligible Investments may include those investments with respect to which the Securities Intermediary, the Trustee, the Collateral Manager or the Initial Purchaser or an affiliate of the Trustee, the Collateral Manager or the Initial Purchaser provides services. As used in this definition, ratings may not include ratings with an "r", "p", "q", "pf" or "t" subscript.

"Eligible Replacement" means an entity (I) (A) with the Moody's First Trigger Required Ratings or (B) whose present and future obligations owing to Issuer are guaranteed pursuant to an Eligible Guarantee provided by a guarantor with the Moody's First Trigger Required Ratings, subject to satisfaction of the Rating Agency Condition and (II) that is either a Qualified Purchaser or a person that is not a "U.S. Person" as defined in Regulation S under the Securities Act of 1933.

"Exercise Amount" means the amount determined in connection with a Credit Event in accordance with the related Synthetic Security.

"Expected Fixed Amount" has the meaning set forth in the Master Confirmation.

"Expected Interest Amount" means with respect to any Reference Obligation Payment Date, the amount of current interest that would accrue during the related Reference Obligation Calculation Period calculated using the Reference Obligation Coupon on a principal balance of the Reference Obligation equal to the outstanding principal amount taking into account any reductions due to a principal deficiency balance or realized loss amount (however described in the underlying instruments) that are attributable to the Reference Obligation, and that will be payable on the related Reference Obligation Payment Date assuming for this purpose that sufficient funds are available therefor in accordance with the underlying instruments, calculated in accordance with the related Synthetic Security.

"Expected Principal Amount" means, with respect to the Final Amortization Date or the legal final maturity date of the related Reference Obligation, an amount equal to (i) the Outstanding Principal Amount of the Reference Obligation payable on such dey (excluding capitalized interest) assuming for this purpose that sufficient funds are available for such payment, where such amount shall be determined in accordance with the underlying instruments, *minus* (ii) the sum of (A) the "Aggregate Implied Writedown Amount" (as such term is defined in the related Synthetic Security) (if any) and (B) the net aggregate principal deficiency balance or realized loss amounts (however described in the underlying instruments) that are attributable to the Reference Obligation. For purposes hereof, the Expected Principal Amount shall be determined without regard to the effect of any provisions (however described) of the underlying instruments that permit the limitation of due payments or distributions of funds in accordance with the terms of such Reference Obligation or that provide for the extinguishing or reduction of such payments or distributions.

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"Failure to Pay Interest" means, with respect to any Synthetic Security, the occurrence of an Interest Shortfall Amount or Interest Shortfall Amounts (calculated on a cumulative basis) in excess of the relevant Payment Requirement.

"Final Amortization Date" means the first to occur of (i) the date on which the Reference Obligation Notional Amount is reduced to zero and (ii) the date on which the assets securing the Reference Obligation or designated to fund amounts due in respect of the Reference Obligation are liquidated, distributed or otherwise disposed of in full and the proceeds thereof are distributed or otherwise disposed of in full.

"Final Payment Date" means a Payment Date with respect to an Optional Redemption by Liquidation, a Payment Date in connection with the Stated Maturity (other than with respect to the Class S Notes), Tax Redemption, an Auction or redemption due to an Event of Default resulting in acceleration of the Notes and liquidation of the Collateral in full.

"Fixed Rate" means the relevant fixed rate (expressed on a *per annum* basis) set forth in the Master Confirmation, subject to adjustment in accordance with the Master Confirmation.

"Fixed Rate Payer Calculation Period" has the meaning set forth in the Credit Derivatives Definitions.

"Fixed Rate Payer Payment Date" means each day falling five Business Days after a Reference Obligation Payment Date; *provided, however*, that the final Fixed Rate Payer Payment Date shall fall on the fifth Business Day following the Effective Maturity Date (as set forth in the Master Confirmation).

"Floating Amounts" means with respect to any Synthetic Security, an amount equal to the sum of (a) the relevant Writedown Amount (if any), (b) the relevant Principal Shortfall Amount (if any), (c) the relevant Interest Shortfall Payment Amount (if any) and (d) the relevant Physical Settlement Amount (if any).

"Floating Amount Event" means with respect to any Synthetic Security, the occurrence of a Writedown, a Failure to Pay Principal or an Interest Shortfall (as each such term is defined in the related Synthetic Security) with respect to the Reference Obligation thereunder.

"Floating Amount Payment" means payment of a Floating Amount.

"Floating Rate Payer Payment Date" means, in relation to a Floating Amount Event, the first Fixed Rate Payer Payment Date falling at least two Business Days (or, in the case of a Floating Amount Event that occurs on the Legal Final Maturity Date (as set forth in the Master Confirmation) or the Final Amortization Date, the fifth Business Day) after delivery of a notice by the Calculation Agent to the parties or a notice by Goldman Sachs International to the Synthetic Security Counterparty that the related Floating Amount is due and showing in reasonable detail how such Floating Amount was determined; *provided, however*, that in the case of a Floating Amount Event that occurs on the Legal Final Maturity Date or the Final Amortization Date, such notice must be given on or prior to the fifth Business Day following the Legal Final Maturity Date or the Final Amortization Date, as applicable.

"Holder" or "Noteholder" means, with respect to any Note the person in whose name such Note is registered, or, for purposes of voting, the granting of consents and other similar determinations under the Indenture, with respect to any Notes in global form, a beneficial owner thereof and, with respect to any Income Note, the person in whose name such Income Note is registered in the income note register of the Issuer.

"Implied Rating" means, in the case of a rating on a Collateral Asset, a rating that is determined by reference to any publicly available, fully monitored rating by another rating agency that, by its terms, addresses the full scope of the payment promise of the obligor. As used in this definition, ratings may not include ratings with a "p", "pi", "q", "r" or "t" subscript or any other qualifiers.

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"Implied Writedown Amount" means (a) if the Underlying Instruments relating to the Reference Obligation do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in clause (i) of the definition of "Writedown" above in respect of the Reference Obligation, on any Reference Obligation Payment Date, an amount determined by the Synthetic Security Counterparty in its capacity as calculation agent and equal to the excess, if any, of the Implied Writedown Amount for the interest accrual period relating to the current Reference Obligation Payment Date over the Implied Writedown Amount for the immediately preceding interest accrual period and (b) in any other case, zero.

"Income Note Registrar" means The Bank of New York, as income note registrar for the Income Notes.

"Interest Proceeds" means, in respect of any Payment Date, all investment income received on the Collateral Assets and Eligible Investments that are on deposit in the Collateral Account and the Fixed Amounts received from the Synthetic Security Counterparty under the Synthetic Securities in the related Due Period.

"Interest Shortfall" means with respect to any Reference Obligation Payment Date and any Reference Obligation, either (a) the nonpayment of an Expected Interest Amount or (b) the payment of an Actual Interest Amount that is less then the Expected Interest Amount, as described in the related Synthetic Security.

"Interest Shortfall Amount" means with respect to any Reference Obligation Payment Date, an amount equal to the greater of: (a) zero; and (b) the amount equal to the product of: (i)(A) the Expected Interest Amount; *minus* (B) the Actual Interest Amount; and (ii) the Applicable Percentage.

"Interest Shortfall Cap" means the cap, if any, on Interest Shortfalls as set forth in the related Master Confirmation.

"Interest Shortfall Cap Amount" means the amount of any Interest Shortfall Cap as set forth in the related Master Confirmation .

"Interest Shortfall Payment Amount" means in respect of an Interest Shortfall, the relevant Interest Shortfall Amount; *provided, however*, that if the Interest Shortfall Cap is applicable and the Interest Shortfall Amount exceeds the Interest Shortfall Cap Amount, the Interest Shortfall Payment Amount in respect of such Interest Shortfall shall be the Interest Shortfall Cap Amount.

"Interest Shortfall Reimbursement" means with respect to any Reference Obligation Payment Date, the payment by or on behalf of the Reference Entity of an Actual Interest Amount in respect of the Reference Obligation that is greater than the Expected Interest Amount.

"Interest Shortfall Reimbursement Payment" means with respect to any Reference Obligation Payment Date, the product of (a) the amount of any Interest Shortfall Reimbursement on such day and (b) the Applicable Percentage.

"Interest Shortfall Reimbursement Payment Amount" means (a) if Interest Shortfall Cap is not applicable, the relevant Interest Shortfall Reimbursement Amount, and (b) if Interest Shortfall Cap is applicable, the amount determined pursuant to the related Synthetic Security; *provided*, in either case, that the aggregate of all Interest Shortfall Reimbursement Payment Amounts (determined for this purpose on the basis that "Interest Shortfall Compounding" is not applicable) at any time shall not exceed the aggregate of Interest Shortfall Peyment Amounts paid by the Issuer in respect of Interest Shortfalls occurring prior to the date of payment of any such Additional Fixed Amount.

"Interest Shortfall Reserve Amount" has the meaning set forth in the Master Confirmation.

"Issue" of a Collateral Asset means any such Collateral Asset issued by the same issuer, having the same terms and conditions (as to, among other things, coupon, maturity, security and subordination) and otherwise being fungible with one another.

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"Liquidation Proceeds" means, without duplication, (i) all Sale Proceeds from Collateral Assets and Default Swap Collateral sold in connection with such redemption *minus* any termination payments (other than Defaulted Synthetic Security Termination Payments) due to the Synthetic Security Counterparty or payments due to any assignee of a Synthetic Security from the Default Swap Collateral Account in connection with the termination or assignment of the Synthetic Securities, (ii) the aggregate amount received by the Issuer net of any amount required to be paid by the Issuer on or prior to the Business Day immediately preceding the relevant Payment Date from the termination of any Cashflow Swap Agreement in connection with such redemption, and (iii) cash and Eligible Investments on deposit in the Accounts, to the extent available therefor, including any amounts designated by the Collateral Manager as retained for reinvestment in Eligible Investments (and also including any payments received under any Cashflow Swap Agreement on or prior to the day preceding the Payment Date, but only to the extent that such payments are required to be paid as a result of an Optional Redemption by Liquidation or Tax Redemption of Notes), in each case as determined by the Collateral Manager.

"Majority" means (a) with respect to any Class or Classes of Notes, the Holders of more than 50% of the Aggregate Outstanding Amount of such Class or Classes of Notes and (b) with respect to the Income Notes, the Holders of more than 50% of the notional principal amount of Income Notes.

"Market Value" means, with respect to the Collateral Assets and/or Eligible Investments, (i) the average of three bona fide bids for such Collateral Asset or Eligible Investment obtained by the Collateral Manager at such time from any three nationally recognized dealers, which dealers are independent from one another and from the Collateral Manager, or (ii) if the Collateral Manager is unable to obtain three such bids, the lesser of two bona fide bids for such Collateral Asset or Eligible Investment obtained by the Collateral Manager at such time from any two nationally recognized dealers acceptable to the Collateral Manager, which dealers are independent from one another and from the Collateral Manager, or (iii) in the event the Collateral Manager is unable to obtain two such bids, the price on such date provided to the Collateral Manager by an independent pricing service reasonably selected by the Collateral Manager, or (iv) in the event the Collateral Manager cannot in good faith determine the market value of such Collateral Asset or Eligible Investment using commercially reasonable efforts to apply the methods specified in clauses (i) through (iii) above, as determined in good faith by the Collateral Manager using commercially reasonable efforts to apply its reasonable business judgment. If the method of determining Market Value is based solely on the Collateral Manager's determination, such Market Value shall not exceed the S&P Recovery Rate, multiplied by the Principal Balance of the Collateral Asset and/or Eligible Investment, and shall be considered zero after 30 days or until such time as the Collateral Manager obtains a bid for such Collateral Asset or Eligible Investment. For purposes of clause (II)(a)(y) of the definition of Calculation Amount, "Market Value" means the sum of (i) the notional amount of any such Synthetic Security and (ii) the "Market Value" (which represents a trading termination payment or up-front payment in respect of a termination or assignment of such Synthetic Security and which amount, if payable by the Issuer in respect of such termination or assignment, will be a negative number) of such Synthetic Security otherwise determined pursuant to this definition of Market Value.

"Minimum Bid Amount" is an amount equal to the sum of (a) the Redemption Price with respect to the Auction Payment Date, (b) any amount payable by the Issuer to the Cashflow Swap Counterparty upon termination of the Cashflow Swap Agreement less any amounts payable by the Cashflow Swap Counterparty to the Issuer upon the termination of the Cashflow Swap Agreement, (c) unpaid Defaulted Synthetic Security Termination Payments, (d) accrued and unpaid Collateral Management Fees, (e) accrued and unpaid Deferred Structuring Expenses and (f) 101% of all unpaid expenses of the Issuer, less amounts on deposit in the Accounts which are available to redeem the Notes or pay amounts provided in clauses (b) through (e) above which would not include amounts on deposit in the Default Swap Collateral Account due to the Synthetic Security Counterparty or any assignee of a Synthetic Security including termination payments (other than Defaulted Synthetic Security Termination Payments).

"Moody's First Rating Trigger Requirements" shall apply so long as no relevant entity has the Moody's First Trigger Required ratings.

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"Moody's First Trigger Required Ratings" shall apply to an entity if such entity has a long-term, unsecured and unsubordinated debt or counterparty obligation rating of "Aa3" (and not on watch for downgrade) or above by Moody's.

"Moody's "Idealized" Cumulative Expected Loss Rate" as defined in Schedule G to the Indenture.

"Moody's Rating" means the rating determined in accordance with the methodology described in the Indenture.

"Moody's Recovery Rate" means, with respect to a Collateral Asset (or in the case of a Synthetic Security, the related Reference Obligation), an amount equal to the percentage for such Collateral Asset set forth in the recovery rate assumptions for Moody's attached as Part I of Schedule D to the Indenture; *provided, however*, that (A) Defaulted Obligations which exceed 2.5% of the Aggregate Principal Amount and have been defaulted for more than one year will be deemed to have a Moody's Recovery Rate of 0%, (B) Defaulted Obligations which exceed 1.00% of the Aggregate Principal Amount and have been defaulted for more than 2 years shall be deemed to have a Moody's Recovery Rate of 0%; and (C) Defaulted Obligations which have been defaulted for more than 3 years shall be deemed to have a Moody's Recovery Rate of 0%.

"Moody's Second Rating Trigger Requirements" means a requirement that shall apply so long as no Relevant Entity has the Moody's Second Trigger Required Ratings.

"Moody's Second Trigger Required Ratings" means an entity shall have the Moody's Second Trigger Required Ratings if such an entity has a long-term, unsecured and unsubordinated debt or counterparty obligation rating of "A2" (and not on watch for downgrade) or above by Moody's; the "Moody's Second Rating Trigger Requirements" shall apply so long as no Relevant Entity has the Moody's Second Trigger Required Ratings.

"Net Outstanding Portfolio Collateral Balance" means, on any Determination Date, an amount equal to (i) the aggregate Principal Balance on such Determination Date of all Collateral Assets, *plus* (ii) the aggregate Principal Balance of all Principal Proceeds held as cash and Eligible Investments purchased with Principal Proceeds, *minus* (iii) the aggregate Principal Balance on such date of determination of all Collateral Assets that are (A) Defaulted Obligations, (B) Deferred Interest PIK Bonds, (C) Double B Rated Assets, (D) Single B Rated Assets and (E) Triple C Rated Assets, *plus* (iv) the Aggregate Calculation Amount of Defaulted Obligations and Deferred Interest PIK Bonds, the Double B Calculation Amount, the Single B Calculation Amount and the Triple C Calculation Amount, *minus* (v) 25% of the projected Principal Balance of each Collateral Asset other than a Defaulted Obligation, Deferred Interest PIK Bond, Double B Rated Asset, Single B Rated Asset or Triple C Rated Asset that is expected to be paid after the Stated Maturity of the Class B Notes.

"Outstanding Principal Amount" means, as of any date of determination with respect to the Reference Obligation, the outstanding principal balance of the Reference Obligation as of such date, which shall take into account:

(i) all payments of principal;

(ii) all writedowns or applied losses (however described in the underlying instruments (as set forth in the Master Confirmation)) resulting in a reduction in the outstanding principal balance of the Reference Obligation (other than as a result of a scheduled or unscheduled payment of principal);

(iii) forgiveness of any amount by the holders of the Reference Obligation pursuant to an amendment to the underlying instruments resulting in a reduction in the outstanding principal balance of the Reference Obligation;

(iv) any payments reducing the amount of any reductions described in (ii) and (iii) of this definition; and

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(v) any increase in the outstanding principal balance of the Reference Obligation that reflects a reversal of any prior reductions described in (ii) and (iii) of this definition.

For the avoidance of doubt, the Outstanding Principal Amount shall not include any portion of the outstanding principal balance of the Reference Obligation that is attributable to the deferral or capitalization of interest during the Term (as set forth in the Credit Derivatives Definitions) of the Component Transaction (as set forth in the Master Confirmation).

"Overcollateralization Ratios" means the Class A/B Overcollateralization Ratio, the Class A Adjusted Overcollateralization Ratio, the Class B Adjusted Overcollateralization Ratio, the Class C Overcollateralization Ratio, the Class C Adjusted Overcollateralization Ratio, the Class D Overcollateralization Ratio and the Class D Adjusted Overcollateralization Ratio.

"Payment Date" means the third day of every March, June, September and December, or if any such date is not a Business Day, the immediately following Business Day, commencing on September 4, 2007.

"Payment Requirement" means the amount specified as such, in U.S. Dollars, in the related Master Confirmation.

"Physical Settlement Amount" means, following the occurrence of a Credit Event with respect to a Reference Obligation, an amount paid by the Issuer to the Synthetic Security Counterparty, calculated in accordance with the related Synthetic Security and paid on the related Physical Settlement Date, in exchange for the delivery of a Reference Obligation as a Deliverable Obligation by the Synthetic Security Counterparty to the Issuer.

"Physical Settlement Date" has the meaning set forth in the Master Confirmation.

"PIK Bond" means a Collateral Asset on which the deferral of interest does not constitute an event of default pursuant to the terms of the related underlying instruments (while any other senior debt obligation is outstanding if so provided by the related indenture or other underlying instruments).

"Principal Balance" means, with respect to any Collateral Asset or Eligible Investment, as of any date of determination, the outstanding principal amount of such Collateral Asset or Eligible Investment; subject to the following exceptions: (i) the Principal Balance of a Collateral Asset received upon acceptance of an offer to exchange a Collateral Asset for such Collateral Asset shall be deemed to be the percentage of the outstanding principal amount equal to the least of (a) the Moody's Recovery Rate and (b) the S&P Recovery Rate for such Collateral Asset until such time as Proceeds are first received when due with respect to such Collateral Asset; (ii) the Principal Balance of each Defaulted Obligation shall be deemed to be zero, except (A) for purposes of the calculation of the Coverage Tests, in which case, the Principal Balance of Defaulted Obligations shall equal their respective outstanding principal amount (unless otherwise indicated in such tests), (B) for purposes of calculating any trustee fees and the Collateral Management Fee, the Principal Balance of each Defaulted Obligation shall equal the Calculation Amount for such Defaulted Obligations and (C) as otherwise expressly indicated; (iii) the Principal Balance of any cash shall be the amount of such cash; (iv) the Principal Balance of any Collateral Assets and any Eligible Investments in which the Trustee does not have a perfected security interest shall be deemed to be zero; (v) the Principal Balance of any Collateral Asset that is an equity security shall be deemed to be zero; (vi) the Principal Balance of a Synthetic Security shall be the Reference Obligation Notional Amount of such Synthetic Security *minus* any Implied Writedown Amounts; and (vii) the Principal Balance of any Default Swap Collateral shall be deemed to be zero as long as the related Synthetic Security is outstanding.

"Principal Proceeds" means, with respect to any Due Period, the sum (without duplication) of: (i) all payments of principal on the Collateral Assets and Eligible Investments received in cash by the Issuer during such Due Period (including, without duplication, principal payments received on any Default Swap Collateral released from the lien of the Synthetic Security Counterparty), prepayments or mandatory

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sinking fund payments, or payments in respect of optional redemptions, exchange offers, tender offers (other than payments of principal of Eligible Investments acquired with Proceeds other than Principal Proceeds) and recoveries and interest on Defaulted Obligations up to the par amount of such Defaulted Obligation; (ii) any termination payments received from a Synthetic Security Counterparty; (iii) any Additional Fixed Amounts (other than Interest Shortfall Reimbursement Payment Amounts in respect of Interest Shortfall Payments satisfied by offsetting Fixed Payments) received from a Synthetic Security Counterparty; (iv) Sale Proceeds received by the Issuer during such Due Period (excluding accrued interest on sold or disposed Collateral Assets or Eligible Investments); (v) all amendment, waiver, late payment fees, restructuring and other fees and commissions collected during the related Due Period in respect of Defaulted Obligations up to the par amount; (vi) any proceeds resulting from the termination, replacement and liquidation of any Cashflow Swap Agreement to the extent such proceeds exceed the cost of entering into a replacement Cashflow Swap Agreement received during the period commencing on the day after the first Payment Date following the commencement of such Due Period (or the Closing Date, in the case of the first Due Period) and ending on and including the first Payment Date following the end of such Due Period; (vii) all payments received in cash by the Issuer during such Due Period that represent call, prepayment or redemption premiums but not in excess of the purchase premium paid thereon and (viii) any Proceeds other than Interest Proceeds; *provided, however*, that Principal Proceeds shall not include any accrued interest or any funds from the Income Note Payment Account and any Excepted Property.

"Principal Shortfall Amount" means, in respect of a Failure to Pay Principal, an amount equal to the greater of: (i) zero; and (ii) the amount equal to the product of: (A) the Expected Principal Amount *minus* the Actual Principal Amount; (B) the Applicable Percentage; and (C) the Reference Price. For purposes of clause (1) of the preceding sentence, if the Principal Shortfall Amount would be greater than the Reference Obligation Notional Amount immediately prior to the occurrence of such Failure to Pay Principal, then the Principal Shortfall Amount shall be deemed to be equal to the Reference Obligation Notional Amount at such time.

"Principal Shortfall Reimbursement" means, with respect to any day, the payment by or on behalf of the Reference Entity of an amount in respect of the Reference Obligation in or toward the satisfaction of any deferral of or failure to pay principal arising from one or more prior occurrences of a Failure to Pay Principal.

"Principal Shortfall Reimbursement Payment" means, with respect to any day, the product of (i) the amount of any Principal Shortfall Reimbursement on such day, (ii) the Applicable Percentage and (iii) the Reference Price.

"Principal Shortfall Reimbursement Payment Amount" means, as of any date of determination, the sum of the Principal Shortfall Reimbursement Amounts in respect of all Principal Shortfall Reimbursements (if any) made during the Reference Obligation Calculation Period relating to such date, *provided* that the aggregate of all Principal Shortfall Reimbursement Payment Amounts at any time shall not exceed the aggregate of all Floating Amounts paid by the Issuer in respect of occurrences of Failure to Pay Principal prior to such date.

"Proceeds" means, with respect to any Due Period, without duplication, (i) all amounts received by the Trustee with respect to the Collateral Assets (excluding principal payments received on any related Default Swap Collateral on deposit in the Default Swap Collateral Account unless otherwise provided in the Indenture but including all investment income on Default Swap Collateral), (ii) all amounts received as amendment, waiver, late payment fees and commissions collected during the Due Period on Collateral Assets, (iii) all amounts received with respect to Eligible Investments in the Accounts, (iv) any amounts to be released or withdrawn on the related Payment Date from the Expense Reserve Account and (v) all amounts received under any Cashflow Swap Agreement relating to the Due Period, including Principal Proceeds.

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"Quarterly Asset Amount" means, with respect to any Payment Date, the Aggregate Principal Amount on the first day of the related Due Period.

"Rating Agency Condition" means, with respect to any action taken or to be taken under the Transaction Documents, a condition that is satisfied when each Rating Agency has confirmed in writing to the Issuer and the Collateral Manager that such action will not result in the immediate withdrawal, reduction or other adverse action with respect to any then-current rating of any Class of Notes or the Income Notes.

"Redemption Date" means any Tax Redemption Date or Optional Redemption Date.

"Redemption Price" is the Class S-1 Note Redemption Price, the Class S-2 Note Redemption Price, the Class A-1a Note Redemption Price, the Class A-1b Note Redemption Price, the Class A-1c Note Redemption Price, the Class A-1d Note Redemption Price, the Class A-2 Note Redemption Price, the Class B Note Redemption Price, the Class C Note Redemption Price and the Class D Note Redemption Price, as applicable.

"Reference Entity" means the issuer of, or the obligor on, a Reference Obligation.

"Reference Obligation" means a CDO Security referenced under the Synthetic Security.

"Reference Obligation Calculation Period" means, with respect to each Reference Obligation Payment Date, a period corresponding to the interest accrual period relating to such Reference Obligation Payment Date pursuant to its "Underlying Instruments", as defined in accordance with the Master Confirmation. For the avoidance of doubt, the first Reference Obligation Calculation Period will begin on the Reference Obligation Payment Date falling on or immediately prior to the Closing Date.

"Reference Obligation Coupon" means the periodic interest rate applied in relation to each Reference Obligation Calculation Period on the related Reference Obligation Payment Date, as determined in accordance with the terms of the underlying instruments as at the Closing Date, without regard to any subsequent amendment.

"Reference Obligation Notional Amount" means, with respect to each Synthetic Security, the notional amount specified therein, which will be reduced or increased pursuant to the terms of such Synthetic Security.

"Reference Obligation Payment Date" means (i) each scheduled distribution date for a Reference Obligation occurring on or after the Closing Date and on or prior to such Reference Obligation's "Legal Final Maturity Date" (as set forth in the Synthetic Security), determined in accordance with the Underlying Instruments and (ii) any day after such Reference Obligation's "Effective Maturity Date" (as set forth in the Master Confirmation) on which a payment is made in respect of such Reference Obligation.

"Reference Obligation Principal Amortization Amount" means, with respect to any Reference Obligation Payment Date, an amount equal to the product of (i) the amount of any Reference Obligation Principal Payment on such date and (ii) the Applicable Percentage.

"Reference Obligation Principal Payment" means, with respect to any Reference Obligation Payment Date, the occurrence of a payment of an amount to the holders of the Reference Obligation in respect of principal (scheduled or unscheduled) in respect of the Reference Obligation other than a payment in respect of principal representing capitalized interest, excluding, for the avoidance of doubt, any Writedown Reimbursement or Interest Shortfall Reimbursement.

"Reference Obligor" means the obligor on a Reference Obligation.

"Reference Price" means the reference price (expressed as a percentage) specified in the related Synthetic Security.

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"Registered" means, with respect to any debt obligation or debt security, a debt obligation or debt security that is issued after July 18, 1984, and that is in registered form within the meaning of Section 881(c)(2)(B)(i) of the Code and the Treasury regulations promulgated thereunder.

"Relevant Amount" means with respect to the related Reference Obligation, if a servicer report that describes a Reference Obligation Principal Payment, Writedown or Writedown Reimbursement (other than a Writedown Reimbursement within paragraph (i) of "Writedown Reimbursement"), in each case that has the effect of decreasing or increasing the interest accruing principal balance of such Reference Obligation as of a date prior to a Delivery Date but such servicer report is delivered to holders of such Reference Obligation or to the calculation agent under the related Synthetic Security on or after the related Delivery Date, an amount equal to the product of (i) the sum of any such Reference Obligation Principal Payment (expressed as a positive amount), Writedown (expressed as a positive amount) or Writedown Reimbursement (expressed as a negative amount), as applicable; (ii) the Reference Price; (iii) the Applicable Percentage immediately prior to such Delivery Date; and (iv) the Exercise Percentage (as defined in such Master Confirmation).

"Residential Mortgage-Backed Securities" or "RMBS" means securities that represent interests in pools of residential mortgage loans secured by 1 to 4 family residential mortgage loans.

"S&P Rating" means the rating determined in accordance with the methodology described in the Indenture.

"S&P Recovery Rate" means, with respect to a Collateral Asset (or in the case of a Synthatic Security, the related Reference Obligation) on any Determination Date, an amount equal to the percentage for such Collateral Asset set forth in the S&P Recovery Rate Matrix attached as Part II of Schedule D to the Indenture in (x) the applicable table set forth therein and (y) the row in such table opposite the S&P Rating (determined in accordance with procedures prescribed by S&P for such Collateral Asset on the date of its purchase by the Issuer or, in the case of a Defaulted Obligation, the S&P Rating immediately prior to default).

"Sale Proceeds" means all amounts representing Proceeds (including accrued interest) from the sale or other disposition of any Collateral Asset or Eligible Investment received during such Due Period, net of any reasonable amounts expended by the Collateral Manager or the Trustee in connection with such sale or other disposition.

"Single B Calculation Amount" means the sum of the products of (i) the Principal Balance of each Single B Rated Asset and (ii) 70%.

"Single B Rated Asset" means any Collateral Asset, that is not a Triple C Rated Asset, with an Actual Rating from S&P less than "BB-" or with an Actual Rating from Moody's less then "Ba3".

"Statistical Loss Amount" means, as of any Determination Date, the sum of, for each Collateral Asset, the product of (i) the Principal Balance of such Collateral Asset and (ii) the Moody's Expected Loss Rate as set forth in the Indenture for such Collateral Asset. For purposes of the calculation of the Statistical Loss Amount on any Determination Date with respect to Single B Rated Assets, Deferred Interest PIK Bonds, Double B Rated Assets, Triple C Rated Assets, Defaulted Obligations and the principal amount of any Collateral Assets expected to be paid in full after the December 2047 Payment Date, the principal amount thereof expected to be paid after the Payment Date related to such Determination Date shall be excluded.

"SupraMajority" means (a) with respect to any Class of Notes, the Holders of more than 66-2/3% of the Aggregate Outstanding Amount of such Class of Notes and (b) with respect to the Income Notes, more than 66-2/3% of the aggregate outstanding notional principal amount of the Income Notes.

"Synthetic Security" means the credit default swaps entered into by the Issuer and Goldman Sachs International on March 21, 2007, effective as of the Closing Date, evidenced by an ISDA Master Agreement (Multicurrency Cross Border) and the Master Confirmation.

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"Synthetic Security Counterparty" means Goldman Sachs International and, if Goldman Sachs International is no longer the Synthetic Security Counterparty, any entity required to make payments on a Synthetic Security pursuant to the terms of such Synthetic Security or any guarantee thereof.

"Synthetic Security Termination Payment" means any termination or assignment payment required to be paid by the Issuer in the event of a termination or assignment of the Synthetic Securities.

"Tax Event" means (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 representing in excess of 3% of the aggregate interest due and payable on the Collateral Assets during the Due Period in which such event occurs as a result of the imposition of U.S. or other withholding tax 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) the adoption of, or 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 taxation of the Issuer's net income in an amount equal to 3% or more of the net income of the Issuer during any Due Period in which such event occurs.

"Total Redemption Amount" means the sum of all amounts due as of the Redemption Date pursuant to clauses (i) through (ix) of the Priority of Payments for Final Payment Dates.

"Treasury" means the United States Department of the Treasury.

"Triple C Calculation Amount" means the sum of the products of (i) the Principal Balance of each Triple C Rated Asset and (ii) 50%.

"Triple C Rated Asset" means any Collateral Asset (other than a Defaulted Obligation) with an Actual Rating from S&P of less than "B-" or with an Actual Rating from Moody's of less than "B3".

"Writedown Amount" means, with respect to any day, the product of (i) the amount of any Writedown on such day, (ii) the Applicable Percentage and (iii) the Reference Price.

"Writedown Reimbursement" means, with respect to any day, the occurrence of: (i) a payment by or on behalf of the Reference Entity of an amount in respect of the Reference Obligation in reduction of any prior Writedowns; (ii)(A) an increase by or on behalf of the Reference Entity of the outstanding principal amount of the Reference Obligation to reflect the reversal of any prior Writedowns; or (B) a decrease in the principal deficiency balance or realized loss amounts (however described in the underlying instruments) attributable to the Reference Obligation; or (iii) if "Implied Writedown" (as defined in the related Synthetic Security) is applicable and the underlying instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (ii) above to occur in respect of the Reference Obligation, an "Implied Writedown Reimbursement Amount" (as defined in the related Synthetic Security) being determined in respect of the Reference Obligation by the calculation agent thereunder.

"Writedown Reimbursement Amount" means, with respect to any day, an amount equal to the product of: (i) the sum of all Writedown Reimbursements on that day; (ii) the Applicable Percentage; and (iii) the Reference Price.

"Writedown Reimbursement Payment Amount" means, with respect to any date of determination, the sum of the Writedown Reimbursement Amounts in respect of all Writedown Reimbursements (if any) made during the Reference Obligation Calculation Period relating to such date; *provided* that the aggregate of all Writedown Reimbursement Payment Amounts at any time shall not exceed the aggregate of all Floating Amounts paid by the Issuer in respect of Writedowns occurring prior to such date.

"Writedown Reserve Amount" has the meaning set forth in the Master Confirmation.

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APPENDIX B

Collateral Asset Descriptions and Transaction Summaries

53888PAD8	LOCH 2006-1A C	$12,000,000	1.0000	$12,000,000	$24,000,000	$1,200,000,000	10/4/06	LIBOR01M	1.40%	12/12/2046	CDO	A2	A	A	-	6.2	Winchester Finance
85569MAD9	SMSTR 2005-1A B	$10,000,000	1.0000	$10,000,000	$12,000,000	$400,000,000	10/28/05	synthetic spread	1.35%	12/6/2045	CDO	A3	A-	A-	7.1	GE Asset Management
87337WAD2	TABS 2006-5A A3	$20,000,000	1.0000	$20,000,000	$60,000,000	$1,500,000,000	10/5/06	LIBOR01M	1.45%	10/6/2046	CDO	A2	A	A	-	6.6	Tricadia CDO Management, LLC
89053XAE8	TOPQ 2005-1A B	$15,000,000	1.0000	$15,000,000	$20,000,000	$500,000,000	1/19/06	synthetic spread	1.35%	1/10/2046	CDO	A3	A-	A-	-	7.0	Mid Ocean Wea Asset Management, LLC
92534FAD0	VRGO 2006-1A A3	$15,000,000	1.0000	$15,000,000	$60,000,000	$2,064,000,000	10/31/06	synthetic spread	1.40%	11/6/2046	CDO	A2	A	A	-	6.8	Vertel Capital, LLC
00082NAE0	ACABS 2005-2A A3	$20,000,000	0.9120	$18,240,000	$22,500,000	$450,000,000	6/30/05	synthetic spread	1.42%	12/6/2044	CDO	A3	A-	-	-	9.6	ACA Management
26411NAG3	DUKEF 2005-10A A3	$20,000,000	1.0000	$20,000,000	$78,000,000	$1,230,000,000	4/12/05	synthetic spread	1.41%	4/5/2048	CDO	A2	A	A	-	6.8	Duke Capital Partners
36228AAH6	GSCSF 2006-2A D	$20,000,000	1.0000	$20,000,000	$22,500,000	$304,000,000	5/31/06	synthetic spread	1.55%	6/6/2045	CDO	A2	A	A	-	6.3	GSCP (NJ), LLC
36868BAE9	GEMST 2005-4A C	$20,000,000	1.0000	$20,000,000	$21,000,000	$800,000,000	10/2/05	synthetic spread	1.33%	2/13/2041	CDO	A2	A	A	-	6.3	HBK Investments
72269AAD8	PINEM 2005-4 C	$20,000,000	1.0000	$20,000,000	$12,000,000	$401,000,000	11/8/05	synthetic spread	1.47%	11/16/2045	CDO	A2	A	A	-	4.1	Brigh Resolution Partners
76827TAG7	RIVER 2005-1A C	$15,000,000	1.0000	$15,000,000	$5,250,000	$300,000,000	1/19/05	synthetic spread	1.40%	2/6/2040	CDO	A2	A	A	-	8.0	Deerfield Capital
83233TAD8	STAK 2006-1A B	$20,000,000	1.0000	$20,000,000	$11,500,000	$500,000,000	7/27/06	synthetic spread	1.60%	8/10/2046	CDO	A2	A	A	-	8.0	TCW Asset Management Company
82534AAE0	VERT 2006-1A A3	$20,000,000	1.0000	$20,000,000	$31,000,000	$775,000,000	4/12/06	synthetic spread	1.41%	2/6/2046	CDO	A2	A	A	-	6.4	Vertel Capital, LLC
23913BAD4	DVSQ 2005-5A C	$15,000,000	1.0000	$15,000,000	$40,000,000	$2,016,000,000	8/3/05	synthetic spread	1.45%	10/6/2040	CDO	A2	A	A	-	7.9	TCW Asset Management Company
13189UAG1	CAMBR 5A B	$15,000,000	1.0000	$15,000,000	$18,000,000	$502,250,000	12/20/05	synthetic spread	1.43%	12/6/2043	CDO	A3	A-	-	-	7.5	Citigroup Alternative Investment LP
12777CAE9	CRNMZ 2006-2A C	$3,000,000	1.0000	$3,000,000	$33,750,000	$772,373,000	11/6/06	LIBOR03M	1.35%	2/13/2047	CDO	A2	A	A	-	8.9	Citigroup Financial Products Inc.
07945TAD3	BLHV 2005-1A C	$15,000,000	1.0000	$15,000,000	$26,250,000	$750,000,000	6/23/05	synthetic spread	1.30%	8/6/2045	CDO	A2	A	A	-	8.3	NEIC Credit Management Inc
34719WAC5	FTDRB 2005-1A A3L	$15,000,000	1.0000	$15,000,000	$22,500,000	$464,500,000	8/4/05	synthetic spread	1.55%	9/12/2040	CDO	A2	A	A	-	6.5	Vanderbilt Capital Advisors, LLC
45429PAE9	ICM 2005-2A C	$15,000,000	1.0000	$15,000,000	$11,000,000	$403,000,000	7/27/05	synthetic spread	1.60%	8/6/2040	CDO	A2	A	A	A	8.2	Ischus Capital Management, LLC
83743LAJ0	SCF 6A C	$15,000,000	0.9655	$14,782,894	$12,000,000	$506,500,000	1/25/06	synthetic spread	1.71%	10/6/2043	CDO	A2	A	A	-	6.0	TCW Asset Management Company

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ANNEX A-1

FORM OF INCOME NOTES PURCHASE AND TRANSFER LETTER

The Bank of New York, London Branch
One Canada Square
London E14 5AL
United Kingdom
fax +44 20 7964 6399
phone +44 20 7964 7073
Attention: Corporate Trust Administration

Re: Timberwolf I, Ltd.
Income Notes

Dear Sirs:

Reference is hereby made to the Income Notes (the "Income Notes") issued by Timberwolf I, Ltd. (the "Issuer"), described in the Issuer's Offering Circular dated March 23, 2007 ("Offering Circular") to be purchased and held by us. We (the "Purchaser") are purchasing U.S.$ [ ] aggregate notional amount of Income Notes (the "Purchaser's Income Notes"). Terms defined or referenced in the Offering Circular and not otherwise defined or referenced herein shall have the meanings set forth in the Offering Circular.

The Purchaser hereby represents, warrants and covenants for the benefit of the Issuer that:

(a) (i) The Purchaser is (check one) (x) __ a qualified institutional buyer (as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act")) (a "Qualified Institutional Buyer"), (y) __ a non-U.S. Person (as defined in Regulation S under the Securities Act) that is acquiring the Purchaser's Income Notes in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S of the Securities Act or (z) __ an "accredited investor" (as defined in Rule 501(a) under the Securities Act) (an "Accredited Investor") who has a net worth of not less than U.S.$10 million that is purchasing the Income Notes for its own account; (ii) The Purchaser, in the case of clauses (x) or (z) above, is a "qualified purchaser" for the purposes of Section 3(c)(7) of the Investment Company Act of 1940, as amended (the "Investment Company Act") (a "Qualified Purchaser"); (iii) The Purchaser, in the case of clause (z) above, is not acquiring the Income Notes with a view to any resale or distribution thereof, other than in accordance with the restrictions set forth below; (iv) The Purchaser is aware that the sale of the Purchaser's Income Notes to the Purchaser is being made in reliance on an exemption from registration under the Securities Act; (v) The Purchaser (unless otherwise permitted under the Fiscal Agency Agreement) is acquiring Income Notes in the aggregate notional principal amount of not less than U.S.$100,000 with integral multiples of U.S.$1 in excess thereof; (vi) With respect to any transferee, the Purchaser also understands that, in conjunction with any transfer of the Purchaser's ownership of any Purchaser's Income Notes purchased hereunder, it will not transfer or cause the transfer of such Purchaser's Income Notes without obtaining from the transferee a certificate substantially in the form of this Income Notes Purchase and Transfer Letter; (vii) The Purchaser will provide notice of the transfer restrictions described to any subsequent transferees.

(b) The Purchaser is purchasing the Purchaser's Income Notes in an amount equal to or exceeding the minimum denominations thereof for its own account (or, if the Purchaser is a Qualified Institutional Buyer, for the account of another Qualified Institutional Buyer with respect to which the Purchaser exercises sole investment discretion) for investment purposes only and not for sale in connection with any distribution thereof, but nevertheless subject to the understanding that the

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disposition of its property shall at all times be and remain within its control (subject to the restrictions set forth in the Offering Circular, the note in respect of the Purchaser's Income Notes and the Fiscal Agency Agreement).

(c) The Purchaser understands that the Purchaser's Income Notes have not been and will not be registered or qualified under the Securities Act or any applicable state securities laws or the securities laws of any other jurisdiction and are being offered only in a transaction not involving any public offering within the meaning of the Securities Act, are being offered only in a transaction not involving any public offering, and may be reoffered, resold or pledged or otherwise transferred only in accordance with the restrictions on transfer set forth herein and in the Fiscal Agency Agreement. The Purchaser understands and agrees that any purported transfer of Income Notes to a purchaser that does not comply with the requirements herein will not be permitted or registered by the Fiscal Agent. The Purchaser further understands that the Issuer has the right to compel any beneficial owner of Income Notes that is a U.S. Person and is not (a) either a Qualified Institutional Buyer or an Accredited Investor with a net worth of U.S.$10 million or more and (b) a Qualified Purchaser, to sell its interest in such Income Notes, or the Issuer may sell such Income Notes on behalf of such owner.

(d) If the Purchaser or any account for which the Purchaser is purchasing the Purchaser's Income Notes is a U.S. Person (as defined in Regulation S under the Securities Act) the following representations shall be true and correct: The Purchaser (or if the Purchaser is acquiring the Purchaser's Income Notes for any account, each such account) is acquiring the Purchaser's Income Notes as principal for its own account for investment and not for sale in connection with any distribution thereof. The Purchaser and each such account: (a) was not formed for the specific purpose of investing in the Income Notes (except when each beneficial owner of the Purchaser and each such account is a Qualified Purchaser), (b) to the extent the Purchaser is a private investment company formed before April 30, 1996, the Purchaser has received the necessary consent from its beneficial owners, (c) is not a pension, profit sharing or other retirement trust fund or plan in which the partners, beneficiaries or participants, as applicable, may designate the particular investments to be made; and (d) is not a broker-dealer that owns and invests on a discretionary basis less than U.S.$25,000,000 in securities of unaffiliated issuers. Further, the Purcheser agrees: (i) that neither it nor such account shall hold the Purchaser's Income Notes for the benefit of any other person and such purchaser of such account shall be the sole beneficial owner thereof for all purposes; and (ii) that neither it nor such account shall sell participation interests in the Purchaser's 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 Purchaser's Income Notes. The Purchaser understands and agrees that any purported transfer of the Purchaser's Income Notes to a Purchaser that does not comply with the requirements of this clause (d) will not be permitted or registered by the Fiscal Agent or the Income Note Registrar, as applicable.

(e) In connection with the purchase of the Purchaser's Income Notes: (i) none of the Issuers, the Initial Purchaser, the Collateral Manager, the Issuer Administrator or the Income Note Registrar is acting as a fiduciary or financial or investment adviser for the Purchaser; (ii) the Purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuers, the Initial Purchaser, the Collateral Manager, the Issuer Administrator or the Income Note Registrar, other than in the Offering Circular and any representations expressly set forth in a written agreement with such party; (iii) none of the Issuers, the Initial Purchaser, any Cashflow Swap Counterparty, the Collateral Manager, the Administrator or the Income Note Registrar has given to the Purchaser (directly or indirectly through any other person) any assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment in the Purcheser's Income Notes; (iv) the Purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding

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the suitability of any transaction pursuant to the Indenture and the Fiscal Agency Agreement) 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 Issuers, the Initial Purchaser, any Cashflow Swap Counterparty, the Collateral Manager, the Issuer Administrator or the Income Note Registrar; (v) the Purchaser has evaluated the rates, prices or amounts and other terms and conditions of the purchase and sale of the Purchaser's Income Notes with a full understanding of all of the risks thereof (economic and otherwise), and it is capable of assuming and willing to assume (financially and otherwise) those risks; and (vi) the Purchaser is a sophisticated investor.

(f) The certificates in respect of the Income Notes (other than the Regulation S Income Notes) will bear a legend to the following effect unless the Issuer determines otherwise in compliance with the Fiscal Agency Agreement and applicable law:

THE INCOME NOTES ARE CONSTITUTED BY THE DEED OF COVENANT EXECUTED BY THE ISSUER ON OR ABOUT MARCH 27, 2007 AND ARE SUBJECT TO THE TERMS AND CONDITIONS THEREOF AND CERTAIN CONDITIONS OF THE FISCAL AGENCY AGREEMENT, DATED ON OR ABOUT MARCH 27, 2007 (THE "FISCAL AGENCY AGREEMENT") BY AND AMONG THE ISSUER AND THE BANK OF NEW YORK, LONDON BRANCH, AS FISCAL AGENT AND TRANSFER AGENT. COPIES OF THE DEED OF COVENANT, THE TERMS AND CONDITIONS OF THE INCOME NOTES AND THE FISCAL AGENCY AGREEMENT MAY BE OBTAINED FROM THE FISCAL AGENT.

THE INCOME NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE INCOME NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH INCOME NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND IN EACH CASE IN A MINIMUM DENOMINATION OF U.S.$100,000. FURTHERMORE THE PURCHASER AND EACH ACCOUNT FOR WHICH IT IS ACTING AS A PURCHASER, OTHER THAN IN THE CASE OF CLAUSE (A)(3) ABOVE, REPRESENTS FOR THE BENEFIT OF THE ISSUER THAT IT (V) IS A QUALIFIED PURCHASER FOR THE PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE

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INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY PURPORTED TRANSFER IN VIOLATION OF THE FOREGOING WILL NOT BE PERMITTED OR REGISTERED BY THE FISCAL AGENT OR THE INCOME NOTE REGISTRAR. EACH TRANSFEROR OF THE INCOME NOTES WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE FISCAL AGENCY AGREEMENT TO ITS TRANSFEREE.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(1) OR (A)(2) OF THE PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE FISCAL AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS (X) 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, OR (Y) AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION AND (Z) A QUALIFIED PURCHASER FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT.

THE PURCHASER OR TRANSFEREE MUST DISCLOSE IN WRITING IN ADVANCE TO THE FISCAL AGENT (i) WHETHER OR NOT IT IS (A) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (B) A "PLAN" DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF ANY SUCH PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); (ii) IF THE PURCHASER OR TRANSFEREE IS A BENEFIT PLAN INVESTOR, THAT THE PURCHASE AND HOLDING OR TRANSFER AND HOLDING OF INCOME NOTES DO NOT AND WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE FOR WHICH AN EXEMPTION IS NOT AVAILABLE; AND (iii) WHETHER OR NOT IT IS THE COLLATERAL MANAGER OR ANY OTHER PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. IF A PURCHASER IS AN ENTITY DESCRIBED IN (i)(C) ABOVE, OR AN INSURANCE COMPANY ACTING ON BEHALF OF ITS GENERAL ACCOUNT, IT WILL BE PERMITTED TO SO INDICATE, AND REQUIRED TO IDENTIFY A MAXIMUM PERCENTAGE OF ITS ASSETS OR THE ASSETS IN ITS GENERAL ACCOUNT, AS APPLICABLE, THAT MAY BE OR BECOME PLAN ASSETS, IN WHICH CASE IT WILL BE REQUIRED TO MAKE CERTAIN FURTHER AGREEMENTS THAT WOULD APPLY IN THE EVENT THAT SUCH MAXIMUM PERCENTAGE WOULD THEREAFTER BE EXCEEDED. THE PURCHASER AGREES THAT, BEFORE ANY INTEREST IN AN INCOME NOTE MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, THE TRANSFEREE WILL BE REQUIRED TO PROVIDE THE FISCAL AGENT WITH AN INCOME NOTES PURCHASE AND TRANSFER LETTER (SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT) STATING, AMONG OTHER THINGS, WHETHER THE TRANSFEREE IS A BENEFIT PLAN INVESTOR. NO PURCHASE OR TRANSFER OF INCOME NOTES

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WILL BE PERMITTED OR REGISTERED TO THE EXTENT THAT THE PURCHASE OR TRANSFER WOULD RESULT IN BENEFIT PLAN INVESTORS OWNING 25% OR MORE OF THE OUTSTANDING INCOME NOTES (OTHER THAN THE INCOME NOTES OWNED BY THE COLLATERAL MANAGER, THE TRUSTEE AND THEIR AFFILIATES) IMMEDIATELY AFTER SUCH PURCHASE OR TRANSFER (DETERMINED IN ACCORDANCE WITH SECTION 3(42) OF ERISA, 29 C.F.R. SECTION 2510.3-101 AND THE FISCAL AGENCY AGREEMENT).

PAYMENTS TO THE HOLDERS OF THE INCOME NOTES ARE SUBORDINATE TO THE PAYMENT ON EACH PAYMENT DATE OF PRINCIPAL OF AND INTEREST ON THE NOTES OF THE ISSUERS AND THE PAYMENT OF CERTAIN OTHER AMOUNTS, TO THE EXTENT AND AS DESCRIBED IN THE INDENTURE.

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE FISCAL AGENCY AGREEMENT.

(g) The certificates in respect of the Regulation S Income Notes will bear a legend to the following effect unless the Issuer determines otherwise in compliance with the Fiscal Agency Agreement and applicable law:

THE INCOME NOTES ARE CONSTITUTED BY THE DEED OF COVENANT EXECUTED BY THE ISSUER ON OR ABOUT MARCH 27, 2007 AND ARE SUBJECT TO THE TERMS AND CONDITIONS THEREOF AND CERTAIN CONDITIONS OF THE FISCAL AGENCY AGREEMENT, DATED ON OR ABOUT MARCH 27, 2007 (THE "FISCAL AGENCY AGREEMENT") BY AND AMONG THE ISSUER AND THE BANK OF NEW YORK, LONDON BRANCH, AS FISCAL AGENT AND INCOME NOTE TRANSFER AGENT. COPIES OF THE DEED OF COVENANT, THE TERMS AND CONDITIONS OF THE INCOME NOTES AND THE FISCAL AGENCY AGREEMENT MAY BE OBTAINED FROM THE FISCAL AGENT.

THE INCOME NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE INCOME NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH INCOME NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND IN EACH CASE IN A MINIMUM DENOMINATION OF U.S.$100,000. FURTHERMORE THE PURCHASER AND EACH ACCOUNT FOR WHICH IT IS ACTING AS A PURCHASER, OTHER THAN IN THE CASE OF CLAUSE (A)(3) ABOVE, REPRESENTS FOR THE BENEFIT OF THE ISSUER THAT IT (V) IS A QUALIFIED PURCHASER FOR THE PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY

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CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY PURPORTED TRANSFER IN VIOLATION OF THE FOREGOING WILL NOT BE PERMITTED OR REGISTERED BY THE FISCAL AGENT OR THE INCOME NOTE REGISTRAR. EACH TRANSFEROR OF THE INCOME NOTES WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE FISCAL AGENCY AGREEMENT TO ITS TRANSFEREE.

THE TRANSFEREE OF THIS SECURITY WILL BE DEEMED TO HAVE REPRESENTED THAT THE TRANSFEREE IS NOT A U.S. PERSON.

THE PURCHASER OR TRANSFEREE OF THIS INCOME NOTE IS DEEMED TO REPRESENT (i) THAT IT IS NOT (A) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF ERISA) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (B) A "PLAN" DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE CODE, OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF ANY SUCH PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); AND (ii) THAT IT IS NOT THE COLLATERAL MANAGER OR ANY OTHER PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. NO PURCHASE OR TRANSFER OF INCOME NOTES WILL BE PERMITTED OR REGISTERED TO THE EXTENT THAT THE PURCHASE OR TRANSFER WOULD RESULT IN BENEFIT PLAN INVESTORS OWNING 25% OR MORE OF THE OUTSTANDING INCOME NOTES (OTHER THAN THE INCOME NOTES OWNED BY THE COLLATERAL MANAGER, THE TRUSTEE AND THEIR AFFILIATES) IMMEDIATELY AFTER SUCH PURCHASE OR TRANSFER (DETERMINED IN ACCORDANCE WITH SECTION 3(42) OF ERISA, 29 C.F.R. SECTION 2510.3-101 AND THE FISCAL AGENCY AGREEMENT).

ANY TRANSFER, PLEDGE OR OTHER USE OF THIS INCOME NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN, UNLESS THIS INCOME NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC"), NEW YORK, NEW YORK, TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY INCOME NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.).

TRANSFERS OF THIS INCOME NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS

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OF THIS INCOME NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE FISCAL AGENCY AGREEMENT.

PAYMENTS TO THE HOLDERS OF THE INCOME NOTES ARE SUBORDINATE TO THE PAYMENT ON EACH PAYMENT DATE OF PRINCIPAL OF AND INTEREST ON THE NOTES OF THE ISSUERS AND THE PAYMENT OF CERTAIN OTHER AMOUNTS, TO THE EXTENT AND AS DESCRIBED IN THE INDENTURE.

(h) With respect to Income Notes (other than Regulation S Income Notes) transferred or purchased on or after the Closing Date, the Purchaser understands and agrees that the representations and agreements made in this paragraph (h) will be deemed made on each day from the date hereof through and including the date on which the Purchaser disposes of the Income Notes (other than the Regulation S Income Notes).

(x) The Purchaser is __ is not __ [check one] (i) an "employee benefit plan" (as defined in Section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA")), that is subject to the provisions of Title I of ERISA, (ii) a "plan" described in and subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "Code"), or (iii) an entity whose underlying assets include assets of any such plan (for purposes of ERISA or Section 4975 of the Code) by reason of any such plan's investment in the entity (such persons and entities described in clauses (i) through (iii) being referred to herein as "Benefit Plan Investors"); and (y) if the Purchaser is a Benefit Plan Investor, the Purchaser's purchase and holding of an Income Note do not and will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code for which an exemption is not available.

The Purchaser is _____ is not _____ [check one] the Issuer or any other person (other than a Benefit Plan Investor) that has discretionary authority or control with respect to the assets of the Issuer, a person who provides investment advice for a fee (direct or indirect) with respect to the assets of the Issuer, or any "affiliate" (within the meaning of 29 C.F.R. Section 2510.3-101(f)(3)) of any such person (any such person described in this paragraph being referred to as a "Controlling Person").

If the Purchaser is A Benefit Plan Investor described in (iii) above, or an insurance company acting on behalf of its general account ____ [check if true], then (i) not more than ____% [complete by entering a percentage], (the "Maximum Percentage") of its assets or the assets of such general account, as applicable, constitutes assets of Benefit Plan Investors for purposes of Section 3(42) and the "plan assets" regulations under ERISA, and (ii) without limiting the remedies that may otherwise be available, the Purchaser agrees that it shall (x) immediately notify the Issuer if the Maximum Percentage is exceeded, and (y) dispose of all or a portion of its Income Notes as may be instructed by the Issuer (including, in the discretion of the Issuer, a disposition back to the Issuer or an affiliate thereof (or other person designated by the Issuer) for the then value of the Income Notes as reasonably determined by the Issuer, in any case in which the Purchaser cannot otherwise make a disposition it has been instructed by the Issuer to make).

(i) The Purchaser understands and acknowledges that neither the Fiscal Agent nor the Income Note Registrar will register any purchase or transfer of Income Notes either to a proposed initial purchaser or to a proposed subsequent transferee of Income Notes that has, in either case, represented that it is a Benefit Plan Investor or a Controlling Person if, after giving effect to such proposed transfer, persons that have represented that they are Benefit Plan Investors would own 25% or more of the outstanding Income Notes. For purposes of this determination, Income Notes held by the Collateral Manager, the Trustee, any of their respective affiliates and persons that have represented that they are Controlling Persons will be disregarded and will not be treated as outstanding. The Purchaser understands and agrees that any purported purchase or transfer of the Purchaser's Income Notes to a Purchaser that does not comply with the requirements of this clause (h) will not be permitted or registered by the Fiscal Agent or the Income Note Registrar.

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(j) The Purchaser is not purchasing the Purchaser's Income Notes with a view toward the resale, distribution or other disposition thereof in violation of the Securities Act. The Purchaser understands that an investment in the Purchaser's Income Notes involves certain risks, including the risk of loss of its entire investment in the Purchaser's Income Notes under certain circumstances. The Purchaser has had access to such financial and other information concerning the Issuers and the Purchaser's Income Notes as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Purchaser's Income Notes, including an opportunity to ask questions of, and request information from, the Issuer.

(k) If the purchaser or beneficial owner is a Non-U.S. Holder, such purchaser or beneficial owner represents that (x) either (i) its purchase of the Income Note is not, directly or indirectly, an extension of credit made by a bank pursuant to a loan agreement entered into in the ordinary course of its trade or business, (ii) it 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 or (iii) all income from the Income Note is effectively connected with a trade or business within the United States (as such terms are used in Section 882(a)(1) of the Code) conducted by such Holder and (y) it is not purchasing the Income Note in order to reduce its United States federal income tax liability or pursuant to a tax avoidance plan.

(l) The Purchaser agrees to treat the Purchaser's Income Notes as equity in the Issuer for United States federal, state and local income tax purposes.

(m) The Purchaser acknowledges that due to money laundering requirements operating in the Cayman Islands, the Issuer and the Fiscal Agent may require further identification of the Purchaser before the purchase application can proceed. The Issuer and the Fiscal Agent shall be held harmless and indemnified by the Purchaser against any loss arising from the failure to process the application if such information as has been required from the Purchaser has not been provided by the Purchaser.

(n) The Purchaser agrees to complete any other instrument of transfer as required under Cayman Islands law.

(o) The Purchaser is not a member of the public in the Cayman Islands.

(p) The purchaser agrees not to treat the Issuer as being engaged in the active conduct of a banking, financing, insurance, or other similar business for purposes of Section 954(h)(2) of the Code.

(q) The purchaser agrees to timely furnish the Issuer or its agents any U.S. federal income tax form or certification (such as IRS Form W-8BEN (Certification of Foreign Status), Form W-8IMY (Certification of Foreign Intermediary Status), Form W-9 (Request for Taxpayer Identification Number and Certification) or Form W-8ECI (Certification of Foreign Person's Claim for Exemption from Withholding on Income Effectively Connected with Conduct of a U.S. Trade or Business) or any successors to such IRS forms) that the Issuer or its agents may reasonably request and to update or replace such form or certification in accordance with its terms or its subsequent amendments.

(r) The purchaser agrees to timely furnish the Issuer, upon request, with such information as may reasonably be requested by the Issuer (including but not limited to information relating to the beneficial owner of the Note) in connection with the Issuer's fulfillment of its tax reporting, notification, withholding and similar obligations arising under the Code (as amended from time to time) or the Transaction Documents.

(s) The purchaser agrees to treat the Issuer as a non-U.S. corporation for purposes of U.S. federal income, state and local income and franchise tax and any other income taxes.

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We acknowledge that you and other persons will rely upon our confirmation, acknowledgments, representations, warranties, covenants and agreements set forth herein, and we hereby irrevocably authorize you and such other persons to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Confidential Treatment Requested by Goldman Sachs GS MBS-E-021825543

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THIS LETTER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Very truly yours,
[ ]
By:_____
Name:
Title:

Receipt acknowledged as of date set forth above,

_____
(Signature and Addresses)

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ANNEX A-2

FORM OF CLASS D NOTES PURCHASE AND TRANSFER LETTER

The Bank of New York
101 Barclay Street, 8th Floor East
New York, New York 10286
Attention: CDO Transaction Management Group – Timberwolf I, Ltd.

Re: Timberwolf I, Ltd.
Class D Notes

Dear Sirs:

Reference is hereby made to the Class D Notes (the "Class D Notes") issued by Timberwolf I, Ltd. (the "Issuer"), described in the Issuer's Offering Circular dated March 23, 2007 ("Offering Circular") to be purchased and held by us. We (the "Purchaser") are purchasing U.S.$[_____] Class D Notes (the "Purchaser's Class D Notes"). Terms defined or referenced in the Offering Circular and not otherwise defined or referenced herein shall have the meanings set forth in the Offering Circular.

The Purchaser hereby represents, warrants and covenants for the benefit of the Issuer that:

(a) (i) The Purchaser is (check one) (x) __ a qualified institutional buyer (as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act")) (a "Qualified Institutional Buyer") or (y) __ a non-U.S. Person (as defined in Regulation S under the Securities Act) that is acquiring the Purchaser's Class D Notes in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S of the Securities Act; (ii) The Purchaser, in the case of clause (x) above, is a "qualified purchaser" for the purposes of Section 3(c)(7) of the Investment Company Act of 1940, as amended (the "Investment Company Act") (a "Qualified Purchaser"); (iii) The Purchaser is aware that the sale of the Purchaser's Class D Notes to the Purchaser is being made in reliance on an exemption from registration under the Securities Act; (iv) The Purchaser is acquiring not less than U.S.$250,000 of Purchased Notes; (v) With respect to any transferee, the Purchaser also understands that, in conjunction with any transfer of the Purchaser's ownership of any Purchaser's Class D Notes purchased hereunder, it will not transfer or cause the transfer of such Purchaser's Class D Notes without obtaining from the transferee a certificate substantially in the form of this Class D Notes Purchase and Transfer Letter; (vi) The Purchaser will provide notice of the transfer restrictions described to any subsequent transferees.

(b) The Purchaser is purchasing the Purchaser's Class D Notes in an amount equal to or exceeding the minimum permitted amount thereof for its own account (or, if the Purchaser is a Qualified Institutional Buyer, for the account of another Qualified Institutional Buyer with respect to which the Purchaser exercises sole investment discretion) for investment purposes only and not for sale in connection with any distribution thereof, but nevertheless subject to the understanding that the disposition of its property shall at all times be and remain within its control (subject to the restrictions set forth in the Offering Circular and the Indenture).

(c) The Purchaser understands that the Purchaser's Class D Notes have not been and will not be registered or qualified under the Securities Act or any applicable state securities laws or the securities laws of any other jurisdiction and are being offered only in a transaction not involving any public offering within the meaning of the Securities Act, are being offered only in a transaction not involving any public offering, and may be reoffered, resold or pledged or otherwise transferred

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only in accordance with the restrictions on transfer set forth herein and in the Indenture. The Purchaser understands and agrees that any purported transfer of Class D Notes to a purchaser that does not comply with the requirements herein will not be permitted or registered by the Note Transfer Agent. The Purchaser further understands that the Issuer has the right to compel any beneficial owner of Class D Notes that is a U.S. Person and is not (a) either a Qualified Institutional Buyer and (b) a Qualified Purchaser, to sell its interest in such Class D Notes, or the Issuer may sell such Class D Notes on behalf of such owner.

(d) If the Purchaser or any account for which the Purchaser is purchasing the Purchaser's Class D Notes is a U.S. Person (as defined in Regulation S under the Securities Act) the following representations shall be true and correct: The Purchaser (or if the Purchaser is acquiring the Purchaser's Class D Notes for any account, each such account) is acquiring the Purchaser's Class D Notes as principal for its own account for investment and not for sale in connection with any distribution thereof. The Purchaser and each such account: (a) was not formed for the specific purpose of investing in the Class D Notes (except when each beneficial owner of the Purchaser and each such account is a Qualified Purchaser), (b) to the extent the Purchaser is a private investment company formed before April 30, 1996, the Purchaser has received the necessary consent from its beneficial owners, (c) is not a pension, profit sharing or other retirement trust fund or plan in which the partners, beneficiaries or participants, as applicable, may designate the particular investments to be made; and (d) is not a broker-dealer that owns and invests on a discretionary basis less than U.S.$25,000,000 in securities of unaffiliated issuers. Further, the Purchaser agrees: (i) that neither it nor such account shall hold the Purchaser's Class D Notes for the benefit of any other person and such purchaser of such account shall be the sole beneficial owner thereof for all purposes; and (ii) that neither it nor such account shall sell participation interests in the Purchaser's Class D 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 Purchaser's Class D Notes. The Purchaser understands and agrees that any purported transfer of the Purchaser's Class D Notes to a Purchaser that does not comply with the requirements of this clause (d) will not be permitted or registered by the Note Transfer Agent.

(e) In connection with the purchase of the Purchaser's Class D Notes: (i) none of the Issuers, the Initial Purchaser, the Collateral Manager or the Administrator is acting as a fiduciary or financial or investment adviser for the Purchaser; (ii) the Purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuers, the Initial Purchaser, the Collateral Manager or the Administrator other than in the Offering Circular and any representations expressly set forth in a written agreement with such party; (iii) none of the Issuers, the Initial Purchaser, the Cashflow Swap Counterparty, the Collateral Manager or the Administrator has given to the Purchaser (directly or indirectly through any other person) any assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment in the Purchaser's Class D Notes; (iv) the Purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture) 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 Issuers, the Initial Purchaser, the Cashflow Swap Counterparty, the Collateral Manager or the Administrator; (v) the Purchaser has evaluated the rates, prices or amounts and other terms and conditions of the purchase and sale of the Purchaser's Class D Notes with a full understanding of all of the risks thereof (economic and otherwise), and it is capable of assuming and willing to assume (financially and otherwise) those risks; and (vi) the Purchaser is a sophisticated investor.

(f) The certificates in respect of the Class D Notes (other than the Regulation S Class D Notes) will bear a legend to the following effect unless the Issuer determines otherwise in compliance with the Indenture and applicable law:

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THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUERS HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT IS NOT A BROKER DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE INITIAL PURCHASER AND IS NOT A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT OR (2) TO A NON U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND, IN THE CASE OF CLAUSE (1), IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.$250,000 OR IN THE CASE OF CLAUSE (2), IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.$100,000, FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH IT IS ACTING, TO A PURCHASER THAT, OTHER THAN IN THE CASE OF CLAUSE (2), (V) IS A QUALIFIED PURCHASER FOR PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY PURPORTED TRANSFER IN VIOLATION OF THE FOREGOING WILL NOT BE PERMITTED OR REGISTERED BY THE NOTE TRANSFER AGENT. EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE TO ITS TRANSFEREE.

IF THE TRANSFER OF CLASS D NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(1) OF THE PRECEDING PARAGRAPH, THE TRANSFEREE OF THE CLASS D NOTES WILL BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE NOTE TRANSFER AGENT A CLASS D NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE INDENTURE, STATING THAT AMONG OTHER THINGS,

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THE TRANSFEREE IS (1) 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 AND (2) A QUALIFIED PURCHASER FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT.

THE PURCHASER OR TRANSFEREE OF THIS NOTE MUST DISCLOSE IN WRITING IN ADVANCE TO THE TRUSTEE (i) WHETHER OR NOT IT IS (A) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (B) A "PLAN" DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF ANY SUCH PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); (ii) IF THE PURCHASER OR TRANSFEREE IS A BENEFIT PLAN INVESTOR, THAT THE PURCHASE AND HOLDING OR TRANSFER AND HOLDING OF CLASS D NOTES DO NOT AND WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE FOR WHICH AN EXEMPTION IS NOT AVAILABLE; AND (iii) WHETHER OR NOT IT IS THE COLLATERAL MANAGER OR ANY OTHER PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. IF A PURCHASER IS AN ENTITY AS DESCRIBED IN (i)(C) ABOVE, OR AN INSURANCE COMPANY ACTING ON BEHALF OF ITS GENERAL ACCOUNT, IT WILL BE PERMITTED TO SO INDICATE, AND REQUIRED TO IDENTIFY A MAXIMUM PERCENTAGE OF ITS ASSETS OR THE ASSETS IN ITS GENERAL ACCOUNT, AS APPLICABLE, THAT MAY BE OR BECOME PLAN ASSETS, IN WHICH CASE IT WILL BE REQUIRED TO MAKE CERTAIN FURTHER AGREEMENTS THAT WOULD APPLY IN THE EVENT THAT SUCH MAXIMUM PERCENTAGE WOULD THEREAFTER BE EXCEEDED. THE PURCHASER AGREES THAT, BEFORE ANY INTEREST IN A CLASS D NOTE MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, THE TRANSFEREE WILL BE REQUIRED TO PROVIDE THE NOTE TRANSFER AGENT WITH A CLASS D NOTES PURCHASE AND TRANSFER LETTER (SUBSTANTIALLY IN THE FORM ATTACHED TO THE INDENTURE) STATING, AMONG OTHER THINGS, WHETHER THE TRANSFEREE IS A BENEFIT PLAN INVESTOR. NO PURCHASE OR TRANSFER OF CLASS D NOTES WILL BE PERMITTED OR REGISTERED TO THE EXTENT THAT THE PURCHASE OR TRANSFER WOULD RESULT IN BENEFIT PLAN INVESTORS OWNING 25% OR MORE OF THE OUTSTANDING CLASS D NOTES (OTHER THAN THE CLASS D NOTES OWNED BY THE COLLATERAL MANAGER, THE TRUSTEE AND THEIR AFFILIATES) IMMEDIATELY AFTER SUCH PURCHASE OR TRANSFER (DETERMINED IN ACCORDANCE WITH SECTION 3(42) OF ERISA, 29 C.F.R. SECTION 2510.3-101 AND THE INDENTURE).

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE.

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PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE NOTE PAYING AGENT.

(g) The certificates in respect of the Regulation S Class D Notes will bear a legend to the following effect unless the Issuer determines otherwise in compliance with the Indenture and applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUERS HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT IS NOT A BROKER DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE INITIAL PURCHASER AND IS NOT A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT OR (2) TO A NON U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND, IN THE CASE OF CLAUSE (1), IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.$250,000 OR IN THE CASE OF CLAUSE (2), IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.$100,000, FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH IT IS ACTING, TO A PURCHASER THAT, OTHER THAN IN THE CASE OF CLAUSE (2), (V) IS A QUALIFIED PURCHASER FOR PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. EACH HOLDER HEREOF SHALL BE DEEMED TO MAKE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE INDENTURE

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(AS DEFINED HEREIN). ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE NULL AND VOID AB INITIO AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUERS, THE NOTE TRANSFER AGENT OR ANY INTERMEDIARY. EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUERS HAVE THE RIGHT, UNDER THE INDENTURE (AS DEFINED HEREIN), TO COMPEL ANY BENEFICIAL OWNER OF AN INTEREST IN A RULE 144A GLOBAL NOTE (AS DEFINED IN THE INDENTURE) THAT IS A U.S. PERSON AND IS NOT BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIDNAL BUYER TO SELL ITS INTEREST IN THE NOTES, OR MAY SELL SUCH INTERESTS ON BEHALF OF SUCH OWNER.

THE PURCHASER OR TRANSFEREE OF A CLASS D NOTE IS DEEMED TO REPRESENT TO THE NOTE TRANSFER AGENT (I) THAT IT IS NOT (A) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF ERISA), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (B) A "PLAN" DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE CODE, OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF ANY SUCH PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); AND (ii) THAT IT IS NOT THE COLLATERAL MANAGER OR ANY OTHER PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. NO PURCHASE OR TRANSFER OF CLASS D NOTES WILL BE PERMITTED OR REGISTERED TO THE EXTENT THAT THE PURCHASE OR TRANSFER WOULD RESULT IN BENEFIT PLAN INVESTORS OWNING 25% OR MORE OF THE OUTSTANDING CLASS D NOTES (OTHER THAN THE CLASS D NOTES OWNED BY THE COLLATERAL MANAGER, THE TRUSTEE AND THEIR AFFILIATES) IMMEDIATELY AFTER SUCH PURCHASE OR TRANSFER (DETERMINED IN ACCORDANCE WITH SECTION 3(42) OF ERISA, 29 C.F.R. SECTION 2510.3-101 AND THE INDENTURE).

ANY TRANSFER, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN, UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC"), NEW YORK, NEW YORK, TO THE ISSUER OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.).

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCCESSOR'S NOMINEE AND TRANSFERS OF

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PORTIONS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE NOTE PAYING AGENT.

THE FOLLOWING INFORMATION IS PROVIDED PURSUANT TO UNITED STATES TREASURY REGULATION SECTION 1.1275-3(b). THIS NOTE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE HOLDER OF THIS NOTE MAY OBTAIN THE INFORMATION DESCRIBED IN UNITED STATES TREASURY REGULATION SECTION 1. 1275-3(b)(1)(i) FROM THE ADMINISTRATOR, AT THE FOLLOWING ADDRESS: P.O. BOX 1093 GT, GRAND CAYMAN, CAYMAN ISLANDS.

(h) With respect to Class D Notes (other than the Regulation S Class D Notes) transferred or purchased on or after the Closing Date, the Purchaser understands and agrees that the representations and agreements made in this paragraph (h) will be deemed made on each day from the date hereof through and including the date on which the Purchaser disposes of the Class D Notes (other than the Regulation S Class D Notes).

(x) The Purchaser is __ is not __ [check one] (i) an "employee benefit plan" (as defined in Section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA")), that is subject to the provisions of Title I of ERISA, (ii) a "plan" described in and subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "Code"), or (iii) an entity whose underlying assets include assets of any such plan (for purposes of ERISA or Section 4975 of the Code) by reason of any such plan's investment in the entity (such persons and entities described in clauses (i) through (iii) being referred to herein as "Benefit Plan Investors"); and (y) if the Purchaser is a Benefit Plan Investor, the Purchaser's purchase and holding of a Class D Note do not and will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of an employee benefit plan not subject to ERISA or Section 4975 of the Code, any federal, state, local or foreign law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code) for which an exemption is not available.

The Purchaser is _____ is not _____ [check one] the Issuer or any other person (other than a Benefit Plan Investor) that has discretionary authority or control with respect to the assets of the Issuer, a person who provides investment advice for a fee (direct or indirect) with respect to the assets of the Issuer, or any "affiliate" (within the meaning of 29 C.F.R. Section 2510.3-101(f)(3)) of any such person (any such person described in this paragraph being referred to as a "Controlling Person").

If the Purchaser is a Benefit Plan Investor described in (iii) above, or an insurance company acting on behalf of its general account ____ [check if true], then (i) not more than ____% [complete by entering a percentage], (the "Maximum Percentage") of its assets or the assets of such general account, as applicable, constitutes assets of Benefit Plan Investors for purposes of Section 3(42) of ERISA and the "plan assets" regulations under ERISA, and (ii) without limiting the remedies that may otherwise be available, the Purchaser agrees that it shall (x) immediately notify the Issuer if the Maximum Percentage is exceeded, and (y) dispose of all or a portion of its Class D Notes as may be instructed by the Issuer (including, in the discretion of the Issuer, a disposition back to the Issuer or an affiliate thereof (or other person designated by the Issuer) for the then value of the Class D Notes as reasonably determined by the Issuer, in any case in which the Purchaser cannot otherwise make a disposition it has been instructed by the Issuer to make).

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(i) The Purchaser understands and acknowledges that the Trustee will not register any purchase or transfer of Class D Notes either to a proposed initial purchaser or to a proposed subsequent transferee of Class D Notes that has, in either case, represented that it is a Benefit Plan Investor or a Controlling Person if, after giving effect to such proposed transfer, persons that have represented that they are Benefit Plan Investors would own 25% or more of the outstanding Class D Notes. For purposes of this determination, Class D Notes held by the Collateral Manager, the Trustee, any of their respective affiliates and persons that have represented that they are Controlling Persons will be disregarded and will not be treated as outstanding. The Purchaser understands and agrees that any purported purchase or transfer of the Purchaser's Class D Notes to a Purchaser that does not comply with the requirements of this clause (i) will not be permitted or registered by the Note Transfer Agent.

(j) The purchaser is not purchasing the Purchaser's Class D Notes with a view toward the resale, distribution or other disposition thereof in violation of the Securities Act. The Purchaser understands that an investment in the Purchaser's Class D Notes involves certain risks, including the risk of loss of its entire investment in the Purchaser's Class D Notes under certain circumstances. The Purchaser has had access to such financial and other information concerning the Issuers and the Purchaser's Class D Notes as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Purchaser's Class D Notes, including an opportunity to ask questions of, and request information from, the Issuer.

(k) If the purchaser or beneficial owner is a Non-U.S. Holder, such purchaser or beneficial owner represents that (x) either (I) its purchase of the Class D Note is not, directly or indirectly, an extension of credit made by a bank pursuant to a loan agreement entered into in the ordinary course of its trade or business, (ii) it 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 esteblishment in the United States or (iii) all income from the Class D Note is effectively connected with a trade or business within the United States (as such terms are used in Section 882(a)(1) of the Code) conducted by such Holder and (y) it is not purchasing the Class D Note in order to reduce its United States federal income tax liability or pursuant to a tax avoidance plan.

(l) The Purchaser agrees to treat the Purchaser's Class D Notes as debt for U.S. federal income tax purposes.

(m) The Purchaser acknowledges that due to money laundering requirements operating in the Cayman Islands, the Issuer and Note Transfer Agent may require further identification of the Purchaser before the purchese application can proceed. The Issuer and the Note Transfer Agent shall be held harmless and indemnified by the Purchaser against any loss arising from tha failure to process the application if such information as has been required from the Purchaser has not been provided by the Purchaser.

(n) The Purchaser agrees to complete any other instrument of transfer as required under Cayman Islands law.

(o) The Purchaser is not a member of the public in the Cayman Islands.

We acknowledge that you and other persons will rely upon our confirmation, acknowledgments, representations, warranties, covenants and agreements set forth herein, and we hereby irrevocably authorize you and such other persons to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

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THIS LETTER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Very truly yours,
[ ]
By:_____
Name:
Title:

Receipt acknowledged as of date set forth above,

_____
(Signature and Addresses)

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ANNEX B

PART II OF GREYWOLF CAPITAL MANAGEMENT LP'S FORM ADV

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OMB Approval	
OMB Number	3235-0049
Expires:	September 30, 2005
Estimated average burden hours per response:	9.402

FORM ADV **Uniform Application for Investment Adviser Registration**
Part II - Page 1

Name of Investment Adviser: Greywolf Capital Management LP						
Address:	(Number and Street)	(City)	(State)	(Zip Code)	Area Code:	Telephone Number:
	4 Manhattanville Road	Purchase	NY	10577	(914)	251-8200

This part of Form ADV gives information about the investment adviser and its business for the use of clients. The information has not been approved or verified by any governmental authority.

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(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

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FORM ADV Part II – Page 2	Applicant: Greywolf Capital Management LP	SEC File Number: 801- 65669	Date: March 12, 2007

1. A. **Advisory Services and Fees.** (check the applicable boxes)

For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

Applicant:

- ☒ (1) Provides investment supervisory services ..... 100 %
- ☐ (2) Manages investment advisory accounts not involving investment supervisory services ..... %
- ☐ (3) Furnishes investment advice through consultations not included in either service described above ..... %
- ☐ (4) Issues periodicals about securities by subscription ..... %
- ☐ (5) Issues special reports about securities not included in any service described above ..... %
- ☐ (6) Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities ..... %
- ☐ (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities ..... %
- ☐ (8) Provides a timing service ..... %
- ☐ (9) Furnishes advice about securities in any manner not described above ..... %

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does applicant call any of the services it checked above financial planning or some similar term? ..... Yes ☐ No ☒

C. Applicant offers investment advisory services for: (check all that apply)

- ☒ (1) A percentage of assets under management
- ☐ (2) Hourly charges
- ☐ (3) Fixed fees (not including subscription fees)
- ☐ (4) Subscription fees
- ☐ (5) Commissions
- ☒ (6) Other

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

2. **Types of Clients** – Applicant generally provides investment advice to (check those that apply)

- ☐ A. Individuals
- ☐ B. Banks or thrift institutions
- ☐ C. Investment companies
- ☐ D. Pension and profit sharing plans
- ☐ E. Trusts, estates, or charitable organizations
- ☐ F. Corporations or business entities other than those listed above
- ☒ O. Other (describe on Schedule F)

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

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FORM ADV Part II – Page 3	Applicant: Greywolf Capital Management LP	SEC File Number: 801-65669	Date: March 12, 2007

3. Types of Investments. Applicant offers advice on the following: (check those that apply)

- ☒ A. Equity Securities
  - ☒ (1) exchange-listed securities
  - ☒ (2) securities traded over-the-counter
  - ☒ (3) foreign issuers
- ☒ B. Warrants
- ☒ C. Corporate debt securities (other than commercial paper)
- ☒ D. Commercial paper
- ☒ E. Certificates of deposit
- ☒ F. Municipal securities
- G. Investment company securities:
  - ☐ (1) variable life insurance
  - ☐ (2) variable annuities
  - ☒ (3) mutual fund shares
- ☒ H. United States government securities
- I. Options contracts on:
  - ☒ (1) securities
  - ☒ (2) commodities
- J. Futures contracts on:
  - ☒ (1) tangibles
  - ☒ (2) intangibles
- K. Interests in partnerships investing in:
  - ☒ (1) real estate
  - ☒ (2) oil and gas interests
  - ☐ (3) other (explain on Schedule F)
- ☒ L. Other (explain on Schedule F)

4. Methods of Analysis, Sources of Information, and Investment Strategies.

A. Applicant's security analysis methods include: (check those that apply)

- (1) ☒ Charting
- (2) ☒ Fundamental
- (3) ☒ Technical
- (4) ☒ Cyclical
- (5) ☒ Other (explain on Schedule F)

B. The main sources of information applicant uses include: (check those that apply)

- (1) ☒ Financial newspapers and magazines
- (2) ☒ Inspections of corporate activities
- (3) ☒ Research materials prepared by others
- (4) ☒ Corporate rating services
- (5) ☐ Timing services
- (6) ☒ Annual reports, prospectuses, filings with the Securities and Exchange Commission
- (7) ☒ Company press releases
- (8) ☒ Other (explain on Schedule F)

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- (1) ☒ Long term purchases (securities held at least a year)
- (2) ☒ Short term purchases (securities sold within a year)
- (3) ☒ Trading (securities sold within 30 days)
- (4) ☒ Short sales
- (5) ☒ Margin transactions
- (6) ☒ Option writing, including covered options, uncovered options or spreading strategies
- (7) ☒ Other (explain on Schedule F)

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

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FORM ADV Part II – Page 4	Applicant: Greywolf Capital Management LP	SEC File Number: 801-65669	Date: March 12, 2007

5. Education and Business Standards.

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? ☒ Yes ☐ No

(If yes, describe these standards on Schedule F.)

6. Education and Business Background.

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name
- formal education after high school
- year of birth
- business background for the preceding five years

7. Other Business Activities. (check those that apply)

☐ A. Applicant is actively engaged in a business other than giving investment advice.

☐ B. Applicant sells products or services other than investment advice to clients.

☐ C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

8. Other Financial Industry Activities or Affiliations. (check those that apply)

☐ A. Applicant is registered (or has an application pending) as a securities broker–dealer.

☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.

C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:

☐	(1) broker–dealer	☐	(7) accounting firm
☐	(2) investment company	☐	(8) law firm
☒	(3) other investment adviser	☐	(9) insurance company or agency
☐	(4) financial planning firm	☐	(10) pension consultant
☐	(5) commodity pool operator, commodity trading adviser or futures commission merchant	☐	(11) real estate broker or dealer
☐	(6) banking or thrift institution	☐	(12) entity that creates or packages limited partnerships

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest? ☐ Yes ☒ No

(If yes, describe on Schedule F the partnerships and what they invest in.)

Answer all Items. Complete amended pages in full, circle amended items and file with execution page (page 1).

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FORM ADV Part II – Page 5	Applicant: Greywolf Capital Management LP	SEC File Number: 801-65669	Date: March 12, 2007

9. Participation or Interest in Client Transactions.

Applicant or a related person: (check those that apply)

☒ A. As principal, buys securities for itself from or sells securities it owns to any client.

☐ B. As broker or agent effects securities transactions for compensation for any client.

☐ C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.

☒ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.

☒ E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interests in those transactions.)

10. Conditions for Managing Accounts. Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account?..... Yes ☒ No ☐

(If yes, describe on Schedule F.)

11. Review of Accounts. If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

A. Describe below the reviews and reviewers of the accounts. For reviews, include their frequency, different levels, and triggering factors. For reviewers, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

See Schedule F.

B. Describe below the nature and frequency of regular reports to clients on their accounts.

See Schedule F.

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

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FORM ADV Part II – Page 6	Applicant: Greywolf Capital Management LP	SEC File Number: 801-65669	Date: March 12, 2007

12. Investment or Brokerage Discretion.

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

	Yes	No
(1) securities to be bought or sold?	☒	☐
(2) amount of the securities to be bought or sold?	☒	☐
(3) broker or dealer to be used?	☒	☐
(4) commission rates paid?	☒	☐

	Yes	No
B. Does applicant or a related person suggest brokers to clients?	☐	☒

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

13. Additional Compensation.

Does the applicant or a related person have any arrangements, oral or in writing, where it:

	Yes	No
A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients?	☐	☒
B. Directly or indirectly compensates any person for client referrals?	☐	☒

(For each yes, describe the arrangements on Schedule F.)

14. Balance Sheet. Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities (unless applicant is registered or registering only with the Securities and Exchange Commission); or
- requires prepayment of more than $500 in fees per client and 6 or more months in advance

	Yes	No
Has applicant provided a Schedule G balance sheet?	☐	☒

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

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Schedule F of Form ADV Continuation Sheet for Form ADV Part II	Applicant: Greywolf Capital Management LP	SEC File Number: 801-65669	Date: March 12, 2007

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:	IRS Empl. Ident. No: 54-2104223

Item of Form (identify)	Answer
Item 1	**Introduction** Greywolf Capital Management LP ("GCM") provides investment management services to private pooled investment vehicles that are offered to investors on a private placement basis. In connection with providing these investment management services, GCM (and its affiliates) have discretionary trading authorization with respect to Greywolf Capital Partners II LP ("GCP II"), Greywolf High Yield Partners LP ("GHYP"), Greywolf Structured Products Fund I LP ("GSPF I"), Greywolf Capital Overseas Fund ("GCOF"), Greywolf High Yield Overseas Fund ("GHYO"), Greywolf High Yield Master Fund ("GHYM"), Greywolf Structured Products Fund Offshore I, Ltd. ("GSPFO I"), Greywolf Structured Products Master Fund ("GSPM") and Greywolf CLO I, Ltd. ("GCLO I") (collectively, the "Funds" and each individually as a "Fund"). Additional detailed information about GCM (and such affiliates) is provided below, including information about GCM's advisory services, investment approach, personnel, affiliations and brokerage practices. **Advisory Services** GCM serves as the management company to the GCP II and GHYP and serves as the general partner to GSPF I, each a private investment fund organized under the laws of the State of Delaware. Greywolf Advisors LLC ("GA" or the "General Partner"), a Delaware limited liability company affiliated with GCM, serves as the general partner to GCP II and GHYP. The interests in GCP II, GHYP and GSPF I are offered on a private placement basis, and in reliance on Section 3(c)(7) of the Investment Company Act of 1940, as amended (the "Company Act") and are offered to persons who are "accredited investors" as defined under the Securities Act of 1933, as amended (the "Securities Act"), and "qualified purchasers" as defined under the Company Act and the regulations thereunder, and subject to certain other conditions, which are set forth in the offering documents for each respective fund. GCM also serves as the investment manager to GCOF, GHYO, OHYM, GSPFO I, and GSPM, each a private investment fund organized under the laws of the Cayman Islands. GHYP and GHYOF invest substantially all of their capital in the GHYM. GSPF I and GSPFO I invest substantially all of their capital in GSPM. Shares in the GCOF, GHYO and GSPFO I are offered on a private placement basis, and with respect to U.S. tax-exempt investors, in reliance on Section 3(c)(1) (for GCOF) and Section 3(c)(7) (for GHYO and GSPFO I) of the Company Act. Shares are offered to persons who are either not "U.S. Persons" (as such term is defined in Regulation S of the Securities Act) or U.S. tax-exempt investors. U.S. tax-exempt investors in GCOF must be "accredited investors" as defined in Regulation D under the Securities Act. U.S. tax-exempt investors in Greywolf GHYO and GSPFO must be: (i) "accredited investors" as defined in Regulation D under the Securities Act and (ii) "qualified purchasers" as defined in the Company Act and the regulations thereunder. Additionally, investors in GSPFO, GHYO and GSPFO I are subject to certain other conditions, which are set forth in the respective offering documents of each respective fund. GCM also serves as collateral manager of the portfolio of collateral, consisting primarily of loans, held by GCLO I, a special purpose vehicle organized under the laws of the Cayman Islands. The secured notes and subordinated securities issued by GCLO I are offered on a private placement basis and in reliance on Section 3(c)(7) of the Company Act. The secured notes are offered in the United States to persons who are "qualified institutional buyers" as defined in Rule 144A under the Securities Act and "qualified purchasers" as defined in the Company Act and the regulations thereunder. The subordinated securities are offered in the United States to persons who are either (i) "qualified institutional buyers" as defined in Rule 144A under the Securities Act or "accredited investors" as defined in Regulation D under the Securities Act and (ii) "qualified purchasers" as defined in the Company Act and the regulations thereunder or "knowledgeable employees" within the meaning of Rule 3c-5 of the Company Act. The secured notes and the subordinated securities are offered and sold outside the United States to persons who are not "U.S. persons" (as such term is defined in Regulation S of the Securities Act). Additionally, investors in GCLO I are subject to certain other conditions, which are set forth in the offering documents for the fund.

Complete amended pages in full, circle amended items and file with execution page (page 1).

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Schedule F of Form ADV Continuation Sheet for Form ADV Part II	Applicant: Greywolf Capital Management LP	SEC File Number: 801-65669	Date: March 12, 2007

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:	IRS Empl. Ident. No: 54-2104223

Item of Form (identify)	Answer
	GCM (including, for these purposes, GA) has full discretionary authority with respect to investment decisions, and its advice with respect to the Funds is made in accordance with the investment objectives and guidelines as set forth in each Fund's respective offering memorandum and, with respect to GCLO I, in accordance with the collateral management agreement between GCM and GCLO I and the indenture between GCLO I and the trustee. Fees The fees applicable to each Fund are set forth in detail in each of the Fund's respective offering memorandum. A brief summary of those fees is provided below.
	Fees for GCP II and GHYP *Management Fees* With respect to GCP II and GHYP, GCM generally is paid a quarterly management fee equal to 0.375% (1.50% annualized) of each capital account's opening balance for the quarter, calculated and paid in advance of each quarter but amortized over the respective quarter. "Special Investments" (also known as "side pocket" investments), held in GCP II will be carried at fair value (which may be cost). (See Item 4.C. – "Special Situations Investing") In addition, a *pro rata* portion of the management fee will be paid to GCM out of any capital contributions made to GCP II and GHYP by new or existing limited partners on any date that does not fall on the first business day of a quarter, based on the actual number of months remaining in such partial quarter. For these purposes, a "business day" is any day on which commercial banks in New York City are open for business. In the case of a withdrawal from a capital account other than as of the last business day of a fiscal quarter, a *pro rata* portion of the management fee (based on the actual number of months remaining in such partial quarter) will be repaid by GCM to the applicable Fund and distributed to the withdrawing investor. The General Partner's capital accounts in GCP II and GHYP are not subject to the management fee. The General Partner, in its discretion, may elect to reduce, waive or calculate differently the management fee with respect to certain limited partners, including, without limitation, limited partners that are affiliates or employees of GCM, members of the immediate families of such persons, and trusts and other entities for their benefit. Each Fund reserves the right to impose different fees on future investments. *Incentive Allocation* Generally, at the end of each fiscal year, 20% of the excess of any realized and unrealized net capital appreciation (taking into account, with respect to GCP II gains and losses relating to applicable realized or deemed realized Special Investments) allocated to each capital account for such year over the management fee debited to such capital account for such year will be reallocated to the capital account of the General Partner. Generally, any realized and unrealized net loss in a fiscal year allocated to any capital account is carried forward (the "high water mark") so that no incentive allocation is charged to such capital account unless prior losses have been recouped, subject to certain adjustments. The General Partner, in its discretion, may elect to reduce, waive or calculate differently the incentive allocation with respect to certain limited partners, including, without limitation, limited partners that are affiliates or employees of Greywolf Capital, members of the immediate families of such persons, and trusts and other entities for their benefit. Each U.S. Fund reserves the right to impose different fees on future investments. In the event GCP II or GHYP is dissolved, or a withdrawal is made from a capital account, in either case, other than at the end of a fiscal year, net capital appreciation or net capital depreciation, as the case may be, shall be determined through the date of termination or withdrawal, and the incentive allocation, if any, from all capital

Complete amended pages in full, circle amended items and file with execution page (page 1).

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Schedule F of Form ADV Continuation Sheet for Form ADV Part II	Applicant: Greywolf Capital Management LP	SEC File Number: 801-65669	Date: March 12, 2007

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:	IRS Empl. Ident. No: 54-2104223

Item of Form (identify)	Answer
	accounts (in the case of a termination) or from the capital accounts from which a withdrawal is made (in the case of a withdrawal) will be reallocated to the General Partner as set forth above. The incentive allocation with respect to capital accounts of partners in GCP II that have fully withdrawn except for interests in one or more "special investment accounts" (*i.e.*, "side pockets"), will be reallocated to the General Partner upon "realization" or "deemed realization" (as further detailed in the U.S. Funds' respective offering documents) of the applicable side pocket investment.
	Fees for GCOF and GHYO *Management Fees* GCM generally is paid a quarterly management fee equal to 0.375% (1.50% annualized) of the net asset value ("NAV") of each series of shares for GCOF and GHYO, calculated and paid in advance at the beginning of each quarter but amortized monthly over the respective quarter. A *pro rata* portion of the management fee will be paid to GCM out of any subscriptions for shares made to GCOF or GHYO by new or existing shareholders on any date that does not fall on the first day of a quarter, based on the actual number of months remaining in such partial quarter. If shares are redeemed at any time other than at the end of a quarter from GCOF or GHYO, a *pro rata* portion of the management fee (based on the actual number of days remaining in such partial quarter) will be repaid by GCM to the appropriate Fund and distributed to the redeeming shareholder. *Incentive Fees* At the end of each Fund's fiscal year, GCM is entitled to receive an incentive fee equal to 20% of the net realized and net unrealized appreciation in the NAV of each series of "ordinary" shares (*i.e.*, not the class S shares) of each Fund during the respective year (adjusted for any redemptions and any accruals of the incentive fees made during the year (the "Adjusted NAV")); provided, however, that an incentive fee will only be paid with respect to the portion of the Adjusted NAV of a series of shares that is in excess of the "Prior High NAV" of such series of shares. With respect to GCOF, Adjusted NAV also includes adjustments for the issuance of additional "ordinary" shares of an existing series following the realization or deemed realization of a "special" or "side pocket" investment (which will be recorded as "class S shares") and the subsequent exchange of class S shares relating thereto, in either case, occurring during such year. The Prior High NAV of a series of shares is the NAV of that series immediately following the date as of which the last year-end incentive fee was determined with respect to such series (or, if no incentive fee has yet been determined with respect to such series, the NAV of that series immediately following its initial offering). The Prior High NAV of a series of shares will be adjusted for redemption from such series. The Prior High NAV of a series of shares in GCOF will also be adjusted for redemptions of "ordinary" shares of a series exchanged for class S shares (*i.e.*, upon the making of a Special Investment) and the issuance of additional "ordinary" shares following the realization or deemed realization of a Special Investment. The Funds reserve the right to reduce, waive or calculate differently the management fee and/or the incentive fee with respect to any shareholder. In addition, the Funds reserve the right to impose different fees on future investments. GHYM does not charge directly any management, incentive or other fees for the benefit of GCM. GCM may elect to receive all or a portion of the incentive fees and/or management fees from the Funds currently or on a deferred basis, subject to a deferred compensation arrangement. Finally, any performance-based fees will be charged in accordance with Section 205 of the Advisers Act and Rule

Complete amended pages in full, circle amended items and file with execution page (page 1).

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Schedule F of Form ADV Continuation Sheet for Form ADV Part II	Applicant: Greywolf Capital Management LP	SEC File Number: 801-65669	Date: March 12, 2007

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:	IRS Empl. Ident. No: 54-2104223

Item of Form (identify)	Answer
	205-3 thereunder. ***GSPM Fees*** *Management Fees* GSPM will pay to GCM generally a quarterly management fee in advance as of the beginning of each fiscal quarter equal to 0.1875% (0.75% annualized) of the lower of (i) the NAV allocable to each investor's investment in either GSPF I and GSPFO I and (ii) total capital contributions, i.e. drawn capital. *Incentive Allocation (Reinvestment Period and Distribution)* Distributions will be made by GSPM to GSPF I and GSPFO I and GCM in respect of its Carried Interest, and by GSPF I and GSPFO I to their investors, as follows: - 8% IRR Hurdle: First to the investor until the investor has received cash distributions resulting in (i) 100% return of the respective investor's total capital contributions and (ii) an 8% internal rate of return ("IRR") thereon; and - 70/30 Split: Thereafter, 70% to the investor and 30% to GCM (as "Carried Interest"). Notwithstanding the foregoing, the Carried Interest will be calculated and distributed to GCM only after the earlier of (i) the date on which all commitments have been drawn down and (ii) the end of the drawdown period. Prior to such time all distributions will be made to the investors. *Fee Offset* GSPM may invest in securities vehicles sponsored and/or managed by Greywolf, such as CDO products ("Sponsored Products"), in connection with which GCM may be entitled to receive fees or other forms of remuneration ("Sponsored Product Fees"). To the extent GCM or its affiliates receive any Sponsored Product Fees, GCM will (i) waive the Sponsored Product Fees in respect of the GSPM's interest (direct or indirect) in the Sponsored Products or (ii) reduce pro-rata, but not below zero, the amount of management fees, Carried Interest or expenses of the Funds that are paid by GCM on behalf of GSPM and for which GCM is entitled to reimbursement (together with Management Fees and carried interest, "Greywolf Capital Compensation") that would otherwise be payable by GSPM to GCM by the Sponsored Products Fees received by GCM in respect of the GSPM's interest (direct or indirect) in the Sponsored Products (such amount, the "Fee Offset Amount") or (iii) effect any other transaction such that the Funds are not charged Sponsored Products Fees in respect of the Funds' interest (direct or indirect) in the Sponsored Products. GCM will continue to earn fees on the percentage of Sponsored Products owned by non-GSPM investors.

Complete amended pages in full, circle amended items and file with execution page (page 1).

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Schedule F of Form ADV Continuation Sheet for Form ADV Part II	Applicant: Greywolf Capital Management LP	SEC File Number: 801-65669	Date: March 12, 2007

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:	IRS Empl. Ident. No: 54-2104223

Item of Form (identify)	Answer
	Fees for GCLO I As compensation for the performance of its obligations as collateral manager, GCM is entitled to receive senior and subordinated management fees and, if certain conditions are met, an incentive collateral management fee (the "**Collateral Management Fees**"). The Collateral Management Fees will be payable from interest proceeds and, if interest proceeds are not sufficient, from principal proceeds from the portfolio of collateral that services the debt and other obligations of GCLO I (the "Collateral Portfolio"), in accordance with the priority of payments schedule, as described in the offering documents of GCLO I. GCM, in its sole discretion, may, from time to time, defer or waive all or any portion of the Collateral Management Fees. *Senior and Subordinated Management Fees* GCLO I will pay to GCM generally a quarterly senior collateral management fee in arrears (subject to the availability of funds and the priority of payments schedule) equal to 0.15% per annum of the aggregate principal amount of the Collateral Portfolio. The senior collateral management fee will be payable before any interest payments or distributions of interest proceeds on the securities issued by GCLO I. If on any payment date there are insufficient funds to pay the senior collateral management fee then due in full (or if GCM elects to defer any portion of the fees), the amount not paid will be deferred and will be payable on the first succeeding payment date specified by GCM on which funds are available. The issuer also will pay to GCM generally a quarterly subordinated collateral management fee in arrears (subject to the availability of funds and the priority of payments schedule) equal to 0.35% per annum of the aggregate principal amount of the Collateral Portfolio. The subordinated collateral management fee will be payable before any payments of distributions on the junior most subordinated securities issued by GCLO I. If on any payment date any part of the subordinated collateral management fee is not paid, the amount not paid will be carried over and will accrue interest at a rate of LIBOR plus 3.00% per annum. *Incentive Collateral Management Fee* GCM will be entitled to receive generally a quarterly incentive collateral management fee, with respect to each subclass of the junior most subordinated securities of GCLO I designated as being included for purposes of calculating the incentive collateral management fee, equal to 20% of the interest proceeds and principal proceeds remaining available for distribution to the subclass, according to the priority of payments schedule. The incentive collateral management fee will be payable only if the holders of the subclass have received an annualized internal rate of return of at least 12.0% for the period from the date of issuance of such subclass to the relevant payment date. *Fee Pay-Over Arrangement* GSPM has purchased 100% of the initial notional amount of the subordinated securities. For so long as GSPM or any other funds managed by GCM continue to hold any subordinated securities, any Collateral Management Fees otherwise payable to GCM will be paid by the issuer in the following order: • first, to OSPM or such other funds (on a *pro rata* basis among such funds) according to the proportion of the aggregate notional amount of all the subordinated securities that are held by the funds; and • the remainder, if any, to GCM.
	Complete amended pages in full, circle amended items and file with execution page (page 1).

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Schedule F of Form ADV Continuation Sheet for Form ADV Part II	Applicant: Greywolf Capital Management LP	SEC File Number: 801-65669	Date: March 12, 2007

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:	IRS Empl. Ident. No: 54-2104223

Item of Form (identify)	Answer
Item 2	**Expenses** The Funds bear certain expenses in connection with their operations, including, but not limited to, investment-related expenses (e.g., brokerage commissions, clearing and settlement charges, custodial fees, interest expense, consulting and other professional fees relating to particular investments or contemplated investments, investment-related travel and lodging expenses, and research-related expenses, including, without limitation, news and quotation equipment and services and the cost of certain investment management related software), legal expenses, accounting, audit and tax preparation expenses, organizational expenses, expenses relating to the offer and sale of interests and shares, as the case may be, management fees, fees to the administrator, extraordinary expenses and other similar expenses related to the Funds. GHYO, GHYM, GSPFO I and GSPM also bear other expenses, including premiums for directors' and officers' liability insurance (if any), remuneration to members of the respective Fund's board of directors and advisory boards, expenses related to the maintenance of each Fund's registered office and corporate licensing. GHYP and GHYO also bear their pro rata share of GHYM's expenses as well as expenses related to risk management services provided by third parties. GSPFO I and GSPF I also bear their pro rata share of GSPM's expenses. **Types of Clients** As noted above, GCM provides investment advice to the Funds, which are formed for the purpose of investment and are excluded from registration under Section 3(c)(7) and/or Section 3(c)(1) of the Company Act. Investors in the Funds generally include individuals, investment companies, pension and profit sharing plans, insurance companies, trusts, estates, charitable organizations, corporations, partnerships and limited liability companies.
Item 3	**Types of Investments** GCM has a broad mandate to invest the Funds' assets, on margin or otherwise, in securities and financial instruments of U.S. and foreign entities, including, without limitation, capital stock; all manner of equity securities (whether registered or unregistered, traded or privately offered); shares of beneficial interest; partnership interests and similar financial instruments; bonds, notes and debentures (whether subordinated, convertible or otherwise); currencies; interest rate, currency, equity and other derivative products, including, without limitation, (i) futures contracts (and options thereon) relating to stock indices, currencies, United States Government securities, securities of non-U.S. government and other financial instruments and all other commodities, (ii) swaps, options, rights, warrants, when-issued securities, caps, collars, floors, forward rate agreements, and repurchase and reverse repurchase agreements and other cash equivalents, (iii) spot and forward currency transactions, and (iv) agreements relating to or securing such transactions; leases, including, without limitation, equipment lease certificates; equipment trust certificate; loans; OIP financings; accounts and notes receivable and payable held by trade or other creditors; trade acceptances and claims; contract and other claims; executory contracts; participations; mutual funds; U.S. and non-U.S. money market funds and instruments; obligations of the United States, any state thereof, non-U.S. governments and instrumentalities of any of them; commercial paper, certificates of deposit; bankers' acceptances, trust receipts; letters of credit; money market instruments; accounts payable; puts; other bankruptcy claims and bank debt; and other obligations and instruments or evidences of indebtedness of whatever kind or nature; in each case, of any person, corporation, government or other entity whatsoever, whether or not publicly traded or readily marketable. Investments are made in accordance with the investment objectives and guidelines as set forth in each Fund's respective offering memorandum and investment management or collateral management agreement, as applicable, and, in the case of GCLO I, in accordance with the indenture between GCLO I and the trustee.

Complete amended pages in full, circle amended items and file with execution page (page 1).

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Schedule F of Form ADV Continuation Sheet for Form ADV Part II	Applicant: Greywolf Capital Management LP	SEC File Number: 801-65669	Date: March 12, 2007

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:	IRS Empl. Ident. No: 54-2104223

Item of Form (identify)	Answer
	For a more comprehensive description of the securities and financial instruments that each Fund may invest in, see the respective offering documents of each such Fund. From time to time, the Funds may get exposure to investments through their participation in special purpose vehicles (which may include domestic and offshore limited partnerships, limited liability companies and corporations) managed, held or sponsored by GCM, its affiliates and/or by unaffiliated parties. GCM is generally not entitled to any compensation in connection with investments through such special purpose vehicles.
Item 4.A. and B.	<u>Methods of Analysis, Sources of Information and Investment Strategies</u> GCM uses charting, economic, fundamental, cyclical, technical and quantitative analyses. In addition, the principals and members of the investment team of GCM have developed their own methodology and resources to assist in the identification of opportunities in the relevant markets. GCM utilizes the key relationships that its principals and other members of the investment team have developed during their careers to expeditiously identify and analyze investment opportunities.
Item 4.C.	The collateral management functions performed by GCM with respect to the Collateral Portfolio held by GCLO I include (i) selecting the collateral to be acquired and sold, (ii) monitoring the Collateral Portfolio on an ongoing basis and advising GCLO I as to which collateral to acquire and which to sell, (iii) instructing the trustee with respect to any disposition or tender of collateral by GCLO I and (iv) advising GCLO I with respect to interest rate risk, cash flow timing and hedging strategies. With respect to the Funds other than GCLO I, GCM focuses on three principal investment strategies, as described below. For a more detailed description of the strategies to be utilized by each Fund, investors should review each Fund's offering documents. The descriptions contained herein of specific strategies that GCM is or may be engaged in should not be understood as in any way limiting its investment activities. <u>Special Situations Investing</u> Special situations investing includes a variety of tactics aimed at capitalizing on market opportunities resulting from catalyst driven events and/or value propositions created by market inefficiencies. GCM's main focus in this respect is credit-specific with a focus on distressed securities, special situations and capital structure arbitrage opportunities, where GCM believes that the market is either over- or under-pricing asset value. In order to identify opportunities, GCM focuses on markets or issuers undergoing periods of volatility. Volatility may be caused by operational problems, legislative or regulatory changes, legal actions, management issues, fraud or severe market demand shifts. Significant price fluctuations often occur in securities whose issuers are the subject of corporate reorganizations or restructurings, liquidity crises, mergers, spin-offs or credit rating changes. The volatility of the markets for these securities often results in their being mispriced. GCM intends to utilize long and short strategies based on relative value assessments. <u>High Yield Investing</u> In pursuing high yield investing, portfolio investments will be concentrated in long and short positions in high-yield bonds, credit default swaps and bank loans to leveraged companies. Smaller allocations in investment-grade bonds and other corporate obligations may also be made. GCM's high yield investing approach focuses by making long and short investments using fundamental analysis, as well as by exploiting inefficiencies and trading opportunities in the credit markets. In carrying out this investment strategy, GCM attempts to maintain portfolio liquidity and to preserve capital. The investment process focuses on credit analysis of individual companies, but industry dynamics and macro-economic conditions are also considered. Once a company is targeted for investment, a relative value matrix of such company's capital structure is constructed, and capital structure arbitrage positions may be established. GCM may also seek to lessen industry or commodity risk by shorting a security closely correlated with that risk (*i.e.*, a paired trade).

Complete amended pages in full, circle amended items and file with execution page (page 1).

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Schedule F of Form ADV Continuation Sheet for Form ADV Part II	Applicant: Greywolf Capital Management LP	SEC File Number: 801-65669	Date: March 12, 2007

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:	IRS Empl. Ident. No: 54-2104223

Item of Form (identify)	Answer
	Structured Products The structured transactions are expected to consist substantially of cash and synthetic collateralized debt obligations ("CDOs") and the equity securities of CDO issuers ("CDO Equity Securities"), including CDO's collateralized primarily by other CDOs ("CDO's"; together with CDO Equity Securities and CDOs, "CDO Products"), but may also include commercial mortgage-backed securities ("CMBS"), residential mortgage-backed securities ("RMBS"), asset-backed securities ("ABS"), credit default swaps ("CDS") and other derivative instruments, and other types of structured products. The CDOs may consist of or reference corporate debt instruments, ABS, RMBS, CMBS, other CDOs or other assets. GCM will invest primarily in tranched portfolio risk in both the cash and synthetic markets. This will include investments in cash and synthetic CDO Products, as well as cash and synthetic investments in the CMBS, RMBS, and ABS markets. GCM may invest in all parts of the portfolio capital structure from equity risk to senior/super-senior risk. GCM may take long or short positions in tranched risk. GCM will invest primarily in portfolio risk, it may also take long or short positions in single name or index risk to hedge or take outright exposure, including common stock, preferred stock, corporate and/or consumer loans on an individual or portfolio basis. It is expected that a significant portion of the positions in this strategy will be invested in portfolio risk sourced from the non-investment grade corporate bond, loan, CDO and CDS markets. GCM may also invest in portfolio risk sourced from the investment grade corporate market, the emerging debt markets, the corporate and residential real estate markets, the consumer market, and other types of structured products.
Item 5	**Education and Business Standards** Generally, individuals engaged in determining and implementing investment strategies will have, at a minimum, a four year college degree. In addition, most of these individuals will have significant experience in the financial industry. GCM expects that additional persons employed by GCM in the future will have qualifications and backgrounds consistent with those of its current employees.
Item 6	**Education and Business Background** The following information is provided for GCM's principal executive officers:

Name	Year of Birth	Formal Education	Business Background (past 5 years)
Jonathan Savitz	1965	BA, *honors*, The Johns Hopkins University (1987)	Greywolf Capital Management LP, Chief Executive Officer, Chief Investment Officer and Managing Partner (February 2003 - present) Goldman, Sachs & Co., General Partner (1998-2002), Managing Director (1996-1998)

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Schedule F of Form ADV Continuation Sheet for Form ADV Part II	Applicant: Greywolf Capital Management LP	SEC File Number: 801-65669	Date: March 12, 2007

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:	IRS Empl. Ident. No: 54-2104223

Item of Form (identify)	Answer			
	William Troy	1951		Greywolf Capital Management LP, Portfolio Manager of High Yield Funds, Risk Management and Investor Relations (February 2003 - present), Chief Operating Officer (February 2003 - May 2005) JP Morgan, Managing Director (1998-2001) Smith Barney, Managing Director (1996 - 1998)
	James Gillespie	1972	Chartered Financial Analyst Bachelor of Commerce (with honors), University of British Columbia, (1995); Leslie Wong Fellow (1995)	Greywolf Capital Management LP, Portfolio Manager of Greywolf Capital Partners II and Greywolf Capital Overseas Fund (collectively, the "Special Situation Funds") (February 2003 - present) Goldman, Sachs & Co., Head of Distressed Bond Investing (2002), Director of Distressed Bond Research (2001- 2002), Credit Analyst, Distressed Bond and Distressed Bank Loan Groups (1996 - 2001)
	Robert Miller	1961	MBA (with honors), UNC-Chapel Hill (1989) BA, *magna cum laude*, Franklin and Marshall College (1983)	Greywolf Capital Management LP, Portfolio Manager of High Yield Funds (2004 - present), Principal/ Head Trader (February 2003 –February 2004) Consultant to Goldman, Sachs & Co. (2000-2001) Goldman, Sachs & Co. Manager of High Yield trading desk (1998-2000), Senior Trader, High Yield desk (1995 - 1998), Trader, Corporate Bond department (1989 - 1995)
	Gregory Mount	1964	MBA (with honors) The University of Chicago Graduate School of Business (1992) BS, in Electrical Engineering, M.I.T. (1987)	Greywolf Capital Management LP, Partner (September 2005 - present) Goldman, Sachs & Co., Partner (2002-2005); Managing Director (2000-2002); Vice President (1996-2000)
	Cevdet Samikoglu	1971	MBA, Harvard Business School (1997) BA, Hamilton College (1992)	Greywolf Capital Management LP, Portfolio Manager of Special Situation Funds (February 2003 - present) Goldman, Sachs & Co., Director of Research for the Special Situations Investing Group ("SSIG") (2001 -2003); Portfolio Manager of SSIG (2000 - 2003); Senior Credit Analyst (1999); Credit Analyst (1998)

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Schedule F of Form ADV Continuation Sheet for Form ADV Part II	Applicant: Greywolf Capital Management LP	SEC File Number: 801-65669	Date: March 12, 2007

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:	IRS Empl. Ident. No: 54-2104223

Item of Form (identify)	Answer			
	Brett Bush	1968	Chartered Financial Analyst Certified Public Accountant (inactive) B.S., *magna cum laude*, in Accounting and Finance, Boston College (1990)	Greywolf Capital Management LP, Chief Operating Officer (May 2005 - present) Watershed Asset Management, Chief Financial Officer and Managing Director, (2002 - 2004) Fox Paine, Chief Financial Officer (1998-1999)
	Michelle Lynd	1973	JD, Northwestern University School of Law (1998) BA, *magna cum laude*, University of Pennsylvania (1995)	Greywolf Capital Management LP, General Counsel (February 2006- Present) Chief Compliance Officer (February 2006-August 2006); Counsel (November 2005-February 2006) Farallon Capital Management, LLC, Managing Director 2005; Associate General Counsel (2001-2005) Davis Polk & Wardwell Corporate Associate (1998-2001)
	Stephen Ellwood	1970	JD, St. John's University School of Law (1997) BS, Loyola College in Maryland (1993)	Greywolf Capital Management LP, Chief Compliance Officer (August 2006 – Present); Compliance Officer (May 2006 – August 2006) Forest Investment Management LLC, Chief Compliance Officer & Counsel (July 2004 – May 2006) MacKay Shields LLC, Director (2003); Associate Director (2001 – 2003); Associate (1999 – 2001)
Item 8.C.	Other Financial Industry Activities and Affiliations As noted previously, Greywolf Advisors LLC, serves as the general partner of the U.S. Funds. Mr. Jonathan Savitz, GCM's Chief Executive Officer and Chief Investment Officer, the managing member of GCM's general partner, and is also the senior managing member of Greywolf Advisors LLC and Messrs. William Troy, James Gillespie, Robert Miller, Gregory Mount and Cevdet Samikoglu are its managing members (collectively, with Mr. Savitz, the "Principals").			
Item 8.D.	GCM does not provide investment advisory services to persons with individually managed accounts and therefore generally does not solicit clients to invest in the Funds. GSPM has purchased 100% of the initial notional amount of the subordinated securities of GCLO I. Under this arrangement, the Collateral Management Fees otherwise payable by GCLO I to GCM are paid to GSPM.			
Item 9	Participation or Interest in Client Transactions and Conflicts of Interest Participation or Interest in Client Transactions			

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Schedule F of Form ADV Continuation Sheet for Form ADV Part II	Applicant: Greywolf Capital Management LP	SEC File Number: 801-65669	Date: March 12, 2007

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:	IRS Empl. Ident. No: 54-2104223

Item of Form (identify)	Answer
	GCM and its personnel do not purchase or sell any securities for their own accounts to or from the Funds. However, from time to time, subject to Fund investment guidelines and restrictions, GCM may direct one Fund to sell securities to another Fund through an internal cross transaction in which neither GCM nor a related person will receive compensation. Any such transaction will be effected based on the then current independent market price and consistent with valuation procedures established by GCM. To the extent that any such cross transaction may be viewed as a principal transaction due to the ownership interest in the Fund by GCM and its personnel, GCM will comply with the requirements of Section 206(3) of the Advisers Act, including that GCM will notify the Fund (or an independent representative of the Fund).
	Conflicts of Interest The Funds are subject to a number of actual and potential conflicts of interest. Certain inherent conflicts of interest arise from the fact that GCM and its affiliates (including the General Partner, the "Greywolf Group") provide investment management services to the Funds and may, in the future, provide management services to additional funds or other accounts and proprietary accounts in which the Funds will have no interest (collectively, "Other Accounts"). The respective investment programs of the Funds and Other Accounts may or may not be substantially similar. The portfolio strategies employed by the Greywolf Group for Other Accounts could conflict with the transactions and strategies employed by the Greywolf Group in managing the Funds and affect the prices and availability of the securities and instruments in which the Funds invest. Conversely, participation in specific investment opportunities may be appropriate, at times, for one or more of the Funds and Other Accounts. In such case, participation in such opportunities will be allocated on an equitable basis, as more fully described under "Investment or Brokerage Discretion – Trade Allocation and Aggregation Policies and Procedures" below. Such considerations are likely to result in allocations of certain investments among the Funds and Other Accounts on other than a *pari passu* basis. From time to time, GCM may acquire securities or other financial instruments of an issuer for a Fund (or Other Account) which are senior or junior to securities or financial instruments of the same issuer that are held by, or acquired for, another Fund (or Other Account) (*e.g.*, one Fund (or Other Account) may acquire senior debt while another Fund (or Other Account) may acquire subordinated debt). GCM recognizes that conflicts may arise under such circumstances. When this occurs, the portfolio managers will attempt to determine which of the "conflicting investments" has the highest profitability potential (such investment, the "Preferred Investment"), taking into account such considerations as size of positions, the risk/reward profile and likelihood of success of a particular course of action (*i.e.*, exercising remedies under loan, note or security agreements, proposing or opposing DIP financing or other motions in a bankruptcy court, pursuing litigation or proposing or supporting a plan of reorganization in bankruptcy), control and costs and demands on GCM's resources and personnel. In the absence of an agreement among the portfolio managers as to the Preferred Investment, Mr. Savitz, or in his absence, Mr. Troy, may make such determination. Applicable tax, regulatory and other considerations may sometimes lead to certain equity and real estate investments being structured in a manner such that a Fund (or the entity through which a Fund makes an investment) will lend capital to (or enters into a similar transaction with) U.S. funds affiliated with a Fund. The debt interest of such Fund, while senior to the equity interest held by the affiliated U.S. funds, is often structured to yield a debt-like return (and accordingly a lower rate of return) than the U.S. funds' investment in the equity. As in all allocation decisions, GCM must weigh the conflicting interests of the different investors and funds in determining the amount to allocate to debt and equity and the terms of these loans. GCM will attempt to deal with such conflicting interests in a manner similar to that of Preferred Investments. Additionally, the equity and debt holders with respect to an investment may have conflicting interests during the term of a particular investment, especially if the investment is not performing well. Once the Preferred Investment is determined, the portfolio managers will take actions which seek to maximize value. Such actions could possibly be adverse to other investments held by the Funds or Other Accounts. To lessen any adverse impact resulting from such action, GCM may seek to sell in a commercially reasonable manner the non-Preferred Investments. Alternatively, a determination may be made that an immediate sale would result in a lower return on the non-Preferred Investment than would be the case if the investment remained in the portfolio, in which case GCM would maintain the position. There can be no guarantee, however, that continuing to hold a non-Preferred Investment will not result in greater losses than would have resulted had the investment been sold.

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Schedule F of Form ADV Continuation Sheet for Form ADV Part II	Applicant: Greywolf Capital Management LP	SEC File Number: 801-65669	Date: March 12, 2007

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:	IRS Empl. Ident. No: 54-2104223

Item of Form (identify)	Answer
	In addition, the Greywolf Group may give advice or take action with respect to the investments of one or more Funds (or Other Accounts) that may not be given or taken with respect to other Funds with similar investment programs, objectives, and strategies. Accordingly, Funds having similar strategies may not hold the same securities or instruments or achieve the same performance. The Greywolf Group also may advise Funds (or Other Accounts) with conflicting programs, objectives or strategies. These activities also may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Funds. Finally, GCM, its principals and other personnel may have conflicts in allocating their time and services among the Funds (and/or Other Accounts). GCM and its principals, officers and employees will devote as much of their time to the activities of the Funds as GCM deems necessary and appropriate. From time to time one Fund managed by GCM (the **"Selling Fund"**) may offer to another Fund managed or advised by GCM (the **"Purchasing Fund"**) assignments or sales of, loans (or interests therein) that the Selling Fund has originated or purchased. Such offers will usually be made after the Selling Fund has already held such investment (including the portion offered) for a period of time. The price of the participation, assigned or sold interest (as the case may be) will be established based on third-party valuations. Further, the decision by the Purchasing Fund to accept or reject the offer made by the Selling Fund will be made by parties or individuals not involved in the origination or purchase decision on behalf of the Selling Fund. In determining the target amount of a particular loan originated or purchased by the Selling Fund, the Selling Fund may take into consideration the fact that it anticipates offering participations or assigning or selling a portion of such loan as described above. If the offered funds and accounts decide not to purchase such participations, assignments or interests in such investments, the Selling Fund will be forced to hold that portion of the investment until such time as it can be disposed of. This may result in the Selling Fund being "overweighted" with respect to a particular investment for a significant period of time.

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Schedule F of Form ADV Continuation Sheet for Form ADV Part II	Applicant: Greywolf Capital Management LP	SEC File Number: 801-65669	Date: March 12, 2007

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:	IRS Empl. Ident. No: 54-2104223

Item of Form (identify)	Answer
	GCM and its affiliates are not restricted from forming additional investment funds, entering into other investment advisory relationships, exercising investment responsibility, engaging in other business (or non-business) activities or directly or indirectly purchasing, selling, holding or otherwise dealing with any securities for the account of any such other business or for other clients (including, without limitation, for or on behalf of clients that invest or may invest in the Funds or Other Accounts), even though such activities may be in competition with the Funds and/or may involve substantial time and resources of GCM and its affiliates; provided that (i) GCM has agreed not to begin investment allocations to any fund with investment parameters substantially similar to the GSPM until 75% or more of the Fund's aggregate Commitments have been drawn and invested, unless GSPM's Advisory Committee approves investment allocations prior to such time and (ii) GSPM will receive Priority Allocations of equity in GCM sponsored products that are CDOs ("Sponsored CDOs") in accordance with the following: (a) **"Priority Allocation"** shall mean the allocation of the equity of any Sponsored CDOs to GSPM in an amount equal to the lesser of (x) $30 million and (y) 80% of the aggregate equity of such Sponsored CDO, where such allocation is controlled by GCM. (b) The Priority Allocation will terminate on the earlier of: (i) the date during GSPM's drawdown period on which GSPM has invested $90 million in Sponsored CDO equity or, if GSPM has not invested such amount by the end of the drawdown period, the date thereafter on which GSPM has invested the lesser of (x) $90 million and (y) 30% of the Net Asset Value of GSPM in Sponsored CDO equity, in each case calculated on the basis of cost or, in GCM's sole discretion, a premium that results from additional value in such Sponsored CDO equity created by GCM (for example, by the waiver of the applicable management fees), and (ii) the third anniversary of GSPM's final Closing Date GCM may from time to time invest its excess funds in one or more Funds or in securities or instruments in which it may invest the Funds' assets. Similarly, GCM, its principals, officers and employees may from time to time make personal investments in securities or instruments in which GCM may invest the Funds' assets. GCM and its personnel may buy, sell, or hold securities or other instruments for its or their own account(s) while entering into different investment decisions for one or more Funds. In addition, certain GCM's principals and employees have substantial personal investments in one or more Funds. The amount of each principal or employee personal investment in a Fund (if any) may change over time. A principal or employee may decide to invest only in certain Fund(s) and not in other(s). Investors will not be provided with notice of principals' or employees' investment in, or withdrawal from, a Fund (except to the extent such notice is required under a Fund's offering document). The above list is not a complete description of every conflict of interest that could be deemed to exist. Certain of GCM's principals, officers and employees are former employees of Goldman, Sachs & Co., which acts as prime broker and often as a counterparty to the Funds. Such former Goldman, Sachs & Co. employees may still have an interest in, or other business dealings with, Goldman, Sachs & Co. Such continuing relationships with Goldman, Sachs & Co. may be deemed to create a conflict of interest for GCM with respect to its choosing or maintaining the Funds' relationships with Goldman, Sachs & Co. <u>Code of Ethics</u> GCM strives to foster and maintain a reputation for honesty, integrity and professionalism. In seeking to meet these standards, GCM has adopted a Code of Ethics (the "Code"). The Code incorporates the following general principles that all employees are expected to uphold: employees must at all times place the interests of clients first; all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided; employees must not take any inappropriate advantage of their positions; information concerning the identity of securities and financial circumstances of the Funds, including the Funds' investors, must be kept confidential; and independence in the investment decision-making process must be maintained at all times. The

Complete amended pages in full, circle amended items and file with execution page (page 1).

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Schedule F of Form ADV Continuation Sheet for Form ADV Part II	Applicant: Greywolf Capital Management LP	SEC File Number: 801-65669	Date: March 12, 2007

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:	IRS Empl. Ident. No: 54-2104223

Item of Form (identify)	Answer
	Code also places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to GCM on a periodic basis. GCM discourages employees from engaging in personal securities transactions and requires that employees preclear all personal securities transactions (except for a limited number of exempt transactions (e.g., shares issued by open-ended mutual funds, money market funds, U.S. Treasury bonds, commercial paper, etc.)) before effecting a personal transaction in securities. Investors may request a copy of the Code by contacting GCM at the address or telephone number listed on the first page of this document. GCM also maintains insider trading policies and procedures (the **"Insider Trading Policies"**) that are designed to prevent the misuse of material, non-public information. GCM's personnel are required to certify to their compliance with the Code, including the Insider Trading Policies, on a periodic basis.
Item 10	Restrictions Due to Insider Information GCM's Insider Trading Policies prohibit GCM and its personnel (to the extent prohibited by law) from trading for the Funds or themselves, or recommending trading, in securities of an issuer on the basis of material, non-public information ("Inside Information") about the issuer, from disclosing such information to any person not entitled to receive it, and from assisting anyone in transacting business on the basis of Inside Information through a third party. By reason of its various activities, GCM may become privy to Inside Information or be restricted from effecting transactions in certain investments that might otherwise have been initiated. GCM has designed and implemented policies and procedures designed to comply with the requirements of the federal securities laws relating to insider trading. Among other things, such policies and procedures seek to control and monitor the flow of Inside Information to and within GCM, as well as prevent trading on the basis of Inside Information. Companies about which GCM has Inside Information will be placed on GCM's restricted list. GCM's ability to trade public securities the issuers of which are placed on the restricted list is extremely limited. **Conditions for Managing Accounts** Investors in the Special Situation Funds and the High Yield Funds are generally required to make minimum initial investments of at least US$2,000,000 and investors in the Structured Products Funds are generally require to make minimum initial investments of at least US$25,000,000. Thereafter, additional investments may be accepted in US$250,000 increments with respect to the Special Situation Funds and the High Yield Funds. No additional investments will be accepted after the final closing for the Structured Products Funds. The minimum investments may be waived by the General Partner (in the case of the U.S. Funds) or by the board of directors (in the case of the Offshore Funds), provided that the Offshore Funds may not accept minimum initial investments of less than US$50,000. Investments in the Funds are not freely transferable and subject to limitations on their liquidity, including, without limitation, "lock up" or "commitment" periods, gates, limited liquidity dates and potentially periods in which withdrawals of capital/redemption of shares may be suspended. Such limitations must be considered significant. To review the specific liquidity terms of each Fund, investors should review the Funds' respective offering documents.
Item 11	**Review of Accounts**

Complete amended pages in full, circle amended items and file with execution page (page 1).

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Schedule F of Form ADV Continuation Sheet for Form ADV Part II	Applicant: Greywolf Capital Management LP	SEC File Number: 801-65669	Date: March 12, 2007

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:	IRS Empl. Ident. No: 54-2104223

Item of Form (identify)	Answer
	GCM performs various reviews of the Funds' portfolios on an ongoing basis. Portfolio managers and the Chief Executive Officer are responsible for overseeing the reviews. Research analysts and other investment professionals also monitor existing holdings and research new ideas. Accounts are regularly reviewed in light of their established objectives and policies. The Funds' administrator also reviews the accounts regularly. Investors in Funds other than GCLO I, receive monthly reports and annual audited financial statements prepared by the Funds' independent auditor after completion of each year's audit (or as soon as reasonably practicable thereafter), as well as certain tax information for preparation of investors' tax returns. Monthly reports and certain other reports prepared by or on behalf of GCLO I in accordance with the indenture are available upon request to holders of securities issued by GCLO I.
Item 12	**Investment or Brokerage Discretion** As noted previously, GCM has full discretionary authority to manage the Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. GCM's authority in this regard is limited by its own internal policies and procedures and each Fund's investment guidelines and, in the case of GCLO I, in accordance with the indenture between GCLO I and the trustee. In selecting an appropriate broker-dealer to effect a client trade, GCM seeks to obtain best execution, taking relevant factors into consideration, including, but not limited to: price quotes; the size of the transaction; the nature of the market for the security; the timing of the transaction; difficulty of execution; the broker-dealer's expertise in the specific security or sector in which the client seeks to trade; the extent to which the broker-dealer makes a market in the security involved or has access to such markets; availability of accurate information regarding the market for the security; the broker-dealer's skill in positioning the securities involved; the broker-dealer's promptness of execution; the broker-dealer's financial stability; adequacy of the broker-dealer's trading infrastructure, technology and capital; the broker-dealer's reputation for diligence, fairness and integrity; quality of service rendered by the broker-dealer in other transactions for GCM; confidentiality considerations; the quality and usefulness of research services and investment ideas presented by the broker-dealer; the broker-dealer's ability and willingness to correct errors; the broker-dealer's ability to accommodate any special execution or order handling requirements that may surround the particular transaction; and other factors affecting the services obtained. GCM need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. GCM maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals. Soft Dollar Usage From time to time, GCM may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transaction) for effecting Fund transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. GCM will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934 and subject to prevailing interpretations of Section 28(e) provided by the SEC. GCM believes it is important to its investment decision-making processes to have access to independent research. If GCM concludes that the commissions charged by a broker or the spreads applied by a dealer are reasonable in relation to the value of the brokerage and research products or services provided by such broker or dealer, the Funds may pay commissions or be subject to spreads to such broker-dealer in an amount greater than the amount another broker-dealer might charge or apply.

Complete amended pages in full, circle amended items and file with execution page (page 1).

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Schedule F of Form ADV Continuation Sheet for Form ADV Part II	Applicant: Greywolf Capital Management LP	SEC File Number: 801-65669	Date: March 12, 2007

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:	IRS Empl. Ident. No: 54-2104223

Item of Form (identify)	Answer
	Generally, research services provided by broker-dealers may include information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts, and personal meetings with securities analysts. In addition, such research services may be provided in the form of meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives. In many cases, research services and products provided by the broker-dealer are generated by third parties. Currently, Greywolf does not have, and does not anticipate having, any such third-party soft dollar arrangements.
	Also, consistent with Section 28(e), research products or services obtained with "soft dollars" generated by one or more Fund may be used by GCM to service one or more other Funds. Nonetheless, GCM believes that such investment information provides the Funds with benefits by supplementing the research otherwise available to the Funds. On a periodic basis, GCM considers the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its Funds on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will GCM make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker is not excluded from receiving business because it has not been identified as providing research products or services. GCM may open "average price" accounts with brokers. In an "average price" account, purchase and sale orders placed during a trading day on behalf of the Funds, Other Accounts or affiliates of GCM are combined, and securities bought and sold pursuant to such orders are allocated among such accounts on an average price basis. Additional Brokerage Considerations From time to time, GCM may execute over-the-counter trades on an agency basis rather than on a principal basis. In these situations, the broker used by GCM may acquire or dispose of a security through a market-maker (a practice known as "interpositioning"). The transaction may thus be subject to both a commission and a markup or markdown. GCM believes that the use of a broker in such instances is consistent with its duty of obtaining best execution for the Funds. The use of a broker can provide anonymity in connection with a transaction. In addition, a broker may, in certain cases, have greater expertise or greater capability in connection with both accessing the market and executing a transaction. GCM has entered into agreements on behalf of its Funds with certain brokers-dealers that act as prime brokers and/or custodians on behalf of the Funds. The Funds are not committed to continue their relationship with such prime brokers and custodians for any minimum period, and GCM, in its discretion, may select other or additional brokers to act as prime broker(s) or custodian(s) for the Funds. Goldman Sachs & Co., 1 New York Plaza, 44th Floor, NY, NY 10004 serves as the primary prime broker to the Funds and custodies the Funds' assets. In addition, Citigroup Global Markets Inc., 390 Greenwich Street, 3rd Floor, NY, NY 10013, BMO Nesbitt Burns Inc. Prime Brokerage Services, 1 First Canadian Place, 36th Floor, Toronto, ON M5X 1H3 Canada, Banc of America Securities LLC, 9 West 57th Street, New York, NY 10019, Morgan Stanley & Co. Incorporated, 1221 Avenue of Americas, New York, New York 10020, and Lehman Brothers Inc., 745 Seventh Avenue, 19th Floor, New York, New York 10019 also serve as custodians to the Funds. From time to time, GCM's personnel may speak at conferences and programs for potential investors interested in investing in hedge funds which are sponsored by the Funds' prime brokers. Through such "capital introduction" events, prospective investors in the Funds have the opportunity to meet with GCM. Neither GCM nor the Funds

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Schedule F of Form ADV Continuation Sheet for Form ADV Part II	Applicant: Greywolf Capital Management LP	SEC File Number: 801-65669	Date: March 12, 2007

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:	IRS Empl. Ident. No: 54-2104223

Item of Form (identify)	Answer
	compensate the prime brokers for organizing such events or for investments ultimately made by prospective investors attending such events. However, such events and other services (including, without limitation, capital introduction services) provided by a prime broker may influence GCM in deciding whether to use such prime broker in connection with brokerage, financing and other activities of the Funds.
	Trade Allocation and Aggregation Policies and Procedures It is the policy of GCM to allocate investment opportunities for the Funds fairly and equitably. To address trade allocations, GCM has adopted a written "Trade Allocation Policy and Procedure" setting forth general principles of allocation designed to result in the fair and equitable distribution of aggregated investment opportunities among investment advisory accounts. The Trade Allocation Policy and Procedure is summarized as follows. Before entering an aggregated order, a statement which specifies the Funds that will be participating in such order and how the order will be allocated among such Funds will be noted in the Firm's trade blotter. When the Funds that participate in an aggregated order have different investment programs, the allocation plan will take into account, among other considerations (a) whether the risk-return profile of the proposed investment is consistent with the Fund's objectives, whether such objectives are considered (i) solely in light of the specific investment under consideration or (ii) in the context of the portfolio's overall holdings; (b) the potential for the proposed investment to create an imbalance in the Fund's portfolio; (c) liquidity requirements of the Funds; (d) potentially adverse tax consequences (e.g. UBTI, ECI issues); (e) regulatory restrictions that would or could limit a Fund's ability to participate in a proposed investment; (f) the need to re-size risk in the Fund's portfolio; and (g) such other factors consider relevant by GCM. If the aggregated order is filled in its entirety, such order will be allocated among the relevant Funds in accordance with the Allocation Statement. From time to time, certain client accounts may receive priority allocations consistent with specified terms in their respective client account documents or in connection with launching one or more new products, such as CDO or CLO funds- which may be given allocation priority during their initial investment (or "ramp up") period. New products will receive this priority because they have significant amounts of investable cash on hand and limited time to close. The ramp up period typically will be determined in advance by agreement between GCM and the underwriter for the product. Such allocations will be subject to GCM's duty to act in good faith. When an aggregated order is filled through multiple trades at different prices on the same day, each participating Fund will receive the average price with transaction costs allocated pro rata based on the size of each Fund's participation in the order (or allocation in the event of a partial fill) as determined by GCM. On occasion, GCM will not be able to purchase or sell all the securities ordered as part of an aggregated order in a single day. If the order is partially filled, it will generally be allocated pro rata in proportion to the size of the orders placed for each Fund based on the Allocation Statement. Notwithstanding the foregoing, if an order is partially filled, it may be allocated on a basis different from that specified in the Allocation Statement, provided that all Funds receive fair and equitable treatment. Reasons for allocating on a basis different from that specified in the Allocation Statement include, in addition to the reasons mentioned above, avoiding odd-lots or a de minimis allocation to one or more Funds. On occasion, transactions for the same instruments may be placed for different Funds at different times on the same day. Subject to GCM's discretion, such trades may not be aggregated and the order placed first will be given priority. Trade Errors GCM may on occasion experience errors with respect to trades executed on behalf of its clients. Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold, a security is sold when it should have been purchased or vice-versa, a security is sold or purchased contrary to regulatory restrictions or a Fund's investment guidelines or restrictions, the correct security is purchased or sold but for the wrong account, or the wrong quantity is purchased or sold (e.g., 1,000 shares instead of 10,000 shares are traded). Trade errors may result in losses or gains. GCM will endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. Any gains resulting from a trade error shall be for the benefit of the affected Fund(s). To the extent trade errors resulted from GCM's error in the course

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Schedule F of Form ADV Continuation Sheet for Form ADV Part II	Applicant: Greywolf Capital Management LP	SEC File Number: 801-65669	Date: March 12, 2007

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

I. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:	IRS Empl. Ident. No: 54-2104223

Item of Form (identify)	Answer
	of the trading of the Funds' assets, GCM will be responsible for making the affected Fund whole with respect to such errors that result from GCM's gross negligence or reckless or intentional misconduct. Given the volume of transactions executed on behalf of the Funds, investors should assume that trading errors will occur and that the Fund will be responsible for any resulting losses, even if such losses result from GCM's negligence (but not gross negligence). To the extent an error is caused by a counterparty, such as a broker-dealer, GCM will not be responsible for such errors and will strive to recover losses associated with such error from the counterparty.
Miscellaneous	Proxy Voting Policies and Procedures The Securities and Exchange Commission adopted Rule 206(4)-6 under the Advisers Act, which requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. In compliance with such rules, GCM has adopted proxy voting policies and procedures (the "Policies"). The general policy is to vote proxy proposals, amendments, consents or resolutions relating to client securities, including interests in private investment funds, if any (collectively, "proxies"), in a manner that serves the best interests of the Funds, as determined by GCM in its discretion, taking into account the following factors: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices. In limited circumstances, GCM may refrain from voting proxies where GCM believes that voting would be inappropriate taking into consideration the cost of voting the proxy and the anticipated benefit to the Funds. Finally, GCM has developed detailed procedures to address potential circumstances in which it may have a conflict between its own interests and those of the Funds. A copy of the Policies and information regarding any proxies actually voted by GCM may be obtained by contacting the Chief Compliance Officer, Greywolf Capital Management LP, 4 Manhattanville Road Suite 201, Purchase, New York 10577. Class Action Law Suits From time to time, GCM may receive notices regarding class action lawsuits involving securities that are or were held by the Funds. As a matter of policy, GCM refrains from serving as the lead plaintiff in class action matters and also refrains from submitting proofs of claim where GCM believes that either the recovery amounts are likely to be negligible or GCM cannot be assured of confidential treatment of the data submitted in connection with the proof of claim. As a result, GCM, in most cases, does not participate in class action law suits.

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No dealer, salesperson or other person has been authorized to give any information or to represent anything not contained in this Offering Circular. You must not rely on any unauthorized information or representation. This Offering Circular is an offer to sell only the Securities offered hereby, and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this Offering Circular is current only as of its date.

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TIMBERWOLF I, LTD.

TIMBERWOLF I (DELAWARE) CORP.

U.S.$9,000,000
Class S-1 Floating Rate Notes
Due 2011

U.S.$8,300,000
Class S-2 Floating Rate Notes
Due 2011

U.S.$ 100,000,000
Class A-1a Floating Rate Notes
Due 2039

U.S.$ 200,000,000
Class A-1b Floating Rate Notes
Due 2039

U.S.$ 100,000,000
Class A-1c Floating Rate Notes
Due 2044

U.S.$ 100,000,000
Class A-1d Floating Rate Notes
Due 2044

U.S.$ 305,000,000
Class A-2 Floating Rate Notes
Due 2047

U.S.$ 107,000,000
Class B Floating Rate Notes
Due 2047

U.S.$ 36,000,000
Class C Deferrable Floating Rate Notes
Due 2047

U.S.$ 30,000,000
Class D Deferrable Floating Rate Notes
Due 2047

U.S.$ 22,000,000
Income Notes
Due 2047

OFFERING CIRCULAR

Goldman, Sachs & Co.

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IMPORTANT NOTICE

Attached is an electronic copy of the Confidential Offering Circular (the "Offering Circular"), dated March 16, 2007, relating to the offering by Anderson Mezzanine Funding 2007-1, Ltd.(the "Issuer") and Anderson Mezzanine Funding 2007-1, Corp. (the "Co-Issuer" and, together with the Issuer, the "Issuers") of the Notes described therein.

No registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities are being offered pursuant to an exemption from the registration requirements of the United States Securities Act of 1933, as amended. This Offering Circular is confidential and will not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of these securities in any jurisdiction where such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any jurisdiction.

No purchase of these securities may be made except pursuant to the Offering Circular. This Offering Circular may be transmitted electronically, but each investor in the securities should receive a printed version thereof prior to purchase. If you do not receive a printed version of this Offering Circular, please contact your Initial Purchaser representative at the address provided herein.

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 on behalf of the Issuer and/or the Co-Issuer and (b) any person retained to advise the person receiving this electronic transmission with respect to the offering contemplated by the Offering Circular (each, an "Authorized Recipient") is unauthorized. Any photocopying, disclosure or alteration of the contents of the Offering Circular, and any forwarding of a copy of the 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.

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2724

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CONFIDENTIAL

ANDERSON MEZZANINE FUNDING 2007-1, LTD.
ANDERSON MEZZANINE FUNDING 2007-1, CORP.
U.S.$2,490,000 Class S Floating Rate Notes Due 2013
U.S.$130,000,000 Class A-1a Floating Rate Notes Due 2042
U.S.$53,000,000 Class A-1b Floating Rate Notes Due 2042
U.S.$30,500,000 Class A-2 Floating Rate Notes Due 2042
U.S.$42,700,000 Class B Floating Rate Notes Due 2042
U.S.$16,775,000 Class C Deferrable Floating Rate Notes Due 2042
U.S.$11,090,000 Class D Deferrable Floating Rate Notes Due 2042
U.S.$20,935,000 Income Notes Due 2042

Secured primarily by (i) the Collateral and (ii) the Issuer's rights under the Credit Default Swap referencing a portfolio of Residential Mortgage-Backed Securities and CDO RMBS Securities

The Secured Notes (as defined herein) and the Income Notes (as defined herein) (collectively, the "Offered Notes") are being offered hereby by Goldman, Sachs & Co. in the United States to qualified institutional buyers (as defined in Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act")), in reliance on Rule 144A under the Securities Act, and, solely in the case of the Income Notes, to accredited investors (as defined in Rule 501(a) under the Securities Act) who have a net worth of not less than U.S.$10 million in transactions exempt from registration under the Securities Act. The Offered Notes are being offered hereby in the United States only to persons that are also "qualified purchasers" for purposes of Section 3(c)(7) under the United States Investment Company Act of 1940, as amended (the "Investment Company Act"). In addition, the Offered Notes are being offered hereby by Goldman, Sachs & Co., selling through its agents, outside the United States to non U.S. Persons in offshore transactions in reliance on Regulation S ("Regulation S") under the Securities Act. See "Underwriting."

See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Notes.

It is a condition of the issuance of the Notes that the Class S Notes, the Class A-1a Notes, the Class A-1b Notes and the Class A-2 Notes be issued with a rating of "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P" and, together with Moody's, the "Rating Agencies"), that the Class B Notes be issued with a rating of at least "Aa2" by Moody's and at least "AA" by S&P, that the Class C Notes be issued with a rating of at least "A2" by Moody's and at least "A" by S&P and that the Class D Notes be issued with a rating of at least "Baa2" by Moody's and at least "BBB" by S&P. The Income Notes will not be rated by either Rating Agency. A credit 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. See "Ratings of the Notes."

Application may be made to the Irish Stock Exchange for the Notes to be admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. There can be no assurance that any such application will be made or that any such listing will be obtained or maintained. No application will be made to list the Notes to any other exchange.

See "Underwriting" for a discussion of the terms and conditions of the purchase of the Offered Notes by the Initial Purchaser.

THE PLEDGED ASSETS ARE THE SOLE SOURCE OF PAYMENTS IN RESPECT OF THE NOTES. THE NOTES DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF, AND ARE NOT INSURED OR GUARANTEED BY, THE HOLDERS OF THE NOTES, THE LIQUIDATION AGENT, THE INITIAL PURCHASER, THE CREDIT PROTECTION BUYER, THE ADMINISTRATOR, THE AGENTS, THE TRUSTEE, THE SHARE TRUSTEE (EACH, AS DEFINED HEREIN) OR ANY OF THEIR RESPECTIVE AFFILIATES.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, AND NEITHER OF THE ISSUERS (AS DEFINED HEREIN) WILL BE REGISTERED UNDER THE INVESTMENT COMPANY ACT. THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS SUCH TERMS ARE DEFINED UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. ACCORDINGLY, THE OFFERED NOTES ARE BEING OFFERED HEREBY ONLY TO (A) (1) QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND, SOLELY IN THE CASE OF THE INCOME NOTES, ACCREDITED INVESTORS (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) THAT HAVE A NET WORTH OF NOT LESS THAN U.S.$10 MILLION AND, WHO ARE (2) QUALIFIED PURCHASERS FOR PURPOSES OF SECTION 3(c)(7) UNDER THE INVESTMENT COMPANY ACT AND (B) CERTAIN NON-U.S. PERSONS OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT. PURCHASERS AND SUBSEQUENT TRANSFEREES OF THE INCOME NOTES (OTHER THAN THE REGULATIONS S INCOME NOTES) WILL BE REQUIRED TO EXECUTE AND DELIVER A LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS, AND PURCHASERS AND SUBSEQUENT TRANSFEREES OF THE CLASS S NOTES, THE CLASS A NOTES, THE CLASS B NOTES, THE CLASS C NOTES, THE CLASS D NOTES AND THE REGULATION S INCOME NOTES WILL BE DEEMED TO HAVE MADE SUCH REPRESENTATIONS AND AGREEMENTS, AS SET FORTH UNDER "NOTICE TO INVESTORS." THE NOTES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED UNDER "NOTICE TO INVESTORS."

The Offered Notes are being offered by Goldman, Sachs & Co. (in the case of the Notes offered outside the United States, selling through its selling agent) (the "Initial Purchaser"), subject to the Initial Purchaser's right to reject any order in whole or in part, in one or more negotiated transactions or otherwise at varying prices to be determined at the time of sale plus accrued interest, if any, from the Closing Date (as defined herein). It is expected that the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Regulation S Income Notes will be ready for delivery in book entry form only in New York, New York, on or about March 20, 2007 (the "Closing Date"), through the facilities of DTC and in the case of the Notes sold outside the United States, for the accounts of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream"), against payment therefor in immediately available funds. It is expected that the Income Notes (other than the Regulation S Income Notes) will be ready for delivery in definitive form in New York, New York on the Closing Date, against payment therefor in immediately available funds. The Notes sold in reliance on Rule 144A and, solely in the case of the Income Notes, to Accredited Investors, will be issued in minimum denominations of U.S.$250,000 and integral multiples of U.S.$1 in excess thereof. The Notes sold in reliance on Regulation S will be issued in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1 in excess thereof.

Goldman, Sachs & Co.
Offering Circular dated March 16, 2007.

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Anderson Mezzanine Funding 2007-1, Ltd., an exempted company incorporated with limited liability under the laws of the Cayman Islands (the "Issuer"), and Anderson Mezzanine Funding 2007-1, Corp., a Delaware corporation (the "Co-Issuer" and, together with the Issuer, the "Issuers"), will issue U.S.$2,490,000 principal amount of Class S Floating Rate Notes Due 2013 (the "Class S Notes"), U.S.$130,000,000 principal amount of Class A-1a Floating Rate Notes Due 2042 (the "Class A-1a Notes"), U.S.$53,000,000 principal amount of Class A-1b Floating Rate Notes Due 2042 (the "Class A-1b Notes" and, together with the Class A-1a Notes, the "Class A-1 Notes"), U.S.$30,500,000 principal amount of Class A-2 Floating Rate Notes Due 2042 (the "Class A-2 Notes") and, together with the Class A-1 Notes, the "Class A Notes"), U.S.$42,700,000 principal amount of Class B Floating Rate Notes Due 2042 (the "Class B Notes"), U.S.$16,775,000 principal amount of Class C Deferrable Floating Rate Notes Due 2042 (the "Class C Notes") and U.S.$11,090,000 principal amount of Class D Deferrable Floating Rate Notes Due 2042 (the "Class D Notes" and, together with the Class S Notes, Class A Notes, the Class B Notes and the Class C Notes, the "Co-Issued Notes" or the "Secured Notes") pursuant to an Indenture (the "Indenture") dated on or about March 20, 2007 among the Issuers and LaSalle Bank National Association, as trustee and securities intermediary (in such capacity, the "Trustee" and the "Securities Intermediary," respectively).

In addition, the Issuer will issue U.S.$20,935,000 principal amount of Income Notes Due 2042 (the "Income Notes" and, together with the Secured Notes, the "Notes") pursuant to a Fiscal Agency Agreement dated on or about March 20, 2007 (the "Fiscal Agency Agreement") between the Issuer and LaSalle Bank National Association, as fiscal agent (in such capacity, the "Fiscal Agent").

The net proceeds received from the offering of the Notes will be applied by the Issuer to purchase the initial Collateral Securities (as defined herein) and certain Eligible Investments (as defined herein) selected by the Credit Protection Buyer (as defined herein). The Collateral Securities and Eligible Investments (collectively, the "Collateral"), together with the Delivered Obligations (as defined herein), if any, delivered to the Issuer will secure the Issuer's obligations under a default swap transaction (the "Credit Default Swap") to be entered into on the Closing Date by the Issuer and Goldman Sachs International (in such capacity, the "Credit Protection Buyer") pursuant to which the Issuer (in such capacity, the "Credit Protection Seller") will sell credit protection to the Credit Protection Buyer with respect to a portfolio (the "Reference Portfolio") of Reference Obligations (as defined herein) consisting of Residential Mortgage-Backed Securities (as defined herein) and CDO RMBS Securities (as defined herein). Certain summary information about the Reference Portfolio is set forth in Appendix B to this Offering Circular. The Collateral Securities, the Eligible Investments, the Delivered Obligations, the Issuer's rights under the Liquidation Agency Agreement and certain other assets of the Issuer (collectively, the "Pledged Assets") will be pledged under the Indenture to the Trustee, for the benefit of the Secured Parties (as defined herein), as security for, among other obligations, the Issuers' obligations under the Secured Notes and to certain service providers. The Income Notes will be unsecured obligations of the Issuer.

Interest will be payable on the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes in arrears on the 12th day of each calendar month, or if any such date is not a Business Day (as defined herein), the immediately following Business Day (each date, a "Monthly Payment Date") commencing July 12, 2007. The Class S Notes will bear interest at a per annum rate equal to LIBOR (as defined herein) *plus* 0.20% for each Interest Accrual Period (as defined herein). The Class A-1a Notes will bear interest at a per annum rate equal to LIBOR *plus* 0.32% for each Interest Accrual Period. The Class A-1b Notes will bear interest at a per annum rate equal to LIBOR *plus* 0.65% for each Interest Accrual Period. The Class A-2 Notes will bear interest at a per annum rate equal to LIBOR *plus* 0.90% for each Interest Accrual Period. The Class B Notes will bear interest at a per annum rate equal to LIBOR *plus* 1.75% for each Interest Accrual Period. The Class C Notes will bear interest at a per annum rate equal to LIBOR *plus* 5.50% for each Interest Accrual Period. The Class D Notes will bear interest at a per annum rate equal to LIBOR *plus* 4.00% for each Interest Accrual Period. Payments will be made on the Income Notes on the 12th day of each January, April, July and October of each year, or if any such day is not a Business Day, the immediately following Business Day (each such date, a "Quarterly Payment Date") commencing July 12, 2007, to the extent amounts are available therefor, as described herein. "Payment Date" means (i) with respect to each Class of Notes other than the Income Notes, each Monthly Payment Date, and (ii) with respect to the Income Notes, each Quarterly Payment Date.

All payments on the Notes will be made from Proceeds available in accordance with the Priority of Payments. On each Payment Date, except as otherwise provided in the Priority of Payments, payments on the Class

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S Notes will be senior to payments on the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes; payments on the Class A Notes will be made in accordance with the Priority of Payments either *pro rata* or sequentially and will be senior to payments on the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes; payments on the Class B Notes will be senior to payments on the Class C Notes, the Class D Notes and the Income Notes; and payments on the Class C Notes will be senior to payments on the Class D Notes and the Income Notes; and payments on the Class D Notes will be senior to payments on the Income Notes, in each case in accordance with the Priority of Payments as described herein. Certain of the Secured Notes (other than the Class S Notes) are subject to mandatory redemption and are subject to reduction, in whole or in part, if a Coverage Test is not satisfied on any date of determination which may result in variations to the order of distributions described above and as more fully described in the Priority of Payments.

The Notes are subject to redemption, in each case, in whole and not in part, (i) at any time as a result of a Tax Redemption (as defined herein), (ii) on an Auction Payment Date (as defined herein) as a result of a successful Auction (as defined herein) or (iii) as a result of an Optional Redemption (as defined herein) on or after the July 2010 Payment Date. The stated maturity of the Notes (other than the Class S Notes) is the Payment Date in July 2042. The actual final distribution on the Notes (other than the Class S Notes) is expected to occur substantially earlier. The stated maturity of the Class S Notes is the Payment Date in July 2013. See "Risk Factors—Notes—Average Lives, Duration and Prepayment Considerations."

The Notes (other than the Income Notes) sold in reliance on Rule 144A under the Securities Act ("Rule 144A") will be evidenced by one or more global notes (the "Rule 144A Global Notes") in fully registered form without coupons, deposited with a custodian for, and registered in the name of, a nominee of The Depository Trust Company ("DTC"). Beneficial interests in the Rule 144A Global Notes will trade in DTC's Same Day Funds Settlement System, and secondary market trading activity in such interests will therefore settle in immediately available funds. Except as described herein, beneficial interests in the Rule 144A Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants. The Income Notes sold in reliance on Rule 144A under the Securities Act and, in the case of the Income Notes only, to Accredited Investors who have a net worth of not less than U.S. $10 million, will be evidenced by one or more Definitive Notes in fully registered form.

The Notes that are being offered hereby in reliance on the exemption from registration under Regulation S (collectively, the "Regulation S Notes"; and in the case of the Income Notes, the "Regulation S Income Notes") have not been and will not be registered under the Securities Act and neither of the Issuers will be registered under the Investment Company Act. The Regulation S Notes may not be offered or sold within the United States or to U.S. Persons (as defined in Regulation S) unless the purchaser certifies or is deemed to have certified that it is a qualified institutional buyer as defined in Rule 144A (a "Qualified Institutional Buyer") and a "qualified purchaser" for the purposes of Section 3(c)(7) of the Investment Company Act (a "Qualified Purchaser"), and takes delivery in the form of an interest in a Rule 144A Global Note or a definitive Income Note, in an amount equal to at least U.S.$250,000. See "Description of the Notes" and "Underwriting."

This Offering Circular (the "Offering Circular") is confidential and is being furnished by the Issuers in connection with an offering exempt from registration under the Securities Act, solely for the purpose of enabling a prospective investor to consider the purchase of the Offered Notes described herein. The information contained in this Offering Circular has been provided by the Issuers and other sources identified herein. No representation or warranty, express or implied, is made by the Initial Purchaser, the Liquidation Agent, the Credit Protection Buyer, the Trustee, the Note Agents, the Fiscal Agent, or the Income Note Transfer Agent (the Note Agents, the Fiscal Agent and the Income Note Transfer Agent, together, the "Agents") as to the accuracy or completeness of such information, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Initial Purchaser, the Trustee, the Liquidation Agent, the Credit Protection Buyer or the Agents. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offered Notes is prohibited. Each offeree of the Offered Notes, by accepting delivery of this Offering Circular, agrees to the foregoing.

THE NOTES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY.

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FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The distribution of this Offering Circular and the offering and sale of the Offered Notes in certain jurisdictions may be restricted by law. The Issuers and the Initial Purchaser require persons into whose possession this Offering Circular comes to inform themselves about and to observe any such restrictions. For a further description of certain restrictions on offering and sales of the Offered Notes, see "Underwriting." This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Offered Notes in any jurisdiction in which such offer or invitation would be unlawful.

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

No invitation may be made to the public in the Cayman Islands to subscribe for the Notes.

NOTICE TO RESIDENTS OF THE REPUBLIC OF IRELAND

THIS OFFERING CIRCULAR IS NOT A PROSPECTUS AND DOES NOT CONSTITUTE AN INVITATION TO THE PUBLIC TO PURCHASE OR SUBSCRIBE FOR ANY SECURITIES AND NEITHER IT NOR ANY FORM OF APPLICATION WILL BE ISSUED, CIRCULATED OR DISTRIBUTED TO THE PUBLIC.

THIS OFFERING CIRCULAR AND THE INFORMATION CONTAINED HEREIN IS CONFIDENTIAL AND IS FOR THE USE SOLELY OF THE PERSON TO WHOM IT IS ADDRESSED. ACCORDINGLY, IT MAY NOT BE REPRODUCED IN WHOLE OR IN PART, NOR MAY ITS CONTENTS BE DISTRIBUTED IN WRITING OR ORALLY TO ANY THIRD PARTY AND IT MAY BE READ SOLELY BY THE PERSON TO WHOM IT IS ADDRESSED AND HIS/HER PROFESSIONAL ADVISERS.

In this Offering Circular, references to "U.S. Dollars," "$" and "U.S.$" are to United States dollars.

The Issuers having made all reasonable inquiries, confirm that the information contained in this Offering Circular is true and correct in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make any such information or the expression of any such opinions or intentions misleading and, as applicable, take responsibility accordingly.

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No person has been authorized to give any information or to make any representation other than those contained in this Offering Circular, and, if given or made, such information or representation must not be relied upon as having been authorized. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates, or an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Offering Circular nor any sale hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date of this Offering Circular.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, A PROSPECTIVE INVESTOR (AND EACH EMPLOYEE, REPRESENTATIVE, OR OTHER AGENT OF A PROSPECTIVE INVESTOR) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF THE TRANSACTIONS DESCRIBED IN THIS OFFERING CIRCULAR AND ALL MATERIALS OF ANY KIND THAT ARE PROVIDED TO THE PROSPECTIVE INVESTOR RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE (AS SUCH TERMS ARE DEFINED IN TREASURY REGULATION SECTION 1.6011-4). THIS AUTHORIZATION OF TAX DISCLOSURE IS RETROACTIVELY EFFECTIVE TO THE COMMENCEMENT OF DISCUSSIONS WITH PROSPECTIVE INVESTORS REGARDING THE TRANSACTIONS CONTEMPLATED HEREIN.

PROSPECTIVE INVESTORS SHOULD READ THIS OFFERING CIRCULAR CAREFULLY BEFORE DECIDING WHETHER TO INVEST IN THE SECURITIES AND SHOULD PAY PARTICULAR ATTENTION TO THE INFORMATION SET FORTH UNDER THE HEADING "RISK FACTORS." INVESTMENT IN THE SECURITIES IS SPECULATIVE AND INVOLVES SIGNIFICANT RISK. INVESTORS SHOULD UNDERSTAND SUCH RISKS AND HAVE THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT THEM FOR AN EXTENDED PERIOD OF TIME.

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NOTICE TO INVESTORS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

Each purchaser who has purchased Class S Notes, Class A Notes, Class B Notes, Class C Notes, Class D Notes and Regulation S Income Notes, will be deemed to have represented and agreed, and each purchaser of Income Notes (other than the Regulation S Income Notes) will be required to represent and agree, in each case with respect to such Notes, as follows (terms used herein that are defined in Rule 144A or Regulation S are used herein as defined therein):

1. (a) In the case of Secured Notes sold in reliance on Rule 144A (the "Rule 144A Notes"), the purchaser of such Rule 144A Notes (i) is a qualified institutional buyer (as defined in Rule 144A) (a "Qualified Institutional Buyer"), (ii) is aware that the sale of Secured Notes to it is being made in reliance on Rule 144A, (iii) is acquiring the Rule 144A Notes for its own account or for the account of a Qualified Institutional Buyer as to which the purchaser exercises sole investment discretion, and in a principal amount of not less than U.S.$250,000 and (iv) will provide notice of the transfer restrictions described in this "Notice to Investors" to any subsequent transferees.

(b) In the case of the Income Notes (other than the Regulation S Income Notes), the purchaser of such Income Notes (i) is a Qualified Institutional Buyer, (ii) is aware that the sale of the Income Notes to it is being made in reliance on Rule 144A, (iii) is acquiring the Income Notes for its own account or for the account of a Qualified Institutional Buyer as to which the purchaser exercises sole investment discretion, and, unless otherwise permitted by the Fiscal Agency Agreement is purchasing a principal amount of not less than $250,000 for the purchaser and for each such account and (iv) will provide notice of the transfer restrictions described in this "Notice to Investors" to any subsequent transferees; or, if the purchaser is not a Qualified Institutional Buyer, such purchaser (w) is a person who is an "accredited investor" (as defined in Rule 501(a) under the Securities Act) (an "Accredited Investor") who has a net worth of not less than U.S.$10 million that is purchasing the Income Notes for its own account, (x) is not acquiring the Income Notes with a view to any resale or distribution thereof, other than in accordance with the restrictions set forth below, (y) is purchasing a principal amount of not less than $250,000 (unless otherwise permitted by the Fiscal Agency Agreement) and (z) will provide notice of the transfer restrictions described in this "Notice to Investors" to any subsequent transferees.

2. The purchaser understands that the Notes have not been and will not be registered or qualified under the Securities Act or any applicable state securities laws or the securities laws of any other jurisdiction, are being offered only in a transaction not involving any public offering, and may be reoffered, resold or pledged or otherwise transferred only (A)(i) to a person whom the purchaser reasonably believes is a Qualified Institutional Buyer and is purchasing for its own account or for the account of a Qualified Institutional Buyer as to which the purchaser exercises sole investment discretion in a transaction meeting the requirements of Rule 144A, (ii) to a non-U.S. Person in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (iii) solely in the case of the Income Notes, to an Accredited Investor who has a net worth of not less than U.S.$10 million, and, in each case, who shall have satisfied, and in the case of Income Notes (other than the Regulation S Income Notes) shall have represented, warranted, covenanted and agreed, or, in all other cases, shall be deemed to have satisfied, and shall be deemed to have represented, warranted, covenanted and agreed that it will continue to comply with, all requirements for transfer of the Notes specified in this Offering Circular, in the case of the Secured Notes, the Indenture, and, in the case of the Income Notes, the Fiscal Agency Agreement, and all other requirements for it to qualify for an exemption from registration under the Securities Act and (B) in accordance with all applicable securities laws of the states of the United States. Before any interest in a Rule 144A Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, the transferor will be required to provide the Note Transfer Agent with a written certification (in the form provided in the Indenture) as to compliance with the transfer restrictions described herein. Before any interest in an Income Note (other than a Regulation S Income Note) may be offered, sold, pledged or otherwise transferred, the transferee will be required to provide the Issuer, and, in the case of an Income Note, the Income Notes Transfer Agent, with a letter substantially in the form attached to this Offering Circular as Annex A-1 (the "Income Note Purchase and Transfer Letter"). The purchaser understands and agrees that any purported transfer of Notes to a purchaser that does not comply with the requirements of this paragraph (2) will, in the case of the Class S Notes, Class A Notes, Class B Notes, Class C Notes, Class D Notes and Regulation S Income Notes, be null and void *ab*

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initio, and, in the case of the Income Notes (other than the Regulation S Income Notes), not be permitted or registered by the Income Notes Transfer Agent. The purchaser further understands that the Issuers have the right to compel any beneficial owner of Notes that is a U.S. Person and is not a Qualified Institutional Buyer or, in the case of the Income Notes, not an Accredited Investor, to sell its interest in such Notes, or the Issuers may sell such Notes on behalf of such owner.

3. The purchaser of such Notes also understands that neither of the Issuers has been registered under the Investment Company Act. In the case of the Rule 144A Notes and the Income Notes (other than the Regulation S Income Notes) described in paragraph (1) above, the purchaser and each account for which the purchaser is acquiring such Notes is a qualified purchaser for the purposes of Section 3(c)(7) of the Investment Company Act (a "Qualified Purchaser"). The purchaser is acquiring Notes in a principal amount, in the case of Rule 144A Notes and, in the case of Income Notes sold to Accredited Investors, of not less than U.S.$250,000, or, in the case of Notes sold in reliance on Regulation S ("Regulation S Notes"), of not less than U.S.$100,000, in each case for the purchaser and for each such account. The purchaser (or if the purchaser is acquiring Notes for any account, each such account) is acquiring the Notes as principal for its own account for investment and not for sale in connection with any distribution thereof. The purchaser and each such account: (a) was not formed for the specific purpose of investing in the Notes (except when each beneficial owner of the purchaser and each such account is a Qualified Purchaser), (b) to the extent the purchaser is a private investment company formed before April 30, 1996, the purchaser has received the necessary consent from its beneficial owners, (c) is not a pension, profit sharing or other retirement trust fund or plan in which the partners, beneficiaries or participants, as applicable, may designate the particular investments to be made and (d) is not a broker dealer that owns and invests on a discretionary basis less than U.S.$25,000,000 in securities of unaffiliated issuers. Further, the purchaser agrees with respect to itself and each such account: (i) that it shall not hold such Notes for the benefit of any other person and shall be the sole beneficial owner thereof for all purposes and (ii) that it shall not sell participation interests in the Notes or enter into any other arrangement pursuant to which any other person shall be entitled to a beneficial interest in the distributions on the Notes. The purchaser understands and agrees that any purported transfer of Notes to a purchaser that does not comply with the requirements of this paragraph (3) will, in the case of the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Regulation S Income Notes, be null and void *ab initio*, and, in the case of the Income Notes (other than the Regulation S Income Notes), not be permitted or registered by the Income Notes Transfer Agent. The purchaser further understands that the Issuers have the right to compel any beneficial owner of Notes that is a U.S. Person and is not a Qualified Purchaser to sell its interest in such Notes, or the Issuers may sell such Notes on behalf of such owner.

4. (a) With respect to the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes, each purchaser will be deemed, by its purchase, to have represented and warranted that either (i) the purchaser is not and will not be an "employee benefit plan" as defined in and subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), a plan as defined in and subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "Code"), any entity whose underlying assets include "plan assets" by reason of an employee benefit plan's or other plan's investment in the entity, or another employee benefit plan subject to any federal, state, local or foreign law that is substantially similar to the provisions of Section 406 of ERISA, or Section 4975 of the Code ("Similar Law") or (ii) the purchaser's purchase and holding of a Note does not and will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such another plan, any Similar Law) for which an exemption is not available. The purchaser understands and agrees that any purported transfer of a Note to a purchaser that does not comply with the requirements of this paragraph (4)(a) shall be null and void *ab initio*.

(b) With respect to the Income Notes (other than the Regulation S Income Notes) purchased or transferred on or after the Closing Date, the purchaser or transferee must disclose in writing in advance to the Note Transfer Agent or the Income Notes Transfer Agent, as applicable, (i) whether or not it is (A) an "employee benefit plan" as defined in and subject to Title I of ERISA, (B) a "plan" as described in and subject to Section 4975 of the Code, or (C) an entity whose underlying assets include "plan assets" within the meaning of ERISA by reason of an employee benefit or other plan's investment in the entity (all such persons and entities described in clauses (A) through (C) being referred to herein as "Benefit Plan Investors"); (ii) if the purchaser is a Benefit Plan Investor (or other employee benefit plan subject to Similar Law), then (x) the purchase and holding of the Income Notes will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of another employee benefit plan subject to Similar Law, any Similar Law) for which an exemption is not

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available or (v) solely in the case of Benefit Plan Investors, the purchase and holding of Income Notes is exempt under an identified Prohibited Transaction Class Exemption or individual exemption, based on the assumption that less than 25% of the Outstanding Income Notes are owned by Benefit Plan Investors; and (iii) whether or not it is the Issuer or any other person (other than a Benefit Plan Investor) that has discretionary authority or control with respect to the assets of the Issuer, a person who provides investment advice for a fee (direct or indirect) with respect to the assets of the Issuer, or any "affiliate" (within the meaning of 29 C.F.R. Section 2510.3-101(f)(3)) of any such person (a "Controlling Person"). If a purchaser is an insurance company acting on behalf of its general account or another entity deemed to be holding plan assets, it may be required to so indicate, and to identify a maximum percentage of the assets in such general account or entity that may be or become plan assets, in which case the purchaser will be required to make certain further agreements that would apply in the event that such maximum percentage would thereafter be exceeded. The purchaser agrees that, before any interest in an Income Note (other than a Regulation S Income Note) may be offered, sold, pledged or otherwise transferred, the transferee will be required to provide the Income Notes Transfer Agent with an Income Notes Purchase and Transfer Letter, as applicable, stating, among other things, whether the transferee is a Benefit Plan Investor. The purchaser acknowledges and agrees that no purchase or transfer will be permitted, and the Note Transfer Agent or the Income Notes Transfer Agent, as applicable, will not register any such transfer, to the extent that the purchase or transfer would result in Benefit Plan Investors owning 25% or more of the total value of the Outstanding Income Notes immediately after such purchase or transfer (determined in accordance with the Indenture or Fiscal Agency Agreement, as applicable). The foregoing procedures are intended to enable the Income Notes (other than the Regulation S Income Notes) to be purchased by or transferred to Benefit Plan Investors at any time, although no assurance can be given that there will not be circumstances in which purchases or transfers of Income Notes will be required to be restricted in order to comply with the aforementioned 25% limitation. See "ERISA Considerations."

(c) With respect to the Regulation S Income Notes, each purchaser will be deemed, by its purchase, to have represented and warranted that it is not a Benefit Plan Investor or a Controlling Person. Each purchaser also will be deemed, by its purchase, to have represented and warranted that if it is an employee benefit plan subject to Similar Law, then its purchase and holding of Income Notes do not and will not constitute or result in a violation of any Similar Law for which an exemption is not available. The purchaser understands and agrees that any purported transfer of a Note to a purchaser that does not comply with the requirements of this paragraph 4(c) shall be null and void *ab initio*.

5. The purchaser is not purchasing the Notes with a view toward the resale, distribution or other disposition thereof in violation of the Securities Act. The purchaser understands that an investment in the Notes involves certain risks, including the risk of loss of its entire investment in the Notes under certain circumstances. The purchaser has had access to such financial and other information concerning the Issuers and the Notes as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Notes, including an opportunity to ask questions of, and request information from, the Issuer.

6. In connection with the purchase of the Notes: (i) none of the Issuers, the Initial Purchaser, the Liquidation Agent, the Trustee, the Agents, the Administrator or the Share Trustee (as defined herein) is acting as a fiduciary or financial or investment adviser for the purchaser; (ii) the purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuers, the Initial Purchaser, the Liquidation Agent, the Trustee, the Agents, the Administrator or the Share Trustee other than in this Offering Circular for such Notes and any representations expressly set forth in a written agreement with such party; (iii) none of the Issuers, the Initial Purchaser, the Liquidation Agent, the Trustee, the Agents, the Credit Protection Buyer, the Administrator or the Share Trustee has given to the purchaser (directly or indirectly through any other person) any assurance, guarantee or representation whatsoever as to the expected or projected success, profitability, return, performance, results, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment in the Notes; (iv) the purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture and Fiscal Agency Agreement) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by Issuers, the Initial Purchaser, the Liquidation Agent, the Trustee, the Agents, the Credit Protection Buyer, the Administrator or the Share Trustee; (v) the purchaser has evaluated the rates, prices or amounts and other terms and conditions of the purchase and sale of the Notes with a full understanding of all of the risks thereof (economic and otherwise), and is

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capable of assuming and willing to assume (financially and otherwise) those risks; and (vi) the purchaser is a sophisticated investor.

7. Pursuant to the terms of the Indenture, unless otherwise determined by the Issuers in accordance with the Indenture, the Class S Notes, Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes will bear a legend to the following effect:

> THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUERS HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUERS THAT THE NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT IS NOT A BROKER DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE INITIAL PURCHASER AND IS NOT A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT OR (2) TO A NON U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND, IN THE CASE OF CLAUSE (1), IN A PRINCIPAL AMOUNT OF NOT LESS THAN $250,000 OR IN THE CASE OF CLAUSE (2), IN A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000, FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH IT IS ACTING, TO A PURCHASER THAT, OTHER THAN IN THE CASE OF CLAUSE (2), (V) IS A QUALIFIED PURCHASER FOR PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. EACH HOLDER HEREOF SHALL BE DEEMED TO MAKE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE INDENTURE (AS DEFINED HEREIN). ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE NULL AND VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUERS, THE NOTE TRANSFER AGENT OR ANY INTERMEDIARY. EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUERS HAVE THE RIGHT, UNDER THE INDENTURE (AS DEFINED HEREIN), TO COMPEL ANY BENEFICIAL OWNER OF AN INTEREST IN A RULE 144A GLOBAL NOTE (AS DEFINED IN THE INDENTURE) THAT IS A U.S. PERSON AND IS NOT BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER TO SELL ITS INTEREST IN THE NOTES, OR MAY SELL SUCH INTERESTS ON BEHALF OF SUCH OWNER.

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THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUERS THAT EITHER (I) THE HOLDER IS NOT AND WILL NOT BE AN EMPLOYEE BENEFIT PLAN AS DEFINED IN AND SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A PLAN DEFINED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN'S OR OTHER PLAN'S INVESTMENT IN THE ENTITY, OR ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW") OR (II) THE HOLDER'S PURCHASE AND HOLDING OF A NOTE DO NOT AND WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH ANOTHER PLAN, ANY SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE. ANY PURPORTED TRANSFER OF A NOTE TO A HOLDER THAT DOES NOT COMPLY WITH THE REQUIREMENTS SET FORTH ABOVE SHALL BE NULL AND VOID *AB INITIO*.

ANY TRANSFER, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN, UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC"), NEW YORK, NEW YORK, TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.).

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE NOTE PAYING AGENT.

8. 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, state and local income and franchise tax and any other income taxes, the Issuer will be treated as a corporation, the Secured Notes will be treated as indebtedness of the Issuer and the Income Notes will be treated as equity in the Issuer; the purchaser agrees to such treatment and agrees to take no action inconsistent with such treatment.

9. The purchaser understands that the Issuers, the Trustee, the Initial Purchaser, the Liquidation Agent and their counsel will rely upon the accuracy and truth of the foregoing representations, and the purchaser hereby consents to such reliance.

10. Pursuant to the terms of the Fiscal Agency Agreement, unless otherwise determined by the Issuer in accordance with the Fiscal Agency Agreement, the Income Notes sold to non-U.S. Persons in offshore transactions (the "Regulation S Income Notes") will bear a legend to the following effect:

THE INCOME NOTES ARE THE SUBJECT OF, AND ARE ISSUED SUBJECT TO THE TERMS AND CONDITIONS OF, THE FISCAL AGENCY AGREEMENT, DATED ON OR ABOUT MARCH 20, 2007 (THE "FISCAL AGENCY AGREEMENT") BY AND BETWEEN THE ISSUER OF THE INCOME

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NOTES AND LASALLE BANK NATIONAL ASSOCIATION, AS FISCAL AGENT. COPIES OF THE FISCAL AGENCY AGREEMENT MAY BE OBTAINED FROM THE FISCAL AGENT.

THE INCOME NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE INCOME NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH INCOME NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND, IN THE CASE OF CLAUSE (1) AND (2) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $250,000 OR IN THE CASE OF CLAUSE (3) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000. FURTHERMORE, THE PURCHASER AND EACH ACCOUNT FOR WHICH IT IS ACTING AS A PURCHASER, OTHER THAN IN THE CASE OF CLAUSE (A)(3) ABOVE, REPRESENTS FOR THE BENEFIT OF THE ISSUER THAT IT (V) IS A QUALIFIED PURCHASER FOR THE PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, IN EACH CASE AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY PURPORTED TRANSFER IN VIOLATION OF THE FOREGOING WILL NOT BE PERMITTED OR REGISTERED BY THE INCOME NOTES TRANSFER AGENT. EACH TRANSFEROR OF THE INCOME NOTES WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE FISCAL AGENCY AGREEMENT TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER HAS THE RIGHT TO COMPEL ANY BENEFICIAL OWNER OF AN INCOME NOTE THAT IS A U.S. PERSON AND IS NOT (A) A QUALIFIED PURCHASER AND (B) EITHER A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION TO SELL SUCH INCOME NOTES, OR MAY SELL SUCH INCOME NOTES ON BEHALF OF SUCH OWNER.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(1) OR (A)(2) OF THE PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL (1) BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE FISCAL AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS (X) 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, OR (Y) AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION AND (Z) A QUALIFIED PURCHASER FOR THE PURPOSES

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OF THE INVESTMENT COMPANY ACT AND (2) RECEIVE ONE OR MORE DEFINITIVE INCOME NOTES.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(3) OF THE SECOND PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL BE REQUIRED TO DELIVER TO THE ISSUER AND THE FISCAL AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S).

WITH RESPECT TO THE INCOME NOTES PURCHASED OR TRANSFERRED AFTER THE CLOSING DATE, THE PURCHASER OR TRANSFEREE IS DEEMED TO REPRESENT AND WARRANT), THAT (i) IT IS NOT (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN AND SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (B) A "PLAN" AS DESCRIBED IN SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF AN EMPLOYEE BENEFIT PLAN'S OR OTHER PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); AND (ii) IT IS NOT A PERSON WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. IF THE PURCHASER OR TRANSFEREE IS AN EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), SUCH PURCHASER OR TRANSFEREE ALSO IS DEEMED TO REPRESENT AND WARRANT THAT ITS PURCHASE AND HOLDING OF THE INCOME NOTES WILL NOT CONSTITUTE OR RESULT IN A VIOLATION OF ANY SIMILAR LAW FOR WHICH AN EXEMPTION IS NOT AVAILABLE. ANY PURPORTED TRANSFER OF AN INCOME NOTE THAT DOES NOT COMPLY WITH THE REQUIREMENTS SET FORTH ABOVE SHALL BE NULL AND VOID *AB INITIO*.

PAYMENTS TO THE HOLDERS OF THE INCOME NOTES ARE SUBORDINATE TO THE PAYMENT ON EACH QUARTERLY PAYMENT DATE OF PRINCIPAL OF AND INTEREST ON THE SECURED NOTES OF THE ISSUER OR CO-ISSUER, AS APPLICABLE, AND THE PAYMENT OF CERTAIN OTHER AMOUNTS, TO THE EXTENT AND AS DESCRIBED IN THE INDENTURE.

11. Pursuant to the terms of the Fiscal Agency Agreement, unless otherwise determined by the Issuer in accordance with the Fiscal Agency Agreement, the Income Notes (other than the Regulation S Income Notes) will bear a legend to the following effect:

THE INCOME NOTES ARE THE SUBJECT OF, AND ARE ISSUED SUBJECT TO THE TERMS AND CONDITIONS OF, THE FISCAL AGENCY AGREEMENT, DATED ON OR ABOUT MARCH 20, 2007 (THE "FISCAL AGENCY AGREEMENT") BY AND BETWEEN THE ISSUER OF THE INCOME NOTES AND LASALLE BANK NATIONAL ASSOCIATION, AS FISCAL AGENT. COPIES OF THE FISCAL AGENCY AGREEMENT MAY BE OBTAINED FROM THE FISCAL AGENT.

THE INCOME NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE INCOME NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH INCOME NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY

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BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND, IN THE CASE OF CLAUSE (1) AND (2) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $250,000 OR IN THE CASE OF CLAUSE (3) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000. FURTHERMORE, THE PURCHASER AND EACH ACCOUNT FOR WHICH IT IS ACTING AS A PURCHASER, OTHER THAN IN THE CASE OF CLAUSE (A)(3) ABOVE, REPRESENTS FOR THE BENEFIT OF THE ISSUER THAT IT (V) IS A QUALIFIED PURCHASER FOR THE PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND, IN EACH CASE, IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY PURPORTED TRANSFER IN VIOLATION OF THE FOREGOING WILL NOT BE PERMITTED OR REGISTERED BY THE INCOME NOTES TRANSFER AGENT. EACH TRANSFEROR OF THE INCOME NOTES WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE FISCAL AGENCY AGREEMENT TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER HAS THE RIGHT TO COMPEL ANY BENEFICIAL OWNER OF AN INCOME NOTE THAT IS A U.S. PERSON AND IS NOT (A) A QUALIFIED PURCHASER AND (B) EITHER A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION TO SELL SUCH INCOME NOTES, OR MAY SELL SUCH INCOME NOTES ON BEHALF OF SUCH OWNER.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(1) OR (A)(2) OF THE PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL (1) BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE INCOME NOTES TRANSFER AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS (X) 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, OR (Y) AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION AND (Z) A QUALIFIED PURCHASER FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT AND (2) RECEIVE ONE OR MORE DEFINITIVE INCOME NOTES.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(3) OF THE SECOND PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL BE REQUIRED TO DELIVER TO THE ISSUER AND THE INCOME NOTES TRANSFER AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S).

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WITH RESPECT TO THE INCOME NOTES PURCHASED OR TRANSFERRED ON OR AFTER THE CLOSING DATE, THE PURCHASER OR TRANSFEREE MUST DISCLOSE IN WRITING IN ADVANCE TO THE FISCAL AGENT (i) WHETHER OR NOT IT IS (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN AND SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (B) A "PLAN" DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF AN EMPLOYEE BENEFIT PLAN OR OTHER PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); (ii) IF THE PURCHASER OR TRANSFEREE IS A BENEFIT PLAN INVESTOR (OR ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW")), THAT THE PURCHASE AND HOLDING OR TRANSFER AND HOLDING OF INCOME NOTES WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO SIMILAR LAW, ANY SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE; AND (iii) WHETHER OR NOT IT IS A PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. IF A PURCHASER IS AN INSURANCE COMPANY ACTING ON BEHALF OF ITS GENERAL ACCOUNT OR OTHER ENTITY DEEMED TO BE HOLDING PLAN ASSETS, IT WILL BE PERMITTED TO SO INDICATE, AND REQUIRED TO IDENTIFY A MAXIMUM PERCENTAGE OF THE ASSETS IN SUCH GENERAL ACCOUNT OR ENTITY THAT MAY BE OR BECOME PLAN ASSETS, IN WHICH CASE THE PURCHASER OR TRANSFEREE WILL BE REQUIRED TO MAKE CERTAIN FURTHER AGREEMENTS THAT WOULD APPLY IN THE EVENT THAT SUCH MAXIMUM PERCENTAGE WOULD THEREAFTER BE EXCEEDED. THE PURCHASER AGREES THAT, BEFORE ANY INTEREST IN AN INCOME NOTE MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, THE TRANSFEREE WILL BE REQUIRED TO PROVIDE THE INCOME NOTES TRANSFER AGENT WITH AN INCOME NOTE PURCHASE AND TRANSFER LETTER (SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT) STATING, AMONG OTHER THINGS, WHETHER THE TRANSFEREE IS A BENEFIT PLAN INVESTOR. THE TRUSTEE OR INCOME NOTES TRANSFER AGENT WILL NOT PERMIT OR REGISTER ANY PURCHASE OR TRANSFER OF INCOME NOTES TO THE EXTENT THAT THE PURCHASE OR TRANSFER WOULD RESULT IN BENEFIT PLAN INVESTORS OWNING 25% OR MORE OF THE TOTAL VALUE OF THE OUTSTANDING INCOME NOTES (OTHER THAN THE INCOME NOTES OWNED BY THE LIQUIDATION AGENT, THE TRUSTEE AND THEIR AFFILIATES) IMMEDIATELY AFTER SUCH PURCHASE OR TRANSFER (DETERMINED IN ACCORDANCE WITH THE PLAN ASSET REGULATION (AS DEFINED HEREIN) AND IN THE FISCAL AGENCY AGREEMENT).

PAYMENTS TO THE HOLDERS OF THE INCOME NOTES ARE SUBORDINATE TO THE PAYMENT ON EACH QUARTERLY PAYMENT DATE OF PRINCIPAL OF AND INTEREST ON THE SECURED NOTES OF THE ISSUER OR CO-ISSUER, AS APPLICABLE, AND THE PAYMENT OF CERTAIN OTHER AMOUNTS, TO THE EXTENT AND AS DESCRIBED IN THE INDENTURE.

12. 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 with respect to United States federal income taxes within the meaning of U.S. Treasury Regulation Section 1.881-3(a)(4).

13. The purchaser agrees, in the case of the Secured Notes, to treat the Notes as debt for United States federal, state and local income taxes and, in the case of the Income Notes, to treat such Income Notes as equity for United States federal, state and local income tax purposes.

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14. The purchaser acknowledges that due to money laundering requirements operating in the Cayman Islands, the Issuer and the Note Transfer Agent or the Income Notes Transfer Agent, as applicable, may require further identification of the purchaser before the purchase application can proceed. The Issuer and the Note Transfer Agent or the Income Notes Transfer Agent shall be held harmless and indemnified by the purchaser against any loss arising from the failure to process the application if such information as has been required from the purchaser has not been provided by the purchaser.

The Notes that are being offered hereby in reliance on the exemption from registration under Regulation S (such Notes, respectively, the "Regulation S Co-Issued Notes"; the "Regulation S Income Notes"; and, collectively, the "Regulation S Notes") have not been and will not be registered under the Securities Act and neither of the Issuers will be registered under the Investment Company Act. The Regulation S Notes may not be offered or sold within the United States or to U.S. Persons (as defined in Regulation S) unless the purchaser certifies or is deemed to have certified that it is a qualified institutional buyer as defined in Rule 144A (a "Qualified Institutional Buyer") and a "qualified purchaser" for the purposes of Section 3(c)(7) of the Investment Company Act (a "Qualified Purchaser") or, solely in the case of the Income Notes, that it is an "accredited investor" as defined in Rule 501(a) under the Securities Act (an "Accredited Investor") who has a net worth of not less than $10 million and a Qualified Purchaser, and takes delivery in the form of (i) an interest in a Rule 144A Global Note in an amount at least equal to the minimum denomination applicable to the Rule 144A Notes or (ii) an Income Note in a principal amount at least equal to $250,000. See "Description of the Notes" and "Underwriting."

The requirements set forth under "Notice to Investors" above apply only to Notes offered in the United States, except for the requirements set forth in Paragraphs (4), (5), (6), (8), (9), (12) and (13) and except that the Regulation S Notes will bear the legends set forth in Paragraphs (7) and (10) under "Notice to Investors" above.

THE ISSUERS ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR OTHER THAN INFORMATION PROVIDED IN THE SECTIONS ENTITLED "THE LIQUIDATION AGENCY AGREEMENT—THE LIQUIDATION AGENT". TO THE BEST OF THE KNOWLEDGE AND THE BELIEF OF THE ISSUERS, THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR OTHER THAN INFORMATION PROVIDED IN THE SECTION ENTITLED "THE LIQUIDATION AGENCY AGREEMENT—THE LIQUIDATION AGENT", IS ACCURATE IN ALL MATERIAL RESPECTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. THE LIQUIDATION AGENT ACCEPTS RESPONSIBILITY FOR THE INFORMATION PROVIDED IN "THE LIQUIDATION AGENCY AGREEMENT—THE LIQUIDATION AGENT" SECTION. TO THE BEST OF THE KNOWLEDGE AND THE BELIEF OF THE LIQUIDATION AGENT, THE INFORMATION CONTAINED IN THE SECTION ENTITLED "THE LIQUIDATION AGENCY AGREEMENT—THE LIQUIDATION AGENT" IS ACCURATE IN ALL MATERIAL RESPECTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION.

EACH PURCHASER OF THE NOTES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN EACH JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS SUCH NOTES OR POSSESSES OR DISTRIBUTES THIS OFFERING CIRCULAR AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED FOR THE PURCHASE, OFFER OR SALE BY IT OF SUCH NOTES UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTIONS TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES, AND NONE OF THE ISSUERS, THE INITIAL PURCHASER, THE LIQUIDATION AGENT, THE CREDIT PROTECTION BUYER OR THEIR AGENTS SPECIFIED HEREIN SHALL HAVE ANY RESPONSIBILITY THEREFOR.

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AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with the resale of the Notes, the Issuers will be required under the Indenture and the Fiscal Agency Agreement, to furnish upon request to a Holder or beneficial owner of a Note and to a prospective investor who is a Qualified Institutional Buyer designated by such Holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) if, at the time of the request neither the Issuer nor the Co-Issuer, as applicable, is a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

To the extent the Issuer or the Trustee delivers any annual or other periodic report to the Holders of the Secured Notes, the Issuer or the Trustee will include in such report a reminder that (1) each Holder (other than those Holders who are not U.S. Persons and have purchased their Notes outside the United States pursuant to Regulation S) is required to be (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser, in each case that can make all of the representations in the Indenture applicable to a Holder that is a U.S. Person; (2) the Notes can only be transferred (i) to a transferee that is (a) a Qualified Institutional Buyer and (b) a Qualified Purchaser that can make all of the representations in the Indenture applicable to a Holder who is a U.S. Person or (ii) to a non-U.S. Person in an offshore transaction complying with Rule 903 or 904 under Regulation S; and (3) the Issuers have the right to compel any Holder who does not meet the transfer restrictions set forth in the Indenture to transfer its interest in the Notes to a person designated by the Issuers or sell such interests on behalf of the Holder.

To the extent the Issuer or the Fiscal Agent delivers any annual or periodic reports to the Holders of the Income Notes, the Issuer or the Fiscal Agent, as applicable, will include in such report a reminder that (1) each Holder (other than those Holders who are not U.S. Persons and have purchased their Income Notes outside the United States pursuant to Regulation S) is required to be (a) a Qualified Institutional Buyer or an Accredited Investor who has a net worth of not less than U.S.$10 million and (b) a Qualified Purchaser that can make all of the representations in the Income Notes Purchase and Transfer Letter applicable to a Holder who is a U.S. Person; (2) the Income Notes can only be transferred to a transferee that is (i)(a) a Qualified Institutional Buyer or an Accredited Investor who has a net worth not less than U.S.$10 million and (b) a Qualified Purchaser or (ii) a non-U.S. Person in an offshore transaction complying with Rule 903 or Rule 904 under Regulation S; and (3) the Issuer has the right to compel any Holder who does not meet the transfer restrictions set forth in the Fiscal Agency Agreement to transfer its Income Notes to a person designated by the Issuer or sell such Income Notes on behalf of the Holder.

In addition, notwithstanding the foregoing, any prospective purchaser (and each employee, representative, or other agent of a prospective purchaser) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions described in this Offering Circular and all materials of any kind (including opinions or other tax analyses) that are provided to the prospective purchaser relating to such tax treatment and tax structure. This authorization of tax disclosure is retroactively effective to the commencement of discussions with the prospective purchaser regarding the transactions contemplated herein.

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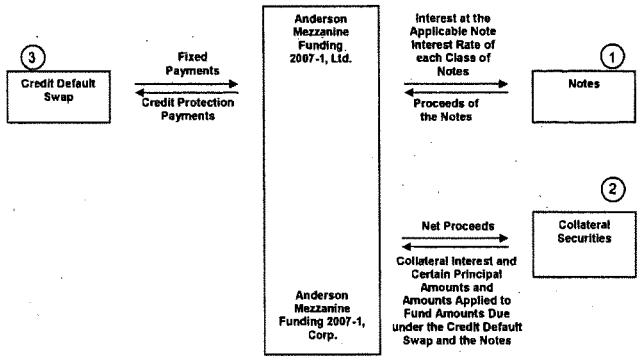
TRANSACTION OVERVIEW

This overview is not complete and is qualified in its entirety by reference to (i) the detailed information appearing elsewhere in this Offering Circular, (ii) the terms and conditions of the Notes and (iii) the provisions of the documents referred to in this Offering Circular.



(1) On the Closing Date, the Notes will be issued in the Aggregate Outstanding Amount set forth in the "Summary—The Notes".

(2) The Issuer will use the net proceeds of the offering of the Notes to purchase the initial Collateral Securities and Eligible Investments selected by the Credit Protection Buyer.

(3) On the Closing Date, the Issuer and Goldman Sachs International, as the Credit Protection Buyer, will enter into the Credit Default Swap whereby the Issuer (a) sells credit protection to the Credit Protection Buyer with respect to a Reference Portfolio of RMBS Securities and CDO RMBS Securities and (b) receives from the Credit Protection Buyer (i) a Fixed Payment on each Payment Date and (ii) certain Additional Fixed Payments. The Issuer will pay to the Credit Protection Buyer (i) certain Additional Floating Amounts and (ii) following the occurrence of a Credit Event and the satisfaction of the Conditions to Settlement, an amount equal to the Physical Settlement Amount. For a description of all payments to be made under the Credit Default Swap, see "The Credit Default Swap—Credit Protection Buyer Payments" and "—Credit Protection Seller Payments".

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SUMMARY

The following summary is qualified in its entirety by the detailed information appearing elsewhere in this Offering Circular. For definitions of certain terms used in this Offering Circular see "Appendix A — Certain Defined Terms" and for the location of the definitions of those and other terms, see "Index of Defined Terms." For a discussion of certain factors to be considered in connection with an investment in the Notes, see "Risk Factors."

The Notes

The Issuers.....

Anderson Mezzanine Funding 2007-1, Ltd. (the "Issuer") is an exempted company incorporated under the laws of the Cayman Islands for the sole purpose of (i) entering into and performing its obligations under, the Credit Default Swap, (ii) acquiring the Collateral Securities and the Eligible Investments, (iii) entering into and performing its obligations under the Liquidation Agency Agreement, (iv) co-issuing the Co-Issued Notes, (v) issuing Income Notes and (vi) engaging in certain related transactions.

The Issuer will not have any assets other than (i) the Collateral Securities and the Eligible Investments (collectively, the "Collateral"), (ii) the Delivered Obligations, if any, and any principal payments received thereon, if any, delivered to the Issuer, (iii) the Issuer's rights under the Credit Default Swap and the Liquidation Agency Agreement and (iv) certain other assets that will be pledged by the Issuer to the Trustee under the Indenture (the "Pledged Assets"), for the benefit of the Secured Parties, as security for, among other obligations, the Issuers' obligations under the Secured Notes.

Anderson Mezzanine Funding 2007-1, Corp. (the "Co-Issuer" and, together with the Issuer, the "Issuers") is a corporation formed under the laws of the State of Delaware for the sole purpose of co-issuing the Secured Notes.

The Co-Issuer will not have any assets (other than U.S.$10 of equity capital) and will not pledge any assets to secure the Secured Notes. The Co-Issuer will have no claim against the Issuer in respect of the Pledged Assets or otherwise.

The authorized share capital of the Issuer consists of 250 ordinary shares, par value U.S.$1.00 per share ("Issuer Ordinary Shares"), which have been issued. The Issuer Ordinary Shares and all of the outstanding common equity of the Co-Issuer will be held by Maples Finance Limited, a licensed trust company incorporated in the Cayman Islands (the "Administrator") as the trustee pursuant to the terms of a declaration of trust for the benefit of charitable and similar purposes (the "Share Trustee").

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The Notes								
Class Designation	**S**	**A-1a**	**A-1b**	**A-2**	**B**	**C**	**D**	**Income Notes**
Original Principal Amount	$2,490,000	$130,000,000	$53,000,000	$30,500,000	$42,700,000	$16,775,000	$11,090,000	$20,935,000
Stated Maturity	July 12, 2013	July 12, 2042						
Minimum Denomination (Integral Multiples):								
Rule 144A	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)
Reg S	$100,000 ($1)	$100,000 ($1)	$100,000 ($1)	$100,000 ($1)	$100,000 ($1)	$100,000 ($1)	$100,000 ($1)	$100,000 ($1)
Accredited Investors	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$250,000 ($1)
Applicable Investment Company Act of 1940 Exemption	3(c)(7)							
Initial Ratings:								
Moody's	Aaa	Aaa	Aaa	Aaa	Aa2	A2	Baa2	N/A
S&P	AAA	AAA	AAA	AAA	AA	A	BBB	N/A
Deferred Interest	No	No	No	No	No	Yes	Yes	N/A
Pricing Date	March 12, 2007							
Closing Date	March 20, 2007							
Interest Rate	1 Month LIBOR + 0.20%	1 Month LIBOR + 0.32%	1 Month LIBOR + 0.65%	1 Month LIBOR + 0.90%	1 Month LIBOR + 1.75%	1 Month LIBOR + 5.50%	1 Month LIBOR + 4.00%	N/A
Fixed or Floating Rate	Floating	Floating	Floating	Floating	Floating	Floating	Floating	N/A
Interest Accrual Period[1]	Floating Period	Floating Period	Floating Period	Floating Period	Floating Period	Floating Period	Floating Period	N/A
Dates of Payment	(i) the 12th day of each month (or if such day is not a Business Day, the next succeeding Business Day) beginning in July 2007 and at Stated Maturity (each, a "Scheduled Payment Date") and (ii) any Redemption Date							(i) the 12th day of each of January, April, July and October (or if such day is not a Business Day, the next succeeding Business Day) beginning in July 2007 and at Stated Maturity (each, a "Scheduled Payment Date") and any Redemption Date
First Payment Date	July 12, 2007	July 12, 2007	July 12, 2007	July 12, 2007	July 12, 2007	July 12, 2007	July 12, 2007	July 12, 2007
Record Date	Business Day prior to the applicable Payment Date (or the 10th Business Day prior to the applicable Payment Date for Notes issued in definitive form)							
Frequency of Payments	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Quarterly
Day Count	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360	N/A
Form of Notes:								
Global	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes (Reg S only)
Certificated	No	No	No	No	No	No	No	Yes (other than Reg S)
CUSIPS Rule 144A	034050AA2	034050AB0	034050AC8	034050AD6	034050AE4	034050AF1	034050AG9	03404PAA8
CUSIPS Reg S	G03652AA5	G03652AB3	G03652AC1	G03652AD9	G03652AE7	G03652AF4	G03652AG2	G03651AA7
ISIN Reg S	USG03652AA54	USG03652AB38	USG03652AC11	USG03652AD93	USG03652AE76	USG03652AF42	USG03652AG25	USG03651AA71
CUSIPS REG D	N/A	N/A	N/A	N/A	N/A	N/A	N/A	03404PAB6
Clearing Method:								
Rule 144A	DTC	DTC	DTC	DTC	DTC	DTC	DTC	Physical
Reg S	EuroClear	EuroClear	EuroClear	EuroClear	EuroClear	EuroClear	EuroClear	Euroclear

[1] **"Floating Period"** means, with respect to the Secured Notes and any Payment Date, the period commencing on and including the immediately preceding Payment Date (or the Closing Date in the case of the first Interest Accrual Period) and ending on and including the day immediately preceding such Payment Date.

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The Indenture.....	On the Closing Date, the Issuer and the Co-Issuer will co-issue U.S.$2,490,000 principal amount of Class S Floating Rate Notes Due 2013 (the "Class S Notes"), U.S.$130,000,000 principal amount of Class A-1a Floating Rate Notes Due 2042 (the "Class A-1a Notes"), U.S.$53,000,000 principal amount of Class A-1b Floating Rate Notes Due 2042 (the "Class A-1b Notes" and, together with the Class A-1a Notes, the "Class A-1 Notes"), U.S.$30,500,000 principal amount of Class A-2 Floating Rate Notes Due 2042 (the "Class A-2 Notes" and, together with the Class A-1 Notes, the "Class A Notes"), U.S.$42,700,000 principal amount of Class B Floating Rate Notes Due 2042 (the "Class B Notes"), U.S.$16,775,000 principal amount of Class C Deferrable Floating Rate Notes Due 2042 (the "Class C Notes") and U.S.$11,090,000 principal amount of Class D Deferrable Floating Rate Notes Due 2042 (the "Class D Notes" and, together with the Class S Notes, Class A Notes, the Class B Notes and the Class C Notes, the "Co-Issued Notes" or the "Secured Notes") pursuant to an Indenture (the "Indenture") dated on or about March 20, 2007, among the Issuers and LaSalle Bank National Association, as trustee and as securities intermediary (in such capacity, the "Trustee" and the "Securities Intermediary", respectively). Under the Indenture, LaSalle Bank National Association will also act as principal paying agent for the Notes (the "Principal Note Paying Agent"), as registrar (the "Note Registrar"), as calculation agent (the "Note Calculation Agent"), as transfer agent (the "Note Transfer Agent") and as paying agent for the Notes (the "Note Paying Agent" and, together with the Principal Note Paying Agent, the Note Registrar, the Note Calculation Agent, the Note Transfer Agent and the Irish Paying Agent (if any), the "Note Agents").
The Fiscal Agency Agreement.....	On the Closing Date, the Issuer will also issue U.S.$20,935,000 principal amount of Income Notes Due 2042 (the "Income Notes" and, together with the Secured Notes, the "Notes") pursuant to a Fiscal Agency Agreement (the "Fiscal Agency Agreement") dated on or about the Closing Date between the Issuer and LaSalle Bank National Association, as fiscal agent (in such capacity, the "Fiscal Agent"). The Fiscal Agent will initially be appointed as the Income Notes transfer agent (in such capacity, the "Income Notes Transfer Agent" and, together with the Fiscal Agent and the Note Agents, the "Agents") under the Fiscal Agency Agreement. The Note Paying Agent, the Principal Note Paying Agent and any other paying agents appointed from time to time under the Indenture are collectively referred to as the "Note Paying Agents." The Note Paying Agents and the Fiscal Paying Agent are collectively referred to as the "Paying Agents." The Note Transfer Agent and the Income Notes Transfer Agent are collectively referred to as the "Transfer Agents." The Indenture, the Credit Default Swap, the Liquidation Agency Agreement, the Collateral Administration Agreement, the Administration Agreement and the Fiscal Agency Agreement are collectively referred to as the "Transaction Documents." Only the Secured Notes and the Income Notes (collectively, the "Offered Notes") are offered hereby.
Status of the Notes.....	The Co-Issued Notes will be limited recourse obligations of the Issuers. The Income Notes will be limited recourse obligations of the Issuer, will not be secured obligations of the Issuer and will only be entitled to receive amounts available for payment on any Quarterly Payment Date after payment of all amounts payable prior thereto under the Priority of Payments and only out of funds legally available therefor. Interest on the Class A-1a Notes, Class A-1b Notes and Class A-2 Notes will be paid *pro rata*. Principal on the Class A-1a Notes and Class A-1b Notes will be paid

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	either *pro rata* or first to the Class A-1a Notes and second to the Class A-1b Notes and depending on the circumstances as more fully described in the Priority of Payments. Principal on the Class A Notes will be paid either *pro rata* or first to the Class A-1 Notes and second to the Class A-2 Notes depending on the circumstances as more fully described in the Priority of Payments. The Class S Notes will be senior in right of payment on each Payment Date to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes; the Class A Notes will be paid in accordance with the Priority of Payments either *pro rata* or sequentially and the Class A Notes will be senior in right of payment on each Payment Date to the Class B Notes, the Class C Notes the Class D Notes and the Income Notes; the Class B Notes will be senior in right of payment on each Payment Date to the Class C Notes, the Class D Notes and the Income Notes; the Class C Notes will be senior in right of payment on each Payment Date to the Class D Notes and the Income Notes; and the Class D Notes will be senior in right of payment on each Payment Date to the Income Notes, each to the extent provided in the Priority of Payments. Payments on the Income Notes will be paid on each Quarterly Payment Date solely from and to the extent of the available proceeds from distributions on the Pledged Assets after payment of all of the liabilities of the Issuer that rank ahead of the Income Notes pursuant to the Indenture or applicable law. See "Description of the Notes—Status and Security" and "—Priority of Payments."
Security for the Secured Notes.....	Under the terms of the Indenture, the Issuer will grant to the Trustee, for the benefit and security of the Trustee on behalf of the Holders of the Secured Notes, the Fiscal Agent, the Liquidation Agent and the Credit Protection Buyer (together the "Secured Parties"), to secure the Issuer's obligations under the Secured Notes, the Indenture, the Liquidation Agency Agreement and the Credit Default Swap (the "Secured Obligations"), a first priority security interest in the Pledged Assets. The Income Notes will not be secured.
Use of Proceeds.....	The net proceeds associated with the offering of the Notes issued on the Closing Date, after the payment of applicable fees and expenses and deposit into the Expense Reserve Account, are expected to equal approximately U.S.$306,545,000. The net proceeds will be used by the Issuer to purchase on the Closing Date the Collateral Securities and Eligible Investments having an aggregate Principal Balance on the Closing Date of approximately U.S.$305,000,000. See "The Collateral Securities" and "Use of Proceeds."
Interest and Other Payments on the Notes.....	The Secured Notes will accrue interest from the Closing Date and such interest will be payable, on the 12th day of each calendar month, or if any such date is not a Business Day, the immediately following Business Day (each such date, a "Monthly Payment Date") commencing on July 12, 2007. Payments on the Income Notes will be payable in arrears on January, April, July and October of each year, or if any such date is not a Business Day, the immediately following Business Day (each such date, a "Quarterly Payment Date") commencing on July 12, 2007, out of Excess Amounts (as defined below). "Payment Date" means (i) with respect to each Class of Notes other than the Income Notes, each Monthly Payment Date, and (ii) with respect to the Income Notes, each Quarterly Payment Date. All payments on the Notes will be made from Proceeds in accordance with the Priority of Payments.

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	To the extent interest that is due is not paid on the Class C Notes on any Payment Date ("Class C Deferred Interest"), such unpaid amounts will be added to the principal amount of the Class C Notes, and shall accrue interest at the Class C Note Interest Rate to the extent lawful and enforceable. So long as any Class S Notes, Class A Notes or Class B Notes are outstanding, the failure to pay any interest on the Class C Notes on any Payment Date will not be an Event of Default under the Indenture. To the extent interest that is due is not paid on the Class D Notes on any Payment Date ("Class D Deferred Interest"), such unpaid amounts will be added to the principal amount of the Class D Notes, and shall accrue interest at the Class D Note Interest Rate to the extent lawful and enforceable. So long as any Class S Notes, Class A Notes, Class B Notes or Class C Notes are outstanding, the failure to pay any interest on the Class D Notes on any Payment Date will not be an Event of Default under the Indenture. See "Description of the Notes—Interest on the Secured Notes" and "—Priority of Payments." The Income Notes will not bear interest based upon any fixed or floating rate. The Fiscal Agent will make payments to the Holders of the Income Notes out of the Proceeds, if any, available pursuant to clause (xviii) on each Quarterly Payment Date (or pursuant to clause (viii) in the case of the Final Payment Date) under "Description of the Notes—Priority of Payments." Such payments will be made on the Income Notes only after all interest and other payments due on the Secured Notes have been made and all expenses of the Issuers have been paid (with such remaining Proceeds referred to as "Excess Amounts"). See "Risk Factors—Notes—Subordination of the Income Notes; Unsecured Obligations."
Principal Payments	The Notes (other than the Class S Notes) will mature on the Payment Date in July 2042 (each such date the "Stated Maturity" with respect to such Notes), and the Class S Notes will mature on the Payment Date in July 2013 (the "Stated Maturity" with respect to the Class S Notes), unless redeemed or retired prior thereto. The average life of the Secured Notes (other than the Class S Notes) is expected to be substantially shorter than the number of years from issuance until Stated Maturity for each Class of Notes. See "Description of the Notes—Principal" and "Risk Factors—Notes—Average Lives, Duration and Prepayment Considerations." Principal will be payable on the Class S Notes in accordance with the Priority of Payments on each Payment Date commencing on the Payment Date occurring in August 2007 in an amount equal to the Class S Notes Amortizing Principal Amount with respect to such Payment Date and, if an Event of Default or Tax Event has occurred and is continuing or an Optional Redemption or Auction has occurred and the Pledged Assets are being liquidated pursuant to the terms of the Indenture, the Class S Notes will be paid in full prior to any distributions to any other Notes. Shifting principal will be payable (pursuant to clause (xi) of the Priority of Payments) on the Secured Notes in accordance with the Priority of Payments on each Payment Date commencing on the Payment Date occurring in July 2007 as described in the Priority of Payments. As a result of the Priority of Payments, notwithstanding the subordination of the Notes described under "Status of the Notes" above, the Class A Notes may be entitled to receive certain payments of principal while the Class S Notes are outstanding, the Class B Notes may be entitled to receive certain

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	payments of principal while the Class S Notes and the Class A Notes are outstanding, the Class C Notes may be entitled to receive certain payments of principal while the Class S Notes, the Class A Notes and the Class B Notes are outstanding and the Class D Notes may be entitled to receive certain payments of principal while the Class S Notes, the Class A Notes, the Class B Notes and the Class C Notes are outstanding. In addition, the Income Notes may be entitled to receive certain payments on each Quarterly Payment Date while the Secured Notes are outstanding. See "Description of the Notes—Priority of Payments." In addition, to the extent funds are available therefor in accordance with the Priority of Payments, certain of the Secured Notes (other than the Class S Notes) will be subject to mandatory redemption on any Payment Date if the Coverage Tests are not satisfied as described herein. See "Description of the Notes—Principal", "—Mandatory Redemption" and "—Priority of Payments."
Tax Redemption	Subject to certain conditions described herein, the Secured Notes will be redeemed from Liquidation Proceeds, in whole but not in part, on the 90th day (which 90-day period may be extended an additional 90 days, as described under "Description of the Notes—Tax Redemption") following the Issuers becoming aware of the occurrence of a Tax Event, at the written direction of, or with the written consent of, Holders of at least 66-2/3% of the Income Notes or Holders of at least a Majority of any Class of Secured Notes which, as a result of the occurrence of such Tax Event, have not received 100% of the aggregate amount of principal and interest or other amounts due and payable to such Holders (such redemption, a "Tax Redemption"). No such Tax Redemption will occur unless the expected Liquidation Proceeds equal or exceed the Total Redemption Amount. Upon the occurrence of a Tax Redemption, the Income Notes will be simultaneously redeemed. No such Tax Redemption will occur unless all amounts payable to the Credit Protection Buyer or any assignee of the Credit Protection Buyer (including all Credit Default Swap Termination Payments) will have been paid in full, in each case, on the related redemption date. With respect to a Tax Redemption as described above, the Secured Notes will be redeemed at their Secured Note Redemption Prices, respectively, as described herein. The amount distributable as the final payment on the Income Notes following any Tax Redemption will equal the amount of the Liquidation Proceeds remaining after the redemption of the Secured Notes in full together with the payment of all other amounts required to be paid in accordance with the Priority of Payments. See "Description of the Notes—Tax Redemption."
Auction	Sixty (60) days prior to the Payment Date occurring in July of each year (the "Auction Date"), commencing on the July 2015 Payment Date, the Liquidation Agent, on behalf of the Issuer, shall take steps to conduct an auction (the "Auction") of the Credit Default Swap, the Eligible Investments (other than cash), the Delivered Obligations, if any, and the Collateral Securities in accordance with the procedures specified in the Indenture. If the Liquidation Agent receives one or more bids from Eligible Bidders not later than ten (10) Business Days prior to the Auction Date, which, when added to the cash on deposit in the Collateral Account, equal to or exceed the Minimum Bid Amount, it will sell, assign, terminate

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	or otherwise dispose of the Credit Default Swap, the Eligible Investments (other than cash), the Delivered Obligations, if any, and the Collateral Securities on or before the fifth Business Day prior to such Auction Date. The Secured Notes will be redeemed in whole on such Auction Date (any such date, the "Auction Payment Date"). If a successful Auction occurs, the Income Notes will also be redeemed in full. If the highest single bid on the entire portfolio, or the aggregate amount of multiple bids with respect to individual Collateral Securities, Eligible Investments (other than cash) and Delivered Obligations when added with the other Liquidation Proceeds and cash on deposit in the Collateral Account, does not equal or exceed the Minimum Bid Amount or if there is a failure at settlement, the Credit Default Swap will not be terminated or assigned, the Eligible Investments (other than cash), Collateral Securities and the Delivered Obligations, if any, will not be sold and no redemption of Notes on the related Auction Date will occur.
Optional Redemption.....	The Secured Notes may be redeemed by the Issuers from Liquidation Proceeds, in whole but not in part, on any Payment Date on or after the Payment Date occurring in July 2010 (the "Optional Redemption Date"), at the written direction of, or with the written consent of the Holders of a Majority of the Income Notes (an "Optional Redemption"). If the Holders of the Income Notes so elect to cause an Optional Redemption of the Secured Notes, the Income Notes will also be redeemed. In the event of an Optional Redemption, the Secured Notes will be redeemed at their Secured Note Redemption Prices as described herein. No Secured Notes shall be redeemed pursuant to an Optional Redemption and a final payment to the Income Notes shall not be made unless the Aggregate Reference Obligation Notional Amount of the Credit Default Swap will be reduced to zero and the Liquidation Agent furnishes certain assurances that the Total Redemption Amount will be available for payment on the related Optional Redemption Date. In the event of any redemption of the Secured Notes, the Fiscal Agent will receive for payment to the Holders of the Income Notes the remaining balance, if any, of funds in the Payment Account (net of all expenses of the Issuers after payment of the Secured Note Redemption Prices of the Secured Notes and the payment of all other amounts payable prior to payments to the Fiscal Agent) for payment to the Holders of the Income Notes pursuant to the Priority of Payments (the "Income Note Redemption Price"). See "Description of the Notes—Optional Redemption."
Mandatory Redemption.....	On any Payment Date on which any Overcollateralization Test is not satisfied as of the preceding Determination Date certain of the Secured Notes (other than the Class S Notes) will be subject to mandatory redemption in accordance with the Priority of Payments, until the applicable Secured Notes have been paid in full (a "Mandatory Redemption"). The Class S Notes and the Income Notes are not subject to mandatory redemption as a result of the failure of any Coverage Test. See "Description of the Notes—Principal", "—Mandatory Redemption" and "—Priority of Payments."

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Coverage Tests	The following table identifies the Coverage Tests and the value at which such tests will be satisfied. See "Description of The Notes—Mandatory Redemption".

Coverage Test	Ratio at Which Test is Satisfied
Class A/B Overcollateralization Test	equal to or greater than 116.0%
Class C Overcollateralization Test	equal to or greater than 109.9%
Class D Overcollateralization Test	equal to or greater than 105.9%

On the Closing Date, the Class A/B Overcollateralization Ratio is expected to be 119.0%, the Class C Overcollateralization Ratio is expected to be 111.7% and the Class D Overcollateralization Ratio is expected to be 107.4%.

The Credit Default Swap

Documentation	The Credit Default Swap will be structured as a "pay-as-you-go" credit default swap and will be documented pursuant to a 1992 ISDA Master Agreement (Multicurrency-Cross Border), including the Schedule thereto (the "Master Agreement"), along with two confirmations (each a "Master Confirmation") between the Issuer, as Credit Protection Seller, and Goldman Sachs International ("GSI"), as the Credit Protection Buyer, evidencing a transaction with respect to each Reference Obligation in the Reference Portfolio thereunder (each such transaction, a "CDS Transaction").
Reference Obligation Notional Amount	Each CDS Transaction is expected to have a specified notional amount (the "Reference Obligation Notional Amount") which represents the dollar amount of the credit exposure which the Issuer is assuming thereunder with respect to the Reference Obligation related to such CDS Transaction. The "Aggregate Reference Obligation Notional Amount" is the sum of the aggregate Reference Obligation Notional Amounts of all CDS Transactions comprising the Reference Portfolio. On the Closing Date, the Issuer expects to enter into CDS Transactions with the Credit Protection Buyer referencing the Reference Obligations described herein and having an Aggregate Reference Obligation Notional Amount of approximately U.S.$305,000,000. In accordance with the terms of the Credit Default Swap, the Reference Obligation Notional Amount of a CDS Transaction is expected after the Closing Date to be: (i) decreased on each day on which a Reference Obligation Principal Payment is made by the relevant Reference Obligation Principal Amortization Amount; (ii) decreased on each day on which a Failure to Pay Principal occurs by the relevant Principal Shortfall Amount;

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	(iii) decreased on each day on which a Writedown occurs by the relevant Writedown Amount; (iv) increased on each day on which a Writedown Reimbursement occurs by any Writedown Reimbursement Amount in respect of a Writedown Reimbursement within paragraphs (ii) or (iii) of the definition of "Writedown Reimbursement"; and (v) decreased on each Delivery Date by an amount equal to the relevant Exercise Amount minus the relevant amount determined pursuant to paragraph (b) under the heading "Physical Settlement Amount" in the related Master Confirmation; provided that, if any Relevant Amount is applicable, the Exercise Amount will also be deemed to be decreased by such Relevant Amount (or increased by the absolute value of such Relevant Amount if such Relevant Amount is negative) with effect from such Delivery Date. Each CDS Transaction will terminate by its terms no later than the scheduled legal final maturity of the related Reference Obligation unless a Credit Event occurs or a Floating Amount becomes due with respect to such CDS Transaction and the physical settlement date is scheduled to occur after such date. For a more detailed description of the Credit Default Swap, see "The Credit Default Swap". Copies of the Master Agreement and the Master Confirmations are available to investors from the Trustee.
The Reference Portfolio.....	On the Closing Date, the Credit Default Swap will reference 61 Reference Obligations (collectively, the "Reference Portfolio"). See Appendix B to this Offering Circular for certain summary information about the Reference Portfolio. The types of (i) Residential Mortgage-Backed Securities that constitute Reference Obligations in the Reference Portfolio will include RMBS Midprime Mortgage Securities and RMBS Subprime Mortgage Securities and (ii) CDO Securities that constitute Reference Obligations in the Reference Portfolio will include CDO RMBS Securities.
Credit Events.....	The following Credit Events (each a "Credit Event") shall apply with respect to each Reference Obligation: (i) Failure to Pay Principal; (ii) Writedown; (iii) Distressed Ratings Downgrade; or (iv) Failure to Pay Interest (in the case of CDO RMBS Security Reference Obligations only). See "The Credit Default Swap—Credit Events."
Conditions to Settlement.....	The "Conditions to Settlement" will be satisfied upon delivery to the Credit Protection Seller and the Trustee of a Credit Event Notice and a Notice of Publicly Available Information.

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Notifying Party	The Credit Protection Buyer.
Credit Default Swap Calculation Agent	GSI will be the calculation agent (in this capacity the "Credit Default Swap Calculation Agent") under the Credit Default Swap.
Settlement Method	Physical.
Credit Default Swap Early Termination	The Credit Default Swap may be terminated by the Issuer or by the Credit Protection Buyer (a "Credit Default Swap Early Termination") at the option of the non-defaulting or non-affected party, as applicable, upon the occurrence of an "Event of Default" or "Termination Event" (each, as defined in the Master Agreement). Upon the Trustee having actual knowledge of the occurrence of any event that gives rise to the right of the Issuer to terminate the Credit Default Swap, the Trustee or the Fiscal Agent, as applicable, will as promptly as practicable notify the Noteholders of such event but will only terminate any such agreement on behalf of the Issuer (i) at the direction of a Majority of the Income Notes or (ii) (a) upon the redemption of the Secured Notes in full, (b) if the principal balance of the Secured Notes is reduced to zero or (c) upon the acceleration of the maturity of the Secured Notes pursuant to the terms of the Indenture. The Issuer is required to satisfy the Rating Agency Condition prior to any (i) replacement of the Credit Protection Buyer or (ii) assignment of the Credit Default Swap.
The Collateral Securities	The Issuer will use the net proceeds from the offering of the Notes to purchase Collateral Securities and Eligible Investments having an initial principal amount as of the Closing Date of approximately U.S.$305,000,000. The Collateral Securities are required to have the characteristics and satisfy the criteria described herein under "The Collateral Securities." The Liquidation Agent, on behalf of the Issuer, will obtain the funds to pay Credit Protection Amounts (which, for the avoidance of doubt, will not include Defaulted Swap Termination Payments) by applying the Collateral Liquidation Procedure. If the Notes become due in connection with an Optional Redemption, Tax Redemption or Auction, (i) the Liquidation Agent, on behalf of the Issuer, will assign or terminate the Credit Default Swap and will liquidate all of the Collateral Securities and Eligible Investments in the Collateral Account and all Delivered Obligations in the Delivered Obligations Account and (ii) the Issuer will pay to the Credit Protection Buyer any Credit Protection Amounts and Credit Default Swap Termination Payments the Issuer is required to pay to the Credit Protection Buyer or any assignee in connection with any assignment or termination of the CDS Transactions. Certain amounts will be held back if one or more outstanding Credit Events remain due as of the Redemption Date. If the Credit Default Swap is terminated in connection with the occurrence of an Event of Default or Termination Event (each, as defined in the Master Agreement), the Liquidation Agent, on behalf of the Issuer, will pay to the

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	Credit Protection Buyer or any assignee any Credit Default Swap Termination Payments (which, for the avoidance of doubt, will not include Defaulted Swap Termination Payments) owed by the Issuer to the Credit Protection Buyer by applying the Collateral Liquidation Procedure. Certain amounts will be held back if one or more outstanding Credit Events exist or Floating Amounts remain due as of any termination date. If a CDS Transaction terminates on its scheduled termination date without a Credit Event occurring, following the reduction of the Aggregate Reference Obligation Notional Amount, an amount equal to the Aggregate Amortization Amount shall be drawn from the Collateral Account pursuant to the Amortization Liquidation Procedure and deposited into the Payment Account to be applied to, among other things, reduce the amounts of the Notes in accordance with the Priority of Payments on the immediately following Payment Date. See "The Collateral Securities"
Liquidation of Collateral	On or immediately prior to the final maturity date of the Notes or in connection with any Optional Redemption, Auction, Tax Redemption or Event of Default, the Liquidation Agent, on behalf of the Issuer, will (i) assign or terminate or cause to be assigned or terminated the Credit Default Swap, (ii) liquidate all of the Collateral Securities, Delivered Obligations and Eligible Investments, (iii) demand payment for any termination or assignment payments due to the Issuer and (iv) pay any Credit Protection Amounts due to the Credit Protection Buyer or any assignee under the Credit Default Swap.
The Liquidation Agent.....	Goldman, Sachs & Co. ("GS&Co.") as Liquidation Agent (in such capacity, the "Liquidation Agent") under the Liquidation Agency Agreement dated as of the Closing Date (the "Liquidation Agency Agreement") between GS&Co. and the Issuer will, on behalf of the Issuer, (i) assign, terminate or otherwise dispose of (a) CDS Transactions the Reference Obligations of which are determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer to be Credit Risk Obligations and (b) Delivered Obligations, (ii) sell, assign, terminate or otherwise dispose of the Credit Default Swap, Delivered Obligations, Collateral Securities and Eligible Investments of the Issuer in connection with (a) a redemption of the Notes as a result of an Optional Redemption, a Tax Redemption, an Auction or as otherwise required under the Indenture as described therein and (b) an acceleration of Notes as a result of an Event of Default as required under the Indenture as described therein, and (iii) perform certain other functions, as described herein. The Liquidation Agent will have twelve (12) months to assign, terminate or otherwise dispose of (a) CDS Transactions the Reference Obligations of which are determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer, to be Credit Risk Obligations and (b) Delivered Obligations in accordance with the terms of the Liquidation Agency Agreement (such twelve months measured from the date the Liquidation Agent is notified of either (1) such determination by the Collateral Administrator or (2) the receipt of such Delivered Obligation by the Issuer, as applicable). The proceeds of any such sale of Delivered Obligations will be deposited by the Trustee into the Collateral Account and invested in Eligible Investments and Collateral Securities selected at the direction of the Liquidation Agent. In addition, any principal proceeds received on such Delivered Obligations

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	prior to such sale, will be deposited by the Trustee into the Collateral Account. The Liquidation Agent will not have the right, or the obligation, to exercise any discretion with respect to the method or the price of any assignment, termination or disposition of a CDS Transaction; the sole obligation of the Liquidation Agent will be to execute such assignment or termination of a CDS Transaction in accordance with the terms of the Liquidation Agency Agreement. Notwithstanding the appointment of the Liquidation Agent, the Liquidation Agent shall have no responsibility for, or liability relating to, the performance of the Issuer or any CDS Transaction, Reference Obligation, Collateral Security or Eligible Investment. See "The Liquidation Agency Agreement."
Reports	A report will be made available to the Holders of the Notes and will provide information on the Reference Portfolio, Collateral Securities and payments to be made in accordance with the Priority of Payments (each, a "Note Valuation Report") beginning in July, 2007. See "Reports."
The Offering	The Offered Notes are being offered to non-U.S. Persons in offshore transactions in reliance on Regulation S, and in the United States to persons who are Qualified Institutional Buyers purchasing in reliance on the exemption from registration under Rule 144A or, with respect to Income Notes only, Accredited Investors purchasing in transactions exempt from registration under the Securities Act. Each purchaser who is a U.S. Person must also be a Qualified Purchaser. Each Accredited Investor must have a net worth of at least U.S.$10 million. See "Description of the Notes—Form of the Notes," "Underwriting" and "Notice to Investors."
Minimum Denominations	The Notes will be issued in minimum denominations of U.S.$250,000 (in the case of the Rule 144A Notes and the Income Notes sold to Accredited Investors) and U.S.$100,000 (in the case of the Regulation S Notes) and integral multiples of U.S.$1 in excess thereof for each Class of Notes.
Form of the Notes	Each Class of Notes sold in offshore transactions in reliance on Regulation S will initially be represented by one or more temporary global notes (each, a "Temporary Regulation S Global Note"). Each Temporary Regulation S Global Note will be deposited on the Closing Date with LaSalle Bank National Association as custodian for, and registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), for the respective accounts of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, société anonyme ("Clearstream"). Beneficial interests in a Temporary Regulation S Global Note may be held only through Euroclear or Clearstream and may not be held at any time by a U.S. Person ("U.S. Person") (as such term is defined in Regulation S under the Securities Act). Each Class of Rule 144A Notes (other than the Income Notes) will be issued in the form of one or more global notes in fully registered form (the "Rule 144A Global Notes" and, together with the Temporary Regulation S Global Notes and the Regulation S Global Notes, the "Global Notes"), deposited with LaSalle Bank National Association as custodian for, and registered in the name of Cede & Co. as nominee of, DTC, which will credit the account of each of its participants with the principal amount of Notes being purchased by or through such participant. Beneficial interests in the

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	Rule 144A Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants. The Income Notes (other than the Regulation S Income Notes) will be evidenced by one or more notes in definitive, fully registered form, registered in the name of the owner thereof (each, a "Definitive Note"). Beneficial interests in the Global Notes and the Definitive Notes may not be transferred except in compliance with the transfer restrictions described herein. See "Description of the Notes—Form of the Notes" and "Notice to Investors."
Governing Law	The Indenture, the Collateral Administration Agreement, the Credit Default Swap, the Notes, the Liquidation Agency Agreement, and the Fiscal Agency Agreement will be governed by the laws of the State of New York.
Listing and Trading	There is currently no market for the Notes and there can be no assurance that such a market will develop. See "Risk Factors—Notes—Limited Liquidity and Restrictions on Transfer." Application may be made to the Irish Stock Exchange for the Notes to be admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. There can be no assurance that any such application will be made or that any such listing will be obtained or maintained.
Irish Listing Agent; Irish Paying Agent (if any)	If application is made to list the Notes on the Irish Stock Exchange, (i) Maples and Calder Listing Services Limited will be the Irish Listing Agent for the Notes (the "Irish Listing Agent") and (ii) Maples Finance Dublin will be the Irish Paying Agent for the Notes (the "Irish Paying Agent").
Tax Status	See "Income Tax Considerations."
ERISA Considerations	See "ERISA Considerations."

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RISK FACTORS

Prior to making an investment decision, prospective investors should carefully consider, in addition to the matters set forth elsewhere in this Offering Circular, the following factors:

Notes

Limited Liquidity and Restrictions on Transfer. There is currently no market for the Notes. Although GS&Co. has advised the Issuers that it intends to make a market in the Offered Notes, GS&Co. is not obligated to do so, and any such market making with respect to the Offered Notes may be discontinued at any time without notice. There can be no assurance that any secondary market for any of the Notes will develop or, if a secondary market does develop, that it will provide the Holders of the Notes with liquidity of investment or that it will continue for the life of such Notes and consequently a purchaser must be prepared to hold the Notes until the Stated Maturity.

In addition, no sale, assignment, participation, pledge or transfer of the Notes may be effected if, among other things, it would require any of the Issuer, the Co-Issuer or any of their officers or directors to register under, or otherwise be subject to the provisions of, the Investment Company Act or any other similar legislation or regulatory action. Furthermore, the Notes will not be registered under the Securities Act or any state securities laws or the laws of any other jurisdiction, and the Issuer has no plans, and is under no obligation, to register the Notes under the Securities Act or any state securities laws or under the laws of any other jurisdiction. The Notes are subject to certain transfer restrictions and can be transferred only to certain transferees as described herein under "Description of the Notes—Form of the Notes" and "Notice to Investors." Such restrictions on the transfer of the Notes may further limit their liquidity. See "Description of the Notes—Form of the Notes." Application may be made for the Notes to be admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. There can be no assurance that any such application will be made or that any such listing will be obtained.

Limited Recourse Obligations. The Class A Notes, Class B Notes, Class C Notes and Class D Notes will be limited recourse obligations of the Issuers, in each case, payable solely from the Pledged Assets pledged by the Issuer to secure the Secured Notes. The Income Notes will be limited recourse obligations of the Issuer and will not be secured by the Pledged Assets securing the Secured Notes. None of the Liquidation Agent, the Holders of the Notes, the Initial Purchaser, the Trustee, the Administrator, the Share Trustee, the Agents, the Credit Protection Buyer or any affiliates of any of the foregoing or the Issuers' affiliates or any other person or entity will be obligated to make payments on the Secured Notes or the Income Notes. Consequently, the Holders of the Secured Notes must rely solely on distributions on the Pledged Assets pledged to secure the Secured Notes for the payment of principal, interest, premium and other distributions thereon. If distributions on the Pledged Assets are insufficient to make payments in respect of the Secured Notes, no other assets (and, in particular, no assets of the Liquidation Agent, the Holders of the Secured Notes, the Holders of the Income Notes, the Initial Purchaser, the Trustee, the Administrator, the Share Trustee, the Agents, the Credit Protection Buyer or any affiliates of any of the foregoing) will be available for payment of the deficiency, and following realization of the Pledged Assets pledged to secure the Secured Notes, the obligations of the Issuers to pay such deficiency shall be extinguished and shall not revive.

Subordination of the Notes. Payments of principal on the Class S Notes will be senior to payments of principal on the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes and to the distribution of Proceeds to the Holders of the Income Notes on each Payment Date to the extent set forth in the Priority of Payments. Payments of principal of the Class A-1a Notes and the Class A-1b Notes will be either *pro rata* or first to the Class A-1a Notes and second to the Class A-1b Notes as described herein. Payments of principal on the Class A-1 Notes will be either *pro rata* with principal payments on the Class A-2 Notes or senior to payments of principal to the Class A-2 Notes as described herein. Payments of principal on the Class A Notes due on any Payment Date will be senior to payments of principal of the Class B Notes, the Class C Notes and the Class D Notes and to the distribution of Proceeds to the Holders of the Income Notes on such Payment Date to the extent set forth in the Priority of Payments. Payments of principal on the Class B Notes due on any Payment Date will be senior to payments of principal on the Class C Notes and the Class D Notes and senior to the distributions of Proceeds to the Holders of the Income Notes on such Payment Date to the extent set forth in the Priority of Payments. Payments of principal on the Class C Notes due on any Payment Date will be senior to payments of principal on the Class D Notes and senior to the distributions of Proceeds to the Holders of the Income Notes on such Payment Date to the extent set forth in the Priority of Payments. Payments of principal on the Class D Notes due on any Payment Date

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will be senior to the distributions of Proceeds to the Holders of the Income Notes on such Payment Date to the extent set forth in the Priority of Payments. As a result of the Priority of Payments, notwithstanding the subordination of the Notes described under "Description of the Notes—Status and Security," the Class A Notes will be entitled to receive certain payments of principal while the Class S Notes are outstanding, the Class B Notes will be entitled to receive certain payments of principal while the Class S Notes and the Class A Notes are outstanding, the Class C Notes will be entitled to receive certain payments of principal while the Class S Notes, the Class A Notes and the Class B Notes are outstanding and the Class D Notes will be entitled to receive certain payments of principal while the Class S Notes, the Class A Notes, the Class B Notes and the Class C Notes are outstanding. In addition, the Income Notes will be entitled to receive certain payments on each Quarterly Payment Date while the Secured Notes are outstanding. See "Description of the Notes—Priority of Payments." To the extent that any losses are incurred by the Issuer in respect of any Pledged Assets, such losses will be borne first by Holders of the Income Notes, then, by Holders of the Class D Notes, then, by Holders of the Class C Notes, then, by Holders of the Class B Notes, then, by Holders of the Class A-2 Notes, then, *pro rata*, by Holders of the Class A-1 Notes and finally, by Holders of the Class S Notes.

Payments of interest on the Class S Notes due on any Payment Date will be senior to payments of interest on the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes and senior to the distributions of Proceeds to the Holders of the Income Notes on such Payment Date. Payments of interest on the Class A Notes due on any Payment Date will be senior to payments of interest on the Class B Notes, the Class C Notes and the Class D Notes and senior to the distributions of Proceeds to the Holders of the Income Notes on such Payment Date. Payments of interest on the Class B Notes due on any Payment Date will be senior to payments of interest on the Class C Notes and the Class D Notes and senior to the distributions of Proceeds to the Holders of the Income Notes on such Payment Date. Payments of interest on the Class C Notes due on any Payment Date will be senior to payments of interest on the Class D Notes and senior to the distributions of Proceeds to the Holders of the Income Notes on such Payment Date. Payments of interest on the Class D Notes due on any Payment Date will be senior to distributions of Proceeds to the Holders of the Income Notes on such Payment Date. See "Description of the Notes."

On any Payment Date on which certain conditions are satisfied and funds are available therefor, the "shifting principal" method in clause (xi) of the Priority of Payments may permit the Holders of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes to receive payments of principal in accordance with the Priority of Payments while more senior Classes of Notes remain outstanding and may permit distributions of Amortization Proceeds to the Holders of the Income Notes, to the extent funds are available in accordance with the Priority of Payments, while the more senior Notes are outstanding. Amounts properly paid pursuant to the Priority of Payments to a junior Class of Notes will not be recoverable in the event of a subsequent shortfall in the amount required to pay a more senior Class of Secured Notes.

Holders of the Controlling Class may not be able to effect a liquidation of the Pledged Assets in an Event of Default; Holders of other Classes of Notes may be Adversely Affected by Actions of the Controlling Class. If an Event of Default occurs and is continuing, a Majority of the Controlling Class will be entitled to determine the remedies to be exercised under the Indenture; however, the Majority of the Controlling Class will not be able to direct a sale or liquidation of the Pledged Assets unless, among other things, the Trustee determines (which determination will be based upon a certificate of the Liquidation Agent as to the estimated proceeds) that the anticipated proceeds of such sale or liquidation (after deducting the reasonable expenses of such sale or liquidation) would be sufficient to pay in full the sum of (A) the principal (including any Class C Deferred Interest and Class D Deferred Interest) and accrued interest (including all Defaulted Interest, and interest thereon) and any other amounts due with respect to all the outstanding Notes, (B) unpaid Administrative Expenses, (C) all amounts, including Credit Default Swap Termination Payments, due to the Credit Protection Buyer or any assignee upon termination or assignment of the Credit Default Swap, net of termination or assignment payments payable to the Issuer by the Credit Protection Buyer or any assignee and (D) all other items in the Priority of Payments ranking prior to payments on the Notes and a Majority of the Controlling Class agrees with such determination. There can be no assurance that proceeds of a sale and liquidation, together with all other available funds, will be sufficient to pay in full such amount. Notwithstanding the foregoing, even if the anticipated proceeds of such sale or liquidation would not be sufficient to pay in full such amount, the requisite Holders of Notes as determined pursuant to the Indenture or the Holders of a Super Majority of the Controlling Class may direct the sale and liquidation of the Pledged Assets.

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Remedies pursued by the Holders of the Class S Notes and Class A Notes could be adverse to the interests of the Holders of the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes. After the Class S Notes and the Class A Notes are no longer outstanding, the Holders of the Class B Notes will be entitled to determine the remedies to be exercised under the Indenture (except as noted above) if an Event of Default occurs. After the Class S Notes, the Class A Notes, and the Class B Notes are no longer outstanding, the Holders of the Class C Notes will be entitled to determine the remedies to be exercised under the Indenture (except as noted above) if an Event of Default occurs. After the Class S Notes, the Class A Notes, the Class B Notes and the Class C Notes are no longer outstanding, the Holders of the Class D Notes will be entitled to determine the remedies to be exercised under the Indenture (except as noted above) if an Event of Default occurs. See "Description of the Notes—The Indenture—Events of Default."

Subordination of the Income Notes; Unsecured Obligations. The Income Notes are limited recourse obligations of the Issuer and are not secured by the Pledged Assets securing the Secured Notes. As such, the Holders of the Income Notes will rank behind all of the secured creditors and pari passu with all unsecured creditors, whether known or unknown, of the Issuer. The Issuer, pursuant to the Indenture, has pledged substantially all of its assets to secure the Secured Notes and certain other obligations of the Issuer. The proceeds of such assets will only be available to make payments in respect of the Income Notes as and when such proceeds are released from the lien of the Indenture in accordance with the Priority of Payments. There can be no assurance that, after payment of principal and interest on the Secured Notes and other fees and expenses of the Issuer in accordance with the Priority of Payments, the Issuer will have funds remaining to make payments in respect of the Income Notes. Failure to pay the full principal amount of the Income Notes will in no event constitute an Event of Default. No person or entity other than the Issuer will be required to make any payments on the Income Notes. Except with respect to the obligations of the Issuer to make payments pursuant to the Priority of Payments, the Issuer does not expect to have any creditors. The funds available to be paid to the Fiscal Agent will depend in part on the weighted average of the Note Interest Rates.

Any amounts that are released from the lien of the Indenture for payment to the Holders of the Income Notes in accordance with the Priority of Payments on any Quarterly Payment Date will not be available to make payments in respect of the Secured Notes on any subsequent Payment Date.

Leveraged Investment. The Income Notes represent a leveraged investment in the underlying Pledged Assets. The use of leverage generally magnifies an investor's opportunities for gain and risk of loss. Therefore, changes in the market value of the Income Notes can be expected to be greater than changes in the market value of the underlying assets included in the Pledged Assets, which are also subject to credit, liquidity and interest rate risk. The cash flow to and the market value of the Income Notes may fluctuate, potentially in a material manner, as a result of fluctuations in the investment income earned by the Issuer on the Pledged Assets (including the Collateral Securities and Eligible Investments held in the Collateral Account).

Supplemental Indentures May Modify the Indenture, and Some Supplemental Indentures Do Not Require Consent of Holders of Notes. The Indenture provides that the Issuers and the Trustee may enter into supplemental indentures to modify various provisions of the Indenture. The execution of supplemental indentures is subject to various conditions precedent. In certain cases, the consent of the Holders of the Notes is required, but in certain cases, such consent is not required. Furthermore, if no Holder of a Note of a Class responds to notice of a proposed amendment within the prescribed time period, all Notes of such Class may be deemed not to be adversely or materially adversely affected by the proposed supplemental indenture. See "Description of the Notes—The Indenture—Modification of the Indenture."

Optional Redemption and Tax Redemption of Notes. Subject to the satisfaction of certain conditions, the Secured Notes may be optionally redeemed in whole and not in part (i) on any Payment Date on or after the July 2010 Payment Date at the written direction of, or with the written consent of, Holders of at least a Majority of the Income Notes or (ii) on the date that is 90 days from the date on which the Issuers first become aware of the occurrence of a Tax Event (*provided* that such 90-day period shall be extended by another 90 days if, during the initial 90-day period, the Issuers have notified the Holders of the Notes that the related Issuer expects that it shall have changed its place of residence by the end of the later 90-day period), at the written direction of, or with the written consent of, Holders of at least 66-2/3% of the Income Notes or the Holders of at least a Majority of any Class of Notes, if as a result of an occurrence of a Tax Event, such Class of Notes has not received 100% of the

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aggregate amount of principal and interest due and payable on such Class of Notes. If an Optional Redemption or Tax Redemption of the Secured Notes occurs, the Income Notes will be redeemed simultaneously.

There can be no assurance that after payment of the Secured Note Redemption Prices for the Secured Notes, amounts payable in connection with the termination of the Credit Default Swap and all other amounts payable in accordance with the Priority of Payments, any Proceeds will remain to distribute to the Holders of the Income Notes upon redemption. See "Description of the Notes—Optional Redemption" and "—Tax Redemption." An Optional Redemption or Tax Redemption of the Notes could require the Liquidation Agent to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realized value of the CDS Transactions, the Eligible Investments, the Collateral Securities or the Delivered Obligations. In addition, the redemption procedures in the Indenture may require the Liquidation Agent to aggregate securities to be sold together in one block transaction, thereby possibly resulting in a lower aggregate realized value for the CDS Transactions, the Collateral Securities, the Eligible Investments or the Delivered Obligations. In any event, there can be no assurance that the market value of the CDS Transactions, the Collateral Securities, the Eligible Investments or the Delivered Obligations will be sufficient for the Holders of the Income Notes to direct an Optional Redemption or, in the case of a Tax Redemption, for the Holders of the affected Class of Secured Notes or Income Notes to direct a Tax Redemption. A decrease in the market value of the CDS Transactions, the Eligible Investments, the Collateral Securities or the Delivered Obligations would adversely affect the proceeds that could be obtained upon a disposition of the CDS Transactions, the Eligible Investments or the Delivered Obligations; consequently, the conditions precedent to the exercise of an Optional Redemption or a Tax Redemption may not be met. The interests of the Holders of the Income Notes in determining whether to elect to effect an Optional Redemption and the interests of the Holders of the affected Class of Secured Notes and the Income Notes with respect to a Tax Redemption may be different from the interests of the Holders of the other Classes of Notes in such respect. The Holders of the Notes also may not be able to invest the proceeds of the redemption of the Notes in one or more investments providing a return equal to or greater than the Holders of the Notes expected to obtain from their investment in the Notes. An Optional Redemption or a Tax Redemption will shorten the average lives of the Secured Notes and the duration of the Notes and may reduce the yield to maturity of the Notes.

Auction. There can be no assurance that an Auction of the Pledged Assets on any Auction Date will be successful. The failure of an Auction may lengthen the expected average lives of the Secured Notes and may reduce the yield to maturity of the Secured Notes. In the event of an Auction, Holders of Income Notes may have their Income Notes redeemed without receiving any payments on such Income Notes. In addition, the success of an Auction will shorten the average lives of the Notes and may reduce the yield to maturity of the Secured Notes.

Mandatory Redemption of Notes. If the Class A/B Overcollateralization Test is not met on the Determination Date immediately preceding a Payment Date, Proceeds that otherwise might have been distributed to the Holders of the Class C Notes, the Class D Notes and the Income Notes will be used to redeem the Class A Notes and the Class B Notes in full in the order described in the Priority of Payments. If the Class C Overcollateralization Test is not met on the Determination Date immediately preceding a Payment Date, Proceeds that otherwise might have been distributed to the Holders of the Class D Notes and the Income Notes will be used to redeem the Class A Notes, the Class B Notes and the Class C Notes in full in the order described in the Priority of Payments. If the Class D Overcollateralization Test is not met on the Determination Date immediately preceding a Payment Date, Proceeds that otherwise might have been distributed to the Holders of the Income Notes will be used to redeem the Class D Notes in full. The foregoing redemptions could result in an elimination, deferral or reduction in the amounts available to make payments to the Holders of the Class C Notes, the Class D Notes and payments to Holders of the Income Notes. See "Description of the Notes—Mandatory Redemption". Any such redemptions will shorten the average life of the redeemed Notes, may lower the yield to maturity of the Notes.

Collateral Accumulation. In anticipation of the issuance of the Notes, GSI has agreed to "warehouse" up to U.S.$305,000,000 aggregate notional amount of CDS Transactions and up to U.S.$305,000,000 aggregate principal amount of Collateral Securities and Eligible Investments, for assumption by the Issuer or resale to the Issuer, as applicable, pursuant to the terms of a forward purchase agreement (the "Forward Purchase Agreement"). No collateral manager or other person acting on behalf of the Issuer has reviewed the prices established pursuant to such Forward Purchase Agreement (nor has there been any third party verification of such prices). All of such notional amount will be represented by one or more CDS Transactions entered into between the Issuer and GSI or an affiliate thereof, wherein the Issuer will be selling credit protection. Pursuant to the terms of the Forward Purchase

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Agreement, the Issuer will be obligated to assume or purchase, as applicable, the "warehoused" assets, *provided* that with respect to the Collateral Securities, such securities satisfy certain eligibility criteria on the Closing Date, for a formula purchase price designed to reflect the premiums at which such "warehoused" assets were assumed or purchased, as applicable (using, as applicable, the prepayment speed and other assumptions used to set the initial price of each individual asset), as adjusted for any hedging gain or loss and any loss or gain on any "warehoused" asset assigned or sold, as applicable, to a party other than the Issuer during the warehousing period. Consequently, the market values of "warehoused" assets at the Closing Date may be less than or greater than the formula purchase price paid by the Issuer. In addition, if a CDS Transaction, Collateral Security or Eligible Investment becomes ineligible during the warehousing period and is not assumed or purchased, as applicable, by the Issuer on the Closing Date, or if a CDS Transaction, Collateral Security or Eligible Investment is otherwise disposed at the direction of GSI (which disposition may only occur with the consent of GSI's affiliate), the Issuer will bear the loss or receive the gain on the disposition of such CDS Transaction, Collateral Security or Eligible Investment to a third party.

Disposition of CDS Transactions by the Liquidation Agent Under Certain Circumstances. Under the Indenture, the Liquidation Agent will be required to assign, terminate or otherwise dispose of, on behalf of the Issuer, all CDS Transactions that reference Reference Obligations that are determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer, to meet the definition of Credit Risk Obligations subject to satisfaction of the conditions described herein. The Liquidation Agent will have twelve (12) months (from the date it is notified of the determination of the Collateral Administrator) to assign, terminate or otherwise dispose of such CDS Transactions. The Liquidation Agent will not have the right, or the obligation, to exercise any discretion with respect to the method or the price of any assignment, termination or disposition of a CDS Transaction that references a Reference Obligation that is determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer, to be a Credit Risk Obligation; the sole obligation of the Liquidation Agent will be to execute the assignment, termination or disposition of such CDS Transaction in accordance with the terms of the Liquidation Agency Agreement. There can be no assurance that the Liquidation Agent will be able to dispose any such CDS Transaction that references a Reference Obligation that is so determined to be a Credit Risk Obligation. Any such sale of a CDS Transaction that references a Reference Obligation that is so determined to be a Credit Risk Obligation may result in losses by the Issuer, which losses may result in the reduction or withdrawal of the rating of any or all of the Secured Notes by any of the Rating Agencies. See "—No Collateral Manager."

Average Lives, Duration and Prepayment Considerations. The average lives of the Secured Notes (other than the Class S Notes) are expected to be shorter than the number of years until their Stated Maturity. See "Weighted Average Life and Yield Considerations."

The average lives of the Secured Notes will be affected by the financial condition of the obligors on or issuers of the Reference Obligations and the characteristics of the Reference Obligations, including the existence and frequency of exercise of any prepayment, optional redemption or sinking fund features, the prepayment speed, the occurrence of any early amortization events, the prevailing level of interest rates, the redemption price, the actual default rate and the actual level of recoveries in respect of any Defaulted Obligations, the frequency of tender or exchange offers for the Reference Obligations and the tenor of any sales of CDS Transactions.

Some or all of the loans underlying the RMBS may be prepaid at any time (although certain of such mortgage loans may have "lockout" periods, defeasance provisions, prepayment penalties or other disincentives to prepayment). Defaults on and liquidations of the loans and other collateral underlying the RMBS may also lead to early repayment thereof. Prepayments on loans are affected by a number of factors. If prevailing rates for similar loans fall below the interest rates on such loans, prepayment rates would generally be expected to increase. Conversely, if prevailing rates for similar loans rise above the interest rates on such loans, prepayment rates would generally be expected to decrease. The existence and frequency of such prepayments, optional redemptions, defaults and liquidations will affect the average lives of, and credit support for, the Notes. See "Weighted Average Life and Yield Considerations."

Projections, Forecasts and Estimates. Estimates of the weighted average lives of, and returns on, the Secured Notes included herein, together with any other projections, forecasts and estimates provided to prospective purchasers of the Secured Notes, are forward looking statements. Such statements are necessarily speculative in

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nature, as they are based on certain assumptions. It can be expected that some or all of the assumptions underlying such statements will not reflect actual conditions. Accordingly, there can be no assurance that any estimated projections, forecasts or estimates will be realized or that the forward looking statements will materialize, and 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 changes in interest rates, market, financial or legal uncertainties, the timing of acquisitions of the Reference Obligations, differences in the actual allocation of the Reference Obligations among asset categories from those assumed and mismatches between the timing of accrual and receipt of Proceeds from the Reference Obligations, among others.

None of the Issuer, the Co-Issuer, the Liquidation Agent, the Initial Purchaser or any of their respective affiliates 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.

Dependence of the Issuer on the Liquidation Agent. The Issuer has no employees and is dependent on the employees of the Liquidation Agent to perform its obligations under the Liquidation Agency Agreement in accordance with the terms of the Indenture and the Liquidation Agency Agreement. Consequently, the loss of one or more of the individuals employed by the Liquidation Agent to perform its obligations under the Liquidation Agency Agreement could have an adverse effect, which effect may be material, on the performance of the Issuer.

Static Transaction. The Anderson Mezzanine Funding 2007-1, Ltd. transaction is a static collateralized debt obligation transaction. As a result, the CDS Transactions held by the Issuer on the Closing Date will be retained by the Issuer even if it would be in the best interests of the Issuer and the Holders of the Notes to assign, terminate or dispose of certain CDS Transactions unless Reference Obligations referenced by those CDS Transactions are designated as Credit Risk Obligations and are required to be assigned, terminated or disposed by the Liquidation Agent pursuant to the terms of the Indenture and the Liquidation Agency Agreement. See "The Credit Default Swap—Removal of Reference Obligations from the Reference Portfolio". In addition, circumstances may exist under which it is in the best interests of the Issuer or the Holders of the Notes to assign, terminate or otherwise dispose of a CDS Transaction, but (a) pursuant to the Collateral Administration Agreement, the Collateral Administrator, on behalf of the Issuer, does not determine that the Reference Obligation referenced by such CDS Transaction is a Credit Risk Obligation or (b) the Liquidation Agent is not able to assign, terminate or otherwise dispose, on behalf of the Issuer, such CDS Transaction in accordance with the terms of the Liquidation Agency Agreement.

Substitution of Collateral Securities. From time to time following the Closing Date, any Holder of any Note may submit to the Trustee or the Fiscal Agent, as applicable, a request to substitute one or more BIE Collateral Securities for one or more existing Collateral Securities, in whole or in part. Such substitution will be subject to the affirmative approval of the Holders of a Majority of each Class of Notes. Any such substitution could (i) adversely affect the Issuer and the Issuer's ability to make payments on the Notes, (ii) affect the weighted average lives of the Secured Notes, (iii) adversely affect the returns on the Notes and (iv) increase the frequency of defaults on the Collateral Securities or reduce the proceeds following the liquidation of any Collateral Securities. On the other hand, it is also possible that a Holder of a Note could propose a substitution which would be beneficial to the Issuer and the Holders of the Notes but such substitution is not permitted because such proposal is not affirmatively approved by the Holders of a Majority of each Class of Notes.

No Collateral Manager. The Issuer has not engaged and will not engage, a collateral manager to select the Pledged Assets (or to verify their prices), to monitor the Pledged Assets on a regular basis or to consult with the Issuer with respect to the Pledged Assets, including the advisability, timing or terms of any disposition thereof. None of the Liquidation Agent or any of their affiliates will provide investment advisory services to or act as an advisor to or an agent for the Issuer or the Holders of the Notes, and they will not have any fiduciary duties to, nor be obligated to consider the interests of the Issuer or the Holders of the Notes. As a result, the Issuer and the Holders of the Notes will not have the benefit of the provisions of the Investment Advisers Act of 1940 which afford certain protections to clients of investment advisors. Furthermore, because there is no collateral manager in the Anderson Mezzanine Funding 2007-1, Ltd. transaction, the Indenture eliminates the ability of the Issuer to exercise

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discretion in contexts where a collateral manager in a managed, or static, collateralized debt obligation transaction customarily has discretion to act on behalf of the Issuer. For example, the Indenture provides, among other things, that (i) where the Issuer, as the beneficial owner of a Collateral Security or Delivered Obligation, or the Trustee, as the registered owner of a Collateral Security, has the right to exercise a vote or consent to (or otherwise approve of) (a) any action, or inaction, pursuant to the terms of such Collateral Security or Delivered Obligation and its related underlying documentation or (b) an offer by the issuer of such Collateral Security or Delivered Obligation or by any other person to purchase or otherwise acquire such Collateral Security or Delivered Obligation or to convert or exchange such Collateral Security or Delivered Obligation for cash or any other consideration, the Trustee, as directed by the applicable holders, acting in its capacity as registered owner of such Collateral Security or Delivered Obligation, shall direct the Issuer's vote be cast in the following manner: (x) if other holders of the class of which such Collateral Security or Delivered Obligation is a part respond to such solicitation for vote or consent, in the same manner as the votes of a plurality of the other voting holders of such class (based on the Principal Balance of such Collateral Security or Delivered Obligation), (y) if no other holders of such class exercise a vote or if there are no other holders of such class, but holders of different classes issued under the same governing instrument respond, in the same manner as the votes of a plurality of the voting holders of all classes issued under the governing instrument pursuant to which such Collateral Security or Delivered Obligation was issued (based on the Principal Balance of all such classes and treated as a single class) or (z) if no holders of any class issued under the same governing instrument respond or if there are no other holders, the Issuer's vote shall be exercised against such action or inaction and (ii) the Issuer will have no discretion with respect to the temporary investment of funds held pending application thereof in accordance with the terms of the Indenture. The inability of the Issuer to exercise discretion in these contexts could adversely affect the Issuer and the Holders of the Notes, and it is impossible to quantify the potential magnitude of this impact. Potential investors in the Notes are urged to (a) review carefully this Offering Circular and the related terms of the Indenture, the Fiscal Agency Agreement and other operative documents and (b) take the inability of the Issuer to exercise discretion into account before investing in any of the Notes.

Scheduled Maturity of CDS Transactions. From time to time, the scheduled maturity or termination of one or more CDS Transactions is likely to occur without a Credit Event occurring. Any such maturity or termination of a CDS Transaction will result in a decrease in the Aggregate Reference Obligation Notional Amount and may result in a required redemption of the Notes in accordance with the Priority of Payments. The Issuer anticipates that payments of principal of the Collateral Securities and Eligible Investments in the Collateral Account will be applied to so redeem the Notes, but it is possible that such payments of principal will not be sufficient to permit such redemption.

The Credit Default Swap and Reference Obligations

General. The following description of the Credit Default Swap and Reference Obligations and the underlying documents and the risks related thereto is general in nature. The attributes and risks related to any individual Reference Obligation may differ in significant and material manners from the general description of the Reference Obligations and the underlying documents and the risks related thereto.

Nature of Reference Portfolio. The Reference Portfolio is subject to credit, liquidity, prepayment and interest rate risks. The amount and nature of collateral securing the Secured Notes has been established to withstand certain assumed deficiencies in payment occasioned by defaults in respect of the Reference Obligations and the Eligible Investments. See "Ratings of the Notes." If any deficiencies exceed such assumed levels, however, payment of the Notes could be adversely affected. To the extent that any Reference Obligation referenced by a CDS Transaction is determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer, to be a Credit Risk Obligation and the Liquidation Agent, on behalf of the Issuer, assigns, terminates or otherwise disposes of such Credit Default Swap Disposition Transaction, it is not likely that the proceeds of such assignment, termination or other disposition will be equal to the amounts owing to the Issuer in respect of such CDS Transaction.

The market value of the CDS Transactions and the Reference Obligations generally will fluctuate with, among other things, the financial condition of the related Reference Obligations and obligors on or issuers of the Reference Obligations, the credit quality of the underlying pool of assets in any Reference Obligation, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. None of the Issuer, the Co-Issuer, the Initial Purchaser,

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the Liquidation Agent, the Collateral Administrator, the Credit Protection Buyer or the Trustee has any liability or obligation to the Holders of Notes as to the amount or value of, or decrease in the value of, the Reference Obligations from time to time, or makes any representation or warranty as to the performance of the Reference Obligations.

If any Reference Obligation referenced by a CDS Transaction is determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer, to be a Credit Risk Obligation, the Liquidation Agent is required, subject to the terms of the Liquidation Agency Agreement, to assign, terminate or otherwise dispose on behalf of the Issuer the affected CDS Transaction. There can be no assurance as to the timing of the Issuer's disposition of the affected CDS Transaction, or as to the termination costs associated with such affected CDS Transaction. The inability to realize immediate recoveries at the recovery levels assumed herein may result in lower cash flow and a lower yield to maturity of the Notes.

CDS Transactions. As of the Closing Date, (i) 98.4% of the CDS Transactions (by Reference Obligation Notional Amount) will consist of CDS Transactions the Reference Obligations of which are RMBS Securities and (ii) 1.6% of the CDS Transactions (by Reference Obligation Notional Amount) will consist of CDS Transactions the Reference Obligations of which are CDO RMBS Securities.

The economic return on a CDS Transaction depends substantially upon the performance of the related Reference Obligation and partially upon the performance of the collateral posted by the Issuer to secure its obligations to the Credit Protection Buyer on deposit in the Collateral Account. CDS Transactions generally have probability of default, recovery upon default and expected loss characteristics, which are closely correlated to the corresponding Reference Obligation, but may have different maturity dates, coupons, payment dates or other non credit characteristics than the corresponding Reference Obligation. In addition to the credit risks associated with holding the Reference Obligation, with respect to CDS Transactions, the Issuer will usually have a contractual relationship only with the related Credit Protection Buyer, and not with the Reference Obligor of the Reference Obligation. Due to the fact that a CDS Transaction may be illiquid or may not be terminable on demand (or terminable on demand only upon payment of a substantial fee by the Issuer), the Issuer's ability to dispose of a CDS Transaction, if circumstances arise permitting such disposal, may be limited. Any settlement payments and termination payments payable by the Issuer (net of any termination payments owing by the Credit Protection Buyer) to the Credit Protection Buyer will reduce the amount available to pay the Holders of the Income Notes and the Secured Notes in inverse order of seniority. The Issuer generally will have no right to directly enforce compliance by the Reference Obligor with the terms of the Reference Obligation nor any rights of set off against the Reference Obligor, nor have any voting rights with respect to the Reference Obligation. The Issuer will not directly benefit from the 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.

Because neither the Credit Protection Buyer nor the Issuer is required to hold any Reference Obligation, the Issuer will not have any right to obtain from either the Credit Protection Buyer or the Reference Obligor information on the Reference Obligations or information regarding any Reference Obligor. The Credit Protection Buyer will have no obligation to keep the Issuer, the Trustee, the Liquidation Agent, the Holders of the Secured Notes or the Holders of the Income Notes informed as to matters arising in relation to any Reference Obligation including whether or not circumstances exist under which there is a possibility of the occurrence of a credit event.

In addition, in the event of the insolvency of the Credit Protection Buyer, the Issuer will be treated as a general creditor of such Credit Protection Buyer, and will not have any claim with respect to the Reference Obligor or the Reference Obligation. Consequently, the Issuer will be subject to the credit risk of the Credit Protection Buyer as well as that of the Reference Obligor and the Reference Obligation. As a result, concentrations of CDS Transactions in any one Credit Protection Buyer subject the Notes to an additional degree of risk with respect to defaults by such Credit Protection Buyer. It is expected that Goldman Sachs International, an affiliate of Goldman, Sachs & Co., will act as the sole Credit Protection Buyer with respect to the Credit Default Swap, which creates concentration risk and may create certain conflicts of interest. In addition, neither the Credit Protection Buyer nor its affiliates will be (or will be deemed to be acting as) the agent or trustee of the Issuer, the Holders of the Secured Notes or the Holders of the Income Notes in connection with the exercise of, or the failure to exercise, any of the rights or powers of the Credit Protection Buyer and/or its affiliates arising under or in connection with their respective holding of any Reference Obligation. The Credit Protection Buyer and its affiliates (i) may deal in any

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Reference Obligation, (ii) may generally engage in any kind of commercial or investment banking or other business transactions with any issuer of a Reference Obligation, and (iii) may act with respect to transactions described in the preceding clauses (i) and (ii) in the same manner as if the Credit Default Swap and the Notes did not exist and without regard to whether any such action might have an adverse affect on such Reference Obligation, the Issuer, the Holders of the Secured Notes or the Holders of the Income Notes.

All of the CDS Transactions are expected to be structured as "pay-as-you-go" credit default swaps. The obligation of the Issuer to make payments to the Credit Protection Buyer under the Credit Default Swap creates credit exposure to the related Reference Obligations (as well as to the default risk of the related Credit Protection Buyer). Following the occurrence of a "credit event", the Issuer may be required to pay to the Credit Protection Buyer a "physical settlement payment". In addition, each Credit Default Swap Disposition Transaction may require the Issuer, in its capacity as protection seller, to pay certain "floating amounts" to the Credit Protection Buyer equal to certain principal shortfall amounts, writedown payments and interest shortfalls under the Reference Obligation upon the occurrence thereof. The payment of any such credit protection payments and floating amounts will be funded by the Issuer, or the Liquidation Agent (on behalf of the Issuer), by applying the Collateral Liquidation Procedure. The Credit Protection Buyer will be obligated to reimburse all or part of such payments to the Issuer if the writedown payments of the related shortfalls are ultimately paid to Holders of the Reference Obligations or if the related Reference Obligations are written up, the amounts available to the Issuer to make payments in respect of the Secured Notes and Income Notes may be reduced after payment by the Issuer of the relevant payment to the Credit Protection Buyer until the Issuer receives such reimbursement, if any, from the Credit Protection Buyer. Any "floating payments" or credit protection payments payable by the Issuer, may result in a reduction of the notional amount of the Credit Default Swap, and therefore reduce the amounts payable by the Credit Protection Buyer and the amount of interest collections available to pay interest on the Notes. In addition, any "floating payment" or "physical settlement payment" would reduce the Collateral Securities on deposit in the Collateral Account that is available to pay the principal of the Notes and may reduce the interest collections available to pay interest on the Notes.

Determination of the floating amounts and additional fixed amounts (as described in the related Master Confirmation) will depend on the relevant servicer reports being available and on such reports containing adequate information to enable the required calculations to be made. Current private industry investigations of the market practices show that such reports can vary and that not all reports contain adequate information. In addition, access to servicer reports may be limited if such reports are confidential and neither counterparty holds the related Reference Obligation.

In the event a "credit event" occurs under the Credit Default Swap, the Liquidation Agent, on behalf of the Issuer, will obtain funds to pay Credit Protection Amounts (which, for the avoidance of doubt, will not include Defaulted Swap Termination Payments) owed by the Issuer to the Credit Protection Buyer by applying the Collateral Liquidation Procedure. In addition, under certain circumstances upon the occurrence of a "credit event", the Liquidation Agent, on behalf of the Issuer will pay any related Physical Settlement Amount owed by the Issuer to the Credit Protection Buyer in exchange for a Delivered Obligation by applying the Collateral Liquidation Procedure. Any Delivered Obligation delivered to the Issuer will be sold by the Liquidation Agent, on behalf of the Issuer, pursuant to the terms of the Liquidation Agency Agreement. If a CDS Transaction is terminated or partially terminated prior to its scheduled maturity, the Liquidation Agent, on behalf of the Issuer, will make any termination payments (which, for the avoidance of doubt, shall not include Defaulted Swap Termination Payments) due to the Credit Protection Buyer by applying the Collateral Liquidation Procedure.

"Pay-as-you-go" credit default swaps are a type of credit default swap developed to incorporate the unique structures of asset-backed securities. The International Swaps and Derivatives Association, Inc. ("ISDA") has published one form confirmation for "pay-as-you-go" credit default swaps referencing RMBS Securities and a second form of confirmation for "pay-as-you-go" credit default swaps referencing CDO Securities. The form confirmations expected to be used to document the Credit Default Swap are expected to be similar to the RMBS Securities "pay-as-you-go" form and the CDO Securities "pay-as-you-go" form, but may differ in significant ways. While ISDA has published its form confirmations and has published and supplemented the Credit Derivatives Definitions in order to facilitate transactions and promote uniformity in the credit default swap market, the credit default swap market is expected to change and the "pay-as-you-go" credit default swap forms and the Credit Derivatives Definitions and terms applied to credit derivatives are subject to interpretation and further evolution.

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ISDA is currently preparing forms for other types of asset-backed securities. There can be no assurance that such forms will be substantially similar to the form confirmations expected to be used for the Credit Default Swap. Past events have shown that the views of market participants may differ as to how the Credit Derivatives Definitions operate or should operate. As a result of the continued evolution of the ISDA "pay-as-you-go" credit default swap forms, the confirmations used to document the Credit Default Swap may differ from the future market standard. Such a result may have a negative impact on the liquidity and market value of the Credit Default Swap.

There can be no assurances that changes to the Credit Derivatives Definitions and other terms applicable to credit derivatives generally will be favorable to the Issuer. Amendments or supplements to the "pay-as-you-go" credit default swap forms and amendments and supplements to the Credit Derivatives Definitions that are published by ISDA will only apply to the Credit Default Swap executed prior to such amendment or supplement if the Issuer and the Credit Protection Buyer agree to amend the Credit Default Swap to incorporate such amendments or supplements and the Rating Agency Condition has been satisfied. Markets in different jurisdictions have also already adopted and may continue to adopt different practices with respect to the Credit Derivatives Definitions. Furthermore, the Credit Derivatives Definitions may contain ambiguous provisions that are subject to interpretation and may result in consequences that are adverse to the Issuer. In addition to the credit risk of the Reference Obligations and the credit risk of the Credit Protection Buyer, the Issuer is also subject to the risk that the Credit Derivatives Definitions could be interpreted in a manner that would be adverse to the Issuer or that the credit derivatives market generally may evolve in a manner that would be adverse to the Issuer.

Residential Mortgage Backed Securities. 98.4% of the Aggregate Reference Obligation Notional Amount will consist of Residential Mortgage Backed Securities ("RMBS") as of the Closing Date. The types of Residential Mortgage Backed Securities that constitute the Reference Obligations related to the CDS Transactions the Issuer will enter into on the Closing Date will consist of RMBS Midprime Mortgage Securities and RMBS Subprime Mortgage Securities.

Holders of RMBS bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by one-to-four-family residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity, although such loans may be securitized by agencies and the securities issued are guaranteed. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the area where the related mortgaged property is located, the borrower's equity in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

At any one time, a portfolio of RMBS may be backed by residential mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the residential mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations. In addition, the residential mortgage loans may include so-called "jumbo" mortgage loans, having original principal balances that are higher than is generally the case for residential mortgage loans. As a result, such portfolio of RMBS may experience increased losses.

Each underlying residential mortgage loan in an issue of RMBS may have a balloon payment due on its maturity date. Balloon residential mortgage loans involve a greater risk to a lender than self-amortizing loans, because the ability of a borrower to pay such amount will normally depend on its ability to obtain refinancing of the related mortgage loan or sell the related mortgaged property at a price sufficient to permit the borrower to make the balloon payment, which will depend on a number of factors prevailing at the time such refinancing or sale is required, including, without limitation, the strength of the residential real estate markets, tax laws, the financial situation and operating history of the underlying property, interest rates and general economic conditions. If the borrower is unable to make such balloon payment, the related issue of RMBS may experience losses.

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Prepayments on the underlying residential mortgage loans in an issue of RMBS will be influenced by the prepayment provisions of the related mortgage notes and may also be affected by a variety of economic, geographic and other factors, including the difference between the interest rates on the underlying residential mortgage loans (giving consideration to the cost of refinancing) and prevailing mortgage rates and the availability of refinancing. In general, if prevailing interest rates fall significantly below the interest rates on the related residential mortgage loans, the rate of prepayment on the underlying residential mortgage loans would be expected to increase. Conversely, if prevailing interest rates rise to a level significantly above the interest rates on the related mortgages, the rate of prepayment would be expected to decrease. Prepayments could reduce the yield received on the related issue of RMBS.

Structural and Legal Risks of RMBS. Residential mortgage loans in an issue of RMBS may be subject to various federal and state laws, public policies and principles of equity that protect consumers, which among other things may regulate interest rates and other charges, require certain disclosures, require licensing of originators, prohibit discriminatory lending practices, regulate the use of consumer credit information and regulate debt collection practices. Violation of certain provisions of these laws, public policies and principles may limit the servicer's ability to collect all or part of the principal of or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and sanctions. Any such violation could result also in cash flow delays and losses on the related issue of RMBS.

RMBS may have structural characteristics that distinguish them from other asset-backed securities. The rate of interest payable on RMBS may be set or effectively capped at the weighted average net coupon of the underlying mortgage loans themselves or a cap based on an asset's designated floating rate index. As a result of this cap, the return to investors is dependent on the relative timing and rate of delinquencies and prepayments of mortgage loans bearing a higher rate of interest. In general, early prepayments will have a greater impact on the yield to investors. Federal and state law may also affect the return to investors by capping the interest rates payable by certain mortgagors. The Servicemembers' Civil Relief Act of 2003 (the "Relief Act") provides relief for certain soldiers and members of the reserve called to active duty by capping the interest rates on their mortgage loans at 6% per annum. In addition, pursuant to the laws of various states, under certain circumstances, payments on the underlying mortgage loans by residents in such states who are called into active duty with the National Guard or the reserves will be deferred. These state laws may also limit the ability of the servicer to foreclose on the related mortgaged property. This could result in delays or reductions in payment and increased losses on the underlying mortgage loans which impact the return to investors. Certain RMBS may provide for the payment of only interest for a stated period of time.

In addition, structural and legal risks of RMBS include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or affiliates), the assets of the issuer could be treated as never having been truly sold by the originator to the issuer or could be substantively consolidated with those of the originator or the servicer, or the transfer of such assets to the issuer could be voided as a fraudulent transfer. Challenges based on such doctrines could result also in cash flow delays and losses on the related issue of RMBS.

It is not expected that the RMBS will be guaranteed or insured by any governmental agency or instrumentality or by any other person. Distributions on RMBS will depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans.

Recent Development in RMBS May Adversely Affect the Performance and Market Value of RMBS. According to published reports, recently, the residential mortgage market in the United States has experienced a variety of difficulties and changed economic conditions that may adversely affect the performance and market value of RMBS. Delinquencies and losses with respect to residential mortgage loans generally reportedly have increased in recent months, and may continue to increase, particularly in the subprime sector. In addition, in recent months published reports have indicated that housing prices and appraisal values in many states have declined or stopped appreciating. A continued decline or an extended flattening of those values may result in additional increases in delinquencies and losses on RMBS generally.

Another factor that may result in higher delinquency rates is the reported increase in monthly payments on adjustable rate mortgage loans. Borrowers with adjustable rate mortgage loans are being exposed to increased

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monthly payments when the related mortgage interest rate adjusts upward from the initial fixed rate or a low introductory rate. Borrowers seeking to avoid these increased monthly payments by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. A decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance. Furthermore, borrowers who intend to sell their homes on or before the expiration of the fixed rate periods on their mortgage loans may find that they cannot sell their properties for an amount equal to or greater than the unpaid principal balance of their loans. These events, alone or in combination, may contribute to higher delinquency rates and, as a result, adversely affect the performance and market value of RMBS.

In addition, numerous residential mortgage loan originators that originate subprime mortgage loans have reportedly recently experienced serious financial difficulties and, in some cases, bankruptcy. Those difficulties may have resulted in part from declining markets for mortgage loans as well as from claims for repurchases of mortgage loans previously sold under provisions that require repurchase in the event of early payment defaults, or for material breaches of representations and warranties made on the mortgage loans, such as fraud claims. These difficulties may affect the performance and market value of RMBS.

CDO Securities. 1.6% of the Aggregate Reference Obligation Notional Amount will consist of CDO Securities as of the Closing Date. CDO Securities generally are limited recourse obligations of the issuer thereof payable solely from the underlying assets of the issuer ("CDO Collateral") or proceeds thereof. Consequently, holders of CDO Securities must rely solely on distributions on the underlying CDO Collateral or proceeds thereof for payment in respect thereof. If distributions on the underlying CDO Collateral are insufficient to make payments on the CDO Securities, no other assets will be available for payment of the deficiency and following realization of the underlying assets, the obligations of the issuer to pay such deficiency shall be extinguished. Many subordinate classes of CDO Securities provide that a deferral of interest thereon or a write-down does not constitute an event of default and the holders of such securities will not have available to them any associated default remedies. During such periods of non payment or partial non-payment, such non-paid interest will generally be capitalized and added to the outstanding principal balance of the related security. Any such deferral will reduce the amount of current payments made on such CDO Securities.

CDO Securities are subject to credit, liquidity and interest rate risks. The assets backing CDO Securities may consist of high-yield debt securities, loans, trust preferred securities, structured finance securities and other debt instruments. High-yield debt securities are generally unsecured (and loans may be unsecured) and may be subordinated to certain other obligations of the issuer thereof. An increase in the default rates of high-yield corporate debt securities or loans could increase the likelihood that payments may not be made to holders of CDO Securities which are secured by high-yield corporate debt securities and loans.

Issuers of CDO Securities may acquire interests in loans and other debt obligations by way of assignment or participation. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution.

In purchasing participations, an issuer of CDO Securities will usually have a contractual relationship only with the selling institution, and not the borrower. The issuer generally will have no right directly to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor have the right to object to certain changes to the loan agreement agreed to by the selling institution. The issuer may not directly benefit from the collateral supporting the related loan and may be subject to any rights of set-off the borrower has against the selling institution. In addition, in the event of the insolvency of the selling institution, under the laws of the United States of America and the states thereof, the issuer may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the loan. Consequently, the issuer may be subject to the credit risk of the selling institution as well as of the borrower.

CDO Securities are subject to interest rate risk and day count basis risk. The CDO Collateral of an issuer of CDO Securities may bear interest at a fixed (floating) rate while the CDO Securities issued by such issuer may bear interest at a floating (fixed) rate. As a result, there could be a floating/fixed rate or basis mismatch between such CDO Securities and CDO Collateral which bears interest at a fixed rate and there may be a timing mismatch

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between the CDO Securities and assets that bear interest at a floating rate as the interest rate on such assets bearing interest at a floating rate may adjust more frequently or less frequently, on different dates and based on different indices than the interest rates on the CDO Securities. As a result of such mismatches, an increase or decrease in the level of the floating rate indices could adversely impact the ability to make payments on the CDO Securities. In addition, hedges may have been acquired to manage the interest rate risk of such CDO Securities, making such CDO Securities also subject to the credit risk of the applicable hedge counterparty.

Subordination of Reference Obligations. All of the Reference Obligations are mezzanine grade as of the Closing Date. Some of the Reference Obligations will be subordinated to one or more other classes of securities of the same series for purposes of, among other things, offsetting losses and other shortfalls with respect to the related underlying mortgage loans. The subordinate classes are more sensitive to risk of loss and writedowns than senior classes of such securities.

PROSPECTIVE PURCHASERS OF THE SECURED NOTES AND THE INCOME NOTES SHOULD CONSIDER AND ASSESS FOR THEMSELVES THE LIKELY LEVEL OF DEFAULTS ON THE REFERENCE OBLIGATIONS, AS WELL AS THE LIKELY LEVEL AND TIMING OF RECOVERIES ON THE REFERENCE OBLIGATIONS.

Insolvency Considerations with Respect to Issuers of Reference Obligations. Various laws enacted for the protection of creditors may apply to the Reference Obligations. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of an issuer of a Reference 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 the Reference Obligation or for granting a lien securing the Reference Obligation and, after giving effect to such indebtedness or such lien, 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 such lien as a fraudulent conveyance, to subordinate such indebtedness or such lien to existing or future creditors of such issuer, or to recover amounts previously paid by such 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 saleable value of its assets was 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 Reference Obligation or the grant of a lien securing the Reference Obligation or that, regardless of the method of valuation, a court would not determine that the issuer was "insolvent" upon giving effect to such incurrence or grant. In addition, in the event of the insolvency of an issuer of a Reference Obligation, payments made on such Reference Obligation or a lien securing such Reference Obligation could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year or longer) before insolvency. Payments made under loans underlying Reference Obligations may also be subject to avoidance in the event of the bankruptcy of the borrower.

In general, if payments on a Reference Obligation are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured. To the extent that any such payments are recaptured, the resulting loss will be borne first by the Holders of the Income Notes, then by the Holders of the Class D Notes, then by the Holders of the Class C Notes, then by the Holders of the Class B Notes, then by the Holders of the Class A-2 Notes, then, *pro rata*, by the Holders of the Class A Notes and finally, by the Holders of the Class S Notes.

Illiquidity of CDS Transactions; Certain Restrictions on Transfer. There may be a limited trading market for many of the CDS Transactions entered into by the Issuer, and in certain instances there may be effectively no trading market therefor. The illiquidity of CDS Transactions may also affect the ability of the Issuer to conduct a successful Optional Redemption, Tax Redemption or Auction, to exercise redemptions and may also affect the amount and timing of receipt of proceeds from the disposition of CDS Transactions in connection with the exercise of remedies following an Event of Default.

Volatility of Market Value of Collateral Securities, CDS Transactions and the related Reference Obligations. The market value of the Collateral Securities, CDS Transactions and the related Reference Obligations

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will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, developments or trends in any particular industry and the financial condition of the parties to, or issuers of, the Collateral Securities, CDS Transactions and the related Reference Obligations. A decrease in the market value of the Collateral Securities, CDS Transactions and the related Reference Obligations would adversely affect the proceeds that could be obtained upon the assignment, termination or other disposition of the Collateral Securities, CDS Transactions and the related Delivered Obligations and could ultimately affect the ability of the Issuer to effect an Auction, an Optional Redemption or a Tax Redemption, or to pay the principal of the Notes upon a liquidation of the Collateral Securities, CDS Transactions and the related Delivered Obligations following the occurrence of an Event of Default.

Interest Rate Risk. There will be a basis and timing mismatch between such Notes and the Collateral Securities which bear interest at a floating rate, since the interest rates on such Collateral Securities bearing interest at a floating rate may adjust more frequently or less frequently, on different dates and based on different indices, than the interest rate on the Notes.

Concentration Risk. The Issuer will invest in CDS Transactions which relate to the portfolio of Reference Obligations described in Appendix B hereto. Payments on the Notes could be adversely affected by the concentration in the portfolio of any one issuer or any one servicer if such issuer or servicer were to default. No single issuer will represent as of the Closing Date more than approximately 1.64% of the Aggregate Reference Obligation Notional Amount. See "The Credit Default Swap—The Reference Portfolio."

PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSIDER AND ASSESS FOR THEMSELVES THE LIKELIHOOD OF A DEFAULT BY EITHER THE CREDIT PROTECTION BUYER, AS WELL AS THE OBLIGATIONS OF THE ISSUER UNDER EITHER THE CREDIT PROTECTION BUYER, INCLUDING THE OBLIGATION TO MAKE TERMINATION PAYMENTS TO EITHER THE CREDIT PROTECTION BUYER.

Other Considerations

Changes in Tax Law; No Gross-Up. Under current tax law of the United States and other jurisdictions, payments made by the Credit Protection Buyer under the Credit Default Swap and obligors on any Eligible Investments are not expected to be subject to the imposition of U.S. federal or other withholding tax. There can be no assurance, however, that as a result of a change in any applicable law, treaty, rule or regulation or interpretation thereof or other causes, such payments might not in the future become subject to U.S. federal or other withholding tax. In the event that any withholding tax should be determined to be applicable to payments on any Eligible Investments and the obligors thereon were not then required to make "gross-up" payments that cover the full amount of any such withholding taxes, such tax would reduce the amounts available to make payments on the Notes.

In the event that any withholding tax is imposed on payments on the Notes, the Holders of such Notes will not be entitled to receive "grossed-up" amounts to compensate for such withholding tax. In addition, 90 days following the Issuers becoming aware of the occurrence of a Tax Event (which 90-day period may be extended by 90 days), the Issuer will redeem in whole but not in part, at applicable Secured Note Redemption Prices or the Income Note Redemption Price, as applicable, specified herein, the Notes in accordance with the procedures described under "Description of the Notes—Tax Redemption," "—Optional Redemption—Optional Redemption/Tax Redemption Procedures" herein.

Lack of Operating History. Each of the Issuers is a newly organized entity and has no prior operating history. Accordingly, neither of the Issuers has a performance history for a prospective investor to consider.

Investment Company Act. Neither of the Issuers has registered with the United States Securities and Exchange Commission (the "SEC") as an investment company pursuant to the Investment Company Act. The Issuer has not so registered in reliance on an exception for investment companies organized under the laws of a jurisdiction other than the United States whose investors resident in the United States are solely Qualified Purchasers and which do not make a public offering of their securities in the United States. Counsel for the Issuers will opine, in connection with the sale of the Notes by the Initial Purchaser, that neither the Issuer nor the Co-Issuer is on the Closing Date an investment company required to be registered under the Investment Company Act

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(assuming, for the purposes of such opinion, that the Notes are sold by the Initial Purchaser in accordance with the terms of the Purchase Agreement). No opinion or no-action position has been requested of the SEC.

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

The Notes are only permitted to be transferred to Qualified Institutional Buyers in transactions meeting the requirements of Rule 144A and, solely in the case of the Income Notes, to Accredited Investors having a net worth of not less than U.S.$10 million in transactions exempt from registration under the Securities Act, or in an offshore transaction, to a non-U.S. Person, complying with Rule 903 or Rule 904 of Regulation S. The Notes being offered in the United States are being offered only to persons that are also Qualified Purchasers. Any non-permitted transfer will be voided and the Issuers can require the transferee to sell its Notes to a permitted transferee, with such sale to be effected within 30 days after notice of such sale requirement is given. If such sale is not effected within such 30 day period, upon written direction from the Issuer or the Liquidation Agent, on behalf of the Issuer, will be authorized to conduct a commercially reasonable sale of such Notes to a permitted transferee and pending such transfer, no further payments will be made in respect of such Notes or any beneficial interest therein. See "Description of the Notes—Form of the Notes" and "Notice to Investors."

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

Document Repository. Pursuant to the Indenture, the Issuer will consent to the posting of this Offering Circular, the Indenture and certain periodic reports required to be delivered pursuant to the Transaction Documents, together with any amendments or modifications thereto, to the internet-based password protected electronic repository of transaction documents relating to privately offered and sold collateralized debt obligation securities located at "www.cdolibrary.com."

Implementation of Securities Regulation in Europe. As part of a coordinated action plan for harmonization of securities markets in Europe, the European Parliament and the Council of the European Union has adopted a series of directives, including the Prospectus Directive (2003/71/EC) the Transparency Directive (2004/109/EC) and the Market Abuse Directive (2003/6/EC) which aim to ensure investor protection and market efficiency in accordance with high regulatory standards across the European community. Pursuant to such directives member states have introduced, or are in the process of introducing, legislation into their domestic markets to implement the requirements of these directives. The introduction of such legislation has effected and will effect the regulation of issuers of securities that are offered to the public or admitted to trading on a European Union regulated market and the nature and content of disclosure required to be made in respect of such issuers and their related securities. The listing of Notes on any European Union stock exchange would subject the Issuers 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 apply for, list or maintain a listing for any Class of Notes on a European Union stock exchange if compliance with these directives (or other requirements adopted by the European Parliament and Council of the European Union or a relevant member state) becomes burdensome. Should the Notes be delisted from any exchange, the ability of the holders of such Notes to sell such Notes in the secondary market may be negatively impacted.

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EU Savings Directive. If, following implementation of European Council Directive 2003/48/EC, a payment were to be made or collected through a member state that opted for a withholding system and an amount of or in respect of tax were to be withheld from that payment, neither the Issuer nor the Paying Agent nor any other person would be obliged to pay additional amounts as a result of the imposition of such withholding tax. If a withholding tax is imposed on a payment made by a paying agent following implementation of this Directive, the Issuer will be required to maintain a paying agent in a member state that will not be obliged to withhold or deduct tax pursuant to the Directive.

Certain Conflicts of Interest. Various potential and actual conflicts of interest may arise from the overall activities of the Credit Protection Buyer, the overall underwriting, investment and other activities of the Liquidation Agent, their respective affiliates and its clients and employees and from the overall investment activity of the Initial Purchaser, including in other transactions with the Issuer. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

The Credit Protection Buyer. GSI will be the initial Credit Protection Buyer. The following briefly summarizes some potential and actual conflicts of interests related to the Credit Protection Buyer, but the following isn't intended to be an exhaustive list of all such conflicts.

GSI and/or its affiliates may be in possession of information in relation to a Reference Entity or otherwise that is or may be material in the context of the Notes and may or may not be publicly available to Holders. None of GSI or any of its affiliates has any obligation to disclose to Holders any such information.

GSI and/or any of its affiliates may invest and/or deal, for their own respective accounts for which they have investment discretion, in securities or in other interests in the Reference Entities, in obligations of the Reference Entities or in the obligors in respect of any Reference Obligations or Collateral Securities (the "Investments") or in credit default swaps (whether as protection buyer or seller), total return swaps or other instruments enabling credit and/or other risks to be traded that are linked to one or more Investments. Such investments, credit derivatives and/or instruments may have the same or different terms from any of the credit derivatives referred to in the terms of the Notes. In addition, GSI and/or any of its affiliates may invest and/or deal, for their own respective accounts or for accounts for which they have investment discretion, in securities (or make loans or have other rights) that are senior to, or have interests different from or adverse to, any of the Investments and may act as adviser to, may be lenders to, and may have other ongoing relationships with, the issuers or obligors of Investments and obligations of any Reference Entities. GSI may at certain times be simultaneously seeking to purchase or sell investments and/or protection under credit derivatives or other instruments enabling and/or other risks to be traded for any entity for which it serves as manager in the future.

Various potential and actual conflicts of interest may arise from the overall activities of GSI and/or any of its affiliates. GSI, its respective affiliates and the directors, officers, employees and agents of GSI and its respective affiliates may, among other things: (a) serve as directors, officers, partners, employees, agents, nominees or signatories for any Investment, any originator and/or servicer of or any other party interested in an Investment or the obligors in respect of the Investments; (b) receive fees for services of any nature rendered to any obligor in respect of the Investments or any originator and/or servicer of or any other party interested in the Investments; (c) be a secured or unsecured creditor of, or hold an equity interest in any obligor in respect of the Investments, any originator and/or servicer of or any other party interested in the Investments; (d) underwrite, act as a distributor of, or make a market in any Investments, or in the securities of any originator and/or servicer of or any other party interest in the Investments; (e) invest for its own account in the Investments or any other securities issued by any originator and/or servicer of or any other party interested in the Investments; (f) serve as a member of any "creditors' committee" with respect to any formal or informal workout group with respect to any obligor in respect of the Investments, any originator and/or servicer of or any other party interest in the Investments; (g) act as the adviser or investment adviser to any other person, entity or fund; and (h) maintain other relationships with any obligor in respect of the Investments, any originator and/or servicer of or any other party interested in the Investments.

Any Floating Amounts owed by the Issuer may be greater or less than the actual loss, if any, incurred by the Credit Protection Buyer with respect to the related Reference Obligation. The Credit Protection Buyer has no obligation to hold the Reference Obligations or to incur a loss in order to receive a credit protection payment. To

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the extent it holds a Reference Obligation, the Credit Protection Buyer or their respective affiliates, as the case may be, will have the right to exercise of all the voting and consent rights of a holder of such Reference Obligation and it will exercise those rights in such manner as it determines to be in its own commercial interests without regard to the Holders of the Notes.

The Liquidation Agent. GS&Co. will be the initial Liquidation Agent. Although the Liquidation Agent will exercise no discretion with respect to the Pledged Assets and the Liquidation Agent is not providing investment advisory services or acting as an advisor to, the Issuers or the Holders of the Notes, various potential and actual conflicts of interest may arise from the overall underwriting, investment and other activities of the Liquidation Agent, its affiliates and its clients. The Liquidation Agent is also the Initial Purchaser. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

The Liquidation Agent and/or its affiliates have ongoing relationships with, render services to, finance and engage in transactions with, and may own debt or equity securities issued by issuers of certain of the Reference Obligations and Collateral Securities. The Liquidation Agent, its affiliates and/or its clients may invest in securities that are senior or subordinated to, or have interests different from or adverse to, the Reference Obligations and Collateral Securities. The interests of such parties may be different than or adverse to the interests of the holders of the Notes. In addition, such persons may possess information relating to the Reference Obligations and Collateral Securities which is not known to the individuals at the Liquidation Agent responsible for performing its obligations under the Liquidation Agency Agreement. Such persons will not be required (and may not be permitted) to share such information or pass it along to the Issuer, the Liquidation Agent or any holder of any Notes. Neither the Liquidation Agent nor any of such person will have liability to the Issuer or any holder of any Notes for failure to disclose such information or for taking, or failing to take, any action based upon such information.

In addition, the Liquidation Agent and/or any of its affiliates may engage in any other business and furnish investment banking and other services to others which may include, without limitation, investing in, lending to, being affiliated with or have other ongoing relationships with, other entities organized to issue collateralized debt obligations secured by assets similar to the Reference Obligations, and the Collateral Securities and other trusts and pooled investment vehicles that acquire interests in, provide financing to, or otherwise deal with securities issued by issuers that would be suitable investments for the Issuer. In providing services to other clients, the Liquidation Agent and its affiliates may engage in activities that would compete with or otherwise adversely affect the Issuer. In addition, the Liquidation Agent will be free, in its sole discretion, to effect transactions on behalf of itself or for others, that may be the same as or different from those effected on behalf of the Issuer, and the Liquidation Agent and/or its affiliates may furnish investment banking or other services to others who may have investment policies similar to those followed by the Issuer and who may own securities of the same class, or which are the same type as, the Reference Obligations and the Collateral Securities on behalf of the Issuer. In addition, under certain circumstances the Liquidation Agent will be required to dispose of certain CDS Transactions which reference Reference Obligations in accordance with the procedures set forth in the Liquidation Agency Agreement. Such disposition of CDS Transactions which reference Reference Obligations may result in losses by the Issuer, which losses may result in the reduction or withdrawal of the rating of any or all of the Notes by any of the Rating Agencies. In making any such sale, the Liquidation Agent need not take into account the interests of the Issuers, the Holders of the Notes or any other party. The Liquidation Agent and/or its affiliates may at certain times be simultaneously seeking to purchase or dispose of investments for their respective accounts or for another entity at the same time as it is disposing of investments for the Issuer. Accordingly, conflicts may arise regarding the allocation of sale opportunities.

No provision in the Liquidation Agency Agreement prevents the Liquidation Agent or any of its affiliates from rendering services of any kind to the issuer of any Reference Obligations or Collateral Securities and their respective affiliates, the Trustee, the holders of the Notes or any other entity. Without prejudice to the generality of the foregoing, the Liquidation Agent and its affiliates, directors, officers, employees and agents may, among other things: (a) serve as directors, partners, officers, employees, agents, nominees or signatories for an issuer of any Reference Obligations or Collateral Securities; (b) receive fees for services rendered to the issuer of any Reference Obligations or any affiliate thereof; (c) be a secured or unsecured creditor of, or hold an equity interest in, any issuer of any Reference Obligations or Collateral Securities; and (d) serve as a member of any "creditors' board" or "creditors' committee" with respect to any Reference Obligations or Collateral Securities which has become or may become a Defaulted Obligation.

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The Liquidation Agent or any of its affiliates or subsidiaries will be permitted to exercise all voting rights with respect to any Notes which they may acquire (other than with respect to a vote regarding the removal of the Liquidation Agent or the termination or assignment of the Liquidation Agency Agreement).

The Initial Purchaser. GS&Co. will be the Initial Purchaser. Various potential and actual conflicts of interest may arise from the conduct by the Initial Purchaser and its affiliates in other transactions with the Issuer, including, without limitation, acting as counterparty with respect to the Credit Default Swap. GS&Co. will also initially act as the Liquidation Agent under the Liquidation Agency Agreement. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

It is expected that the Initial Purchaser and/or its affiliates and selling agent will have placed or underwritten certain of the Reference Obligations and Collateral Securities at original issuance, will own equity or other securities of issuers of or obligors on Reference Obligations and Collateral Securities and will have provided investment banking services, advisory, banking and other services to issuers of Reference Obligations and Collateral Securities. The Issuer may invest in the securities of companies affiliated with the Initial Purchaser and/or any of its affiliates or in which the Initial Purchaser and/or any of its affiliates have an equity or participation interest. The purchase, holding and sale of such investments by the Issuer may enhance the profitability of the Initial Purchaser's and/or any of its affiliates' own investments in such companies. In addition, it is expected that one or more affiliates of the Initial Purchaser will also act as counterparty with respect to all of the CDS Transactions. The Issuer may invest in money market funds that are managed by the Initial Purchaser or its affiliates; provided that such money market funds otherwise qualify as Eligible Investments. GS&Co. and/or a consolidated entity controlled by GS&Co. or an affiliate thereof is providing "warehouse" financing to the Issuer prior to the Closing Date and GS&Co. selected the warehoused Credit Default Swap and Collateral Securities which will be sold to the Issuer on the Closing Date pursuant to the terms of the Forward Purchase Agreement. No collateral manager or other person acting on behalf of the Issuer has reviewed the prices established pursuant to such Forward Purchase agreement (nor has there been any third party verification of such prices). See "—Notes—Collateral Accumulation."

There is no limitation or restriction on the Initial Purchaser or any of its affiliates with regard to acting as investment advisor, initial purchaser or placement agent (or in a similar role) to other parties or persons. This and other future activities of the Initial Purchaser and/or its affiliates may give rise to additional conflicts of interest.

Anti-Money Laundering Provisions. The Uniting and Strengthening America By Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act"), signed into law on and effective as of October 26, 2001, imposes anti money laundering obligations on different types of financial institutions, including banks, broker dealers and investment companies. The USA PATRIOT Act requires the Secretary of the United States Department of the Treasury (the "Treasury") to prescribe regulations to define the types of investment companies subject to the USA PATRIOT Act and the related anti money laundering obligations. It is not clear whether the Treasury will require entities such as the Issuer to enact anti money laundering policies. It is possible that the Treasury will promulgate regulations requiring the Issuers or the Initial Purchaser or other service providers to the Issuers, in connection with the establishment of anti money laundering procedures, to share information with governmental authorities with respect to investors in the Secured Notes and/or the Income Notes. Such legislation and/or regulations could require the Issuers to implement additional restrictions on the transfer of the Secured Notes and/or the Income Notes. As may be required, the Issuer reserves the right to request such information and take such actions as are necessary to enable it to comply with the USA PATRIOT Act.

The Issuer. The Issuer is a recently incorporated Cayman Islands exempted company and has no substantial prior operating history. The Issuer will have no significant assets other than the CDS Transactions, the Collateral Securities, Eligible Investments, rights under the Credit Default Swap, rights under the Liquidation Agency Agreement, and certain other accounts and agreements entered into as described herein, and proceeds thereof, all of which have been pledged to the Trustee to secure the Issuer's obligations to the Holders of the Secured Notes and the Credit Protection Buyer. The Issuer will not engage in any business activity other than the issuance and sale of the Secured Notes and the Income Notes as described herein, the issuance of the Ordinary Shares, the entering into and performance of its obligations under the Credit Default Swap, the acquisition and disposition of Collateral Securities and Eligible Investments as described herein, the entering into of, and the performance of its obligations under, the Indenture, the Account Control Agreement, the Liquidation Agency Agreement, the Collateral Administration Agreement, any other applicable Transaction Document, the pledge of the

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Pledged Assets as security for its obligations in respect of the Secured Notes and otherwise for the benefit of the Secured Parties, certain activities conducted in connection with the payment of amounts in respect of the Secured Notes and the Income Notes and the management of the Pledged Assets and other activities incidental to the foregoing. Income derived from the Pledged Assets will be the Issuer's only source of cash.

The Co-Issuer. The Co-Issuer is a newly incorporated Delaware corporation and has no prior operating history. The Co-Issuer does not have and will not have any significant assets. The Co-Issuer will not engage in any business activity other than the co-issuance of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes.

Tax. See "Income Tax Considerations."

ERISA. See "ERISA Considerations."

Listing. Application may be made to the Irish Stock Exchange for the Notes to be admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. There can be no assurance that any application will be made, that any such listing will be obtained or that, if it is obtained, that it will be maintained by the Issuer. If any Class or Classes of Notes are admitted to the official list of the Irish Stock Exchange, the Issuer may at any time terminate the listing of such Notes. If the Issuer terminates the listing, it may, but is under no obligation to, seek a replacement listing on another stock exchange.

DESCRIPTION OF THE NOTES

The Secured Notes will be issued by the Issuers pursuant to the Indenture. The Income Notes will be issued by the Issuer pursuant to the Fiscal Agency Agreement. The following summary describes certain provisions of the Notes, the Indenture and the Fiscal Agency Agreement. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Notes, the Indenture and the Fiscal Agency Agreement. Copies of the Indenture may be obtained by prospective purchasers of the Secured Notes upon request in writing to the Trustee at LaSalle Bank National Association, 181 W. Madison Street, 32nd Floor, Chicago, Illinois 60602, Attention: CDO Trust Services Group —Anderson Mezzanine Funding 2007-1, Ltd. (telephone number (312) 992-5312). Copies of the Fiscal Agency Agreement may be obtained by prospective purchasers of Income Notes upon request in writing to the Fiscal Agent at LaSalle Bank National Association, 181 W. Madison Street, 32nd Floor, Chicago, Illinois 60602, Attention: CDO Trust Services Group —Anderson Mezzanine Funding 2007-1, Ltd. (telephone number (312) 992-5312).

Status and Security

The Co-Issued Notes will be limited recourse obligations of the Issuers, secured as described below. The Income Notes will be limited recourse obligations of the Issuer, will not be secured obligations of the Issuer and will only be entitled to receive amounts available for payment to the Holders of the Income Notes after payment of all amounts payable prior thereto under the Priority of Payments. The Class S Notes will be senior in right of payment on each Payment Date to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes to the extent provided in the Priority of Payments. The Class A Notes will be senior in right of payment on each Payment Date to the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes. Interest on the Class A-1a Notes, Class A-1b Notes and Class A-2 Notes will be paid *pro rata* (based upon amounts due). Payments of principal of the Class A-1 Notes will be either senior to or *pro rata* with payments of principal of the Class A-2 Notes as more fully described in the Priority of Payments. All principal allocated to the Class A-1 Notes will be allocated either (i) first to the Class A-1a Notes until the Class A-1a Notes are paid in full and then to the Class A-1b Notes until the Class A-1b Notes are paid in full) or (ii) *pro rata* to the Class A-1 Notes as more fully described in the Priority of Payments. The Class B Notes will be senior in right of payment on each Payment Date to the Class C Notes, the Class D Notes and the Income Notes. The Class C Notes will be senior in right of payment on each Payment Date to the Class D Notes and the Income Notes. The Class D Notes will be senior in right of payment on each Payment Date to the Income Notes. See "—Priority of Payments."

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Under the terms of the Indenture, the Issuer will grant to the Trustee, for the benefit and security of the Trustee on behalf of the Secured Notes, the Fiscal Agent, the Liquidation Agent and the Credit Protection Buyer (but only to the extent of (a) the Collateral Securities and Eligible Investments in the Collateral Account and (b) the Delivered Obligations in the Delivered Obligations Account) (collectively, the "Secured Parties"), a first-priority security interest in (i) the Credit Default Swap; (ii) the Interest Collection Account; (iii) the Payment Account; (iv) the Expense Reserve Account; (v) the Delivered Obligations Account; (vi) the Amortization Shortfall Account, (vii) the CDS Counterparty Collateral Account and (viii) the Collateral Account (including the Cash Collateral Account) (items (ii) through (viii), the "Accounts"); (ix) Eligible Investments; (x) the Issuer's rights under the Credit Default Swap; (xi) the Issuer's rights under the Collateral Administration Agreement, (xii) the Issuer's rights under the Liquidation Agency Agreement and (xiii) certain other property (collectively, the "Pledged Assets").

Payments of interest on and principal of the Secured Notes and payments to the Holders of the Income Notes, will be made solely from the proceeds of the Pledged Assets in accordance with the Priority of Payments.

The aggregate amount that will be available for payments required or permitted to be made on the Notes and of certain expenses of the Issuers, the Trustee and the Agents on any Payment Date will be the total amount of Proceeds received during the period (a "Due Period") ending on (and including) the fourth Business Day prior to such Payment Date (or, in the case of a Due Period that is applicable to the Payment Date relating to the Stated Maturity of any Note, ending on (and including) the day preceding such Payment Date), and commencing immediately following the fourth Business Day prior to the preceding Payment Date (or, in the case of the Due Period relating to the first Payment Date, on the Closing Date).

Interest on the Secured Notes

The Class S Notes will bear interest during each Interest Accrual Period at the Class S Note Interest Rate for such Interest Accrual Period. The Class A-1a Notes will bear interest during each Interest Accrual Period at the Class A-1a Note Interest Rate for such Interest Accrual Period. The Class A-1b Notes will bear interest during each Interest Accrual Period at the Class A-1b Note Interest Rate for such Interest Accrual Period. The Class A-2 Notes will bear interest during each Interest Accrual Period at the Class A-2 Note Interest Rate for such Interest Accrual Period. The Class B Notes will bear interest during each Interest Accrual Period at the Class B Note Interest Rate for such Interest Accrual Period. The Class C Notes will bear interest during each Interest Accrual Period at the Class C Note Interest Rate for such Interest Accrual Period. The Class D Notes will bear interest during each Interest Accrual Period at the Class D Note Interest Rate for such Interest Accrual Period. Interest with respect to the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes will be payable monthly in arrears on each Payment Date, commencing on the July 2007 Payment Date. LIBOR for the first Interest Accrual Period with respect to the Secured Notes will be determined as of the second Business Day preceding the Closing Date. Calculations of interest on the Secured Notes will be made based on a 360-day year and the actual number of days in each Interest Accrual Period. The Holders of the Income Notes will receive on each Quarterly Payment Date any amount of Proceeds that are available for distribution thereon in accordance with the Priority of Payments on such Payment Date. The "Interest Accrual Period," is with respect to the Class S Notes, the Class A-1a Notes, the Class A-1b Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes and any Payment Date, the period commencing on and including the immediately preceding Payment Date (or the Closing Date in the case of the first Interest Accrual Period) and ending on and including the day immediately preceding such Payment Date.

If funds are not available on any Payment Date to pay the full amount of interest on the Class C Notes, or to the extent interest that is due on such Notes is not paid in order to satisfy certain Coverage Tests, the interest not paid (the "Class C Deferred Interest"), will not be due and payable on such Payment Date, but will be added to the principal amount of the Class C Notes and, to the extent lawful and enforceable, thereafter shall accrue interest at the Class C Note Interest Rate. If funds are not available on any Payment Date to pay the full amount of interest on the Class D Notes, or to the extent interest that is due on such Notes is not paid in order to satisfy certain Coverage Tests, the interest not paid (the "Class D Deferred Interest"), will not be due and payable on such Payment Date, but will be added to the principal amount of the Class D Notes and, to the extent lawful and enforceable, thereafter shall accrue interest at the Class D Note Interest Rate. So long as any Class S Notes, Class A Notes or Class B Notes are outstanding, the failure to pay interest to the Holders of the Class C Notes will not be an Event of Default under the Indenture. So long as any Class S Notes, Class A Notes, Class B Notes or Class C Notes are outstanding, the failure

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to pay interest to the Holders of the Class D Notes will not be an Event of Default under the Indenture. See "—Priority of Payments" and "—The Indenture—Events of Default."

Interest will cease to accrue on each Secured Note from the date of repayment in full or Stated Maturity, or in the case of partial repayment, on such part, unless payment of principal is improperly withheld or unless default is otherwise made with respect to such payments of principal. See "—Principal." To the extent lawful and enforceable, interest on any Defaulted Interest on each Class of Secured Notes entitled thereto will accrue at the interest rate applicable to such Class of Notes, until paid as provided herein. "Defaulted Interest" means any interest due and payable in respect of any Class S Note, Class A Note or Class B Note or if there are no Class S Notes, Class A Notes or Class B Notes outstanding, any Class C Note or if there are no Class S Notes, Class A Notes, Class B Notes or Class C Notes outstanding, any Class D Note which, in any such case, is not punctually paid or duly provided for on the applicable Payment Date or at Stated Maturity, as the case may be.

Determination of LIBOR

For purposes of calculating each of the Note Interest Rates, the Issuers will appoint as agent LaSalle Bank National Association (in such capacity, the "Note Calculation Agent"). LIBOR shall be determined by the Note Calculation Agent in accordance with the following provisions:

(i) On the second Business Day prior to the commencement of an Interest Accrual Period (each such day, a "LIBOR Determination Date"), LIBOR ("LIBOR") shall equal the rate, as obtained by the Note Calculation Agent, for Eurodollar deposits for, with respect to the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, a one-month period (or, in the case of a designated initial payment period of less than 25 days or, in the case of the first Interest Accrual Period, the linear interpolation thereof, calculated in accordance with generally acceptable methodology, which appears on Bridge Telerate Page 3750 (as Telerate is defined in the International Swaps and Derivatives Association, Inc. Annex to the 2000 ISDA Definitions (June 2000 version)), or such page as may replace Bridge Telerate Page 3750, as of 11:00 a.m. (London time) on such LIBOR Determination Date.

(ii) If, on any LIBOR Determination Date, such rate does not appear on Bridge Telerate Page 3750, or such page as may replace Bridge Telerate Page 3750, the Note Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks to leading banks in the London interbank market for Eurodollar deposits for, with respect to the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, a one month period (or, in the case of a designated initial payment period of less than 25 days or, in the case of the first Interest Accrual Period, the linear interpolation thereof, calculated in accordance with generally acceptable methodology, in an amount determined by the Note Calculation Agent by reference to requests for quotations as of approximately 11:00 a.m. (London time) on the LIBOR Determination Date made by the Note Calculation Agent to the Reference Banks. 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 provide such quotations, LIBOR shall be deemed to be the arithmetic mean of the offered quotations that leading banks in the City of New York selected by the Note Calculation Agent (after consultation with the Issuer or the Liquidation Agent on behalf of the Issuer) are quoting on the relevant LIBOR Determination Date for Eurodollar deposits for the applicable period in an amount determined by the Note Calculation Agent (after consultation with the Issuer or the Liquidation Agent on behalf of the Issuer) by reference to the principal London offices of leading banks in the London interbank market; *provided, however,* that if the Note 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 LIBOR as determined on the most recent date LIBOR was available. As used herein, "Reference Banks" means four major banks in the London interbank market selected by the Note Calculation Agent (after consultation with the Issuer or the Liquidation Agent on behalf of the Issuer).

As soon as possible after 11:00 a.m. (New York time) on each LIBOR Determination Date, but in no event later than 11:00 a.m. (New York time) on the Business Day immediately following each LIBOR Determination Date, the Note Calculation Agent will cause notice of each of the Note Interest Rates for the next Interest Accrual Period and the amount of interest for such Interest Accrual Period payable in respect of each U.S.$1,000 principal amount of the Class S Notes (the "Class S Note Interest Amount"), of the Class A-1a Notes (the "Class A-1a Note Interest Amount"), of the Class A-1b Notes (the "Class A-1b Note Interest Amount"), of the Class A-2 Notes (the

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"Class A-2 Note Interest Amount") of the Class B Notes (the "Class B Note Interest Amount"), of the Class C Notes (the "Class C Note Interest Amount"), and of the Class D Notes (the "Class D Note Interest Amount") (collectively, the "Note Interest Amounts") (each rounded to the nearest cent, with half a cent being rounded upward) on the related Payment Date, to be communicated to the Issuers, DTC, Euroclear, Clearstream, the Note Paying Agents, the Trustee, the Liquidation Agent, the Securities Intermediary and the Irish Paying Agent (if any) for further delivery to the Irish Stock Exchange (so long as any Class of Notes is listed on such exchange). In the last case, the Note Calculation Agent will furnish such information as soon as possible after its determination to the Irish Paying Agent (if any) as long as any Notes are listed on the Irish Stock Exchange. The Note Interest Amount on any Payment Date of any Class of Notes shall be calculated based on the Outstanding principal balance of such Class prior to the payment of any Amortization Shortfall Amounts. The Note Calculation Agent will also specify to the Issuers and the Liquidation Agent the quotations upon which each of the Note Interest Rates are based. The Note Calculation Agent shall notify the Issuers and the Liquidation Agent before 12:00 p.m. (New York time) on any LIBOR Determination Date if it has not determined and is not in the process of determining the applicable Note Interest Rates and Note Interest Amounts (collectively, the "Interest Calculations"), together with its reasons therefor. "Business Day" means any day other than (x) Saturday or Sunday or (y) a day on which commercial banking institutions are authorized or obligated by law, regulation or executive order to close in New York, New York, Chicago, Illinois, the city of the Corporate Trust Office or, for the purposes of the Credit Default Swap only, London; provided, however, that for the sole purpose of determining LIBOR, "Business Day" shall be defined as any day on which dealings in deposits in U.S. Dollars are transacted in the London interbank market and provided further, that to the extent action is required of the Irish Paying Agent (if any), the location of such Irish Paying Agent shall be considered in determining the "Business Day" for purposes of determining when such Irish Paying Agent action is required.

The Note Calculation Agent may not be removed by the Issuers unless the entity that is serving as Trustee is removed as Trustee. If the Note Calculation Agent is unable or unwilling to act as such or, in accordance with the preceding sentence, is removed by the Issuers, or if the Note Calculation Agent fails to determine the applicable Interest Calculations for any Interest Accrual Period, the Issuers will promptly appoint as a replacement Note Calculation Agent a leading bank which is engaged in transactions in Eurodollar deposits in the international Eurodollar market and which does not control or is not controlled by or under common control with the Issuers or their affiliates. The Note Calculation Agent may not resign its duties without a successor having been duly appointed. In addition, if and for so long as any Notes are listed on the Irish Stock Exchange and the rules of such exchange so require, notice of the appointment of any Note Calculation Agent will be furnished to such stock exchange. For so long as any of the Notes remain outstanding, there will at all times be a Note Calculation Agent for the purpose of calculating the applicable Interest Calculations. The determination of the applicable Interest Calculations by the Note Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

Payments on the Income Notes

The Income Notes will not bear interest based upon any fixed or floating rate.

The Fiscal Agent will receive Proceeds on each Quarterly Payment Date (and make payments to the Holders of the Income Notes) to the extent provided in the Indenture, if any, such Proceeds are available pursuant to clause (xviii) (or pursuant to clause (viii) in the case of the Final Payment Date) under "—Priority of Payments." Such payments will be made on the Income Notes only after all interest and other payments due on the Secured Notes have been made and all expenses of the Issuers have been paid (with such remaining Proceeds referred to as "Excess Amounts"). See "Risk Factors—Notes——Subordination of the Income Notes; Unsecured Obligations."

Except as indicated in the Priority of Payments, no principal payments will be made on the Income Notes until principal of, and accrued and unpaid interest on, the Secured Notes, and all other payments, certain fees and expenses, have been paid in full in accordance with the Priority of Payments.

Principal

The Notes (other than the Class S Notes) will mature on the Payment Date in July 2042 (each such date the "Stated Maturity" with respect to such Notes) and the Class S Notes will mature on the Payment Date in July 2013

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(the "Stated Maturity" with respect to the Class S Notes). The average life of each Class of Secured Notes (other than the Class S Notes) is expected to be substantially shorter than the number of years from issuance until the Stated Maturity for such Class of Notes. See "Risk Factors—Notes—Average Lives, Duration and Prepayment Considerations."

Principal will be payable on the Class S Notes in accordance with the Priority of Payments on each Payment Date commencing on the Payment Date occurring in August 2007 in an amount equal to the Class S Notes Amortizing Principal Amount with respect to such Payment Date and, if an Event of Default or Tax Event has occurred and is continuing or an Optional Redemption or Auction has occurred and the Pledged Assets are being liquidated pursuant to the terms of the Indenture, the Class S Notes will be paid in full prior to any distributions to any other Notes. Principal will be payable on certain of the Notes on each Payment Date, in accordance with the Priority of Payments. On any Payment Date, on which certain conditions are satisfied, principal will be paid to the Holders of the Class A Notes pursuant to the Priority of Payments, only in an amount required to increase (or maintain) the Class A Adjusted Overcollateralization Ratio to a specified target of 147.1%. After achieving and maintaining such target and minimum, the payment of remaining principal will shift to the Holders of the Class B Notes until such Holders have been paid an amount required to increase (or maintain) the Class B Adjusted Overcollateralization Ratio to the specified target of 121.0%. After achieving and maintaining such target level, the payment of remaining principal shifts to the Holders of the Class C Notes which will receive principal only in an amount required to increase (or maintain) the Class C Adjusted Overcollateralization Ratio to a specified target of 114.7%. After achieving and maintaining such target level, the payment of remaining principal shifts to the Holders of the Class D Notes which will receive principal only in an amount required to increase (or maintain) the Class D Adjusted Overcollateralization Ratio to a specified target of 108.1%. However, if the Net Outstanding Portfolio Collateral Balance is less than U.S.$122,000,000 on the Determination Date with respect to the related Payment Date, then only the amount described above to be paid to the Class A Notes will be allocated or paid, such amount to be allocated, *first*, to the payment pro rata of principal of all outstanding Class A Notes (*provided, however*, that all principal allocated to the Class A-1 Notes will first be allocated to the Class A-1a Notes until the Class A-1a Notes are paid in full and then to the Class A-1b Notes until the Class A-1b Notes are paid in full) until the Class A Notes have been paid in full, *second*, to the payment of principal of all outstanding Class B Notes until the Class B Notes have been paid in full, *third*, to the payment of principal of all outstanding Class C Notes until the Class C Notes have been paid in full and *fourth*, to the payment of all outstanding Class D Notes until the Class D Notes have been paid in full. The foregoing "shifting principal" method permits Holders of the Class B Notes, the Class C Notes and the Class D Notes to receive payments of principal in accordance with the Priority of Payments while more senior Classes of Notes remain outstanding and permits distributions of Proceeds to the Holders of the Income Notes, to the extent funds are available in accordance with the Priority of Payments, while more senior Notes are outstanding. Amounts properly paid pursuant to the Priority of Payments to a junior Class of Secured Notes or to the Income Notes will not be recoverable in the event of a subsequent shortfall in the amount required to pay a more senior Class of Secured Notes.

Subject to the availability of funds therefor in accordance with the Priority of Payments, if any of the Coverage Tests are not satisfied on any applicable Determination Date, certain of the Secured Notes (other than the Class S Notes) will be subject to mandatory redemption on the related Payment Date until paid in full. See "—Mandatory Redemption" and the "—Priority of Payments" for a description of the order in which such Notes are paid in connection with the failure of a Coverage Test.

Scheduled Redemption of Income Notes

On or prior to the date that is one (1) Business Day prior to the end of the Due Period applicable to the Maturity Date, the Liquidation Agent will sell, assign, terminate or otherwise dispose of all remaining Pledged Assets. The settlement dates for any such sales or other dispositions shall be no later than one (1) Business Day prior to the end of such Due Period. The proceeds of such sales or other dispositions will be paid to the Fiscal Agent after the payment of amounts senior to the Holders of the Income Notes in the Priority of Payments for deposit into the account maintained therefore by the Fiscal Agent (the "Income Note Payment Account") and payment to the Holders of the Income Notes as the redemption price for the Income Notes upon such payment. Upon such payment, the Issuer shall redeem the Income Notes.

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Auction

Sixty (60) days prior to the Payment Date occurring in July of each year (each, an "Auction Date") commencing on the July 2015 Payment Date, the Liquidation Agent, on behalf of the Issuer, will take steps to conduct an auction (the "Auction") of the Credit Default Swap, the Eligible Investments (other than cash), the Delivered Obligations and the Collateral Securities in accordance with procedures specified in the Indenture. If the Liquidation Agent receives one or more bids from Eligible Bidders not later than ten (10) Business Days prior to the Auction Date, which, when added to the cash on deposit in the Collateral Account, equals or exceeds the Minimum Bid Amount, it will sell, assign, terminate or otherwise dispose of the Credit Default Swap, Eligible Investments (other than cash), the Delivered Obligations and the Collateral Securities for settlement on or before the fifth Business Day prior to such Auction Date and the Notes and the Income Notes will be redeemed in whole on such Auction Date (any such date, an "Auction Payment Date"). The Liquidation Agent and its affiliates shall be considered Eligible Bidders. If the highest single bid on the entire portfolio, or the aggregate amount of multiple bids with respect to individual Collateral Securities, Eligible Investments (other than cash) and Delivered Obligations, when added to the other Liquidation Proceeds and cash on deposit in the Collateral Account, does not equal or exceed the Minimum Bid Amount or if there is a failure at settlement, the Credit Default Swap will not be terminated or assigned, the Eligible Investments (other than cash), Collateral Securities and the Delivered Obligations will not be sold and the redemption of the Notes on the related Auction Date will not occur.

The Secured Notes will be redeemed in whole at the applicable Secured Note Redemption Price following a successful Auction in accordance with the Priority of Payments. The amount distributable as the final payment on the Income Notes following any such redemption will equal the Income Note Redemption Price, which may be less than the then current Aggregate Outstanding Amount of the Income Notes).

Tax Redemption

Subject to certain conditions described herein, the Secured Notes may be redeemed by the Issuers at any time, in whole but not in part, 90 days following the Issuers becoming aware of the occurrence of a Tax Event (*provided* that such 90-day period shall be extended by another 90 days if, during the initial 90-day period, the Issuers have notified the Holders of the Notes that the related Issuer expects that it shall have changed its place of residence by the end of the later 90-day period) at their Secured Note Redemption Prices or the Income Note Redemption Price, as applicable, at the written direction of, or with the written consent of, (i) the Holders of at least a Super Majority of the Income Notes or (ii) the Holders of a Majority of any Class of Secured Notes which, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate amount of principal and interest or other amounts then due and payable on such Notes on any Payment Date (such redemption, a "Tax Redemption"); *provided* that no such redemption shall be effected unless the expected Liquidation Proceeds equal or exceed the Total Redemption Amount. If a Tax Redemption occurs, the Income Notes will be redeemed simultaneously. No such Tax Redemption will occur unless all amounts payable to the Credit Protection Buyer or any assignee (including all Credit Default Swap Termination Payments) will have been paid in full, in each case, on the related redemption date.

In connection with a Tax Redemption, the Issuers shall notify the Trustee and the Fiscal Agent, of such Tax Redemption and the Payment Date which is the date for redemption (the "Tax Redemption Date") and direct the Trustee, in writing, to assign, terminate or otherwise dispose of, in the manner determined by the Liquidation Agent, and in accordance with the Indenture, the Credit Default Swap, Collateral Securities, Eligible Investments and Delivered Obligations and upon any such assignment, termination or other disposition, the Trustee shall release the lien upon the Credit Default Swap or any such Collateral Security, Eligible Investment and Delivered Obligation pursuant to the Indenture; *provided, however*, that the Issuer may not direct the Trustee to assign, terminate or otherwise dispose of (and the Trustee shall not be obligated to release the lien upon) the Credit Default Swap or any such Collateral Security, Eligible Investment or Delivered Obligation except in accordance with the procedures set forth in the Indenture including, without limitation, the requirement that the Liquidation Agent shall have forwarded to the Trustee binding agreements or certificates evidencing that the Liquidation Proceeds anticipated from the disposition of the Pledged Assets will equal or exceed the Total Redemption Amount. The proceeds available for distribution in connection with a Tax Redemption will be reduced by the amount of expected Credit Default Swap Termination Payments due to the Credit Protection Buyer or any assignee.

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The amount payable to the Holders of the Secured Notes in connection with any Tax Redemption of the Secured Notes will equal the Secured Note Redemption Prices thereof. The amount distributable as a final redemption payment on the Income Notes following any redemption of the Secured Notes will equal the Income Note Redemption Price.

Optional Redemption

Subject to certain conditions described herein, the Secured Notes may be redeemed by the Issuers and the Income Notes may be redeemed by the Issuer, in whole but not in part at their Secured Note Redemption Prices or the Income Note Redemption Price, as applicable, on any Payment Date on or after the July 2010 Payment Date; at the written direction of, or with the written consent of, the Holders of a Majority of the Income Notes (including Income Notes held by the Liquidation Agent or any affiliate thereof) (such redemption, an "Optional Redemption"); *provided* that no Optional Redemption shall be effected unless the expected Liquidation Proceeds will equal or exceed the Total Redemption Amount. If the Holders of the Income Notes so elect to cause an Optional Redemption, the Income Notes will be redeemed simultaneously.

In connection with an Optional Redemption, the Issuers shall notify the Trustee and the Fiscal Agent, as applicable, of such Optional Redemption and the Optional Redemption Date and direct the Trustee, in writing, to sell, assign, terminate or otherwise dispose of, in the manner determined by the Liquidation Agent, and in accordance with the Indenture, the Credit Default Swap, Collateral Securities, Eligible Investments and Delivered Obligations and upon any such sale, assignment, termination or other disposition, the Trustee shall release the lien upon the Credit Default Swap, Collateral Securities, Eligible Investments and Delivered Obligations pursuant to the Indenture; *provided, however*, that the Issuer may not direct the Trustee to assign, terminate or otherwise dispose of (and the Trustee shall not be obligated to release the lien upon) the Credit Default Swap or any Collateral Security, Eligible Investment or Delivered Obligation except in accordance with the procedures set forth in the Indenture including, without limitation, the requirement that the Liquidation Agent shall have forwarded to the Trustee binding agreements or certificates evidencing that the Liquidation Proceeds anticipated from the assignment, termination or other disposition of the Credit Default Swap, Collateral Securities, Eligible Investments and Delivered Obligations and other assets of the Issuer will equal or exceed the Total Redemption Amount.

The amount payable to the Holders of the Secured Notes in connection with any Optional Redemption of the Secured Notes will equal the Secured Note Redemption Prices thereof. The amount distributable as a final redemption payment on the Income Notes following any redemption of the Secured Notes will equal the Income Note Redemption Price.

Optional Redemption/Tax Redemption Procedures. To conduct an Optional Redemption or a Tax Redemption, the procedures set forth in the Indenture must be followed and any conditions precedent thereto must be satisfied.

If in the case of a Tax Redemption or an Optional Redemption of the Secured Notes and the Income Notes, any Holder of an Income Note or, in the case of a Tax Redemption, any Holder of a Secured Note affected by a Tax Event, desires to direct the Issuers with respect to the Secured Notes and the Issuer with respect to the Income Notes to redeem the Secured Notes and the Income Notes, such person shall notify the Principal Note Paying Agent, in the case of a Holder of Secured Notes or the Fiscal Agent, in the case of a Holder of Income Notes, which in each case will in turn notify the Trustee (with a copy to the Issuer, the Liquidation Agent and the Credit Protection Buyer) of such desire in writing no less than thirty (30) Business Days prior to such Payment Date. Such notice shall be irrevocable.

The Trustee will provide notice of any Optional Redemption or Tax Redemption by first-class mail, postage prepaid, mailed not less than ten (10) Business Days prior to the scheduled Tax Redemption Date or Optional Redemption Date, as applicable, to the Principal Note Paying Agent, to the Fiscal Agent, to the Credit Protection Buyer, the Rating Agencies and to each Holder of a Secured Note at such Holder's address in the register maintained by the Note Registrar under the Indenture. The Fiscal Agent will provide the same notice to each Holder of an Income Note at such Holder's address in the Income Notes Register maintained by the Income Notes Transfer Agent pursuant to the Fiscal Agency Agreement. In addition, the Trustee or the Fiscal Agent will, if and for so long as any Class of Secured Notes or the Income Notes to be redeemed is listed on the Irish Stock Exchange, direct the

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Irish Paying Agent to (i) cause notice of such Optional Redemption or Tax Redemption to be delivered to the Company Announcements Office of the Irish Stock Exchange not less than ten (10) Business Days prior to the Redemption Date and (ii) promptly notify the Irish Stock Exchange of such Optional Redemption or Tax Redemption.

The initial paying agents for the Notes are LaSalle Bank National Association, as Principal Note Paying Agent, and, if and so long as any Notes are listed on the Irish Stock Exchange, the Irish Paying Agent.

Secured Notes or Income Notes called for redemption (other than in the case of an Auction) must be surrendered at the office of any paying agent appointed under the Indenture or the Fiscal Agency Agreement, respectively, in order to receive any final payments on the Notes. The initial paying agent for the Secured Notes and Income Notes is LaSalle Bank National Association and if and for so long as any Notes are listed on the Irish Stock Exchange, the Irish Paying Agent.

Any such notice of redemption will be deemed to be withdrawn in its entirety by the Issuers on the seventh Business Day prior to the scheduled redemption date if the Liquidation Agent shall not have delivered the sale agreement or agreements or certifications, required by the Indenture by such date. In such event, the Trustee shall notify the Fiscal Agent that the notice of redemption has been withdrawn by overnight courier guaranteeing next day delivery sent not later than the sixth Business Day prior to such scheduled redemption date with a copy by facsimile transmission. The Liquidation Agent shall be liable only for the failure to effect an Optional Redemption or Tax Redemption due to the Liquidation Agent's gross negligence or willful misconduct. Notice of any such withdrawal shall be given at the Issuer's expense by the Trustee or the Fiscal Agent, as applicable, to each Holder of a Note at the address appearing in the applicable register maintained by the Note Transfer Agent under the Indenture or the Income Notes Transfer Agent under the Fiscal Agency Agreement, as applicable, by overnight courier guaranteeing next day delivery sent not later than the third Business Day prior to the scheduled redemption date, with a copy by facsimile transmission to the Credit Protection Buyer, the Liquidation Agent and the Rating Agencies (so long as any of the Notes are rated). The Trustee or the Fiscal Agent will also give notice to the Irish Paying Agent if any Notes are then listed on the Irish Stock Exchange.

Mandatory Redemption

On any Payment Date on which the Class A/B Overcollateralization Test was not satisfied on the last Business Day of the immediately preceding Due Period (such Business Day, the "Determination Date"), the Class A Notes and the Class B Notes will be redeemed at par plus accrued interest as follows:

If the Class A/B Overcollateralization Test is not satisfied on any Determination Date related to a Payment Date after giving effect to all payments of principal on such Payment Date (without giving effect to any payments pursuant to clause (vii) or clauses (ix) and (xi) of the Priority of Payments), all Proceeds net of amounts payable under clauses (i) through (vi) of the Priority of Payments will be used, *first*, *pro rata*, to the payment of principal of the Class A-1a Notes and the Class A-1b Notes until the Class A-1a Notes and the Class A-1b Notes are paid in full, *second*, to the payment of principal of the Class A-2 Notes until the Class A-2 Notes are paid in full, and *third*, to the payment of principal of the Class B Notes until the Class B Notes are paid in full. The Class S Notes, the Class C Notes, the Class D Notes and the Income Notes will not be subject to mandatory redemption as a result of the failure of the Class A/B Overcollateralization Test.

If the Class C Overcollateralization Test is not satisfied on any Determination Date related to a Payment Date after giving effect to all payments of principal on such Payment Date (without giving effect to any payments pursuant to clause (ix) or clause (xi) of the Priority of Payments), (a) Amortization Proceeds only net of amounts payable under clauses (i) through (viii) of the Priority of Payments will be applied *pro rata* (i) to the payment of principal of all outstanding Class A Notes, (ii) to the payment of principal of all outstanding Class B Notes and (iii) to the payment of principal of all outstanding Class C Notes, until the Class A Notes, the Class B Notes and the Class C Notes are paid in full; *provided* that, if the Net Outstanding Portfolio Collateral Balance is less than U.S.$152,500,000 on the Determination Date with respect to the related Payment Date, then such amount will be applied *first*, *pro rata* (i) to the payment of principal of the Class A-1a Notes and the Class A-1b Notes until the Class A-1a Notes and the Class A-1b Notes are paid in full, *second* (ii) to the payment of principal of the Class A-2 Notes until the Class A-2 Notes are paid in full, *third* (iii) to the payment of principal of the Class B Notes until the

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Class B Notes are paid in full and *fourth* (iv) to the payment of principal of the Class C Notes until the Class C Notes are paid in full, and (b) any remaining Proceeds to the payment of principal of all outstanding Class C Notes until the Class C Notes are paid in full. The Class S Notes, the Class D Notes and the Income Notes will not be subject to mandatory redemption as a result of the failure of the Class C Overcollateralization Test.

If the Class D Overcollateralization Test is not satisfied on any Determination Date related to a Payment Date (together with the Class A/B Overcollateralization Test and the Class C Overcollateralization Test, the "Coverage Tests"), amounts available pursuant to clause (xii) of the Priority of Payments, will be applied to the payment of principal of all outstanding Class D Notes until the Class D Notes are paid in full. The Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes and the Income Notes will not be subject to mandatory redemption as a result of the failure of the Class D Overcollateralization Test.

The Coverage Tests will be used primarily to determine whether interest may be paid on the Class C Notes and the Class D Notes and whether Proceeds will be distributed to the Holders of the Income Notes, and whether Proceeds must be used to make mandatory redemptions of the Class A-1a Notes, the Class A-1b Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes. See "Description of the Notes—Principal" and "—Priority of Payments." The Coverage Tests will consist of the Class A/B Overcollateralization Test, the Class C Overcollateralization Test and the Class D Overcollateralization Test. For purposes of the Coverage Tests, (i) unless otherwise specified, a CDS Transaction shall be included as a Pledged Asset having the characteristics of the Reference Obligation and not of the CDS Transaction; *provided*, that if such Credit Protection Buyer is in default under the related CDS Transaction, such CDS Transaction shall not be included as a Collateral Asset for purposes of the Coverage Tests or such CDS Transaction will be treated in such a way that will satisfy the Rating Agency Condition and (ii) the calculation of the Class A/B Overcollateralization Ratio, the Class C Overcollateralization Ratio and the Class D Overcollateralization Ratio on any Determination Date that such Coverage Test is applicable shall be made by giving effect to all payments scheduled or expected to be made pursuant to the Priority of Payments on the Payment Date following such Determination Date. For purposes of each of the Class A/B Overcollateralization Test, the Class C Overcollateralization Test and the Class D Overcollateralization Test, notwithstanding the definition of Principal Balance contained herein, the Principal Balance of any security that is not currently paying cash interest (excluding any security that is, in accordance with its terms, making payments due thereon "in kind") shall be the accreted value of such security as of the date on which it was purchased by the Issuer; *provided*, that such accreted value shall not exceed the par amount of such security.

The Class A/B Overcollateralization Test

The "Class A/B Overcollateralization Ratio" as of any Determination Date will equal the ratio (expressed as a percentage) obtained by dividing (i) the Net Outstanding Portfolio Collateral Balance on such Determination Date by (ii) the Aggregate Outstanding Amount of the Class A Notes and the Class B Notes, *minus* the Amortization Proceeds expected to be available prior to clause (xi) of the Priority of Payments on the related Payment Date assuming that the Coverage Tests are satisfied.

The "Class A/B Overcollateralization Test" will be satisfied on any Determination Date on which any Class A Notes or Class B Notes remain outstanding if the Class A/B Overcollateralization Ratio on such Determination Date is equal to or greater than 116.0%. As of the Closing Date, the Class A/B Overcollateralization Ratio is expected to be equal to 119.0%.

The Class C Overcollateralization Test

The "Class C Overcollateralization Ratio" as of any Determination Date will equal the ratio (expressed as a percentage) obtained by dividing (i) the Net Outstanding Portfolio Collateral Balance on such Determination Date by (ii) the Aggregate Outstanding Amount of the Notes (other than the Class S Notes, the Class D Notes and the Income Notes and including Class C Deferred Interest), *minus* the Amortization Proceeds expected to be available prior to clause (xi) of the Priority of Payments on the related Payment Date assuming that the Coverage Tests are satisfied.

The "Class C Overcollateralization Test" will be satisfied on any Determination Date on which any Class C Notes remain outstanding if the Class C Overcollateralization Ratio on such Determination Date is equal to or

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greater than 109.9%. As of the Closing Date, the Class C Overcollateralization Ratio is expected to be equal to 111.7%.

The Class D Overcollateralization Test

The "Class D Overcollateralization Ratio" as of any Determination Date will equal the ratio (expressed as a percentage) obtained by dividing (i) the Net Outstanding Portfolio Collateral Balance on such Determination Date by (ii) the Aggregate Outstanding Amount of the Notes (other than the Class S Notes and Income Notes and including Class C Deferred Interest and Class D Deferred Interest), (after giving effect to the application of funds pursuant to clause (xi) of the Priority of Payments on the related Payment Date), assuming that the Coverage Tests are satisfied.

The "Class D Overcollateralization Test" will be satisfied on any Determination Date on which any Class D Notes remain outstanding if the Class D Overcollateralization Ratio on such Determination Date is equal to or greater than 105.9%. As of the Closing Date, the Class D Overcollateralization Ratio is expected to be equal to 107.4%.

Cancellation

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

Payments

Payments on any Payment Date in respect of principal of and interest on the Notes issued as Global Notes will be made to the person in whose name the relevant Global Note is registered at the close of business on the Business Day prior to such Payment Date. For the Notes issued in definitive form, payments on any Payment Date in respect of principal, interest and other distributions will be made to the person in whose name the relevant Security is registered as of the close of business 10 Business Days prior to such Payment Date. Payments on the Global Notes will be payable by wire transfer in immediately available funds to a U.S. Dollar account maintained by DTC or its nominee (in the case of the Global Notes) or each Holder (in the case of individual Definitive Notes) to the extent practicable or otherwise by U.S. Dollar check drawn on a bank in the United States sent by mail either to DTC or its nominee (in the case of the Global Notes), or to each Holder at its address appearing in the applicable register. Final payments in respect of principal on the Notes will be made only against surrender of the Notes at the office of any paying agent. None of the Issuers, the Securities Intermediary, the Trustee, the Liquidation Agent, the Credit Protection Buyer or any paying agent will have any responsibility or liability for any aspects of the records maintained by DTC or its nominee or any of its participants relating to, or for payments made thereby on account of beneficial interests in, a Global Note.

The Issuers expect that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note held by DTC or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in such Global Notes as shown on the records of DTC or its nominee. The Issuers also expect that payments by participants to owners of beneficial interests in such Global Notes held through such 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. Such payments will be the responsibility of such participants.

If any payment on a Note is due on a day that is not a Business Day, then payment will not be made until the next succeeding Business Day.

If and for so long as the Notes are listed on the Irish Stock Exchange and the rules of such exchange so require, the Issuers will have a paying agent and a transfer agent in accordance with the requirements of the rules of such exchange for such Notes and payments on and transfers or exchanges of interest in such Notes may be effected through the Irish Paying Agent. In the event that the Irish Paying Agent (if any) is replaced at any time during such

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period, notice of the appointment of any replacement will be given to the Irish Stock Exchange if and as long as any Notes are listed thereon.

Amortization Amounts

Two Business Days prior to each Payment Date, to the extent there is a positive Aggregate Amortization Amount for such Payment Date determined as of the related Determination Date, pursuant to the Amortization Liquidation Procedure, an amount (such amount, the "Amortization Proceeds" with respect to such Payment Date) equal to up to the Aggregate Amortization Amount shall be withdrawn by the Trustee and deposited in the Payment Account for application in accordance with the Priority of Payments on such Payment Date.

If on any Payment Date there exists an Amortization Shortfall Amount, the Collateral Account Amount shall be deemed to be reduced by the full Aggregate Amortization Amount and the Trustee shall calculate, and maintain a record of, how such Amortization Shortfall Amount would have been paid out on a pro forma basis on such Payment Date in accordance with the Priority of Payments had the amount available pursuant to the Amortization Liquidation Procedure from the Collateral Account on such Payment Date been equal to the full Aggregate Amortization Amount. In each Due Period relating to the Payment Date or Payment Dates immediately following any Payment Date on which an Amortization Shortfall Amount occurred, all principal payments received by the Issuer on the Collateral Securities and the Eligible Investments in the Collateral Account up to an amount equal to such Amortization Shortfall Amount shall be deposited by the Trustee in the Amortization Shortfall Account. Amounts on deposit in the Amortization Shortfall Account shall be applied by the Trustee on the immediately following Payment Date for the purposes and to the Persons that would have otherwise received such amounts in accordance with the calculations (and records) of the Trustee maintained pursuant to the first sentence of this paragraph. To the extent there remains any unsatisfied Amortization Shortfall Amount on the next Payment Date, for purposes of calculating the Amortization Proceeds on such Payment Date the Principal Balance of the Collateral Securities and Eligible Investments on deposit in the Collateral Account shall be reduced by the amount of any unsatisfied Amortization Shortfall Amount from any prior Payment Date.

Priority of Payments

With respect to any Payment Date, all Proceeds received on the Pledged Assets during the related Due Period in the Interest Collection Account will be applied by the Trustee in the priority set forth below (the "Priority of Payments"). For purposes of the Priority of Payments, amounts paid as interest, fees or distributions on the Notes on a "*pro rata*" basis shall be *pro rata* based on the amount due on such Class or subclass of Notes, amounts paid as principal shall be made *pro rata* based on the amount of principal then outstanding on such Class or subclass of Notes and unless stated otherwise, Proceeds not constituting Amortization Proceeds will be assumed to be applied prior to any Amortization Proceeds.

Amounts due in respect of Defaulted Credit Default Swap Termination Payments shall be deposited into the Payment Account and paid in accordance with the Priority of Payments on each Payment Date. Credit Protection Amounts due to the Credit Protection Buyer (or any assignee thereof) will be paid when due pursuant to the terms of the Credit Default Swap.

On the Business Day prior to each Payment Date (other than a Final Payment Date), the Trustee will transfer all funds then on deposit in the Interest Collection Account (other than amounts received after the end of the related Due Period) into the Payment Account. On each Payment Date (other than a Final Payment Date), amounts in the Payment Account will be applied by the Trustee pursuant to the Note Valuation Report in the manner and order of priority set forth below:

i. to the payment of taxes and filing and registration fees (including, without limitation, annual return fees) owed by the Issuers, if any;

ii. to the payment of accrued and unpaid fees of the Trustee up to a maximum amount on any Payment Date equal to the greater of U.S.$2,083 and 0.00208% of the Monthly Asset Amount for

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the related Due Period (or, in the case of the first Due Period, as such amounts are adjusted based on the number of days in such Due Period);

iii. (a) *first*, to the payment of any remaining accrued and unpaid Administrative Expenses of the Issuers, excluding any indemnities (and legal expenses related thereto) payable by the Issuers *first*, to the Trustee, the Collateral Administrator, the Fiscal Agent and the Income Notes Transfer Agent and *second*, *pro rata*, to any other parties entitled thereto; (b) second, to the payment of any indemnities (and legal expenses related thereto) payable by the Issuers *first*, to the Trustee, the Collateral Administrator and the Fiscal Agent and *second*, *pro rata*, to any other parties entitled thereto; and (c) third, to the Expense Reserve Account the lesser of U.S.$50,000 and the amount necessary to bring the balance of such account to U.S.$200,000; *provided*, *however*, that the aggregate payments pursuant to subclauses (a) through (c) of this clause (iii) on any Payment Date shall not exceed U.S.$250,000 and the aggregate payments pursuant to subclauses (a) and (b) of this clause (iii) and the prior 11 Payment Dates shall not exceed U.S.$300,000;

iv. to the payment of, (a) *first*, accrued and unpaid interest on the Class S Notes (including Defaulted Interest and interest thereon) and beginning with the Payment Date occurring in August 2007, principal of the Class S Notes in an amount equal to the Class S Notes Amortizing Principal Amount until the Class S Notes are paid in full, and (b) *second*, if an Event of Default or Tax Event shall have occurred and is continuing or an Optional Redemption or Auction has occurred and the Pledged Assets are being liquidated pursuant to the terms of the Indenture, to the payment of principal to the Class S Notes until the Class S Notes are paid in full;

v. to the payment to the Liquidation Agent of the accrued and unpaid Liquidation Agent Fee;

vi. to the payment of, (a) first, *pro rata*, accrued and unpaid interest on the Class A Notes (including any Defaulted Interest and interest thereon) and (b) second, accrued and unpaid interest on the Class B Notes (including any Defaulted Interest and any interest thereon);

vii. if the Class A/B Overcollateralization Test is not satisfied on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal on such Payment Date (without giving effect to any payments pursuant to this clause (vii) or clauses (ix) and (xi) below), then *first*, *pro rata*, to the payment of principal of all outstanding Class A-1a Notes and Class A-1b Notes until the Class A-1a Notes and the Class A-1b Notes are paid in full, *second*, to the payment of principal of all outstanding Class A-2 Notes until the Class A-2 Notes are paid in full, and *third*, to the payment of principal of all outstanding Class B Notes until the Class B Notes are paid in full;

viii. to the payment of accrued and unpaid interest on the Class C Notes (including Defaulted Interest and any interest thereon but not including Class C Deferred Interest);

ix. if the Class C Overcollateralization Test is not satisfied on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal on such Payment Date (without giving effect to any payments pursuant to this clause (ix) or clause (xi) below), then (a) *pro rata*, Amortization Proceeds only (i) to the payment of principal of all outstanding Class A Notes, (ii) to the payment of principal of all outstanding Class B Notes and (iii) to the payment of principal of all outstanding Class C Notes, until the Class A Notes, the Class B Notes and the Class C Notes are paid in full; *provided*, *however*, that if the Net Outstanding Portfolio Collateral Balance is less than U.S.$152,500,000 on the Determination Date with respect to the related Payment Date then such amount will be paid *first* (i) *pro rata*, to the payment of principal of all outstanding Class A-1 Notes until the Class A-1 Notes are paid in full, *second* (ii) to the payment of principal of all outstanding Class A-2 Notes until the Class A-2 Notes are paid in full, *third* (iii) to the payment of principal of all outstanding Class B Notes until the Class B Notes are paid in full and *fourth* (iv) to the payment of principal of all outstanding Class C Notes until the Class C Notes are paid in full, and (b) any remaining Proceeds to the payment of principal of all outstanding Class C Notes until the Class C Notes are paid in full;

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x. to the payment of accrued and unpaid interest on the Class D Notes (including Defaulted Interest and any interest thereon but not including Class D Deferred Interest);

xi. to the payment of principal of *first*, *pro rata*, the Class A Notes up to the amount specified in clause (b)(1) below, *provided, however*, that all principal allocated to the Class A-1 Notes will first be allocated to the Class A-1a Notes until the Class A-1a Notes are paid in full and then to the Class A-1b Notes until the Class A-1b Notes are paid in full, *second*, to the payment of principal of the Class B Notes up to the amount specified in clause (b)(2) below, *third*, to the payment of principal of the Class C Notes up to the amount specified in clause (b)(3) below, and *fourth*, to the payment of principal of the Class D Notes up to the amount specified in clause (b)(4) below, in an aggregate amount equal to the lesser of (a) the Amortization Proceeds received or held during the related Due Period, and (b) the sum of (1) the amount necessary to increase the Class A Adjusted Overcollateralization Ratio to or maintain it at 147.1%, plus (2) the amount necessary to increase the Class B Adjusted Overcollateralization Ratio to or maintain it at 121.0%, plus (3) the amount necessary to increase the Class C Adjusted Overcollateralization Ratio to or maintain it at 114.7%, plus (4) the amount necessary to increase the Class D Adjusted Overcollateralization Ratio to or maintain it at 108.1%; provided that, if the Net Outstanding Portfolio Collateral Balance is less than U.S.$122,000,000 on the Determination Date with respect to the related Payment Date, then only the amount described in sub-clause (a) of this clause (xi) will be applied, *first*, *pro rata*, to the payment of principal of all outstanding Class A-1 Notes and Class A-2 Notes until the Class A-1 Notes and Class A-2 Notes are paid in full, *provided, however*, that all principal allocated to the Class A-1 Notes will first be allocated to the Class A-1a Notes until the Class A-1a Notes are paid in full and then to the Class A-1b Notes until the Class A-1b Notes are paid in full, *second*, to the payment of principal of all outstanding Class B Notes until the Class B Notes are paid in full, *third*, to the payment of principal of all outstanding Class C Notes until the Class C Notes are paid in full and *fourth*, to the payment of principal of all outstanding Class D Notes until the Class D Notes are paid in full;

xii. if the Class D Overcollateralization Test is not satisfied on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal on such Payment Date (without giving effect to any payments pursuant to this clause (xii)), then, to the payment of principal of all outstanding Class D Notes until the Class D Notes are paid in full;

xiii. *first*, to the payment of principal of the Class C Notes in an amount equal to that portion of the principal of the Class C Notes comprised of Class C Deferred Interest unpaid after giving effect to payments under clauses (ix) and (xi) above (amounts will be considered unpaid for this purpose if the principal balance of the Class C Notes after giving effect to clauses (ix) and (xi) above exceeds any previous lowest amount outstanding) and *second*, to the payment of principal of the Class D Notes in an amount equal to that portion of the principal of the Class D Notes comprised of Class D Deferred Interest unpaid after giving effect to payments under clauses (xi) and (xii) above (amounts will be considered unpaid for this purpose if the principal balance of the Class D Notes after giving effect to clauses (xi) and (xii) above exceeds any previous lowest amount outstanding);

xiv. after the Payment Date occurring in July 2015, *first*, to the payment of principal of all outstanding Class C Notes until the Class C Notes are paid in full and *second*, to the payment of principal of all outstanding Class D Notes until the Class D Notes are paid in full;

xv. to the payment of any unpaid Defaulted Swap Termination Payments;

xvi. *first* (a) to the payment of any remaining accrued and unpaid Administrative Expenses of the Issuers not paid pursuant to clauses (ii) and (iii) above (as the result of the limitations on amounts set forth therein) in the same order of priority set forth above in clause (iii) excluding any indemnities (and legal expenses related thereto) payable by the Issuers; *second*, (b) to the payment, *pro rata*, of any indemnities (and legal expenses related thereto) payable by the Issuers not paid pursuant to clause (iii) above (as the result of the limitation on amounts set forth therein) in the

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same order of priority set forth above in clause (iii); and *third*, (c) to the Expense Reserve Account until the balance of such account reaches U.S.$200,000 (after giving effect to any deposits made therein on such Payment Date under clause (iii) above); *provided, however*, that the aggregate payments pursuant to subclause (c) of this clause (xvi) and subclause (c) of clause (iii) on any Payment Date shall not exceed U.S.$250,000;

xvii. the payment of the Class D Notes Amortizing Principal Amount;

xviii. on Quarterly Payment Dates only, any remaining amount to the Fiscal Agent for deposit into the Income Note Payment Account for payment to the Holders of the Income Notes; and

xix. on each Payment Date, any remaining amount to be deposited to the Interest Collection Account for distribution on the next Payment Date.

On the Business Day prior to the Final Payment Date, the Trustee will transfer all funds then on deposit in the Interest Collection Account into the Payment Account and, after the liquidation of (i) the Credit Default Swap, (ii) the Collateral Securities and Eligible Investments in the Collateral Account, (iii) the Amortization Proceeds drawn from the Collateral Account to the Payment Account and (iv) the Delivered Obligations and Eligible Investments in the Delivered Obligation Account, the Trustee will deposit all proceeds therefrom, into the Payment Account. On the Final Payment Date, amounts in the Payment Account will be applied by the Trustee pursuant to the Note Valuation Report in the manner and order of priority set forth below:

i. to the payment of the amounts referred to in clauses (i) through (vi) of the Priority of Payments for Payment Dates which are not Final Payment Dates, in that order (without regard to the limitations in clause (iii)); *provided* that no deposit shall be made to the Expense Reserve Account pursuant to subclause (iii),

ii. first, *pro rata*, to the payment of the Class A-1a Notes and the Class A-1b Notes, in each case, the amount necessary to pay the outstanding principal amount of such Notes in full;

iii. to the payment to the Class A-2 Notes, the amount necessary to pay the outstanding principal amounts of such Notes, in full;

iv. to the payment to the Class B Notes, the amount necessary to pay the outstanding principal amount of such Notes in full;

v. to the payment to the Class C Notes, the amount necessary to pay accrued and unpaid interest on and the outstanding principal amount of such Notes (including any Deferred Interest and Defaulted Interest and any interest thereon) in full;

vi. to the payment to the Class D Notes, the amount necessary to pay accrued and unpaid interest on and the outstanding principal amount of such Notes (including any Deferred Interest and Defaulted Interest and any interest thereon) in full;

vii. to the payment of the amounts referred to in clause (xv) of the Priority of Payments for Payment Dates that are not Final Payment Dates; and

viii. any remaining amount to the Fiscal Agent for deposit in the Income Note Payment Account for payment to the Holders of the Income Notes.

Upon payment in full of the last outstanding Secured Note, the Issuer (or the Liquidation Agent acting pursuant to the Liquidation Agency Agreement on behalf of the Issuer) will liquidate any remaining Pledged Assets, including the Credit Default Swap, the Eligible Investments, the Collateral Securities, the Delivered Obligations and any other items comprising the Pledged Assets and deposit the proceeds thereof in the Interest Collection Account. The net proceeds of such liquidation and all available cash (other than the U.S.$250 of capital contributed by the

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owners of the Issuer Ordinary Shares in accordance with the Issuer's Memorandum and Articles of Association and U.S.$250 representing a transaction fee to the Issuer and any interest income earned on such amounts) will be distributed in accordance with the Priority of Payments for Final Payment Dates and all amounts remaining thereafter will be distributed to the Holders of the Income Notes as a redemption payment whereupon all of the Notes and the Income Notes will be canceled.

Income Notes

The final payment on the Income Notes will be made by the Issuer on the Maturity Date, unless redeemed or retired prior thereto in accordance with the Priority of Payments.

The Indenture

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

Events of Default. An "Event of Default" under the Indenture includes:

i. a default in the payment, when due and payable, of any interest on any Class S Note, Class A Note or Class B Note or, if there are no Class S Notes, Class A Notes or Class B Notes outstanding, any Class C Note or, if there are no Class S Notes, Class A Notes, Class B Notes or Class C Notes outstanding, any Class D Note and a continuation of such default, in each case, for a period of 7 days (or, in the case of a default in payment resulting solely from an administrative error or omission by the Trustee, any Note Paying Agent or the Note Registrar, such default continues for a period of 7 days after the Trustee is made actually aware of such administrative error or omission);

ii. a default in the payment of principal due on any Secured Note at its Stated Maturity or on any Redemption Date (or, in the case of a default in payment resulting solely from an administrative error or omission by the Trustee, any Note Paying Agent or the Note Registrar, such default continues for a period of 7 days after the Trustee is made actually aware of such administrative error or omission);

iii. the failure on any Payment Date to disburse amounts (other than in payment of interest on any Secured Note or principal of any Secured Note at its Stated Maturity or any date set for redemption as described in (i) and (ii) above) available in the Payment Account in excess of $500 in accordance with the Priority of Payments and a continuation of such failure for a period of 7 days after such failure has been recognized by the Trustee;

iv. a circumstance in which either of the Issuers becomes an investment company required to be registered or the Pledged Assets or any portion thereof becomes subject to regulation under the Investment Company Act;

v. a default, which has a material adverse effect on the Holders of the Secured Notes (as determined by at least a Majority, by interest, of the Controlling Class), in the performance, or breach, of any covenant, representation, warranty or other agreement of the Issuers in the Indenture (it being understood that a failure to satisfy a Coverage Test is not a default or breach) or in any certificate or writing delivered pursuant to the Indenture, or if any representation or warranty of the Issuers made in the Indenture or in any certificate or writing delivered pursuant thereto proves to be incorrect in any material respect when made, and the continuation of such default or breach for a period of 30 days after notice thereof shall have been given to the Issuers and the Liquidation Agent by the Trustee or to the Issuers, the Liquidation Agent and the Trustee by at least a Majority, by interest, of the Controlling Class;

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vi the Credit Default Swap is terminated (without replacement) (excluding a termination, in part, in connection with the assignment, termination or novation of a CDS Transaction); and

vii. certain events of bankruptcy, insolvency, receivership or reorganization of either of the Issuers.

If an Event of Default should occur and be continuing, the Trustee may and will (i) if the Credit Protection Buyer is in default under the Credit Default Swap, at the direction of not less than a Majority of the Class S Notes, the Class A Notes and the Class B Notes (the Class S Notes, the Class A Notes and the Class B Notes voting as a single class), for so long as any Class S Notes, Class A Notes or Class B Notes are Outstanding; if no Class S Notes, Class A Notes or Class B Notes are Outstanding, then the Class C Notes, for so long as any Class C Notes are Outstanding; and if no Class S Notes, Class A Notes, Class B Notes or Class C Notes are Outstanding, the Class D Notes, for so long as any Class D Notes are Outstanding; and otherwise (ii) at the direction of the Holders of at least a Majority of the Controlling Class, declare the principal of and accrued and unpaid interest on all Secured Notes to be immediately due and payable (except that in the case of an Event of Default described in clause (vi) or (vii) above, such an acceleration will occur automatically and shall not require any action by the Trustee or any Secured Noteholder).

If an Event of Default should occur and be continuing, the Trustee is required to retain the Pledged Assets intact and collect all payments in respect of the Pledged Assets and continue making payments in the manner described under Priority of Payments unless (a) the Trustee determines (which determination will be based upon a certificate from the Liquidation Agent) that the anticipated proceeds of a sale or liquidation of the Pledged Assets based on an estimate obtained from a nationally recognized investment banking firm (which estimate takes into account the time elapsed between such estimate and the anticipated sale of the Pledged Assets) would equal the amount necessary to pay in full (after deducting the reasonable expenses of such sale or liquidation) the sum of (i) the principal (including any Class C Deferred Interest and Class D Deferred Interest) and accrued interest (including all Defaulted Interest, and interest thereon) and any other amounts due with respect to all the outstanding Secured Notes; (ii) all Administrative Expenses; (iii) any unpaid amounts due the Credit Protection Buyer and any unpaid amounts due any assignee of a CDS Transaction net of amounts payable to the Issuer by the Credit Protection Buyer or assignee of a CDS Transaction; and (iv) all other items in the Priority of Payments ranking prior to payments on the Secured Notes, and, in any case, the Holders of a Majority of the Controlling Class agree with such determination or (b) the requisite Holders of Notes as determined pursuant to the Indenture or the Holders of a Super Majority of the Controlling Class (whichever directed the acceleration of the Secured Notes pursuant to the preceding paragraph) direct, subject to the provisions of the Indenture, the sale and liquidation of the Pledged Assets.

The Holders of a Majority of the Controlling Class will have the right to direct the Trustee in writing in the conduct of any proceedings or in the sale of any or all of the Pledged Assets, but only if (i) such direction will not conflict with any rule of law or the Indenture (including the limitations described in the paragraph above) and (ii) the Trustee determines that such action will not involve it in liability (unless the Trustee has received an indemnity which is reasonably acceptable to the Trustee against any such liability).

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default with respect to the Secured Notes occurs and is continuing, the Trustee is under no obligation to exercise any of the rights or powers under the Indenture at the request of any Holders of Secured Notes, unless such Holders have offered to the Trustee reasonable security or an indemnity which is reasonably acceptable to the Trustee. The Holders of a Majority of the Controlling Class may waive any default with respect to the Secured Notes, except (a) a default in the payment of principal or interest on any Secured Note; (b) failure on any Payment Date to disburse amounts available in the Payment Account in accordance with the Priority of Payments and continuation of such failure for a period of seven (7) days; (c) certain events of bankruptcy or insolvency with respect to the Issuers; or (d) a default in respect of a provision of the Indenture that cannot be modified or amended without the waiver or consent of the Holder of each outstanding Note adversely affected thereby.

Furthermore, any declaration of acceleration of maturity of the Secured Notes may be revoked and annulled by the requisite Holders of Notes as determined pursuant to the Indenture or the Holders of a Majority of the Controlling Class, as applicable, before a judgment or decree for the payment of money has been obtained by the Trustee or the Pledged Assets have been sold or foreclosed in whole or in part, by notice to the Issuers and the

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Trustee, if (a) the Issuer has paid or deposited with the Trustee a sum sufficient to pay, in accordance with the Priority of Payments, the principal and accrued interest (including all Defaulted Interest and the interest thereon), discount or other unpaid amounts with respect to the outstanding Secured Notes and any other administrative expenses, fees or other amounts that, under the Transaction Documents and pursuant to the Priority of Payments, are payable prior to the payment of the principal of and interest on the outstanding Secured Notes, and (b) the Trustee has determined that all Events of Default, other than the non-payment of the interest on or principal of the outstanding Secured Notes that have become due solely by such acceleration, have been cured and the Holders of a Majority of the Controlling Class by notice to the Trustee have agreed with such determination (which agreement shall not be unreasonably withheld) or waived such Event of Default in accordance with the provisions set forth in the Indenture.

Only the Trustee may pursue the remedies available under the Indenture or the Secured Notes and no Holder of a Secured Note will have the right to institute any proceeding with respect to the Indenture, its Note, or otherwise unless (i) such Holder previously has given to the Trustee written notice of a continuing Event of Default; (ii) except in the case of a default in the payment of principal or interest, the Holders of at least 25%, by Aggregate Outstanding Amount, of the Controlling Class have made a written request upon the Trustee to institute such proceedings in its own name as Trustee and such Holders have offered the Trustee an indemnity which is reasonably acceptable to the Trustee; (iii) the Trustee has for 30 days failed to institute any such proceeding; and (iv) no direction inconsistent with such written request has been given to the Trustee during such 30-day period by the Holders of a Majority of the Controlling Class.

In determining whether the Holders of the requisite percentage of Secured Notes have given any direction, notice or consent, Secured Notes owned by the Issuer, the Co-Issuer or any affiliate thereof shall be disregarded and deemed not to be outstanding. In addition, Holders of Income Notes will not be considered to be affiliates of the Issuer or Co-Issuer by virtue of such ownership of Income Notes.

Notices. Notices to the Holders of the Secured Notes shall be given by first-class mail, postage prepaid, to each Noteholder at the address appearing in the applicable note register. In addition, if and for so long as any of the Secured Notes are listed on the Irish Stock Exchange and so long as the rules of such exchange so require, notices to the Holders of such Secured Notes shall also be published by the Irish Listing Agent in the official list thereof or as otherwise required by the rules of such exchange.

Modification of the Indenture. Without obtaining the consent of Holders of the Notes, the Issuers and the Trustee may enter into one or more supplemental indentures for any of the following purposes:

(i) to evidence the succession of any person to either the Issuer or Co-Issuer and the assumption by any such successor of the covenants of the Issuer or Co-Issuer in the Notes, the Fiscal Agency Agreement and under the Indenture;

(ii) to add to the covenants of the Issuers or the Trustee for the benefit of the Holders of the Notes or to surrender any right or power conferred upon the Issuers;

(iii) to convey, transfer, assign, mortgage or pledge any property to the Trustee, or add to the conditions, limitations or restrictions on the authorized amount, terms and purposes of the issue, authentication and delivery of the Notes;

(iv) to 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 trusts under the Indenture by more than one Trustee;

(v) to correct or amplify the description of any property at any time subject to the security interest created by the Indenture, or to better assure, convey, and confirm unto the Trustee any property subject or required to be subject to the security interest created by the Indenture (including, without limitation, any and all actions necessary or desirable as a result of changes in law or regulations) or subject to the security interest created by the Indenture any additional property;

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(vi) to otherwise correct any inconsistency or cure any ambiguity or manifest error or correct or supplement any provisions contained in the Indenture which may be defective or inconsistent with any provision contained in the Indenture or make any modification that is of a formal, minor or technical nature or which is made to correct a manifest error;

(vii) to take any action necessary or advisable to prevent the Issuer, the Trustee, any Note Paying Agents or the Fiscal Agent from becoming subject to withholding or other taxes, fees or assessments or to prevent the Issuer from being treated as engaged in a United States trade or business or otherwise being subject to United States federal, state or local income tax on a net income basis;

(viii) to conform the Indenture to the descriptions contained in this Offering Circular;

(ix) to comply with any reasonable requests made by the Irish Stock Exchange in order to list or maintain the listing of any Notes on such stock exchange; or

(x) to make any other change for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture or any other Transaction Document; *provided* however that such changes would have no material adverse effect on any of the Notes (which may be evidenced by an opinion of counsel or a Noteholder Poll (as hereinafter defined)).

With the written consent of the Holders of (a) at least a Majority, by Aggregate Outstanding Amount, of the Secured Notes materially adversely affected thereby (voting together as a single class) and (b) at least a Majority of the Income Notes materially adversely affected thereby, the Trustee and the Issuers may execute a supplemental indenture to add 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.

Notwithstanding anything in the Indenture to the contrary, without the written consent of each Noteholder of each Class adversely affected thereby no supplemental indenture may:

(i) change the Stated Maturity of the principal of or the due date of any installment of interest or discount on a Note; reduce the principal amount thereof or the rate of interest thereon, or the applicable Secured Note Redemption Price with respect thereto; change the earliest date on which a Note may be redeemed; change the provisions of the Indenture relating to the application of proceeds of any Pledged Asset to the payment of principal of or interest on Notes or change any place where, or the coin or currency in which, Notes or the principal thereof or interest thereon are payable; or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof or other due date thereof (or, in the case of redemption, on or after the Redemption Date);

(ii) reduce the percentage in aggregate principal amount of Holders of the Notes of each Class whose consent is required for the authorization of any supplemental indenture or for any waiver of compliance with certain provisions of the Indenture or certain defaults under the Indenture or their consequences;

(iii) impair or adversely affect the Pledged Assets except as otherwise permitted by the Indenture;

(iv) permit the creation of any security interest ranking prior to or on a parity with the security interest created by the Indenture with respect to any part of the Pledged Assets or terminate such security interest on any property at any time subject thereto or deprive the Holder of any Note, the Trustee or any other Secured Party of the security afforded by the lien of the Indenture;

(v) reduce the percentage of Holders of the Notes of each Class whose consent is required to request the Trustee to preserve the Collateral Assets or rescind the Trustee's election to preserve the Collateral Assets or to sell or liquidate the Collateral Assets pursuant to the Indenture;

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(vi) modify any of the provisions of the Indenture with respect to supplemental indentures, except to increase the percentage of Outstanding Notes whose Holders' consent 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 Holder of each outstanding Note adversely affected thereby;

(vii) modify the definition of the term "Outstanding," or the Priority of Payments set forth in the Indenture;

(viii) modify any of the provisions of the Indenture in such a manner as to affect the calculation of the amount of any payment of interest on or principal of any Secured Note or modify any amount distributable to the Fiscal Agent for payment to the Holders of the Income Notes on any Quarterly Payment Date or to affect the right of the Holders of the Notes or the Trustee to the benefit of any provisions for the redemption of such Notes contained therein;

(ix) amend any provision of the Indenture or any other agreement entered into by the Issuer with respect to the transactions contemplated by the Indenture relating to the institution of proceedings for the Issuer or the Co-Issuer to be adjudicated as bankrupt or insolvent, or the consent of the Issuer or the Co-Issuer to the institution of bankruptcy or insolvency proceedings against it, or the filing with respect to the Issuer or the Co-Issuer of a petition or answer or consent seeking reorganization, arrangement, moratorium or liquidation proceedings, or other proceedings under the United States Bankruptcy Code or any similar laws, or the consent of the Issuer or the Co-Issuer to the filing of any such petition or the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Issuer or the Co-Issuer or any substantial part of its property, respectively;

(x) increase the amount of the Liquidation Agent Fees payable to the Liquidation Agent beyond the amount provided for in the original Liquidation Agency Agreement;

(xi) amend any provision of the Indenture or any other agreement entered into by the Issuer with respect to the transactions contemplated thereby that provides that the obligations of the Issuers or the Issuer, as the case may be, are limited recourse obligations of the Issuers or the Issuer, respectively, payable solely from the Pledged Assets in accordance with the terms of the Indenture;

(xii) at the time of execution of such supplemental indenture, cause payments made by or to the Issuer, the Credit Protection Buyer, the Liquidation Agent or any Paying Agents to become subject to withholding or other taxes, fees or assessments or cause the Issuer to be treated as engaged in a United States trade or business or otherwise be subject to United States federal, state or local income tax on a net income basis; or

(xiii) at the time of the execution of such supplemental indenture, result in a deemed sale or exchange of any of the Notes under Section 1001 of the Code (items (i) through (xiii) above collectively, the "Reserved Matters").

Notwithstanding anything to the contrary herein, no supplement or amendment to the Indenture will be effective until the consent of each of the Credit Protection Buyer (which shall not be unreasonably withheld) and the Liquidation Agent (which consent shall not be unreasonably withheld) has been obtained.

Under the Indenture, in making the determination of whether a proposed amendment has or would have no material adverse effect on any of the Notes, which Notes are materially adversely affected by a proposed amendment or which Classes of Notes are adversely affected by any Reserved Matter (each such determination, an "Amendment Determination"), the Trustee may rely on an opinion of counsel. If no opinion of counsel is provided with respect to a proposed amendment, a Noteholder Poll shall be conclusively determinative of such Amendment Determination and the Trustee shall be entitled to conclusively rely on such Noteholder Poll. The results of such Noteholder Poll shall be conclusive and binding on the Issuer and all present and future Noteholders.

"Noteholder Poll" with respect to a proposed supplemental indenture means the following:

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The Trustee will (at the expense of the Issuer) give written notice of such proposed supplemental indenture to the Holders of the Secured Notes and to the Fiscal Agent for notification by the Fiscal Agent to the Holders of the Income Notes. If any Holder of a Note of a Class delivers a written objection to any portion of such supplemental indenture to the Trustee, in the case of the Secured Notes, and the Fiscal Agent, in the case of the Income Notes, within 20 Business Days after the date on which such notice was given by the Trustee or the Fiscal Agent, as applicable, each Note of such Class will be deemed to be both adversely affected and materially and adversely affected. If no Holder of a Note of a Class delivers a written objection to the Trustee or the Fiscal Agent, as applicable, within such period, all Notes of such Class shall be deemed not to be materially and adversely affected and not to be adversely affected by such supplemental indenture. The Fiscal Agent will promptly communicate to the Trustee the receipt of any such written objection from a Holder of an Income Note or if no such written objection is received within the prescribed time period, that no written objections were received from any Income Noteholder.

Under the Indenture, the Trustee will deliver a copy of any proposed supplemental indenture to the Holders of the Secured Notes, the Fiscal Agent, the Rating Agencies (for so long as any of the Notes are outstanding and rated by the Rating Agencies), the Credit Protection Buyer and the Liquidation Agent not later than 20 Business Days prior to execution of a proposed supplemental indenture. The Fiscal Agent will deliver a copy of the same to the Holders of the Income Notes. For so long as any of the Notes are outstanding and rated by the Rating Agencies, no supplemental indenture shall be entered into unless the Rating Agency Condition is met; *provided* that the Trustee shall, with the consent of the Holders of 100% of the Aggregate Outstanding Amount of Secured Notes of each Class and the Income Notes, whose consent, in the case of the Income Notes, will be communicated to the Fiscal Agent for notice to the Trustee, the Liquidation Agent and the Credit Protection Buyer, enter into any such supplemental indenture notwithstanding any potential reduction or withdrawal of the ratings of any outstanding Class of Notes. The Trustee must provide notice of any amendment or modification of the Indenture (whether or not required to be approved by such parties) to the Holders of the Secured Notes, the Fiscal Agent, the Liquidation Agent, the Credit Protection Buyer and if and for so long as any Secured Notes are listed on the Irish Stock Exchange, the Irish Paying Agent promptly upon the execution of such supplemental indenture. The Fiscal Agent will provide notice of any such amendment or modification of the Indenture to the Holders of the Income Notes and if and for so long as any Income Notes are listed on the Irish Stock Exchange, the Irish Paying Agent promptly upon the execution of such supplemental indenture.

In connection with any amendment, the Trustee may require the delivery of an opinion of counsel satisfactory to it (which opinion of counsel may rely on an officer's certificate from the Liquidation Agent), at the expense of the Issuer, that such amendment is permitted under the terms of the Indenture.

In addition, the Issuers and the Trustee may enter into any additional agreements not expressly prohibited by the Indenture or any other Transaction Document.

Jurisdictions of Incorporation and Formation. Under the Indenture, the Issuer and the Co-Issuer will be required to maintain their rights and franchises as a company incorporated under the laws of the Cayman Islands and a corporation formed under laws of the State of Delaware, respectively, to comply with the provisions of their respective organizational documents and to obtain and preserve their qualification to do business as foreign corporations in each jurisdiction in which such qualifications are or shall be necessary to protect the validation and enforceability of the Indenture, the Secured Notes, or any of the Pledged Assets; *provided, however*, that the Issuers shall be entitled to change their jurisdictions of incorporation from the Cayman Islands or Delaware, as applicable, to any other jurisdiction reasonably selected by such Issuer or Co-Issuer, as applicable, and approved by its common shareholders, so long as (i) the Issuer or Co-Issuer, as applicable, does not believe such change is disadvantageous in any material respect to such entity or the Holders of any Class of Secured Notes; (ii) written notice of such change shall have been given by the Issuer or Co-Issuer, as applicable to the other of the Issuer or Co-Issuer, as applicable, the Trustee, the Note Paying Agent, the Liquidation Agent, the Credit Protection Buyer, the Holders of each Class of Notes, and each of the Rating Agencies at least thirty (30) Business Days prior to such change of jurisdiction and the Rating Agency Condition with respect to S&P shall have been satisfied with respect to such change; and (iii) on or prior to the 25th Business Day following such notice the Trustee shall not have received written notice from Holders of a Majority of the Controlling Class, the Liquidation Agent or the Credit Protection Buyer or, if and so long as any Notes are listed thereon, the Irish Stock Exchange objecting to such change.

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Petitions for Bankruptcy. The Indenture will provide that neither (i) the Paying Agents, the Liquidation Agent, the Note Registrar, or the Trustee, in its own capacity, or on behalf of any Secured Noteholder, nor (ii) the Secured Noteholders may, prior to the date which is one year and one day (or, if longer, the applicable preference period then in effect) after the payment in full of all Notes, institute against, or join any other person in instituting against, the Issuer or Co-Issuer any bankruptcy, reorganization, arrangement, moratorium, liquidation or similar proceedings under the laws of any jurisdiction.

Satisfaction and Discharge of the Indenture. The Indenture will be discharged with respect to the Pledged Assets securing the Secured Notes upon delivery to the Note Paying Agent for cancellation all of the Secured Notes and the payment in full of the Secured Notes, or, within certain limitations (including the obligation to pay principal and interest), upon deposit with the Trustee of funds sufficient for the payment or redemption thereof and the payment by the Issuers of all other amounts due under the Indenture.

Trustee. LaSalle Bank National Association will be the Trustee under the Indenture. The Issuers and their affiliates may maintain other banking relationships in the ordinary course of business with the Trustee. The payment of the fees and expenses of the Trustee relating to the Secured Notes is solely the obligation of the Issuers. The Trustee and/or its affiliates may receive compensation in connection with the Trustee's investment of trust assets in certain Eligible Investments as provided in the Indenture and in connection with the Trustee's administration of any securities lending activities of the Issuer.

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 the acceptance or administration of the Indenture. The Trustee will not be bound to take any action unless indemnified for such action. The Secured Noteholders shall together have the power, exercisable by the Controlling Class, to remove the Trustee as set forth in the Indenture. The removal of the Trustee shall not become effective until the later of the effective date of the appointment of a successor trustee and the acceptance of appointment by a successor trustee. If the Trustee is removed without cause, costs and expenses of the Trustee incurred in connection with the transfer to the successor Trustee shall be paid by the successor Trustee or the Issuer.

Agents. LaSalle Bank National Association will be the Note Paying Agent, the Note Registrar, the Note Calculation Agent and the Note Transfer Agent under the Indenture. The Issuers and their affiliates may maintain other banking relationships in the ordinary course of business with LaSalle Bank National Association. The payment of the fees and expenses of LaSalle Bank National Association, as the Paying Agent, the Note Registrar, the Note Calculation Agent and the Note Transfer Agent relating to the Notes is solely the obligation of the Issuers. The Indenture contains provisions for the indemnification of LaSalle Bank National Association for any loss, liability or expense incurred without gross negligence, willful misconduct, default or bad faith on its part arising out of or in connection with the acceptance or administration of the Indenture.

Irish Paying Agent. If and for so long as any of the Secured Notes or the Income Notes are listed on the Irish Stock Exchange, and the rules of such exchange shall so require, the Issuers will have an Irish Paying Agent in accordance with the requirements of the rules of such exchange for the Notes. The Issuers and their affiliates may maintain other relationships in the ordinary course of business with the Irish Paying Agent. The payment of the fees and expenses of the Irish Paying Agent relating to the Notes is solely the obligation of the Issuers.

Status of the Income Notes. The Holders of the Income Notes will have certain rights to vote with respect to limited matters arising under the Indenture and the Liquidation Agency Agreement including, without limitation, in connection with certain modifications to the Indenture. However, the Holders of the Income Notes will have no right to vote in connection with the realization of the Pledged Assets or certain other matters under the Indenture.

Fiscal Agency Agreement

The Income Notes will be issued by the Issuer and administered in accordance with a Fiscal Agency Agreement (the "Fiscal Agency Agreement") between LaSalle Bank National Association as fiscal agent (in such capacity, the "Fiscal Agent"). The following summary describes certain provisions of the Income Notes and the Fiscal Agency Agreement. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Fiscal Agency Agreement. After the closing, copies of the Fiscal

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Agency Agreement may be obtained by prospective investors upon request in writing to the Fiscal Agent at LaSalle Bank National Association, 181 W. Madison Street, 32nd Floor, Chicago, Illinois 60602, Attention: CDO Trust Services Group —Anderson Mezzanine Funding 2007-1, Ltd. (telephone number (312) 992-5312).

Pursuant to the Fiscal Agency Agreement, the Fiscal Agent and the Income Notes Transfer Agent will perform various fiscal services on behalf of the Holders of the Income Notes. The payment of the fees and expenses of the Fiscal Agent and Income Notes Transfer Agent is solely the obligation of the Issuer. The Fiscal Agency Agreement contains provisions for the indemnification of the Fiscal Agent and Income Notes Transfer Agent for any loss, liability or expense incurred without gross negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Fiscal Agency Agreement.

Status. The Income Notes are not secured by the Pledged Assets securing the Secured Notes. There can be no assurance that, after payment of principal and interest on the Secured Notes and other fees and expenses of the Issuers in accordance with the Priority of Payments, the Issuer will have funds remaining to make payments in respect of the Income Notes. As a result, the rights of the Income Note holders to receive payments will rank (i) behind the rights of all secured creditors of the Issuer, whether known or unknown, including the Holders of the Secured Notes, the Liquidation Agent and the Credit Protection Buyer and (ii) pari passu with all unsecured creditors of the Issuer, whether known or unknown. The Issuer, pursuant to the Indenture, has pledged substantially all of its assets to secure the Secured Notes and certain other obligations of the Issuer. The proceeds of such assets will only be available to make payments in respect of the Income Notes as and when such proceeds are released from the lien of the Indenture in accordance with the Priority of Payments. See "—Priority of Payments."

Payment. On each Quarterly Payment Date, to the extent funds are available therefor, and after the Secured Notes and certain other amounts due and payable on such Quarterly Payment Date that rank senior to payments on the Income Notes have been paid in full, Proceeds will be released from the lien of the Indenture in accordance with the Priority of Payments and paid to the Fiscal Agent on such Quarterly Payment Date for payment to the Holders of the Income Notes. See "—Status and Security", "—Interest on the Secured Notes" and "—Principal."

Payments on any Income Note will be made to the person in whose name such Income Note is registered 10 Business Days' prior to the applicable Quarterly Payment Date. Payments will be made by wire transfer in immediately available funds to a U.S. Dollar account maintained by the Holder thereof appearing in the Income Notes Register in accordance with wire transfer instructions received from such Holder by the Fiscal Agent on or before the Record Date or, if no wire transfer instructions are received by the Fiscal Agent, by a U.S. Dollar check drawn on a bank in the United States. Final distributions or payments made in the course of a winding up of the Issuer will be made only against surrender of the certificate representing such Income Notes at the office of the Income Notes Transfer Agent. The Income Notes Transfer Agent will communicate or cause communications of such distributions and payments and the related Payment Date to the Issuer, the Fiscal Agent, Euroclear and Clearstream.

Modification of the Fiscal Agency Agreement. The Fiscal Agency Agreement may be amended by the Issuer and the Fiscal Agent without the consent of any of the Income Noteholders for any of the following purposes: (i) to evidence the succession of any person to either the Issuer or Co-Issuer and the assumption by any such successor of the covenants of the Issuer or Co-Issuer in the Notes, the Fiscal Agency Agreement and the Indenture; (ii) to add to the covenants of the Issuers or the Fiscal Agent for the benefit of the Holders of the Notes or to surrender any right or power conferred upon the Issuers; (iii) to cure any ambiguity or manifest error or correct or supplement any provisions contained herein which may be defective or inconsistent with any provision contained herein or make any modification that is of a formal, minor or technical nature or which is made to correct a manifest error; (iv) to take any action necessary or advisable to prevent the Issuer, the Trustee, any Note Paying Agents or the Fiscal Agent from becoming subject to withholding or other taxes, fees or assessments or to prevent the Issuer from being treated as engaged in a United States trade or business or otherwise being subject to United States federal, state or local income tax on a net income basis; (v) to conform the Fiscal Agency Agreement to the descriptions contained in this Offering Circular; (vi) to comply with any reasonable requests made by the Irish Stock Exchange in order to list or maintain the listing of any Notes on such stock exchange; or (vii) to make any other change for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Fiscal Agency Agreement; *provided, however* that such changes would have no material adverse effect on any of the Notes.

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The Fiscal Agency Agreement may also be amended from time to time by the Issuer and the Fiscal Agent with the consent of a Majority of Income Noteholders for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Fiscal Agency Agreement, or of modifying in any manner the rights of the Income Noteholders; *provided*, that no such amendment shall (i) reduce in any manner the amount of, or delay the timing of, or change the allocation of, the payments on the Income Notes or (ii) reduce the voting percentage of the Income Noteholders required to consent to any amendment to the Fiscal Agency Agreement, in each case without the consent of the Income Noteholders of all of the Income Notes.

Income Notes Register. The Fiscal Agent will initially be appointed as Income Notes Transfer Agent (in such capacity, the "Income Notes Transfer Agent") for the purpose of registering and administrating the transfer of Income Notes. The Income Notes Transfer Agent shall maintain at its offices, a register (the "Income Notes Register") in which it shall provide for the registration of Income Notes and the registration of transfers of Income Notes in accordance with the Fiscal Agency Agreement.

Notices. Notices to the Income Note holders will be given by first class mail, postage prepaid, to the registered holders of the Income Notes at their addresses appearing in the Income Notes Register. In addition, if and for so long as any of the Income Notes are listed on the Irish Stock Exchange and so long as the rules of such exchange so require, notices to the Holders of such Income Notes shall also be published by the Irish Listing Agent in the official list thereof as otherwise required by the rules of such exchange.

Governing Law of the Transaction Documents

The Indenture, the Fiscal Agency Agreement, the Notes, the Credit Default Swap and the Liquidation Agency Agreement will be governed by, and construed in accordance with, the laws of the State of New York applicable to agreements made and to be performed therein without regard to the conflict of laws principles thereof. Under the Indenture, the Fiscal Agency Agreement and the Liquidation Agency Agreement, the Issuers have submitted irrevocably to the non-exclusive jurisdiction of the courts of the State of New York and the courts of the United States of America in the State of New York (in each case sitting in the County of New York) for the purposes of hearing and determining any suit, action or proceedings or settling any disputes arising out of or in connection with the Indenture, the Notes, the Fiscal Agency Agreement and the Liquidation Agency Agreement.

Form of the Notes

The Notes. Each Class of Notes (other than the Income Notes) sold in reliance on Rule 144A under the Securities Act will be represented by one or more Rule 144A Global Notes and will be deposited with LaSalle Bank National Association as custodian for DTC and registered in the name of Cede & Co., a nominee of DTC. Each of the Income Notes which are sold either to (1) 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 Institution Buyer or (2) in the case of the Income Notes only, an Accredited Investor who has a net worth of not less than U.S. $10 million will be issued in definitive, fully registered form, registered in the name of the owner thereof ("Definitive Notes"). The Rule 144A Global Notes and the Definitive Notes (and any Notes issued in exchange therefor) will be subject to certain restrictions on transfer as set forth under "Notice to Investors."

Each Class of Notes sold in offshore transactions in reliance on Regulation S will initially be represented by a Temporary Regulation S Global Note deposited on the Closing Date with LaSalle Bank National Association as custodian for DTC and registered in the name of Cede & Co., a nominee of DTC, for the respective accounts of Euroclear and Clearstream. Beneficial interests in a Temporary Regulation S Global Note may be held only through Euroclear or Clearstream. Beneficial interests in a Temporary Regulation S Global Note will be exchanged for beneficial interests in a permanent Regulation S Global Note (the "Regulation S Global Note") for the related Class of Notes in definitive, fully registered form upon the later of (i) the expiration of the Distribution Compliance Period and (ii) the first date on which the requisite certifications (in the form provided in the Indenture) are provided to the Trustee. The Regulation S Global Note will be registered in the name of Cede & Co., a nominee of DTC, and deposited with LaSalle Bank National Association as custodian for DTC for credit to the accounts of Euroclear and Clearstream for the respective accounts of the Holders of such Notes. Beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream.

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A beneficial interest in a Regulation S Global Note or a Temporary Regulation S Global Note may be transferred, whether before or after the expiration of the Distribution Compliance Period, to a U.S. person only, with respect to the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes, in the form of a beneficial interest in a Rule 144A Global Note, and, with respect to any Regulation S Income Notes, in the form of a definitive Income Note, as applicable, and only upon receipt by the Note Transfer Agent or Income Notes Transfer Agent, as applicable, of a written certification from the transferor (in the form provided in the Indenture or the Fiscal Agency Agreement, as applicable) to the effect that the transfer is being made to a person the transferor reasonably believes is (a) a Qualified Institutional Buyer or, solely in the case of the Income Notes, an Accredited Investor who has a net worth of not less than U.S. $10 million and (b) a Qualified Purchaser. In addition, transfers of a beneficial interest in a Regulation S Global Note or Temporary Regulation S Global Note to a person who takes delivery in the form of an interest in a Rule 144A Global Note or, a Definitive Note in the case of the Income Notes, may occur only in denominations greater than or equal to the minimum denominations applicable to the Rule 144A Global Notes or in a principal amount of not less than $250,000.

A beneficial interest in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Temporary Regulation S Global Note or a Regulation S Global Note, as the case may be, whether during or after the expiration of the Distribution Compliance Period, only upon receipt by the Note Registrar or Income Notes Transfer Agent, as applicable, of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made to a non U.S. Person in accordance with Rule 903 or 904 of Regulation S.

Any beneficial interest in one of the Global Notes that is transferred to the person who takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such interest.

Except in the limited circumstances described below, owners of beneficial interests in any Global Note will not be entitled to receive a Definitive Note. The Notes are not issuable in bearer form.

Each Note will be issued in minimum denominations of U.S.$250,000 (in the case of Rule 144A Notes and in the case of Income Notes sold to Accredited Investors) and U.S.$100,000 (in the case of Regulation S Notes) and integral multiples of U.S.$1 in excess thereof.

Global Notes. Upon the issuance of the Global Notes, DTC or its custodian will credit, on its internal system, the respective aggregate original principal amount of the individual beneficial interests represented by such Global Notes to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the Initial Purchaser. Ownership of beneficial interests in Global Notes will be limited to persons who have accounts with DTC ("participants") or persons who hold interests through participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

So long as DTC, or its nominee, is the registered owner or Holder of the Global Notes, DTC or such nominee, as the case may be, will be considered the sole owner or Holder of each Class of the Notes represented by such Global Notes for all purposes under the Indenture and such Notes. Unless DTC notifies the Issuers that it is unwilling or unable to continue as depositary for a global note or ceases to be a "Clearing Agency" registered under the Exchange Act, owners of the beneficial interests in the Global Notes will not be entitled to have any portion of such Global Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in certificated form and will not be considered to be the owners or Holders of any Notes under the Indenture. In addition, no beneficial owner of an interest in the Global Notes will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the Indenture referred to herein and, if applicable, those of Euroclear and Clearstream).

Investors may hold their interests in a Regulation S Global Note or a Temporary Regulation S Global Note directly through Clearstream or Euroclear, if they are participants in these systems, or indirectly through organizations which are participants in these systems. Clearstream and Euroclear will hold interests in the

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

Payments of the principal of and interest on the Global Notes will be made to DTC or its nominee, as the registered owner thereof. Neither the Issuers, the Trustee nor any paying agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for any notice permitted or required to be given to Holders of Notes or any consent given or actions taken by DTC as Holder of Notes. The Issuers expect that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note representing any Notes held by it or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective interests in the principal amount of such Global Notes as shown on the records of DTC or its nominee. The Issuers also expect that payments by participants to owners of interests in such Global Notes held through such 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. Such payments will be the responsibility of such participants.

Transfers between participants will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in Global Notes to these 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 having a beneficial interest in Global Notes to pledge its interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of its interest, may be affected by the lack of a physical certificate of the interest. Transfers between account holders 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 Notes described above, cross-market transfers between DTC participants, on the one hand, and, directly or indirectly through Euroclear or Clearstream account holders; on the other, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, these cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in the system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in a Temporary Regulation S Global Note or a Regulation S Global Note in DTC, and making or receiving payment in accordance with normal procedures for a same-day funds settlement applicable to DTC. Clearstream and Euroclear account holders may not deliver instructions directly to the depositaries 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 or Clearstream, as the case may be) 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 in DTC.

DTC has advised the Issuers that it will take any action permitted to be taken by a Holder of the Notes (including the presentation of the applicable Notes for exchange as described below) only at the direction of one or more participants to whose account with DTC interests in a Global Note are credited and only in respect of that portion of the aggregate principal amount of the Notes as to which the participant or participants has or have given direction.

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The giving of notices and other communications by DTC to participants, by participants to persons who hold accounts with them and by such persons to Holders of beneficial interests in a Global Note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised the Issuers as follows: 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 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 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 ("indirect participants").

Clearstream. Clearstream Banking, société anonyme, was incorporated as a limited liability company under Luxembourg law. Clearstream is owned by Cedel International, société anonyme, and Deutsche Börse AG. The shareholders of these two entities are banks, securities dealers and financial institutions.

Clearstream holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream customers through electronic book-entry changes in accounts of Clearstream customers, thus eliminating the need for physical movement of certificates. Clearstream provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities, securities lending and borrowing and collateral management. Clearstream interfaces with domestic markets in a number of countries. Clearstream has established an electronic bridge with Euroclear Bank S.A./N.V., the operator of the Euroclear System, to facilitate settlement of trades between Clearstream and Euroclear.

As a registered bank in Luxembourg, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector. Clearstream customers are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. In the United States, Clearstream customers are limited to securities brokers and dealers and banks and may include the Initial Purchaser. Other institutions that maintain a custodial relationship with a Clearstream customer may obtain indirect access to Clearstream. Clearstream is an indirect participant in DTC.

Distributions with respect to the Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream customers in accordance with its rules and procedures, to the extent received by Clearstream.

The Euroclear System. The Euroclear System was created in 1968 to hold securities for participants of the Euroclear System and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thus eliminating the need for physical movement of certificates and risk from lack of simultaneous transfers of securities and cash. Transactions may now be settled in many currencies, including U.S. Dollars and Japanese Yen. The Euroclear System provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described above.

The Euroclear System is operated by Euroclear Bank S.A./N.V. (the "Euroclear Operator"), under contract with Euroclear Clearance System plc, a U.K. corporation (the "Euroclear Clearance System"). The Euroclear Operator conducts all operations, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Euroclear Clearance System. The Euroclear Clearance System establishes policy for the Euroclear System on behalf of Euroclear participating organizations. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the Initial Purchaser. Indirect access to the Euroclear System is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly. Euroclear is an indirect participant in DTC.

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The Euroclear Operator is a Belgian bank. The Belgian Banking Commission regulates and examines the Euroclear Operator.

The Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System and applicable Belgian law govern securities clearance accounts and cash accounts with the Euroclear Operator. Specifically, these terms and conditions govern:

(a) transfers of securities and cash within the Euroclear System;

(b) withdrawal of securities and cash from the Euroclear System; and

(c) receipts of payments with respect to securities in the Euroclear System.

All securities in the Euroclear System are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the terms and conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding securities through Euroclear participants.

Distributions with respect to Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participating organizations in accordance with the Euroclear Terms and Conditions, to the extent received by the Euroclear Operator and by Euroclear.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Notes and in the Rule 144A 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. Neither the Issuers nor the Trustee 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.

Payments; Certifications by Holders of Temporary Regulation S Global Notes. A Holder of a beneficial interest in a Temporary Regulation S Global Note must provide Clearstream or Euroclear, as the case may be, with a certificate in the form required by the Indenture certifying that the beneficial owner of the interest in such Global Note is not a U.S. Person (as defined in Regulation S), and Clearstream or Euroclear, as the case may be, must provide to the Trustee a certificate in the form required by the Indenture prior to (i) the payment of interest or principal with respect to such Holder's beneficial interest in the Temporary Regulation S Global Note and (ii) any exchange of such beneficial interest for a beneficial interest in a Regulation S Global Note.

Individual Definitive Notes. The Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Regulation S Income Notes will be initially issued in global form. The Income Notes (other than the Regulation S Income Notes) will not be global and will be represented by one or more Definitive Notes. If DTC or any successor to DTC advises the Issuer in writing that it is at any time unwilling or unable to continue as a depositary for the reasons described in "—Global Notes" and a successor depositary is not appointed by the Issuers within 90 days or as a result of any amendment to or change in, the laws or regulations of the Cayman Islands or the State of Delaware, as applicable, or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which become effective on or after the Closing Date, the Issuers, the Note Paying Agent or the Fiscal Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required if the Notes were in definitive form and the Issuers will issue Definitive Notes in registered form in exchange for the Regulation S Global Notes and the Rule 144A Global Notes, as the case may be. Upon receipt of such notice from DTC, the Issuers will use their best efforts to make arrangements with DTC for the exchange of interests in the Global Notes for individual Definitive Notes and cause the requested individual Definitive Notes to be executed and delivered to the Note Registrar or Income Notes Transfer Agent, as applicable, in sufficient quantities and authenticated by or on behalf of the Note Transfer Agent or Income Notes Transfer Agent, as applicable, for delivery to Holders of the Notes. Persons exchanging interests in a Global Note for individual Definitive Notes will be required to provide to the Note Transfer Agent or the Income Notes Transfer Agent, as applicable, through DTC, Clearstream or Euroclear, (i) written instructions and other

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information required by the Issuers, the Note Transfer Agent and the Income Notes Transfer Agent to complete, execute and deliver such individual Definitive Notes, (ii) in the case of an exchange of an interest in a Rule 144A Global Note, such certification as to (a) Qualified Institutional Buyer status or, solely in the case of the Income Notes, as to Accredited Investor status and (b) that such Holder is a Qualified Purchaser, as the Issuers shall require and (iii) in the case of an exchange of an interest in a Regulation S Global Note, such certification as the Issuers shall require as to non-U.S. Person status. In all cases, individual Definitive Notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in denominations in compliance with the minimum denominations specified for the applicable Global Notes, requested by DTC.

Individual Definitive Notes will bear, and be subject to, such legend as the Issuers require in order to assure compliance with any applicable law. Individual Definitive Notes will be transferable subject to the minimum denomination applicable to the Rule 144A Global Notes and Regulation S Global Notes, in whole or in part, and exchangeable for individual Definitive Notes of the same Class at the office of the Note Paying Agent, Note Transfer Agent, Income Notes Transfer Agent or the office of any transfer agent, upon compliance with the requirements set forth in the Indenture or the Fiscal Agency Agreement, as applicable. Individual Definitive Notes may be transferred through any transfer agent upon the delivery and duly completed assignment of such Notes. Upon transfer of any individual Definitive Note in part, the Note Transfer Agent or Income Notes Transfer Agent, as applicable, will issue in exchange therefor to the transferee one or more individual Definitive Notes in the amount being so transferred and will issue to the transferor one or more individual Definitive Notes in the remaining amount not being transferred. No service charge will be imposed for any registration of transfer or exchange, but payment of a sum sufficient to cover any tax or other governmental charge may be required. The Holder of a restricted individual Definitive Note may transfer such Note, subject to compliance with the provisions of the legend thereon. Upon the transfer, exchange or replacement of Notes bearing the legend, or upon specific request for removal of the legend on a Note, the Issuer will deliver only Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act. Payments of principal and interest on individual Definitive Notes shall be payable by the Note Paying Agents or the Fiscal Agent, as applicable, by U.S. Dollar check drawn on a bank in the United States of America and sent by mail to the registered Holder thereof, by wire transfer in immediately available funds. In addition, if and for so long as any Notes are listed on the Irish Stock Exchange and the rules of such exchange shall so require, in the case of a transfer or exchange of individual Definitive Notes, a Holder thereof may effect such transfer or exchange by presenting such Notes at, and obtaining a new individual Definitive Note from the office of the Irish Paying Agent, in the case of a transfer of only a part of an individual Definitive Note, a new individual Definitive Note in respect of the balance of the principal amount of the individual Definitive Note not transferred will be delivered at the office of the Irish Stock Exchange and in the case of a replacement of any lost, stolen, mutilated or destroyed individual Definitive Notes, a Holder thereof may obtain a new individual Definitive Note from the Irish Paying Agent.

The Income Notes. The Regulation S Income Notes will initially be in global form. The Income Notes (other than Regulation S Income Notes) will not be global and will be represented by one or more Income Note Certificates in definitive form. All Income Notes will be subject to certain restrictions on transfer as set forth under "Notice to Investors."

Income Notes may be transferred only (i) upon receipt by the Issuer and Income Notes Transfer Agent of an Income Notes Purchase and Transfer Letter to the effect that the transfer is being made (a) to a Qualified Institutional Buyer that has acquired an interest in the Income Notes in a transaction meeting the requirements of Rule 144A or (b) to an Accredited Investor having a net worth of not less than U.S.$10 million in a transaction exempt from registration under the Securities Act, who is a Qualified Purchaser or (ii) to a non-U.S. Person in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S. The transferee of an Income Note (other than a Regulation S Income Note) must also make certain other representations applicable to such transferee, as set forth in the Income Notes Purchase and Transfer Letter.

Each Purchaser of a Regulation S Income Note will be deemed by its purchase to have represented and warranted as set forth under "Notice to Investors."

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Payments on the Income Notes on any Payment Date will be made to the person in whose name the relevant Income Note is registered in the Income Notes Register as of the close of business 10 Business Days prior to such Payment Date.

USE OF PROCEEDS

The gross proceeds associated with the offering of the Notes are expected to equal approximately U.S.$308,400,000. Approximately U.S.$1,655,000 of such gross proceeds will be applied by the Issuer to pay upfront fees and expenses associated with the offering of the Notes. On the Closing Date or promptly thereafter as is consistent with customary settlement procedures, pursuant to agreements to purchase entered into on or before the Closing Date, the Issuer will apply the net proceeds to purchase the Collateral Securities and Eligible Investments described herein having an aggregate Principal Balance of approximately U.S.$305,000,000 and will have entered into the Credit Default Swap. In addition, on the Closing Date, approximately U.S.$200,000 of the net proceeds from the issuance of the Notes will be deposited into the Expense Reserve Account.

RATINGS OF THE NOTES

It is a condition to the issuance of the Notes that the Class S Notes, the Class A-1a Notes, the Class A-1b Notes and the Class A-2 Notes be rated "Aaa" by Moody's and "AAA" by S&P, that the Class B Notes be rated at least "Aa2" by Moody's and at least "AA" by S&P, that the Class C Notes be rated at least "A2" by Moody's and at least "A" by S&P and that the Class D Notes be rated at least "Baa2" by Moody's and at least "BBB" by S&P. The Income Notes will not be rated by either Rating Agency. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

If and for so long as any Class of Notes is listed on the Irish Stock Exchange, the Trustee will inform the Irish Paying Agent if any rating assigned to any Class of Notes is reduced or withdrawn.

Moody's Ratings

The ratings assigned to the Secured Notes by Moody's are based upon its assessment of the probability that the Credit Default Swap and the Collateral Assets will provide sufficient funds to pay such Secured Notes, based largely upon Moody's statistical analysis of historical default rates on debt obligations with various ratings, expected recovery rates on the Reference Obligations and the Collateral Assets, the asset and interest coverage required for such Secured Notes (which is achieved through the subordination of more junior Notes), and the diversification requirements that the Pledged Assets must satisfy.

Moody's rating of (i) the Class S Notes, the Class A Notes and the Class B Notes addresses the ultimate cash receipt of all required principal payments and the timely cash receipt of all interest or premium payments as provided in the governing documents and (ii) the Class C Notes and the Class D Notes addresses the ultimate cash receipt of all required interest and principal payments as provided in the governing documents. Moody's ratings are based on the expected loss posed to the Holders of the Notes relative to the promise of receiving the present value, calculated using a discounted rate equal to the promised interest rate of such payments. Moody's analyzes the likelihood that each debt obligation included in the portfolio will default, based on historical default rates for similar debt obligations, the historical volatility of such default rates (which increases as securities with lower ratings are added to the portfolio) and an additional default assumption to account for future fluctuations in defaults. Moody's then determines the level of credit protection necessary to achieve the expected loss associated with the rating of the structured securities, taking into account the potential recovery value of the Pledged Assets and the expected volatility of the default rate of the portfolio based on the level of diversification by issuer and industry.

In addition to these quantitative tests, Moody's ratings take into account qualitative features of a transaction, including the experience of the Liquidation Agent, the legal structure and the risks associated with such structure, its view as to the quality of the participants in the transaction and other factors that it deems relevant.

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S&P Ratings

S&P will rate the Secured Notes in a manner similar to the manner in which it rates other structured issues. The ratings assigned to the Class S Notes, the Class A Notes and the Class B Notes by S&P address the likelihood of the timely payment of interest and the ultimate payment of principal on such Secured Notes. The ratings assigned to the Class C Notes and the Class D Notes by S&P address the likelihood of the ultimate payment of interest and principal on such Secured Notes. This requires an analysis of the following: (i) credit quality of the Pledged Assets securing the Secured Notes; (ii) cash flow used to pay liabilities and the priorities of these payments; and (iii) legal considerations. Based on these analyses, S&P determines the necessary level of credit enhancement needed to achieve a desired rating.

S&P's analysis includes the application of its proprietary default expectation computer model, the Standard & Poor's CDO Monitor (which will be provided to the Issuer), which is used to estimate the default rate the portfolio is likely to experience. The Standard & Poor's CDO Monitor calculates the projected cumulative default rate of a pool of collateral consistent with a specified benchmark rating level based upon S&P's proprietary corporate debt default studies. The Standard & Poor's CDO Monitor takes into consideration the rating of each issuer or obligor, the number of issuers or obligors, the issuer or obligor industry concentration and the remaining weighted average maturity of each of the Reference Obligations included in the Reference Portfolio. The risks posed by these variables are accounted for by effectively adjusting the necessary default level needed to achieve a desired rating. The higher the desired rating, the higher the level of defaults the portfolio must withstand.

Credit enhancement to support a particular rating is then provided based, in part, on the results of the Standard & Poor's CDO Monitor, as well as other more qualitative considerations such as legal issues and management capabilities. Credit enhancement is typically provided by a combination of overcollateralization/subordination, cash collateral/reserve account, excess spread/interest and amortization. A transaction-specific cash flow model (the "Transaction-Specific Cash Flow Model") is used to evaluate the portfolio and determine whether it can withstand an estimated level of default while fully repaying the class of debt under consideration.

There can be no assurance that actual loss on the Pledged Assets will not exceed those assumed in the application of the Standard & Poor's CDO Monitor or that recovery rates and the timing of recovery with respect thereto will not differ from those assumed in the Transaction-Specific Cash Flow Model. The Issuers make no representation as to the expected rate of defaults on the portfolio or as to the expected timing of any defaults that may occur.

S&P's rating of the Notes will be established under various assumptions and scenario analyses. There can be no assurance, and no representation is made, that actual defaults on the Pledged Assets will not exceed those in S&P's analysis, or that recovery rates with respect thereto (and, consequently, loss rates) will not differ from those in S&P's analysis.

THE CREDIT DEFAULT SWAP

General

The following description of the Credit Default Swap is a summary of certain provisions of the Credit Default Swap but does not purport to be complete and prospective investors must refer to the Credit Default Swap for more detailed information regarding the Credit Default Swap. Copies of the Master Agreement and the Master Confirmations will be available to investors from the Trustee. Capitalized terms not otherwise defined in this section will have the meanings set forth in the Master Agreement and related Master Confirmation.

The Credit Default Swap will be structured as a "pay-as-you-go" credit default swap and will be documented pursuant to a 1992 ISDA Master Agreement (Multicurrency-Cross Border), including the Schedule thereto (the "Master Agreement"), between the Issuer and the Credit Protection Buyer along with two confirmations (each a "Master Confirmation") evidencing a transaction with respect to each Reference Obligation in the Reference Portfolio thereunder (each such transaction, a "CDS Transaction").

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Each CDS Transaction is expected to have a specified Reference Obligation Notional Amount which represents the dollar amount of the credit exposure which the Issuer is assuming thereunder with respect to the Reference Obligation related to such CDS Transaction. The "Aggregate Reference Obligation Notional Amount" is the sum of the Reference Obligation Notional Amounts of all CDS Transactions. On the Closing Date, the Issuer expects to enter into a Credit Default Swap with an Aggregate Reference Obligation Notional Amount of approximately U.S.$305,000,000. In accordance with the terms of the CDS Transactions, the Reference Obligation Notional Amount of each CDS Transaction is expected after the Closing Date to be: (i) decreased on each day on which a Reference Obligation Principal Payment is made by the relevant Reference Obligation Principal Amortization Amount; (ii) decreased on each day on which a Failure to Pay Principal occurs by the relevant Principal Shortfall Amount; (iii) decreased on each day on which a Writedown occurs by the relevant Writedown Amount; (iv) increased on each day on which a Writedown Reimbursement occurs by any Writedown Reimbursement Amount in respect of a Writedown Reimbursement within paragraphs (ii) or (iii) of the definition of "Writedown Reimbursement"; and (v) decreased on each Delivery Date by an amount equal to the relevant Exercise Amount *minus* the relevant amount determined pursuant to paragraph (b) under the heading, "Physical Settlement Amount" in the related Master Confirmation; *provided* that, in accordance with the related Master Confirmation, if any Relevant Amount is applicable, the Exercise Amount will also be deemed to be decreased by such Relevant Amount (or increased by the absolute value of such Relevant Amount if such Relevant Amount is negative) with effect from such Delivery Date.

The effective date of the Credit Default Swap will be the Closing Date and the Credit Default Swap will terminate by its terms on July 12, 2042 (the "Scheduled Termination Date") unless a Credit Event occurs with respect to the Credit Default Swap and the physical settlement date is scheduled to occur after such date.

Credit Protection Buyer Payments

Pursuant to the Credit Default Swap, on each Determination Date, the Credit Protection Buyer will make a fixed rate payment (minus any related Interest Shortfall Amounts as described below and in the related Master Confirmation) (the "Fixed Amount") to the Issuer, representing the aggregate Fixed Amounts which became due with respect to the Reference Obligation Payment Dates during the related Due Period. The Credit Protection Buyer will make certain other payments under the Credit Default Swap to the Issuer at the times and in the amounts described herein, including any Interest Shortfall Reimbursement Payment Amounts, Writedown Reimbursement Payment Amounts and any Principal Shortfall Reimbursement Payment Amounts (together "Additional Fixed Amounts"). In connection with any termination or assignment of a CDS Transaction, proceeds from such termination or assignment, if any, will be deposited into the Interest Collection Account.

Upon the occurrence of any Interest Shortfall with respect to any Reference Obligation, the Fixed Amount payable under a CDS Transaction by the Credit Protection Buyer to the Issuer will be reduced by an amount equal to the related Interest Shortfall Payment Amount, such reduction amount not to exceed the Fixed Amount. Interest will accrue on any Interest Shortfall Payment Amount at a rate equal to LIBOR plus the fixed rate as specified in the applicable CDS Transaction. Interest Shortfall Payment Amounts are subject to the Interest Shortfall Cap as described in the Credit Default Swap. If any amount in satisfaction of the Interest Shortfall which gave rise to any Interest Shortfall Payment Amount, including interest accrued thereon, is later paid with respect to a Reference Obligation, the Credit Protection Buyer will pay such amount, or in certain circumstances a portion of such amount to the Issuer as an Interest Shortfall Reimbursement Payment. Interest Shortfall Reimbursement Payment Amounts will not exceed the cumulative Interest Shortfall Payment Amounts (including any interest thereon) previously withheld from the Issuer relating to such Reference Obligation.

So long as the long-term ratings (or, in the case of clause (ii)(b) of this paragraph only, the short-term rating) of the Credit Protection Buyer or any guarantor of the Credit Protection Buyer's obligation under the Credit Default Swap are equal to or higher than (i) "Aa3" by Moody's (and, if rated "Aa3" by Moody's, is not on watch for possible downgrade) and (ii)(a) "AA-" by S&P (and, if rated "AA-" by S&P, is not on watch for possible downgrade) or (b), if Goldman Sachs International is not the Credit Protection Buyer, "A-1+" by S&P (and, if rated "A-1+" by S&P, is not on watch for possible downgrade), the fixed payment due by the Credit Protection Buyer will be payable in arrears. However, if the long-term ratings (or the short-term rating, as applicable) of the Credit Protection Buyer or any guarantor fall below any such levels, the Credit Protection Buyer will be required to pay the fixed payment due under the Credit Default Swap in advance. The failure of the Credit Protection Buyer to make

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the fixed payment in advance if such rating levels are no longer satisfied will constitute a termination event under the terms of the Credit Default Swap with the Credit Protection Buyer as the sole "Affected Party" under the Credit Default Swap.

Credit Protection Seller Payments

Under the Credit Default Swap, the Issuer will be required to pay certain Floating Amounts to the Credit Protection Buyer following the occurrence of a Floating Amount Event with respect to a Reference Obligation as described herein. The Issuer will pay to the Credit Protection Buyer all Floating Amounts which became due during each Due Period, if any, on the related Determination Date.

Upon the occurrence of a Credit Event with respect to a Reference Obligation, the Credit Protection Buyer may deliver such Reference Obligation to the Issuer, in exchange for which the Issuer will pay to the Credit Protection Buyer an amount (a "Physical Settlement Amount"), which amount shall be calculated in accordance with the related CDS Transaction. The Issuer will pay to the Credit Protection Buyer all Physical Settlement Amounts which became due during the related Due Period, if any, on the related Determination Date.

Delivered Obligations delivered to the Issuer will be credited to the Delivered Obligation Account. Any Delivered Obligation delivered to the Issuer shall be sold by the Liquidation Agent within twelve (12) months of the date on which the Liquidation Agent receives notice of such delivery in accordance with the Liquidation Agency Agreement; *provided* that no Event of Default has occurred and is continuing. The proceeds of such sale will be deposited by the Trustee into the Collateral Account and invested in Eligible Investments and Collateral Securities selected at the direction of the Liquidation Agent. In addition, any principal proceeds or interest received on such Delivered Obligations prior to such sale, will be deposited by the Trustee into the Collateral Account.

In connection with any termination or assignment of a CDS Transaction, the Issuer may owe a Credit Default Swap Termination Payment; *provided however*, that the Issuer will not be obligated to make any Credit Default Swap Termination Payments to the Credit Protection Buyer in the event of a termination or assignment of the Credit Default Swap in respect of which the Credit Protection Buyer is the "Defaulting Party" or the sole "Affected Party" (each as defined in the Credit Default Swap). Credit Default Swap Termination Payments due to the Credit Protection Buyer will be paid directly and outside of the Priority of Payments in accordance with the following paragraph. Defaulted Swap Termination Payments due to the Credit Protection Buyer will be paid in accordance with the Priority of Payments. Credit Default Swap Termination Payments due to an assignee of a CDS Transaction will be paid as and when they become due to the extent of available funds.

The Liquidation Agent, on behalf of the Issuer, will obtain the funds to pay Credit Protection Amounts (which, for the avoidance of doubt, shall not include Defaulted Swap Termination Payments) by withdrawing amounts from the Collateral Account pursuant to the Collateral Liquidation Procedure. In the event the Credit Default Swap is terminated prior to its scheduled maturity without the occurrence of a "credit event" or a "floating amount event," the Liquidation Agent, on behalf of the Issuer, shall apply the Collateral Liquidation Procedure with respect to Collateral having a par amount equal to the amount of the Credit Default Swap Termination Payment, if any, owed to the Credit Protection Buyer and any such termination payment will be paid to the Credit Protection Buyer. The Credit Protection Buyer will bear any market risk on the liquidation of such Collateral. The Credit Default Swap will also provide for cash settlement upon the occurrence of a "floating amount event" or physical settlement upon the occurrence of a "credit event" under such Credit Default Swap upon notice from the Credit Protection Buyer. If the Credit Protection Buyer has chosen cash settlement, the Liquidation Agent, on behalf of the Issuer, shall apply the Collateral Liquidation Procedure with respect to Collateral having a par amount equal to the amount of any related Credit Protection Amounts owed to the Credit Protection Buyer and any such related Credit Protection Amounts owed to the Credit Protection Buyer will be paid by the Liquidation Agent, on behalf of the Issuer, from the liquidation proceeds of such Collateral. In the event such liquidation proceeds are less than par, the Credit Protection Buyer will accept the liquidation proceeds applicable to the face amount of Collateral sold which is equal to the loss or writedown amount. In the event a "credit event" or a "floating amount event" has occurred and the Issuer is required to liquidate Collateral and deliver cash to the Credit Protection Buyer, the Credit Protection Buyer will bear any market risk on the liquidation of such Collateral. If the Credit Protection Buyer has chosen physical settlement, the Collateral chosen by the Credit Protection Buyer will be delivered to the Credit Protection Buyer in exchange for a Delivered Obligation.

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The obligations of the Issuer to make payments under a CDS Transaction will exist irrespective of whether the Credit Protection Buyer suffers a loss on the related Reference Obligation upon the occurrence of a Credit Event. The Issuer will have no rights of subrogation under the Credit Default Swap.

Credit Events

A Credit Event with respect to the Credit Default Swap and any Reference Obligation means the occurrence of any of the events specified in the Credit Default Swap as a Credit Event on or before the scheduled termination date for such CDS Transaction. The Credit Events are expected to be Failure to Pay Principal, Writedown and Distressed Ratings Downgrade. Each Master Confirmation may alter the standard definitions of such terms and the actual CDS Transactions should be consulted for the details of the Credit Events applicable thereto. The capitalized terms used in this section and not otherwise defined, have the meanings set forth in the related CDS Transactions.

A "Credit Event" is the occurrence of any of the following (however caused, directly or indirectly), as applicable:

(i) Failure to Pay Principal

"Failure to Pay Principal" means (i) a failure by the Reference Entity (or any Insurer) to pay an Expected Principal Amount on the Final Amortization Date or the Legal Final Maturity Date, as the case may be or (ii) payment on any such day of an Actual Principal Amount that is less than the Expected Principal Amount; provided that the failure by the Reference Entity (or any Insurer) to pay any such amount in respect of principal in accordance with the foregoing shall not constitute a Failure to Pay Principal if such failure has been remedied within any grace period applicable to such payment obligation under the underlying instruments or, if no such grace period is applicable, within three Business Days after the day on which the Expected Principal Amount was scheduled to be paid.

(ii) Writedown

"Writedown" means the occurrence at any time on or after the Effective Date of: (i)(A) a writedown or applied loss (however described in the underlying instruments) resulting in a reduction in the Outstanding Principal Amount (other than as a result of a scheduled or unscheduled payment of principal); or (B) the attribution of a principal deficiency or realized loss (howsoever described in the underlying instruments) to the Reference Obligation resulting in a reduction of the current interest payable on the Reference Obligation; (ii) the forgiveness of any amount of principal by the holders of the Reference Obligation pursuant to an amendment to the underlying instruments resulting in a reduction in the Outstanding Principal Amount; or (iii) if the underlying instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (i) above to occur in respect of the Reference Obligation, an Implied Writedown Amount being determined in respect of the Reference Obligation by the Calculation Agent.

(iii) Distressed Ratings Downgrade:

"Distressed Ratings Downgrade" means, with respect to a Reference Obligation:

(i) if publicly rated by Moody's, (A) is downgraded to "Caa2" or below by Moody's or (B) has the rating assigned to it by Moody's withdrawn and, in either case, not reinstated within five Business Days of such downgrade or withdrawal; *provided* that if such Reference Obligation was assigned a public rating of at least "Baa3" or higher by Moody's immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "Caa1" by Moody's within three calendar months after such withdrawal; or

(ii) if publicly rated by Standard & Poor's, (A) is downgraded to "CCC" or below by Standard & Poor's or (B) has the rating assigned to it by Standard & Poor's withdrawn and, in either case, not reinstated within five Business Days of such downgrade or withdrawal; *provided* that if such Reference Obligation was assigned a

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public rating of at least "BBB-" or higher by Standard & Poor's immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "CCC+" by Standard & Poor's within three calendar months after such withdrawal; or

(iii) if publicly rated by Fitch, (A) is downgraded to "CCC") or below by Fitch or (B) has the rating assigned to it by Fitch withdrawn and, in either case, not reinstated within five Business Days of such downgrade or withdrawal; *provided* that if such Reference Obligation was assigned a public rating of at least "BBB-" or higher by Fitch immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "CCC+" by Fitch within three calendar months after such withdrawal.

(iv) Failure to Pay Interest

"Failure to Pay Interest" means with respect to any Reference Obligation, the occurrence of an Interest Shortfall Amount or Interest Shortfall Amounts (calculated on a cumulative basis) in excess of the relevant Payment Requirement.

In respect of the Failure to Pay Interest, if the Reference Obligation is a PIK Bond, it shall be a Condition to Settlement that a period of at least 360 calendar days has elapsed since the occurrence of the Credit Event without the relevant Interest Shortfall having been reimbursed in full.

The Reference Portfolio

The Aggregate Reference Obligation Notional Amount on the Closing Date is expected to be U.S.$305,000,000. The Reference Obligations will consist of 61 issues across two categories of RMBS Securities and one category of CDO Securities. The Reference Portfolio will include RMBS Midprime Mortgage Securities, RMBS Subprime Mortgage Securities and CDO RMBS Securities.

As of the Closing Date, (i) RMBS Midprime Mortgage Securities are expected to make up approximately 41.0% of the Aggregate Reference Obligation Notional Amount, (iii) RMBS Subprime Mortgage Securities are expected to make up approximately 57.4% of the Aggregate Reference Obligation Notional Amount and (iv) CDO RMBS Securities are expected to make up approximately 1.6% of the Aggregate Reference Obligation Notional Amount. See Appendix B to this Offering Circular for certain summary information with respect to the Reference Portfolio.

Removal of Reference Obligations from the Reference Portfolio

Following a Writedown and the satisfaction of the Conditions to Settlement relating thereto, the Reference Obligation that is the subject of such Credit Event will not be removed from the Reference Portfolio, and such Reference Obligation may experience one or more subsequent Credit Events (including a Writedown).

Following (i) the scheduled maturity, redemption or amortization in full of a Reference Obligation or (ii) a Credit Event other than a Writedown and the satisfaction of the Conditions to Settlement, the Reference Obligation that matured, redeemed or amortized in full or that is the subject of such Credit Event will be removed from the Reference Portfolio. Subject to the foregoing, if the Reference Obligation Notional Amount of a Reference Obligation that suffered one or more Writedowns is reduced to zero at any time on or prior to the Scheduled Termination Date and remains at zero for a period of one calendar year, such Reference Obligation shall be removed from the Reference Portfolio as of the last day of such one calendar year period. The Aggregate Reference Obligation Notional Amount shall be decreased by the Reference Obligation Notional Amount of each Reference Obligation removed from the Reference Portfolio.

The Issuer will not have the authority to assign, terminate or otherwise dispose of any CDS Transaction on a discretionary basis. The only CDS Transactions that shall be assign, terminated or otherwise disposed of by the Issuer are CDS Transactions that reference Reference Obligations that are determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer, to be Credit Risk Obligations.

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Pursuant to the terms of the Indenture and subject to the restrictions contained therein and in the Liquidation Agency Agreement, the Liquidation Agent shall assign, terminate or otherwise dispose of, on behalf of the Issuer, any such CDS Transaction that references a Reference Obligation that is so determined to be a Credit Risk Obligation within one (1) year from the date on which the Collateral Administrator, on behalf of the Issuer, pursuant to the Collateral Administration Agreement, identifies to the Liquidation Agent such Reference Obligation as a Credit Risk Obligation. The assignment, termination or disposition price for any such assignment, termination or disposition of a CDS Transaction that references a Reference Obligation that is so determined to be a Credit Risk Obligation will equal the fair market value of such CDS Transaction. The fair market value of any such CDS Transaction will be the highest bid received by the Liquidation Agent after attempting to solicit a bid from up to three independent third parties making a market in such CDS Transaction that references a Reference Obligation that is so determined to be a Credit Risk Obligation, at least one of which is not from the Liquidation Agent or an affiliate thereof; *provided* that, if upon commercially reasonable efforts of the Liquidation Agent, bids from three independent third parties making a market in such CDS Transaction are not available, the higher of the bids from two such third parties may be used; *provided, further* that, if upon commercially reasonable efforts of the Liquidation Agent, bids from two independent third parties making a market in such CDS Transaction that references a Reference Obligation that is so determined to be a Credit Risk Obligation are not available, one such bid may be used. See "Risk Factors—Notes—Static Transaction" and "—No Collateral Manager." The proceeds from any such disposition of a CDS Transaction that references a Reference Obligation that is so determined to be a Credit Risk Obligation (exclusive of any accrued interest) will be deposited to the Collateral Account for investment in Eligible Investments or Collateral Securities, and may be applied as Amortization Proceeds pursuant to the calculation of the Aggregate Amortization Amount. In the event the Credit Default Swap is terminated prior to its scheduled maturity without the occurrence of a "credit event" or a "floating amount event," the Liquidation Agent, on behalf of the Issuer, shall apply the Collateral Liquidation Procedure with respect to Collateral having a par amount equal to the amount of the Credit Default Swap Termination Payment, if any, owed to the Credit Protection Buyer and any such termination payment will be paid to the Credit Protection Buyer. The Credit Protection Buyer will bear any market risk on the liquidation of such Collateral. A "Credit Risk Obligation" is a Reference Obligation (i) the rating of which has been (a) downgraded to below "B-" or "B3" by any Rating Agency (but not including any Reference Obligations which are rated "B-" or "B3" and on credit watch for possible downgrade) or (b) withdrawn or, (ii) that is a Defaulted Obligation or (iii) that is a PIK Bond that has been deferring interest for at least twelve consecutive months.

The Liquidation Agent, on behalf of the Issuer, may also (i) in the case of an Auction terminate the Credit Default Swap and liquidate the remaining Pledged Assets; provided, that the criteria for an Auction can be demonstrably met prior to any such disposition and that the expected Liquidation Proceeds equal or exceed the Minimum Bid Amount; (ii) in the case of a Tax Redemption on any Payment Date, dispose of the Credit Default Swap and liquidate the remaining Pledged Assets in connection with a Tax Redemption; provided that the criteria for a Tax Redemption can be demonstrably met prior to any such disposition and that the expected Liquidation Proceeds equal or exceed the Total Redemption Amount; and (iii) in the case of an Optional Redemption, dispose of the Credit Default Swap and liquidate the remaining Pledged Assets in connection with an Optional Redemption; *provided* that the criteria for an Optional Redemption can be demonstrably met prior to any such disposition and that the expected Liquidation Proceeds equal or exceed the Total Redemption Amount. See "Description of the Notes—Auction," "—Tax Redemption" and "—Optional Redemption."

Credit Default Swap Early Termination

The Issuer will have the right to terminate the Credit Default Swap upon the occurrence of an "Event of Default" or "Termination Event," including, but not limited to, (a) payment defaults by the Credit Protection Buyer and any guarantor lasting a period of at least three business days, (b) a default by the Credit Protection Buyer or any guarantor on specific financial transactions as specified in the Credit Default Swap, (c) bankruptcy-related events applicable to the Credit Protection Buyer or any guarantor, (d) any redemption of the Notes in whole, (e) a liquidation of all the Pledged Assets following the occurrence of an Event of Default under the Indenture, (f) it becomes unlawful for the Issuer to perform its obligations under the Credit Default Swap and the Issuer is not able to transfer its obligations to a different jurisdiction or substitute another entity in its place so that such illegality ceases to apply, (g) because of (x) any action taken by a taxing authority, or brought in a court, on or after the Closing Date or (y) a change in tax law, there is a substantial likelihood that the Issuer will be required to (1) make a "gross-up" payment or (2) receive a payment subject to withholding for which another party is not required to make a "gross-up" payment or (h) the unsecured, unsubordinated debt rating of the Credit Protection Buyer or any

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guarantor of the Credit Protection Buyer, whichever is higher, assigned by S&P or Moody's at any time falls below "AA-" (or is on downgrade watch at "AA-") or "Aa3" (or is on downgrade watch at "Aa3"), the Credit Protection Buyer fails to make an Expected Fixed Payment as set forth in the Credit Default Swap and the Credit Protection Buyer, or its guarantor, fails to either (a) transfer all of its rights and obligations under the Credit Default Swap to another entity which has such ratings or (b) cause an entity which has such ratings to guarantee or to provide an indemnity in respect of the Credit Protection Buyer's or its guarantor's, obligations under the Credit Default Swap which satisfies the Rating Agency Condition.

The Credit Protection Buyer will have the right to terminate the Credit Default Swap upon the occurrence of an "Event of Default" or "Termination Event" under the Credit Default Swap, including, but not limited to (a) an Event of Default under the Indenture caused by a payment default by the Issuer lasting a period of at least three business days, (b) any redemption of the Notes in whole, (c) bankruptcy-related events applicable to the Issuer, and (d) a liquidation of all the Pledged Assets following the occurrence of an Event of Default under the Indenture, (e) it becomes unlawful for the Credit Protection Buyer to perform its obligations under the Credit Default Swap and the Credit Protection Buyer is not able to transfer its obligations to a different jurisdiction or substitute another entity in its place so that such illegality ceases to apply, or (f) because of (x) any action taken by a taxing authority, or brought in a court, on or after the Closing Date or (y) a change in tax law, there is a substantial likelihood that the Credit Protection Buyer will be required to make (1) a "gross-up" payment or (2) receive a payment subject to withholding for which another party is not required to make a "gross-up" payment. If the Master Agreement and the CDS Transactions made thereunder are terminated, the Issuer will no longer receive payments from the Credit Protection Buyer and will likely not have sufficient funds to make payments when due on the Notes and may not have sufficient funds to redeem the Notes in full.

Upon the Trustee having actual knowledge of the occurrence of any event that gives rise to the right of the Issuer to terminate the Credit Default Swap, the Trustee or the Fiscal Agent, as applicable, will as promptly as practicable notify the Noteholders of such event but will only terminate any such agreement on behalf of the Issuer (i) at the direction of a Majority of the Income Notes or (ii) (a) upon the redemption of the Secured Notes in full, (b) if the principal balance of the Secured Notes is reduced to zero or (c) upon the acceleration of the Secured Notes in accordance with the terms of the Indenture. The Issuer is required to satisfy the Rating Agency Condition prior to any (i) replacement of the Credit Protection Buyer or (ii) assignment of the Credit Default Swap. In connection with any Noteholder vote to terminate the Credit Default Swap, any Notes held by or on behalf of the Credit Protection Buyer or any of their respective Affiliates will have no voting rights and will be deemed not to be outstanding in connection with any such vote.

If an Event of Default or a Termination Event occurs under the Credit Default Swap and (i) the Credit Protection Buyer is the Defaulting Party or Affected Party, "Market Quotation" and "First Method" will apply and otherwise (ii) "Market Quotation" and "Second Method" will apply, in each case as set forth in the Credit Default Swap, to value the CDS Transactions under the Credit Default Swap.

Payments on Credit Default Swap Early Termination

Payments by the Issuer. Upon the occurrence of a Credit Default Swap Early Termination, the Issuer will be required to pay to the Credit Protection Buyer the following amounts:

(i) any Physical Settlement Amounts owed by the Issuer to the Credit Protection Buyer for any Credit Events that occur on or prior to the Credit Default Swap Early Termination Date for which the Conditions to Settlement have been satisfied; and

(ii) any Credit Default Swap Termination Payment due to the Credit Protection Buyer.

Payments by the Credit Protection Buyer. Upon the occurrence of a Credit Default Swap Early Termination, the Credit Protection Buyer will be required to pay to the Issuer the following amounts:

(i) any accrued but unpaid Fixed Amounts and Additional Fixed Amounts; and

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(ii) any Credit Default Swap Termination Payment due to the Issuer.

There can be no assurance that, upon early termination by the Issuer or the Credit Protection Buyer, either the Credit Protection Buyer would be required to make any termination payment to the Issuer or, if it did make such a payment, the amount of the termination payment made by the Credit Protection Buyer would be sufficient to pay any amounts due in respect of the Notes. If the Issuer is required to make a Credit Default Swap Termination Payment to the Credit Protection Buyer, such termination payment may be substantial and may result in losses to the holders of the Notes.

Amendment

The Credit Default Swap may be amended only with (i) the satisfaction of the Rating Agency Condition, (ii) the consent of the Noteholders (in a percentage as would have been required had such amendment been taken pursuant to this Indenture) and (iii) the consent of the Liquidation Agent (which consent shall not be unreasonably withheld); *provided however*, that (A) with respect to (i), such Rating Agency Condition with respect to Moody's need not be satisfied with respect to any amendment that corrects a manifest error and (B) with respect to (ii) and (iii), such consent shall not be required, if, in reliance on an opinion of counsel or an officer's certificate of the Liquidation Agent, the Issuer determines that such amendment would not have a material adverse effect on such party.

Guarantee

The GS Group will guarantee the obligations of the Credit Protection Buyer under the Credit Default Swap.

THE CREDIT PROTECTION BUYER

The initial Credit Protection Buyer under the Credit Default Swap will be Goldman Sachs International. The swap guarantor with respect to the Credit Default Swap is The Goldman Sachs Group, Inc., a Delaware corporation (the "GS Group"), which is an affiliate of the Credit Protection Buyer. Goldman Sachs International is located at Peterborough Court 133 Fleet Street, London EC4A 2BB.

The Annual Report on Form 10-K for the fiscal year ended November 30, 2006 filed by GS Group with the SEC (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with SEC rules) will not form part of a prospectus prepared for the purposes of admission to the official list of the Irish Stock Exchange and to trading on its regulated market should any Notes be listed on such exchange.

GS Group, together with its subsidiaries, is a global investment banking, securities and investment management firm that provides financial services worldwide to clients that include corporations, financial institutions, governments and high net-worth individuals.

Any statement contained in a document incorporated or deemed to be incorporated by reference into this Offering Circular, or contained in this Offering Circular, will be deemed to be modified or superseded for purposes of this Offering Circular to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. Any such statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular. GS Group's filings with the SEC are available to the public through the SEC's Internet site at http://www.sec.gov, and through the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which GS Group's common stock is listed.

The Notes do not represent an obligation of, and will not be insured or guaranteed by, GS Group or any of its subsidiaries and investors will have no rights or recourse against GS Group or any of its subsidiaries.

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THE COLLATERAL SECURITIES

The Initial Collateral Securities

Pursuant to the Credit Default Swap, the Issuer will use the net proceeds from the offering of the Notes to purchase Collateral Securities and Eligible Investments (having an initial principal amount as of the Closing Date of approximately U.S.$305,000,000).

The Collateral Securities or Eligible Investments for deposit after the Closing Date in the Collateral Account, as applicable, are required to satisfy the following "Collateral Securities Eligibility Criteria":

(i) it (a) is rated "Aaa" by Moody's and, if such asset has a short-term rating from Moody's, "P-1", and "AAA" by S&P, and, if such asset has a short-term rating from S&P, "A-1+" and (b) does not have a "t", "p", "q", "pi" or "r" subscript;

(ii) (a) in all cases, the payments with respect to which are not payable in a currency other than Dollars and (b) it is expected to have an outstanding principal balance of less than U.S.$1,000 after the Stated Maturity of the Class B Notes, assuming a constant prepayment rate since the date of purchase equal to the constant prepayment rate reasonably expected by the Liquidation Agent as of the date of purchase;

(iii) it is eligible to be entered into by, sold or assigned to, the Issuer;

(iv) it is not subject to an Offer;

(v) it is an obligation upon which no payments are subject to withholding tax imposed by any jurisdiction unless the obligor thereof is required to make "gross-up" payments that cover the full amount of any such withholding taxes on an after-tax basis;

(vi) after taking into consideration the addition of any such security (a) at least 40% of the Collateral Securities and Eligible Investments by principal balance have an expected average life (calculated by the Liquidation Agent (1) based on market prepayment assumptions and (2) assuming that Eligible Investments have a weighted average life of zero) of less than or equal to 1.0 year, (b) 100% of the Collateral Securities and Eligible Investments by principal balance has an expected average life (calculated by the Liquidation Agent based on market prepayment assumptions) of less than or equal to 2.0 years, and (c) after Closing Date, the expected weighted average life (calculated by the Liquidation Agent (1) based on market prepayment assumptions and (2) assuming that Eligible Investments have a weighted average life of zero) of the Collateral Securities and Eligible Investments does not exceed the expected weighted average life of the Reference Portfolio at such time;

(vii) after taking into consideration the addition of any such security, the aggregate of the weighted average spread and the rate of the related index of the Collateral, in the aggregate, is at least equal to LIBOR or if prior to the acquisition of such Collateral Security or Eligible Investment the spread and the rate of the related index of the Collateral was less than LIBOR, such acquisition would maintain or improve the aggregate of the weighted average spread and the rate of the related index of the Collateral;

(viii) after taking into consideration the addition of any such security, no more than 50% of the Collateral Securities and Eligible Investments by principal balance has single counterparty exposure including servicer, issuer and put swap counterparty exposure;

(ix) it provides for payments of monthly periodic interest in cash at a floating rate and for a payment of principal in full and in cash at its final maturity;

(x) each such security satisfies the definition of an "Eligible Investment" or is a Residential Mortgage-Backed Security, a Commercial Mortgage-Backed Security, an Asset-Backed Security or a CDO Security;

(xi) shall not have a maturity later than the Stated Maturity of the Notes (other than the Class S Notes)

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(xii) if it is a CDO Security, such CDO Security must (a) be a CDO S Note Security and (b) as of the time of purchase by the Issuer, be in compliance with the applicable eligibility criteria, profile tests and quality tests set forth in the related Underlying Instruments;

(xiii) at least 87.5% of the Collateral Securities by principal balance consists of Asset-Backed Securities, Residential Mortgage-Backed Securities or Commercial Mortgage-Backed Securities; and

(xiv) the purchase price thereof is equal to at least 98% of the par value of such security.

The Collateral Securities are expected to be purchased in a face amount equal to the initial Aggregate Notional Amount of the Credit Default Swap. Under the terms of the Indenture, all Collateral Securities are required to be deposited in the Collateral Account for the benefit of the Credit Protection Buyer. The Issuer will also grant to the Trustee for the benefit of the Secured Parties, a security interest in the Collateral Securities, subject to the lien of the Credit Protection Buyer, and shall notify the Credit Protection Buyer of such security interest. The Issuer must obtain the consent of the Credit Protection Buyer with respect to any initial Collateral Securities purchased by the Issuer and any Collateral Securities purchased thereafter.

Principal payments on the Collateral Securities prior to the termination of the Credit Default Swap shall be held in accordance with the Credit Default Swap in the Collateral Account and invested in Eligible Investments until reinvested in Collateral Securities which satisfy the Collateral Securities Eligibility Criteria with the consent of the Credit Protection Buyer.

The Liquidation Agent, on behalf of the Issuer, will obtain the funds to pay Credit Protection Amounts (which, for the avoidance of doubt, will not include Defaulted Swap Termination Payments) by applying the Collateral Liquidation Procedure.

If the Notes become due in connection with an Optional Redemption, Tax Redemption or Auction, (i) the Liquidation Agent, on behalf of the Issuer, will assign or terminate the Credit Default Swap and liquidate all of the Collateral Securities and Eligible Investments in the Collateral Account and all Delivered Obligations in the Delivered Obligations Account and (ii) the Issuer will pay to the Credit Protection Buyer (and/or one or more assignees thereof) any Credit Default Swap Termination Payments the Issuer is required to pay to the Credit Protection Buyer (if any) in connection with any assignment or termination of the Credit Default Swap. Certain amounts will be held back if (and/or such assignees) one or more outstanding Credit Events or Floating Amounts remain due as of a Redemption Date.

If the Credit Default Swap is terminated in connection with the occurrence of an Event of Default or Termination Event (each as defined in the Master Agreement), the Liquidation Agent, on behalf of the Issuer, will pay to the Credit Protection Buyer any Credit Default Swap Termination Payments (which, for the avoidance of doubt, will not include Defaulted Swap Termination Payments) owed by the Issuer to the Credit Protection Buyer by applying the Collateral Liquidation Procedure. Certain amounts will be held back if one or more outstanding Credit Events exist or Floating Amounts remain due as of any termination date.

For purposes of the Coverage Tests and for purposes of determining whether a Credit Default Swap is a Credit Risk Obligation, a Credit Default Swap shall be included as a Pledged Asset having the characteristics of the Reference Obligation and not of the Credit Default Swap; provided, that if such Credit Protection Buyer is in default under the related Credit Default Swap, such Credit Default Swap shall not be included in the Coverage Tests or such Credit Default Swap will be treated in such a way that will satisfy the Rating Agency Condition.

Substitution of Collateral Securities

From time to time following the Closing Date, any Holder of any Note may submit to the Trustee or the Fiscal Agent, as applicable, a Collateral Securities Substitution Request Notice requesting substitution of one or more securities for one or more existing Collateral Securities, in whole or in part. Following receipt of such request, pursuant to the Collateral Administration Agreement, the Collateral Administrator, on behalf of the Issuer, will determine the BIE Transaction Cost. Upon such determination by the Collateral Administrator, the Trustee or the

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Fiscal Agent, as applicable, will deliver a Collateral Securities Substitution Information Notice to the Originating Noteholder.

Within five Business Days of receiving a Collateral Securities Substitution Information Notice, the Originating Noteholder must (i) notify the Trustee or the Fiscal Agent, as applicable, whether it wishes to proceed with the proposed substitution and, if so (ii) agree to pay any BIE Transaction Cost (regardless of whether the Holders of a Majority of the Notes of each Class consent to such proposed substitution) (the occurrence of subclauses (i) and (ii), a "Substitution Confirmation"). If a Substitution Confirmation is not received by the Trustee or the Fiscal Agent, as applicable, within the time period specified above, the related request will be deemed to be void and of no further effect. Upon the receipt of a Substitution Confirmation, the Trustee or the Fiscal Agent, as applicable, will deliver a BIE Consent Solicitation Notice to all Holders of Notes, including the Originating Noteholder with a copy to the Credit Protection Buyer. Upon receipt of such BIE Consent Solicitation Notice, each Holder of a Note may, on or prior to the BIE Notification Date, submit written notice to the Trustee or the Fiscal Agent, as applicable, indicating either (1) approval or (2) disapproval of any proposed BIE Consent Solicitation Notice by the BIE Notification Date. If the BIE Consent Solicitation Notice fails to receive the affirmative approval of the Holders of a Majority of each Class of Notes by the BIE Notification Date, the Trustee or the Fiscal Agent will deliver a Collateral Securities Substitution Noteholder Refusal Notice to the Originating Noteholder and the related Collateral Securities Substitution Request Notice will be deemed void and of no further effect. If the BIE Consent Solicitation Notice receives the approval of the Holders of a Majority of each Class of Notes, the Trustee or the Fiscal Agent, as applicable, will deliver a BIE Acceptance Notice to the Originating Noteholder and the Liquidation Agent.

Upon receipt of the BIE Acceptance Notice and confirmation from the Trustee (1) that the Originating Noteholder has paid the BIE Transaction Cost to the Trustee and (2) that the relevant BIE Collateral Securities have been delivered to the Trustee, and the par amount of such delivered BIE Collateral Securities (which, for the avoidance of doubt, will meet the Collateral Securities Eligibility Criteria at the time of such acquisition by the Issuer) is at least equal to each of the par amount of each of the Collateral Securities to be substituted, the Trustee shall release its lien on the par amount of the relevant existing Collateral Securities to be substituted and deliver the par amount of such substituted Collateral Securities to such Originating Noteholder.

If (i) any BIE Collateral Security is not delivered to the Issuer or (ii) the Issuer is not paid the BIE Transaction Cost, in each case by the end of the BIE Exercise Period identified in the BIE Acceptance Notice, the BIE Acceptance Notice and the Collateral Securities Substitution Request Notice will be deemed void and of no further effect.

Voting and Other Matters Relating to Collateral Securities and Delivered Obligations

Under the Indenture, where the Issuer, as the beneficial owner of a Collateral Security or Delivered Obligation, or the Trustee, as the registered owner of a Collateral Security or Delivered Obligation, has the right to exercise a vote or consent to (or otherwise approve of) (i) any action, or inaction, pursuant to the terms of such Collateral Security or Delivered Obligation and its related underlying documentation or (ii) an offer by the issuer of such Collateral Security or Delivered Obligation or by any other person to purchase or otherwise acquire such Collateral Security or Delivered Obligation or to convert or exchange such Collateral Security or Delivered Obligation for cash or any other consideration, the Trustee, as directed by the applicable holders, acting in its capacity as registered owner of such Collateral Security or Delivered Obligation, shall direct the Issuer's vote be cast in the following manner: (x) if other holders of the class of which such Collateral Security or Delivered Obligation is a part respond to such solicitation for vote or consent, in the same manner as the votes of a plurality of the other voting holders of such class (based on the Principal Balance of such Collateral Security or Delivered Obligation), (y) if no other holders of such class exercise a vote or if there are no other holders of such class, but holders of different classes issued under the same governing instrument respond, in the same manner as the votes of a plurality of the voting holders of all classes issued under the governing instrument pursuant to which such Collateral Security or Delivered Obligation was issued (based on the Principal Balance of all such classes and treated as a single class) or (z) if no holders of any class issued under the same governing instrument respond or if there are no other holders, the Issuer's vote shall be exercised against such action or inaction.

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THE LIQUIDATION AGENCY AGREEMENT

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

General

The Liquidation Agent will, on behalf of the Issuer, pursuant to the Liquidation Agency Agreement, (i) assign, terminate or otherwise dispose of (a) CDS Transactions the Reference Obligations of which are determined by the Collateral Administrator, on behalf of the Issuer, pursuant to the Collateral Administration Agreement, to be Credit Risk Obligations or (b) Delivered Obligations, (ii) sell, assign, terminate or otherwise dispose of the CDS Transactions, Collateral Securities, Delivered Obligations and Eligible Investments of the Issuer in connection with (a) a redemption of the Notes as a result of an Optional Redemption, a Tax Redemption, an Auction or as otherwise required under the Indenture as described therein and (b) an acceleration of the Notes as a result of an Event of Default as required under the Indenture as described therein, (iii) invest, on behalf of the Issuer, available funds in Collateral Securities and Eligible Investment in accordance with the terms of the Indenture and (iv) perform certain other functions, as described herein. The Liquidation Agent will have twelve (12) months to assign, terminate or otherwise dispose of (a) CDS Transactions the Reference Obligations of which are determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer, to be Credit Risk Obligations and (b) Delivered Obligations in accordance with the terms of the Liquidation Agency Agreement (such twelve months measured from the date the Liquidation Agent is notified of either (1) such determination by the Collateral Administrator or (2) the receipt of such Delivered Obligation by the Issuer, as applicable). The proceeds of such sale of Delivered Obligations will be deposited into the Collateral Account and invested in Eligible Investments and Collateral Securities selected at the direction of the Liquidation Agent. In addition, any principal proceeds received on such Delivered Obligations prior to such sale, will be deposited into the Collateral Account. The Liquidation Agent will have no ability or authority to direct the assignment, termination or other disposition of any CDS Transactions. The Liquidation Agent will not provide investment advisory services to the Issuer or act as the "collateral manager" for the Credit Default Swap. The Liquidation Agent will not have fiduciary duties to the Issuer or to the holders of the Notes.

The Liquidation Agent

The Liquidation Agent is Goldman, Sachs & Co. ("GS&Co."). GS&Co. is a New York limited partnership and a registered U.S. broker-dealer. The Notes do not represent an obligation of, and will not be insured or guaranteed by GS&Co., its parent or any of its subsidiaries or its affiliates and investors will have no rights or recourse against GS&Co., its parent or any of its subsidiaries or affiliates.

Compensation

As compensation for the performance of its obligations under the Liquidation Agency Agreement, the Liquidation Agent will be entitled to receive a fee in accordance with the Priority of Payments, payable in arrears on each Payment Date, of 0.05% per annum (the "Liquidation Agent Fee") times the Aggregate Outstanding Portfolio Amount, measured as of the beginning of the Due Period preceding such Payment Date.

If amounts distributable on any Payment Date in accordance with the Priority of Payments are insufficient to pay the Liquidation Agent Fee in full, then the shortfall will be deferred and will be payable on subsequent Payment Dates on which funds are available therefor according to the Priority of Payments.

The Liquidation Agent Fee will be calculated on the basis of a 360 day year consisting of twelve 30-day months. All fees payable to the Liquidation Agent on a Payment Date are subject to payment only in accordance with the Priority of Payments.

The Liquidation Agent may, at its election and upon notice to the Issuer and the Trustee, direct for a predetermined period of time that all or a portion of the amount that is due to it as the Liquidation Agent Fee be paid

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directly to a third party; *provided*, that the Liquidation Agent will not (unless it is assigning all of its rights and obligations in accordance with the Liquidation Agency Agreement) be relieved of any of its duties under the Liquidation Agency Agreement or the Indenture as a result of the redirection of its right to receive all or a portion of the Liquidation Agent Fee.

Procedure for Disposition of CDS Transaction, Eligible Investments, Collateral Securities and Delivered Obligations

Pursuant to the Liquidation Agency Agreement, whenever the assignment, termination or other disposition of CDS Transactions, Eligible Investments, Collateral Securities and Delivered Obligations is required under the Indenture, as described under "The Credit Default Swap—Removal of Reference Obligations from the Reference Portfolio", the Liquidation Agent will use commercially reasonable efforts to solicit bids from at least three independent market makers, at least one of which is not the Liquidation Agent or an affiliate thereof. If after such commercially reasonable efforts, bids from three independent market makers are not available, the higher of two such bids may be used and if bids from two such independent market makers are not available, one such bid may be used. Assuming at least one bid is received in accordance with the preceding sentence, the applicable CDS Transactions, Eligible Investments, Collateral Securities and Delivered Obligations shall be disposed of at the highest bid price; *provided, however*, that in the case of a disposition of a CDS Transaction, such CDS Transaction shall only be disposed of if the Market Quotation (as such term is defined in the Credit Default Swap) obtained pursuant to the terms of the Credit Default Swap expressed as a percentage of the related initial Reference Obligation Notional Amount should be equal to or less than 60%. The Liquidation Agent or an affiliate of the Liquidation Agent may purchase a CDS Transaction, Eligible Investment, Collateral Security or Delivered Obligation assigned, terminated or otherwise disposed as described above. Notwithstanding the foregoing, any Auction shall be conducted in accordance with the auction procedures set forth in the Indenture.

Termination, Removal and Resignation

If the Liquidation Agency Agreement is terminated for any reason or the entity then serving as Liquidation Agent resigns or is removed, the Liquidation Agent Fee owing to such entity will be prorated for any partial periods between Payment Dates and such prorated amount will be due and payable on the first Payment Date following the date of such termination, subject to the priority of payments.

The Liquidation Agent may resign, upon 60 days' (or such shorter notice as is acceptable to the Issuer) written notice to the Issuer, the Trustee and the Rating Agencies. If the Liquidation Agent resigns, the Issuer agrees to use its best efforts to appoint a successor Liquidation Agent, and the effectiveness of such resignation will be conditioned upon the appointment of such successor.

The Liquidation Agent may be removed for "cause" (i) by the Issuer or the Trustee; *provided* that written notice thereof shall have been given to the holders of the Notes and each Rating Agency stating that such termination shall be effective only if directed in writing within 30 days after the date of such notice by, the holders of at least a Super Majority of the Income Notes and a Super Majority of the Controlling Class, but excluding in any such calculation any Notes held by the Liquidation Agent or any Notes over which the Liquidation Agent has discretionary voting authority, (ii) in the case of an event described in clause (3) below, by the Issuer or the Trustee upon 10 days' prior written notice to the Liquidation Agent, or (iii) by holders of at least a Super Majority of the Income Notes and a Super Majority of the Controlling Class, but excluding in any such calculation any Income Notes or Notes held by the Liquidation Agent or any Notes over which the Liquidation Agent has discretionary voting authority, upon 10 days' prior written notice to the Liquidation Agent.

For purposes of determining "cause" with respect to any such termination of the Liquidation Agency Agreement, such term shall mean the occurrence and continuation of any one of the following events: (1) the Liquidation Agent willfully violates, or takes any action that it knows breaches, any provision of the Liquidation Agency Agreement or the Indenture applicable to it; (2) the Liquidation Agent breaches in any material respect any provision of the Liquidation Agency Agreement or any terms of the Indenture applicable to it, which breach (i) has a material adverse effect on the holders of the Notes and (ii) within 30 days of its becoming aware (or receiving notice from the Trustee) of such breach, the Liquidation Agent fails to cure such breach; (3) the Liquidation Agent is wound up or dissolved or there is appointed over it or over all or substantially all of its assets a receiver,

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administrator, administrative receiver, trustee or similar officer; or the Liquidation Agent (w) ceases to, or admits in writing its inability to, pay its debts as they become due and payable, or makes a general assignment for the benefit of or enters into any composition or arrangement with, its creditors generally; (x) applies for or consents (by admission of material allegations of a petition or otherwise) to the appointment of a receiver, trustee, assignee, custodian, liquidator or sequestrator (or other similar official) of the Liquidation Agent or of all or substantially all of its properties or assets, or authorizes such an application or consent, or proceedings seeking such appointment are commenced without such authorization, consent or application against the Liquidation Agent and continue undismissed for 60 consecutive days; (y) authorizes or files a voluntary petition in bankruptcy, or applies for or consents (by admission of material allegations of a petition or otherwise) to the application of any bankruptcy, reorganization, arrangement, readjustment of debt, insolvency or dissolution, or authorizes such application or consent, or proceedings to such end are instituted against the Liquidation Agent without such authorization, application or consent and are approved as properly instituted and remain undismissed for 60 consecutive days or result in adjudication of bankruptcy or insolvency; or (z) permits or suffers all or substantially all of its properties or assets to be sequestered or attached by court order and the order remains undismissed for 60 consecutive days; or (4) the Issuer, the Co-Issuer or the Pledged Assets have become required to be registered as an investment company under the provisions of the Investment Company Act, as a result of a material breach by the Liquidation Agent in violation of the Liquidation Agency Agreement. The Liquidation Agent shall notify the Trustee, each Rating Agency (to the extent any Secured Notes outstanding are rated by such Rating Agency), the Fiscal Agent and the holders of the Income Notes if a "cause" event, or an event which with the giving of notice or the lapse of time (or both) becomes "cause," occurs.

Any resignation or removal of the Liquidation Agent will be effective only upon (i) the appointment by the holders of a Super Majority of the Income Notes (including any Income Notes owned by the Liquidation Agent, any Affiliate of the Liquidation Agent, and any account over which the Liquidation Agent has discretionary authority) (or if such holders fail to make such appointment within 30 days after any such resignation or removal, by the Issuer, as directed by a Super Majority of the Controlling Class) of a successor Liquidation Agent that is an established institution with experience servicing assets similar to the Pledged Assets that (1) has demonstrated an ability to professionally and competently perform duties similar to those imposed upon the Liquidation Agent under the Liquidation Agency Agreement, (2) is legally qualified and has the capacity to act as Liquidation Agent under the Liquidation Agency Agreement as successor to the Liquidation Agent under the Liquidation Agency Agreement, (3) has agreed in writing to assume all of the responsibilities, duties and obligations of the Liquidation Agent under the Liquidation Agency Agreement and under the applicable terms of the Indenture, (4) shall not cause the Issuer, the Co-Issuer or the pool of Pledged Assets to become required to register as an investment company under the Investment Company Act and (5) has been approved by the Issuer, upon the direction of a Majority of each Class of Notes and (ii) satisfaction of the Rating Agency Condition with respect to such appointment. Notwithstanding the foregoing, if no successor has been appointed as aforesaid within 120 days after resignation of the Liquidation Agent, the Liquidation Agent may appoint a successor satisfying the requirements of the Liquidation Agency Agreement without consent of any other party or confirmation by the Rating Agencies. The Issuer, the Trustee and the successor Liquidation Agent shall take such action (or cause the outgoing Liquidation Agent to take such action) consistent with the Liquidation Agency Agreement and the terms of the Indenture applicable to the Liquidation Agent as shall be necessary to effectuate any such succession. If the Liquidation Agent shall resign or be removed but a successor Liquidation Agent shall not have assumed all of the Liquidation Agent's duties and obligations under the Liquidation Agency Agreement within 90 days after such resignation or removal, then the Issuer, the Trustee, any holder of Notes or the resigning or terminated Liquidation Agent may petition any court of competent jurisdiction for the appointment of a successor Liquidation Agent. The compensation payable to a successor Liquidation Agent from payments on the Pledged Assets shall not exceed the compensation payable to the Liquidation Agent under the Liquidation Agency Agreement without the approval of the holders of a Majority of the Aggregate Outstanding Amount of each Class of Notes.

Any Notes held by the Liquidation Agent or any Notes over which the Liquidation Agent has discretionary voting authority, in each case will have no voting rights with respect to any vote in connection with the removal of the Liquidation Agent or the disposition of any CDS Transaction or Eligible Investment and will be deemed not to be outstanding in connection with any such vote; provided, however, that any such Notes will have voting rights and will be deemed outstanding with respect to all other matters as to which holders of Notes are entitled to vote.

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The Liquidation Agent may assign the Liquidation Agency Agreement, in whole or in part, to an affiliate of the Liquidation Agent without the consent of the Issuer, any Class of Secured Notes or the Income Notes and without satisfaction of the Rating Agency Condition. In the event of any such assignment, Goldman, Sachs & Co. will have no further obligations to the Issuer.

Except for the assignment to an affiliate, the Liquidation Agency Agreement may not be assigned by the Liquidation Agent, in whole or in part, without (i) the prior written consent of the Issuer, (ii) the prior written consent of or affirmative vote by a Majority of the Controlling Class and the holders of a Majority of the Income Notes and (iii) satisfaction of the Rating Agency Condition with respect to such assignment or delegation.

The Liquidation Agency Agreement will terminate when the earliest of the following occurs: (i) the payment in full of the Notes; (ii) the liquidation of the Pledged Assets and the final distribution of the proceeds of such liquidation to the Holders of the Notes or (iii) the termination thereof due to the resignation or removal of the Liquidation Agent in accordance with the Liquidation Agency Agreement.

The Liquidation Agency Agreement may not be amended or modified or any provision thereof waived (other than in connection with an assignment to an affiliate of the Liquidation Agent) except by (i) an instrument in writing signed by the parties thereto, (ii) the prior written consent of a Majority of the Controlling Class and (iii) written confirmation from each Rating Agency to the effect that such amendment, modification or waiver will not cause a qualification, downgrade or withdrawal of its then current ratings of any Class of Notes rated by such Rating Agency unless the holders of 100% of each Class of Notes that would be qualified, reduced or withdrawn due to an amendment, modification or waiver approves such amendment, modification or waiver.

The Liquidation Agent, its affiliates and their respective members, principals, partners, managers, directors, officers, stockholders, partners, agents and employees will not be liable to the Co-Issuers, the Trustee, the Fiscal Agent, the holders of the Notes or any other Person for any losses, claims, damages, demands, charges, judgments, assessments, costs or other liabilities incurred by the Co-Issuers, the Trustee, the Fiscal Agent, the holders of the Notes or any other Person that arise out of or in connection with the performance by the Liquidation Agent of its duties under the Liquidation Agency Agreement or the Indenture, or for any decrease in the value of the Pledged Assets; *provided* that the Liquidation Agent shall be subject to liability by reason of acts or omissions of the Liquidation Agent constituting bad faith, willful misconduct or gross negligence in the performance, or reckless disregard, of the obligations of the Liquidation Agent under the Liquidation Agency Agreement and under the terms of the Indenture applicable to the Liquidation Agent; *provided* that in no event shall the Liquidation Agent or any of its affiliates be liable for consequential, special, exemplary or punitive damages. Subject to the priority of payments described herein, the Liquidation Agent will be entitled to indemnification by the Issuer under certain circumstances.

Various potential and actual conflicts of interest may arise from the overall activities of the Liquidation Agent and its affiliates. In certain circumstances, the interests of the Issuer and the holders of the Notes with respect to matters as to which the Liquidation Agent is advising the Issuer may conflict with the interests of the Liquidation Agent or its affiliates. See "Risk Factors—Other Considerations—Certain Conflicts of Interest" and "—The Liquidation Agent."

ACCOUNTS

Pursuant to the Indenture, the Issuer shall cause there to be opened and at all times maintained the Interest Collection Account, the Payment Account, the Expense Reserve Account, the Collateral Account (including the Cash Collateral Account), the Delivered Obligation Account and, to the extent required, the Amortization Shortfall Account and the CDS Counterparty Collateral Account (each as hereinafter defined), each of which shall be a segregated account or sub-account established with the Securities Intermediary in the name of the Trustee for the benefit of the Secured Parties as further described in the Indenture. Each Account is required to be maintained by the Trustee or by another financial institution that is an Eligible Depositary.

Certain distributions on the Pledged Assets, including Fixed Amounts received by the Issuer under the Credit Default Swap will be remitted to a single, segregated account established and maintained under the Indenture (the "Interest Collection Account") and will be available, to the extent described herein, for application in the manner and for the purposes described herein. Funds held in the Interest Collection Account will be invested by the

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Trustee in Eligible Investments in accordance with the terms of the Indenture. All Fixed Amounts and Interest Shortfall Reimbursement Payment Amounts paid by the Credit Protection Buyer to the Issuer under a CDS Transaction and any investment income on the Collateral will be remitted to the Interest Collection Account. If Expected Fixed Amounts (as defined in the related Master Confirmation) are paid by the Credit Protection Buyer to the Issuer in accordance with the Credit Default Swap following a downgrade or placement on watch for downgrade of the Credit Protection Buyer, on the Payment Date immediately thereafter, the Expected Fixed Amount (as defined in the related Master Confirmation) will not be transferred to the Payment Account to be distributed in accordance with the Priority of Payments for such Payment Date but will instead be held in the Interest Collection Account until the next Payment Date.

On the Closing Date, the net proceeds of the offering of the Notes issued on such date will be used to purchase Collateral Securities and Eligible Investments with an initial principal balance of $305,000,000 which will be deposited to a single, segregated account established and maintained under the Indenture (the "Collateral Account"). The "Cash Collateral Account" shall be a subaccount of the Collateral Account. Termination payments paid by the Credit Protection Buyer to the Issuer, any amounts paid by an assignee of a CDS Transaction to the Issuer, Sale Proceeds from Collateral Securities, Delivered Obligations and Eligible Investments (other than (i) proceeds of Collateral Securities and Eligible Investments applied to pay Credit Protection Amounts and (ii) Sale Proceeds from Eligible Investments purchased with principal payments on the Collateral Securities diverted into the Amortization Shortfall Account) received by the Issuer will be remitted by the Trustee to the Collateral Account and invested in Eligible Investments. The Collateral Securities and any Eligible Investments on deposit in the Collateral Account may be used to pay Credit Protection Amounts and to redeem the Notes as described herein. In addition, if an Amortization Shortfall Amount exists in respect of a Payment Date, all principal payments received by the Issuer on Collateral Securities and Eligible Investments (other than cash) on deposit in the Collateral Account shall be deposited by the Trustee in the Amortization Shortfall Account up to the amount required to satisfy all outstanding Amortization Shortfall Amounts. All investment earnings from the Collateral Securities and Eligible Investments in the Collateral Account will be remitted to the Interest Collection Account (and will not be included in the Collateral Account Amount). All principal payments on Collateral Securities in the Collateral Account will be invested in Eligible Investments at the direction of the Liquidation Agent until invested in Collateral Securities satisfying the Collateral Securities Eligibility Criteria at the direction of the Liquidation Agent.

On the Business Day prior to each Payment Date other than a Final Payment Date (each a "Transfer Date"), the Trustee will deposit into a separate account (the "Payment Account") all funds (including any reinvestment income) in the Interest Collection Account (to the extent received prior to the end of the related Due Period) for application in accordance with the Priority of Payments.

Principal Proceeds shall be deposited in the Collateral Account and subject to the calculation of the Aggregate Amortization Amount. On each Transfer Date, the Trustee will deposit all Amortization Proceeds into the Payment Account for the application in accordance with the Priority of Payments.

On the Closing Date, U.S.$200,000 from the net proceeds of the offering of the Notes will be deposited by the Trustee into a single, segregated account established and maintained by the Trustee under the Indenture (the "Expense Reserve Account"). On each Payment Date, to the extent that funds are available for such purpose in accordance with and subject to the limitations of the Priority of Payments, the Trustee will deposit into the Expense Reserve Account an amount from Proceeds such that the amount on deposit in the Expense Reserve Account (after giving effect to such deposit) will equal U.S.$200,000. Amounts on deposit in the Expense Reserve Account may be withdrawn from time to time to pay accrued and unpaid Administrative Expenses of the Issuers. With respect to the first Payment Date, funds on deposit in the Expense Reserve Account in excess of U.S.$200,000 will be transferred by the Trustee to the Payment Account for application as interest proceeds. All funds on deposit in the Expense Reserve Account at the time when substantially all of the Issuer's assets have been sold or otherwise disposed of will be transferred by the Trustee to the Payment Account for application as Proceeds on the immediately succeeding Payment Date.

Under certain conditions described in the Credit Default Swap, the Credit Protection Buyer may be required to post collateral ("CDS Counterparty Collateral") under the terms of the Credit Default Swap. The CDS Counterparty Collateral pledged by the Credit Protection Buyer will be deposited by the Trustee into a segregated

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account (the "CDS Counterparty Collateral Account") established in the name of the Trustee and held therein pursuant to the terms of the Credit Default Swap.

On or before the first date on which there exists an Amortization Shortfall Amount, the Trustee will establish and maintain a single, segregated account established and maintained under the Indenture (the "Amortization Shortfall Account") into which certain principal payments and interest received by the Issuer on Collateral Securities and Eligible Investments in the Collateral Account shall be deposited up to the Amortization Shortfall Amount.

On or before the first date that a Delivered Obligation is received by the Issuer, the Trustee will establish and maintain under the Indenture a segregated collateral account (the "Delivered Obligation Account") into which all Delivered Obligations shall be deposited. Each Delivered Obligation will be held in the Delivered Obligation Account until such Delivered Obligation is sold by the Liquidation Agent, on behalf of the Issuer, pursuant to the terms of the Indenture.

Amounts retained in the Accounts during a Due Period will be invested in Eligible Investments.

REPORTS

A report will be made available to the Holders of the Secured Notes and Holders of the Income Notes and will provide information on the Pledged Assets as well as information with respect to payments made on the related Payment Date (each, a "Note Valuation Report"), beginning in July, 2007.

The information in each Note Valuation Report will be prepared as of the Determination Date preceding the related Payment Date and will set out, among other things, the amounts payable in accordance with the Priority of Payments on such Payment Date. The Issuer will instruct the Trustee to transfer the amounts set forth in such Note Valuation Report in the manner specified in, and in accordance with, the Priority of Payments.

WEIGHTED AVERAGE LIFE AND YIELD CONSIDERATIONS

The Stated Maturity of the Notes (other than the Class S Notes) is the Payment Date in July 2042. However, the principal of the Notes (other than the Class S Notes) is expected to be paid in full prior to the Stated Maturity. Average life refers to the average amount of time that will elapse from the date of delivery of a security until each dollar of the principal of such security will be paid to the investor. The average lives of the Notes will be determined by the amount of principal payments which are dependent on a number of factors, including when the Reference Obligations are repaid.

Weighted Average Life. Weighted average life refers to the average amount of time that will elapse from the date of delivery of a security until each dollar of the principal of such security will be paid to the investor. The weighted average lives of the Notes of each Class will be determined by the amount and frequency of principal payments, which are dependent upon, among other things, the amount of payments received at or in advance of the scheduled maturity of the Reference Obligations (whether through sale, maturity, redemption, prepayment, default or other liquidation or disposition). The actual weighted average lives and actual maturities of the Notes will be affected by the financial conditions of the obligors on or the issuers of the Reference Obligations or the obligors on the underlying assets, and the characteristics of such securities and assets, including the existence and frequency of exercise of any optional or mandatory redemption features, the prevailing level of interest rates, the redemption price, prepayment rates, any lockout periods or prepayment premiums or penalties, the actual default rate and the actual level of recoveries on any Defaulted Obligations, and the frequency of tender or exchange offers for such Reference Obligations. Any disposition of a CDS Transaction will change the composition and characteristics of the Reference Portfolio and Collateral Securities and the scheduled payments and payment characteristics thereon, and, accordingly, may affect the actual weighted average lives of the Notes. The rate of future defaults and the amount and timing of any cash realization from CDS Transactions the Reference Obligations of which are determined to be Credit Risk Obligations also will affect the maturity and weighted average lives of the Notes. The weighted average life of the Notes of each Class may also vary depending on whether or not the Notes are redeemed. The weighted

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average lives of the Notes are expected to be shorter, and may be substantially shorter, than the Stated Maturity of the Notes.

The table set forth below indicates the percentage of the initial balance of each Class of Notes that would be outstanding on each Payment Date assuming no prepayments or losses and the weighted average life of each Class of Notes and principal window of each Class based on the assumptions (the "Collateral Assumptions") set forth below. The table set forth below is included only for illustrative purposes, and none of the Issuers, the Liquidation Agent, the Trustee or the Initial Purchaser makes any representation as to whether such assumptions will be realized.

i. Forward 1-month LIBOR curve as of March 12, 2007 are assumed;

ii. the Closing Date is March 20, 2007 and the first Payment Date is July 12, 2007 and the first Quarterly Payment Date is July 12, 2007;

iii. all of the net proceeds of the offering of the Notes are invested as of the Closing Date in the Collateral Securities;

iv. the Coverage Tests are satisfied as of the Closing Date;

v. expenses due under clauses (i), (ii) and (iii) of the Priority of Payments are paid on each Payment Date and is equal to 0.06172% per annum of the Aggregate Outstanding Portfolio Amount.

vi. the Liquidation Agent Fee is 0.05% per annum of the Aggregate Outstanding Portfolio Amount;

vii. each CDS Transaction will pay monthly on the 25th day of the month in which such payment is due and receipts will be reinvested for 12 days at a rate equal to one-month LIBOR minus 0.25%;

viii. amounts due on the Collateral Securities are fully paid out in accordance with the Priority of Payments on the 12th day of the month in which they are received (each of which is assumed to be a Business Day) and receipts will be reinvested for 12 days at a rate equal to one-month LIBOR minus 0.25%;

ix. failure to pay interest to the Holders of the Class S Notes, the Class A Notes and the Class B Notes is not an Event of Default;

x. all unpaid Class C Note and Class D Note interest is Deferred Interest;

xi. there are no dispositions of CDS Transactions;

xii. no rating change occurs on any Reference Obligation or the Notes;

xiii. there is no Optional Redemption, Tax Redemption or Auction (except in the computation of the DEC table and Sensitivity of Reference Obligation Principal Payments to CDR table below);

xv. defaults are incurred at the constant annual default rates and are applied on each Payment Date to the outstanding Reference Obligation Notional Amount of the Reference Portfolio as of such Payment Date commencing on the Payment Date in July 2008; and

xvi. the Expense Reserve Account is assumed to stay fully funded at $200,000 on each Payment Date.

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Date	Class A-1a	Class A-1b	Class A-2	Class B	Class C	Class D
Closing Date	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
July 12, 2007	100.0%	100.0%	100.0%	100.0%	100.0%	98.4%
July 12, 2008	100.0%	100.0%	100.0%	100.0%	100.0%	93.5%
July 12, 2009	76.6%	100.0%	83.4%	89.9%	80.0%	88.9%
July 12, 2010	31.0%	100.0%	51.0%	55.0%	43.3%	76.5%
July 12, 2011	0.0%	91.2%	26.4%	44.9%	35.4%	61.5%
July 12, 2012	0.0%	31.3%	9.1%	44.9%	35.4%	58.5%
July 12, 2013	0.0%	0.0%	0.0%	3.0%	35.4%	57.6%
July 12, 2014	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expected Principal Window(1)	November 12, 2008 to June 12, 2011	June 12, 2011 to December 12, 2012	November 12, 2008 to December 12, 2012	January 12, 2009 to August 12, 2013	February 12, 2009 to December 12, 2013	July 12, 2007 to April 12, 2014
Expected Weighted Average Life(2)	3.0 years	5.0 years	3.5 years	4.3 years	4.1 years	5.3 years

(1) The "Expected Principal Window" for a Class of Notes is the period in which (a) the initial principal payment of the Class is expected to be made and (b) the final payment of principal of the Class is expected to be made under the Collateral Assumptions (assuming no defaults).

(2) The "Expected Weighted Average Life" of each Class of Notes is determined by (i) multiplying the amount of each principal distribution on such Class that would result under the Collateral Assumptions (assuming no defaults) by the number of years from the date of determination to the related Payment Date (assuming 30 days in each month and a 360-day year), (ii) adding the results and (iii) dividing the sum by the aggregated principal distributions referred to in clause (i).

The following table shows the "Expected Weighted Average Life" and the "Expected Principal Window" for each Class of Notes under various constant default rates. The "Expected Weighted Average Life" of each Class of Notes is determined by (i) multiplying the amount of each principal distribution on such Class that would result under the Collateral Assumptions by the number of years from the Closing Date to the related Payment Date (assuming 30 days in each month and a 360-day year), (ii) adding the results and (iii) dividing the sum by the aggregated principal distributions referred to in clause (i). The "Expected Principal Window" for a Class of Notes is when the first and last payments of principal are expected to be made under the Collateral Assumptions. The loss severity is assumed to be 65%.

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Sensitivity of Reference Obligation Principal Payments to CDR

	0.0% CDR		0.5% CDR		1.0% CDR		1.5% CDR	
Class	Expected Weighted Average Life	Expected Principal Window	Expected Weighted Average Life	Expected Principal Window	Expected Weighted Average Life	Expected Principal Window	Expected Weighted Average Life	Expected Principal Window
A-1a	3.0 years	November 12, 2008 to June 12, 2011	2.9 years	July 12, 2008 to May 12, 2011	2.9 years	July 12, 2008 to May 12, 2011	2.9 years	July 12, 2008 to May 12, 2011
A-1b	5.0 years	June 12, 2011 to December 12, 2012	5.0 years	May 12, 2011 to December 12, 2012	5.0 years	May 12, 2011 to January 12, 2013	5.0 years	May 12, 2011 to January 12, 2013
A-2	3.5 years	November 12, 2008 to December 12, 2012	3.5 years	July 12, 2008 to December 12, 2012	3.5 years	July 12, 2008 to January 12, 2013	3.5 years	July 12, 2008 to January 12, 2013
B	4.3 years	January 12, 2009 to August 12, 2013	4.3 years	February 12, 2009 to September 12, 2013	4.3 years	February 12, 2009 to September 12, 2013	4.2 years	February 12, 2009 to September 12, 2013
C	4.1 years	February 12, 2009 to December 12, 2013	4.1 years	March 12, 2009 to January 12, 2014	4.1 years	May 12, 2009 to February 12, 2014	4.1 years	June 12, 2009 to February 12, 2014
D	5.3 years	July 12, 2007 to April 12, 2014	5.2 years	July 12, 2007 to May 12, 2014	5.2 years	July 12, 2007 to May 12, 2014	5.2 years	July 12, 2007 to May 12, 2014

The table set forth below entitled "Class A-1a, A-1b, A-2, B, C and D Note Constant Default Rate Stress Tests" shows the Constant Default Rate ("CDR") and Cumulative Defaults for each Class of Notes under three stress scenarios, assuming a 65% loss severity on defaulted Reference Obligations. In column one ("First Dollar of Loss"), CDR represents the CDR starting on the July 2008 Payment Date that would result in the first dollar of principal loss to the respective Class of Notes. Cumulative Defaults represent the sum of such defaults divided by the aggregate notional amount of the Reference Obligations as of the Closing Date. In column two ("Flat Return"), CDR represents the CDR starting on the July 2008 Payment Date that would result in a yield equivalent to a zero discount margin over one-month LIBOR for the Class A-1a Notes, the Class A-1b Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes. Cumulative Defaults represent the sum of such defaults divided by the aggregate notional amounts of the Reference Obligations as of the Closing Date. In column three ("Return of Investment (0% return)"), the CDR represents the CDR starting on the July 2008 Payment Date that would result in an approximate 0.0% return for the Class A-1a Notes, the Class A-1b Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes. Cumulative Defaults represent the sum of such defaults divided by the aggregate notional amounts of the Reference Obligations as of the Closing Date.

Class A-1a, A-1b A-2, B, C and D Note Constant Default Rate Stress Tests

	First Dollar of Loss		Flat Return		Return of Investment (0% return)	
Constant Annual Default Rate at 65% Loss Severity	CDR	Cumulative Defaults	CDR	Cumulative Defaults	CDR	Cumulative Defaults
Class A-1a	29.35%	54.81%	30.11%	55.76%	42.18%	68.75%
Class A-1b	29.35%	54.81%	30.91%	56.75%	43.24%	69.72%
Class A-2	21.04%	43.14%	21.52%	43.87%	24.08%	47.69%
Class B	12.42%	28.17%	13.52%	30.26%	16.32%	35.34%
Class C	7.91%	18.95%	8.82%	20.90%	9.52%	22.36%
Class D	4.86%	12.09%	5.45%	13.46%	6.06%	14.85%

Yield. The yield to maturity of the Notes of each Class will also be affected by the rate of repayment of the Reference Obligations, as well as by the redemption of the Notes in an Auction, an Optional Redemption or Tax Redemption (and upon the Note Redemption Price or Income Note Redemption Price, as applicable, then payable).

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The Issuer is not required to repay the Notes on any date prior to their Stated Maturity. The receipt of principal payments on the Notes at a rate slower than the rate anticipated by investors purchasing the Notes at a discount will result in an actual yield that is lower than anticipated by such investors.

The yield to maturity of the Notes may also be affected by the rate of delinquencies and defaults on and liquidations of the Reference Obligations and Collateral Securities, to the extent not absorbed by the Income Notes; dispositions of CDS Transactions and the effect of the Coverage Tests on payments under the Priority of Payments. The yield to investors in the Notes will also be adversely affected to the extent that the Issuers incur certain expenses that are not absorbed by the Income Notes.

THE ISSUERS

General

The Issuer was incorporated as Hudson Mezzanine Funding II, Ltd. on September 20, 2006 in the Cayman Islands with the registered number 174363. The Issuer's name was changed to Anderson Mezzanine Funding 2007-1, Ltd. on March 8, 2007. The registered office of the Issuer is at the offices of Maples Finance Limited, P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands. Maples Finance Limited's telephone number is (345) 945-7099. The Issuer has no prior operating history. 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 Notes.

The Co-Issuer was incorporated on February 22, 2007 under the laws of the State of Delaware with the registered number 4305859. The registered office of the Co-Issuer is at Donald J. Puglisi, Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, Delaware, 19711. The Co-Issuer's telephone number is (302) 738-6680. The Co-Issuer has no prior operating history. Article 3 of the Co-Issuer's Certificate of Incorporation sets out the purposes of the Co-Issuer, which include the business to be carried out by the Co-Issuer in connection with the issuance of the Secured Notes.

The Co-Issued Notes are obligations only of the Issuers and the Income Notes are obligations only of the Issuer, and not of the Trustee, the Liquidation Agent, the Initial Purchaser, the Administrator, the Agents, the Share Trustee or any directors, managers or officers of the Issuers or any of their respective affiliates.

The authorized share capital of the Issuer consists of 250 ordinary shares, U.S.$1.00 par value per share (the "Issuer Ordinary Shares"). All of the Issuer Ordinary Shares will be issued on or prior to the Closing Date. All of the outstanding Issuer Ordinary Shares will be held by the Share Trustee pursuant to the terms of a declaration of trust for the benefit of charitable and similar purposes. All of the outstanding common equity of the Co-Issuer will be held by the Share Trustee under the terms of the charitable trust which holds the Issuer Ordinary Shares. For so long as any of the Notes are outstanding, no beneficial interest in the ordinary shares of the Issuer or of the common equity of the Co-Issuer shall be registered to a U.S. Person.

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Capitalization of the Issuer

The initial proposed capitalization of the Issuer as of the Closing Date after giving effect to the issuance of the Notes and the Issuer Ordinary Shares before deducting expenses of the offering of the Notes is as set forth below.

	Amount
Class S Notes	$ 2,490,000
Class A-1a Notes	$ 130,000,000
Class A-1b Notes	$ 53,000,000
Class A-2 Notes	$ 30,500,000
Class B Notes	$ 42,700,000
Class C Notes	$ 16,775,000
Class D Notes	$ 11,090,000
Income Notes	$ 20,935,000
Total Debt	$ 307,490,000
Issuer Ordinary Shares	250
Total Equity	$ 250
Total Capitalization	$ 307,490,250

Capitalization of the Co-Issuer

The Co-Issuer will be capitalized only to the extent of its common equity of U.S.$10, will have no assets other than its equity capital and will have no debt other than as Co-Issuer of the Secured Notes. The Co-Issuer has agreed to co-issue the Secured Notes as an accommodation to the Issuer, and the Co-Issuer is receiving no remuneration for so acting. Because the Co-Issuer has no assets, and is not permitted to have any assets, Holders of Notes will not be able to exercise their rights against any assets of the Co-Issuer. Holders of Secured Notes must rely on the Pledged Assets held by the Issuer and pledged to the Trustee for payment on their respective Secured Notes in accordance with the Priority of Payments.

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Flow of Funds

The approximate flow of funds of the Issuer from the gross proceeds of the offering of the Notes on the Closing Date is as set forth below:

Gross Proceeds		
Class S Notes	$	2,490,000
Class A-1a Notes	$	130,000,000
Class A-1b Notes	$	53,000,000
Class A-2 Notes	$	30,500,000
Class B Notes	$	42,700,000
Class C Notes	$	16,775,000
Class D Notes	$	12,000,000
Income Notes	$	20,935,000
Total:	$	308,400,000
Expenses		
Third Party Expenses	$	1,630,000
Goldman, Sachs & Co.	$	25,000
Expense Reserve Accounts	$	200,000
Total:	$	1,855,000
Collateral Assets		
Net Proceeds	$	306,545,000
Par Value of Collateral	$	305,000,000
Clean Price of Collateral	$	304,973,000
Cash for Purchase of Collateral	$	27,000
Purchase Accrued Interest on Collateral	$	666,000
First Period Interest Reserve	$	879,000

Business

The Issuers will not undertake any business other than the issuance of the Co-Issued Notes and, in the case of the Issuer, the issuance of the Income Notes, the acquisition and management of the Pledged Assets and, in each case, other related transactions. Neither of the Issuers will have any subsidiaries other than the Co-Issuer in the case of the Issuer.

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The Administrator will act as the administrator of the Issuer. The office of the Administrator will serve as the general business office of the Issuer. Through this office and pursuant to the terms of an agreement to be dated on or about the Closing Date by and between the Administrator and the Issuer (as amended, supplemented or otherwise modified from time to time, the "Administration Agreement"), the Administrator will perform various management functions on behalf of the Issuer, including communications with shareholders and the general public, and the provision of certain clerical, administrative and other services until termination of the Administration Agreement. In consideration of the foregoing, the Administrator will receive various fees and other charges payable by the Issuer at rates agreed upon from time to time plus expenses. The directors of the Issuer listed below are also officers and/or employees of the Administrator and may be contacted at the address of the Administrator.

The Administrator will be subject to the overview of the Issuer's Board of Directors. The Administration Agreement may be terminated by either the Issuer or the Administrator upon 30 days' written notice.

The Administrator's principal office is: Maples Finance Limited, P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands.

Directors

The Directors of the Issuer are Carrie Bunton and Carlos Farjallah, each having an address at Maples Finance Limited, P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands.

The director of the Co-Issuer is Donald Puglisi who may be contacted at the address of the Co-Issuer.

INCOME TAX CONSIDERATIONS

Circular 230

Any discussion of U.S. federal tax matters set forth in this Offering Circular was written in connection with the promotion and marketing by the Issuer and the Initial Purchaser of the Notes (as defined herein). Such discussion was not intended or written to be legal or tax advice to any person and was not intended or written to be used, and it cannot be used, by any person for the purpose of avoiding any U.S. federal tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

United States Tax Considerations

The following is a summary of certain of the United States federal income tax consequences of an investment in the Notes by purchasers that acquire their Notes in their initial offering. The discussion and the opinions referenced below are based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the Internal Revenue Service (the "IRS") with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following summary does not deal with all United States federal income tax consequences applicable to any given investor, nor does it address (except, in some instances, in very general terms) the United States federal income tax considerations applicable to all categories of investors, some of which may be subject to special rules, such as Non-U.S. Holders (defined below), banks, regulated investment companies, real estate investment trusts, insurance companies, tax-exempt organizations, dealers in securities or currencies, electing large partnerships, natural persons, cash method taxpayers, S corporations, estates and trusts, investors that hold the Notes as part of a hedge, straddle, or an integrated or conversion transaction, or investors whose "functional currency" is not the United States dollar. Furthermore, it does not address alternative minimum tax consequences or the indirect effects on the investors of equity interests in either a U.S. Holder (defined below) or a Non-U.S. Holder. In addition, this summary is generally limited to investors that will hold the Notes as "capital assets" within the meaning of section 1221 of the Internal Revenue Code 1986 (the "Code"). Investors should consult their own tax

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advisors to determine the United States federal, state, local and other tax consequences of the purchase, ownership and disposition of the Notes.

As used herein, "U.S. Holder" means any holder (or beneficial holder) of a Note that is an individual citizen or resident of the United States for U.S. federal income tax purposes, a corporation or partnership or other entity treated as a corporation or partnership for U.S. federal income tax purposes created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust for which a court within the United States is able to exercise primary supervision over its administration and for which one or more U.S. persons (as defined in the Code) have the authority to control all of its substantial decisions or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust. If a partnership holds the Notes, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Partners of partnerships holding the Notes should consult their own tax advisors. "Non-U.S. Holder" means any holder (or beneficial holder) of a Security that is not a U.S. Holder.

U.S. Federal Income Tax Consequences to the Issuer

Upon the issuance of the Notes, Sidley Austin LLP, special U.S. tax counsel to the Issuer, will deliver an opinion generally to the effect that under current law, and assuming compliance with the Indenture (and certain other documents) and based on certain factual representations made by the Issuer and/or GS&Co., although the matter is not free from doubt, the Issuer will not be engaged in the conduct of a trade or business in the United States. Accordingly, the Issuer does not expect to be subject to net income taxation in the United States. Prospective investors should be aware that opinions of counsel are not binding on the IRS and there can be no absolute assurance that the IRS will not seek to treat the Issuer as engaged in a United States trade or business. If the IRS were to successfully characterize the Issuer as engaged in such a trade or business, among other consequences, the Issuer would be subject to net income taxation in the United States (as well as the branch profits tax) on its income that is effectively connected to such United States trade or business. The levying of such taxes would materially affect the Issuer's financial ability to pay principal and interest on the Notes.

The Issuer intends to acquire Collateral Assets and enter into certain swap transactions the interest on which, and any gain from the sale or disposition thereof, is expected not to be subject to United States federal withholding tax or withholding tax imposed by other countries (unless subject to being "grossed up"). The Issuer will not, however, make any independent investigation of the circumstances surrounding the issuance of the individual assets comprising the Collateral Assets or Reference Obligations and thus there can be no absolute assurance that in every case payments will be received free of withholding tax. If the Issuer is a CFC (defined below), the Issuer would incur U.S. withholding tax on interest received from a related United States person.

In addition, it is not expected that the Issuer will derive material amounts of any other items of income that would be subject to United States withholding taxes.

If withholding or deduction of any taxes from payments is required by law in any jurisdiction, the Issuer shall be under no obligation to make any additional payments to the holders of any Notes in respect of such withholding or deduction.

Notwithstanding the foregoing, any commitment or facility fee (or other similar fee) that the Issuer earns may be subject to a 30% withholding tax.

Classification and Tax Treatment of the Secured Notes. The Issuer has agreed and, by its acceptance of a Secured Note, each such Noteholder will be deemed to have agreed, to treat each of the Secured Notes as debt of the Issuer for U.S. federal income tax purposes except to the extent such a Noteholder makes a protective QEF election (described below). On the Closing Date, Sidley Austin LLP will deliver an opinion generally to the effect that assuming compliance with Indenture (and certain other documents) and based on certain factual representations made by the Issuer and GS&Co., the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes will be characterized as debt of the Issuer for U.S. federal income tax purposes. Prospective investors should be aware that opinions of counsel are not binding on the IRS and there can be no assurance that the IRS will not seek to characterize any Class of Secured Notes as other than indebtedness. Except as provided under "—

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Alternative Characterization of the Secured Notes" below, the balance of this discussion assumes that the Secured Notes will be characterized as debt of the Issuer for federal income tax purposes.

For U.S. federal income tax purposes, the Issuer of the Secured Notes, and not the Co-Issuer, will be treated as the issuer of the Secured Notes.

Subject to the following paragraph, U.S. Holders of the Secured Notes will include payments of stated interest received on the Secured Notes in income in accordance with their method of tax accounting as ordinary interest income.

While not absolutely certain, it appears that the Class C Notes and the Class D Notes will be issued with original issue discount ("OID", and such a Note, an "OID Note",) because interest payments on such Notes ("OID interest payments",) may not be considered to be unconditionally payable (a requisite for interest to not constitute OID) since they will be deferred in the event that certain overcollateralization tests are not met and failure to pay interest will not, in certain circumstances, be an event of default. A U.S. Holder of an OID Note will be required to include OID in gross income as it accrues under a constant yield method, based on the original yield to maturity of the Note. Thus, the U.S. Holder of an OID Note will be required to include original issue discount in income as it accrues, prior to the receipt of the cash attributable to such income. U.S. Holders, however, would be entitled to claim a loss upon maturity or other disposition of an OID Note with respect to interest amounts accrued and included in gross income for which cash is not received. Such a loss generally would be a capital loss.

Although there can be no assurance, the Secured Notes should not be "contingent payment debt instruments" ("CPDIs") within the meaning of Treasury Regulation section 1.1275-4, effective for debt instruments issued after August 12, 1996. If any Class of Notes were considered such instruments, among other consequences, gain on the sale of such Notes that might otherwise be capital gain would be ordinary income. Prospective investors should consult their own tax advisors regarding the possible characterization of the Notes as CPDIs.

The Secured Notes may be debt instruments described in section 1272(a)(6) of the Code (debt instruments that may be accelerated by reason of the prepayment of other debt obligations securing such debt instruments). Special tax rules principally relating to the accrual of original issue discount, market discount and bond premium apply to debt instruments described in section 1272(a)(6). Further, those debt instruments may not be part of an integrated transaction with a related hedge under Treasury Regulation § 1.1275-6. Prospective investors should consult with their own tax advisors regarding the effects of section 1272(a)(6).

In general, a U.S. Holder of a Secured Note will have a tax basis in such Note equal to the cost of such Note increased by any market discount includible in income by such U.S. Holder and reduced by any amortized premium and any principal payments and any OID interest payments. Upon a sale, exchange or other disposition of a Secured Note (including redemption or retirement), a U.S. Holder will generally recognize gain or loss equal to the difference between the amount realized on the sale, exchange or other disposition (less any accrued and unpaid interest, which would be taxable as such) and the U.S. Holder's tax basis in such Secured Note. Such gain or loss generally will be long term capital gain or loss if the U.S. Holder held the Note for more than one year at the time of disposition. In certain circumstances, U.S. Holders that are individuals may be entitled to preferential treatment for net long term capital gains; however, the ability of U.S. Holders to offset capital losses against ordinary income is limited.

Alternative Characterization of the Secured Notes. U.S. Holders should recognize that there is some uncertainty regarding the appropriate classification of instruments such as the Secured Notes. It is possible, for example, that the IRS may contend that a class of Secured Notes should be treated as equity interests (or as part debt, part equity) in the Issuer. Such a recharacterization might result in material adverse tax consequences to U.S. Holders. If U.S. Holders of Secured Notes were treated as owning equity interests in the Issuer, the U.S. federal income tax consequences to U.S. Holders of such recharacterized Notes would be as described under "—United States Tax Treatment of Holders of Income Notes." In addition, in order to avoid one application of the PFIC rules, each U.S. Holder should consider making a qualified electing fund election (the "QEF election") provided in section 1295 of the Code on a "protective" basis (although such protective election may not be respected by the IRS because current regulations do not specifically authorize that particular election). See "—United States Tax Treatment of Holders of Income Notes—Status of the Issuer as a PFIC" and "—QEF Election."

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Information Reporting Requirements. Under United States federal income tax law and regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. These reporting requirements apply to both taxable and tax-exempt U.S. Holders. Penalties for failure to file certain of these information returns are severe. Purchasers of the Secured Notes should consult with their own tax advisors regarding the necessity of filing information returns.

If requested by the Issuer, each Holder will be required to provide the Issuer with the name and status of each beneficial owner of a Secured Note that is a U.S. Holder.

Prospective investors should consult with their own tax advisors with respect to whether they are required to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Non-U.S. Holders

A Non-U.S. Holder of a Secured Note that has no connection with the United States will not be subject to U.S. withholding tax on interest payments. Non-U.S. Holders may be required to make certain tax representations regarding the identity of the beneficial owner of the Notes in order to receive payments free of withholding.

United States Tax Treatment of Holders of Income Notes

General. Prospective investors of the Income Notes should not rely on this summary only and should consult their own tax advisors regarding alternative characterizations of the Income Notes and the consequences of their acquiring, holding, and disposing of the Income Notes, including the possibility that the Income Notes will be treated as contingent payment debt instruments. Subject to the anti-deferral rules discussed below, payments on Income Notes paid by the Issuer to a U.S. Holder that is subject to United States federal income tax will be taxable to such U.S. Holder as a payment to the extent of the current and accumulated earnings and profits of the Issuer. Dividends will not be eligible for the dividends received deduction allowable to corporations. Distributions in excess of earnings and profits will be non-taxable to the extent of, and will be applied against and reduce, the U.S. Holder's adjusted tax basis in the Income Notes. Distributions in excess of earnings and profits and the U.S. Holder's tax basis will be taxable as gain from the sale or exchange of property.

The tax consequences discussed in the second preceding paragraph are likely to be materially modified by the anti-deferral rules discussed below. In general, each U.S. Holder's investment in the Issuer will be taxed as an investment in a "passive foreign investment company" ("PFIC"). In addition, each U.S. Holder's investment in the Issuer may be taxed as an investment in a CFC, depending (in part) upon the percentage of the Issuer's equity that is acquired and held by certain U.S. Holders. If applicable, the rules pertaining to CFCs generally override those pertaining to PFICs (although, in certain circumstances, more than one set of rules may be applicable simultaneously).

Prospective investors should be aware that in determining what percentage of the equity of the Issuer is held by various categories of investors (for example, for purposes of the CFC and information reporting rules described below) and the Liquidation Agent's interest in certain portions of its fee and certain classes of Secured Notes may be considered equity (and might be considered voting equity).

Prospective investors should be aware that the Issuer's income that is allocated to holders (under the QEF rules as well as under the CFC rules discussed below) will not necessarily bear any particular relationship in any year to the amount of cash that is distributed on the Income Notes and in any given year may be substantially greater. Such an excess will arise, among other circumstances, when Collateral Assets are purchased at a discount, or interest or other income on the Collateral Assets or Credit Default Swap (which is included in gross income) is used to acquire other Collateral Assets or to repay principal on the Secured Notes (which does not give rise to a deduction).

Status of the Issuer as a PFIC. The Issuer will be treated as a "passive foreign investment company" or "PFIC" for United States federal income tax purposes. U.S. Holders in PFICs, other than U.S. Holders that make a timely "qualified electing fund" or "QEF" election described below, are subject to special rules for the taxation of

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"excess distributions" (which include both certain distributions by a PFIC and any gain recognized on a disposition of PFIC stock). In general, section 1291 of the Code provides that the amount of any "excess distribution" will be allocated to each day of the U.S. Holder's holding period for its PFIC stock. The amount allocated to the current year will be included in the U.S. Holder's gross income for the current year as ordinary income. With respect to amounts allocated to prior years, the tax imposed for the current year will be increased by the "deferred tax amount" (an amount calculated with respect to each prior year by multiplying the amount allocated to such year by the highest rate of tax in effect for such year, together with an interest charge, as though the amounts of tax were overdue).

An excess distribution is the amount by which distributions for a taxable year exceed 125 percent of the average distribution in respect of the Income Notes during the three preceding taxable years (or, if shorter, the investor's holding period for the Income Notes). As indicated above, any gain recognized upon disposition (or deemed disposition) of the Income Notes will be treated as an excess distribution and taxed as described above (i.e., not be taxable as capital gain). For this purpose, a U.S. Holder that uses an Income Note as security for an obligation may be treated as having disposed of the Income Note.

QEF Election. If a U.S. Holder (including certain U.S. Holders indirectly owning Income Notes) makes the qualified electing fund election (the "QEF election") provided in section 1295 of the Code, the U.S. Holder will be required to include its *pro rata* share of the Issuer's ordinary income and net capital gains (unreduced by any prior year losses) in income (as ordinary income and long-term capital gain, respectively) for each taxable year and pay tax thereon even if such income and gain is not distributed to the U.S. Holder by the Issuer. In addition, any losses of the Issuer will not be deductible by such U.S. Holder. A U.S. Holder that makes the QEF election, may, however (in general) elect to defer the payment of tax on undistributed income (until such income is distributed or the Income Note is transferred), *provided* it agrees to pay interest on such deferred tax liability. For this purpose, a U.S. Holder that uses an Income Note as security for an obligation may be treated as having transferred such Income Note. If the Issuer later distributes the income or gain on which the U.S. Holder has already paid taxes, amounts so distributed to the U.S. Holder will not be further taxable to the U.S. Holder. A U.S. Holder's tax basis in the Income Notes will be increased by the amount included in such U.S. Holder's income and decreased by the amount of nontaxable distributions. In general, a U.S. Holder making the QEF Election will recognize, on the disposition of the Income Notes, capital gain or loss equal to the difference, if any, between the amount realized upon such disposition (including redemption or retirement) and its adjusted tax basis in such Income Notes. Such gain or loss generally will be long term capital gain or loss if the U.S. Holder held the Income 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.

In general, 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 held an Income Note.

The QEF election is effective only if certain required information is made available by the Issuer to the IRS. The Issuer will undertake to comply with the IRS information requirements necessary to be a QEF, which will permit U.S. holders to make the QEF election. Nonetheless, there can be no absolute assurance that such information will always be available or presented.

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 its own tax advisors regarding whether it should make a QEF election (and, if it failed to make an initial election, whether it should make an election in a subsequent taxable year).

Status of the Issuer as a CFC. U.S. tax law also contains special provisions dealing with controlled foreign corporations ("CFC"). A U.S. holder (or any other holder of an interest treated as voting equity in the foreign corporation that would meet the definition of U.S. Holders but for the fact that such holder does not hold Income Notes) that owns (directly or indirectly) at least 10 percent of the voting stock of a foreign corporation, the U.S. Holder is considered a "U.S. Shareholder" with respect to the foreign corporation. If U.S. Shareholders in the

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aggregate own (directly or indirectly) more than 50% of the voting power or value of the stock of such corporation, the foreign corporation will be classified as a CFC. Complex attribution rules apply for purposes of determining ownership of stock in a foreign corporation such as the Issuer.

If the Issuer is classified as a CFC, a U.S. Shareholder (and possibly any U.S. Holder that is a direct or indirect holder of a grantor trust that is considered to be a U.S. Shareholder) that is a shareholder of the Issuer as of the end of the Issuer's taxable year generally would be subject to current U.S. tax on the income of the Issuer, regardless of cash distributions from the Issuer. Earnings subject to tax generally as income of the U.S. Holder generally will not be taxed again when they are distributed to the U.S. Holder. In addition, income that would otherwise be characterized as capital gain and gain on the sale of the CFC's stock by a U.S. Shareholder (during the period that the corporation is a CFC and thereafter for a five-year period) would be classified in whole or in part as dividend income.

Certain income generated by a corporation conducting a banking, financing, insurance, or other similar business would not be includible in a holder's income under the CFC rules. However, each holder of an Income Note will agree, by its acquisition of the Income Notes, not to take the position that the Issuer is engaged in such a business. Accordingly, if the CFC rules apply, a U.S. Shareholder would generally be subject to tax on its share of all of the Issuer's income.

Information Reporting. In general, U.S. Holders that acquire any Income Notes (or any Class of Notes recharacterized as equity in the Issuer) for cash may be required to file an IRS Form 926 with the IRS and to supply certain additional information to the IRS if (i) such U.S. Holder owns (directly or indirectly) immediately after the transfer, at least 10% by vote or value of the Issuer or (ii) the transfer when aggregated with all related transfers under applicable regulations, exceeds U.S.$100,000. In the event a U.S. Holder that is required to file such form fails to file such form, the U.S. Holder could be subject to a penalty of up to U.S.$100,000 (computed as 10% of the gross amount paid for the Income Notes) or more if the failure to file was due to intentional disregard of its obligation). Other important information reporting requirements apply to persons that acquire 10% or more of a foreign corporation's equity.

Prospective investors should consult with their own tax advisors with respect to whether they are required to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Tax-Exempt Investors. Special considerations apply to pension plans and other investors ("Tax-Exempt Investors") that are subject to tax only on their "unrelated business taxable income" ("UBTI"). A Tax-Exempt Investor's income from an investment in the Issuer generally should not be treated as resulting in UBTI under current law, so long as such investor's acquisition of stock in the Issuer is not debt-financed, and such investor does not own more than 50% of the Issuer's equity (here, the Income Notes and any Class of Secured Notes (if any) that is recharacterized as equity).

Tax-Exempt Investors should consult their own tax advisors regarding an investment in the Issuer.

Taxation of Non-U.S. Holders. Dividends on, and gain from the sale, exchange or redemption of, Income Notes generally should not be subject to United States federal income tax in the hands of a Non-U.S. Holder that has no connection with the United States other than the holding of the Income Notes.

Cayman Islands Tax Considerations

The following discussion of certain Cayman Islands income tax consequences of an investment in the Notes is based on the advice of Maples and Calder as to Cayman Islands law. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It assumes that the Issuer will conduct its affairs in accordance with assumptions made by, and representations made to, counsel. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

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Under existing Cayman Islands laws:

(i) payments of principal and interest in respect of the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any Holder of a Note and gains derived from the sale of Notes will not be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax; and

(ii) No stamp duty is payable in respect of the issue of the Notes. The Notes themselves will be stampable if they are executed in or brought into the Cayman Islands. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has applied for and obtained an undertaking from the Governor In Cabinet of the Cayman Islands in the following form:

THE TAX CONCESSIONS LAW
(1999 REVISION)
UNDERTAKING AS TO TAX CONCESSIONS

In accordance with Section 6 of the Tax Concessions Law (1999 Revision) the Governor in Cabinet undertakes with Anderson Mezzanine Funding 2007-1, Ltd. (the "Company"):

(a) 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 Company or its operations; and

(b) 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

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) 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).

These concessions shall be for a period of twenty years from the 3rd day of October, 2006

ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" as defined in and 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 such 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 the Notes.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" under ERISA or "disqualified persons" under the Code (collectively, "Parties in Interest")) having certain relationships to such Plans, unless a statutory, regulatory or administrative exemption is applicable to

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the transaction. A Party in Interest who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code.

The United States Department of Labor ("DOL") has promulgated a regulation, 29 C.F.R. Section 2510.3-101 (the "Plan Asset Regulation"), as modified by Section 3(42) of ERISA, describing what constitutes the assets of a Plan ("Plan Assets") with respect to the Plan's investment in an entity for purposes of applying 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."

Prohibited transactions may arise under Section 406 of ERISA or Section 4975 of the Code if Notes are acquired with Plan Assets with respect to which the Issuers, the Initial Purchaser, the Liquidation Agent, the Trustee, the Fiscal Agent or any of their respective affiliates, is a Party in Interest. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire a Security and the circumstances under which such decision is made. Included among these exemptions are: DOL Prohibited Transaction Class Exemption ("PTCE") 96-23, regarding transactions effected by "in-house asset managers"; PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by "qualified professional asset managers;" and the service provider exemption under new Section 408(b)(17) of ERISA and new Section 4975(d)(20) of the Code (the "Service Provider Exemption"). There can be no assurance that any class or other exemption will be available with respect to any particular transaction involving the Notes, or that, if available, the exemption would cover all possible prohibited transactions.

Governmental plans and certain church and other plans, while not necessarily subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state or other federal laws that are substantially similar to the foregoing provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

Any insurance company proposing to invest assets of its general account in the Notes should consider the extent to which such investment would be subject to the requirements of ERISA in light of the U.S. Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993), and the enactment of Section 401(c) of ERISA. In particular, such an insurance company should consider the retroactive and prospective exemptive relief granted by the DOL for transactions involving insurance company general accounts in PTCE 95-60 and the regulations issued by the DOL, 29 C.F.R. Section 2550.401c-1 (January 5, 2000). Certain additional information regarding general accounts is set forth below.

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

The sale of any Security to a Plan, or to a person using Plan Assets to effect its purchase of any Security, is in no respect a representation by the Issuers, the Initial Purchaser, the Liquidation Agent, the Trustee or the Fiscal Agent that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes

For purposes of the Plan Asset Regulation, an equity interest includes any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. Because the Secured Notes (a) are expected to be treated as indebtedness under local law and for federal tax purposes (see "Income Tax Considerations" herein), and (b) should not be deemed to have any "substantial equity

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features," purchases of the Secured Notes with Plan Assets should not be treated as equity investments and, therefore, the Pledged Assets should not be deemed to be Plan Assets of the investing Plans. Those conclusions are based, in part, upon the traditional debt features of the Secured Notes, including the reasonable expectation of purchasers of the Secured Notes that the Secured Notes will be repaid when due, as well as the absence of conversion rights, warrants and other typical equity features. However, if the Secured Notes were nevertheless treated as equity interests for purposes of the Plan Asset Regulation and if the assets of the Issuers were deemed to constitute Plan Assets of an investing Plan, (i) transactions involving the assets of the Issuers could be subject to the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code, (ii) the assets of the Issuers could be subject to ERISA's reporting and disclosure requirements, and (iii) the fiduciary causing the Plan to make an investment in the Notes could be deemed to have delegated its responsibility to manage Plan Assets.

By its purchase of any Class S Note, Class A Note, Class B Note, Class C Note or Class D Note, the purchaser thereof will be deemed to have represented and warranted either that (i) it is not and will not be a Plan or an entity whose underlying assets include Plan Assets by reason of any Plan's investment in the entity, or an employee benefit plan which is subject to any federal, state, local or foreign law ("Similar Law") that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code; or (ii) its purchase and holding of a Class S Note, Class A Note, Class B Note, Class C Note or Class D Note are eligible for the exemptive relief available under PTCE 84-14, 90-1, 91-38, 95-60, 96-23, the Service Provider Exemption, or a similar exemption or, in the case of a plan subject to Similar Law, do not and will not constitute or result in a prohibited transaction under Similar Law for which an exemption is not available.

Income Notes

Equity participation in an entity by Benefit Plan Investors is "significant" under the Plan Asset Regulation (see above) if 25% or more of the total value of any class of equity interest in the entity is held by Benefit Plan Investors. If equity participation in either Issuer by Benefit Plan Investors is "significant," the assets of such Issuer could be deemed to be Plan Assets of Plans investing in the equity. If the assets of either Issuer were deemed to constitute Plan Assets of an investing Plan, (i) transactions involving the assets of such Issuer could be subject to the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code, (ii) the assets of the Issuer could be subject to ERISA's reporting and disclosure requirements, and (iii) the fiduciary causing the Plan to make an equity investment in the Issuer could be deemed to have delegated its responsibility to manage Plan Assets. The term "Benefit Plan Investor" includes (i) an employee benefit plan as defined in and subject to the provisions of Title I of ERISA, (ii) a plan as described in and subject to Section 4975(e)(1) of the Code and (iii) any entity whose underlying assets include Plan Assets by reason of any such employee benefit plan's or plan's investment in the entity. For purposes of making the 25% determination, the value of any equity interests in the Issuer held by a person (other than a Benefit Plan Investor) who has discretionary authority or control with respect to the assets of the Issuer, any person who provides investment advice for a fee (direct or indirect) with respect to such assets, or any affiliate of such a person (any of the foregoing, a "Controlling Person"), are disregarded. Under the Plan Asset Regulation, an "affiliate" of a person includes any person, directly or indirectly through one or more intermediaries, controlling, controlled by or under common control with the person, and "control" with respect to a person, other than an individual, means the power to exercise a controlling influence over the management or policies of such person. If the equity participation in an entity by Benefit Plan Investors is significant, then the entity's assets will be deemed to constitute Plan Assets to the extent of such investor's interest in the entity.

The Income Notes will be equity interests for purposes of applying ERISA and Section 4975 of the Code. Accordingly, purchases and transfers of Income Notes will be limited, so that less than 25% of the total value of all the Income Notes will be held by Benefit Plan Investors, by requiring each purchaser or transferee of an Income Note (other than a Regulation S Income Note) to make (or, in the case of a Regulation S Income Note, to be deemed to have made) certain representations and agree to additional transfer restrictions described under "Notice to Investors." No purchase of an Income Note by, or proposed transfer to, a person that has represented that it is a Benefit Plan Investor or a Controlling Person will be permitted to the extent that such purchase or transfer would result in persons that have represented that they are Benefit Plan Investors owning 25% or more of the total value of the outstanding Income Notes immediately after such purchase or proposed transfer (determined in accordance with the Plan Asset Regulation and the Fiscal Agency Agreement), based upon the representations made by investors. In addition, the Initial Purchaser, the Liquidation Agent, the Trustee and the Fiscal Agent agree that neither they nor

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any of their respective affiliates will acquire any Income Notes unless such acquisition would not, as determined by the Trustee or the Fiscal Agent, result in persons that have acquired Income Notes and represented that they are Benefit Plan Investors owning 25% or more of the total value of the outstanding Income Notes immediately after such acquisition by the Initial Purchaser, the Liquidation Agent, the Trustee or the Fiscal Agent. Income Notes held as principal by the Initial Purchaser, the Liquidation Agent, the Trustee, the Fiscal Agent, any of their respective affiliates and persons that have represented that they are Controlling Persons will be disregarded and will not be treated as outstanding for purposes of determining compliance with the 25% limitation to the extent that such a Controlling Person is not a Benefit Plan Investor. Any Benefit Plan Investor that acquires Income Notes (other than the Regulation S Income Notes) will be required to represent and agree (or, in the case of the Regulation S Income Notes, will be deemed to have represented and agreed) that the acquisition and holding of the Income Notes will not constitute a prohibited transaction under ERISA or Section 4975 of the Code, for which an exemption is not available. If any purchaser or transferee of Income Notes is an employee benefit plan subject to Similar Law, such purchaser or transferee will be deemed to have represented and warranted that its purchase and holding of the Income Notes will not constitute or result in a violation of any Similar Law for which an exemption is not available.

Any entity using Plan Assets to purchase Notes, including an insurance company using general account assets, may be asked (i) to identify the maximum percentage of the assets of such entity or general account that may be or become Plan Assets, (ii) whether it is a "Controlling Person" (defined above), and (iii) without limiting the remedies that may be available in the event that the maximum percentage is thereafter exceeded, to agree to notify the Issuer, and dispose of certain Notes as instructed by the Issuer, before the specified maximum percentage is exceeded.

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 Secured Notes and the Income Notes. Any such institution should consult its legal advisors in determining whether and to what extent there may be restrictions on its ability to invest in the Secured Notes and the Income Notes. Without limiting the foregoing, any financial institution that is subject to the jurisdiction of the Comptroller of Currency, the Board of Governors of the Federal Reserve System, 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 Secured Notes or the Income 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 Issuers or the Initial Purchaser make any representation as to the proper characterization of the Secured Notes or Income Notes for legal investment or other purposes, or as to the ability of particular investors to purchase the Secured Notes or Income Notes for legal investment or other purposes, or as to the ability of particular investors to purchase the Secured Notes or Income Notes under applicable investment restrictions. The Issuers understand that certain state insurance regulators, in response to a request for guidance, may be considering the characterization (as U.S. domestic or foreign (non-U.S.)) of certain collateralized debt obligation securities co-issued by a non-U.S. issuer and a U.S. co-issuer. There can be no assurance as to the nature of any guidance or other action that may result from such consideration. The uncertainties described above (and any unfavorable future determinations concerning legal investment or financial institution regulatory characteristics of the Secured Notes or Income Notes) may affect the liquidity of the Secured Notes or Income 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 advisors in determining whether and to what extent the Secured Notes or Income Notes are subject to investment, capital or other restrictions.

LEGAL MATTERS

Certain legal matters will be passed upon for the Issuer and the Initial Purchaser by Sidley Austin LLP. Certain matters with respect to Cayman Islands law will be passed upon for the Issuer by Maples and Calder, Grand Cayman, Cayman Islands.

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UNDERWRITING

The Offered Notes will be offered by Goldman, Sachs & Co. (the "Initial Purchaser"), from time to time at varying prices in negotiated transactions subject to prior sale, when, as and if issued. Subject to the terms and conditions set forth in the Purchase Agreement (the "Purchase Agreement") dated as of March 12, 2007 among Goldman, Sachs & Co. and the Issuers, the Issuers have agreed to sell to Goldman, Sachs & Co. and Goldman, Sachs & Co. has agreed to purchase all of the Secured Notes and the Income Notes.

Under the terms and conditions of the Purchase Agreement, the Initial Purchaser is committed to take and pay for all the Offered Notes to be offered by it, if any are taken. Furthermore, under the terms and conditions of the Purchase Agreement, the Initial Purchaser will be entitled to an underwriting discount on the Offered Notes purchased by it and a fixed structuring fee based upon the aggregate principal amount of the Notes.

The Offered Notes purchased from the Issuers by the Initial Purchaser will be offered by it from time to time for sale in negotiated transactions or otherwise at varying prices to be determined at the time of sale plus accrued interest, if any, from the Closing Date.

The Notes have not been and will not be registered under the Securities Act for offer or sale as part of their distribution and may not be offered or sold within the United States or to, or for the account or benefit of, a U.S. Person or a U.S. resident (as determined for purposes of the Investment Company Act, a "U.S. Resident") except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act.

The Issuers have been advised by (a) the Initial Purchaser that it proposes to resell the Offered Notes (a) outside the United States (in part, by Goldman, Sachs & Co., through its selling agent) in offshore transactions in reliance on Regulation S and in accordance with applicable law and (b) in the United States only to (1) Qualified Institutional Buyers in reliance on Rule 144A purchasing for their own accounts or for the accounts of Qualified Institutional Buyers or (2) in the case of the Income Notes only, Accredited Investors, which have a net worth of not less than U.S.$10 million, each of which purchasers or accounts is a Qualified Purchaser. The Initial Purchaser's discount will be the same for the Regulation S Notes and the Rule 144A Notes offered hereby and for the Income Notes within each Class of Notes.

The Initial Purchaser has acknowledged and agreed that it will not offer, sell or deliver any Regulation S Notes purchased by it to, or for the account or benefit of, any U.S. Person or U.S. Resident (as determined for purposes of the Investment Company Act) as part of its distribution at any time and that it will send to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells Regulation S Notes purchased by it a confirmation or other notice setting forth the prohibition on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, any U.S. Person or U.S. Resident.

With respect to the Notes initially sold pursuant to Regulation S, until the expiration of (x) forty (40) days after the commencement of the distribution of the offering of the Secured Notes by Goldman, Sachs & Co., with respect to offers or sales of the Secured Notes and (y) one year after the commencement of the distribution of the Income Notes, with respect to offers or sales of the Income Notes purchased by the Initial Purchaser, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

The Initial Purchaser has represented, warranted and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (as amended) ("FSMA") to persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 or in circumstances in which section 21 of the FSMA does not apply to the Issuer; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

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The Notes may not be offered or sold by means of any document other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, and no advertisement, invitation or document relating to the Notes may be issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation or subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Notes under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the Securities and Exchange Law) and the Initial Purchaser has agreed that it will not offer or sell any Notes, 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, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), the Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

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For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The Initial Purchaser has agreed that it has not made and will not make any invitation to the public in the Cayman Islands to purchase any of the Offered Notes.

Buyers of Regulation S Securities sold by the selling agent of Goldman, Sachs & Co. may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the purchase price.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Issuers or the Notes, in any jurisdiction where action for such purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

The Notes are a new issue of securities with no established trading market. The Issuers have been advised by Goldman, Sachs & Co. that it may make a market in the Notes it is offering but is not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Notes. There can be no assurance that any secondary market for any of the Notes will develop, or, if a secondary market does develop, that it will provide the Holders of the Notes with liquidity of investment or that it will continue for the life of the Notes.

Application may be made to the Irish Stock Exchange for the Notes to be admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. There can be no assurance that any such application will be made or that any such listing will be obtained.

The Issuers have agreed to indemnify the Initial Purchaser, the Liquidation Agent, the Administrator and the Trustee and their respective directors, officers, employees and agents against certain liabilities, including in the case of the Initial Purchaser, liabilities under the Securities Act, or to contribute to payments they may be required to make in respect thereof. In addition, the Issuers have made certain representations and warranties to the Initial Purchaser and have agreed to reimburse the Initial Purchaser for certain of its expenses.

The Initial Purchaser may, from time to time as principal or through one or more investment funds that it manages, make investments in the equity securities of one or more of the issuers of Reference Obligations and Collateral Securities with the result that one or more of such issuers may be or may become controlled by the Initial Purchaser.

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APPENDIX A

Certain Defined Terms

"Accounts" means collectively, the Interest Collection Account, the Payment Account, the Expense Reserve Account, the Collateral Account (including the Cash Collateral Account), the CDS Counterparty Collateral Account, the Amortization Shortfall Account and the Delivered Obligation Account.

"Actual Interest Amount" means with respect to any Reference Obligation Payment Date, payment by or on behalf of the Reference Entity of an amount in respect of interest due under the Reference Obligation (including, without limitation, any deferred interest or defaulted interest relating to the CDS Transaction but excluding payments in respect of prepayment penalties, yield maintenance provisions or principal, except that the Actual Interest Amount shall include any payment of principal representing capitalized interest) to the holder(s) of the Reference Obligation in respect of the Reference Obligation.

"Actual Principal Amount" means, with respect to the Final Amortization Date or the legal final maturity date of any Reference Obligation, the amount paid on such day by or on behalf of the Reference Entity in respect of principal (excluding any capitalized interest) to the holder(s) of the Reference Obligation in respect of the Reference Obligation.

"Actual Rating" means with respect to any Reference Obligation, Delivered Obligation or Eligible Investment, the actual expressly monitored outstanding public rating assigned by a Rating Agency without reference to any other rating by another Rating Agency, and which rating by its terms addresses the full scope of the payment promise of the obligor on such Reference Obligation, Delivered Obligation or Eligible Investment, after taking into account any applicable guarantee or insurance policy or if no such rating is available from a Rating Agency, any "credit estimate" or "shadow rating" assigned by such Rating Agency. For purposes of this definition, (i) the rating of "Aaa" assigned by Moody's to a Reference Obligation, Delivered Obligation or an Eligible Investment placed on watch for possible downgrade by Moody's will be deemed to have been downgraded by Moody's by one subcategory and any other rating assigned by Moody's to a Reference Obligation, Delivered Obligation or an Eligible Investment placed on watch for possible downgrade by Moody's will be deemed to have been downgraded by Moody's by two subcategories, (ii) the rating assigned by S&P to a Reference Obligation, Delivered Obligation or an Eligible Investment placed on watch for possible downgrade by S&P will be deemed to have been downgraded by S&P by one subcategory, (iii) the rating of "Aa1" assigned by Moody's to a Reference Obligation, Delivered Obligation or Eligible Investment placed on watch for possible upgrade by Moody's will be deemed to have been upgraded by Moody's by one subcategory and any other rating assigned by Moody's to a Reference Obligation, Delivered Obligation or an Eligible Investment placed on watch for possible upgrade by Moody's will be deemed to have been upgraded by Moody's by two subcategories and (iv) the rating assigned by S&P to a Reference Obligation, Delivered Obligation or Eligible Investment placed on watch for possible upgrade by S&P will be deemed to have been upgraded by S&P by one subcategory.

"Additional Floating Amount" means any Floating Amount described in clause (a), (b) or (c) of the definition of Floating Amounts.

"Adjusted Net Outstanding Portfolio Collateral Balance" means, on any Determination Date, the Net Outstanding Portfolio Collateral Balance reduced by the excess, if any, of (i) the product of (a) the Statistical Loss Amount and (b) the lesser of 1 and a fraction the numerator of which is U.S.$305,000,000 and the denominator of which is the Net Outstanding Portfolio Collateral Balance as of such Determination Date over (ii) the product of (a) U.S.$3,187,000 and (b) the lesser of 1 and a fraction the numerator of which is the Net Outstanding Portfolio Collateral Balance as of such Determination Date and denominator of which is U.S.$305,000,000.

"Administrative Expenses" means amounts (including indemnities) due or accrued with respect to any Payment Date and payable by the Issuer and/or the Co-Issuer to (i) the Trustee pursuant to the Indenture or any co-trustee appointed pursuant to the Indenture; (ii) the Administrator pursuant to the Administration Agreement; (iii) the independent accountants, agents (including the Note Agents under the Indenture, the Fiscal Agent and Income Notes Transfer Agent as defined under the Fiscal Agency Agreement and the Collateral Administrator under the Collateral Administration Agreement) and counsel of the Issuer for fees and expenses (including amounts payable in

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connection with the preparation of tax forms on behalf of the Issuers); (iv) the Liquidation Agent pursuant to the Liquidation Agency Agreement (other than the Liquidation Agent Fee); (v) the Rating Agencies for fees and expenses in connection with any rating or credit estimate (including the fees payable to the Rating Agencies for the monitoring of any rating or credit estimate) of the Notes, including fees and expenses, if any, due or accrued in connection with any rating of the Reference Obligations; (vi) any other person in respect of any governmental fee, charge or tax in relation to the Issuer or the Co-Issuer; (vii) to the liquidator(s) of the Issuer for the fees and expenses of liquidating the Issuer following the redemption of all of the Notes; (viii) the Irish Stock Exchange listing any Notes at the request of the Issuer; and (ix) any other person in respect of any other fees or expenses (including indemnities and fees relating to the provision of the Issuer's registered office) permitted under the Transaction Documents; *provided* that Administrative Expenses shall not include (a) any amounts due or accrued with respect to the actions taken on or in connection with the Closing Date, (b) amounts payable in respect of the Secured Notes and the Income Notes and (c) any Liquidation Agent Fee payable pursuant to the Liquidation Agency Agreement.

"Aggregate Amortization Amount" means, with respect to any Payment Date calculations, the excess, if any, of (i) the Maximum Principal Amount on such date over (ii) the sum of (a) the Aggregate Reference Obligation Notional Amount and (b) the par value of any Delivered Obligations, Eligible Investments and any such amounts on deposit in the Delivered Obligations Account, which amount will be drawn from the Collateral Account pursuant to the Amortization Liquidation Procedure and deposited in the Payment Account for distribution in accordance with the Priority of Payments on such Payment Date.

"Aggregate Calculation Amount of Defaulted Obligations and Deferred Interest PIK Bonds" means the least of (a) the Aggregate Moody's Recovery Value of all Defaulted Obligations and Deferred Interest PIK Bonds, (b) the Aggregate S&P Recovery Value of all Defaulted Obligations and Deferred Interest PIK Bonds, and (c) the aggregate of the Market Values of all Defaulted Obligations and Deferred Interest PIK Bonds.

"Aggregate Moody's Recovery Value" means, with respect to Defaulted Obligations and Deferred Interest PIK Bonds, the aggregate of (a) the Moody's Recovery Rate for each such asset multiplied by (b) the Principal Balance of such asset.

"Aggregate Outstanding Amount" means, with respect to any of the Secured Notes or Income Notes on any date of determination, the aggregate principal amount of such Secured Notes or Income Notes outstanding on such date.

"Aggregate Outstanding Portfolio Amount" means the sum of (i) the Aggregate Reference Obligation Notional Amount and (ii) the Principal Balance of the Delivered Obligations and any Eligible Investments in the Delivered Obligations Account.

"Aggregate S&P Recovery Value" means the sum of, with respect to each Defaulted Obligation and each Deferred Interest PIK Bond of the lesser of (a) the Market Value for such Defaulted Obligation or Deferred Interest PIK Bond, as applicable, and (b) the S&P Recovery Rate for such Defaulted Obligation or Deferred Interest PIK Bond multiplied by the Principal Balance of such Defaulted Obligation or Deferred Interest PIK Bond.

"Amortization Liquidation Procedure" means, in connection with the payment of any Aggregate Amortization Amount, (i) *first*, by applying each amount on deposit in the Collateral Account received as principal on the Collateral Securities and Eligible Investments and (ii) *second*, once any such cash on deposit in the Collateral Account has been reduced to zero, by liquidating Eligible Investments in the Collateral Account, in each case, up to the lesser of (a) such Aggregate Amortization Amount or (b) amounts available in the Collateral Account pursuant to subclause (i) above and, if necessary, (ii).

"Amortization Shortfall Amount" means, on any Payment Date where sufficient funds cannot be drawn from the Collateral Account pursuant to the Amortization Liquidation Procedure, the difference between the Aggregate Amortization Amount for such Payment Date and the amount available from the Collateral Account on such Payment Date pursuant to the Amortization Liquidation Procedure.

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"Applicable Percentage" means, on any day, a percentage equal to A divided by B, where "A" means the product of the Initial Face Amount (as such term is defined in the related CDS Transaction) and the Initial Factor (as such term is defined in the related CDS Transaction) as decreased on each Delivery Date by an amount equal to (a) the outstanding principal balance of Delivered Obligations delivered to the Issuer (as adjusted by the Relevant Amount, if any) divided by the Current Factor (as such term is defined in the related CDS Transaction) on such day multiplied by (b) the Initial Factor (as such term is defined in the related CDS Transaction) and where "B" means the product of the Original Principal Amount of the related Reference Obligation and the Initial Factor (as such term is defined in the related CDS Transaction); (a) as increased by the outstanding principal balance of any further issues by the Reference Entity that are fungible with and form part of the same legal series as the Reference Obligation; and (b) as decreased by any cancellations of some or all of the outstanding principal amount of the related Reference Obligation resulting from purchases of the Reference Obligation by or on behalf of the Reference Entity.

"Applicable Recovery Rate" means, with respect to any Reference Obligation or Collateral Asset on any Determination Date, the lesser of the Moody's Recovery Rate and the S&P Recovery Rate.

"Asset-Backed Securities" or "ABS Securities" means structured finance securities which have the benefit of a financial guarantee insurance policy, or surety bond or corporate guarantee insuring or guaranteeing the timely payment of interest or the ultimate payment of interest and the ultimate payment of principal.

"Auction Payment Date" means the Auction Date on which the Secured Notes and Income Notes are redeemed in connection with a successful Auction.

"Balance" means, on any date, with respect to cash, Collateral Securities, Delivered Obligations or Eligible Investments in any account, the aggregate of the (i) current balance of cash, demand deposits, time deposits, certificates of deposit and federal funds; (ii) principal amount of interest bearing corporate and government securities, money market accounts and repurchase obligations; and (iii) purchase price or accreted value (but not greater than the face amount) of non-interest bearing government and corporate securities and commercial paper.

"BIE Acceptance Notice" means a notice from the Trustee or the Income Notes Transfer Agent, as applicable, to an Originating Noteholder specifying (i) each BIE Collateral Security that will be substituted for an existing Collateral Security, (ii) each such Collateral Security to be substituted, (iii) the BIE Exercise Period, (iv) the BIE Transaction Cost and (v) account information of the Issuer for such Originating Noteholder to deliver such BIE Collateral Security to the Issuer and to present payment of the BIE Transaction Cost to the Issuer.

"BIE Collateral Security" means any security that any Holder of a Note proposes to substitute for part or all of an existing Collateral Security pursuant to the Indenture.

"BIE Consent Solicitation Notice" means a notice from the Trustee or the Fiscal Agent, as applicable, to each Holder of a Note, including the Originating Noteholder with a copy to the Credit Protection Buyer specifying (i) each proposed BIE Collateral Security and its par amount, (ii) each Collateral Security to be substituted and its par amount and (iii) the BIE Notification Date.

"BIE Exercise Period" means the period from and including the delivery of a BIE Acceptance Notice to but excluding the day that is three Business Days thereafter.

"BIE Notification Date" means the Business Day by which a Holder of a Note must respond to a BIE Consent Solicitation Notice, which date shall be 20 Business Days from the date of such BIE Consent Solicitation Notice.

"BIE Transaction Cost" means an amount, as determined pursuant to the Collateral Administration Agreement, by the Collateral Administrator, on behalf of the Issuer, equal to the aggregate amount of the expenses of the Issuer and the Trustee that would be incurred as a result of the proposed substitution of each BIE Collateral Security for part or all of an existing Collateral Security including the purchase price of any such BIE Collateral Security.

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"Board of Directors" means, with respect to the Issuer or the Co-Issuer, the directors of the Issuer or the Co-Issuer, as applicable, duly appointed by the shareholders or the directors of the Issuer or the Co-Issuer, as applicable.

"Calculation Amount" means, with respect to any Defaulted Obligation or Deferred Interest PIK Bond at any time, the lesser of (a) the Market Value of such Defaulted Obligation or Deferred Interest PIK Bond or (b) the Applicable Recovery Rate multiplied by the Principal Balance of such Defaulted Obligation or Deferred Interest PIK Bond. For purposes of determining the Calculation Amount, the Principal Balance of a Defaulted Obligation shall be deemed to be its outstanding principal amount or Reference Obligation Notional Amount, as applicable, and the Principal Balance of a Deferred Interest PIK Bond shall be deemed to be its outstanding principal amount or Reference Obligation Notional Amount, as applicable, without regard to any deferred or capitalized interest.

"Cash Proceeds" means, with respect to any Due Period, the amount on deposit or expected to be on deposit in the Payment Account on the related Payment Date (as calculated by the Trustee two Business Days prior to such Payment Date); without taking into account any Aggregate Amortization Amount or amounts calculated in relation thereto that may be available on such Payment Date.

"CDO RMBS Securities" means CDO Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such CDO Securities) on the cash flow from (and not the market value of) a portfolio of at least 80% by principal balance of RMBS Securities.

"CDO S Note Securities" means CDO Securities that, pursuant to the terms of the related Underlying Instruments, are senior to all other securities issued in the related transaction and are entitled to principal payments in accordance with a fixed payment schedule, which principal payments are paid by applying, *first*, interest proceeds available, and *second*, principal proceeds available.

"CDO Securities" means collateralized debt obligations (including, without limitation, any synthetic collateralized debt obligations or collateralized loan obligations) which may be categorized as CDO Structured Product Securities, CDO RMBS Securities, Collateralized Loan Securities and CDO Trust Preferred Securities.

"CDO Structured Product Securities" means CDO Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such CDO Securities) on the cash flow from a portfolio diversified among categories of Residential Mortgage-Backed Securities, Commercial Mortgage-Backed Securities, REIT Debt Securities, Asset-Backed Securities and CDO Securities or any combination of more than one of the foregoing or solely of CDO Securities (and which may include limited amounts of corporate securities), generally having the following characteristics: (i) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual debt securities depending on numerous factors specific to the particular issuers or obligors and upon whether, in the case of loans or securities bearing interest at a fixed rate, such loans or securities include an effective prepayment premium, and (ii) proceeds from such repayments can for a limited period and subject to compliance with certain eligibility criteria be reinvested in additional loans and/or debt securities.

"CDO Trust Preferred Securities" means CDO Securities that entitle the holder thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such CDO Securities) on the cash flow from a portfolio of trust preferred securities issued by bank, thrift, other depository institutions or trust subsidiaries.

"Class" means each class of Secured Notes having the same Stated Maturity and same alphabetical (but not necessarily numerical) designation of any of "S", "A", "B", "C", or "D" as a single class and the Income Notes as a single class.

"Class A Adjusted Overcollateralization Ratio" means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance divided by the Aggregate Outstanding Amount of the Class

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A Notes after giving effect to payments to be made on the succeeding Payment Date in accordance with the Priority of Payments.

"Class A Note Redemption Price" shall equal (i) in the case of the Class A-1a Notes, the Class A-1a Note Redemption Price, (ii) in the case of the Class A-1b Notes, Class A-1b Note Redemption Price and (iii) in the case of the Class A-2 Notes, the Class A-2 Note Redemption Price.

"Class A-1 Note Redemption Price" shall equal (i) in the case of the Class A-1a Notes, the Class A-1a Note Redemption Price and (ii) in the case of the Class A-1b Notes, the Class A-1b Note Redemption Price.

"Class A-1a Note Interest Rate" means, for each Interest Accrual Period, a per annum rate equal to LIBOR for such Interest Accrual Period plus 0.32%.

"Class A-1a Note Redemption Price" shall equal (i) the outstanding principal amount of the Class A-1a Notes *plus* (ii) accrued and unpaid interest thereon (including Defaulted Interest and interest on Defaulted Interest, if any) to but excluding the Redemption Date.

"Class A-1b Note Interest Rate" means, for each Interest Accrual Period, a per annum rate equal to LIBOR for such Interest Accrual Period plus 0.65%.

"Class A-1b Note Redemption Price" shall equal (i) the outstanding principal amount of the Class A-1b Notes *plus* (ii) accrued and unpaid interest thereon (including Defaulted Interest and interest on Defaulted Interest, if any) to but excluding the Redemption Date.

"Class A-2 Note Interest Rate" means, for each Interest Accrual Period, a per annum rate equal to LIBOR for such Interest Accrual Period plus 0.90%.

"Class A-2 Note Redemption Price" shall equal (i) the outstanding principal amount of the Class A-2 Notes *plus* (ii) accrued and unpaid interest thereon (including Defaulted Interest and interest on Defaulted Interest, if any) to but excluding the Redemption Date.

"Class B Adjusted Overcollateralization Ratio" means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance divided by the Aggregate Outstanding Amount of the Class A Notes and the Class B Notes, after giving effect to payments or reductions, as applicable to be made on the succeeding Payment Date in accordance with the Priority of Payments.

"Class B Note Interest Rate" means, for each Interest Accrual Period, a per annum rate equal to LIBOR for such Interest Accrual Period plus 1.75%.

"Class B Note Redemption Price" shall equal (i) the outstanding principal amount of the Class B Notes, *plus* (ii) accrued interest thereon (including Defaulted Interest and interest on Defaulted Interest, if any) to, but excluding, the Redemption Date.

"Class C Adjusted Overcollateralization Ratio" means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance *divided by* the Aggregate Outstanding Amount of the Class A Notes, the Class B Notes and the Class C Notes, after giving effect to payments or reductions, as applicable, to be made on the succeeding Payment Date in accordance with the Priority of Payments.

"Class C Note Interest Rate" means, for each Interest Accrual Period, a per annum rate equal to LIBOR for such Interest Accrual Period *plus* 5.50%.

"Class C Note Redemption Price" shall equal the sum of (i) the outstanding principal amount of the Class C Notes (including any Class C Deferred Interest) *plus* (ii) accrued interest thereon (including any Defaulted Interest and any interest on Defaulted Interest, if any) to but excluding the Redemption Date.

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"Class D Adjusted Overcollateralization Ratio" means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance *divided by* the Aggregate Outstanding Amount of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, after giving effect to payments or reductions, as applicable, to be made on the succeeding Payment Date in accordance with the Priority of Payments.

"Class D Note Interest Rate" means, for each Interest Accrual Period, a per annum rate equal to LIBOR for such Interest Accrual Period *plus* 4.00%.

"Class D Note Redemption Premium" means on each Payment Date commencing with the Payment date in July 2010, the product of (i) the Aggregate Outstanding Amount of the Class D Notes and (ii) the percentage corresponding to the related Payment Date according to the table below:

July 2010	1.10%
August 2010	1.01%
September 2010	0.92%
October 2010	0.83%
November 2010	0.73%
December 2010	0.64%
January 2011	0.55%
February 2011	0.46%
March 2011	0.37%
April 2011	0.28%
May 2011	0.18%
June 2011	0.09%
Each Payment Date after June 2011	0.00%

"Class D Note Redemption Price" shall equal the sum of (i) the outstanding principal amount of the Class D Notes (including any Class D Deferred Interest) *plus* (ii) accrued interest thereon (including any Defaulted Interest and any interest on Defaulted Interest, if any) to but excluding the Redemption Date *plus* (iii) the Class D Note Redemption Premium (if any).

"Class D Notes Amortizing Principal Amount" means an amount equal to the lesser of (a) with respect to the first Payment Date the excess, if any, of any Proceeds remaining after payment of all amounts payable under clauses (i) through (xvi) of the Priority of Payments and (b) the product of the remaining principal balance of the Class D Notes after giving effect to clauses (i) through (xvi) in the priority of payments, 5% per annum (calculated based upon a 360-day year and the actual number of days in each Interest Accrual Period) with respect to each Interest Accrual Period.

"Class S Note Redemption Price" means (i) the outstanding principal amount of the Class S Notes *plus* (ii) accrued and unpaid interest thereon (including Defaulted Interest and interest on Defaulted Interest, if any) to but excluding the Redemption Date.

"Class S Note Interest Rate" means, for each Interest Accrual Period, a per annum rate equal to LIBOR for such Interest Accrual Period plus 0.20%.

"Class S Notes Amortizing Principal Amount" means an amount equal to the lesser of (a) the sum of (i) with respect to the first Payment Date, U.S.$0 and with respect to each subsequent Payment Date, U.S.$34,583.33 and (ii) the aggregate amount of any Class S Notes Amortizing Principal Amounts that were due on any prior Payment Date and not paid on one or more prior Payment Dates, and (b) the remaining principal balance of the Class S Notes.

"Closing Date" means March 20, 2007.

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"CMBS Conduit Securities" means Commercial Mortgage Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Commercial Mortgage Backed Securities) on the cash flow from a pool of commercial mortgage loans.

"CMBS Credit Tenant Lease Securities" means Commercial Mortgage Backed Securities (other than CMBS Large Loan Securities and CMBS Conduit Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Commercial Mortgage Backed Securities) on the cash flow from a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties leased to corporate tenants (or on the cash flow from such leases).

"CMBS Large Loan Securities" means Commercial Mortgage Backed Securities (other than CMBS Conduit Securities and CMBS Credit Tenant Lease Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Commercial Mortgage Backed Securities) on the cash flow from a commercial mortgage loan or a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties. Generally, five or fewer commercial mortgage loans shall account for more than 20% of the aggregate principal balance of the entire pool of commercial mortgage loans supporting payments on the securities.

"CMBS Repackaging Securities" means a security that entitles the holders thereof to receive payments that depend on the cash flow from a portfolio of all (100%) CMBS Securities, REIT Debt Securities and other interests in commercial mortgage loans or similar commercial real estate interests

"Collateral Account Amount" means, the par amount of Eligible Investments, Collateral Securities, Principal Proceeds and principal payments received thereon on deposit in the Collateral Account; *provided, however*, that the Collateral Account Amount shall not include any Interest Proceeds.

"Collateral Administration Agreement" means the Collateral Administration Agreement, dated as of the Closing Date, between the Issuer and the Collateral Administrator, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

"Collateral Administrator" means LaSalle Bank National Association, or any successor Collateral Administrator under the Collateral Administration Agreement.

"Collateral Asset" means a Collateral Security, Eligible Investment or Delivered Obligation.

"Collateralized Loan Securities" means CDO Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from (and not the market value of) a portfolio of at least 80% by principal balance of commercial loans.

"Collateral Liquidation Procedure" means, where specified in connection with the payment of any amount, such amount shall be drawn from the Collateral Account (i) *first*, by applying cash amounts on deposit in the Collateral Account that were received as principal payments on the Collateral Securities and Eligible Investments, (ii) *second*, once the amount of such cash on deposit in the Collateral Account has been reduced to zero, by liquidating Eligible Investments in the Collateral Account and (iii) *third*, once the principal balance of Eligible Investments on deposit in the Collateral Account has been reduced to zero, by liquidating Collateral Securities on deposit in the Collateral Account; in each case, up to the lesser of (a) the amount specified for such payment and (b) the amount and principal balance available in the Collateral Account pursuant to subclause (i) and, to the extent necessary, subclause (ii), then subclause (iii).

"Collateral Securities" means securities or other collateral purchased by the Issuer meeting the Collateral Securities Eligibility Criteria using the proceeds of the Notes and from time to time using the principal payments thereon and securing the Issuer's obligations under the Credit Default Swap and the Indenture.

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"Collateral Securities Substitution Information Notice" means a notice from the Trustee or the Fiscal Agent, as applicable, to an Originating Noteholder notifying such Originating Noteholder of the BIE Transaction Cost relating to each proposed BIE Collateral Security.

"Collateral Securities Substitution Noteholder Refusal Notice" means a notice from the Trustee or the Fiscal Agent, as applicable, to an Originating Noteholder notifying such Originating Noteholder that the Holders of a Majority of a Class of Notes did not approve of one or more proposed BIE Collateral Securities by the BIE Notification Date.

"Collateral Securities Substitution Request Notice" means a notice from an Originating Noteholder to the Trustee or the Fiscal Agent, as applicable, (i) requesting the substitution of one or more BIE Collateral Securities for one or more existing Collateral Assets, (ii) identifying each Collateral Security and the par amount to be substituted, (iii) identifying each proposed BIE Collateral Security and the par amount and (iv) any other information that such Originating Noteholder deems relevant.

"Commercial Mortgage-Backed Securities" or "CMBS" means securities backed by obligations (including certificates of participation in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, nursing homes and senior living centers and shall include, without limitation, CMBS Conduit Securities, CMBS Credit Tenant Lease Securities, CMBS Large Loan Securities and CMBS Repackaging Securities.

"Controlling Class" will be the Class S Notes, the Class A-1a Notes, the Class A-1b Notes and the Class A-2 Notes (the Class S Notes, the Class A-1a Notes, the Class A-1b Notes and the Class A-2 Notes voting together as a single class), for so long as any Class S Notes or Class A Notes are outstanding; if no Class S Notes or Class A Notes are outstanding, then the Class B Notes, so long as any Class B Notes are outstanding; if no Class S Notes, Class A Notes or Class B Notes are outstanding, then the Class C Notes, so long as any Class C Notes are outstanding; and if no Class S Notes, Class A Notes, Class B Notes or Class C Notes are outstanding, then the Class D Notes, so long any Class D Notes are outstanding.

"Corporate Trust Office" means the principal corporate trust office of the Trustee, currently located at 181 W. Madison Street, Chicago, Illinois 60602, Attention: CDO Trust Services Group — Anderson Mezzanine Funding 2007-1, Ltd., or such other address as the Trustee may designate may designate from time to time by notice to the Noteholders, the Liquidation Agent and the Issuers or the principal corporate trust office of any successor Trustee.

"Credit Default Swap" means the credit default swap entered into by the Issuer, as Credit Protection Seller, and Goldman Sachs International, as Credit Protection Buyer, on the Closing Date, evidenced by an ISDA Master Agreement (Multicurrency Cross Border) and the Master Confirmations.

"Credit Default Swap Early Termination Date" has the meaning set forth in the Credit Default Swap.

"Credit Default Swap Termination Payment" means any termination or assignment payment required to be paid by the Issuer in the event of a termination or assignment of the Credit Default Swap. For the avoidance of doubt, no termination payments or assignment payments are required to be paid by the Issuer in the event of a termination or assignment of the Credit Default Swap in respect of which the Credit Protection Buyer is the "Defaulting Party" or the sole "Affected Party" (each as defined in the Credit Default Swap).

"Credit Protection Amounts" means Physical Settlement Amounts, Writedown Amounts, Principal Shortfall Amounts and Credit Default Swap Termination Payments (which, for the avoidance of doubt, will not include Defaulted Swap Termination Payments) payable by the Issuer to the Credit Protection Buyer.

"Credit Protection Buyer" means Goldman Sachs International and, if Goldman Sachs International is no longer the Credit Protection Buyer, any entity required to make payments on the Credit Default Swap pursuant to the terms of the Credit Default Swap or any guarantor thereof.

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"Default" means any Event of Default or any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

"Defaulted Obligation" means any Reference Obligation or Delivered Obligation with respect to which:

(i) there has occurred and is continuing for the lesser of three (3) Business Days and any applicable grace period, a default with respect to the payment of interest or principal on such Reference Obligation or Delivered Obligation in accordance with its terms; *provided* that, the Reference Obligation or Delivered Obligation shall not constitute a Defaulted Obligation if and when such default has been cured through the payment of all past due interest and principal or waived;

(ii) the Principal Balance of such Reference Obligation or Delivered Obligation has been written down;

(iii) the Trustee has received notice of any bankruptcy, insolvency or receivership proceeding has been initiated in connection with the issuer of such Reference Obligation or Delivered Obligation and is unstayed and undismissed; *provided*, that, if such proceeding is an involuntary proceeding, the condition of this clause (iii) will not be satisfied until the earliest of the following: (I) the issuer consents to such proceeding, (II) an order for relief under the United States Bankruptcy Code, or any similar order under a proceeding not taking place under the United States Bankruptcy Code, has been entered, and (III) such proceeding remains unstayed and undismissed for 60 days; or

(iv) such Reference Obligation or Delivered Obligation has an S&P Rating of "CC" or lower, "D" or "SD" or, if S&P withdraws its rating and the S&P Rating at the time of withdrawal is "CCC" or below or such Reference Obligation or Delivered Obligation has a Moody's Rating of "C" or lower or "Ca".

"Defaulted Swap Termination Payment" means any Credit Default Swap Termination Payment required by a bankruptcy court or receiver (in a proceeding at law or in equity) to be paid by the Issuer notwithstanding the terms of the Credit Default Swap in the event of a termination or assignment of the Credit Default Swap in respect of which the Credit Protection Buyer is the "Defaulting Party" or the sole "Affected Party" (each as defined in the Credit Default Swap).

"Deferred Interest PIK Bond" means a PIK Bond that (1) has an Actual Rating of "Baa3" or above by Moody's and makes payments less frequently than monthly and has deferred interest in an amount equal to the amount of interest that would accrue over the shorter of two payment periods or one year, or (2) has an Actual Rating of "Baa3" or above by Moody's and makes payments on a monthly basis and has deferred interest in an amount equal to the amount of interest that would accrue over the shorter of (i) one year and (ii) the longer of (A) the number of months between any two consecutive deferrals of interest and (B) six months or (3) has an Actual Rating of "Ba1" or below by Moody's and makes payments less frequently than monthly and has deferred interest in an amount equal to the amount of interest that would accrue over the shorter of one payment period or six months, or (4) has an Actual Rating of "Ba1" or below by Moody's and makes payments on a monthly basis and has deferred interest in an amount equal to the amount of interest that would accrue over three months; *provided* that such PIK Bond would no longer be a Deferred Interest PIK Bond once payment of interest has resumed and all capitalized or deferred interest has been paid in full in accordance with the underlying documents.

"Deliverable Obligation" means an obligation which, pursuant to the terms of the Credit Default Swap, may be delivered to the Credit Protection Seller as a result of a Credit Event.

"Delivered Obligation" means any Deliverable Obligation delivered to the Issuer pursuant to a Notice of Physical Settlement under the Credit Default Swap.

"Delivery Date" means the date on which a Deliverable Obligation is delivered to the Issuer pursuant to the Credit Default Swap.

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"Distribution Compliance Period" means, with respect to the Notes, the period that ends 40 days after the later of (i) the commencement of the offering of the Notes and (ii) the Closing Date.

"Double B Calculation Amount" means the sum of the products of (a) the Principal Balance of each Double B Rated Asset and (b) 90%.

"Double B Rated Asset" means any Collateral Asset or Reference Obligation with an Actual Rating or Implied Rating from S&P less than "BBB-" but with an Actual Rating greater than "B+" or with an Actual Rating or Implied Rating from Moody's less than "Baa3" but with an Actual Rating greater than "B1."

"Eligible Bidders" are (i) any institutions, which may include affiliates of the Initial Purchaser or the Liquidation Agent and Holders of the Secured Notes and the Income Notes, whose short-term unsecured debt obligations have a rating of at least "P 1" by Moody's or "A-1+" by S&P and (ii) the Liquidation Agent.

"Eligible Depositary" shall be a financial institution organized under the laws of the United States or any state thereof, authorized to accept deposits, having a combined capital and surplus of at least U.S.$200,000,000, and having (or if its obligations are guaranteed by its parent company, its parent having), a long term debt rating of at least "Baa1" by Moody's (and if rated "Baa1", such rating is not on watch for downgrade) and "AA-" by S&P and a short term debt rating of "P 1" by Moody's (and not on watch for downgrade) and at least "A-1+" by S&P.

"Eligible Investment" means any U.S. Dollar-denominated investment that, at the time it is delivered to the Trustee, is one or more of the following obligations or securities (including security entitlements with respect thereto): (i) direct Registered obligations of, and Registered obligations fully 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; (ii) demand and time deposits in, certificates of deposit of, or banker's acceptances issued by, any depository institution or trust company incorporated in the United States or any state thereof, which depository institution or trust company is subject to supervision and examination by federal or state authorities, with a maturity not in excess of 183 days; and with a credit rating by S&P of at least "A-1+" or at least "AA-", as applicable, a credit rating by Moody's of at least "P 1" or at least "Aa3" (and if rated "Aa3", not on watch for downgrade), as applicable, in the case of a maturity in excess of 30 days, or a credit rating by S&P of at least "A-1" and a credit rating by Moody's of at least "P 1" (and not on watch for downgrade) in the case of a maturity of less than 30 days; (iii) repurchase obligations with respect to (a) any security described in clause (i) above or (b) any other security issued or guaranteed by an agency or instrumentality of the United States, entered into with a depository institution or trust company described in clause (ii) above or entered into with a corporation whose long-term senior unsecured rating is at least "A1" (and if rated "A1", not on watch for downgrade) by Moody's and "AA-" by S&P and whose short-term credit rating is "P 1" (and not on watch for downgrade) by Moody's and "A-1" by S&P at the time of such investment, with a term not in excess of 91 days; (iv) Registered debt securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States or any state thereof that have a credit rating of at least "Aa3" (and if rated "Aa3", not on watch for downgrade) or "P 1" (and not on watch for downgrade) by Moody's and "AA-" or "A-1" by S&P; (v) commercial paper or other short-term obligations of a corporation, partnership, limited liability company or trust, or any branch or agency thereof located in the United States or any of its territories, such commercial paper or other short-term obligations having a credit rating of "P 1" (and not on watch for downgrade) by Moody's and "A-1" by S&P, and that are Registered and either are interest bearing or are sold at a discount from the face amount thereof and have a maturity of not more than 91 days from their date of issuance; and (vi) offshore money market funds which have a credit rating of not less than "Aaa/MR1+" by Moody's and "AAA" or "AAAm" or "AAAm-G" by S&P, *provided however*, that each rating in clauses (iii) through (vi) above by Moody's or S&P shall be an Actual Rating and *provided further*, that any such investment purchased on the basis of S&P's short-term rating of "A-1" shall mature no later than 30 days after the date of purchase and may not, other than overnight investments from LaSalle Bank National Association (so long as LaSalle Bank National Association (1) is the Trustee under the Indenture and (2) has a short-term rating from S&P of at least "A-1"), exceed 20% of the Aggregate Outstanding Amount of the Notes rated by S&P. Eligible Investments shall not include any RMBS, CMBS, any inverse floater, any security subject to withholding tax if owned by the Issuer, any security subject to an offer, any interest only security, any principal only security (other than treasury bills or commercial paper) or any security with a price in excess of 100% of par. Each such Eligible Investment shall mature no later than the second Business Day immediately preceding the Payment Date next following the Due Period in which the date of investment occurs, unless such Eligible Investment is issued by the

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institution acting as Securities Intermediary, in which event such Eligible Investment may mature on the Business Day preceding such Payment Date. Eligible Investments may include those investments with respect to which the Securities Intermediary, the Trustee, the Liquidation Agent or the Initial Purchaser or an affiliate of the Trustee, the Liquidation Agent or the Initial Purchaser provides services. As used in this definition, ratings may not include ratings with an "r", "p", "q", "pi" or "t" subscript.

"Exercise Amount" means the amount determined in connection with a Credit Event in accordance with the related CDS Transaction.

"Expected Fixed Payment" shall have the meaning set forth in the Credit Default Swap.

"Expected Interest Amount" means with respect to any Reference Obligation Payment Date, the amount of current interest that would accrue during the related Reference Obligation Calculation Period calculated using the Reference Obligation Coupon on a principal balance of the Reference Obligation equal to: (a) the outstanding principal amount taking into account any reductions due to a principal deficiency balance or realized loss amount (however described in the underlying instruments) that are attributable to the Reference Obligation; minus (b) the "Aggregate Implied Writedown Amount" (as such term is defined in the related CDS Transaction) (if any), and that will be payable on the related Reference Obligation Payment Date assuming for this purpose that sufficient funds are available therefor in accordance with the underlying instruments, calculated in accordance with the related CDS Transaction.

"Expected Principal Amount" means, with respect to the Final Amortization Date or the legal final maturity date of the related Reference Obligation, an amount equal to (i) the Outstanding Principal Amount of the Reference Obligation payable on such day (excluding capitalized interest) assuming for this purpose that sufficient funds are available for such payment, where such amount shall be determined in accordance with the underlying instruments, minus (ii) the sum of (A) the "Aggregate Implied Writedown Amount" (as such term is defined in the related CDS Transaction) (if any) and (B) the net aggregate principal deficiency balance or realized loss amounts (however described in the underlying instruments) that are attributable to the Reference Obligation. For purposes hereof, the Expected Principal Amount shall be determined without regard to the effect of any provisions (however described) of the underlying instruments that permit the limitation of due payments or distributions of funds in accordance with the terms of such Reference Obligation or that provide for the extinguishing or reduction of such payments or distributions.

"Final Amortization Date" means the first to occur of (i) the date on which the Reference Obligation Notional Amount is reduced to zero and (ii) the date on which the assets securing the Reference Obligation or designated to fund amounts due in respect of the Reference Obligation are liquidated, distributed or otherwise disposed of in full and the proceeds thereof are distributed or otherwise disposed of in full.

"Final Payment Date" means a Payment Date with respect to an Optional Redemption, a Payment Date in connection with the Stated Maturity, Tax Redemption, an Auction or redemption due to an Event of Default resulting in acceleration of the Secured Notes and liquidation of the Pledged Assets.

"Floating Amounts" means with respect to any CDS Transaction, an amount equal to the sum of (a) the relevant Writedown Amount (if any), (b) the relevant Principal Shortfall Amount (if any), (c) the relevant Interest Shortfall Payment Amount (if any) and (d) the relevant Physical Settlement Amount (if any).

"Floating Amount Event" means with respect to any CDS Transaction, the occurrence of a Writedown, a Failure to Pay Principal or an Interest Shortfall (as each such term is defined in the related CDS Transaction) with respect to the Reference Obligation thereunder.

"Holder" or "Noteholder" means, with respect to any Note the person in whose name such Note is registered, or, for purposes of voting, the granting of consents and other similar determinations under the Indenture or Fiscal Agency Agreement, as applicable, with respect to any Notes in global form, a beneficial owner thereof. "Secured Noteholder" means, with respect to any Secured Note, the Holder of such Secured Note.

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"Implied Rating" means, in the case of a rating on a Collateral Asset or Reference Obligation, a rating that is determined in accordance with the terms set forth for assets not rated by a particular Rating Agency by reference to any publicly available, fully monitored rating by another Rating Agency that, by its terms, addresses the full scope of the payment promise of the obligor.

"Income Notes Documents" means the resolutions of the Board of Directors of the Issuer authorizing the execution and delivery of the Indenture, the Memorandum and Articles of Association and the Fiscal Agency Agreement.

"Interest Proceeds" means, in respect of any Payment Date, all investment income received on the Collateral Securities and the Eligible Investments on deposit in the Collateral Account and the Fixed Amounts received from the Credit Protection Buyer under the Credit Default Swap in the related Due Period, which Interest Proceeds shall be deposited to the Interest Collection Account (and will not be included in the Collateral Account Amount).

"Interest Shortfall" means with respect to any Reference Obligation Payment Date and any Reference Obligation, either (a) the nonpayment of an Expected Interest Amount or (b) the payment of an Actual Interest Amount that is less than the Expected Interest Amount, as described in the related CDS Transaction.

"Interest Shortfall Amount" means with respect to any Reference Obligation Payment Date, an amount equal to the greater of: (a) zero; and (b) the amount equal to the product of: (i)(A) the Expected Interest Amount; minus (B) the Actual Interest Amount; and (ii) the Applicable Percentage.

"Interest Shortfall Cap" means the cap, if any on Interest Shortfalls as set forth in the related CDS Transaction.

"Interest Shortfall Cap Amount" means the amount of any Interest Shortfall Cap as set forth in the related CDS Transaction.

"Interest Shortfall Payment Amount" means in respect of an Interest Shortfall, the relevant Interest Shortfall Amount; *provided* that, if Interest Shortfall Cap is applicable and the Interest Shortfall Amount exceeds the Interest Shortfall Cap Amount, the Interest Shortfall Payment Amount in respect of such Interest Shortfall shall be the Interest Shortfall Cap Amount.

"Interest Shortfall Reimbursement" means with respect to any Reference Obligation Payment Date, the payment by or on behalf of the Reference Entity of an Actual Interest Amount in respect of the Reference Obligation that is greater than the Expected Interest Amount.

"Interest Shortfall Reimbursement Payment" means with respect to any Reference Obligation Payment Date, the product of (a) the amount of any Interest Shortfall Reimbursement on such day and (b) the Applicable Percentage.

"Interest Shortfall Reimbursement Payment Amount" means, (a) if Interest Shortfall Cap is not applicable, the relevant Interest Shortfall Reimbursement Amount, and (b) if Interest Shortfall Cap is applicable, the amount determined pursuant to the related CDS Transaction; *provided*, in either case, that the aggregate of all Interest Shortfall Reimbursement Payment Amounts (determined for this purpose on the basis that "Interest Shortfall Compounding" is not applicable) at any time shall not exceed the aggregate of Interest Shortfall Payment Amounts paid by the Issuer in respect of Interest Shortfalls occurring prior to the date of payment of any such Additional Fixed Amount.

"Issue" of a Collateral Asset or Reference Obligation means any such Collateral Asset or Reference Obligation issued by the same issuer, having the same terms and conditions (as to, among other things, coupon, maturity, security and subordination) and otherwise being fungible with one another.

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"Liquidation Proceeds" means, with respect to any Optional Redemption, Tax Redemption, Auction or the Final Payment Date, including, without duplication, (i) all proceeds from CDS Transactions, Collateral Securities, Eligible Investments and Delivered Obligations, terminated, assigned or otherwise disposed of in connection with such redemption and payable to the Issuer, including any termination or assignment payments or other amounts payable to the Issuer, (ii) cash on deposit in the Accounts, to the extent available therefor, including any amounts designated by the Credit Protection Buyer as retained for investment in Eligible Investments and Collateral Securities, in each case as determined by the Credit Protection Buyer, (iii) any termination payments or other amounts payable to the Issuer by the Credit Protection Buyer (net of any termination payments or other amounts payable by the Issuer to the Credit Protection Buyer) and (iv) any payments receivable by the Issuer from any assignee of a CDS Transaction (net of any payments payable by the Issuer to any assignee of a CDS Transaction), in each case as determined by the Liquidation Agent.

"Majority" means (i) with respect to any Class or Classes of Secured Notes, the Holders of more than 50% of the Aggregate Outstanding Amount of such Class or Classes of Secured Notes and (ii) with respect to the Income Notes, the Holders of more than 50% of the outstanding Income Notes, calculated on the basis of the Aggregate Outstanding Amount (or, if the Aggregate Outstanding Amount has been paid in full, based on the original Aggregate Outstanding Amount) of the Income Notes held by each Income Noteholder.

"Market Value" means, with respect to any Collateral Asset or Reference Obligation, (i) the average of three bona fide bids for such Collateral Asset or Reference Obligation obtained by the Liquidation Agent at such time from any three nationally recognized dealers, which dealers are independent from one another and from the Liquidation Agent, or (ii) if the Liquidation Agent is unable to obtain three such bids, the lesser of two bona fide bids for such Collateral Asset or Reference Obligation obtained by the Liquidation Agent at such time from any two nationally recognized dealers acceptable to the Liquidation Agent, which dealers are independent from one another and from the Liquidation Agent, or (iii) if the Liquidation Agent is unable to obtain two such bids, the price on such date provided to the Liquidation Agent by an independent pricing service reasonably selected by the Liquidation Agent, or (iv) in the event the Liquidation Agent cannot in good faith determine the market value of such Collateral Asset or Reference Obligation using commercially reasonable efforts to apply the methods specified in clauses (i) through (iii) above, the lesser of (a) the product of (1) the Principal Balance of such Collateral Asset or Reference Obligation and (2) the Applicable Recovery Rate and (b) the Market Value as determined in good faith by the Liquidation Agent using commercially reasonable efforts to apply its reasonable business judgment. If the method of determining Market Value is based solely on clause (v) above, such Market Value shall be considered zero after 30 days until such time as the Market Value for such Collateral Asset or Reference Obligation may be determined applying the methods specified in clauses (i) through (iv) above.

"Maximum Principal Amount" means, as of any date of determination, an amount equal to the Collateral Account Amount.

"Minimum Bid Amount" means an amount equal to the sum of (a) the Secured Note Redemption Price with respect to the Auction Payment Date, (b) unpaid amounts due under the CDS Transactions upon termination or assignment of the CDS Transactions, (c) accrued and unpaid Liquidation Agent Fees and (d) 101% of all unpaid expenses of the Issuer, less amounts on deposit in the Accounts which are available to redeem the Notes.

"Monthly Asset Amount" means, with respect to any Payment Date, the Aggregate Reference Obligation Notional Amount on the first day of the related Due Period.

"Moody's Rating" means the rating determined in accordance with the methodology described in the Indenture.

"Moody's Recovery Rate" means, with respect to a Collateral Asset or Reference Obligation, an amount equal to the percentage for such Collateral Asset or Reference Obligation set forth in the recovery rate assumptions for Moody's attached as Part I of Schedule C to the Indenture; *provided, however*, that (A) Defaulted Obligations which exceed 2.5% of the Aggregate Outstanding Portfolio Amount and have been defaulted for more than one year will be deemed to have a Moody's Recovery Rate of 0%, (B) Defaulted Obligations which exceed 1.00% of the Aggregate Outstanding Portfolio Amount and have been defaulted for more than 2 years shall be deemed to have a

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Moody's Recovery Rate of 0%; and (C) Defaulted Obligations which have been defaulted for more than 3 years shall be deemed to have a Moody's Recovery Rate of 0%.

"Net Outstanding Portfolio Collateral Balance" means, on any Determination Date, an amount equal to (i) the Aggregate Reference Obligation Notional Amount on such Determination Date *plus* the Principal Balance of all Delivered Obligations, *minus* (ii) the aggregate Principal Balance on such date of determination of all Delivered Obligations that are and all CDS Transactions that reference Reference Obligations that are: (A) Defaulted Obligations, (B) Deferred Interest PIK Bonds, (C) Double B Rated Assets, (D) Single B Rated Assets and (E) Triple C Rated Assets, *plus* (iii) the Aggregate Calculation Amount of Defaulted Obligations and Deferred Interest PIK Bonds, the Double B Calculation Amount, the Single B Calculation Amount and the Triple C Calculation Amount plus (iv) the Amortization Shortfall Amount as of such date of determination. For purposes of calculating the Net Outstanding Portfolio Collateral Balance, if a Reference Obligation or a Delivered Obligation could be classified in more than one of the categories set forth in clauses (A) through (E) above, such Reference Obligation or Delivered Obligation will not be discounted multiple times but will be treated in the applicable category that results in the largest discount thereof.

"Non-Call Period" means the period commencing on and including the Closing Date and ending on but excluding the Payment Date in July 2010.

"Note Interest Rates" means, collectively, the Class S Note Interest Rate, the Class A-1a Note Interest Rate, the Class A-1b Note Interest Rate, the Class A-2 Note Interest Rate, the Class B Note Interest Rate, the Class C Note Interest Rate and the Class D Note Interest Rate.

"Noteholder Communication Notice" means a notice from an Originating Noteholder to the Trustee or the Fiscal Agent, as applicable, the contents of which are to be delivered by the Trustee or the Fiscal Agent, as applicable to all other Holders of Notes in accordance with the Indenture or the Fiscal Agency Agreement, as applicable.

"Noteholder" means, with respect to any Note, the person in whose name such Note is registered, or, for purposes of voting, the granting of consents and other similar determinations under the Indenture, with respect to any Notes in global form, a beneficial owner thereof.

"Originating Noteholder" means with respect to (i) any Collateral Securities Substitution Request Notice, the Holder(s) of a Note submitting such Collateral Securities Substitution Request Notice and (ii) any Noteholder Communication Notice, the Holder(s)of a Note submitting such Noteholder Communication Notice.

"Outstanding" or "outstanding" means (i) with respect to each Class of Secured Notes, as of any date of determination, all of such Class of Secured Notes theretofore authenticated and delivered under the Indenture and registered in the Note Register as outstanding except:

(a) Notes theretofore canceled by the Note Registrar or delivered to the Note Registrar for cancellation;

(b) Notes or portions thereof for whose payment or redemption funds in the necessary amount have been theretofore irrevocably deposited with the Trustee or any Paying Agent in trust for the Holders of such Notes; *provided* that, if such Notes or portions thereof are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;

(c) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to the Indenture, unless proof satisfactory to the Trustee is presented that any such Notes are held by a Holder in due course;

(d) Notes alleged to have been mutilated, destroyed, lost or stolen for which replacement Notes have been issued as provided in the Indenture;

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(e) in connection with any waiver, (i) all Notes (if any) held by the Trustee and its affiliates if the relevant waiver relates to a Default or an Event of Default arising primarily from any act or omission of the Trustee and, (ii) all Notes (if any) held by the Liquidation Agent and its affiliates if the relevant waiver relates to a Default or an Event of Default arising primarily from any act or omission of the Liquidation Agent; and

(f) in connection with the termination of the Trustee or the Liquidation Agent, as applicable, (i) all Notes (if any) held by the Trustee and its affiliates if the termination relates to a Default or an Event of Default arising primarily from any act or omission of the Trustee and (ii) all Notes (if any) held by the Liquidation Agent and its affiliates if the relevant termination relates to a Default or an Event of Default arising primarily from any act or omission of the Liquidation Agent;

(ii) with respect to the Income Notes, as of any date of determination, all of the Income Notes issued pursuant to the Income Notes Documents and indicated in the Income Notes Register as Outstanding except in connection with the termination of the Trustee or the Liquidation Agent, as applicable:

(a) all Income Notes (if any) held by the Trustee and its affiliates if the termination relates to a Default or an Event of Default arising primarily from any act or omission of the Trustee, and

(b) all Income Notes (if any) held by the Liquidation Agent and its affiliates if the relevant termination relates to a Default or an Event of Default arising primarily from any act or omission of the Liquidation Agent and

provided that in determining whether the Holders of the requisite Aggregate Outstanding Amount of the Secured Notes or Income Notes have given any request, demand, authorization, direction, notice, consent or waiver, Secured Notes or Income Notes owned by the Issuer or the Co-Issuer or any other obligor upon the Secured Notes or Income Notes or any affiliate thereof shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Issuer and the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Secured Notes and Income Notes that the Issuer or Trustee knows to be so owned shall be so disregarded. Secured Notes or Income Notes so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Issuer and the Trustee the pledgee's right so to act with respect to such Secured Notes or Income Notes and that the pledgee is not the Issuer, the Co-Issuer, the Liquidation Agent or any other obligor upon the Secured Notes or Income Notes or any affiliate of the Issuer, the Co-Issuer, the Liquidation Agent or such other obligor.

"Outstanding Principal Amount" has the meaning set forth in the related CDS Transaction.

"Overcollateralization Ratios" means the Class A/B Overcollateralization Ratio, the Class C Overcollateralization Ratio and the Class D Overcollateralization Ratio.

"Overcollateralization Tests" means the Class A/B Overcollateralization Test, the Class C Overcollateralization Test and the Class D Overcollateralization Test.

"Payment Requirement" has the meaning set forth in the Credit Default Swap.

"PIK Bond" means a Reference Obligation or Delivered Obligation on which the deferral of interest does not constitute an event of default pursuant to the terms of the related underlying instruments (while any other senior debt obligation is outstanding if so provided by the related indenture or other underlying instruments).

"Principal Balance" means, with respect to any Reference Obligation, Collateral Security, Delivered Obligation or Eligible Investment, as of any date of determination, the Reference Obligation Notional Amount of such Reference Obligation and the outstanding principal amount of such Collateral Security, Delivered Obligation or Eligible Investment; subject to the following exceptions: (i) the Principal Balance of each Defaulted Obligation shall be deemed to be zero, except (A) for purposes of the calculation of the Coverage Tests, in which case, the Principal Balance of Defaulted Obligations shall equal their respective outstanding principal amount or Reference

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Obligation Notional Amount, as applicable (unless otherwise indicated in such tests), (B) for purposes of determining whether an Event of Default described in clause (vi) of the definition thereof has occurred, Defaulted Obligations shall be included at their Applicable Recovery Rate, (C) for purposes of calculating any trustee fees and the Liquidation Agent Fee, the Principal Balance of each Defaulted Obligation shall equal the Calculation Amount for such Defaulted Obligations and (D) as otherwise expressly indicated; (ii) the Principal Balance of any cash shall be the amount of such cash; (iii) the Principal Balance of any Delivered Obligation, any Collateral Securities and any Eligible Investments in which the Trustee does not have a perfected security interest shall be deemed to be zero; and (iv) the Principal Balance of any Reference Obligation, Collateral Security or Delivered Obligation that is an equity security shall be deemed to be zero.

"Principal Proceeds" means, with respect to any Due Period, the sum (without duplication) of: (i) all payments of interest and principal on, or liquidation proceeds of, the Delivered Obligations and Eligible Investments on deposit in the Delivered Obligations Account received in cash by the Issuer during such Due Period, (ii) any termination payments received from the Credit Protection Buyer during such Due Period and (iii) any Additional Fixed Amounts (excluding Interest Shortfall Reimbursement Payment Amounts) received from the Credit Protection Buyer during such Due Period; and (iv) any Amortization Proceeds on deposit in the Payment Account on the related Payment Date; *provided, however*, that Principal Proceeds shall not include any accrued interest or any funds from the Income Note Payment Account and all funds deposited in or credited thereto, transaction fees payable to the Issuer and its share capital on account of its ordinary shares held in its account in the Cayman Islands.

"Principal Shortfall Amount" means, in respect of a Failure to Pay Principal, an amount equal to the greater of: (i) zero; and (ii) the amount equal to the product of: (A) the Expected Principal Amount minus the Actual Principal Amount; (B) the Applicable Percentage; and (C) the Reference Price. For purposes hereof, if the Principal Shortfall Amount would be greater than the Reference Obligation Notional Amount immediately prior to the occurrence of such Failure to Pay Principal, then the Principal Shortfall Amount shall be deemed to be equal to the Reference Obligation Notional Amount at such time.

"Principal Shortfall Reimbursement" means, with respect to any day, the payment by or on behalf of the Reference Entity of an amount in respect of the Reference Obligation in or toward the satisfaction of any deferral of or failure to pay principal arising from one or more prior occurrences of a Failure to Pay Principal.

"Principal Shortfall Reimbursement Payment" means, with respect to any day, the product of (i) the amount of any Principal Shortfall Reimbursement on such day, (ii) the Applicable Percentage and (iii) the Reference Price.

"Principal Shortfall Reimbursement Payment Amount" means, as of any date of determination, the sum of the Principal Shortfall Reimbursement Amounts in respect of all Principal Shortfall Reimbursements (if any) made during the Reference Obligation Calculation Period relating to such date, provided that the aggregate of all Principal Shortfall Reimbursement Payment Amounts at any time shall not exceed the aggregate of all Floating Amounts paid by the Issuer in respect of occurrences of Failure to Pay Principal prior to such date.

"Proceeds" means, with respect to any Due Period, without duplication, (i) all Amortization Proceeds with respect to the related Payment Date, (ii) all Interest Proceeds with respect to the related Payment Date and (iii) any amounts to be released or withdrawn on the related Payment Date from the Expense Reserve Account for deposit to the Payment Account.

"Quarterly Payment Date" means the 12th day of every January, April, July and October or if any such date is not a Business Day, the immediately following Business Day, commencing on July 12, 2007.

"Rating Agency Condition" means, with respect to any action taken or to be taken under the Transaction Documents, a condition that is satisfied when each Rating Agency has confirmed in writing to the Issuer and the Trustee that such action will not result in the immediate withdrawal, reduction or other adverse action with respect to any then-current rating of any Class of Notes.

"Record Date" means, (i) with respect to any Payment Date and any Notes issued in book-entry form, the close of business on the Business Day prior to such Payment Date and (ii) with respect to any Payment Date and any

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Notes issued in definitive form, the tenth day prior to such Payment Date (or, if such day is not a Business Day, the next succeeding Business Day).

"Redemption Date" means any Optional Redemption Date, Tax Redemption Date or Auction Payment Date.

"Reference Entity" means the issuer of a Reference Obligation.

"Reference Obligation" means a Residential Mortgage-Backed Security referenced under the Credit Default Swap.

"Reference Obligor" means the obligor on a Reference Obligation.

"Reference Obligation Calculation Period" means, with respect to each Reference Obligation Payment Date, a period corresponding to the interest accrual period relating to such Reference Obligation Payment Date pursuant to its underlying instruments. For the avoidance of doubt, the first Reference Obligation Calculation Period will begin on the Reference Obligation Payment Date falling on or immediately prior to the Closing Date.

"Reference Obligation Coupon" means the periodic interest rate applied in relation to each Reference Obligation Calculation Period on the related Reference Obligation Payment Date, as determined in accordance with the terms of the underlying instruments as at the Closing Date, without regard to any subsequent amendment.

"Reference Obligation Notional Amount" means, with respect to each CDS Transaction, the notional amount specified therein as reduced or increased pursuant to the terms of such CDS Transaction.

"Reference Obligation Payment Date" means (i) each scheduled distribution date for a Reference Obligation occurring on or after the Closing Date and on or prior to the scheduled termination date of the related CDS Transaction, determined in accordance with the underlying instruments and (ii) any day after the effective maturity date on which a payment is made in respect of such Reference Obligation.

"Reference Obligation Principal Amortization Amount" means, with respect to any Reference Obligation Payment Date, an amount equal to the product of (i) the amount of any Reference Obligation Principal Payment on such date and (ii) the Applicable Percentage.

"Reference Obligation Principal Payment" means, with respect to any Reference Obligation Payment Date, the occurrence of a payment of an amount to the holders of the Reference Obligation in respect of principal (scheduled or unscheduled) in respect of the Reference Obligation other than a payment in respect of principal representing capitalized interest, excluding, for the avoidance of doubt, any Writedown Reimbursement or Interest Shortfall Reimbursement.

"Reference Price" means the reference price (expressed as a percentage) specified in the related CDS Transaction.

"Registered" means, with respect to any debt obligation or debt security, a debt obligation or debt security that is issued after July 18, 1984, and that is in registered form within the meaning of Section 881(c)(2)(B)(i) of the Code and the Treasury regulations promulgated thereunder.

"REIT Debt Security" means a security issued by publicly held real estate investment trusts (as defined in Section 856 of the Code or any successor provision).

"Relevant Amount" means with respect to any Reference Obligation, if a servicer report that describes a Reference Obligation Principal Payment, Writedown or Writedown Reimbursement (other than a Writedown Reimbursement within paragraph (i) of "Writedown Reimbursement"), in each case that has the effect of decreasing or increasing the interest-accruing principal balance of such Reference Obligation as of a date prior to a Delivery Date but such servicer report is delivered to holders of such Reference Obligation or to the calculation agent under

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the related CDS Transaction on or after the related Delivery Date, an amount equal to the product of (i) the sum of any such Reference Obligation Principal Payment (expressed as a positive amount), Writedown (expressed as a positive amount) or Writedown Reimbursement (expressed as a negative amount), as applicable; (ii) the Reference Price; (iii) the Applicable Percentage immediately prior to such Delivery Date; and (iv) the Exercise Percentage (as defined in the related CDS Transaction).

"Residential Mortgage-Backed Securities", "RMBS Securities" or "RMBS" means securities that represent interests in pools of residential mortgage loans secured by 1 to 4 family residential mortgage loans and shall include, without limitation, RMBS Prime Mortgage Securities, RMBS Midprime Mortgage Securities and RMBS Subprime Mortgage Securities.

"RMBS Midprime Mortgage Securities" means Residential Mortgage-Backed Securities (other than RMBS Subprime Mortgage Securities and RMBS Prime Mortgage Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Residential Mortgage-Backed Securities) on the cash flow from midprime residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by 1- to 4-family residential real estate, the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used). At issuance, the loans in the portfolio underlying each such RMBS Midprime Mortgage Security will have a weighted average FICO Score greater than 625, but less than 700.

"RMBS Prime Mortgage Securities" means Residential Mortgage-Backed Securities (other than RMBS Subprime Mortgage Securities and RMBS Midprime Mortgage Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Residential Mortgage-Backed Securities) on the cash flow from prime residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by 1- to 4-family residential real estate, the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used). At issuance, the loans in the portfolio underlying each such RMBS Prime Mortgage Security will have a weighted average FICO Score of at least 700.

"RMBS Subprime Mortgage Securities" means Residential Mortgage-Backed Securities (other than RMBS Prime Mortgage Securities and RMBS Midprime Mortgage Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Residential Mortgage-Backed Securities) on the cash flow from subprime residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by 1- to 4-family residential real estate, the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used). At issuance, the loans in the portfolio underlying RMBS Subprime Mortgage Security will have a weighted average FICO Score of 625 or below.

"S&P Rating" means the rating determined in accordance with the methodology described in the Indenture.

"S&P Recovery Rate" means, with respect to a Collateral Asset or Reference Obligation, on any Determination Date, an amount equal to the percentage for such Collateral Asset or Reference Obligation set forth in the S&P Recovery Rate Matrix attached as a schedule to the Indenture (determined in accordance with procedures prescribed by S&P for such Credit Default Swap, Reference Obligation or Delivered Obligation on the date of its purchase by the Issuer or, in the case of a Defaulted Obligation, the S&P Rating immediately prior to default).

"Sale Proceeds" means all amounts representing Proceeds (including accrued interest) from the sale, assignment, termination or other disposition of any CDS Transaction, Collateral Securities, Delivered Obligation or Eligible Investment received during such Due Period, net of any reasonable amounts expended by the Liquidation Agent or the Trustee in connection with such sale or other disposition.

"Secured Note Redemption Price" means the Class S Note Redemption Price, the Class A-1a Note Redemption Price, the Class A-1b Note Redemption Price, the Class A-2 Note Redemption Price, the Class B Note Redemption Price, the Class C Note Redemption Price and the Class D Note Redemption Price, as applicable.

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"Servicer" means, with respect to any Issue of Reference Obligation or Collateral Asset, the entity that, absent any default, event of default or similar condition (however described), is primarily responsible for monitoring and otherwise administering the cash flows from which payments to investors in such Reference Obligation or Collateral Asset are made.

"Single B Calculation Amount" means the sum of the products of (a) the Principal Balance of each Single B Rated Asset and (b) 70%.

"Single B Rated Asset" means any Collateral Asset or Reference Obligation, that is not a Triple C Rated Asset, with an Actual Rating from S&P less than "BB-" or with an Actual Rating from Moody's less than "Ba3."

"Statistical Loss Amount" means, as of any Determination Date, the sum of, for each Reference Obligation and Collateral Asset, the product of (i) the Principal Balance of such Reference Obligation or Collateral Asset and (ii) the Moody's "Idealized" Cumulative Expected Loss Rate as set forth in the Indenture for such Reference Obligation and Collateral Asset. For purposes of the calculation of the Statistical Loss Amount on any Determination Date with respect to Single B Rated Assets, Deferred Interest PIK Bonds, Double B Rated Assets, Triple C Rated Assets, Defaulted Obligations and the principal amount of any Reference Obligations and Collateral Assets expected to be paid in full after the July 12, 2042 Payment Date, the principal amount thereof expected to be paid after the Payment Date related to such Determination Date shall be excluded.

"Step-Down Bond" means a security which by the terms of the related underlying instrument provides for a decrease, in the case of a fixed rate security, in the per annum interest rate on such security or, in the case of a floating rate security, in the spread over the applicable index or benchmark rate, solely as a function of the passage of time; *provided* that a Step-Down Bond shall not include any such security providing for payment of a constant rate of interest at all times after the date of calculation.

"Super Majority" means with respect to any Class of Notes, the Holders of more than 66-2/3% of the Aggregate Outstanding Amount of such Class of Notes.

"Tax Event" means (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 representing in excess of 3% of the aggregate premium and interest due and payable on the Credit Default Swap and Pledged Assets during the Due Period in which such event occurs as a result of the imposition of U.S. or other withholding tax 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) the adoption of, or 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 taxation of the Issuer's net income in an amount equal to 3% or more of the net income of the Issuer during any Due Period in which such event occurs.

"Total Redemption Amount" means the sum of (a) all amounts due as of the Redemption Date pursuant to clauses (i), (ii), (iii), (iv), (v), (xv) and (xvi) of the Priority of Payments and (b) the Secured Note Redemption Prices.

"Treasury" means the United States Department of the Treasury.

"Triple C Calculation Amount" means the sum of the products of (a) the Principal Balance of each Triple C Rated Asset and (b) 50%.

"Triple C Rated Asset" means any Collateral Asset or Reference Obligation (other than a Defaulted Obligation) with an Actual Rating from S&P of less than "B-" or with an Actual Rating from Moody's of less than "B3."

"Writedown Amount" means, with respect to any day, the product of (i) the amount of any Writedown on such day, (ii) the Applicable Percentage and (iii) the Reference Price.

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"Writedown Reimbursement" means, with respect to any day, the occurrence of: (i) a payment by or on behalf of the Reference Entity of an amount in respect of the Reference Obligation in reduction of any prior Writedowns; (ii)(A) an increase by or on behalf of the Reference Entity of the Outstanding Principal Amount of the Reference Obligation to reflect the reversal of any prior Writedowns; or (B) a decrease in the principal deficiency balance or realized loss amounts (however described in the underlying instruments) attributable to the Reference Obligation; or (iii) if "Implied Writedown" (as defined in the related CDS Transaction) is applicable and the underlying instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (ii) above to occur in respect of the Reference Obligation, an "Implied Writedown Reimbursement Amount" (as defined in the related CDS Transaction) being determined in respect of the Reference Obligation by the calculation agent thereunder.

"Writedown Reimbursement Amount" means, with respect to any day, an amount equal to the product of: (i) the sum of all Writedown Reimbursements on that day; (ii) the Applicable Percentage; and (iii) the Reference Price.

"Writedown Reimbursement Payment Amount" means, with respect to any date of determination, the sum of the Writedown Reimbursement Amounts in respect of all Writedown Reimbursements (if any) made during the Reference Obligation Calculation Period relating to such date, provided that the aggregate of all Writedown Reimbursement Payment Amounts at any time shall not exceed the aggregate of all Floating Amounts paid by the Issuer in respect of Writedowns occurring prior to such date.

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APPENDIX B

Reference Portfolio

CDO Reference Obligations



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CUSIP	Name	Asset Type	Moody's	Moody's Notch	S&P	S&P Notch	Fitch	Avg Life	Collateral Manager
92534FAE8	VRGO 2006-1A B1	CDO RMBS	Baa1	Baa1	BBB+	BBB+	-	6.6	Vertical Capital LLC

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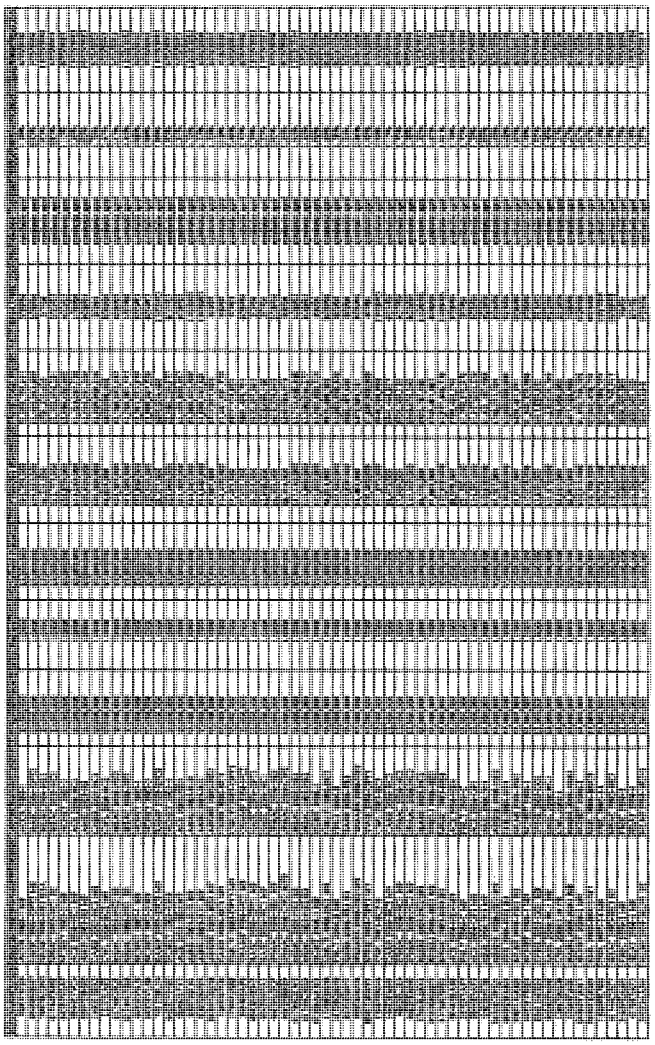
RMBS Reference Obligations



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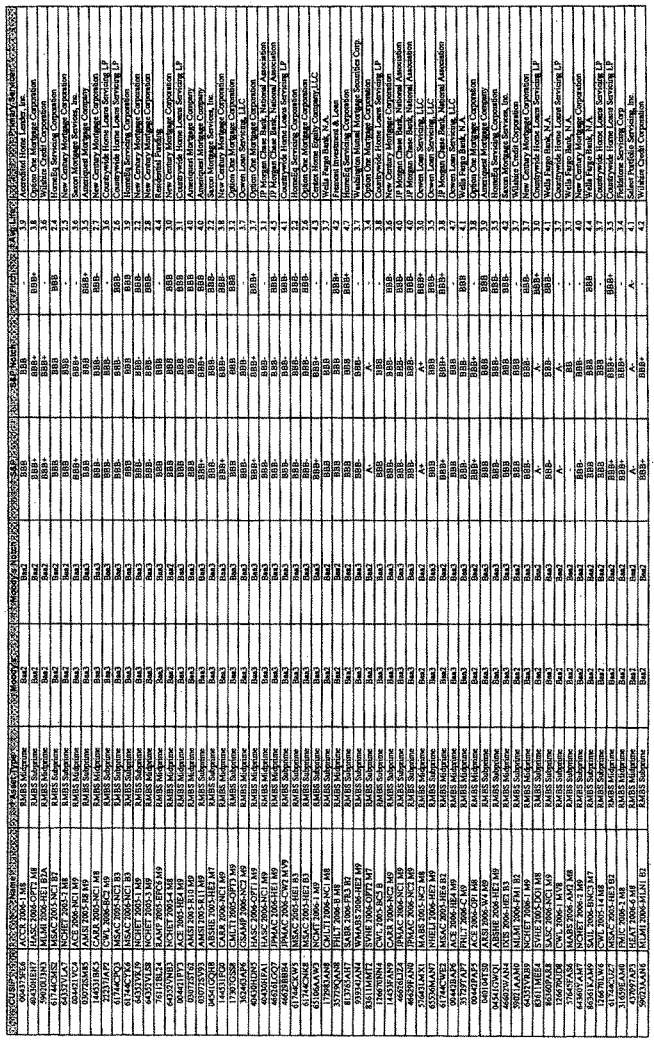

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ANNEX A-1

FORM OF INCOME NOTES PURCHASE AND TRANSFER LETTER

LaSalle Bank National Association
181 W. Madison Street, 32nd Floor
Chicago, Illinois 60602
Attention: CDO Trust Services Group - Anderson Mezzanine Funding 2007-1, Ltd.

Re: Anderson Mezzanine Funding 2007-1, Ltd.
Income Notes

Dear Sirs:

Reference is hereby made to the Income Notes due 2042 (the "Income Notes") issued by Anderson Mezzanine Funding 2007-1, Ltd. (the "Issuer"), described in the Issuer's Offering Circular dated March 16, 2007 ("Offering Circular") to be purchased and held by us in definitive certificated form. We (the "Purchaser") are purchasing U.S. $[ ] principal amount of Income Notes (the "Purchaser's Income Notes"). Terms defined or referenced in the Offering Circular and not otherwise defined or referenced herein shall have the meanings set forth in the Offering Circular.

The Purchaser hereby represents, warrants and covenants for the benefit of the Issuer that:

(a) (i) The Purchaser is (check one) (x) __ a qualified institutional buyer (as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act")) (a "Qualified Institutional Buyer") (y) __ an "accredited investor" (as defined in Rule 501(a) under the Securities Act) (an "Accredited Investor") who has a net worth of not less than U.S.$10 million that is purchasing the Income Notes for its own account; (ii) The Purchaser is a "qualified purchaser" for the purposes of Section 3(c)(7) of the Investment Company Act of 1940, as amended (the "Investment Company Act") (a "Qualified Purchaser"); (iii) The Purchaser, in the case of clause (y) above, is not acquiring the Income Notes with a view to any resale or distribution thereof, other than in accordance with the restrictions set forth below; (iv) The Purchaser is aware that the sale of the Purchaser's Income Notes to the Purchaser is being made in reliance on an exemption from registration under the Securities Act; (v) With respect to any transferee, the Purchaser also understands that, in conjunction with any transfer of the Purchaser's ownership of any Purchaser's Income Notes purchased hereunder, it will not transfer or cause the transfer of such Purchaser's Income Notes without obtaining from the transferee a certificate substantially in the form of this Income Note Purchase and Transfer Letter; (vi) The Purchaser will provide notice of the transfer restrictions described to any subsequent transferees.

(b) The Purchaser is purchasing the Purchaser's Income Notes in an amount equal to or exceeding the minimum permitted number thereof for its own account (or, if the Purchaser is a Qualified Institutional Buyer, for the account of another Qualified Institutional Buyer with respect to which the Purchaser exercises sole investment discretion) for investment purposes only and not for sale in connection with any distribution thereof, but nevertheless subject to the understanding that the disposition of its property shall at all times be and remain within its control (subject to the restrictions set forth in the Offering Circular, the certificate in respect of the Purchaser's Income Notes and the Fiscal Agency Agreement).

(c) The Purchaser understands that the Purchaser's Income Notes have not been and will not be registered or qualified under the Securities Act or any applicable state securities laws or the securities laws of any other jurisdiction and are being offered only in a transaction not involving any public offering within the meaning of the Securities Act, are being offered only in a transaction not involving any public offering, and may be reoffered, resold or pledged or otherwise transferred only in accordance with the restrictions on transfer set forth herein and in the Fiscal Agency Agreement. The Purchaser understands and agrees that any purported transfer of Income Notes to a purchaser that does not comply with the requirements herein will not be permitted or registered by the Income Notes Transfer Agent. The Purchaser further understands that the Issuer has the right to compel any beneficial owner of Income Notes that is a U.S. Person and is not

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(a) either a Qualified Institutional Buyer or an Accredited Investor with a net worth of U.S.$10 million or more and (b) a Qualified Purchaser, to sell its interest in such Income Notes, or the Issuer may sell such Income Notes on behalf of such owner.

(d) If the Purchaser or any account for which the Purchaser is purchasing the Purchaser's Income Notes is a U.S. Person (as defined in Regulation S under the Securities Act) the following representations shall be true and correct: The Purchaser (or if the Purchaser is acquiring the Purchaser's Income Notes for any account, each such account) is acquiring the Purchaser's Income Notes as principal for its own account for investment and not for sale in connection with any distribution thereof. The Purchaser and each such account: (a) was not formed for the specific purpose of investing in the Income Notes (except when each beneficial owner of the Purchaser and each such account is a Qualified Purchaser), (b) to the extent the Purchaser is a private investment company formed before April 30, 1996, the Purchaser has received the necessary consent from its beneficial owners, (c) is not a pension, profit sharing or other retirement trust fund or plan in which the partners, beneficiaries or participants, as applicable, may designate the particular investments to be made; and (d) is not a broker-dealer that owns and invests on a discretionary basis less than U.S.$25,000,000 in securities of unaffiliated issuers. Further, the Purchaser agrees: (i) that neither it nor such account shall hold the Purchaser's Income Notes for the benefit of any other person and such purchaser of such account shall be the sole beneficial owner thereof for all purposes; and (ii) that neither it nor such account shall sell participation interests in the Purchaser's 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 Purchaser's Income Notes. The Purchaser understands and agrees that any purported transfer of the Purchaser's Income Notes to a Purchaser that does not comply with the requirements of this clause (d) will not be permitted or registered by the Income Notes Transfer Agent.

(e) In connection with the purchase of the Purchaser's Income Notes: (i) none of the Issuers, the Initial Purchaser, the Liquidation Agent, the Administrator or the Fiscal Agent, is acting as a fiduciary or financial or investment adviser for the Purchaser; (ii) the Purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuers, the Initial Purchaser, the Liquidation Agent, the Administrator or the Fiscal Agent other than in the Offering Circular and any representations expressly set forth in a written agreement with such party; (iii) none of the Issuers, the Initial Purchaser, the Liquidation Agent, the Administrator or the Fiscal Agent has given to the Purchaser (directly or indirectly through any other person) any assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment in the Purchaser's Income Notes; (iv) the Purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture and the Fiscal Agency Agreement) 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 Issuers, the Initial Purchaser, the Liquidation Agent, the Administrator or the Fiscal Agent; (v) the Purchaser has evaluated the rates, prices or amounts and other terms and conditions of the purchase and sale of the Purchaser's Income Notes with a full understanding of all of the risks thereof (economic and otherwise), and it is capable of assuming and willing to assume (financially and otherwise) those risks; and (vi) the Purchaser is a sophisticated investor.

(f) The certificates in respect of the Income Notes (other than the Regulation S Income Notes) will bear a legend to the following effect unless the Issuer determines otherwise in compliance with the Fiscal Agency Agreement and applicable law:

> THE INCOME NOTES ARE THE SUBJECT OF, AND ARE ISSUED SUBJECT TO THE CONDITIONS OF, THE FISCAL AGENCY AGREEMENT, DATED ON OR ABOUT MARCH 20, 2007 (THE "FISCAL AGENCY AGREEMENT") BY AND BETWEEN THE ISSUER OF THE INCOME NOTES AND LASALLE BANK NATIONAL ASSOCIATION, AS FISCAL AGENT. COPIES OF THE FISCAL AGENCY AGREEMENT MAY BE OBTAINED FROM THE FISCAL AGENT.

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THE INCOME NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE INCOME NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH INCOME NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND, IN THE CASE OF CLAUSE (1) AND (2) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $250,000 OR IN THE CASE OF CLAUSE (3) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000. FURTHERMORE THE PURCHASER AND EACH ACCOUNT FOR WHICH IT IS ACTING AS A PURCHASER, OTHER THAN IN THE CASE OF CLAUSE (A)(3) ABOVE, REPRESENTS FOR THE BENEFIT OF THE ISSUER THAT IT (V) IS A QUALIFIED PURCHASER FOR THE PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN EACH CASE IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY PURPORTED TRANSFER IN VIOLATION OF THE FOREGOING WILL NOT BE PERMITTED OR REGISTERED BY THE INCOME NOTES TRANSFER AGENT. EACH TRANSFEROR OF THE INCOME NOTES WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE FISCAL AGENCY AGREEMENT TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER HAS THE RIGHT TO COMPEL ANY BENEFICIAL OWNER OF AN INCOME NOTE THAT IS A U.S. PERSON AND IS NOT (A) A QUALIFIED PURCHASER AND (B) EITHER A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION TO SELL SUCH INCOME NOTES, OR MAY SELL SUCH INCOME NOTES ON BEHALF OF SUCH OWNER.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(1) OR (A)(2) OF THE PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL (1) BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE INCOME NOTES TRANSFER AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS (X) 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, OR (Y) AN ACCREDITED INVESTOR (AS

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DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION AND (Z) A QUALIFIED PURCHASER FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT AND (2) RECEIVE ONE OR MORE DEFINITIVE INCOME NOTES.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(3) OF THE SECOND PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL BE REQUIRED TO DELIVER TO THE ISSUER AND THE INCOME NOTES TRANSFER AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S).

WITH RESPECT TO THE INCOME NOTES PURCHASED OR TRANSFERRED ON OR AFTER THE CLOSING DATE, THE PURCHASER OR TRANSFEREE MUST DISCLOSE IN WRITING IN ADVANCE TO THE FISCAL AGENT (i) WHETHER OR NOT IT IS (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN AND SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (B) A "PLAN" DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF AN EMPLOYEE BENEFIT PLAN'S OR OTHER PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); (ii) IF THE PURCHASER OR TRANSFEREE IS A BENEFIT PLAN INVESTOR (OR ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW")), THAT THE PURCHASE AND HOLDING OR TRANSFER AND HOLDING OF INCOME NOTES DO NOT AND WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO SIMILAR LAW, ANY SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE; AND (iii) WHETHER OR NOT IT IS A PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. IF A PURCHASER IS AN INSURANCE COMPANY ACTING ON BEHALF OF ITS GENERAL ACCOUNT OR OTHER ENTITY DEEMED TO BE HOLDING PLAN ASSETS, IT WILL BE PERMITTED TO SO INDICATE, AND REQUIRED TO IDENTIFY A MAXIMUM PERCENTAGE OF THE ASSETS IN SUCH GENERAL ACCOUNT OR ENTITY THAT MAY BE OR BECOME PLAN ASSETS, IN WHICH CASE THE PURCHASER OR TRANSFEREE WILL BE REQUIRED TO MAKE CERTAIN FURTHER AGREEMENTS THAT WOULD APPLY IN THE EVENT THAT SUCH MAXIMUM PERCENTAGE WOULD THEREAFTER BE EXCEEDED. THE PURCHASER AGREES THAT, BEFORE ANY INTEREST IN AN INCOME NOTE MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, THE TRANSFEREE WILL BE REQUIRED TO PROVIDE THE INCOME NOTES TRANSFER AGENT WITH AN INCOME NOTE PURCHASE AND TRANSFER LETTER (SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT) STATING, AMONG OTHER THINGS, WHETHER THE TRANSFEREE IS A BENEFIT PLAN INVESTOR. THE TRUSTEE OR INCOME NOTES TRANSFER AGENT WILL NOT PERMIT OR REGISTER ANY PURCHASE OR TRANSFER OF INCOME NOTES TO THE EXTENT THAT THE PURCHASE OR TRANSFER WOULD RESULT IN BENEFIT PLAN INVESTORS OWNING 25% OR MORE OF THE TOTAL VALUE OF THE OUTSTANDING INCOME NOTES

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(OTHER THAN THE INCOME NOTES OWNED BY THE LIQUIDATION AGENT, THE TRUSTEE AND THEIR AFFILIATES) IMMEDIATELY AFTER SUCH PURCHASE OR TRANSFER (DETERMINED IN ACCORDANCE WITH THE PLAN ASSET REGULATION (AS DEFINED HEREIN) AND IN THE FISCAL AGENCY AGREEMENT).

PAYMENTS TO THE HOLDERS OF THE INCOME NOTES ARE SUBORDINATE TO THE PAYMENT ON EACH PAYMENT DATE OF PRINCIPAL OF AND INTEREST ON THE SECURED NOTES OF THE ISSUER OR CO-ISSUER, AS APPLICABLE, AND THE PAYMENT OF CERTAIN OTHER AMOUNTS, TO THE EXTENT AND AS DESCRIBED IN THE INDENTURE.

(g) The certificates in respect of the Regulation S Income Notes will bear a legend to the following effect unless the Issuer determines otherwise in compliance with the Fiscal Agency Agreement and applicable law:

THE INCOME NOTES ARE THE SUBJECT OF, AND ARE ISSUED SUBJECT TO THE CONDITIONS OF, THE FISCAL AGENCY AGREEMENT, DATED ON OR ABOUT MARCH 20, 2007 (THE "FISCAL AGENCY AGREEMENT) BY AND BETWEEN THE ISSUER OF THE INCOME NOTES AND LASALLE BANK NATIONAL ASSOCIATION, AS FISCAL AGENT. COPIES OF THE FISCAL AGENCY AGREEMENT MAY BE OBTAINED FROM THE FISCAL AGENT.

THE INCOME NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE INCOME NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH INCOME NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND, IN THE CASE OF CLAUSE (1) AND (2) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $250,000 OR IN THE CASE OF CLAUSE (3) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000. FURTHERMORE THE PURCHASER AND EACH ACCOUNT FOR WHICH IT IS ACTING AS A PURCHASER, OTHER THAN IN THE CASE OF CLAUSE (A)(3) ABOVE, REPRESENTS FOR THE BENEFIT OF THE ISSUER THAT IT (V) IS A QUALIFIED PURCHASER FOR THE PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION

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AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY PURPORTED TRANSFER IN VIOLATION OF THE FOREGOING WILL NOT BE PERMITTED OR REGISTERED BY THE INCOME NOTES TRANSFER AGENT. EACH TRANSFEROR OF THE INCOME NOTES WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE FISCAL AGENCY AGREEMENT TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER HAS THE RIGHT TO COMPEL ANY BENEFICIAL OWNER OF AN INCOME NOTE THAT IS A U.S. PERSON AND IS NOT (A) A QUALIFIED PURCHASER AND (B) EITHER A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION TO SELL SUCH INCOME NOTES, OR MAY SELL SUCH INCOME NOTES ON BEHALF OF SUCH OWNER.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(1) OR (A)(2) OF THE PRECEDING PARAGRAPH; THE TRANSFEREE OF THE INCOME NOTES WILL (1) BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE FISCAL AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS (X) 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, OR (Y) AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION AND (Z) A QUALIFIED PURCHASER FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT AND (2) RECEIVE ONE OR MORE DEFINITIVE INCOME NOTES.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(3) OF THE SECOND PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL BE REQUIRED TO DELIVER TO THE ISSUER AND THE FISCAL AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S).

WITH RESPECT TO THE INCOME NOTES PURCHASED OR TRANSFERRED AFTER THE CLOSING DATE, THE PURCHASER OR TRANSFEREE IS DEEMED TO REPRESENT AND WARRANT), THAT (i) IT IS NOT (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN AND SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (B) A "PLAN" AS DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF AN EMPLOYEE BENEFIT PLAN'S OR OTHER PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); AND (ii) IT IS NOT A PERSON WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. IF THE PURCHASER OR TRANSFEREE IS AN EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), SUCH PURCHASER OR TRANSFEREE ALSO IS DEEMED TO REPRESENT AND WARRANT THAT ITS PURCHASE AND HOLDING OF THE INCOME NOTES DO NOT AND WILL NOT CONSTITUTE OR RESULT

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IN A VIOLATION OF ANY SIMILAR LAW FOR WHICH AN EXEMPTION IS NOT AVAILABLE. ANY PURPORTED TRANSFER OF AN INCOME NOTE THAT DOES NOT COMPLY WITH THE REQUIREMENTS SET FORTH ABOVE SHALL BE NULL AND VOID *AB INITIO*.

PAYMENTS TO THE HOLDERS OF THE INCOME NOTES ARE SUBORDINATE TO THE PAYMENT ON EACH PAYMENT DATE OF PRINCIPAL OF AND INTEREST ON THE SECURED NOTES OF THE ISSUER OR CO-ISSUER, AS APPLICABLE, AND THE PAYMENT OF CERTAIN OTHER AMOUNTS, TO THE EXTENT AND AS DESCRIBED IN THE INDENTURE.

(h) With respect to Income Notes transferred or purchased on or after the Closing Date, the Purchaser understands and agrees that the representations and agreements made in this paragraph (g) will be deemed made on each day from the date hereof through and including the date on which the Purchaser disposes of the Income Notes.

(x) The Purchaser is __ is not __ [check one] (i) an "employee benefit plan" as defined in and subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (ii) a "plan" as described in and subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or (iii) an entity whose underlying assets include assets of any such employee benefit plan or other plan (for purposes of ERISA or Section 4975 of the Code) by reason of a plan's investment in the entity (such persons and entities described in clauses (i) through (iii) being referred to herein as "Benefit Plan Investors"); and (y) if the Purchaser is a Benefit Plan Investor (or another employee benefit plan subject to any federal, state, local or foreign law substantially similar to Section 406 of ERISA or section 4975 of the Code ("Similar Law")), the Purchaser's purchase and holding of an Income Note do not and will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of an employee benefit plan subject to Similar Law, any Similar Law) for which an exemption is not available.

The Purchaser is _____ is not _____ [check one] the Issuer or any other person (other than a Benefit Plan Investor) that has discretionary authority or control with respect to the assets of the Issuer, a person who provides investment advice for a fee (direct or indirect) with respect to the assets of the Issuer, or any "affiliate" (within the meaning of 29 C.F.R. Section 2510.3-101(f)(3)) of any such person (any such person described in this paragraph being referred to as a "Controlling Person").

If the Purchaser is an insurance company acting on behalf of its general account or any other entity holding plan assets of Benefit Plan Investors ____ [check if true], then (i) not more than ____% [complete by entering a percentage], (the "Maximum Percentage") of the assets of such general account or entity constitutes assets of Benefit Plan Investors for purposes of the "plan assets" regulations under ERISA, and (ii) without limiting the remedies that may otherwise be available, the Purchaser agrees that it shall (x) immediately notify the Issuer if the Maximum Percentage is exceeded, and (y) dispose of all or a portion of its Income Notes as may be instructed by the Issuer (including, in the discretion of the Issuer, a disposition back to the Issuer or an affiliate thereof (or other person designated by the Issuer) for the then value of the Income Notes as reasonably determined by the Issuer, in any case in which the Purchaser cannot otherwise make a disposition it has been instructed by the Issuer to make).

(i) The Purchaser understands and acknowledges that the Income Notes Transfer Agent will not register any purchase or transfer of Income Notes either to a proposed initial purchaser or to a proposed subsequent transferee of Income Notes that has, in either case, represented that it is a Benefit Plan Investor or a Controlling Person if, after giving effect to such proposed transfer, persons that have represented that they are Benefit Plan Investors would own 25% or more of the total value of the outstanding Income Notes. For purposes of this determination, Income Notes held by the Liquidation Agent, the Trustee, any of their respective affiliates and persons that have represented that they are Controlling Persons will be disregarded and will not be treated as outstanding. The Purchaser understands and agrees that any purported purchase or transfer of the Purchaser's Income Notes to a Purchaser that does not comply with the requirements of this clause (i) will not be permitted or registered by the Income Notes Transfer Agent.

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(j) The purchaser is not purchasing the Purchaser's Income Notes with a view toward the resale, distribution or other disposition thereof in violation of the Securities Act. The Purchaser understands that an investment in the Purchaser's Income Notes involves certain risks, including the risk of loss of its entire investment in the Purchaser's Income Notes under certain circumstances. The Purchaser has had access to such financial and other information concerning the Issuers and the Purchaser's Income Notes as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Purchaser's Income Notes, including an opportunity to ask questions of, and request information from, the Issuer.

(k) The Purchaser is not purchasing the Purchaser's Income Notes in order to reduce any United States federal income tax liability or pursuant to a tax avoidance plan.

(l) The Purchaser agrees to treat the Purchaser's Income Notes as equity for United States federal, state and local income tax purposes.

(m) The Purchaser acknowledges that due to money laundering requirements operating in the Cayman Islands, the Issuer and the Income Notes Transfer Agent may require further identification of the Purchaser before the purchase application can proceed. The Issuer and the Income Notes Transfer Agent, as applicable, shall be held harmless and indemnified by the Purchaser against any loss arising from the failure to process the application if such information as has been required from the Purchaser has not been provided by the Purchaser.

(n) The Purchaser agrees to complete any other instrument of transfer as required under Cayman Islands law.

(o) The Purchaser is not a member of the public in the Cayman Islands.

We acknowledge that you and other persons will rely upon our confirmation, acknowledgments, representations, warranties, covenants and agreements set forth herein, and we hereby irrevocably authorize you and such other persons to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

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THIS LETTER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Very truly yours,
[ ]
By: _____
Name:
Title:

Receipt acknowledged as of date set forth above,

_____
(Signature and Addresses)

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REGISTERED OFFICES OF THE ISSUERS

ANDERSON MEZZANINE FUNDING 2007-1, LTD.

P.O. Box 1093GT, Queensgate House
South Church Street
George Town
Grand Cayman, Cayman Islands

ANDERSON MEZZANINE FUNDING 2007-1, CORP.

850 Library Avenue, Suite 204
Newark, Delaware 19711

TRUSTEE, PRINCIPAL NOTE PAYING AGENT, NOTE PAYING AGENT, NOTE TRANSFER AGENT, NOTE REGISTRAR, FISCAL AGENT AND INCOME NOTES TRANSFER AGENT

LaSalle Bank National Association
181 W. Madison Street, 32nd Floor
Chicago, Illinois 60602

LIQUIDATION AGENT
Goldman, Sachs & Co.
85 Broad Street
New York, NY 10004

LEGAL ADVISORS

To the Issuers, the Initial Purchaser and the Liquidation Agent
As to matters of United States Law

Sidley Austin LLP
787 Seventh Avenue
New York, New York 10019

To the Trustee, Principal Note Paying Agent, Note Paying Agent, Note Transfer Agent, Note Registrar, Fiscal Agent and Income Notes Transfer Agent

As to matters of United States Law

Kennedy Covington Lobdell & Hickman, L.L.P.
214 N. Tryon Street, 47th Floor
Charlotte, North Carolina 28202

To the Issuer

As to matters of Cayman Islands Law

Maples and Calder
P.O. Box 309GT, Ugland House
South Church Street,
George Town
Grand Cayman, Cayman Islands

No dealer, salesperson or other person has been authorized to give any information or to represent anything not contained in this Offering Circular. You must not rely on any unauthorized information or representations. This Offering Circular is an offer to sell only the Notes offered hereby, and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this Offering Circular is current only as of its date.

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ANDERSON MEZZANINE FUNDING 2007-1, LTD.

ANDERSON MEZZANINE FUNDING 2007-1, CORP.

U.S.$2,490,000
Class S Floating Rate Notes
Due 2013

U.S.$130,000,000
Class A-1a Floating Rate Notes
Due 2042

U.S.$53,000,000
Class A-1b Floating Rate Notes
Due 2042

U.S. $30,500,000
Class A-2 Floating Rate Notes
Due 2042

U.S.$42,70,000
Class B Floating Rate Notes
Due 2042

U.S.$16,775,000
Class C Deferrable Floating Rate Notes
Due 2042

U.S.$11,090,000
Class D Deferrable Floating Rate Notes
Due 2042

U.S.$20,935,000
Income Notes Due 2042

OFFERING CIRCULAR

Goldman, Sachs & Co.

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From: DuVally, Michael (EO 85B07)
Sent: Monday, December 17, 2007 7:47 AM
To: Sparks, Daniel L
Subject: WSJ responses

Dan,

Could you please particularly look at the last Q&A. We're not satisfied with this and wondered if you had any suggestions.

Thanks,
Michael

The structured products trading group made $4 billion during this fiscal year.

The structured products trading group and the larger mortgage business, of which it is a part, both were profitable this year. However, the WSJ story greatly overstates the profitability of the SPT group.

A tiny group of traders was responsible for the large profit.

The situation in the mortgage market this year was very severe. Senior management and many different parts of the firm, including legal, controllers and risk management, spent significant amounts of time with the various mortgages desks to help navigate the problems.

The traders in the structured products treding group made $5-$15 billion dollars.

We do not comment on individuals' compensation.

Goldman Sachs rolls the dice with its own money.

The overwhelming majority of Goldman Sachs' trading profits come from transactions where the firm acts as a principal for clients.

Goldman Sachs made money on the backs of people who are being thrown out of their houses.

The profits discussed in the Wall Street Journal story were made in the secondary trading market. Goldman Sachs did not originate the subprime loans that have become problematic. That said, we continue to believe a robust subprime market that boosts homeownership among credit-challenged consumers is a desirable social outcome.

Goldman Sachs sold CDOs to investors and simultaneously had a short trading bet that CDOs would decline in value.

Goldman Sachs stopped ramping up new CDOs at the end of last year in respone to market conditions. Regardless of that, the CDO trading desk can be net long or net short at any point in time, including hedge positions. That process is unrelated to the activity of underwriting securities, which are distributed to highly-qualified institutional investors on market terms and with full disclosure so that customers may make their own investment decisions based on their appetite and risk tolerance.

Goldman Sachs traders deal with clients and also trade their own book.

Clients trade with Goldman Sachs because of our reliable execution and unique trading ideas. In the fixed-income world, the firm takes risk on every trade done for clients. Some traders are allowed to express their own market views using the firm's capital.

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Wall Street & The Financial Crisis
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From: Sparks, Daniel L
Sent: Thursday, April 13, 2006 8:41 AM
To: Cohn, Gary; Sobel, Jonathan; Mullen, Donald; Roberts, William
Subject: Morgan Super Traders Worry Hedge Funds

Attachments: Picture (Metafile)

I met with some of these Morgan Stanley guys this week. As we merge our secondary structured products trading (CMBS, sub-prime MBS, ABS, correlation, index) business with Will's structured credit trading business, expanding the activities of a prop group covered by the street will make sense and we plan to grow that group. [redacted]. But I think Morgan Stanley is going overboard by taking most of their experienced and known traders out of the franchise. We should keep our franchise leaders in the seats and continue to allow them to take prop views - the customer flows they see make them more effective.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Morgan Super Traders Worry Hedge Funds
New York Post - 13 Apr 2006 - By Roddy Boyd
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April 13, 2006 -- Morgan Stanley has created an all-star team of bond traders to wager its own cash in the market, a move that is raising eyebrows of its crucial hedge-fund clients.

Bond executives at Morgan told The Post the change will put clients' needs first, rather than focus on longer-term trades for the investment bank's own account, which is "kind of opposed to the idea of customer business," according to one trader.

All told, about 30 of Morgan's asset-backed bond traders, analysts and technology specialists are moving to a different floor at the firm's headquarters.

A senior Morgan executive told The Post that feedback from mutual and pension funds "has been excellent. They are always concerned about us being distracted or putting ourselves first."

However, he acknowledged that hedge funds "might have some concerns."

The chief investment officer at a $5 billion Midtown hedge fund called the arrangement "a hedge fund with a lower cost of capital, pure and simple."

Morgan, he said, "will compete with us for product, and their best traders are off the desk."

The move comes as Wall Street's biggest firms have evolved into something close to hedge funds. They are using massive capital bases and access to cheap capital to place huge bets for their own accounts.

Proprietary trading might be the last great gold rush on Wall Street. Morgan's primary competitor, **Goldman Sachs**, earned $16.3 billion in net revenue trading for its own account last year.

The hedge-fund executive said fighting the trend toward greater prop trading was useless.

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2800

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"What's the difference between having a separate [prop] group versus a **Goldman** that takes the same kinds of risks on the various trading desks?" the executive asked.

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From: McHugh, John
Sent: Friday, November 16, 2007 5:57 PM
To: Sparks, Daniel L
Subject: FICC 2008 business plan presentation to Firm

Lahey's team is preparing Montag for this presentation on Monday and Tom asked for more color in several areas...here's what I've collected today, let me know if you want me to change anything...thanks.

General market expectations / assumptions built in
We are expecting mortgage delinquencies to continue to increase due to ARM resets and declining HPA, losses will begin to accumulate with increasing severity as foreclosures work through the system causing rating agency downgrades of RMBS and CDOs to continue through 2008. Whole loan trading and securitization market will continue to be dislocated in subprime and Alt A sectors, with Prime AAAs functioning at reduced volumes. CDO origination will be negligible. Cash RMBS and CDO prices continue to decline until distressed investing comes in and creates a bottom. Single name RMBS and ABX prices continue to decline from current levels until the cash market finds a bottom and fundamentals improve.

[redacted]

Banks and broker dealers will continue to report writedowns from declining RMBS and CDO prices/ratings. Competitors will be scaling back mortgage risk taking and operations, giving us a competitive advantage.

[redacted]

Assumptions/Initiatives in ABS p&l:

- Capturing greater cash and synthetic market flows from weakened competitors
- Facilitating SIV/CDO liquidations and portfolio changes
- Good prop opportunity capitalizing on selling pressure, selective distressed asset purchases
- Expect prop flow split to be roughly 50/50

European expansion
Establishing e European origination business focused initially on the UK marketplace. Expected revenues from the opportunity are $25mm in 2008; direct headcount will expand from [redacted] is not expected to make a significant revenue contribution in 2008 as origination volumes will be small until securitization market stabilizes

We are also expanding the secondary trading desk to establish a correlation trading desk. Headcount will increase from 1 person at the beginning of 2007 to 3 people in 2008 with expected revenues of $25mm (up from $5mm in 2007). Initiatives include expanded index synthetics trading, and single tranche synthetic CDO trading

Correlation desk - ABACUS related exit price

1

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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Wall Street & The Financial Crisis
Report Footnote #2802

GS MBS-E-013797964

Approximately $150mm exit price valuation adjustment expected to be released in 1st half of 2008 from unwinding Super Senior trades, in addition to bid offer realized on trading.

Prop vs flow
Prop/flow components of SPG Trading will be roughly equal
Majority of CRE Loan Trading, Structured Finance JV will be flow revenue
Residential mortgage business will be more prop oriented due to dislocations in the securitization market:

- Focus will be on establishing SSG JV (i.e., Litton purchase)
- Distressed asset (loan pools, portfolios) purchases

Confidential Treatment Requested by Goldman Sachs

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660521.763

From: Bhavsar, Avanish R
Sent: Sunday, June 10, 2007 7:06 PM
To: Swenson, Michael; Salem, Deeb; Chin, Edwin
Subject: Re: CDS on CDOs

Ok

----- Original Message -----
From: Swenson, Michael
To: Salem, Deeb; Bhavsar, Avanish R; Chin, Edwin
Sent: Sun Jun 10 15:56:00 2007
Subject: Re: CDS on CDOs

Really don't want to offer any

----- Original Message -----
From: Salem, Deeb
To: Bhavsar, Avanish R; Chin, Edwin; Swenson, Michael
Sent: Sun Jun 10 13:21:03 2007
Subject: Re: CDS on CDOs

Not sure if we have any to offer any more. Let's discuss monday
---
Sent from my BlackBerry Wireless Device

----- Original Message -----
From: Bhavsar, Avanish R
To: Salem, Deeb; Chin, Edwin
Sent: Sun Jun 10 12:07:08 2007
Subject: Fw: CDS on CDOs

Can I get levels gor chad thx

----- Original Message -----
From: C. Klinghoffer <cklinghoffer@glenviewcapital.com>
To: Bhavsar, Avanish R
Sent: Sun Jun 10 12:05:58 2007
Subject: Re: CDS on CDOs

<<Glenview_Disclaimer.txt>>
K thanks

----- Original Message -----
From: Bhavsar, Avanish R <avanish.bhavsar@gs.com>
To: C. Klinghoffer
Sent: Sun Jun 10 12:02:51 2007
Subject: Re: CDS on CDOs

I can get mon, range 6-900 roughly

----- Original Message -----
From: C. Klinghoffer <cklinghoffer@glenviewcapital.com>
To: Bhavsar, Avanish R
Sent: Sat Jun 09 18:59:08 2007
Subject: RE: CDS on CDOs

hey av, what levels are these at?

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Wall Street & The Financial Crisis
Report Footnote #2812

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660521.764

From: Bhavsar, Avanish R [mailto:avanish.bhavsar@gs.com]
Sent: Thursday, June 07, 2007 3:10 PM
To: C. Klinghoffer
Subject: CDS on CDOs

Deal Name	Tranche	Rating
BFCGE 2006-1A	A3L	A
BWIC 2006-1A	C	A
CAMBR 6A	D	A
CBCL 15A	C	A
CBCL 16A	C	A
CRNMZ 2006-1A	5	A
CRNMZ 2006-2A	C	A
DUKEF 2006-10A	A3	A
ETRD 2006-5A	A3	A
GEMST 2005-3A	C	A
GLCR 2006-4A	C	A
HGCDO 2006-1A	C	A
HLCDO 2006-1A	C	A
ICM 2005-2A	C	A
IXCBO 2006-2A	C	A
LRDG 2006-1A	C	A
PINEM 2006-AA	C	A
RIVER 2005-1A	C	A
SHERW 2005-2A	C	A
SMSTR 2005-1A	B	A
TOPG 2006-2A	B	A
TOURM 2006-2A	D	A
ALPHA 2007-1A	3	AA
ACCDO 10A	B	AA
CAMBR 5A	A3	AA
CBCL 15A	B	AA
DUKEF 2006-12A	A2	AA
SHERW 2005-2A	B	AA
TOURM 2005-1A	III	AA

Avanish R. Bhavsar
Managing Director
Capital Structure Sales
Securities Divison

Goldman, Sachs & Co.
1 New York Plaza 50th Floor | New York, NY 10004
Tel: 212 357-8405 | Cell: 917-379-1426
e-mail: avanish.bhavsar@gs.com

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660521.765

From: Sparks, Daniel L
Sent: Thursday, August 10, 2006 7:34 PM
To: Ostrem, Peter L
Subject: Re: Leh CDO Fund

Not going to happen

----- Original Message -----
From: Ostrem, Peter L
To: Rosenblum, David J.; Sparks, Daniel L
Sent: Thu Aug 10 19:07:43 2006
Subject: Re: Leh CDO Fund

Let's do our own fund. SP CDO desk. Big time. GS commits to hold proportion of equity outright. This could be big. Of course, after Orca closes! I need orca orders. We are slipping here and I need both your help!

----- Original Message -----
From: Rosenblum, David J.
To: ficc-clo; ficc-spgsyn
Cc: Ostrem, Peter L; Sparks, Daniel L
Sent: Thu Aug 10 19:02:32 2006
Subject: Fw: Leh CDO Fund

Fyi
D

Sent from my BlackBerry Wireless Handheld (www.BlackBerry.net)

----- Original Message -----
From: Hornback, Joseph
To: Wisenbaker, Scott; Rosenblum, David J.
Cc: Raz, Shlomi; Ricciardi, Steven
Sent: Thu Aug 10 18:57:54 2006
Subject: Leh CDO Fund

[redacted] = Redacted by the Permanent Subcommittee on Investigations

David and Scott,

Steve and I wanted to post you on the current status and plans at the LEH CDO fund. In the way of background, the Leh CDO Fund 1 [redacted] consists of [redacted] equity of predominately [redacted] (they have bought equity in a couple of [redacted] deals). Their performance to date has been well received by their investors. They are currently raising their 2nd fund and already have indications north of $300mm without any OC or marketing materials (including [redacted] from the [redacted] that Steve tee'd up before he left). Their initial intentions were to raise another [redacted] fund, but given their success so far they are contemplating a larger fund with a longer drawdown period. The strategy of the 2nd fund will have a slightly different twist. Consistent with the 1st fund, they will be investing heavily in [redacted] But they want to also execute macro hedging and long short structured credit strategies along with exploring MV structures with the appropriate managers.

Below is a list of managers that Leh has multiple commitments with:

[redacted]

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Report Footnote #2826

GS MBS-E-010898476

[redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Goldman, Sachs & Co.
One New York Plaza | 50th Floor | New York, NY 10004
Work: 212-902-7357 | Fax: 212-256-6360
email: joseph.hornback@gs.com

Goldman Sachs

Joe Hornback
Vice President - Structured Credit
Fixed Income Currency & Commodities Division

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660521.767

From: Swenson, Michael
Sent: Saturday, March 03, 2007 7:26 PM
To: Birnbaum, Josh; Salem, Deeb; Chin, Edwin
Subject: Re: Another idea...

Love it we will give dan a heart attack

----- Original Message -----
From: Birnbaum, Josh
To: Salem, Deeb; Swenson, Michael; Chin, Edwin
Sent: Sat Mar 03 19:12:27 2007
Subject: Re: Another idea...

I like it.

----- Original Message -----
From: Salem, Deeb
To: Birnbaum, Josh; Swenson, Michael; Chin, Edwin
Sent: Sat Mar 03 17:03:17 2007
Subject: Another idea...

Am I crazy to be thinking we might want to grow the harbinger trade and do our own abs desk cdo. There'll be so much juice in it. It would blow out. We could sell supersenior and maybe some equity. Then the remaining mezz would be a cover of a couple hundred million of our cdo short. Haven't crunched the numbers, but I'm guessing we'd effectively cover well north of 1000 plus own some call rights. Or we also keep equity and own it for free.

To select the portfolio, we look at the underlying rmbs deals in our cdo shorts. And replicate that as best as possible.

Just an idea... I've also compiled a list of 15 or so potential accounts that we could help monetize sn shorts if we don't want harbingers full size. Could probably clip 1-2pts plus own another 5-6pts upside in IO

Sent from my BlackBerry Wireless Device

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Wall Street & The Financial Crisis
Report Footnote #2828

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660521.768

From: Salem, Deeb
Sent: Thursday, June 07, 2007 9:35 AM
To: Swenson, Michael
Subject: Re: Fyi

That's fine. My number 1 concern is that its traded by the right people bc the opportunity is huge. Its a product that needs to be traded as a prop product. I would be so upset if the teachers pet has any control over it. That would be a big mistake. U need to be in charge and we need prop minded guys involved

---

Sent from my BlackBerry Wireless Device

----- Original Message -----
From: Swenson, Michael
To: Salem, Deeb
Sent: Thu Jun 07 07:17:06 2007
Subject: Re: Fyi

Talk to me now things are developing - dan wants you to be the epicenter of the subprime universe which is not a bad position to be in

----- Original Message -----
From: Salem, Deeb
To: Swenson, Michael
Sent: Wed Jun 06 22:25:08 2007
Subject: Re: Fyi

he is making the decision to not be part of the process...he is impossible to please. I wouldn't give it another thought. Maybe just shoot him an email evrytime u guys go to sit down and then if he gets the email and its important to him he can join you.

Btw, I want to talk to you about cdos soon too

Sent from my BlackBerry Wireless Device

----- Original Message -----
From: Swenson, Michael
To: Salem, Deeb
Sent: Wed Jun 06 21:58:15 2007
Subject: Fyi

Josh is mildly ipset he is not part of the discussions with cdos but everytime there is a meeting he is off the desk or has not arrved at the office yet - I do not know what to do

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Report Footnote #2831

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660521.769

ADDITIONAL DOCUMENTS RELATED TO DEUTSCHE BANK



GREGLIP@bloomberg.net
02/21/2007 08:05 PM

To IBOGZA@bloomberg.net
cc
bcc
Subject Re: ** PRICED $1.1BLN GEMSTONE VII **

=====Begin Message=====
Message#: 25000
Message Sent: 02/21/2007 20:05:22
From: GREGLIP@bloomberg.net|GREG LIPPMANN|DEUTSCHE BANK SECURI|1726|328663
To: IBOGZA@bloomberg.net|ILINCA BOGZA|DEUTSCHE BANK SECURI|1726|328663
Subject: Re: ** PRICED $1.1BLN GEMSTONE VII **

How much of each placed and retained by them don't care (for now) the investors
just want to see what portuon of deal was sold.

Sent From Bloomberg Mobile MSG

---- Original Message ----
From: ILINCA BOGZA, DEUTSCHE BANK SECURI <ibogza@bloomberg.net>
At: 2/21/2007 19:40

HBK LONG.. THEY ARE TAKING THEM BACK.. DO YOU WANT A LIST OF THE TRANCHES..
THEY ARE TAKING ALL CLASS A-1, WAITING FOR CIFG TO GET THERE. WHAT IS FINANCING
O THAT? HBK WOULD LIKE TO KNOW

=====End Message=====

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660521.771



GREGLIP@bloomberg.net Tomichael.lamont@db.com
cc
02/20/2007 01:33 PM bcc
SubjectRe: Fwd: how is the cdo machine doing these days? can u sti

=====Begin Message=====
Message#: 157151
Message Sent: 02/20/2007 13:33:19
From: GREGLIP@bloomberg.net|GREG LIPPMANN|DEUTSCHE BANK SECURI|1726|328663
To: michael.lamont@db.com| | | |
Subject: Re: Fwd: how is the cdo machine doing these days? can u sti

thanks for the update...going to get a lot bumpier very soon....lets get the finkel deal out the door...
----- Original Message -----
From: Michael Lamont <michael.lamont@db.com>
At: 2/20 13:30:22

Good color I am out w a fever back tomorrow

After reflection I think the biggest issue for dealers are the cdo2. For the giant magnetar rmbs cdo deals the situation isn't great, but the aa/aaa/ss probably clear at a level, and the dealer can play games w the SS -- sell junior piece, keep 60-top, mark not observable, dealer takes down bbb and a, sticks equity to hedge fund like magnetar at equity floor, maybe loses 5-15 after fees. The bbb/a cdo2 backed by mid/late 2006 vintage are the lose your job problem I think, not sure how any deals will clear. And for hi grade abs cdos. ML did 26bln of hi grade last year, 25-35% cdo mostly aa some a. Say conservatively they have 10bln in ramp up so 3 bln of a/aa cdo, if the mkt starts to price their hi grade like cdo2 in addition to their cdo2 ramping of bbb/a (1bln?2bln? ramped) they will have an even worse problem. Same problem at citi--I think they are relatively ok on mezz abs risk but not on cdo2.

Calyon pulled out of ralph choffee mezz deal, won't do SS, we were next in line, ralph now coming to us. Calyon are rumored to have 12bln of risk on their lines At the same time cifg and mbia still writing tickets (mbia did a magnetar type deal last week, structural change to) get them in was oc test in principal waterfall not interest waterfall.
Sent from my Blackberry Wireless

Mr. Michael Lamont
Managing Director
Deutsche Bank Securities Inc.
60 Wall Street, 19th Floor
New York, NY, USA
Telephone: +1(212)250-8708
Mobile: +1 917-821-8843
E-Mail: michael.lamont@db.com

----- Original Message -----
From: "GREG LIPPMANN, DEUTSCHE BANK SECURI" [greglip@bloomberg.net]
Sent: 02/20/2007 01:04 PM
To: undisclosed-recipients:;
Subject: Fwd: how is the cdo machine doing these days? can u still plac

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660521.772

Sent From Bloomberg Mobile MSG

---- Original Message ----
From: DAVID HOMAN, MOORE CAPITAL MANAGE
At: 2/20/2007 11:20

how is the cdo machine doing these days? can u still place cdo paper? are they still ramping in this environment?
Reply:
GETTING SLOWER BUT NOT DEAD YET...2-5 RAMPING A DAY INSTEAD OF 10-15...HEARING OF MANY INVESTORS IN ASIA ESPECALLY SHUTTING DOW N POST HSBC NEWS BUT THE WINDOW IS NOT COMPLETELY SHUT YET (THEY MAY BE DEALS THAT WERE LARGELY RAMPED THAT R JUST FINISHING..)
Reply:
i hear rumors that ML, BS, GS, C have asked CDOs less than 50% ramped to basically stop ramping. Have you heard anything along these lines? What are the implications for mkt if this is true?

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=====End Message=====



BURKEJ67@bloomberg.net

02/13/2007 08:52 AM

To ELEANNYP@bloomberg.net, AMALDONADO1@bloomberg.net
cc
bcc
Subject Shorten up the legal final on GEMSTONE VII and you'll get a

=====Begin Message=====
Message#: 137990
Message Sent: 02/13/2007 08:52:16
[redacted]
To: ELEANNYP@bloomberg.net|ELEANNY PICHARDO|DEUTSCHE BANK SECURI|1726|328663
To: AMALDONADO1@bloomberg.net|ALEXANDER MALDONADO|DEUTSCHE BANK SECURI|1726|328663
Subject: Shorten up the legal final on GEMSTONE VII and you'll get a

Shorten up the legal final on GEMSTONE VII and you'll get a
nice order on the Aa2 and A2 class. Lunch on you....
Reply:
working on it-
Reply:
CDO market is puking right now....

=====End Message=====

:ONFIDENTIAL - PRODUCED TO M&T PURSUANT TO PROTECTIVE ORDER

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660521.774

From: GREG LIPPMANN (DEUTSCHE BANK SECURI) <GREGLIP@BBOTG>
Sent: Thursday, June 29, 2006 5:21 PM
To: MICHELLE BORRE (OPPENHEIMERFUNDS, IN) <MBORRE1@BBOTG>
Subject:

Message Sent: 06/29/2006 13:21:10
From: GREGLIP@BBOTG|GREG LIPPMANN|DEUTSCHE BANK SECURI|1726|328663
To: MBORRE1@BBOTG|MICHELLE BORRE|OPPENHEIMERFUNDS, IN|

A CLIENT THAT DID THE SAME TRADE AS U WITH US SENT ME A TSHIRT
"IM SHORT YOUR HOUSE"...I JUST BOUGHT 20 OF EM TO GIVE TO CLIENT
S THAT DO THE TRADE WITH US..DO U WANT 1 OR 2 ?

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66052I.775



"Marc Majzner" <MMajzner@northruncapital.com>
10/11/2006 01:58 PM

To: Ilinca R Bogza/NewYork/DBNA/DeuBa@DBAmericas
cc: Greg Lippmann/NewYork/DBNA/DeuBa@DBAmericas
Subject: RE: MBS CDS

Thanks - would you have a report that shows certain stresses on the market and what bullish assumptions on CDR, loss severity would do? I'm looking at materials that would have been used to pitch bulls/longs on MBS - and not the bears.

Also, is this report, referred to in the Halcyon report, handy?

"SIMULATED HOUSING MARKET DECLINE REVEALS DEFAULTS ONLY IN LOWEST-RATED U.S. RMBS TRANSACTIONS" Standard and Poor's, September 2005

Thanks, Marc

-----Original Message-----
From: Ilinca R Bogza [mailto:ilinca.r.bogza@db.com]
Sent: Wednesday, October 11, 2006 1:26 PM
To: Marc Majzner
Cc: greg.lippmann@db.com
Subject: Fw: MBS CDS

----- Forwarded by Christopher Meany/NewYork/DBNA/DeuBa on 10/11/2006 01:00 PM -----

Greg Lippmann/NewYork/DBNA/DeuBa@DBAMERICAS
10/11/2006 12:59 PM

To
"Marc Majzner" <MMajzner@northruncapital.com>@DEUBAINT
cc
christopher.meany@db.com
Subject
RE: MBS CDS

chris please send abs cdo marketing materials to Marc asap please....

Greg H. Lippmann
Managing Director
Deutsche Bank Securities Inc.
3rd Floor
60 Wall Street
New York, New York 10005
Phone (212) 250-7730

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660521.776

Fax (212) 797-2201
Mobile (917) 601-1916

"Marc Majzner" <MMajzner@northruncapital.com>
10/11/2006 12:50 PM

To
Greg Lippmann/NewYork/DBNA/DeuBa@DBAmericas
cc

Subject
RE: MBS CDS

email

Marc Majzner
1 International Place
Suite 2401
Boston, MA 02110
Phone: 617-310-6130
Fax: 617-507-5805
E-Mail: mmajzner@northruncapital.com

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660521.777

Michael George@DBNA To: greg.lippmann@db.com
cc:
Subject:

11/03/2005
07:49 PM

Mangiones Baa2 at n+160 4YRS BREAK AT 16% cum loss.....look like a disaster !!
That implies a base loss of 8% .....or about 2.5 loss rate a year.....
Fico is 660, so hardly prime.....card loss rate for this fico about 10, so say cuz the guys home is on the line he only defaults at 5%.....
Base case loss around 17 to 20 then.....
And BBB should have around 35 to 40 beneath it.....
Means that the BBB attachment should be around where paulie has his AA.....
Everything else is CRAP and should be 100s and 1000s back of offer.....
Even though paulie says Winter group can sell this stuff I cannot believe anyone thinks the ratings agencies have the sub levels right.....their loss levels are based on an environment of refis.....bet you sam ranieri owns all the winter group seconds deals mezz paper twerwin cdos
---
Sent from my BlackBerry Handheld.

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660521.778

Jon-Paul Rorech@DBAMERICAS	To: Chris Wagner/NewYork/DBNA/DeuBa@DBAmericas, David Bitterman/NewYork/DBNA/DeuBa@DBAmericas, Kevin Finnerty/NewYork/DBNA/DeuBa@DBAmericas, Michael Glick/NewYork/DBNA/DeuBa@DBAmericas, Mark Colm/NewYork/DBNA/DeuBa@DBAmericas, Wight Martindale/NewYork/DBNA/DeuBa@DBAmericas, Marc Lavine/NewYork/DBNA/DeuBa@DBAmericas, Steve Rosen/NewYork/DBNA/DeuBa@DBAmericas, John Bertrand/NewYork/DBNA/DeuBa@DBAmericas, Kevin Finnerty/NewYork/DBNA/DeuBa@DBAmericas, Brian Zucker/NewYork/DBNA/DeuBa@DBAmericas, Robert Loone/NewYork/DBNA/DeuBa@DBAmericas, Gregory Steele/NewYork/DBNA/DeuBa@DBAmericas, Chip Stevens/NewYork/DBNA/DeuBa@DBAmericas, Pak Lui/NewYork/DBNA/DeuBa@DBAmericas, Robert Weintraub/NewYork/DBNA/DeuBa@DBAmericas
05/19/2006 01:56 PM	cc: Anthony Pawlowski/NewYork/DBNA/DeuBa@DBAmericas, Ilinca R Bogza/NewYork/DBNA/DeuBa@DBAmericas, Greg Lippmann/NewYork/DBNA/DeuBa@DBAmericas, Michael Lamont/NewYork/DBNA/DeuBa@DBAmericas
	Subject: TIAA equity / Trade Idea

HY SAles....there's a lot of you who have put people into the sub prime "short" trade with Greg Lippman. I think the following is a great way to express this view while saving considerable carry. (you would also be moving an important axe for the CDO desk.)

In Greg Lippmans trade, your customer is getting short the BBB- tranche (the first tranche after equity) of a pool of Subprime Mtges. The apprx carry is 200bps, currently.

Although many believe we're on the verge of payment stress or so called "housing bubble", none are too sure of the timing. I believe the following is a way to pay for this carry while putting on an implied "correlation" trade on the housing mrkt.. Or even a Sr./Sub trade

The attached is an offer for $9.5mm equity in a HIGH GRADE Cdo, which is made up of 70% RMBS (only 15% of this 70% is "subprime")

Currently, this piece is offerd at a yield of **~17-18%!**

You would have to believe that if your equity piece is experiencing stress, then there would be a high degree of "correlation" on all sub prime mortgages/home equities.

The key is deciding what "delta" you would use. Considering there's only 18% on 9.5mm , you could easily get short 80mm BBB-s (~200bps) and still have a slight positive carry.

Pls speak to Anthony Pawlowski / Ilinca Bogza on the CDO desk, and Greg Lippman on the ABS desk for more details. JP

Attached is the Mount Skylight equity presentation. Price Yield table to follow


Mt Skylight CDO Marketing Book _Equity__051106.pdf


TIAA_Mount Skylight CDO_Current Portfolio_051006.xls


YIELD Calcs.xls

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01783 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

660521.779

Rajeev Misra@DBEMEA 10/25/2006 12:50 PM

To: Greg Lippmann/NewYork/DBNA/DeuBa@DBAmericas, Richard DAlbert/NewYork/DBNA/DeuBa@DBAmericas, Boaz Weinstein
cc:
Subject: Fw: Deutsche at its best

----- Forwarded by Rajeev Misra/DMGGM/DMG UK/DeuBa on 25/10/2006 17:49 -----

Anshu Jain/DMGGM/DMG UK/DeuBa@DBEMEA 25/10/2006 16:07

To michele.faissola@db.com, philip.weingord@db.com, rajeev.misra@db.com, pablo.calderini@db.com
cc
Subject Fw: Deutsche at its best

fyi

Anshu Jain
Head of Global Markets
Member of Group Executive Committee
Deutsche Bank AG
Tel: +44-20-7545-2863
Fax: +44-20-7545-8371
Mobile: +44-7770-673491
E-mail: Anshu.Jain@db.com

----- Forwarded by Anshu Jain/DMGGM/DMG UK/DeuBa on 25/10/2006 16:06 -----



derek.kaufman@jpmorgan.com 25/10/2006 16:01

To Anshu Jain/DMGGM/DMG UK/DeuBa@DBEMEA
cc
Subject Re: Deutsche at its best

Anshu,

Unlike Greg, I am not in the camp that housing Armageddon is around the corner, although I do think that if home prices decline modestly over a year or two (say a 20-30% probability), the sub-prime borrower will have some real difficulties. My main motivation behind this trade is that I think the correlation risk in sub-prime MBS CDOs is mis-priced, given how similar the borrowers from one deal to another will be in a time of distress. Compared with the popular macro hedge-fund trade of buying single-name protection on BBB- ABS at L+250, this structure seems like a slam dunk. Basically, I think of this protection as a cheap wing option in my overall business that lets me do other profitable interest rate and credit trades without worrying too much about the tail risk of a housing collapse.

Derek

Anshu Jain <anshu.jain@db.com> 10/25/2006 10:29 AM

To "derek.kaufman" <derek.kaufman@jpmorgan.com>
cc
Subject Re: Deutsche at its best

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01784 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

660521.780

Derek

Delighted to get your note as you would expect. Smart trade by the way, given we have just acquired a couple of RMBS originators, both prime and sub prime..how concerned should I be?

Anshu Jain
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Member of Group Executive Committee
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E-mail: Anshu.Jain@db.com

derek.kaufman@jpmorgan.com

25/10/2006 14:59

To
Anshu Jain/DMGGM/DMG UK/DeuBa@DBEMEA

cc

Subject
Deutsche at its best

Anshu,

I wanted to let you know that last night we closed on a synthetic CDO transaction (IXION 2006-6) where I bought $350mm of mezzanine protection on a bespoke portfolio of BBB and BBB- sub-prime MBS. Deutsche placed all of this risk through structured notes sold to investors, and was an incredible partner through the process of portfolio selection, structuring, pricing and distribution. My long-standing and trusting relationships with Fred Brettschneider and Andy Isaacs, coupled with Greg Lippman's top-tier presence in this market, were the main factors in my choosing Deutsche as a counterparty for this complex transaction. Needless to say, I am quite pleased with what great work these three individuals did during the four months from conception to closing, and hope this transaction could be the start of a series of similar trades in the future.

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660521.781

I hope everything is going well for you, and look forward to catching up when I visit London early next year.

Derek

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GREGLIP@bloomberg.net ToMELGOLD@bloomberg.net
cc
05/22/2007 09:22 AM bcc
Subject

=====Begin Message=====
Message#: 232014
Message Sent: 05/22/2007 08:22:51
From: GREGLIP@bloomberg.net|GREG LIPPMANN|DEUTSCHE BANK
SECURI|1726|328663
To: MELGOLD@bloomberg.net|MELISSA GOLDSMITH|DEUTSCHE BANK
SECURI|1726|328663
Subject:

and what's the deal with this jpmac one--it's on an owic of
a
macro guy entering the trade,
or ??
Reply:

ITS A CDO GUY PUKING UP A PIG HE BOUGHT (MAY NOT ACTUALLY
SELL)
=====End Message=====

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01787 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

660521.783

From: Jamiel Akhtar
Sent: Tuesday, February 13, 2007 11:05:11 AM
To: Ken Hirsh
Subject: RE: SC marks

Ken, feel free to call anytime.

From: Ken Hirsh
Sent: Tuesday, February 13, 2007 9:41 AM
To: Jamiel Akhtar; Beau Fournet
Subject: RE: SC marks

Thanks! Let's get on the phone when you have a moment for a few final questions and, more importantly, to say hello!

From: Jamiel Akhtar
Sent: Tuesday, February 13, 2007 10:31 AM
To: Ken Hirsh; Beau Fournet
Cc: 'ken.hirsh@gmail.com'
Subject: SC marks

Ken,

I'm back in town and went through all of the marks yesterday. I feel good about how the book is marked. Here's what we did:



The wildcard is Gemstone VII, the CDO we are currently marketing. Pricing is set for Tues Feb 20 and I think we will get the deal done at spreads that make the resid a very good investment. If I'm wrong and the deal falls apart, it will be marked down something like $30 - $50mm. I doubt this will happen. If pricing were beyond month end, I would consult with accounting to recommend taking some sort of a reserve on the deal.

Redacted - not relevant

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01788 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

660521.784

[redacted]

I hope this makes things clearer.

Jamiel

From: Ken Hirsh
Sent: Friday, February 09, 2007 5:43 PM
To: Beau Fournet; Jamiel Akhtar
Subject: [redacted]

Hey guys,

I am a bit curious about how we are marking our longs in this selloff...

Ken

From: Kevin Jenks
Sent: Friday, February 09, 2007 5:35 PM
To: Portfolio Update
Subject: [redacted]

[redacted - not relevant]

[redacted - not relevant] We are still moving ahead with our CDO. 1.1b deal, investor interest still looks favorable as we are seen as a very good manager, but unclear how many will be spooked at this point.

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660521.785

Greg
Lippmann/NewYork/DBNA/DeuBa@DBAMERICAS

01/09/2007 05:15 PM

To Jordan Milman/NewYork/DBNA/DeuBa@DBAmericas
cc
bcc
Subject Re: Fw: HBK - Gemstone 7 BBs

i think you should be very candid about it...give examples of where the bbb- trades if you dont have exact color on the bb...we dont want to facilisate a total position dump

Greg H. Lippmann
Managing Director
Deutsche Bank Securities Inc.
3rd Floor
60 Wall Street
New York, New York 10005
Phone (212) 250-7730
Fax (212) 797-2201
Mobile (917) 601-1916
greg.lippmann@db.com

Jordan
Milman/NewYork/DBNA/DeuBa

01/09/2007 04:00
PM

To

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01790 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

660521.786

Footnote Exhibits - Page 5858

Greg
Lippmann/NewYork/DBNA/DeuBa@DBAmericas

cc

Subject

Fw: HBK - Gemstone 7
BBs

>nfidential Treatment Requested by DBSI

DBSI_PSI_EMAIL01933546

let me know what you want to do about this, you know where I stand on some of these but it's gpoing to be another headache with kevin
----- Forwarded by Jordan Milman/NewYork/DBNA/DeuBa on 01/09/2007 04:00 PM -----

Abhayad
Kamat/NewYork/DBNA/DeuBa

01/09/2007 03:56
PM

To

Jordan
Milman/NewYork/DBNA/DeuBa@DBAmericas

cc

Subject

HBK - Gemstone 7

BBs

onfidential Treatment Requested by DBSI

Jordan,
pls can you give us some color on how good the BB bonds are in the attached HBK portfolio for Gemstone 7. it seems there are a few fremonts but none have been downgraded. According to kevin, all are reasonably good. he is asking us to do a revolving deal for him with BB reinvestments, and we might want to throw out non-clean BBs.

all BB bonds are highlighted in yellow. somewhat urgent.

thanks,
Abhayad

[attachment "Gemstone VII Portfolio 01.09.07.xls" deleted by Greg Lippmann/NewYork/DBNA/DeuBa]

Abhayad Kamat
Global CDO Group
Deutsche Bank Securities Inc.
60 Wall Street, 19th Floor,
New York, NY 10005-2858
(212) 250-0526 work
(917) 519-9694 cell
(732) 578-2890 fax

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660521.791

Abhayad Kamat To: Greg Lippmann/NewYork/DBNA/DeuBa
cc:
Subject: HELD 2006-1 - bad names

08/24/2006
04:30 PM

Jamil's accounts are listing the following as names that are not great:

ABSHE 2005-HE8 M9
BAYV 2005-C B2
CXHE 2005-C B2

GSAMP names -- we have the following in the HELD pool
GSAMP 2005-AHL M6
GSAMP 2005-HE3 B2
GSAMP 2005-HE6 B1
GSAMP 2005-HE4 B3

But separately,
- I had asked Jordan for generic bad shelfs and he listed: SAIL, HEAT, PPSI, INABS, ACE, AMSI and ARSI -- the HELD portfolio has 22% of these names.

Abhayad Kamat
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(732) 578-2890 fax

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01796 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

660521.792



greglip@bbotg To: rokurita@bbotg
cc:
06/16/2006 09:18 AM Subject: Re: Fwd: *Here is a preliminary ist for julius baer

Message Sent: 06/16/2006 10:18:12
From: GREGLIP@BBOTG|GREG LIPPMANN|DEUTSCHE BANK SECURI|1726|328663
To: ROKURITA@BBOTG|ROCKY KURITA|DEUTSCHE BANK SECURI|1726|328663

AND U R THE MAN !!! OK LETS INCLUDE IT AT A VERY WIDE LEVEL AND GET SOMET=
HING
TOGETHER FOR THESE GUYS...
----- Original Message -----
From: ROCKY KURITA, DEUTSCHE BANK SECURI
At: 6/16 10:14:42

we are short that one. all the cwl are bad.
----- Original Message -----
From: GREG LIPPMANN, DEUTSCHE BANK SECURI
At: 6/16 10:12:26

ok if we r shrt it b/c is that the really crap one or is that the 05-3 /?=
maybe
also an 06 cwl....
----- Original Message -----
From: ROCKY KURITA, DEUTSCHE BANK SECURI
At: 6/16 9:42:49

we have a couple new century. how about a cwl 05-4 bv baa3
----- Original Message -----
From: GREG LIPPMANN, DEUTSCHE BANK SECURI
At: 6/16 9:24:56

lets add one other weakish name i.e. cwl, amsi, nchet,heat want to balanc=
e it
out in spread terms more..also after the analysis they want just 10 2005 =
and 10
06 not more....sales is charlotte mcbride but lets run through me for now=
..
----- Original Message -----
From: ROCKY KURITA, DEUTSCHE BANK SECURI
At: 6/16 8:54:22

----- Original Message -----
From: ROCKY KURITA, DEUTSCHE BANK SECURI
At: 6/16 8:54:18

Can we run the numbers? What other stats does the accoutn need? who cover=
s the
account?
1 SASC 2005-NC1 M7
2 SASC 2005-NC1 M8
3 SASC 2005-WF1 M8

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01797 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

660521.793

4 SASC 2005-WF1 M9
5 MSAC 2005-HE1 B2
6 MSAC 2005-HE1 B3
7 MSHEL 2005-1 B2
8 MSHEL 2005-1 B3
9 POPLR 2005-1 B1
10 POPLR 2005-1 B2
11 MLMI 2005-NC1 B2
12 MLMI 2005-NC1 B3
13 CARR 2005-NC1 M7
14 CARR 2005-NC1 M8
15 ACE 2005-RM1 M8
16 ACE 2005-RM1 M9
17 FFML 2005-FF1 B2
18 FFML 2005-FF1 B3
19 MSAC 2005-NC1 B2
20 MSAC 2005-NC1 B3
21 BSABS 2005-HE2 M5
22 BSABS 2005-HE2 M6
23 RASC 2005-EMX1 M5
24 RASC 2005-EMX1 M6
25 EMLT 2005-1 M8
26 EMLT 2005-1 M9
27 RAMP 2006-EFC1 M8
28 RAMP 2006-EFC1 M9
29 OOMLT 2006-1 M8
30 OOMLT 2006-1 M9
31 RASC 2006-EMX2 M8
32 RASC 2006-EMX2 M9
33 HASC 2006-OPT2 M8
34 HASC 2006-OPT2 M9
35 CARR 2006-OPT1 M8
36 CARR 2006-OPT1 M9
37 ACCR 2006-1 M8
38 ACCR 2006-1 M9
39 FMIC 2006-1 M8
40 FMIC 2006-1 M9
41 FFML 2006-FF7 M8
42 FFML 2006-FF7 M9
43 JPMAC 2006-NC1 M8
44 JPMAC 2006-NC1 M9
45 RAMP 2006-EFC1 M8
46 RAMP 2006-EFC1 M9
47 POPLR 2006-A M5
48 POPLR 2006-A M6

OrgSmtpMsg.eml

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01798 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

660521.794

Greg Lippmann

To: Frederic Jallot/db/dbcom@DBAMERICAS@DEUBAINT
cc: pius.sprenger@db.com
Subject: Re: HBK Equity

06/09/2006
01:16 PM

we need to figure out a better way.....the ppsi bonds are the worst in the pool...they should stay in regardless of what it does to your model...these are 'free money' similarly the cwl is also a weak name.....ok with removing bsabs, gsamp and fmic if necessary...the gsaa bonds are alt a and thus provide diversity which is in theory bad for him.....cna you two think about ways to include these....I think then we can tell him to instead remove say 5 of these (i,.e. keep the ppsis and the cwl) and tell him instead to choose 7 of 15 getting us back to 60 names...let me know and I will send to him....

these are not in the smaller pool

073879RE0	BSABS 2005-HE2 M6
126673XM9	CWL 2005-1 BV
36242DSB0	GSAMP 2005-HE1 B3
70069FER4	PPSI 2004-WHQ2 M9
70069FJC2	PPSI 2005-WHQ2 M9
36242DTW3	GSAA 2005-2 B3
31659TDJ1	FMIC 2005-1 M9
36242DS48	GSAA 2005-5 B3

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Fax (212) 797-2201
Mobile (917) 601-1916

Frederic Jallot/db/dbcom@DBAMERICAS

06/08/2006 09:31 PM

To greg.lippmann@db.com, pius.sprenger@db.com
cc
Subject HBK Equity

Removed 8 bonds from the 58 name portfolio (7 short WALs, 1 long WAL). There are 22 SPVs to which we've got credit exposure, most of them have got short WAL. Would they take a reduced spread and a discount?

Other solution: get all their Gemstone portfolios and pick 2003-2004 names which match our book. If the all the names have short WALs, and the WALs are not barbelled the spread should be good.

Economics:

203 bps WASpread assumption:

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660521.795

Tranche	Sub	Size	Leverage	DV01	Fair Sp	Spread	PV%	Correl	Rec	Delta	Amort	Cost	Net	Price	Tranche P&L	Book P&L
0-3	0.00%	3.00%	4.6	3.0	12.35%	10.00%	7.0%	-11.6%	-2.4%	-2.2%	-6.5%	-0.3%	-15.67%	100.000%	-6.60%	2.66%

244 bps WASpread assumption:

Tranche	Sub	Size	Leverage	DV01	Fair Sp	Spread	PV%	Correl	Rec	Delta	Amort	Cost	Net	Price	Tranche P&L	Book P&L
0-3	0.00%	3.00%	4.2	2.9	14.32%	12.00%	6.7%	-12.1%	-2.6%	-1.9%	-6.5%	-0.3%	-16.77%	100.000%	-7.08%	2.60%

Attached below the 50 name portoflio and a list of 15 SPVs out of which he can pick 5:

[attachment "50 Name Portfolio.xls" deleted by Greg Lippmann/NewYork/DBNA/DeuBa]

Plus, the models are in the directory if you wnat to have a look.

Frederic Jellot
Integrated Credit Trading
Tel: +44 (0)207 545 78 00
Fax: +44 (0)207 545 85 10

STRICTLY PRIVATE AND CONFIDENTIAL

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01800 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

660521.796

Greg Lippmann

To: Sean Whelan/db/dbcom@DBAmericas
cc: "Axel Kunde" <axel.kunde@db.com>, "Pius Sprenger" <pius.sprenger@db.com>
Subject: Re: King Street

09/27/2006
04:58 PM

dont offer it yet, but in theory we would be very happy to sell them the aaa i.e. 40-100 so that they would be long 0-3 and 40-100 and short 3-40.....but that begs the question as to where the 3-40 is in theorgy being taken down and we dont want to go there...

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Phone (212) 250-7730
Fax (212) 797-2201
Mobile (917) 601-1916

Sean Whelan/db/dbcom

09/27/2006 02:52 PM

To Greg Lippmann/NewYork/DBNA/DeuBa@DBAmericas
cc "Axel Kunde" <axel.kunde@db.com>, "Pius Sprenger" <pius.sprenger@db.com>
Subject Re: King StreetLink

they want to short the market and are willing to pay the freight. in the correlation trade they are long idiosyncratic risk. they also ran breakevens- which they feel are high- 2 events virtually knock out the equity- for every subsequent event their max benefit is 1.8 mm. crude- but they would need 7 events to break even. (yes- this ignores spread widening on the remainder.)- they think a more efficient short is a bespoke trade. their ideal short would be the belly of the capital structure. when we last spoke about it, we told them the equity and the AAA were the parts we found difficult to place. they are willing to buy the equity and even the AAA's t get an efficient short of the belly-

Greg Lippmann/NewYork/DBNA/DeuBa

09/27/2006 02:31 PM

To Sean Whelan/db/dbcom@DBAmericas, "Pius Sprenger" <pius.sprenger@db.com>, "Axel Kunde" <axel.kunde@db.com>
cc
Subject Re: King Street

Whjat does thaty mean? Will they massively overshort vs 6x coupon??

Sent from my BlackBerry Handheld.

From: Sean Whelan

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01801 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

660521.797

Sent: 09/27/2006 11:02 AM
To: Greg Lippmann
Subject: Re: King Street

Greg- I was not accurate- do not want to do a fully placed deal . they want to short the entire delta- thanks-

Greg Lippmann/NewYork/DBNA/DeuBa
09/27/2006 10:57 AM

To Sean Whelan/db/dbcom@DBAmericas, Axel Kunde/DMGGM/DMG UK/DeuBa, Pius Sprenger/DMGGM/DMG UK/DeuBa
cc
Subject Re: King Street

Which is it ? Magnetar is fully placed and talk to lamont. If they want to do our trade but short entire delta we can price that too.

Sent from my BlackBerry Handheld.

From: Sean Whelan
Sent: 09/27/2006 10:51 AM
To: Greg Lippmann; Axel Kunde; Pius Sprenger
Subject: King Street

Spoke with King Street this morning. rather than do the carry neutral correlation trade, the would like to pursue a bespoke or Magnatar type trade. They want more leverage and are willing to hold the equity in a 375mm type transaction, and short the rest of the capital structure . the 75 names we have can be used, or we can add if need be-thanks-Sean

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01802 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

660521.798

Greg
Lippmann/NewYork/DBNA/DeuBa@DBAMERICAS

02/13/2007 08:03 PM

To Warren
Dowd/SanFrancisco/DBNA/DeuBa@DBAmericas
cc
bcc
Subject Re: hey greg. u have a few mins to speak to partner funds?

Warren:
I appreciate you taking a crack at this. Let me know how you do.

Given the market structure as it exists now, who ends up holding the credit risk? Pension funds, foreign treasuries, CMO's, etc.

Mix of CDO investors -- European and Asian Banks and Insurers, Insurance Companies like AIG, CIFG, Radian, Wall Street Commercial Paper Conduits, ABS Hedge Funds

Have the buyers really done the credit work? Do they have the risk appropriately priced or are they just participating to deploy massive liquidity and looking at just relative pricing with the rating agencies looked at as pointing out the big problems?

With 5000 loans per deal and 100 deals per CDO, this would seem to be more of a statistical analysis than a detailed one but invesors may claim otherwise.

Has the ability to lay off credit risk changed? The investment bank "party line" is that they don't take or hold real credit risk, its all sold off. Is this accurate or do they have to hold residual risk to do the business and are they typically also extending warehouse lines? Are there other areas to look at for pressure beyond negative marks on securities, warehouse exposure and credit quality of any loans held directly?

Wharehouse lines are extending to all originators...every firm on wall street own home equit y residuals.

Besides residuals and warehouse lines, what areas can we see performance hits should things continue to worsen?

Would seem to be it.

The MBS themselves are held in trading accounts-this could produce a negative mark to market, correct?

Most are re-securitized into CDOs which do not have to mark to market until downgrades if ever.

What is CDO behavior now? Are they generally as active as they have been historically or is there any sort of a buyer's strike?

Last few days have seen a marked slowdown in CDO activity and there are rumors of dealers losing money on several deals.

Has the ability to lay off credit risk changed recently? Can we tell from the filings really what they hold?

Tough to say, but masssive increase in put back of deliqn loans (EPDs) and probably greater scrutiny / kickouts of initial loans perhaps leading to worsening relative quality of retained loans. I dont know how to read filings so no clue.

How do you treat and address the residual risk/"equity tranche?" Must this always be held or can this be securitized and sold in some way?

In the ABS someone owns it either the dealer, originator or a hedge fund.....

Does either the OC or excess spread in any way insulate the equity tranche or that and immediately vulnerable to any losses.

The residual gets all excess spread so any decline in x/s h/c of losses is a hit. If you mean the equity in the mezz abs cdo, yes the excess spread protects it.

Does the equity piece change based on the structure? Can its size vary in any deal?

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660521.799

Yes...all deals are slightly different given quallity of the loans, mortgage and bond coupons, deserve/abiltiy to sell down cap structure i.e. BB, BB-, B...

How do you look at risk control with respect to residual risk? Who determines what deals you participate in and what residuals are held?

I do not run the trading of residual for whole loans speak to michael commaratto. If you mean CDO equity we look for early commit tment of equity by manager or investors or we feel the manager haa a good story.

Is NEW like the 5 companies that have previously failed-in irrelevant issue or does its failure meaningfully degrade the performance of the market or create a buyer's strike in some way. What makes NEW different, if anything?

the continued problems for the originators is relevant b/c these loans MUST be refinanced and as capacity leaves the system the marginal buyer will have trouble getting a neew loan (also as investors / agencies etc are more picky about borrowers many of the weakest borrowers will be trapped in current loans) we need 15-35% of the people to default to make 100 % so we are not betting on a system meltdown but rather a squeeze on the weakest c redits.

Warren
Dowd/SanFrancisco/DBNA/DeuBa

02/13/2007 01:39
PM

To

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01804 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

660521.800

Greg
Lippmann/NewYork/DBNA/DeuBa@DBAmericas

cc

Subject

hey greg. u have a few mins to speak to partner
funds?

see below. the analyst is looking at potentially adding to current position in CDS and also potentially expressing the bet in some of the equity names. had a few questions before he moved forward tho. do you have time to speak to brock? lemme know. -wd

Warren Dowd
Deutsche Bank Securities Inc.
Institutional Equity Sales
phone: 415-617-2831
mobile: 617-833-3744
warren.dowd@db.com
IM: warrendowddb
----- Forwarded by Warren Dowd/SanFrancisco/DBNA/DeuBa on 02/13/2007 10:37 AM -----

"Brock Vandervliet"
<Brock@partnerfunds.com>

02/12/2007 12:42
PM

To

Warren
Dowd/SanFrancisco/DBNA/DeuBa@DBAmericas

cc

Subject

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?'=

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66052I.804

Warren:
I appreciate you taking a crack at this. Let me know how you do.

Given the market structure as it exists now, who ends up holding the credit risk? Pension funds, foreign treasuries, CMO's, etc.

Have the buyers really done the credit work? Do they have the risk appropriately priced or are they just participating to deploy massive liquidity and looking at just reletive pricing with the rating agencies looked at as pointing out the big problems?

Has the ability to lay off credit risk changed? The investment bank "party line" is that they don't take or hold real credit risk, its all sold off. Is this accurate or do they have to hold residual risk to do the business and are they typically also extending warehouse lines? Are there other areas to look at for pressure beyond negative marks on securities, warehouse exposure and credit quality of any loans held directly?

Besides residuals and warehouse lines, what areas can we see performance hits should things continue to worsen?

The MBS themselves are held in trading accounts-this could produce a negative mark to market, correct?

What is CDO behavior now? Are they generally as ective as they have been historically or is there any sort of a buyer's strike?

Has the ability to lay off credit risk changed recently? Can we tell from the filings really what they hold?

How do you treat and address the residual risk/"equity tranche?" Must this always be held or can this be securitized and sold in some way?

Does either the OC or excess spread in any way insulate the equity tranche or that and immediately vulnerable to any losses.

Does the equity piece change based on the structure? Can its size vary in any deal?

How do you look at risk control with respect to residual risk? Who determines what deals you participate in and what residuals are held?

Is NEW like the 5 companies that have previously failed-in irrelevant issue or does its failure meaningfully degrade the performance of the market or create a buyer's strike in some way. What makes NEW different, if anything?

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	A	B	C	D	E	F	G	H
1								
2								
3		Gemstone VII						
4		Summary						
5								
6								
7		DB Contact	Institution	Contact Email	Contact Name	Class	Rating	Allocation
8								
9								($ mm)
10		Class A-1a						
11		R. Orwell	Standard Chartered	Victor.Lahlo@uk.standardchartered.com	Victor Lahlo	Class A-1a	Aaa/AAA	244
12								244
13		Class A-1b						
14			DB			Class A-1	Aaa/AAA	200
15			HBK	rwish@hbk.com	Rachel Wish	Class A-1	Aaa/AAA	200
16								400.0
17		Class A-2						
18		D. Ludlow	NIB	akakar@nibcm.com	ARJUN KAKAR	Class A-2	Aaa/AAA	30
19		M. George	IKB	uta.kuhle@ikb-cam.de	Uta Kuhle	Class A-2	Aaa/AAA	87
20		S. Whelan	M&T Bank	deborchard@mandtbank.com	Dave Borchad	Class A-2	Aaa/AAA	42
21								159.0
22								
23		Class B						
24		S. Whelan	M&T	deborchard@mandtbank.com	Dave Borchad	Class B	Aa2/AA	40
25		D. Ludlow	NIB	akakar@nibcm.com	ARJUN KAKAR	Class B	Aa2/AA	5
26		S Whelan	Wachovia	james.burke1@wachovia.com	James Burke	Class B	Aa2/AA	20
27			HBK			Class B	Aa2/AA	31.9
28								96.9
29								
30		Class C						
31		D. Ludlow	ACA	aregal@aca.com	Ave Regal	Class C	A2/A	10
32		S Whelan	Wachovia	james.burke1@wachovia.com	James Burke	Class C	A2/A	20
33			HBK	rwish@hbk.com	Rachel Wish	Class C	A2/A	38.3
34								68.3
35								
36		Class D						
37		P. Binks	Commerzbank	mlewis@cbkna.com	Matrice Lewis	Class D	Ba2/BBB	15
38		J. Deming	TCW	shirley.zheng@tcw.com	Shirley Zheng	Class D	Ba2/BBB	4
39			HBK			Class D	Ba2/BBB	36.1
40								55.1
41								
42		Class E						
43			HBK			Class D	Ba2/BB	18.7
44								18.7
45		Equity						
46			HBK	rwish@hbk.com	Rachel Wish			99.5
47								99.5
48								
49		Total						857.5
50								

DBSI_00711305
DB_PSI_00711305

Footnote Exhibits - Page 5878

Michael
Lamont/NewYork/DBNA/DeuBa@DBAMERICAS

07/12/2007 07:41 PM

To Greg
Lippmann/NewYork/DBNA/DeuBa@DBAmericas,
Richard
DAlbert/NewYork/DBNA/DeuBa@DBEMEA
cc
bcc
Subject Fw: ABS CDO DB Investor List

fyi, Boaz asking for accounts that hold subprime risk for possible principal short opportunities

----- Forwarded by Michael Lamont/NewYork/DBNA/DeuBa on 07/12/2007 07:40 PM -----

Michael Lamont/NewYork/DBNA/DeuBa — To: boaz weinstein — 07/12/2007 07:39 PM — cc: John Pipilis/NewYork/DBNA/DeuBa@DBEMEA, michael herzig — Subject: ABS CDO DB Investor List

This is the raw data with ABS CDO Sales made by DB in past 3 years. This will give you a general sense of where the paper went but is a little hard to decipher. Eg, data shows that Magnetar bought a lot of high quality NR equity in 2006-- but it has no casflow lockout triggers, CIFG wrapped some AAA paper, but is is actually a static, challenged portfolio, many of the buyers listed are CDOs (Cohen, DB Zwirn, Deerfield, Dynamic, Harding, etc). We will send you some more qualitative analysis shortly.

Accounts in my mind with the most risk from our list are Commerzbank, Basis, BSAM (RIP), IKB. This is probably in line with the broader market although we havent done much high grade abs cdo business the last few years, compare ML and Citi, that have placed a tremendous amount of paper into Asia with accounts like SMBC, STAM, UOB, Lyon, etc. These deals arent severely dented as of yet but could get there.

You may also want to follow up with ABS Correlation / Lippmann. In the end most of the ABS CDO cash mezzanine paper went into other ABS CDOs, I think ABS Correlation business across the street has had more of a real money distribution focus.

----- Forwarded by Michael Lamont/NewYork/DBNA/DeuBa on 07/12/2007 07:22 PM -----

Scott Cohen/NewYork/DBNA/DeuBa — To: Michael Lamont/NewYork/DBNA/DeuBa@DBAmericas — 07/12/2007 01:42 PM — cc: — Subject: Updated Investor Buyer list

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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1262

DBSI_01201843

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660521.807

Please find the updated list of buyers.

Thank you,
-Scott
(See attached file: Investor List w buyers.xls)

Scott Cohen
Deutsche Bank | Global Markets
60 Wall Street
New York, NY 10005
scott.cohen@db.com
tel. 212 250 5855
fax 646 257 2401

Investor List w buyers.xls | Type: application/msexcel
Name: Investor List w buyers.xls

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660521.808

ADDITIONAL DOCUMENTS RELATED TO GOLDMAN SACHS

ADDITION TO
Goldman Sachs supplemental response to questions for the record

From: Sandler, David [mailto:dsandler@omm.com]
Sent: Thursday, April 07, 2011 08:37 AM
To: Goshorn, Daniel (HSGAC)
Subject: Goldman Sachs

Dan –

On August 20, 2010, Goldman Sachs provided the wire transfer numbers in conjunction with their testing of the Federal Reserve discount window as requested by the Subcommittee. As highlighted in previous responses, Goldman Sachs only used this access to test that all the necessary policies, procedures and operational capabilities required to access this funding were in place. The amounts borrowed were returned in their entirety the next day.

Goldman Sachs recently discovered that one test transaction was inadvertently omitted from the information previously provided to the Subcommittee due to the test being conducted by Goldman Sachs Bank USA, a Utah industrial bank, which tested their necessary policies, procedures and operational capabilities with the Federal Reserve discount window.

Below is a chart providing details of the transaction, including the wire transfer number:

Borrow Date	Return Date	Collateral Pledged	Amount Borrowed	Reference Number
09/23/2008	09/24/2008	$ 100,620,000.00	$ 50,000,000.00	20080923GMGOW002000035

With this supplementation, we believe Goldman Sachs' prior production on this issue is complete.

David Sandler
O'Melveny & Myers LLP
1625 Eye Street, NW
Washington, D.C. 20006
(202) 383-5123 (phone)
(202) 383-5414 (fax)
dsandler@omm.com

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66052I.810

From: Birnbaum, Josh
Sent: Sunday, August 19, 2007 11:48 PM
To: Lehman, David A.; Montag, Tom
Cc: Sparks, Daniel L; Mullen, Donald; Swenson, Michael; Finck, Greg
Subject: RE: Mtg Department Weekly Update

On the AAA outperformance question, I think AAAs would have performed similarly without our adding. Given the remote likelihood of loss on "real" RMBS AAAs (i.e. not AAA CDOs), trading around 90 is mostly a liquidity trade and last week's injection of liquidity should have been particularly constructive for AAAs. Of note, we saw AAA buying from relatively conservative accounts not normally involved in outright strategies (III, for example).

-----Original Message-----
From: Lehman, David A.
Sent: Sunday, August 19, 2007 9:23 PM
To: Montag, Tom
Cc: Sparks, Daniel L; Mullen, Donald; Swenson, Michael; Finck, Greg; Birnbaum, Josh
Subject: Re: Mtg Department Weekly Update

Going back to your previous question - Net/net the department is long 600ish mm ABX AAAs (short the seasoned 06-1, long the newer 07-1 index)

Swenny or Birnbaum can speak to your question re: AAA ABX px action

Wrt correlation, just the super senior RMBS trades (40-100% or 50-100% of BBB/BBB- subprime portfolios) were impacted

The desk is currenty evaluating the right parameter for the cmbs super senior shorts but we have not had as much observability as we have had in rmbs

[redacted] = Redacted by the Permanent Subcommittee on Investigations

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-[redacted]
e-mail: david.lehman@gs.com

----- Original Message -----
From: Montag, Tom
To: Lehman, David A.
Sent: Sun Aug 19 20:42:07 2007
Subject: Re: Mtg Department Weekly Update

How much of aaa outperforming was us buying?

What assets were affected by correlation change?

----- Original Message -----
From: Lehman, David A.
To: Montag, Tom
Cc: Mullen, Donald; Sparks, Daniel L; Swenson, Michael; Finck, Greg
Sent: Sun Aug 19 19:20:36 2007

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1805

GS MBS-E-010681647

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01815 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

660521.811

Subject: RE: Mtg Department Weekly Update

Got it

Of the ~1.6bb AAA ABX bot I believe 900mm was SPG trading getting longer and 700mm was short covering in books (Alt A, Hybrids)

I don't have the current AAA ABX position @ the dept level in front of me but will get it and circle back

-----Original Message-----
From: Montag, Tom
Sent: Sunday, August 19, 2007 7:11 PM
To: Lehman, David A.
Subject: Re: Mtg Department Weekly Update

I saw the change. I wondered if that covewred risk or took us long. Understand net is same we are longer

----- Original Message -----
From: Lehman, David A.
To: Montag, Tom
Cc: Sparks, Daniel L; Mullen, Donald; Swenson, Michael; Finck, Greg
Sent: Sun Aug 19 19:07:36 2007
Subject: RE: Mtg Department Weekly Update

Added Finck, he can speak to your first question re: Fixed Agcy

On your second question, the dept net added subrprime risk via ABX and [redacted] in AAA CMBS [redacted]

The dept net added risk via ABX @ across the curve but predominantly @ the AAA level (below from Swenny)

Mortgage Dept Net ABX Change on the Week

AAA	+1,580mm
AA	+ 115
A	+ 50
BBB	+ 155
BBB-	+ 100
Total	+2,000mm

[redacted] = Redacted by the Permanent Subcommittee on Investigations

On the CMBS side [redacted]

-----Original Message-----
From: Montag, Tom
Sent: Sunday, August 19, 2007 6:50 PM
To: Lehman, David A.
Subject: Re: Mtg Department Weekly Update

Fixed agency. Are we trying to get down? What did we buy?

How much did whole dept reduce risk this week? Was it all indices again or did we actually cover aby shorts?

----- Original Message -----
From: Lehman, David A.
To: Montag, Tom; Sparks, Daniel L; Mullen, Donald; Salame, Pablo
Cc: Swenson, Michael; Finck, Greg
Sent: Sun Aug 19 17:03:46 2007
Subject: Mtg Department Weekly Update

VerDate Nov 24 2008 09:47 May 19, 2011 Jkt 066052 PO 00000 Frm 01816 Fmt 6602 Sfmt 6602 P:\DOCS\66052.TXT SAFFAIRS PsN: PAT

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Resi Mortgage Update (Finck)

Mortgage Derivatives
---
* Remains most stable and orderly Resi mortgage market
* Flows are healthy: JPMIM selling ~1B Inverse IO, Countrywide selling 600mm PO, otherwise insignificant
* Better demand for levered, non-balance-sheet-intensive positions (IOs, Inverse IOs)
* P&L on week: +$500k
* Hedges: Pass-throughs, Swaps

Fixed Agency/Prime
---
* Spreads continue to widen under selling pressure (AAA super-senior Pass-throughs now 1-24 back from FNMA)
  - Dealers (particularly Countrywide) are overloaded and dumping bonds into any available bid
  - Only 2-3 active street bidders: most dealers are passing on everything
* Decent two-way flows: Sold roughly $1B CMOs on week, and bought approximately $700mm
* P&L on Week: -10mm on spread widening: Making money trading, but losing more money on positions mark-downs in widening
* Position size (Secondary, New issue, and Loans): ~ $6B
* Hedges: Predominantly Agency Pass-throughs, with some swaps

Hybrid Agency/Prime
---
* Very heavy selling. Bid $10B-$15B on the week mostly out of Reits (Thornburg, KKR, FBR)
* Spreads continue to push wider on supply pressure (AAA Libor Floaters now L+100)
* Bought and sold over $2B. Developing good supply/demand balance with large money managers becoming big buyers
* P&L on Week: -$15mm
* Position Size (Secondary / Loans): ~$4B
* Hedges: ~500mm ABX (down from over $1B), Agency Pass-throughs, and Swaps

Alt-A
---
* Very light origination volumes: less than $500mm on week
* Significant widening in AAAs, both Fixed and ARMs
  - Super-Senior AAA pass-throughs widened a point on week from FNMA: now back 3-24 (3pts wider over month)
  - AAA Hybrids also much wider: 25+bps on week
* P&L on week (ex Residual writedown): +10mm on ABX widening
* Position Size: ~500mm loans
* Hedges: Short $1B ABX AAAs. Covered back 500+mm ABX on week, need to cover more

Subprime/Scratch and Dent
---
* Very quiet with essentially no new origination
  - we continue to work on Cbass portfolio for potential buy opportunity
  - also, working on new deal with HSBC loans: weak investor interest
* P&L on Week: 7mm (ABX widening)
* $1.3B ABX short vs $1B Subprime and 600mm S&D position

ABS Summary (Swenson)

1) Closing Price and Changes for the week ended ABX 07-1:

		Weekly Change
AAA	91-00	+1.5pts
AA	67-00	-3.0pts
A	45-00	-3.5pts
BBB	35-00	-3.5pts
BBB-	33-16	-3.5pts

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660521.813

2) General Color

* Market was up as much as 6 or 7 points post Fed announcement this morning. Market came off the highs as fast money faded the rally with the market closing up 2 points on average

* Further liquidations from real money accounts facing redemptions. Multiple billions of AAA and AA home equity out for bid with roughly two-thirds trading

* Moody's downgraded 84% of the second lien universe including 78 AAA bonds, likely to trigger numerous forced sales

* S&P downgraded 158 Alt-A deals that had been previously on watch

3) Current SPG Trading Desk Position Summary:

* RMBS AAA - long $2.2bb

* RMBS AA - long $1.0bb

* RMBS Single-As - net short $0.8bb 100% in single-name CDS

* RMBS BBB/BBB- - net short $3.5bb (80% in single-name CDS - 60% in 2005 vintage)

4) August 13th - 17th

Total ABX Indices by Rating Bought this week:

AAA	$1,580mm
AA	180
A	175
BBB	180
BBB-	282
Total	$2,397mm

ABS and Correlation Desk Net ABX Risk Change on the Week:

AAA	+ 865mm
AA	+ 115
A	+ 50
BBB	+ 155
BBB-	+ 100
Total	+1,285mm

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Mortgage Dept Net ABX Change on the Week

AAA	+1,580mm
AA	+ 115
A	+ 50
BBB	+ 155
BBB-	+ 100
Total	+2,000mm

CMBS [redacted]

[redacted]

Confidential Treatment Requested by Goldman Sachs

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CDOs (Lehman)

* Desk was able to short 100+m notional on the week
* Sold one cash "A" and bought protection from two different counterparties @ the "AA" and "A" level
* Flows largely from hedge funds and fast money desks covering short risk positions - we still have not seen a lot of new longs in the market
* First time in 6+ weeks we have seen decent trading activity
* Market continues to be dislocated with few dealers making markets and nobody looking to get long risk

5

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Securities Division Summary Highlights - Week Ending November 30th, 2007

Equities	WTD	MTD	QTD	YTD	% vs Ac	FICC	WTD	MTD	QTD	YTD	% vs Ac
Revenues	79	473	3,415	13,406	29%	Revenues	(190)	670	3,294	16,737	15%
Pre-Tax	(68)	(73)	562	4,772		Pre-Tax	(463)	(103)	305	7,858	

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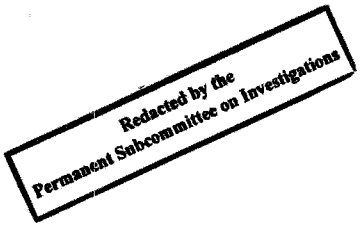

Mortgages

Mortgages Performance ($mm)					
	WTD	MTD	QTD	YTD	% YTD vs. Act
Resi Prime	(26.3)	(71.2)	(101.5)	(175.0)	-436%
Resi Credit	(27.0)	(112.1)	(302.4)	(981.5)	-474%
CDO/CLO	(8.9)	(132.8)	(252.3)	(1,750.3)	N.M.
SPG	54.1	208.2	947.2	3,742.3	N.M.
Other*	(45.7)	(32.6)	1.0	294.8	30%
Revenues:	**(53.7)**	**(140.4)**	**292.0**	**1,130.4**	**26%**
Expenses:	**(10.2)**	**(61.2)**	**(252.6)**	**(775.2)**	
Pretax P&L:	**(63.9)**	**(201.6)**	**39.4**	**355.2**	

* CRE Loan Trading, ABS Loans & Finance, Ten / Warehouse, European Mtge, Advisory & Other

Indices	This Week	Last Week	Change (wow)
Refi Index	2,200	1,490	(710)
ABX.HE.AAA. 07-1 Spread	705	499	(206)
ABX.HE.BBB-.07-1 Spread	3,229	3,145	(84)
BOA AAA 10YR CMBS paper	110.5	103.2	(7.3)
CMBX 07-2 AAA Spread	105.0	75.0	(30.0)
CMBX 07-2 A Spread	515	440	(75)
CMBX 07-2 BBB- Spread	1,200	1,110	(90)

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660521.817



CONFIDENTIAL

Fixed Income, Currencies and Commodities

Business Planning Committee Presentation

November 19th, 2007

onfidential Treatment Requested by Goldman Sachs

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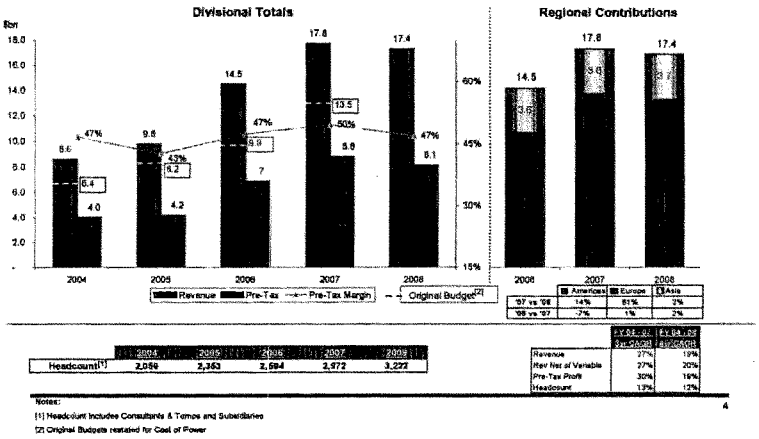
660521.818

Financial Highlights

Overview

- 2007 is a record year for FICC with revenues of $17.8bn (+22% vs. 2006 / +32% vs. 2007 Orig Plan) and pre-tax profit of $8.8bn
- 2007 marked full year records for 7 of the 8 business lines within FICC
- 2008 projected revenues of $17.4bn reflect increases across our franchise businesses offset by decreases in principalling



Headcount[1]	2004	2005	2006	2007	2008
	2,059	2,353	2,594	2,972	3,222

	FY'04 - '07 3yr CAGR	FY'04 - '08 4yr CAGR
Revenue	27%	19%
Rev Net of Variable	27%	20%
Pre-Tax Profit	30%	19%
Headcount	13%	12%

Notes:
[1] Headcount includes Consultants & Temps and Subsidiaries
[2] Original Budgets restated for Cost of Power

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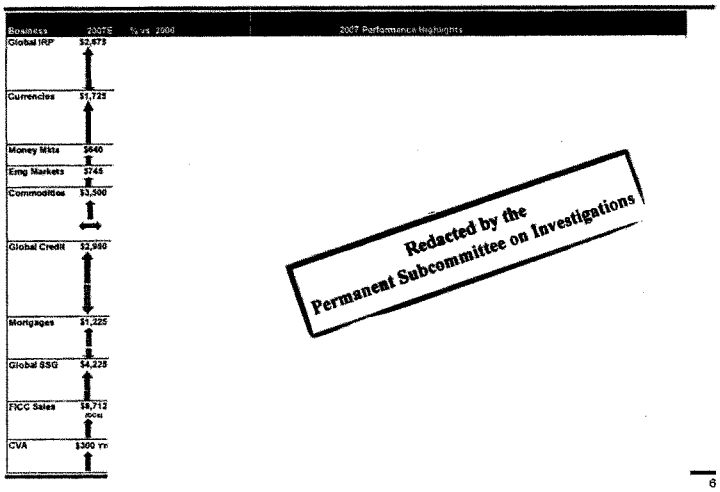
2007 Business Overview

Business Revenues ($mm) and Performance Drivers



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2008 Business Overview

2008 Budget

($ in Millions)	2008	2007	2006	% Chg 08 vs. 07	% Chg 07 vs. 06	2008 Commentary
Revenues	17,350	17,755	14,508	-2%	22%	▪ Increases across franchise are offset by principalling
Variable Expenses	1,295	1,654	1,688	-22%	-2%	▪ Decrease in Cost of Power
Revenues Net of Variable	16,055	16,101	12,820	0%	26%	
Operating Expenses						
Direct Expenses	5,341	4,979	3,980	9%	23%	▪ Increase of Equity Award amortization and new hires
Allocated Expenses	2,581	2,419	1,972	7%	23%	▪ Increase largely driven by Federation allocations
Total Operating Expenses	7,922	7,298	5,952	9%	23%	
Pre-tax Earnings	8,132	8,803	6,868	-8%	28%	
Pre-tax Margin	47%	50%	47%			
Total Staff	3,222	2,972	2,594	8%	15%	

Total Staff includes employees, PMDs, consultants & temps, and subsidiaries.

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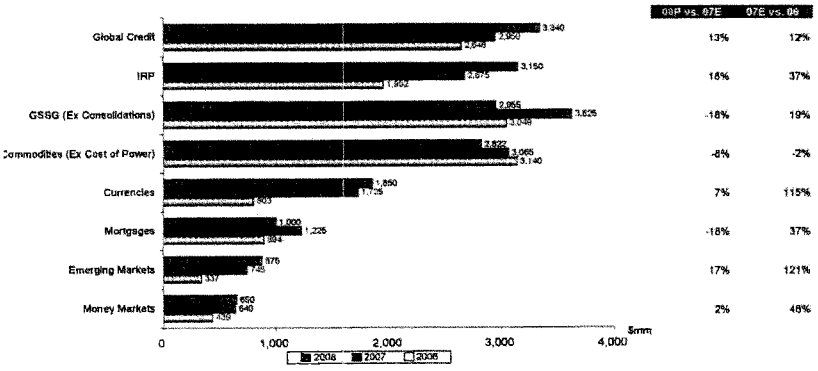
2008 Business Overview

2006 – 2008P Revenues by Business Unit

- 2008P revenues of $17.4bn reflects increases across our Franchise businesses, offset by principalling decreases
- Globally diverse portfolio with each region contributing meaningfully to 2007 results (Americas $8.4bn, Europe $5.7bn, Asia $3.6bn)



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Expense Overview

Headcount and Compensation

Staff by Business

Money Markets	[redacted]			
Global Interest Rate Products				
Currency				
Emerging Markets				
Commodities				
Mortgages	267	266	(1)	0%
Global Credit	[redacted]			
Global Distribution				
GSSG				
FICC Strategies				
Total Permanent	2,933	2,681	252	9%
Subsidiaries Consultants and Temps	[redacted]			
Total Headcount	3,222	2,972	250	8%
Americas	[redacted]			
Europe				
Asia				
Global	3,222	2,972	250	8%

Note: Avelo / Sandvere budgeting 133 adds for a total of 626 headcount in 2008 (included in Archon headcount)

[redacted]

Employee Payroll Analysis

	$mm	Headcount
2007 Beg of Period	[redacted]	
Net Employee Change		
PMD Pool Change		
Round 1 Comp Changes		
Projected FY07		
% Change Payroll	[redacted]	
% Change Steady State		

Payroll analysis includes employees, PMDs, and subsidiaries. Excludes consultants and temps.
PMD departs include McGoldrick, Maynard, Tebbe, Graffeuni, Ransom, Christie.

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The Goldman Sachs Group, Inc. | 85 Broad Street | New York, New York 10004

GOLDMAN SACHS REPORTS RECORD EARNINGS PER COMMON SHARE OF $24.73 FOR 2007

FOURTH QUARTER EARNINGS PER COMMON SHARE WERE $7.01

NEW YORK, December 18, 2007 - The Goldman Sachs Group, Inc. (NYSE: GS) today reported net revenues of $45.99 billion and net earnings of $11.60 billion for the year ended November 30, 2007. Diluted earnings per common share were $24.73, an increase of 26% compared with $19.69 for the year ended November 24, 2006. Return on average tangible common shareholders' equity [1] (ROTE) was 38.2% and return on average common shareholders' equity (ROE) was 32.7% for 2007.

Fourth quarter net revenues were $10.74 billion and net earnings were $3.22 billion. Diluted earnings per common share were $7.01 compared with $6.59 for the same 2006 quarter and $6.13 for the third quarter of 2007. Annualized ROTE [1] was 40.1% and annualized ROE was 34.6% for the fourth quarter of 2007.

Annual Business Highlights

- Goldman Sachs achieved record net revenues, net earnings and diluted earnings per common share in 2007.
- Book value per common share increased 25% to $90.43 in 2007. The firm repurchased 41.2 million shares of its common stock for a total cost of $8.96 billion.
- The firm produced record results in the Americas, Europe and Asia, and derived over one-half of its pre-tax earnings outside of the Americas.
- Investment Banking produced net revenues of $7.56 billion, 34% higher than the previous record set in 2006. The firm ranked first in worldwide announced mergers and acquisitions. [2]
- Fixed Income, Currency and Commodities (FICC) generated net revenues of $16.17 billion, 13% higher than the previous record set in 2006, reflecting strong performance in all major businesses.
- Equities produced net revenues of $11.30 billion, 33% above the previous record set in 2006.
- Principal Investments achieved net revenues of $3.76 billion, reflecting records in both corporate and real estate investing.
- Asset Management generated record net revenues of $4.49 billion, as assets under management increased $192 billion, or 28%, to $868 billion. Net inflows were $161 billion in 2007.
- Securities Services achieved record net revenues of $2.72 billion.

"The talent of our people and our focus on teamwork were at the core of our ability to support our clients while delivering strong returns for our shareholders," said Lloyd C. Blankfein, Chairman and Chief Executive Officer. "Inherent in our commitment to our clients is the need to help them execute their transactions in all market conditions and, as a result, we are ever mindful of the importance of effective risk management. Looking forward, we continue to see significant growth opportunities across the global economy."

Media Relations: Lucas van Praag 212-902-5400 | Investor Relations: Dane E. Holmes 212-902-3580

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Net Revenues

Investment Banking

Full Year
Net revenues in Investment Banking were $7.56 billion for the year, 34% higher than 2006. Net revenues in Financial Advisory were $4.22 billion, 64% higher than 2006, primarily reflecting growth in industry-wide completed mergers and acquisitions. Net revenues in the firm's Underwriting business were $3.33 billion, 9% higher than 2006, due to higher net revenues in debt underwriting, primarily reflecting strength in leveraged finance during the first half of the year. Net revenues in equity underwriting were also strong, but essentially unchanged from 2006.

Fourth Quarter
Net revenues in Investment Banking were $1.97 billion, 47% higher than the fourth quarter of 2006 and 8% lower than a particularly strong third quarter of 2007. Net revenues in Financial Advisory were $1.24 billion, 98% higher than the fourth quarter of 2006, reflecting increased client activity. Net revenues in the firm's Underwriting business were $733 million, essentially unchanged from the fourth quarter of 2006. Net revenues in equity underwriting were higher, primarily reflecting an increase in initial public offerings. Results in debt underwriting were lower, primarily due to a decrease in leveraged finance and mortgage-related activity, reflecting challenging market conditions, partially offset by an increase in investment-grade activity.

The firm's investment banking transaction backlog decreased during the quarter, but was higher than at the end of 2006.[3]

Trading and Principal Investments

Full Year
Net revenues in Trading and Principal Investments were $31.23 billion for the year, 22% higher than 2006.

Net revenues in FICC were $16.17 billion for the year, 13% higher than 2006, reflecting significantly higher net revenues in currencies and interest rate products. In addition, net revenues in mortgages were higher despite a significant deterioration in the mortgage market throughout the year, while net revenues in credit products were strong, but slightly lower compared with the prior year. Credit products included substantial gains from equity investments, including a gain of approximately $900 million related to the disposition of Horizon Wind Energy L.L.C., as well as a loss of approximately $1 billion, net of hedges, related to non-investment-grade credit origination activities. Net revenues in commodities were also strong but lower compared with 2006. During 2007, FICC operated in an environment generally characterized by strong customer-driven activity and favorable market opportunities. However, during the year, the mortgage market experienced significant deterioration and, in the second half of the year, the broader credit markets were characterized by wider spreads and reduced levels of liquidity.

Net revenues in Equities were $11.30 billion for the year, 33% higher than 2006, reflecting significantly higher net revenues in both the firm's customer franchise businesses and principal strategies. The customer franchise businesses benefited from significantly higher commission volumes. During 2007, Equities operated in an environment characterized by strong customer-driven activity, generally higher equity prices and higher levels of volatility, particularly during the second half of the year.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES
SEGMENT NET REVENUES
(UNAUDITED)
$ in millions

	Year Ended		% Change From
	Nov. 30, 2007	Nov. 24, 2006	Nov. 24, 2006
Investment Banking			
Financial Advisory	$ 4,222	$ 2,580	64 %
Equity underwriting	1,382	1,366	1
Debt underwriting	1,951	1,684	16
Total Underwriting	3,333	3,049	9
Total Investment Banking	7,555	5,629	34
Trading and Principal Investments			
FICC	16,165	14,262	13
Equities trading	6,725	4,965	35
Equities commissions	4,579	3,518	30
Total Equities	11,304	8,483	33
SMFG	(129)	527	N.M.
ICBC	495	937	(47)
Other corporate and real estate gains and losses	2,914	948	207
Overrides	477	404	18
Total Principal Investments	3,757	2,817	33
Total Trading and Principal Investments	31,226	25,562	22
Asset Management and Securities Services			
Management and other fees	4,303	3,332	29
Incentive fees	187	962	(81)
Total Asset Management	4,490	4,294	5
Securities Services	2,716	2,180	25
Total Asset Management and Securities Services	7,206	6,474	11
Total net revenues	$ 45,987	$ 37,665	22

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Securities Division

4Q07 Managing Director Meeting
January 10th, 2008

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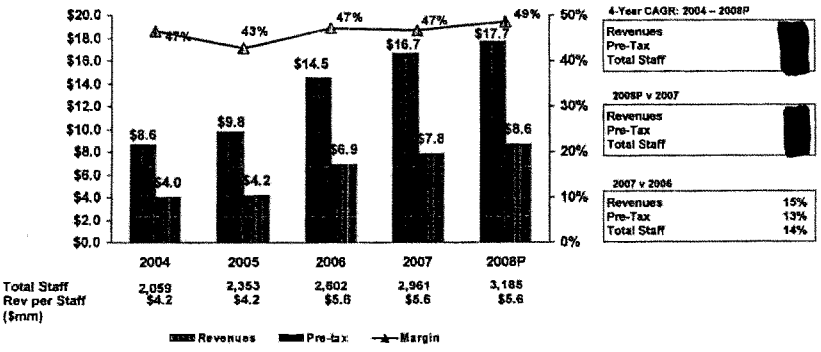
FICC Financial Highlights

2004-2008P, as internally reported

- 2007 record revenues of $16.7bn (+15% vs. 2006 / +24% vs. 2007 Original Plan) and record pre-tax profits of $7.8bn
- 2008P revenues of $17.7bn (+6% vs. 2007) and pre-tax profits of $8.6bn reflects +22% increase in Franchise offset by reduced Principal Trading revenues



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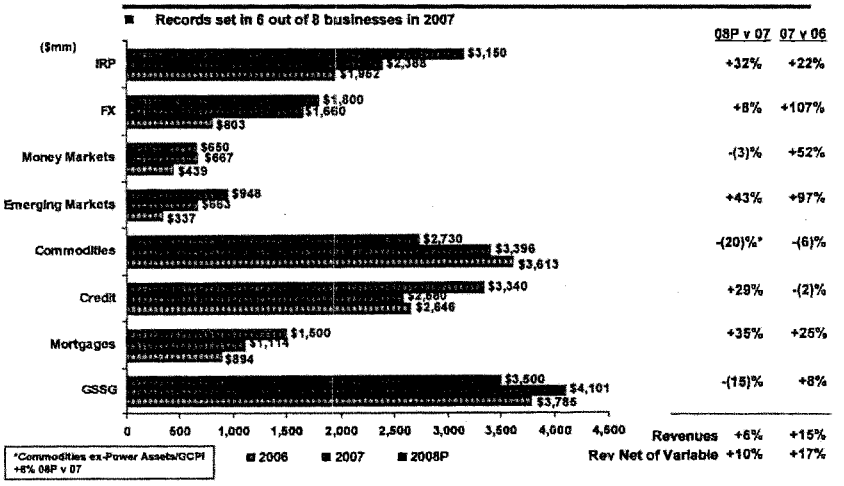
Goldman Sachs

FICC Business Overview

2006-2008P Revenues by Business Unit, as internally reported



	08P v 07	07 v 06
IRP	+32%	+22%
FX	+8%	+107%
Money Markets	-(3)%	+52%
Emerging Markets	+43%	+97%
Commodities	-(20)%*	-(6)%
Credit	+29%	-(2)%
Mortgages	+35%	+25%
GSSG	-(15)%	+8%
Revenues	+6%	+15%
Rev Net of Variable	+10%	+17%

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Global Mortgages
Business Unit Townhall
Q4 2007

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Firmwide Full Year Earnings

($ in Millions, Except Per Share Amounts)

	FY07	FY06	% Change
Net Revenues	45,987	37,995	22
Pre-Tax Earnings	17,699	14,530	21
Net Earnings	11,599	9,537	22
Diluted EPS	22.72	18.53	23
ROE	32.7%	32.3%	
ROTE	33.2%	33.3%	

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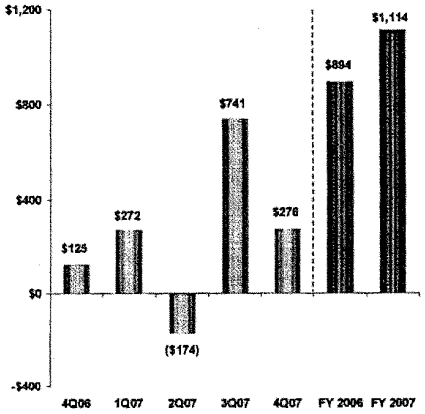
Q4 2007 Global Mortgages Revenues

(Quarterly Performance)

($ in mm)



Full Year Revenue Performance

Global Mortgages: ↑ 25% vs. FY 2007

Q407 Performance Drivers

SPG Trading:

- Strong results from capital structure positioning, with an overall short bias

CDO:

- Continued mark-downs on deteriorating performance

Residential Credit:

- Write-downs across Sub Prime and Alt-A, as a result of continued weakness in deal performance

Residential Prime:

- Result of mark-downs of retained positions; lack of investor appetite for RMBS

CRE Loan Trading: [redacted]

ABS Loans & Finance: [redacted]

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