SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

In the Matter of the Rehabilitation of	
FINANCIAL GUARANTY INSURANCE COMPANY	Index No. 401265/2012
	Doris Ling-Cohan, J.
	Motion Sequence No. 4

OBJECTIONS OF THE BANK OF NEW YORK MELLON AND THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., AS TRUSTEE TO THE PROPOSED PLAN OF REHABILITATION

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INTRODUCTION

The Bank of New York Mellon and The Bank of New York Mellon Trust Company, N.A., each in its capacity as indenture trustee (collectively, the "Trustee") under indentures pursuant to which bonds[1] were issued and are outstanding that are insured by financial guaranty insurance policies issued by Financial Guaranty Insurance Company ("FGIC") or FGIC Credit Products, LLC ("FGIC CP"), respectfully submit this objection to the September 27, 2012 Plan of Rehabilitation (the "Proposed Plan")[2] filed by Benjamin Lawsky, Superintendent of Financial Services of the State of New York (the "Superintendent") as the court appointed rehabilitator (the "Rehabilitator") of FGIC. The Trustee submits the accompanying affidavit of Gerard F. Facendola sworn to November 19, 2012 and the previously filed affidavits of Gerard F. Facendola and Bridget Schessler both sworn to June 22, 2012 in support of this objection.

PRELIMINARY STATEMENT

The Trustee acts as trustee in thousands of transactions. Pursuant to the governing documents (the "Transaction Documents"), FGIC has issued policies (the "Policies") insuring bonds issued in approximately 700 of these transactions (the "Insured Bonds"). The Policies insure against possible payment shortfalls on the Insured Bonds. Over the life of these transactions, FGIC has been paid substantial policy premium payments in exchange for FGIC's commitment to pay claims (the "Claims") arising from under the Insured Bonds.

Pursuant to the terms of the Proposed Plan, the Rehabilitator seeks to dramatically alter the terms of these transactions. The Proposed Plan far exceeds the jurisdiction of this Court and

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1 References to indenture trustee, indenture and bonds should be read to include all similar transactions involving municipal, corporate and asset-backed securities where the role of the Trustee may be titled as a fiscal agent or other designation. The governing instrument may have different designations and the securities may be referred to as notes or by other designations.

2 Capitalized terms used without definition are used as they are defined in the Proposed Plan.

scope of the Rehabilitator's authority, by unilaterally amending, and in many cases eviscerating, the terms contained in the Transaction Documents, including agreements other than Policies and those to which FGIC is not even a party. Further, the Proposed Plan improperly and wrongfully strips holders of Claims (the "Claimholders") of their common-law rights of recoupment and to set-off. Finally, the Proposed Plan erects arbitrary, capricious and unnecessary obstacles to the payment of Claims, fails to provide adequate indemnity to the Trustee, which is particularly significant in light of the potential exposure to substantial expense and liability. For each of these reasons and as set forth more fully below and as may be set forth in Objections filed by other parties,[3] the Proposed Plan must be substantially modified before it may be approved.

FACTS

On November 24, 2009, the New York Department of Insurance (now the New York Department of Financial Service, "NYDFS") entered an Order pursuant to Section 1310 of the Insurance Law (as modified by the Supplemental Order dated March 25, 2010, the "1310 Order") requiring FGIC to suspend paying any and all claims and prohibiting FGIC from writing any new policies effective November 24, 2009. That same day, FGIC issued a press release stating that, as a result of the issuance of the 1310 Order, "FGIC will immediately suspend all claims payments." The press release further provided that until "FGIC achieves compliance with such requirement, the 1310 Order prohibits FGIC from writing any new policies and requires FGIC, as of November 24, 2009, to suspend paying any and all claims and to otherwise operate in the ordinary course and as necessary to effectuate the Surplus Restoration Plan."

FGIC's failure to pay claims was a default of FGIC's obligations under the Policies. Independently, FGIC's announcement that it would suspend payment of Claims was and is an

[3] The Trustee reserves the right to join in those Objections.

anticipatory breach under the Policies and applicable Transaction Documents. As a result, Policyholders, including the Trustee, were entitled to exercise common law and contractual rights of recoupment or set-off against premium payments and reimbursements[4] to FGIC. The failure to pay claims[5] as well as its announced suspension to pay claims or otherwise provide adequate assurance of performance constituted a defined "Insurer Default"[6] which, by the terms of the Transaction Documents resulted in a loss of "Control Rights" – among other things, the right, subject to conditions, to give directions to the Trustee to take action under the Transaction Documents – and reordering of the priorities of distributions of funds under certain Transaction Documents to eliminate or subordinate the distributions made to FGIC because of its failure or prospective failure to fund payments to the investors through payments on policy claims. FGIC's position in the waterfall and its Control Rights derive from its promise to pay the principal of and interest on the Insured Bonds if there are insufficient funds otherwise available. When an Insurer Default has occurred – meaning that FGIC has failed to pay claims or by its insolvency or filing or becoming subject to a rehabilitation proceeding showing that it will be unable to pay claims in full, the cash flows are adjusted to account for FGIC's failure to pay claims including to cease paying premiums for insurance coverage that FGIC is no longer supplying or reimbursements for claims.

On June 11, 2012, the Superintendent filed his Verified Petition for Order of Rehabilitation in this Court. On June 28, 2012, this Court entered the Order of Rehabilitation. On September 27, 2012 this Court entered a scheduling order (the "Scheduling Order") setting

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4 As a financial guaranty insurer, to the extent that it pays Claims, FGIC has rights to recover the amounts that it pays on claims through reimbursement and subrogation as detailed in the Transaction Documents.

5 And, typically, insolvency and becoming subject to a rehabilitation proceeding.

6 The Transaction Documents on any particular transaction may use some other defined term such as "Series Enhancer Default" or reach the same result through other drafting conventions or applicable law, including the concept of anticipatory breach under Policies and applicable Transaction Documents and FGIC's failure to provide adequate assurance of performance.

forth a briefing schedule with respect to the approval of the Proposed Plan. That same day, the Rehabilitator filed the Proposed Plan, a Disclosure Statement regarding the Proposed Plan ("Disclosure Statement"), an Affirmation in Support of Plan Approval, a Proposed Plan Approval Order, a Novation Agreement, and a Form of Notice of Plan Approval Hearing. On October 25, 2012, the Rehabilitator filed its Memorandum of Law in Support of Approval of Plan of Rehabilitation For Financial Guaranty Corporation (the "Rehabilitator's Memo").

OBJECTION

The Trustee objects to those portions of the Proposed Plan that exceed the power of this court, are unfair and inequitable, do not meet the "best interests of creditors" test, work an unnecessary hardship on Claimholders and constitute an abuse of the Rehabilitator's discretion. The Proposed Plan impermissibly seeks to modify Claimholders' bargained-for contractual rights under contracts which are not subject to adjustment in a rehabilitation proceeding and others to which FGIC is not a party. This exceeds the power of this Court, constitutes a clear abuse of discretion, is inequitable to Claimholders, and must be modified. Specifically, the Proposed Plan seeks to disregard FGIC's payment defaults and its announced suspension of all Claims payments, rewrite the Transaction Documents, reverse and recover allocations of funds made pursuant the terms of the Transaction Documents, and restore to FGIC Control Rights in contravention of the Transaction Documents and applicable law. The Proposed Plan also wrongfully strips the Trusts of their common law and statutory rights of recoupment and set-off contrary to the express terms of the New York Insurance Law ("NYIL") and contrary to New York case law. Finally, the Proposed Plan contains arbitrary provisions that (i) erect unnecessary obstacles to payment, such as complete subordination of Late-Filed Claims and mandating re-submission of certain previously submitted Claims, (ii) expose the Trustee to liability and (iii) effectively deprive the Trustee and other Claimholders of the right to seek judicial redress.

Accordingly, approval of the Proposed Plan should be denied unless it is modified to adequately address the Objections set forth herein.[7]

STANDARD

A plan of rehabilitation must be consistent with the law and must equitably apportion loss. See In re Frontier Ins. Co., 36 Misc. 3d 529, 542 (Sup. Ct. Albany Co. 2012) ("[A] plan of rehabilitation cannot be approved where it is inconsistent with the law."); Grode v. Mut. Fire, Marine, & Inland Ins. Co., 572 A.2d 798, 804 (Pa. Commw. Ct. 1990) (the court must act as a "check on potential discretionary abuse to insure equitable apportionment of loss"). Thus, a plan of rehabilitation must not only comply with legal and constitutional precepts it must also be fair and equitable to all interested parties. Carpenter v. Pac. Mut. Life Ins. Co. of Cal., 10 Cal. 2d 307, 317 (1937) aff'd sub nom. Neblett v. Carpenter, 305 U.S. 297 (1938). Courts defer to a rehabilitator's business judgment exercised within legal parameters, but must disapprove actions by a rehabilitator that are "arbitrary, capricious or an abuse of discretion". Callon Petroleum Co. v. Superintendent of Ins. of State, 53 A.D.3d 845, 845 (3d Dep't 2008); Mills v. Florida Asset Fin. Corp., 31 A.D.3d 849, 850 (3d Dep't 2006).

The deference is to the Rehabilitator's business judgments. Callon, 53 A.D.3d at 845 (courts defer to the rehabilitator's business judgment); Mills, 31 A.D.3d at 850 (3d Dept' 2006). The scope of this court's jurisdiction over parties or contracts other than an insurer's policies and the determination of what are permissible terms of a plan of rehabilitation are not business decisions, but matters of law for the Court.

[7] See Requested Modifications to the Proposed Plan of Rehabilitation, attached as Exhibit A to the Affirmation of Gerard F. Facendola sworn to November 19, 2012 (the "Facendola Affidavit or Aff.").

ARGUMENT

POINT I.

SECTIONS 3.5 AND 7.8 OF THE PROPOSED PLAN ARE UNFAIR, INEQUITABLE AND A VIOLATION OF THE REHABILITATOR'S DISCRETION AND THUS MUST BE MODIFIED

Section 3.5 of the Proposed Plan provides that FGIC shall be deemed not to have defaulted under any FGIC Contract or Transaction documents.[8] Section 7.8 enjoins all parties from exercising any contractual rights, including Control Rights, they would otherwise have as a result of FGIC's defaults.[9]

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[8] In relevant part, Section 3.5 provides:

> upon the Effective Date, any default, event of default or other event or circumstance relating to the FGIC Parties then existing (or that would exist with the passing of time or the giving of notice or both) under any FGIC Contract or Transaction Document as a result of (whether directly or indirectly) the Rehabilitation or the Rehabilitation Circumstances shall be deemed not to have occurred (including, for the avoidance of doubt any default, Event of Default or other event or circumstance relating to the FGIC Parties then existing (or that would exist with the passing of time or the giving of notice or both) due to a lack of payment or performance of or by the FGIC Parties under any FGIC Contract or Transaction Document).

[9] In relevant part, Section 7.8(e)(i) provides:

> except as expressly provided by Section 3.7 hereof, exercising or taking any action to exercise, including by asserting any defense based on the Rehabilitation or the occurrence or existence of any of the Rehabilitation Circumstances, any approval, consent, direction, determination, appointment, request, voting, veto, waiver or other right that the FGIC Parties have (through the right to direct or grant or withhold consent with respect to such exercise or otherwise) (or that the FGIC Parties would have but for the Rehabilitation or the occurrence or existence of any of the Rehabilitation Circumstances) under or with respect to any FGIC Contract or any Transaction Document executed in connection with the issuance of or entry into such FGIC Contract or related to such FGIC Contract or any obligations insured or covered thereby (all rights and remedies described in this clause (i), the "FGIC Rights"); (ii) except as expressly provided by Section 3.7 hereof, failing to take, or taking any action inconsistent with, any action (or inaction) directed (whether actively or passively) to be taken pursuant to the exercise by the FGIC Parties of any FGIC Rights or (iii) failing to provide, or causing to be provided, to the FGIC Parties any notice, request or other communication or document that the FGIC Parties may have the right to receive (or that the FGIC Parties would or may have the right to receive but for the Rehabilitation or the occurrence or existence of any of the Rehabilitation Circumstances). For the avoidance of doubt, this subsection 7.8(e) shall not enjoin or restrain any trustee from exercising any remedial power in the absence of any conflicting direction from FGIC (to the extent that FGIC is entitled to give such direction) or any servicer (including any master servicer, sub-servicer or special servicer) from servicing underlying collateral, in each case to the extent permitted under and in accordance with the terms and conditions of the applicable Transaction Documents (and in each case

As a consequence of FGIC's defaults, during the three years since it stopped paying claims, distributions of funds under Transaction Documents have been made based on the bargained for revised distribution priorities applicable after an Insurer Default.[10] The BFC Ajax CDO Ltd. Indenture[11] is illustrative. The Priority of Payments in Section 11.01(a) makes payment to the FGIC as "Credit Enhancer"[12] in the fourth priority, but only "so long as no Credit Enhancer Default[13] has occurred and is continuing."[14] Under such a waterfall, the available funds have been distributed to the investors in the Insured Bonds and other parties contractually entitled to the funds after the Insurer Default. The Proposed Plan proposes to reallocate the bargained for distributions now and in the future by declaring that FGIC is excused from the consequences of the "Rehabilitation Circumstances" which is defined to include FGIC's failure to pay claims. Furthermore, to the extent the Transaction Documents provide that upon a Credit Enhancer Default (or similar event) that the Priority of Payments *among* bondholders changes, then those changes should not be disturbed in any way by the Proposed Plan. The bondholders relied on those provisions when evaluating the RMBS issuances and it was material to their investment decision.

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without regard to the Rehabilitation and the occurrence or existence of any of the Rehabilitation Circumstances)[.]

10 Many indentures provide that the available funds (such as collections from the borrowers' mortgage payments in a residential mortgage backed (RMBS) transaction) are distributed on each payment date pursuant to a priority of payments colloquially referred to as a waterfall among the investors in what may be several series of bonds with different payment priorities and other parties, including the bond insurer. Where there are shortfalls in payment from the underlying source of payment such as borrowers unable to make their mortgage payments, a party's position in the waterfall will have important consequences on whether it is receives full payment, partial payment, or any payment at all.

11 Indenture dated as of November 29, 2006 among BFC Ajax CDO Ltd., as Issuer, BFC Ajax CDO LLC, as Co-Issuer, Financial Guaranty Insurance Company, as Credit Enhancer and The Bank of New York Trust Company, National Association (now named The Bank of New York Mellon Trust Company, National Association), as Trustee attached as Exhibit B to the Facendola Affidavit.

12 The term used in this indenture for the Bond Insurer.

13 Defined to include failure to make payments when due under the Credit Enhancement (the Financial Guaranty Insurance Policy) and the entry of an order for relief in a rehabilitation proceeding or the appointment or a receiver, here the Rehabilitator.

14 Facendola Aff. Ex. B at 169.

The Transaction Documents also generally provide that FGIC has certain rights, subject to conditions, to control or direct the Trustee. See Trust Indenture, dated February 1, 1997, between Jefferson County, Alabama and AmSouth Bank of Alabama (the predecessor in interest to The Bank of New York Mellon).[15] These rights, however, are expressly conditioned on its fulfillment of FGIC's contractual obligations under the Policies. Id., § 17.3. Thus, only where FGIC is able perform or able to continue to perform do the Transaction Documents grant FGIC the right to direct the Trustee to enforce remedies under the indenture. Id. at §§ 17.3(c); 13.5. Where FGIC is unable to meet payment obligations, however, the economic risk has shifted back to the insured Bondholders. FGIC loses the right to direct and control the Trustee which right reverts to the holders of the Insured Bonds. Id., § 17.3(c). Because FGIC has not complied with its payment obligations and will be unable to comply in the future, under the terms of the parties' agreements, FGIC has no right to control or direct the Trustee.[16]

Sections 3.5 and 7.8 of the Proposed Plan operate in tandem to strip the holders of their bargained-for control rights. This would fundamentally alter the relationship of the parties to the Transaction Documents and allow FGIC to direct the Trustee even though the holders of the

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[15] Facendola Aff., Ex. C, §§ 17.3(c); 13.5.

[16] Notably, the 1310 Order required FGIC to suspend paying all claims and prohibited FGIC from writing any new policies. See 1310 Order. In a press release issued the same day as the 1310 Order, FGIC affirmatively and unequivocally acknowledged that it would "immediately suspend all claims payments" and that it was prohibited from "writing any new policies." FGIC Press Release, November 24, 2009, available at http://www.fgic.com/aboutfgic/news/fgic20091124.pdf. As a consequence of this unequivocal inability to perform, FGIC is in anticipatory breach of its contractual obligations under the FGIC Bond Insurance policies. See, e.g., Alabama v. North Carolina, 130 S. Ct. 2295, 2312 (2010)("A repudiation occurs when an obligor either informs an obligee that the obligor will commit a breach that would of itself give the obligee a claim for damages for total breach, or performs a voluntary affirmative act which renders the obligor unable or apparently unable to perform without such a breach") (internal quotations omitted); Tenavision, Inc. v. Neuman, 45 N.Y.2d 145, 150 (1978) (holding that an anticipatory breach occurs when the "intention not to perform [is] positive and unequivocal"); Viacom Outdoor Inc. v. Wixon Jewelers, Inc., 82 A.D.3d 604 (1st Dep't 2011)(an unequivocal statement conveying the intent not to perform constitutes an anticipatory breach). Therefore, to the extent that FGIC has not yet technically failed to pay under certain Policies supporting any particular Transaction Document, there has been an anticipatory breach of all such Transaction Documents as a consequence of FGIC's unequivocal confirmation that it is prohibited from making any Policies and the corresponding claims payments since the 1310 Order or significantly less than full payment in the future.

Insured Bonds bear the risk of loss. The party exercising control rights would have the ability to make important decisions affecting the subject of the financing funded by the Insured Bonds, discretion in determining how rights and remedies under the Transaction Documents are exercised, and directing the Trustee to take significant actions including prosecuting litigation that may involve incurring significant fees and expenses and may risk substantial liability.[17]

This unilateral attempt to strip Claimholders of their rights is beyond the power of the court and, to the extent relevant, an abuse of the Rehabilitator's discretion. The NYIL allows the Rehabilitator to "remov[e] the causes and conditions which have made the [rehabilitation proceeding] necessary." NYIL § 7403(a). There has been no showing, nor could there be, that the exercise of control rights by the holders of the Insured Bonds in any way "caused" FGIC to require rehabilitation. Indeed, the Disclosure Statement states that "[s]ince the fourth quarter of 2007, FGIC's business, results of operations and financial condition have been adversely affected by, among other things, significant losses on certain policies issued by FGIC relating to RMBS and ABS CDO backed primarily by subprime RMBS. Because of a dramatic, sustained increase in payment defaults on the U.S. residential mortgage loans collateralizing these securities, there have been, and are expected to be, substantial shortfalls in funds available to make required payments on such securities . . . . ." Disclosure Statement at 10. Nor is there any other provision of the NYIL, or any case, that grants this Court or the Rehabilitator the authority to wholesale re-write contracts which, in many cases, it is not even a party.[18] Finally, in this

[17] As discussed in Point III below, the indemnification provisions in the Proposed Plan are inadequate to protect the trustee in connection with any exercise of control rights by FGIC.

[18] The plans of rehabilitation from other states and case cited by the Rehabilitator are not precedent for the powers of this Court. Rehabilitator's Memo at 25-26 citing Ambac, Plan of Rehabilitation, Case No. 10-CV-1576, §8.01 (Wis. Cir. Ct. Jan. 24, 2011); Grode v. Mut. Fire, Marine & Inland Ins. Co., Plan of Rehabilitation, Case No. 3483 1986, § XIII(E)(Pa. Commw. Ct. 1989); Muir v. Transp. Mut. Ins. Co., 523 A.2d 1190, 1193-94 (Pa. Commw. Ct. 1987). Plans are not statutes or case authority; the terms that the Rehabilitator points to may have been included upon consent and are not authority on what a court would have decided had the validity of the terms been contested by the parties to that proceeding. Muir merely affirmed an order which stated that no person, firm governmental and

proceeding, the Court may only exercise *in rem* jurisdiction over the assets of FGIC and its affiliates. Matter of Rehab. of Nat'l Heritage Life Ins. Co., 656 A.2d 252, 260 (Del. Ch. 1994)(rehabilitation proceedings are *in rem* proceedings); Ballesteros v. New Jersey Prop. Liab. Ins. Guar. Assoc., 530 F. Supp. 1367 (D.N.J. 1982)(same). The control rights FGIC seeks to obtain are rights of the holders of the Insured Bonds and thus are not an asset of FGIC. Cf. Agstar Fin. Servs. FLCA v. Rock Creek Dairy Leasing, LLC, No. 09-cv-272, 2010 WL 1257465, at *1 (N.D. Ind. 2010) (court overseeing receivership could not approve sale of property falling outside of receivership estate).

To the extent that the Proposed Plan would necessitate a reapplication of the distribution of funds that were either already made over the past three years or will be made in the future following FGIC's payment default and grant FGIC the right to recover funds that the Trusts previously paid to others based on FGIC's then default or that will be paid in the future based on FGIC's default, this would gravely affect the rights of parties that are not parties to the FGIC Policies and further exceed the powers of the Rehabilitator or this Court. Accordingly, Sections 3.5 and 7.8 of the Proposed Plan are unfair and inequitable and an abuse of the Rehabilitator's discretion. See Callon, 53 A.D.3d at 845 (holding that rehabilitator of Frontier Insurance Company acted arbitrarily and capriciously by ignoring obligation to pay $2.7 million default judgment against Frontier to Callon Petroleum despite judicial decisions by two appellate courts confirming award).[19]

In an attempt to justify its assertion of these additional right, including control rights, the Rehabilitator (i) relies on bankruptcy and banking law including arguing that the termination of

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business entity or corporation could institute any suit or proceeding at law or in equity or otherwise against the company in rehabilitation (Muir, 523 A.2d at 1193-94) and is no authority for the proposition that a rehabilitator could unilaterally modify contracts to which the company in rehabilitation was not a party.

[19] Similarly, the Proposed Plan cannot enlarge FGIC's subrogation rights as suggested by the language of Section 4.13.

its consent rights are unenforceable *ipso facto* clauses and (ii) argues that in the absence of these provisions of the Proposed Plan, certain holders of Insured Bonds may exercise rights like control rights to the detriment of other holders. Each of these arguments is meritless.

The bankruptcy and bank cases and statutes discussed at pages 28-29 of the Rehabilitator's Memo are no authority for relief sought in this proceeding since this proceeding for the rehabilitation of an insurance company is not subject to the rules applicable in bankruptcy or bank insolvency proceedings. Nor are the cases persuasive as analogies. While the statutory scheme of the Bankruptcy Code does preserve a contract with an *ipso facto* clause so the debtor can enforce the agreement, it does not allow the underlying bargain to be altered by the debtor. The debtor must assume the entire contract and accept the burdens as well as the benefits. In re N.Y. Skyline, Inc., 432 B.R. 66, 84 (Bankr. S.D.N.Y. 2010)("When the debtor assumes the lease or the contract under § 365, it must assume both the benefits and the burdens of the contract. Neither the debtor nor the bankruptcy court may excise material obligations owing to the non-debtor contracting party.")(quoting City of Covington v. Covington Landing Ltd. Pship., 71 F.3d 1221, 1226 (6th Cir. 1995)); In re S.E. Nichols Inc., 120 B.R. 745, 747 (Bankr. S.D.N.Y. 1990)("It is well-settled that a debtor cannot assume part of an unexpired lease while rejecting another part; the debtor must assume the lease *in toto* with both the benefits and burdens intact.") Thus, under the Bankruptcy Code, if the debtor (like FGIC in this case) is unable to perform or provide assurance of future performance and satisfactory indemnity, it cannot enforce the contract against the non-debtor party.

Furthermore, an *ipso facto* clause conditions a remedy upon a party's insolvency. In re W.R. Grace & Co., 475 B.R. 34, 152 (D. Del. 2012)("*Ipso facto* clauses are contractual provisions which expressly state that upon a borrower's filing of a bankruptcy petition, the

creditor may accelerate the payment of the entire unpaid balance due under the terms of the contract."); see also Nemko, Inc. v. Motorola, Inc. (In re Nemko, Inc.), 163 B.R. 927, 938 n. 5 (Bankr. E.D.N.Y. 1994). Thus, clauses that trigger a remedy upon a payment default, are not *ipso facto* clauses and are thus enforceable. I.T.T. Small Bus. Fin. Corp. v. Frederique, 82 B.R. 4, 6 (E.D.N.Y. 1987); In re Delaware River Stevedores, Inc., 129 B.R. 38, 41 (Bankr. E.D. Pa. 1991). Even in the bankruptcy contexts, courts have recognized that the filing of a petition for relief does not relieve the debtor of consequences of a payment default. In re Margulis, 323 B.R. 130, 136 (Bankr. S.D.N.Y. 2005)(insurance company's right, under prepetition settlement agreement with Chapter 11 debtor, to seek full amount of consent judgment, $791,113.81, in the event of debtor's failure to pay $140,000.00 settlement sum by deadline, was not a prohibited *ipso facto* clause; termination of debtor's right to satisfy company's claim for $140,000.00 did not result from his insolvency or financial condition, the commencement of his bankruptcy case, or the appointment of a trustee or custodian but, instead, was caused by debtor's failure to pay the settlement sum by the deadline, and, while bankruptcy may have made it more difficult for him to satisfy the condition, that difficulty did not turn the condition into an unenforceable *ipso facto* clause); In re C.A.F. Bindery, 199 B.R. 828, 833 (Bankr. S.D.N.Y. 1996). [20] Thus, FGIC's attempt to justify its unilateral re-write of the Transaction Documents cannot be sustained on this ground.

The Rehabilitator's reference to certain powers provided the Federal Deposit Insurance Corporation ("FDIC") under section 1821(e)(13)(A) of the Financial Institutions Reform Recovery and Enforcement Act, 12 U.S.C. §1821(e)(13)(A), are similarly disingenuous. Congress provided that the FDIC "may enforce any contract ... notwithstanding any provision of

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[20] Nor does the Bankruptcy Code enable a party to assume a contract that is no longer executory or is a contract for a financial accommodation. Bankruptcy Code §365.

the contract providing for the termination, default, acceleration, or exercise of rights upon, or solely by reason of, insolvency or the appointment of or the exercise of rights or powers by a conservator or receiver . . . ." Id. As recognized in the legislative history of this provision, "[t]his amendment enables the FDIC to continue to enforce contracts that would otherwise terminate by their terms upon the appointment of the receiver or conservator for a financial institution." See Technical Amendments to s. 413, Federal Deposit Insurance Corporation Act, 101st Cong. (1989) as quoted in Bank of New York v. FDIC, 453 F. Supp. 2d 82, 96 (D.D.C. 2006). While this provision keeps a party from terminating a contract based solely on the appointment of the FDIC as a receiver, it does not provide the FDIC the right to change the contract or to require performance when it is unable to perform.

In a fact pattern analogous to this case, the court in Peoples Heritage Sav. Bank v. New Heritage Holdings, Inc., CIV. A. 93-10169-Z, 1994 WL 175029 (D. Mass. Apr. 29, 1994), held that the FDIC could not use its powers to become the lead bank in a participation agreement when those powers had already been lost pre-receivership due to the implementation of a cease and desist order, an event that pursuant to the terms of the participation agreement prohibited the bank from exercising such control powers. Just as the FDIC cannot use a receivership to change the terms of its agreements and require one-sided performance, the Rehabilitator should not be allowed to use this proceeding to try to force the Trustee to accept its direction and control without the corresponding protections afforded the Claimholders and the Trustee by the Transaction Documents.

The Proposed Plan does not seek to preserve the Transaction Documents to allow for FGIC's performance in the future. It seeks to change the underlying bargain. Just as the Bankruptcy Code and the laws applicable to the FDIC do not permit substantial alteration of

rights and performance obligations under a contract, the Proposed Plan should not broaden FGIC's rights to the detriment of the Claimholders and the Trustee.

Finally, FGIC's argument that controlling holders may at some time in the unforeseen future act in manner detrimental to other holders is completely speculative. Rehabilitator's Memo at 29-30. Indeed, every holder will have the incentive to maximize their recovery. Thus, there is no basis to conclude that FGIC would be a better advocate for all of the holders when it is the holders' assets – and not FGIC's – that are at risk.

POINT II.

SECTION 7.8(C) OF THE PROPOSED PLAN UNLAWFULLY STRIPS THE TRUSTS OF LEGALLY PROTECTED RECOUPMENT AND SETOFF RIGHTS

Section 7.8(c) also seeks to strip the Claimholders of their rights to recoupment and setoff and subordination of FGIC's claims (even when FGIC was already subordinated pursuant to the Transaction Documents irrespective of the occurrence of the Rehabilitation Circumstances). Proposed Plan § 7.8(c).[21] The unfairness and inappropriateness of this provision of the Proposed Plan is demonstrated by the contrast with Section 4.9. While the Trustee seeks only to have its otherwise applicable rights of recoupment or set-off recognized, the Proposed Plan creates an express right of setoff for FGIC and seeks to override generally applicable compulsory counterclaim rules that might otherwise deprive it of its right of set-off. Furthermore, this provision would violate the "best-interests of the creditors" test by taking away from

[21] In relevant part, Section 7.8(c) enjoins holders from:

> withholding or continuing to withhold, subordinating, failing to pay, setting-off or taking similar action with respect to FGIC Payments owed (or that would have been or would be owed but for the Rehabilitation or the occurrence or existence of any of the Rehabilitation Circumstances), to the FGIC Parties under any FGIC Contract, or any Transaction Document executed in connection with the issuance of or entry into such FGIC Contract or related to such FGIC Contract or any obligations insured or covered thereby, regardless of the existence of any provisions in such FGIC Contract or Transaction Document that would or may otherwise permit such withholding, subordination, failure to pay, setting-off or similar action.

Claimholders of recoveries they would have retained had FGIC been liquidated. This provision is inequitable and an abuse of discretion because it eviscerates rights as provided by the common law, the New York Insurance Law statute, and the Transaction Documents.

A. Section 7.8(c) violates the Claimholders' common law, statutory and contractual rights to setoff

Section 7.8(c) violates the Claimholders' common law, statutory and contractual rights to setoff and recoupment. The Trustee and Claimholders have common law rights to recoupment and set off independent of the provisions of the Transaction Documents. Nat'l Cash Register Co. v. Joseph, 299 N.Y. 200, 203 (1949)("Recoupment means a deduction from a money claim through a process whereby cross demands arising out of the same transaction are allowed to compensate one another and the balance only to be recovered. Of course, such a process does not allow one transaction to be offset against another, but only permits a transaction which is made the subject of suit by a plaintiff to be examined in all its aspects, and judgment to be rendered that does justice in view of the one transaction as a whole."); Matter of Midland Ins. Co., 79 N.Y.2d 253, 264 (1992)("Contracting principals, who are debtors and creditors of each other by virtue of entry into a contract or contracts, have the same legal capacity and may set off debts against each other."); Siegel v. State, 262 A.D. 388, 390 (3d Dep't 1941)(confirming the right of setoff).

Rights to recoupment and setoff are also recognized by the New York Insurance Law statute. NYIL § 7427 ("In all cases of mutual debts or mutual credits between the insurer and another person in connection with any action or proceeding under this article, such credits and debts shall be set off and the balance only shall be allowed or paid."); see also, Matter of Midland Ins. Co., 79 N.Y.2d at 259-61 (1992)(holding that NYIL §7427 applies to rights of

recoupment and setoff)[22]. Courts have repeatedly affirmed this right of set-off in insolvency proceedings, including in the insurance context. See Van Schaick v. Astor, 154 Misc. 543, 545-46 (1st Dep't 1935). Thus, in Astor, for example, the First Department held that under §420 (now §7427) of the NYIL, the policy holder was entitled to set-off premiums owed Union against Union's delinquent claims payments. Id. at 545; see also Matter of Midland Ins. Co., 79 N.Y.2d at 260, n. 2 (1992 (the general rule that mutual debts and credits may be set-off applies in cases "involving insolvent insurance companies").

Finally, the Transaction Documents may provide recognition of the right to set off any amounts due and owing to FGIC against any amounts due and owing from FGIC to the Policyholder. The Transaction Documents and applicable law may also subordinate the claims of FGIC to the claims of Policyholders. The Rehabilitator's attempt to ignore the Claimholders' common law, statutory and contractual, rights of recoupment, and set-off and possible rights to the subordination of FGIC are contrary to law, and if otherwise lawful, arbitrary and capricious and an abuse of discretion.

B. Section 7.8(c) violates New York Insurance Law and the "Best Interests of Creditors" Test

As acknowledged by the Rehabilitator in presenting the analysis appearing at page 20 of the Rehabilitator's Memo, insurance insolvency law, like bankruptcy law mandates that a creditor must receive as much, or more, under a rehabilitation plan as they would have received

[22] "Under the bankruptcy laws [even] offsets arising out of different transactions have consistently been permitted; they are distinguished from recoupment which involves claims arising from the same transaction (see, 4 Collier, Bankruptcy ¶ 553.03 [15th ed.], and authorities cited therein; Schwab, Anderson, Reed and Mendelsohn, *Onset of an Offset Revolution: The Application of Set–Offs In Insurance Insolvencies,* 8 J. of Ins. Reg. 464, 470–473, also reported in 95 Dick L. Rev. 449; *see generally,* 5 Carmody–Wait 2d, N.Y. Prac. § 31.2)." see also, City of Grand Rapids, Mich., v. McCurdy, 136 F.2d 615, 619 (6th Cir. 1943)("Recoupment differs from set-off mainly in that the claim must grow out of the same transaction which furnishes the plaintiff's cause of action, and is in the nature of a claim of right to reduce the amount demanded. Recoupment goes to the justice of the plaintiff's claim, while set-off is not necessarily confined to the justice of such particular claim. The defense of recoupment exists as long as the plaintiff's cause of action exists and may be asserted, though the claim as an independent cause of action is barred by limitations.")

on liquidation. Carpenter, 10 Cal. 2d at 336. There is no doubt that holders would have had a right to setoff and recoupment had FGIC been liquidated. N.Y. Ins. § 7427. Since those rights would increase their net recoveries, the inclusion of Section 7.8(c) in the Proposed Plan is inconsistent with the parties' rights under the Insurance Law causing the Proposed Plan to fail the best interests of creditors test and common precepts of insurance rehabilitation law.

C. FGIC proposes to improperly impair the parties' rights in the identified transactions

FGIC has posted on the Rehabilitation Proceeding website [23] a document entitled Exhibit 1: Preliminary Analysis of FGIC Payments Not Paid to FGIC (the "Preliminary Analysis") illustrating the application of the provisions of the Plan to the transactions identified in the document. See Facendola Aff. Ex. E. Based on the arguments presented above, the Trustee specifically objects to the proposed reductions in cash payments to be made to the Trustee as Policyholder on the transactions for which it is Trustee presented in the Preliminary Analysis that deprive the Trustee of its common law recoupment and set-off rights and vary the terms of the Transaction Documents as applied in those transactions.[24]

POINT III.

THE PROPOSED PLAN FAILS TO ADEQUATELY PROTECT THE TRUSTEE AGAINST LIABILITY FOR ACTS TAKEN AT FGIC'S DIRECTION

Section 7.5(b) governs FGIC's indemnification obligations under the Plan.[25] This provision is unfair and inequitable in several respects. First, it requires that the Indemnified

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[23] http://www.fgicrehabilitation.com/docs.php

[24] The Trustee reserves the right to object to the Preliminary Analysis on all available grounds, not limited to its rights of recoupment and offset outlined in this Objection.

[25] In relevant part, Section 7.5(b) provides:

> FGIC shall indemnify each Indemnified Trustee for any Losses incurred by such Indemnified Trustee arising from its compliance with the express terms and conditions of the Plan or any direction given to it by FGIC pursuant to the relevant FGIC Contract or Transaction Document (in each case, excluding Losses resulting from gross negligence or

Trustees look to their indemnification rights under the Transaction Documents before they have recourse to FGIC. There is no rational basis for requiring the holders – whose assets at ultimately at risk – to indemnify the Indemnified Trustees for actions taken pursuant to a direction from FGIC. This provision is particularly objectionable because FGIC first seeks the authority to direct the Indemnified Trustees despite defaulting on its payment obligations and paying only a fraction of amounts due under the Policies, and then asks the holders to incur the liability that may arise from such direction. Second, to the extent the Indemnified Trustees may ultimately have to rely on FGIC's indemnification, before acting it must be allowed to make a determination as to whether FGIC can satisfy any potential liability that may arise from that direction. To compel the Trustee to act without any assurance that FGIC could satisfy its indemnification is unfair and inequitable.[26] At a minimum, Section 4.2.B of the Proposed Plan should be modified to provide that all Administrative Expense Claims that constitute claims for indemnification shall be paid in full in the ordinary course pursuant to Section 4.7.D regardless of whether such claims arose prior to, on or after the Effective Date without limiting an

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> willful misconduct of such Indemnified Trustee); provided, however, that (i) no amounts shall be payable by FGIC pursuant to this Section 7.5(b) to any Indemnified Trustee to the extent that the same is reimbursable to it under or pursuant to any of the Transaction Documents and there are sufficient funds with priority under the Transaction Documents for such purpose and in respect of any amounts that are indemnified due to there being such insufficient funds the Indemnified Trustee shall take all steps necessary to enforce its right to receive any reimbursement under or pursuant to any of the Transaction Documents in respect of any amounts so indemnified by FGIC and shall pay any amounts so reimbursed to FGIC upon the Indemnified Trustee's receipt thereof . . .The indemnity provided in this Section 7.5(b) shall be deemed to satisfy for all purposes any requirement under any provisions of a FGIC Contract or Transaction Document that the Indemnified Trustee be provided with an indemnity to or for its benefit (including any requirement that such indemnity be "adequate," "sufficient," "reasonable," "acceptable" or similar terms) prior to performing any action required under the Plan, including complying with any direction given to it by FGIC pursuant to the relevant FGIC Contract or Transaction Document, and including provisions that allow the Indemnified Trustee to refrain from performing any action in the absence of such an indemnity.

[26] See Exhibit A to the Facendola Affidavit at 9 with respect to requested modification to § 4.2.B of the Proposed Plan.

Indemnified Trustee's right to seek further adequate assurance that FGIC will be able to satisfy all of its potential liability for indemnification of the Indemnified Trustee.

POINT IV.

THE PROPOSED PLAN CONTAINS PROVISIONS WHICH UNFAIRLY AND INEQUITABLY IMPACT THE TRUSTEE AND WHICH WITHOUT CLARIFICATION OR MODIFICATION ARE ARBITRARY AND CAPRICIOUS AND AN ABUSE OF THE REHABILITATOR'S DISCRETION

The Proposed Plan contains numerous provisions that are unworkable, unfairly and inequitably impact the Trustee and other Claimholders and represent an abuse of the Rehabilitator's discretion. Each of these provisions is summarized below.

i. Section 2.5

Section 2.5 automatically subordinates Late-Filed Claims to Non-Policy Claims absent any demonstration of prejudice from the late filing. As FGIC will be paying on Claims for over 40 years (Disclosure Statement at 2), there can be no harm to FGIC due to a Late-Filed Claim and therefore no justification for subordinating such claims.

ii. Section 3.5

The last paragraph of §3.5 provides:

> Notwithstanding anything to the contrary in this Section 3.5, during any period of time in which a Claim has been submitted in accordance with the Plan with respect to a Policy and such Claim has not been satisfied in full in Cash and/or Deemed Cash Payments, this Section 3.5 shall not apply with respect to the determination of priority of distributions between and among Instruments insured by such Policy.

This provision is unclear in its application to Claims that arose prior to the commencement of this proceeding and with respect to future Claims. If a Claim was submitted and has been unpaid, for the reasons set forth in the discussion of Point II at pp. 15 – 18, Section 3.5 should not be given effect to determine the priority of distributions under any Transaction

Documents. This apparent savings clause is limited by its terms to the determination of the priority of distributions between and among Instruments insured under any one Policy when the principle should be applied to the priority of distributions under any relevant Transaction Documents.

iii. Section 3.7(b)(i)

Section 3.7(b)(i) of the Proposed Plan unfairly and inequitably provides that FGIC is only required to give a Trustee ten (10) Business Days' written notice while the Holders or trustees must give FGIC forty five (45) Business Days' prior written notice to settle or release claims. See Proposed Plan § 3.7(a)(iv). There is no basis in the disparity of these notice requirements and the disparity is both unfair and inequitable. Section 3.7(b)(i)) should be modified to require that FGIC give the Trustee's forty five (45) Business Days' notice before taking action to give the Trustees a corresponding period to analyze the situation, provide any notice to other parties and reach a determination of its response to the notice.

iv. Section 3.7(c)

Where directions are to be given to the Trustee, all holders must be given an adequate opportunity to object to the proposed direction to protect their interests if they perceive that they would be adversely affected by the direction. That protection must be incorporated into any direction contemplated by the Proposed Plan for it to meet the requirement that the plan be fair and equitable and comply with Due Process.

v. Section 4.1

Section 4.1 of the Proposed Plan provides that "[f]ollowing the Effective Date, FGIC shall be responsible for administering, reviewing, verifying, reconciling, objecting to, compromising or otherwise resolving all Claims not resolved prior to the Effective Date, in each

case in compliance with the Plan and any NYSDFS Guidelines." Since the Guidelines affect the Claimholders' rights, FGIC should make the Guidelines available to the Claimholders.

vi. Section 4.3A

Section 4.3A of the Proposed Plan arbitrarily requires the Trustee to resubmit Claims which have already been submitted. There is no rational basis to require the Trustee to expend further time and resources to resubmit a Claim that has been properly submitted, especially where there is supporting documentation that will be difficult to resubmit.

vii. Section 4.4.A

Section 4.4.A of the Proposed Plan requires Non-Policy Claims be submitted within ninety (90) days after the Effective Date, but it is silent as to Non-Policy Claims arising after the Effective Date. The Proposed Plan should specify the date on which such claims must be submitted.

viii. Section 4.6, RPT 1.4.A

Section 4.6 of the Proposed Plan unfairly places the burden on Holders of Claims to challenge FGIC's Claim Determination. Ultimately FGIC is provided with discretion to make a determination, the FGIC Claim Determination. If the holder seeks to challenge the FGIC Claim Determination, it must commence an action and again has the burden – without the benefit of discovery – of establishing that the Claim Determination was incorrect. Moreover, § 4.6 improperly imposes the payment of attorneys' fees to the non-prevailing party in the absence of contract in contravention of established law. See Hooper Assocs., Ltd. v. AGS Computers, Inc., 74 N.Y.2d 487, 492 (1989) ("attorney's fees are incidents of litigation and a prevailing party may not collect them from the loser unless an award is authorized by agreement between the parties, statute or court rule").

This section appears intended to dissuade any Claimholders from ever challenging any determination made by FGIC (especially in light of the provisions concerning disputed claims and policy crystallization). Section 4.6 should be modified to place the burden of going forward in any objection to the validity of a FGIC Claim Determination where it properly belongs, on FGIC and to make clear that each party is responsible for its own attorney fees.

ix. Sections 4.7.A, 4.7.D, 4.7.E

Section 4.7.A of the Proposed Plan provides that no portion of a Claim shall be Permitted until all disputed portions are resolved. There can be no reason to withhold payment of any undisputed amounts due a Claimholder. This provision will unnecessarily cause a significant further delay with respect to payouts on undisputed portions of Claims that may have already been unpaid for as long as three years since FGIC ceased payments in November 2009.[27] Conforming changes should be made to Section 4.7.E. and the same principles should apply to Administrative Expense Claims governed by Section 4.7.D.

x. Section 4.7.B

Section 4.7.B of the Proposed Plan allows FGIC to reduce its Cash payments to Claimholders whenever a third-party makes even a partial payment to a holder. The Disclosure Statement makes clear that FGIC will only pay a small percentage of a Permitted Claim in Cash. It would be unfair and inequitable to allow FGIC to further reduce such Cash payment by any amount received by a third-party before the Claimholder is paid in full. To the extent that FGIC

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[27] Section 4.7.E of the Proposed Plan must also be modified with respect to payment of the undisputed portion of claims and be revised to require FGIC to clearly identify by Policy and Claim what it is paying with each amount to the Trustee. The definition of "Disputed Claim" should be similarly modified to clarify that a Disputed Claim is only that portion of a Claim that is disputed. See Exhibit A to the Facendola Affidavit at 33. The definition of "Permitted" should make clear that to the extent that FGIC disputes a portion of a Claim, the non-disputed portion shall be Permitted. See id.

seeks the right to reduce its obligation to holders, such reduction should be made to the Permitted Claim amount, not Cash payment amount.[28]

xi. Section 4.10

Section 4.10 of the Proposed Plan provides that "[a] Permitted Claim shall not include any . . .(v) payment obligation of FGIC or underlying obligation or risk of loss insured by FGIC that has, in either case, been released, satisfied, terminated, commuted, novated *or otherwise extinguished* (pursuant to the [Proposed] Plan or otherwise) . . . ." (emphasis added). This language could be used by FGIC to argue that a Claim is not Permitted where the liability (or the portion of the liability) of an underlying obligor has been discharged or modified (such as in the context of a bankruptcy discharge or debt restructuring). The insolvency and consequent inability of the issuer of the Bonds to make payment is precisely the risk that the FGIC policy is intended to protect the Insured Bond holder against. This provision of the Proposed Plan is unfair, inequitable and in contravention of New York law. Oppenheimer AMT-Free Municipals. v. ACA Fin. Guar. Corp., No. 653290/11, 2012 WL 3322682 at *13 (Sup. Ct. N.Y. Co. July 23, 2012)(holding that a financial guaranty company's obligations under policies insuring municipal bond transactions were not discharged when the issuer/debtor's obligations were discharged under plan of bankruptcy).

Moreover, Section 4.10(viii)-(ix) provides that "[a] Permitted Claim shall not include . . . (viii) any Claim or portion thereof that is a Duplicate Claim or (ix) any Claim or portion thereof arising directly or indirectly from any of the foregoing." This section could be read to mean that if a portion of a Claim is duplicative, the non-duplicative portion of the Claim will also not be

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[28] RPT 1.4.A will need to be similarly modified. See Exhibit A to Facendola Affidavit at 30.

permitted which is unduly punitive. The language should therefore be modified to provide that non-duplicative portions of Claims should be permitted, while the duplicative part should not.

xii. Section 7.11

In the interest of transparency, reports required pursuant to § 7.11 should all be filed with the NYDFS and posted on the Policy Holder Information Center website. All Claimholders should be entitled to review all reports required by § 7.11.

xiii. Section 9.16

Currently, the Proposed Plan is unclear as to its effect on prior orders of this Court when the Proposed Plan becomes effective. Thus, §9.16 should be added to provide that "As of the Effective Date, except as provided in the Plan Approval Order, the Plan shall supersede any prior orders of the Court, and shall govern the payment and satisfaction of all rights and Claims of any Person against FGIC and its assets."

xiv. RPT 1.1.B

While the Proposed Plan provides a time period for payment of the initial payment of Permitted Policy Claims, it fails to provide time periods for any subsequent payments. Thus, RPT 1.1.B of the Proposed Plan should be modified to provide that after the Initial Payment Date FGIC shall make further payments required pursuant to the Proposed Plan on dates that FGIC shall reasonably determine, but that such dates shall occur no later than January 1 and July 1 of each year.

xv. RPT 1.4.A

Section 1.4.A of the Revised Policy Terms provides for a reduction in distributions to Claimholders on Permitted Claims based on FGIC determination that there is a FGIC Payment due to the FGIC Parties. The Court should be required to determine validity of the FGIC Claim and the propriety of any or a procedure similar to the Section 4.6 treatment of Disputed Claims

should be made applicable prior to the exercise of setoff by FGIC, if such a setoff right is to be recognized.

xvi. RPT, Article 2, Section 7.8(a)

The Proposed Plan's employment of the concept of a "Policy Crystallization Event" is an abuse of the Rehabilitator's discretion. In essence, under Article II of the Restructured Policy Terms, §2.1 of the Proposed Plan, Policy Crystallization is to take place if the Trustee fails to honor FGIC's exclusive authority to exercise FGIC Rights or otherwise fails to comply with the injunctive relief under Section 7.8 of the Proposed Plan and other rights given to FGIC under the Proposed Plan. Under the Policy Crystallization Event rubric, the Trustee would be given a Purported FGIC Loss of Rights Notice with thirty days to cure. If the Trustee fails to cure, FGIC would give the Trustee a Policy Crystallization Event Notice declaring a Policy Crystallization Event as of a stated Effective Date. The effect of Policy Crystallization is to essentially accelerate the parties' rights under the affected Policy. However, Due Process requires that the Trustee be able to raise issues about the operation of the Proposed Plan and its impact on Transaction Documents without risking a Policy Crystallization Event if the court disagrees with the position of the Trustee. The Policy Crystallization Event and § 7.8(a) essentially chill the Trustee's constitutional right of Due Process.[29]

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[29] Similarly, §7.8(f) of the Proposed Plan improperly seeks to enjoin all Persons from any actions that are inconsistent with the Proposed Plan. In sweeping terms, the Proposed Plan prohibits all persons from "acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan, including any Exhibits hereto." Such language fails to give fair notice of the acts purported to be prohibited and is improper in any injunction order. Xerox Corp. v. Neises, 31 A.D.2d 195, 197-98 (1st Dep't 1968)("a decree granting injunctive relief, whether temporary or permanent, must define specifically what the enjoined person must or must not do, in language so clear and explicit that a layman can understand what he is expected to do, or refrain from doing, without placing the one enjoined in the position of acting at his peril. Stated otherwise, an injunction should plainly indicate to the defendant specifically all the acts which he is thereby restrained from doing without calling upon him for inferences, or any conclusions only to be arrived at by a more or less uncertain process of reasoning, and about which the parties might well differ in opinion either as to facts or law.")(internal citations and quotations omitted).

CONCLUSION

For the foregoing reasons, the Trustee respectfully requests that the Court deny approval of the Proposed Plan absent modifications to address the Trustee's objections and grant such other and further relief as the Court deems just and proper. The Trustee reserves the right to join in the Objections served by other parties.

Dated: New York, New York
November 19, 2012

Respectfully submitted,

James Gadsden
Bryce Bernards
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Telephone: 212-732-3200
Email: gadsden@clm.com

Attorneys for The Bank of New York Mellon and The Bank of New York Mellon Trust Company, N.A., as Trustee

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

BY HAND 11/19/12 1:47 PM
BY MAIL ____ PM
POSTMARKED

In the Matter of the Rehabilitation of	:	Index No. 401265/2012
FINANCIAL GUARANTY INSURANCE COMPANY	:	Doris Ling-Cohan, J.
	:	Motion Sequence No. 4
	:	**AFFIDAVIT OF GERARD F. FACENDOLA**

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

Gerard F. Facendola, being duly sworn, deposes and says:

I am a Managing Director of The Bank of New York Mellon. I submit this affidavit in support of the Objections of The Bank of New York Mellon and The Bank of New York Trust Company, N.A., as Trustee (collectively, the "Trustee") to the Proposed Plan of Rehabilitation (the "Objections") submitted by the Trustee in its capacity as indenture trustee under indentures pursuant to which bonds[1] were issued and are outstanding that are insured by financial guaranty insurance policies issued by Financial Guaranty Insurance Company ("FGIC") or FGIC Credit Products, LLC ("FGIC CP"). All terms used and not otherwise defined herein shall have the meanings given in the Proposed Plan of Rehabilitation filed on September 27, 2012 (the "Proposed Plan").

[1] References to indenture trustee, indenture and bonds should be read to include all similar transactions involving municipal, corporate and asset-backed securities where the role of the Trustee may be titled as a fiscal agent or other designation, the governing instrument may have different designations and the securities may be referred to as notes or by other designations.

FACTUAL BACKGROUND

1. The Trustee acts as trustee in thousands of transactions. Pursuant to the governing documents in approximately 700 of these transactions (the "Transaction Documents"), bonds (the "Insured Bonds") have been issued that have been insured by financial guaranty insurance Policies issued by FGIC.

2. At the inception of the transactions or over the course of time since the Policies were issued, FGIC has been paid substantial policy premium payments in exchange for FGIC's commitment to pay the claims (the "Claims") under policies which insure against possible payment shortfalls on the Insured Bonds.

3. The Proposed Plan would alter the baseline, bargained-for contractual rights of the parties to each FGIC Policy/Contract, by obligating policyholders to continue making premium and other payments to FGIC or FGIC CP, and to abide by directives issued by FGIC, FGIC CP or the Rehabilitator, while prohibiting those same policyholders from collecting claims payments or exercising their contractual rights to direction and control.

4. It is impractical to restore Control Rights as to steps that have been required to have been taken during the past three years while FGIC has failed to pay claims and unfair to permit FGIC to continue to exercise Control Rights in the future while it continues to fail to perform. The party exercising control rights may have the ability to make important business decisions affecting the subject of the financing funded by the Insured Bonds. It may have significant discretion in determining how rights and remedies under the transaction documents are exercised. And the party with Control Rights may have the right to direct the Trustee to take significant actions including prosecuting litigation that will involve significant fees and expense and may risk substantial liability as to which the Trustee is entitled to be indemnified under the documents.

5. Control Rights are typically allocated as the result of significant negotiation among the parties to a transaction to the party with the most significant economic risk and, as a result of that risk the greatest interest in preserving the available value under the transaction.

6. The Proposed Plan also unnecessarily subordinates what it terms "Late-Filed Claims" without justification. The Trustee has every motivation to timely file Claims. Because of the structure of the Plan, with payments to be made over 40 years, the Rehabilitator will not be prejudiced by delays in submitting claims.

7. The Proposed Plan's provision of indemnity is inadequate. FGIC will potentially be directing the Trustee to take actions such as asserting claims or commencing litigation in connection with which the Trustee may incur significant expenses and be exposed to liability in substantial amounts. The Trustee is contractually entitled to adequate indemnification as a condition precedent to being required to take any action taken in compliance with Control Rights restored to FGIC or any other action taken by the Trustee at the direction of FGIC under the Proposed Plan. To the extent that the Trustee is required to rely on FGIC's indemnification it must be demonstrated that FGIC can pay on the indemnity.

8. Section 4.3A of the Proposed Plan requires the Trustee to resubmit Claims which have already been submitted. The Trustee should not be required to resubmit claims that they previously submitted in compliance with the Policies that remain unpaid as the Proposed Plan presently requires. Replicating all the supporting documents such as assignment of claims that were required in connection with the original policy claim submission will be difficult and costly.

9. Attached hereto as Exhibit A is a chart summarizing all of the modifications requested by the Trustee to the Proposed Plan Where the Trustee's concern can be addressed by

language changes, proposed language is included in the chart with suggested substitute language to address the Trustee's concerns where the concern can be addressed through modifications to the Proposed Plan.

10. Attached hereto as Exhibit B is a true and correct copy of an Indenture dated as of November 29, 2006 among BFC Ajax CDO Ltd., as Issuer, BFC Ajax CDO LLC, as Co-Issuer, Financial Guaranty Insurance Company, as Credit Enhancer and The Bank of New York Trust Company, National Association (now named The Bank of New York Mellon Trust Company, National Association).

11. Attached hereto as Exhibit C is a true and correct copy of the relevant portions of the Trust Indenture, dated February 1, 1997, between Jefferson County, Alabama and AmSouth Bank of Alabama, the predecessor in interest to The Bank of New York Mellon (collectively the "Jefferson County Indenture"). A complete copy of the Jefferson County Indenture is attached as Exhibit A to the Affidavit of Bridget Schessler sworn to June 22, 2012 (the "Schessler Affidavit").

12. Attached hereto as Exhibit D is a true and correct copy of relevant portions of the Third Supplemental Indenture, dated as of March 1, 2001 between Jefferson County, Alabama and AmSouth Bank of Alabama, the predecessor in interest to The Bank of New York Mellon (the "Third Supplemental Indenture"). A complete copy of the Third Supplemental Indenture is attached as Exhibit D to the Schessler Affidavit.

13. Attached hereto as Exhibit E is a true and correct copy of the document entitled Exhibit 1: Preliminary Analysis of FGIC Payments Not Paid to FGIC appearing on the FIGC Rehabilitation website - http://www.fgicrehabilitation.com/docs.php.

WHEREFORE, the Trustee requests this Court deny approval of the Proposed Plan absent modifications in accordance with the Trustee's Objections and as set forth in Exhibit E.

Gerard F. Facendola

Sworn to before me this
19th day of November, 2012

Notary Public

GAVIN TSANG
Notary Public, State of New York
No. 01TS6250242
Qualified in New York County
Commission Expires Oct. 24, 2015

WHEREFORE, the Trustee requests this Court deny approval of the Proposed Plan absent modifications in accordance with the Trustee's Objections and as set forth in Exhibit E.

Gerard F. Facendola

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SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

	:	Index No. 401265/2012
In the Matter of the Rehabilitation of	:	Doris Ling-Cohan, J.
FINANCIAL GUARANTY INSURANCE COMPANY	:	Motion Sequence No. 4
	:	**AFFIDAVIT OF GERARD F. FACENDOLA**

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SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

In the Matter of the Rehabilitation of	
	Index No. 401265/2012
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EXHIBITS TO AFFIDAVIT OF GERARD F. FACENDOLA

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EXHIBIT A

PROPOSED MODIFICATIONS OF THE BANK OF NEW YORK MELLON AND THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., AS TRUSTEE ("BNYM"), TO FGIC'S PROPOSED PLAN

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
2.5 **p. 2**	This section should be modified as follows:[1] Except to the extent the holder of a Permitted Late-Filed Claim and FGIC agree to a different treatment pursuant to Section 4.8 hereof, each holder of a Permitted Late-Filed Claim shall receive, on a pro rata basis, Cash, as and when such funds become available, as determined by FGIC, until all such Claims have been paid in full; provided, however, that no permitted Late-Filed Claims shall be entitled to any distributions until all actual and expected *Claims of the class of Claims to which such Late-Filed Claim pertains* ~~Permitted Secured Claims, Permitted Administrative Expense Claims, Permitted Policy Claims and Permitted Non-Policy Claims~~ are paid in full in Cash or fully reserved for, as determined by FGIC with the express written consent of the NYSDFS.	Improperly subordinates Late-Filed Claims, even absent any demonstration of prejudice. See BNYM Objections, Point IV (i), at p. 20.[2]

[1] Proposed deletions are reflected with a line through the text. Proposed additions are reflected in italicized and underlined text.

[2] "BNYM Objections" refers to the Objections of the Bank of New York Mellon and The Bank of New York Mellon Trust Company, N.A., as Trustee, to the Proposed Plan of Rehabilitation dated November 19, 2012.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
3.5 pp. 3-4	This section should be stricken in its entirety. It currently provides: Subject to Section 3.7 of the Plan, upon the Effective Date, any default, event of default or other event or circumstance relating to the FGIC Parties then existing (or that would exist with the passing of time or the giving of notice or both) under any FGIC Contract or Transaction Document, as a result of (whether directly or indirectly) the Rehabilitation or the Rehabilitation Circumstances shall be deemed not to have occurred (including, for the avoidance of doubt, any default, event of default or other event or circumstance that has arisen (or that may otherwise arise with the passing of time or the giving of notice or both) due to a lack of payment or performance of or by the FGIC Parties under any FGIC Contract or Transaction Document). Neither the Rehabilitation nor the Rehabilitation Circumstances shall (i) subject to Section 3.7 of the Plan, prevent the FGIC Parties from exercising all FGIC Rights in the same manner and to the same extent as FGIC Parties would have been able to retain and exercise such rights in the absence of the Rehabilitation and the Rehabilitation Circumstances, (ii) prevent FGIC from pursuing or settling on its own behalf, for its own account and in its sole discretion all FGIC Direct Claims in the same manner and to the same extent as FGIC would have been able to retain and pursue or settle such FGIC Direct Claims on its own behalf in the absence of the Rehabilitation and the Rehabilitation Circumstances, (iii) subject to Section 3.7 of the Plan, cause to inure to any Person any greater right or Claim than that which would have existed in the absence of the Rehabilitation and the Rehabilitation Circumstances or (iv) subject to Sections 3.7(a)(iii) and 3.7(b)(iv) of the Plan, in any manner relieve or limit any obligation of any Person to the FGIC Parties, including for payment of premiums, recoveries, reimbursements, settlements and other amounts that would otherwise be due and owing to the FGIC Parties under any FGIC Contract, Transaction Document or other agreement in the absence of the Rehabilitation and the Rehabilitation Circumstances. Notwithstanding anything to the contrary in this Section 3.5, during any period of time in which a Claim has been submitted in accordance with the Plan with respect to a Policy and such Claim has not been satisfied in full in Cash and/or Deemed Cash Payments, this Section 3.5 shall not apply with respect to the determination of priority of distributions between and among Instruments insured by such Policy.	This Section improperly seeks to re-write Transaction Documents to which FGIC is not a party. See BNYM Objections, Point I, pp. 6-14; Point IV (ii), at pp. 20-21.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
3.7(b) p. 6	Notwithstanding Section 3.7(a) above, FGIC shall retain and may exercise any right or remedy it has or may have under such Policy or any Transaction Document relating to such Policy or the Instruments insured by such Policy to enforce any Trust Loan Repurchase Obligation or to assert, investigate, compromise, settle or release any Cause of Action that the Trustee (or the related trust) or the holders of such Instruments may have with respect to any failure to perform any such Trust Loan Repurchase Obligation, including its rights to direct or otherwise cause the Trustee or any Servicer to take any such action, in each case giving effect to Section 3.5 above. *The Trustee shall not be required to follow any such direction issued pursuant to this Section 3.7(b) unless and until it receives an indemnification from FGIC pursuant to Section 7.5(b) that such Trustee, in its sole discretion, deems reasonably satisfactory.* Should FGIC seek to exercise any such right or remedy to enforce any Trust Loan Repurchase Obligation, FGIC:	This Section improperly requires the Trustee to act in the absence of reasonable assurance that FGIC will be able to satisfy its indemnification obligations. See BNYM Objections, Point IV (iii), at p. 21.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
3.7(b)(i) pp. 6-7	shall provide the applicable Trustee with ~~ten (10)~~ forty-five (45) Business Days' prior written notice before (x) requesting or demanding that any originator or other responsible party perform any Trust Loan Repurchase Obligation (which notice shall identify the applicable Policy and contain a listing of the mortgage loan numbers or other identifier of the mortgages or other loans subject to, and the general basis for, such request or demand) or (y) filing any complaint, demand, or summons and notice relating to, or any other legal document beginning, a lawsuit, arbitration, mediation or other proceeding asserting any Cause of Action with respect to any failure to perform a Trust Loan Repurchase Obligation (which notice shall identify the applicable Policy and contain a description of such Causes of Action to be asserted);	Provide the Trustee with sufficient time to evaluate the proposed course of action and to correspond to the time given to FGIC.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
3.7(b)(iii) p. 7	This section should be modified as follows: shall not be entitled to exercise any right that it has or may have under such Policy or any such Transaction Document to compromise, settle or release any Cause of Action that the Trustee (or the related trust) or such holders may have with respect to any failure to perform any such Trust Loan Repurchase Obligation, including its rights to direct or otherwise cause the Trustee or any Servicer to take any such action, *unless* and *until* (x) FGIC has provided written notice to the Trustee of the proposed compromise, settlement or release (which notice shall identify the applicable Policy and contain a description of the material terms and conditions of the proposed compromise, settlement or release) and (y) (1) the Requisite Holders have directed the Trustee to support or enter into such compromise, settlement or release or (2) in the absence of such direction, the Trustee, having provided such notice to the holders of the Instruments insured by such Policy, has not received objections from holders of at least twenty-five percent (25%) of the outstanding principal amount of the Instruments insured by such Policy within forty-five (45) days after the date that FGIC provided such notice to the Trustee. In the event that the Trustee receives any direction satisfying the requirements of Section 3.7(b)(iii)(y)(1) above, the Trustee shall promptly provide FGIC with notice thereof and shall promptly comply with FGIC's direction. In the event that the Trustee receives an objection satisfying the requirements of Section 3.7(b)(iii)(y)(2) above, the Trustee shall promptly provide FGIC with notice thereof, whereupon FGIC's direction shall be considered withdrawn ~~and the Trustee shall be entitled to make its own determination of the merits of such compromise settlement or release and to take action with respect thereto, in each case in accordance with the relevant Transaction Documents~~; and	This Section improperly seeks to re-write Transaction Documents to which FGIC is not a party. See BNYM Objections, Point I, at p. 6-14.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
3.7(c) p. 8	If any direction relating to an action specified in Section 3.7(b) above provided to the Trustee or any Servicer by FGIC (other than directions to settle, release or compromise claims which shall be governed by Section 3.7(b)(ii) above) conflicts with any direction relating to such action specified in the preceding Section 3.7(a) provided to the Trustee or such Servicer ~~by the Requisite Holders~~ prior to the Trustee or such Servicer taking the action as so directed by FGIC, (x) the Trustee shall promptly notify FGIC in writing of such conflicting direction, (y) the Trustee, such holders and FGIC shall promptly meet to discuss their respective directions and seek in good faith to resolve their differences, and (z) if they are unable to resolve their differences within ten (10) Business Days thereafter, the direction of such holders shall control, whereupon FGIC shall be deemed to have withdrawn its direction. *Following receipt of any direction pursuant to Section 3.7(b), the Trustee shall be permitted to notify the beneficial holders of the Claims to which such direction relates. Such notice shall inform the holders of the proposed direction and provide them with thirty (30) days to object to such direction. To the extent the Trustee receives an objection, this Section 3.7(c) shall apply to resolve such conflict. To the extent the Trustee receives no objection, it is entitled to conclusively rely upon the direction from FGIC, provided, however, that FGIC shall have provided an indemnity as set forth in Section 3.7(b).*	This Section improperly fails to consider the interests of the beneficial holders of Claims. See BNYM Objections, Point IV (iv), at p. 21.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
4.1 p. 8	Following the Effective Date, FGIC shall be responsible for administering, reviewing, verifying, reconciling, objecting to, compromising or otherwise resolving all Claims not resolved prior to the Effective Date, in each case in compliance with the Plan and any NYSDFS Guidelines, *which Guidelines shall be made available by FGIC to any Trustee, Servicer or holder of a Claim.*	Holders of Claims should be provided access to any Guidelines relied upon by FGIC. See BNYM Objections, Point IV (v), at p. 21.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
4.2.B p. 9	FGIC shall evaluate each submitted Secured Claim and Administrative Expense Claim to determine whether and to what extent such Claim should be Permitted. *Administrative Expense Claims that constitute claims for indemnification shall be paid in full in the ordinary course pursuant to Section 4.7.D regardless of whether such claims arose prior to, on or after the Effective Date.* If FGIC determines that all or part of such Claim should not be Permitted, such Claim shall constitute a Disputed Claim and be resolved pursuant to Section 4.6 hereof.	This Section should make clear that regardless when claims for indemnification first arise, claims for indemnification will be paid in full and in the ordinary course. See BNYM Objections, Point III, at pp. 18-19.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
4.3.A p. 9	This section should be modified as follows: Each holder of a Policy Claim, including Policy Claims arising but not submitted to FGIC prior to the Effective Date, shall submit to FGIC all information required by the applicable Policy for submission of a Claim thereunder and a fully completed and duly executed Proof of Policy Claim Form by the later of (i) one year from the date the Policy Claim arose and (ii) ninety (90) days after the Effective Date. ~~Each holder of a Policy Claim submitted to FGIC prior to the Effective Date that remains unpaid in whole or in part as of the Effective Date shall resubmit such Policy Claim using a fully completed and duly executed Proof of Policy Claim Form, together with all information required by the applicable Policy for submission of a Policy Claim thereunder, within ninety (90) days after the Effective Date (the "**Claims Resubmission Deadline**"). Any Policy Claim not timely submitted pursuant to the foregoing sentences, including unpaid Policy Claims submitted prior to the Effective Date but not resubmitted by the Claims Resubmission Deadline, shall be treated as a Late Filed Claim rather than a Policy Claim.~~ *For the avoidance of doubt, there shall be no requirement to re-submit any Claim that was submitted prior to the Effective Date, regardless of whether such Claim remains unpaid in whole or in part.*	This Section improperly requires the Trustees to resubmit Claims that have already been filed. See BNYM Objections, Point IV (vi), at pp. 21-22.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
4.4.A p. 9	The deadline for all holders of Non-Policy Claims *arising prior to or on the Effective Date* to mail Proofs of Claim to FGIC at 125 Park Avenue, New York, NY 10017 (Attention: General Counsel) shall be no later than ninety (90) days after the Effective Date (the "Bar Date"). All Non-Policy Claims for which a Proof of Claim is not submitted to FGIC as provided herein by the Bar Date shall be treated as Late-Filed Claims, rather than Non-Policy Claims. *The deadline for all holders of Non-Policy Claims arising after the Effective Date to mail Proofs of Claim to FGIC at 125 Park Avenue, New York, NY 10017 (Attention: General Counsel) shall be no later than ninety (90) days after the date on which such Non-Policy Claim arose.* Nothing in this Section 4.4(A) requires a holder of a Non-Policy Claim that timely submitted such Non-Policy Claim to FGIC as a Proof of Claim prior to the Effective Date to resubmit such Non-Policy Claim to FGIC.	This Section fails to provide for Non-Policy Claims arising after the Effective Date. See BNYM Objections, Point IV (vii), at p. 22.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
4.6 pp. 10-11	This section should be modified as follows: FGIC may object to all or part of any Claim on any reasonable ground, including (i) a claimant's failure to provide sufficient information to evaluate a Claim, (ii) that all or part of a Claim is not a Permitted Claim pursuant to Section 4.10 hereof, (iii) that all or part of a Claim is a Late-Filed Claim or (iv) that the holder of such Claim or any party to the transaction relating to such Claim is in violation of the Plan or the injunctive relief in Section 7.8 hereof. To do so, FGIC shall provide the holder of the Claim with written notice of the substance of its objection to such Claim (an "Objection") within the later of (x) sixty (60) days following the later of (a) the date of the proper submission to FGIC of such Claim in accordance with the terms of the Plan and (b) the Effective Date, (y) the deadline, if any, specified for such Objection in the underlying FGIC Contract or Transaction Document giving rise to such Claim, if any, or (z) such other applicable period fixed by the Court (the "Objection Deadline"). The Objection shall set forth the amount of the Claim that FGIC objects to and the amount, if any, that FGIC believes should be Permitted, *as well as the facts and the legal bases, if any, for the Objection and the reasons why the Claim should not be Permitted in a greater amount than the amount stated in the Objection*. No later than the later of (a) ~~forty-five (45)~~ *sixty days (60)* days after FGIC sends (by email, overnight mail or other form of mailing containing proof of transmission) the Objection to the holder of such Claim and (b) the deadline, if any, specified for such response in the applicable FGIC Contract or Transaction Document giving rise to such Claim (the "Response Deadline"), the holder of the Claim, if it opposes the Objection, shall send to FGIC a written response to the Objection (the "Response"). Each Response must set forth the facts and the legal bases, if any, for the opposition and the reasons why the Claim should be Permitted in a greater amount than stated in the Objection. If no Response is sent by the holder of such Claim on or prior to the Response Deadline, the Claim shall be Permitted in the applicable amount set forth in the Objection without order of the Court. If a Response is submitted on or prior to the Response Deadline, FGIC shall have thirty (30) days after receipt of the Response to determine whether and in what amount the Claim should be Permitted in whole or in part and shall notify the holder of the Claim of its determination by email, overnight mail or other form of mailing containing proof of transmission (the "FGIC Claim Determination"). The holder of the Claim has the right to *seek a judicial determination concerning the FGIC Claim Determination* ~~challenge the FGIC Claim Determination~~ in a court of competent jurisdiction so long as such challenge is initiated within ~~sixty (60)~~ *one hundred and eighty (180)* days of FGIC's sending of the FGIC Claim Determination; *provided*, *however*, that if the determination of any Claim involves the interpretation, implementation or enforcement of the Plan, the Court shall be the exclusive venue for *a judicial determination* ~~any party to challenge the validity~~ of any FGIC Claim Determination ~~If a court of competent jurisdiction renders a judgment in favor of FGIC or the holder of the Claim, the prevailing party in any such challenge shall be entitled to recover reasonable attorneys' fees and costs from the other party.~~ If the FGIC Claim Determination is not challenged by the holder of the Claim as provided in the second preceding sentence, the Claim shall be Permitted in the amount set forth in the FGIC Claim Determination. No demand for documents or information and/or the failure to provide requested documents or information shall have the effect of staying or tolling any time period or deadline set forth in this Section 4.6.	This Section improperly allocates the burden of going forward on any challenge to FGIC's Claim Determination. Moreover, it improperly shifts payment of attorneys' fees in the absence of contract. See BNYM Objections, Point IV (viii), at p. 22.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
4.7.A p. 11	This section should be modified as follows: FGIC shall only pay a Claim to the extent that such Claim becomes a Permitted Claim~~, in whole or in part. No Claim shall be Permitted until all disputed portions thereof are resolved pursuant to the procedures set forth herein~~. *To the extent FGIC objects to a Claim, in whole or in part, FGIC shall be entitled to withhold payment with respect to only that disputed portion of such Claim. Any remaining non-disputed portion of such Claim shall become a Permitted Claim and FGIC shall pay such non-disputed portion of such Claim pursuant to the Plan.* Any and all Claims covered by the Plan, as described in Section 1.1 hereof, shall be resolved and paid solely pursuant to the Plan. In particular, the holders of Permitted Claims shall have no rights against FGIC on account of such Claims other than the treatment provided for such Claims under the Plan.	This Section improperly causes significant and unnecessary delay with respect to payouts on undisputed portions of Claims. See BNYM Objections, Point IV (ix), at p. 23.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
4.7.B p. 11	This section should be modified as follows: No holder of a Claim shall be entitled to receive distributions on account of its Permitted Claim that exceed 100% of the amount of such Permitted Claim; *provided, however*, that this shall not limit the payment of any DPO Accretion by FGIC in accordance with the provisions of the Plan. Furthermore, if and to the extent that the holder of a Permitted Claim receives payment in full or in part on account of such Permitted Claim from a Person that is not FGIC (such Person, a "**Non-FGIC Payor**"), FGIC shall reduce (i) the DPO with respect to a Permitted Policy Claim and (ii) *the amount of the Permitted Claim* ~~distributions on account of a Permitted Claim (other than a Permitted Policy Claim)~~; *provided, however*, FGIC shall not reduce DPO or distributions, as applicable, to the relevant Non-FGIC Payor on account of such Permitted Claim if and to the extent such Non-FGIC Payor becomes a subrogee of the holder of such Permitted Claim as a result of such payment; and *provided, further*, that this sentence shall not modify any terms of the Plan regarding FGIC Payments.	This Section seeks to set-off amounts against Cash payments. It should be as against the Permitted Claim amount. See BNYM Objections, Point IV (x), at p. 23.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
4.7.D p. 12	Promptly following FGIC's determination that all *or a portion* of an Administrative Expense Claim is Permitted, FGIC shall pay in Cash such Claim pursuant to FGIC's normal business practices. If a portion of an Administrative Expense Claim is *reasonably* disputed *by FGIC*, FGIC shall have no obligation to pay *such disputed* ~~any~~ portion of such Administrative Expense Claim unless and until the Claim is Permitted pursuant to Section 4.6 hereof. Promptly following the date, and to the extent, such Administrative Expense Claim is Permitted pursuant to Section 4.6 hereof, FGIC shall pay in Cash the Permitted Administrative Expense Claim pursuant to FGIC's normal business practices.	This Section improperly causes significant and unnecessary delay with respect to payouts on undisputed portions of Claims. See BNYM Objections, Point IV (ix), at p. 23.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
4.7.E p. 12	This section should be modified as follows: Promptly following FGIC's determination that all *or a part* of a Policy Claim is Permitted, FGIC shall pay such Claim pursuant to the Restructured Policy Terms. With respect to each payment, FGIC shall indicate to the applicable Policyholder the Policy Claim to which such payment relates. Payments with respect to a Permitted Policy Claim consisting of both principal and interest payments insured by the related Policy shall be ~~applied by the holder of such Permitted Policy Claim against principal and interest amounts pursuant to the applicable terms (if any) of the related Transaction Documents~~ *distributed pro rata. To the extent FGIC objects to a Claim, in whole or in part, the provisions of Section 4.7A shall apply.* ~~If a portion of a Policy Claim is disputed, FGIC shall have no obligation to pay any portion of such Policy Claim unless and until the Claim is Permitted pursuant to Section 4.6 hereof.~~ Promptly following the date, and to the extent, such Policy Claim is Permitted pursuant to Section 4.6 hereof, FGIC shall pay the Permitted Policy Claim pursuant to the Restructured Policy Terms.	This Section improperly causes significant and unnecessary delay with respect to payouts on undisputed portions of Claims. See BNYM Objections, Point IV (ix), at p. 23.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
4.9 p. 13	The Proposed Plan should provide for similar treatment of FGIC's and the policy-holders' rights to set-off. Accordingly, this section should be permitted only to the extent that Section 7.8(c) of the Proposed Plan, stripping policy-holders' set-off rights as against FGIC, remains in the Proposed Plan. This section currently provides: Except to the extent otherwise specified in the Plan, FGIC may set off in whole or in part against any Permitted Claim or any distribution to be made under the Plan on account of such Permitted Claim, all amounts FGIC reasonably determines to be owed to it under Causes of Action that FGIC may have against the holder of such Permitted Claim that are not otherwise waived, released or compromised pursuant to the Plan. Neither the failure to effect such a setoff nor the determination that any Claim is Permitted shall constitute a waiver or release by FGIC of any such Causes of Action, notwithstanding any compulsory counterclaim rules or requirements to the contrary.	This Section improperly grants FGIC set-off rights while stripping policy-holders of their set-off rights. See BNYM Objections, Point II, at pp. 15-18.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
4.10 p. 13	This section should be modified as follows: A Permitted Claim shall not include any (i) interest on such Claim to the extent accruing or maturing on or after the Commencement Date, (ii) interest on the amount of any interest, principal or other amounts payable in respect of an insured obligation, which was the subject of a Permitted Policy Claim and satisfied with DPO rather than Cash pursuant to Section 2.3 hereof, (iii) punitive, consequential, special or exemplary damages, (iv) fine, penalty, tax or forfeiture, including default or penalty interest or interest on interest purported to be imposed on the Claim or on the related insured obligation, if any, (v) payment obligation of FGIC or underlying obligation or risk of loss insured by FGIC that has, in either case, been released, satisfied, terminated, commuted, novated or otherwise extinguished (pursuant to the Plan or otherwise), *except where such release, satisfaction, termination, commutation, novation or extinguishment results from a discharge granted in an insolvency proceeding*, (vi) award or reimbursement of attorneys' fees or related expenses or disbursements on, or in connection with, any Claim, except for any indemnity pursuant to Section 7.5 hereof, (vii) amount payable in respect of the termination of a CDS or other swap agreement in contravention of Section 7.8(d) hereof (whether calculated on the basis of "Market Quotation," "Loss," "Close-out Amount" or other methodologies), *or* (viii) any ~~Claim or~~ portion *of a Claim* ~~thereof~~ that is a Duplicate Claim~~ or (ix) any Claim or portion thereof arising directly or indirectly from any of the foregoing~~.	This Section could be used by FGIC to argue that a Claim is not Permitted where the liability of an underlying obligor has been discharged. This Section also causes significant and unnecessary delay with respect to payouts on undisputed portions of Claims. See BNYM Objections, Point IV (xi), at pp. 23-24.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
4.13 p. 14	*FGIC shall retain its rights to subrogation pursuant to the terms of any Policy or related FGIC Contract or Transaction Document. To the extent FGIC has a right to subrogation to payment, such subrogation right* ~~Any contractual right to subrogation that FGIC may have under or with respect to any Policy or related FGIC Contract or Transaction Document~~ shall be for an amount equal to the Cash that FGIC ultimately pays thereunder or with respect thereto, including with respect to any Permitted Policy Claims under such Policy (including as a result of future CPP increases that may occur following any initial payment of Cash with respect to such Permitted Policy Claims), excluding any Cash payments in respect of DPO Accretion for such Policy.	This Section should be clarified to make clear that while FGIC retains all of its subrogation rights under any Policy or related FGIC Contract or Transaction Document, those rights are not enlarged.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
7.5(b) pp. 17-18	This section should be modified as follows: FGIC shall indemnify each Indemnified Trustee for any Losses incurred by such Indemnified Trustee arising from its compliance with the express terms and conditions of the Plan or any direction given to it by FGIC pursuant to the relevant FGIC Contract or Transaction Document (in each case, excluding Losses resulting from gross negligence or willful misconduct of such Indemnified Trustee); *provided, however*, that (i) ~~no amounts shall be payable by FGIC pursuant to this Section 7.5(b) to any Indemnified Trustee to the extent that the same is reimbursable to it under or pursuant to any of the Transaction Documents and there are sufficient funds with priority under the Transaction Documents for such purpose and in respect of any amounts that are indemnified due to there being such insufficient funds the Indemnified Trustee shall take all steps necessary to enforce its right to receive any reimbursement under or pursuant to any of the Transaction Documents in respect of any amounts so indemnified by FGIC and shall pay any amounts so reimbursed to FGIC upon the Indemnified Trustee's receipt thereof,~~ (ii) FGIC shall not indemnify any Indemnified Trustee for any action taken or not taken at the direction of any Person other than FGIC, *(ii)* ~~(iii)~~ for purposes of this Section 7.5(b), any Indemnified Trustee's compliance with the express terms and conditions of the Plan or of any direction given to it by FGIC pursuant to the relevant FGIC Contract or Transaction Document shall be deemed to not constitute gross negligence or willful misconduct and *(iii)* ~~(iv) promptly after receiving notice from any Indemnified Trustee~~ *any Indemnified Trustee shall promptly provide notice* of the commencement of any Legal Proceeding against such Indemnified Trustee which may result in such Indemnified Trustee's incurrence of any Loss contemplated under this Section 7.5(b), ~~FGIC may elect to assume the defense of such Legal Proceeding by providing notice of such assumption to such Indemnified Trustee~~, and in the event that (x) such Indemnified Trustee fails to promptly notify FGIC of the commencement of any such Legal Proceeding and (y) FGIC is materially adversely affected by such failure to promptly provide such notice, FGIC shall not be required under this Section 7.5(b) to indemnify such Indemnified Trustee for any such Loss relating to such Legal Proceeding. Actions taken in accordance with the Plan by any Indemnified Trustee shall be deemed not to be a violation of any provision in, or duty arising out of, any FGIC Contract or Transaction Document. ~~The indemnity provided in this Section 7.5(b) shall be deemed to satisfy for all purposes any requirement under any provisions of a FGIC Contract or Transaction Document that the Indemnified Trustee be provided with an indemnity to or for its benefit (including any requirement that such indemnity be "adequate," "sufficient," "reasonable," "acceptable" or similar terms) prior to performing any action required under the Plan, including complying with any direction given to it by FGIC pursuant to the relevant FGIC Contract or Transaction Document, and including provisions that allow the Indemnified.~~ *The Trustee shall not be required to follow any direction issued by FGIC unless and until it receives an indemnification from FGIC that such Trustee, in its sole discretion, deems reasonably satisfactory.*	This Section improperly requires the Trustee to look first to their indemnification rights under the Transaction Documents before they have recourse to FGIC. See BNYM Objections, Point III, at pp. 18-19. This Section improperly requires the Trustee to act in the absence of reasonable assurance that FGIC will be able to satisfy its indemnification obligations. See BNYM Objections, Point III, at pp. 18-19.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
7.8(a) p. 19	This section should be stricken in its entirety. It currently provides: From and after the Effective Date, all Persons shall be prohibited from: commencing, continuing, advancing or otherwise prosecuting any Legal Proceeding against any Exculpated Parties with respect to the Rehabilitation Proceeding, the Rehabilitation Circumstances, any Policy Claim, any other Claim that arose or relates to the period prior to the Effective Date or any Equity Interests in existence as of the Commencement Date, in each case other than to enforce the terms of the Plan, challenge a FGIC Claim Determination or challenge FGIC's declaration of a Policy Crystallization Event	Improperly seeks to chill any potential challenges to the Plan's operation. See BNYM Objections, Point IV (xvi), at pp. 25-26.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
7.8(c), p. 19	This section should be stricken in its entirety. It currently provides: From and after the Effective Date, all Persons shall be prohibited from: withholding or continuing to withhold, subordinating, failing to pay, setting-off or taking similar action with respect to FGIC Payments owed (or that would have been or would be owed but for the Rehabilitation or the occurrence or existence of any of the Rehabilitation Circumstances), to the FGIC Parties under any FGIC Contract, or any Transaction Document executed in connection with the issuance of or entry into such FGIC Contract or related to such FGIC Contract or any obligations insured or covered thereby, regardless of the existence of any provisions in such FGIC Contract or Transaction Document that would or may otherwise permit such withholding, subordination, failure to pay, setting-off or similar action.	Improperly restrains the Trustees from exercising their legally-mandated set-off rights. See BNYM Objections, Point II, at pp. 15-18.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
7.8(e) p. 20	This section should be stricken in its entirety. It currently provides: From and after the Effective Date, all Persons shall be prohibited from: (i) except as expressly provided by Section 3.7 hereof, exercising or taking any action to exercise, including by asserting any defense based on the Rehabilitation or the occurrence or existence of any of the Rehabilitation Circumstances, any approval, consent, direction, determination, appointment, request, voting, veto, waiver or other right that the FGIC Parties have (through the right to direct or grant or withhold consent with respect to such exercise or otherwise) (or that the FGIC Parties would have but for the Rehabilitation or the occurrence or existence of any of the Rehabilitation Circumstances) under or with respect to any FGIC Contract or any Transaction Document executed in connection with the issuance of or entry into such FGIC Contract or related to such FGIC Contract or any obligations insured or covered thereby (all rights and remedies described in this clause (i), the "**FGIC Rights**"); (ii) except as expressly provided by Section 3.7 hereof, failing to take, or taking any action inconsistent with, any action (or inaction) directed (whether actively or passively) to be taken pursuant to the exercise by the FGIC Parties of any FGIC Rights or (iii) failing to provide, or causing to be provided, to the FGIC Parties any notice, request or other communication or document that the FGIC Parties may have the right to receive (or that the FGIC Parties would or may have the right to receive but for the Rehabilitation or the occurrence or existence of any of the Rehabilitation Circumstances). For the avoidance of doubt, this subsection 7.8(e) shall not enjoin or restrain any trustee from exercising any remedial power in the absence of any conflicting direction from FGIC (to the extent that FGIC is entitled to give such direction) or any servicer (including any master servicer, sub-servicer or special servicer) from servicing underlying collateral, in each case to the extent permitted under and in accordance with the terms and conditions of the applicable Transaction Documents (and in each case without regard to the Rehabilitation and the occurrence or existence of any of the Rehabilitation Circumstances).	Improperly seeks to re-write Transaction Documents to which FGIC is not a party. See BNYM Objections, Point I at pp. 6-14.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
7.8.(f) p. 20	This section should be stricken in its entirety. It currently provides: From and after the Effective Date, all Persons shall be prohibited from: acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan, including any Exhibits hereto.	Improperly vague. See BNYM Objections, Point IV (xvi), at p. 26, n.29.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
7.11 pp. 22-23	This section should be modified as follows: **A. Status of Rehabilitation.** Following the Effective Date, no later than June 1 of each year, FGIC shall file with the NYSDFS and on the Policyholder Information Center a report on the status of the Rehabilitation. Such report shall include: (a) A report substantially in the form of the FGIC Quarterly Operating Review which has been previously published by FGIC, which shall include the information typically contained in such Operating Review and FGIC's statutory loss reserves and Admitted Assets, amount of Permitted Claims, Claims submitted that are pending but not yet Permitted and the amount of DPOs and DPO Accretion with respect to Permitted Claims, in each case as of the end of the most recent year; (b) The status of the implementation of the Plan; and (c) Such other information as may be requested by the NYSDFS. **B. Run-Off Projections.** From and after the Effective Date until such time (if ever) as the NYSDFS grants written approval to remove any of the following requirements, *each of the following reports shall be (i) filed with the NYSDFS and (ii) posted on the Policy Holder Information Center website* ~~FGIC shall deliver the following reports to the NYSDFS~~: (a) Annual reports in a format acceptable to the NYSDFS of the updated Run-Off Projections and the cash flow projections under a Base Scenario based on actual results to date, each prepared by a CPP Revaluation Firm; and (b) Quarterly reports in a format acceptable to the NYSDFS comparing the most recent Run-Off Projections and the cash flow projections under a Base Scenario against actual results for such quarter, and informing the NYSDFS of key metrics of the post-Rehabilitation Proceeding run-off, including Claims filed, Permitted, ultimately determined not to be Permitted pursuant to Section 4.6 hereof and paid in Cash during such quarter and any contingency or loss reserves released during such quarter. **C. Other Reports.** FGIC shall comply with all reporting requirements of applicable New York insurance laws and regulations.	All holders of Claims should be entitled to review all reports required by Section 7.11 and to take advantage of the available means of posting the reports on the website that FGIC maintains for that purpose.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
9.16	BNYM proposes to add the following Section 9.16: *As of the Effective Date, except as provided in the Plan Approval Order, the Plan shall supersede any prior orders of the Court, and shall govern the payment and satisfaction of all rights and Claims of any Person against FGIC and its assets.*	This Section makes clear the Plan supersedes all prior orders of the Court.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
RPT 1.1.B, p. B2	Promptly following FGIC's determination that all or part of a Policy Claim is Permitted or the date (and to the extent) that a Policy Claim is Permitted pursuant to Section 4.6 of the Plan (as applicable), FGIC shall pay in Cash to the applicable Policy Payee an amount equal to the product of the then-existing CPP and the Permitted Policy Claim; *provided* that the first date for payment of Permitted Policy Claims shall be a date determined by FGIC that is no later than sixty (60) days after the Claims Resubmission Deadline (the "Initial Payment Date"); *provided further that thereafter FGIC shall make all further payments required pursuant to the Plan on dates that FGIC shall reasonably determine, provided further that such dates shall occur no later than on January 1 and July 1 of each year*. Notwithstanding the immediately preceding sentence, all Cash payments of Permitted Policy Claims by FGIC shall be subject to adjustment pursuant to Sections 1.4 and 1.5 hereof.	This Section fails to provide time periods for any payments other than the Initial Payment Date.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
RPT 1.4.A, pp. B2-3	If *the Court* ~~FGIC~~ determines ~~in good faith~~ that, notwithstanding the requirements of the foregoing paragraph, all or a portion of any FGIC Payment has not been paid to the FGIC Parties in accordance with such paragraph, then, in addition to any other rights or remedies that FGIC may have, *the Permitted Claim* ~~Cash payments that would otherwise be payable by FGIC in respect of the applicable Policy~~ shall be reduced by the amount of such unpaid FGIC Payment. The DPO for that Policy shall be reduced at the time of FGIC's determination that all or a portion of a FGIC Payment was not paid in accordance with such paragraph by the amount of such unpaid FGIC Payment, but thereafter shall be increased to the extent that Cash payments in respect of that Policy are reduced pursuant to the preceding sentence.	This Section seeks to set-off amounts against Cash payments. It should be as against the Permitted Claim amount. See BNYM Objections, Point IV (xv), at p. 25.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
RPT 2.1, pp. B7-8	This section should be stricken in its entirety. It currently provide: If any Person (other than the FGIC Parties), notwithstanding the injunctive relief and other terms and conditions in the Plan (a) exercises, seeks to exercise or in any manner fails to honor the FGIC Parties' exclusive authority to exercise FGIC Rights or otherwise fails to comply with the injunctive relief set forth in Section 7.8(e) of the Plan, (b) exercises or seeks to exercise any Rehabilitation-Triggered Right, (c) declares or seeks to declare a Rehabilitation-Related Default or (d) interferes or seeks to interfere with the FGIC Parties' pursuit of FGIC Direct Claims (clauses (a) through (d) collectively, "**Purported FGIC Loss of Rights**"), FGIC may declare with respect to such Policy a "**Policy Crystallization Event**" by taking the applicable actions set forth in clauses (i) through (iv) below; *provided, however*, that the exercise by any Person of its rights, if any, under and in accordance with Section 3.7 of the Plan shall not constitute a Purported FGIC Loss of Rights. (i) FGIC shall provide written notice to such Person of the Purported FGIC Loss of Rights within sixty (60) days after FGIC becomes aware of the Purported FGIC Loss of Rights (the "**Purported FGIC Loss of Rights Notice**"); (ii) The Purported FGIC Loss of Rights Notice shall state (a) the nature of the Purported FGIC Loss of Rights, (b) the date(s) on or with respect to which the Purported FGIC Loss of Rights occurred, (c) that such Person has thirty (30) days to cure the Purported FGIC Loss of Rights and (d) the date as of which the Policy Crystallization Event will be effective, which shall be the earliest date on or with respect to which the Purported FGIC Loss of Rights occurred (the "**Policy Crystallization Event Effective Date**"); (iii) If such Person fails to cure the Purported FGIC Loss of Rights within thirty (30) days after FGIC sends the Purported FGIC Loss of Rights Notice, FGIC may declare with respect to such Policy a Policy Crystallization Event; and (iv) To declare a Policy Crystallization Event, FGIC must provide written notice to such Person within thirty (30) days after the expiration of the cure period prescribed in clause (iii) of this Section 2.1 (the "**Policy Crystallization Event Notice**") which shall (a) state that the Purported FGIC Loss of Rights has not been cured and (b) declare that a Policy Crystallization Event has occurred.	Improperly seeks to chill any potential challenges to the Plan's operation. See BNYM Objections, Point IV (xvi), at pp. 25-26.

Section and page	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
RPT 2.2, p. B8	This section should be stricken in its entirety. It currently provide: Any Policy Crystallization Event will be effective as of the Policy Crystallization Event Effective Date, as stated in the Purported FGIC Loss of Rights Notice. Following a declaration of a Policy Crystallization Event, FGIC shall determine its anticipated payment obligations under the Policy for the remainder of the expected duration of the Policy (collectively, the "**Estimated Payment Obligations**"). FGIC also shall determine the date on which each Estimated Payment Obligation is anticipated by FGIC to become due (the "**Estimated Payment Schedule**"). FGIC shall determine, in good faith, the Estimated Payment Obligations and Estimated Payment Schedules based on FGIC's reasonable judgment, in each case based on the reserve and related assumptions, calculations and projections as used by FGIC in estimating losses for such Policy in connection with FGIC's quarterly statutory financial statement immediately preceding the Policy Crystallization Event, but ignoring any actual or anticipated effects of any Purported FGIC Loss of Rights giving rise to the Policy Crystallization Event. For the avoidance of doubt, the Estimated Payment Obligations shall not include any amount in respect of termination of a CDS or other swap agreement in contravention of the Plan (whether calculated on the basis of "Market Quotation," "Loss," "Close-out Amount" or other methodologies). In respect of each Policy for which a Policy Crystallization Event has been declared, from and after the Policy Crystallization Event Effective Date: (i) a Claim shall be deemed to have been made as of each date on which an Estimated Payment Obligation was anticipated by FGIC to be due based upon the Estimated Payment Schedule and on each date a Claim is properly submitted by the Policyholder, in an amount equal to (a) the lesser of (x) the aggregate Estimated Payment Obligations that were anticipated to be due from and after the Policy Crystallization Event Effective Date through and including such date and (y) the aggregate amount of all Claims properly submitted with respect to events occurring from and after the Policy Crystallization Event Effective Date through and including such date, minus (b) the aggregate amount of all previously Permitted Policy Claims for such Policy with respect to events occurring from and after the Policy Crystallization Event Effective Date through and including such date; (ii) no Claims shall be Permitted with respect to such Policy except for those described in clause (i) of this Section 2.2, and, if the Claims discussed in in clause (i) of this Section 2.2 are Permitted pursuant to the Plan, such Permitted Claims shall be treated like other similarly-situated Permitted Claims under the Plan; and (iii) FGIC shall be entitled to receive all FGIC Payments arising, accrued or due at any time, whether prior to, on or after the Policy Crystallization Event Effective Date.	Improperly seeks to chill any potential challenges to the Plan's operation. See BNYM Objections, Point IV (xvi), at pp. 25-26.

Definition	Proposed Modification to FGIC Plan of Rehabilitation	Reason for Proposed Modification
Disputed Claim p. A3	"Disputed Claim" means *solely that portion of* a Claim as to which (i) an Objection is raised, which has not been resolved or withdrawn or (ii) a FGIC Claim Determination is made, which has not been resolved, withdrawn or overruled by a Final Order.	The definition should make clear that a Disputed Claim is only that portion of a Claim that is disputed.
Permitted p. A7	"Permitted" means, with respect to a Claim, determined by FGIC pursuant to the Plan (including the reconciliation procedures set forth in Section 4.6 of the Plan) or by Final Order to be allowed, in whole or in part, but solely to the extent of the amount determined to be allowed. ~~No Claim or portion thereof shall be Permitted until all disputed portions thereof are resolved pursuant to Section 4.6.~~	The definition should make clear that to the extent that FGIC disputes a portion of a Claim, the non-disputed portion shall be Permitted.

EXHIBIT B

EXECUTION VERSION

Dated as of November 29, 2006

BFC AJAX CDO LTD.
as Issuer

BFC AJAX CDO LLC
as Co-Issuer

FINANCIAL GUARANTY INSURANCE COMPANY
as Credit Enhancer

and

THE BANK OF NEW YORK TRUST COMPANY, NATIONAL ASSOCIATION
as Trustee

INDENTURE

CONTENTS

Schedules

Exhibits

THIS INDENTURE, dated as of November 29, 2006, among:

BFC AJAX CDO LTD., an exempted company with limited liability incorporated and existing under the laws of the Cayman Islands (the "Issuer");

BFC AJAX CDO LLC, a limited liability company organized and existing under the laws of the State of Delaware (the "Co-Issuer," and together with the Issuer, the "Issuers");

FINANCIAL GUARANTY INSURANCE COMPANY, a New York stock insurance company (the "Credit Enhancer"); and

THE BANK OF NEW YORK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association with trust powers organized and existing under the laws of the United States of America, as trustee (herein, together with its permitted successors in the trusts hereunder, the "Trustee").

PRELIMINARY STATEMENT

The Issuers are duly authorized to execute and deliver this Indenture to provide for the issuance of the Notes as provided in this Indenture. All covenants and agreements made by the Issuers herein are for the benefit and security of the Noteholders, the Credit Enhancer, the Hedge Counterparties, the Collateral Advisor, the Collateral Administrator and the Trustee (collectively, the "Secured Parties"). The Issuers are entering into this Indenture, and the Trustee is accepting the trusts created hereby, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged.

All things necessary to make this Indenture a valid agreement of the Issuers in accordance with its terms have been done.

GRANTING CLAUSE

The Issuer hereby Grants to the Trustee, for the benefit and security of the Secured Parties, all of the Issuer's right, title and interest in, to and under, in each case, whether now owned or existing, or hereafter acquired or arising, all accounts, general intangibles, chattel paper, instruments, securities, investment property and any and all other personal property (other than Excepted Property) of any type or nature owned by the Issuer, including (a) the Collateral Debt Securities (listed, as of the Closing Date, in the Schedule of Collateral Debt Securities) which the Issuer causes to be delivered to the Trustee (directly or through a Securities Intermediary) herewith, all payments thereon or with respect thereto, the Custodial Account and all Collateral Debt Securities and Equity Securities which are delivered to the Trustee (directly or through a Securities Intermediary) after the Closing Date pursuant to the terms hereof (including the Collateral Debt Securities listed, as of the Effective Date, on the amended Schedule of Collateral Debt Securities delivered by the Issuer pursuant to Section 3.02(a)) and all payments thereon or with respect thereto (subject, in the case of Synthetic Security Collateral, to the prior security interest in the second granting clause hereof), (b) (i) the Accounts (other than the Credit Enhancement Payment Account and Synthetic Security Counterparty Account and, in the case of any Synthetic Security Issuer Account, subject to the terms of the applicable Synthetic Security) and Eligible Investments purchased with funds on deposit in such Accounts and all income from the investment of funds therein, (ii) solely for the benefit of the Holders of the Class A Notes, the Credit Enhancement Payment Account and Eligible Investments purchased with funds on deposit in such Account and all income from the investment of funds therein and (iii) the Synthetic Security Counterparty Account and the Issuer's right to investment income in the Synthetic Security Counterparty Account (subject to the prior security interest Granted in the second granting clause hereof), (c) the rights of the Issuer, if any, to

Eligible Investments or securities purchased with funds on deposit in such accounts and all payments thereon or with respect thereto, (d) the rights of the Issuer to Eligible Investments or securities purchased with funds on deposit in said accounts and all payments thereon or with respect thereto, (e) solely for the benefit of the Holders of the Class A Notes, the Issuer's rights under the Insurance Agreement and Credit Enhancement, (f) the Hedge Agreements and all payments thereunder or with respect thereto, (g) the Collateral Advisory Agreement, the Collateral Administration Agreement, the Placement Agency Agreement, the Structuring Agent Agreement, the Subscription Agreements and any purchase agreement relating to any Collateral Debt Security, (h) all Cash delivered to the Trustee (directly or through a Securities Intermediary) and (i) all proceeds, accessions, profits, income benefits, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Issuer described in the preceding clauses (collectively, the "Collateral"). Such Grants are made, however, in trust, to secure the Notes equally and ratably without prejudice, priority or distinction between any Note and any other Note by reason of difference in time of issuance or otherwise, except as expressly provided in this Indenture, and to secure (i) the payment of all amounts due on the Notes, under the Insurance Agreement and under each Hedge Agreement in accordance with their respective terms, (ii) the payment of all other sums payable under this Indenture (including the Collateral Advisory Fee and all amounts payable to the Collateral Advisor under the Collateral Advisory Agreement) and (iii) compliance with the provisions of this Indenture, the Insurance Agreement and each Hedge Agreement, all as provided in this Indenture (collectively, the "Secured Obligations").

The Issuer hereby Grants a security interest in all of its right, title and interest in, to and under any Synthetic Security Counterparty Account and all investments purchased with, and all income from the investment of funds on deposit therein (collectively, the "Synthetic Security Collateral"), in each case whether now owned or hereafter acquired or arising, to the Trustee as collateral agent for the related Synthetic Security Counterparty to secure the payment of all amounts due from the Issuer to such Synthetic Security Counterparty under the related Synthetic Securities in effect from time to time.

Except to the extent otherwise provided in this Indenture, the Issuer does hereby by way of security constitute and irrevocably appoint the Trustee the true and lawful attorney of the Issuer, with full power (in the name of the Issuer or otherwise) to exercise all rights of the Issuer with respect to the Collateral held for the benefit and security of the Secured Parties, and to ask, require, demand, receive, settle, compromise, compound and give acquittance for any and all moneys and claims for moneys due and to become due under or arising out of any of the Collateral held for the benefit and security of the Secured Parties, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which the Trustee may deem to be necessary or advisable in the premises. The power of attorney granted pursuant to this Indenture and all authority hereby conferred are granted and conferred solely to protect the Trustee's interest in the Collateral held for the benefit and security of the Secured Parties, and shall not impose any duty upon the Trustee to exercise such power of attorney. This power of attorney shall be irrevocable as one coupled with an interest prior to the payment in full of all the obligations secured hereby.

Except to the extent otherwise provided in this Indenture, this Indenture shall constitute a security agreement under the laws of the State of New York applicable to agreements made and to be performed therein. Upon the occurrence of any Event of Default with respect to the Notes, and in addition to any other rights available under this Indenture or any other instruments included in the Collateral held for the benefit and security of the Secured Parties or otherwise available at law or in equity, the Trustee shall have all rights and remedies of a secured party on default under the laws of the State of New York and other applicable law to enforce the assignments and security interests contained herein and, in addition, shall have the right, subject to compliance with any mandatory requirements of

applicable law, to sell or apply any rights and other interests assigned or pledged hereby in accordance with the terms hereof at a public or private sale.

It is expressly agreed that, anything therein contained to the contrary notwithstanding, the Issuer shall remain liable under any instruments included in the Collateral to perform all the obligations assumed by the Issuer thereunder, all in accordance with and pursuant to the terms and provisions thereof, and, except as otherwise expressly provided herein, the Trustee shall not have any obligations or liabilities under such instruments by reason of or arising out of this Indenture nor shall the Trustee be required or obligated in any manner to perform or fulfill any obligations of the Issuer under or pursuant to such instruments or to make any payment, to make any inquiry as to the nature or sufficiency of any payment received by the Trustee, to present or file any claim, or to take any action to collect or enforce the payment of any amounts that may have been assigned to the Trustee or to which the Trustee may be entitled at any time or times.

The designation of the Trustee in any transfer document or record is intended and shall be deemed, first, to refer to the Trustee as a purchaser of Collateral as custodian on behalf of the Issuer and, second, to refer to the Trustee as secured party on behalf of the Secured Parties, provided that the Grant made by the Issuer to the Trustee pursuant to the Granting Clause hereof shall apply to any Collateral bearing such designation.

The Trustee acknowledges such Grants, accepts the trusts hereunder in accordance with the provisions hereof, and agrees to perform the duties herein in accordance with the terms hereof such that the interests of the Secured Parties may be adequately and effectively protected.

None of the Trustee, the Noteholders or the other Secured Parties shall have any legal, equitable or beneficial interest in or claim to (i) any assets of the Co-Issuer, (ii) any Excepted Property or (iii) the Credit Enhancement Payment Account (other than the Holders of the Insured Notes).

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.01 Definitions.

Except as otherwise specified herein or as the context may otherwise require, the following terms have the respective meanings set forth below for all purposes of this Indenture. Whenever any reference is made to an amount the determination of which is governed by Section 1.02, the provisions of Section 1.02 shall be applicable to such determination or calculation, whether or not reference is specifically made to Section 1.02, unless some other method of calculation or determination is expressly specified in the particular provision.

"ABS Type Residential Securities" means (1) Home Equity Loan Securities; (2) Residential A Mortgage Securities; (3) Residential B/C Mortgage Securities; and (4) any other type of Asset-Backed Securities that is designated after the Closing Date, with the prior consent of the Credit Enhancer (so long as it is the Controlling Party), as an "ABS Type Residential Security" in connection herewith.

"Accelerated Payment Date" has the meaning specified in Section 5.05(a).

"Account" means any of the Credit Enhancement Payment Account, the Custodial Account, the Expense Account, each Hedge Counterparty Collateral Account, the Interest Collection Account, the Payment Account, the Principal Collection Account, the Residual Cash Flow Reinvestment Account, any Synthetic Security Counterparty Account, any Synthetic Security Issuer Account and the Unused Proceeds Account, each of which may include any number of subaccounts thereof that the Trustee deems necessary or appropriate.

"Account Control Agreement" means the Account Control Agreement, dated as of the Closing Date, among the Issuer, the Trustee and the Custodian.

"Accountants' Report" means a report or agreed upon procedures letter of a firm of Independent certified public accountants of recognized national reputation appointed by the Issuer pursuant to Section 10.12(a), which may be the firm of Independent accountants that reviews or performs procedures with respect to the financial reports prepared by the Issuer or the Collateral Advisor.

"Accredited Investor" means an "accredited investor" within the meaning of Rule 501(a) under the Securities Act.

"Accrued Insurance Liabilities" has the meaning specified in the Insurance Agreement.

"Act" has the meaning specified in Section 14.02(a).

"Additional Collateral Debt Securities" means Collateral Debt Securities purchased after the Closing Date by the Issuer, from Interest Proceeds deposited in the Residual Cash Flow Reinvestment Account pursuant to Section 11.01(a)(i)(24)(i), Principal Proceeds deposited to the Principal Collection Account pursuant to Section 11.01(a)(ii)(15) or Sale Proceeds in accordance with Article XII.

"Administration Agreement" means the Amended and Restated Administration Agreement, dated as of the Closing Date, between the Administrator and the Issuer, as modified and supplemented and in effect from time to time.

"Administrative Expenses" means amounts due or accrued with respect to any Payment Date and payable by the Issuer or the Co-Issuer to (i) the Trustee pursuant to Section 6.08 or any co-trustee appointed pursuant to Section 6.13, (ii) the Collateral Administrator under the Collateral Administration Agreement, (iii) the Preference Share Paying Agent and the then Share Registrar under the Preference Share Paying Agency Agreement, (iv) the Administrator under the Administration Agreement (and to provide for the costs of liquidating the Issuers following redemption of the Notes), (v) the Independent accountants, agents and counsel of the Issuer for reasonable fees and expenses (including amounts payable in connection with the preparation of tax forms on behalf of the Issuers) and any registered office fees, (vi) the Rating Agencies for fees and expenses in connection with any rating (including the annual fee payable with respect to the monitoring of any rating) of the Notes, including fees and expenses due or accrued in connection with any rating of or credit estimate of (including surveillance of such credit estimates) the Collateral Debt Securities, (vii) the Collateral Advisor under this Indenture or the Collateral Advisory Agreement, (viii) the Structuring Agent under this Indenture or the Structuring Agent Agreement, (ix) any other Person in respect of any governmental fee, charge or tax in relation to the Issuer or the Co-Issuer and (x) any other Person (including, without limitation, the Credit Enhancer) in respect of any other fees or expenses permitted under this Indenture and the Preference Share Documents and the documents delivered pursuant to or in connection with this Indenture and the Issued Securities, provided that Administrative Expenses shall not include (a) amounts payable in respect of the Issued Securities, (b) amounts payable under the Hedge Agreements, (c) any Collateral Advisory

Fee payable pursuant to the Collateral Advisory Agreement, (d) any Subordinated Structuring Agent Fee payable pursuant to the Structuring Agent Agreement, (e) any Insurance Premium and (f) amounts payable in respect of Administrative Indemnities.

"Administrative Indemnities" means amounts due or accrued with respect to any Payment Date and payable by the Issuer or the Co-Issuer to (i) the Trustee (or any co-trustee) in respect of any indemnification payments (including expenses relating to indemnification obligations) owed to it pursuant to Section 6.08(a)(iii) hereof, (ii) the Collateral Administrator in respect of any indemnification payments (including expenses relating to indemnification obligations) owed to it pursuant to the Collateral Administration Agreement, (iii) the Collateral Advisor in respect of any indemnification payments (including expenses relating to indemnification obligations) owed to it pursuant to the Collateral Advisory Agreement, (iv) the Structuring Agent in respect of any indemnification payments (including expenses relating to indemnification obligations) owed to it pursuant to the Structuring Agent Agreement, (v) the Preference Share Paying Agent and the Share Registrar in respect of any indemnification payments (including expenses relating to indemnification obligations) owed to any of them pursuant to the Preference Share Paying Agency Agreement, (vi) the Placement Agent in respect of any indemnification payments (including expenses relating to indemnification obligations) owed to it pursuant to the Placement Agency Agreement and (vii) any other Person (including, without limitation, the Credit Enhancer) in respect of any indemnification payments (including expenses relating to indemnification obligations owed to it) to the extent specifically permitted under this Indenture, the Insurance Agreement or the other Transaction Documents. Fees and expenses of counsel with respect to indemnification obligations shall be Administrative Indemnities.

"Administrator" means Maples Finance Limited and any successor thereto appointed under the Administration Agreement.

"Affiliate" or "Affiliated" means, with respect to a specified Person, (a) any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person or (b) any other Person who is a director, Officer, employee, member or general partner of (1) such Person or (2) any such other Person described in clause (a) above. For the 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 such Person or (ii) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise, provided that no other special purpose company to which the Administrator provides directors and/or acts as share trustee shall be an Affiliate of the Issuer.

"Aggregate Outstanding Amount" means, (a) when used with respect to any of the Notes at any time or with respect to any Class of Notes, the aggregate principal amount of such Notes (including, with respect to the Class X Notes, the Class C Notes, the Class D Notes and the Class E Notes, respectively, any Class X Deferred Interest, any Class C Deferred Interest, any Class D Deferred Interest and any Class E Deferred Interest, respectively) Outstanding at such time, and (b) when used with respect to any of the Preference Shares at any time, the number of such Preference Shares Outstanding at such time multiplied by the Issue Price thereof; *provided* that, in determining whether the Holders of the requisite Aggregate Outstanding Amount have given any request, demand, authorization, direction, notice, consent, waiver or vote hereunder, (x) Collateral Advisor Securities shall be disregarded and deemed not to be Outstanding (except with respect to any vote, consent or objection to a replacement Collateral Advisor, to the extent provided in the Collateral Advisory Agreement) with respect to any vote or consent of the Holders on any assignment or termination of the Collateral Advisory Agreement (including the exercise of any rights to remove the Collateral Advisor or terminate the Collateral Advisory Agreement), or any amendment or other modification of this Indenture increasing the rights or

decreasing the obligations of the Collateral Advisor (it being understood that any such action would require the consent of the Collateral Advisor itself), except that in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, waiver or vote, only Issued Securities that a Trust Officer of the Trustee has actual knowledge to be Collateral Advisor Securities shall be so disregarded.

"Aggregate Principal Balance" means, when used with respect to any Pledged Securities as of any date of determination, the sum of the Principal Balances on such date of determination of all such Pledged Securities.

"Applicable Recovery Rate" means, with respect to any Collateral Debt Security on any Measurement Date, the lesser of:

(a) an amount equal to the percentage for such Collateral Debt Security set forth in the Moody's Recovery Rate Matrix attached as Part I of Schedule C hereto in (x) the table corresponding to the relevant Collateral Debt Security, (y) the column in such table setting forth the Moody's Rating of such Collateral Debt Security as of the date of issuance of such Collateral Debt Security and (z) the row in such table opposite the ratio (expressed as a percentage) of (i) the Issue of which such Collateral Debt Security is a part relative to (ii) the total capitalization of (including both debt and equity securities issued by) the relevant issuer of or obligor on such Collateral Debt Security determined on the original issue date of such Collateral Debt Security; *provided* that if the Collateral Debt Security is a Synthetic Security, the recovery rate will be that assigned by Moody's; and

(b) for each Class of Notes, an amount equal to the percentage for such Collateral Debt Security set forth in the Standard & Poor's Recovery Rate Matrix attached as Part II of Schedule C in (x) the applicable table, (y) the row in such table opposite the Standard & Poor's Rating of the Collateral Debt Security at the time of its acquisition (determined in accordance with procedures prescribed by Standard & Poor's for such Collateral Debt Security on such Measurement Date) and (z) in the column in such table below the applicable Standard & Poor's rating at issuance for each Class of Notes Outstanding; *provided*, that if the timely payment of principal of and interest on such Collateral Debt Security is guaranteed by a corporate guarantor that complies with Standard & Poor's then-current criteria with respect to guarantees (and such guarantee ranks at least equally and ratably with such guarantor's senior unsecured long-term debt), such amount shall be 50%, in the case of a Monoline Guaranteed Security, or 40% in the case of a Collateral Debt Security guaranteed by a guarantor other than a Monoline Insurer.

"Asset-Backed Securities" means securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from a pool of specified financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the securities; provided that, in the case of Asset-Backed Securities secured by real estate mortgages, such Asset-Backed Securities do not entitle the holders to a right to share in the appreciation in value of or the profits generated by the real estate assets.

"Assumed Reinvestment Rate" means, with respect to any Account or fund securing the Notes, LIBOR minus 1.0%.

"Auction" has the meaning specified in Section 9.05.

"Auction Agent" means, in respect of any Auction, the Collateral Advisor or, if the Collateral Advisor is participating as a bidder in such Auction, the Trustee, in either case solely in its capacity as Auction Agent.

"Auction Call Redemption" has the meaning specified in Section 9.05.

"Auction Call Redemption Date" has the meaning specified in Section 9.05.

"Auction Date" has the meaning specified in Section 9.05.

"Auction Procedures" has the meaning specified in Section 9.05.

"Authenticating Agent" means, with respect to the Notes or any Class of the Notes, the Person designated by the Trustee, if any, to authenticate such Notes on behalf of the Trustee pursuant to Section 6.04.

"Authorized Officer" means (i) with respect to the Issuer, any Officer of the Issuer who is authorized to act for the Issuer in matters relating to, and binding upon, the Issuer, (ii) with respect to the Co-Issuer, any Officer who is authorized to act for the Co-Issuer in matters relating to, and binding upon, the Co-Issuer, (iii) with respect to the Collateral Advisor, any Officer, employee or agent of the Collateral Advisor who is authorized to act for the Collateral Advisor in matters relating to, and binding upon, the Collateral Advisor with respect to the subject matter of the request, certificate or order in question, and (iv) with respect to the Trustee or any other bank or trust company acting as trustee of an express trust or as custodian, a Trust Officer. Each party may receive and accept a certification of the authority of any other party as conclusive evidence of the authority of any Person to act, and such certification may be considered as in full force and effect until receipt by such other party of written notice to the contrary.

"Average Life" means, on any Measurement Date with respect to any Collateral Debt Security, the quotient obtained by *dividing* (i) the sum of the products of (a) the number of years (rounded to the nearest one tenth thereof) from such Measurement Date to the respective dates of each successive Scheduled Distribution or (if not scheduled) expected Distribution of principal of such Collateral Debt Security and (b) the respective amounts of principal of such Scheduled Distributions or expected Distributions by (ii) the sum of all successive Scheduled Distributions of principal of such Collateral Debt Security.

"Balance" means at any time, with respect to Cash or Eligible Investments standing to the credit of any Account at such time, the aggregate of the (i) current balance of Cash, demand deposits, time deposits, certificates of deposit and Federal funds in such Account; (ii) principal amount of interest-bearing corporate and government securities, money market accounts, repurchase obligations and Reinvestment Agreements in such Account; and (iii) purchase price (but not greater than the face amount) of non-interest-bearing government and corporate securities and commercial paper.

"Bank" means The Bank of New York, National Association, a national banking association with trust powers organized and existing under the laws of the United States of America, in its individual capacity and not as Trustee.

"Bank Guaranteed Securities" means any Asset-Backed Security as to which, if interest thereon is not timely paid when due, or the principal thereof is not timely paid at stated legal maturity, a national banking association organized under United States law or banking corporation organized under the laws of a state of the United States has undertaken in an irrevocable letter of credit or other similar

instrument to make such payment against the presentation of documents, but only if such letter of credit or similar instrument (1) expires no earlier than such stated maturity (or contains "evergreen" provisions entitling the beneficiary thereof to draw the entire undrawn amount thereof upon the failure of the expiration date of such letter of credit or other similar instrument to be extended beyond its then current expiry date), (2) provides that payment thereunder is independent of the performance by the obligor on the relevant Asset-Backed Security and (3) was issued by a bank having a credit rating assigned by each nationally recognized statistical rating organization that currently rates such Asset-Backed Security higher than the credit rating assigned by such rating organization to such Asset-Backed Security, determined without giving effect to such letter of credit or similar instrument; provided that the underlying security that is the subject of such guarantee complies with the requirements of the Eligibility Criteria (except clauses (d) and (q)).

"Bankruptcy Code" means the United States Bankruptcy Code, Title 11 of the United States Code, as amended, or, where the context requires, the applicable insolvency provisions of the laws of the Cayman Islands.

"Base Rate" has the meaning set forth in Schedule B.

"Base Rate Reference Bank" has the meaning set forth in Schedule B.

"Beneficial Owner" means any Person owning an interest in a Global Note as reflected on the books of the Depositary or on the books of a Depositary Participant or on the books of an indirect participant for which a Depositary Participant of the Depositary acts as agent.

"Benefit Plan Investor" has the meaning specified in Section 3(42) of ERISA.

"Board of Directors" means, with respect to the Issuer, the directors of the Issuer duly appointed in accordance with the Issuer Charter, and, with respect to the Co-Issuer, the independent manager of the Co-Issuer duly appointed by the member of the Co-Issuer.

"Board Resolution" means, with respect to the Issuer, a resolution of the Board of Directors of the Issuer, or with respect to the Co-Issuer, a written consent of the members or managers thereof, as applicable.

"Business Day" means any day other than Saturday, Sunday or a day on which banking institutions are authorized or obligated by law, regulation or executive order to close in New York City, London or any city in which a Corporate Trust Office of the Trustee is located or, in the case of the final payment of principal of a Note, the place of presentation of such Note. To the extent action is required of the Issuer that has not been delegated to the Trustee, the Collateral Advisor or any agent of the Issuer located outside of the Cayman Islands, the Cayman Islands shall be considered in determining "Business Day" for purposes of determining when such Issuer action is required. To the extent action is required of the Irish Paying Agent, Dublin, Ireland shall be considered in determining "Business Day" for purposes of determining when such Irish Paying Agent action is required.

"Calculation Agent" has the meaning specified in Section 7.15.

"Calculation Amount" means, with respect to any Defaulted Security or Deferred Interest PIK Bond at any time, the lesser of (a) the Fair Market Value of such Defaulted Security or Deferred Interest PIK Bond and (b) the amount obtained by multiplying the Applicable Recovery Rate by the Principal Balance of such Defaulted Security or Deferred Interest PIK Bond.

"Cap Corridor Security" means a RMBS (other than a Home Equity Loan Security) (i) that, although providing for the payment of interest based on the London interbank offered rate, caps interest payable on any distribution date at the weighted average net interest rate on its underlying assets, (ii) all or a substantial portion of the underlying assets of which bear interest at a fixed rate and (iii) the issuer of which has entered into one or more interest rate caps or yield maintenance agreement, each of which generally provides for payments to the issuer on each distribution date at the London interbank offered rate, subject, however, to a minimum strike price and a maximum cap rate, and calculated on a notional balance reflecting the principal balance of those underlying assets covered by such cap or agreement (which may be a precalculated amortization schedule set based on an expected prepayment rate for such underlying assets).

"Cash" means such funds denominated with currency of the United States of America as at the time shall be legal tender for payment of all public and private debts, including funds credited to a deposit account or a Securities Account and Money.

"Certificate of Authentication" has the meaning specified in Section 2.03(f).

"Certificated Security" has the meaning specified in the UCC.

"Class" means each of the Class A Notes, the Class B Notes, the Class X Notes, the Class C Notes, the Class D Notes and the Class E Notes.

"Class A Break-Even Default Rate" means, at any time, the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain (as determined by Standard & Poor's CDO Monitor), which, after giving effect to Standard & Poor's assumptions on recoveries with respect to defaulted securities and the 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 and the timely payment of interest on the Class A Notes, as determined by application of the Standard & Poor's CDO Monitor.

"Class A Default Differential" means, at any time, the rate calculated by subtracting the Class A Scenario Default Rate at such time from the Class A Break-Even Default Rate.

"Class A Note Interest Rate" means, for each Interest Period, the per annum rate at which the Class A Notes shall bear interest, which shall be equal to LIBOR plus 0.20%.

"Class A Notes" means the U.S.$275,000,000 Class A Senior Floating Rate Notes due 2046 issued by the Issuers on the Closing Date and which bear interest at the Class A Note Interest Rate.

"Class A Overcollateralization Ratio" means, as of any Measurement Date, the number (expressed as a percentage and calculated in accordance with Section 1.02) calculated by *dividing* (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the Aggregate Outstanding Amount of the Class A Notes as of such Measurement Date.

"Class A Scenario Default Rate" means, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with a "AAA" rating for the Class A Notes by Standard & Poor's, determined by application of the Standard & Poor's CDO Monitor at such time.

"Class A/B Senior Coverage Tests" means the Class A/B Senior Overcollateralization Test and the Class A/B Senior Interest Coverage Test.

"Class A/B Senior Interest Coverage Ratio" means, as of any Measurement Date, the number (expressed as a percentage and calculated in accordance with Section 1.02) calculated by *dividing*:

(A) the Expected Available Interest Amount with respect to the related Due Period; by

(B) the sum of the Interest Payment Amount for the Class A Notes and the Interest Payment Amount for the Class B Notes payable on the Payment Date immediately following such Measurement Date relating to such Due Period.

In the event that the calculation of the Class A/B Senior Interest Coverage Ratio produces a negative number, the Class A/B Senior Interest Coverage Ratio shall be deemed to be equal to zero.

"Class A/B Senior Interest Coverage Test" means, for so long as any Class A Notes or Class B Notes remain Outstanding, a test satisfied on any Measurement Date if the Class A/B Senior Interest Coverage Ratio as of such Measurement Date is equal to or greater than (a) with respect to any Measurement Date occurring on or prior to the first Payment Date, 100.0% and (b) with respect to any Measurement Date occurring thereafter, 120%.

"Class A/B Senior Overcollateralization Ratio" means, as of any Measurement Date, the number (expressed as a percentage and calculated in accordance with Section 1.02) calculated by *dividing* (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the sum of the Aggregate Outstanding Amount of the Class A Notes and the Class B Notes as of such Measurement Date.

"Class A/B Senior Overcollateralization Test" means, for so long as any Class A Notes or Class B Notes remain Outstanding, a test satisfied on any Measurement Date if the Class A/B Senior Overcollateralization Ratio as of such Measurement Date is equal to or greater than 125%.

"Class B Break-Even Default Rate" means, at any time, the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain (as determined by Standard & Poor's CDO Monitor), which, after giving effect to Standard & Poor's assumptions on recoveries with respect to defaulted securities and the 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 and the timely payment of interest on the Class B Notes, as determined by application of the Standard & Poor's CDO Monitor.

"Class B Default Differential" means, at any time, the rate calculated by subtracting the Class B Scenario Default Rate at such time from the Class B Break-Even Default Rate.

"Class B Note Interest Rate" means, for each Interest Period, the per annum rate at which the Class B Notes shall bear interest, which shall be equal to LIBOR plus 0.60%.

"Class B Notes" means the U.S.$15,000,000 Class B Floating Rate Notes due 2046 issued by the Issuers on the Closing Date and which bear interest at the Class B Note Interest Rate.

"Class B Scenario Default Rate" means, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with a "AA" rating for the Class B Notes by Standard & Poor's, determined by application of the Standard & Poor's CDO Monitor at such time.

"Class C Break-Even Default Rate" means, at any time, the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain (as determined by Standard & Poor's CDO Monitor), which, after giving effect to Standard & Poor's assumptions on recoveries with respect to defaulted securities and the 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 and the timely payment of interest on the Class C Notes, as determined by application of the Standard & Poor's CDO Monitor.

"Class C Coverage Tests" means the Class C Overcollateralization Test and the Class C Interest Coverage Test.

"Class C Default Differential" means, at any time, the rate calculated by subtracting the Class C Scenario Default Rate at such time from the Class C Break-Even Default Rate.

"Class C Deferred Interest" means, with respect to the Class C Notes, any interest due on such Notes which is not paid as a result of the operation of the Priority of Payments on any Payment Date and which is deferred until the Payment Date on which such interest is available to be paid in accordance with the Priority of Payments pursuant to Section 2.06(a).

"Class C Interest Coverage Ratio" means, as of any Measurement Date, the number (expressed as a percentage and calculated in accordance with Section 1.02) calculated by *dividing*:

(A) the Expected Available Interest Amount with respect to the related Due Period; by

(B) the sum of the Interest Payment Amounts for the Class A Notes, the Interest Payment Amount for the Class B Notes, the Interest Payment Amount for the Class X Notes and the Interest Payment Amount for the Class C Notes in each case payable on the Payment Date immediately following such Measurement Date relating to such Due Period.

In the event that the calculation of the Class C Interest Coverage Ratio produces a negative number, the Class C Interest Coverage Ratio shall be deemed to be equal to zero.

"Class C Interest Coverage Test" means a test satisfied on any Measurement Date if the Class C Interest Coverage Ratio as of such Measurement Date shall be equal to or greater than 110%.

"Class C Note Interest Rate" means, for each Interest Period, the per annum rate at which the Class C Notes shall bear interest, which shall be equal to LIBOR plus 1.60%.

"Class C Notes" means the U.S.$20,000,000 Class C Deferrable Floating Rate Notes due 2046 issued by the Issuers on the Closing Date and which bear interest at the Class C Note Interest Rate.

"Class C Overcollateralization Ratio" means, as of any Measurement Date, the number (expressed as a percentage and calculated in accordance with Section 1.02) calculated by *dividing* (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the Aggregate

Outstanding Amount of the Class A Notes *plus* the Aggregate Outstanding Amount of the Class B Notes *plus* the Aggregate Outstanding Amount of the Class C Notes, in each case as of such Measurement Date.

"Class C Overcollateralization Test" means, for so long as any Class C Notes remain Outstanding, a test satisfied on any Measurement Date if the Class C Overcollateralization Ratio as of such Measurement Date is equal to or greater than 120%.

"Class C Scenario Default Rate" means, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with an "A" rating for the Class C Notes by Standard & Poor's, determined by application of the Standard & Poor's CDO Monitor at such time.

"Class D Break-Even Default Rate" means, at any time, the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain (as determined by Standard & Poor's CDO Monitor), which, after giving effect to Standard & Poor's assumptions on recoveries with respect to defaulted securities and the 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 and the timely payment of interest on the Class D Notes, as determined by application of the Standard & Poor's CDO Monitor.

"Class D Coverage Tests" means the Class D Overcollateralization Test and the Class D Interest Coverage Test.

"Class D Default Differential" means, at any time, the rate calculated by subtracting the Class D Scenario Default Rate at such time from the Class D Break-Even Default Rate.

"Class D Deferred Interest" means, with respect to the Class D Notes, any interest due on such Notes which is not paid as a result of the operation of the Priority of Payments on any Payment Date and which is deferred until the Payment Date on which such interest is available to be paid in accordance with the Priority of Payments pursuant to Section 2.06(a).

"Class D Interest Coverage Ratio" means, as of any Measurement Date, the number (expressed as a percentage and calculated in accordance with Section 1.02) calculated by *dividing*:

(A) the Expected Available Interest Amount with respect to the related Due Period; by

(B) the sum of the Interest Payment Amounts for the Class A Notes, the Interest Payment Amount for the Class B Notes, the Interest Payment Amount for the Class X Notes, the Interest Payment Amount for the Class C Notes and the Interest Payment Amount for the Class D Notes in each case payable on the Payment Date immediately following such Measurement Date relating to such Due Period.

In the event that the calculation of the Class D Interest Coverage Ratio produces a negative number, the Class D Interest Coverage Ratio shall be deemed to be equal to zero.

"Class D Interest Coverage Test" means a test satisfied on any Measurement Date if the Class D Interest Coverage Ratio as of such Measurement Date is equal to or greater than 105%.

"Class D Note Interest Rate" means, for each Interest Period, the per annum rate at which the Class D Notes shall bear interest, which shall be equal to LIBOR plus 3.50%.

"Class D Notes" means the U.S.$40,000,000 Class D Deferrable Floating Rate Notes due 2046 issued by the Issuers on the Closing Date and which bear interest at the Class D Note Interest Rate.

"Class D Overcollateralization Ratio" means, as of any Measurement Date, the number (expressed as a percentage and calculated in accordance with Section 1.02) calculated by *dividing* (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the Aggregate Outstanding Amount of the Class A Notes *plus* the Aggregate Outstanding Amount of the Class B Notes *plus* the Aggregate Outstanding Amount of the Class C Notes *plus* the Aggregate Outstanding Amount of the Class D Notes, in each case as of such Measurement Date.

"Class D Overcollateralization Test" means, for so long as any Class D Notes remain Outstanding, a test satisfied on any Measurement Date if the Class D Overcollateralization Ratio as of such Measurement Date is equal to or greater than 112%.

"Class D Scenario Default Rate" means, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with a "BBB" rating for the Class D Notes by Standard & Poor's, determined by application of the Standard & Poor's CDO Monitor at such time.

"Class E Break-Even Default Rate" means, at any time, the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain (as determined by Standard & Poor's CDO Monitor), which, after giving effect to Standard & Poor's assumptions on recoveries with respect to defaulted securities and the 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 and the timely payment of interest on the Class E Notes, as determined by application of the Standard & Poor's CDO Monitor.

"Class E Coverage Tests" means the Class E Overcollateralization Test and the Class E Interest Coverage Test.

"Class E Default Differential" means, at any time, the rate calculated by subtracting the Class E Scenario Default Rate at such time from the Class E Break-Even Default Rate.

"Class E Deferred Interest" means, with respect to the Class E Notes, any interest due on such Notes which is not paid as a result of the operation of the Priority of Payments on any Payment Date and which is deferred until the Payment Date on which such interest is available to be paid in accordance with the Priority of Payments pursuant to Section 2.06(a).

"Class E Interest Coverage Ratio" means, as of any Measurement Date, the number (expressed as a percentage and calculated in accordance with Section 1.02) calculated by *dividing*:

(A) the Expected Available Interest Amount with respect to the related Due Period; by

(B) the sum of the Interest Payment Amounts for the Class A Notes, the Interest Payment Amount for the Class B Notes, the Interest Payment Amount for the Class X Notes, the Interest Payment Amount for the Class C Notes, the Interest Payment Amount for the Class D Notes and the Interest Payment Amount for the Class E Notes in each case payable on the Payment Date immediately following such Measurement Date relating to such Due Period.

In the event that the calculation of the Class E Interest Coverage Ratio produces a negative number, the Class E Interest Coverage Ratio shall be deemed to be equal to zero.

"Class E Interest Coverage Test" means a test satisfied on any Measurement Date if the Class E Interest Coverage Ratio as of such Measurement Date is equal to or greater than 103%.

"Class E Note Interest Rate" means, for each Interest Period, the per annum rate at which the Class E Notes shall bear interest, which shall be equal to LIBOR plus 5.50%.

"Class E Notes" means the U.S.$40,000,000 Class E Deferrable Floating Rate Notes due 2046 issued by the Issuers on the Closing Date and which bear interest at the Class E Note Interest Rate.

"Class E Overcollateralization Ratio" means, as of any Measurement Date, the number (expressed as a percentage and calculated in accordance with Section 1.02) calculated by *dividing* (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the Aggregate Outstanding Amount of the Class A Notes *plus* the Aggregate Outstanding Amount of the Class B Notes *plus* the Aggregate Outstanding Amount of the Class C Notes *plus* the Aggregate Outstanding Amount of the Class D Notes *plus* the Aggregate Outstanding Amount of the Class E Notes, in each case as of such Measurement Date.

"Class E Overcollateralization Test" means, for so long as any Class E Notes remain Outstanding, a test satisfied on any Measurement Date if the Class E Overcollateralization Ratio as of such Measurement Date is equal to or greater than 105%.

"Class E Scenario Default Rate" means, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with a "BB" rating for the Class E Notes by Standard & Poor's, determined by application of the Standard & Poor's CDO Monitor at such time.

"Class X Break-Even Default Rate" means, at any time, the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain (as determined by Standard & Poor's CDO Monitor), which, after giving effect to Standard & Poor's assumptions on recoveries with respect to defaulted securities and the timing of such recoveries and to the Priority of Payments, will result in sufficient funds remaining for the payment of the Class X Notes in full and the timely payment of interest on the Class X Notes, as determined by application of the Standard & Poor's CDO Monitor.

"Class X Deferred Interest" means, with respect to the Class X Notes, any interest due on such Notes which is not paid as a result of the operation of the Priority of Payments on any Payment Date and which is deferred until the Payment Date on which such interest is available to be paid in accordance with the Priority of Payments pursuant to Section 2.06(a).

"Class X Default Differential" means, at any time, the rate calculated by subtracting the Class X Scenario Default Rate at such time from the Class X Break-Even Default Rate.

"Class X Note Interest Rate" means, for each Interest Period, the per annum rate at which the Class X Notes shall bear interest, which shall be equal to LIBOR plus 1.25%.

"Class X Notes" means the U.S.$10,000,000 Class X Deferrable Floating Rate Notes due 2046 issued by the Issuers on the Closing Date and which bear interest at the Class X Note Interest Rate.

"Class X Principal Amount" means with respect to any Payment Date, the lesser of (x) the Aggregate Outstanding Amount of the Class X Notes on such Payment Date and (y) an amount for such Payment Date specified in the schedule below:

June 3, 2007	U.S.$528,834
September 3, 2007	U.S.$270,780
December 3, 2007	U.S.$275,112
March 3, 2008	U.S.$279,514
June 3, 2008	U.S.$283,986
September 3, 2008	U.S.$288,530
December 3, 2008	U.S.$293,147
March 3, 2009	U.S.$297,837
June 3, 2009	U.S.$302,602
September 3, 2009	U.S.$307,444
December 3, 2009	U.S.$312,363
March 3, 2010	U.S.$317,361
June 3, 2010	U.S.$322,439
September 3, 2010	U.S.$327,598
December 3, 2010	U.S.$332,839
March 3, 2011	U.S.$338,165
June 3, 2011	U.S.$343,575
September 3, 2011	U.S.$349,072
December 3, 2011	U.S.$354,658
March 3, 2012	U.S.$360,332
June 3, 2012	U.S.$366,097
September 3, 2012	U.S.$371,955
December 3, 2012	U.S.$377,906
March 3, 2013	U.S.$383,953
June 3, 2013	U.S.$390,096
September 3, 2013	U.S.$396,338
December 3, 2013	U.S.$402,679
March 3, 2014	U.S.$409,122
June 3, 2014	U.S.$415,668
On each Payment Date thereafter:	U.S.$415,668

"Class X Scenario Default Rate" means, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with an "A+" rating for the Class X Notes by Standard & Poor's, determined by application of the Standard & Poor's CDO Monitor at such time.

"Clearing Agency" means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"Clearing Corporation" has the meaning specified in the UCC.

"Clearstream, Luxembourg" means Clearstream Banking, société anonyme.

"Closing Date" means November 29, 2006.

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

"Co-Issuer" means BFC Ajax CDO LLC, a limited liability company organized under the laws of the State of Delaware, unless a successor Person shall have become the Co-Issuer pursuant to the applicable provisions of this Indenture, and thereafter "Co-Issuer" shall mean such successor Person.

"Collateral" has the meaning specified in the Granting Clause hereof.

"Collateral Administration Agreement" means the Collateral Administration Agreement, dated as of the Closing Date, by and among the Issuer, the Collateral Advisor and the Collateral Administrator relating to certain functions performed by the Collateral Administrator for the Issuer and the Collateral Advisor with respect to this Indenture and the Collateral, as amended from time to time.

"Collateral Administrator" means the Bank and any successor appointed as Collateral Administrator pursuant to the Collateral Administration Agreement.

"Collateral Advisor" means Braddock Financial Corporation, a Delaware corporation, and any of its permitted successors and assigns.

"Collateral Advisor Securities" means all Issued Securities beneficially owned by the Collateral Advisor, its Affiliates and accounts for which the Collateral Advisor or any Affiliate thereof acts as investment adviser (and for which the Collateral Advisor or such Affiliate has discretionary authority) during the time that the Collateral Advisor is serving as the Collateral Advisor for the Issuer.

"Collateral Advisory Agreement" means the Collateral Advisory Agreement, dated as of the Closing Date, between the Issuer and the Collateral Advisor, as amended from time to time in accordance with the terms thereof and Section 15.04.

"Collateral Advisory Fee(s)" means the Senior Collateral Advisory Fee and the Subordinated Collateral Advisory Fee.

"Collateral Debt Security" means a security or other obligation that will be eligible for purchase by the Issuer and pledged to the Trustee if, at the time such security or obligation is purchased by the Issuer, such security or obligation satisfies each of the following criteria (the "Eligibility Criteria"):

(I) Such security or obligation is an Asset-Backed Security that is an ABS Type Residential Security and:

(a) such security is issued by an obligor or issuer organized or incorporated under the laws of the United States or a state thereof, an Eligible SPV Jurisdiction or an Eligible Country; provided that such security is not an Emerging Market Security;

(b) such security is denominated and payable only in Dollars and is not convertible into, or payable in, any currency other than Dollars;

(c) such security requires the payment of a fixed amount of principal in Cash no later than such security's stated maturity or termination date (subject to earlier amortization or sinking fund payments) and its terms do not permit amortization prior to the stated maturity or termination date at an amount less than par;

(d) (i) unless such security is a United States Government Security that is not expressly (publicly or privately) rated by Moody's, such security has a Moody's Rating of at least "B3", (ii) a Standard & Poor's Rating of at least "B-"; and (iii) the Standard & Poor's Rating does not include the subscript "p", "pi", "q", "r" or "t" unless the Rating Condition is satisfied with respect to Standard & Poor's, and, in each case, the Credit Enhancer (so long as it is the Controlling Party) has consented in writing thereto;

(e) such security is not a Defaulted Security or a Credit Risk Security;

(f) such security is not the subject of an Offer and has not been called for redemption;

(g) such security is not, and any Equity Security acquired in connection with such security is not, and does not provide for conversion into, Margin Stock;

(h) such security is not a security that by the terms of its Underlying Instruments provides for conversion or exchange (whether mandatory or at the option of the issuer or the holder thereof) into equity capital at any time prior to its maturity;

(i) such security is not a loan, a loan participation or a participation interest or an interest in a lease agreement that has the general characteristics of a loan for withholding tax purposes and under which the obligor has the right of set-off and it is not a security that is subject to a securities lending arrangement;

(j) such security is not a security pursuant to which the Issuer is required by the Underlying Instruments to make any payment or advance after such acquisition by the Issuer to the issuer thereof;

(k) if such security is a PIK Bond, such security is not a Deferred Interest PIK Bond and at the time of its purchase by the Issuer, interest is not being deferred or capitalized thereon;

(l) such security is not a Multiline Guaranteed Security; such security is not an Inverse Floating Rate Security; such security is not a Range Floating Rate Security; such security is not a Corporate Guaranteed Security; such security is not a Monoline Guaranteed Security; such security is not a Collateralized Debt Obligation Security; such security is not a Hybrid Security; such security is not a Cap Corridor Security; and such security is not an Interest-Only Security;

(m) such security is not issued by an entity the affairs or investments of which are managed by the Collateral Advisor or an Affiliate thereof;

(n) such security is not (i) a security issued by an issuer located in a country that imposes foreign exchange controls that effectively limit the availability or use of Dollars to make when due the scheduled payments of principal of and interest on such security; (ii) a security whose timely repayment is subject to substantial non-credit-related risk as reasonably determined by the Collateral Advisor; (iii) a financing by a debtor-in-possession in any insolvency proceeding (except for a

financing by a bankruptcy remote vehicle established by a debtor-in-possession which issues Asset-Backed Securities which otherwise satisfy the Eligibility Criteria); or (iv) a Corporate Debt Security;

(o) the ownership of such security will not require either of the Issuers or the pool of Collateral to register or be registered as an "investment company" under the Investment Company Act;

(p) such security is not a Principal Only Security or a Zero Coupon Bond;

(q) the Underlying Instruments pursuant to which such security was issued permit the Issuer to purchase it and Grant it to the Trustee;

(r) such security is of a type subject to Article 8 or 9 of the Uniform Commercial Code as in effect in the state of New York, as amended from time to time;

(s) such security is not an obligation that (i) was incurred in connection with a merger, acquisition, consolidation or sale of all or substantially all of the assets of a Person or similar transaction and (ii) by its terms is required to be repaid within one year of the incurrence thereof with proceeds from additional borrowings or other refinancing;

(t) such security is not an Equity Security;

(u) such security is Registered;

(v) the Issuer will receive payments due under the terms of such security and proceeds from disposing of such security free and clear of withholding tax, other than withholding tax as to which the obligor or issuer must make additional payments so that the net amount received by the Issuer after satisfaction of such tax is the amount due to the Issuer before the imposition of any withholding tax;

(w) the acquisition (including the manner of acquisition), ownership, enforcement and disposition of such security will not cause the Issuer to be treated as engaged in a U.S. trade or business for U.S. Federal income tax purposes or otherwise to be subject to tax on a net income basis in any jurisdiction outside the Issuer's jurisdiction of incorporation;

(x) if the Stated Maturity of such security is later than the date that is two years after the Stated Maturity of the Notes, the Average Life of such security on the date of its purchase by the Issuer ends prior to the Stated Maturity of the Notes;

(y) such security provides for periodic payments of interest in cash no less frequently than semi-annually;

(z) such security has not been downgraded by either Moody's or Standard & Poor's prior to its acquisition by the Issuer; and at the time of its acquisition by the Issuer such security has not been placed on credit watch with negative implications by Moody's or Standard & Poor's; and

(aa) such security is not a Negative Amortization Security (other than the Negative Amortization Security listed in Schedule A in effect on the date hereof.

(II) Such security or obligation is a Dollar denominated Synthetic Security with respect to which the Reference Obligation of such Synthetic Security (a) meets the requirements under clause (I) above and (b) has a Moody's Rating of at least "Baa3" and a Standard & Poor's Rating of at least "BBB-".

"Collateral Quality Tests" means the Moody's Asset Correlation Test, the Moody's Maximum Weighted Average Rating Factor Test, the Weighted Average Coupon Test, the Weighted Average Spread Test, the Weighted Average Life Test, the Standard & Poor's Minimum Weighted Average Recovery Rate Test and the Standard & Poor's CDO Monitor Test.

"Collateralized Debt Obligation Securities" means Collateral Debt Securities that entitle the holders thereof to receive payments that depend on the cash flow either from a portfolio of commercial and industrial bank loans, debt securities or asset-backed securities (which may include Collateralized Debt Obligation Securities) or any combination of the foregoing, or from one or more credit default swaps which reference obligors on commercial and industrial bank loans, debt securities or asset-backed securities (which may include Collateralized Debt Obligation Securities) or any combination of the foregoing ("CDS Reference Obligations"), generally having the following characteristics: (1) the bank loans, debt securities and asset-backed securities (or CDS Reference Obligations) have varying contractual maturities; (2) the bank loans, debt securities and asset-backed securities (or CDS Reference Obligations) are obligations of a relatively limited number of obligors or issuers and accordingly represent a relatively undiversified pool of obligor credit risk; (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual bank loans, debt securities and asset-backed securities depending on numerous factors specific to the particular issuers or obligors and upon whether, in the case of bank loans, debt securities and asset-backed securities bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and (4) proceeds from such repayments or sales (or reductions in the notional amount of CDS Reference Obligations) can for a limited period and subject to compliance with certain eligibility criteria be reinvested in additional bank loans, debt securities and/or asset-backed securities (or CDS Reference Obligations).

"Collection Account" means the Securities Account designated the "Collection Account" and established in the name of the Trustee pursuant to Section 10.02. The Collection Account may be a sub-account of a single account.

"Concentration Limitations" means the following criteria applicable at the time of purchase of a Collateral Debt Security by the Issuer:

(1) the Aggregate Principal Balance of Collateral Debt Securities that are Home Equity Loan Securities, Residential A Mortgage Securities or Residential B/C Mortgage Securities shall be not less than 95.0% of the Net Outstanding Portfolio Collateral Balance;

(2) the Aggregate Principal Balance of Collateral Debt Securities that are ABS Type Residential Securities that are not Home Equity Loan Securities, Residential A Mortgage Securities or Residential B/C Mortgage Securities shall not exceed 5.0% of the Net Outstanding Portfolio Collateral Balance;

(3) the Aggregate Principal Balance of Synthetic Securities shall not exceed 10.0% of the Net Outstanding Portfolio Collateral Balance;

(4) the Aggregate Principal Balance of Collateral Debt Securities that are Floating Rate Securities shall not be less than 78.0% of the Net Outstanding Portfolio Collateral Balance;

(5) the Aggregate Principal Balance of Collateral Debt Securities that are Fixed Rate Securities shall not exceed 22.0% of the Net Outstanding Portfolio Collateral Balance;

(6) the Aggregate Principal Balance of Collateral Debt Securities subject to servicing arrangements with any individual servicer may not exceed the greater of the respective percentage of the Net Outstanding Portfolio Collateral Balance and the Net Outstanding Portfolio Collateral Balance specified in the table below under "Individual Servicer Limit" for the applicable long-term senior unsecured debt ratings and/or servicer quality ratings by Moody's or Standard & Poor's of such servicer:

Rating of Servicer (Moody's/Standard & Poor's)	Individual Servicer Limit
Aa3 or better or SQ2 or better/ AA- or better or Strong or better	The greater of 15% and U.S.$67,500,000
A3 or better or SQ3 or better/A- or better or Above Average or better	The greater of 10% and U.S.$45,000,000
Baa3 or better and below SQ3/BBB- or better or Average or better	The greater of 7.5% or U.S.$33,750,000
below Baa3/below BBB- and below Average	The greater of 5% or U.S.$22,500,000

The above limitations shall be calculated separately for each of Moody's and Standard & Poor's and each such limitation must be satisfied; *provided that* Specialized Loan Servicing LLC shall be treated as "Above Average" for purposes of the foregoing;

(7) the Aggregate Principal Balance of Collateral Debt Securities issued by a single obligor (including the principal balance of Synthetic Securities for which such obligor is the Reference Obligor) having a Moody's Rating of "B3" or higher and a Standard & Poor's Rating of "B-" or higher may not exceed 2.5% (3.5% in the case of each of five obligors) of the Net Outstanding Portfolio Collateral Balance;

(8) the Aggregate Principal Balance of Collateral Debt Securities issued by a single obligor (including the principal balance of Synthetic Securities for which such obligor is the Reference Obligor) having a Moody's Rating of "Caa1" or below or a Standard & Poor's Rating of "CCC+" or below may not exceed 2.5% (3.0% in the case of each of five obligors) of the Net Outstanding Portfolio Collateral Balance;

(9) the Aggregate Principal Balance of Collateral Debt Securities that are PIK Bonds shall not exceed 5.0% of the Net Outstanding Portfolio Collateral Balance;

(10) the Aggregate Principal Balance of Collateral Debt Securities that provide for periodic payments of interest less frequently than quarterly shall not exceed 5.0% of the Net Outstanding Portfolio Collateral Balance;

(11) the Aggregate Principal Balance of the Negative Amortization Security included in the Collateral Debt Securities on the Effective Date shall not exceed 2.0% of the Net Outstanding Portfolio Collateral Balance; and

(12) the Aggregate Principal Balance of Collateral Debt Securities with a stated maturity between the Stated Maturity of the Notes and the date that is two years after the Stated Maturity of the Notes shall not exceed 2.5% of the Net Outstanding Portfolio Collateral Balance.

"Controlling Class" means the Class A Notes or, if there are no Class A Notes Outstanding, the Class B Notes or, if there are no Class A Notes or Class B Notes Outstanding, the Class X Notes or, if there are no Class A Notes, Class B Notes or Class X Notes Outstanding, the Class C Notes or, if there are no Class A Notes, Class B Notes, Class X Notes or Class C Notes Outstanding, the Class D Notes or, if there are no Class A Notes, Class B Notes, Class X Notes, Class C Notes or Class D Notes Outstanding, the Class E Notes; *provided that* "Controlling Class" shall mean the Credit Enhancer (and the Credit Enhancer shall be entitled to exercise all rights of the Holders of the Insured Notes to the extent they are the Controlling Class) so long as either (a) each of (i) any of the Insured Notes are Outstanding, (ii) the Credit Enhancement shall not have been duly cancelled or terminated and (iii) no Credit Enhancer Default shall have occurred and be continuing or (b) any Accrued Insurance Liabilities under the Insurance Agreement owing to the Credit Enhancer remain unpaid (it being understood that the Credit Enhancer's rights as the Controlling Class shall be reinstated if a Preference Claim is made for as long as such Preference Claim is pending or, if the Credit Enhancer is required to pay the amount of such Preference Claim, for as long as any amounts are owed by the Issuer to the Credit Enhancer under the Insurance Agreement).

"Controlling Party" means (a) so long as either (a) each of (i) any of the Insured Notes are Outstanding, (ii) the Credit Enhancement shall not have been duly cancelled or terminated and (iii) no Credit Enhancer Default shall have occurred and be continuing or (b) any Accrued Insurance Liabilities under the Insurance Agreement owing to the Credit Enhancer remain unpaid (it being understood that the Credit Enhancer's rights as the Controlling Class shall be reinstated if a Preference Claim is made for as long as such Preference Claim is pending or, if the Credit Enhancer is required to pay the amount of such Preference Claim, for as long as any amounts are owed by the Issuer to the Credit Enhancer under the Insurance Agreement), the Credit Enhancer and (b) at all other times and with respect to all Classes of Notes that are not Insured Notes, a Majority of the Controlling Class.

"Controlling Person" means, with respect to the Issuer, a Person exercising control over the assets of the Issuer or providing investment advice to the Issuer for a fee, direct or indirect (such as the Collateral Advisor), or any affiliates of such Persons.

"Corporate Debt Security" means a Dollar-denominated debt security issued or guaranteed by a corporation which is not an Asset-Backed Security, a Corporate Guaranteed Security or a REIT Debt Security.

"Corporate Guaranteed Security" means any Asset-Backed Security with respect to which the current rating thereof from each Rating Agency is primarily dependent upon a guarantee of such security by any entity other than a Monoline Insurer or a Multiline Insurer; provided that the underlying security that is the subject of such guarantee complies with the requirements of the Eligibility Criteria (except clause (d) and clause (q)).

"Corporate Trust Office" means the designated corporate trust office of the Trustee, currently located at 601 Travis Street, 17th Floor, Houston, Texas 77002, Attention: Worldwide Securities Services – BFC Ajax CDO Ltd., or such other address as the Trustee may designate from time to time by notice to the Noteholders, the Credit Enhancer, the Collateral Advisor and the Co-Issuers or the principal corporate trust office of any successor Trustee.

"Coverage Tests" means the Overcollateralization Tests and Interest Coverage Tests applicable at the time of determination.

"Coverage Test Modification" has the meaning specified in Section 12.04.

"Credit Enhancer" means Financial Guaranty Insurance Company, a New York stock insurance company, and any successor thereto.

"Credit Enhancement" means the Financial Guaranty Insurance Policy, number 06030129, including any endorsement thereto, issued by the Credit Enhancer in respect of the Class A Notes, in favor of the Trustee for the benefit of the Holders of the Class A Notes pursuant to the Insurance Agreement, substantially in the form of Exhibit L hereto.

"Credit Enhancement Payment Account" has the meaning specified in Section 17.06.

"Credit Enhancer Default" means any of the following events has occurred and is continuing: (a) the Credit Enhancer fails to make a payment required when due under the Credit Enhancement, (b) the Credit Enhancer disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, the Credit Enhancement, (c) the Credit Enhancer (i) files any petition or commences any case or proceeding under any insolvency, bankruptcy, rehabilitation, liquidation, reorganization or similar law, (ii) makes a general assignment for the benefit of its creditors or (iii) has an order for relief entered against it under any insolvency, bankruptcy, rehabilitation, liquidation, reorganization or similar law which is final and nonappealable or (d) a court of competent jurisdiction or other competent regulatory authority enters a final and nonappealable order, judgment or decree (i) appointing a custodian, trustee, agent or receiver for the Credit Enhancer for all or any material portion of its property or (ii) authorizing the taking of possession by a custodian, trustee, agent or receiver of the Credit Enhancer (or the taking of possession of all or any material portion of the property of the Credit Enhancer by a custodian, trustee, agent or receiver).

"Credit Improved Security" means any Collateral Debt Security that, or any other security included in the Collateral that, as of any date of determination (i) in the Collateral Advisor's commercially reasonable business judgment (which shall not be called into question solely as a result of subsequent events) has significantly improved in credit quality at any time since such Collateral Debt Security was purchased and (ii) if the Moody's Rating Trigger is in effect, then the rating of such Collateral Debt Security has been placed on watch list for possible upgrade or upgraded by at least one rating subcategory by any Rating Agency from the rating in effect at the time such Collateral Debt Security was acquired by the Issuer.

"Credit Risk Security" means any Collateral Debt Security that, as of any date of determination (i) in the Collateral Advisor's commercially reasonable business judgment (which shall not be called into question solely as a result of subsequent events) has (A) a significant risk of declining in credit quality at any time since such Collateral Debt Security was purchased and (B) a significant risk of becoming a Defaulted Security and (ii) if the Moody's Rating Trigger is in effect, the rating of such Collateral Debt Security has been withdrawn or downgraded by at least one rating subcategory or placed on watch list for downgrade by any Rating Agency from the rating in effect at the time such Collateral Debt Security was acquired by the Issuer.

"Current Interest Rate" means, as of any Measurement Date, with respect to any Collateral Debt Security which is a Fixed Rate Security on such Measurement Date, the stated rate at which interest accrues on such Fixed Rate Security.

"Current Portfolio" means, the portfolio (measured by Principal Balance) of Collateral Debt Securities, and Principal Proceeds or Unused Proceeds held as Cash, and Eligible Investments purchased with Principal Proceeds or Unused Proceeds existing immediately prior to the sale, maturity or other disposition of a Collateral Debt Security or immediately prior to the acquisition of a Collateral Debt Security, as the case may be.

"Custodial Account" means a custodial account at the Custodian, established in the name of the Trustee.

"Custodian" has the meaning specified in Section 3.03(b).

"Default" means any Event of Default or any occurrence that, with notice or the lapse of time or both, would become an Event of Default.

"Defaulted Hedge Termination Payment" means a termination payment payable by the Issuer to a Hedge Counterparty following a Subordinated Termination Event.

"Defaulted Interest" means 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 its Stated Maturity and which remains unpaid. In no event shall interest that is deferred as Deferred Interest in accordance with Section 2.06(a) constitute Defaulted Interest.

"Defaulted Security" means:

(i) any Collateral Debt Security with respect to which, or with respect to which other indebtedness that ranks *pari passu* with or subordinate to any other material indebtedness for borrowed money owing by the issuer of such security as to which, there has occurred and is continuing a payment default thereunder (without giving effect to any applicable grace period or waiver); provided that a payment default of up to three (3) Business Days (or, if shorter, the applicable grace period) with respect to which the Collateral Advisor certifies to the Trustee in writing that, in its commercially reasonable business judgment, is due to non-credit and non-fraud related reasons shall not cause a Collateral Debt Security to be classified as a Defaulted Security; *provided* further that a security shall no longer be considered a "Defaulted Security" pursuant to this clause (i) if such security has paid in full any past due interest and has resumed full current payments of interest and scheduled principal in Cash (whether or not any waiver or restructuring has been effected);

(ii) any Collateral Debt Security with respect to which there has occurred a default (other than any payment default) which entitles the holders thereof, with the giving of notice or passage of time or both, to accelerate the maturity of all or a portion of the principal amount of such obligation, and such default has not been cured or waived;

(iii) any Collateral Debt Security as to which a bankruptcy, insolvency, or receivership proceeding has been initiated and is continuing with respect to the issuer of such Collateral Debt Security, or there has been proposed or effected any distressed exchange or other debt restructuring where the issuer of such Collateral Debt Security has offered the holders thereof a new security or package of securities that, in the commercially reasonable business judgment of the Collateral Advisor, either (x) amounts to a diminished financial obligation or (y) has the purpose of helping the borrower to avoid default, except that a Collateral Debt Security shall not constitute a "Defaulted Security" under this clause (iii) if such Collateral Debt Security was acquired in a distressed exchange or other debt restructuring and satisfies the requirements of a Collateral Debt Security;

(iv) any Collateral Debt Security as to which the Collateral Advisor knows the issuer thereof is (or is reasonably expected by the Collateral Advisor to be, as of the next scheduled payment date) in default (without giving effect to any applicable grace period or waiver) as to payment of principal and/or interest on another obligation (and such default has not been cured or waived) which is senior or *pari passu* in right of payment to such Collateral Debt Security;

(v) any Collateral Debt Security (a) that is rated "D" or "SD" or "CC" by Standard & Poor's or, after having been assigned such a rating by Standard & Poor's, Standard & Poor's withdraws its rating with respect to such Collateral Debt Security, provided that if the Rating Condition is satisfied as to Standard & Poor's, this subclause (a) may be changed by written notice from the Collateral Advisor to the Issuer and to the Trustee or (b) that is rated "C" or "Ca" by Moody's or, after having been assigned such rating by Moody's, Moody's withdraws its rating with respect to such Collateral Debt Security, provided that if the Rating Condition is satisfied as to Moody's, this subclause (b) may be changed by written notice from the Collateral Advisor to the Issuer and to the Trustee;

(vi) any Synthetic Security (a) referencing a Reference Obligation that would, if such Reference Obligation were a Collateral Debt Security, constitute a "Defaulted Security" under paragraphs (i), (ii), (iii), (iv) or (v) above or (b) for which the Synthetic Security Counterparty has defaulted in the performance of any of the payment obligations under such Synthetic Security; or

(vii) any debt obligation delivered to the Issuer upon the occurrence of a "credit event" under a Synthetic Security that is not a Deliverable Obligation.

The Collateral Advisor may, but is not required to, declare any Collateral Debt Security to be a Defaulted Security upon notice to the Issuer and the Trustee if, in the Collateral Advisor's commercially reasonable business judgment, the credit quality of the issuer of such Collateral Debt Security has significantly deteriorated such that there is a reasonable expectation of a payment default with respect to such Collateral Debt Security.

"Deferred Interest" means, either individually or collectively as the context may require, the Class X Deferred Interest, the Class C Deferred Interest, the Class D Deferred Interest and the Class E Deferred Interest.

"Deferred Interest PIK Bond" means a PIK Bond with respect to which payment of interest thereon either in whole or in part has been deferred and capitalized for (i) in the case of any Collateral Debt Security with a Moody's Rating of "Baa3" or higher for the purpose of the Overcollateralization Tests only, the shorter of (x) two payment periods of such PIK Bond and (y) one year and (ii) in all other cases, the shorter of (x) one payment period and (y) six months, but in each case only until such time as payment of interest on such PIK Bond has resumed and all capitalized and deferred interest has been paid in accordance with the terms of the related Underlying Instruments, including interest on deferred interest.

"Deficiency Amount" has the meaning specified in Section 17.03(a).

"Deficiency Notice Date" has the meaning specified in Section 17.03(a).

"Definitive Note" has the meaning specified in Section 2.01(c).

"Deliver", "Delivered", or "Delivery": The taking of the following steps:

(i) in the case of each Certificated Security (other than the security of a Clearing Corporation), Instrument or participation in which the underlying loan is represented by an Instrument,

(a) causing the delivery of such Certificated Security or Instrument to the Securities Intermediary registered in the name of the Securities Intermediary or its affiliated nominee or endorsed to the Securities Intermediary or in blank;

(b) causing the Securities Intermediary to continuously indicate on its books and records that such Certificated Security or Instrument is credited to the applicable Account; and

(c) causing the Securities Intermediary to maintain continuous possession of such Certificated Security or Instrument;

(ii) in the case of each Uncertificated Security (other than the security of a Clearing Corporation),

(a) causing such Uncertificated Security to be continuously registered on the books of the issuer thereof to the Securities Intermediary; and

(b) causing the Securities Intermediary to continuously indicate on its books and records that such Uncertificated Security is credited to the applicable Account;

(iii) in the case of each security of a Clearing Corporation,

(a) causing the relevant Clearing Corporation to credit such security of a Clearing Corporation to the securities account of the Securities Intermediary, and

(b) causing the Securities Intermediary to continuously indicate on its books and records that such security of a Clearing Corporation is credited to the applicable Account;

(iv) in the case of each security issued or guaranteed by the United States of America or agency or instrumentality thereof and that is maintained in book-entry records of a Federal Reserve Bank ("FRB") (each such security, a "Government Security"),

(a) causing the creation of a Security Entitlement to such Government Security by the credit of such Government Security to the securities account of the Securities Intermediary at such FRB, and

(b) causing the Securities Intermediary to continuously indicate on its books and records that such Government Security is credited to the applicable Account;

(v) in the case of each Security Entitlement not governed by clauses (i) through (iv) above,

(a) causing a Securities Intermediary (x) to indicate on its books and records that the underlying Financial Asset has been credited to the Securities Intermediary's securities account, (y) to receive a Financial Asset from a Securities Intermediary or

acquiring the underlying Financial Asset for a Securities Intermediary, and in either case, accepting it for credit to the Securities Intermediary's securities account or (z) to become obligated under other law, regulation or rule to credit the underlying Financial Asset to a Securities Intermediary's securities account,

(b) causing such Securities Intermediary to make entries on its books and records continuously identifying such Security Entitlement as belonging to the Securities Intermediary and continuously indicating on its books and records that such Security Entitlement is credited to the Securities Intermediary's securities account, and

(c) causing the Securities Intermediary to continuously indicate on its books and records that such Security Entitlement (or all rights and property of the Securities Intermediary representing such Security Entitlement) is credited to the applicable Account;

(vi) in the case of Cash or money,

(a) causing the delivery of such Cash or money to the Securities Intermediary,

(b) causing the Securities Intermediary to treat such Cash or money as a Financial Asset maintained by such Securities Intermediary for credit to the applicable Account in accordance with the provisions of Article 8 of the UCC, and

(c) causing the Securities Intermediary to continuously indicate on its books and records that such Cash or money is credited to the applicable Account; and

(vii) in the case of each General Intangible (including any participation in which neither the participation nor the underlying loan is represented by an Instrument),

(a) causing the filing of a Financing Statement in the office of the Recorder of Deeds of the District of Columbia, Washington, DC, and

(b) causing the registration of this Indenture in the Register of Mortgages of the Issuer at the Issuer's registered office in the Cayman Islands.

In addition, the Collateral Advisor on behalf of the Issuer will obtain any and all consents required by the underlying instruments relating to any such general intangibles for the transfer of ownership and/or pledge hereunder (except to the extent that the requirement for such consent is rendered ineffective under Section 9-406 of the UCC).

"Deliverable Obligation" means any security referred to in a Synthetic Security as the "Deliverable Obligation" and that satisfies the definition of "Collateral Debt Security" or is otherwise approved by each Rating Agency.

"Depositary" means, with respect to the Notes issued in the form of one or more Global Notes, the Person designated as Depositary pursuant to Section 2.02(e) or any successor thereto appointed pursuant to the applicable provisions of this Indenture.

"Depositary Participant" means a broker, dealer, bank or other financial institution or other Person for whom from time to time the Depositary effects book-entry transfers and pledges of notes deposited with the Depositary.

"Designated Fixed Rate" means, as of any Measurement Date, the number determined in accordance with the WARF Matrix.

"Designated Maturity" has the meaning set forth in Schedule B.

"Designated Spread" means, as of any Measurement Date, the number determined in accordance with the WARF Matrix.

"Determination Date" means the last day of a Due Period.

"Discount Haircut Amount" means, with respect to any Discount Security, an amount equal to the greater of (a) zero and (b)(i) the principal balance of such Collateral Debt Security *minus* (ii) the purchase price of such Discount Security *minus* (iii) an amount equal to (A) all principal payments received by the Issuer with respect to such Discount Security *multiplied by* (B) a fraction the numerator of which is such purchase price and the denominator of which is the principal balance of such Discount Security at the time of the purchase thereof by the Issuer.

"Discount Security" means a Collateral Debt Security purchased at a cost to the Issuer (exclusive of accrued interest) of: (x) if such Collateral Debt Security is a Floating Rate Security and is publicly rated "Aa3" or higher by Moody's at the time it is acquired by the Issuer, less than 92.0% of the principal amount thereof; *provided* that a Collateral Debt Security shall cease to constitute a "Discount Security" for purposes of this clause (x) if the Fair Market Value thereof equals or exceeds 95.0% of its outstanding principal amount for 60 consecutive days following the initial valuation date on which such percentage was equaled or exceeded; (y) if such Collateral Debt Security is a Fixed Rate Security and is publicly rated "Aa3" or higher by Moody's at the time it is acquired by the Issuer, less than 85.0% of the principal amount thereof; *provided* that a Collateral Debt Security shall cease to constitute a "Discount Security" for purposes of this clause (y) if the Fair Market Value thereof equals or exceeds 90.0% of its outstanding principal amount for 60 consecutive days following the initial valuation date on which such percentage was equaled or exceeded; and (z) for any Collateral Debt Security not described in clauses (x) and (y), less than 75.0% of the principal amount thereof; *provided* that a Collateral Debt Security shall cease to constitute a "Discount Security" for purposes of this clause (z) if the Fair Market Value thereof equals or exceeds 85.0% of its outstanding principal amount for 60 consecutive days following the initial valuation date on which such percentage was equaled or exceeded.

"Discretionary Sale" has the meaning set forth in Section 12.01(a)(vi).

"Disqualified Transferee" has the meaning set forth in Section 2.04(k).

"Distribution" means any payment of principal of or interest on or any fee, dividend or premium payment made on, or any other distribution in respect of, an obligation or security.

"Dollar" or "U.S.$" means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for all debts, public and private.

"DTC" means The Depository Trust Company, a New York corporation.

"Due Date" means each date on which a Scheduled Distribution is due on a Pledged Security.

"Due Period" means, with respect to any Payment Date, the period commencing on the 26th day of the calendar month preceding the calendar month in which the preceding Payment Date occurred (or on the Closing Date, in the case of the Due Period relating to the first Payment Date) and ending on the 25th day of the calendar month preceding the calendar month in which such Payment Date will occur, except that, in the case of the Due Period that is applicable to the Payment Date relating to the Stated Maturity of the Notes, such Due Period shall end on the day preceding the Stated Maturity. Payments received by the Issuer under a Hedge Agreement on or prior to the Payment Date shall be deemed to have been received during the related Due Period; provided that (i) with respect to the payments on and proceeds from an Eligible Investment, "Due Period" shall mean the Eligible Investment Due Period and (ii) amounts that would otherwise have been payable in respect of a Pledged Collateral Debt Security on the last day of a Due Period but for such day not being a designated business day in the Underlying Instruments shall be considered included in collections received during such Due Period; provided further that amounts that would otherwise have been payable in respect of a Collateral Debt Security on the last day of a Due Period but for such day not being a designated business day in the Underlying Instruments or a Business Day in this Indenture shall be considered included in collections received during such Due Period to the extent such amounts are received no later than the Business Day immediately preceding the related Payment Date.

"Effective Date" means the earlier to occur of (i) March 28, 2007 and (ii) the date on which the Collateral Advisor, on behalf of the Issuer, notifies the Trustee that the Issuer has purchased or has entered into binding commitments to purchase Collateral Debt Securities with an Aggregate Principal Balance of at least the Minimum Ramp-Up Amount.

"Eligibility Criteria" has the meaning specified in the definition of Collateral Debt Security.

"Eligible Bidder List" means a list of not less than three and not more than ten Persons (who shall be dealers in the relevant underlying assets that are not Affiliates of each other and are not Affiliates of the Collateral Advisor) prepared by the Collateral Advisor and delivered to the Trustee in connection with an Auction Call Redemption, as such list may be amended and supplemented by the Collateral Advisor from time to time upon written notice to the Trustee, provided that any such notice shall only be effective on any Auction Date if such notice was received by the Trustee at least 17 Business Days prior to such Auction Date.

"Eligible Bidders" means the Persons whose names appear from time to time on the Eligible Bidder List.

"Eligible Country" means (i) Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States; *provided* that such country has a foreign currency issuer credit rating of at least "AA" by Standard & Poor's (and, if rated "AA," has not been placed on a watch list for possible downgrade) and at least "Aa2" by Moody's, and (ii) any other jurisdiction for which the Rating Condition has been satisfied.

"Eligible Investment Due Period" means, with respect to any Payment Date and an Eligible Investment, the period from (and including) the immediately preceding Payment Date (or, with

respect to the first Payment Date, from and including the Closing Date) to (and excluding) such Payment Date.

"Eligible Investments" means any Dollar-denominated investment that is one or more of the following:

(i) Cash;

(ii) direct Registered obligations of, and Registered obligations the timely payment of principal and interest on which is fully and expressly guaranteed by, the United States or any agency or instrumentality of the United States the obligations of which are expressly backed by the full faith and credit of the United States and which have a "AAA" rating by Standard and Poor's and Moody's;

(iii) demand and time deposits in, certificates of deposit of, bankers' acceptances payable within 91 days of issuance issued by, or Federal funds sold, by any depository institution or trust company incorporated under the laws of the United States or any state thereof and subject to supervision and examination by Federal and/or state banking authorities so long as the commercial paper and/or the debt obligations of such depository institution or trust company (or, in the case of the principal depository institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have a credit rating of not less than "A1" by Moody's (and not on watch for possible downgrade by Moody's) and not less than "AA-" by Standard & Poor's in the case of long-term debt obligations, or "P-1" by Moody's (and not on watch for possible downgrade by Moody's) and "A-1+" by Standard & Poor's (or, in the case of commercial paper and short-term obligations with maturities of thirty days or less, not less than "A-1" by Standard & Poor's); *provided* that (A) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "A1" by Moody's (and not on watch for possible downgrade by Moody's) and (B) in the case of commercial paper and short-term debt obligations with a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA-" by Standard & Poor's; *provided*, further, except with respect to overnight and one day investments that are Eligible Investments offered or managed by the Bank, the Aggregate Principal Balance of all investments entered into with a depository institution or trust company described in this clause (iii) whose short-term debt rating is "A-1" (instead of "A-1+") by Standard & Poor's standing to the credit of each Account shall not exceed 20% of the Aggregate Outstanding Amount of all Classes of Notes, and each such investment shall not have a maturity of longer than 30 days;

(iv) unleveraged repurchase obligations (if treated as debt for tax purposes by the issuer) with respect to (A) any security described in clause (iii) above or (B) any other Registered security issued or guaranteed by an agency or instrumentality of the United States (in each case without regard to the Stated Maturity of such security), in either case entered into with a U.S. Federal or state depository institution or trust company (acting as principal) described in clause (iii) above or entered into with a corporation (acting as principal) the long-term rating of which is not less than "Aa2" by Moody's and not less than "AA+" by Standard & Poor's, or the short-term credit rating of which is "P-1" by Moody's (and not on watch for possible downgrade by Moody's) and "A-1+" by Standard & Poor's at the time of such investment, provided that (A) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "Aa2" by Moody's (and not on watch for possible downgrade by Moody's) and

(B) if such security has a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's;

(v) 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 not less than "Aa2" by Moody's (and not on watch for possible downgrade by Moody's) and not less than "AA+" by Standard & Poor's;

(vi) commercial paper or other short-term obligations (other than those described in clause (iii) above) with a maturity of not more than 183 days from the date of issuance and having at the time of such investment a credit rating of "P-1" by Moody's (and not on watch for possible downgrade by Moody's) and "A-1+" by Standard & Poor's, provided that (A) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "Aa2" by Moody's (and not on watch for possible downgrade by Moody's) and (B) if such security has a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's;

(vii) Registered Reinvestment Agreements issued or guaranteed by any bank, or a Registered Reinvestment Agreement issued or guaranteed by any insurance company or other corporation or entity organized under the laws of the United States or any state thereof; *provided* that (A) in any case, the issuer or guarantor thereof must have at the time of such investment a long-term credit rating of not less than "Aa2" by Moody's (and not on watch for possible downgrade by Moody's) and (B) if such security has a maturity of longer than 91 days, the issuer or guarantor thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's; and

(viii) any money market fund or similar investment vehicle having at the time of investment therein the highest credit rating assigned by Moody's and a rating of "AAAm" by Standard & Poor's; *provided* that (i) such fund or vehicle is formed and has its principal office outside the United States and (ii) the ownership of any interest in such fund or vehicle will not subject the Issuer to net income tax in any jurisdiction;

and, in each case, other than clause (i) or (viii), with a Stated Maturity or, in the case of clause (vii), a withdrawal date (in each case giving effect to any applicable grace period) no later than the Business Day immediately preceding the Payment Date next following the Due Period in which the date of investment occurs, provided that Eligible Investments may not include (A) any Interest-Only Security, (B) any security purchased at a price in excess of 100% of the par value thereof, (C) any investment the income from which is or will be subject to deduction or withholding for or on account of any withholding or similar tax, (D) any investment the acquisition (including the manner of acquisition), ownership, enforcement or disposition of which will cause the Issuer to be treated as engaged in a U.S. trade or business for U.S. Federal income tax purposes or otherwise subject the Issuer to net income tax in any jurisdiction outside its jurisdiction of incorporation, (E) any security the repayment of which is subject to substantial non-credit related risk as determined in the commercially reasonable business judgment of the Collateral Advisor, (F) any Floating Rate Security the interest rate of which is inversely or otherwise not proportionately related to an interest rate index or is calculated as other than the sum of an interest rate index plus a spread, (G) any mortgage-backed security, (H) any security or obligation the rating of which from Standard & Poor's includes the subscript "p," "pi," "q," "r" or "t" or (I) any security subject to an Offer.

"Eligible SPV Jurisdiction" means the Bahamas, the British Virgin Islands, the Cayman Islands, Bermuda, Luxembourg, Netherlands Antilles, the Channel Islands, Jersey, Guernsey or (subject to satisfaction of the Rating Condition) any similar jurisdiction, *provided* that the related obligor or issuer is a special purpose entity.

"Emerging Market Country" is any jurisdiction that is not the United States, an Eligible Country or an Eligible SPV Jurisdiction.

"Emerging Market Security" is any security with respect to which the assets in the related underlying portfolio are (and, pursuant to the related underlying instruments, are required to be) primarily issued by issuers organized in Emerging Market Countries.

"Entitlement Holder" has the meaning specified in the UCC.

"Entitlement Order" has the meaning specified in the UCC.

"Equity Security" means any security that does not entitle the holder thereof to receive periodic payments of interest and one or more installments of principal and is acquired by the Issuer as a result of the exercise or conversion of Collateral Debt Securities or in exchange for a Defaulted Security.

"ERISA" means the United States Employee Retirement Income Security Act of 1974, as amended.

"Euroclear" means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

"Event of Default" has the meaning specified in Section 5.01.

"Excepted Property" means (a) the Preference Share Payment Account and all of the funds and other property from time to time deposited in or credited to the Preference Share Payment Account and the proceeds thereof, (b) the proceeds of the U.S.$250 share capital of the Issuer and U.S.$250 representing a profit fee to the Issuer, together with (in each case) any interest or income accruing thereon, and the bank account in which such funds are held and (c) the membership interest of the Co-Issuer and any assets of the Co-Issuer.

"Excess Amounts" means Excess Principal Proceeds and Excess Interest.

"Excess Interest" means the amounts paid to the Preference Share Paying Agent pursuant to clause (27) of Section 11.01(a)(i).

"Excess Principal Proceeds" means the amounts payable in respect of the Preference Shares pursuant to clause (24) of Section 11.01(a)(ii).

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

"Expected Available Interest Amount" means, with respect to any Due Period, all Interest Proceeds received or expected to be received by the Issuer in such Due Period *minus* the amount, if any, scheduled to be applied on the Payment Date relating to such Due Period in accordance with Section 11.01(a)(i)(1) through (4).

"Expense Account" means the Securities Account designated the "Expense Account" and established in the name of the Trustee pursuant to Section 10.04.

"Fair Market Value" means, on any date of determination, with respect to any Collateral Debt Security, (i) the average of three bona fide bids for such Collateral Debt Security obtained by the Collateral Advisor at such time from any three nationally recognized dealers, which dealers are Independent from one another and from the Collateral Advisor, or (ii) if the Collateral Advisor is unable to obtain three such bids, the lesser of two bona fide bids for such Collateral Debt Security obtained by the Collateral Advisor at such time from any two nationally recognized dealers acceptable to the Collateral Advisor, which dealers are Independent from one another and from the Collateral Advisor, or (iii) in the event the Collateral Advisor is unable to obtain two such bids, the price on such date provided to the Collateral Advisor by an Independent pricing service reasonably selected by the Collateral Advisor, or (iv) in the event the Collateral Advisor cannot in good faith determine the Fair Market Value of such Collateral Debt Security using commercially reasonable efforts to apply the methods specified in clauses (i) through (iii) above, the lowest of (a) the product of (x) the Standard & Poor's Recovery Rate and (y) the Principal Balance of such Collateral Debt Security, (b) the product of (x) the Moody's Recovery Rate and (y) the Principal Balance of such Collateral Debt Security and (c) the amount as determined in good faith by the Collateral Advisor using commercially reasonable efforts to apply its reasonable business judgment; provided that Collateral Debt Securities whose Fair Market Value could not be determined pursuant to any of the clauses (i), (ii) or (iii) hereof for a period of 30 days shall be deemed to have a Fair Market Value of zero.

"Financial Asset" has the meaning specified in the UCC.

"Financing Statement" means a financing statement relating to the Collateral naming the Issuer as debtor and the Trustee on behalf of the Secured Parties as secured party, including any amendment and/or continuation statement related thereto.

"Fitch" means Fitch, Inc. and any successor or successors thereto.

"Fixed Rate Excess" means, as of the Closing Date, a fraction (expressed as a percentage) the numerator of which is equal to the product of (a) the greater of zero and the excess, if any, of the Weighted Average Coupon over 6.05% and (b) the Aggregate Principal Balance of all Fixed Rate Securities (excluding Defaulted Securities and Deferred Interest PIK Bonds) and the denominator of which is the Aggregate Principal Balance of all Floating Rate Securities (excluding Defaulted Securities and Deferred Interest PIK Bonds). In computing the Fixed Rate Excess, the Weighted Average Coupon shall be computed as if the Spread Excess were equal to zero.

"Fixed Rate Security" means any Collateral Debt Security that accrues interest at a certain fixed rate.

"Floating Rate Security" means any Collateral Debt Security (a) that is expressly stated to bear interest based upon a floating rate index for Dollar denominated obligations commonly used as a reference rate in the United States or the United Kingdom or (b) the interest payments on which are derived primarily from underlying assets that bear interest based on a floating rate index, which with respect to Standard and Poor's only, shall be subject to satisfaction of the Rating Condition.

"Flow-Through Investment Vehicle" means any entity (i) that would be an investment company but for the exception in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act and the amount of the investment of which in the Issued Securities (including in all classes of the Notes and

the Preference Shares) exceeds 40% of its total assets (determined on a consolidated basis with such entity's subsidiaries), (ii) as to which any Person owning any equity or similar interest in the entity has the ability to control any investment decision of such entity or to determine, on an investment-by-investment basis, the amount of such Person's contribution to any investment made by such entity, (iii) that was organized or reorganized for the specific purpose of acquiring any Issued Securities or (iv) as to which any Person owning an equity or similar interest in which was specifically solicited to make additional capital or similar contributions for the purpose of enabling such entity to purchase any Issued Securities.

"Form-Approved Synthetic Security" means any Synthetic Security the form of the documents of which have satisfied the Rating Condition with respect to Moody's and Standard & Poor's.

"Funding Certificate" has the meaning set forth in Section 3.02(e).

"General Intangible" has the meaning set forth in the UCC.

"Global Notes" means the Regulation S Global Notes and the Restricted Global Notes.

"Grant" means to grant, bargain, sell, warrant, alienate, remise, demise, release, convey, assign, transfer, mortgage, pledge and create a security interest in and right of set-off against, deposit, set over and confirm. A Grant of the Pledged Securities, or of any other instrument, shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including the immediate continuing right to claim for, collect, receive and receipt for principal, interest and fee payments in respect of the Pledged Securities or such other instruments, and all other amounts payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the granting party or otherwise, and generally to do and receive anything that the granting party is or may be entitled to do or receive thereunder or with respect thereto.

"Guaranteed Asset-Backed Security" means an Asset-Backed Security as to which the timely payment of interest when due, and the payment of principal no later than stated legal maturity thereof, is unconditionally guaranteed pursuant to a corporate guarantee or other similar instrument, but only if such corporate guarantee or other similar instrument (a) expires no earlier than such stated or actual legal maturity, (b) provides that payment thereunder is independent of the performance by the obligor on the relevant Asset-Backed Security and (c) is issued by an issuer having a credit rating assigned by each nationally recognized statistical rating organization that currently rates such Asset-Backed Security higher than the credit rating assigned by such rating organization to such Asset-Backed Security determined without giving effect to such corporate guarantee or other similar instrument. For purposes of the Moody's Rating and the Standard & Poor's Recovery Rate Matrix attached as Part II of Schedule C, "Guaranteed Asset-Backed Security" shall include Multiline Guaranteed Securities, Monoline Guaranteed Securities, Corporate Guaranteed Securities and Bank Guaranteed Securities.

"Hedge Agreement" means any interest rate protection agreement (including, without limitation, interest rate swaps (a "Swap") and interest rate caps (a "Cap") entered into between the Issuer and a Hedge Counterparty as of the Closing Date), as amended from time to time, and any replacement hedge agreement on substantially identical terms (or on such other terms satisfying the Rating Condition) entered into pursuant to Section 16.01.

"Hedge Counterparty" means, with respect to any Hedge Agreement (a) the counterparty under such Hedge Agreement with respect to which counterparty the Rating Condition has been satisfied or (b) any permitted assignee or successor under such Hedge Agreement which permitted assignee or

successor satisfies the Rating Condition and is reasonably acceptable to the Credit Enhancer (so long as it is the Controlling Party).

"Hedge Counterparty Collateral Account" means each Securities Account designated a "Hedge Counterparty Collateral Account" and established in the name of the Trustee pursuant to Section 16.01(e); *provided*, that the Hedge Counterparty Collateral Accounts may be sub-accounts of one single Hedge Counterparty Collateral Account.

"Hedge Rating Determining Party" means, with respect to a Hedge Agreement, (a) unless clause (b) applies with respect to such Hedge Agreement, the related Hedge Counterparty or any transferee thereof or (b) any affiliate of the related Hedge Counterparty or any transferee thereof that guarantees (with such form of guarantee satisfying Standard & Poor's then-current criteria with respect to guarantees) the obligations of such Hedge Counterparty or such transferee, as the case may be, under such Hedge Agreement or such other party as specified in the relevant Hedge Agreement. For the purpose of this definition, no direct or indirect recourse against one or more shareholders of such Hedge Counterparty or any such transferee (or against any person in control of, or controlled by, or under common control with, any such shareholder) shall be deemed to constitute a guarantee, security or support of the obligations of the Hedge Counterparty or any such transferee (unless a specified guarantee is issued).

"Highest Auction Price" means, with respect to an Auction Call Redemption, the highest price bid by any Identified Bidder for all of the Collateral Debt Securities. In each case, the price bid by an Identified Bidder shall be the Dollar amount that the Auction Agent certifies based on its review of the bids, which certification shall be binding and conclusive.

"Holder" or "Securityholder" means a Noteholder and/or a Preference Shareholder as the context may require.

"Home Equity Loan Securities" means Asset-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 the Asset-Backed Securities) on the cash flow from balances (including revolving balances) outstanding under lines of credit or loans secured by (but not, upon origination, by a first priority lien on) residential real estate (single or multi-family properties) the proceeds of which lines of credit or loans 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: (a) the balances are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; (b) the repayment stream on such balances does not depend upon a contractual payment schedule, with early repayment depending primarily on interest rates, availability of credit against a maximum line of credit and general economic matters; and (c) the line of credit or loan may be secured by residential real estate with a market value (as determined on the date of origination of such line of credit or loan) that is less than the original proceeds of such line of credit or loan.

"Hybrid Security" means any Collateral Debt Security that, pursuant to its Underlying Instruments, bears interest at a fixed rate for a limited period of time, after which it bears interest based upon a floating rate index for Dollar-denominated obligations commonly used as a reference rate in the United States or the United Kingdom.

"Identified Bidders" has the meaning set forth in Schedule D.

"Indenture" means this instrument and, if from time to time supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, as so supplemented or amended.

"Independent" means, as to any Person, any other Person (including, in the case of an accountant, or lawyer, 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) if required to deliver an opinion or certificate to the Trustee pursuant to this Indenture, states in such opinion or certificate that the signer has read this definition and that the signer is Independent within the meaning hereof. "Independent," when used with respect to any accountant for a Person, may include an accountant who audits the books of such 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.

"Indorsement" has the meaning specified in the UCC.

"Initial Collateral Debt Securities" means the Collateral Debt Securities that have been purchased on the Closing Date or for which commitments have been entered into on or prior to the Closing Date for purchase on or as soon as practicable after (not to exceed 30 days after) the Closing Date with the net proceeds from the sale of the Notes on the Closing Date, which Initial Collateral Debt Securities are set forth on Schedule A.

"Initial Hedge Counterparty" means The Bank of New York.

"Insolvency Proceeding" has the meaning specified in Section 17.04(b).

"Instruction" has the meaning specified in the UCC.

"Instrument" has the meaning specified in the UCC.

"Insurance Agreement" means the Insurance and Indemnity Agreement, dated as of the Closing Date, among the Credit Enhancer, the Issuer and the Trustee, as modified or supplemented and in effect from time to time.

"Insurance Premium" means the "Insurance Premium" as defined in the Premium Letter payable by the Issuer to the Credit Enhancer pursuant to the Insurance Agreement.

"Insured Notes" means the Class A Notes.

"Interest Collection Account" means the sub-account of the Collection Account designated the "Interest Collection Account" and established in the name of the Trustee pursuant to Section 10.02.

"Interest Coverage Ratio" means any of the Class A/B Senior Interest Coverage Ratio, the Class C Interest Coverage Ratio, the Class D Interest Coverage Ratio and the Class E Interest Coverage Ratio.

"Interest Coverage Tests" means the Class A/B Senior Interest Coverage Test, the Class C Interest Coverage Test, the Class D Interest Coverage Test and the Class E Interest Coverage Test.

"Interest Payment Amount" means, with respect to any Class of Notes and any Payment Date, the sum of (i) the aggregate amount of interest accrued at the Note Interest Rate for such Class, during the Interest Period ending immediately prior to such Payment Date, on the Aggregate Outstanding Amount of the Notes of such Class on the first day of such Interest Period (after giving effect to any redemption of the Notes of such Class or other payment of principal of the Notes of such Class on any preceding Payment Date) plus (ii) any Defaulted Interest in respect of the Notes of such Class and accrued interest thereon. For purposes of determining the Class C Interest Coverage Ratio, the Class D Interest Coverage Ratio and Class E Interest Coverage Ratio only, the Interest Payment Amount of a Class C Note at any time shall not include Class C Deferred Interest with respect to such Note at such time. For purposes of determining the Class D Interest Coverage Ratio and the Class E Interest Coverage Ratio only, the Interest Payment Amount of a Class D Note at any time shall not include Class D Deferred Interest with respect to such Note at such time. For purposes of determining the Class E Interest Coverage Ratio only, the Interest Payment Amount of a Class E Note at any time shall not include Class E Deferred Interest with respect to such Note at such time.

"Interest Period" means, (i) in the case of the initial Interest Period, the period from, and including, the Closing Date to, but excluding, the June 3, 2007 Payment Date, and (ii) thereafter, the period from, and including, the Payment Date immediately following the last day of the immediately preceding Interest Period to, but excluding, the next succeeding Payment Date.

"Interest Proceeds" means, with respect to any Due Period (or, with respect to Eligible Investments, any Eligible Investment Due Period), the sum (without duplication) of: (1) all payments of interest on the Collateral Debt Securities received in Cash by the Issuer during such Due Period (excluding (x) payments in respect of accrued interest included in Principal Proceeds and (y) payments in respect of deferred interest on Deferred Interest PIK Bonds previously capitalized and treated as "Principal Proceeds" pursuant to clause (8) of the definition thereof); (2) all accrued interest received in Cash by the Issuer with respect to Collateral Debt Securities sold by the Issuer (excluding (x) Sale Proceeds received in respect of Defaulted Securities and Deferred Interest PIK Bonds to the extent that the principal balance thereof has not been paid in full, and (y) payments in respect of accrued interest included in Principal Proceeds pursuant to clause (8) of the definition of "Principal Proceeds"); (3) all payments of interest (including any amount representing the accreted portion of a discount from the face amount of an Eligible Investment) on Eligible Investments in the Collection Accounts, the Unused Proceeds Account and the Payment Account received in Cash by the Issuer during the applicable Eligible Investment Due Period and all payments of principal, including repayments, on Eligible Investments purchased with amounts from the Interest Collection Account received by the Issuer during the applicable Eligible Investment Due Period; (4) all amendment and waiver fees, all late payment fees, and all other fees and commissions received in cash by the Issuer during such Due Period (or, with respect to Eligible Investments, such Eligible Investment Due Period) in connection with such Collateral Debt Securities and Eligible Investments (other than any fees and commissions received in respect of Defaulted Securities and Deferred Interest PIK Bonds to the extent that the principal balance thereof has not been paid in full and yield maintenance payments included in Principal Proceeds); (5) all payments received in Cash by the Issuer pursuant to any Hedge Agreement on or prior to the Payment Date (excluding any payments received by the Issuer on or prior to the preceding Payment Date or payments resulting from the termination and liquidation of any Hedge Agreement other than any scheduled payment under such Hedge Agreement which accrued prior to such termination) less any scheduled payments payable by the Issuer under any Hedge Agreement (excluding any payment made by the Issuer on or prior to the preceding Payment Date), and (6) all amounts on deposit in the Expense Account which are transferred to

the Payment Account for application as Interest Proceeds pursuant to Section 10.04(a); *provided* that Interest Proceeds shall in no event include (i) any payment or proceeds that constitutes "Principal Proceeds" in the definition thereof or (ii) any Excepted Property.

"Interest-Only Security" means any security that does not provide for the repayment of a stated principal amount in one or more installments on or prior to the date two Business Days prior to the Stated Maturity of the Notes.

"Inverse Floating Rate Security" means any Floating Rate Security whose interest rate is inversely proportional to an interest rate index.

"Investment Company Act" means the United States Investment Company Act of 1940, as amended, and the rules thereunder.

"Irish Paying Agent" means Maples Finance Dublin, in its capacity as paying agent and listing agent with respect to the Issued Securities in Ireland.

"Irish Stock Exchange" means the Irish Stock Exchange Limited.

"Issue" means Collateral Debt Securities issued by (a) the same issuer, secured by the same collateral pool and having the same terms and conditions (as to, among other things, coupon, maturity, security and subordination) or (b) two issuers in a tiering arrangement with respect to the same collateral pool.

"Issue Price" means, in relation to the initial 45,000 Preference Shares to be issued by the Issuer, U.S.$0.01 per share and, in relation to any additional Preference Shares, such issue price per share as may be determined by the Directors of the Issuer.

"Issued Securities" mean the Notes and the Preference Shares.

"Issuer" means BFC AJAX CDO LTD., an exempted company with limited liability incorporated and existing under the law of the Cayman Islands, unless a successor Person shall have become the Issuer pursuant to the applicable provisions of this Indenture, and thereafter "Issuer" shall mean such successor Person.

"Issuer Charter" means the Memorandum and Articles of Association of the Issuer, filed under the Companies Law (2004 Revision) of the Cayman Islands, as modified and supplemented and in effect from time to time.

"Issuer Order" and "Issuer Request" mean, respectively, a written order or a written request (which may be in the form of a blanket order or request), in each case dated and signed in the name of the Issuer by an Authorized Officer of the Issuer and (if appropriate) the Co-Issuer, or by an Authorized Officer of the Collateral Advisor where permitted pursuant to this Indenture or the Collateral Advisory Agreement, as the context may require or permit.

"Issuers" means the Issuer and the Co-Issuer.

"LIBOR" has the meaning set forth in Schedule B.

"LIBOR Determination Date" has the meaning set forth in Schedule B.

"London Banking Day" has the meaning set forth in Schedule B.

"Majority" means, with respect to any Class or Classes of Notes, the Holders of a majority of the Aggregate Outstanding Amount of the Notes of such Class or Classes, as the case may be.

"Majority of the Controlling Class" means Holders of a majority of the Aggregate Outstanding Amount of the Controlling Class of Notes; *provided that*, except as otherwise expressly provided herein, so long as the Credit Enhancer is the Controlling Class, in respect of the Insured Notes, (a) "Majority of the Controlling Class" means, in respect of the Insured Notes, the Credit Enhancer and (b) Holders of any specified percentage of the Aggregate Outstanding Amount of the Controlling Class, in respect of the Insured Notes, means the Credit Enhancer.

"Majority-in-Interest of Preference Shareholders" means Holders of a majority of the Preference Shares that are Outstanding.

"Margin Stock" means "margin stock" as defined under Regulation T, Regulation U or Regulation X issued by the Board of Governors of the Federal Reserve System.

"Maturity" means, with respect to any Note, the date on which all Outstanding unpaid principal of such Note becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Measurement Date" means any of the following: (a) the Closing Date, (b) the Effective Date, (c) any date after the Effective Date upon which the Issuer disposes of any Collateral Debt Security, (d) any date after the Effective Date on which a Collateral Debt Security becomes a Defaulted Security, (e) each Determination Date, (f) any Business Day on which the Issuer commits to purchase or sell an Additional Collateral Debt Security, (g) the last Business Day of each calendar month (other than any calendar month in which a Determination Date occurs) and (h) with reasonable notice to the Issuer and the Trustee, any other Business Day that the Credit Enhancer (so long as it is the Controlling Party), any Rating Agency, the Collateral Advisor or Holders of more than 50% of the Aggregate Outstanding Amount of any Class of Notes requests be a "Measurement Date," *provided* that, if any such date would otherwise fall on a day that is not a Business Day, the relevant Measurement Date will be the next succeeding day that is a Business Day.

"Minimum Hedge Counterparty Ratings" means, with respect to a Hedge Rating Determining Party or any transferee thereof, (a) either (i) the unsecured short-term debt obligations of such Hedge Rating Determining Party are rated at least "A-1" by Standard & Poor's, or (ii) if no short-term debt obligations of such Hedge Rating Determining Party are rated by Standard & Poor's, the unsecured long-term senior debt obligations of such Hedge Rating Determining Party are rated at least "A+" by Standard & Poor's and (b) either (i) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated at least "A1" by Moody's and such rating is not on credit watch with negative implications or (ii) (x) the unsecured short-term debt obligations of such Hedge Rating Determining Party are rated "P-1" by Moody's and (y) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated at least "A2" by Moody's and such rating is not on credit watch with negative implications. For the purpose of this definition, no direct or indirect recourse against one or more shareholders of a Hedge Rating Determining Party (or against any Person in control of, or controlled by, or under common control with, any such shareholder) shall be deemed to constitute a guarantee, security or support of the obligations of such Hedge Rating Determining Party.

"Minimum Ramp-Up Amount" means U.S.$448,900,000.

"Minimum Redemption Amount" means (A) in connection with an Auction Call Redemption, the sum of (a)(i) with respect to any Auction Call Redemption occurring on or prior to the Payment Date in December 2016, the sum of (x) the Total Senior Redemption Amount as calculated from the Closing Date up to but excluding the Payment Date in December 2016 and (y) the amount required to achieve a 12% Preference Share IRR on and after the Payment Date occurring in December 2016, (ii) with respect to any Auction Call Redemption occurring on or prior to the Payment Date in March 2017, the sum of (x) the Total Senior Redemption Amount as calculated from the Closing Date up to but excluding the Payment Date in August and (y) the amount required to achieve a 4% Preference Share IRR on and after the Payment Date occurring in March 2017, and (b) the Total Senior Redemption Amount plus the lesser of (1) the Preference Share Balance, and (2) such amount as a Special-Majority-in-Interest of the Preference Shareholders may specify in writing to the Trustee on and after the Payment Date occurring in June 2017, and (B) in connection with a Tax Redemption, the Total Senior Redemption Amount plus the lesser of (a) the Preference Share Balance, and (b) such amount as Special-Majority-in-Interest of Preference Shareholders may specify in writing to the Trustee on and after the Payment Date occurring in June 2017.

"Money" has the meaning specified in Article 1 of the UCC.

"Monoline Guaranteed Securities" means any Asset-Backed Security of a Specified Type as to which the timely payment of interest when due, and the payment of principal no later than stated legal maturity, is unconditionally guaranteed pursuant to an insurance policy, guarantee or other similar instrument issued by a Monoline Insurer organized under the laws of a state of the United States, but only if such insurance policy, guarantee or other similar instrument (1) expires no earlier than such stated maturity, (2) provides that payment thereunder is independent of the performance by the obligor on the relevant Asset-Backed Security and (3) is issued by a Monoline Insurer having a credit rating assigned by a nationally recognized statistical rating organization that currently rates such Asset-Backed Security which is higher than the credit rating assigned by such rating organization to such Asset-Backed Security determined without giving effect to such insurance policy, guarantee or other similar instrument; provided that the underlying security that is the subject of such guarantee complies with the requirements of the Eligibility Criteria (except clause (d) and clause (q)).

"Monoline Insurer" means a financial guaranty insurance company that guarantees scheduled interest and principal payments on bonds and writes no other line or type of insurance.

"Monthly Report" has the meaning specified in Section 10.10(a).

"Moody's" means Moody's Investors Service, Inc. and any successor or successors thereto.

"Moody's Asset Correlation Factor" is a percentage determined in accordance with any of the one or more asset correlation methodologies (calculated based on a model that utilizes a calculation factor of 80 obligors) provided from time to time to the Collateral Advisor and the Collateral Administrator by Moody's as selected by the Collateral Advisor in its sole discretion.

"Moody's Asset Correlation Test" means a test that will be satisfied (i) on the Closing Date if the Moody's Asset Correlation Factor of the Collateral Debt Securities as of such date is equal to or less than 24%, (ii) on the Ramp-Up Test Date if the Moody's Asset Correlation Factor of the Collateral Debt Securities as of such date is equal to or less than 24% and (iii) on any Measurement Date thereafter

if the Moody's Asset Correlation Factor of the Collateral Debt Securities as of such date is equal to or less than the designated Moody's Asset Correlation Factor.

"Moody's Maximum Weighted Average Rating Factor Test" means a test that will be satisfied (i) on the Closing Date if the Moody's Weighted Average Rating Factor of the Collateral Debt Securities as of such date is equal to or less than 1600, (ii) on the Ramp-Up Test Date if the Moody's Weighted Average Rating Factor of the Collateral Debt Securities as of such date is equal to or less than 1600 and (iii) on any Measurement Date thereafter if the Moody's Weighted Average Rating Factor of the Collateral Debt Securities as of such date is equal to or less than the number determined in accordance with the WARF Matrix 1600.

"Moody's Rating" has the meaning specified on the Moody's Rating Schedule.

"Moody's Rating Schedule" means Schedule E.

"Moody's Rating Trigger" means that the rating assigned by Moody's to any Class of Notes on the Closing Date has been (i) withdrawn, (ii) reduced by at least one subcategory in the case of the Class A Notes or the Class B Notes or (iii) reduced by two or more subcategories in the case of the Class X Notes, the Class C Notes or the Class D Notes, in each case from the rating assigned by Moody's on the Closing Date (and not restored to the rating assigned by Moody's on the Closing Date or, with respect to the Class X Notes, the Class C Notes or the Class D Notes, restored to within one subcategory of the rating assigned by Moody's on the Closing Date).

"Moody's Recovery Rate" means, with respect to a Collateral Debt Security, the recovery rate for such security as determined pursuant to clause (a) of the term "Applicable Recovery Rate".

"Moody's Weighted Average Rating Factor" means the number determined on any Measurement Date by *dividing*:

(a) the summation of the series of products obtained for any Pledged Collateral Debt Security that is not a Defaulted Security or Written Down Security, by *multiplying* (1) the Principal Balance on such Measurement Date of each such Pledged Collateral Debt Security by (2) its respective Moody's Rating Factor on such Measurement Date; *by*

(b) the Aggregate Principal Balance on such Measurement Date of all Pledged Collateral Debt Securities that are not Defaulted Securities or Written Down Securities, and rounding the result up to the nearest whole number.

"Moody's Rating Factor" means, for purposes of computing the Moody's Weighted Average Rating Factor, the number assigned below to the Moody's Rating applicable to each Collateral Debt Security:

Moody's Rating	Moody's Rating Factor	Moody's 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

"Multiline Guaranteed Securities" means any Asset-Backed Security of a Specified Type as to which the timely payment of interest when due, and the payment of principal no later than stated legal maturity, is unconditionally guaranteed pursuant to an insurance policy, guarantee or other similar instrument issued by a Multiline Insurer organized under the laws of a state of the United States, but only if such insurance policy, guarantee or other similar instrument (1) expires no earlier than such stated maturity, (2) provides that payment thereunder is independent of the performance by the obligor on the relevant Asset-Backed Security and (3) is issued by a Multiline Insurer having a credit rating assigned by a nationally recognized statistical rating organization that currently rates such Asset-Backed Security which is higher than the credit rating assigned by such rating organization to such Asset-Backed Security determined without giving effect to such insurance policy, guarantee or other similar instrument; provided that the underlying security that is the subject of such guarantee complies with the requirements of the Eligibility Criteria (except clause (d)).

"Multiline Insurer" means an insurance company that writes more than one line or type of insurance.

"Negative Amortization Security" means an ABS Type Residential Security which (a) permits the related mortgage loan or mortgage loan obligor for a specified period of time to make no repayments of principal and payments of interest in amounts that are less than the interest payments that would otherwise be payable thereon based upon the stated rate of interest thereon, (b) to the extent that interest proceeds received in respect of the related underlying collateral are insufficient to pay interest that is due and payable thereon, permits principal proceeds received in respect of the related underlying collateral to be applied to pay such interest shortfall and (c) to the extent that the aggregate amount of interest proceeds and principal proceeds received in respect of the related underlying collateral are insufficient to pay interest that is due and payable thereon, permits such unpaid interest to be capitalized as principal and itself commence accruing interest at the applicable interest rate, in each case pursuant to the related Underlying Instruments.

"Net Outstanding Portfolio Collateral Balance" means, on any Measurement Date, an amount equal to (a) the Aggregate Principal Balance on such Measurement Date of all Pledged Collateral Debt Securities plus (b) the Aggregate Principal Balance of all Principal Proceeds and Unused Proceeds held as Cash and Eligible Investments purchased with Principal Proceeds or Unused Proceeds (exclusive of any amounts standing to the credit of the Expense Account on such Measurement Date) and any amount on deposit at such time in the Principal Collection Account or the Unused Proceeds Account (without duplication). For purposes of clarification, the calculation of "Net Outstanding Portfolio Collateral Balance" set forth herein is subject to any adjustment in respect of the calculation thereof required to be made in accordance with the definition of "Principal Balance" hereof.

"Non-call Period" means the period from the Closing Date to and including the Business Day immediately preceding the Payment Date occurring in December 2009.

"Note Acceleration Date" means the Payment Date occurring in December, 2016.

"Note Interest Rate" means, with respect to the Notes of any Class for any Interest Period, the annual rate at which interest accrues on the Notes of such Class for such Interest Period, as specified in Section 2.02.

"Noteholder" means the Person in whose name a Note is registered in the Note Register.

"Note Register" and "Note Registrar" have the respective meanings specified in Section 2.04(a).

"Note Valuation Report" has the meaning specified in Section 10.10(b).

"Notes" means the Class A Notes, the Class B Notes, the Class X Notes, the Class C Notes, the Class D Notes and the Class E Notes authorized by, and authenticated and delivered under, this Indenture.

"Offer" means, with respect to any security, (a) any offer by the issuer of such security or by any other Person made to all of the holders of such security to purchase or otherwise acquire such security (other than pursuant to any redemption in accordance with the terms of the related Underlying Instruments) or to convert or exchange such security into or for Cash, securities or any other type of consideration or (b) any solicitation by the issuer of such security or any other Person to amend, modify or waive any provision of such security or any related Underlying Instrument.

"Offering" means the offering of the Notes and Preference Shares as described in the Offering Circular.

"Offering Circular" means the Offering Circular, prepared and delivered in connection with the offer and sale of the Notes and the Preference Shares, as amended or supplemented on or prior to the Closing Date.

"Officer" means, (a) with respect to the Issuer, the Co-Issuer and any corporation, the Chairman of the Board of Directors (or, with respect to the Issuer, any director), the President, any Vice President, the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer of such entity; (b) with respect to any bank or trust company acting as trustee of an express trust or as custodian, any Trust Officer and (c) with respect to any limited liability company, any managing member thereof or any Person to whom the rights and powers of management thereof are delegated in accordance with the limited liability company agreement of such limited liability company.

"OPDA Required Amount" means, on any date of determination, the sum, without duplication with respect to any Collateral Debt Security, of (x) the aggregate Principal Balance of Collateral Debt Securities then held by the Issuer that shall have been downgraded to Caa1 or below by Moody's or "CCC+" or below by Standard & Poor's, (y) the aggregate Principal Balance of Collateral Debt Securities then held by the Issuer that shall have deferred any portion of interest due for three or more consecutive payment periods (in respect of Collateral Debt Securities required to receive interest on a monthly basis) or two or more consecutive payment periods (in respect of Collateral Debt Securities required to receive interest on a quarterly basis) and (z) the aggregate Principal Balance of all Defaulted Securities then held by the Issuer.

"Opinion of Counsel" means a written opinion addressed to the Issuer, the Trustee, the Credit Enhancer and each Rating Agency (each, a "Recipient"), in form and substance reasonably satisfactory to such Recipients, of an attorney at law or firm of attorneys admitted to practice in any state of the United States or the District of Columbia (or the Cayman Islands, in the case of an opinion relating to the laws of the Cayman Islands), which attorney or firm of attorneys may, except as otherwise expressly provided in this Indenture, be counsel for the Issuer or the Co-Issuer, as the case may be, and which attorney or firm of attorneys shall be reasonably satisfactory to the Recipients. Whenever an Opinion of Counsel is required hereunder, such Opinion of Counsel may rely on certificates as to factual matters and opinions of other counsel who are so admitted and so satisfactory which opinions of other

counsel shall accompany such Opinion of Counsel and shall either be addressed to each Recipient or shall state that each Recipient shall be entitled to rely thereon.

"Optional Redemption" has the meaning specified in Section 9.01(a).

"Ordinary Shares" means the issued ordinary share capital of the Issuer, which consists of 250 ordinary shares, U.S.$1.00 par value per ordinary share, all of which shares have been issued to the Share Trustee.

"Original Collateral Debt Securities" means the Collateral Debt Securities, including the Initial Collateral Debt Securities, which the Issuer has purchased on or before the Effective Date or which on or before the Effective Date the Issuer has committed to purchase (with settlement to occur within 30 Business Days thereafter).

"Other REIT Security" has the meaning specified in clause(v) of the Moody's Rating Schedule.

"Other Security" has the meaning specified in clause(iii) of the Moody's Rating Schedule.

"Outstanding" means, (a) with respect to the Notes or any specified Class thereof, as of any date of determination, all of (x) the Notes or (y) the Notes of such Class, as the case may be, theretofore authenticated and delivered under this Indenture, except:

(i) Notes theretofore canceled by the Note Registrar or delivered to the Note Registrar, as the case may be, for cancellation;

(ii) 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 this Indenture or provision therefor satisfactory to the Trustee has been made;

(iii) Notes in exchange for, or in lieu of, other Notes, unless proof satisfactory to the Trustee is presented that any such Notes are held by a holder in due course; and

(iv) Notes alleged to have been mutilated, destroyed, lost or stolen for which replacement Notes have been issued as provided in Section 2.05; and

(b) with respect to the Preference Shares, as of any date of determination, all of the Preference Shares then issued and which have not previously been redeemed;

provided that, in determining whether the Holders of the requisite Aggregate Outstanding Amount of the Notes (or of any Class thereof) or of the requisite percentage of Preference Shares have given any request, demand, authorization, direction, notice, consent or waiver hereunder, (1) Issued Securities beneficially owned by the Issuer or the Co-Issuer or any other obligor upon the Issued Securities or any Affiliate of any of them shall be disregarded and deemed not to be Outstanding and (2) Collateral Advisor Securities shall be disregarded and deemed not to be Outstanding with respect to any assignment or termination of, any of the express rights or obligations of the Collateral Advisor under the Collateral Advisory

Agreement or this Indenture (including the exercise of any rights to remove the Collateral Advisor or terminate the Collateral Advisory Agreement), or any amendment or other modification of the Collateral Advisory Agreement or this Indenture increasing the rights or decreasing the obligations of the Collateral Advisor; and *provided, further*, that to the extent that any Insured Notes have been paid with proceeds of the Credit Enhancement, such Insured Notes shall nevertheless continue to be Outstanding with the Credit Enhancer as subrogee thereof (but only to the extent of any payments thereon made by the Credit Enhancer in respect thereof (the "Subrogated Entitlement")) until the Credit Enhancer has been paid in full the Subrogated Entitlement pursuant hereto. The Trustee shall be entitled to receive and rely upon a certificate from the Collateral Advisor regarding Issued Securities held in the manner described in clause (1) or clause (2). Issued Securities owned in the manner indicated in clause (1) or clause (2) above which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Issued Securities and that the pledgee is not the Issuer, the Co-Issuer, the Collateral Advisor or any other obligor upon the Issued Securities or any Affiliate of the Issuer, the Co-Issuer, the Collateral Advisor.

"Overcollateralization Tests" means the Class A/B Senior Overcollateralization Test, the Class C Overcollateralization Test, the Class D Overcollateralization Test and the Class E Overcollateralization Test.

"Paying Agency Agreement" means the Paying Agency Agreement, dated as of the Closing Date, between the Issuer and Maples Finance Dublin.

"Paying Agent" means any Person authorized by the Issuer to pay the principal of and interest on any Notes on behalf of the Issuer as specified in Section 7.02.

"Payment" means any payment of principal, interest or fee or any dividend or premium payment made on, or any other distribution in respect of, an obligation or security.

"Payment Account" means the Securities Account designated the "Payment Account" and established in the name of the Trustee pursuant to Section 10.03.

"Payment Date" means each March 3, June 3, September 3, December 3, commencing on June 3, 2007, provided that (i) the final Payment Date for each Class of Notes will be December 3, 2046 and (ii) if any such date is not a Business Day, the relevant Payment Date will be the next succeeding Business Day.

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

"PIK Bond" means any security that, pursuant to the terms of its Underlying Instruments, defers interest without resulting in a default, including (i) a security that permits the payment of interest thereon, which interest is due on or after the date on which the security is purchased by the Issuer, to be deferred and capitalized as additional principal thereof or (ii) a security that issues identical securities in place of payments of interest in Cash, which interest is due on or after the date on which the security is purchased by the Issuer, in each case either (a) without the consent of 100% of the holder or holders of such security or (b) at the option of holders of securities that are senior or *pari passu* to such security and are secured by the same collateral pool following a default or event of default with respect to such senior or *pari passu* securities.

"Placement Agent" means ICP Securities, LLC, in its capacity as placement agent under the Placement Agency Agreement.

"Placement Agency Agreement" means the Placement Agency Agreement, dated as of the Closing Date, by and among the Issuers and the Placement Agent, under which the Placement Agent agrees to offer the Notes on behalf of the Issuers.

"Plan" means (a) employee benefit plans (as defined in Section 3(3) of ERISA) that are subject to Part 4 of Title I of ERISA, (b) plans described in Section 4975(e)(1) of the Code which are subject to the prohibited transaction provisions of Section 4975 of the Code, including individual retirement accounts and certain Keogh plans and (c) any other entities whose underlying assets are deemed to include assets of a plan described in (a) or (b) under applicable law by reason of such plan's investment in such entities.

"Pledged Collateral Debt Security" means, as of any date of determination, any Collateral Debt Security that has been Granted to the Trustee and has not been released from the lien of this Indenture pursuant to Section 10.11.

"Pledged Securities" means, on any date of determination, (a) the Collateral Debt Securities, Equity Securities and Eligible Investments that have been Granted to the Trustee and (b) all non-Cash proceeds thereof, in each case to the extent not released from the lien of this Indenture pursuant hereto.

"Post-Acceleration Payment Date" means any Payment Date following the occurrence of an Event of Default and the declaration of the Notes as due and payable pursuant to Section 5.02 hereof (unless such Event of Default is no longer continuing or such acceleration of the Notes has been rescinded).

"Preference Claim" has the meaning specified in Section 17.04(b).

"Preference Share Balance" means, as of any Auction Date, an amount equal to the greater of (i) (a) the Net Outstanding Portfolio Collateral Balance as of such date, minus (b) the Aggregate Principal Balance (excluding for such purposes any Deferred Interest) of the Notes as of such date, and (ii) the amount, if any, required to be distributed to the Preference Share Paying Agent for payment to the Preference Shareholders in order to cause the Preference Share IRR to equal 0% as of such Auction Date; *provided* that the Preference Share Balance cannot be less than zero.

"Preference Share Documents" means the Issuer Charter, the Preference Share Paying Agency Agreement and certain resolutions passed by the Issuer's Board of Directors concerning the Preference Shares.

"Preference Share IRR" means, as of any date, a rate equal to the per annum discount rate at which the sum of the discounted present value of the following cashflows is equal to zero (assuming discounting on a bond-equivalent yield basis as of each Payment Date on the basis of a 360 day year comprised of twelve 30-day months), calculated from the Closing Date: (1) the original aggregate notional amount of the Preference Shares issued on the Closing Date (which will be deemed to be negative for purposes of this calculation) and (2) the amount of each distribution, if any, on the Preference Shares on each Payment Date (which shall be deemed to be positive for such purposes). For purposes of calculating the Preference Share IRR, amounts distributed to the Preference Share Paying Agent for payment to the Preference Shareholders shall be included in calculating the Preference Share IRR notwithstanding that such amounts may not have been distributed by the Preference Share Paying Agent

to the Preference Shareholders because of restrictions imposed on the payment thereof under Cayman Islands law or otherwise.

"Preference Share Paying Agency Agreement" means the Preference Share Paying Agency Agreement, dated as of the Closing Date, among the Issuer, the Preference Share Paying Agent and the Share Registrar.

"Preference Share Paying Agent" means The Bank of New York Trust Company, National Association (or any successor thereto), as Preference Share Paying Agent for the Preference Shares, or any Person authorized by the Issuer from time to time to make payments on the Preference Shares and to deliver notices to the Preference Shareholders on behalf of the Issuer.

"Preference Share Payment Account" means a segregated non-interest bearing trust account established by the Preference Share Paying Agent pursuant to the Preference Share Paying Agency Agreement into which the Preference Share Paying Agent will deposit all amounts distributable to the Holders of the Preference Shares pursuant to the Priority of Payments.

"Preference Share Redemption Price" means, with respect to any one Preference Share to be redeemed, an amount equal to the Excess Principal Proceeds (after deducting the amount required to establish adequate reserves to meet all contingent, unliquidated liabilities or obligations of the Issuer) divided by the number of the Preference Shares to be redeemed.

"Preference Shareholders" means the Persons in whose names Preference Shares are registered in the Share Register.

"Preference Shares" means the preference shares in the capital of and issued by the Issuer concurrently with the issuance of the Notes by the Issuers.

"Premium Letter" means the letter agreement dated as of the Closing Date between the Issuer and the Credit Enhancer in respect of the fee to be paid to the Credit Enhancer in connection with the Credit Enhancement, as modified and supplemented from time to time.

"Principal Balance" or "par" means, with respect to any Pledged Security, as of any date of determination, the outstanding principal amount of such Pledged Security (including interest accrued on any such Pledged Security at the time of its purchase by the Issuer), provided that:

(a) the Principal Balance of a Collateral Debt Security received upon acceptance of an Offer for another Collateral Debt Security, which Offer expressly states that failure to accept such Offer may result in a default under the Underlying Instruments, shall be deemed to be the Calculation Amount of such other Collateral Debt Security until such time as Interest Proceeds and Principal Proceeds, as applicable, are received when due with respect to such other Collateral Debt Security;

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

(c) the Principal Balance of any Eligible Investment that does not pay Cash interest on a current basis shall be the lesser of par or the original issue price thereof;

(d) the Principal Balance of any Collateral Debt Security shall be reduced to the extent that the outstanding principal amount of such Collateral Debt Security is reduced (i) as a result of a "realized loss", "collateral support deficit", "additional trust fund expense" or other event (other than the

payment thereon) that under the terms of its Underlying Instruments results in a writedown of Principal Balance or (ii) any "appraisal reduction" applicable to such Collateral Debt Security under the terms of its Underlying Instruments;

(e) [RESERVED]

(f) the Principal Balance of any Collateral Debt Security that has been a Defaulted Security for three years or more shall be deemed to be zero;

(g) solely for the purpose of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Overcollateralization Tests, the Principal Balance of any Discount Security shall be its principal amount or certificate balance *minus* the Discount Haircut Amount; *provided* that, if the current principal amount or certificate balance of the applicable Collateral Debt Security is also subject to adjustment pursuant to clause (i) below, then for purposes of the Overcollateralization Tests such Collateral Debt Security shall be reduced only pursuant to the clause of this definition of "Principal Balance" that, as of the applicable Determination Date, results in the lowest Principal Balance for that Collateral Debt Security for purposes of the Overcollateralization Tests;

(h) [RESERVED]

(i) solely for purposes of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Overcollateralization Tests, if a Moody's Rating or Standard & Poor's Rating set forth in the table below is applicable to a Collateral Debt Security (other than a Defaulted Security or a Written-Down Security), then the Principal Balance of such Collateral Debt Security shall be equal to its outstanding principal amount or certificate balance multiplied by the lower "Discount Percentage" opposite the Moody's Rating or Standard & Poor's Rating applicable to such Collateral Debt Security in the following table:

Moody's Rating	Discount Percentage	Floor Percentage	Standard & Poor's Rating	Discount Percentage	Floor Percentage
"Ba1", "Ba2" or "Ba3"	90.0%	100%	"BB+", "BB" or "BB-"	90.0%	60%
"B1", "B2" or "B3"	80.0%	20.0%	"B+", "B" or "B-"	80.0%	20.0%
Below "B3"	70.0%	5.0%	Below "B-"	70.0%	10%

provided that:

(A) applicable Collateral Debt Securities having a Standard & Poor's Rating of below "BBB-" shall be excluded from the operation of the foregoing provision so long as the aggregate Principal Balance of all such Collateral Debt Securities (determined without regard to the foregoing provision) does not exceed the Floor Percentage of the Net Outstanding Portfolio Collateral Balance (this "Floor Percentage" being satisfied first by the highest-rated Collateral Debt Securities having a Standard & Poor's Rating below "BBB-") and thereafter the Discount Percentage shall only be applied to the outstanding principal amount

or certificate balance of such Collateral Debt Securities in excess of such Floor Percentage of the Net Outstanding Portfolio Collateral Balance;

(B) applicable Collateral Debt Securities having a Moody's Rating in any of the three rating categories shown in the table above shall be excluded from the operation of the foregoing provision so long as the aggregate Principal Balance of all such Collateral Debt Securities (determined without regard to the foregoing provision) does not exceed the Floor Percentage of the Net Outstanding Portfolio Collateral Balance for such rating category and thereafter the Discount Percentage shall only be applied to the outstanding principal amount or certificate balance of the applicable Collateral Debt Securities in such rating category in excess of such Floor Percentage of the Net Outstanding Portfolio Collateral Balance; and

(C) the ratings and the amounts of the Discount Percentages and the Floor Percentage with respect to Moody's or Standard & Poor's in the table above may be modified if the Rating Condition with respect to Moody's or Standard & Poor's, as applicable, has been satisfied.

(j) solely for the purpose of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Overcollateralization Tests, (1) the Principal Balance of any Collateral Debt Security which has been downgraded to "B1" or below by Moody's or to "B+" or below by Standard & Poor's shall be the product of (x) the Principal Balance of such Collateral Debt Security, and (y) 50% , and (2) the Principal Balance of any Collateral Debt Security which has been downgraded to "Caa1" or below by Moody's or to "CCC" or below by Standard & Poor's shall be zero;

(k) solely for the purpose of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Overcollateralization Tests, the Principal Balance of a (i) Defaulted Security shall (subject to (f) above) be the Calculation Amount of such Defaulted Security and (ii) Deferred Interest PIK Bond shall be the Calculation Amount of such Deferred Interest PIK Bond;

(l) solely for the purpose of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Overcollateralization Tests, the Principal Balance of any Negative Amortization Security shall be the lesser of (x) the Principal Balance of such Negative Amortization Security and (y) 100% of the Principal Balance of such Negative Amortization Security on the date of its purchase by the Issuer *minus* the Principal Balance of such Negative Amortization Security in excess of 105% of the Principal Balance of such Negative Amortization Security on the date of its purchase by the Issuer; and

(m) the Principal Balance of any Synthetic Security shall be equal to the principal amount of a Synthetic Security which is in the form of a note, or the notional amount in the case of a Synthetic Security in the form of a derivative contract (or, if the Issuer paid such notional amount to the Synthetic Security Counterparty when it entered into the Synthetic Security, the aggregate amount of the repayment obligations of the Synthetic Security Counterparty payable to the Issuer through the maturity of such Synthetic Security) less any principal shortfall and writedowns from such notional amount; and

provided, further, the Principal Balance of any Pledged Security that meets the conditions of more than one of the above clauses (a) through (k) shall be determined in accordance with the clause that results in the lowest value.

"Principal Collection Account" means the sub-account of the Collection Account designated the designated the "Principal Collection Account" and established in the name of the Trustee pursuant to Section 10.02.

"Principal Only Security" means any security (other than a Zero Coupon Bond) that does not provide for the periodic payment of interest.

"Principal Proceeds" means, with respect to any Due Period (or, with respect to Eligible Investments, any Eligible Investment Due Period), the sum (without duplication) of: (1) Unused Proceeds on deposit in the Unused Proceeds Account on the first Determination Date; (2) all payments of principal on the Collateral Debt Securities and Eligible Investments (excluding any amount representing the accreted portion of a discount from the face amount of an Eligible Investment) received in Cash by the Issuer during such Due Period (or, with respect to Eligible Investments, any Eligible Investment Due Period), including prepayments or mandatory sinking fund payments, or payments in respect of optional redemptions, exchange offers, tender offers, recoveries on Defaulted Securities and Deferred Interest PIK Bonds up to the par amount thereof (other than payments of principal of Eligible Investments acquired with Interest Proceeds), including the proceeds of a sale of any Equity Security and any amounts received as a result of optional redemptions, exchange offers and tender offers for any Equity Security received in Cash by the Issuer during such Due Period; (3) Sale Proceeds received by the Issuer during such Due Period (excluding those included in Interest Proceeds as defined above); (4) all amendment, waiver, late payment fees and other fees and commissions, received in Cash by the Issuer during the related Due Period in respect of Defaulted Securities and Deferred Interest PIK Bonds; (5) any proceeds resulting from the termination and liquidation of a Hedge Agreement, to the extent such proceeds exceed the cost of entering into a replacement Hedge Agreement in accordance with the requirements of Section 16.01; (6) all payments received in Cash by the Issuer during such Due Period which represent call, prepayment or redemption premiums; (7) all payments of interest on Collateral Debt Securities received in Cash by the Issuer during such Due Period to the extent that such payments represent accrued interest purchased with Principal Proceeds or Unused Proceeds; (8) all payments received in cash by the Issuer in respect of deferred interest on Deferred Interest PIK Bonds previously capitalized; (9) all yield maintenance payments received in Cash by the Issuer during such Due Period; (10) all amounts transferred into the Principal Collection Account from the Residual Cash Flow Reinvestment Account on the last day of the Residual Cash Flow Reinvestment Period; and (11) all other payments received in connection with the Collateral Debt Securities and Eligible Investments which are not specifically included in Interest Proceeds; *provided* that in no event shall Principal Proceeds include the U.S.$250 of capital contributed by the owners of the Ordinary Shares of the Issuer in accordance with the Issuer Charter or U.S.$250 representing a profit fee to the owner of the Issuer's Ordinary Shares.

"Priority of Payments" has the meaning specified in Section 11.01(a).

"Proceeding" means any suit in equity, action at law or other judicial or administrative proceeding.

"Proposed Plan" means a reasonable plan proposed by the Collateral Advisor, on behalf of the Issuer, to the Rating Agencies on or after the Ramp-Up Test Date or the Effective Date, which Proposed Plan may include a proposal to (a) make payments of principal of and accrued interest on the Aggregate Outstanding Amount of the Notes in accordance with the Priority of Payments, (b) sell a portion of the Collateral, (c) subject to the terms of the Preference Share Paying Agency Agreement, issue additional Preference Shares and use the proceeds of the sale of such Preference Shares to purchase Collateral, (d) extend the Effective Date, (e) amend this Indenture in accordance with Article VIII to modify the requirements of Section 7.18 (f) or (i), including, without limitation, the requirements necessary to satisfy each of the Collateral Quality Tests, each of the Coverage Tests and each of the Concentration Limitations in which case all references herein to any Collateral Quality Test, Coverage Test, Concentration Limitation or any other provision modified pursuant to the related Proposed Plan, from the date of satisfaction of the Rating Condition with respect to such Proposed Plan, shall be deemed

to refer to such item as so modified, provided that, notwithstanding anything herein to the contrary, any amendment or modification of any of the interim ramp-up tests shall not require the consent of any of the Holders of the Notes, or (f) any other action as may be proposed in a Proposed Plan which satisfies the Rating Condition. In accordance with Article VIII, the terms and conditions of any Proposed Plan proposed by the Collateral Advisor, on behalf of the Issuer, and in respect of which the Rating Condition has been satisfied, as described above, shall be set forth in a supplemental indenture.

"Proposed Portfolio" means the portfolio (measured by Principal Balance) of Collateral Debt Securities and Principal Proceeds or Unused Proceeds held as Cash and Eligible Investments purchased with Principal Proceeds or Unused Proceeds resulting from the sale, maturity or other disposition of an item of Collateral or a proposed purchase of an item of Collateral, as the case may be.

"Protected Purchaser" has the meaning specified in the UCC.

"Qualified Institutional Buyer" has the meaning given in Rule 144A under the Securities Act.

"Qualified Purchaser" means (i) a "qualified purchaser" as defined in the Investment Company Act or (ii) a company beneficially owned exclusively by one or more "qualified purchasers" or "knowledgeable employees" (as defined in Rule 3c-5 promulgated under the Investment Company Act) with respect to the Issuer.

"Qualifying Foreign Obligor" means a corporation, partnership, trust or other entity organized in any of Australia, Canada, Germany, Ireland, the Netherlands, Sweden, Switzerland or the United Kingdom, so long as the unguaranteed, unsecured and otherwise unsupported long-term Dollar sovereign debt obligations of such country are rated "Aa2" or better by Moody's and "AA" or better by Standard & Poor's.

"Qualifying Investment Vehicle" means a Flow-Through Investment Vehicle as to which all of the beneficial owners of any securities issued by such Flow-Through Investment Vehicle have made, and as to which (in accordance with the document pursuant to which such Flow-Through Investment Vehicle was organized or the agreement or other document governing such securities) each such beneficial owner must require any transferee of any such security to make, to the Issuer or the Issuers, as the case may be, and the Note Registrar (in the case of the Notes), the Share Registrar (in the case of the Preference Shares) each of the representations set forth herein, in the Offering Circular and in the Issuer Charter required to be made upon transfer of any of the relevant Class of Notes or Preference Shares (with modifications to such representations satisfactory to the Collateral Advisor and the Issuer to reflect the indirect nature of the interests of such beneficial owners in such Notes or Preference Shares).

"Quarterly Asset Amount" means, with respect to any Payment Date, the Net Outstanding Portfolio Collateral Balance on the first day of the related Due Period or, in the case of the first Due Period, on the Closing Date.

"Ramp-Up Test Date" means the date that is the earlier of (a) March 28, 2007, (or if such day is not a Business Day, the immediately following Business Day) and (b) the date on which the Issuer has purchased or entered into binding agreements to purchase Collateral Debt Securities having an Aggregate Principal Balance of at least U.S.$400,000,000.

"Range Floating Rate Security" means any floating rate security which does not pay interest if the applicable floating rate index upon which the stated interest rate thereon is based moves outside of a range set forth in the related Underlying Instruments.

"Rating Agency" means each of (i) Moody's, for so long as any of the Outstanding Notes are rated by Moody's (including any private or confidential rating), (ii) Standard & Poor's, for so long as any of the Outstanding Notes are rated by Standard & Poor's (including any private or confidential rating) and (iii) where such term is used in the Moody's Rating Schedule or Standard & Poor's Rating Schedule, Fitch or, with respect to Pledged Securities generally, if at any time Moody's or Standard & Poor's ceases to provide rating services with respect to Asset-Backed Securities and high yield bonds, any other nationally recognized investment rating agency selected by the Issuer and reasonably satisfactory to the Holders of a majority of the Aggregate Outstanding Amount of the Notes of each Class and the Credit Enhancer. In the event that at any time Moody's ceases to be a Rating Agency, references to rating categories of Moody's in this 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 published ratings for the type of security in respect of which such alternative rating agency is used. In the event that at any time Standard & Poor's ceases to be a Rating Agency, references to rating categories of Standard & Poor's in this 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 Standard & Poor's published ratings for the type of security in respect of which such alternative rating agency is used.

"Rating Condition" means, with respect to any action taken or to be taken hereunder, a condition that is satisfied when each Rating Agency (or, if only one Rating Agency is specified, such Rating Agency) has confirmed in writing to the Issuer, the Trustee, each Hedge Counterparty, the Collateral Advisor (and in the case of the Insured Notes, the Credit Enhancer) that such action, at that time, will not result in the withdrawal, reduction or other adverse action with respect to such Rating Agency's then-current rating of any Class of Notes (with respect to the Class A Notes, without giving effect to the Credit Enhancement).

"Rating Confirmation" has the meaning specified in Section 7.18(i).

"Rating Confirmation Failure" has the meaning specified in Section 7.18(i).

"Ratings Maintenance Requirement" means, with respect to a Hedge Rating Determining Party, (a) either (i) the senior unsecured, unguaranteed and otherwise unsupported short-term debt obligations of such Hedge Rating Determining Party are rated at least "A-1" by Standard & Poor's or (ii) if such Hedge Rating Determining Party does not have a short-term rating from Standard & Poor's, the senior unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated at least "A+" by Standard & Poor's and such rating is not on credit watch with negative implications and (b) either (i) if the Hedge Rating Determining Party does not have a short-term debt rating, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated at least "A1" by Moody's and such rating is not on credit watch with negative implications or (ii) if the Hedge Rating Determining Party has a short-term debt rating, the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of such Hedge Rating Determining Party are rated "P-1" by Moody's and the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated at least "A2" by Moody's and such rating is not on credit watch with negative implications. For the purpose of this definition, no direct or indirect recourse against one or more

shareholders of a Hedge Rating Determining Party shall be deemed to constitute a guarantee, security or support of the obligations of such Hedge Rating Determining Party.

"Record Date" means the date on which the Holders of Issued Securities entitled to receive a payment in respect of principal, interest or Excess Amounts, as the case may be, on the succeeding Payment Date or Redemption Date are determined, such date as to any Payment Date or Redemption Date being the 15th day (whether or not a Business Day) prior to such Payment Date or Redemption Date.

"Redemption Date" means any date set for a redemption of Notes pursuant to Section 9.01 or, if such date is not a Business Day, the next following Business Day.

"Redemption Date Statement" has the meaning specified in Section 10.10(d).

"Redemption Price" means, with respect to any Note to be redeemed pursuant to Section 9.01 or Section 9.05, (a) an amount (determined without duplication) equal to (i) the Aggregate Outstanding Amount of such Note being redeemed *plus* (ii) accrued and unpaid interest thereon (including Defaulted Interest, if any, and interest on Defaulted Interest) to (but excluding) the Redemption Date *plus* (c) in the case of a Class X Note, a Class C Note, a Class D Note or a Class E Note, the Class X Deferred Interest, the Class C Deferred Interest, the Class D Deferred Interest or the Class E Deferred Interest, if any, and accrued and unpaid interest thereon, to (but excluding) the Redemption Date or (b) with respect to any particular Class of Notes, such lesser amount as 100% of the Holders of such Class elect to receive.

"Reference Banks" has the meaning specified in Schedule B.

"Reference Dealers" has the meaning specified in Schedule B.

"Reference Obligation" means, with respect to any Synthetic Security, the obligation that is designated as such in the Synthetic Security; *provided* that (a) such debt security or other obligation is not itself a Synthetic Security and (b) such debt security or other obligation, if owned by the Issuer, would satisfy clause (I) of the definition of Collateral Debt Security (but for the characteristics that are varied by the Synthetic Security).

"Reference Obligor" means the obligor on a Reference Obligation.

"Registered" means in registered form for purposes of the Code and issued after July 18, 1984, provided, that a certificate of interest in a trust that is treated as a grantor trust for U.S. Federal income tax purposes shall not be treated as Registered unless each of the obligations or securities held by the trust was issued after July 18, 1984.

"Registered Form" has the meaning specified in the UCC.

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

"Regulation S Definitive Note" has the meaning set forth in Section 2.04(b)(i)(F).

"Regulation S Global Class A Note" has the meaning set forth in Section 2.01(a).

"Regulation S Global Class B Note" has the meaning set forth in Section 2.01(a).

"Regulation S Global Class X Note" has the meaning set forth in Section 2.01(a).

"Regulation S Global Class C Note" has the meaning set forth in Section 2.01(a).

"Regulation S Global Class D Note" has the meaning set forth in Section 2.01(a).

"Regulation S Global Class E Note" has the meaning set forth in Section 2.01(a).

"Regulation S Global Note" has the meaning set forth in Section 2.01(a).

"Regulation S Note" has the meaning set forth in Section 2.01(a).

"Regulation S Note Transfer Certificate" has the meaning set forth in Section 2.04(b)(i)(C).

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, 12 C.F.R. § 221, or any successor regulation.

"Regulatory Determination Date" means the date on which the Issuer, the Trustee or the Collateral Advisor has been advised by an Opinion of Counsel or by the SEC that either of the Issuers or the pool of Collateral is required to register under the Investment Company Act.

"Reinsurance Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend in part on the premiums from reinsurance policies held by a special purpose vehicle created for such purpose.

"Reinvestment Agreement" means a guaranteed reinvestment agreement from a bank, insurance company or other corporation or entity organized under the laws of the United States or any state thereof under which no payments are subject to any withholding tax, provided that such agreement provides that it is terminable by the purchaser, without premium or penalty, in the event that the rating assigned to such agreement by any Rating Agency is at any time lower than the rating required pursuant to the terms of this Indenture to be assigned to such agreement in order to permit the purchase thereof.

"Reinvestment Criteria" has the meaning specified in Section 12.02.

"Reinvestment Period" means the period from the Closing Date to and including the Business Day immediately preceding the Determination Date relating to the Payment Date in December 3, 2011 unless terminated earlier (i) on the date that the Collateral Advisor notifies the Trustee, the Credit Enhancer, each Rating Agency and the Administrator that, in light of the composition of the Collateral, general market conditions and other factors, investments in Additional Collateral Debt Securities within the foreseeable future would either be impractical or not beneficial, (ii) on the last Business Day immediately preceding the Determination Date relating to the Payment Date on which all Notes are to be redeemed or such earlier date after notice of an Optional Redemption or a Tax Redemption has been given to facilitate the liquidation of the Collateral for such Optional Redemption or Tax Redemption, (iii) in accordance with Section 5.02(a), (iv) upon the written request from the Controlling Party within 45 days of a failure of the Class A/B Senior Overcollateralization Test, (v) upon the failure of the Trustee to notify the Credit Enhancer of a failure of the Class A/B Senior Overcollateralization Test within 30 days of such failure, and (vi) pursuant to Section 12.03(c).

"REIT Debt Security" means a debt security issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision).

"Relevant Jurisdiction" means, as to any obligor on any Collateral Debt Security, any jurisdiction (a) in which the obligor is incorporated, organized, managed and controlled or considered to have its seat, (b) where an office through which the obligor is acting for purposes of the relevant Collateral Debt Security is located, (c) in which the obligor executes Underlying Instruments or (d) in relation to any payment, from or through which such payment is made. With respect to any Collateral Debt Security that is a Synthetic Security, each reference in this definition to (i) the "obligor" shall include reference to the relevant Reference Obligor and Synthetic Security Counterparty and (ii) the Underlying Instruments shall also include reference to the documents evidencing or otherwise governing such Reference Obligation.

"Relevant Persons" has the meaning specified in Section 2.07.

"Replacement Collateral Advisor" means a successor Collateral Advisor appointed pursuant to the Collateral Advisory Agreement.

"Repository" means 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 and maintained by The Bond Market Association.

"Repository Transaction Documents" means this Indenture, any confirmation to any Hedge Agreement and the Offering Circular.

"Residential A Mortgage Securities" means Asset-Backed Securities (other than Residential B/C Mortgage Securities and Home Equity 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 the Asset-Backed Securities) on the cash flow from prime residential mortgage loans secured (primarily 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: (1) the mortgage loans have standardized payment terms and require minimum monthly payments; (2) the mortgage loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (3) 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.

"Residential B/C Mortgage Securities" means Asset-Backed Securities (other than Residential A Mortgage Securities and Home Equity 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 the Asset-Backed Securities) on the cash flow from subprime residential mortgage loans secured (primarily 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: (1) the mortgage loans have standardized payment terms and require minimum monthly payments; (2) the mortgage loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (3) 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.

"Residual Cash Flow Reinvestment Account" means the Securities Account designated the "Residual Cash Flow Reinvestment Account" established in the name of the Trustee pursuant to Section 10.02(g).

"Residual Cash Flow Reinvestment Period" means the period from the Closing Date to and including the final date of the Reinvestment Period.

"Restricted Global Class A Note" has the meaning set forth in Section 2.01(b).

"Restricted Global Class B Note" has the meaning set forth in Section 2.01(b).

"Restricted Global Class X Note" has the meaning set forth in Section 2.01(b).

"Restricted Global Class C Note" has the meaning set forth in Section 2.01(b).

"Restricted Global Class D Note" has the meaning set forth in Section 2.01(b).

"Restricted Global Class E Note" has the meaning set forth in Section 2.01(b).

"Restricted Definitive Note" has the meaning set forth in Section 2.04(b)(i)(F).

"Restricted Global Note" has the meaning set forth in Section 2.01(b).

"Restricted Note" has the meaning set forth in Section 2.01(b).

"RMBS" means a residential mortgage-backed security (including Home Equity Loan Securities, Residential A Mortgage Securities and Residential B/C Mortgage Securities).

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

"Rule 144A Information" means such information as is specified pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto).

"Rule 144A Note Transfer Certificate" has the meaning set forth in Section 2.04(b)(i)(B).

"Sale" has the meaning specified in Section 5.17(a).

"Sale Proceeds" means all proceeds received as a result of sales of Pledged Securities pursuant to Section 12.01(a), Section 12.01(b) or Section 12.01(c) or an Auction which shall be calculated, net of any reasonable out-of-pocket expenses of the Collateral Advisor or the Trustee in connection with any such sale.

"Schedule of Collateral Debt Securities" means the list of Collateral Debt Securities securing the Notes that is attached hereto as Schedule A, which schedule shall include the issuer, CUSIP number, price and interest rate of each Collateral Debt Security purchased by the Issuer on the Closing Date.

"Scheduled Distribution" means, with respect to any Pledged Security, for each Due Date, the scheduled payment in Cash of principal and/or interest and/or fee due on such Due Date with respect to such Pledged Security, determined in accordance with the assumptions specified in Section 1.02.

"Scheduled Preference Share Redemption Date" means the Payment Date in December 2046.

"SEC" means the United States Securities and Exchange Commission.

"Second Currency" has the meaning specified in Section 14.13.

"Section 3(c)(7) Notice" has the meaning specified in Section 10.10(b).

"Secured Obligations" has the meaning specified in the Granting Clause.

"Secured Parties" has the meaning specified in the Preliminary Statement of this Indenture.

"Securities Account" has the meaning specified in the UCC.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Securities Intermediary" has the meaning specified in the UCC.

"Security" has the meaning specified in the UCC.

"Security Entitlement" has the meaning specified in the UCC.

"Securityholder" means a Holder.

"Senior Collateral Advisory Fee" means the fee payable to the Collateral Advisor in arrears on each Payment Date in an amount equal to 0.25% per annum of the Quarterly Asset Amount for such Payment Date, provided that (i) the Senior Collateral Advisory Fee shall be payable on each Payment Date only to the extent of funds available for such purpose in accordance with the Priority of Payments and (ii) the Senior Collateral Advisory Fee shall cease to accrue from the date on which the Reinvestment Period is suspended pursuant to Section 12.03(c)(ii). Any unpaid Senior Collateral Advisory Fee that is deferred due to the operation of the Priority of Payments shall accrue interest for each Interest Period at a per annum rate equal to LIBOR as in effect for such Interest Period. Any Senior Collateral Advisory Fee accrued but not paid prior to the resignation or removal of a Collateral Advisor shall continue to be payable to such Collateral Advisor on the Payment Date immediately following the effectiveness of such resignation or removal.

"Servicer" means, with respect to any Collateral Debt Security, the entity (howsoever described in the applicable Underlying Instruments) that, absent any default, event of default or similar condition (however described), is primarily responsible for managing, servicing, monitoring and otherwise administering the cash flows from which payments to investors in such Collateral Debt Security are made.

"Share Register" means the register maintained by Maples Finance Limited pursuant to the Preference Share Paying Agency Agreement for the registration of the Ordinary Shares and the Preference Shares and the registration of transfers of Ordinary Shares and Preference Shares.

"Share Registrar" means Maples Finance Limited, solely in its capacity as Share Registrar under the Preference Share Paying Agency Agreement, unless a successor Person shall have become the Share Registrar pursuant to the applicable provisions of the Preference Share Paying Agency Agreement, in which case the Share Registrar shall thereafter mean such successor Person.

"Share Trustee" means Maples Finance Limited, a licensed trust company incorporated in the Cayman Islands that holds all of the outstanding Ordinary Shares of the Issuer under the terms of a declaration of trust.

"Similar Law" means any Federal, state or local law with provisions similar to those of Title I of ERISA or Section 4975 of the Code.

"Special-Majority-in-Interest of Preference Shareholders" means, at any time, Preference Shareholders who in the aggregate own more than 66-2/3% of the Preference Shares Outstanding at such time.

"Special Redemption" has the meaning specified in Section 9.07

"Special Redemption Amount" has the meaning specified in Section 9.07

"Special Redemption Date" has the meaning specified in Section 9.07

"Specified Change" means any amendment or waiver of, or supplement to, an Underlying Instrument governing or relating to a Collateral Debt Security that (a) reduces the principal amount of such Collateral Debt Security, (b) reduces the rate of interest or any fee payable on such Collateral Debt Security, (c) postpones the Due Date of any Scheduled Distribution in respect of such Collateral Debt Security, (d) alters the *pro rata* allocation or sharing, or the relative priorities, of Scheduled Distributions required by such Underlying Instrument, (e) releases any material guarantor of such Collateral Debt Security from such guarantor's obligations, (f) terminates or releases any material lien or security interest securing such Collateral Debt Security or (g) changes any of the provisions of such Underlying Instrument specifying the number or percentage of lenders or holders required to effect any of the foregoing, provided that any amendment, waiver or supplement referred to in any of clauses (a) through (g) shall constitute a "Specified Change" only to the extent the Issuer would be affected thereby.

"Specified Currency" has the meaning specified in Section 14.13.

"Specified Person" has the meaning specified in Section 2.05.

"Specified Place" has the meaning specified in Section 14.13.

"Specified Type" means any Asset-Backed Security that is an ABS Type Residential Security.

"Spread Excess" means, as of the Closing Date, a fraction (expressed as a percentage), the numerator of which is equal to the product of (a) the excess, if any, of the Weighted Average Spread for the Closing Date over the Designated Spread and (b) the Aggregate Principal Balance of all Floating

Rate Securities (excluding Defaulted Securities and Deferred Interest PIK Bonds) and the denominator of which is the Aggregate Principal Balance of all Fixed Rate Securities (excluding Defaulted Securities and Deferred Interest PIK Bonds). In computing the Spread Excess, the Weighted Average Spread shall be computed as if the Fixed Rate Excess were equal to zero.

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

"Standard & Poor's CDO Monitor" means the dynamic analytical computer model developed by Standard & Poor's and used to estimate default risk of Collateral Debt Securities and provided to the Collateral Advisor and the Trustee on or before the Effective Date, as it may be modified by Standard & Poor's from time to time and provided to the Collateral Advisor and the Trustee following the Effective Date.

"Standard & Poor's CDO Monitor Test" means a test that will be satisfied on any Measurement Date if, after giving effect to the purchase or sale of a Collateral Debt Security (or both), as the case may be, (i) the Class A Default Differential, the Class B Default Differential, the Class X Default Differential, the Class C Default Differential, the Class D Default Differential and the Class E Default Differential of the of the Proposed Portfolio is positive or (ii) the Class A Default Differential, the Class B Default Differential, the Class X Default Differential, the Class C Default Differential, the Class D Default Differential and the Class E Default Differential of the Proposed Portfolio is greater than the Class A Default Differential, the Class B Default Differential, the Class X Default Differential, the Class C Default Differential, the Class D Default Differential and the Class E Default Differential, respectively, of the Current Portfolio.

"Standard & Poor's Minimum Weighted Average Recovery Rate Test" means a test that will be satisfied as of any Measurement Date if the Standard & Poor's Weighted Average Recovery Rate is greater than or equal to 16.5% as of any Measurement Date.

"Standard & Poor's Rating" has the meaning specified on the Standard & Poor's Rating Schedule.

"Standard & Poor's Rating Schedule" means Schedule F.

"Standard & Poor's Recovery Rate" means, with respect to a Collateral Debt Security, the recovery rate for such security as determined pursuant to clause (b) of the term "Applicable Recovery Rate".

"Standard & Poor's Weighted Average Recovery Rate" means, as of any Measurement Date, a rate expressed as a percentage equal to the number obtained by (i) *multiplying* the Principal Balance of each Collateral Debt Security (other than a Defaulted Security) by its Standard & Poor's Recovery Rate, (ii) *summing* the amounts obtained in clause (i) on such date, (iii) *dividing* the sum obtained in clause (ii) by the Aggregate Principal Balance of all Collateral Debt Securities (other than Defaulted Securities) in the Collateral as of such date, (iv) *multiplying* the result by 100 and (v) *rounding up* to the first decimal place. For this purpose, the Principal Balance of a Deferred Interest PIK Bond shall be deemed to be equal to its outstanding principal amount excluding any capitalized interest thereon.

"Stated Maturity" means, with respect to (a) any security (other than a Note or Preference Share) the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, (b) any repurchase obligation, the repurchase date thereunder on which the

final repurchase obligation thereunder is due and payable (or, with respect to a repurchase obligation the repurchase price of which is payable upon the demand of the Issuer, the first date on which the Issuer may demand such payment) and (c) any Note, the Payment Date in December 2046.

"Step-Up Bond" means a security that by the terms of the related Underlying Instrument provides for an increase, 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-Up Bond shall not include any such security providing for payment of a constant rate of interest at all times after the date of acquisition by the Issuer. In calculating any Coverage Test or Collateral Quality Test defined herein by reference to the spread (in the case of a floating rate Step-Up Bond) or coupon (in the case of a fixed rate Step-Up Bond) of a Step-Up Bond, the spread or coupon on any date shall be deemed to be the spread or coupon stated to be payable in Cash and in effect on such date.

"Structuring Agent" means ICP Securities, LLC, in its capacity as structuring agent under the Structuring Agent Agreement.

"Structuring Agent Agreement" means the Structuring Agent Agreement, dated as of October 19, 2006, between the Issuer and the Structuring Agent, as amended from time to time in accordance with the terms thereof.

"Subordinate Interests" has the meaning specified in Section 13.01(a), (b), (c), (d), (e), or (f), as applicable.

"Subordinated Collateral Advisory Fee" means the fee payable to the Collateral Advisor in arrears on each Payment Date in an amount equal to 0.15% per annum of the Quarterly Asset Amount for such Payment Date, provided that the Subordinated Collateral Advisory Fee shall be payable on each Payment Date only to the extent of funds available for such purpose in accordance with the Priority of Payments. Any unpaid Subordinated Collateral Advisory Fee that is deferred due to the operation of the Priority of Payments or by election of the Collateral Advisor shall accrue interest for each Interest Period at a per annum rate equal to LIBOR as in effect for such Interest Period. Any Subordinated Collateral Advisory Fee accrued but not paid prior to the resignation or removal of a Collateral Advisor shall continue to be payable to such Collateral Advisor on the Payment Date immediately following the effectiveness of such resignation or removal.

"Subordinated Structuring Agent Fee" means the fee payable to the Structuring Agent in arrears on each Payment Date in an amount equal to 0.15% per annum of the Quarterly Asset Amount for such Payment Date, provided that the Subordinated Structuring Agent Fee shall be payable on each Payment Date only to the extent of funds available for such purpose in accordance with the Priority of Payments. Any unpaid Subordinated Structuring Agent Fee that is deferred due to the operation of the Priority of Payments shall accrue interest for each Interest Period at a per annum rate equal to LIBOR as in effect for such Interest Period in accordance with the Structuring Agent Agreement.

"Subordinated Termination Event" means an "event of default" as to which any Hedge Counterparty is the sole "defaulting party" or a "termination event" (other than "illegality" or "Tax Event") as to which the Hedge Counterparty is the sole "affected party" (with all such terms to have the definitions set forth in the Hedge Agreement).

"Subpool" means each of the groups of Collateral Debt Securities designated by the Auction Agent in accordance with the Auction Procedures on which Eligible Bidders may provide a separate bid in an Auction.

"Subscription Agreement" means each of the subscription agreements and representation letters, each dated on or prior to the Closing Date, between the Issuer and the respective initial purchaser of Preference Shares named on the signature page thereof, as modified and supplemented and in effect from time to time.

"Synthetic Security" means a registered Dollar denominated swap transaction, credit linked note, security, security issued by a trust or similar vehicle or other investment which the Issuer purchases from, or enters into with, a Synthetic Security Counterparty,

(a) provided that:

(i) such security has returns linked to credit performance of a Reference Obligor or one or more Reference Obligations and the Issuer is the seller of the credit protection in respect of such Reference Obligation;

(ii) such security provides for payment in Cash or one or more Deliverable Obligations (except that the deliverable obligation may be a Defaulted Security) in settlement of such synthetic security;

(iii) such security contains a probability of default, recovery upon default (or a specific percentage of par not less than the principal balance thereof *multiplied* by the recovery rate therefor) and expected loss characteristics closely correlated (as determined by the Collateral Advisor) to a Reference Obligation, but which may provide for different maturity, interest rate, payment dates or other non-credit characteristics than such Reference Obligation;

(iv) such security does not require the Issuer to make any payment to the Synthetic Security Counterparty after the initial purchase thereof by the Issuer (other than amounts, if any, pledged to the Trustee and deposited in the related Synthetic Security Counterparty Account by the Issuer on the date of purchase of such investment or termination payments);

(v) such security is classified as debt for U.S. Federal income tax purposes;

(vi) the holding of such security will not subject the Issuer to U.S. Federal income tax or cause the Issuer to be treated as engaged in a trade or business within the United States for U.S. Federal income tax purposes;

(vii) no amounts receivable by the Issuer from the Synthetic Security Counterparty will be subject to withholding tax, unless the Synthetic Security Counterparty is required to make additional "gross up" payments sufficient to reimburse the Issuer fully, on an after-tax basis, for any withholding tax imposed at any time on payments made to the Issuer with respect thereto; and

(viii) such security contains appropriate and customary non-petition and limited recourse provisions;

(b) for which the Collateral Advisor has been notified in writing of the Moody's Rating and the Moody's Recovery Rate assigned to such synthetic security by Moody's and the Standard

& Poor's Rating and the Standard & Poor's Recovery Rate assigned to such synthetic security by Standard & Poor's; and

(c) for which the Rating Condition shall have been satisfied if such synthetic security is not a Form-Approved Synthetic Security.

Unless otherwise specified by either Rating Agency at the time of the Issuer's purchase of the Synthetic Security, a Synthetic Security shall be deemed to have the characteristics of the Synthetic Security (and not the Reference Obligation) for purposes of:

(a) the Coverage Tests; and

(b) the Moody's Maximum Weighted Average Rating Factor Test, the Weighted Average Coupon Test, the Weighted Average Life Test, the Weighted Average Spread Test and the Standard & Poor's CDO Monitor Test (other than with respect to industry classification).

Unless otherwise specified by either Rating Agency at the time of the Issuer's purchase of the Synthetic Security, a Synthetic Security shall be deemed to have the characteristics of the Reference Obligation (and not the Synthetic Security) for purposes of:

(a) the Standard & Poor's CDO Monitor Test (with respect to industry classification);

(b) the Moody's Asset Correlation Test; and

(c) the Concentration Limitations (other than in respect of clause (3) of the definition thereof).

The interest rate or coupon of a fixed rate Synthetic Security shall be a fraction, expressed as a percentage and annualized, the numerator of which is the current stated periodic payments scheduled to be received by the Issuer from the related Synthetic Security Counterparty and the denominator of which is the notional balance of such Synthetic Security. The interest rate or spread of a floating rate Synthetic Security shall be a fraction, expressed as a percentage and annualized, the numerator of which is the current stated periodic spread over LIBOR scheduled to be received by the Issuer from the related Synthetic Security Counterparty and the denominator of which is the notional balance of such Synthetic Security.

"Synthetic Security Collateral" has the meaning specified in the Granting Clause hereof and meeting the criteria specified in Section 10.07.

"Synthetic Security Counterparty" means any entity required to make payments on a Synthetic Security to the Issuer.

"Synthetic Security Counterparty Account" means, if and to the extent that any Synthetic Security requires the Issuer to secure its obligations with respect to such Synthetic Security, the segregated trust account established by the Trustee acting as collateral agent for the benefit of the related Synthetic Security Counterparty pursuant to Section 10.07 in respect of each such Synthetic Security.

"Synthetic Security Issuer Account" means, if and to the extent that any Synthetic Security requires the Synthetic Security Counterparty to secure its obligations with respect to such Synthetic Security, the segregated trust account, established pursuant to Section 10.08 in accordance with

a Synthetic Security Issuer Account Agreement, held in the name of the Issuer and subject to the lien of the Trustee.

"Synthetic Security Issuer Account Agreement" means an agreement in form and substance acceptable to the Collateral Advisor with respect to collateral required to secure the obligations of a Synthetic Security Counterparty in accordance with Section 10.08.

"Tax Event" means an event that will occur if, whether or not as a result of any change in applicable law or regulation or interpretation thereof, (i) any obligor is, or on the next scheduled payment date under any Collateral Debt Security any obligor will be, required to deduct or withhold from any payment under any Collateral Debt Security to the Issuer an amount for or on account of any tax, and such obligor is not, or will not be, required to pay to the Issuer such additional amount as is necessary to ensure that the net amount actually received by the Issuer (free and clear of taxes, whether assessed against such obligor or the Issuer) will equal the full amount that the Issuer would have received had no such deduction or withholding occurred, (ii) the Issuer, any Hedge Counterparty or a Synthetic Security Counterparty is required to deduct or withhold from any payment under any Hedge Agreement or a Synthetic Security an amount for or on account of any tax (without regard to whether the Issuer, such Hedge Counterparty or Synthetic Security Counterparty is obligated to make a gross-up payment) or (iii) any net-basis tax measured by or based on the income of the Issuer or the Co-Issuer is imposed on the Issuer or the Co-Issuer by any jurisdiction.

"Tax Materiality Condition" means a condition that will be satisfied with respect to any Due Period if the Issuer, the Collateral Advisor or (i) the holders of at least a majority of the Aggregate Outstanding Amount of any Class of Notes that, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate amount of principal and interest otherwise payable to such Class on any Payment Date or (ii) a Majority-in-Interest of Preference Shareholders, certify (or deliver an opinion of counsel) to the Trustee that, as a result of all Tax Events that have occurred in such Due Period, the aggregate amounts deducted or withheld for or on account of any tax by all obligors from any payments under the Collateral Debt Securities (net of any gross-up payment made by such obligors to the Issuer), from all Hedge Counterparties and Synthetic Security Counterparties (net of any gross-up payments made by them to the Issuer), gross up payments made by the Issuer, and tax paid by the Issuer on its net income equals or exceeds three percent or more of the aggregate interest payments on all of the Collateral Debt Securities during the related Due Period.

"Tax Redemption" has the meaning specified in Section 9.01(a)(ii).

"Total Senior Redemption Amount" has the meaning specified in Section 9.01(b).

"Transaction Documents" means the Notes, this Indenture, the Preference Share Paying Agency Agreement, the Insurance Agreement, the Credit Enhancement, the Premium Letter, the Account Control Agreement, the Hedge Agreements, the Collateral Advisory Agreement, the Administration Agreement, the Collateral Administration Agreement, the Placement Agency Agreement, the Paying Agency Agreement, the Structuring Agent Agreement, any Subscription Agreement and any agreement entered into in accordance with Section 7.08(f).

"Transfer Agent" means the Person or Persons, which may be the Issuer, authorized by the Issuer to exchange or register the transfer of Notes.

"Trustee" means The Bank of New York Trust Company, National Association a national banking association with trust powers organized and existing under the laws of the United States of

America, solely in its capacity as trustee hereunder, unless a successor Person shall have become the Trustee pursuant to the applicable provisions of this Indenture, and thereafter Trustee shall mean such successor Person.

"Trust Officer" means, when used with respect to the Trustee (or the Bank in other capacities under the Transaction Documents), any officer within the CDO Business Unit of the Corporate Trust Office (or any successor group of the Trustee) authorized to act for and on behalf of the Trustee, including any managing director, director, vice president, assistant vice president or other officer of the Trustee customarily performing functions similar to those performed by the Persons who at the time shall be such Officers, respectively, or to whom any corporate trust matter is referred within the CDO Business Unit of the Corporate Trust Office because of such Person's knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Indenture.

"UCC" means the Uniform Commercial Code as in effect from time to time in the state of New York (or, if applicable, the District of Columbia), or, if pursuant to the choice of law provisions of the Uniform Commercial Code, a version thereof as in effect in another jurisdiction applies, then "UCC" means the version as if effect in such other jurisdiction.

"Uncertificated Security" has the meaning specified in the UCC.

"Underlying Instruments" means the indenture, pooling agreement, servicing agreement or other agreement (howsoever described) pursuant to which a Pledged Security has been issued or created and each other agreement that governs the terms of or secures the obligations represented by such Pledged Security or of which the holders of such Pledged Security are the beneficiaries.

"United States" and "U.S." means the United States of America, including the States thereof and the District of Columbia.

"United States Government Securities" means direct obligations of, and obligations fully guaranteed by, the United States of America, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, or any agency or instrumentality of the United States of America, the obligations of which are backed by the full faith and credit of the United States of America.

"Unregistered Securities" has the meaning specified in Section 5.17(c).

"Unused Proceeds" means, at any time, the net proceeds received by the Issuer on the Closing Date from the initial issuance of the Notes and the Preference Shares plus any payments received from any Hedge Counterparty on the Closing Date, to the extent such proceeds have not been deposited in the Expense Account in accordance with Section 10.04(a) or invested in Collateral Debt Securities in accordance with the terms of this Indenture including the deposit of any required amounts in a Synthetic Security Counterparty Account.

"Unused Proceeds Account" has the meaning specified in Section 10.05.

"USA PATRIOT Act" means The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. No. 107-56 (2001).

"U.S. Person" has the meaning given in Regulation S under the Securities Act.

"WARF Matrix" has the meaning specified in Schedule G.

"Weighted Average Coupon" means, as of any Measurement Date, the sum (rounded up to the next 0.001%) of (a) the number obtained by (i) *summing* the products obtained by *multiplying* (x) Current Interest Rate on each Collateral Debt Security that is a Fixed Rate Security (other than a Defaulted Security) *by* (y) the Principal Balance of such Collateral Debt Security and (ii) *dividing* such sum *by* the aggregate Principal Balance of all Collateral Debt Securities that are Fixed Rate Securities (excluding all Defaulted Securities) *plus* (b) if such sum of the numbers obtained pursuant to clause (a) is less than the Designated Fixed Rate on such date, the Spread Excess, if any, as of such Measurement Date.

"Weighted Average Coupon Test" means a test that is satisfied (i) on the Closing Date if the Weighted Average Coupon is equal to or greater than 5.95% on such date, (ii) on the Ramp-Up Test Date if the Weighted Average Coupon is equal to or greater than 5.95% on such date and (iii) on any Measurement Date thereafter if the Weighted Average Coupon is equal to or greater than the Designated Fixed Rate on such date.

"Weighted Average Life" means, on any Measurement Date, with respect to any Collateral Debt Securities that are not Defaulted Securities, the number obtained by (a) *summing* the products obtained by multiplying (a) the Average Life at such time of each Collateral Debt Security that is not a Defaulted Security by (b) the outstanding Principal Balance of such Collateral Debt Security and (ii) *dividing* such sum by the Aggregate Principal Balance at such time of all Collateral Debt Securities that are not Defaulted Securities.

"Weighted Average Life Test" means a test that is satisfied (i) on the Closing Date if the Weighted Average Life of all Collateral Debt Securities as of the Closing Date is less than or equal to 7 years, (ii) on the Ramp-Up Test Date if the Weighted Average Life of all Collateral Debt Securities as of the Closing Date is less than or equal to 7 years and (iii) on any Measurement Date thereafter if the Weighted Average Life of all Collateral Debt Securities as of such Measurement Date is less than or equal to the number of years (including any fraction of a year) between such date and December 3, 2013.

"Weighted Average Spread" means, as of any Measurement Date, the sum (rounded up to the next 0.001%), of (a) the number obtained by (i) *summing* the products obtained by multiplying (x) the stated spread above LIBOR at which interest accrues on each Collateral Debt Security that is a Floating Rate Security (other than a Defaulted Security) as of such date by (y) the Principal Balance of such Collateral Debt Security as of such date, and (ii) *dividing* such sum by the Aggregate Principal Balance of all Collateral Debt Securities that are Floating Rate Securities (excluding all Defaulted Securities) plus (b) if such sum of the numbers obtained pursuant to clause (a) is less than the Designated Spread, the Fixed Rate Excess, if any, as of such date minus (c) if the Spread Excess is applied to the calculation of Weighted Average Coupon on such date, the excess of the Weighted Average Spread (without giving effect to this clause (c)) over the Designated Fixed Rate.

"Weighted Average Spread Test" means a test that is satisfied (i) on the Closing Date if the Weighted Average Spread is equal to or greater than 2.75% on such date, (ii) on the Ramp-Up Test Date if the Weighted Average Spread is equal to or greater than 2.75% on such date and (iii) on any Measurement Date thereafter if the Weighted Average Spread is equal to or greater than the Designated Spread on such date.

"Written-Down Security" means any Collateral Debt Security as to which the Aggregate Principal Balance of such Collateral Debt Security and all other securities secured by the same pool of collateral that rank *pari passu* with or senior in priority of payment to such Collateral Debt Security exceeds the aggregate par amount (including reserved interest or other amounts available for

overcollateralization) of all collateral securing such securities (excluding defaulted collateral which has been charged off) as determined by the Collateral Advisor using customary procedures and information available in the servicer reports received by the Trustee relating to such Written-Down Security; *provided* that, for purposes of the Overcollateralization Tests, in the event the Moody's rating of any Written-Down Security has been reduced below "Caa3" or the Standard & Poor's rating of any Written-Down Security has been reduced below "CCC-", such Written-Down Security will instead be treated as a "Defaulted Security' unless the Collateral Advisor elects not to treat such Written-Down Security as a Defaulted Security and the Rating Condition is satisfied with respect to such treatment.

"Zero Coupon Bond" means a security (other than a Step-Up Bond) that, pursuant to the terms of its Underlying Instruments, on the date on which it is purchased by the Issuer does not provide for periodic payment of interest or provides that all payments of interest will be deferred until the final maturity thereof.

Section 1.02 Assumptions as to Collateral Debt Securities, Etc.

(a) The provisions set forth in this Section 1.02 shall be applied in connection with all calculations required to be made pursuant to this Indenture with respect to Scheduled Distributions on any Pledged Security, or any payments on any other assets included in the Collateral, and with respect to the income that can be earned on Scheduled Distributions on such Pledged Securities and on any other amounts that may be received for deposit in the Collection Accounts.

(b) All calculations with respect to Scheduled Distributions on the Pledged Securities securing the Notes and any determination of the Average Life of any Collateral Debt Security, and any determination of the rate at which interest accrues on any Pledged Security, shall be made using (in the case of the Collateral Debt Securities) the assumptions that (i) no Pledged Security that is not a Defaulted Security defaults or is sold, (ii) prepayment of any Pledged Security during any month occurs at a rate equal to the average rate of prepayment (expressed as a percentage of the applicable pricing prepayment curve calculated as of the last Determination Date) during the period of six consecutive months immediately preceding the current month (or, with respect to any Pledged Security that has not been outstanding for at least six consecutive calendar months, at the rate of prepayment assumed at the time of issuance of such Pledged Security in the offering or other marketing materials distributed to prospective investors in connection therewith), (iii) any clean-up call with respect to a Pledged Security will be exercised when economic to the Person or Persons entitled to exercise such call and (iv) no other optional redemption of any Pledged Security will occur except for those that have actually occurred or as to which irrevocable notice thereof shall have been given. To the extent they are not manifestly in error, any information or report received by the Collateral Advisor (other than those prepared by the Collateral Advisor), Collateral Administrator or the Trustee with respect to a Collateral Debt Security may be conclusively relied upon in making such calculations.

(c) For purposes of determining the Expected Available Interest Amount and compliance with the Coverage Tests, except as otherwise specified in the Coverage Tests, there shall be excluded all Scheduled Distributions (whether of principal, interest, fees or other amounts) including payments to the Issuer in respect of Defaulted Securities or Deferred Interest PIK Bonds, as to which the Collateral Advisor has determined in its commercially reasonable business judgment will not be made in Cash or will not be received when due. For purposes of calculating each Interest Coverage Ratio:

(i) the expected interest income on Collateral Debt Securities and Eligible Investments and the expected amounts available under the Hedge Agreements and the expected interest

payable on the Notes and amounts, if any, payable under the Hedge Agreements will be calculated using the interest rates applicable thereto on the applicable Measurement Date;

(ii) accrued original issue discount on an Eligible Investment will be deemed to be a scheduled interest payment thereon due on the date such original issue discount is scheduled to be paid; and

(iii) it will be assumed that no principal payments are made on the Notes during the Due Period in which such Measurement Date occurs.

(d) For each Due Period, the Scheduled Distribution on any Pledged Security (other than (i) a Defaulted Security or (ii) an Equity Security, which in each case, except as otherwise provided herein, shall be assumed to have a Scheduled Distribution of zero) shall be the sum (without duplication) of (x) the total amount of payments and collections in respect of such Pledged Security (including the proceeds of the sale of such Pledged Security received during such Due Period and not reinvested in Collateral Debt Securities or retained in the Principal Collection Account for subsequent reinvestment pursuant to Section 12.02) that, if paid as scheduled, will be available in the Collection Accounts at the end of the Due Period for payment on the Notes and of certain expenses of the Issuer and the Co-Issuer plus (y) any such amounts received in prior Due Periods that were not disbursed on a previous Payment Date (provided that such sum shall be computed without regard to any amounts excluded from the determination of compliance with the Coverage Tests pursuant to Section 1.02(c)).

(e) Subject to Section 1.02(c), each Scheduled Distribution receivable with respect to a Pledged Security shall be assumed to be received on the applicable Due Date, and each such Scheduled Distribution shall be assumed to be immediately deposited in the Interest Collection Account or the Principal Collection Account, as the case may be, and, except as otherwise specified, to earn interest at the Assumed Reinvestment Rate. All such funds shall be assumed to continue to earn interest until the date on which they are required to be available in the Collection Accounts for transfer to the Payment Account and application, in accordance with the terms hereof, to payments of principal of or interest on the Notes or other amounts payable pursuant to this Indenture.

(f) With respect to any Collateral Debt Security as to which any interest or other payment thereon is subject to withholding tax of any Relevant Jurisdiction, each Scheduled Distribution thereon shall, for purposes of the Coverage Tests and the Collateral Quality Tests, be deemed to be payable net of such withholding tax unless the issuer thereof or obligor thereon is required to make additional payments sufficient on an after-tax basis to cover any withholding tax imposed on payments to the Issuer with respect thereto. On any date of determination, the amount of any Scheduled Distribution due on any future date shall be assumed to be made net of any such uncompensated withholding tax based upon withholding tax rates in effect on such date of determination.

(g) Any reference herein to the "Senior Collateral Advisory Fee" and "Subordinated Collateral Advisory Fee" to an amount calculated with respect to a period at a per annum rate shall be calculated on the basis of a year of 360 days and the actual number of days elapsed.

(h) For the purpose of determining any payment to be made on any Payment Date pursuant to any applicable clause of Section 11.01(a), any Coverage Test referred to in such clause shall be calculated as of the relevant Payment Date after giving effect to all payments to be made on such Payment Date prior to such payment in accordance with Section 11.01(a). In addition, for purposes of determining whether any Interest Coverage Test is satisfied pursuant to Section 11.01(a), if a payment of principal on any Class of Notes is to be made at the same level or at a more senior level in the Priority of

Payments, then the related Interest Coverage Ratio shall be calculated on a pro forma basis on the assumption that (i) such payment of principal had been made on the immediately preceding Payment Date and (ii) the Interest Payment Amount (and corresponding interest payment obligation) for such Class of Notes for the current Payment Date was correspondingly reduced to reflect the lower Aggregate Outstanding Amount of such Class of Notes.

(i) For the purpose of determining fees constituting Administrative Expenses payable under Section 11.01, periods longer or shorter than a three-month period shall be prorated based on the number of days in such period.

(j) Unless otherwise specified, all calculations required to be made and all reports which are to be prepared pursuant to this Indenture with respect to the Collateral Debt Securities, shall be made on the basis of the settlement date.

(k) Unless otherwise specified, test calculations that evaluate to a percentage will be rounded to the nearest one-hundredth of a per cent, and test calculations that evaluate to a number or decimal will be rounded to the nearest one-hundredth.

Section 1.03 Rules of Construction.

Unless the context otherwise clearly requires:

(a) the definitions of terms herein shall apply equally to the singular and plural forms of the terms defined;

(b) whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms;

(c) the words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation";

(d) the word "will" shall be construed to have the same meaning and effect as the word "shall";

(e) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein);

(f) any reference herein to any Person, or to any Person in a specified capacity, shall be construed to include such Person's permitted successors and assigns or such Person's permitted successors in such capacity, as the case may be;

(g) all references in this instrument to designated "Schedules," "Exhibits," "Sections," "clauses" and other subdivisions are to the designated Schedules, Exhibits, Sections, clauses and other subdivisions of this instrument as originally executed, and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Schedules, Exhibits, Sections, clauses or other subdivisions; and

(h) With respect to any statement in this Indenture relating to the confirmation, reduction or withdrawal of any rating of the Class A Notes, such statement shall, except as expressly set forth therein, be construed to mean such rating without giving effect to the Credit Enhancement (regardless of whether such rating is private or confidential).

ARTICLE II

THE NOTES

Section 2.01 Forms Generally.

(a) Notes offered and sold in reliance on Regulation S to non-U.S. Persons (each, a "Regulation S Note") shall be represented by a global Class A Note, a global Class B Note, a global Class X Note, a global Class C Note, a global Class D Note and a global Class E Note (a "Regulation S Global Class A Note," a "Regulation S Global Class B Note," a "Regulation S Global Class X Note," a "Regulation S Global Class C Note," a "Regulation S Global Class D Note," and a "Regulation S Global Class E Note," respectively, and, collectively, the "Regulation S Global Notes"), in each case in fully Registered Form without interest coupons substantially in the form of the note attached as Exhibit A-1 with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and such legends as may be applicable thereto, which shall be deposited with the Trustee as custodian for DTC and registered in the name of DTC or a nominee of DTC, duly executed by the Issuers and authenticated by the Trustee or the Authenticating Agent as hereinafter provided. The Aggregate Outstanding Amount of each Regulation S Global Note may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for DTC or its nominee, as the case may be.

(b) The Notes offered and sold to investors in the United States or to U.S. Persons pursuant to an exemption from the registration requirements of the Securities Act (the "Restricted Notes") will be represented by a global Class A Note, a global Class B Note, a global Class X Note, a global Class C Note, a global Class D Note and a global Class E Note (a "Restricted Global Class A Note," a "Restricted Global Class B Note," a "Restricted Global Class X Note," a "Restricted Global Class C Note," a "Restricted Global Class D Note," and a "Restricted Global Class E Note," respectively, and, collectively, the "Restricted Global Notes"), as applicable, in each case in fully Registered Form without interest coupons substantially in the form of the note attached as Exhibit A-2, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and such legends as may be applicable thereto, which shall be deposited with the Trustee as custodian for DTC and registered in the name of DTC or a nominee of DTC, duly executed by the Issuers and authenticated by the Trustee or the Authenticating Agent as hereinafter provided. The Aggregate Outstanding Amount of each Restricted Global Note may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for DTC or its nominee, as the case may be. Interests in Restricted Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants.

(c) Regulation S Global Notes and Restricted Global Notes may also be exchanged under the limited circumstances set forth in Section 2.04 for notes in definitive fully Registered Form without interest coupons, substantially in the form of the certificated note attached as Exhibit A-3 (each a "Definitive Note"), which may be either a Regulation S Definitive Note or a Restricted Definitive Note, with such legends as may be applicable thereto, which shall be duly executed by the Issuers and authenticated by the Trustee or the Authenticating Agent as hereinafter provided.

(d) The Issuers in issuing the Notes may use "CUSIP" or "private placement" numbers (if then generally in use), and, if so, the Trustee will indicate the "CUSIP" or "private placement" numbers of the Notes in notices of redemption and related materials as a convenience to Holders, provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of redemption and related materials.

(e) Unless otherwise specified, the Global Notes, upon original issuance, will be issued in the form of one or more typewritten Global Notes representing the book-entry Notes to be delivered to the Trustee, as agent for DTC, the initial Clearing Agency, by, or on behalf of, the Issuer, as indicated in Sections 2.01(a) and 2.01(b) above. Such Notes shall initially be registered on the Note Register in the name of Cede & Co., the nominee of the initial Clearing Agency, and no Holder shall receive a Definitive Note representing such Holder's interest in such Note, except as provided in Section 2.01(c) above.

Section 2.02 Authorized Amount; Note Interest Rate; Stated Maturity; Denominations.

(a) The aggregate principal amount of Notes which may be issued under this Indenture may not exceed U.S.$400,000,000, excluding Notes issued upon registration of, transfer of, or in exchange for, or in lieu of, other Notes pursuant to Section 2.04, Section 2.05 or Section 8.05.

(b) Such Notes shall be divided into Classes having designations, original principal amounts, original Note Interest Rates and Stated Maturities as follows:

Designation	Original Principal Amount	Note Interest Rate	Note Stated Maturity: the Payment Date in
Class A Notes	U.S.$275,000,000	LIBOR + 0.20	December 2046
Class B Notes	U.S.$15,000,000	LIBOR + 0.60	December 2046
Class X Notes	U.S.$10,000,000	LIBOR + 1.25	December 2046
Class C Notes	U.S.$20,000,000	LIBOR + 1.60	December 2046
Class D Notes	U.S.$40,000,000	LIBOR + 3.50	December 2046
Class E Notes	U.S.$40,000,000	LIBOR + 5.50	December 2046

The Notes will be issuable in minimum denominations of U.S.$500,000 and, in each case, only in integral multiples of U.S.$1,000 in excess of such minimum denominations. After issuance, a Note may fail to be in compliance with the minimum denomination or integral multiple requirements as a result of the repayment of principal thereof in accordance with the Priority of Payments.

(c) Interest shall accrue on the Aggregate Outstanding Amount of each Class of Notes (determined as of the first day of each Interest Period and after giving effect to any redemption or other payment of principal occurring on such day) from the Closing Date until such Notes are paid in full and will be payable in arrears on each Payment Date. Interest accruing for any Interest Period shall accrue for the period from and including the first day of such Interest Period to and including the last day of such Interest Period. Interest accrued with respect to the Notes, and interest on Defaulted Interest in respect thereof, shall be calculated on the basis of the actual number of days elapsed in the applicable Interest Period divided by 360. In the event that the date of any Payment Date, the Stated Maturity or any Redemption Date is not 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 with respect to the Notes, the Stated Maturity or any such Redemption Date, as the case may be. In the case of such a Payment Date, any interest accrued for the period from or after any such nominal date to the next succeeding Business Day will be payable on such Payment Date.

(d) The Notes shall be redeemable as provided in Article IX.

(e) The Depositary for the Global Notes shall initially be DTC.

(f) The Notes shall be numbered, lettered or otherwise distinguished in such manner as may be consistent herewith, determined by the Authorized Officers of the Issuers executing such Notes as evidenced by their execution of such Notes.

Section 2.03 Execution, Authentication, Delivery and Dating.

(a) The Notes shall be executed on behalf of the Issuers by an Authorized Officer of each of the Issuers. The signatures of such Authorized Officers on the Notes may be manual or facsimile (including in counterparts).

(b) Notes bearing the manual or facsimile signatures of individuals who were at any time the Authorized Officers of either of the Issuers shall bind such Person, notwithstanding the fact that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of issuance of such Notes.

(c) At any time and from time to time after the execution and delivery of this Indenture, the Issuers may deliver Notes executed by the Issuers to the Trustee or the Authenticating Agent for authentication, and the Trustee or the Authenticating Agent, upon Issuer Order, shall authenticate and deliver such Notes as provided in this Indenture and not otherwise.

(d) Each Note authenticated and delivered by the Trustee or the Authenticating Agent to or upon Issuer Order on the Closing Date shall be dated as of the Closing Date. All other Notes that are authenticated after the Closing Date for any other purpose under this Indenture shall be dated the date of their authentication.

(e) Notes issued upon transfer, exchange or replacement of other Notes shall be issued in authorized denominations reflecting the original aggregate principal amount of the Notes so transferred, exchanged or replaced but shall represent only the current Aggregate Outstanding Amount of the Notes so transferred, exchanged or replaced. In the event that any Note is divided into more than one Note in accordance with this Article II, the original principal amount of such Note shall be proportionately divided among the Notes delivered in exchange therefor and shall be deemed to be the original aggregate principal amount of such subsequently issued Notes.

(f) No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Note a certificate of authentication (the "Certificate of Authentication"), substantially in the form provided for herein, executed by the Trustee or by the Authenticating Agent by the manual signature of one of their Authorized Officers, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

(g) Book-Entry Provisions. This Section 2.03(g) and Section 7.21 shall apply only to Global Notes deposited with or on behalf of DTC.

The Issuers shall execute and the Trustee shall, in accordance with this Section 2.03(g), authenticate and deliver initially one or more Global Notes, as applicable, that (i) shall be registered in the name of the nominee of DTC for such Global Notes and (ii) shall be delivered by the Trustee to DTC or pursuant to DTC's instructions or held by the Trustee as custodian for DTC.

Depositary Participants shall have no rights under this Indenture with respect to any Global Note held on their behalf by the Trustee, as custodian for DTC or under the Global Note, as applicable, and DTC may be treated by the Issuers, the Trustee, and any agent of the Issuers or the Trustee as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuers, the Trustee, or any agent of the Issuers or the Trustee, from giving effect to any written certification, proxy or other authorization furnished by DTC or impair, as between DTC and the Depositary Participants, the operation of customary practices governing the exercise of the rights of a Holder of any Global Note.

(h) Certificated Notes. Except as provided in Section 2.04, owners of beneficial interests in Global Notes shall not be entitled to receive physical delivery of certificated Notes.

Section 2.04 Registration, Transfer and Exchange of Notes.

(a) Registration of Notes. The Trustee is hereby appointed as the registrar of the Notes (the "Note Registrar"). The Trustee is hereby appointed as a Transfer Agent with respect to the Notes. The Note Registrar shall keep, on behalf of the Issuer, a register (the "Note Register") for the Notes in its Corporate Trust Office in which, subject to such reasonable regulations as it may prescribe, the Note Registrar shall provide for the registration of and the registration of transfers of Notes. The Issuers may terminate the appointment of the Note Registrar or any Transfer Agent at any time. Neither the Note Registrar nor any Transfer Agent may resign its duties without a successor having been duly appointed. Upon any resignation or removal of the Note Registrar or any Transfer Agent, the Issuer (after consultation with the Collateral Advisor) shall promptly appoint a successor (which may be the Administrator) or, in the absence of such appointment, assume the duties of the Note Registrar or such Transfer Agent, as applicable.

Except as otherwise set forth in this Section 2.04, upon surrender for registration of transfer of any Notes at the office or agency of the Issuers to be maintained as provided in Section 7.02, the Issuers shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes of any authorized denomination and of a like aggregate principal amount.

At the option of a Holder, Notes of such Holder may be exchanged for Notes of like terms, in any authorized denominations and of like aggregate principal amount, upon surrender of the Notes to be exchanged at such office or agency. Whenever any Note is surrendered for exchange, the Issuers shall execute and the Trustee shall authenticate and deliver the Notes that the Noteholder making the exchange is entitled to receive.

All Notes issued and authenticated upon any registration of transfer or exchange of Notes shall be the valid obligations of the Issuers evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

Every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Issuers and the Note Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made to a Holder for any registration of transfer or exchange of Notes, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith and expenses of delivery (if any) not made by regular mail.

(b) Transfers of Notes.

(i) Subject to Section 2.04(b)(iv), exchanges or transfers of beneficial interests in a Global Note may be made only in accordance with the rules and regulations of the Depositary (and, in the case of a Regulation S Global Note, only to beneficial owners who are not U.S. residents in accordance with the rules and regulations of Euroclear or Clearstream, Luxembourg) and the transfer restrictions contained in the legend on such Global Note and exchanges or transfers of interests in a Global Note may be made only in accordance with the following:

(A) Subject to clauses (B) through (G) of this Section 2.04(b)(i), transfers of a Global Note shall be limited to transfers of such Global Note in whole, but not in part, to nominees of the Depositary or to a successor of the Depositary or such successor's nominee.

(B) The Trustee shall approve the instructions for the exchange or transfer of any beneficial interest in a Regulation S Global Note for a beneficial interest in a Restricted Global Note upon provision to the Trustee, the Note Registrar and the Issuers of a written certification substantially in the form of Exhibit C-1 (a "Rule 144A Note Transfer Certificate").

(C) The Trustee shall approve the instructions for the exchange or transfer of any beneficial interest in a Restricted Global Note for a beneficial interest in a Regulation S Global Note upon provision to the Trustee, the Note Registrar and the Issuers of a written certification substantially in the form of Exhibit C-2 (a "Regulation S Note Transfer Certificate").

(D) An owner of a beneficial interest in a Regulation S Global Note may transfer such interest in the form of a beneficial interest in such Regulation S Global Note without the provision of written certification (subject, in the case of the Class B Notes, to clause (G) of this Section 2.04(b)(i)), provided that such transfer is not made to a U.S. Person or for the account or benefit of a U.S. Person and is effected through Euroclear or Clearstream, Luxembourg in an offshore transaction as required by Regulation S. Each of the transferor and the transferee of such beneficial interest shall be deemed to represent (by its participation in such transfer) that it has complied with the transfer restrictions described in the legend that appears on the Regulation S Global Note.

(E) An owner of a beneficial interest in a Restricted Global Note may transfer such interest in the form of a beneficial interest in such Restricted Global Note without the provision of written certification (subject, in the case of the Class B Notes, to clause (G) of this Section 2.04(b)(i)), provided that (1) each of the transferor and the transferee of such beneficial interest shall be deemed to represent (by its participation in such transfer) that it has complied with the transfer restrictions described in the legend that appears on such Restricted Global Note and (2) such transfer is made to a Qualified Institutional Buyer that is also a Qualified Purchaser.

(F) In the event Definitive Notes are issued pursuant to Section 2.04(b)(v), the Trustee shall cause the transfer of (i) any beneficial interest in a Global Note for a Definitive Note that is a Regulation S Note (a "Regulation S Definitive Note"), upon provision to the Trustee and the Issuers of a Regulation S Note Transfer Certificate or (ii) any beneficial interest in a Global Note for a Definitive Note that is a Restricted Note (a "Restricted Definitive Note"), upon provision to the Trustee, the Issuers and the Note Registrar of a Rule 144A Note Transfer Certificate.

(ii) Subject to Section 2.04(b)(iv), in the event Definitive Notes are issued pursuant to Section 2.04(b)(v), the Trustee shall cause the transfer of (i) any Definitive Note for a beneficial interest in a Regulation S Global Note, upon provision to the Trustee and the Issuers of a Regulation S Note Transfer Certificate or (ii) any Definitive Note for a beneficial interest in a Restricted Global Note, upon provision to the Trustee and the Issuers of a Rule 144A Note Transfer Certificate.

(iii) Upon acceptance for exchange or transfer of a beneficial interest in a Global Note for a Definitive Note, or upon acceptance for exchange or transfer of a Definitive Note for a beneficial interest in a Global Note, each as provided herein, the Trustee shall adjust the principal amount of such Global Note on its records to evidence the date of such exchange or transfer and the change in the principal amount of such Global Note.

(iv) Subject to the restrictions on transfer and exchange set forth in this Section 2.04 and to any additional restrictions on transfer or exchange specified in the Definitive Notes, the Noteholder of any Definitive Note may transfer or exchange the same in whole or in part (in a principal amount equal to the minimum authorized denomination or any larger authorized amount) by surrendering such Definitive Note at its designated office for such purposes together with (x) in the case of any transfer, an executed instrument of assignment and (y) in the case of any exchange, a written request for exchange. Following a proper request for transfer or exchange, the Trustee shall (provided it has available in its possession an inventory of Definitive Notes), within five Business Days of such request authenticate and make available at such designated Corporate Trust Office, as the case may be, to the transferee (in the case of transfer) or Noteholder (in the case of exchange) or send by first class mail (at the risk of the transferee, in the case of transfer, or Noteholder, in the case of exchange) to such address as the transferee or Noteholder, as applicable, may request, a Definitive Note or Notes, as the case may require, for a like aggregate principal amount and in such authorized denomination or denominations as may be requested. The presentation for transfer or exchange of any Definitive Note shall not be valid unless made at the designated Corporate Trust Office by the registered Noteholder in person or by a duly authorized attorney-in-fact. Beneficial interests in Global Notes shall be exchangeable for Definitive Notes only under the limited circumstances described in Section 2.04(b)(v).

(v) Interests in a Global Note deposited with or on behalf of the Depositary pursuant to Section 2.01 shall be transferred (A) to the owners of such interests in the form of Definitive Notes only if such transfer otherwise complies with this Section 2.04 (including clauses (b)(i) and (b)(ii)) and (1) the Depositary notifies the Issuer that the Depositary is unwilling or unable to continue as Depositary for the Notes, (2) the Depositary ceases to be a "clearing agency" registered under the Exchange Act and a successor Depositary is not appointed by the Issuer within 90 days of such notice, (3) if the transferee of an interest in a Global Note is required by law to take physical delivery of securities in definitive form or (4) if the transferee is unable to pledge its interest in a Global Note or (B) to the purchaser thereof in the form of one or more Definitive Notes in accordance with the provisions of Section 2.04(b)(i).

(vi) If interests in any Global Note are to be transferred to the Beneficial Owners thereof in the form of Definitive Notes pursuant to Section 2.04(b)(v), such Global Note shall be surrendered by the Depositary, or its custodian on its behalf, to the office designated by the Trustee and the Trustee or an Authenticating Agent shall authenticate and deliver without charge, upon such transfer of interests in such Global Note, an equal aggregate principal amount of Definitive Notes of authorized denominations. The Definitive Notes transferred pursuant to this Section 2.04 shall be executed, authenticated and delivered only in the denominations specified in Section 2.02(b) and registered in such names as the Depositary shall direct in writing.

(vii) For so long as one or more Global Notes are Outstanding:

(A) the Trustee and its directors, Officers, employees and agents may deal with the Depositary for all purposes (including the making of distributions on, and the giving of notices with respect to, the Global Notes);

(B) unless otherwise provided herein, the rights of Beneficial Owners shall be exercised only through the Depositary and shall be limited to those established by law and agreements between such Beneficial Owners and the Depositary;

(C) the Depositary will make book-entry transfers among the Depositary Participants of the Depositary and will receive and transmit distributions of principal of and interest on the Global Notes to such Depositary Participants; and

(D) the Depositary Participants of the Depositary shall have no rights under this Indenture under or with respect to any of the Global Notes held on their behalf by the Depositary, and the Depositary may be treated by the Trustee and its agents, employees, officers and directors as the absolute owner of the Global Notes for all purposes whatsoever.

(viii) No Note may be sold or transferred (including, without limitation, by pledge or hypothecation) unless such sale or transfer is exempt from the registration requirements under applicable state securities laws and will not cause either of the Issuers or the pool of Collateral to become subject to the requirement that it register as an investment company under the Investment Company Act.

(c) Denominations; Flow-Through Investment Vehicles; Qualified Purchaser Status. No Person may hold a beneficial interest in any Note except in a denomination authorized for the Notes of such Class under Section 2.02(b). No transfer of a Note may be made to a Flow-Through Investment Vehicle other than a Qualifying Investment Vehicle. Any purported transfer that is not in compliance with this Section 2.04 or the legends on the Notes 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, the Depositary or any intermediary. If any purported transfer of Notes or any beneficial interest therein to a purported transferee does not comply with the requirements set forth in this Section 2.04 or the legends on the Notes, such purported transferor shall take, and shall cause such transferee to take, all action necessary or desirable, in the judgment of the Issuer, to ensure that such Notes or any beneficial interest therein are held by Persons in compliance therewith.

If either of the Issuers determines that any Beneficial Owner or Holder of a Restricted Note, at the time such Holder acquired the Note or a beneficial interest therein, was not both (1) a Qualified Institutional Buyer and (2) a Qualified Purchaser, the Issuers shall require, by notice to such Beneficial Owner or Holder, as the case may be, that such Beneficial Owner or Holder sell all of its right, title and interest to such Note (or interest therein) to a Person that is both (1) a Qualified Institutional Buyer and (2) a Qualified Purchaser with such sale to be effected within 30 days after notice of such sale requirement is given. If such Beneficial Owner or Holder fails to effect the transfer required within such 30-day period, (i) the Trustee shall (on behalf of and at the expense of the Issuer), and is hereby irrevocably authorized by such Beneficial Owner or Holder, as the case may be, to cause its interest in such Note to be transferred in a commercially reasonable sale (conducted by an investment bank selected by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a Person identified to the Trustee by the Issuers or the Collateral Advisor, in connection with such transfer, that is both (1) a Qualified Institutional Buyer and (2) a Qualified

Purchaser and (ii) pending such transfer, no further payments will be made in respect of such Note (or beneficial interest therein) held by such Holder or Beneficial Owner and such Note shall be deemed not to be Outstanding for the purpose of any vote or consent of the Noteholders. As used in this paragraph, the term "U.S. Person" has the meaning given such term in Regulation S under the Securities Act.

If either of the Issuers determines that any Beneficial Owner or Holder of a Regulation S Note was a U.S. Person at the time the Holder acquired such Note or a beneficial interest therein, the Issuers shall require, by notice to such Beneficial Owner or Holder, as the case may be, that such Beneficial Owner or Holder sell all of its right, title and interest to such Note (or interest therein) to a Person that is not a U.S. Person (or a Person that will acquire such Notes in the form of Restricted Notes and certifies that it is both (1) a Qualified Institutional Buyer and (2) a Qualified Purchaser) with such sale to be effected within 30 days after notice of such sale requirement is given. If such Beneficial Owner or Holder fails to effect the transfer required within such 30-day period, (i) the Trustee shall (on behalf of and at the expense of the Issuer), and is hereby irrevocably authorized by such Beneficial Owner or Holder, as the case may be, to cause its interest in such Note to be transferred in a commercially reasonable sale arranged by the Trustee (conducted by an investment bank selected by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a Person that certifies to the Trustee, the Issuers and the Collateral Advisor, in connection with such transfer, that such Person that is not a U.S. Person (or a Person that will acquire such Notes in the form of Restricted Notes and certifies that it is both (1) a Qualified Institutional Buyer and (2) a Qualified Purchaser) and (ii) pending such transfer, no further payments will be made in respect of such Note (or beneficial interest therein) held by such Holder or Beneficial Owner and such Note shall be deemed not to be Outstanding for the purpose of any vote or consent of the Noteholders. As used in this paragraph, the term "U.S. Person" has the meaning given such term in Regulation S under the Securities Act.

(d) Legends. Any Note issued upon the transfer, exchange or replacement of Notes shall bear such applicable legend set forth in the relevant Exhibit hereto unless there is delivered to each of the Trustee, the Note Registrar, the Collateral Advisor, the Issuer and the Co-Issuer such satisfactory evidence, which may include an Opinion of Counsel, as may be reasonably required by any of the Trustee, the Note Registrar, the Collateral Advisor, the Issuer and the Co-Issuer to the effect that neither such applicable legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with any applicable law or regulation (including, without limitation the provisions of Rule 144A, Regulation S under the Securities Act or Section 4(2) thereunder, as applicable, or the Investment Company Act) and to ensure that neither of the Issuers nor the pool of Collateral becomes an investment company required to be registered under the Investment Company Act. Upon provision of such satisfactory evidence, the Trustee (or, at the direction of the Trustee, the Authenticating Agent), at the direction of the Issuers shall authenticate and deliver Notes that do not bear such applicable legend.

(e) Expenses; Acknowledgment of Transfer. Transfer, registration and exchange shall be permitted as provided in this Section 2.04 without any charge to the Noteholder except for a sum sufficient to cover any tax or other governmental charge payable in connection therewith or the expenses of delivery (if any) not made by regular mail. Registration of the transfer of a Note by the Trustee shall be deemed to be the acknowledgment of such transfer on behalf of the Issuers.

(f) Surrender upon Final Payment. Upon final payment due on the Maturity of a Note, the Holder thereof shall present and surrender such Note at the designated office of the Trustee specified in Section 7.02 or at the office of any Paying Agent.

(g) Repurchase and Cancellation of Notes. The Issuers will not purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the Outstanding Notes except upon the redemption of the Notes in accordance with the terms of this Indenture and the Notes. The Issuers will promptly cancel all Notes acquired by them pursuant to any payment, purchase, redemption, prepayment or other acquisition of Notes pursuant to any provision of this Indenture, and no Notes may be issued in substitution or exchange for any such Notes.

(h) Compliance with Transfer Restrictions. Notwithstanding anything contained herein to the contrary, neither the Trustee nor the Note Registrar shall be responsible for ascertaining whether any transfer complies with the registration provisions of or exemptions from the Securities Act, applicable state securities laws, the rules of any Depositary, ERISA, the Code or the Investment Company Act, provided that, if a certificate is specifically required by the express terms of this Section 2.04 to be delivered to the Trustee or the Note Registrar by a purchaser or transferee of a Note, the Trustee or the Note Registrar, as the case may be, shall be under a duty to receive and examine the same to determine whether the certificate substantially complies on its face with the express terms of this Indenture and shall promptly notify the party delivering the same if such transfer does not comply with such terms. To the extent applicable to the Issuer or the Co-Issuer, the Issuer shall impose additional transfer restrictions to comply with the USA PATRIOT Act, and each Noteholder by acceptance of its Note is deemed to have agreed that it will comply with any such transfer restrictions. The Issuer shall notify the Trustee, the Note Registrar and the Holders of the imposition of any such transfer restrictions.

(i) Physical Notes. The Issuers will promptly make available to the Trustee without charge a reasonable supply of Definitive Notes in definitive, fully Registered Form, without interest coupons.

(j) ERISA Representation. Each transferee of a Note will be deemed to represent that either (i) it is not (and, for so long as it holds such Note or any interest therein, will not be), and is not investing on behalf of or with plan assets of (and, for so long as it holds such Note or any interest therein, will not be investing on behalf of or with the plan assets of) a Plan, or of an employee benefit plan subject to any Similar Law, or (ii) its purchase and ownership of the Notes is not a prohibited transaction or will be covered by a prohibited transaction class exemption issued by the U.S. Department of Labor or otherwise constitute an exempt prohibited transaction, or in the case of governmental plan or church plan or any other plan, will not result in a nonexempt violation of a Similar Law.

Each transferee of a Class E Note will be required to certify whether or not it is a Benefit Plan Investor or a Controlling Person. No transfer of Class E Notes will be effective, and neither the Issuer nor the Share Registrar will recognize any such transfer if, after giving effect to such transfer, 25% or more of the Class E Notes would be held by Benefit Plan Investors (disregarding Controlling Persons). If the Issuer or the Collateral Advisor (on behalf of the Issuer) determines at any time that Benefit Plan Investors own 25% or more of the Class E Notes as determined under Section 3(42) of ERISA, the Issuer may demand by written notice that any Benefit Plan Investor or Controlling Person shall sell all of its right, title and interest in or to such Class E Notes, including in accordance with Section 2.04(k).

(k) Disqualified Transferee. If the Trustee has actual knowledge or is notified in writing by the Issuer that (i) a transfer or attempted or purported transfer of any interest in any Note was not consummated in compliance with the provisions of this Section 2.04 on the basis of an incorrect form or certification from the transferee or purported transferee, (ii) a transferee failed to deliver to the Trustee any form or certificate required to be delivered hereunder, (iii) the holder of any interest in a Note is in breach of any representation or agreement set forth in any form or certificate or any deemed representation or agreement of such holder, (iv) such transfer would have the effect of causing the

Collateral to be deemed to be "plan assets" for purposes of ERISA or (v) such transfer would result in Benefit Plan Investors owning more than 25% or more of the Class E Notes as determined under Section 3(42) of ERISA, the Trustee shall not register such attempted or purported transfer and, if such transfer has already been registered, such transfer shall be null and void ab initio and shall vest no rights in the purported transferee (such purported transferee, a "Disqualified Transferee") and the last preceding holder of such interest in such Note that was not a Disqualified Transferee shall be restored to all rights as a Holder thereof retroactively to the date of transfer of such Note by such Holder. The purported transferor of such Note or beneficial interest therein shall take, and shall cause such transferee to take, all further action necessary or desirable, in the judgment of the Issuer, to ensure that such Note or any beneficial interest therein are held by Persons in compliance therewith. Nothing herein shall impose an affirmative obligation on the Trustee to investigate or make other inquiries as to whether a party is or is not a Disqualified Transferee.

In addition, the Issuer may require that the interest in a Note referred to in (i), (ii), (iii) or (v) in the preceding paragraph be transferred to any Person designated by the Issuer at a price determined by the Issuer based upon its estimation of the prevailing price of such interest, and each Holder, by acceptance of an interest in a Note, authorizes the Issuer to take such action. In any case, none of the Issuer or the Trustee will be held responsible for any losses that may be incurred as a result of any required transfer under this Section 2.04(k).

Section 2.05 Mutilated, Defaced, Destroyed, Lost or Stolen Notes.

If (a) any mutilated or defaced Note is surrendered to a Transfer Agent, or if there shall be delivered to the Issuers, the Trustee and the Transfer Agent (each, a "Specified Person") evidence to their reasonable satisfaction of the destruction, loss or theft of any Note and (b) there is delivered to the Specified Persons such security or indemnity as may reasonably be required by them to save each of them harmless, then, in the absence of notice to the Specified Persons that such Note has been acquired by a Protected Purchaser, the Issuers shall execute and shall direct the Trustee to authenticate, and upon Issuer Request the Trustee (or, at the direction of the Trustee, the Authenticating Agent) shall authenticate and deliver, in lieu of any such mutilated, defaced, destroyed, lost or stolen Note, a new Note of the same Class as such mutilated, defaced, destroyed, lost or stolen Note, of like tenor (including the same date of issuance) and equal principal amount, registered in the same manner, dated the date of such new Note's authentication, bearing interest from the date to which interest has been paid on the mutilated, defaced, destroyed, lost or stolen Note and bearing a number not contemporaneously outstanding.

If, after delivery of such new Note, a Protected Purchaser of the predecessor Note presents for payment, transfer or exchange such predecessor Note, the Specified Persons shall be entitled to recover such new Note from the Person to whom such Note was delivered or any Person taking therefrom and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Specified Persons in connection therewith.

In case any such mutilated, defaced, destroyed, lost or stolen Note has become due and payable, the Issuers in their discretion may, instead of issuing a new Note, pay such Note without requiring surrender thereof, except that any mutilated Note shall be surrendered.

Upon the issuance of any new Note under this Section 2.05, the Issuers, the Trustee or any Transfer Agent may require the payment by the registered Holder thereof of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Note issued pursuant to this Section 2.05 in lieu of any mutilated, defaced, destroyed, lost or stolen Note shall constitute an original additional contractual obligation of the Issuers, and such new Note shall be entitled, subject to the second paragraph of this Section 2.05, to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section 2.05 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, defaced, destroyed, lost or stolen Notes.

Section 2.06 Payment of Principal and Interest; Rights Preserved.

(a) Each Class of Notes shall accrue interest during each Interest Period applicable to such Class at the applicable Note Interest Rate specified in Section 2.02, which shall be calculated in accordance with such Section. Interest on each Class of Notes shall be due and payable on each Payment Date, provided that (i) payment of interest on the Class B Notes is subordinated to the payment on each Payment Date of the interest due and payable on the Class A Notes (together with Defaulted Interest thereon and any accrued interest on such Defaulted Interest, if any), (ii) payment of interest on the Class X Notes is subordinated to the payment on each Payment Date of the interest due and payable on the Class A Notes and the Class B Notes (together with Defaulted Interest thereon and any accrued interest on such Defaulted Interest, if any), (iii) payment of interest on the Class C Notes is subordinated to the payment on each Payment Date of the interest due and payable on the Class A Notes, the Class B Notes and the Class X Notes (together with Defaulted Interest thereon and any accrued interest on such Defaulted Interest, Class X Deferred Interest and interest on Class X Deferred Interest), (iv) payment of interest on the Class D Notes is subordinated to the payment on each Payment Date of the interest due and payable on the Class A Notes, the Class B Notes, the Class X Notes and the Class C Notes (together with Defaulted Interest thereon, any accrued interest on such Defaulted Interest, Class X Deferred Interest, interest on Class X Deferred Interest, Class C Deferred Interest and interest on Class C Deferred Interest), (v) payment of interest on the Class E Notes is subordinated to the payment on each Payment Date of the interest due and payable on the Class A Notes, the Class B Notes, the Class X Notes, the Class C Notes and the Class D Notes (together with Defaulted Interest thereon, any accrued interest on such Defaulted Interest, Class X Deferred Interest, interest on Class X Deferred Interest, Class C Deferred Interest, interest on Class C Deferred Interest Class D Deferred Interest and interest on Class D Deferred Interest), (vi) payment of Excess Interest in respect of the Preference Shares is subordinated to the payment on each Payment Date of the interest due and payable on the Class A Notes, the Class B Notes, the Class X Notes, the Class C Notes, Class D Notes and the Class E Notes (together with Defaulted Interest thereon, any accrued interest on such Defaulted Interest, Class X Deferred Interest, interest on Class X Deferred Interest, Class C Deferred Interest, interest on Class C Deferred Interest, Class D Deferred Interest, interest on Class D Deferred Interest, Class E Deferred Interest, and interest on Class E Deferred Interest), and (vii) payments of interest on all Notes and Excess Interest in respect of the Preference Shares are subordinated to the payment on each Payment Date of other amounts in accordance with the Priority of Payments.

So long as any Class A Notes or Class B Notes are Outstanding, any interest due on the Class X Notes which is not paid as a result of the operation of the Priority of Payments on any Payment Date shall not be considered "due and payable" for the purposes of Section 5.01(a) until the Payment Date on which such interest is available to be paid in accordance with the Priority of Payments and shall be added to the Aggregate Outstanding Amount of the Class X Notes. Class X Deferred Interest accrued to any Payment Date shall bear interest at the Note Interest Rate applicable to such Class X Notes and shall be payable on the first Payment Date on which funds are permitted to be used for such purpose in accordance with the Priority of Payments.

So long as any Class A Notes, Class B Notes, or Class X Notes are Outstanding, any interest due on the Class C Notes which is not paid as a result of the operation of the Priority of Payments on any Payment Date shall not be considered "due and payable" for the purposes of Section 5.01(a) until the Payment Date on which such interest is available to be paid in accordance with the Priority of Payments and shall be added to the Aggregate Outstanding Amount of the Class C Notes. Class C Deferred Interest accrued to any Payment Date shall bear interest at the Note Interest Rate applicable to such Class C Notes and shall be payable on the first Payment Date on which funds are permitted to be used for such purpose in accordance with the Priority of Payments.

So long as any Class A Notes, Class B Notes, Class X Notes or Class C Notes are Outstanding, any interest due on the Class D Notes which is not paid as a result of the operation of the Priority of Payments on any Payment Date shall not be considered "due and payable" for the purposes of Section 5.01(a) until the Payment Date on which such interest is available to be paid in accordance with the Priority of Payments and shall be added to the Aggregate Outstanding Amount of the Class D Notes. Class D Deferred Interest accrued to any Payment Date shall bear interest at the Note Interest Rate applicable to such Class D Notes and shall be payable on the first Payment Date on which funds are permitted to be used for such purpose in accordance with the Priority of Payments.

So long as any Class A Notes, Class B Notes, Class X notes, Class C Notes or Class D Notes are Outstanding, any interest due on the Class E Notes which is not paid as a result of the operation of the Priority of Payments on any Payment Date shall not be considered "due and payable" for the purposes of Section 5.01(a) until the Payment Date on which such interest is available to be paid in accordance with the Priority of Payments and shall be added to the Aggregate Outstanding Amount of the Class E Notes. Class E Deferred Interest accrued to any Payment Date shall bear interest at the Note Interest Rate applicable to such Class E Notes and shall be payable on the first Payment Date on which funds are permitted to be used for such purpose in accordance with the Priority of Payments.

(b) The principal of each Note shall be payable no later than the Stated Maturity thereof unless the unpaid principal of such Note becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise, provided that, (i) so long as any Class A Notes are Outstanding, except as provided in Article IX and the Priority of Payments, the payment of principal of the Class B Notes, the Class X Notes, the Class C Notes, the Class D Notes and the Class E Notes (x) may only occur after principal of the Class A Notes has been paid in full and (y) shall be subordinated to the payment on each Payment Date of the principal and interest due and payable on the Class A Notes, and other amounts payable prior thereto in accordance with the Priority of Payments, (ii) so long as any Class A Notes or Class B Notes are Outstanding, except as provided in Article IX and the Priority of Payments, the payment of principal of the Class X Notes, the Class C Notes, the Class D Notes and the Class E Notes (x) may only occur after principal of the Class A Notes and the Class B Notes has been paid in full and (y) shall be subordinated to the payment on each Payment Date of the principal and interest due and payable on the Class A Notes and the Class B Notes, and other amounts payable prior thereto in accordance with the Priority of Payments, (iii) so long as any Class A Notes, Class B Notes or Class X Notes are Outstanding, except as provided in Article IX and the Priority of Payments, the payment of principal of the Class C Notes, the Class D Notes and the Class E notes (x) may only occur after principal of the Class A Notes, the Class B Notes and the Class X Notes has been paid in full and (y) shall be subordinated to the payment on each Payment Date of the principal and interest due and payable on the Class A Notes, the Class B Notes and the Class X Notes, and other amounts payable prior thereto in accordance with the Priority of Payments, (iv) so long as any Class A Notes, Class B Notes, Class X Notes or Class C Notes are Outstanding, except as provided in Article IX and the Priority of Payments, the payment of principal of the Class D Notes and the Class E Notes (x) may only occur after principal of the Class A Notes, the Class B Notes, the Class X Notes and the Class C Notes has been paid

in full and (y) shall be subordinated to the payment on each Payment Date of the principal and interest due and payable on the Class A Notes, the Class B Notes, the Class X Notes and the Class C Notes, and other amounts payable prior thereto in accordance with the Priority of Payments (v) so long as any Class A Notes, Class B Notes, Class X Notes, the Class C notes or Class D Notes are Outstanding, except as provided in Article IX and the Priority of Payments, the payment of principal of the Class E Notes (x) may only occur after principal of the Class A Notes, the Class B Notes, the Class X Notes, the Class C Notes and the Class D Notes has been paid in full and (y) shall be subordinated to the payment on each Payment Date of the principal and interest due and payable on the Class A Notes, the Class B Notes, the Class X Notes, the Class C Notes and the Class D Notes, and other amounts payable prior thereto in accordance with the Priority of Payments. Any payment of principal of any Class of Notes (other than the most senior Class of Notes then Outstanding) which is not paid, in accordance with the Priority of Payments, on any Payment Date (other than the Stated Maturity or a Redemption Date) shall not be considered "due and payable" for purposes of Section 5.01(b) until the Payment Date on which such principal may be paid in accordance with the Priority of Payments.

(c) Payments of principal will be made on the Notes in the following circumstances (subject, in each case, to the Priority of Payments): (i) upon mandatory redemption resulting from a failure to satisfy any of the Coverage Tests, (ii) in connection with an Optional Redemption, a Tax Redemption or an Auction Call Redemption, (iii) on and after the Note Acceleration Date, as provided in Section 11.01(a)(i)(26), (iv) to pay Deferred Interest and (v) as described in Section 11.01(a)(ii).

(d) As a condition to the payment of any principal of or interest on any Note without the imposition of withholding tax, any Paying Agent shall require certification acceptable to such Paying Agent (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 Internal Revenue Service Form W-8BEN, W-8IMY or other applicable form (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) to enable the Issuers, the Trustee, the Credit Enhancer and any Paying Agent (i) to determine their duties and liabilities with respect to any taxes or other charges that they may be required to pay, deduct or withhold in respect of such Note or the Holder of such Note under any present or future law or regulation of the Cayman Islands or the United States or any present or future law or regulation of any political subdivision thereof or taxing authority therein or to comply with any reporting or other requirements under any such law or regulation or (ii) to comply with any filing, reporting or other requirement under any present or future law, rule, regulation or interpretation of the Cayman Islands, the United States, any political subdivision thereof or any taxing authority therein in order to avoid the imposition of withholding or deduction of taxes or other charges on interest or principal payments on the Collateral Debt Securities.

(e) Payments in respect of principal of and interest on the Notes shall be payable by wire transfer in immediately available funds to a Dollar account maintained by the Noteholders in accordance with wire transfer instructions received by any Paying Agent on or before the Record Date for such payment or, if no wire transfer instructions are received by a Paying Agent on or before such Record Date, by a Dollar check drawn on a bank in the United States mailed to the address of such Noteholder as it appears on the Note Register at the close of business on such Record Date.

(f) The principal of and interest on any Note which is payable on a Redemption Date or in accordance with the Priority of Payments on a Payment Date and is punctually paid or duly provided for on such Redemption Date or Payment Date shall be paid to the Person in whose name that Note (or one or more predecessor Notes) is registered at the close of business on the Record Date for such payment. All such payments that are mailed or wired and returned to the Paying Agent shall be held for

payment as herein provided at the office or agency of the Issuers to be maintained as provided in Section 7.02.

Payments to Holders of the Notes of each Class shall be made in the proportion that the Aggregate Outstanding Amount of the Notes of such Class registered in the name of each such Holder on the Record Date for such payment bears to the Aggregate Outstanding Amount of all Notes of such Class on such Record Date.

(g) All reductions in the principal amount of a Note (or one or more predecessor Notes) effected by payments of installments of principal made on any Payment Date or Redemption Date shall be binding upon all future Holders of such Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note.

(h) Notwithstanding any other provision of the Notes, this Indenture or any other Transaction Document, the obligations of the Issuers under the Notes, this Indenture and any other Transaction Document are limited-recourse obligations of the Issuers, payable solely from the proceeds of the Collateral (including, in the case of the Insured Notes, the Credit Enhancement) in accordance with the Priority of Payments, and, following realization of the Collateral and distribution in accordance with the Priority of Payments, all obligations of the Issuers and any claims of the Noteholders, the other Secured Parties, the Paying Agents, the Transfer Agents, the Preference Share Paying Agent, the Note Registrar, the Share Registrar, the Custodian, the Calculation Agent, the Authenticating Agent, and any other parties to any Transaction Document against either of the Issuers shall be extinguished. No recourse shall be had against any Officer, member, director, manager, employee, security holder or incorporator of the Issuers, the Trustee, the Administrator, any Rating Agency, the Credit Enhancer, the Collateral Advisor, the Structuring Agent, the Placement Agent or any of their respective successors or assigns for the payment of any amounts payable under the Notes or this Indenture. It is understood that the foregoing provisions of this Section 2.06(h) 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 indebtedness or obligation evidenced by the Notes or secured by this Indenture or payable under any other Transaction Document until such Collateral has been realized and distributed in accordance with the Priority of Payments, whereupon any outstanding indebtedness or obligation shall be extinguished. It is understood that the foregoing provisions of this Section 2.06(h) shall not limit the right of any Person to name the Issuer or the Co-Issuer as a party defendant in any action or suit or in the exercise of any other remedy under the Notes, this Indenture or any other Transaction Document, 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 any such Person.

(i) Subject to the foregoing provisions of this Section 2.06 and the provisions of Sections 2.04 and 2.05, each Note delivered under this Indenture and upon registration of transfer of or in exchange for or in lieu of any other Note shall carry the rights of unpaid interest and principal that were carried by such other Note.

(j) For so long as any of the Notes are listed on the Irish Stock Exchange, the Issuer or, upon Issuer Request, the Trustee, in the name and at the expense of the Issuer will cause the Irish Paying Agent to (i) inform the Irish Paying Agent if any such listed Class did not receive scheduled payments of principal or interest on such Payment Date and (ii) inform the Irish Paying Agent for notification of the Company Announcements Office of the Irish Stock Exchange if the ratings assigned to any listed Class are reduced or withdrawn.

Section 2.07 Persons Deemed Owners.

The Issuers, the Trustee, the Credit Enhancer and any agent of any of them (collectively, the "Relevant Persons") shall treat the Person in whose name any Note on the Note Register is registered as the owner of such Note on the applicable Record Date for the purpose of receiving payments of principal of and interest on such Note and on any other date for all other purposes whatsoever (whether or not such Note is overdue), and no Relevant Person shall be affected by notice to the contrary.

Section 2.08 Cancellation.

All Notes surrendered for payment, registration of transfer, exchange or redemption, or deemed lost or stolen, shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee, shall promptly be canceled by it and may not be reissued or resold. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this Section 2.08, except as expressly permitted by this Indenture. All canceled Notes held by the Trustee shall be destroyed by the Trustee in accordance with its standard policy unless the Issuer shall direct by an Issuer Order prior to such destruction that such Notes be returned to the Issuer. Any Notes purchased by the Issuers shall be immediately delivered to the Trustee for cancellation.

Section 2.09 No Gross Up.

Neither the Issuer nor the Credit Enhancer shall be obligated to pay any additional amounts to the Holders or Beneficial Owners of the Notes as a result of any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or government charges with respect to the Notes.

ARTICLE III

CONDITIONS PRECEDENT

Section 3.01 General Provisions.

On the Closing Date the Notes may be executed by the Issuers and delivered to the Trustee for authentication and thereupon the same shall be authenticated and delivered by the Trustee (or an Authenticating Agent on its behalf) upon Issuer Request, upon receipt by the Trustee and the Credit Enhancer of the following:

(a) (i) an Officer's certificate of the Issuer, (A) (1) evidencing the authorization by Board Resolution of the execution and delivery of, and the performance of the Issuer's obligations under, this Indenture, the Collateral Administration Agreement, the Account Control Agreement, the Preference Share Paying Agency Agreement, the Collateral Advisory Agreement and each Hedge Agreement, in each case as may be amended on or prior to, and as in effect on, the Closing Date, (2) evidencing the execution and delivery of the Notes, (3) specifying the Stated Maturity, the principal amount and the Note Interest Rate with respect to each Class of Notes to be delivered and (4) evidencing the authorization by Board Resolution of the issuance of the Preference Shares and specifying the Issue Price thereof, and (B) certifying that (1) the attached copy of such Board Resolution is a true and complete copy thereof, (2) such resolutions have not been rescinded and are in full force and effect on and as of the Closing Date and (3) the Officers authorized to execute and deliver such documents hold the offices and have the signatures indicated thereon; and

(ii) an Officer's certificate of the Co-Issuer (A) evidencing the authorization by Board Resolution of the execution and delivery of, and the performance of the Co-Issuer's obligations under, this Indenture, as may be amended on or prior to, and as in effect on, the Closing Date, and the execution and delivery of the Notes and specifying the Stated Maturity, the principal amount and Note Interest Rate of each Class of Notes to be delivered, and (B) certifying that (1) the attached copy of such Board Resolution is a true and complete copy thereof, (2) such resolutions have not been rescinded and are in full force and effect on and as of the Closing Date and (3) the Officers authorized to execute and deliver such documents hold the offices and have the signatures indicated thereon;

(b) (i) either (A) a certificate of the Issuer, or other official document evidencing the due authorization, approval or consent of any governmental body or bodies, at the time having jurisdiction in the premises, and the approval of which is required for the valid issuance of the Issued Securities, or to the effect that no authorization, approval or consent of any governmental body is required for the valid issuance of the Issued Securities, or (B) an Opinion of Counsel to the Issuer satisfactory in form and substance to the Trustee and the Credit Enhancer on which the Trustee and the Credit Enhancer are entitled to rely to the effect that no such authorization, approval or consent of any governmental body in the Cayman Islands is required for the valid issuance of the Issued Securities except as may have been given; and

(ii) either (A) a certificate of the Co-Issuer or other official document evidencing the due authorization, approval or consent of any governmental body or bodies, at the time having jurisdiction in the premises, and the approval of which is required for the valid issuance of the Notes, or to the effect that no authorization, approval or consent of any governmental body is required for the valid issuance of the Notes; or (B) an Opinion of Counsel to the Co-Issuer satisfactory in form and substance to the Trustee and the Credit Enhancer on which the Trustee and the Credit Enhancer are entitled to rely to the effect that no such authorization, approval or consent of any governmental body of the State of New York or of the United States is required for the valid issuance of the Notes except as may have been given;

(c) (i) opinions of Proskauer Rose LLP, special New York counsel to the Issuers, dated the Closing Date, substantially in the forms of Exhibit E-1 and Exhibit E-2;

(ii) opinions of Maples and Calder, Cayman Islands counsel to the Issuer, dated the Closing Date, substantially in the forms of Exhibit F-1 and Exhibit F-2;

(iii) an opinion of Hunton & Williams LLP, counsel to the Collateral Advisor, dated the Closing Date, substantially in the form of Exhibit G;

(iv) an opinion of Gardere Wynne Sewell LLP, counsel to the Trustee, dated the Closing Date, substantially in the form of Exhibit H;

(v) an opinion of the Managing Counsel to the Hedge Counterparty, dated the Closing Date, substantially in the form of Exhibit J; and

(vi) an opinion of Orrick, Herrington & Sutcliffe LLP, counsel to the Credit Enhancer, dated the Closing Date, substantially in the form of Exhibit K.

(d) (i) an Officer's certificate of the Issuer, stating that the Issuer is not in Default under this Indenture; and, that the issuance of the Issued Securities will not result in a breach of any of the terms, conditions or provisions of, or constitute a default under, the Issuer Charter, any

indenture or other agreement or instrument to which the Issuer is a party or by which it is bound, or any order of any court or administrative agency entered in any Proceeding to which the Issuer is a party or by which the Issuer may be bound or to which it may be subject; that no Event of Default shall have occurred and be continuing; that all of the representations and warranties contained herein and in the Preference Share Paying Agency Agreement are true and correct as of the Closing Date; that all conditions precedent provided in this Indenture and the Preference Share Documents relating to the delivery of the Issued Securities applied for (including in Section 3.02) have been complied with; and that all expenses due or accrued with respect to the Offering or relating to actions taken on or in connection with the Closing Date have been paid; and

(ii) an Officer's certificate of the Co-Issuer stating that the Co-Issuer is not in Default under this Indenture; that the issuance of the Notes will not result in a breach of any of the terms, conditions or provisions of, or constitute a default under, the Certificate of Formation or Limited Liability Company Agreement of the Co-Issuer, any indenture or other agreement or instrument to which the Co-Issuer is a party or by which it is bound, or any order of any court or administrative agency entered in any Proceeding to which the Co-Issuer is a party or by which it may be bound or to which it may be subject; that no Event of Default shall have occurred and be continuing; that all of the representations and warranties contained herein are true and correct as of the Closing Date; that all conditions precedent provided in this Indenture relating to the delivery of the Notes applied for have been complied with; and that all expenses due or accrued with respect to the Offering or relating to actions taken on or in connection with the Closing Date have been paid;

(e) an Accountants' Report (i) confirming the information (other than the issuer, CUSIP, Principal Balance, Specified Type, coupon type and the purchase price) with respect to each Collateral Debt Security set forth on the Schedule of Collateral Debt Securities as of the Closing Date attached hereto as Schedule A by reference to such sources as shall be specified therein, (ii) confirming, by reference to an Officer's certificate of the Issuer, that the Aggregate Principal Balance of the Collateral Debt Securities which the Issuer has purchased or entered into binding commitments to purchase on or prior to the Closing Date is at least U.S.$360,000,000, (iii) confirming the Weighted Average Coupon, the Weighted Average Spread and the Weighted Average Life, each as of the Closing Date, by reference to such sources as shall be specified therein and (iv) specifying the procedures undertaken by the relevant accountants to review data and computations relating to the foregoing statements;

(f) an executed counterpart of the Collateral Administration Agreement, the Account Control Agreement, the Collateral Advisory Agreement, the Structuring Agent Agreement, the Preference Share Paying Agency Agreement and the Placement Agency Agreement;

(g) an executed copy of the initial Hedge Agreement;

(h) a copy of the Financing Statement to be filed with the Recorder of Deeds in the District of Columbia;

(i) evidence of the registration on the Issuer's register of mortgages and charges of the security interest Granted by the Issuer hereunder;

(j) an Issuer Order executed by the Issuer and the Co-Issuer directing the Trustee to (i) authenticate the Notes specified therein, in the amounts set forth therein and registered in the name(s) set forth therein and (ii) deliver the authenticated Notes as directed by the Issuer and the Co-Issuer;

(k) executed copies of Subscription Agreements from the purchasers of the Preference Shares; and

(l) the Credit Enhancement substantially in the form of Exhibit L hereto, duly executed and delivered by the Credit Enhancer and copies of the executed Insurance Agreement and the Premium Letter.

Section 3.02 Security for Notes.

Prior to the issuance of the Notes on the Closing Date, and, with respect to clauses (a) and (b) of this Section 3.02, on the Effective Date, the Issuer shall cause the following conditions to be satisfied:

(a) Grant of Security Interest; Delivery of Collateral Debt Securities. (i) The Grant pursuant to the Granting Clause of this Indenture (and in the manner provided in Section 3.03(c)) of all of the Issuer's right, title and interest in and to the Collateral and the transfer of all Collateral Debt Securities acquired in connection therewith purchased by the Issuer on the Closing Date or as of the Effective Date, as the case may be, (in the case of the Closing Date, as set forth in the Schedule of Collateral Debt Securities as of the Closing Date) to the Trustee, and (ii) the delivery to the Trustee on the Effective Date of an amended Schedule of Collateral Debt Securities, which schedule shall include all Collateral Debt Securities Granted to the Trustee pursuant to this Indenture between the Closing Date and the Effective Date and shall supersede any prior Schedule of Collateral Debt Securities delivered to the Trustee on the Closing Date.

(b) Certificate of the Issuer. The delivery to the Trustee and the Credit Enhancer of a certificate of an Authorized Officer of the Issuer, dated as of the Closing Date, or as of the Effective Date, as the case may be, to the effect that, in the case of each Collateral Debt Security and Equity Security pledged to the Trustee for inclusion in the Collateral on the Closing Date or as of the Effective Date, as the case may be, and immediately prior to the delivery thereof on the Closing Date or as of the Effective Date, as the case may be:

(i) the Issuer is the owner of such Collateral Debt Security or Equity Security free and clear of any liens, claims or encumbrances of any nature whatsoever except for those which are being released on the Closing Date (for those purchased on or prior to the Closing Date) or as of the date of acquisition (for those purchased after the Closing Date and prior to the Effective Date) and except for those Granted pursuant to this Indenture;

(ii) the Issuer has acquired its ownership in such Collateral Debt Security or Equity Security in good faith, and in the exercise of the Issuer's reasonable business judgment, without notice of any "adverse claim" (within the meaning of the UCC), except as described in clause (i) above;

(iii) the Issuer has not assigned, pledged or otherwise encumbered any interest in such Collateral Debt Security or Equity Security (or, if any such interest has been assigned, pledged or otherwise encumbered, it has been released) other than interests Granted pursuant to this Indenture;

(iv) the Issuer has full right to Grant a security interest in and assign and pledge all of the Issuer's right, title and interest in such Collateral Debt Security or Equity Security to the Trustee;

(v) the information set forth with respect to such Collateral Debt Security in the Schedule of Collateral Debt Securities is correct in all material respects;

(vi) each Collateral Debt Security included in the Collateral satisfies the requirements of the definition of "Collateral Debt Security" and is transferred to the Trustee as required by Section 3.02(a);

(vii) each Collateral Debt Security and Equity Security was acquired in accordance with all applicable requirements of Section 12.02;

(viii) upon the effectiveness of the Grant by the Issuer to the Trustee pursuant to the Granting Clause of this Indenture, the Trustee has (A) a first priority perfected security interest (subject to the rights of the applicable Hedge Counterparties with respect to the Hedge Counterparty Collateral Accounts and subject, in the case of the Synthetic Security Collateral, to the prior security interest granted to the Trustee as collateral agent for the related Synthetic Security Counterparty) in the Collateral (assuming that any entity described in Section 3.03(c) which is not within the control of the Issuer involved in the Delivery of Collateral takes the actions required of such entity under Section 3.03(c) for perfection of such interest) and (B) a Security Entitlement with respect to Financial Assets; and

(ix) the Issuer has not consented to the Custodian's maintaining any Account to comply with Entitlement Orders of any Person other than the Trustee.

(c) Rating Letters. The delivery to the Trustee and the Credit Enhancer of true and correct copies of (A) a letter signed by Moody's confirming that the Class A Notes have been rated "Aaa" by Moody's and a letter signed by Standard & Poor's confirming that the Class A Notes have been rated "AAA" by Standard & Poor's (based in part upon the provision of the Credit Enhancement), (B) a letter signed by Moody's confirming that the Class B Notes have been rated "Aa3" by Moody's and a letter signed by Standard & Poor's confirming that the Class B Notes have been rated "AA" by Standard & Poor's, (C) a letter signed by Moody's confirming that the Class X Notes have been rated "A1" by Moody's and a letter signed by Standard & Poor's confirming that the Class X Notes have been rated "A+" by Standard & Poor's, (D) a letter signed by Moody's confirming that the Class C Notes have been rated "A2" by Moody's and a letter signed by Standard & Poor's confirming that the Class C Notes have been rated "A" by Standard & Poor's and (E) a letter signed by Moody's confirming that the Class D Notes have been rated "Baa2" by Moody's and a letter signed by Standard & Poor's confirming that the Class D Notes have been rated "BBB" by Standard & Poor's and (F) a letter signed by Moody's confirming that the Class E Notes have been rated "Ba2" by Moody's and a letter signed by Standard & Poor's confirming that the Class E Notes have been rated "BB" by Standard & Poor's.

(d) Accounts. The delivery by the Trustee of evidence of the establishment of the Credit Enhancement Payment Account, the Custodial Account, the Expense Account, any Hedge Counterparty Collateral Account to be established on the Closing Date, the Collection Account, the Payment Account, the Residual Cash Flow Reinvestment Account, any Synthetic Security Counterparty Account to be established on the Closing Date, any Synthetic Security Issuer Account to be established on the Closing Date and the Unused Proceeds Account.

(e) Funding Certificate. The delivery to the Trustee of a funding certificate (the "Funding Certificate"), duly executed by an Authorized Officer of the Issuer, relating to, among other things, the disposition of the proceeds of the issuance of the Notes and the Preference Shares, dated the Closing Date.

(f) Purchases. The delivery to the Trustee of a certificate of the Collateral Advisor that, as of the Closing Date the Issuer shall have purchased, or entered into one or more binding and irrevocable commitments to purchase, Collateral Debt Securities having an Aggregate Principal Balance of not less than U.S.$360,000,000.

(g) Proceeds of the Preference Shares. The receipt by the Issuer of the gross proceeds from the issuance of the Preference Shares.

Section 3.03 Custodianship; Transfer of Collateral Debt Securities and Eligible Investments.

(a) Trustee shall hold all Pledged Securities and Cash purchased in accordance with this Indenture in the relevant Account established and maintained pursuant to Article 10, as to which in each case the Trustee and the Issuer shall have entered into an Account Control Agreement (or the Synthetic Security Issuer Account Agreement, as the case may be), providing, *inter alia*, that the establishment and maintenance of such Account will be governed by the law of a jurisdiction satisfactory to the Issuer and the Trustee.

(b) On or before the Closing Date the Issuer shall appoint a financial institution (the "Custodian") to act as Securities Intermediary as provided in this Section 3.03 and subject to Section 10.01(b). Such Custodian shall be rated at least "Baa3" by Moody's and "BBB" by Standard & Poor's. Initially, the Custodian shall be the Trustee. Any successor Custodian shall be a state or national bank or trust company which is not an Affiliate of the Issuer and has capital and surplus of at least U.S.$250,000,000 and is subject to supervision or examination by Federal or state authority. On or before the Closing Date, the Issuer shall cause the Custodian to create an account to which Financial Assets may be credited (the "Custodial Account").

(c) Each time that the Issuer, or the Collateral Advisor on behalf of the Issuer, shall direct or cause the acquisition of any Collateral Debt Security, Equity Security or Eligible Investment, the Issuer or the Collateral Advisor on behalf of the Issuer shall, if such Collateral Debt Security, Equity Security or Eligible Investment has not already been transferred to the relevant Account, cause such Collateral Debt Security, Equity Security or Eligible Investment to be Delivered. The security interest of the Trustee in the funds or other property utilized in connection with such acquisition shall, immediately and without further action on the part of the Trustee, be released. The security interest of the Trustee shall nevertheless come into existence and continue in such Collateral Debt Security, Equity Security or Eligible Investment so acquired, including all rights of the Issuer in and to any contracts related to and proceeds of such Collateral Debt Security, Equity Security or Eligible Investment.

(d) The security interest of the Trustee in the funds or other property used to acquire such Collateral Debt Security or Eligible Investment shall, concurrently with such acquisition and without action on the part of the Trustee, be released.

ARTICLE IV

SATISFACTION AND DISCHARGE

Section 4.01 Satisfaction and Discharge of Indenture.

This Indenture shall be discharged and shall cease to be of further effect with respect to the Collateral securing the Notes and the Notes except as to (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Notes, (iii) rights of Securityholders to receive payments of principal thereof and interest thereon or Excess Amounts payable in respect thereof as provided herein (including as provided in the Priority of Payments) and the rights of the Credit Enhancer to receive any such payments of principal of and interest on the Insured Notes, (iv) the rights and immunities of the Trustee hereunder, (v) the rights and immunities of the Collateral Advisor hereunder and under the Collateral Advisory Agreement, (vi) the rights of the Secured Parties as beneficiaries hereof with respect to the property deposited with the Trustee and payable to all or any of them, (vii) the rights of the Preference Shareholders pursuant to the Preference Share Documents and (viii) the rights and immunities of the Credit Enhancer hereunder and under the Insurance Agreement; and the Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when:

(a) either:

(i) all Notes theretofore authenticated and delivered (other than (A) Notes which have been mutilated, defaced, destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.05 and (B) Notes the payment for which Cash has theretofore irrevocably been deposited in trust and thereafter repaid to the Issuer or discharged from such trust, as provided in Section 7.03) have been delivered to the Trustee for cancellation; or

(ii) all Notes not theretofore delivered to the Trustee for cancellation (A) have become due and payable, (B) will within one year become due and payable at their Stated Maturity, or (C) are to be called for redemption pursuant to Section 9.01 under an arrangement satisfactory to the Trustee for the giving of notice of redemption by the Issuers pursuant to Section 9.03 and the Issuer has irrevocably deposited or caused to be deposited with the Trustee, in trust for such purpose, Cash or noncallable direct obligations of the United States in an amount sufficient, the sufficiency of such noncallable direct obligations as verified by a firm of nationally recognized Independent certified public accountants, to pay and discharge the entire indebtedness on all Notes not theretofore delivered to the Trustee for cancellation, including all principal and interest (including Class X Deferred Interest, if any, Class C Deferred Interest, if any, Class D Deferred Interest, if any, Class E Deferred Interest, if any, Defaulted Interest, if any and interest on Defaulted Interest, if any) accrued to the date of such deposit (in the case of Notes that have become due and payable) or to the Stated Maturity or the Redemption Date, as the case may be, provided that (x) such obligations are entitled to the full faith and credit of the United States and (y) this subclause (ii) shall not apply if an election to act in accordance with the provisions of Section 5.05(a) shall have been made and not rescinded;

(b) the Issuer has paid or caused to be paid all other sums payable hereunder (including amounts payable pursuant to any Hedge Agreement (including all termination payments), the Collateral Administration Agreement, the Administration Agreement, the Preference Share Paying Agency Agreement, the Collateral Advisory Agreement and the Insurance Agreement) and no other amounts will become due and payable by the Issuer;

(c) the Issuers have delivered to the Trustee and the Credit Enhancer (so long as the Notes are Outstanding) Officer's certificates and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with; and

(d) all of the amounts due under the Insurance Agreement and the Premium Letter have been paid and the Credit Enhancement has expired or been terminated or cancelled by the Trustee in accordance with its terms and, pursuant to a written request from the Credit Enhancer, the Trustee has returned each original Credit Enhancement to the Credit Enhancer.

The foregoing provisions of this Section 4.01 notwithstanding, amounts owing in respect of the Notes that shall have been paid, or for which provision shall have been made, by a payment from the Credit Enhancer pursuant to the Credit Enhancement shall continue to be Outstanding under this Indenture, and the conditions set forth in this Section 4.01 shall not be satisfied and the Credit Enhancer shall become the Holder of such Notes for all purposes of this Indenture; provided that if the Issuer shall make payment to the Credit Enhancer in reimbursement of any payments of principal and interest on the applicable Notes, the obligation of the Issuer with respect to payment of such Notes shall cease to the extent of such reimbursement, and if such reimbursement shall be sufficient to pay the principal and interest on such Notes, such Notes shall no longer be deemed Outstanding for purposes of this Indenture.

Notwithstanding the satisfaction and discharge of this Indenture, the rights and obligations of the Issuers, the Trustee, the Collateral Advisor, the Credit Enhancer, the Hedge Counterparties and, if applicable, the Noteholders under Sections 2.06(i), 4.01, 5.04(d), 5.18, 6.07, 6.08, 7.03, 11.01, 11.02, 14.10 and 14.12 shall survive.

Section 4.02 Application of Trust Cash.

All Cash deposited with the Trustee pursuant to Section 4.01 for the payment of principal of and interest on the Notes or Excess Amounts in respect of the Preference Shares and amounts payable pursuant to the Hedge Agreements, the Administration Agreement, the Collateral Administration Agreement and the Collateral Advisory Agreement shall be held in trust and applied by the Trustee in accordance with the provisions of the Notes, the Preference Share Paying Agency Agreement and this Indenture, including the Priority of Payments, for the payment either directly or through any Paying Agent, as the Trustee may determine, to the Person entitled thereto of the respective amounts in respect of which such Cash has been deposited with the Trustee; but such Cash need not be segregated from other funds held by the Trustee except to the extent required herein or required by law.

Section 4.03 Repayment of Cash Held by Paying Agent.

In connection with the satisfaction and discharge of this Indenture with respect to the Notes, all Cash then held by any Paying Agent other than the Trustee under the provisions of this Indenture shall, upon demand of the Issuers, be paid to the Trustee to be held and applied pursuant to Section 7.03 and in accordance with the Priority of Payments and thereupon such Paying Agent shall be released from all further liability with respect to such Cash.

ARTICLE V

EVENTS OF DEFAULT; REMEDIES

Section 5.01 Events of Default.

Event of Default, wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) a default in the payment of any interest (A) on any Class A Note (determined without giving effect to any such payments made with proceeds of a drawing under the Credit Enhancement) when the same becomes due and payable, in each case which default continues for a period of three Business Days (or, in the case of a payment default resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar that is identified in writing by the Trustee, if such default continues for a period of seven days) or (B) if there are no Class A Notes Outstanding, on any Class B Note when the same becomes due and payable, in each case which default continues for a period of three Business Days (or, in the case of a payment default resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar that is identified in writing by the Trustee, if such default continues for a period of seven days) or (C) if there are no Class A Notes or Class B Notes Outstanding, on any Class X Note when the same becomes due and payable, in each case which default continues for a period of three Business Days (or, in the case of a payment default resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar, if such default continues for a period of seven days) or (D) if there are no Class A Notes, Class B Notes or Class X Notes Outstanding, on any Class C Note when the same becomes due and payable, in each case which default continues for a period of three Business Days (or, in the case of a payment default resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar, if such default continues for a period of seven days) or (E) if there are no Class A Notes, Class B Notes, Class X Notes or Class C Notes Outstanding, on any Class D Note when the same becomes due and payable, in each case which default continues for a period of three Business Days (or, in the case of a payment default resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar, if such default continues for a period of seven days) or (F) if there are no Class A Notes, Class B Notes, Class X Notes, Class C Notes or Class D Notes Outstanding, on any Class E Note when the same becomes due and payable, in each case which default continues for a period of three Business Days (or, in the case of a payment default resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar, if such default continues for a period of seven days);

(b) a default in the payment of principal of any Note (determined without giving effect to any such payments made with proceeds of a drawing under the Credit Enhancement) when the same becomes due at the Stated Maturity (if, in the case of a payment default resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar that is identified in writing by the Trustee, such default continues for a period of seven days), or of the Redemption Price of any Note on the date set for its redemption (unless notice of such redemption is withdrawn as provided in this Indenture);

(c) the failure on any Payment Date to disburse amounts available in the Interest Collection Account or Principal Collection Account in accordance with the order of priority set forth under Section 11.01 (other than a default in payment described in clause (a) or (b) above), which failure continues for a period of two Business Days (or, in the case of a payment default resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar that is identified in writing by the Trustee, if such default continues for a period of seven days) after any of the Issuer or the Co-Issuer has actual knowledge thereof or after notice thereof to the Issuer and the Collateral Advisor by the Trustee or to the Issuer, the Collateral Advisor and the Trustee by the Holders of at least 25% in Aggregate Outstanding Amount of Notes of the Controlling Class or any Hedge Counterparty;

(d) either of the Issuers or the pool of Collateral becomes an investment company required to be registered under the Investment Company Act and such condition continues for a period of 90 days after the Regulatory Determination Date;

(e) a default in the performance of, or breach of, any other covenant or other agreement (other than the covenant to meet the Collateral Quality Tests or the Coverage Tests) of the Issuer or the Co-Issuer under this Indenture or any representation or warranty of the Issuer or the Co-Issuer made in this Indenture or in any certificate or other writing delivered pursuant hereto or in connection herewith proves to be incorrect in any material respect when made, which default or breach has a material adverse effect on any holder of a Note or a Hedge Counterparty, and the continuation of such default or breach for a period of 30 days (or, if such default, breach or failure has an adverse effect on the validity, perfection or priority of the security interest granted thereunder, 15 days) after any of the Issuer or the Co-Issuer has actual knowledge thereof or after notice thereof to either (i) the Issuer and the Collateral Advisor by the Trustee or (ii) the Issuer, the Collateral Advisor and the Trustee by the Credit Enhancer (so long as it is the Controlling Party), or if the Credit Enhancer is not the Controlling Party by the Holders of at least 25% of the Aggregate Outstanding Amount of Notes of the Controlling Class or any Hedge Counterparty;

(f) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) winding up, liquidation, reorganization or other relief in respect of the Issuer or the Co-Issuer or its respective debts, or of a substantial part of its respective assets, under any bankruptcy, insolvency, receivership, reorganization, moratorium, conservatorship or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Issuer or the Co-Issuer or for a substantial part of its respective assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days; or an order or decree approving or ordering any of the foregoing shall be entered; or the Issuer or its assets shall become subject to any event that, under the applicable laws of the Cayman Islands, has an analogous effect to any of the foregoing;

(g) the Issuer or the Co-Issuer shall (i) voluntarily commence any proceeding or file any petition seeking winding up, liquidation, reorganization or other relief under any bankruptcy, insolvency, receivership, reorganization, moratorium, conservatorship or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in Section 5.01(f), (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Issuer or the Co-Issuer or for a substantial part of its respective assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing; or the Issuer shall cause or become subject to any event with respect to the Issuer that, under the applicable laws of the Cayman Islands, has an analogous effect to any of the foregoing;

(h) any failure to maintain on any Measurement Date the Class A Overcollateralization Ratio at an amount greater than or equal to 100%; or

(i) one or more final judgments being rendered against the Issuer or the Co-Issuer which exceed, in the aggregate, U.S.$1,000,000 (or such lesser amount as any Rating Agency may specify) and which remain unstayed, undischarged and unsatisfied for 30 days after such judgment(s) become(s) nonappealable, unless adequate funds have been reserved or set aside for the payment thereof, and unless (except as otherwise specified in writing by Moody's) the Rating Condition as to Moody's shall have been satisfied, unless (except as otherwise specified in writing by Standard & Poor's) the Rating Condition as to Standard & Poor's shall have been satisfied and the Credit Enhancer (if it is the Controlling Party) shall have consented thereto in writing.

If the Trustee has actual knowledge that an Event of Default has occurred and is continuing, the Trustee shall, within three Business Days after obtaining such knowledge, notify the Issuers, the Preference Share Paying Agent, the Collateral Advisor, the Noteholders, the Credit Enhancer, each Hedge Counterparty and each Rating Agency in writing. If either of the Issuers shall obtain knowledge, or shall have reason to believe, that an Event of Default has occurred and is continuing, such Issuer shall promptly notify the Trustee, the Preference Share Paying Agent, the Collateral Advisor, the Credit Enhancer, the Noteholders, each Hedge Counterparty and each Rating Agency in writing of such an Event of Default.

In the event that there is a payment default on any Notes resulting from an administrative error or omission by the Trustee, the Administrator, a Paying Agent or the Note Registrar, as applicable, the Trustee shall promptly notify the Rating Agencies of such payment default.

Section 5.02 Acceleration of Maturity; Rescission and Annulment.

(a) If an Event of Default occurs and is continuing (other than an Event of Default specified in Section 5.01(f) or 5.01(g)), (i) the Trustee shall (at the direction of the Controlling Party), or (ii) the Controlling Party, by notice to the Issuers and the Trustee, may declare the principal of all of the Notes to be immediately due and payable, and upon any such declaration such principal, together with all accrued and unpaid interest thereon, and other amounts payable hereunder, shall become immediately due and payable. The Reinvestment Period and the Residual Cash Flow Reinvestment Period shall terminate upon such declaration. If an Event of Default specified in Section 5.01(f) or 5.01(g) occurs, (A) all unpaid principal, together with all accrued and unpaid interest thereon, of all of the Notes, and other amounts payable hereunder, shall automatically become due and payable without any declaration or other act on the part of the Trustee, any Noteholder or the Controlling Party, (B) and all Principal Proceeds standing to the credit of the Principal Collection Account will be transferred to the Payment Account for application in accordance with the Priority of Payments, (C) the Reinvestment Period shall terminate and (D) the Residual Cash Flow Reinvestment Period shall terminate.

(b) At any time after such a declaration of acceleration of maturity has been made and before a judgment or decree for payment of the Cash due has been obtained by the Trustee as hereinafter provided in Section 5.03, the Trustee shall, upon written direction of the Controlling Party, by written notice to the Issuers and the Collateral Advisor, rescind and annul such declaration and its consequences if:

(i) the Issuer has paid or deposited with the Trustee a sum sufficient to pay:

(A) all overdue installments of principal of and interest on the Notes, including, to the extent that payment of such interest is lawful, upon Defaulted Interest at the applicable Note Interest Rate;

(B) any accrued and unpaid amounts payable by the Issuer pursuant to the Hedge Agreements;

(C) any accrued and unpaid Collateral Advisory Fees;

(D) Accrued Insurance Liabilities and unpaid Insurance Premium; and

(E) all unpaid taxes, Administrative Expenses, Administrative Indemnities and other sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and its counsel;

(ii) the Trustee has determined that all Events of Default, other than the nonpayment of the principal of or interest on the Notes that have become due solely by such acceleration, have been cured and the Controlling Party by written notice to the Trustee have agreed with such determination or waived the relevant Defaults as provided in Section 5.14; and

(iii) any Hedge Agreement in effect immediately prior to the declaration of such acceleration shall remain in effect until such declaration is no longer capable of being rescinded or annulled and liquidation of the Collateral has commenced.

At any such time as the Trustee shall rescind and annul such declaration and its consequences, the Trustee shall preserve the Collateral in accordance with the provisions of Section 5.05, provided that, if such preservation of the Collateral is rescinded pursuant to Section 5.05, the Notes may subsequently be accelerated pursuant to Section 5.02(a), notwithstanding any previous rescission and annulment of a declaration of acceleration pursuant to this Section 5.02(b).

No such rescission and annulment shall affect any subsequent Default or impair any right consequent thereon.

Section 5.03 Collection of Indebtedness and Suits for Enforcement by Trustee.

The Issuers covenant that, if a Default shall occur in respect of the payment of any principal of or interest on any Class A Note, the payment of principal of or interest on any Class B Note (but with respect to interest, only after the Class A Notes and all interest accrued thereon have been paid in full), the payment of principal of or interest on any Class X Note (but with respect to interest, only after the Class A Notes and the Class B Notes and all interest accrued thereon have been paid in full), the payment of principal of or interest on any Class C Note (but with respect to interest, only after the Class A Notes, the Class B Notes and the Class X Notes and all interest accrued thereon have been paid in full), the payment of principal of or interest on any Class D Note (but with respect to interest, only after the Class A Notes, the Class B Notes, the Class X Notes and the Class C Notes and all interest accrued thereon have been paid in full), the payment of principal of or interest on any Class E Note (but with respect to interest, only after the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes and all interest accrued thereon have been paid in full), the Issuers will, upon demand of the Trustee or any affected Noteholder, which demand shall be subject to the consent of the Controlling Party, pay to the Trustee, for the benefit of the Holder of such Note, the whole amount, if any, then due

and payable on such Note for principal and interest, with interest upon the overdue principal and, to the extent that payments of such interest shall be legally enforceable, upon overdue installments of interest at the applicable Note Interest Rate and, in addition thereto, all amounts owing to the Credit Enhancer under the Insurance Agreement and this Indenture, and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee and such Noteholder and their respective agents and counsel.

If the Issuer or the Co-Issuer fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may, with the consent of the Controlling Party, and shall, upon the direction of the Controlling Party, institute a Proceeding for the collection of the sums so due and unpaid and may, with the consent of the Controlling Party, and shall, upon the direction by the Controlling Party, prosecute such Proceeding to judgment or final decree, and may, with the consent of the Controlling Party, and shall, upon the direction of the Controlling Party, enforce the same against the Issuers or any other obligor upon the Notes and collect the Cash adjudged or decreed to be payable in the manner provided by law out of the Collateral.

If an Event of Default has occurred and is continuing, the Trustee may (with the consent of the Credit Enhancer, so long as it is the Controlling Party) proceed to protect and enforce the Trustee's rights and the rights of the Secured Parties by such appropriate Proceedings as shall be deemed most effectual (if no direction by the Controlling Party is received by the Trustee) or as the Trustee may be directed by the Controlling Party, to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy or legal or equitable right vested in the Trustee by this Indenture or by law.

In case there shall be pending Proceedings relative to the Issuer or the Co-Issuer or any other obligor upon the Notes under the Bankruptcy Code, the Bankruptcy Law (1997 Revision) of the Cayman Islands, the Companies Law (2004 Revision) of the Cayman Islands or any other applicable bankruptcy, insolvency or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Issuer, the Co-Issuer or their respective property or such other obligor or its property, or in case of any other comparable Proceedings relative to the Issuer, the Co-Issuer or other obligor upon the Notes, or the creditors or property of the Issuer, the Co-Issuer or such other obligor, the Trustee, regardless of whether the principal of any Notes shall then be due and payable as therein expressed or by declaration or otherwise and regardless of whether the Trustee shall have made any demand pursuant to the provisions of this Section 5.03, shall be entitled and empowered, by intervention in such Proceedings or otherwise:

(a) to file and prove a claim or claims for the whole amount of principal and interest owing and unpaid in respect of the Notes upon direction by a Majority of the Controlling Class, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee and each predecessor Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee) and of the Noteholders allowed in any Proceedings relative to the Issuer, the Co-Issuer or other obligor upon the Notes or to the creditors or property of the Issuer, the Co-Issuer or such other obligor;

(b) unless prohibited by applicable law and regulations, to vote on behalf of the Holders of the Notes, upon the direction of such Holders, in any election of a trustee or a standby trustee

in arrangement, reorganization, liquidation or other bankruptcy or insolvency Proceedings or a Person performing similar functions in comparable Proceedings; and

(c) to collect and receive any Cash or other property payable to or deliverable on any such claims and to distribute all amounts received with respect to the claims of the Noteholders and of the Trustee on behalf of the Noteholders and the Trustee; and any trustee, receiver or liquidator, custodian or other similar official is hereby authorized by each of the Noteholders to make payments to the Trustee and, in the event that the Trustee shall consent to the making of payments directly to the Noteholders, to pay to the Trustee such amounts as shall be sufficient to cover reasonable compensation to the Trustee, each predecessor Trustee and their respective agents, attorneys and counsel, and all other reasonable expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence, willful misconduct or bad faith.

Nothing herein contained shall be deemed to authorize the Trustee to (i) authorize or consent to or vote for or accept or adopt, on behalf of any Noteholder, any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof or (ii) vote in respect of the claim of any Noteholder in any such Proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar Person.

All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Trustee without the possession of any of the Notes or the production thereof in any trial or other Proceedings relative thereto, any action or Proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the reasonable expenses, disbursements and compensation of the Trustee, each predecessor trustee and their respective agents and attorneys and counsel, shall be for the benefit of the Secured Parties and payable to the Secured Parties in accordance with the Priority of Payments.

In any Proceedings brought by the Trustee on behalf of the Holders, the Trustee shall be held to represent, subject to Section 6.17, all the Secured Parties, if applicable, pursuant to Section 6.17.

Notwithstanding anything in this Section 5.03 to the contrary, the Trustee may not sell or liquidate the Collateral or institute Proceedings in furtherance thereof pursuant to this Section 5.03 except in accordance with Section 5.05(a).

Section 5.04 Remedies.

(a) If an Event of Default shall have occurred and be continuing, and the Notes have been declared due and payable and such declaration and its consequences have not been rescinded and annulled, the Issuers agree that the Trustee may (with the consent of the Controlling Party), after notice to the Noteholders, the Preference Share Paying Agent (who shall, in turn, provide such notice to the Preference Shareholders), the Credit Enhancer, each of the Rating Agencies and each Hedge Counterparty, and shall, upon direction by the Controlling Party, to the extent permitted by applicable law, exercise one or more of the following rights, privileges and remedies:

(i) institute Proceedings for the collection of all amounts then payable on the Notes or otherwise payable under this Indenture, whether by declaration or otherwise, enforce any judgment obtained, and collect from the Collateral any Cash adjudged due;

(ii) sell all or a portion of the Collateral or rights of interest therein, at one or more public or private sales called and conducted in any manner permitted by law and in accordance with Section 5.17;

(iii) institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the Collateral;

(iv) exercise any remedies of a secured party under the UCC and take any other appropriate action to protect and enforce the rights and remedies of the Secured Parties hereunder; and

(v) exercise any other rights and remedies that may be available at law or in equity,

provided that the Trustee may not sell or liquidate the Collateral or institute Proceedings in furtherance thereof pursuant to this Section 5.04 except in accordance with Section 5.05(a) and with the consent of the Credit Enhancer (so long as it is the Controlling Party).

The Trustee may obtain and rely upon an opinion of an Independent investment banking firm of national reputation as to the feasibility of any action proposed to be taken in accordance with this Section 5.04 and as to the sufficiency of the proceeds and other amounts receivable with respect to the Collateral to make the required payments of principal of and interest on the Notes, which opinion shall be conclusive evidence as to such feasibility or sufficiency.

(b) If an Event of Default as described in Section 5.01(e) shall have occurred and be continuing, the Trustee, with the prior consent of the Credit Enhancer (so long as it is the Controlling Party) or, if the Credit Enhancer is not the Controlling Party, Holders of at least 25% of the Aggregate Outstanding Amount of the Controlling Class, may, and at the direction of the Credit Enhancer (so long as it is the Controlling Party) or, if the Credit Enhancer is not the Controlling Party, Holders of not less than 25% of the Aggregate Outstanding Amount of the Controlling Class, shall, institute a Proceeding solely to compel performance of the covenant or agreement or to cure the representation or warranty, the breach of which gave rise to the Event of Default under such Section, and enforce any equitable decree or order arising from such proceeding.

(c) Upon any sale, whether made under the power of sale hereby given or by virtue of judicial proceedings, any Noteholder or Noteholders may bid for and purchase the Collateral or any part thereof and, upon compliance with the terms of sale, may hold, retain, possess or dispose of such property in such Noteholder's or Noteholders' own absolute right without accountability.

Upon any sale, whether made under the power of sale hereby given or by virtue of judicial proceedings, the receipt of the Trustee, or of the Officer making a sale under judicial proceedings, shall be a sufficient discharge to the purchaser or purchasers at any sale for its or their purchase Cash, and such purchaser or purchasers shall not be obliged to see to the application thereof.

Any such sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall bind the Issuers, the Trustee and the Noteholders, shall operate to divest all right, title and interest whatsoever, either at law or in equity, of each of them in and to the property sold, and shall be a perpetual bar, both at law and in equity, against each of them, their respective successors and assigns, and any and all Persons claiming through or under them, or their respective successors and assigns.

(d) Notwithstanding any other provision of this Indenture or any other Transaction Document, neither the Trustee, nor any other Secured Party nor any other party to any Transaction Document may, prior to the date which is one year and one day, or, if longer, the applicable preference period then in effect (plus one day), after the payment in full of all Notes, institute against, or join any other Person in instituting against, the Issuer or the Co-Issuer any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings or other proceedings under Federal or state bankruptcy or similar laws of any jurisdiction. Nothing in this Section 5.04 shall preclude, or be deemed to stop, the Trustee, any other Secured Party or any other party to any Transaction Document (i) from taking any action prior to the expiration of the aforementioned one year and one day period or, if longer, the applicable preference period then in effect (plus one day), in (A) any case or proceeding voluntarily filed or commenced by the Issuer or the Co-Issuer or (B) any involuntary insolvency proceeding filed or commenced by a Person other than the Trustee, such Secured Party or (as the case may be) such other party or (ii) from commencing against the Issuer or the Co-Issuer or any of their respective properties any legal action that is not a bankruptcy, reorganization, arrangement, insolvency, moratorium, liquidation or similar proceeding, provided that the obligations of the Issuer hereunder shall be payable solely from the Collateral in accordance with the Priority of Payments.

Section 5.05 Preservation of Collateral.

(a) If an Event of Default shall have occurred and be continuing when any Class of Notes is Outstanding, the Trustee shall retain the Collateral securing the Notes intact, collect and cause the collection of the proceeds thereof and make and apply all payments and deposits and maintain all accounts in respect of the Collateral and the Notes in accordance with the Priority of Payments and the provisions of Articles X, XII and XIII unless any of the following shall occur:

(i) the Trustee determines that the anticipated net proceeds of a sale or liquidation of the Collateral (after deducting the reasonable expenses of such sale or liquidation) would be sufficient to discharge in full the amounts then due and unpaid on the Notes for principal and interest (including Deferred Interest, interest on Deferred Interest, Defaulted Interest and interest on Defaulted Interest, if any), due and unpaid Administrative Expenses, any accrued and unpaid Collateral Advisory Fee, Administrative Indemnities, any accrued and unpaid amounts payable by the Issuer pursuant to any Hedge Agreement, including termination payments, if any (assuming, for this purpose, that each such Hedge Agreement has been terminated by reason of an event of default or termination event thereunder with respect to the Issuer) and all amounts payable to the Credit Enhancer; *provided* that the Controlling Party agrees with such determination;

(ii) so long as the Credit Enhancer is the Controlling Party, the Credit Enhancer directs the sale and liquidation of the Collateral; or

(iii) if the Credit Enhancer is not the Controlling Party, (A) a Majority of the Controlling Class (in the case of an Event of Default described in clauses (a), (b) and (i) of the definition thereof) or a Majority of each Class of Notes (in the case of any Event of Default other than those described in clauses (a), (b) and (i) above) and (B) each Hedge Counterparty (unless no early termination or liquidation payment would be owing by the Issuer to such Hedge Counterparty upon the termination of the Hedge Agreement to which such Hedge Counterparty is party by reason of a default or termination event under such Hedge Agreement with respect to the Issuer), direct the sale and liquidation of the Collateral.

The Trustee shall give written notice of the retention of the Collateral to the Issuer with a copy to the Collateral Advisor, the Rating Agencies, the Credit Enhancer and each Hedge Counterparty.

So long as such Event of Default is continuing, any such retention pursuant to this Section 5.05(a) may be rescinded at any time when the conditions specified in clause (i) (as shall be determined by the Trustee upon request of any Noteholder but not more frequently than quarterly), (ii) or (iii) exist. If the circumstances described in either clause (i), (ii) or (iii) occurs or exists, the Trustee shall liquidate the Collateral and, on the sixth Business Day (the "Accelerated Payment Date") following the Business Day on which the Trustee notifies the Issuer (or the Collateral Advisor on the Issuer's behalf) that such liquidation is completed and all liquidation proceeds have been received by the Trustee, apply the proceeds thereof in accordance with the Priority of Payments.

(b) Nothing contained in Section 5.05(a) shall be construed to require the Trustee to preserve the Collateral securing the Notes if prohibited by applicable law.

(c) In determining whether the condition specified in Section 5.05(a)(i) exists, the Collateral Advisor shall obtain bid prices with respect to each security contained in the Collateral from two nationally recognized dealers which are Independent from each other and the Collateral Advisor, at the time making a market in such securities, and the Trustee shall compute the anticipated proceeds of sale or liquidation on the basis of the lower of such bid prices for each such security. In addition, for the purposes of determining issues relating to the execution of a sale or liquidation of the Pledged Securities and the execution of a sale or other liquidation thereof in connection with a determination whether the condition specified in Section 5.05(a)(i) exists, the Trustee may retain and rely on an opinion of an Independent investment banking firm.

The Trustee shall deliver to the Noteholders, the Collateral Advisor, the Credit Enhancer, each Hedge Counterparty, the Issuers and Standard & Poor's a report stating the results of any determination required pursuant to Section 5.05(a)(i), no later than 10 days after making such determination. The Trustee shall make the determinations required by Section 5.05(a)(i) within 30 days (or such longer period of time as is necessary to receive required bids and the accountant's letter) after an Event of Default and at the request of the Controlling Party at any time during which the Trustee retains the Collateral pursuant to Section 5.05(a)(i). In the case of each calculation made by the Trustee pursuant to Section 5.05(a)(i), the Trustee shall obtain a letter of an Independent certified public accountant confirming the accuracy of the computations of the Trustee and certifying their conformity to the requirements of this Indenture. In determining whether the Holders of the requisite Aggregate Outstanding Amount of any Class of Notes have given any direction or notice or have agreed pursuant to Section 5.05(a), any Holder of a Note of a Class which is also a Holder of Notes of another Class or any Affiliate of any such Holder shall be counted as a Holder of each such Note for all purposes.

(d) If an Event of Default shall have occurred and be continuing at a time when no Note is Outstanding, the Trustee shall retain the Collateral securing the Notes intact, collect and cause the collection of the proceeds thereof and make and apply all payments and deposits and maintain all accounts in respect of the Collateral and the Notes in accordance with the Priority of Payments and the provisions of Article X and Article XII unless Holders of a majority of the Aggregate Outstanding Amount of the Preference Shares direct the sale and liquidation of the Collateral.

Section 5.06 Trustee May Enforce Claims Without Possession of Notes.

All rights of action and claims under this Indenture or the Notes may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the production thereof in any Proceeding relating thereto, and any such Proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall be applied as set forth in Section 5.07.

Section 5.07 Application of Cash Collected.

Any Cash collected by the Trustee with respect to the Notes pursuant to this Article V and any Cash that may then be held or thereafter received by the Trustee with respect to the Notes hereunder shall be applied subject to Section 13.01 and Section 5.17 and in accordance with the provisions of Section 11.01, at the date or dates fixed by the Trustee.

Section 5.08 Limitation on Suits.

No Holder of any Note shall have any right to institute any Proceedings, judicial or otherwise, with respect to this Indenture, for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(a) such Holder has previously given to the Trustee written notice of an Event of Default;

(b) except as otherwise provided in Section 5.09, the Credit Enhancer (so long as it is the Controlling Party) or if the Credit Enhancer is not the Controlling Party, the Holders of at least 25% of the Aggregate Outstanding Amount of the Controlling Class shall have made written request to the Trustee to institute Proceedings in respect of such Event of Default in the Trustee's own name as Trustee hereunder and such Holder or Holders (or the Credit Enhancer) have provided to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request;

(c) the Trustee for 30 days after its receipt of such notice, request and offer of indemnity has failed to institute any such Proceeding; and

(d) no direction inconsistent with such written request has been given to the Trustee during such 30-day period by the Controlling Party;

it being understood and intended that no one or more Holders of Notes shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Notes or to obtain or to seek to obtain priority or preference over any other Holders of the Notes or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders of Notes of the same Class subject to and in accordance with Section 13.01 and the Priority of Payments.

If the Trustee shall receive conflicting or inconsistent requests and indemnity from two or more groups of Holders of the Aggregate Outstanding Amount of the Controlling Class, each representing less than a Majority of the Controlling Class, the Trustee shall follow the instructions of the group representing the higher percentage of interest in the Controlling Class, notwithstanding any other provisions of this Indenture. For the avoidance of doubt, this Section 5.08 shall not limit the right of the Credit Enhancer to exercise any of the rights or remedies set forth in Section 17.02.

Section 5.09 Unconditional Rights of Noteholders to Receive Principal and Interest.

(a) Notwithstanding any other provision in this Indenture (but subject to Section 2.06(i)), the Holder of any Note shall have the right, which is absolute and unconditional, to receive payment of the principal of and interest on such Note as such principal and/or interest become due and payable in accordance with Section 13.01 and the Priority of Payments. Subject to the provisions of

Sections 5.04(d) and 5.08, the Holder of any Note shall have the right to institute Proceedings for the enforcement of any such payment. Such right shall not be impaired without the consent of such Holder.

(b) If collections in respect of the Collateral are insufficient to make payments on the Notes, no other assets will be available for payment of the deficiency following realization of the Collateral, and the obligations of the Issuers to pay any deficiency shall be extinguished and shall not thereafter revive.

Section 5.10 Restoration of Rights and Remedies.

If the Trustee, any Noteholder or the Credit Enhancer has instituted any Proceeding to enforce any right or remedy under this Indenture and such Proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Noteholder or the Credit Enhancer, then and in every such case the Issuers, the Trustee, the Credit Enhancer and such Noteholder shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, thereafter all rights and remedies of the Secured Parties shall continue as though no such Proceeding had been instituted.

Section 5.11 Rights and Remedies Cumulative.

No right or remedy herein conferred upon or reserved to the Trustee, the Noteholders or the Credit Enhancer is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing by law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.12 Delay or Omission Not Waiver.

No delay or omission of the Trustee, any Noteholder or the Credit Enhancer to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article V or by law to the Trustee or the Noteholders or to the Credit Enhancer may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or the Noteholders or the Credit Enhancer, as the case may be.

Section 5.13 Control by Controlling Party.

Notwithstanding any other provision of this Indenture (but subject to the proviso in the definition of "Outstanding" in Section 1.01), the Controlling Party shall have the right to cause the institution of and direct the time, method and place of conducting, any Proceeding for any remedy available to the Trustee for exercising any trust, right, remedy or power conferred on the Trustee, provided that:

(a) such direction shall not conflict with any rule of law or with this Indenture;

(b) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, provided that, subject to Section 6.01, the Trustee need not take any action that the Trustee determines might involve it in liability (unless the Trustee has received indemnity satisfactory to it against such liability as set forth below);

(c) the Trustee shall have been provided with indemnity reasonably satisfactory to the Trustee; and

(d) any direction to the Trustee to undertake a Sale of the Collateral shall be made only pursuant to, and in accordance with, Sections 5.04 and 5.05.

Section 5.14 Waiver of Past Defaults.

Prior to the time a judgment or decree for payment of the Cash due has been obtained by the Trustee, as provided in this Article V, the Controlling Party may on behalf of the Secured Parties waive any past Default and its consequences, except a Default:

(a) in the payment of the principal on any Note or in the payment of interest (including any Defaulted Interest, interest on Defaulted Interest or, in the case of the Class X Notes, Deferred Interest thereon and interest on such Deferred Interest or, in the case of the Class C Notes, Deferred Interest thereon and interest on such Deferred Interest or, in the case of the Class D Notes, Deferred Interest thereon and interest on such Deferred Interest or, in the case of the Class E Notes, Deferred Interest thereon and interest on such Deferred Interest) on the Class A Notes or, after the Class A Notes have been paid in full, the Class B Notes or, after the Class B Notes have been paid in full, the Class X Notes or, after the Class X Notes have been paid in full, the Class C Notes or, after the Class C Notes have been paid in full, the Class D Notes or, after the Class D Notes have been paid in full, the Class E Notes;

(b) in respect of a covenant or provision hereof that under Section 8.02 cannot be modified or amended without the waiver or consent of the Holder of each Outstanding Note affected thereby; or

(c) arising under Section 5.01(f) or Section 5.01(g).

In the case of any such waiver, (i) the Issuers, the Trustee, the Credit Enhancer and the Holders of the Notes shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereto and (ii) the Trustee shall promptly give written notice of any such waiver to the Collateral Advisor, the Credit Enhancer and each Holder of Notes. The Rating Agencies shall be notified in writing by the Issuer of any such waiver.

Upon any such waiver, such Default shall cease to exist and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture, but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereto.

Section 5.15 Undertaking for Costs.

All parties to this Indenture agree, and each Holder of any Note by such Holder's acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, or omitted, by the Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; provided, that the provisions of this Section 5.15 shall not apply to any suit instituted by the Trustee or the Credit Enhancer (so long as it is the

Controlling Party), to any suit instituted by any Noteholder, or group of Noteholders, holding in the aggregate more than 10% in Aggregate Outstanding Amount of the Controlling Class, or to any suit instituted by any Noteholder for the enforcement of the payment of the principal of or interest on any Note on or after the Stated Maturity of the Notes (or, in the case of redemption, on or after the applicable Redemption Date).

Section 5.16 Waiver of Stay or Extension Laws.

The Issuers covenant (to the extent that they may lawfully do so) that they will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force (including filing a voluntary petition under Chapter 11 of the Bankruptcy Code and by the voluntary commencement of a proceeding or the filing of a petition seeking winding up, liquidation, reorganization or other relief under any bankruptcy, insolvency, receivership or similar law now or hereafter in effect), which may affect the covenants, the performance of or any remedies under this Indenture, and the Issuers (to the extent that they may lawfully do so) hereby expressly waive all benefit or advantage of any such law and covenant that they will not hinder, delay or impede the execution of any power herein granted to the Trustee but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 5.17 Sale of Collateral.

(a) The power to effect any sale (a "Sale") of any portion of the Collateral pursuant to Sections 5.04 and 5.05 shall not be exhausted by any one or more Sales as to any portion of such Collateral remaining unsold but shall continue unimpaired until the entire Collateral shall have been sold or all amounts secured by the Collateral shall have been paid. The Trustee may, upon notice to the Noteholders and the Credit Enhancer and with the consent of the Controlling Party, and shall, upon direction of the Controlling Party, from time to time, postpone any Sale by announcement made at the time and place of such Sale, provided that, if the Sale is rescheduled for a date more than 10 Business Days after the date of the determination pursuant to Section 5.05, such Sale shall not occur unless and until the determination has been made as required by Section 5.05. The Trustee hereby expressly waives its rights to any amount fixed by law as compensation for any Sale, provided that the Trustee shall be authorized to deduct the reasonable costs, charges and expenses incurred by it in connection with such Sale from the proceeds thereof notwithstanding the provisions of Sections 6.07 and 11.01.

(b) The Trustee may bid for and acquire any portion of the Collateral in connection with a public Sale thereof, by crediting all or part of the net proceeds of such Sale after deducting the reasonable costs, charges and expenses incurred by the Trustee in connection with such Sale notwithstanding the provisions of Section 6.07. The Notes need not be produced in order to complete any such Sale or in order for the net proceeds of such Sale to be credited against amounts owing on the Notes. The Trustee may hold, lease, operate, manage or otherwise deal with any property so acquired in any manner permitted by law in accordance with this Indenture.

(c) If any portion of the Collateral consists of securities not registered under the Securities Act ("Unregistered Securities"), the Trustee may seek an Opinion of Counsel or, if no such Opinion of Counsel can be obtained and with the consent of the Controlling Party, seek a no-action position from the SEC, or any other relevant Federal or state regulatory authorities, regarding the legality of a public or private sale of such Unregistered Securities (the costs of which, in each case, shall be paid by the Issuer). In no event will the Trustee be required to register Unregistered Securities under the Securities Act.

(d) The Trustee shall execute and deliver an appropriate instrument of conveyance transferring the Trustee's interest in any portion of the Collateral in connection with a sale thereof as requested and prepared by the purchaser. In addition, the Trustee is hereby irrevocably and by way of security appointed the agent and attorney-in-fact of the Issuer to transfer and convey its interest in any portion of the Collateral in connection with a sale thereof and to take all action necessary to effect such sale. No purchaser or transferee at such a sale shall be bound to ascertain the Trustee's authority, to inquire into the satisfaction of any conditions precedent or see to the application of any Cash.

Section 5.18 Action on the Notes.

The Trustee's right to seek and recover judgment on the Notes or under this Indenture shall not be affected by the seeking or obtaining of or application for any other relief under or with respect to this Indenture. Neither the lien of this Indenture nor any rights or remedies of the Secured Parties shall be impaired by the recovery of any judgment by the Trustee against the Issuer or by the levy of any execution under such judgment upon any portion of the Collateral or upon any of the assets of the Issuer or the Co-Issuer.

Section 5.19 Notice to the Rating Agencies and the Credit Enhancer.

The Trustee shall deliver written notice to the Rating Agencies and the Credit Enhancer upon becoming actually aware or receiving prior written notice of (1) a material breach of any Transaction Document, (2) the termination or replacement of any party to a Transaction Document or (3) the waiver by any party to a Transaction Document of any of the terms or provisions of such Transaction Document.

ARTICLE VI

THE TRUSTEE

Section 6.01 Certain Duties and Responsibilities.

(a) Except during the continuance of an Event of Default:

(i) the Trustee undertakes to perform such duties and only such duties as are expressly set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith or negligence on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture, provided that, in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they substantially conform on their face to the requirements of this Indenture and shall promptly, but in any event within three Business Days in the case of an Officer's certificate furnished by the Collateral Advisor, notify the party delivering the same if such certificate or opinion does not conform. In the case of an Officer's Certificate to be provided by the Collateral Advisor or the Issuer, if a corrected form shall not have been delivered to the Trustee within 15 days after such notice from the Trustee, the Trustee shall so notify the Holders and the Credit Enhancer (so long as it is the Controlling Party).

(b) In case an Event of Default of which the Trustee has actual knowledge has occurred and is continuing, the Trustee shall, prior to the receipt of directions, if any, from the Controlling Party, exercise such of the rights and powers vested in the Trustee by this Indenture and use the same degree of care and skill in the Trustee's exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for the Trustee's own negligent action, the Trustee's own negligent failure to act, or the Trustee's own willful misconduct, except that:

(i) this subclause (c) shall not be construed to limit the effect of subclause (a) of this Section 6.01;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer, unless it shall be proven that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by the Trustee in good faith (A) in accordance with the written direction of the requisite Noteholders specified by the terms of this Indenture or the Credit Enhancer (so long as it is the Controlling Party) relating to the time, method and place of conducting any Proceeding for any remedy available to the Trustee or (B) in exercising any trust or power conferred upon the Trustee, under this Indenture; and

(iv) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of the Trustee's rights or powers contemplated hereunder, if the Trustee shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured to the Trustee .

(d) For all purposes under this Indenture, the Trustee shall not be deemed to have notice or knowledge of any Default or Event of Default described in Section 5.01(d), Section 5.01(e), Section 5.01(f), Section 5.01(g) or Section 5.01(i) unless a Trust Officer assigned to and working in the Corporate Trust Office has actual knowledge thereof or unless written notice of any event that is in fact such an Event of Default or such a Default, as the case may be, is received by the Trustee at the Corporate Trust Office. For purposes of determining the Trustee's responsibility and liability hereunder, whenever reference is made in this Indenture to such an Event of Default or such a Default, as the case may be, such reference shall be construed to refer only to such an Event of Default or such a Default, as the case may be, of which the Trustee is deemed to have notice as described in this Section 6.01(d).

(e) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article VI.

(f) The Trustee shall, upon reasonable (but no less than three Business Days') prior written notice to the Trustee, permit any representative of a Holder of a Note, or of the Credit Enhancer (so long as it is the Controlling Party) during the Trustee's normal business hours at its Corporate Trust Office, to examine all books of account, records, reports and other papers of the Trustee (other than items protected by attorney-client privilege) relating to the Notes, to make copies and extracts therefrom (the reasonable out-of-pocket expenses incurred in making any such copies or extracts to be reimbursed to the

Trustee by such Holder or the Credit Enhancer, as applicable) and to discuss the Trustee's actions, as such actions relate to the Trustee's duties with respect to the Notes, with the Trustee's officers and employees responsible for carrying out the Trustee's duties with respect to the Notes.

(g) With respect to the security interests created hereunder, the Trustee acts as a fiduciary for the Noteholders only and serves as a collateral agent for the other Secured Parties.

(h) The Trustee shall not include in any Monthly Report or otherwise disclose to any Person other than the Collateral Administrator, the Collateral Advisor and the firm of Independent certified public accountants appointed pursuant to Section 10.12 hereof any confidential private credit assessments provided by Moody's or Standard & Poor's to the Issuer without the prior written consent of Moody's or Standard & Poor's, as applicable.

(i) The Trustee shall, and hereby agrees that it will, hold the Credit Enhancement and any proceeds of any claim thereon in trust solely for the use and benefit of the Holders of Insured Notes.

Section 6.02 Notice of Default.

Promptly (and in no event later than two Business Days) after the occurrence of any Default of which a Trust Officer of the Trustee has actual knowledge or after any declaration of acceleration has been made or delivered to the Trustee pursuant to Section 5.02, the Trustee shall mail to the Collateral Advisor, the Credit Enhancer (so long as it is the Controlling Party), each Rating Agency (for so long as any Class of Notes is Outstanding), the Preference Share Paying Agent, each Hedge Counterparty and all Holders of Notes, as their names and addresses appear on the Note Register and, upon written request therefor in the form of Exhibit I certifying that a Person is a holder of a beneficial interest in any Note, to such Person (or its designee), notice of all Defaults and Events of Default hereunder of which a Trust Officer of the Trustee has actual knowledge, provided that even if cured or waived notice shall be given to Standard and Poor's, with respect to any Event of Default that shall have been cured or waived.

Section 6.03 Certain Rights of Trustee.

Except as otherwise provided in Section 6.01:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document reasonably believed by the Trustee to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Issuer or the Co-Issuer mentioned herein shall be sufficiently evidenced by an Issuer Request or Issuer Order, as the case may be;

(c) whenever in the administration of this Indenture the Trustee shall (i) deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on the Trustee's part, rely upon an Officer's certificate or (ii) be required to determine the value of any Collateral or funds hereunder or the cash flows projected to be received therefrom, the Trustee may, in the absence of bad faith on the Trustee's part, rely on reports of nationally recognized accountants, investment bankers or other Persons qualified to provide the information required to make such determination,

including nationally recognized dealers in securities of the type being valued and securities quotation services;

(d) as a condition to the taking or omitting of any action by the Trustee hereunder, the Trustee may consult with counsel, and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or omitted by the Trustee hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise or to honor any of the rights or powers vested in the Trustee by this Indenture at the request or direction of any of the Noteholders or the Controlling Party pursuant to this Indenture, unless such Noteholders or the Controlling Party, as applicable, shall have provided to the Trustee security or indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities which might reasonably be incurred by the Trustee in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper documents, but the Trustee, in its discretion, may, and, upon the written direction of the Controlling Party or any Rating Agency, shall, make such further inquiry or investigation into such facts or matters as the Trustee may see fit or as it shall be directed, and the Trustee shall be entitled, on reasonable prior notice to the Issuers and the Collateral Advisor, to examine the books and records of the Issuers and the Collateral Advisor relating to the Notes and the Collateral, personally or by agent or attorney during normal business hours, provided that the Trustee shall, and shall cause its agents to, hold in confidence all such information, except (i) to the extent disclosure may be required by law or by any regulatory authority and (ii) to the extent that the Trustee, in its sole judgment, may determine that such disclosure is consistent with the Trustee's obligations hereunder, *provided, further*, that the Trustee may disclose on a confidential basis any such information to its agents, attorneys and auditors in connection with its performance of its responsibilities hereunder;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys, provided that the Trustee shall not be responsible for any misconduct or negligence on the part of any agent (other than any Affiliate of the Trustee) or attorney appointed with due care by the Trustee hereunder;

(h) the Trustee shall not be liable for any action the Trustee takes or omits to take in good faith that, in the exercise of the Trustee's judgment, the Trustee reasonably and, after the occurrence and during the continuance of an Event of Default, subject to Section 6.01(b), prudently believes to be authorized or within the Trustee's rights or powers hereunder;

(i) nothing herein shall be construed to impose an obligation on the part of the Trustee to recalculate, evaluate or verify any report, certificate or information received from the Issuer or Collateral Advisor (unless upon the request of a Rating Agency or a Majority of the Controlling Class);

(j) the Trustee shall not be responsible or liable for the actions or omissions of, or any inaccuracies in the records of, any non-Affiliated custodian, clearing agency, common depository, Euroclear or Clearstream, Luxembourg or for the acts or omissions of the Collateral Advisor or either of the Issuers;

(k) the Trustee shall not be liable for the actions or omissions of the Collateral Advisor, and without limiting the foregoing, the Trustee shall not be under any obligation to monitor,

evaluate or verify compliance by the Collateral Advisor with the terms hereof or the Collateral Advisory Agreement, or to verify or independently determine the accuracy of information received by it from the Collateral Advisor (or from any selling institution, agent bank, trustee or similar source) with respect to the Collateral;

(l) the Trustee shall not be liable to the Noteholders for any action taken or omitted by it at the direction of the Issuer, the Co-Issuer, the Collateral Advisor and/or the Holders of the Notes under the circumstances in which such direction is required or permitted by the terms of this Indenture;

(m) in order to comply with laws, rules and regulations applicable to banking institutions, including those relating to the funding of terrorist activities and money laundering, the Trustee may be required to obtain, verify and record certain information relating to individuals and entities which maintain a business relationship with the Trustee. Accordingly, each of the parties agrees to provide to the Trustee upon its request from time to time such party's complete name, address, tax identification number and such other identifying information together with copies of such party's constituting documentation, securities disclosure documentation and such other identifying documentation as may be available for such party.

Section 6.04 Authenticating Agents.

Upon the request of the Issuers, the Trustee shall, and, if the Trustee so chooses, the Trustee may, appoint one or more Authenticating Agents with power to act on the Trustee's behalf and subject to the Trustee's direction in the authentication of Notes in connection with issuance, transfers and exchanges under Sections 2.04, 2.05 and 8.05, as fully to all intents and purposes as though each such Authenticating Agent had been expressly authorized by those Sections to authenticate such Notes. For all purposes of this Indenture, the authentication of Notes by an Authenticating Agent pursuant to this Section 6.04 shall be deemed to be the authentication of Notes by the Trustee.

Any entity into which any Authenticating Agent may be merged or converted or with which it may be consolidated, any entity resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, and any entity succeeding to the corporate trust business of any Authenticating Agent shall be the successor of such Authenticating Agent hereunder, without the execution or filing of any further act on the part of the parties hereto or such Authenticating Agent or such successor entity.

Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee and the Issuer. The Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and the Issuers. Upon receiving such notice of resignation or upon such a termination, the Trustee shall promptly appoint a successor Authenticating Agent and shall give written notice of such appointment to the Issuers.

The Issuer agrees to pay to each Authenticating Agent from time to time reasonable compensation for such Authenticating Agent's services and reimbursement for such Authenticating Agent's reasonable expenses relating thereto. The provisions of Sections 2.06(i), 2.08, 6.05 and 6.06 shall be applicable to any Authenticating Agent.

Section 6.05 Not Responsible for Recitals or Issuance of Notes.

The recitals contained herein and in the Notes, other than the Certificate of Authentication thereon, shall be taken as the statements of the Issuers, and the Trustee assumes no

responsibility for the correctness of such statements. The Trustee makes no representation as to the validity or sufficiency of this Indenture (except as may be made with respect to the validity of the Trustee's obligations hereunder), of the Collateral or of the Notes. The Trustee shall not be accountable for the use or application by the Issuers of the Notes or the proceeds thereof or any Cash paid to the Issuers pursuant to the provisions hereof.

Section 6.06 May Hold Notes and Make Other Investments.

The Trustee, any Paying Agent, the Note Registrar or any other agent of the Issuers, in its individual or any other capacity, may become the owner or pledgee of Notes, and may otherwise deal with the Issuers and any of their Affiliates, with the same rights it would have if it were not Trustee, Paying Agent, Note Registrar or such other agent.

Certain of the Trustee's Affiliates may currently serve, and may in the future serve, as investment adviser for other issuers of collateralized debt obligations. The Trustee or its Affiliates are permitted to receive additional compensation that could be deemed to be in the Trustee's economic self-interest for (i) serving as investment adviser, administrator, shareholder, servicing agent, custodian or sub-custodian with respect to certain of the Eligible Investments, (ii) using Affiliates to effect transactions in certain Eligible Investments and (iii) effecting transactions in certain Eligible Investments.

Section 6.07 Cash Held in Trust.

Cash held by the Trustee hereunder shall be held in trust to the extent required herein. The Trustee shall be under no liability for interest on any Cash received by the Trustee hereunder except to the extent of income or other gain on investments which are deposits in or certificates of deposit of the Trustee in its commercial capacity and income or other gain actually received by the Trustee on Eligible Investments.

Section 6.08 Compensation and Reimbursement.

(a) The Issuer agrees:

(i) to pay the Trustee on each Payment Date in accordance with the Priority of Payments reasonable compensation for all services, including custodial services, rendered by the Trustee hereunder as set forth in its fee letter (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(ii) except as otherwise expressly provided herein, to reimburse the Trustee (subject to any written agreement between the Issuer and the Trustee) in a timely manner upon the Trustee's request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including securities transaction charges (but only to the extent any such securities transaction charges have not been waived during a Due Period due to the Trustee's receipt of a payment from a financial institution with respect to certain Eligible Investments, as specified by the Collateral Advisor) and the reasonable compensation and expenses and disbursements of the Trustee's agents and legal counsel and of any accounting firm or investment banking firm employed by the Trustee pursuant to Section 5.04, Section 5.05, Section 5.17, Section 6.03(c), Section 10.10 or Section 10.12, except any such expense, disbursement or advance as may be attributable to the Trustee's negligence, willful misconduct or bad faith);

(iii) to indemnify the Trustee and its Officers, directors, employees and agents for, and to hold them harmless against, any loss, liability or expense incurred without negligence, willful misconduct or bad faith on their part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending themselves against any claim or liability in connection with the exercise or performance of any of their powers or duties hereunder; and

(iv) to pay the Trustee reasonable additional compensation together with the Trustee's expenses (including reasonable counsel fees and expenses) for any collection action taken pursuant to Section 6.14.

(b) The Issuer may remit payment for such fees and expenses to the Trustee or, in the absence thereof, the Trustee may from time to time deduct payment of the Trustee's fees and expenses hereunder from Cash on deposit in the Expense Account or, on a Payment Date, from Cash on deposit in the Payment Account for the Notes pursuant to Section 11.01.

(c) The Trustee hereby agrees not to cause the filing of a petition in bankruptcy, insolvency, reorganization, moratorium, receivership, conservatorship or other proceeding under similar laws now or hereafter in effect against the Issuer for the non-payment to the Trustee of any amounts provided by this Section 6.08 until at least one year and one day, or, if longer, the applicable preference period then in effect (plus one day), after the payment in full of all Notes issued under this Indenture; provided that the Trustee shall not be prohibited from filing proofs of claim in connection with such proceeding.

(d) The amounts payable to the Trustee (in any capacity in connection herewith) pursuant to this Section 6.08(a) (other than amounts received by the Trustee from financial institutions under clause (a)(ii) above) shall not, except as provided by Sections 11.01(a)(i)(25) and 11.01(a)(ii)(14), exceed on any Payment Date the Dollar limitation described in Section 11.01(a)(i)(2) for such Payment Date, and the Trustee shall have a lien ranking senior to that of the Noteholders upon all property and funds held or collected as part of the Collateral to secure payment of amounts payable to the Trustee under this Section 6.08 not to exceed such amount which the Trustee is entitled to receive pursuant to the Priority of Payments with respect to any Payment Date, provided that (i) the Trustee shall not institute any proceeding for enforcement of such lien except in connection with an action pursuant to Section 5.03 or Section 5.04 for the enforcement of the lien of this Indenture for the benefit of the Secured Parties and (ii) the Trustee may only enforce such a lien in conjunction with the enforcement of the rights of the Secured Parties in the manner set forth in Section 5.04.

The Trustee shall, subject to the Priority of Payments, receive amounts pursuant to this Section 6.08 and Sections 11.01(a)(i) and (ii) and the failure to pay such amounts to the Trustee will not, by itself, constitute an Event of Default. Subject to Section 6.10, the Trustee shall continue to serve as Trustee under this Indenture notwithstanding the fact that the Trustee shall not have received amounts due it hereunder and hereby agrees not to cause the filing of a petition in bankruptcy against the Issuers for the nonpayment to the Trustee of any amounts provided by this Section 6.08 until at least one year and one day, or, if longer, the applicable preference period then in effect (plus one day), after the payment in full of all Notes issued under this Indenture; provided, however, that the Trustee shall not be prohibited from filing proofs of claim. No direction by the Controlling Party shall, by itself, affect the right of the Trustee to collect amounts owed to it under this Indenture. If on any Payment Date when any amount shall be payable to the Trustee pursuant to this Indenture such amount is not paid because there are insufficient funds available for the payment thereof, all or any portion of such amount not so paid shall be deferred and payable on any later Payment Date on which a fee shall be payable and sufficient funds are available therefor in accordance with the Priority of Payments.

(e) The indemnifications in favor of the Trustee in this Section 6.08 shall (i) survive any resignation or removal of any Persons acting as Trustee (to the extent of any indemnified liabilities, costs, expenses and other amounts arising or incurred prior to, or arising our of actions or omissions occurring prior to, such resignation or removal) and (ii) apply to the Bank whether acting in the capacity of Trustee, Paying Agent, Custodian, Calculation Agent, Collateral Administrator, Authenticating Agent, Note Registrar, Transfer Agent, Securities Intermediary or otherwise.

Section 6.09 Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be a corporation, banking association or trust company organized and doing business under the laws of the United States or of any State thereof, authorized under such laws to exercise trust powers, having a combined capital and surplus of at least U.S.$250,000,000, subject to supervision or examination by Federal or state authority, having a rating of at least "Baa1" by Moody's and at least "BBB+" by Standard & Poor's and a short-term debt rating of at least "P-1" by Moody's and having an office within the United States. If such entity publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then, for the purposes of this Section 6.09, the combined capital and surplus of such entity shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee shall provide copies of any such reports to the Credit Enhancer upon written request. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 6.09, the Trustee shall resign immediately in the manner and with the effect hereinafter specified in this Article VI.

Section 6.10 Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article VI shall become effective until the acceptance of appointment by the successor Trustee under Section 6.11. The indemnity in favor of the Trustee in Section 6.08 shall survive any resignation or removal to the extent of any indemnification costs and other amounts arising or incurred prior to or arising out of actions or omissions prior to such resignation or removal.

(b) The Trustee may resign at any time by giving not less than 30 days' prior written notice thereof to the Issuers, the Noteholders, the Collateral Advisor, each Hedge Counterparty, each Rating Agency, the Preference Share Paying Agent and the Credit Enhancer. Upon receiving such notice of resignation, the Issuers shall promptly appoint a successor trustee or trustees by written instrument, in duplicate, executed by an Authorized Officer of the Issuer and an Authorized Officer of the Co-Issuer, one copy of which shall be delivered to the Trustee so resigning and one copy to the successor trustee or trustees, together with a copy to each Noteholder and the Credit Enhancer (if it is the Controlling Party), provided that such successor trustee shall be appointed only upon the written consent of the Controlling Party. If no successor trustee shall have been appointed and no instrument of acceptance by a successor trustee shall have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee or any Holder of a Note or the Credit Enhancer (so long as it is the Controlling Party), on behalf of itself and all others similarly situated, may petition any court of competent jurisdiction for the appointment of a successor trustee. Any resignation or removal of the Bank as Trustee shall be deemed to be a resignation or removal, as applicable, of the Bank as Collateral Administrator, Calculation Agent, Note Registrar, Transfer Agent, Preference Share Paying Agent and Custodian.

(c) Subject to Section 6.10(a), the Trustee may be removed at any time upon not less than 30 days' prior written notice by Act of the Credit Enhancer (so long as it is the Controlling Party) or,

if the Credit Enhancer is not the Controlling Party, Holders of a majority of the Aggregate Outstanding Amount of any Class or, at any time when an Event of Default shall have occurred and be continuing, upon not less than 15 days' prior written notice, by Act of the Controlling Party, delivered to the Trustee, to Standard & Poor's and to the Issuers.

(d) If at any time:

(i) the Trustee shall cease to be eligible under Section 6.09 and shall fail to resign after written request therefor by the Issuers or the Controlling Party;

(ii) the Trustee shall become incapable of acting or be adjudged as bankrupt or insolvent or a receiver or liquidator of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation; or

(iii) the Trustee shall commence a voluntary case under any Federal or state banking or bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, conservator, sequestrator or other similar official for the Trustee or for any substantial part of the Trustee's property, or shall make any assignment for the benefit of its creditors or shall fail generally to pay, or shall admit in writing its inability to pay, its debts as such debts become due or shall take any corporate action in furtherance of any of the foregoing,

then, in any such case (subject to Section 6.10(a)), (A) the Issuers, by Issuer Order, may remove the Trustee, or (B) subject to Section 5.15, the retiring Trustee or any Holder may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Trustee for any reason, the Issuers, by Issuer Order, shall promptly appoint a successor Trustee. If the Issuers shall fail to appoint a successor Trustee within 60 days after such resignation, removal or incapability or the occurrence of such vacancy, a successor Trustee may be appointed by Act of the Controlling Party delivered to the Issuer and the retiring Trustee. The successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede any successor Trustee proposed by the Issuers. If no successor Trustee shall have been so appointed by the Issuers or such Holders and accepted appointment in the manner hereinafter provided, then, subject to Section 5.15, any Holder may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Issuers shall give prompt notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee by mailing written notice of such event by first class mail, postage prepaid, to the Collateral Advisor, the Credit Enhancer, each Rating Agency, each Hedge Counterparty, the Administrator, the Share Registrar, the Holders as their names and addresses appear in the Note Register and the retiring Trustee. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office. If the Issuers fail to mail such notice within 10 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be given at the expense of the Issuers.

Section 6.11 Acceptance of Appointment by Successor.

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Issuers and the retiring Trustee an instrument accepting such appointment. Upon delivery of the required instruments, the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any other act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of the retiring Trustee; however, on request of the Issuers or Holders of a majority of the Aggregate Outstanding Amount of Notes of any Class, or the Credit Enhancer (so long as it is the Controlling Party) or the successor Trustee, such retiring Trustee shall, upon payment of such retiring Trustee's charges, fees, indemnities and expenses then unpaid, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and Cash held by such retiring Trustee hereunder, subject nevertheless to its lien, if any, provided for in Section 6.08(d). Upon request of any such successor Trustee, the Issuers shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor shall be qualified and eligible under this Article VI. No appointment of a successor Trustee shall become effective if a Majority of the Controlling Class objects to such appointment. No appointment of a successor Trustee shall become effective until the date 10 days after notice of such appointment has been given to each Noteholder.

Section 6.12 Merger, Conversion, Consolidation or Succession to Business of Trustee.

Any Person into which the Trustee may be merged or converted or with which it may be consolidated, any Person resulting from any merger, conversion or consolidation to which the Trustee shall be a party, and any Person succeeding to all or substantially all of the corporate trust business of the Trustee shall be the successor of the Trustee hereunder, provided that such Person shall be otherwise qualified and eligible under this Article VI, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any of the Notes have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Notes so authenticated with the same effect as if such successor Trustee had itself authenticated such Notes.

Section 6.13 Co-Trustees.

At any time or times, for the purpose of meeting the legal requirements of any jurisdiction in which any part of the Collateral may at the time be located, the Issuers and the Trustee shall have the power to appoint one or more Persons to act as co-trustee, jointly with the Trustee, of all or any part of the Collateral, with the power to file proofs of claim and take other actions pursuant to Section 5.06 and to make claims and enforce rights of action on behalf of the Holders of the Notes subject to the other provisions of this Section 6.13, *provided*, reasonable notice of such an appointment is given to Standard & Poor's by the Issuer or the Collateral Advisor.

The Issuers shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint a co-trustee. If the Issuers do not join in such appointment within 15 days after the receipt by them of a request to do so, the Trustee shall have power to make such appointment.

Should any written instrument from the Issuers be required by any co-trustee so appointed for more fully confirming to such co-trustee such property, title, right or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Issuers. The Issuers agree to pay (subject to the Priority of Payments) for any reasonable fees and expenses in connection with such appointment.

Every co-trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms:

(a) the Notes shall be authenticated and delivered and all rights, powers, duties and obligations hereunder in respect of the custody of securities, Cash and other personal property held by, or required to be deposited or pledged with, the Trustee hereunder shall be exercised solely by the Trustee;

(b) the rights, powers, duties and obligations hereby conferred or imposed upon the Trustee in respect of any property covered by the appointment of a co-trustee shall be conferred or imposed upon and exercised or performed by the Trustee or by the Trustee and such co-trustee jointly, as shall be provided in the instrument appointing such co-trustee, except to the extent that, under any law of any jurisdiction in which any particular act is to be performed, the Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by a co-trustee;

(c) the Trustee at any time, by an instrument in writing executed by the Trustee with the concurrence of the Issuers evidenced by an Issuer Order, may accept the resignation of or remove any co-trustee appointed under this Section 6.13, and, in case an Event of Default has occurred and is continuing, the Trustee shall have the power to accept the resignation of, or remove, any such co-trustee without the concurrence of the Issuers; a successor to any co-trustee so resigned or removed may be appointed in the manner provided in this Section 6.13;

(d) no co-trustee hereunder shall be personally liable by reason of any act or omission of the Trustee or any other co-trustee hereunder;

(e) the Trustee shall not be liable by reason of any act or omission of a co-trustee;

(f) any Act of Noteholders or the Credit Enhancer delivered to the Trustee shall be deemed to have been delivered to each co-trustee; and

(g) any co-trustee shall be deemed to have made the representations set forth in Section 6.15, mutatis mutandis.

Section 6.14 Certain Duties Related to Delayed Payment of Proceeds.

In the event that the Trustee shall not have received a payment with respect to any Pledged Security on its Due Date (unless otherwise directed by the Collateral Advisor in writing in connection with any Pledged Security with respect to which there was a default in payment during the preceding Due Period as to which the Collateral Advisor is taking action under the Collateral Advisory Agreement), (a) the Trustee shall promptly notify the Issuer and the Collateral Advisor in writing and (b) unless within three Business Days (or the end of the applicable grace period for such payment, if longer) after such notice (i) such payment shall have been received by the Trustee or (ii) the Issuer, in its absolute discretion (but only to the extent permitted by Section 10.02(c)), shall have made provision for such payment satisfactory to the Trustee in accordance with Section 10.02(c), the Collateral Advisor on behalf

of the Issuer or the Trustee shall, as soon as practicable, request the issuer of such Pledged Security, the trustee under the related Underlying Instrument or the paying agent designated by either of them, as the case may be, to make such payment as soon as practicable after such request but in no event later than three Business Days after the date of such request. In the event that such payment is not made within such time period, the Trustee, subject to the provisions of Section 6.01(c)(iv), shall take such action as the Collateral Advisor shall direct in writing. Any such action shall be without prejudice to any right to claim a Default under this Indenture. In the event that the Issuer or the Collateral Advisor requests a release of a Pledged Security and/or delivers a new Collateral Debt Security in connection with any such action under the Collateral Advisory Agreement, such release and/or delivery shall be subject to Section 10.11 and Article XII, as the case may be. Notwithstanding any other provision hereof, the Trustee shall deliver to the Issuer or its designee any payment with respect to any Pledged Security received after the Due Date thereof to the extent that the Issuer previously made provisions for such payment satisfactory to the Trustee in accordance with Section 10.02(c) and this Section 6.14 and such payment shall not be deemed part of the Collateral.

Section 6.15 Representations and Warranties of the Bank.

The Bank hereby represents and warrants the following for the benefit of the Secured Parties:

(a) Organization. The Bank has been duly organized and is validly existing as a national banking association with trust powers under the laws of the United States of America and has the power to conduct the Bank's business and affairs as a trustee.

(b) Authorization; Binding Obligations. The Bank has the power and authority to perform the duties and obligations of Trustee, Note Registrar and Transfer Agent under this Indenture. The Bank has taken all necessary action to authorize the execution, delivery and performance of this Indenture and all of the documents required to be executed by the Bank pursuant hereto. This Indenture has been duly executed and delivered by the Bank. Upon execution and delivery by the Issuers and the Bank, this Indenture will constitute the legal, valid and binding obligation of the Bank enforceable in accordance with this Indenture's terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to creditor's rights generally and by general principles of equity.

(c) Eligibility. The Bank is eligible under Section 6.09 to serve as Trustee hereunder.

(d) No Conflict. Neither the execution, delivery and performance of this Indenture, nor the consummation of the transactions contemplated by this Indenture, is prohibited by, or requires the Bank to obtain any consent, authorization, approval or registration under, any law, statute, rule or regulation or, to the best of its knowledge, judgment, order, writ, injunction or decree that is binding upon the Bank.

Section 6.16 Exchange Offers.

The Collateral Advisor may, on behalf of the Issuer, instruct the Trustee pursuant to an Issuer Order to, and the Trustee shall, take any of the following actions with respect to a Collateral Debt Security or Equity Security as to which an exchange offer has been made or as to which a request for consent, waiver, vote or exercise of a right or remedy has been received: (i) exchange such instrument for other securities or a mixture of securities and other consideration pursuant to such exchange offer (and in

making a determination whether or not to exchange any security, none of the restrictions set forth in Section 12.02 or Section 12.03 shall be applicable) and (ii) give consent, grant waiver, vote or exercise any or all other rights or remedies with respect to any such Collateral Debt Security or Equity Security.

Section 6.17 Fiduciary for Noteholders Only; Agent For Other Secured Parties.

With respect to the security interests created hereunder, the pledge of any portion of the Collateral to the Trustee is to the Trustee as representative of the Noteholders and agent for other Secured Parties. In furtherance of the foregoing, the possession by the Trustee of any portion of the Collateral and the endorsement to or registration in the name of the Trustee of any portion of the Collateral (including as Entitlement Holder of the Custodian Account) are all undertaken by the Trustee in its capacity as representative of the Noteholders and as agent for the other Secured Parties. The Trustee shall not by reason of this Indenture be deemed to be acting as fiduciary for the Hedge Counterparties or the Collateral Advisor, provided that the foregoing shall not limit any of the express obligations of the Trustee under this Indenture.

Section 6.18 Withholding.

If any withholding tax is imposed on the Issuer's payment under the Notes to any Noteholder, such tax shall reduce the amount of such payment otherwise distributable to such Noteholder. The Trustee is hereby authorized and directed to retain from amounts otherwise distributable to any Noteholder sufficient funds for the payment of any tax that is legally owed by the Issuer (but such authorization shall not prevent the Trustee from contesting any such tax in appropriate proceedings and withholding payment of such tax, if permitted by law, pending the outcome of such proceedings). The amount of any withholding tax imposed with respect to any Noteholder shall be treated as Cash distributed to such Noteholder at the time it is withheld by the Trustee and remitted to the appropriate taxing authority. If there is a possibility that withholding tax is payable with respect to a distribution, the Trustee may in its sole discretion withhold such amounts in accordance with this Section 6.18. If any Noteholder wishes to apply for a refund of any such withholding tax, the Trustee shall reasonably cooperate with such Noteholder in making such claim so long as such Noteholder agrees to reimburse the Trustee for any out-of-pocket expenses incurred. Failure of a Holder of a Note to provide the Trustee or any Paying Agent and the Issuer with appropriate tax certificates may result in amounts being withheld from the payment to such Holders. Nothing herein shall impose an obligation on the part of the Trustee to determine the amount of any tax or withholding obligation on the part of the Issuer or in respect of the Issued Securities. Amounts withheld pursuant to applicable tax laws shall be considered as having been paid by the Issuer as provided in Section 7.01. The Trustee shall, unless prevented from doing so for reasons beyond its reasonable control, give notice to each Noteholder and the Credit Enhancer of any such withholding requirement no later than ten days prior to the date of the payment from which amounts are required to be withheld; provided that despite the failure of the Trustee to give such notice, amounts withheld pursuant to applicable tax laws shall be considered as having been paid by the Issuers as provided above.

Section 6.19 Requests for Consents under Underlying Instruments.

In the event that the Trustee receives written notice of any proposed amendment, consent or waiver under the Underlying Instruments of any Collateral Debt Security (before or after any default), the Trustee shall promptly deliver copies of such notice to the Issuer and the Collateral Advisor. The Collateral Advisor may, on behalf of the Issuer, instruct the Trustee pursuant to an Issuer Order to, and the Trustee shall, with respect to a Collateral Debt Security as to which a consent or waiver under the Underlying Instruments of such Collateral Debt Security (before or after any default) has been proposed,

give consent, grant waiver, vote or exercise any or all other rights or remedies with respect to any such Collateral Debt Security only in accordance with such Issuer Order. In the absence of any instruction from the Collateral Advisor, the Trustee shall not engage in any vote with respect to such Collateral Debt Security.

ARTICLE VII

COVENANTS

Section 7.01 Payment of Principal and Interest.

The Issuers shall duly and punctually pay all principal and interest (including Defaulted Interest thereon, any accrued interest on such Defaulted Interest, Deferred Interest and interest on Deferred Interest) in accordance with the terms of the Notes and this Indenture. Amounts properly withheld under the Code or other applicable law by any Person from a payment to any Noteholder of principal and/or interest shall be considered as having been paid by the Issuers to such Noteholder for all purposes of this Indenture.

The Trustee hereby provides notice to each Noteholder that the failure of such Noteholder to provide the Trustee with appropriate tax certifications may result in amounts being withheld from payments to such Noteholder under this Indenture (provided that amounts withheld pursuant to applicable tax laws shall be considered as having been paid by the Issuers as provided above).

Section 7.02 Maintenance of Office or Agency.

The Issuers hereby appoint the Trustee as Paying Agent for the payment of principal of and interest on the Notes. The Issuers hereby appoint the Trustee at the office of the Trustee's agent located at 4 New York Plaza, Ground Floor, New York, New York, 10004 (attention: Corporate Trust (Houston) – BFC Ajax CDO Ltd.) as the Issuers' agent where the Notes and Preference Shares may be surrendered for registration of transfer or exchange. The Issuers hereby appoint CT Corporation System, 111 Eighth Avenue, 13th Floor, New York, New York 10011, as the Issuers' agent in New York, for delivery of service of process. The Issuer hereby appoints Maples Finance Dublin 40 Lower Baggot Street Dublin 2, Ireland, as Irish Paying Agent and as the Issuers' agent where notices and demands to or upon the Issuers in respect of any Notes listed on the Irish Stock Exchange may be served and where such Notes may be surrendered for registration of transfer or exchange.

The Issuers may at any time and from time to time vary or terminate the appointment of any such agent or appoint any additional agents for any or all of such purposes, provided that (A) no Paying Agent shall be appointed in a jurisdiction that would subject payments on the Notes to withholding tax as a result of the Paying Agent being located therein and (B) the Issuers may not terminate the appointment of any Paying Agent without the consent of each Preference Shareholder; *provided* that clause (B) shall not be applicable to the termination of the Irish Paying Agent as long as, to the extent any Notes are listed on the Irish Stock Exchange, the Issuers appoint a replacement. The Issuers shall give prompt written notice to the Trustee, each Rating Agency and the Noteholders of the appointment or termination of any such agent and of the location and any change in the location of any such office or agency.

For so long as any Class of Notes is listed on the Irish Stock Exchange and such exchange shall so require, the Issuers shall maintain a listing agent, a paying agent and an agent where

notices and demands to or upon the Issuers in respect of any Notes listed on the Irish Stock Exchange may be served and where such Notes may be surrendered for registration of transfer or exchange.

Section 7.03 Cash for Note Payments to be Held in Trust.

All payments of amounts due and payable with respect to any Notes which are to be made from amounts withdrawn from the Payment Account shall be made on behalf of the Issuers by the Trustee or a Paying Agent with respect to payments on the Notes. All payment of amounts due and payable with respect to any Preference Shares shall be made on behalf of the Issuer by the Trustee to the Preference Share Paying Agent for the payment of dividends and redemption in accordance with the Preference Share Paying Agency Agreement.

When the Issuers shall have a Paying Agent that is not also the Note Registrar, they shall furnish, or cause the Note Registrar to furnish to such Paying Agent, no later than the fifth calendar day after each Record Date, a list, in such form as such Paying Agent may reasonably request, of the names and addresses of the Holders and of the certificate numbers of individual Notes held by each such Holder.

Whenever the Issuers shall have a Paying Agent other than the Trustee, they shall, on or before the Business Day next preceding each Payment Date or Redemption Date, as the case may be, direct the Trustee to deposit on such Payment Date or Redemption Date, as the case may be, with such Paying Agent, if necessary, an aggregate sum sufficient to pay the amounts then becoming due (to the extent funds are then available for such purpose in the Payment Account or Principal Collection Account, as the case may be), such sum to be held in trust for the benefit of the Persons entitled thereto and (unless such Paying Agent is the Trustee) the Issuers shall promptly notify the Trustee of its action or failure so to act. Any Cash deposited with a Paying Agent (other than the Trustee) in excess of an amount sufficient to pay the amounts then becoming due on the Notes with respect to which such deposit was made shall be paid over by such Paying Agent to the Trustee for application in accordance with Article X.

The initial Paying Agent shall be as set forth in Section 7.02. Any additional or successor Paying Agents shall be appointed by Issuer Order with written notice thereof to the Trustee, provided that, so long as any Class of Notes is rated by the Rating Agencies and with respect to any additional or successor Paying Agent for the Notes, (i) either (a) the Paying Agent for the Notes has a rating of not less than "Aa3" and not less than "P-1" by Moody's and a rating of not less than "AA-" and not less than "A-1+" by Standard & Poor's or (b) the Rating Condition with respect to the appointment of such Paying Agent shall have been satisfied and (ii) the Credit Enhancer (so long as it is the Controlling Party) shall have consented to such appointment (such consent not to be unreasonably withheld, delayed or conditioned). In the event that (i) such successor Paying Agent ceases to have a rating of at least "Aa3" and at least "P-1" by Moody's and a rating of at least "AA-" and of "A-1+" by Standard & Poor's or (ii) the Rating Condition with respect to the appointment of such Paying Agent shall not have been satisfied, the Issuers shall promptly remove such Paying Agent and appoint a successor Paying Agent; provided that so long as the Credit Enhancer is the Controlling Party, it shall have consented to such appointment (such consent not to be unreasonably withheld, delayed or conditioned). The Issuers shall not appoint any Paying Agent (other than an initial Paying Agent) that is not, at the time of such appointment, a depository institution or trust company subject to supervision and examination by Federal and/or state and/or national banking authorities. The Issuers shall cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee (and, if the Trustee acts as Paying Agent, the Trustee hereby so agrees), subject to the provisions of this Section 7.03, that such Paying Agent will:

(a) allocate all sums received for payment to the Holders of Notes for which such Paying Agent acts as Paying Agent on each Payment Date and Redemption Date among such Holders in the proportion specified in the instructions set forth in the applicable Note Valuation Report or Redemption Date Statement or as otherwise provided herein, in each case to the extent permitted by applicable law;

(b) hold all sums held by it for the payment of amounts due with respect to the Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided and pay such sums to such Persons as herein provided;

(c) if such Paying Agent is not the Trustee, immediately resign as a Paying Agent and forthwith pay to the Trustee all sums held by such Paying Agent in trust for the payment of Notes if at any time such Paying Agent ceases to meet the standards set forth above required to be met by a Paying Agent at the time of such Paying Agent's appointment;

(d) if such Paying Agent is not the Trustee, immediately give the Trustee notice of any Default by the Issuer or the Co-Issuer (or any other obligor upon the Notes) in the making of any payment required to be made; and

(e) if such Paying Agent is not the Trustee at any time during the continuance of any such Default, forthwith, upon the written request of the Trustee, pay to the Trustee all sums so held in trust by such Paying Agent.

The Issuers may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Issuer Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Issuers or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Issuers or such Paying Agent; upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such Cash.

Except as otherwise required by applicable law, any Cash deposited with the Trustee or any Paying Agent in trust for the payment of the principal of or interest on any Note and remaining unclaimed for two years after such principal, or interest, has become due and payable shall be paid to the Issuers on Issuer Request, and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Issuer for payment of such amounts and all liability of the Trustee or such Paying Agent with respect to such trust Cash (but only to the extent of the amounts so paid to the Issuers) shall thereupon cease. The Trustee or such Paying Agent, before being required to make any such release of payment, may, but shall not be required to, adopt and employ, at the expense of the Issuers, any reasonable means of notification of such release of payment, including mailing notice of such release to Holders whose Notes have been called but have not been surrendered for redemption or the right to or interest in Monies due and payable to which but not claimed is determinable from the records of any Paying Agent, at the last address of record of each such Holder.

Section 7.04 Existence of Issuers.

The Issuer and the Co-Issuer shall, to the maximum extent permitted by applicable law, maintain in full force and effect their existence and rights as an exempted company incorporated and registered under the laws of the Cayman Islands and as a limited liability company organized under the laws of the State of Delaware, respectively, and shall obtain and preserve their qualification to do business in each jurisdiction in which such qualifications are or shall be necessary to protect the validity

and enforceability of this Indenture, the Notes or any of the Collateral; provided that the Issuer and the Co-Issuer each shall be entitled to (and at the direction of the Holders of a majority of the Aggregate Outstanding Amount of the Preference Shares shall) change its jurisdiction of incorporation or organization from the Cayman Islands and Delaware, respectively, to any other jurisdiction reasonably selected by the Issuer (or by the Holders of a majority of the Aggregate Outstanding Amount of the Preference Shares) so long as (i) such change is not disadvantageous in any material respect to the Secured Parties, (ii) written notice of such change shall have been given by the Issuer to the Trustee at least 30 days prior to such change and by the Trustee to the Holders, the Credit Enhancer, the Collateral Advisor, the Rating Agencies and the Hedge Counterparties no more than 15 days following such notice to the Trustee, (iii) the Trustee shall not have received written notice from the Controlling Party objecting to such change, (iv) the Rating Condition is satisfied and (v) the Trustee has been provided with a tax opinion to the effect that the change in jurisdiction will not cause a Tax Event to occur and a perfection opinion to the effect that the Trustee will continue to have a perfected first priority security interest in the Collateral. The Issuer and the Co-Issuer each shall maintain at all times at least one director (or manager, in the case of the Co-Issuer) who is Independent of the Placement Agent and the Collateral Advisor.

The Issuer and the Co-Issuer shall ensure that all corporate, limited liability company or other formalities regarding their respective existences (including, to the extent required by applicable law, holding regular board of directors' and shareholders', or other similar, meetings) or registrations are followed. Neither the Issuer nor the Co-Issuer shall take any action, or conduct its respective affairs in a manner, that is likely to result in the Issuer's or the Co-Issuer's separate existence being ignored or in the Issuer's or the Co-Issuer's assets and liabilities being substantively consolidated with any other Person in a bankruptcy, reorganization or other insolvency proceeding. Without limiting the foregoing, (a) the Issuer shall not have any subsidiaries other than the Co-Issuer, (b) the Co-Issuer shall not have any subsidiaries and (c) the Issuer and the Co-Issuer shall not (i) have any employees, (ii) engage in any transaction with any Holder of Ordinary Shares that would constitute a conflict of interest or (iii) pay dividends other than in accordance with the terms of this Indenture and the Preference Share Documents, provided that the foregoing shall not prohibit the Issuer from entering into the transactions contemplated by the Administration Agreement with the Administrator and the Preference Share Paying Agency Agreement with the Share Registrar.

The Issuer and the Co-Issuer shall comply with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees, determinations and awards (including, without limitation, any fiscal and accounting rules and regulations and any foreign or domestic law, rule or regulation), including, without limitation, in connection with the issuance, offer and sale of the Notes.

Section 7.05 Protection of Collateral.

(a) The Issuer shall from time to time take such action as necessary or advisable or desirable, including executing all such supplements and amendments hereto and preparing, executing and filing, or causing the preparation, execution and filing, of all such Financing Statements, continuation statements, instruments of further assurance and other instruments, to secure the rights and remedies of the Secured Parties hereunder and to:

(i) Grant more effectively all or any portion of the Collateral;

(ii) maintain, preserve and perfect the lien (and the first priority nature thereof) of this Indenture or to carry out more effectively the purposes hereof;

(iii) perfect, publish notice of or protect the validity of any Grant made or to be made by this Indenture (including any and all actions necessary or desirable as a result of changes in law or regulations);

(iv) enforce any of the Pledged Securities or other instruments or property included in the Collateral;

(v) preserve and defend title to the Collateral and the rights therein of the Trustee, the Holders of the Notes and the Credit Enhancer against the claims of all Persons and parties; or

(vi) pursuant to Section 11.01(a)(i)(1), pay or cause to be paid any and all taxes levied or assessed upon all or any part of the Collateral.

The Issuer hereby designates the Trustee the Issuer's agent and attorney-in-fact to execute any Financing Statement, continuation statement or other instrument required and provided to it pursuant to this Section 7.05 as are necessary to maintain perfection of the security interest in the Collateral Granted hereunder and perfected by the filing of Financing Statements, provided that the Trustee shall not be deemed to have assumed any obligation hereby and the Issuer shall retain ultimate responsibility for maintaining the perfection of the security interest in the Collateral Granted hereunder and perfected by the filing of Financing Statements under this Section 7.05. The Issuer hereby (i) authorizes the filing at any time and from time to time of financing statements, continuation statements and amendments thereto that describe the Collateral as "all assets of the debtor, whether now owned or hereafter acquired and wherever located," and (ii) ratifies such authorization to the extent that any such financing or continuation statements, or amendments thereto were filed prior to the date hereof. The Issuer agrees that a carbon, photographic, photostatic or other reproduction of this Indenture or of a Financing Statement is sufficient as a Financing Statement. In addition, the Issuer shall cause to be filed continuation statements with respect to the Financing Statements filed in connection with the Closing Date and the Issuer shall cause to be filed Financing Statements and other continuation statements to the extent the Issuer has received an Opinion of Counsel (including the Opinion of Counsel delivered in accordance with Section 7.06) as to the need to file such Financing Statements and continuation statements, the dates by which such filings are required to be made and the jurisdictions in which such filings are required to be made. To carry out these purposes, the Issuer may request legal counsel to prepare, at the expense of the Issuer, Financing Statements, continuation statements or other instruments required under this Section 7.05(a). In addition, the Trustee agrees that it will from time to time, at the direction of any Secured Party (other than the Trustee), execute and cause to be filed Financing Statements and continuation statements.

(b) The Trustee shall not (i) except in accordance with Section 10.11(a), Section 10.11(b) or Section 10.11(c), as applicable, remove any portion of the Collateral which consists of Cash (other than for distributions required under Section 11.01) or is evidenced by an Instrument, certificate or other writing (A) from the jurisdiction in which such portion was held at the date the most recent Opinion of Counsel was delivered pursuant to Section 7.06 (or from the jurisdiction in which such portion was held as described in the Opinion of Counsel delivered at the Closing Date pursuant to Section 3.01(c), if no Opinion of Counsel has yet been delivered pursuant to Section 7.06) or (B) from the possession of the Person that held it on such date or (ii) cause or permit ownership or the pledge of any portion of the Collateral which consists of book-entry securities to be recorded on the books of a Person (A) located in a different jurisdiction from the jurisdiction in which such ownership or pledge was recorded at such date or (B) other than the Person on the books of which such ownership or pledge was recorded at such date, unless the Trustee and the Credit Enhancer (so long as it is the Controlling Party) shall have first received an Opinion of Counsel to the effect that the lien and security interest created by this Indenture with respect to such property will continue to be maintained after giving effect to such action or actions.

(c) The Issuer shall pay or cause to be paid taxes, if any, levied on account of the beneficial ownership by the Issuer of any Pledged Securities that secure the Notes; provided, that the Issuer shall not be required to pay or discharge or cause to be paid or discharged any such tax whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which disputed amounts or adequate reserves have been made or the failure of which to pay or discharge could not reasonably be expected to have a material adverse effect upon the ability of the Issuer to timely and fully perform any of its payment or other material obligations under this Indenture or upon the interests of the Noteholders in the Collateral.

(d) The Issuer shall enforce all of its material rights and remedies under each Subscription Agreement, each Hedge Agreement, the Collateral Advisory Agreement, the Administration Agreement, the Collateral Administration Agreement, the Insurance Agreement, the Credit Enhancement and the Preference Share Documents. The Issuer shall not enter into any agreement amending, modifying, terminating or otherwise waiving its rights under any Hedge Agreement, the Collateral Advisory Agreement, the Administration Agreement, the Insurance Agreement, the Premium Letter, the Credit Enhancement or the Collateral Administration Agreement without (i) 10 days' prior notice to each Rating Agency, the Credit Enhancer and each Hedge Counterparty, (ii) 10 days' prior notice thereof to the Trustee, which notice shall specify the action proposed to be taken by the Issuer (and the Trustee shall promptly deliver a copy of such notice to each Noteholder) and (iii) with respect to any amendment, modification or termination of such agreements, satisfaction of the Rating Condition and the written consent of the Credit Enhancer (so long as it is the Controlling Party). The Issuer shall not amend or modify, or consent to or direct any assignment by the Administrator or termination of, the Administration Agreement, without the prior written consent of a Majority-in-Interest of Preference Shareholders.

(e) The Issuer shall, if any of the Issued Securities remains Outstanding or is expected to remain Outstanding at the expiration of the term of the "Undertaking as to Tax Concessions" granted by the Governor in Council of the Cayman Islands pursuant to Section 6 of the Tax Concessions Law (1999 Revision) in connection with the Offering, seek a renewal of such concessions sufficiently in advance of such expiration so as to have the renewal concessions granted prior to the expiration of said original concessions.

(f) Without at least 30 days' prior written notice to the Trustee, the Issuer shall not change its name, or the name under which it does business, from the name shown on the signature pages hereto.

Section 7.06 Opinions as to Collateral.

(a) The Issuer shall cause to be delivered to the Trustee, the Collateral Advisor, the Credit Enhancer and the Rating Agencies, within 10 Business Days after the Effective Date, an Opinion of Counsel, dated the Effective Date (which shall include assumptions and qualifications substantially similar to those set forth in Exhibit E-1), stating that, in the opinion of such counsel, as of the date of such opinion, the security interest created by this Indenture with respect to the Collateral remains a valid and perfected security interest and describing the manner in which such security interest shall remain perfected.

(b) On or before December 3, 2007 and every anniversary of such date thereafter (for so long as any Notes remain Outstanding), the Issuer shall furnish or cause to be furnished to the Trustee, the Credit Enhancer, the Collateral Advisor and each Rating Agency (with copies to each Hedge Counterparty) an Opinion of Counsel (which shall include assumptions and qualifications substantially similar to those set forth in Exhibit E-1) stating that, in the opinion of such counsel, as of the date of such

opinion, the security interest created by this Indenture with respect to the Collateral remains a valid and perfected security interest and describing the manner in which such security interest shall remain perfected.

Section 7.07 Performance of Obligations.

(a) If an Event of Default has occurred and is continuing, without prior consent of a Majority of the Controlling Class, the Issuers shall not take any action, and shall use their best efforts not to permit any action to be taken by others, that would release any Person from such Person's covenants or obligations under any instrument included in the Collateral, except in the case of enforcement action taken with respect to any Defaulted Security in accordance with the provisions hereof and as otherwise required hereby. The Issuers may not enter into any amendment or waiver of or supplement to any Underlying Instrument included in the Collateral without the prior consent of a Majority of the Controlling Class, provided that, notwithstanding anything in this Section 7.07(a) to the contrary, the Issuers may enter into any amendment or waiver of or supplement to any such Underlying Instrument:

(i) if such amendment, supplement or waiver is required by the provisions of any Underlying Instrument or by applicable law (other than pursuant to an Underlying Instrument),

(ii) if such amendment, supplement or waiver is necessary to cure any ambiguity, inconsistency or formal defect or omission in such Underlying Instrument,

(iii) to the extent expressly permitted or authorized by any amendment of or supplement to this Indenture entered into in accordance with Section 8.01 or Section 8.02 (but subject to the conditions therein specified),

(iv) to make any other change deemed necessary by the Issuer or the Collateral Advisor (but only if, as of the date of any such proposed amendment, waiver or supplement occurring on or after the Effective Date, the Overcollateralization Tests are satisfied), or

(v) to make any other change deemed necessary by the Issuer or the Collateral Advisor (but only if (A) such proposed amendment, waiver or supplement does not effect a Specified Change and (B) such change does not materially and adversely affect the interests of the Noteholders in the Collateral (as evidenced by an Opinion of Counsel)).

The Trustee shall notify the Issuer and the Collateral Advisor of any request for an amendment, waiver or supplement to any Underlying Instrument relating to a Pledged Collateral Debt Security.

(b) The Issuers may not take any action, and, where applicable, may not consent to any action proposed to be taken by others, that would release any Person from any of such Person's covenants or obligations under any Underlying Instrument included in the Collateral, except in the case of enforcement action taken with respect to any Defaulted Security in accordance with the provisions hereof, actions by the Collateral Advisor under the Collateral Advisory Agreement and as otherwise required hereby.

(c) The Issuers may, with the prior written consent of the Credit Enhancer (so long as it is the Controlling Party) or if the Credit Enhancer is not the Controlling Party, Holders of a majority of the Aggregate Outstanding Amount of each Class, a majority of the Aggregate Outstanding Amount of the Preference Shares and the Hedge Counterparties (except in the case of the Collateral Advisory

Agreement, the Collateral Administration Agreement and the Administration Agreement and replacements therefor), contract with other Persons, including the Collateral Advisor and the Bank, for the performance of actions and obligations to be performed by the Issuers hereunder by such Persons and the performance of the actions and other obligations with respect to the Collateral of the nature set forth in the Collateral Advisory Agreement by the Collateral Advisor. Notwithstanding any such arrangement, the Issuers shall remain liable for all such actions and obligations. In the event of such contract, the performance of such actions and obligations by such Persons shall be deemed to be performance of such actions and obligations by the Issuers and the Issuers shall punctually perform, and use their best efforts to cause the Collateral Advisor or such other Person to perform, all of their obligations and agreements contained in the Collateral Advisory Agreement or such other agreement.

(d) The Issuers shall treat all acquisitions of Collateral Debt Securities as a "purchase" for tax, accounting and reporting purposes.

Section 7.08 Negative Covenants.

(a) The Issuer shall not and, with respect to clauses (ii), (iii), (iv), (viii), (xiii), (xvi), (xvii) and (xix) the Co-Issuer shall not:

(i) sell, assign, participate, transfer, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (or permit such to occur or suffer such to exist), any part of the Collateral, except as expressly permitted by this Indenture;

(ii) claim any credit on, make any deduction from, or dispute the enforceability of, the payment of the principal or interest payable in respect of the Notes or payment of Excess Amounts in respect of the Preference Shares as provided herein (other than amounts required to be paid, deducted or withheld in accordance with any applicable law or regulation of any governmental authority) or assert any claim against any present or future Securityholder by reason of the payment of any taxes levied or assessed upon any part of the Collateral;

(iii) (A) incur or assume or guarantee any indebtedness, other than the Notes and this Indenture and the transactions contemplated hereby; (B) issue any additional class of securities; or (C) issue any additional shares of stock other than the Preference Shares;

(iv) (A) permit (1) the validity or effectiveness of this Indenture or any Grant hereunder to be impaired, (2) the lien of this Indenture to be amended, hypothecated, subordinated, terminated or discharged, or (3) any Person to be released from any covenants or obligations with respect to this Indenture or the Notes, except as may be expressly permitted hereby, (B) permit any lien, charge, adverse claim, security interest, mortgage or other encumbrance (other than the lien of this Indenture) to be created on or extend to or otherwise arise upon or burden the Collateral or any part thereof, any interest therein or the proceeds thereof, except as may be expressly permitted hereby, or (C) take any action that would permit the lien of this Indenture not to constitute a valid first priority perfected security interest in the Collateral;

(v) use any of the proceeds of the Notes issued hereunder or the Preference Shares (A) to extend "purpose credit" within the meaning given to such term in Regulation T, Regulation U or Regulation X issued by the Board of Governors of the Federal Reserve System or (B) to purchase or otherwise acquire any Margin Stock;

(vi) permit the aggregate book value of all Margin Stock held by the Issuer on any date to exceed the net worth of the Issuer on such date (excluding any unrealized gains and losses) on such date;

(vii) amend the Collateral Advisory Agreement except in accordance with Section 7.17 and Article XV;

(viii) [RESERVED];

(ix) make or incur any capital expenditures, except as reasonably required to perform its functions in accordance with the terms of this Indenture or the Preference Share Documents;

(x) become liable in any way, whether directly or by assignment or as a guarantor or other surety, for the obligations of the lessee under any lease, hire any employees or pay any dividends to its shareholders other than the Preference Shareholders;

(xi) maintain any bank accounts other than the Accounts, the Preference Share Payment Account and the bank account in the Cayman Islands in which (inter alia) the proceeds of the Issuer's issued share capital and the transaction fees paid to the Issuer for agreeing to issue the Notes will be kept;

(xii) [RESERVED];

(xiii) have any subsidiaries other than, with respect to the Issuer, the Co-Issuer, and any subsidiaries established pursuant to Section 12.01(b)(ii) or Section 12.01(b)(iii);

(xiv) for so long as any of the Notes or the Preference Shares are Outstanding, register any transfer of any shares (other than the Preference Shares) of the Issuer to U.S. Persons;

(xv) establish or maintain an office or fixed place of business in the United States or engage in any activity that would cause the Issuer to be subject to U.S. Federal, state or local net income or franchise tax;

(xvi) except for any agreements involving the purchase and sale of Collateral Debt Securities having customary purchase or sale terms and documented with customary loan trading documentation (but not excepting any Hedge Agreement), enter into any agreements unless such agreements contain "non-petition" and "limited recourse" provisions, or amend or waive the "non-petition" or "limited recourse" provisions in any such agreement without satisfying the Rating Condition;

(xvii) [RESERVED];

(xviii) pay compensation to a replacement Collateral Advisor greater than that paid to the Collateral Advisor without (i) the prior written consent of Holders of a majority of the Aggregate Outstanding Amount of the Preference Shares, (ii) the prior written consent of the Hedge Counterparty and (iii) the satisfaction of the Rating Condition; or

(xix) fail to maintain at least one director who is Independent of the Trustee, the Collateral Advisor, the Placement Agent and the Hedge Counterparty.

(b) The Issuer shall not take any action with respect to the Co-Issuer that is not permitted by the limited liability company agreement of the Co-Issuer.

(c) The Issuer shall not do business under any name other than the name set forth in the Issuer Charter and neither the Issuer nor the Trustee shall acquire any Collateral after the Closing Date, sell, transfer, exchange or otherwise dispose of Collateral, or enter into or engage in any business with respect to any part of the Collateral, in each case, except as expressly permitted or required by this Indenture and the Collateral Advisory Agreement.

(d) The Co-Issuer shall not invest any of its assets in "securities" (as such term is defined in the Investment Company Act) and shall keep all of the Co-Issuer's assets in Cash.

(e) For so long as any of the Notes are Outstanding, the Issuer shall not transfer its membership interest in the Co-Issuer and the Issuer shall not permit the Co-Issuer to have any employees or issue any membership interests in the Co-Issuer to any Person other than the Issuer.

(f) Except as provided in Section 7.07(b) and (c), the Issuer shall not enter into any material new agreements (other than any Hedge Agreement or purchase or sale agreement relating to any Collateral Debt Security or Synthetic Security) without the prior written consent of the Credit Enhancer (so long as it is the Controlling Party) or if the Credit Enhancer is not the Controlling Party, Holders of a majority of the Aggregate Outstanding Amount of the Notes and shall provide notice of all new agreements (other than any Hedge Agreement or purchase or sale agreement relating to any Collateral Debt Security or Synthetic Security) to the Holders of the Notes and the Preference Shares, Standard & Poor's and the Credit Enhancer. The foregoing notwithstanding, the Issuer may agree to any new agreements, provided that (i) the Issuer, or the Collateral Advisor on behalf of the Issuer, determines that such new agreements would not, upon or after becoming effective, adversely affect the rights or interests of any Class or Classes of Noteholders or the Preference Shareholders or the Credit Enhancer and (ii) in respect of any such new agreements other than Hedge Agreements with respect to which no termination payment would be due in accordance with the terms thereof, entering into such new agreements satisfies the Rating Condition.

(g) The Issuer shall not pay any dividends in respect of the Preference Shares or the Ordinary Shares, except in accordance with, and out of funds available for such purpose pursuant to, Article XI and the Preference Share Documents.

(h) The Issuer shall not become the owner of any asset if the ownership or disposition of such asset (without regard to the other activities of the Issuer) would cause the Issuer or the pool of Collateral to be required to be registered as an "investment company" under the Investment Company Act.

Section 7.09 Statement as to Compliance.

On or before December 3 in each calendar year commencing in 2007, or immediately if there has been an Event of Default under this Indenture, the Issuer shall deliver to the Trustee, the Preference Share Paying Agent, the Credit Enhancer and each Noteholder and Preference Shareholder making a written request therefor, the Irish Paying Agent, each Hedge Counterparty and each Rating Agency an Officer's certificate stating, as to each signer thereof, that:

(a) a review of the activities of the Issuer and of the Issuer's performance under this Indenture during the 12-month period ending on December 31 of the previous year (or during the period

from the Closing Date until December 31, 2006 in the case of the first such Officer's certificate) has been made under such Officer's supervision; and

(b) to the best of such Officer's knowledge, based on such review, the Issuer has fulfilled all of its obligations under this Indenture throughout the period, or, if there has been a Default in the fulfillment of any such obligation, specifying each such Default known to such Officer and the nature and status thereof, including actions undertaken to remedy the same.

Section 7.10 Issuers May Consolidate, Etc., Only on Certain Terms.

(a) The Issuer shall not consolidate or merge with or into any other Person or transfer or convey all or substantially all of its assets to any Person, unless permitted by Cayman Islands law and unless:

(i) the Issuer shall be the surviving entity, or the Person (if other than the Issuer) formed by such consolidation or into which the Issuer is merged or to which all or substantially all of the assets of the Issuer are transferred or conveyed shall (A) be an exempted company with limited liability organized and existing under the laws of the Cayman Islands or such other jurisdiction outside the United States as may be approved by the Credit Enhancer (so long as it is the Controlling Party) or if the Credit Enhancer is not the Controlling Party, Holders of a majority of the Aggregate Outstanding Amount of the Notes of each Class and a Majority-in-Interest of Preference Shareholders, provided that no such approval shall be required in connection with any such transaction undertaken solely to effect a change in the jurisdiction of organization pursuant to the terms of this Indenture, and (B) expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, the Credit Enhancer, each Hedge Counterparty and each Securityholder, the due and punctual payment of the principal of and interest on all Notes and the due and punctual payment to the Preference Share Paying Agent of Excess Amounts in respect of the Preference Shares and the performance of every covenant of this Indenture and each Transaction Document on the part of the Issuer to be performed or observed, all as provided herein;

(ii) each Rating Agency shall have received written notification of such consolidation, merger, transfer or conveyance and the Rating Condition shall have been satisfied with respect to the consummation of such transaction;

(iii) if the Issuer is not the surviving entity, the Person formed by such consolidation or into which the Issuer is merged or to which all or substantially all of the assets of the Issuer are transferred or conveyed shall have agreed with the Trustee (A) to observe the same legal requirements for the recognition of such formed or surviving entity as a legal entity separate and apart from any of its Affiliates as are applicable to the Issuer with respect to its Affiliates and (B) not to consolidate or merge with or into any other Person or transfer or convey the Collateral or all or substantially all of its assets to any other Person except in accordance with the provisions of this Section 7.10;

(iv) if the Issuer is not the surviving entity, the Person formed by such consolidation or into which the Issuer is merged or to which all or substantially all of the assets of the Issuer are transferred or conveyed shall have delivered to the Trustee, the Credit Enhancer and each Rating Agency an Officer's certificate and an Opinion of Counsel each stating that such Person shall be duly organized, validly existing and (if applicable) in good standing in the jurisdiction in which such Person is organized; that such Person has sufficient power and authority to assume the obligations set forth in subclause (a)(i) above and to execute and deliver an indenture supplemental hereto for the purpose of assuming such obligations; that such Person has duly authorized the execution, delivery and

performance of an indenture supplemental hereto for the purpose of assuming such obligations and that such supplemental indenture is a valid, legal and binding obligation of such Person, enforceable in accordance with such supplemental indenture's terms, subject only to bankruptcy, reorganization, insolvency, moratorium and other laws affecting the enforcement of creditors' rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); that, immediately following the event that causes such Person to become the successor to the Issuer, (A) such Person has good and marketable title, free and clear of any lien, security interest or charge, other than the lien and security interest of this Indenture, to the Collateral; (B) the Trustee continues to have a valid perfected first priority security interest in the Collateral securing all of the Notes; and (C) such Person has received an Opinion of Counsel to the effect that (x) such Person will not be subject to net income tax or be treated as engaged in a trade or business within the United States for U.S. Federal income tax purposes, (y) such consolidation, merger, conveyance, or transfer and such supplemental indenture will not cause an exchange of the Notes for U.S. Federal income tax purposes under section 1.1001-3 of the Treasury Regulations and (z) such other matters as the Trustee or any Securityholder may reasonably require;

(v) immediately after giving effect to such transaction, no Default shall have occurred and be continuing as certified by the Issuer;

(vi) the Issuer shall have delivered to the Trustee, the Credit Enhancer, each Securityholder and the Irish Stock Exchange an Officer's certificate and an Opinion of Counsel each stating that such consolidation, merger, transfer or conveyance and such supplemental indenture comply with this Section 7.10, that all conditions in this Section 7.10 relating to such transaction have been complied with and that no adverse U.S. Federal income tax consequences will result therefrom to any Noteholder, any Holder of Preference Shares, the Credit Enhancer or the Issuer or Co-Issuer;

(vii) the Issuer shall have delivered to the Trustee and the Credit Enhancer (so long as it is the Controlling Party) an Opinion of Counsel stating that, after giving effect to such transaction, neither of the Issuers nor the pool of Collateral will be required to register as an investment company under the Investment Company Act; and

(viii) if it is the Controlling Party, the Credit Enhancer shall have consented to such consolidation, merger, transfer or conveyance, which consent shall not be unreasonably withheld, delayed or conditioned.

(b) The Co-Issuer shall not consolidate or merge with or into any other Person or transfer or convey all or substantially all of its assets to any Person, unless:

(i) the Co-Issuer shall be the surviving entity or the Person (if other than the Co-Issuer) formed by such consolidation or into which the Co-Issuer is merged or to which all or substantially all of the assets of the Co-Issuer are transferred or conveyed shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, the due and punctual payment of the principal of and/or interest on all Notes and the performance of every covenant of this Indenture on the part of the Co-Issuer to be performed or observed, all as provided herein;

(ii) each Rating Agency shall have received written notification of such consolidation, merger, transfer or conveyance and the Rating Condition shall have been satisfied with respect to the consummation of such transaction;

(iii) if the Co-Issuer is not the surviving entity, the Person formed by such consolidation or into which the Co-Issuer is merged or to which all or substantially all of the assets of the Co-Issuer are transferred or conveyed shall have agreed with the Trustee (A) to observe the same legal requirements for the recognition of such formed or surviving corporation as a legal entity separate and apart from any of its Affiliates as are applicable to the Co-Issuer with respect to its Affiliates and (B) not to consolidate or merge with or into any other Person or transfer or convey all or substantially all of its assets to any other Person except in accordance with the provisions of this Section 7.10;

(iv) if the Co-Issuer is not the surviving entity, the Person formed by such consolidation or into which the Co-Issuer is merged or to which all or substantially all of the assets of the Co-Issuer are transferred or conveyed shall have delivered to the Trustee, the Credit Enhancer and each Rating Agency an Officer's certificate and an Opinion of Counsel each stating that such Person shall be duly organized, validly existing and (if applicable) in good standing in the jurisdiction in which such Person is organized; that such Person has sufficient power and authority to assume the obligations set forth in subclause (b)(i) above and to execute and deliver an indenture supplemental hereto for the purpose of assuming such obligations; that such Person has duly authorized the execution, delivery and performance of an indenture supplemental hereto for the purpose of assuming such obligations and that such supplemental indenture is a valid, legal and binding obligation of such Person, enforceable in accordance with such supplemental indenture's terms, subject only to bankruptcy, reorganization, insolvency, moratorium and other laws affecting the enforcement of creditors' rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and such other matters as the Trustee or any Noteholder may reasonably require;

(v) immediately after giving effect to such transaction, no Default shall have occurred and be continuing as certified by the Issuer;

(vi) the Co-Issuer shall have delivered to the Trustee, the Credit Enhancer and each Noteholder an Officer's certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with this Section 7.10 and that all conditions in this Section 7.10 provided for relating to such transaction have been complied with and that no adverse U.S. Federal income tax consequences will result therefrom to any Noteholder or Holder of Preference Shares, the Credit Enhancer or the Issuer or Co-Issuer;

(vii) the Co-Issuer shall have delivered to the Trustee an Opinion of Counsel stating that, after giving effect to such transaction, neither of the Issuers nor the pool of Collateral will be required to register as an investment company under the Investment Company Act;

(viii) after giving effect to such transaction, outstanding membership interests in the Co-Issuer will not be beneficially owned by any Person other than the Issuer; and

(ix) if it is the Controlling Party, the Credit Enhancer shall have consented to such consolidation, merger, transfer or conveyance, which consent shall not be unreasonably withheld, delayed or conditioned.

Section 7.11 Successor Substituted.

Upon any consolidation or merger, or transfer or conveyance of all or substantially all of the assets of the Issuer or the Co-Issuer in accordance with Section 7.10, the Person formed by or surviving such consolidation or merger (if other than the Issuer or the Co-Issuer), or the Person to which such transfer or conveyance is made, shall succeed to and be substituted for, may exercise every right and

power of, and shall be bound by each obligation or covenant of, the Issuer or the Co-Issuer, as the case may be, under this Indenture with the same effect as if such Person had been named as the Issuer or the Co-Issuer, as the case may be, herein. In the event of any such consolidation, merger, transfer or conveyance, the Person named as the "Issuer" or the "Co-Issuer" in the first paragraph of this Indenture or any successor that shall theretofore have become such in the manner prescribed in this Section 7.11 may be dissolved, wound-up and liquidated at any time thereafter and such Person thereafter shall be released from its liabilities as obligor and maker on all the Notes and from its obligations under this Indenture.

Section 7.12 No Other Business.

The Issuer shall not engage in any business or activity other than issuing and selling the Notes pursuant to this Indenture, issuing and selling the Preference Shares in accordance with the Preference Share Documents, entering into the other Transaction Documents, holding the membership interests in the Co-Issuer and acquiring, holding, pledging and disposing of, solely for its own account, Collateral Debt Securities, Eligible Investments and other Collateral described in clauses (a) through (g) of the Granting Clause as provided in this Indenture, and the Co-Issuer shall not engage in any business or activity other than issuing and selling the Notes pursuant to this Indenture and, with respect to the Issuer and the Co-Issuer, such other activities as are incidental thereto or connected therewith. The Issuer shall not hold itself out as a derivatives dealer willing to enter into either side of, or to offer to enter into, assume, offset, assign or otherwise terminate positions in (i) interest rate, currency, equity, or commodity swaps or caps or (ii) derivative financial instruments (including options, forward contracts, short positions and similar instruments) in any commodity, currency, share of stock, partnership or trust, note, bond, debenture or other evidence of indebtedness, swap or cap. The foregoing shall not limit the ability of the Issuer to enter into Hedge Agreements in accordance with the terms hereof. The Issuer shall not engage in any business or activity that would cause the Issuer to be engaged in a U.S. trade or business for U.S. Federal income tax purposes. The foregoing shall not, however, preclude the Issuer from holding Equity Securities, securities received in an exchange pursuant to section 6.16 or Defaulted Securities pending their sale in accordance with Section 12.01(b). The Issuer shall not take any action that would cause it to be treated as a bank, insurance company or finance company and shall not hold itself out to the public as a bank, insurance company or finance company. Furthermore, the Issuer shall not hold itself out to the public, whether through advertising or otherwise, as originating loans, lending funds, or making a market in loans or other assets. The Issuer shall not amend the Issuer Charter, and the Co-Issuer shall not amend its Certificate of Formation or limited liability company agreement, if such amendment has not been consented to by the Credit Enhancer (so long as it is the Controlling Party) or if such amendment would result in the rating (including, with respect to the Class A Notes, the non-public rating assigned without giving effect to the Credit Enhancement) of any Class of Notes being reduced or withdrawn. The Issuers shall conduct business solely under their respective names.

Section 7.13 Reaffirmation of Rating; Annual Rating Review.

(a) So long as any Class of the Notes remains Outstanding, on or before December 3 in each year, commencing in 2007, the Issuers shall obtain and pay for an annual review of the rating of each Class of Notes from each Rating Agency (including, with respect to the Class A Notes, the non-public rating assigned without giving effect to the Credit Enhancement).

(b) The Issuers shall promptly notify in writing the Trustee and the Credit Enhancer, and the Trustee shall promptly notify in writing the Noteholders, the Preference Shareholders and the Hedge Counterparties, if at any time the rating of any Class of Notes (including, with respect to the Class A Notes, the non-public rating assigned without giving effect to the Credit Enhancement) has been, or is known to be about to be, changed or withdrawn.

(c) So long as any of the Notes that were assigned a rating by Moody's on the Closing Date (which rating is monitored by Moody's) remain Outstanding, on or before August 31 in each year commencing in 2007, the Issuer, or the Collateral Advisor on behalf of the Issuer, shall request that Moody's (i) perform a review of any private rating assigned by Moody's to any Collateral Debt Security owned by the Issuer and (ii) provide to the Issuer and the Trustee an update of such private rating. The cost of such rating review shall be borne by the Issuer as an Administrative Expense.

(d) So long as any of the Notes that were assigned a rating by Standard & Poor's on the Closing Date (which rating is monitored by Standard & Poor's) remain Outstanding, on or before February 28 of each year, and again on or before August 31 of each year, commencing in August 2007, the Issuer, or the Collateral Advisor on behalf of the Issuer, shall deliver or cause to be delivered to Standard & Poor's a Microsoft Excel file of the Standard & Poor's CDO Monitor input file and request that Standard & Poor's (i) perform a review of any private rating assigned by Standard & Poor's to any Collateral Debt Security owned by the Issuer and (ii) provide to the Issuer and the Trustee an update of such private rating. The cost of such rating review shall be borne by the Issuer as an Administrative Expense.

Section 7.14 Reporting.

At any time when the Issuers are not subject to Section 13 or 15(d) of the Exchange Act and are not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, upon the request of a Holder or Beneficial Owner of an Issued Security, the Issuers shall promptly furnish or cause to be furnished Rule 144A Information to such Holder or Beneficial Owner, to a prospective purchaser of such Note designated by such Holder or Beneficial Owner or to the Trustee for delivery to such Holder or Beneficial Owner or a prospective purchaser designated by such Holder or Beneficial Owner, as the case may be, in order to permit compliance by such Holder or Beneficial Owner with Rule 144A under the Securities Act in connection with the resale of such Issued Security by such Holder or Beneficial Owner.

Section 7.15 Calculation Agent.

(a) The Issuers hereby agree that for so long as any of the Notes remain Outstanding the Issuers will at all times cause there to be an agent appointed to calculate LIBOR in respect of each Interest Period in accordance with the terms of Schedule B (the "Calculation Agent"), which agent shall be a financial institution, subject to supervision or examination by Federal or state authority, having a rating of at least "Baa1" by Moody's and "BBB+" by Standard & Poor's and having an office within the United States. The Issuers have initially appointed the Trustee as Calculation Agent for purposes of determining LIBOR for each Interest Period. The Calculation Agent may be removed by the Issuers at any time. If the Calculation Agent is unable or unwilling to act in such capacity, is removed by the Issuers or fails to determine the Note Interest Rate for any Class of Notes for any Interest Period, the Issuers shall promptly appoint as a replacement Calculation Agent a leading bank that is engaged in transactions in Dollar deposits in the international Eurodollar market and that does not control and is not controlled by or under common control with the Issuers or any of their Affiliates. The Calculation Agent may not resign its duties without a successor having been duly appointed. The determination of the Note Interest Rate for the Notes for each Interest Period by the Calculation Agent shall (in the absence of manifest error) be final and binding on all parties.

(b) The Calculation Agent shall, 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. (New York time) on the Business Day immediately following each LIBOR Determination Date, calculate the Note Interest Rate for each Class of Notes for the related Interest Period and the amount of interest for the related Interest

Period payable in respect of each U.S.$1,000 in principal amount of each Class of Notes (in each case rounded to the nearest cent, with half a cent being rounded upward) on the related Payment Date and shall communicate such rates and amounts and the related Payment Date to the Issuers, the Trustee, each Hedge Counterparty, each Paying Agent, the Depositary, the Custodian and (in the case of any Class of Notes listed on the Irish Stock Exchange) the Irish Paying Agent. The Calculation Agent shall also specify to the Issuers the quotations upon which the Note Interest Rate for each Class of Notes is based, and in any event the Calculation Agent shall notify the Issuers before 7:00 p.m. (New York time) on each LIBOR Determination Date if the Calculation Agent has not determined and is not in the process of determining such Note Interest Rates, together with the Calculation Agent's reasons therefor. The Calculation Agent also shall cause a written communication indicating the Note Interest Rate for each Interest Period for each Class of Notes listed on the Irish Stock Exchange, the amount of interest payable in respect of each Class of Notes listed on the Irish Stock Exchange and each Payment Date to be delivered to the Irish Paying Agent for notification of the Company Announcements Office of the Irish Stock Exchange as soon as possible after the Calculation Agent has determined such Note Interest Rates and amounts.

Section 7.16 Listing.

(a) After the Closing Date, the Issuer shall use commercially reasonable efforts to obtain and maintain the listing of the Notes on the Irish Stock Exchange; *provided, however*, if any Class or Classes or Notes are admitted to the Official List of the Irish Stock Exchange, the Issuer may at any time terminate the listing of such Class or Classes of Notes if the Issuer determines that, as a result of a change in the requirements of the Irish Stock Exchange, the maintenance of such listing would impose any material obligation or expense on the Issuer (in excess of the amount anticipated on the Closing Date). If the Issuer terminates the listing, it will make reasonable endeavors to seek a replacement listing on such other stock exchange outside the European Union that is a member of the International Federation of Stock Exchanges and that is located in a state that is a member of the Organization for Economic Cooperation and Development, unless obtaining or maintaining a listing on such stock exchange requires the Issuer to restate its accounts or is otherwise unduly burdensome, in which event the Issuer will make reasonable endeavors to obtain a replacement listing elsewhere. The listing on the Irish Stock Exchange is not a condition to issuance of the Notes.

(b) The Issuer shall notify the Company Announcements Office of the Irish Stock Exchange upon becoming aware of any major new developments that are not public knowledge and that may (i) by virtue of their effect on the Issuer's assets and liabilities or financial position or on the general course of the Issuer's business, lead to substantial movements in the price of the Notes listed on the Irish Stock Exchange or (ii) significantly affect the Issuer's ability to meet the Issuer's commitments.

(c) The Issuer shall, in each calendar year commencing in 2007, request from the Irish Stock Exchange a waiver of the Irish Stock Exchange's requirement to publish annual reports and accounts.

(d) The Issuer shall submit to the Irish Stock Exchange draft copies of any proposed amendments to the Issuer Charter which would affect the rights of the Holders of the Notes listed on the Irish Stock Exchange.

(e) The Issuer shall pay the annual fee for listing the applicable Notes on the Irish Stock Exchange, if any.

(f) All notices, documents, reports and other announcements delivered to such Company Announcements Office shall be in the English language.

Section 7.17 Amendment, Waiver or Assignment of Certain Documents; Notice of Breach.

Prior to entering into any amendment to, or waiver of, the Collateral Advisory Agreement, the Collateral Administration Agreement, the Administration Agreement, the Credit Enhancement, the Insurance Agreement or any Hedge Agreement (provided that any such amendment has been consented to by the Hedge Counterparty to such Hedge Agreement) or prior to consenting to any assignment of the obligations of the parties thereto, (i) the Issuer shall provide each Rating Agency, the Credit Enhancer, each Hedge Counterparty and the Trustee with written notice thereof and otherwise comply with the requirements of Section 7.05(d) and (ii) the Rating Condition shall have been satisfied.

Section 7.18 Purchase of Collateral; Rating Confirmation Failure; Minimum Ramp-Up Amount; Written-Down Securities.

(a) On or prior to the Closing Date, the Issuer (i) shall deliver or cause to be delivered to the Trustee and each Rating Agency a list of all Collateral Debt Securities and Equity Securities held by the Issuer (or with respect to which the Issuer has entered into a binding agreement to purchase) on the Closing Date and an Accountant's Report certifying the procedures applied and their associated findings with respect to each Pledged Collateral Debt Security held by the Issuer on the Closing Date and certifying whether the Collateral Quality Tests (other than the Moody's Asset Correlation Test) and the Coverage Tests are satisfied as of the Closing Date, and (ii) shall deliver or cause to be delivered to Standard & Poor's a Microsoft Excel file of the Standard & Poor's CDO Monitor input file.

(b) Prior to the Effective Date (and, if the Unused Proceeds are not fully invested by the Effective Date, prior to the first Determination Date if the Reinvestment Criteria are satisfied) the Issuer shall purchase Collateral Debt Securities designated by the Collateral Advisor with Unused Proceeds (and the Issuer will be entitled to enter into commitments to acquire any such securities in order to be Granted to the Trustee for inclusion in the Collateral as Pledged Collateral Debt Securities).

(c) The Issuer shall use its best efforts to purchase or enter into binding agreements to purchase, on or before the Effective Date, Collateral Debt Securities having an Aggregate Principal Balance of not less than the Minimum Ramp-Up Amount (assuming, for these purposes, (i) settlement in accordance with customary settlement procedures in the relevant markets on the Effective Date of all agreements entered into by the Issuer to acquire Collateral Debt Securities scheduled to settle on or following the Effective Date and (ii) that each such Collateral Debt Security is a Pledged Collateral Debt Security).

(d) The Issuer shall use its best efforts to purchase or enter into binding agreements to purchase, on or before the Ramp-Up Test Date, Collateral Debt Securities having an Aggregate Principal Balance of not less than U.S.$400,000,000 (assuming, for these purposes, (i) settlement in accordance with customary settlement procedures in the relevant markets on the Ramp-Up Test Date of all agreements entered into by the Issuer to acquire Collateral Debt Securities scheduled to settle on or following the Ramp-Up Test Date and (ii) that each such Collateral Debt Security is a Pledged Collateral Debt Security).

(e) On or before the date falling seven days after the Ramp-Up Test Date, the Issuer (or the Collateral Advisor on its behalf) shall deliver (x) an Officer's certificate (attaching reports

(including all applicable calculations)) to the Trustee, the Credit Enhancer and each Rating Agency demonstrating compliance by the Issuer with its obligations under this Section 7.18 with respect to the Ramp-Up Test Date and satisfaction of each Collateral Quality Test and each Coverage Test or, if on the Ramp-Up Test Date the Issuer shall be in default in the performance of its obligations under this Section 7.18, or any of the Collateral Quality Tests or the Coverage Tests shall fail to be satisfied, the Issuer shall deliver an Officer's certificate to the Trustee, the Credit Enhancer and each Rating Agency specifying the details of such default or failure, and (y) a Microsoft Excel file of the Standard & Poor's CDO Monitor input file with respect to the Collateral Debt Securities as of the Ramp-Up Test Date to Standard & Poor's. If, on the Ramp-Up Test Date, any of the Collateral Quality Tests or the Coverage Tests are not satisfied, the Collateral Advisor, on behalf of the Issuer, shall provide Standard & Poor's and Moody's with a Proposed Plan for purchasing the remaining Collateral Debt Securities. Until the Rating Condition with respect to Moody's is satisfied with respect to such Proposed Plan, the Issuer shall be prohibited from purchasing additional Collateral Debt Securities. In such event, the Collateral Advisor shall give written notice to the Trustee, the Credit Enhancer and the Noteholders that the Issuer is prohibited from purchasing additional Collateral Debt Securities.

(f) The Issuer shall cause to be delivered to the Trustee, seven Business Days after the Effective Date (i) an amended Schedule A listing all Original Collateral Debt Securities (including the Initial Collateral Debt Securities then in the Collateral), which Schedule A shall supersede any prior Schedule A delivered to the Trustee, and (ii) a certificate of an Authorized Officer of the Issuer or the Collateral Advisor, dated the Effective Date, with respect to such Original Collateral Debt Securities stating that such Original Collateral Debt Securities have an Aggregate Principal Balance greater than or equal to the Minimum Ramp-Up Amount.

(g) No later than seven Business Days after the Effective Date, (i) the Issuer shall deliver an Officer's certificate (attaching reports (including all applicable calculations)) to the Trustee, the Credit Enhancer and each Rating Agency demonstrating satisfaction of the Collateral Quality Tests or (ii) if, on the Effective Date, the Issuer shall be in default in the performance of its obligations under this Section 7.18 or any of such Collateral Quality Tests shall fail to be satisfied, the Issuer shall deliver an Officer's certificate to the Trustee, the Credit Enhancer and each Rating Agency specifying the details of such default or failure.

(h) No later than seven Business Days after the Effective Date, the Issuer shall deliver or cause to be delivered to the Trustee, the Credit Enhancer and each Rating Agency an Accountant's Report certifying the procedures applied and their associated findings with respect to the information set forth in the amended Schedule A and the extent to which the Original Collateral Debt Securities comply with the Collateral Quality Tests (other than the Moody's Asset Correlation Test and the Standard & Poor's CDO Monitor Test), the Coverage Tests and the Concentration Limitations. If on the Effective Date any of the Collateral Quality Tests, the Coverage Tests or the Concentration Limitations are not satisfied, (i) the Collateral Advisor, on behalf of the Issuer, shall provide a Proposed Plan for satisfying such tests or limitations to both Moody's and Standard & Poor's, and (ii) the Issuer shall be prohibited from purchasing additional Collateral Debt Securities (unless the Issuer subsequently satisfies each such requirement, the Proposed Plan satisfies the Rating Condition with respect to Moody's and Standard & Poor's, or the Collateral Advisor, on behalf of the Issuer, subsequently takes such other action to satisfy the Rating Condition with respect to Moody's and Standard & Poor's with respect to purchasing additional Collateral Debt Securities), provided that such prohibition shall not apply to purchases of Collateral Debt Securities which the Issuer had committed to make prior to the effective date of such prohibition. In such event, the Collateral Advisor shall give written notice to the Trustee, the Credit Enhancer and the Noteholders that the Issuer is prohibited from purchasing additional Collateral Debt Securities.

(i) Within 10 Business Days after the Effective Date, the Issuers shall request each of the Rating Agencies to confirm no later than the Determination Date preceding the first Payment Date the ratings assigned by it on the Closing Date to the Notes (a "Rating Confirmation"); *provided, however*, that if Moody's practice is not to provide such rating confirmation following its receipt of the information and documentation required to be delivered to it pursuant to this Section 7.18 (including, without limitation, the Accountant's report pursuant to clause (h) above certifying compliance with the Collateral Quality Tests (other than the Standard & Poor's CDO Monitor Test), the Coverage Tests and the Concentration Limitations), the delivery of a Rating Confirmation by Moody's shall not be required. In the event that either of the Rating Agencies fails, if required, to confirm within 60 days after the Effective Date the ratings (with respect to the Class A Notes, without giving effect to the Credit Enhancement) assigned on the Closing Date by such Rating Agency to each Class of Notes (a "Rating Confirmation Failure"), Unused Proceeds, Principal Proceeds and Interest Proceeds shall be applied as provided in the Priority of Payments until each of the Rating Agencies confirms all ratings assigned by it on the Closing Date to the Notes.

(j) In the event that, on the Effective Date, the Aggregate Principal Balance of the Collateral Debt Securities that the Issuer has purchased or has entered into binding commitments to purchase, is less than the Minimum Ramp-Up Amount, the Issuer (or the Collateral Advisor on the Issuer's behalf) will report the amount of such deficiency to the Rating Agencies.

(k) The Issuers shall promptly notify each Rating Agency when a Collateral Debt Security becomes a Written-Down Security.

Section 7.19 German Investment Tax Act.

The Issuer is under no duty to comply with any reporting and/or publication requirements under the German Investment Tax Act or any other German tax provisions.

Section 7.20 DTC, Clearstream, Luxembourg and Euroclear Participants.

At least once a year on or before July 31 of each year, commencing in 2007, the Trustee, at the expense of the Issuer, shall (i) send to each Noteholder a notice containing the information in the Section 3(c)(7) Notice and (ii) send to DTC, Euroclear and Clearstream a notice containing the information in the Section 3(c)(7) Notice for each to forward to its participants in electronic format.

Section 7.21 DTC, Clearstream, Luxembourg and Euroclear.

(a) The Issuer shall direct DTC to include the "3c7" marker in the DTC 20-character security descriptor and the 48-character additional descriptor for the Notes and any other security descriptor(s) for the Notes in order to indicate that sales are limited to Qualified Purchasers. The Issuer shall direct each of Euroclear and Clearstream, Luxembourg to (1) reference "144A/3(c)(7)" in the security name in the applicable securities database and (2) include the "3c7"" marker in the name field of the Notes and any other security descriptor(s) for the Notes in order to indicate that sales are limited to Qualified Purchasers.

(b) The Issuer shall direct DTC to cause each physical DTC delivery order ticket delivered by DTC to purchasers to contain the 20-character security descriptor and will direct DTC to cause each DTC delivery order ticket delivered by DTC to purchasers in electronic form to contain the "3c7" indicator and the related user manual for participants. The Issuer shall direct each of Euroclear and

Clearstream, Luxembourg, in each Euroclear and Clearstream, Luxembourg settlement report, to list the Notes by name, which will include "144A/3(c)(7)."

(c) On the Closing Date, the Issuer shall instruct each of DTC, Clearstream, Luxembourg and Euroclear to send an "Important Notice" to all such Person's participants in connection with the offering of the Notes. The "Important Notice" shall notify such Person's participants that the Notes are Section 3(c)(7) securities.

(d) The Issuer shall request that each of DTC, Clearstream, Luxembourg and Euroclear include the Notes in such Person's "Reference Directory" of Section 3(c)(7) offerings.

(e) The Issuer shall from time to time (upon the request of the Trustee and at the expense of the Issuer), and the Trustee may, request each of DTC, Clearstream, Luxembourg and Euroclear to deliver to the Issuer and the Trustee a list of all of such Person's participants holding an interest in the Notes.

(f) The Issuer shall from time to time request all third-party vendors (including Bloomberg) to include on screens maintained by such vendors appropriate legends regarding the Rule 144A and Section 3(c)(7) restrictions on the Notes.

(g) The Issuer shall cause each "CUSIP" number obtained for a Note to have an attached "fixed field" that contains "3c7" and "144A" indicators.

(h) The Issuer will direct Euroclear and Clearstream, Luxembourg to include a description of Section 3(c)(7) restrictions for the Notes in the "New Issues Acceptance Guide," with respect to Euroclear, and the "Customer Handbook," with respect to Clearstream, Luxembourg and any other user manual produced by either, as applicable.

Section 7.22 Representations Relating to Security Interests in the Collateral.

(a) The Issuer hereby represents that, as of the Closing Date (which representations shall survive the execution of this Indenture and shall be deemed to be repeated on each date on which the Collateral is delivered to the Trustee as if made at the time of such delivery and which representations may not be waived unless the Rating Condition with respect to Standard & Poor's has been satisfied), with respect to the Collateral:

(i) the Issuer owns and has good and marketable title to the Collateral free and clear of any lien, claim or encumbrance of any Person, other than such as are created under, or expressly permitted by, this Indenture;

(ii) other than the security interest granted to the Trustee pursuant to this Indenture, except as expressly permitted by this Indenture the Issuer has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed, any of the Collateral. The Issuer has not authorized the filing of and is not aware of any financing statements against the Issuer which include a description of collateral covering the Collateral other than any financing statement relating to the security interest granted to the Trustee hereunder or that has been terminated; the Issuer is not aware of any judgment, Pension Benefit Guaranty Corp. liens, or tax lien filings against the Issuer;

(iii) the Collateral is comprised of instruments and/or general intangibles or has been credited to a Securities Account;

(iv) all Accounts constitute Securities Accounts;

(v) this Indenture creates a valid and continuing security interest (as defined in the applicable Uniform Commercial Code, as amended from time to time) in the Collateral in favor of the Trustee, for the benefit and security of the Secured Parties, which security interest is prior to all other liens (except as expressly permitted otherwise in this Indenture), and is enforceable as such against creditors of and purchasers from the Issuer; and

(vi) the Issuer has received all consents and approvals required by the terms of each such item of Collateral to the transfer to the Trustee of the Issuer's interest and rights in the Collateral.

(b) The Issuer hereby represents that, as of the Closing Date (which representations shall survive the execution of this Indenture and shall be deemed to be repeated on each date on which the Collateral is delivered to the Trustee as if made at the time of such delivery), with respect to items of Collateral that constitute instruments, as defined in the applicable Uniform Commercial Code, as amended from time to time, (x) all original executed copies of each promissory note or mortgage note that constitutes or evidences such instruments, as defined in the applicable Uniform Commercial Code, as amended from time to time, have been delivered to the Trustee or the Issuer has received written acknowledgement from a custodian that such custodian is holding the mortgage notes or promissory notes that constitute or evidence such instruments, as defined in the applicable Uniform Commercial Code, as amended from time to time, solely on behalf and for the benefit of the Trustee and (y) none of the mortgage notes or promissory notes that constitute or evidence such instruments, as defined in the applicable Uniform Commercial Code, as amended from time to time, has any marks or notations indicating that it has been pledged, assigned or otherwise conveyed to any Person other than the Trustee.

(c) The Issuer hereby represents that, as of the Closing Date (which representations shall survive the execution of this Indenture and shall be deemed to be repeated on each date on which the Collateral is delivered to the Trustee as if made at the time of such delivery), with respect to Collateral that constitute Security Entitlements:

(i) all of such Collateral has been credited to one of the Accounts and the Securities Intermediary for each Account has agreed to treat all assets credited to such Account as Financial Assets;

(ii) either (x) the Issuer has caused or will have caused, within 10 days after the Closing Date, the filing of all appropriate Financing Statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Collateral granted hereunder to the Trustee, for the benefit and security of the Secured Parties, or (y) (A) the Issuer has delivered to the Trustee a fully executed Account Control Agreement pursuant to which the Custodian as Securities Intermediary has agreed to comply with all instructions originated by the Trustee relating to the Accounts (other than the Synthetic Security Issuer Account) without further consent by the Issuer or (B) the Issuer has taken all steps necessary to cause the Custodian as Securities Intermediary to identify in its records the Trustee as the Person having a Security Entitlement against the Custodian as Securities Intermediary in each of the Accounts (other than the Synthetic Security Issuer Account); and

(iii) the Accounts are not in the name of any Person other than the Issuer or the Trustee. The Issuer has not consented, and will not consent, to the Securities Intermediary of any Account to comply with the Entitlement Order of any Person other than the Trustee.

(d) The Issuer hereby represents that, as of the Closing Date (which representations shall survive the execution of this Indenture and shall be deemed to be repeated on each date on which the Collateral is delivered to the Trustee as if made at the time of such delivery), with respect to Collateral that constitutes General Intangibles, the Issuer has caused or will have caused, within 10 days after the Closing Date, the filing of all appropriate Financing Statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in such Collateral granted hereunder to the Trustee.

Section 7.23 Compliance With Laws.

The Issuer shall comply in all material respects with applicable laws, rules, regulations, writs, judgments, injunctions, decrees, awards and orders with respect to it, its business and its properties. To the extent applicable to the Issuer, the Issuer shall comply with (including, if necessary, by imposing additional transfer restrictions in respect of the Notes) the USA PATRIOT Act.

Section 7.24 Maintenance of Books and Records.

The Issuer shall maintain and implement administrative and operating procedures reasonably necessary in the performance of the Issuer's obligations hereunder, and the Issuer shall at all times keep and maintain, or cause to be kept and maintained, in its Cayman Islands principal office all documents, books, records, accounts and other information customarily maintained for the performance of the Issuer's obligations hereunder.

Section 7.25 Repository.

The Issuers consent to (i) the posting of the Repository Transaction Documents and the periodic reports to be delivered pursuant to the Repository Transaction Documents on the Repository for use in the manner provided in the Repository and (ii) the display of their names on the Repository in connection therewith.

Section 7.26 Rating Agency Credit Assessments.

The Issuer shall not enter into any agreement after the Closing Date with any Person that may have access to any confidential private credit assessments provided by Moody's or Standard & Poor's to the Issuer unless such Person either (a) undertakes in such agreement that it will not disclose such credit assessments to any Person without the prior written consent of Moody's or Standard & Poor's, as applicable, other than to a Person that itself has entered into an equivalent undertaking not to disclose such credit assessments without the prior written consent of Moody's or Standard & Poor's, as applicable, or (b) is bound by a professional duty of confidentiality which would prevent it from disclosing such credit assessments to any third party.

ARTICLE VIII

SUPPLEMENTAL INDENTURES

Section 8.01 Supplemental Indentures Without Consent of Noteholders.

Without the consent of the Noteholders, the Preference Shareholders or the Hedge Counterparties (unless required by the relevant Hedge Agreements), the Issuers, when authorized by Board Resolutions, the Trustee and the Credit Enhancer (so long as it is the Controlling Party), at any

time and from time to time subject to the requirement provided below in this Section 8.01 with respect to the ratings of the Notes and subject to Section 8.03, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(a) to evidence the succession of another Person to the Issuer or the Co-Issuer and the assumption by any such successor Person of the covenants of the Issuer or the Co-Issuer herein and in the Notes pursuant to Section 7.10 or Section 7.11;

(b) to add to the covenants of the Issuers or the Trustee for the benefit of the Holders of all of the Notes or to surrender any right or power herein conferred upon the Issuers;

(c) to convey, transfer, assign, mortgage or pledge any property to or with the Trustee for the benefit of the Secured Parties;

(d) to evidence and provide for the acceptance of appointment hereunder by a successor trustee, Collateral Advisor, listing agent, calculation agent, custodian, securities intermediary, note registrar, paying agent and/or collateral administrator and the compensation thereof and to add to or change such of the provisions of this Indenture as shall be necessary to facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Sections 6.10, 6.11, 6.12 and 6.13;

(e) to accommodate the issuance of additional Preference Shares and to extend to such Preference Shares the benefits and provisions of this Indenture applicable to the Preference Shares;

(f) to correct or amplify the description of any property at any time subject to the lien of this Indenture, or to better assure, convey and confirm unto the Trustee any property subject or required to be subject to the lien of this Indenture (including any and all actions necessary or desirable as a result of changes in law or regulations) or to subject to the lien of this Indenture any additional property;

(g) to modify the restrictions on and procedures for resale and other transfer of the Notes in accordance with any change in any applicable law or regulation (or the interpretation thereof) or to enable the Issuers to rely upon any less restrictive 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, as evidenced by an Opinion of Counsel;

(h) to correct any inconsistency, defect or ambiguity in this Indenture;

(i) to obtain ratings on one or more Classes of the Notes from any rating agency;

(j) to accommodate (i) the issuance of Preference Shares to be held through the facilities of DTC or otherwise, (ii) the listing of the Preference Shares, or delisting of the Preference Shares from, any exchange or (iii) the refinancing of the Preference Shares through the issuance by the Issuer of unsecured debt securities that by their terms are subordinated in all respects to the Notes;

(k) to avoid the imposition of tax on the net income of the Issuer or the Co-Issuer or of withholding tax on any payment to the Issuer or the Co-Issuer or to avoid the Issuer or the Co-Issuer or the pool of Collateral being required to register as an investment company under the Investment Company Act, as evidenced by an Opinion of Counsel;

(l) to accommodate the issuance of any Class of Notes as Definitive Notes;

(m) to correct any manifest error in any provision hereof upon receipt by the Trustee of written directive from the Issuers (as to which the Trustee may rely) describing in reasonable detail such error and the modification necessary to correct such error;

(n) 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) to comply with the USA PATRIOT Act or any similar applicable law (to the extent that it is applicable to the Issuer, as evidenced by an Opinion of Counsel);

(o) enter into an amendment, modification or waiver if the Issuer determines that such amendment, modification or waiver should not, upon or after becoming effective, materially adversely affect the rights or interests of any Class of the Notes or Holders of the Preference Shares;

(p) to conform the Indenture to the provisions set forth in the Offering Circular; or

(q) to conform to any requirement for listing the Notes or Preference Shares on any stock exchange.

The Trustee is hereby authorized to join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations which may be therein contained, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties, liabilities or indemnities under this Indenture or otherwise, except to the extent required by law.

Notwithstanding the foregoing, the Trustee shall not enter into any such supplemental indenture (other than pursuant to clause (m) or (q)) if, as a result of such supplemental indenture, the interests of any Class of Notes, the Credit Enhancer (so long as it is the Controlling Party) or the Preference Shareholders would be materially adversely affected thereby as evidenced to the Trustee by an Opinion of Counsel provided by or at the expense of the Issuer (which may rely, as to factual matters, on an Officer's certificate of the Issuer or the Collateral Advisor). Unless otherwise notified, the Trustee may rely upon an Opinion of Counsel as to whether the interests of any holder of Notes or the Credit Enhancer, as the case may be, would be materially and adversely affected, or whether any Preference Shareholders would be materially and adversely affected. The Trustee shall not enter into any such supplemental indenture pursuant to clause (g) or clause (h) of this Section 8.01 without the written consent of the Collateral Advisor. In addition, the Trustee may not enter into any supplemental indenture without the written consent of the Collateral Advisor if such supplemental indenture alters the rights or obligations of the Collateral Advisor in any respect, and the Collateral Advisor shall not be bound by any such supplemental indenture unless the Collateral Advisor has consented thereto. The Trustee shall be entitled to rely upon an Opinion of Counsel as to whether such supplemental indenture alters the rights or obligations of the Collateral Advisor.

Not later than 10 days prior to the execution of any proposed supplemental indenture pursuant to this Section 8.01 the Trustee, at the expense of Issuer, shall provide to the Collateral Advisor, the Credit Enhancer (so long as it is the Controlling Party), the Hedge Counterparties, the Preference Share Paying Agent and to each Rating Agency a copy of such proposed supplemental indenture (or a description of the substance thereof) and the Issuer shall request that the Rating Condition be satisfied with respect to such supplemental indenture, and, as soon as practicable after the execution by the Trustee and the Issuers of any such supplemental indenture, provide to each Rating Agency and the Credit Enhancer a copy of the executed supplemental indenture. The Trustee shall not enter into any supplemental indenture if, with respect to such supplemental indenture, (i) the Rating Condition has not

been satisfied; *provided* that the Trustee may, with the consent of the Holders of 100% of the Aggregate Outstanding Amount of Notes of each Class, enter into any such supplemental indenture notwithstanding that the Rating Condition has not been satisfied; *provided, further*, that the Trustee has notified such Holders and the Credit Enhancer that such Rating Condition has not been satisfied and (ii) the Credit Enhancer (so long as it is the Controlling Party) has not consented thereto in writing. At the cost of the Issuers, the Trustee shall provide to the Collateral Advisor, the Noteholders, the Preference Shareholders, the Credit Enhancer (so long as it is the Controlling Party), the Hedge Counterparties and the Irish Stock Exchange (for so long as any Issued Securities are listed on the Stock Exchange), as soon as reasonably practicable after the execution by the Trustee and the Issuers of any such supplemental indenture, a copy of the executed supplemental indenture.

Section 8.02 Supplemental Indentures with Consent of Noteholders.

With the consent of (x) the Holders of not less than a majority of the Aggregate Outstanding Amount of Notes of each Class materially and adversely affected thereby and a Majority-in-Interest of Preference Shareholders (if the Preference Shares are materially and adversely affected thereby), by Act of said Noteholders or by written consent of the Preference Shareholders (which consent shall be evidenced by an Officer's certificate of the Issuer certifying that such consent has been obtained) delivered to the Trustee and the Issuers and (y) each Hedge Counterparty (if the consent of the Hedge Counterparty is required under the Hedge Agreement), delivered by the Hedge Counterparties to the Trustee and the Issuers, the Trustee, the Issuers and the Credit Enhancer (so long as it is the Controlling Party) may, subject to Section 8.03, enter into one or more indentures supplemental hereto to add any provisions to, or change in any manner or eliminate any of the provisions of, this Indenture or modify in any manner the rights of the Holders of the Notes of such Class, the Holders of the Preference Shares, the Hedge Counterparties or the Credit Enhancer, as the case may be, under this Indenture, *provided* that, notwithstanding anything in this Indenture to the contrary, no such supplemental indenture shall be entered into without the consent of the Holder of each Outstanding Note and each Preference Share materially adversely affected thereby (which consent shall be evidenced by an Officer's certificate of the Issuer certifying that such consent has been obtained), the Hedge Counterparties (if the consent of the Hedge Counterparty is required under the Hedge Agreement) and the Credit Enhancer (so long as it is the Controlling Party) if such supplemental indenture proposes to:

(a) change the Stated Maturity of the Notes or the definition of "Scheduled Preference Share Redemption Date" or the due date of any installment of interest on any Note or the due date for the payment of Excess Interest in respect of a Preference Share, reduce the principal amount of a Note, the Note Interest Rate thereon, the amount of Excess Interest or Excess Principal Proceeds payable in respect of a Preference Share, or the redemption price with respect to any of the Issued Securities, change the date on which the Non-call Period expires, change the order of the clauses in the Priority of Payments, change any place where, or the coin or currency in which, any Note or any Preference Share, or the principal thereof or interest thereon or any Excess Amount in respect thereof, respectively, is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof or the Scheduled Preference Share Redemption Date, as the case may be (or, in the case of redemption, on or after the applicable Redemption Date);

(b) reduce the percentage of the Aggregate Outstanding Amount of Holders of Notes of each Class or the number of Preference Shares the consent of which is required for the authorization of any such supplemental indenture or for any waiver of compliance with certain provisions of this Indenture or certain Defaults hereunder or their consequences provided for in this Indenture;

(c) impair or adversely affect the Collateral except as otherwise expressly permitted in this Indenture;

(d) except as otherwise expressly permitted in this Indenture, permit the creation of any lien ranking prior to or on a parity with the lien of this Indenture with respect to any part of the Collateral or terminate such lien on any property at any time subject hereto (other than in connection with the sale thereof in accordance with this Indenture) or deprive the Holder of any Note of the security afforded by the lien created by this Indenture;

(e) reduce the percentage of the Aggregate Outstanding Amount of Holders of Notes of each Class the consent of which is required to request that the Trustee preserve the Collateral or rescind the determination to preserve the Collateral pursuant to Section 5.05 or to sell or liquidate the Collateral pursuant to Section 5.04 or Section 5.05 or act pursuant to Section 5.15;

(f) modify any of the provisions of this Section 8.02, except to increase the percentage of Outstanding Notes (or percentage of Preference Shares) the consent of Holders of which is required for any such action or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Note or Preference Share affected thereby;

(g) modify the definition of the terms "Outstanding," Event of Default" or the subordination provisions under Section 13.01;

(h) change the permitted minimum denominations of any Class of Notes;

(i) modify any of the provisions of this Indenture to change directly the calculation of the amount of any payment of interest on or principal of any Note or the calculation of the amount of any Excess Amount with respect to any Preference Share on any Payment Date or to change the rights of the Holders of Notes or Preference Shares to cause the redemption of such Notes or Preference Shares; or

(j) amend the "non-petition" or "limited recourse" provisions of the Indenture or the Notes or any other Transaction Document.

The Trustee is hereby authorized to join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations which may be therein contained, but the Trustee shall not be obligated to enter into any such supplemental indenture that affects the Trustee's own rights, duties, liabilities or indemnities under this Indenture or otherwise, except to the extent required by law.

Not later than 15 Business Days prior to the execution of any proposed supplemental indenture pursuant to this Section 8.02 (except to the extent that a period shorter than such 15 Business Day period shall have been consented to by all Holders of Issued Securities whose consent is required for such supplemental indenture, the Credit Enhancer (so long as it is the Controlling Party) and each Hedge Counterparty and not objected to by Standard & Poor's), the Trustee, at the expense of the Issuers, shall provide to the Noteholders, the Credit Enhancer (so long as it is the Controlling Party), each Hedge Counterparty, the Preference Share Paying Agent, the Collateral Advisor, and for so long as any Class of Notes shall remain Outstanding and have a rating, each Rating Agency rating such a Class, and the Irish Stock Exchange, a copy of such proposed supplemental indenture (or a description of the substance thereof) and shall request that Standard & Poor's (so long as it maintains a rating on any Class of Notes) provide written confirmation that the Rating Condition with respect to Standard & Poor's be satisfied with respect to such supplemental indenture. If any Class of Notes is then rated by Standard & Poor's, the

Trustee shall not enter into any such supplemental indenture if the Rating Condition with respect to Standard & Poor's has not been satisfied with respect to such supplemental indenture, unless each Holder of Notes of each Class the rating of which will be reduced or withdrawn (and, if the rating of the Insured Notes will be reduced or withdrawn, so long as no Credit Enhancer Default shall have occurred and be continuing, the Credit Enhancer), after notice that the proposed supplemental indenture would result in such reduction or withdrawal of the rating of the Class of Notes held by such Holder (or, in the case of the Credit Enhancer, the Insured Notes), has consented to such supplemental indenture. Unless notified prior to the proposed execution date by Holders of a majority of the Aggregate Outstanding Amount of Notes of any Class of Notes, or Holders of a majority of the Aggregate Outstanding Amount of the Preference Shares that such Class or the Preference Shares will be materially adversely affected, or by any Hedge Counterparty that its consent is required pursuant to the applicable Hedge Agreement or the Credit Enhancer (so long as it is the Controlling Party) that its consent is required under the Insurance Agreement, the Trustee may rely upon an Opinion of Counsel (which may be based upon a certificate of the Issuer or the Collateral Advisor) as to whether or not such Class of Notes or the Preference Shares would be materially adversely affected by such change or whether the consent of any Hedge Counterparty is required pursuant to any Hedge Agreement (after giving notice of such change to the Holders of the Notes, the Preference Shares and to the Hedge Counterparties). Such determination shall be conclusive and binding on all present and future Holders and the Hedge Counterparties. The Trustee shall not be liable for any such determination made in reliance in good faith upon such an Opinion of Counsel delivered to the Trustee as described in Section 8.03.

It shall not be necessary for any Act of Noteholders or any consent of Preference Shareholders under this Section 8.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act or consent shall approve the substance thereof.

Promptly after the execution by the Issuers and the Trustee of any supplemental indenture pursuant to this Section 8.02, the Trustee, at the expense of the Issuers, shall mail to the Noteholders, the Preference Share Paying Agent (for forwarding to the Preference Shareholders), the Hedge Counterparties, the Credit Enhancer (so long as any Insured Note is Outstanding), the Collateral Advisor, each Rating Agency, the Irish Paying Agent (for so long as any Issued Securities are listed on the Irish Stock Exchange) and the Repository (for posting on the Repository in the manner described in Section 14.03) a copy thereof. Any failure of the Trustee to publish or mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

Section 8.03 Execution of Supplemental Indentures.

In executing or accepting the additional trusts created by any supplemental indenture permitted by this Article VIII or the modifications thereby of the trusts created by this Indenture, the Issuer and the Trustee shall be entitled to receive, and shall be fully protected in relying in good faith upon, an Opinion of Counsel (which may rely on an Officer's certificate of the Issuer or the Collateral Advisor), stating that the execution of such supplemental indenture is authorized or permitted by this Indenture and all conditions precedent thereto have been satisfied. Any such Opinion of Counsel shall not be deemed to address implicitly the effect of any supplemental indenture on any Person or such Person's interests by the fact that it states that the execution of such supplemental indenture is authorized or permitted by this Indenture and that all conditions precedent applicable thereto under this Indenture have been satisfied. Any such Opinion of Counsel may be supported as to factual (including financial and capital markets) matters by such relevant certificates and other documents as may be necessary or advisable in the judgment of counsel delivering such Opinion of Counsel. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture that affects the Trustee's own rights, duties or indemnities under this Indenture or otherwise. The Trustee shall not enter into any supplemental

indenture (including a supplemental indenture entered into pursuant to Section 8.01 or Section 8.02) that modifies the rights or increases the obligations of the Collateral Advisor in any respect without the written consent of the Collateral Advisor, and the Collateral Advisor shall not be bound by any amendment to this Indenture which reduces the rights or increases the obligations of the Collateral Advisor unless the Collateral Advisor shall have consented thereto in writing. The Trustee shall be entitled to rely upon an Opinion of Counsel (which may be based upon a certificate of the Collateral Advisor) as to whether such supplemental indenture alters the rights or obligations of the Collateral Advisor.

Section 8.04 Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article VIII, this Indenture shall be modified in accordance therewith and such supplemental indenture shall form a part of this Indenture for all purposes; every Holder of Notes theretofore and thereafter authenticated and delivered hereunder and every Holder of Preference Shares shall be bound thereby. As promptly as possible following the execution of acceptance of any supplemental indenture under this Article VIII, the Trustee shall provide a copy of such supplemental indenture to the Holders of the Notes and the Holders of the Preference Shares

Section 8.05 Reference in Notes to Supplemental Indentures.

Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article VIII may, and if required by the Trustee shall, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Issuers shall so determine, new Notes, so modified as to conform in the opinion of the Trustee and the Issuers to any such supplemental indenture, may be prepared and executed by the Issuers and authenticated and delivered by the Trustee in exchange for Outstanding Notes.

Section 8.06 Coverage Test Modifications.

Notwithstanding the foregoing, a supplemental indenture shall not be required to effect a Coverage Test Modification in accordance with Section 12.04.

ARTICLE IX

REDEMPTION OF SECURITIES

Section 9.01 Redemption of Securities.

(a) (i) The Notes shall be redeemable on any Payment Date prior to the Stated Maturity thereof by the Issuer (such redemption, an "Optional Redemption") from Sale Proceeds and all other funds in the Collection Accounts, the Credit Enhancement Payment Account (in respect of redemption of the Insured Notes only), the Payment Account, the Residual Cash Flow Reinvestment Account and the Unused Proceeds Account, in each case, on such Payment Date, in whole but not in part, as specified by the Issuer, at the written direction of a Majority-in-Interest of the Preference Shareholders, at the applicable Redemption Price (exclusive of installments of principal and interest due on or prior to such date, provided that payment of same shall have been made or duly provided for to the Holders of the Notes as provided in this Indenture), provided that (A) no such Optional Redemption may be effected prior to the end of the Non-call Period, (B) the Sale Proceeds from the Collateral Debt Securities, together with all other funds, including termination payments (if any) which the Issuer receives upon termination of any Hedge Agreements in connection with such Optional Redemption, expected to be available on the

relevant Payment Date must be at least equal to the Total Senior Redemption Amount, (C) without duplication of amounts included in the Total Senior Redemption Amount, any termination payments payable on the Hedge Agreements shall be paid accordance with Article 16 and the Priority of Payments (it being understood that the effective date of termination of the Hedge Agreements in connection with an Optional Redemption shall not occur until the direction for such Optional Redemption is irrevocable hereunder), (D) without duplication of amounts included in the Total Senior Redemption Amount, any amounts payable to the Credit Enhancer in accordance with the Insurance Agreement and the Premium Letter shall be paid in accordance with the terms thereof and the Priority of Payments, and (E) the funds described in the preceding clause (B) are used to effect such Optional Redemption.

(ii) In addition, upon the occurrence of a Tax Event, the Notes shall be redeemable by the Issuer on any Payment Date prior to the Stated Maturity thereof, in whole but not in part, at the applicable Redemption Price therefor at the direction of a Majority-in-Interest of the Preference Shareholders (such redemption, a "Tax Redemption"), from Sale Proceeds and all other funds expected to be available on such Payment Date at the applicable Redemption Price (exclusive of installments of principal and interest due on or prior to such date, provided that payment of same shall have been made or duly provided for to the Holders of the Notes as provided in this Indenture), provided that (A) the Sale Proceeds from the Collateral Debt Securities and all other such funds on the relevant Payment Date must be at least sufficient to pay the Minimum Redemption Amount in accordance with the procedures described in Section 9.01(b), (B) without duplication of amounts included in the Minimum Redemption Amount, any termination payments payable on the Hedge Agreements shall be paid on the applicable Redemption Date in accordance with Article 16 and the Priority of Payments (it being understood that the effective date of termination of the Hedge Agreements in connection with a Tax Redemption shall not occur until the direction for such Tax Redemption is irrevocable hereunder), (C) without duplication of amounts included in the Minimum Redemption Amount, any amounts payable to the Credit Enhancer in accordance with the Insurance Agreement and the Premium Letter shall be paid on the applicable Redemption Date in accordance with the terms thereof and the Priority of Payments, and (D) the Tax Materiality Condition is satisfied.

Notwithstanding the immediately preceding paragraph, in connection with any Tax Redemption, Holders of at least 66-2/3% of the Aggregate Outstanding Amount of any Class of Notes may elect to have all of the Holders of such Class receive less than 100% of the Redemption Price that would otherwise be payable to Holders of such Class (and the minimum funding requirements specified in the immediately preceding paragraph shall be reduced accordingly).

(iii) The Preference Shares shall be redeemable (in whole but not in part) at the written direction of a Majority-in-Interest of the Preference Shareholders, on any Payment Date on or after payment in full of the Notes, after payment of all amounts payable under the Priority of Payments (excluding all payments in respect of the Preference Shares) and any Hedge Agreement, at the applicable Preference Share Redemption Price (exclusive of Excess Interest payable on or prior to such date, provided that payment of same shall have been made or duly provided for, to the Holders of the Preference Shares on relevant Record Dates or as otherwise provided in this Indenture).

(b) The Notes shall not be redeemed pursuant to Section 9.01(a) unless, at least six Business Days before the scheduled Redemption Date, the Collateral Advisor shall have furnished to the Trustee and the Credit Enhancer (so long as it is the Controlling Party) evidence (which evidence may be in the form of fax or electronic mail indicating firm bids and an Officer's Certificate of the Collateral Advisor), in form satisfactory to the Trustee and the Credit Enhancer (so long as it is the Controlling Party), that the Collateral Advisor on behalf of the Issuer has entered into a binding agreement or agreements with the Collateral Advisor or with (or the obligations under such agreements are guaranteed

by) one or more entities the long-term unsecured debt obligations (other than such obligations the rating of which is based on the credit of a Person other than such entity) of which have a credit rating from each Rating Agency at least equal to the highest rating of the most senior Class of Notes then Outstanding or the short-term unsecured debt obligations of which have credit ratings of "P-1" by Moody's and at least "A-1" by Standard & Poor's (or which otherwise satisfy the Rating Condition with respect to any Rating Agency for which such rating requirement is not satisfied), in either case, to sell, not later than the second Business Day immediately preceding the scheduled Redemption Date, all or part of the Collateral Debt Securities at a sale price (including in such price the sale of accrued interest) which, when added to all other funds expected to be available on the relevant Payment Date, the amounts the Issuer will receive (including any amounts returned to the Issuer from the related Synthetic Security Collateral Account) after termination of the Synthetic Securities on or prior to the scheduled Redemption Date and the termination payments which the Issuer will receive upon termination of all Hedge Agreements on or prior to the scheduled Redemption Date, is at least equal to an amount sufficient to pay (without regard to any limitations or caps therein) any accrued and unpaid amounts payable under the Priority of Payments prior to distributions on the Preference Shares, including any termination payments payable by the Issuer pursuant to the Hedge Agreements, any fees and expenses incurred by the Trustee and the Collateral Advisor in connection with such sale of Collateral Debt Securities, and the applicable Redemption Price for the Notes (the "Total Senior Redemption Amount").

Notwithstanding the foregoing paragraph, in connection with any Tax Redemption, Holders of at least 66-2/3% of the Aggregate Outstanding Amount of any Class of Notes may elect to receive less than 100% of the Redemption Price that would otherwise be payable to Holders of such Class (and the minimum Sale Proceeds requirements specified in the immediately preceding paragraph shall be reduced accordingly) without affecting the amount payable to the Holders of the Preference Shares.

(c) Installments of principal and interest or Excess Amounts due on or prior to a Redemption Date shall continue to be payable to the Holders of such Issued Securities as of the relevant Record Dates. The election of the Issuer to redeem any Issued Securities pursuant to this Section 9.01 shall be evidenced by an Issuer Order directing the Trustee to make the payment to the Paying Agent of the Redemption Price of all of the Issued Securities to be redeemed from funds in the Payment Account in accordance with the Priority of Payments. The Issuer shall deposit, or cause to be deposited, the funds required for any redemption pursuant to this Section 9.01 in the Payment Account on or before the fifth Business Day prior to the Redemption Date or, if later, upon receipt.

(d) The Issuer shall set the Redemption Date and the applicable Record Date and give notice thereof to the Trustee pursuant to Section 9.02.

(e) Any amounts applied to the redemption of the Class A Notes, the Class B Notes, the Class X Notes, the Class C Notes, the Class D Notes and the Class E Notes pursuant to this Section 9.01 shall be applied sequentially to the Class A Notes, the Class B Notes, the Class X Notes, the Class C Notes, the Class D Notes or the Class E Notes, respectively.

Section 9.02 Notice to Trustee of Optional Redemption or Tax Redemption.

In the event of any redemption pursuant to Section 9.01, the Issuer shall, at least 30 days (but not more than 90 days) prior to the Redemption Date, notify the Trustee, the Credit Enhancer (so long as it is the Controlling Party), each Hedge Counterparty, the Rating Agencies, each Paying Agent and the Preference Share Paying Agent of such Redemption Date, the applicable Record Date, the principal amount of each Class of Notes and the number of Preference Shares to be redeemed on such Redemption Date and the Redemption Price of such Notes in accordance with Section 9.01.

Section 9.03 Notice of Auction Call Redemption, Optional Redemption or Tax Redemption or Maturity by the Issuers.

Notice of redemption of Notes pursuant to Section 9.01 or Section 9.05 or the Maturity of any Class of Notes shall be given by the Trustee by first class mail, postage prepaid, or by overnight courier guaranteeing next day delivery, mailed not less than 10 Business Days (in the case of first class mail) or three Business Days (in the case of overnight courier) prior to the applicable Redemption Date, the Auction Call Redemption Date or Maturity to each Holder of Notes to be redeemed or to mature, at such Holder's address in the Note Register, with a copy to each Rating Agency, the Credit Enhancer and each Hedge Counterparty. In addition, for so long as any Class of Notes to be redeemed is listed on the Irish Stock Exchange, the Trustee shall cause the notice of redemption pursuant to Section 9.01 or Section 9.05 of any Class of Notes then listed on the Irish Stock Exchange to be delivered to the Irish Paying Agent for notification of the Company Announcements Office of the Irish Stock Exchange not less than 10 Business Days prior to the applicable Record Date.

All notices of redemption shall state:

(a) the applicable Redemption Date or Auction Call Redemption Date, as applicable;

(b) the applicable Record Date;

(c) the Redemption Price;

(d) the principal amount of each Class of Notes to be redeemed and that interest on such principal amount of Notes shall cease to accrue on the date specified in the notice; and

(e) the place or places where such Notes are to be surrendered for payment of the Redemption Price, which shall be the office or agency of the Issuer to be maintained as provided in Section 7.02.

Failure to give notice of redemption, or any defect therein, to any Holder of any Note selected for redemption shall not impair or affect the validity of the redemption of any other Notes.

The Issuer shall have the option to withdraw the notice of redemption up to the fourth Business Day prior to the scheduled Redemption Date or the Auction Call Redemption Date, as the case may be, by written notice (sent both by facsimile and overnight courier) to the Trustee, the Credit Enhancer and the Collateral Advisor, but only (i) in the case of a redemption pursuant to Section 9.01, if the Collateral Advisor shall be unable to deliver the sale agreement or agreements or certifications described in Section 9.01(b) and (ii) in the case of an Auction Call Redemption, (A) the conditions that, pursuant to Section 9.05, must be met with respect to any Auction have not been met or (B) the highest bidder or the Collateral Advisor, as the case may be, fails to pay the purchase price before the sixth Business Day prior to the proposed Redemption Date. At the expense of the Issuers, the Trustee shall give notice of any withdrawal by overnight courier guaranteeing next day delivery, sent not later than the third Business Day prior to the scheduled Redemption Date or the Auction Call Redemption Date, as the case may be, to each Holder of Notes to be redeemed at such Holder's address in the Note Register and to the Credit Enhancer and each Hedge Counterparty; *provided* that no Hedge Agreement may be terminated until such notice is irrevocable. The Trustee shall also cause notice of such withdrawal to be delivered to the Irish Paying Agent for notification of the Company Announcements Office of the Irish Stock Exchange not less than three Business Days prior to the scheduled Redemption Date or the Auction Call Redemption Date, as the case may be, and promptly notify the Irish Stock Exchange of any such

withdrawal. Notwithstanding the foregoing, such notice of redemption may be withdrawn only, in the case of an Optional Redemption or Tax Redemption, if either the Hedge Agreement shall remain outstanding or another Hedge Agreement shall have been entered into in accordance with the terms of the Indenture. Any notice of redemption of Preference Shares shall be sent in accordance with the relevant provisions of the Preference Share Paying Agency Agreement.

Section 9.04 Notes Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Notes so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after the Redemption Date (unless the Issuer shall default in the payment of the Redemption Price and accrued interest) such Notes shall cease to bear interest. Upon final payment on a Note to be redeemed, the Holder shall present and surrender such Note at the place specified in the notice of redemption on or prior to such Redemption Date, provided that, if there is delivered to the Issuers and the Trustee (i) such security or indemnity as may be required by them to save each of them harmless, and (ii) an undertaking thereafter to surrender such Note, then, in the absence of notice to the Issuers and the Trustee that the applicable Note has been acquired by a Protected Purchaser, such final payment shall be made without presentation or surrender.

If any Note called for redemption shall not be paid upon surrender thereof for redemption, the principal thereof shall, until paid, bear interest from the Redemption Date at the applicable Note Interest Rate for each successive Interest Period such Note remains Outstanding.

Section 9.05 Auction Call Redemption.

In accordance with the procedures set forth in Schedule H (the "Auction Procedures"), the Auction Agent on behalf of the Issuer shall, at the expense of the Issuer, conduct an auction (the "Auction") of the Collateral Debt Securities if, prior to the Note Acceleration Date, the Notes have not been redeemed in full. The Auction shall be conducted in accordance with the Auction Procedures. The Auction shall be conducted on a date (each such date, an "Auction Date") no later than 10 Business Days prior to (1) December 3, 2016 and (2) if the Notes are not redeemed in full on December 3, 2016 (including because the Trustee receives fewer than two bids from Identified Bidders to purchase all of the Collateral Debt Securities), each Payment Date thereafter until the Notes have been redeemed in full. Notwithstanding the foregoing, the Auction Agent shall not conduct an Auction on an Auction Date if an Auction was conducted on the preceding Auction Date and the Auction Agent notifies the Trustee (or Collateral Advisor, as the case may be) in writing that, due to market conditions, an Auction on such Auction Date is unlikely to be successful. Any of the Collateral Advisor, the Preference Shareholders, the Trustee or their respective Affiliates may, but shall not be required to, bid at the Auction. The Trustee shall sell and transfer the Collateral Debt Securities (which may be divided into up to eight Subpools) to the highest bidder therefor (or the highest bidder for each Subpool) at the Auction, as identified by the Auction Agent, provided that:

(i) with respect to Collateral Debt Securities:

(A) the Auction Agent has received bids for the Collateral Debt Securities from at least two Eligible Bidders (including the winning Eligible Bidder) for (x) the purchase of the Collateral Debt Securities or (y) the purchase of each Subpool;

(B) the bidder(s) who offered the Highest Auction Price for the Collateral Debt Securities (or the bidder(s) who offered the Highest Auction Price for each Subpool)

enter(s) into a written agreement(s) with the Issuer, in a form provided by the Auction Agent (which the Issuer shall execute if the conditions set forth in (i) and (ii) of this Section 9.05 are satisfied, which execution shall constitute certification by the Issuer that such conditions have been satisfied) which obligates the highest bidder (or the highest bidder for each Subpool) to purchase all of the Collateral Debt Securities (or the relevant Subpool) with the closing of such purchase (and full payment in cash to the Trustee) to occur on or prior to the sixth Business Day prior to the proposed Redemption Date;

(ii) the Auction Agent certifies that (I) the aggregate purchase price that would be received pursuant to the highest bid would result in Sale Proceeds from the sale of all of the Collateral Debt Securities (or the related Subpools constituting all of the Collateral Debt Securities) pursuant to clause (i) above *plus* (II) the Balance of all Eligible Investments and Cash held by the Issuer in the Accounts (other than in any Hedge Counterparty Collateral Account) available to the Issuer would be at least equal to the Minimum Redemption Amount; *provided* that holders of 100% of the Aggregate Outstanding Amount of any Class of Notes may elect, by notifying the Trustee in writing five days prior to the relevant Payment Date in connection with any Auction Call Redemption, to receive less than 100% of the Redemption Price that would otherwise be payable to holders of such Class, without affecting the amounts payable to the holders of the Preference Shares, in which case the Minimum Redemption Amount shall be reduced accordingly; and

Provided that all of the conditions set forth in clauses (i) and (ii) of this Section 9.05 have been met as certified to the Trustee by the Issuer or the Auction Agent, the Trustee shall sell and transfer the Collateral Debt Securities (or each related Subpool), without representation, warranty or recourse, to the bidder that has offered the Highest Auction Price (or the highest bidder for each Subpool, as the case may be). Notwithstanding the foregoing, but subject to the satisfaction of the conditions set forth in clauses (i) and (ii) of this Section 9.05, the Collateral Advisor, although it may not have been the highest bidder, shall have the option to purchase the Collateral Debt Securities (or any Subpool) for a purchase price equal to the highest bid therefor. If the Collateral Advisor desires to exercise such option, it shall notify the Trustee in writing prior to the execution of a written agreement for such sale. The Trustee shall deposit the purchase price it receives for the Collateral Debt Securities in the Collection Account, and the Notes and the Preference Shares shall be redeemed, on the Payment Date immediately following the relevant Auction Date (such redemption, an "Auction Call Redemption" and such date, the "Auction Call Redemption Date").

If (x) any of the foregoing conditions is not met with respect to any Auction, or (y) the highest bidder (or the highest bidder for any Subpool) or the Collateral Advisor, as the case may be, fails to pay the purchase price for any Collateral Debt Security before the sixth Business Day prior to the proposed Redemption Date (and, in the case of a failure by the highest bidder with respect to a Subpool to pay for such Subpool, the aggregate purchase price received with respect to the remaining subpools, together with the amounts specified in subclause (II) of clause (iii) of this Section 9.05, is less than the Minimum Redemption Amount), (a) the Auction Call Redemption will not occur on the proposed Redemption Date, (b) the Trustee shall give notice of the withdrawal of the redemption notice pursuant to Section 9.03, (c) subject to clause (d) below, the Trustee shall decline to consummate such sale and no further bids shall be solicited and no negotiations for any further sale of Collateral Debt Securities shall occur in relation to such Auction, and (d) unless the Notes are redeemed in full prior to the next succeeding Auction Date (it being understood that the effective date of termination of the Hedge Agreements in connection with any such redemption shall not occur until the direction for such redemption is irrevocable hereunder), or the Auction Agent notifies the Trustee in writing that market conditions are such that such Auction is not likely to be successful, the Auction Agent shall conduct another Auction on the next succeeding Auction Date.

For the avoidance of doubt, if the Collateral Advisor submits a bid in the Auction, the Collateral Advisor will assist the Trustee in preparing for the Auction, including identifying Eligible Bidders and determining any Subpools, provided, however, the Collateral Advisor shall have no involvement in soliciting, receiving and evaluating bids or determining the highest bidder.

Section 9.06 Mandatory Redemption.

(a) On any Payment Date on which any of the Coverage Tests was not met on the immediately preceding Determination Date, principal payments on the Notes will be made, first, as set forth in Section 11.01(a)(i) and, second (to the extent that the application of Interest Proceeds pursuant to the Priority of Payments would be insufficient to cause such tests to be satisfied), from Principal Proceeds, in accordance with the Priority of Payments, in each case to the extent necessary to cause each applicable Coverage Test to be satisfied.

(b) On the Note Acceleration Date and on each Payment Date thereafter, if the Notes are not redeemed in full on or prior to such date, Interest Proceeds that would otherwise be released from the lien of the Indenture and paid to the Preference Share Paying Agent for distribution to the Preference Shareholders will be applied pursuant to Section 11.01(a)(i)(26), and otherwise in accordance with the Priority of Payments, to pay principal of, *first*, the Class E Notes, *second*, the Class D Notes, *third*, the Class C Notes, *fourth*, the Class X Notes, *fifth*, the Class B Notes, *sixth*, the Class A Notes, until each such Class of Notes has been paid in full.

Section 9.07 Special Redemption.

Principal payments on the Notes shall be made (without payment of any premium) in accordance with the Priority of Payments if, at any time during the Reinvestment Period, the Collateral Advisor, at its discretion, notifies the Trustee that the Collateral Advisor has been unable, for a period of 20 consecutive Business Days, to identify additional Collateral Debt Securities that are deemed appropriate by the Collateral Advisor in its sole discretion and meet the Eligibility Criteria in sufficient amounts to permit the investment or reinvestment of all or a portion of the funds then in the Principal Collection Account available to be invested in Additional Collateral Debt Securities (a "Special Redemption"). On the first Payment Date following the Due Period in which such notice is given (a "Special Redemption Date"), the funds in the Principal Collection Account representing Principal Proceeds that cannot be so reinvested in Additional Collateral Debt Securities (the "Special Redemption Amount") shall be made available by the Trustee to be applied in accordance with the Priority of Payments under Section 11.01(a)(ii) (without payment of any premium). Notice of payments pursuant to this Section 9.07 shall be given not later than 10 Business Days prior to the applicable Special Redemption Date, to each Rating Agency, the Credit Enhancer and to each Holder of Notes to be redeemed.

ARTICLE X

ACCOUNTS, ACCOUNTINGS AND RELEASES

Section 10.01 Collection of Cash.

(a) Except as otherwise expressly provided herein, the Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance of any fiscal agent or other intermediary, all Cash and other property payable to or receivable by the Trustee pursuant to this Indenture, including all payments due on the Pledged Securities, in accordance with the terms and

conditions of such Pledged Securities. The Trustee shall segregate and hold all such Cash and property received by the Trustee in trust for the Secured Parties and shall apply such Cash and property as provided in this Indenture.

(b) Each of the parties hereto hereby agrees to cause the Custodian and any other Securities Intermediary that holds any Cash or other property for the Issuer or the Co-Issuer in an Account to agree with the parties hereto that (x) each Account is a Securities Account in respect of which the Trustee is the Entitlement Holder (other than the Synthetic Security Issuer Account as to which the Issuer is the Entitlement Holder), (y) the Cash, Securities and other property credited to any such Account is to be treated as a Financial Asset and (z) the "securities intermediary's jurisdiction" (within the meaning of Section 8-110 of the UCC) for that purpose will be the State of New York. In no event may any Financial Asset held in any Account be registered in the name of, payable to the order of, or specially Indorsed to, the Issuer unless such Financial Asset has also been Indorsed in blank or to the Custodian or other Securities Intermediary that holds such Financial Asset in such Account. In addition, any Account may include any number of subaccounts deemed necessary or appropriate by the Trustee for convenience in administering the Accounts.

(c) Each of the Accounts shall remain at all times with a financial institution organized and doing business under the laws of the United States or any State thereof, authorized under such laws to exercise corporate trust powers, subject to supervision or examination by Federal or state authority and having a long-term debt rating of at least "Baa1" by Moody's (and, if rated "Baa1", not be on watch for possible downgrade by Moody's) and at least "BBB+" by Standard & Poor's and a combined capital and surplus in excess of U.S.$250,000,000.

Section 10.02 Principal Collection Account; Interest Collection Account; Residual Cash Flow Reinvestment Account; Custodial Account.

(a) The Trustee shall, prior to the Closing Date, cause to be established a Securities Account (which may be a sub-account of the Custodial Account) which shall be designated as the "Collection Account", which shall be held in the name of the Trustee as Entitlement Holder in trust for the benefit of the Secured Parties.

(b) The Trustee shall, prior to the Closing Date, establish a sub-account of the Collection Account which shall be designated as the "Interest Collection Account", into which the Trustee shall from time to time deposit, in addition to the deposits required pursuant to Section 10.11(d), (i) all amounts, if any, received by the Issuer pursuant to any Hedge Agreement (other than amounts received by the Issuer by reason of an "event of default" or "termination event" (each as defined in the related Hedge Agreement) or other comparable event that are required, pursuant to Section 16.01 to be used for the purchase by the Issuer of a replacement Hedge Agreement) and (ii) all proceeds received from the disposition of any Collateral to the extent such proceeds constitute "Interest Proceeds", and (iii) all other Interest Proceeds. The Trustee shall, prior to the Closing Date, establish a sub-account of the Collection Account which shall be designated as the "Principal Collection Account", into which the Trustee shall from time to time, deposit, in addition to the deposits required pursuant to Section 10.11(d), (i) all proceeds received from the disposition of any Collateral to the extent such proceeds constitute "Principal Proceeds" (unless simultaneously reinvested in Eligible Investments), and (ii) all other Principal Proceeds.

(c) The Issuer may, but under no circumstances shall be required to, deposit or cause to be deposited from time to time such amount of Cash in a Collection Account as the Issuer, in its sole discretion, deems to be advisable and by written notice to the Trustee may designate that such Cash is to

be treated as Principal Proceeds or Interest Proceeds hereunder at the Issuer's discretion. All Cash deposited from time to time in a Collection Account pursuant to this Indenture shall be held by the Trustee as part of the Collateral and shall be applied to the purposes herein provided.

(d) All Distributions, any deposit required pursuant to Section 10.02(e) and, any net proceeds from the sale or disposition of a Collateral Debt Security or Equity Security received by the Trustee shall be immediately deposited into the Interest Collection Account or the Principal Collection Account, as the case may be (unless, in the case of proceeds received from the sale or disposition of any Collateral, such proceeds are simultaneously reinvested pursuant to Section 10.02(f) in other Collateral Debt Securities, subject to the Reinvestment Criteria, or in Eligible Investments). Subject to Sections 10.02(f), 10.02(g), 10.2(h), 11.02 and Article XII, all amounts deposited in the Collection Accounts, together with any securities in which funds included in such property are or will be invested or reinvested at the written direction of the Collateral Advisor or the Issuer during the term of this Indenture, and any income or other gain realized from such investments, shall be held by the Trustee in the Collection Accounts as part of the Collateral subject to disbursement and withdrawal as provided in this Section 10.02. By Issuer Order executed by an Authorized Officer of the Collateral Advisor (which may be in the form of standing instructions), the Issuer shall at all times direct the Trustee to, and, upon receipt of such Issuer Order, the Trustee shall, invest all funds received into the Collection Accounts during a Due Period, and amounts received in prior Due Periods and retained in the Collection Accounts, as so directed in Eligible Investments. The Trustee, within one Business Day after receipt of any Distribution or other proceeds which are not Cash, shall notify the Collateral Advisor of such receipt and the Collateral Advisor, on behalf of the Issuer, shall, within five Business Days of receipt of such notice from the Trustee, sell such Distribution or other proceeds for Cash in an arm's-length transaction to a Person that is not an Affiliate of the Issuer or the Collateral Advisor and deposit the proceeds thereof in the Interest Collection Account or Principal Collection Account, as the case may be, for investment pursuant to this Section 10.02, provided that the Issuer need not sell such Distributions or other proceeds if it delivers an Officer's certificate to the Trustee certifying that such Distributions or other proceeds constitute Collateral Debt Securities or Eligible Investments.

(e) If, prior to the occurrence of an Event of Default, the Issuer shall not have given any investment directions pursuant to Section 10.02(d), the Trustee shall seek instructions from the Collateral Advisor, on behalf of the Issuer, within three Business Days after transfer of such funds to a Collection Account. If the Trustee does not thereupon receive written instructions from the Issuer or the Collateral Advisor within five Business Days after transfer of such funds to a Collection Account, the Trustee shall invest and reinvest the funds held in such Collection Account as fully as practicable, but only in the JP Morgan Asset Management U.S. Dollar Liquidity Fund Premier (or in such other Eligible Investments as the Collateral Advisor shall direct). After the occurrence of an Event of Default, the Trustee shall invest and reinvest such Monies as fully as practicable in Eligible Investments of the type described in the previous sentence. All Interest Proceeds from such investments shall be deposited in the Interest Collection Account, and all Principal Proceeds from such investments shall be deposited in the Principal Collection Account. Any gain or loss with respect to an Eligible Investment shall be allocated in such a manner as to increase or decrease, respectively, Principal Proceeds and/or Interest Proceeds in the proportion which the amount of Principal Proceeds and/or Interest Proceeds used to acquire such Eligible Investment bears to the purchase price thereof. The Trustee shall not in any way be held liable by reason of any insufficiency of such Collection Account resulting from any loss relating to any such investment, except with respect to investments in obligations of the Bank or any Affiliate thereof.

(f) During the Reinvestment Period (and during the first Due Period thereafter only, to the extent necessary to acquire Collateral Debt Securities pursuant to commitments entered into during the Reinvestment Period), the Collateral Advisor on behalf of the Issuer may by Issuer Order (including

all attachments required hereunder) direct the Trustee to, and upon receipt of such Issuer Order the Trustee shall, reinvest Principal Proceeds (including those resulting from dispositions, maturities or redemptions of Collateral Debt Securities) received in the current or a prior Due Period in Collateral Debt Securities as permitted under and in accordance with the requirements of Article XII and such Issuer Order.

(g) The Trustee shall, prior to the Closing Date, cause to be established a Securities Account which shall be designated as the "Residual Cash Flow Reinvestment Account," which shall be a segregated trust account held in the name of the Trustee as Entitlement Holder in trust for the benefit of the Secured Parties. During the Residual Cash Flow Reinvestment Period, the Trustee shall transfer to the Residual Cash Flow Reinvestment Account the amounts specified in Section 11.1(a)(i)(24)(i) for application as permitted under and in accordance with the requirements of Article XII; provided that with respect to any Payment Date on which payments are required to be made pursuant to clause (4) of the principal Priority of Payments (but only insofar as clause (4) requires the payment of an amount due under clause 8(i) of the interest Priority of Payments and not paid in full thereunder), pursuant to clause (11) of the principal Priority of Payments (but only insofar as clause (11) requires the payment of an amount due under clause 13(i) of the interest Priority of Payments and not paid in full thereunder), pursuant to clause (15) of the principal Priority of Payments (but only insofar as clause (15) requires payment of an amount due under Clause 16(i) of the interest Priority of Payments and not paid in full thereunder) and/or pursuant to clause (19) of the principal Priority of Payments (but only insofar as clause (19) requires the payment of an amount due under clause 19(i) of the interest Priority of Payments and not paid in full thereunder) to redeem any Notes in order to satisfy any Coverage Tests, to the extent Principal Proceeds pursuant to the definition thereof are not sufficient to make such payment, the Trustee shall deposit amounts on deposit in the Residual Cash Flow Reinvestment Account into the Principal Collection Account for distributions pursuant to such clauses of Section 11.01(a)(ii). Any amounts on deposit in the Residual Cash Flow Reinvestment Account on the last day of the Residual Cash Flow Reinvestment Period will be deposited into the Principal Collection Account for distribution in accordance with the Priority of Payments.

(h) The Trustee shall transfer to the Payment Account for application pursuant to Section 11.01(a) and in accordance with the calculations and the instructions contained in the Note Valuation Report, on the Business Day prior to each Payment Date (or, in the case of payment by Hedge Counterparties, on the Payment Date), any amounts then held in the Collection Account other than Interest Proceeds or Principal Proceeds received after the end of the Due Period with respect to such Payment Date, *provided* that, to the extent that Principal Proceeds in the Principal Collection Account as of such date are in excess of the amounts required to be applied pursuant to the Priority of Payments up to and including the next Payment Date as shown in the Note Valuation Report with respect to such Payment Date, the Issuer may direct the Trustee to retain such excess amounts in the Principal Collection Account and not to transfer such excess amounts to the Payment Account and the Trustee shall do so.

(i) The Trustee shall apply amounts on deposit in the Collection Accounts in accordance with any Redemption Date Statement delivered to the Trustee in connection with the redemption of Notes pursuant to Section 9.01.

(j) The Trustee shall, upon Issuer Order, apply amounts on deposit in the Principal Collection Account in accordance with Section 11.02.

(k) The Trustee shall, prior to the Closing Date, cause the Custodian to establish a Securities Account which shall be designated as the "Custodial Account," which shall be in the name of the Trustee as Entitlement Holder in trust for the benefit of the Secured Parties and into which the Trustee

shall from time to time deposit Collateral. All Collateral from time to time deposited in, or otherwise standing to the credit of, the Custodial Account pursuant to this Indenture shall be held by the Trustee as part of the Collateral and shall be applied to the purposes herein provided. The Trustee agrees to give the Issuer immediate notice if a Trust Officer receives written notice that the Custodial Account or any funds on deposit therein, or otherwise standing to the credit of the Custodial Account, shall become subject to any writ, order, judgment, warrant of attachment, execution or similar process. The Issuers shall not have any legal, equitable or beneficial interest in the Custodial Account other than in accordance with the Priority of Payments.

Section 10.03 Payment Account.

The Trustee shall, prior to the Closing Date, cause the Custodian to establish a Securities Account which shall be designated as the "Payment Account" and which shall be held in the name of the Trustee as Entitlement Holder in trust for the benefit of the Secured Parties. Any and all funds at any time on deposit in, or otherwise to the credit of, the Payment Account shall be held in trust by the Trustee for the benefit of the Secured Parties. Except as provided in Sections 11.01 and 11.02, the only permitted withdrawal from or application of funds on deposit in, or otherwise standing to the credit of, the Payment Account shall be to pay the interest on and the principal of the Notes in accordance with their terms and the provisions of this Indenture, to deposit Excess Amounts to the Preference Share Payment Account and to pay Administrative Expenses and other amounts specified therein, each in accordance with the Priority of Payments. The Trustee agrees to give the Issuers and the Hedge Counterparties immediate notice if a Trust Officer receives written notice that the Payment Account or any funds on deposit therein, or otherwise standing to the credit of the Payment Account, shall become subject to any writ, order, judgment, warrant of attachment, execution or similar process. The Issuers shall not have any legal, equitable or beneficial interest in the Payment Account other than in accordance with the Priority of Payments.

Section 10.04 Expense Account.

(a) The Trustee shall, prior to the Closing Date, cause to be established a Securities Account (which may be a sub-account of a single account) which shall be designated as the "Expense Account" and which shall be held in the name of the Trustee as Entitlement Holder in trust for the benefit of the Secured Parties. Any and all funds at any time on deposit in, or otherwise to the credit of, the Expense Account shall be held in trust by the Trustee for the benefit of the Secured Parties. Except as provided in Sections 11.01 and 11.02, the only permitted withdrawal from or application of funds on deposit in, or otherwise standing to the credit of, the Expense Account shall be to pay (on any day other than a Payment Date) accrued and unpaid Administrative Expenses of the Co-Issuers (excluding the Collateral Advisory Fee, but including other amounts payable by the Issuer to the Collateral Advisor under the Collateral Advisory Agreement or the Indenture). On the Closing Date, the Trustee shall deposit into the Expense Account the amount specified in the Funding Certificate from the net proceeds received by the Issuer on such date from the initial issuance of the Notes and the Preference Shares. Thereafter, the Trustee shall transfer to the Expense Account from the Payment Account amounts required to be deposited therein pursuant to Section 11.01(a) and in accordance with the calculations contained in the Note Valuation Report prepared by the Issuer pursuant to Section 10.10(b). Amounts on deposit in the Expense Account shall be invested in the JP Morgan Asset Management U.S. Dollar Liquidity Fund Premier (or in such other Eligible Investments as the Collateral Advisor shall direct). Income received on amounts on deposit in the Expense Account shall remain on deposit in such account. The Issuer shall, by Issuer Order executed by an Authorized Officer of the Collateral Advisor, direct the Trustee to, and, upon receipt of such Issuer Order, the Trustee shall transfer all funds on deposit in the Expense Account, at the time when substantially all of the Issuer's assets have been sold or otherwise

disposed of (as determined by the Collateral Advisor), into the Payment Account for application as Interest Proceeds on the immediately succeeding Payment Date pursuant to Section 11.01(a).

(b) Unless otherwise required by law or regulatory order, the Trustee agrees to give the Co-Issuers and the Hedge Counterparties immediate notice if a Trust Officer receives written notice that the Expense Account or any funds on deposit therein, or otherwise standing to the credit of the Expense Account, shall become subject to, any writ, order, judgment, warrant of attachment, execution or similar process.

Section 10.05 Unused Proceeds Account.

(a) The Trustee shall, prior to the Closing Date, cause to be established a Securities Account which shall be designated as the "Unused Proceeds Account," which shall be held in the name of the Trustee as Entitlement Holder in trust for the benefit of the Secured Parties, into which the Trustee shall deposit all Unused Proceeds (other than the organizational and structuring fees and expenses of the Issuers (including the legal fees and expenses of counsel to the Issuers and the Collateral Advisor), the expenses of offering the Issued Securities, any payment to a Hedge Counterparty on the Closing Date, and amounts deposited in the Expense Account on such date). The Collateral Advisor on behalf of the Issuer may direct the Trustee to, and upon such written direction the Trustee shall, (a) apply funds in the Unused Proceeds Account to purchase Hedge Agreements in the form of caps, and (b) invest funds in the Unused Proceeds Account (other than investment earnings treated as Interest Proceeds) in Collateral Debt Securities or Eligible Investments designated by the Collateral Advisor. All interest and other income from such investments shall be deposited in the Unused Proceeds Account, any gain realized from such investments shall be credited to the Unused Proceeds Account, and any loss resulting from such investments shall be charged to the Unused Proceeds Account.

(b) Investment earnings on Eligible Investments in the Unused Proceeds Account will be transferred to the Interest Collection Account and treated as Interest Proceeds on the first Payment Date. In addition, any Unused Proceeds on deposit in the Unused Proceeds Account on the Determination Date immediately preceding the initial Payment Date shall be transferred to the Payment Account and treated as Principal Proceeds on the initial Payment Date. The Trustee shall not in any way be held liable by reason of any insufficiency of such Unused Proceeds Account resulting from any loss relating to any such investment.

Section 10.06 [RESERVED]

Section 10.07 Synthetic Security Counterparty Accounts.

If and to the extent that any Synthetic Security requires the Issuer to secure its obligations with respect to such Synthetic Security, the Trustee shall cause to be established a segregated trust account in respect of each such Synthetic Security (each such account, a "Synthetic Security Counterparty Account") that shall be held in the name of the Trustee as Entitlement Holder in trust for the benefit of the related Synthetic Security Counterparty and the Secured Parties and over which the Trustee shall have exclusive control and the sole right of withdrawal in accordance with the applicable Synthetic Security and this Indenture. As directed by an Issuer Order executed by the Collateral Advisor, the Trustee shall withdraw from the Unused Proceeds Account or the Principal Collection Account and deposit into each Synthetic Security Counterparty Account all amounts that are required to be deposited as collateral into such Synthetic Security Counterparty Account to secure the obligations of the Issuer in accordance with the terms of the related Synthetic Security. The Collateral Advisor shall direct any such deposit only during the Reinvestment Period and only to the extent that monies are available for the purchase of

Collateral Debt Securities in accordance with the terms of this Indenture. Except for the investment earnings on investments in such Account, the Issuer shall not have any legal, equitable or beneficial interest in any of the Synthetic Security Counterparty Accounts other than in accordance with this Indenture, the applicable Synthetic Security and applicable law.

The Synthetic Security Collateral shall be comprised only of one or more of the following types of obligations: (i) obligations of the type described in the definition of Eligible Investments that mature no later than the next Payment Date, (ii) guaranteed investment contracts issued by subsidiaries of insurance companies that are rated "Aaa" by Moody's and "AAA" by Standard & Poor's or (iii) other obligations of a type for which Rating Agency Confirmation has been obtained.

As directed by an Issuer Order executed by the Collateral Advisor in writing and in accordance with the applicable Synthetic Security, the Trustee shall invest amounts on deposit in a Synthetic Security Counterparty Account in investments of the type described in the foregoing paragraph (provided, that no investment in any Synthetic Security Counterparty Account shall constitute an "Eligible Investment" for any purpose hereunder) and that are permitted under the terms of the related Synthetic Security (including any approval by the related Synthetic Security Counterparty if required thereby), provided, that such investment may have a stated maturity up to that of the related Synthetic Security itself. Income received on amounts on deposit in each Synthetic Security Counterparty Account shall be applied, as directed by the Collateral Advisor, to the payment of any periodic amounts owed by the Issuer to such Synthetic Security Counterparty on the date any such amounts are due. Any investment income contained in such Synthetic Security Counterparty Account in excess of such amounts used for the payment of such periodic amounts on the Determination Date shall be withdrawn from such account and deposited in the Interest Collection Account for distribution as Interest Proceeds, whereupon the security interest of the Synthetic Security Counterparty in such investment income shall be released.

All remaining amounts on deposit in a Synthetic Security Counterparty Account from time to time shall be applied by the Trustee as directed by the Collateral Advisor to pay amounts then payable by the Issuer to the related Synthetic Collateral Counterparty in accordance with the terms of the related Synthetic Security. Any excess amounts held in a Synthetic Security Counterparty Account on the Determination Date immediately following payment of all amounts owing from the Issuer to the related Synthetic Security Counterparty in accordance with the terms of the related Synthetic Security shall be withdrawn from such Synthetic Security Counterparty Account and deposited in the Principal Collection Account for application in accordance with the terms of this Indenture, whereupon the security interest of any Synthetic Security Counterparty in such proceeds shall be released. Upon such release, the Collateral Advisor, on behalf of the Issuer, shall cause such proceeds to be Delivered to the Securities Intermediary for the benefit of the Trustee (or otherwise take or cause to be taken all steps necessary to Grant such proceeds to the Trustee in accordance with the first Granting Clause hereof).

Until the Issuer has made all payments due under a Synthetic Security, the related Synthetic Security Counterparty Account and funds therein will be subject to a lien in favor of the related Synthetic Security Counterparty except to the extent that such lien may be released pursuant to the foregoing paragraph. The Trustee agrees to give the Issuer and the applicable Synthetic Security Counterparty immediate notice if the related Synthetic Security Counterparty Account or any funds on deposit therein, or otherwise standing to the credit of such Synthetic Security Counterparty Account, shall become subject to any writ, order, judgment, warrant of attachment, execution or similar process.

Except for the investment earnings of eligible investments in such Account, amounts contained in any Synthetic Security Counterparty Account shall not be considered to be an asset of the

Issuer for purposes of any of the Collateral Quality Tests or Coverage Tests, but the Synthetic Security that relates to the Synthetic Security Counterparty Account shall be so considered an asset of the Issuer.

Section 10.08 Synthetic Security Issuer Accounts.

If and to the extent that any Synthetic Security requires the Synthetic Security Counterparty to secure its obligations with respect to such Synthetic Security, the Issuer will cause to be established a single, segregated trust account in respect of each such Synthetic Security (each such account, a "Synthetic Security Issuer Account") held in the name of the Issuer, subject to the lien of the Trustee and as to which the Issuer, the Trustee and the Custodian shall have entered into an Synthetic Security Issuer Account Agreement. The Trustee shall deposit into each Synthetic Security Issuer Account all amounts received from the related Synthetic Security Counterparty that are required to secure the obligations of such Synthetic Security Counterparty in accordance with the terms of such Synthetic Security. Except for investment earnings on investments in such Synthetic Security Issuer Account, a Synthetic Security Counterparty shall not have any legal, equitable or beneficial interest in any Synthetic Security Issuer Account other than in accordance with this Indenture, the applicable Synthetic Security and applicable law.

As directed by an Issuer Order executed by the Collateral Advisor in writing and in accordance with the applicable Synthetic Security, amounts on deposit in a Synthetic Security Issuer Account shall be invested in Eligible Investments of the type described in the definition of "Eligible Investments" (provided, that no investment in any Synthetic Security Issuer Account shall constitute an "Eligible Investment" for any purpose hereunder) and that are permitted under the terms of the related Synthetic Security.

Income received on amounts on deposit in each Synthetic Security Issuer Account shall be applied to the payment of any periodic amounts owed to the Issuer by such Synthetic Security Counterparty on the date any such amounts are due, or as otherwise provided in the related Synthetic Security. Any investment income contained in such Synthetic Security Issuer Account in excess of such amounts used for the payment of such periodic amounts shall be withdrawn from such account and paid to the related Synthetic Security Counterparty in accordance with the applicable Synthetic Security.

Amounts contained in any Synthetic Security Issuer 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, but the Synthetic Security that relates to such Synthetic Security Issuer Account shall be so considered an asset of the Issuer.

All remaining amounts on deposit in a Synthetic Security Issuer Account from time to time shall be applied by the Trustee as directed by the Collateral Advisor to pay amounts then payable by the related Synthetic Collateral Counterparty to the Issuer in accordance with the terms of the related Synthetic Security, including in connection with the occurrence of (a) a credit event or (b) an Event of Default or Termination Event (each, as defined in the applicable Synthetic Security) under the related Synthetic Security.

Any excess amounts held in a Synthetic Security Issuer Account after payment of all amounts owing from the related Synthetic Security Counterparty to the Issuer in accordance with the terms of the related Synthetic Security shall be withdrawn from such Synthetic Security Issuer Account and paid to the related Synthetic Security Counterparty in accordance with the applicable Synthetic Security, whereupon the security interest of the Trustee in such proceeds shall be released.

Section 10.09 Reports by Trustee.

The Trustee shall supply in a timely fashion to each Rating Agency, each Hedge Counterparty, the Issuer, the Collateral Administrator, the Credit Enhancer and the Collateral Advisor any information regularly maintained by the Trustee that the Issuer or the Collateral Advisor may from time to time request with respect to the Pledged Securities, the Credit Enhancement Payment Account, the Custodial Account, the Expense Account, any Hedge Counterparty Collateral Account, the Interest Collection Account, the Payment Account, the Principal Collection Account, the Residual Cash Flow Reinvestment Account, any Synthetic Security Counterparty Account, any Synthetic Security Issuer Account and the Unused Proceeds Account reasonably needed to complete the Note Valuation Report or to provide any other information reasonably available to the Trustee by reason of its acting as Trustee hereunder and required to be provided by Section 10.10 or to permit the Collateral Advisor to perform its obligations under the Collateral Advisory Agreement. The Trustee shall forward to the Collateral Advisor and, upon request therefor, to any Holder of a Note shown on the Note Register, any Holder of Preference Shares shown on the Share Register, the Credit Enhancer and any Hedge Counterparty, copies of notices and other writings received by the Trustee from the issuer of any Collateral Debt Security or from any Clearing Agency with respect to any Collateral Debt Security advising the holders of such security of any rights that the holders might have with respect thereto (including notices of calls and redemptions of securities) as well as all periodic financial reports received from such issuer and Clearing Agencies with respect to such issuer; provided that the Trustee shall not disclose any unpublished rating assigned by any Rating Agency with respect to any Collateral Debt Security without the prior consent of such Rating Agency.

The Trustee shall, so long as any Class of Notes is listed on the Irish Stock Exchange, provide the Irish Paying Agent not later than the second Business Day preceding each Payment Date with information regarding the amount of principal payments to be made on the Notes of each Class on such Payment Date, the amount of any Class X Deferred Interest, Class C Deferred Interest, Class D Deferred Interest and the Class E Deferred Interest and the Aggregate Outstanding Amount of the Notes of each Class both in absolute terms and as a percentage of the original Aggregate Outstanding Amount of the Notes of such Class after giving effect to the principal payments, if any, on such Payment Date. For so long as any Class of Notes is listed on the Irish Stock Exchange, the Trustee, in the name and at the expense of the Issuer will (i) inform the Irish Paying Agent if any such listed Class did not receive scheduled payment of principal or interest on such Payment Date and (ii) inform the Irish Paying Agent if the ratings assigned to any listed Class are reduced or withdrawn.

Section 10.10 Accountings.

(a) Monthly. Not later than the eighth Business Day after the 15th day of each month (but excluding each month in which a Payment Date occurs) commencing with the eighth Business Day after February 15, 2007, the Issuer shall compile and provide or make available, or cause to be compiled, provided and made available, to each Rating Agency, the Trustee, the Collateral Advisor, the Credit Enhancer, each Hedge Counterparty, the Repository, each Transfer Agent and, upon written request therefor, any Holder of a Note and any Holder of Preference Shares a monthly report (the "Monthly Report"). The Monthly Report shall contain the following information and instructions with respect to the Pledged Securities included in the Collateral, determined as of the last day of the prior month (except if such day is not a Business Day then the immediately preceding Business Day):

(1) (x) the Aggregate Principal Balance of all Collateral Debt Securities, together with a calculation, in reasonable detail, of the sum of (A) the Aggregate Principal Balance of all Collateral Debt Securities (other than Defaulted Securities, Deferred Interest PIK Bonds and

Written-Down Securities) plus (B) with respect to each Defaulted Security, the Calculation Amount of such Defaulted Security plus (C) with respect to each Written-Down Security, the Aggregate Principal Balance of all such Written-Down Securities and (y) the Aggregate Principal Balance of all Collateral Debt Securities on the Closing Date;

(2) the Balance of all Eligible Investments and Cash in each of the Credit Enhancement Payment Account, the Expense Account, the Interest Collection Account, the Principal Collection Account, the Residual Cash Flow Reinvestment Account, any Synthetic Security Counterparty Account, any Synthetic Security Issuer Account and the Unused Proceeds Account;

(3) the nature, source and amount of any proceeds in the Collection Accounts, including Interest Proceeds, Principal Proceeds and Sale Proceeds, received since the date of determination of the last Monthly Report (or, if more recent, the date of determination of the last Note Valuation Report);

(4) with respect to each Collateral Debt Security and each Eligible Investment that is part of the Collateral, its Principal Balance, annual interest rate, Stated Maturity, issuer (name of obligor), Moody's Rating and Standard & Poor's Rating (provided that no confidential private credit assessments provided by Moody's or Standard & Poor's to the Issuer shall be included in any Monthly Report or otherwise disclosed to any Person other than the Trustee, the Collateral Administrator, the Collateral Advisor and the firm of Independent certified public accountants appointed pursuant to Section 10.12 hereof without the prior written consent of Moody's or Standard & Poor's, as applicable) CUSIP Number and the designation of its seniority (e.g., senior/subordinate) if such designation is not included in the name of such Collateral Debt Security;

(5) the identity of each Collateral Debt Security that was sold or disposed of pursuant to Section 12.01 (indicating the amount of Sale Proceeds thereof and whether such Collateral Debt Security is a Defaulted Security, Credit Improved Security or Credit Risk Security or Written-Down Security (in each case, as reported in writing to the Issuer by the Collateral Advisor)) and whether such Collateral Debt Security was sold pursuant to Section 12.01(a)(i), Section 12.01(a)(ii), Section 12.01(a)(iii), Section 12.01(a)(iv) or Section 12.01(a)(v) or Granted to the Trustee (indicating, unless the purchase is made from Unused Proceeds, the purchase price thereof) since the date of determination of the most recent Monthly Report;

(6) the identity of each Collateral Debt Security that is a Defaulted Security, its principal amount and the Fair Market Value thereof;

(7) the identity of each Collateral Debt Security that has been upgraded or downgraded by one or more Rating Agencies;

(8) the Aggregate Principal Balance of all Fixed Rate Securities;

(9) the Aggregate Principal Balance of all Floating Rate Securities;

(10) (A) the Aggregate Principal Balance of all Collateral Debt Securities with a Moody's Rating below "Ba3" and (B) the Aggregate Principal Balance of all Collateral Debt Securities with a Moody's Rating below "Baa3"; (ii) the original purchase price of such Collateral Debt Security; (iii) the Moody's Rating of such Collateral Debt Security on the date such

Collateral Debt Security was purchased by the Issuer; and (iv) the Moody's Rating as of the date of the Monthly Report (provided that no confidential private credit assessments provided by Moody's to the Issuer shall be included in any Monthly Report or otherwise disclosed to any Person other than the Trustee, the Collateral Administrator, the Collateral Advisor and the firm of Independent certified public accountants appointed pursuant to Section 10.12 hereof without the prior written consent of Moody's);

(11) the Aggregate Principal Balance of all Collateral Debt Securities with a Moody's Rating of "Caa1" or below;

(12) with respect to Collateral Debt Securities that are part of the same issue, the Aggregate Principal Balance of all Collateral Debt Securities that are part of such Issue;

(13) with respect to each Servicer of Collateral Debt Securities, the Aggregate Principal Balance of all Collateral Debt Securities serviced by such Servicer;

(14) with respect to each Specified Type of Asset-Backed Security, the Aggregate Principal Balance of all Collateral Debt Securities consisting of such Specified Type of Asset-Backed Securities;

(15) the Aggregate Principal Balance of all Collateral Debt Securities that are Written-Down Securities;

(16) a calculation in reasonable detail necessary to determine compliance with each Coverage Test and, in the case of each Overcollateralization Test, a comparison of each Overcollateralization Ratio on such date to such Overcollateralization Ratio on the Effective Date;

(17) with respect to each Synthetic Security Counterparty (or the guarantor of the obligations thereof), (A) the rating, if any, thereof by each of Moody's and Standard & Poor's and (B) the Aggregate Principal Balance of all Collateral Debt Securities acquired from such Synthetic Security Counterparty and its Affiliates;

(18) the Aggregate Principal Balance of all Synthetic Securities;

(19) a calculation in reasonable detail necessary to determine compliance with each Collateral Quality Test ; and

(20) identify (to the extent not covered by a preceding clause) (A) the Aggregate Principal Balance of each type of Collateral Debt Security described in each clause of the definition of Concentration Limitation; and (B) the maximum Aggregate Principal Balance of each type of Collateral Debt Security described in each clause of the definition of Concentration Limitation that would result in compliance with each such clause.

In addition, the Issuer shall also indicate in each such Monthly Report the respective percentage of the Net Outstanding Portfolio Collateral Balance for each aggregate amount referred to in clauses (8) through (15), (17) and (18) above and shall cause to be delivered to Standard & Poor's a Microsoft Excel file of the Standard & Poor's CDO Monitor input file.

Upon receipt of each Monthly Report, the Trustee shall compare the information contained therein to the information contained in its records with respect to the Collateral and shall, within three Business Days after receipt of such Monthly Report, notify the Issuer and the Credit Enhancer if the information contained in the Monthly Report does not conform to the information maintained by the Collateral Administrator with respect to the Collateral. In the event that any discrepancy exists, the Trustee and the Issuer, or the Collateral Advisor on behalf of the Issuer, shall attempt to resolve the discrepancy. If such discrepancy cannot be promptly resolved, the Trustee shall within five Business Days cause the Independent accountants appointed by the Issuer pursuant to Section 10.12 to review such Monthly Report and the Trustee's records to determine the cause of such discrepancy. If such review reveals an error in the Monthly Report or the Trustee's records, the Monthly Report or the Trustee's records shall be revised accordingly and, as so revised, shall be utilized in making all calculations pursuant to this Indenture.

(b) Payment Date Accounting. The Issuer shall render, or cause to be rendered, an accounting (a "Note Valuation Report"), determined as of each Determination Date, and deliver or make available the Note Valuation Report to each Rating Agency, the Trustee, each Paying Agent, the Collateral Advisor, the Credit Enhancer, each Hedge Counterparty, the Repository, each Transfer Agent and, upon written request therefor, any Holder of a Note and any Holder of Preference Shares, not later than the Business Day preceding the related Payment Date. The Note Valuation Report shall contain the information required to be included in a Monthly Report as well as, without duplication, the following information (determined, unless otherwise specified below, as of the related Determination Date):

(1) the Aggregate Outstanding Amount of the Notes of each Class and as a percentage of the original Aggregate Outstanding Amount of the Notes of such Class on the first day of the immediately preceding Interest Period, the amount of principal payments to be made on the Notes of each Class on the related Payment Date and the Aggregate Outstanding Amount of the Notes of each Class both in absolute terms and as a percentage of the original Aggregate Outstanding Amount of the Notes of such Class after giving effect to the principal payments, if any, on the next Payment Date;

(2) the Interest Payment Amount payable to the Holders of the Notes for the related Payment Date (in the aggregate and by Class), including the amount of any Class X Deferred Interest, Class C Deferred Interest, Class D Deferred Interest or any Class E Deferred Interest and the amount payable to Holders of Preference Shares for such Payment Date;

(3) the Note Interest Rate for each Class of Notes for the Interest Period preceding the related Payment Date;

(4) (A) the Administrative Expenses and Administrative Indemnities payable on the related Payment Date on an itemized basis, and (B) the Accrued Insurance Liabilities payable on the next Payment Date on an itemized basis;

(5) for the Interest Collection Account:

(A) the Balance on deposit in the Interest Collection Account at the end of the related Due Period;

(B) the amounts payable from the Interest Collection Account pursuant to Section 11.01(a)(i) on the next Payment Date; and

(C) the Balance remaining in the Interest Collection Account immediately after all payments and deposits to be made on such Payment Date;

(6) for the Principal Collection Account:

(A) the Balance on deposit in the Principal Collection Account at the end of the related Due Period;

(B) the amounts payable from the Principal Collection Account pursuant to Section 11.01(a)(ii) on the next Payment Date; and

(C) the Balance remaining in the Principal Collection Account immediately after all payments and deposits to be made on such Payment Date;

(7) the Balance on deposit in

(A) the Expense Account, the Unused Proceeds Account, the Residual Cash Flow Reinvestment Account and each Hedge Counterparty Collateral Account at the end of the related Due Period;

(B) each Synthetic Security Counterparty Account, if any, at the end of the related Due Period; and

(C) each Synthetic Security Counterparty Account immediately after all payments and deposits to be made on such Payment Date;

(8) the OPDA Required Amount;

(9) the amount to be paid to the Preference Share Paying Agent on such Payment Date and the aggregate amount paid to the Preference Share Paying Agent on such Payment Date and all prior Payment Dates;

(10) the Aggregate Principal Balance of all Collateral Debt Securities;

(11) the nature, source and amount of any proceeds in the Collection Accounts, including Interest Proceeds, Principal Proceeds and Sale Proceeds, received since the date of determination of the last Monthly Report;

(12) with respect to each Collateral Debt Security and Eligible Investment purchased with funds from the Principal Collection Account which is part of the Collateral, its Principal Balance, annual interest rate, Stated Maturity, issuer, Moody's Rating and Standard & Poor's Rating (provided that no confidential private credit assessments provided by Moody's or Standard & Poor's to the Issuer shall be included in any Note Valuation Report or otherwise disclosed to any Person other than the Trustee, the Collateral Administrator, the Collateral Advisor and the firm of Independent certified public accountants appointed pursuant to Section 10.12 hereof without the prior written consent of Moody's or Standard & Poor's, as applicable);

(13) the identity of each Collateral Debt Security that was Granted to the Trustee or sold or disposed of pursuant to Section 12.01 and indicating whether such Collateral Debt Security is a Defaulted Security, Equity Security, Credit Improved Security, Credit Risk Security

or Written-Down Security (in each case, as reported in writing to the Issuer by the Collateral Advisor) and whether such Collateral Debt Security was sold pursuant to Section 12.01(a)(i), Section 12.01(a)(ii), Section 12.01(a)(iii), Section 12.01(a)(iv) or Section 12.01(a)(v) since the date of determination of the most recent Monthly Report;

(14) (A) the identity of each Collateral Debt Security that became a Defaulted Security since the date of determination of the last Monthly Report (or, if more recent, the date of determination of the last Note Valuation Report); and (B) the identity of each Collateral Debt Security that has become a Defaulted Security since the Closing Date, indicating the date on which each such Collateral Debt Security became a Defaulted Security;

(15) the amounts payable to the Collateral Advisor pursuant to subclauses (9) and (21) of Section 11.01(a)(i) for the related Payment Date and the amounts of any accrued and unpaid Senior Collateral Advisory Fees and of any accrued and unpaid Subordinated Collateral Advisory Fees;

(16) the Preference Shares Outstanding, both in absolute terms and as a percentage of the number of Preference Shares Outstanding on the first day of the immediately preceding Interest Period, and the amount of Excess Principal Proceeds payable on the next Payment Date;

(17) the Excess Interest payable in respect of the Preference Shares for the related Payment Date (in the aggregate);

(18) the Net Outstanding Portfolio Collateral Balance on the first day of the related Due Period;

(19) for the first Note Valuation Report only, the Aggregate Principal Balance of the Collateral Debt Securities purchased by the Issuer with Unused Proceeds after the Effective Date and prior to the Determination Date immediately preceding the initial Payment Date;

(20) the amounts payable to the Credit Enhancer pursuant to subclause (4) of Section 11.01(a)(i) for the related Payment Date and the amounts of any accrued and unpaid Accrued Insurance Liabilities and of any accrued and unpaid Insurance Premiums;

(21) the amounts payable to the Structuring Agent pursuant to subclause (21) of Section 11.01(a)(i) for the related Payment Date and the amounts of any accrued and unpaid Subordinated Structuring Agent Fees; and

(22) any other information reasonably requested by the Credit Enhancer.

Each Note Valuation Report shall constitute instructions to the Trustee to withdraw on the related Payment Date from the Payment Account and pay or transfer amounts set forth in such report in the manner specified, and in accordance with the priorities established in, Section 11.01(a).

After the end of the Reinvestment Period, the Note Valuation Report shall also contain a statement to the effect that the Issuer hereby informs the Noteholders that it is not unusual for the Reinvestment Criteria not to be satisfied following the Reinvestment Period as the Collateral matures and principal on the Notes is paid down.

In addition to the Note Valuation Report, upon the written request of any Holder of a Note shown on the Note Register, the Credit Enhancer, any Hedge Counterparty or any Rating Agency, the Issuer shall deliver to such Holder, the Credit Enhancer, such Hedge Counterparty or such Rating Agency, as the case may be, a report containing the number and identity of each Collateral Debt Security held by the Issuer on the last day of the Due Period most recently ended (indicating whether any such Collateral Debt Security is a Defaulted Security (as reported in writing to the Trustee by the Collateral Advisor)).

In addition to the foregoing information, each Note Valuation Report shall include a statement (a "Section 3(c)(7) Notice") to the following effect:

"The Investment Company Act of 1940, as amended (the "Investment Company Act"), requires that each holder of a Note issued by the Issuers (or beneficial interest therein) that is a U.S. Person be (x) a "qualified purchaser" ("Qualified Purchaser") as defined in Section 2(a)(51)(A) of the Investment Company Act and related rules or (z) a company owned exclusively by Qualified Purchasers. Under the rules, each of the Issuers or an agent acting on such Co-Issuer's behalf must have a "reasonable belief" that each holder of such Co-Issuer's outstanding securities that is a U.S. Person, including transferees, is a Qualified Purchaser or a company owned exclusively by Qualified Purchasers. Consequently, each resale of a Note in the United States or to a U.S. Person must be made solely to a purchaser that is a Qualified Purchaser or a company owned exclusively by Qualified Purchasers. Each transferee of a Restricted Note will be deemed to represent at the time of purchase that: (i) the transferee is (x) a Qualified Institutional Buyer and (y) also a Qualified Purchaser or a company owned exclusively by Qualified Purchasers; (ii) the transferee is not a dealer described in paragraph (a)(1)(ii) of Rule 144A unless such transferee owns and invests on a discretionary basis at least U.S.$25,000,000 in securities of issuers that are not affiliated Persons of such dealer; (iii) the transferee is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan; and (iv) the transferee will provide written notice of the foregoing, and of any applicable restrictions on transfer, to any subsequent transferee.

The Issuers direct that the recipient of this notice, and any recipient of a copy of this notice, provide a copy to any Person having an interest in the Note with respect to which this Note Valuation Report is delivered, as indicated on the books of The Depository Trust Company, Clearstream Banking, société anonyme or Euroclear Bank S.A./N.V. or on the books of a participant in The Depository Trust Company, Clearstream Banking, société anonyme or Euroclear Bank S.A./N.V. or on the books of an indirect participant for which such participant in The Depository Trust Company, Clearstream Banking, société anonyme or Euroclear Bank S.A./N.V. acts as agent.

Notwithstanding any other restrictions on transfer contained herein, if either of the Issuers determines that any Beneficial Owner of a Restricted Note (or any interest therein), at the time such Beneficial Owner acquired the Note (or any interest therein), was not both (x) a Qualified Institutional Buyer and (y) a Qualified Purchaser or a company owned exclusively by Qualified Purchasers, the Issuers shall require, by notice to such Holder, that such Holder sell all of its right, title and interest to such Restricted Note (or interest therein) to a Person that is both (1) a Qualified Institutional Buyer and (2) a Qualified Purchaser or a company owned exclusively by Qualified Purchasers, with such sale to be effected within 30 days after notice of such sale requirement is given. If such Beneficial Owner fails to effect the transfer required within such 30-day period, (i) upon written direction from the Issuer, the Trustee shall, and is hereby irrevocably authorized by such Beneficial Owner, to cause its interest in such Note to be transferred in a commercially reasonable sale arranged by the Trustee (conducted by an investment bank selected by the Trustee in accordance with Section 9-

610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a Person that certifies to the Trustee and the Collateral Advisor, in connection with such transfer, that such Person is (a) both (1) a Qualified Institutional Buyer and (2) a Qualified Purchaser, or a company owned exclusively by Qualified Purchasers or (b) not a U.S. Person (by exchange for a beneficial interest in a Regulation S Note). Pending such transfer, no further payments will be made in respect of such Note held by such Beneficial Owner. As used herein, the term "U.S. Person" has the meaning given to such term in Regulation S under the Securities Act of 1933, as amended (the "Securities Act"), and the term "Qualified Institutional Buyer" has the meaning given to such term in Rule 144A under the Securities Act."

(c) Delivery of Reports to the Repository. As promptly as possible following the delivery of each Monthly Report and Note Valuation Report to the Trustee pursuant to Section 10.10(a) or (b), as applicable, the Issuer shall deliver a copy of such report to the Repository for posting on the Repository in the manner described in Section 14.03. In connection therewith, each of the Issuers acknowledges and agrees that each Monthly Report and Note Valuation Report shall be posted to the Repository for use in the manner described in the section headed "Terms of Use" on the Repository.

(d) Redemption Date Instructions. Not more than five Business Days after receiving an Issuer Request requesting information regarding a redemption pursuant to Section 9.01 of the Notes of a Class as of a proposed Redemption Date set forth in such Issuer Request, the Trustee shall provide the necessary information (to the extent such information is available to the Trustee) to the Issuer, the Collateral Advisor and each Hedge Counterparty and shall compute the following information and provide such information in a statement (the "Redemption Date Statement") delivered to the Trustee:

(i) the Aggregate Outstanding Amount of the Notes of the Class or Classes to be redeemed as of such Redemption Date;

(ii) the amount of accrued interest due on such Notes as of the last day of the Interest Period immediately preceding such Redemption Date;

(iii) the amount in the Unused Proceeds Account, the Interest Collection Account, the Principal Collection Account and the Residual Cash Flow Reinvestment Account and any other Account available for application to the redemption of such Notes;

(iv) the number of Preference Shares to be redeemed as of such Redemption Date and, if applicable, the Preference Share Balance and the Minimum Redemption Amount;

(v) the amount of Excess Interest payable in respect of such Preference Shares; and

(vi) the amount in the Interest Collection Account and the Principal Collection Account available as Excess Amounts for application towards the redemption of such Preference Shares.

(e) The Issuer may appoint an administrator or other agent to perform its obligations to provide reports pursuant to this Section 10.10 and certain calculations related thereto. Pursuant and subject to the terms of the Collateral Administration Agreement, the Issuer has appointed the Bank as its initial agent for such purposes, and the Bank has accepted such appointment and has agreed to perform such obligations, as provided therein. Notwithstanding any such arrangement, the Issuer shall remain liable for all such actions and obligations and the performance of such actions and obligations by the

Bank shall be deemed to be performance of such actions and obligations by the Issuer; and the Issuer will punctually perform, and use its best efforts to cause the Bank to perform, all of its obligations and agreements contained in the Collateral Administration Agreement. The Issuer may, without removing the Bank as Custodian, and pursuant to the terms of the Collateral Administration Agreement, terminate such appointment of the Bank as agent for such purpose, and appoint an administrator or other agent to perform such obligations to prepare reports pursuant to this Section 10.10(e).

(f) If the Trustee shall not have received any accounting provided for in this Section 10.10 on the first Business Day after the date on which such accounting is due to the Trustee, the Trustee shall use reasonable efforts to cause such accounting to be made by the applicable Payment Date or Redemption Date. To the extent that the Trustee is required to provide any information or reports pursuant to this Section 10.10 as a result of the failure of the Issuer to provide such information or reports, the Trustee shall be entitled to retain an Independent certified public accountant in connection therewith and the reasonable costs incurred by the Trustee for such Independent certified public accountant shall be paid by the Issuer.

(g) Upon receipt from the Issuer, the Trustee shall make available via the Trustee's internet website, upon request therefor in the form of Exhibit I attached hereto certifying that it is a holder of a beneficial interest in any Note, to any Noteholder (or its designee) the Monthly Report, the Note Valuation Report and all notices to be sent to the Noteholders.

Section 10.11 Release of Securities.

(a) If no Event of Default has occurred and is continuing and subject to Article XII, the Issuer may, by Issuer Order executed by an Authorized Officer of the Collateral Advisor and delivered to the Trustee at least two Business Days prior to the settlement date for any sale of a security certifying that the conditions set forth in Section 12.01 are satisfied, direct the Trustee to release such security from the lien of this Indenture against receipt of payment therefor.

(b) The Issuer may, by Issuer Order executed by an Authorized Officer of the Collateral Advisor and delivered to the Trustee at least two Business Days prior to the date set for redemption or payment in full of a Pledged Security, certifying that such security is being redeemed or paid in full, direct the Trustee or, at the Trustee's instructions, the Custodian, to deliver such security, if in physical form, duly endorsed, or, if such security is a Clearing Corporation Security, to cause it to be presented, to the appropriate paying agent therefor on or before the date set for redemption or payment, in each case against receipt of the redemption price or payment in full thereof.

(c) If no Event of Default has occurred and is continuing and subject to Article XII, the Issuer may, by Issuer Order executed by an Authorized Officer of the Collateral Advisor and delivered to the Trustee at least two Business Days prior to the date set for an exchange, tender or sale, certifying that a Collateral Debt Security is subject to an Offer and setting forth in reasonable detail the procedure for response to such Offer, direct the Trustee or, at the Trustee's instructions, the Custodian to deliver such security, if in physical form, duly endorsed, or, if such security is a Clearing Corporation Security, to cause it to be delivered, in accordance with such Issuer Order, in each case against receipt of payment therefor.

(d) The Trustee shall deposit any proceeds received by it from the disposition of a Pledged Security in the Interest Collection Account, the Principal Collection Account, as the case may be, unless simultaneously applied to the purchase of other Collateral Debt Securities or Eligible Investments as permitted under and in accordance with requirements of Article XII and this Article X.

(e) The Trustee shall, upon receipt of an Issuer Order at such time as there are no Notes Outstanding and all obligations of the Issuers hereunder have been satisfied, release the Collateral from the lien of this Indenture.

Section 10.12 Reports by Independent Accountants.

(a) At the Closing Date the Issuer shall appoint a firm of Independent certified public accountants of recognized international reputation for purposes of preparing and delivering the reports or certificates of such accountants required by this Indenture. The Issuer shall have the right to remove such firm or any successor firm. Upon any resignation or removal of such firm, the Issuer shall promptly appoint, by Issuer Order delivered to the Trustee, each Hedge Counterparty, the Credit Enhancer and each Rating Agency, a successor thereto that shall also be a firm of Independent certified public accountants of recognized international reputation. If the Issuer shall fail to appoint a successor to a firm of Independent certified public accountants which has resigned or been removed, within 30 days after such resignation, the Issuer shall promptly notify the Collateral Advisor and the Credit Enhancer of such failure in writing. If the Issuer shall not have appointed a successor within 10 days thereafter, the Collateral Advisor shall promptly appoint a successor firm of Independent certified public accountants of recognized international reputation. The fees of such Independent certified public accountants and its successor shall be payable by the Issuer as an Administrative Expense as provided in Section 11.01.

(b) On or before December 3 of each year (commencing in 2007), the Issuer shall cause to be delivered to the Trustee, the Collateral Advisor, the Credit Enhancer, each Hedge Counterparty and the Rating Agencies an Accountants' Report specifying the procedures applied and their associated findings (including whether all calculations were made in accordance with this Indenture) with respect to the Note Valuation Reports and Redemption Date Statements prepared in the preceding year, indicating the Aggregate Principal Balance of the Collateral Debt Securities securing the Notes as of the immediately preceding Determination Date and a determination whether, assuming that the Collateral remains the same as on such Determination Date, scheduled proceeds from the Collateral will be sufficient to make all payments scheduled to be made by the Issuers on the next subsequent Payment Date. At least 60 days prior to the Payment Date in December 3, 2007 (and, if at any time a successor firm of Independent certified public accountants is appointed, at least 60 days prior to the Payment Date following the date of such appointment), the Issuer shall deliver or cause to be delivered to the Trustee an Accountant's Report specifying in advance the procedures that such firm will apply in making the aforementioned findings throughout the term of its service as accountants to the Issuer. The Trustee shall promptly forward a copy of such Accountant's Report to the Collateral Advisor, the Credit Enhancer, any Hedge Counterparty and each Holder of Notes and each Holder of a Preference Share. The Issuer shall not approve the institution of such procedures if the Controlling Party, by notice to the Issuer and the Trustee within 30 days after the date of the related notice to the Trustee, objects thereto.

(c) Any statement delivered to the Trustee pursuant to clause (b) above shall be delivered by the Trustee to any Holder of a Note shown on the Note Register or any Preference Shareholder shown in the Share Register upon written request therefor.

Section 10.13 Reports to Rating Agencies, Etc.

In addition to the information and reports specifically required to be provided to the Rating Agencies, the Credit Enhancer and the Hedge Counterparties pursuant to the terms of this Indenture, the Insurance Agreement or the Hedge Agreements (as the case may be), the Issuer shall provide or cause to be provided to the Rating Agencies, the Credit Enhancer and the Hedge Counterparties (a) all information or reports delivered to the Trustee or the Noteholders hereunder, (b) such additional information as the

Rating Agencies, the Credit Enhancer or the Hedge Counterparties may from time to time reasonably request and if such information may be obtained and provided without unreasonable burden or expense, (c) prompt notice of any decision of the Collateral Advisor to agree to any consent, waiver or amendment to any Underlying Instrument which modifies the cash flows of any Collateral Debt Security and (d) notice of any waiver given pursuant to Section 5.14. The Issuer shall promptly notify the Trustee, the Credit Enhancer, the Hedge Counterparties and the Collateral Advisor if the rating of any Class of Notes has been, or is known by the Issuer to be about to be, changed or withdrawn.

Section 10.14 Tax Matters.

(a) The Issuer shall treat the Notes as debt for U.S. Federal income tax purposes. Each Holder or beneficial owner of Notes or of an interest therein agrees to treat such Notes as indebtedness of the Issuer for U.S. Federal, state and local income tax purposes and further agrees not to take any action inconsistent with such treatment. The Issuer, the Co-Issuer, the Trustee, each Noteholder and each beneficial owner of the Notes agree to treat the Notes, for U.S. Federal income tax purposes, as obligations of the Issuer only and not of the Co-Issuer.

(b) The Issuer agrees not to elect to be treated as other than a corporation for U.S. Federal income tax purposes.

(c) If required to prevent the withholding and imposition of United States income tax, the Issuer shall deliver or cause to be delivered a United States Internal Revenue Service Form W-8BEN or applicable successor form to each issuer of or counterparty with respect to an item included in the Collateral at the time such item is purchased or entered into by the Issuer and thereafter as required by law or as reasonably required by each such issuer or counterparty.

(d) The Issuer and Co-Issuer shall file, or cause to be filed, any tax returns, including information tax returns, required by any governmental authority.

(e) The Issuer shall not file, or cause to be filed, any income or franchise tax return in any state of the United States unless the Issuer shall have obtained an Opinion of Counsel prior to such filing that, under the laws of such jurisdiction, the Issuer is required to file such income or franchise tax return.

(f) Upon request of the Issuer, each Noteholder and each beneficial owner of a Note that is not a "United States person" within the meaning of Section 7701(a)(30) of the Code agrees by the Holder's or beneficial owner's acceptance of the Note or an interest therein that the Holder or the beneficial owner will provide (or cause to be provided) the Issuer (or the Trustee on behalf of the Issuer) with a properly completed United States Internal Revenue Service Form W-8BEN, W-8IMY or other applicable form signed under penalties of perjury.

(g) Upon request of the Issuer, each Noteholder and each beneficial owner of a Note that is a "United States person" within the meaning of Section 7701(a)(30) of the Code agrees by the Holder's or beneficial owner's acceptance of the Note or an interest therein that the Holder or the beneficial owner will provide (or cause to be provided) the Issuer (or the Trustee on behalf of the Issuer) with a properly completed United States Internal Revenue Service Form W-9 signed under penalties of perjury.

(h) The Issuer shall not, directly or indirectly, acquire substantially all of the properties held, directly or indirectly, by a U.S. corporation or substantially all of the properties

constituting a trade or business of a U.S. partnership which would result in the Issuer being treated as a "surrogate foreign corporation" that is treated as a domestic corporation under Section 7874 of the Code.

Section 10.15 Agents.

The Issuer may retain such agents (including the Collateral Administrator and the Collateral Advisor), and rely on the advice of such advisors (including attorneys and accountants), as the Issuer considers appropriate to assist the Issuer in preparing any notice or other report required under this Article X.

ARTICLE XI

APPLICATION OF MONIES

Section 11.01 Disbursements of Monies from Payment Account.

(a) Notwithstanding any other provision in this Indenture, but subject to the other clauses of this Section 11 and Section 13.01, on each Payment Date and on the Accelerated Payment Date, the Trustee shall disburse amounts transferred to the Payment Account from the Collection Accounts pursuant to Section 10.02(h) as follows and for application by the Trustee in accordance with the following priorities (the "Priority of Payments"):

(i) On each Payment Date and on the Accelerated Payment Date, Interest Proceeds with respect to the related Due Period shall be distributed in the order of priority set forth under clauses (1) to (27) below:

(1) to the payment of taxes and filing and registration fees (including, without limitation, Cayman Islands annual return fees and registered office fees) owed by the Issuers, if any;

(2) (a) *first*, to the payment, in the following order of priority, to the Trustee, the Collateral Administrator and the Preference Share Paying Agent, of accrued and unpaid fees owing to them under the Indenture, the Collateral Administration Agreement and the Preference Share Paying Agency Agreement, as applicable, then to the payment, in the following order of priority, to the Trustee, the Collateral Administrator and the Preference Share Paying Agent of the Administrative Expenses (other than Administrative Indemnities) owing to them under the Indenture, the Collateral Administration Agreement and the Preference Share Paying Agency Agreement, respectively, and then to the payment, in the following order of priority, to the Trustee, the Collateral Administrator and the Preference Share Paying Agent of the Administrative Indemnities owing to them under the Indenture, the Collateral Administration Agreement and the Preference Share Paying Agency Agreement, respectively; (b) *second*, to the payment of other accrued and unpaid Administrative Expenses of the Issuers (including those of the Administrator under the Administration Agreement, but excluding Administrative Expenses described in clause (a) above), and then to the payment of other Administrative Indemnities of the Issuers (including those of the Administrator under the Administration Agreement, but excluding Administrative Expenses and Administrative Indemnities described in clause (a) above); *provided* that all payments made pursuant to subclauses (a) and (b) of this clause (2) do not exceed U.S.$200,000 in the aggregate for three consecutive Payment Dates within a calendar year, subject to an aggregate maximum of U.S.$200,000 per annum and (c) *third*, commencing with the June 3, 2007 Payment Date, after application of amounts under subclauses (a) and (b) of this

clause (2), if the balance of all Eligible Investments and cash in the Expense Account on the related Determination Date is less than U.S.$200,000, for deposit to the Expense Account of an amount equal to the lesser of (x) the amount by which U.S.$200,000 exceeds the aggregate amount of payments made under subclauses (a) and (b) of this clause (2) on such Payment Date and the prior two Payment Dates in the same calendar year and (y) such amount as would have caused the balance of all Eligible Investments and cash in the Expense Account immediately after such deposit, to equal U.S.$200,000;

(3) to the payment to each Hedge Counterparty of all amounts scheduled to be paid to such Hedge Counterparty pursuant to any Hedge Agreement (excluding any termination payments) and any accrued interest thereon;

(4) so long as no Credit Enhancer Default has occurred and is continuing, to the payment to the Credit Enhancer of (a) the Insurance Premium due in respect of the Credit Enhancement, (b) any Accrued Insurance Liabilities constituting any and all amounts paid by the Credit Enhancer under the Credit Enhancement for the benefit of the Holders of the Class A Notes and (c) any and all other Accrued Insurance Liabilities and any Administrative Indemnities payable to the Credit Enhancer and not otherwise paid under clause (2) above (whether as a result of any limitations on amounts set forth therein or otherwise); provided, however, that the amounts payable under this subclause (c) shall not exceed, in the aggregate for any calendar year, $75,000;

(5) to the Holders of the Class A Notes, the Interest Payment Amount on the Class A Notes;

(6) to the payment to each Hedge Counterparty of any termination payments, and any accrued interest thereon, payable by the Issuer pursuant to any Hedge Agreement other than by reason of a Subordinated Termination Event;

(7) to the Holders of the Class B Notes, the Interest Payment Amount on the Class B Notes;

(8) as long as any of the Class A Notes or Class B Notes are Outstanding, in the event that (i) either of the Class A/B Senior Coverage Tests is not satisfied as of the related Determination Date or (ii) there has been a Rating Confirmation Failure, to the redemption of the Class A Notes then Outstanding and then to the redemption of the Class B Notes then Outstanding, to the extent necessary to satisfy the Class A/B Senior Coverage Tests or to the extent specified by each Rating Agency in order to obtain a Rating Confirmation, as applicable;

(9) to the payment (x) *first*, to the Collateral Advisor of any accrued and unpaid Senior Collateral Advisory Fee and (y) *second*, to the payment of any accrued and unpaid Senior Collateral Advisory Fee (and interest thereon) owed on prior Payment Dates;

(10) *first*, to the Holders of the Class X Notes, the Interest Payment Amount on the Class X Notes and *second*, to the Holders of the Class X Notes, the Class X Deferred Interest, if any;

(11) *first*, to the Holders of the Class X Notes, the Class X Principal Amount in respect of such Payment Date, but only to the extent that, after giving effect to such payment and the payments under clauses (1) through (10) above, sufficient Interest Proceeds remain to pay the amounts calculated pursuant to clauses (12), (15), and (18) below, and *second*, to the Holders of

the Class X Notes, accrued and unpaid Class X Principal Amounts in respect of previous Payment Dates;

(12) to the Holders of the Class C Notes, the Interest Payment Amount on the Class C Notes;

(13) as long as any of the Class C Notes are Outstanding, in the event that (i) either Class C Coverage Test is not satisfied as of the relevant Determination Date, first, to the redemption of the Class A Notes, and following the redemption of all Class A Notes, second, to the redemption of the Class B Notes and, following the redemption of all Class B Notes, third to the payment of the Class C Deferred Interest and fourth, to the redemption of the Class C Notes, in each case to the extent necessary to satisfy the Class C Coverage Tests or (ii) there has been a Rating Confirmation Failure (after giving effect to any distributions pursuant to clause (8) above), first, to the payment of the Class X Deferred Interest, second, to the redemption of the Class X Notes and, following the redemption of all Class X Notes, third, to the payment of the Class C Deferred Interest and fourth, to the redemption of the Class C Notes, in each case to the extent specified by each Rating Agency in order to obtain a Rating Confirmation;

(14) to the Holders of the Class C Notes, the Class C Deferred Interest, if any;

(15) to the Holders of the Class D Notes, the Interest Payment Amount on the Class D Notes;

(16) as long as the Class D Notes are Outstanding, in the event that (i) either Class D Coverage Test is not satisfied as of the relevant Determination Date, first, to the redemption of the Class A Notes, and following the redemption of all Class A Notes, second, to the redemption of the Class B Notes and, following the redemption of all Class B Notes, third, to the redemption of the Class C Notes and, following the redemption of all Class C Notes, fourth to the payment of the Class D Deferred Interest and fifth, to the redemption of the Class D Notes, in each case to the extent necessary to satisfy the Class D Coverage Tests or (ii) there has been a Rating Confirmation Failure (after giving effect to any distributions pursuant to clauses (8) and (13) above), first, to the payment of the Class D Deferred Interest and second, to the redemption of the Class D Notes, in each case to the extent specified by each Rating Agency in order to obtain a Rating Confirmation;

(17) to the Holders of the Class D Notes, the Class D Deferred Interest, if any;

(18) to the Holders of the Class E Notes, the Interest Payment Amount on the Class E Notes;

(19) as long as the Class E Notes are Outstanding, in the event that (i) either Class E Coverage Test is not satisfied as of the relevant Determination Date, first, to the redemption of the Class A Notes, and following the redemption of all Class A Notes, second, to the redemption of the Class B Notes and, following the redemption of all Class B Notes, third, to the redemption of the Class C Notes and, following the redemption of all Class C Notes, fourth, to the redemption of the Class D Notes and, following the redemption of the all Class D Notes, fifth, to the payment of the Class E Deferred Interest and sixth, to the redemption of the Class E Notes, in each case to the extent necessary to satisfy the Class E Coverage Tests or (ii) there has been a Rating Confirmation Failure (after giving effect to any distributions pursuant to clauses (8), (13) and (16) above), first, to the payment of the Class E Deferred Interest and second, to the

redemption of the Class E Notes, in each case to the extent specified by each Rating Agency in order to obtain a Rating Confirmation;

(20) to the Holders of the Class E Notes, the Class E Deferred Interest, if any;

(21) *first*, on a *pro rata* basis to the payment of (x) any Subordinated Collateral Advisory Fee and (y) any Subordinated Structuring Agent Fee, in each case due on such Payment Date and *second*, on a *pro rata* basis to the payment of (x) any accrued and unpaid Subordinated Collateral Advisory Fee and (y) any accrued and unpaid Subordinated Structuring Agent Fee, in each case due on prior Payment Dates (including interest thereon calculated in accordance with the Collateral Advisory Agreement or Structuring Agent Agreement, as applicable);

(22) as long as the Class A Notes are Outstanding, in the event that the OPDA Required Amount is greater than zero as of the related Determination Date, the lesser of (x) 60% of the Interest Proceeds remaining after application of clauses (1) through (21) above and (y) the OPDA Required Amount, to the redemption of the Class A Notes;

(23) *first*, as long as any of the Class E Notes are Outstanding, to the redemption of the Class E Notes in an amount up to 15% of the Interest Proceeds remaining after application of clauses (1) through (22) above and *second*, as long as any of the Class D Notes are Outstanding, to the redemption of the Class D Notes in an amount up to 15% of the Interest Proceeds remaining after application of clauses (1) through (22) above;

(24) 40% of the Interest Proceeds remaining after application of clause (1) through (23) above, (i) on each Payment Date occurring on or prior to the last day of the Residual Cash Flow Reinvestment Period, to the Residual Cash Flow Reinvestment Account for the acquisition of Additional Collateral Debt Securities and (ii) on each Payment Date occurring after the last day of the Residual Cash Flow Reinvestment Period, to the Payment Account to be distributed as Principal Proceeds on such Payment Date;

(25) *first*, so long as no Credit Enhancer Default has occurred and is continuing, to the payment to the Credit Enhancer of the amounts specified in clause (4)(c) to the extent not paid thereunder (whether as a result of any dollar limitation set forth therein or otherwise), *second*, to the payment of all other accrued and unpaid Administrative Expenses and Administrative Indemnities (with respect to the Credit Enhancer, only so long as no Credit Enhancer Default has occurred and is continuing) not paid to the Credit Enhancer pursuant to clause (2) above (whether as the result of the limitations on amounts set forth therein or otherwise) in the same order of priority as specified in clause (2) above and *third*, to the payment of any Defaulted Hedge Termination Payment;

(26) on each Payment Date occurring on and after the Note Acceleration Date, to the payment of principal of, *first*, the Class E Notes, *second*, the Class D Notes, *third*, the Class C Notes, *fourth*, the Class X Notes, *fifth*, the Class B Notes and *sixth*, the Class A Notes, until each such Class has been paid in full; and

(27) to the Preference Share Paying Agent for distribution to the Preference Shareholders.

(ii) On each Payment Date (including any Redemption Date or Special Redemption Date) and on the Accelerated Payment Date, Principal Proceeds with respect to the related

Due Period (other than Principal Proceeds previously reinvested in Additional Collateral Debt Securities in accordance with the terms hereof) shall be distributed in the order of priority set forth under clauses (1) to (24) below:

(1) to the payment of the amounts referred to in clauses 11.01(a)(i)(1) through 11.01(a)(i)(5) and 11.01(a)(7) above, in the same order of priority specified therein, but only to the extent not paid in full thereunder;

(2) after the Reinvestment Period or on a Redemption Date or Special Redemption Date, to the payment of principal of the Class A Notes until the Class A Notes have been paid in full;

(3) to the payment of the amounts referred to in clause 11.01(a)(i)(6) above, but only to the extent not paid in full thereunder;

(4) to the payment of the amounts referred to in clause 11.01(a)(i)(8) above, in the same order of priority specified therein, but only to the extent not paid in full thereunder;

(5) after the Reinvestment Period or on a Redemption Date or Special Redemption Date or if Class B is the Controlling Class, to the payment of principal of the Class B Notes until the Class B Notes have been paid in full;

(6) after the Reinvestment Period or on a Redemption Date or Special Redemption Date, to the payment of the amounts referred to in clause 11.01(a)(i)(9) above, in the same order of priority specified therein, but only to the extent not paid in full thereunder;

(7) after the Reinvestment Period or on a Redemption Date or Special Redemption Date, to the payment of the amounts referred to in clause 11.01(a)(i)(10) above, in the same order of priority specified therein, but only to the extent not paid in full thereunder;

(8) to the payment of the amounts referred to in clause 11.01(a)(i)(11) above, in the same order of priority specified therein, but only to the extent not paid in full thereunder;

(9) after the Reinvestment Period or on a Redemption Date or Special Redemption Date or if Class X is the Controlling Class, to the payment of principal of the Class X Notes until the Class X Notes have been paid in full;

(10) after the Reinvestment Period or on a Redemption Date or Special Redemption Date, to the payment of the amounts referred to in clause 11.01(a)(i)(12) above, but only to the extent not paid in full thereunder;

(11) to the payment of the amounts referred to in clause 11.01(a)(i)(13) above, in the same order of priority specified therein, but only to the extent not paid in full thereunder;

(12) after the Reinvestment Period or on a Redemption Date or Special Redemption Date, to the payment of the amounts referred to in clause 11.01(a)(i)(14) above, but only to the extent not paid in full thereunder;

(13) after the Reinvestment Period or on a Redemption Date or Special Redemption Date or if Class C is the Controlling Class, to the payment of principal of the Class C Notes until the Class C Notes have been paid in full;

(14) after the Reinvestment Period or on a Redemption Date or Special Redemption Date, to the payment of amounts referred to in clause 11.01(a)(i)(15) above, but only to the extent not paid thereunder;

(15) to the payment of the amounts referred to in clause 11.01(a)(i)(16) above, in the same order of priority specified therein, but only to the extent not paid in full thereunder;

(16) after the Reinvestment Period or on a Redemption Date or Special Redemption Date, to the payment of the amounts referred to in clause 11.01(a)(i)(17) above, but only to the extent not paid in full thereunder;

(17) after the Reinvestment Period or on a Redemption Date or Special Redemption Date or if Class D is the Controlling Class, to the payment of principal of the Class D Notes until the Class D Notes have been paid in full;

(18) after the Reinvestment Period or on a Redemption Date or Special Redemption Date, to the payment of amounts referred to in clauses 11.01(a)(i)(18) above, but only to the extent not paid thereunder;

(19) to the payment of the amounts referred to in clause 11.01(a)(i)(19) above, in the same order of priority specified therein, but only to the extent not paid in full thereunder;

(20) after the Reinvestment Period or on a Redemption Date or Special Redemption Date, to the payment of amounts referred to in clauses 11.01(a)(i)(20) above, but only to the extent not paid thereunder;

(21) after the Reinvestment Period or on a Redemption Date or Special Redemption Date or if Class E is the Controlling Class, to the payment of principal of the Class E Notes until the Class E Notes have been paid in full;

(22) after the Reinvestment Period or on a Redemption Date or Special Redemption Date, to the payment of amounts referred to in clauses 11.01(a)(i)(21) and 11.01(a)(i)(25) above, in the same order of priority therein, but only to the extent not paid thereunder;

(23) on any Payment Date occurring on or prior to the last day of the Reinvestment Period, the balance of the Principal Proceeds remaining after application of amounts described in clauses (1) through (22), to the Principal Collection Account for the acquisition of Additional Collateral Debt Securities; and

(24) after the Reinvestment Period or on a Redemption Date or Special Redemption Date, the balance of Principal Proceeds to the Preference Share Paying Agent for distribution to the Preference Shareholders.

(iii) For the purpose of determining any payment to be made on any Payment Date pursuant to any applicable clause in Section 11.01(a)(i) any Coverage Test referred to in such clause

shall be calculated after giving effect to all payments to be made on such Payment Date prior to such payment in accordance with Section 11.01(a)(i).

(b) On the Business Day preceding each Payment Date, the Issuer shall, pursuant to Section 10.02(h), remit or cause to be remitted to the Trustee for deposit in the Payment Account an amount of Cash sufficient to pay the amounts described in Section 11.01(a) required to be paid on such Payment Date.

(c) If, on any Payment Date, the amount available in the Payment Account from amounts received in the related Due Period is insufficient to make the full amount of the disbursements required by the statements furnished by the Issuer pursuant to Section 10.10(a) or Section 10.10(b), the Trustee shall make the disbursements called for in the order and according to the priority set forth under Section 11.01(a), subject to Section 13.01, to the extent funds are available therefor.

(d) Except as otherwise expressly provided in this Section 11.01, if on any Payment Date the amount available in the Payment Account from amounts received in the related Due Period is insufficient to make the full amount of the disbursements required by any numbered subclause of Section 11.01(a)(i) or Section 11.01(a)(ii) to different Persons, the Trustee shall make the disbursements called for by such subclause ratably (except as to the Bank in its various capacities) in accordance with the respective amounts of such disbursements in such subclause then due and payable to the extent funds are available therefor.

(e) Notwithstanding any other provision of this Section 11.01, the Collateral Advisor may, in its sole discretion, direct the Issuer and the Trustee that all or a portion of the Collateral Advisory Fees payable to it on such Payment Date be deferred. Any such deferred Collateral Advisory Fees shall be paid on the next succeeding Payment Date to the extent that such deferral will not trigger an Event of Default and funds are available in accordance with the Priority of Payments and shall accrue interest at LIBOR.

(f) Any amounts to be paid to the Preference Share Paying Agent pursuant to Section 11.01(a)(i)(27) and Section 11.01(a)(ii)(24) shall be released from the lien of this Indenture. Notwithstanding the foregoing, on the Redemption Date, the Stated Maturity, the Accelerated Payment Date or any Post-Acceleration Payment Date, in the event that after the application of Principal Proceeds and the application of Interest Proceeds under clauses (1) through (26) under Section 11.01(a)(i) the principal amount of the Notes has not been paid in full, any amount distributable under clause (27) under Sections 11.01(a)(i) shall be applied, *first*, to pay such principal (in order of seniority) of the Notes prior to making any distribution to the Preference Share Paying Agent.

(g) In the event that amounts distributable to the Holders of the Preference Shares pursuant to this Section 11.01 cannot be distributed to such Holders due to restrictions on such distributions under the laws of the Cayman Islands, the Issuer shall notify the Trustee and the Preference Share Paying Agent and all amounts payable to the Preference Shareholders pursuant to this Section 11.01 shall be held in the Preference Share Payment Account until the first Payment Date or (in the case of any payment that would otherwise be payable on the Scheduled Preference Share Redemption Date or an earlier Redemption Date upon which the Preference Shares are redeemed) the first Business Day on which such distributions can be made to the Holders of the Preference Shares as specified in writing by the Issuer to the Trustee and the Preference Share Paying Agent (subject to the availability of such amounts under Cayman Islands law to pay any liability of the Issuer not limited in recourse to the Collateral).

(h) If a payment due to the Issuer from the Credit Enhancer is not timely received by the Trustee on the applicable Payment Date when it was due, but is received after such Payment Date, the Trustee shall promptly distribute the proceeds of such late payment to the Holders of the Class A Notes that would have received such amounts in accordance with Section 11.01(a)(i) as if such amounts actually were available on the applicable Payment Date.

(i) If a payment due to the Issuer from the Hedge Counterparty is not timely received by the Trustee on the applicable Payment Date when it was due, but is received after such Payment Date, the Trustee shall promptly distribute the proceeds of such late payment to the parties that would have received such amounts in accordance with Section 11.01(a)(i) as if such amounts actually were available on the applicable Payment Date.

Section 11.02 Trust Accounts.

All Monies held by, or deposited with, the Trustee in the Interest Collection Account, the Principal Collection Account, the Payment Account, the Expense Account, the Unused Proceeds Account, the Residual Cash Flow Reinvestment Account or any other Account pursuant to the provisions of this Indenture, and not invested in Collateral Debt Securities or Eligible Investments as herein provided, shall be deposited in one or more trust accounts, maintained at a financial institution the long-term rating of which is at least "Baa1" by Moody's and at least "BBB+" by Standard & Poor's, to be held in trust for the benefit of the Secured Parties. To the extent Monies deposited in a trust account exceed amounts insured by the Bank Insurance Fund or Savings Association Insurance Fund administered 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, such excess shall be invested in Eligible Investments (pursuant to and as provided in Sections 10.02, 10.03, 10.04, 10.05, 10.07 and 10.08); provided, that amounts held in the Payment Account on the night preceding any Payment Date are not required to be invested in Eligible Investments.

ARTICLE XII

PURCHASE AND SALE OF COLLATERAL DEBT SECURITIES

Section 12.01 Sale of Collateral Debt Securities.

(a) Provided that no Event of Default has occurred and is continuing, the Collateral Advisor, on behalf of the Issuer, may direct the Trustee to sell:

(i) any Defaulted Security at any time; *provided* that, if such sale is made during the Reinvestment Period, the Collateral Advisor believes in good faith and in the exercise of its commercially reasonable business judgment that proceeds from the sale of such Defaulted Security can be reinvested in accordance with the Eligibility Criteria, within 20 Business Days after the trade date on which such Defaulted Security is sold, (i) in one or more Additional Collateral Debt Securities having an aggregate Principal Balance of not less than 100% of the Sale Proceeds (excluding any accrued interest treated as Interest Proceeds) of the Collateral Debt Security being sold and (ii) in a transaction satisfying the Reinvestment Criteria;

(ii) any Equity Security at any time;

(iii) any Written-Down Security at any time; *provided* that, if such sale is made during the Reinvestment Period, the Collateral Advisor believes in good faith and in the exercise of

its commercially reasonable business judgment that proceeds from the sale of such Written-Down Security can be reinvested in accordance with the Eligibility Criteria, within 20 Business Days after the trade date on which such Written-Down Security is sold, (i) in one or more Additional Collateral Debt Securities having an aggregate Principal Balance of not less than 100% of the Sale Proceeds (excluding any accrued interest treated as Interest Proceeds) of the Collateral Debt Security being sold and (ii) in a transaction satisfying the Reinvestment Criteria;

(iv) any Credit Risk Security at any time (A) during the Reinvestment Period, but only if the Collateral Advisor believes in good faith and in the exercise of its commercially reasonable business judgment that proceeds from the sale of such Credit Risk Security can be reinvested in accordance with the Eligibility Criteria, within 20 Business Days after the trade date on which such Credit Risk Security is sold, (i) in one or more Additional Collateral Debt Securities having an aggregate Principal Balance of not less than 100% of the Sale Proceeds (excluding any accrued interest treated as Interest Proceeds) of the Collateral Debt Security being sold and (ii) in a transaction satisfying the Reinvestment Criteria and (B) after the Reinvestment Period, but only if the Collateral Advisor believes in good faith and in the exercise of its commercially reasonable business judgment that proceeds from the sale of such Credit Risk Security can be reinvested in accordance with the Eligibility Criteria, within 20 Business Days after the trade date on which such Credit Risk Security is sold, (i) in one or more Additional Collateral Debt Securities having an aggregate Principal Balance of not less than 100% of the Sale Proceeds (excluding any accrued interest treated as Interest Proceeds) of the Collateral Debt Security being sold, having a date of maturity that is on or prior to the Stated Maturity of the Collateral Debt Security being sold, and having a Standard & Poor's Rating at least as high as the Collateral Debt Security being sold and (ii) in a transaction pursuant to which, after giving effect thereto, each of the Concentration Limitations, Collateral Quality Tests and Coverage Tests is satisfied;

(v) any Credit Improved Security at any time (A) during the Reinvestment Period, but only if the Collateral Advisor believes in good faith and in the exercise of its commercially reasonable business judgment that proceeds from the sale of such Credit Improved Security can be reinvested in accordance with the Eligibility Criteria, within 20 Business Days after the trade date on which such Credit Improved Security is sold, (i) in one or more Additional Collateral Debt Securities having an aggregate Principal Balance of not less than 100% of the Principal Balance of the Collateral Debt Security being sold and having a date of maturity that is on or prior to the Stated Maturity of the Notes and (ii) in a transaction satisfying the Reinvestment Criteria and (B) after the Reinvestment Period, but only if the Collateral Advisor believes in good faith and in the exercise of its commercially reasonable business judgment that proceeds from the sale of such Credit Improved Security can be reinvested in accordance with the Eligibility Criteria, within 20 Business Days after the trade date on which such Credit Improved Security is sold, (i) in one or more Additional Collateral Debt Securities having an Aggregate Principal Balance of not less than 100% of the Principal Balance of the Collateral Debt Security being sold and having a date of maturity that is on or prior to the Stated Maturity of the Notes and (ii) in a transaction pursuant to which, after giving effect thereto, each of the Concentration Limitations, Collateral Quality Tests and Coverage Tests is satisfied; and

(vi) any Collateral Debt Security (other than any security being sold pursuant to clauses (i) through (v) above); *provided* that (A) at the time of the sale of such Collateral Debt Security, the Collateral Advisor reasonably determines that the Sale Proceeds from such sale can be reinvested no later than 20 days following the date on which such Collateral Debt Security is sold (1) in one or more Additional Collateral Debt Securities which will have an aggregate Principal Balance of not less than 100% of the Principal Balance of the Collateral Debt Security being sold and (2) in a transaction satisfying the Reinvestment Criteria; and (B) during any period of 12 consecutive calendar months beginning after the Effective Date, the Aggregate Principal Balance of Collateral Debt Securities sold

pursuant to this clause (vi) shall not exceed 20% of the sum of (x) the Aggregate Principal Balance and (y) the principal amount of Eligible Investments held in the Unused Proceeds Account and other Accounts (other than the Synthetic Security Counterparty Account) (which calculation shall be based on such sum on the first day of each such 12 calendar month period) (each, a "Discretionary Sale"); *provided, further*, that the Collateral Advisor may not direct the Trustee under this clause (vi) if any rating assigned by Moody's on the Closing Date to the Class A Notes or the Class B Notes has been, and remains, reduced by at least one subcategory; or the rating assigned by Moody's on the Closing Date to the Class X Notes, the Class C Notes or Class D Notes has been, and remains, reduced by at least two subcategories, unless and until approved by the Controlling Party.

(b) On behalf of the Issuer, the Collateral Advisor shall use all commercially reasonable efforts to:

(i) sell each Defaulted Security within one year after such Collateral Debt Security became a Defaulted Security (or within one year of such later date as such Collateral Debt Security may first be sold in accordance with such Collateral Debt Security's terms and applicable law); provided that the Issuer may retain Defaulted Securities for up to three years from the respective dates on which they became Defaulted Securities so long as the Aggregate Principal Balance of all such Defaulted Securities (which have been held for more than one year) does not exceed 5% of the Net Outstanding Portfolio Collateral Balance;

(ii) sell each Equity Security received in exchange for a Defaulted Security which is not Margin Stock within one year after the related Collateral Debt Security became a Defaulted Security (or within one year of such later date as such Equity Security may first be sold in accordance with such Equity Security's terms and applicable law); *provided* that, if so directed by special tax counsel to the Issuer, the Issuer shall establish a wholly owned subsidiary for the sole purpose of acquiring, holding and disposing of one or more Equity Securities;

(iii) sell each Equity Security (other than an Equity Security described in clause (ii) above) not later than five Business Days after the Issuer's receipt thereof (or within five Business Days or such later date as such Equity Security may first be sold in accordance with such Equity Security's terms and applicable law); *provided* that, if so directed by special tax counsel to the Issuer, the Issuer shall establish a wholly owned subsidiary for the sole purpose of acquiring, holding and disposing of one or more Equity Securities;

(iv) sell or terminate any other security or other consideration received in an exchange pursuant to Section 6.16 which is not a Collateral Debt Security or an Eligible Investment, within one year after the Issuer's receipt thereof (or within one year of such later date as such security may first be sold in accordance with its terms and applicable law);

(v) sell any Defaulted Security that does not comply with clauses (I)(u), (v) and (w) of the definition of "Collateral Debt Security" within five Business Days of such security becoming a Defaulted Security (or within five Business Days of such later date as such security or other consideration may first be sold in accordance with the terms of such security or other consideration and applicable law); and

(vi) sell each Synthetic Security if the long-term rating of the Synthetic Security Counterparty has been downgraded below "AA3" by Moody's or below "AA-" for Standard & Poor's and such Synthetic Security Counterparty has not posted collateral in an amount reasonably

satisfactory to the Credit Enhancer (so long as it is the Controlling Party), within 60 days of such downgrade.

(c) After the Issuer has notified the Trustee of an Optional Redemption or Tax Redemption in accordance with Section 9.02, the Collateral Advisor on behalf of the Issuer acting pursuant to the Collateral Advisory Agreement may at any time direct the Trustee in writing to sell, and the Trustee shall sell in the manner directed by the Collateral Advisor in writing, any Collateral Debt Security without regard to the foregoing limitations in Section 12.01(a) but in accordance with Section 9.05(i) and (ii), provided that:

(i) in connection with an Optional Redemption or Tax Redemption, the Sale Proceeds therefrom must be used to pay certain expenses and redeem all of the Notes in whole but not in part pursuant to Sections 9.01(a) and (b), and upon any such sale the Trustee shall release such Collateral Debt Security pursuant to Section 10.11;

(ii) in connection with an Optional Redemption or Tax Redemption, the Issuer may not direct the Trustee to sell (and the Trustee shall not be required to release) a Collateral Debt Security pursuant to this Section 12.01(c) unless:

(x) the Collateral Advisor certifies to the Trustee that (1) in the Collateral Advisor's commercially reasonable business judgment based on calculations included in the certification (which shall include the sales prices of the Collateral Debt Securities), the Sale Proceeds from the sale of one or more of the Collateral Debt Securities (based on the criteria set forth in Section 9.01(b)) and all Cash and proceeds from Eligible Investments and the proceeds to the Issuer from the termination of the Hedge Agreements will be at least equal to the Total Senior Redemption Amount (adjusted pursuant to the second paragraph of Section 9.01(b)) or the Minimum Redemption Amount, as applicable, and (2) an Independent bond pricing service or services (or one or more broker-dealers selected by the Collateral Advisor in good faith and which make a market in the applicable Collateral Debt Securities) has confirmed (which confirmation may be in the form of a firm bid) the sales prices contained in the certification in clause (1) above (and attaching a copy of such confirmation); and

(y) the Independent accountants appointed by the Issuer pursuant to Section 10.12 shall confirm in writing the calculations made in clause (x)(1) above;

(iii) in connection with an Optional Redemption or Tax Redemption, all the Collateral Debt Securities to be sold pursuant to this Section 12.01(c) must be sold in accordance with the requirements set forth in Section 9.01(b);

(iv) the Collateral Advisor shall direct the Trustee to sell any Collateral Debt Security pursuant to this Section 12.01(c) only at a price that, in the Collateral Advisor's commercially reasonable business judgment, is not substantially less than the market value of such Collateral Debt Security; and

(v) in the event that any Synthetic Security is terminated or sold, the amounts contained in the related Synthetic Security Issuer Account to which the Issuer is entitled under the terms and conditions of the related Synthetic Security, after satisfaction of any payments due in connection with such termination or sale, shall be applied as Sale Proceeds.

(d) During the Reinvestment Period, following each Discretionary Sale and the sale of any Defaulted Security, Equity Security, Written-Down Security, Credit Risk Security or Credit Improved Security, the Collateral Advisor, on behalf of the Issuer, shall use all commercially reasonable efforts to purchase, no later than 20 Business Days after such sale, one or more Additional Collateral Debt Securities in a transaction meeting the conditions of Section 12.01(a)(i), (iii), (iv), (v) or (vi), as the case may be.

(e) During the Reinvestment Period, following the sale of any Equity Security, the Collateral Advisor, on behalf of the Issuer, shall use all commercially reasonable efforts to purchase, in compliance with the Eligibility Criteria, no later than 20 Business Days after such sale, one or more Additional Collateral Debt Securities having an aggregate Principal Balance at least equal to the Sale Proceeds (excluding any accrued interest treated as Interest Proceeds) from such sale.

(f) Upon payment in full of the Notes, the Collateral Advisor on behalf of the Issuer shall, at the direction of Holders of a majority of the Aggregate Outstanding Amount of the Preference Shares, cause the Trustee to sell all the remaining Collateral or rights or interest therein at one or more public or private sales called and conducted in any manner permitted by law. Any money collected by the Trustee pursuant to this Section 12.01(d) and any money that may then be held or thereafter received by the Trustee hereunder shall be deposited in the Payment Account and be applied subject to Section 11.01.

(g) All Collateral Debt Securities may be sold pursuant to Section 9.05 in connection with an Auction Call Redemption.

(h) For purposes of this Article XII, a Synthetic Security in the form of one or more swap transactions may, in the Collateral Advisor's sole judgment and otherwise in accordance with this Indenture, be assigned or terminated rather than sold. Any Cash received upon the liquidation of Synthetic Security Collateral shall be deemed to be (i) Sale Proceeds, in the event the Synthetic Security or the Synthetic Security Counterparty's lien was terminated early by the Collateral Advisor or sold or assigned or (ii) Principal Proceeds, in the event the Synthetic Security was terminated at its scheduled maturity or expiration, or was subject to early termination other than by the Collateral Advisor.

Section 12.02 Reinvestment Criteria.

(a) Excepting Collateral Debt Securities permitted to be acquired by the Issuer pursuant to Section 7.18 or Section 12.03(d) without regard to whether the Reinvestment Criteria are satisfied, a security may be purchased by the Issuer with Principal Proceeds (and the Issuer will be entitled to enter into a commitment to acquire such security in order to be Granted to the Trustee for inclusion in the Collateral as a Pledged Collateral Debt Security) only if, as evidenced by an Officer's certificate of the Issuer or the Collateral Advisor delivered to the Trustee (attaching reports (including all applicable calculations) evidencing satisfaction of the Reinvestment Criteria), the following criteria (the "Reinvestment Criteria") are satisfied on the date on which the Issuer will enter into such commitment and after giving effect thereto if:

(1) such obligation is a Collateral Debt Security;

(2) each of the Concentration Limitations is satisfied or, if immediately prior to such acquisition one or more of such Concentration Limitations was not satisfied, the extent of compliance with each such Concentration Limitation must be improved or must not be made worse as a result of such reinvestment and all other Concentration Limitations that were satisfied must remain satisfied;

(3) each of the Collateral Quality Tests is satisfied after giving effect to such investment or, if immediately prior to such acquisition one or more of such Collateral Quality Tests was not satisfied, the extent of compliance with each such Collateral Quality Test must be improved or must not be made worse as a result of such reinvestment and all other Collateral Quality Tests that were satisfied must remain satisfied; and

(4) each of the Coverage Tests would be satisfied after such investment or, in the case of a reinvestment of the proceeds of a sale of a Collateral Debt Security (other than the proceeds from the sale of a Defaulted Security, an equity instrument or an equity like instrument) if immediately prior to such acquisition one or more Coverage Tests was not satisfied, each such Coverage Test must be improved or must not be made worse as a result of such reinvestment and all other Coverage Tests that were satisfied must remain satisfied.

If the Issuer has previously entered into a commitment, and the Issuer complied with each of the Reinvestment Criteria on the date on which the Issuer entered into such commitment to acquire an obligation or a security to be Granted to the Trustee for inclusion in the Collateral as a Pledged Collateral Debt Security, then the Issuer need not comply with any of the Reinvestment Criteria on the date of such Grant.

During the Reinvestment Period, the Collateral Advisor shall use all commercially reasonable efforts to cause the Issuer to reinvest any Principal Proceeds received during a Due Period in Collateral Debt Securities during the same Due Period in which such Principal Proceeds are received.

During the Residual Cash Flow Reinvestment Period, subject to satisfaction of the Reinvestment Criteria, the Collateral Advisor (i) on behalf of the Issuer may by Issuer Order direct the Trustee to, and upon receipt of such Issuer Order the Trustee shall, reinvest any Interest Proceeds deposited to the Residual Cash Flow Reinvestment Account in Additional Collateral Debt Securities and (ii) shall use commercially reasonable efforts to cause the Issuer to reinvest any such Interest Proceeds deposited to the Residual Cash Flow Reinvestment Account in Additional Collateral Debt Securities during the same Due Period in which such Interest Proceeds are deposited in the Residual Cash Flow Reinvestment Account. Interest Proceeds in the Residual Cash Flow Reinvestment Account that are not reinvested during the same Due Period in which such Interest Proceeds were deposited into the Residual Cash Flow Reinvestment Account will remain in the Residual Cash Flow Reinvestment Account for investment in Additional Collateral Debt Securities in any subsequent Due Period prior to the end of the Residual Cash Flow Reinvestment Period. Any amounts on deposit in the Residual Cash Flow Reinvestment Account on the last day of the Residual Cash Flow Reinvestment Period will be deposited into the Principal Collection Account for distribution in accordance with the Priority of Payments.

Notwithstanding the foregoing provisions, (A) Cash on deposit in the Collection Accounts or Residual Cash Flow Reinvestment Account may be invested in Eligible Investments, pending investment in Additional Collateral Debt Securities and (B) if an Event of Default shall have occurred and be continuing, no Additional Collateral Debt Security may be acquired unless it was the subject of a commitment entered into by the Issuer prior to the occurrence of such Event of Default.

Notwithstanding anything to the contrary set forth herein, the Collateral Advisor shall hereby have the right to terminate the Reinvestment Period as of any Payment Date if it determines that investments in Collateral Debt Securities by the Issuer will be impractical or unprofitable.

(b) Except as otherwise expressly provided herein, after the end of the Reinvestment Period, the Issuer shall not acquire any other Collateral Debt Securities.

Section 12.03 Conditions Applicable to all Transactions Involving Sale or Grant.

(a) Any transaction effected under this Article XII or under Section 10.02 shall be conducted on an arm's-length basis for Fair Market Value (as reasonably determined by the Collateral Advisor) and in accordance with the requirements of the Collateral Advisory Agreement or, if effected with the Collateral Advisor, the Issuer, the Trustee or any Affiliate of any of the foregoing, shall be effected on terms substantially equivalent to those of a secondary market transaction on terms at least as favorable to the Noteholders as would be the case if such Person were not so Affiliated, provided that, (1) after the Closing Date, the Collateral Advisor shall not direct the Trustee to acquire any Collateral Debt Security for inclusion in the Collateral from the Collateral Advisor or any of its Affiliates as principal or to sell any Collateral Debt Security from the Collateral to the Collateral Advisor or any of its Affiliates as principal unless the transaction is effected in accordance with the Collateral Advisory Agreement and (2) after the Closing Date, the Collateral Advisor shall not direct the Trustee to acquire any Collateral Debt Security for inclusion in the Collateral from any account or portfolio for which the Collateral Advisor serves as investment advisor or direct the Trustee to sell any Collateral Debt Security to any account or portfolio for which the Collateral Advisor serves as investment advisor unless such transactions comply with the requirements of any applicable laws. The Trustee shall have no responsibility to oversee compliance with this clause by the Collateral Advisor or Affiliates of the Collateral Advisor

(b) Upon any Grant pursuant to this Article XII, all of the Issuer's right, title and interest to the Pledged Security or Securities shall be Granted to the Trustee pursuant to this Indenture, such Pledged Security or Securities shall be registered in the name of the Trustee, and, if applicable, the Trustee shall receive such Pledged Security or Securities. The Trustee shall also receive, not later than the date of delivery of any Collateral Debt Security delivered after the Closing Date, (i) an Officer's certificate of the Collateral Advisor certifying that, as of the date of such Grant, such Grant complies with the applicable conditions of and is permitted by this Article XII (and setting forth, to the extent appropriate, calculations in reasonable detail necessary to determine such compliance) and (ii) an Officer's certificate of the Issuer containing the statements set forth in Section 3.02(b) (or, alternatively, the delivery to the Trustee of a trade ticket signed by an Authorized Officer of the Collateral Advisor in lieu of the delivery of such Officer's certificate).

(c) If (i) Braddock Financial Corporation is removed as Collateral Advisor pursuant to Section 12(a) of the Collateral Advisory Agreement and no Replacement Collateral Advisor is appointed pursuant to the terms of the Collateral Advisory Agreement within 90 days after such removal or (ii) an event has occurred which would constitute cause for removal pursuant to Section 12(a)(iii) thereof, such event will be deemed to cause the end of the Reinvestment Period and the Residual Cash Flow Reinvestment Period and no Additional Collateral Debt Securities may be acquired by the Issuer; provided that if a Replacement Collateral Advisor is subsequently appointed prior to the respective dates on which the Reinvestment Period and the Residual Cash Flow Reinvestment Period would have terminated otherwise, the Reinvestment Period and the Residual Cash Flow Reinvestment Period may be reinstated upon the vote of Holders of not less than a majority of the Controlling Class and with the consent of the Credit Enhancer.

(d) Notwithstanding anything contained in this Article XII to the contrary, the Issuer shall, subject to Section 12.03(e), have the right to effect any transaction that has been consented to by Holders of Notes evidencing 100% of the Aggregate Outstanding Amount of each Class of Notes, each Preference Shareholder and the Credit Enhancer and of which each Rating Agency has been notified in advance.

(e) Notwithstanding anything to the contrary in this Indenture, in no event may the Issuer engage in any business or activity that would cause the Issuer to be engaged in a U.S. trade or business for U.S. Federal income tax purposes. The foregoing shall not, however, preclude the Issuer from holding Equity Securities, securities received in an exchange pursuant to section 6.16 or Defaulted Securities pending their sale in accordance with Section 12.01(b); provided that if any such security consists of a U.S. real property interest under Section 897 of the Code or a partnership interest of a partnership engaged in a U.S. trade or business, such security will only be acquired through a subsidiary of the Issuer treated as a foreign corporation for U.S. Federal tax purposes.

Section 12.04 Modifications to Collateral Quality Tests and Coverage Tests.

For purposes of this Article 12 and for purposes of Section 7.18, (a) if any of the Rating Agencies changes its method for calculating any of the respective Coverage Tests (a "Coverage Test Modification"), or (b) if the Collateral Advisor certifies to the Trustee that a modification to the method of calculating a Coverage Test (also a "Coverage Test Modification") should be made and that such modification will not have a material adverse effect on the Preference Shareholders or on the Holders of any Class of Notes, then the Issuer may, at the direction of the Collateral Advisor, incorporate corresponding changes into the Indenture without the consent of the Holders of the Notes or the Preference Shares (i) if the Rating Condition is satisfied with respect to each Rating Agency then rating the Notes, and (ii) if notice of such change and evidence of satisfaction of the Rating Condition is delivered by the Collateral Advisor to the Trustee, to the Credit Enhancer (so long as it is the Controlling Party) and to the Holders of the Notes and the Preference Shares (which notice may be included in the next regular report to Noteholders and Preference Shareholders). Any such modification shall not be subject to Article VIII hereof and, accordingly, shall be effected without execution of a supplemental indenture, subject to the consent of the Hedge Counterparties (to the extent such consent is required pursuant to the applicable Hedge Agreement) and the Credit Enhancer (so long as it is the Controlling Party).

For the avoidance of doubt the notice and objection provisions described in the first paragraph of this Section 12.04 shall not be applicable to any supplemental indenture which the Issuer adopts pursuant to Section 8.01 hereof or to any other change which this Indenture permits the Issuer to make without adoption of a supplemental indenture.

Section 12.05 Liquidation of Collateral.

To the extent any Notes are Outstanding after the Payment Date in December 2046, the Trustee, at the direction of the Collateral Advisor, shall liquidate all of the Collateral and all rights or interest therein, at one or more public or private sales called and conducted in any manner permitted by law and in accordance with Section 5.17, with such liquidation to be completed within 30 days prior to the Payment Date in December 2046 and deposit all proceeds thereof in the Payment Account for distribution in accordance with the Priority of Payments on the Stated Maturity of the Notes.

ARTICLE XIII

SECURED PARTIES' RELATIONS

Section 13.01 Subordination.

(a) Anything in this Indenture or the Notes to the contrary notwithstanding, the Issuer and the Holders of the Class B Notes, Class X Notes, Class C Notes, the Class D Notes and Class E

Notes agree for the benefit of the Holders of the Class A Notes that the Class B Notes, Class X Notes, Class C Notes, the Class D Notes and Class E Notes, and the Issuer's rights in and to the Collateral (with respect to the Class A Notes, the "Subordinate Interests"), shall be subordinate and junior to the Class A Notes to the extent and in the manner set forth in this Indenture including as set forth in Section 11.01(a) and hereinafter provided. If any Event of Default has not been cured or waived and acceleration occurs in accordance with Article V, including without limitation, as a result of an Event of Default specified in Section 5.01(f) or (g), the Class A Notes shall be paid in full in Cash, or, to the extent a Majority of the Class A Notes or the Credit Enhancer (for so long as it is the Controlling Party) consent, other than in Cash, before any further payment or distribution is made on account of such Subordinate Interests, all in accordance with the Priority of Payments. The Holders of Notes evidencing Subordinate Interests agree, for the benefit of the Holders of the Class A Notes (and the Credit Enhancer (so long as it is the Controlling Party)), not to cause the filing of a petition in bankruptcy against the Issuer or the Co-Issuer for failure to pay to them amounts due under the Notes evidencing such Subordinate Interests or hereunder until the payment in full of the Class A Notes, all Insurance Premiums and all Accrued Insurance Liabilities payable to the Credit Enhancer and not before one year and one day have elapsed since such payment or, if longer, the applicable preference period then in effect (plus one day), including any period established pursuant to the laws of the Cayman Islands.

(b) Anything in this Indenture or the Notes to the contrary notwithstanding, the Issuer and the Holders of the Class X Notes, Class C Notes, the Class D Notes and Class E Notes agree for the benefit of the Holders of the Class B Notes that the Class X Notes, Class C Notes, the Class D Notes and Class E Notes, and the Issuer's rights in and to the Collateral (with respect to the Class B Notes, the "Subordinate Interests"), shall be subordinate and junior to the Class B Notes to the extent and in the manner set forth in this Indenture including as set forth in Section 11.01(a) and hereinafter provided. If any Event of Default has not been cured or waived and acceleration occurs in accordance with Article V, including without limitation, as a result of an Event of Default specified in Section 5.01(f) or (g), the Class B Notes shall be paid in full in Cash, or, to the extent a Majority of the Class B Notes consent, other than in Cash, before any further payment or distribution is made on account of such Subordinate Interests, all in accordance with the Priority of Payments. The Holders of Notes evidencing Subordinate Interests agree, for the benefit of the Holders of the Class B Notes, not to cause the filing of a petition in bankruptcy against the Issuer or the Co-Issuer for failure to pay to them amounts due under the Notes evidencing such Subordinate Interests or hereunder until the payment in full of the Class B Notes and not before one year and one day have elapsed since such payment or, if longer, the applicable preference period then in effect (plus one day), including any period established pursuant to the laws of the Cayman Islands.

(c) Anything in this Indenture or the Notes to the contrary notwithstanding, the Issuer and the Holders of Class C Notes, the Class D Notes and Class E Notes agree for the benefit of the Holders of the Class X Notes that the Class C Notes, the Class D Notes and the Class E Notes, and the Issuer's rights in and to the Collateral (with respect to the Class X Notes, the "Subordinate Interests"), shall be subordinate and junior to the Class X Notes to the extent and in the manner set forth in this Indenture, including as set forth in Section 11.01(a) and hereinafter provided. If any Event of Default has not been cured or waived and acceleration occurs in accordance with Article V, including without limitation, as a result of an Event of Default specified in Section 5.01(f) or (g), the Class X Notes shall be paid in full in Cash, or, to the extent a Majority of the Class X Notes consent, other than in Cash, before any further payment or distribution is made on account of such Subordinate Interests, all in accordance with the Priority of Payments. The Holders of Notes evidencing Subordinate Interests agree, for the benefit of the Holders of the Class X Notes, not to cause the filing of a petition in bankruptcy against the Issuer or the Co-Issuer for failure to pay to them amounts due under the Notes evidencing such Subordinate Interests or hereunder until the payment in full of the Class X Notes and not before one year

and one day have elapsed since such payment or, if longer, the applicable preference period then in effect (plus one day), including any period established pursuant to the laws of the Cayman Islands.

(d) Anything in this Indenture or the Notes to the contrary notwithstanding, the Issuer and the Holders of the Class D Notes and the Class E Notes agree for the benefit of the Holders of the Class C Notes that the Class D Notes and the Class E Notes, and the Issuer's rights in and to the Collateral (with respect to the Class C Notes, the "Subordinate Interests"), shall be subordinate and junior to the Class C Notes to the extent and in the manner set forth in this Indenture, including as set forth in Section 11.01(a) and hereinafter provided. If any Event of Default has not been cured or waived and acceleration occurs in accordance with Article V, including without limitation, as a result of an Event of Default specified in Section 5.01(f) or (g), the Class C Notes shall be paid in full in Cash, or, to the extent a Majority of the Class C Notes consent, other than in Cash, before any further payment or distribution is made on account of such Subordinate Interests, all in accordance with the Priority of Payments. The Holders of Notes evidencing Subordinate Interests agree, for the benefit of the Holders of the Class C Notes, not to cause the filing of a petition in bankruptcy against the Issuer or the Co-Issuer for failure to pay to them amounts due under the Notes evidencing such Subordinate Interests or hereunder until the payment in full of the Class C Notes and not before one year and one day have elapsed since such payment or, if longer, the applicable preference period then in effect (plus one day), including any period established pursuant to the laws of the Cayman Islands.

(e) Anything in this Indenture or the Notes to the contrary notwithstanding, the Issuer and the Holders of the Class E Notes agree for the benefit of the Holders of the Class D Notes that the Class E Notes, and the Issuer's rights in and to the Collateral (with respect to the Class D Notes, the "Subordinate Interests"), shall be subordinate and junior to the Class D Notes to the extent and in the manner set forth in this Indenture, including as set forth in Section 11.01(a) and hereinafter provided. If any Event of Default has not been cured or waived and acceleration occurs in accordance with Article V, including without limitation, as a result of an Event of Default specified in Section 5.01(f) or (g), the Class D Notes shall be paid in full in Cash, or, to the extent a Majority of the Class D Notes consent, other than in Cash, before any further payment or distribution is made on account of such Subordinate Interests, all in accordance with the Priority of Payments. The Holders of Notes evidencing Subordinate Interests agree, for the benefit of the Holders of the Class D Notes, not to cause the filing of a petition in bankruptcy against the Issuer or the Co-Issuer for failure to pay to them amounts due under the Notes evidencing such Subordinate Interests or hereunder until the payment in full of the Class D Notes and not before one year and one day have elapsed since such payment or, if longer, the applicable preference period then in effect (plus one day), including any period established pursuant to the laws of the Cayman Islands.

(f) Anything in this Indenture or the Notes to the contrary notwithstanding, the Issuer agrees for the benefit of the Holders of the Class E Notes that the Issuer's rights in and to the Collateral (with respect to the Class E Notes, the "Subordinate Interests") shall be subordinate and junior to the Class E Notes to the extent and in the manner set forth in this Indenture, including as set forth in Section 11.01(a) and hereinafter provided.

(g) In the event that, notwithstanding the provisions of this Indenture, any holder of any Subordinate Interests shall have received any payment or distribution in respect of such Subordinate Interests contrary to the provisions of this Indenture, then, unless and until all amounts payable to the Class A Notes and all Insurance Premiums and Accrued Insurance Liabilities payable to the Credit Enhancer, the Class B Notes, the Class X Notes, the Class C Notes, the Class D Notes or the Class E Notes, as the case may be, shall have been paid in full in Cash and such payment or distribution shall be received and held in trust for the benefit of, and shall forthwith be paid over and delivered to, the Trustee,

which shall pay and deliver the same to the Holders of Class A Notes, the Credit Enhancer, the Class B Notes, the Class X Notes, the Class C Notes, the Class D Notes or the Class E Notes, in accordance with this Indenture.

(h) Each Holder of Subordinate Interests agrees with all Holders of the Class A Notes, the Class B Notes, the Class X Notes, the Class C Notes, the Class D Notes or the Class E Notes, as the case may be, that such Holder of Subordinate Interests shall not demand, accept, or receive any payment or distribution in respect of such Subordinate Interests in violation of the provisions of this Indenture including this Section 13.01, provided that, after all amounts payable pursuant to the Class A Notes, the Insurance Agreement and Premium Letter, the Class B Notes, the Class X Notes, the Class C Notes, the Class D Notes or the Class E Notes, as the case may be, have been paid in full, the Holders of Subordinate Interests shall be fully subrogated to the rights of the Holders of the Class A Notes, the Credit Enhancer, the Holders of the Class B Notes, the Holders of the Class X Notes, the Holders of the Class C Notes, the Holders of the Class D Notes or the Holders of the Class E Notes, as the case may be. Nothing in this Section 13.01 shall affect the obligation of the Issuer to pay Holders of Subordinate Interests.

(i) The Trustee shall not institute any Proceeding for enforcement of the lien of the Trustee or any other Secured Party other than in connection with an action pursuant to Section 5.03 or Section 5.04 for enforcement of the lien of this Indenture for the benefit of the Noteholders, and the Trustee may enforce its lien or the lien of any other Secured Party only in conjunction with the enforcement of the rights of the Noteholders in accordance with Section 5.04.

(j) The Preference Shares constitute equity interests in the Issuer and therefore are subordinate to all Classes of Notes.

Section 13.02 Standard of Conduct.

In exercising any of its or their voting rights, rights to direct and consent or any other rights as a Secured Party under this Indenture, as the Controlling Class under this Indenture or under the Collateral Advisory Agreement or as a Preference Shareholder, subject to the terms and conditions of this Indenture, including Section 5.09, a Secured Party or Secured Parties, a Preference Shareholder shall not have any obligation or duty to any Person or to consider or take into account the interests of any Person and shall not be liable to any Person for any action taken by it or them or at its or their direction or any failure by it or them to act or to direct that an action be taken, without regard to whether such action or inaction benefits or adversely affects any Secured Party, any Preference Shareholder, the Issuer or any other Person, except for liability to which such Secured Party may be subject to the extent the same results from such Secured Party's taking or directing an action, or failing to take or direct an action, in violation of the express terms of this Indenture.

ARTICLE XIV

MISCELLANEOUS

Section 14.01 Form of Documents Delivered to Trustee.

In any case in which several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person or that they be so certified or covered by only one document; one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as

to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an Authorized Officer of the Issuer, the Co-Issuer or the Collateral Advisor may be based, insofar as such certificate or opinion relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such Authorized Officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate of an Authorized Officer of the Issuer, the Co-Issuer or the Collateral Advisor or Opinion of Counsel may be based, insofar as such certificate or opinion relates to factual matters, upon a certificate or opinion of, or representations by, an Authorized Officer of the Issuer, the Co-Issuer, the Collateral Advisor or any other Person, stating that the information with respect to such factual matters is in the possession of the Issuer, the Co-Issuer, the Collateral Advisor or such other Person, unless such Authorized Officer of the Issuer, the Co-Issuer or the Collateral Advisor or such counsel knows that the certificate or opinion or representations with respect to such matters are erroneous.

If any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Whenever in this Indenture it is provided that the absence of the occurrence and continuation of a Default is a condition precedent to the taking of any action by the Trustee at the request or direction of the Issuer or the Co-Issuer, then, notwithstanding that the satisfaction of such condition is a condition precedent to the Issuers' rights to make such request or direction, the Trustee shall be protected in acting in accordance with such request or direction if a Trust Officer of the Trustee does not have actual knowledge of the occurrence and continuation of such Default as provided in Section 6.01(d).

Section 14.02 Acts of the Securityholders and Credit Enhancer.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Securityholders or the Credit Enhancer may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders or Credit Enhancer in person or by an agent duly appointed in writing, and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, if expressly required by the Indenture, to the Issuer. Such instrument or instruments (and the action or actions embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Securityholders or Credit Enhancer signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Issuers, if made in the manner provided in this Section 14.02.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner that the Trustee deems sufficient.

(c) The principal amount and registered numbers of Notes or Preference Shares held by any Person, and the date of its holding the same, shall be proved by the Note Register or Share Register, as applicable.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by any Securityholder shall bind such Holder (and any transferee thereof) with respect to the

relevant Note or Preference Share and every Note or Preference Share issued upon the registration thereof or in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to be done by the Trustee or the Issuers in reliance thereon, whether or not notation of such action is made upon such Note or Preference Share, respectively.

(e) So long as the Credit Enhancer is the Controlling Party, whenever action, direction, consent or approval by the Holders of the Insured Notes is required or permitted hereunder, such action, direction, consent or approval shall be taken or given by or on behalf of the Holders of the Insured Notes solely by the Credit Enhancer, or with respect to actions, directions, consents or approvals requiring the vote of each Holder of the Insured Notes pursuant to this Indenture, by the Credit Enhancer and each such Holder.

Section 14.03 Notices, Etc., to Certain Persons.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Securityholders or other documents provided or permitted by this Indenture to be made upon, given or furnished to, or filed with:

(a) the Trustee or the Preference Share Paying Agent shall be sufficient for every purpose hereunder if in writing and mailed, by certified mail, return receipt requested, hand-delivered, sent by overnight courier service guaranteeing next day delivery or sent by telecopy in legible form, to 601 Travis Street, 17th Floor, Houston, Texas 77002, Attention: Global Corporate Trust – BFC Ajax CDO Ltd., telecopy no. (713) 483-6001, or at any other address previously furnished in writing to the Issuers or Securityholder by the Trustee or the Preference Share Paying Agent;

(b) the Issuer shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, hand-delivered, sent by overnight courier service or sent by telecopy in legible form, to the Issuer addressed to it at c/o Maples Finance Limited, PO Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands, telecopy no (345) 945-7100, or at any other address previously furnished in writing to the Trustee by the Issuer;

(c) the Co-Issuer shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, hand-delivered, sent by overnight courier service or sent by telecopy in legible form, to the Co-Issuer addressed to it at c/o Puglisi & Associates, Inc., 850 Library Avenue, Suite 204, Newark, Delaware 19711, Attention: Donald Puglisi telecopy no. (302) 738-7210, or at any other address previously furnished in writing to the Trustee by the Co-Issuer;

(d) the Credit Enhancer shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, hand-delivered, sent by overnight courier service or by telecopy in legible form, to the Credit Enhancer addressed to Financial Guaranty Insurance Company, Attention: 125 Park Avenue, New York, New York, 10017, Attention: Katya Sverdlov, telecopy no. 212-312-3093, or at any other address previously furnished in writing to the Issuers or the Trustee by the Credit Enhancer;

(e) the Collateral Advisor shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, hand-delivered, sent by overnight courier service or by telecopy in legible form, to the Collateral Advisor addressed to Tabor Center, 1200 17th Street, Suite 880, Denver, Colorado 80202, Attention: General Counsel, telecopy no. (303) 291-1312, or at any other address previously furnished in writing to the Issuers or the Trustee by the Collateral Advisor;

(f) the Rating Agencies shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, hand-delivered, sent by overnight courier service or sent by telecopy in legible form, in the case of Moody's, addressed to Moody's Investors Service, 99 Church Street, New York, New York 10007, telecopy no. (212) 553-0355, Attention: CBO/CLO Monitoring, via e-mail to CDOMONITORING@Moodys.com; in the case of Standard & Poor's, addressed to Standard & Poor's, 55 Water Street, 41st Floor, New York, New York 10041, Attention: Structured Finance Ratings, Asset-Backed Surveillance Group–CBO/CLO, and all reports relating to the Collateral via e-mail to CDO_surveillance@sandp.com;

(g) the Hedge Counterparties shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, hand-delivered, sent by overnight courier service or sent by telecopy in legible form to each Hedge Counterparty addressed to it at the address specified in the related Hedge Agreement or at any other address previously furnished in writing to the Issuer or the Trustee by such Hedge Counterparty; or

(h) the Administrator shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, hand-delivered, sent by overnight courier service or sent by telecopy in legible form to the Administrator addressed to Maples Finance Limited, P.O. Box 1093 GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands, telecopy no. (345) 945-7100 or at any other address previously furnished in writing to the other parties hereto by the Administrator.

(i) the Repository shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if delivered by electronic mail as a portable document format (pdf) file to CDO Library, c/o The Bond Market Association, 360 Madison Avenue (18th Floor), New York, New York 10017, Electronic mail address: admin@cdolibrary.com; provided, that such notice shall identify the full legal name of the Issuer in the electronic mail message that accompanies the delivery of any document; provided, further, that any document required to be made available to the operator of the Repository may be made available by providing the operator of the Repository with access to a website containing such report in a format that permits the user to download the document as a pdf file.

Delivery of any request, demand, authorization, direction, notice, consent, waiver or Act of Securityholders or other documents made as provided above shall be deemed effective: (i) if in writing and delivered in person or by overnight courier service, on the date it is delivered; (ii) if sent by facsimile transmission, on the date that transmission is received by the recipient in legible form (as evidenced by the sender's written record of a telephone call to the recipient in which the recipient acknowledged receipt of such facsimile transmission); and (iii) if sent by mail, on the date that mail is delivered or its delivery is attempted; in each case, unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Business Day.

Notwithstanding any provision to the contrary contained herein or in any agreement or document related hereto, any routine report, statement or other information (other than any notice or other notification required to be delivered by the Trustee to any of the Noteholders, the Collateral Advisor or the Credit Enhancer) required to be provided by the Trustee may be provided by providing access to the Trustee's website containing such information.

Section 14.04 Notices and Reports to Holders; Waiver.

Except as otherwise expressly provided herein, where this Indenture provides for a report to Holders or for a notice to Holders of any event:

(a) such report or notice shall be sufficiently given to Holders of Notes if in writing and mailed, first-class postage prepaid, to each Holder of a Note affected by such event, at the address of such Holder as such address appears in the Note Register, not earlier than the earliest date and not later than the latest date, prescribed for the giving of such report or notice;

(b) such report or notice shall be sufficiently given to Holders of Preference Shares if in writing and mailed, first-class postage prepaid, to each such Holder, at the address of such Holder as such address appears in the Share Register, not earlier than the earliest date and not later than the latest date, prescribed for the giving of such report or notice provided that availability of the Monthly Report and the Note Valuation Report on the Trustee's website shall be sufficient for these purposes; and

(c) such report or notice shall be in the English language.

Such reports and notices shall be deemed to have been given on the date of such mailing.

The Trustee shall deliver to the Noteholders and the Preference Shareholders any readily available information or notice relating to the Indenture requested to be so delivered, at the expense of the Issuer. In addition, for so long as any Class of Notes is listed on the Irish Stock Exchange and so long as the rules of such exchange so require, notices to the Holders of such Notes shall also be given by delivery to the Irish Paying Agent for notification of the Company Announcements Office of the Irish Stock Exchange.

Neither the failure to mail any notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. If this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice under this Indenture by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In the event that, by reason of the suspension of the regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to Holders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

Section 14.05 Effect of Headings and Table of Contents.

The Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 14.06 Successors and Assigns.

All covenants and agreements in this Indenture by the Issuers shall bind their respective successors and assigns, whether so expressed or not.

Section 14.07 Severability.

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 14.08 Benefits of Indenture.

The Hedge Counterparties shall be third-party beneficiaries of each agreement or obligation in this Indenture. Nothing in this Indenture or in the Notes, expressed or implied, shall give to any Person, other than the parties hereto and their successors hereunder, the Collateral Advisor, the Noteholders and the Hedge Counterparties, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 14.09 Governing Law.

THIS INDENTURE AND EACH NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH, AND THIS INDENTURE AND EACH NOTE AND ALL MATTERS ARISING OUT OF OR RELATING IN ANY WAY WHATSOEVER TO THIS INDENTURE, ANY NOTE (WHETHER IN CONTRACT, TORT OR OTHERWISE) SHALL BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK.

Section 14.10 Submission to Jurisdiction.

The Issuers hereby irrevocably submit to the non-exclusive jurisdiction of any New York State or Federal court sitting in the Borough of Manhattan in The City of New York, and any appellate court therefrom, in any action or proceeding arising out of or relating to the Notes or this Indenture, and the Issuers hereby irrevocably agree that all claims in respect of such action or proceeding may be heard and determined in such New York State or Federal court. The Issuers hereby irrevocably waive, to the fullest extent that they may legally do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. The Issuers irrevocably consent to the service of any and all process in any action or proceeding by the mailing or delivery of copies of such process to the Issuers at the office of the Issuers' agent in New York set forth in Section 7.02. The Issuers agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

Section 14.11 Counterparts.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 14.12 Waiver of Jury Trial

EACH PARTY HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT THAT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY PROCEEDING. Each party hereby (i) certifies that no representative, agent or attorney of the other has represented, expressly or otherwise, that the other would not, in the event of a Proceeding, seek to enforce the foregoing waiver and (ii) acknowledges that it has been induced to enter into this Indenture by, among other things, the mutual waivers and certifications in this paragraph.

Section 14.13 Judgment Currency.

This is an international financing transaction in which the specification of Dollars (the "Specified Currency") and the specification of the place of payment, as the case may be (the "Specified Place"), is of the essence, and the Specified Currency shall be the currency of account in all events relating to payments of or on the Notes. The payment obligations of the Issuers under this Indenture and the Notes shall not be discharged by an amount paid in another currency or in another place, whether pursuant to a judgment or otherwise, to the extent that the amount so paid on conversion to the Specified Currency and transfer to the Specified Place under normal banking procedures does not yield the amount of the Specified Currency at the Specified Place. If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder or under the Notes in the Specified Currency into another currency (the "Second Currency"), the rate of exchange that shall be applied shall be that at which in accordance with normal banking procedures the Trustee could purchase the Specified Currency with the Second Currency on the Business Day next preceding that on which such judgment is rendered. The obligation of the Issuers in respect of any such sum due from the Issuers hereunder shall, notwithstanding the rate of exchange actually applied in rendering such judgment, be discharged only to the extent that on the Business Day following receipt by the Trustee of any sum adjudged to be due hereunder or under the Notes in the Second Currency the Trustee may in accordance with normal banking procedures purchase and transfer to the Specified Place the Specified Currency with the amount of the Second Currency so adjudged to be due; and the Issuers hereby, as a separate obligation and notwithstanding any such judgment (but subject to the Priority of Payments as if such separate obligation in respect of each Class of Notes constituted additional principal owing in respect of such Class of Notes), agree to indemnify the Trustee and each Noteholder against, and to pay the Trustee or such Noteholder, as the case may be, on demand in the Specified Currency, any difference between the sum originally due to the Trustee or such Noteholder, as the case may be, in the Specified Currency and the amount of the Specified Currency so purchased and transferred.

Section 14.14 Confidential Treatment of Documents.

(a) Except as otherwise provided in this Indenture and in Sections 2 and 4 of the "Listing and General Information" section of the Offering Circular or as required by law or regulatory authority, as required to permit transfers of the Issued Securities under Rule 144A, a sale of Collateral Debt Securities pursuant hereto, or as required to maintain the listing of the Notes on the Irish Stock Exchange, this Indenture, the Administration Agreement, the Collateral Advisory Agreement, the Hedge Agreements, all Monthly Reports, the Note Valuation Report and each transfer certificate shall be treated as confidential. The Trustee shall provide a copy of this Indenture to any Holder of a beneficial interest in any Issued Security upon written request therefor substantially in the form of Exhibit I attached hereto certifying that such Holder is such a Holder. Notwithstanding the foregoing or any other provision of this Indenture or any Transaction Document to the contrary, this provision does not prevent any party from providing such information as required by any regulatory, governmental or administrative authority and to its attorneys, agents or auditors as it deems necessary or in connection with the performance of such party's responsibilities hereunder.

(b) Notwithstanding the foregoing or any other provision of this Indenture to the contrary, the Trustee and the Issuer (and each employee, representative, or other agent of the Trustee and the Issuer) may disclose to any and all Persons, without limitation of any kind, the tax treatment and tax structure of (i) the Issuer and (ii) any of its transactions, and all materials of any kind (including opinions of other tax analyses) that are provided to the Trustee or the Issuer relating to such tax treatment and tax structure.

(c) The Trustee shall, upon receipt of a request from a Beneficial Owner (previously identified to the Trustee by delivery of Exhibit I certifying that it is a Beneficial Owner) of a Global Note, forward information represented by such Beneficial Owner as relating to a Noteholder's rights under this Indenture to (i) the other Noteholders (to the extent they are nominee entities known to the Trustee) with instructions to forward to each Beneficial Owner of such Note and (ii) to each Beneficial Owner of a Global Note previously identified to the Trustee by delivery of Exhibit I certifying that it is a Beneficial Owner (to the extent such Persons have not indicated a preference not to receive any such forwarded information) directly from the Trustee.

Section 14.15 Liability of Issuers

Notwithstanding any other terms of this Indenture, the Notes or any other agreement entered into between, *inter alia*, the Issuers or otherwise, neither of the Issuers shall have any liability whatsoever to the other of the Issuers under this Indenture, the Notes, any such agreement or otherwise and, without prejudice to the generality of the foregoing, neither of the Issuers shall be entitled to take any action to enforce, or bring any action or proceeding, in respect of this Indenture, the Notes, any such agreement or otherwise against the other of the Issuers. In particular, neither of the Issuers shall be entitled to petition or take any other steps for the winding up or bankruptcy of the other of the Issuers or shall have any claim in respect of any assets of the Issuers while any of the Notes are Outstanding.

ARTICLE XV

ASSIGNMENT OF COLLATERAL ADVISORY AGREEMENT, ETC.

Section 15.01 Assignment.

The Issuer, in furtherance of the covenants of this Indenture and as security for the Notes and amounts payable to the Noteholders hereunder and to the Credit Enhancer under the Insurance Agreement and the Premium Letter and the performance and observance of the provisions hereof, hereby assigns, transfers, conveys and sets over to the Trustee, for the benefit of the Secured Parties, all of the Issuer's estate, right, title and interest in, to and under the Collateral Advisory Agreement, the Collateral Administration Agreement and the Hedge Agreements, including (i) the right to give all notices, consents and releases thereunder, (ii) the right to give all notices of termination and to take any legal action upon the breach of an obligation of the Collateral Advisor thereunder, including the commencement, conduct and consummation of proceedings at law or in equity, (iii) the right to receive all notices, accountings, consents, releases and statements thereunder and (iv) the right to do any and all other things whatsoever that the Issuer is or may be entitled to do thereunder, provided that the Trustee hereby grants the Issuer a license to exercise all of the Issuer's rights pursuant to the Collateral Advisory Agreement without notice to or the consent of the Trustee, which license shall be and is hereby deemed to be automatically revoked (A) upon the occurrence of an Event of Default hereunder until such time, if any, as such Event of Default is cured or waived, (B) the occurrence of a termination event specified in Section 12 of the Collateral Advisory Agreement or (C) upon a default in the performance, or breach, of any material covenant, representation, warranty or other agreement of the Collateral Advisor under the Collateral Advisory Agreement or in any certificate or writing delivered pursuant thereto if (a) the Credit Enhancer (if it is the Controlling Party) or Holders of at least 25% of the Aggregate Outstanding Amount of the Notes of any Class or 25% of the Preference Shares give notice of such default or breach to the Trustee and the Collateral Advisor or (b) the Collateral Advisor has actual knowledge of such default or breach, and, in either case, such default or breach (if remediable) continues for a period of 30 days after receipt of such

notice. In no event shall the Trustee be required to determine whether "cause" exists to terminate the Collateral Advisor under the Collateral Advisory Agreement. For the avoidance of doubt, in no event will the Trustee be required to assume any of the obligations or responsibilities of the Collateral Advisor or the Issuer under the Collateral Advisory Agreement.

Section 15.02 No Impairment.

The assignment made hereby is executed as collateral security. The execution and delivery hereby shall not in any way impair or diminish the obligations of the Issuer under the provisions of the Collateral Advisory Agreement, the Collateral Administration Agreement and the Hedge Agreements, and none of the obligations contained in the Collateral Advisory Agreement shall be imposed on the Trustee.

Section 15.03 Termination, Etc.

Upon the redemption and cancellation of the Notes and the payment of all other Secured Obligations and the release of the Collateral from the lien of this Indenture, this assignment and all rights herein assigned to the Trustee for the benefit of the Secured Parties shall cease and terminate, all the estate, right, title and interest of the Trustee in, to and under the Collateral Advisory Agreement, the Collateral Administration Agreement and the Hedge Agreements shall revert to the Issuer and no further instrument or act shall be necessary to evidence such termination and reversion.

Section 15.04 Issuer Agreements, Etc.

The Issuer represents that it has not executed any other assignment of the Collateral Advisory Agreement, the Collateral Administration Agreement and the Hedge Agreements. The Issuer agrees that this assignment is irrevocable and that the Issuer will not take any action that is inconsistent with this assignment or make any other assignment inconsistent herewith. The Issuer shall, from time to time upon the request of the Trustee, execute all instruments of further assurance and all such supplemental instruments with respect to this assignment as the Trustee may reasonably specify. The Issuer hereby agrees, and hereby undertakes to obtain the agreement and consent of the Collateral Advisor in the Collateral Advisory Agreement, to the following:

(a) the Collateral Advisor consents to the provisions of this assignment and agrees to perform any provisions of this Indenture applicable to the Collateral Advisor and not to cause the Issuer to violate the provisions of this Indenture;

(b) the Collateral Advisor acknowledges that the Issuer is assigning all of its right, title and interest in, to and under the Collateral Advisory Agreement to the Trustee for the benefit of the Secured Parties, and the Collateral Advisor agrees that all of the representations, covenants and agreements made by the Collateral Advisor in the Collateral Advisory Agreement are also for the benefit of the Trustee and the other Secured Parties;

(c) the Collateral Advisor shall deliver to the Trustee copies of all notices, statements, communications and instruments delivered or required to be delivered to the Issuer pursuant to the Collateral Advisory Agreement;

(d) after the Closing Date, neither the Issuer nor the Collateral Advisor will enter into any agreement amending, modifying or terminating the Collateral Advisory Agreement (other than in respect of an amendment or modification of the type that may be made to this Indenture without

Noteholder consent) or selecting, appointing or consenting to a successor Collateral Advisor, (i) without prior written notice to each Rating Agency, (ii) without prior written notice thereof to the Credit Enhancer, each Hedge Counterparty and the Trustee, which notice shall specify the action proposed to be taken by the Issuer (and the Trustee shall promptly deliver a copy of such notice to each Noteholder), (iii) without satisfaction of the Rating Condition (to the extent required pursuant to the terms of the Collateral Advisory Agreement) with respect to such amendment, modification, termination or selection of or consent to a successor Collateral Advisor and (iv) in the case of any amendment, modification or termination pursuant to Section 12(a) of the Collateral Advisory Agreement, without the consent of the requisite percentage of Aggregate Outstanding Amount of the Notes or Outstanding Preference Shares and (v) without the consent of the Credit Enhancer and Hedge Counterparties (to the extent required in any Hedge Agreement);

(e) except as otherwise set forth herein and therein, the Collateral Advisor shall continue to serve as Collateral Advisor under the Collateral Advisory Agreement notwithstanding that the Collateral Advisor shall not have received amounts due it under the Collateral Advisory Agreement because sufficient funds were not then available hereunder to pay such amounts. The Collateral Advisor agrees not to institute against, or join any other Person in instituting against, the Issuer or the Co-Issuer any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings or other proceedings under any bankruptcy, insolvency, reorganization or similar laws until at least one year and one day, or, if longer, the applicable preference period then in effect (plus one day), after the payment in full of all Notes issued under this Indenture, provided that nothing in this clause shall preclude, or be deemed to estop, the Collateral Advisor (i) from taking any action prior to the expiration of the aforementioned one year and one day period or, if longer, the applicable preference period then in effect (plus one day), in (x) any case or proceeding voluntarily filed or commenced by the Issuer or the Co-Issuer, as the case may be, or (y) any involuntary insolvency proceeding filed or commenced against the Issuer or the Co-Issuer, as the case may be, by a Person other than the Collateral Advisor or (ii) from commencing against the Issuer or the Co-Issuer or any properties of the Issuer or the Co-Issuer any legal action that is not a bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceeding, provided that the obligations of the Issuers hereunder shall be payable solely from the Collateral in accordance with the Priority of Payments; and

(f) the Collateral Advisor irrevocably submits to the non-exclusive jurisdiction of any New York State or Federal court sitting in the Borough of Manhattan in The City of New York, and any appellate court therefrom, in any action or proceeding arising out of or relating to the Notes or this Indenture, and the Collateral Advisor irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State or Federal court. The Collateral Advisor irrevocably waives, to the fullest extent the Collateral Advisor may legally do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. The Collateral Advisor irrevocably consents to the service of any and all process in any action or proceeding by the mailing or delivery of copies of such process to the Collateral Advisor at the office of the Collateral Advisor. The Collateral Advisor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

ARTICLE XVI

HEDGE AGREEMENTS

Section 16.01 Hedge Agreements.

(a) On the Closing Date and on each subsequent date on which the Issuer enters into a Hedge Agreement, (i) the Hedge Counterparty entering into a Hedge Agreement on such date (or any Affiliate of such Hedge Counterparty which shall have absolutely and unconditionally guaranteed the obligations of such Hedge Counterparty under the related Hedge Agreement with such form of guarantee satisfying Standard & Poor's then current published criteria on guarantees) shall (A) satisfy the Minimum Hedge Counterparty Ratings and (B) be acceptable to the Credit Enhancer (so long as it is the Controlling Party) and (ii) the Issuer shall assign such Hedge Agreement to the Trustee pursuant to this Indenture and such Hedge Counterparty shall consent to such assignment. On the Closing Date, the Hedge Agreement with the Initial Hedge Counterparty shall include an agreement with the Issuer providing for the posting of collateral, which agreement may be a Credit Support Annex (New York) in the form published by The International Swaps and Derivatives Association, Inc.

(b) The Trustee shall, on behalf of the Issuer and in accordance with the Note Valuation Report, pay amounts due to the Hedge Counterparties under the Hedge Agreements on any Payment Date in accordance with Section 11.01.

(c) If any Hedge Rating Determining Party fails to satisfy the Minimum Hedge Counterparty Ratings, then the Hedge Rating Determining Party shall (at its own expense and, for the avoidance of doubt, at no cost to the Issuer), within 30 days, either (i) enter into an agreement with the Issuer providing for the posting of collateral, which agreement may be a Credit Support Annex (New York) in the form published by The International Swaps and Derivatives Association, Inc. which agreement shall also be subject to the satisfaction of the Rating Condition and be approved by the Credit Enhancer (so long as it is the Controlling Party), and deliver the same a Hedge Counterparty Collateral Account established by the Trustee pursuant to the Indenture collateral in an amount sufficient to satisfy the Rating Condition, (ii) deliver an absolute and unconditional guarantee of all of such Hedge Counterparty's obligations under such Hedge Agreement, provided that the guarantor has the Minimum Hedge Counterparty Ratings and the guarantee satisfies the Rating Condition and is approved by the Credit Enhancer (so long as it is the Controlling Party), (iii) assign its rights and obligations in and under the related Hedge Agreement (with the approval, not to be unreasonably withheld, of the Credit Enhancer (so long as it is the Controlling Party)) to another Hedge Counterparty that has ratings at least equal to the Minimum Hedge Counterparty Ratings and will not, as a result of such transfer, be required to withhold or deduct on account of tax under the related Hedge Agreement, and the transfer to which will not result in a termination event or an event of default under the related Hedge Agreement, or (iv) enter into any other arrangement that satisfies the Rating Condition and is approved by the Credit Enhancer (so long as it is the Controlling Party). With respect to any agreement described in clause (i), the Hedge Counterparty shall, if required by Standard & Poor's pursuant to its global interest rate and currency swap counterparty criteria in effect at the time of such collateral delivery, provide an opinion from counsel as to the Issuer's rights with respect to such collateral notwithstanding the bankruptcy of the Hedge Counterparty. Failure by the Hedge Rating Determining Party to take any of the above actions within the timeframe stated will constitute an "additional termination event" under the Hedge Agreement and the Issuer may terminate the related Hedge Agreement by designating an "early termination date" under such Hedge Agreement where the Hedge Counterparty is the "affected party" unless such Hedge Counterparty enters into any other agreement with or arrangement for the benefit of the Issuer and the Trustee that satisfies the Rating Condition with respect to Standard & Poor's and with respect to which written notice

has been provided to Moody's, and which is approved by the Credit Enhancer (so long as it is the Controlling Party).

(d) If any Hedge Rating Determining Party fails to satisfy the Ratings Maintenance Requirement, then such Hedge Counterparty shall assign its rights and obligations in and under such Hedge Agreement (at such Hedge Counterparty's own expense, for the avoidance of doubt, at no cost to the Issuer) to another Hedge Counterparty for which the Hedge Rating Determining Party has ratings at least equal to the Minimum Hedge Counterparty Ratings and will not, as a result of such transfer, be required to withhold or deduct on account of tax under the related Hedge Agreement, and the transfer to which will not result in a termination event or an event of default under the related Hedge Agreement; *provided* that if such Hedge Counterparty is unable to assign its rights and obligations within 10 Business Days, then the failure to assign its rights and obligations will constitute an "additional termination event" under the Hedge Agreement and the Issuer may terminate the related Hedge Agreement by designating an "early termination date" under such Hedge Agreement where the Hedge Counterparty is the "affected party" unless such Hedge Counterparty enters into any other agreement with or arrangement for the benefit of the Issuer and the Trustee that satisfies the Rating Condition with respect to Standard & Poor's and with respect to which written notice has been provided to Moody's, and which is approved by the Credit Enhancer (so long as it is the Controlling Party).

(e) The Trustee shall, prior to the Closing Date, cause to be established one or more Securities Accounts, each of which shall each be designated a "Hedge Counterparty Collateral Account," which shall be held in the name of the Trustee as Entitlement Holder in trust for the benefit of the Secured Parties; *provided* that the Hedge Counterparty Collateral Accounts may be sub-accounts of one single Hedge Counterparty Collateral Account. The Trustee shall deposit all collateral received from the Hedge Counterparty under the related Hedge Agreement in the applicable Hedge Counterparty Collateral Accounts. Any and all funds at any time on deposit in, or otherwise standing to the credit of, a Hedge Counterparty Collateral Account shall be held in trust by the Trustee for the benefit of the Secured Parties. The only permitted withdrawal from or application of funds on deposit in, or otherwise standing to the credit of, a Hedge Counterparty Collateral Account shall be (i) for application to obligations of the related Hedge Counterparty to the Issuer under the applicable Hedge Agreement which are not paid when due (whether when scheduled or upon early termination) or (ii) to return collateral to such Hedge Counterparty when and as required by the related Hedge Agreement. If Cash is held in the Hedge Counterparty Collateral Account it shall be invested as provided for in the Credit Support Annex upon written direction of the Collateral Advisor.

(f) Upon the default by a Hedge Counterparty in the payment when due of such Hedge Counterparty's obligations to the Issuer under a Hedge Agreement, the Issuer shall forthwith provide telephonic notice (promptly confirmed in writing) thereof to the Trustee and, if applicable, any guarantor of such Hedge Counterparty's obligations under such Hedge Agreement. Upon the Trustee's receipt of such notice (or, if earlier, when a Trust Officer of the Trustee obtains actual knowledge of such default) the Trustee shall make a demand on such Hedge Counterparty, or any guarantor, if applicable, demanding payment forthwith. The Trustee shall give notice to the Noteholders, each Rating Agency and the Credit Enhancer (so long as it is the Controlling Party) upon the continuance of the failure by such Hedge Counterparty to perform its obligations for two Business Days following a demand made by the Trustee on such Hedge Counterparty.

(g) If at any time a Hedge Agreement becomes subject to early termination due to the occurrence of an "event of default" or a "termination event" (each as defined in the related Hedge Agreement) attributable to the Hedge Counterparty thereto or other comparable event, the Issuer and the Trustee (to the extent directed by the Collateral Advisor) shall take such actions (following the expiration

of any applicable grace period) to enforce the rights of the Issuer and the Trustee thereunder as may be permitted by the terms of such Hedge Agreement and consistent with the terms hereof and shall apply the proceeds of any such actions (including the proceeds of the liquidation of any collateral pledged by such Hedge Counterparty), and the Issuer shall enter into a replacement Hedge Agreement on substantially identical terms as certified to the Trustee, that shall satisfy the Rating Condition and that are approved by the Credit Enhancer (so long as it is the Controlling Party), and with a Hedge Counterparty that has the Minimum Hedge Counterparty Ratings. Any costs attributable to entering into a replacement Hedge Agreement which exceed the sum of the proceeds of the liquidation of the terminated Hedge Agreement shall be borne by the defaulting party or sole affected party with respect to such "event of default" or "termination event." In determining the amount payable under the terminated Hedge Agreement, the Issuer shall seek quotations from reference market-makers that satisfy the Minimum Hedge Counterparty Ratings. In addition, the Issuer shall use its best efforts to cause the termination of any Hedge Agreement to become effective simultaneously with the entry into a replacement Hedge Agreement described as aforesaid but in no event shall the replacement Hedge Agreement be entered into later than 60 days after the termination of any Hedge Agreement.

(h) The Issuer shall enter into any additional Hedge Agreements after the Closing Date, at the direction of the Collateral Advisor, provided that any Hedge Agreement made after the Closing Date satisfies the Rating Condition as a condition to the Issuer becoming a party thereto, the Initial Hedge Counterparty consents thereto and the Credit Enhancer (so long as it is the Controlling Party) consents thereto. Each Hedge Agreement shall provide that it cannot be amended or terminated (in the case that payment is due from the Issuer upon such termination) by the Issuer without satisfaction of the Rating Condition and the consent of the Credit Enhancer (so long as it is the Controlling Party) The Issuer shall not enter into any Hedge Agreement the payments from which would be subject to withholding tax or the entry into, performance or termination of which would subject the Issuer to tax on a net basis in any jurisdiction outside the Issuer's jurisdiction of incorporation.

(i) Subject to the satisfaction of the Rating Condition with respect to such reduction and the approval of the Credit Enhancer (so long as it is the Controlling Party), the Collateral Advisor may (subject to the Rating Condition and the terms of the applicable Hedge Agreement, with the consent of the Hedge Counterparty and the Credit Enhancer (so long as it is the Controlling Party)), on any Payment Date, reduce the notional amount of any interest rate swap or cap outstanding under any Hedge Agreement entered into on the Closing Date if a Majority-in-Interest of the Preference Shareholders consent to such reduction.

(j) Each Hedge Agreement shall provide that any amount payable to the Hedge Counterparty thereunder shall be subject to the Priority of Payments and contain "limited recourse" and "non-petition" provisions satisfactory to the Issuer and substantially similar to the "limited recourse" and "non-petition" provisions herein.

(k) Without limitation of the other provisions hereof, the documentation in respect of the Hedge Agreement entered into with the Initial Hedge Counterparty on the Closing Date shall be in a form published by The International Swaps and Derivatives Association, Inc. and shall include a Collateral Support Agreement that incorporates collateral amounts and valuation percentages.

ARTICLE XVII

THE CREDIT ENHANCEMENT

Section 17.01 Miscellaneous.

(a) So long as no Credit Enhancer Default shall have occurred and be continuing, the Trustee shall provide the Credit Enhancer copies of each report, notice, Opinion of Counsel, Officer's certificate, request for consent or request for amendment to any document related hereto promptly upon the Trustee's production or receipt thereof (in each case, to the extent the Credit Enhancer is not expressly required to be provided such document directly). From and after the date on which the Credit Enhancement expires in accordance with its terms and all Insurance Premiums and all Accrued Insurance Liabilities and any other amounts owing to the Credit Enhancer under this Indenture and the Insurance Agreement have been paid in full, the Credit Enhancer shall have no rights or benefits hereunder, and all references in this Indenture to the Credit Enhancer shall be disregarded.

(b) Except where consent is required of each holder of Notes (such as for purposes of certain amendments to this Indenture) and any other provision in the Indenture which gives a right in the alternative to the Holders (or a specified portion thereof) or the Credit Enhancer or as otherwise expressly provided, the Credit Enhancer shall, so long as it is the Controlling Party, be deemed to be the sole Holder of the Insured Notes for all purposes of this Indenture (including, for the avoidance of any doubt, the Noteholders' rights to institute any Proceeding under Section 5.08 of this Indenture) and shall have the exclusive right to exercise (or refrain from exercising) all of the voting and similar rights (including any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by the Holders of the Insured Notes) granted to the Holders of the Insured Notes (as the Controlling Party or otherwise) under this Indenture.

(c) Upon expiration of the Credit Enhancement in accordance with its terms, the Trustee shall surrender same to the Credit Enhancer for cancellation in accordance with its terms.

(d) In the event that a Credit Enhancer Default shall have occurred and be continuing, then the Holders of a Majority of the Controlling Class shall have the right to direct the Trustee to cancel or terminate the Credit Enhancement and replace the Credit Enhancement with another surety bond, financial guaranty insurance policy, letter of credit or similar instrument in form and substance, and issued by an issuer, satisfactory to Holders of the Majority Controlling Class (and following such termination and replacement the Premium Letter to which the terminated Credit Enhancer is a party shall be of no further force or effect); *provided* that (x) any such termination and replacement will be effective as of a Payment Date only if no Accrued Insurance Liabilities shall be owing to the Credit Enhancer and (y) no termination of the Credit Enhancement will be effective until a replacement surety bond, financial guaranty insurance policy, letter of credit or similar instrument takes effect. "Majority" for purposes of this Section 17(d) shall mean Holders of more than 50% of the Aggregate Outstanding Amount of the Insured Notes and shall not include the Credit Enhancer.

(e) Except for any cancellation or replacement of the Credit Enhancement pursuant to Section 17.01(d), the Trustee shall not agree to any modification of the terms of the Credit Enhancement or cancel or revoke the Credit Enhancement without the prior consent of each Holder of an Outstanding Insured Note.

(f) The Trustee shall keep a complete and accurate record of all funds deposited by the Credit Enhancer into the Credit Enhancement Payment Account and the allocation of such funds to

payment of amounts paid in respect of any Insured Note. The Credit Enhancer shall have the right to inspect such records at reasonable times upon one Business Day's prior written notice to the Trustee.

Section 17.02 Representative of the Noteholder.

Notwithstanding any other provision of this Indenture (including, without limitation, Section 5.08), by acceptance of an Insured Note each Holder thereof shall be deemed to have agreed that the Credit Enhancer as representative of such Noteholders may exercise any rights and remedies that are available to such Noteholders at law or in equity, including, without limitation, under the Securities Act and/or the Exchange Act at any time and without preconditions or the further consent of any such Noteholders or the Trustee. All proceeds received by Holders of the Insured Notes arising out of any such Proceeding (including any settlement proceeds in respect of any such Proceeding) shall be paid over by such Noteholders to the Trustee and shall be applied by the Trustee to (A) first, make a payment to the Credit Enhancer of any amount then due and payable under the Insurance Agreement and (B) second, redeem the Insured Notes at par plus accrued and unpaid interest thereon.

Section 17.03 Drawings under Credit Enhancement.

(a) If by 11:00 a.m., on the date (a "Deficiency Notice Date") that is two Business Days prior to any Payment Date, the amount then on deposit and available for distribution (or scheduled to be on deposit and available for distribution on such a Payment Date) in the Collection Accounts are insufficient (based on the information set forth in the Note Valuation Report prepared as of the Determination Date related to such Payment Date) to pay the Insured Amount (as defined in the Credit Enhancement) in respect of the Insured Notes on such Payment Date in accordance with the Priority of Payments (the amounts of such deficiency, the "Deficiency Amount"), the Trustee shall:

(i) no later than 12:00 noon, New York City time, on the Deficiency Notice Date, give notice (which notice is in the appropriate form and delivered in the manner specified in the Credit Enhancement) to the Credit Enhancer, specifying therein the Deficiency Amount, and thereupon submit a notice of drawing under the Credit Enhancement in such amount, all in accordance with the terms of this Indenture and in compliance with the terms of the Credit Enhancement; and

(ii) on the date on which the Trustee receives payment under the Credit Enhancement from the Credit Enhancer (but not earlier than the applicable Payment Date) in respect of the Deficiency Amount (so long as such payment is received by the Trustee by 10:00 a.m., New York City time, on such date, or, if received after 10:00 am on such date, on the next Business Day), pay over to each Holder of an Insured Note, for application by such Holder to amounts due in respect of such Holder's Insured Notes due on the related Payment Date, such Holder's ratable share of the amounts so received by the Trustee.

Any payment by the Credit Enhancer under the Credit Enhancement in respect of amounts due on the Insured Notes shall be applied solely to the payment of amounts due on the Insured Notes.

The Trustee agrees to provide to the Credit Enhancer upon its reasonable request copies of the Trustee's records evidencing the payment of amounts due on the Insured Notes that have been made by the Trustee and subsequently recovered from Holders of the Insured Notes, and the dates on which such payments were made.

(b) The Trustee shall be entitled to enforce on behalf of the Holders of the Insured Notes the obligations of the Credit Enhancer under the Credit Enhancement. Notwithstanding any other

provision of this Indenture, the Holders of the Insured Notes are not entitled to make any claims under the Credit Enhancement or institute proceedings directly against the Credit Enhancer.

(c) Subject to and conditional upon payment of any interest or principal with respect to the Insured Notes by or on behalf of the Credit Enhancer, the Trustee shall assign to the Credit Enhancer all rights to the payment of interest or principal on or with respect to the Insured Notes which are then due for payment to the extent of all payments made by the Credit Enhancer, and the Credit Enhancer may exercise any option, vote, right or power to the extent it has made a principal payment pursuant to the Credit Enhancement in addition to its other rights hereunder. The Trustee and each Holder of an Insured Note by its purchase thereof agrees that the Credit Enhancer shall be subrogated to all of the rights to payment of such Holders or in relation thereto to the extent that any payment of principal or interest on or in respect of the Insured Notes was made to such Holders with payments made under the Credit Enhancement by the Credit Enhancer.

Section 17.04 Preference Claims and Insolvency Proceedings.

(a) In the event the Trustee receives a certified copy of an order of a court of competent jurisdiction that an amount due on an Insured Note has been avoided in whole or in part as a preference payment under applicable bankruptcy, insolvency, receivership, rehabilitation or similar law, the Trustee shall so notify the Credit Enhancer, shall comply with the provisions of the Credit Enhancement to obtain payment from the Credit Enhancer of such avoided payment, and shall, at the time it provides notice to the Credit Enhancer, notify the Holders of the Insured Notes in accordance with Section 14.04 that, in the event that any such Holder's payment is so recoverable, such Holder shall be entitled to payment pursuant to the terms of the Credit Enhancement. The Trustee shall furnish to the Credit Enhancer copies of its records evidencing the payments of amounts due on the Insured Notes, if any, that have been made by the Trustee and subsequently recovered from Holders of such Notes, and the dates on which such payments were made. The Credit Enhancer, however, shall not be obligated to make any payment in respect of any Preference Amount (as defined in the Credit Enhancement) representing a payment of principal avoided as preference prior to the time the Credit Enhancer would have been required to make payment in respect of such principal pursuant to the Credit Enhancement. Pursuant to the terms of the Credit Enhancement, the Credit Enhancer shall make such payment on behalf of such Holders to the receiver, conservator, debtor-in-possession or trustee in bankruptcy named in the Final Order (as defined in the Credit Enhancement) and not to the Trustee or any such Holder directly (unless the Trustee or any such Holder, as the case may be, has previously paid such preference amount to the receiver, conservator, debtor-in-possession or trustee in bankruptcy named in such Final Order, in which case the Credit Enhancer shall make such payment to the Trustee or such Holder, as in the case may be, in accordance with the Credit Enhancement for distribution to such Holder upon proof of such payment reasonably satisfactory to the Credit Enhancer).

(b) The Trustee shall promptly notify the Credit Enhancer of any proceeding or the institution of any action (of which the Trustee has actual knowledge) (i) seeking the avoidance as a preferential transfer under the Bankruptcy Code or other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (a "Preference Claim") of any distribution made with respect to any amount due on an Insured Note or (ii) the commencement after the date hereof of any bankruptcy, insolvency, readjustment of debt, reorganization, marshalling of assets and liabilities or similar proceedings by or against any Person, or the commencement after the date hereof of any proceedings by or against any Person for the winding up or the liquidation of its affairs, or the consent after the date hereof to the appointment of a trustee, conservator, administrator, receiver or liquidator in any bankruptcy, insolvency, readjustment of debt, reorganization, marshalling of assets and liabilities or similar proceedings relating to any Person (an "Insolvency Proceeding"). Each Holder of an Insured Note, by its purchase thereof, and

the Trustee hereby agree that, so long as a Credit Enhancer Default shall not have occurred and be continuing and the Insured Notes are the Controlling Class, the Credit Enhancer may at any time during the continuation of any proceeding relating to a Preference Claim in respect of the Insured Notes or Insolvency Proceeding direct all matters relating to such Preference Claim or Insolvency Proceeding, as applicable, including, without limitation, (i) the direction of any appeal of any order relating to any such Preference Claim or Insolvency Proceeding, as applicable, and (ii) the posting of any surety or supersedes performance bond pending any such appeal. In addition, and without limitation of the foregoing, as set forth in Section 17.05, the Credit Enhancer shall be subrogated to, and each Holder of the Insured Notes and the Trustee hereby delegates and assigns, to the fullest extent permitted by law, the rights of the Trustee and such Holder in the conduct of any proceeding with respect to such a Preference Claim or Insolvency Proceeding, as applicable, including, without limitation, all rights of any party to an adversary proceeding action with respect to any court order issued in connection with any such Preference Claim or Insolvency Proceeding, as applicable.

Section 17.05 Subrogation.

Anything in this Indenture or the Insured Notes to the contrary notwithstanding, any payment with respect to the principal of or interest on or with respect to the Insured Notes that is made with monies received pursuant to the terms of the Credit Enhancement shall not be considered payment by the Issuer of the Insured Notes and shall not discharge the Issuer in respect of its obligation to make such payment and shall not result in the payment of (or the provision for the payment of) any amounts due in respect of the Insured Notes for the purposes of Section 4.1. The Issuer and the Trustee acknowledge that, without the need for any further action on the part of the Credit Enhancer, the Issuer, the Trustee or any other Person, to the extent that the Credit Enhancer makes payment directly or indirectly on account of principal of or interest on or with respect to the Insured Notes to the Holders thereof, (i) the Credit Enhancer shall be fully subrogated to the rights of such Holders to receive such principal and interest from the Issuer and (ii) the Credit Enhancer shall be paid such principal and interest in its capacity as Holder of the Insured Notes but only from the sources and in the manner provided in this Indenture for the payment of such principal and interest in accordance with the Priority of Payments.

Section 17.06 Credit Enhancement Payment Account.

The Trustee shall, prior to the Closing Date, establish in the name of the Trustee a single, segregated trust account which shall be designated as the Credit Enhancement Payment Account (the "Credit Enhancement Payment Account"), and as to which the Trustee shall be the Entitlement Holder which shall be held in trust for the sole benefit of the Holders of the Insured Notes, and in which none of the Issuer or any other Person (except the Holders of the Insured Notes) shall have any legal or beneficial interest. The Trustee shall deposit all amounts received from the Credit Enhancer under the Credit Enhancement in the Credit Enhancement Payment Account. Any and all funds at any time on deposit in, or otherwise to the credit of, the Credit Enhancement Payment Account shall be held in trust by the Trustee for the benefit of the Holders of the Insured Notes. Amounts held in the Credit Enhancement Payment Account shall not be invested, unless otherwise instructed in writing by the Credit Enhancer. The only permitted withdrawal from or application of funds on deposit in, or otherwise to the credit of, the Credit Enhancement Payment Account shall be to make payments in respect of the amounts due on the Insured Notes on the related Payment Date in respect of which such funds are paid, to the extent such amounts are not paid pursuant to the Priority of Payments. Any monies held in the Credit Enhancement Payment Account after the distributions made pursuant to this Section 17.06 on any Payment Date shall promptly be remitted (but in no event later than two Business Days after such Payment Date) to the Credit Enhancer.

Section 17.07 Certain Remedies.

Without limiting the provisions of Article 5 or 6 or the rights or interest of the Holders as otherwise set forth herein (and provided that there has been offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might reasonably be incurred by it in compliance with such request) so long as the Credit Enhancer is the Controlling Party, the Trustee shall cooperate in all respects with any reasonable request by the Credit Enhancer for action to preserve or enforce the Credit Enhancer's rights or interests under this Indenture, including, without limitation, upon the occurrence and continuance of an Event of Default, a request to take any one or more of the following actions:

(a) institute proceedings for collection of all amounts then owing on the Insured Notes, or under this Indenture in respect of the Insured Notes, enforce any judgment obtained and collect from the Issuer Monies adjudged due;

(b) institute proceedings from time to time for the complete or partial foreclosure of this Indenture; and

(c) exercise any remedies of a secured party under the UCC and take any other appropriate action to protect and enforce the rights and remedies of the Credit Enhancer hereunder.

Section 17.08 Limited Recourse; Non-Petition.

The Credit Enhancer hereby acknowledges and agrees that the Issuer's obligations under the Insurance Agreement and the Premium Letter shall be solely the obligations of the Issuer, and the Credit Enhancer shall not have any recourse to any director, officer, agent, member, limited partner, general partner or Affiliate of the Issuer with respect to any claims, losses, damages, liabilities, indemnities or other obligations in connection with any transactions contemplated thereby. Recourse in respect of any obligations of the Issuer under the Insurance Agreement and the Premium Letter shall be limited to the Collateral applied in accordance with the Priority of Payments and on the exhaustion thereof all claims against the Issuer thereunder or any transactions contemplated thereby shall be extinguished and shall not thereafter revive. In addition, the Credit Enhancer agrees that it shall not institute against the Issuer any bankruptcy, insolvency, reorganization, receivership or similar proceeding so long as any Insured Notes shall be Outstanding and there shall not have elapsed two years plus one day or, if longer, the applicable preference period then in effect under applicable laws since the last day on which any Insured Notes shall have been Outstanding; provided that, the Credit Enhancer may become a party to and participate in any such proceeding applicable to the Issuer that is initiated by any Person that is not an Affiliate of the Credit Enhancer. The agreements contained in this paragraph shall survive the termination of the Insurance Agreement and the Premium Letter and the payment of all obligations under this Indenture.

IN WITNESS WHEREOF, we have set our hands as of the date first written above.

Executed as a Deed by

BFC AJAX CDO LTD.,
as Issuer

By: _____
Name: Carrie Bunton
Title: Director

Witness: _____

BFC AJAX CDO LLC,
as Co-Issuer

By: _____
Name:
Title:

FINANCIAL GUARANTY INSURANCE COMPANY,
as Credit Enhancer

By: _____
Name:
Title:

THE BANK OF NEW YORK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

By: _____
Name:
Title:

IN WITNESS WHEREOF, we have set our hands as of the date first written above.

Executed as a Deed by

BFC AJAX CDO LTD.,
as Issuer

By: _____ Witness: _____
Name:
Title:

BFC AJAX CDO LLC,
as Co-Issuer

By: _____
Name: Donald J. Puglisi
Title: President

FINANCIAL GUARANTY INSURANCE COMPANY,
as Credit Enhancer

By: _____
Name:
Title:

THE BANK OF NEW YORK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

By: _____
Name:
Title:

IN WITNESS WHEREOF, we have set our hands as of the date first written above.

Executed as a Deed by

BFC AJAX CDO LTD.,
as Issuer

By: _____ Witness: _____
Name:
Title:

BFC AJAX CDO LLC,
as Co-Issuer

By: _____
Name:
Title:

FINANCIAL GUARANTY INSURANCE COMPANY,
as Credit Enhancer

By: _____
Name: Dana Skelton
Title: Director

THE BANK OF NEW YORK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

By: _____
Name:
Title:

IN WITNESS WHEREOF, we have set our hands as of the date first written above.

Executed as a Deed by

BFC AJAX CDO LTD.,
as Issuer

By: _____ Witness: _____
Name:
Title:

BFC AJAX CDO LLC,
as Co-Issuer

By: _____
Name:
Title:

FINANCIAL GUARANTY INSURANCE COMPANY,
as Credit Enhancer

By: _____
Name:
Title:

THE BANK OF NEW YORK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

By: _____
Name:
Title: G. Patrick McEnroe
Vice President

SCHEDULE A

COLLATERAL DEBT SECURITIES

CUSIP	DEAL	CLASS		
04542BJX1	ABFC 04-HE1	M9	Float	
04542BNU2	ABFC 05-HE2	M11	Float	
04541GSY9	ABSHE 05-HE6	M10	Float	
04544PAR0	ABSHE 06-HE5	M11	Float	
004421HA4	ACE 04-HE2	B2	Float	
004421JA2	ACE 04-HE3	M11	Float	
004421FN8	ACE 04-IN1	B	Float	
004421QA4	ACE 05-HE4	B1	Float	
00442VAR8	ACE 06-ASAP3	M11	Float	
00441QAR0	ACE 06-CW1	M11	Float	
00441QAQ2	ACE 06-CW1	M10	Float	
004421ZG1	ACE 06-HE2	M11	Float	
03072SA88	AMSI 05-R3	M10	Float	
040104FT3	ARSI 04-W2	M7	Float	
073879HW1	BSABS 04-HE8	M7B	Float	
073879PX0	BSABS 05-HE1	M7	Float	
073879E95	BSABS 05-TC2	M8	Float	
12668A3Y9	CWALT 05-72	M6	Float	[Negative Amortization Security]
29445FAQ1	EMLT 03-2	B1	Fixed	
29445FBC1	EMLT 04-1	B1	Float	
29445FCZ9	EMLT 05-1	B3	Float	
32027NRM5	FFML 05-FF4	B1	Float	
32027NSC6	FFML 05-FF5	M10	Float	
320277AR7	FFML 06-FF7	M10	Float	
35729PFA3	FHLT 04-C	M8	Float	
35729PLB4	FHLT 05-C	B2	Float	
32113JCA1	FNLC 05-3	M7	Float	
32113JCT0	FNLC 05-4	M11	Float	
36228F6Y7	GSAMP 04-AR1	B4	Fixed	
437084SH0	HEAT 06-1	B3	Float	
542514JE5	LBMLT 04-4	M12	Float	
542514UW2	LBMLT 06-3	M10	Float	
64352VEN7	NCHET 03-5	B	Fixed	
66987XGP4	NHEL 05-1	B4	Float	
65536HAQ1	NHELI 05-FMI	B1	Float	
65536HCH9	NHELI 06-FMI	B1	Float	
71085PBT9	PCHLT 05-1	B4A	Float	
73316PHZ6	POPLR 05-D	B3	Float	
73316PES5	POPLR 05-B	B1	Float	
70069FJE8	PPSI 05-WHQ2	M11	Float	
76110WV86	RASC 05-KS4	B1	Float	
86360RAQ6	SASCO 06-EQ1	B	Float	
83611MHC5	SVHE 05-OPT3	M9	Float	
881561VN1	TMTS 05-10 HE	B6	Fixed	
94980GAW1	WFHET 04-2	M9	Float	
92925CFE7	WMABS 06-HE1	M11	Float	
39538WDU9	GPMF 05-HE4	B1	Float	
39538WDV7	GPMF 05-HE4	B2	Float	
362341P52	GSR 05-HEL1	B2	Float	
22541S3H9	HEMT 04-6	B2	Fixed	
225458DC9	HEMT 05-1	B2	Fixed	

2254W0LU7	HEMT 05-HF1	B1	Float
2254W0LV5	HEMT 05-HF1	B2	Float
464187CZ4	IRWHE 05-B	2B1	Float
65535VJX7	NAA 05-S1	B3	Fixed
65535VLY2	NAA 05-S2	B3	Fixed
65535VRE0	NAA 05-S4	B4	Fixed
65535VRF7	NAA 05-S4	B5	Fixed
785778HN4	SACO 05-6	B4	Float
86359BM81	SASC 04-S4	B1	Fixed
881561BD5	TMTS 03-3SL	B2	Fixed
881561NJ9	TMTS 04-18SL	2B3	Fixed
881561YN8	TMTS 05-11SL	1B6	Fixed
881561TY0	TMTS 05-7SL	B6	Fixed
88156CAE0	TMTS 06-6	2M2	Fixed
88156CAF7	TMTS 06-6	2M3	Fixed
88156CAG5	TMTS 06-6	2B1	Fixed
88156CAH3	TMTS 06-6	2B2	Fixed
881561R89	TMTS 06-HF1	M3	Fixed
881561R97	TMTS 06-HF1	B1	Fixed
881561S21	TMTS 06-HF1	B2	Fixed
881561S39	TMTS 06-HF1	B3	Fixed
04541GMU3	ABSHE 04-HE8	M7	Float
03072SXP5	AMSI 04-R12	M10	Float
12667NAP3	CWABS 06-BC4	B	Float
32027NMP3	FFML 04-FF10	M6	Float
437097AS7	HEAT 06-6	B3	Float
83611MBM9	SVHE 04-1	B2	Float

SCHEDULE B

LIBOR FORMULA

With respect to each Interest Period, LIBOR for purposes of calculating the interest rate for each Class of Notes for such Interest Period will be determined by the Trustee, as calculation agent (in such capacity, the "Calculation Agent") in accordance with the following provisions:

(i) On each LIBOR Determination Date, LIBOR will be determined for such Interest Period as the rate, as obtained by the Calculation Agent, for three-month Dollar deposits (or in the case of the Interest Periods described in subparagraph (iii) below and for the Payment Date in June 3, 2007, an interpolated rate) based on the rates which appear on Telerate Page 3750 (as defined in the 2002 ISDA Definitions published by the International Swaps and Derivatives Association, Inc.) as reported by Bloomberg Financial Markets Commodities News or which appears in such other page as may replace Telerate Page 3750, in each case 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 will determine the arithmetic mean of the offered quotations of the Reference Banks to leading banks in the London interbank market for three-month Dollar deposits (or such other deposits, as applicable) 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 will 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 will be deemed to be the arithmetic mean of the offered quotations that leading banks in New York City selected by the Calculation Agent (after consultation with the Collateral Advisor) are quoting on the relevant LIBOR Determination Date for three-month Dollar deposits (or such other deposits specified above, as applicable) 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 will be LIBOR as determined on the previous LIBOR Determination Date that relates to an Interest Period of similar length.

(iii) In respect of any Interest Period having a Designated Maturity other than three months, LIBOR shall be determined through the use of straight-line interpolation by reference to two rates calculated in accordance with clauses (i) and (ii) above, one of which shall be determined as if the maturity of the Dollar deposits referred to therein were the period of time for which rates are available next shorter than the Interest Period and the other of which shall be determined as if such maturity were the period of time for which rates are available next longer than the Interest Period; provided that, if an Interest Period is less than or equal to seven days, then LIBOR shall be determined by reference to a rate calculated in accordance with clauses (i) and (ii) above as if the maturity of the Dollar deposits referred to therein were a period of time equal to seven days.

(iv) If the Calculation Agent is required but is unable to determine a rate in accordance with either procedure described in clauses (i) and (ii) above, LIBOR with respect to such Interest Period shall be the arithmetic mean of the offered quotations of the Reference Dealers as of 10:00 a.m. (New York time) on the first day of such Interest Period for negotiable U.S. Dollar certificates of deposit of major U.S. money market banks having a remaining maturity closest to the Designated Maturity.

(v) If the Calculation Agent is required but is unable to determine a rate in accordance with any of the procedures described in clauses (i), (ii) or (iv) above, LIBOR with respect to such Interest Period shall be the arithmetic mean of the Base Rate for each day during such Interest Period.

For purposes of clauses (i), (ii), (iii), (iv) and (v) above, all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one thirty-second of a percentage point.

"Base Rate" means a fluctuating rate of interest determined by the Calculation Agent as being the rate of interest most recently announced by the Base Rate Reference Bank at its primary office as its base rate, prime rate, reference rate or similar rate for Dollar loans. Changes in the Base Rate will take effect simultaneously with each change in the underlying rate.

"Base Rate Reference Bank" means any major money center commercial bank in New York City as selected by the Calculation Agent (after consultation with the Collateral Advisor).

"Designated Maturity" means, with respect to any Class of Notes, (i) for the first Interest Period, the number of calendar days from, and including, the Closing Date to, but excluding, the first Payment Date, (ii) for each Interest Period thereafter (except as provided in clause (iii) below), three months and (iii) for the Interest Period ending in December, 2046, the number of calendar days from, and including, the first day of such Interest Period to, but excluding, the final Payment Date.

"LIBOR Determination Date" means, with respect to any Interest Period, the second London Banking Day prior to the first day of such Interest Period.

"LONDON Banking Day" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London.

"Reference Banks" means four major banks in the London interbank market selected by the Calculation Agent (after consultation with the Collateral Advisor).

"Reference Dealers" means three major dealers in the secondary market for U.S. Dollar certificates of deposit, selected by the Calculation Agent (after consultation with the Collateral Advisor).

SCHEDULE C

APPLICABLE RECOVERY RATES

Part I

Moody's Recovery Rate Matrix

(see definition of "Applicable Recovery Rate")

ABS Type Residential Securities

Percentage of Total Capitalization	Moody's Rating*					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	65%	55%	45%	30%
Less than or equal to 70%, but greater than 10%	75%	70%	55%	45%	35%	25%
Less than or equal to 10%, but greater than 5%	65%	55%	45%	40%	30%	20%
Less than or equal to 5%, but greater than 2%	55%	45%	40%	35%	25%	15%
Less than or equal to 2%	45%	35%	30%	25%	15%	10%

APPLICABLE RECOVERY RATES

Part II

Standard & Poor's Recovery Rate Matrix

A. If the Collateral Debt Security (other than a Synthetic Security) is the senior-most tranche of Securities issued by the issuer of such Collateral Debt Security the recovery rate is as follows:

Standard & Poor's Rating of Collateral Debt Security	**Recovery Rate by Ratings of Notes**						
	AAA	**AA**	**A**	**BBB**	**BB**	**B**	**CCC**
"AAA"	80.0%	85.0%	90.0%	90.0%	90.0%	90.0%	90.0%
"AA-", "AA" or "AA+"	70.0%	75.0%	85.0%	90.0%	90.0%	90.0%	90.0%
"A-", "A" or "A+"	60.0%	65.0%	75.0%	85.0%	90.0%	90.0%	90.0%
"BBB-", "BBB" or "BBB+"	50.0%	55.0%	65.0%	75.0%	85.0%	85.0%	85.0%

B. If the Collateral Debt Security (other than a Synthetic Security) is not the senior-most tranche of Securities issued by the issuer of such Collateral Debt Security the recovery rate is as follows:

Standard & Poor's Rating of Collateral Debt Security	**Recovery Rate by Ratings of Notes**						
	AAA	**AA**	**A**	**BBB**	**BB**	**B**	**CCC**
"AAA"	65.0%	70.0%	80.0%	85.0%	85.0%	85.0%	85.0%
"AA-", "AA" or "AA+"	55.0%	65.0%	75.0%	80.0%	80.0%	80.0%	80.0%
"A-", "A" or "A+"	40.0%	45.0%	55.0%	65.0%	80.0%	80.0%	80.0%
"BBB-", "BBB" or "BBB+"	30.0%	35.0%	40.0%	45.0%	50.0%	60.0%	70.0%
"BB-", "BB" or "BB+"	10.0%	10.0%	10.0%	25.0%	35.0%	40.0%	50.0%
"B-", "B" or "B+"	2.5%	5.0%	5.0%	10.0%	10.0%	20%	25.0%
"CCC+" or below	0.0%	0.0%	0.0%	0.0%	2.5%	5.0%	5.0%

C. If the Collateral Debt Security is a Synthetic Security, the recovery rate will be assigned by Standard & Poor's upon the acquisition of such security by the Issuer.

The "Rating of the Notes" will be the then current rating of a Class of Notes.

The "Rating of the Collateral Debt Security" will be the rating of the Collateral Debt Security as of the date of issuance thereof.

SCHEDULE D

IDENTIFIED BIDDERS

- Barclays Capital Inc.
- Credit Suisse First Boston
- Countrywide Securities
- Deutsche Bank
- Morgan Stanley
- JP Morgan Chase
- Merrill Lynch
- RBS Greenwich
- Citigroup
- Lehman Brothers
- Bank of America
- Bear Stearns
- Goldman Sachs
- UBS
- Wachovia
- Nomura Securities
- FBR
- Societé General
- Wachovia

SCHEDULE E

MOODY'S RATING SCHEDULE

"Moody's Rating" means, with respect to any Collateral Debt Security, the rating that addresses the full amount of the principal and interest promised determined as follows:

(vi) if such Collateral Debt Security is publicly rated by Moody's, the Moody's Rating shall be such rating, or, if such Collateral Debt Security is not publicly rated by Moody's but the Issuer or the Collateral Advisor on behalf of the Issuer has requested that Moody's assign a rating to such Collateral Debt Security, the Moody's Rating shall be the rating so assigned by Moody's;

(vii) with respect to an Asset-Backed Security, if such Asset-Backed Security is not publicly rated by Moody's, then if such Collateral Debt Security (1) has not been assigned a rating by Moody's pursuant to clause (i) and (2) is of a type listed on Schedule I, the Moody's Rating of such Collateral Debt Security shall be the rating determined in accordance with Schedule I;

(viii) with respect to Guaranteed Asset-Backed Securities, if the related corporate guarantees are not publicly rated by Moody's but another security or obligation of the guarantor or obligor (an "Other Security") is publicly rated by Moody's, and no rating has been assigned in accordance with clause (i), the Moody's Rating of such Guaranteed Asset-Backed Security shall be determined as follows:

(A) if the corporate guarantee is a senior secured obligation of the guarantor or obligor and the Other Security is also a senior secured obligation, the Moody's Rating of such Guaranteed Asset-Backed Security shall be the rating of the Other Security;

(B) if the corporate guarantee is a senior unsecured obligation of the guarantor or obligor and the Other Security is a senior secured obligation, the Moody's Rating of such Guaranteed Asset-Backed Security shall be one rating subcategory below the rating of the Other Security;

(C) if the corporate guarantee is a subordinated obligation of the guarantor or obligor and the Other Security is a senior secured obligation that is:

(1) rated "Ba3" or higher by Moody's, the Moody's Rating of such Guaranteed Asset-Backed Security shall be three rating subcategories below the rating of the Other Security; or

(2) rated "B1" or lower by Moody's, the Moody's Rating of such Guaranteed Asset-Backed Security shall be two rating subcategories below the rating of the Other Security;

(D) if the corporate guarantee is a senior secured obligation of the guarantor or obligor and the Other Security is a senior unsecured obligation that is:

(1) rated "Baa3" or higher by Moody's, the Moody's Rating of such Guaranteed Asset-Backed Security shall be the rating of the Other Security; or

(2) rated "Ba1" or lower by Moody's, the Moody's Rating of such Guaranteed Asset-Backed Security shall be one rating subcategory above the rating of the Other Security;

(E) if the corporate guarantee is a senior unsecured obligation of the guarantor or obligor and the Other Security is also a senior unsecured obligation, the Moody's Rating of such Guaranteed Asset-Backed Security shall be the rating of the other security;

(F) if the corporate guarantee is a subordinated obligation of the guarantor or obligor and the Other Security is a senior unsecured obligation that is:

(1) rated "B1" or higher by Moody's, the Moody's Rating of such Guaranteed Asset-Backed Security shall be two rating subcategories below the rating of the Other Security; or

(2) rated "B2" or lower by Moody's, the Moody's Rating of such Guaranteed Asset-Backed Security shall be one rating subcategory below the rating of the Other Security;

(G) if the corporate guarantee is a senior secured obligation of the guarantor or obligor and the Other Security is a subordinated obligation that is:

(1) rated "Baa3" or higher by Moody's, the Moody's Rating of such Guaranteed Asset-Backed Security shall be one rating subcategory above the rating of the Other Security;

(2) rated below "Baa3" but not rated "B3" by Moody's, the Moody's Rating of such Guaranteed Asset-Backed Security shall be two rating subcategories above the rating of the Other Security; or

(3) rated "B3" by Moody's, the Moody's Rating of such Guaranteed Asset-Backed Security shall be "B2";

(H) if the corporate guarantee is a senior unsecured obligation of the guarantor or obligor and the Other Security is a subordinated obligation that is:

(1) rated "Baa3" or higher by Moody's, the Moody's Rating of such Guaranteed Asset-Backed Security shall be one rating subcategory above the rating of the Other Security; or

(2) rated "Ba1" or lower by Moody's, the Moody's Rating of such Guaranteed Asset-Backed Security shall also be one rating subcategory above the rating of the Other Security; and

(I) if the Guaranteed Asset-Backed Security is a subordinated obligation of the guarantor or obligor and the Other Security is also a subordinated obligation, the Moody's Rating of such Guaranteed Asset-Backed Security shall be the rating of the other security;

(ix) with respect to Guaranteed Asset-Backed Securities the related corporate guarantees of which are issued by U.S., U.K. or Canadian guarantors or by any other Qualifying Foreign Obligor, if such corporate guarantee is not publicly rated by Moody's and no other security or obligation of the guarantor is rated by Moody's, then the Moody's Rating of such Guaranteed Asset-Backed Security may be determined using any one of the methods below:

(A) (1) if such corporate guarantee is publicly rated by Standard & Poor's, then the Moody's Rating of such Guaranteed Asset-Backed Security will be (x) one rating subcategory below the Moody's equivalent of the rating assigned by Standard & Poor's if such security is rated "BBB-" or higher by Standard & Poor's and (y) two subcategories below the Moody's equivalent of

the rating assigned by Standard & Poor's if such security is rated "BB+" or lower by Standard & Poor's; and

(2) if such corporate guarantee is not publicly rated by Standard & Poor's but another security or obligation of the guarantor is publicly rated by Standard & Poor's (a "Parallel Security"), then the Moody's equivalent of the rating of such Parallel Security shall be determined in accordance with the methodology set forth in subclause (1) above, and the Moody's Rating of such Guaranteed Asset-Backed Security shall be determined in accordance with the methodology set forth in clause (ii) above (for such purpose treating the Parallel Security as if it were rated by Moody's at the rating determined pursuant to this subclause (2));

(B) if such corporate guarantee is not publicly rated by Moody's or Standard & Poor's and no other security or obligation of the guarantor is publicly rated by Moody's or Standard & Poor's, then the Issuer, or the Collateral Advisor on behalf of the Issuer, may present such corporate guarantee to Moody's for an estimate of such Guaranteed Asset-Backed Security's rating factor, from which its corresponding Moody's rating may be determined, which shall be its Moody's Rating;

(C) with respect to a corporate guarantee issued by a U.S. corporation, if (1) neither the guarantor nor any of its Affiliates is subject to reorganization or bankruptcy proceedings, (2) no debt securities or obligations of the guarantor are in default, (3) neither the guarantor nor any of its Affiliates has defaulted on any debt during the past two years, (4) the guarantor has been in existence for the past five years, (5) the guarantor is current on any cumulative dividends, (6) the fixed-charge ratio for the guarantor exceeds 125% for each of the past two fiscal years and for the most recent quarter, (7) the guarantor had a net profit before tax in the past fiscal year and the most recent quarter and (8) the annual financial statements of the guarantor are unqualified and certified by a firm of independent accountants of national reputation, and quarterly statements are unaudited but signed by a corporate officer, the Moody's Rating of such Guaranteed Asset-Backed Security will be "B3";

(D) with respect to a corporate guarantee issued by a non-U.S. guarantor, if (1) neither the guarantor nor any of its Affiliates is subject to reorganization or bankruptcy proceedings and (2) no debt security or obligation of the guarantor has been in default during the past two years, the Moody's Rating of such Guaranteed Asset-Backed Security shall be "Caa2"; and

(E) if a debt security or obligation of the guarantor has been in default during the past two years, the Moody's Rating of such Guaranteed Asset-Backed Security shall be "Ca";

provided that (A)(x) the rating of any Rating Agency used to determine the Moody's Rating pursuant to any of clauses (i), (ii), (iii) or (iv) above shall be a public non-exclusive rating (but not a ratings estimate, a shadow rating, a rating given for informational purposes only or any Standard and Poor's rating that contains a subscript) that addresses the obligation of the obligor (or guarantor, where applicable) to pay principal of and interest on the relevant Collateral Debt Security in full and is monitored on an ongoing basis by the relevant Rating Agency (which does not have any asterisk, subscript, attached letter or other modifier), (y) the Aggregate Principal Balance of Collateral Debt Securities the Moody's Rating of which is based on (i) a Standard & Poor's rating or a Fitch rating (or both) may not exceed 20% of the Aggregate Principal Balance of all Collateral Debt Securities, (ii) either a Standard & Poor's rating or a Fitch rating (but not both) may not exceed 10% of the Aggregate Principal Balance of all Collateral Debt Securities, (iii) a Standard & Poor's rating may not exceed 7.5% of the Aggregate Principal Balance of all Collateral Debt Securities and (iv) a Fitch rating may not exceed 7.5% of the Aggregate Principal Balance of all Collateral Debt Securities and (z) if a Moody's Rating of a Collateral Debt Security cannot be determined

in accordance with any of the methodologies above, the Issuer or the Collateral Advisor may present such Collateral Debt Security to Moody's for a rating estimate, which shall be deemed to be the Moody's Rating of such Collateral Debt Security; and (B) notwithstanding the foregoing, (x) if a Collateral Debt Security is placed on a watch list for possible upgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security shall be one rating subcategory (or, in the case of a Collateral Debt Security (other than any Multiline Guaranteed Security, Monoline Guaranteed Security, Corporate Guaranteed Security or Bank Guaranteed Security to which the one rating subcategory rule will apply) that would otherwise have a Moody's Rating below "Aa1" if it were not on such watch list, two rating subcategories) above the Moody's Rating applicable to such Collateral Debt Security immediately prior to such Collateral Debt Security being placed on such watch list and (y) if a Collateral Debt Security is placed on a watch list for possible downgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security shall be one rating subcategory (or, in the case of a Collateral Debt Security (other than any Multiline Guaranteed Security, Monoline Guaranteed Security, Corporate Guaranteed Security or Bank Guaranteed Security to which the one rating subcategory rule will apply) that would otherwise have a Moody's Rating below "Aaa" if it were not on such watch list, two rating subcategories) below the Moody's Rating applicable to such Collateral Debt Security immediately prior to such Collateral Debt Security being placed on such watch list; provided that, if such Collateral Debt Security is removed from such list at any time, such Collateral Debt Security shall be deemed to have its actual rating by Moody's.

SCHEDULE F

STANDARD & POOR'S RATING SCHEDULE

"Standard & Poor's Rating" means, with respect to any Collateral Debt Security, the rating determined as follows:

(i) if Standard & Poor's has assigned a rating to such Collateral Debt Security either publicly or privately (in the case of a private rating, with the written consent of the issuer of such Collateral Debt Security for the use of such private rating provided to Standard & Poor's by the Collateral Advisor), the Standard & Poor's Rating shall be the rating assigned to the issue by Standard & Poor's;

(ii) if such Collateral Debt Security is not rated by Standard & Poor's (A) but the Issuer or the Collateral Advisor on behalf of the Issuer has requested that Standard & Poor's assign a rating to such Collateral Debt Security, the Standard & Poor's Rating shall be the rating so assigned by Standard & Poor's; provided that pending receipt from Standard & Poor's of such rating, if such Collateral Debt Security is of a type listed on Schedule K or is not eligible for notching in accordance with Schedule J, such Collateral Debt Security shall have a Standard & Poor's Rating of "CCC-"; and provided further that such assigned ratings shall expire after one year, at which point the Issuer or the Collateral Advisor on behalf of the Issuer may request that Standard & Poor's again assign a rating to such Collateral Debt Security or (B) otherwise such Standard & Poor's Rating shall be the rating assigned according to Schedule K until such time Standard & Poor's shall have assigned a rating thereto; or

(iii) if any Collateral Debt Security is a Collateral Debt Security that has not been assigned a rating by Standard & Poor's pursuant to clause (i) or (ii) above, and is not a Collateral Debt Security listed in Schedule J, the Standard & Poor's Rating of such Collateral Debt Security shall be the rating determined in accordance with Schedule K; provided that, if any Collateral Debt Security shall, at the time of its purchase by the Issuer, be listed for a possible upgrade or downgrade by either Moody's or Fitch, the Standard & Poor's Rating of such Collateral Debt Security shall be one subcategory above or below, respectively, the rating otherwise assigned to such item in accordance with Schedule K; provided further that the Aggregate Principal Balance of all Collateral Debt Securities that are assigned a Standard & Poor's Rating pursuant to this clause (iii) may not exceed 20% of the Aggregate Principal Balance of all Collateral Debt Securities.

So long as any of the Notes remain Outstanding, prior to or immediately following the acquisition of any Collateral Debt Security not publicly rated by Standard & Poor's and on or prior to each one-year anniversary of the acquisition of any such Collateral Debt Security, the Issuer shall submit to Standard & Poor's a request to perform a credit estimate on such Collateral Debt Security, together with all information reasonably required by Standard & Poor's to perform such estimate.

SCHEDULE G

WARF MATRIX

"WARF Matrix": On any date of determination, the Designated Fixed Rate, Designated Spread and Moody's Weighted Average Rating Factor shall be the percentage or number, as the case may be, opposite the corresponding Moody's Asset Correlation Factor in the table below on such date.

Designated Fixed Rate	Designated Spread	Moody's Asset Correlation Factor	Moody's Weighted Average Rating Factor
6.05%	2.85%	20.00%	1600
6.05%	2.85%	20.50%	1575
6.05%	2.85%	21.00%	1550
6.05%	2.85%	21.50%	1525
6.05%	2.85%	22.00%	1475
6.05%	2.85%	22.50%	1450
6.05%	2.85%	23.00%	1425
6.05%	2.85%	23.50%	1375
6.05%	2.85%	24.00%	1325
5.95%	2.75%	19.50%	1600
5.95%	2.75%	20.00%	1575
5.95%	2.75%	20.50%	1550
5.95%	2.75%	21.00%	1525
5.95%	2.75%	21.50%	1475
5.95%	2.75%	22.00%	1450
5.95%	2.75%	22.50%	1425
5.95%	2.75%	23.00%	1375
5.95%	2.75%	23.50%	1325

SCHEDULE H

AUCTION PROCEDURES

The following sets forth the auction procedures (the "Auction Procedures") to be followed in connection with a sale effected pursuant to Section 9.05 of the Indenture (the "Indenture") dated as of November 29, 2006, between BFC Ajax CDO Ltd. (the "Issuer"); BFC Ajax CDO LLC (the "Co-Issuer"), Financial Guaranty Insurance Company, as credit enhancer, and The Bank of New York Trust Company, National Association, as trustee (the "Trustee"). Capitalized terms used herein that are not otherwise defined shall have the meanings ascribed thereto in the Indenture. The following procedures shall be subject to the terms of Section 9.05.

I. Pre-Auction Process

(a) The Auction Agent will initiate the Auction Procedures at least 24 Business Days prior to each Auction Date by:

(i) collecting a list prepared by the Collateral Advisor and delivered to the Auction Agent containing the names of the issuer and guarantor (if any), the par amount and the CUSIP number (if any) with respect to each Pledged Collateral Debt Security and such other information as shall be notified to the Auction Agent by the Collateral Advisor;

(ii) collecting a list prepared by the Collateral Advisor and delivered to the Auction Agent of the constituents of each Subpool which shall be based upon the Collateral Advisor's good faith determination of the composition of Subpools that will maximize Sale Proceeds; and

(iii) sending the lists collected pursuant to clauses (i) and (ii) above to the Eligible Bidders identified on the then-current Eligible Bidder List and requesting bids on the Auction Date.

(b) The general solicitation package which the Auction Agent shall deliver to the Eligible Bidders will include: (i) a form of a purchase agreement provided to the Auction Agent by the Collateral Advisor substantially in the form attached hereto (which shall, among other things, provide that (A) upon satisfaction of all conditions precedent therein, the purchaser is irrevocably obligated to purchase, and the Issuer is irrevocably obligated to sell, the Collateral Debt Securities (or relevant Subpool, as the case may be) on the date and on the terms and conditions set forth therein and (B) if the Subpools are to be sold to more than one bidder, the consummation of the purchase of each Subpool must occur simultaneously and the closing of each purchase is conditional on the closing of each of the other purchases); (ii) the minimum purchase price required to satisfy the requirements of the Indenture (which shall be the Auction Call Redemption Amount); (iii) a formal bidsheet (which shall permit the relevant bidder to bid for all of the Collateral Debt Securities, any Subpool or separately for each of the Subpools) provided to the Auction Agent by the Collateral Advisor including a representation from the bidder that it is eligible to purchase all of the Collateral Debt Securities; (iv) a detailed timetable; and (v) copies of all transfer documents provided to the Auction Agent by the Collateral Advisor (including transfer certificates and subscription agreements which a bidder must execute pursuant to the Underlying Instruments and a list of the requirements which the bidder must satisfy under the Underlying Instruments (i.e., Qualified Institutional Buyer, etc.)).

(c) The Auction Agent shall send solicitation packages to all Eligible Bidders at least 15 Business Days before the Auction Date. No later than 10 Business Days before the Auction Date, Eligible Bidders may submit written due diligence questions relating to the legal documentation and other information contained in the general solicitation package (including comments on the draft purchase agreement to be

used in connection with the Auction (the "Auction Purchase Agreement")) to the Collateral Advisor; provided, that the Collateral Advisor shall only be obligated to answer questions relating to the Collateral to the extent that it is able to do so by reference to information which it is required to provide under the Collateral Advisory Agreement. The Collateral Advisor shall be solely responsible for (i) responding to all relevant questions and/or comments submitted to it in accordance with the foregoing and (ii) distributing the questions, answers and revised final Auction Purchase Agreement to all Eligible Bidders at least five Business Days prior to the Auction Date.

(d) To the extent that the information contained in the list of Collateral Debt Securities or general solicitation package and delivered to the Eligible Bidders pursuant to clauses (a), (b) and (c) above is provided to the Auction Agent by the Collateral Advisor, the Collateral Advisor shall indemnify the Auction Agent and its Officers, directors, employees and agents for, and hold them harmless against, any loss, liability or expense (including reasonable counsel fees) incurred without negligence, willful misconduct or bad faith on their part, arising out of or in connection with the provision of such information by the Collateral Advisor to the Auction Agent, including the costs and expenses of defending themselves against any claim or liability in connection with the exercise or performance of any of their powers or duties hereunder.

II. Auction Process

(a) Subject to Section 9.05, the Collateral Advisor will be allowed to bid in the Auction if it deems appropriate, but will not be required to do so.

(b) On the Auction Date, all bids will be due by facsimile or email to the offices of the Auction Agent by 11:00 a.m. New York City time, with the winning bidder to be notified by the end of business day. All bids from Eligible Bidders will be due on the bid sheet contained in the solicitation package. Each bid shall be for the purchase and delivery to one purchaser of (i) all (but not less than all) of the Collateral Debt Securities or (ii) all (but not less than all) of the Collateral Debt Securities that constitute the components of one or more Subpools.

(c) The Auction Agent shall identify as the winning bidder the bid or bids that results in the Highest Auction Price (in excess of the minimum purchase price) from one or more Eligible Bidders.

(d) Upon notification to the winning bidder(s), the winning bidder (or, if the Highest Auction Price requires the sale of Subpools to more than one bidder, each winning bidder) will be required to deliver to the Trustee a signed counterpart of the Auction Purchase Agreement by the end of business day on the Auction Date.

SCHEDULE I

MOODY'S NOTCHING METHODOLOGY FOR CERTAIN ASSET CLASSES

General Notching Criteria:

- One notch is equivalent to one rating sub-category (i.e. + or -)
- No more than 20% of CDO assets may be notched
- Can only notch off public ratings that are monitored
- No more than 10% can be notched off single rated assets that are Fitch Only and Standard & Poor's Only
- No more than 7.5% can be notched off single rated assets that are just Fitch Only or just Standard & Poor's Only

Residential A (Jumbos Only)

	Standard & Poor's Only	Fitch Only
"AAA"	1	1
"AA+" to "BBB-"	2	2
Below "BBB-"	3	4

Residential A (Alt-A Only)

	Standard & Poor's Only	Fitch Only
"AAA"	1	1
"AA+" to "BBB-"	3	3
Below "BBB-"	4	5

Home Equity Loan (including Residential B and C)

	Standard & Poor's Only	Fitch Only
"AAA"	1	No Notching
"AA+" to "BBB-"	2	No Notching
Below "BBB-"	3	No Notching

**** For all dual rated Jumbo A & Alt-A assets, take the lower of the two ratings and add back a ½ notch***

SCHEDULE J

ASSET CLASSES NOT ELIGIBLE FOR NOTCHING BY
STANDARD AND POOR'S

The following types of Asset-Backed Securities are not eligible to be notched in accordance with Schedule K unless otherwise agreed to by Standard & Poor's. Accordingly, the Standard & Poor's Rating of such Asset-Backed Securities must be determined pursuant the definition of "Standard & Poor's Rating". This Schedule may be modified from time to time by Standard & Poor's and its applicability should be confirmed with Standard & Poor's prior to use.

1. Synthetics other than Form-Approved Synthetic Securities
2. Any asset class not listed on Schedule K.

SCHEDULE K

ASSET CLASSES ELIGIBLE FOR NOTCHING BY STANDARD & POOR'S

The Standard & Poor's Rating of a Collateral Debt Security that is not of a type specified on Schedule J and that has not been assigned a rating by Standard & Poor's may be determined as set forth below.

A. If such Collateral Debt Security is publicly rated by Moody's and Fitch, the Standard & Poor's Rating of such Collateral Debt Security shall be the Standard & Poor's equivalent of the rating that is the number of subcategories specified in Table A below the lowest of the ratings assigned by Moody's & Fitch.

B. If the Collateral Debt Security is publicly rated by Moody's or Fitch, the Standard & Poor's Rating of such Collateral Debt Security shall be the Standard & Poor's equivalent of the rating that is one subcategory below the rating that is the number of subcategories specified in Table A below the rating assigned by Moody's or Fitch.

This Schedule may be modified from time to time by Standard & Poor's and its applicability should be confirmed with Standard & Poor's prior to use.

TABLE A

	Asset-Backed Securities issued prior to August 1, 2001		**Asset-backed Securities issued on or after August 1, 2001**	
	(Lowest) current rating is:		(Lowest) current rating is:	
	"BBB-" or its equivalent or higher	Below "BBB-" or its equivalent	"BBB-" or its equivalent or higher	Below "BBB-" or its equivalent
Residential Mortgages Residential "A" Residential "B/C" Home equity loans	-1	-2	-2	-3

As of November 29, 2006

EXHIBIT A-1

FORM OF REGULATION S GLOBAL NOTE

EXHIBIT A-2

FORM OF RESTRICTED GLOBAL NOTE

EXHIBIT A-3

FORM OF DEFINITIVE NOTE

EXHIBIT B

[RESERVED]

EXHIBIT C-1

FORM OF RULE 144A NOTE TRANSFER CERTIFICATE

EXHIBIT C-2

FORM OF REGULATION S NOTE TRANSFER CERTIFICATE

EXHIBIT D

[RESERVED]

EXHIBIT E-1

FORM OF CORPORATE OPINION OF PROSKAUER ROSE LLP REGARDING CORPORATE AND SECURITY INTEREST MATTERS

EXHIBIT E-2

FORM OF TAX OPINION OF PROSKAUER ROSE LLP

EXHIBIT F-1

FORM OF OPINION OF MAPLES AND CALDER REGARDING CORPORATE MATTERS

EXHIBIT F-2

FORM OF OPINION OF MAPLES AND CALDER REGARDING PURCHASE OF INITIAL COLLATERAL DEBT SECURITIES

EXHIBIT G

FORM OF OPINION OF COUNSEL TO THE COLLATERAL ADVISOR

EXHIBIT H

FORM OF OPINION OF COUNSEL TO THE TRUSTEE

EXHIBIT I

FORM OF INVESTOR CERTIFICATION

The Bank of New York Trust Company, National Association
as Trustee
601 Travis Street, 17th Floor
Houston, TX 77002
U.S.A.

Section 17.09 **BFC Ajax CDO LTD.**

c/o P.O. Box 1093 GT
Queensgate House
South Church Street, George Town
Grand Cayman, Cayman Islands

Ladies and Gentlemen:

The undersigned hereby certifies that it is the [Holder][Beneficial Owner] of $_____ in principal amount of the [U.S.$275,000,000 Class A Senior Floating Rate Notes due 2046] [U.S.$15,000,000 Class B Floating Rate Notes due 2046] [U.S.$10,000,000 Class X Deferrable Floating Rate Notes due 2046] [U.S.$20,000,000 Class C Deferrable Floating Rate Notes due 2046] [U.S.$40,000,000 Class D Deferrable Floating Rate Notes due 2046][U.S.$40,000,000 Class E Deferrable Floating Rate Notes due 2046] of BFC Ajax Ltd. and hereby requests the Trustee to provide to it at the following address the [Notice of Defaults pursuant to Section 6.02][a copy of the Indenture pursuant to 14.14(a)][information relating to (i) the other Noteholders and (ii) each Beneficial Owner of a Global Note pursuant to Section 14.14(c)][the Monthly Report, the Note Valuation Report or all notices to be sent to the Noteholders pursuant to Section 10.10(g)] of the Indenture:

Name: _____
Address: _____
_____
_____
_____

EXHIBIT J

FORM OF OPINION OF COUNSEL TO THE HEDGE COUNTERPARTY

EXHIBIT K

FORM OF OPINION OF COUNSEL TO THE CREDIT ENHANCER

EXHIBIT L

FORM OF CREDIT ENHANCEMENT

EXHIBIT C

9703/8419

TRUST INDENTURE

between

JEFFERSON COUNTY, ALABAMA

and

AMSOUTH BANK OF ALABAMA

Dated as of February 1, 1997

Relating to

JEFFERSON COUNTY, ALABAMA

$211,040,000
Sewer Revenue Refunding Warrants
Series 1997-A

$48,020,000
Taxable Sewer Revenue Refunding Warrants
Series 1997-B

$52,880,000
Taxable Sewer Revenue Refunding Warrants
Series 1997-C

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to
TRUST INDENTURE
between
JEFFERSON COUNTY, ALABAMA
and
AMSOUTH BANK OF ALABAMA

*This Table of Contents appears here for convenience only and should not be considered a part of this Trust Indenture.

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TRUST INDENTURE between **JEFFERSON COUNTY, ALABAMA**, a political subdivision of the State of Alabama, party of the first part (herein called the "County"), and **AMSOUTH BANK OF ALABAMA**, an Alabama banking corporation having its principal office in the City of Birmingham, Alabama, party of the second part (herein called the "Trustee");

R E C I T A L S

The party of the first part makes the following recitals of facts as the basis for the undertaking following: it is a political subdivision of the State of Alabama; by proper official action it has duly authorized the issuance of the Series 1997 Warrants and Series 1997-C Warrants hereinafter referred to; and to secure payment of the principal of and the interest and premium (if any) on said Series 1997 Warrants and Series 1997-C Warrants and all additional securities that may be issued hereunder, it has by proper official action duly authorized the execution and delivery of this Indenture.

NOW, THEREFORE, THIS INDENTURE

W I T N E S S E T H:

For the aforesaid purpose and in consideration of the respective agreements herein contained, it is hereby agreed between the parties signatory hereto and the holders of all Parity Securities issued hereunder (the holders of the said Parity Securities evidencing their consent hereto by their acceptance of the said Parity Securities and the parties signatory hereto evidencing their consent hereto by their execution hereof), each with each of the others, as follows (provided, that in the performance of any of the agreements of the party of the first part herein contained, any obligation it may thereby incur for the payment of money shall not be a general debt on its part but shall be payable solely from the sources of payment hereinafter specified):

ARTICLE I

DEFINITIONS AND USE OF PHRASES

Section 1.1 **Definitions.** Unless the context clearly indicates a different meaning, the following words and phrases, as used herein, shall have the following respective meanings:

"**Act**" means the statutes codified as Chapter 28 of Title 11 of the Code of Alabama 1975, as amended and supplemented and at the time in force and effect.

"**Additional Parity Securities**" means those of the Parity Securities (whether consisting of warrants, bonds, notes or other forms of indebtedness) issued subsequent to the issuance of the Series 1997 Warrants and Series 1997-C Warrants pursuant to the provisions of Article X hereof.

"**Additional 1997 Parity Securities**" means a series of Parity Securities to be issued subsequent to the issuance of the Series 1997 Warrants and Series 1997-C Warrants (but no later than April 30, 1997) in a principal amount that shall not exceed $350,000,000.

"**Authority**" means the Alabama Water Pollution Control Authority, an Alabama public corporation.

"**Authority Trustee Prime Rate**" means the rate of interest established (whether or not charged) from time to time by Compass Bank in Birmingham, Alabama, as its general reference rate of interest, after taking into account such factors as Compass Bank may from time to time deem appropriate in its sole discretion (it being understood, however, that Compass Bank may from time to time make various loans at rates of interest having no relationship to such general reference rate of interest).

"**Authorized County Representative**" means the person or persons at the time designated as such by written certificate furnished to the Trustee, containing the specimen signature or signatures of such person or persons and signed on behalf of the County by a member of the Governing Body.

"**Bond Counsel**" means Independent Counsel having nationally recognized standing in matters relating to the tax-exempt nature of interest on obligations issued by or on behalf of states or political subdivisions thereof.

"**Bond Insurer**" means Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto.

"**Business Day**" means any day other than (1) a Saturday, Sunday or day upon which commercial banks in Birmingham, Alabama, or New York, New York, are authorized or required to be closed, and (2) for purposes of payments and other actions relating to Parity Securities secured by a Letter of Credit, a day upon which commercial banks in the city in which the office of the Qualified Bank at which demands for payment under such Letter of Credit are to be presented is located are authorized to be closed.

"**Code**" means the Internal Revenue Code of 1986, as amended, or successor federal tax law at the time in force and effect.

"**Counsel**" means any attorney duly admitted to practice before the highest court of any state of the United States of America or the District of Columbia (including any full time

employee of the County who is so admitted to practice), it being understood that Counsel may also mean a firm of attorneys whose members are so admitted to practice.

"**County**" means the party of the first part hereto and, subject to the provisions of Section 12.6 hereof, includes its successors and assigns and any political subdivision of the State of Alabama resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"**Debt Service Fund**" means the Jefferson County Sewer System Debt Service Fund established under Section 11.2 hereof.

"**Depreciation Fund**" means the Jefferson County Sewer System Funded Depreciation Fund established under Section 11.5 hereof.

"**Eligible Bank Obligations**" means demand and time deposits (whether or not interest-bearing and whether or not evidenced by certificates of deposit) in banks and acceptances by banks, provided that the banks obligated with respect to such deposits or acceptances, as the case may be, are organized under the laws of the United States of America or any state thereof and have, at the time any moneys are invested in such deposits or acceptances pursuant to the provisions of the Indenture, combined capital, surplus and undivided profits of not less than $50,000,000; provided that the bank obligated with respect to any such deposit or acceptance shall continuously secure such deposit or acceptance, to the extent not insured by the Federal Deposit Insurance Corporation (or any department, agency or instrumentality of the United States of America that may succeed to the functions of such corporation), by depositing with an independent third party, as collateral security therefor, Federal Obligations having a market value (exclusive of accrued interest) not less than the amount of the deposit or acceptance being secured.

"**Eligible Investments**" means any of the following: (i) Federal Obligations; (ii) Eligible Bank Obligations; (iii) obligations issued by any state of the United States of America or political subdivision or instrumentality thereof that are fully payable, as to principal, premium (if any) and interest, from payments of principal of or interest on any Federal Obligations held in an irrevocable trust, and that are rated not less favorably than AAA by S&P and Aaa by Moody's; (iv) any share or other investment unit representing a beneficial interest in an investment company or investment trust which is registered under the Investment Company Act of 1940, as from time to time amended (or successor provision of federal law), provided that the investment portfolio of such investment company or investment trust consists exclusively of obligations or securities that would independently qualify as Eligible Investments if directly acquired by the County; (v) to the extent at the time permitted by applicable law, either of the following: (A) any repurchase agreement or collateralized investment agreement issued or guaranteed by any financial institution which has a long-term rating of at least A- by S&P or A3 by Moody's, provided that (1) the obligations or securities subject to any such agreement shall be of the kind described in clauses (i), (ii) and (iii) of this definition, (2) no transfer of moneys shall be made by the County to invest in any such agreement unless the County obtains a

security interest in all obligations and securities covered by such agreement that shall be perfected, prior to or simultaneously with the transfer of such moneys, through the physical delivery of such obligations and securities to the County or to an independent third party, and (3) such obligations and securities shall be supplemented by additional collateral from time to time to the extent required to continuously maintain collateral having an aggregate market value (exclusive of accrued interest) that is not less than the amount invested pursuant to such agreement; or (B) any investment agreement issued or guaranteed by any financial institution which has a long-term rating of at least AA- by S&P or AA3 by Moody's; and (vi) any other investments at the time permitted by applicable law.

"**Event of Default**" means an "Event of Default" as specified in Section 13.1 hereof.

"**Federal Obligations**" means (i) any direct general obligations of the United States of America, (ii) obligations the payment of the principal of and the interest on which is unconditionally and irrevocably guaranteed by, or entitled to the full faith and credit of, the United States of America, and (iii) Treasury Receipts.

"**Fiscal Year**" means any twelve month period ending on September 30 or any other period of twelve consecutive calendar months that may hereafter be adopted as the fiscal year of the County.

"**Fitch**" means Fitch Investors Service, L.P., and any successor thereto.

"**fully paid**", "**payment in full**", or any similar expression with respect to the Indenture Indebtedness, means that the entire Indenture Indebtedness has been paid in full or duly provided for pursuant to Section 16.1 hereof and that the lien of the Indenture has been cancelled, satisfied and discharged in accordance with the provisions of said Section 16.1 hereof.

"**Governing Body**" means the County Commission of the County or any other governing body of the County, howsoever constituted, that may succeed to its function as such governing body.

"**Holder**", when used in conjunction with a Parity Security, means the Person in whose name such Parity Security is registered on the registry books of the Trustee pertaining to the Parity Securities.

"**Improvement Costs**" means the costs of acquiring, constructing, installing and making any System Improvements (including the purchase of all easements, rights of way and land, and all engineering, legal, financing and other expenses incidental to the acquisition, construction, installation and making of such System Improvements).

"**Indenture**" means this Trust Indenture, as supplemented and amended by any Supplemental Indenture executed by the County and the Trustee in accordance with the applicable provisions of Article XV hereof.

"**Indenture Funds**" means the Debt Service Fund, the Rate Stabilization Fund, the Depreciation Fund, the Reserve Fund and the Redemption Fund.

"**Indenture Indebtedness**" means all indebtedness of the County at the time secured by the Indenture, including, without limitation, all principal of and interest and premium (if any) on the Parity Securities, and all reasonable and proper fees, charges and disbursements of the Trustee for services performed under the Indenture.

"**Independent Accountant**" means a certified public accountant or a firm of certified public accountants that has no continuing employment or business relationship or other connection with the County which, in the opinion of the Trustee, might compromise or interfere with the independent judgment of such accountant or firm of accountants in the performance of any services to be performed hereunder as an Independent Accountant, or the State Examiner of Public Accounts of the State of Alabama or any successor to his duties.

"**Independent Counsel**" means Counsel having no continuing employment or business relationship or other connection with the County which, in the opinion of the Trustee, might compromise or interfere with the independent judgment of such Counsel in the performance of any services to be performed hereunder as Independent Counsel.

"**Independent Engineer**" means an engineer or engineering firm licensed to engage in the independent practice of engineering under the laws of the State of Alabama (i) that has no continuing employment or business relationship or other connection with the County which, in the opinion of the Trustee, might compromise or interfere with the independent judgment of such engineer or engineering firm in the performance of any services to be performed hereunder as an Independent Engineer and (ii) that is otherwise acceptable to the Trustee and the Bond Insurer for the purpose to be served hereunder by such Independent Engineer.

"**Independent Investment Adviser**" means a municipal securities dealer having no continuing employment or business relationship or other connection with the County which, in the opinion of the Trustee, might compromise or interfere with the independent judgment of such securities dealer in the performance of any services to be performed hereunder as Independent Investment Adviser.

"**Insurance Policy**" means the municipal bond new issue insurance policy issued by the Bond Insurer that guarantees payment of principal of and interest on the Series 1997 Warrants.

"**Interest Payment Date**" means (i) with respect to the Series 1997 Warrants, August 1, 1997, and each February 1 and August 1 thereafter, (ii) with respect to the Series 1997-C Warrants, August 15, 1997, and each February 15 and August 15 thereafter, and (iii) with respect to any Additional Parity Securities, any date on which interest on such securities is due and payable.

"**Issuance Cost Account**" means the Series 1997 Warrants Issuance Cost Account established under Section 11.12 hereof.

"**Issuance Costs**" means the reasonable costs and expenses of issuing and selling the Series 1997 Warrants and Series 1997-C Warrants, including, without limitation, the fees and expenses of Bond Counsel to the County, the acceptance fee of the Trustee, the fees of any Rating Agency rating the Series 1997 Warrants, bond insurance premiums, accounting fees, financial advisory fees, underwriters' commissions and discounts, the costs of printing the Official Statement for the Series 1997 Warrants, and other usual and customary expenses.

"**Letter of Credit**" means an irrevocable and unconditional letter of credit, a standby purchase agreement, a line of credit or any other similar credit arrangement issued by a Qualified Bank to secure payment of any Parity Securities or to satisfy all or a portion of the Reserve Fund Requirement.

"**Letter of Credit Agreement**" means an agreement between the County and a Qualified Bank pursuant to which the Qualified Bank agrees to issue a Letter of Credit and which sets forth the repayment obligation of the County to the Qualified Bank on account of any payment under the Letter of Credit.

"**Maximum Annual Debt Service**" means the maximum amount payable in a Fiscal Year as principal of and interest on the Parity Securities then outstanding and any Additional Parity Securities proposed to be issued, subject to the following assumptions and adjustments:

(1) that the principal amount of any such securities required by the terms thereof to be redeemed or prepaid during any Fiscal Year shall, for purposes of this definition, be considered as maturing in the Fiscal Year during which such redemption or prepayment is required and not in the Fiscal Year in which their stated maturity or due date occurs;

(2) for purposes of determining the amounts of principal and interest due in any Fiscal Year on any Parity Securities that constitute Tender Indebtedness, the options or obligations of the owners of such Parity Securities to tender the same for purchase or payment prior to their stated maturity or maturities shall be treated as a principal maturity occurring on the first date on which owners of such Parity Securities may or are required to tender such Parity Securities for purchase or payment, except that any such option or obligation to tender Parity Securities shall be ignored and not treated as a principal maturity, and such Parity Securities shall be deemed to mature in accordance with their stated maturity schedule, if (i) such Parity Securities are rated in one of the two highest long-term rating categories (without reference to gradations such as "plus" or "minus") by at least two Rating Agencies or such Parity Securities are rated in the highest short-term, note or commercial paper rating categories (without reference to gradations such as "plus" or "minus") by at least two Rating Agencies, and (ii)

the obligation, if any, the County may have to the issuer of a Letter of Credit that secures such Parity Securities shall either be subordinated to the obligation of the County on the Parity Securities or be incurred under the conditions and satisfy the tests for the issuance of Additional Parity Securities set forth in the Indenture;

(3) the interest rate on any outstanding or proposed Variable Rate Securities subsequent to the date of calculation shall be assumed to be the lowest of (A) the maximum rate of interest that may be applicable to such Parity Securities, under the provisions thereof, (B) for so long as any hedging agreement that establishes a cap rate for such Parity Securities is in effect, such cap rate, and (C) the highest of (i) the actual interest rate on the date of calculation, or if the Variable Rate Securities in question are not yet outstanding, the initial rate (if established and binding), (ii) if the Variable Rate Securities in question have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (x) if interest on the Variable Rate Securities in question is excludable from gross income under the applicable provisions of the Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (y) if interest on such Variable Rate Securities is not so excludable, the interest rate on direct U.S. Treasury obligations with comparable maturities plus fifty (50) basis points;

(4) the debt service payable with respect to any Parity Securities for which the County has entered into a Qualified Swap pursuant to which the County has agreed to make payments calculated by reference to a fixed rate of interest shall be calculated as if the Parity Securities bore interest at such fixed rate during the term of such Qualified Swap;

(5) the debt service payable with respect to any Parity Securities for which the County has entered into a Qualified Swap pursuant to which the County has agreed to make payments calculated by reference to variable interest rates shall be calculated as if the Parity Securities in question bore interest, during the term of such Qualified Swap, at a rate equal to the lowest of (A) for so long as any hedging agreement that establishes a cap rate with respect to such Qualified Swap remains in effect, such cap rate, or (B) the highest of (i) the actual rate of such Qualified Swap on the date of calculation, or if such Qualified Swap is not yet in effect, the initial rate (if established and binding), (ii) if the Qualified Swap has been in effect for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (x) if interest on the Variable Rate Securities in question is excludable from gross income under the applicable provisions of the Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (y) if interest on such Variable Rate Securities is not so

excludable, the interest rate on direct U.S. Treasury obligations with comparable maturities plus fifty (50) basis points;

(6) there shall be excluded any principal of or interest on any Parity Securities to the extent there are available and held in escrow or under a trust agreement (i) moneys sufficient to pay such principal or interest, (ii) Permitted Defeasance Obligations which, if the principal thereof and the interest thereon are paid according to their tenor, will produce moneys sufficient to pay such principal of interest, or (iii) both moneys and such Permitted Defeasance Obligations which together will produce funds sufficient to pay such principal or interest; and

(7) the County may assume that all or any portion of outstanding Parity Securities that are subject to optional redemption provisions will be redeemed in one or more installments that are consistent with such provisions and may adjust the expected payment schedule with respect to such Parity Securities to reflect such assumed redemptions.

In any case where, for purposes of determining Maximum Annual Debt Service, a portion of the principal of any Parity Securities is to be excluded, there shall also be excluded interest on the principal so excluded.

"**Moody's**" means Moody's Investors Service and any successor thereto.

"**Net Insurance Proceeds**" means the total insurance proceeds recovered by the County and the Trustee on account of any damage to or destruction of the System or any part thereof, less all expenses (including attorneys' fees and any extraordinary expenses of the Trustee) incurred in the collection of such proceeds.

"**Net Revenues Available for Debt Service**" means, for any period, the difference between (A) the sum of (i) the total amount of System Revenues accrued during such period, and (ii) the amount of interest earned during such period on moneys held in those of the Indenture Funds other than the Rate Stabilization Fund (to the extent that such interest is not taken into account pursuant to the preceding clause (i)) and (B) the total amount of Operating Expenses incurred during such period (determined in accordance with generally accepted accounting principles).

"**Operating Expenses**" means, for the applicable period or periods, (a) the reasonable and necessary expenses of efficiently and economically administering and operating the System, including, without limitation, the costs of all items of labor, materials, supplies, equipment (other than equipment chargeable to fixed capital account), premiums on insurance policies and fidelity bonds maintained with respect to the System (including casualty, liability and any other types of insurance), fees for engineers, attorneys and accountants (except where such fees are chargeable to fixed capital account) and all other items, except depreciation, amortization, interest and payments made pursuant to Qualified Swaps, that by generally accepted accounting

principles are properly chargeable to expenses of administration and operation and are not characterized as extraordinary items, (b) the expenses of maintaining the System in good repair and in good operating condition, but not including items that by generally accepted accounting principles are properly chargeable to fixed capital account, and (c) the fees and charges of the Trustee. Payments or transfers of Sewer Revenues into the General Fund of the County shall constitute payments of Operating Expenses if and to the extent that the services or benefits for which such payments or transfers are made are such that payments to a Person other than the County for such services or benefits would constitute payments of Operating Expenses.

"**outstanding**", when used with reference to any of the Parity Securities, means, at the date as of which the amount of such Parity Securities outstanding is to be determined, all such Parity Securities which have been theretofore authenticated and delivered by the Trustee under the Indenture, except (i) those of such Parity Securities purchased for retirement which have been delivered to and cancelled by the Trustee, (ii) those of such Parity Securities cancelled by the Trustee because of payment at or after their respective maturities or redemption prior to their respective maturities, (iii) those of such Parity Securities for the payment or redemption of which provision shall have been made with the Trustee as provided in Section 16.1 hereof, and (iv) those of such Parity Securities in exchange for which, or in lieu of which, other Parity Securities have been authenticated and delivered hereunder. In determining whether the Holders of a requisite aggregate principal amount of outstanding Parity Securities have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the Indenture, Parity Securities which are owned by the County shall be disregarded and deemed not to be outstanding hereunder for the purpose of any such determination.

"**Parity Securities**" means the Series 1997 Warrants, the Series 1997-C Warrants and any Additional Parity Securities at the time outstanding.

"**Parity Securityholder**" means the Holder of a Parity Security.

"**Paying Agent**" means (i) with respect to the Series 1997 Warrants and the Series 1997-C Warrants, the Trustee, and (ii) with respect to any series of Additional Parity Securities, the paying agent designated in the Supplemental Indenture providing for the issuance of such Additional Parity Securities.

"**Permitted Defeasance Obligations**" means any combination of (i) Federal Obligations and (ii) obligations issued by any state of the United States of America or political subdivision or instrumentality thereof that bear interest exempt from federal income taxation, that are fully payable, as to principal, premium (if any) and interest, from payments of principal of or interest on any Federal Obligations held in an irrevocable trust, and that are rated not less favorably than AAA by S&P or Aaa by Moody's.

"**Permitted Encumbrances**" means, as of any particular time, any of the following: (i) inchoate mechanic's, materialmen's, supplier's, vendor's and other similar liens; (ii) liens, encumbrances or pledges subordinate to the lien or pledge imposed hereby; and (iii) such other

minor defects, irregularities, encumbrances and clouds on title as customarily exist with respect to properties of the size and character as those comprising the System and that do not in the aggregate materially impair the use of such properties in the operation of the System.

"**Person**" means any natural person, corporation, partnership, trust, joint venture, government or governmental body, political subdivision or other legal entity as in the context may be possible or appropriate.

"**Pledged Revenues**" means those of the System Revenues that are pledged, pursuant to Section 2.1 hereof, to secure the payment of the Parity Securities.

"**Prior Years' Surplus**" means, with respect to any particular Fiscal Year, the aggregate amount on deposit in the Rate Stabilization Fund and the Depreciation Fund on the first day of such Fiscal Year.

"**Qualified Bank**" means a state or national bank or trust company, or a foreign bank with a domestic branch or agency, which is organized and in good standing under the laws of the United States or any state thereof, which has a capital and surplus of $50,000,000 or more and which has a short-term debt rating in the highest category from at least two Rating Agencies.

"**Qualified Swap**" means, with respect to a series of Parity Securities or any portion thereof, any financial arrangement (i) that is entered into by the County with an entity that is a Qualified Swap Provider at the time of the execution and delivery of the documents governing such arrangement; (ii) that provides (a) that the County shall pay to such entity an amount based on the interest accruing at a fixed rate on a notional amount equal to all or a portion of the principal amount of the outstanding Parity Securities of such series, and that such entity shall pay to the County an amount based on the interest accruing on the same notional amount, at either a variable rate of interest or a fixed rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by the Parity Securities), or that one shall pay to the other any net amount due under such arrangement, or (b) that the County shall pay to such entity an amount based on the interest accruing on a notional amount equal to all or a portion of the principal amount of the outstanding Parity Securities of such series at a variable rate of interest as set forth in the arrangement and that such entity shall pay to the County an amount based on interest accruing on the same notional amount at an agreed fixed rate, or that one shall pay to the other any net amount due under such arrangement; and (iii) which has been designated in writing to the Trustee by the County as a Qualified Swap with respect to any of the Parity Securities.

"**Qualified Swap Provider**" means an entity whose senior long term debt obligations, other senior unsecured long-term obligations or claims paying ability, or whose payment obligations under a Qualified Swap are guaranteed by an entity whose senior long-term debt obligations, other senior unsecured long-term obligations or claims paying ability, are rated (at

the time the subject Qualified Swap is entered into) at least A- by S&P and at least A3 by Moody's.

"**Rate Stabilization Fund**" means the Jefferson County Sewer System Rate Stabilization Fund established under Section 11.4 hereof.

"**Rate Stabilization Fund Requirement**" means, as of the date of any determination thereof, seventy-five percent (75%) of the Maximum Annual Debt Service on the then outstanding Parity Securities.

"**Rating Agency**" means Moody's, S&P, Fitch or any other nationally recognized securities rating agency.

"**Record Date**" means, with respect to any Interest Payment Date, the fifteenth day of the month immediately preceding such Interest Payment Date.

"**Redemption Fund**" means the Jefferson County Sewer System Redemption Fund established under Section 11.6 hereof.

"**Reserve Fund**" means the Jefferson County Sewer System Debt Service Reserve Fund established under Section 11.3 hereof.

"**Reserve Fund Requirement**" means, as of the date of any determination thereof, the lesser of (a) 125% of the average annual debt service on all Parity Securities at the time outstanding and secured by the Reserve Fund, (b) the maximum annual debt service on all Parity Securities at the time outstanding and secured by the Reserve Fund, or (c) an amount equal to the aggregate of 10% of the original principal amount (or, in the case of any series of Parity Securities sold with original issue discount in an amount greater than 2% of its original principal amount, the issue price) of each series of Parity Securities at the time outstanding and secured by the Reserve Fund. Any calculation of average annual debt service or maximum annual debt service for the purpose of determining the applicable Reserve Fund Requirement shall be made in accordance with the requirements and limitations imposed by the provisions of the Code and the regulations promulgated thereunder that pertain to reasonably required reserve or replacement funds.

"**Resolution**" means a resolution duly adopted by the Governing Body.

"**Revenue Account**" means the Jefferson County Sewer System Revenue Account established under Section 11.1 hereof.

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

"**SRF Warrant**" means the County's Sewer Revenue Warrant dated August 31, 1992, that was issued to the Alabama Water Pollution Control Authority, which warrant was issued originally in the principal amount of $58,340,000 and is now outstanding in the principal amount of $52,880,000.

"**Series 1992 Warrants**" means the County's Sewer Revenue Warrants, Series 1992, which warrants were originally issued in the aggregate principal amount of $53,880,000 and are now outstanding in the aggregate principal amount of $50,780,000.

"**Series 1993 Warrants**" means the County's Sewer Revenue Warrants, Series 1993, which warrants were originally issued in the aggregate principal amount of $46,005,000 and are now outstanding in the aggregate principal amount of $41,800,000.

"**Series 1995-A Warrants**" means the County's Sewer Revenue Warrants, Series 1995-A, originally issued and now outstanding in the aggregate principal amount of $130,000,000.

"**Series 1997 Warrants**" means the Series 1997-A Warrants and the Series 1997-B Warrants.

"**Series 1997-A Warrants**" means those certain Sewer Revenue Refunding Warrants, Series 1997-A, authorized to be issued pursuant to Article VII hereof in an aggregate principal amount of $211,040,000.

"**Series 1997-B Warrants**" means those certain Taxable Sewer Revenue Refunding Warrants, Series 1997-B, authorized to be issued pursuant to Article VIII hereof in an aggregate principal amount of $48,020,000.

"**Series 1997-C Warrants**" means those certain Taxable Sewer Revenue Refunding Warrants, Series 1997-C, authorized to be issued pursuant to Article IX hereof in an aggregate principal amount of $52,880,000.

"**Sewer Tax**" means that certain ad valorem tax levied by the County on an annual basis for the benefit of the System pursuant to Act No. 716 of the 1900-01 Session of the General Assembly of Alabama.

"**Supplemental Indenture**" means an agreement supplementing or amending the Indenture.

"**System**" means the entire sanitary sewer system owned by the County and all additions thereto and replacements thereof, consisting of mains, laterals, collectors, transmission mains, outfalls, pumping stations, sewage disposal plants, sewage treatment plants, and all properties, rights, easements and franchises appurtenant thereto, whether any of the said properties are now owned by the County or may be hereafter acquired by it.

"**System Improvements**" means (i) any capital improvements, extensions or additions to the System, (ii) any other capital improvements undertaken by the County as a consequence of its ownership and operation of the System, or (iii) any land or interest therein acquired as an addition to the System or as a consequence of the County's ownership and operation of the System.

"**System Revenues**" means the revenues derived from the Sewer Tax and all revenues, receipts, income and other moneys hereafter received by or on behalf of the County from whatever source derived from the operation of the System, including, without limitation, the fees, deposits and charges paid by users of the System and interest earnings on the Indenture Funds (other than the Rate Stabilization Fund) and any other funds held by the County or its agents that are attributable to or traceable from moneys derived from the operation of the System, but excluding, however, any federal or state grants to the County in respect of the System and any income derived from such grants.

"**Tender Indebtedness**" means any Parity Securities that are payable, at the option of the holder thereof, prior to their stated maturity or due date, or that the County (or an agent thereof) is required, at the option of such holder, to purchase prior to their stated maturity or due date.

"**Treasury Receipts**" means custodial receipts evidencing ownership in future principal or interest payments, or both, with respect to United States Treasury obligations that have been deposited with a custodian pursuant to a custody agreement which provides for the United States Treasury obligations underlying such custodial receipts to be held in a separate account and for all payments of principal and interest received by such custodian with respect to such underlying obligations to be immediately paid to the holders of such custodial receipts in accordance with their respective ownership interests in such underlying obligations, provided that (i) the custodian issuing such custodial receipts shall be a bank that is acceptable to the Trustee, that is organized under the laws of the United States of America or any state thereof, and that, at the time of the issuance of such custodial receipts, shall have capital, surplus and undivided profits in excess of $100,000,000 and (ii) the custody agreement pursuant to which such custodial receipts are issued shall be acceptable to Bond Counsel.

"**Trust Estate**" means all properties, moneys, rights and interests that were granted, conveyed, assigned, transferred and pledged to and with the Trustee in Section 2.1 hereof or that are in any way subject to the lien of the Indenture.

"**Trustee**" means the party of the second part hereto and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"**Variable Rate Security**" means any Parity Security that bears interest at a rate that is subject to change prior to the maturity of such security to one or more other interest rates that cannot be determined in advance.

Section 1.2 Use of Phrases. "Herein", "hereby", "hereunder", "hereof", "hereinbefore", "hereinafter", and other equivalent words refer to the Indenture as an entirety and not solely to the particular portion thereof in which any such word is used. The definitions set forth in Section 1.1 hereof include both singular and plural. Whenever used herein, any pronoun shall be deemed to include both singular and plural and to cover all genders. Any percentage or fractional amount of all the Parity Securities or of the Parity Securities of any series, specified herein for any purpose, is to be figured on the aggregate principal amount of all the Parity Securities or of the Parity Securities of such series, as the case may be, then outstanding.

ARTICLE II

GRANTING CLAUSES

Section 2.1 **Granting Clauses.** In order to secure the payment of the principal of and the interest and premium (if any) on the Parity Securities and the performance and observance of the covenants and conditions herein and therein contained for the benefit of the Parity Securityholders, and in consideration of (i) the purchase and acceptance of the Parity Securities by the Holders thereof, and (ii) the acceptance by the Trustee of the trusts herein provided, the County does hereby grant, bargain, sell and convey, assign, transfer and pledge to and with the Trustee the following described properties, interests and rights of the County, whether the same are now owned by it or may be hereafter acquired:

I

The System Revenues (other than revenues derived from the Sewer Tax and any other tax revenues that constitute System Revenues) that remain after the payment of Operating Expenses, subject, however, to the right of the County to receive and use any or all of such revenues that are deemed "surplus revenues" under Section 11.6 hereof after all prior and current obligations of the County hereunder have been satisfied to the extent required to be satisfied from the System Revenues;

II

All moneys from whatever source derived that are required by the Indenture to be deposited from time to time in the Debt Service Fund and the Reserve Fund, together with any investments and reinvestments of such moneys and the income or proceeds thereof; provided that the pledge and assignment herein made with respect to the Reserve Fund shall be only for the benefit and security of the Holders of Parity Securities of those particular series that are secured by the Reserve Fund and, in particular, shall not be for the benefit and security of the Holders of the Series 1997-C Warrants; and

III

Any and all moneys, rights and properties of every kind or description which may from time to time hereafter be sold, transferred, conveyed, assigned, hypothecated, endorsed, deposited, pledged, mortgaged, granted or delivered to, or deposited with, the Trustee by the County or anyone on its part as additional security for the payment of all or any specified series of the Parity Securities, or which pursuant to any of the provisions hereof, may come into the possession or control of the Trustee as such additional security; and the Trustee is hereby authorized to receive any and all such moneys, rights and properties as and for additional security for the payment of all or any specified series of the Parity Securities and to hold and apply the same subject to the terms and conditions of the Indenture;

TO HAVE AND TO HOLD the same unto the Trustee, its successor trustees and assigns forever, subject to Permitted Encumbrances; IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth, for the equal and pro rata protection and benefit of the Holders, present and future, of the Parity Securities, equally and ratably, without preference, priority or distinction of any over others by reason of priority in issuance or acquisition or otherwise, as if all the Parity Securities at any time outstanding had been executed, sold, authenticated, delivered and negotiated simultaneously with the execution and delivery hereof; subject, however, to the conditions contained herein requiring the preferential application of certain moneys with respect to the various series of the Parity Securities, and subject further to the right and duty of the Trustee to apply solely for the benefit of the Holders of any particular series of the Parity Securities all moneys, rights and properties that are pledged or otherwise contractually obligated for the sole and exclusive benefit of the Holders of such particular series of the Parity Securities;

PROVIDED, HOWEVER, that this Indenture is upon the condition that if the County shall pay or cause to be paid the principal of and the interest and premium (if any) on all Parity Securities secured hereby at the times and in the manner provided in the Parity Securities, according to the true intent and meaning thereof, or shall provide for such payment as specified in Section 16.1 hereof, and shall pay or cause to be paid all other Indenture Indebtedness, then the Indenture and the estate and rights granted hereby shall cease, determine and be void; otherwise the Indenture shall be and remain in full force and effect.

Section 2.2 **Parity Securities Not General Obligations.** The principal of and the interest and premium (if any) on the Parity Securities shall be payable solely from the sources of payment provided therein and herein. Neither the Parity Securities nor the Indenture shall be a general indebtedness or pledge of the full faith and credit of the County or a claim on the taxing power of the County or charge against any debt limit imposed on the County by the constitution or laws of the State of Alabama.

ARTICLE III

ISSUANCE OF PARITY SECURITIES IN SERIES

Section 3.1 **Issuance of Parity Securities in Series.** The Parity Securities may be issued in different series, and each Parity Security shall have an appropriate series designation. All the Parity Securities of every series shall be equally and ratably secured by the Indenture, it being expressly understood and agreed that no Parity Securities issued hereunder shall be prior to any other Parity Securities thereafter issued hereunder, but shall be on a parity therewith with respect to the security afforded by the Indenture.

Section 3.2 **Dates and Places of Payment of Parity Securities.** Subject to any applicable provisions pertaining to the dating of Parity Securities issued pursuant to the provisions of either Section 5.2 or 5.3 hereof, the Parity Securities of each series shall bear such date or dates as shall be specified in the Indenture or Supplemental Indenture under which such series is issued. Subject to compliance with the Act, the Parity Securities of each series shall mature on such dates and in such amounts, shall be subject to redemption on such dates and on such terms and conditions, and shall bear interest for such periods, at such rate or rates and payable on such dates, all as shall be fixed, prior to the issuance of such Parity Securities, in this Indenture or in the Supplemental Indenture under which such Parity Securities shall be issued. All installments of principal of and interest and premium (if any) on each series of the Parity Securities shall bear interest after the respective due dates of such principal, interest and premium (if any) until paid or until moneys sufficient for payment thereof shall have been deposited for that purpose with the Trustee, whichever first occurs, at such per annum rate or rates and subject to such grace period (if any) as shall be specified prior to their issuance. The principal of and the interest and premium (if any) on the Parity Securities shall be payable in lawful money of the United States of America.

The principal of and the premium (if any) on the Parity Securities shall be payable at the principal office of the Paying Agent, upon presentation and surrender of the Parity Securities as the same become due. In case any Parity Security is called for partial redemption, the redemption price of the principal thereof so called for redemption shall be payable at the principal office of the Paying Agent (a) upon presentation and surrender of such Parity Security in exchange for a new Parity Security or Parity Securities of the same series and in authorized denominations having an aggregate principal amount equal to the unredeemed portion of the principal of the Parity Security so surrendered, or (b) upon presentation of such Parity Security for an appropriate endorsement by the Paying Agent of such partial redemption on such Parity Security or on any record of partial redemptions appertaining thereto and constituting a part thereof. The interest on the Parity Securities shall be paid by check or draft mailed or otherwise delivered by the Paying Agent to the respective Holders thereof as of the applicable Record Date at their addresses as they appear on the registry books of the Paying Agent pertaining to the

registration of the Parity Securities; provided, however, that the final payment of such interest shall be made only upon surrender of the appropriate Parity Security to the Paying Agent.

Section 3.3 **Form of Parity Securities, Etc.** The Series 1997-A Warrants, the Series 1997-B Warrants and the Series 1997-C Warrants, together with the authentication certificate of the Trustee applicable thereto, shall be in substantially the forms respectively provided therefor in Sections 7.6, 8.3 and 9.6 hereof. The Parity Securities of each series of Additional Parity Securities and the authentication certificate of the Paying Agent and the record of partial redemptions (if any) applicable thereto shall be in substantially the form respectively provided therefor in the Supplemental Indenture under which such Additional Parity Securities are issued, which shall in general be similar to the form applicable to the Series 1997 Warrants, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof and such Supplemental Indenture.

ARTICLE IV

EXECUTION AND AUTHENTICATION OF THE PARITY SECURITIES

Section 4.1 **Execution of Parity Securities.** The Parity Securities shall be executed by the President of the Governing Body, and the seal of the County shall be affixed thereto and attested by the Minute Clerk of the Governing Body; provided that the signatures of the said officers on the Parity Securities may be facsimiles of their actual signatures; and provided further that a facsimile of the seal of the County may be imprinted on the Parity Securities rather than manually affixed thereto. Signatures on the Parity Securities by persons who were officers of the County at the time such signatures were written or printed shall continue effective although such persons cease to be such officers prior to the authentication of the Parity Securities or the delivery thereof.

Section 4.2 **Authentication Certificate of the Paying Agent.** A duly executed authentication certificate by the Paying Agent shall be endorsed on each of the Parity Securities, and no Parity Security shall be valid or obligatory for any purpose unless and until such authentication certificate shall have been duly executed by the Paying Agent. Each such certificate shall recite, in substance, that the Parity Security on which it is endorsed is one of the Parity Securities described in the Indenture. The executed authentication certificate of the Paying Agent endorsed upon any Parity Security shall be conclusive evidence of the due authentication, issue and delivery of such Parity Security under the Indenture.

Section 4.3 **Replacement of Mutilated, Lost, Stolen or Destroyed Parity Securities.** In the event any Parity Security is mutilated, lost, stolen or destroyed, the County may execute, and the Paying Agent shall thereupon authenticate and deliver, a new Parity Security of like tenor as that mutilated, lost, stolen or destroyed; provided that (i) in the case of any such mutilated Parity Security, such Parity Security is first surrendered to the Paying Agent, and (ii) in the case of any such lost, stolen or destroyed Parity Security, there is first furnished to the Paying Agent evidence of such loss, theft or destruction satisfactory to the Paying Agent (with such evidence to be also furnished to the County if requested), together with indemnity satisfactory to the Paying Agent (and to the County if requested); provided that if the Person claiming ownership of such lost, stolen or destroyed Parity Security is a bank or an insurance company, its own written agreement of indemnity shall be deemed to be satisfactory. The County and the Paying Agent may charge the Holder with the expenses of issuing any such new Parity Security. In lieu of issuing a new Parity Security to replace any mutilated, lost, stolen or destroyed Parity Security which shall have already matured, the Paying Agent may pay such Parity Security at or after the maturity thereof if the Holder of such Parity Security satisfies the same terms and conditions as those provided in the preceding provisions of this section for the replacement of such Parity Security.

ARTICLE V

REGISTRATION, TRANSFERS AND EXCHANGES OF THE PARITY SECURITIES

Section 5.1 **Book-Entry Procedures Applicable to Series 1997 Warrants.** (a) Except as provided in Section 5.1(c) hereof, the registered owner of all of the Series 1997 Warrants shall be The Depository Trust Company ("DTC") and the Series 1997 Warrants shall be registered in the name of Cede & Co., as nominee of DTC. Payment of semiannual interest for any Series 1997 Warrant registered as of a Record Date in the name of Cede & Co. shall be made by wire transfer to the account of Cede & Co. on the Interest Payment Date at the address indicated on the Record Date for Cede & Co. in the registry books of the County kept by the Paying Agent.

(b) The Series 1997 Warrants shall be initially issued in the form of a separate single authenticated fully registered warrant in the principal amount of each separately stated maturity. Upon initial issuance, the ownership of each such Series 1997 Warrant shall be registered in the registry book of the County kept by the Paying Agent in the name of Cede & Co., as nominee of DTC. The Paying Agent and the County may treat DTC (or its nominee) as the sole and exclusive owner of the Series 1997 Warrants registered in its name for the purposes of payment of the principal or redemption price of or interest on such Series 1997 Warrants, selecting such Series 1997 Warrants or portions thereof to be redeemed, giving any notice permitted or required to be given to Holders of Series 1997 Warrants under the Indenture, registering the transfer of Series 1997 Warrants, obtaining any consent or other action to be taken by Holders

of Series 1997 Warrants and for all other purposes whatsoever; and neither the Paying Agent nor the County shall be affected by any notice to the contrary. Neither the Paying Agent nor the County shall have any responsibility or obligation to any DTC participant, any Person claiming a beneficial ownership interest in the Series 1997 Warrants under or through DTC or any DTC participant, or any other Person which is not shown on the registration books of the County kept by the Paying Agent as being a Holder of Series 1997 Warrants. The County and the Paying Agent shall have no responsibility with respect to the accuracy of any records maintained by DTC, Cede & Co. or any DTC participant with respect to any ownership interest in the Series 1997 Warrants; the payment by DTC or any DTC participant to any beneficial owner of any amount in respect of the principal or redemption price of or interest on the Series 1997 Warrants; the delivery to any DTC participant or any beneficial owner of any notice which is permitted or required to be given to Holders of the Series 1997 Warrants under the Indenture; the selection by DTC or any DTC participant of any Person to receive payment in the event of a partial redemption of the Series 1997 Warrants; or the authority for any consent given or other action taken by DTC as the Holder of Series 1997 Warrants. The Paying Agent shall pay all principal of and premium, if any, and interest on the Series 1997 Warrants only to Cede & Co., as nominee of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the County's obligations with respect to the principal of and premium, if any, and interest on such Series 1997 Warrants to the extent of the sum or sums so paid. Upon delivery by DTC to the Paying Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co. and direction to effect such change on the registry books maintained by the Paying Agent, the term "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

(c) In the event the County determines that it is in the best interest of the beneficial owners of the Series 1997 Warrants that they be able to obtain warrant certificates, the County may notify DTC and the Paying Agent of the availability through DTC of warrant certificates. In such event, the Paying Agent shall issue, transfer and exchange warrant certificates as requested by DTC and any other Holders of Series 1997 Warrants in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Series 1997 Warrants at any time by giving notice to the County and the Paying Agent and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the County and Paying Agent shall be obligated to deliver warrant certificates as described in the Indenture. In the event warrant certificates are issued to Holders of the Series 1997 Warrants other than DTC, the provisions of Article V of the Indenture shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever DTC requests the County and the Paying Agent to do so, the County and the Paying Agent will cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Series 1997 Warrants to any DTC participant having Series 1997 Warrants credited to its DTC account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series 1997 Warrants.

(d) Notwithstanding any other provision of the Indenture to the contrary, so long as any Series 1997 Warrant is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on such Series 1997 Warrant and all notices with respect to such Series 1997 Warrant shall be made and given to DTC as provided in the Representation Letter to be signed by the County and the Paying Agent on or prior to the date of issuance and delivery of the Series 1997 Warrants and accepted by DTC. Without limitation of the foregoing, so long as any Series 1997 Warrant is registered in the name of Cede & Co., as nominee of DTC, the Paying Agent shall send a copy of any notice of redemption by overnight delivery not less than thirty (30) days before the redemption date to DTC, but such mailing shall not be a condition precedent to such redemption and failure to so mail any such notice (or failure of DTC to advise any DTC participant, or any DTC participant to notify the beneficial owner, of any such notice or its content or effect) shall not affect the validity of the proceedings for the redemption of the Series 1997 Warrants.

(e) In connection with any notice or other communication to be provided to Holders of the Series 1997 Warrants pursuant to the Indenture by the County or the Paying Agent with respect to any consent or other action to be taken by Holders of the Series 1997 Warrants, so long as any Series 1997 Warrant is registered in the name of Cede & Co., as nominee of DTC, the County or the Paying Agent, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

(f) In the event of any inconsistency between the provisions of this Section 5.1 and any other provision of the Indenture or the forms of Series 1997 Warrants, the provisions of this Section 5.1 shall govern so long as warrant certificates have not been issued to the Holders of the Series 1997 Warrants other than DTC in accordance with Section 5.1(c) hereof.

Section 5.2 **Registration and Transfer of Parity Securities.** The Paying Agent for each series of Parity Securities shall be the registrar and transfer agent of the County with respect to such series and shall keep at its principal office proper registry and transfer books in which it will note the registration and transfer of such Parity Securities as are presented for those purposes, all in the manner and to the extent hereinafter specified.

The transfer of any Parity Security may be registered only upon the books kept by the Paying Agent, as registrar and transfer agent for the County, for the registration and registration of transfer of Parity Securities upon surrender thereof at the office of the Paying Agent with written power to transfer signed by the Holder thereof in person or by duly authorized attorney, properly stamped if required, in form and with guaranty of signature satisfactory to the Paying Agent. Upon any such transfer the County shall execute, and the Paying Agent shall authenticate and deliver to the transferee, a new Parity Security registered in the name of such transferee and of like tenor as that presented for transfer.

Any Series 1997-A Warrant or Series 1997-B Warrant authenticated and delivered pursuant to the provisions of this section shall be dated February 1, 1997. Any Series 1997-C Warrant authenticated and delivered pursuant to the provisions of this section shall be dated February 15, 1997. Any Additional Parity Security authenticated and delivered pursuant to the provisions of this section shall be dated in accordance with the provisions of the Supplemental Indenture under which such Additional Parity Security is issued.

The Paying Agent shall not be required to transfer any Parity Security during the period of fifteen days next preceding any Interest Payment Date with respect thereto or, if such Parity Security is duly called for redemption (in whole or in part), during the period of thirty days next preceding the date fixed for such redemption.

Section 5.3 **Exchange of Parity Securities.** The Parity Securities of each series shall be freely exchangeable within the limits provided in the Indenture or Supplemental Indenture under which such series is issued; provided, however, that under no circumstances shall a Parity Security be issuable in exchange for other Parity Securities unless all the Parity Securities being so exchanged are of the same series, bear interest at the same rate and have the same stated maturity. Upon the request of the Holder of any Parity Security in a principal amount greater than the minimum authorized denomination applicable to the series to which such Parity Security belongs, the County shall execute, and the Paying Agent shall thereupon authenticate and deliver, upon surrender to the Paying Agent of such Parity Security and in exchange therefor, two or more Parity Securities of like tenor as the Parity Security so surrendered and in authorized denominations aggregating the same principal amount as the Parity Security so surrendered. Upon the request of the Holder of two or more Parity Securities the County shall execute, and the Paying Agent shall thereupon authenticate and deliver, upon surrender to the Paying Agent of such Parity Securities and in exchange therefor, a new Parity Security or Parity Securities of like tenor in different authorized denominations and aggregating the same principal amount as the then unpaid principal amount of the Parity Securities so surrendered. Any Parity Securities surrendered for exchange pursuant to the provisions of this section shall be accompanied by a written power to transfer signed by the Holder thereof in person or by duly authorized attorney, properly stamped if required, in form and with guaranty of signature satisfactory to the Paying Agent.

Any Series 1997-A Warrant or Series 1997-B Warrant authenticated and delivered pursuant to the provisions of this section shall be dated February 1, 1997. Any Series 1997-C Warrant authenticated and delivered pursuant to the provisions of this section shall be dated February 15, 1997. Any Additional Parity Security authenticated and delivered pursuant to the provisions of this section shall be dated in accordance with the provisions of the Supplemental Indenture under which such Additional Parity Security is issued.

The Paying Agent shall not be required to exchange any Parity Security pursuant to the provisions of this section during the period of fifteen days next preceding any Interest Payment Date with respect thereto or, if such Parity Security shall be duly called for redemption (in

whole or in part), during the period of thirty days next preceding the date fixed for such redemption.

Section 5.4 **Persons Deemed Owners of Parity Securities.** The Person in whose name a Parity Security is registered on the books of the Paying Agent shall be the sole Person to whom or on whose order payments on account of the principal thereof and of the interest and premium (if any) thereon may be made. The County and the Paying Agent may deem and treat the Person in whose name a Parity Security is registered as the absolute owner thereof for all purposes; they shall not be affected by notice to the contrary; and all payments by either of them to the Person in whose name a Parity Security is registered shall to the extent thereof fully discharge and satisfy all liability for the same.

Section 5.5 **Expenses of Transfer and Exchange.** The County and the Paying Agent may charge the Holder with their reasonable fees and expenses in connection with any transfer or exchange of any of the Parity Securities (including, without limitation, the expenses of printing any new Parity Securities that may be necessitated by any transfer or exchange after the exhaustion of an initial supply of Parity Securities for a reasonable number of such transfers and exchanges); provided, however, that no charge shall be made for the issuance of a new Parity Security issued, pursuant to the provisions of Section 6.2 hereof, as a result of a call for partial redemption of any Parity Security. In every case involving any transfer or exchange of any of the Parity Securities that is requested by the Holder thereof, such Holder shall pay all taxes and other governmental charges required to be paid in connection with such transfer or exchange.

ARTICLE VI

GENERAL PROVISIONS RESPECTING REDEMPTION OF PARITY SECURITIES

Section 6.1 **Manner of Effecting Redemption of Parity Securities.** Any redemption of any Parity Securities of any series shall be effected in the following manner:

(a) Call. The Governing Body shall adopt a Resolution containing the following: (1) a call for redemption, on a specified date when they are by their terms subject to redemption, of Parity Securities bearing a stated series designation or designations and having specified maturities (and, in the case of the partial redemption of any Parity Securities, the respective principal amounts thereof to be redeemed); (2) unless all the Parity Securities then outstanding are to be redeemed (or unless a portion of all such outstanding Parity Securities are to be redeemed and the remainder are, simultaneously with or prior to such redemption, to be otherwise retired), a statement that no Event of Default has occurred

and is continuing; and (3) a summary of all applicable restrictions upon or conditions precedent to such redemption and the provisions made to comply therewith; provided, however, that it shall not be necessary for the Governing Body to adopt any such Resolution in the case of any redemption of Series 1997-A Warrants pursuant to the provisions of Section 7.3 hereof, any redemption of Series 1997-C Warrants pursuant to Section 9.3 hereof or the redemption of the Parity Securities of any series of Additional Parity Securities, if such redemption is required by the terms of the Supplemental Indenture under which such series of Additional Parity Securities is issued or if, in such Supplemental Indenture, the adoption of such Resolution is expressly stated to be unnecessary.

(b) Notice by Mail. With respect to any Parity Securities called for redemption, in whole or in part, the Paying Agent (on behalf of the County) shall cause to be forwarded to the Holder thereof a notice by registered or certified mail stating the following: that Parity Securities bearing a stated series designation or designations and having specified maturities (and, in the case of the partial redemption of any Parity Securities, the respective principal amounts thereof to be redeemed) have been called for redemption and will become due and payable at the applicable redemption price or redemption prices on a specified redemption date, and that all interest thereon will cease after such redemption date if prior to such date, or not later than 10:00 o'clock, A.M., on such date, the total redemption price of the Parity Securities (or portions thereof) so called for redemption, together with the accrued interest thereon to such date, has been deposited with the Paying Agent. Such notice shall be so mailed not more than sixty (60) nor less than thirty (30) days prior to the date fixed for redemption [or, in the case of Series 1997-C Warrants called for optional redemption, not more than ninety (90) nor less than forty-five (45) days prior to the date fixed for redemption], but Holders of any Parity Securities may waive the requirements of this subsection with respect to the Parity Securities held by them without affecting the validity of the call for redemption of any other Parity Securities.

(c) Deposit. Prior to the date fixed for redemption the County shall deposit or cause to be deposited with the Paying Agent the total redemption price of the Parity Securities (or portions thereof) so called for redemption (as such redemption price is specified herein or in the Supplemental Indenture under which such Parity Securities are issued) in funds that will be immediately available no later than the opening of business on the date fixed for redemption and shall furnish to the Paying Agent the following: (i) a certified copy of the Resolution required by subsection (a) of this section (if, under the circumstances, the adoption of any such Resolution is required); and (ii) when such redemption is made subject, by the terms of the Indenture or any Supplemental Indenture, to any other restriction or requirement, evidence satisfactory to the Paying Agent showing compliance with such restriction or requirement.

Section 6.2 **Presentation of Parity Securities for Redemption; Parity Securities Called for Redemption to Cease to Bear Interest.** Upon compliance by the County and the Paying Agent with the requirements of Section 6.1 hereof [and, unless all the Parity Securities then outstanding are to be redeemed (or unless a portion of such outstanding Parity Securities are to be redeemed and the remainder are, simultaneously with or prior to such redemption, to be otherwise retired), if the County is not on the redemption date in default in payment of the principal of or the interest (or premium, if any) on any of the Parity Securities], the Parity Securities so called for redemption (or, in the case of any Parity Securities called for partial redemption, the portions thereof called for redemption) shall become due and payable at the place or places at which the same shall be payable at the redemption price or prices and on the redemption date specified in such notice, anything herein or in the Parity Securities to the contrary notwithstanding and the Holders thereof shall then and there surrender them for redemption; provided, however, that with respect to any Parity Security called for partial redemption, (i) the Holder thereof shall surrender such Parity Security to the Paying Agent in exchange for one or more new Parity Securities of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the Parity Security so surrendered or (ii) such Holder shall, in lieu of surrendering such Parity Security in exchange for a new Parity Security or Parity Securities, present the same to the Paying Agent for endorsement thereon (or on any record of partial redemptions appertaining thereto and constituting a part thereof) of the payment of the portion of the principal thereof so redeemed. All future interest on the Parity Securities so called for redemption (or, in the case of any Parity Securities called for redemption in part, the portions thereof called for redemption) shall, subject to the deposit required by subsection (c) of Section 6.1 hereof having been made, cease to accrue after the date fixed for redemption. The Parity Securities so called (or, in the case of any Parity Securities called for redemption in part, the portions thereof called for redemption) shall, subject to such deposit having been made, no longer be entitled to the benefit of the lien hereof but shall look solely to the moneys deposited with the Paying Agent under the provisions of this article; and out of the moneys so deposited with it, the Paying Agent shall pay on the redemption date the applicable redemption price or prices of the Parity Securities so called for redemption (or, in the case of any Parity Securities called for redemption in part, the portions thereof called for redemption).

Section 6.3 **Pro Rata Redemption of Parity Securities of Different Series Not Required.** Nothing contained in the Indenture shall be construed as requiring pro rata redemption of Parity Securities of different series, even though at the time that any redemption of Parity Securities is to be effected there are then outstanding Parity Securities of two or more series then subject to redemption.

ARTICLE VII

THE SERIES 1997-A WARRANTS

Section 7.1 **Authorization and Description of the Series 1997-A Warrants and Places of Payment.** Pursuant to the applicable provisions of the Act, and for the purpose of refunding the Series 1992 Warrants and the Series 1995-A Warrants, there is hereby authorized to be issued under the Indenture an issue or series of Parity Securities designated Sewer Revenue Refunding Warrants, Series 1997-A, limited in aggregate principal amount to $211,040,000. The Series 1997-A Warrants shall be dated February 1, 1997, shall be numbered from R1 upwards in the order issued and shall be issued initially in the respective principal amounts of $5,000 or any greater integral multiple thereof. The Series 1997-A Warrants shall mature and become payable on the dates and in the amounts set forth below and shall bear interest from their respective dates payable on August 1, 1997, and on each February 1 and August 1 thereafter until maturity or earlier redemption at the per annum rates set forth below:

Maturity Date	Principal Amount	Interest Rate
February 1, 2005	$ 5,870,000	5.000%
February 1, 2006	3,675,000	5.375
February 1, 2017	5,535,000	5.650
February 1, 2018	7,220,000	5.625
February 1, 2019	9,135,000	5.625
February 1, 2022	41,640,000	5.625
February 1, 2027	137,965,000	5.375

The principal of and the interest on any Series 1997-A Warrant shall bear interest after their respective due dates until paid at the rate of interest borne by the principal of such Series 1997-A Warrant prior to maturity. The Series 1997-A Warrants shall be initially issued and registered in the names of such Holders as shall be designated by the initial purchasers of the Series 1997-A Warrants.

The principal of and the interest and premium (if any) on the Series 1997-A Warrants shall be payable in accordance with the provisions of Section 3.2 hereof.

Section 7.2 **Optional Redemption of Series 1997-A Warrants.** Those of the Series 1997-A Warrants having stated maturities after February 1, 2007, but prior to February 1, 2027, will be subject to redemption and prepayment prior to their stated maturities, at the option of the County, as a whole or in part on February 1, 2007, and on any date thereafter, at and for the following respective redemption prices (expressed in percentages of the principal amount of each Series 1997-A Warrant or portion thereof to be redeemed) plus accrued interest to the date fixed for redemption:

Redemption Period	Redemption Price
February 1, 2007, through January 31, 2008	101.0%
February 1, 2008, through January 31, 2009	100.5
February 1, 2009, or thereafter	100.0

The Series 1997-A Warrants maturing on February 1, 2027, will be subject to redemption and prepayment, prior to said maturity date, at the option of the County, as a whole or in part, on February 1, 2007, and on any date thereafter, at and for a redemption price, with respect to each Series 1997-A Warrant or portion thereof to be redeemed, equal to the principal amount to be redeemed plus accrued interest thereon to the date fixed for redemption. The Series 1997-A Warrants may be redeemed only in installments of $5,000 or any integral multiple thereof. In the event that less than all of the Series 1997-A Warrants of a particular maturity are redeemed and prepaid pursuant to this Section 7.2, the Trustee shall select by lot the Series 1997-A Warrants (or portions of the principal thereof) of such maturity to be redeemed and prepaid. The redemption of Series 1997-A Warrants pursuant to this section shall comply with the applicable provisions of Article VI and Section 7.5 hereof, with the provisions of Section 7.5 particularly applicable to the Series 1997-A Warrants to govern in the case of any conflict.

Section 7.3 **Scheduled Mandatory Redemption of Series 1997-A Warrants.** Those of the Series 1997-A Warrants maturing on February 1, 2022, shall be subject to scheduled mandatory redemption on the following respective dates and in the following respective principal amounts:

Redemption Date	Principal Amount
February 1, 2020	$ 11,310,000
February 1, 2021	13,775,000

Series 1997-A Warrants in the aggregate principal amount of $16,555,000 will remain to be paid at their scheduled maturity on February 1, 2022.

Those of the Series 1997-A Warrants maturing on February 1, 2027, shall be subject to scheduled mandatory redemption on the following respective dates and in the following respective principal amounts:

Redemption Date	Principal Amount
February 1, 2023	$ 19,700,000
February 1, 2024	23,190,000
February 1, 2025	27,115,000
February 1, 2026	31,515,000

Series 1997-A Warrants in the aggregate principal amount of $36,445,000 will remain to be paid at their scheduled maturity on February 1, 2027.

The Series 1997-A Warrants shall be redeemed pursuant to the provisions of this section at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, and such redemption shall be effected in accordance with the applicable provisions of Article VI and Section 7.5 hereof, with the provisions of Section 7.5 particularly applicable to the Series 1997-A Warrants to govern in the case of any conflict.

Section 7.4 **Purchase of Series 1997-A Warrants for Retirement.** The County may at any time and from time to time purchase Series 1997-A Warrants for retirement using funds from any source. Any Series 1997-A Warrants so purchased for retirement shall be delivered by the County to the Trustee, together with a written order of an authorized officer of the County for their cancellation, whereupon such purchased Series 1997-A Warrants shall be cancelled by the Trustee. The principal amount of any Series 1997-A Warrants maturing on February 1, 2022, or February 1, 2027, that are so purchased by the County and cancelled by the Trustee or redeemed by the County pursuant to Section 7.2 hereof shall be credited against the aggregate principal amount of Series 1997-A Warrants maturing on February 1, 2022, or February 1, 2027, as the case may be, that are required to be redeemed pursuant to the provisions of Section 7.3 hereof on such date or dates succeeding the date on which such purchased or redeemed Series 1997-A Warrants shall be delivered to the Trustee as shall be specified by the County, and the effect of such credit shall be to reduce by the principal amount thereof the aggregate principal amount of Series 1997-A Warrants required to be redeemed on such specified date or dates; provided, however, that no credit in respect of the redemption of Series 1997-A Warrants required on any February 1 shall be allowed for any Series 1997-A Warrants maturing on February 1, 2022, or February 1, 2027, and purchased or redeemed unless the same shall be delivered to the Trustee, or the optional redemption which is the basis for such credit shall be effected, prior to December 15 of the year preceding the year in which such mandatory redemption is to be effected. In the event that the County elects to purchase any Series 1997-A Warrants for retirement, the Trustee may, if requested to do so by the County, solicit for tenders of Series 1997-A Warrants by holders thereof who wish to sell such Series 1997-A Warrants to the County.

Section 7.5 **Special Provisions Respecting Partial Redemption of Series 1997-A Warrants.** The principal of any Series 1997-A Warrants shall be redeemed only in the amount of $5,000 or any integral multiple thereof. If less than all the outstanding Series 1997-A Warrants are to be redeemed on any single redemption date pursuant to Section 7.2 hereof, those to be redeemed shall be called for redemption from such maturity or maturities as shall be specified by the County. If less than all the Series 1997-A Warrants of a single maturity are to be called for redemption on any single redemption date, the Trustee shall assign a number or other unique designation to each $5,000 in principal amount of the Series 1997-A Warrants of such maturity then outstanding and select by lot, from among all such numbers or other unique designations associated with the Series 1997-A Warrants then outstanding, numbers or other unique designations representing an aggregate principal amount equal to the principal amount of the Series 1997-A Warrants of such maturity to be so called for redemption, whereupon there shall be called for redemption an amount of the unpaid principal of each Series 1997-A Warrant of such maturity equal to the principal amount represented by the numbers or other unique designations related thereto that were so selected.

Section 7.6 **Form of Series 1997-A Warrants.** The Series 1997-A Warrants and the Trustee's authentication certificate applicable thereto shall be in substantially the following forms, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:

[Form of Series 1997-A Warrant]

No. R___ $_____

UNITED STATES OF AMERICA

STATE OF ALABAMA

JEFFERSON COUNTY, ALABAMA

SEWER REVENUE REFUNDING WARRANT
Series 1997-A

Interest Rate	Maturity Date	CUSIP
_____	_____	_____

JEFFERSON COUNTY, ALABAMA, a political subdivision of the State of Alabama (herein called the "County"), hereby acknowledges that it is indebted to, and hereby directs the County Treasurer of the County to pay to _____, or registered assigns, solely out of the revenues hereinafter referred to, the principal sum of

DOLLARS

on the date specified above with interest thereon from the date hereof until the maturity hereof at the per annum rate of interest specified above (computed on the basis of a 360-day year of twelve consecutive 30-day months), payable on August 1, 1997, and semiannually thereafter on each February 1 and August 1 until maturity or earlier redemption. The principal of and the interest and premium (if any) on this warrant shall be payable in lawful money of the United States of America and shall bear interest after their respective due dates until paid at the rate of interest borne by the principal hereof prior to maturity. The principal of and premium (if any) on this warrant shall be payable only upon presentation and surrender of this warrant at the principal office of the Trustee hereinafter referred to. The interest on this warrant shall be remitted by said Trustee by check or draft mailed or otherwise delivered to the registered holder hereof at the address shown on the registry books of said Trustee.

This warrant is one of a duly authorized issue or series of warrants authorized to be issued in the aggregate principal amount of $211,040,000 and designated Sewer Revenue Refunding Warrants, Series 1997-A (herein called the "Series 1997-A Warrants"). The Series 1997-A Warrants have been issued under and pursuant to the constitution and laws of the State of Alabama and a Trust Indenture dated as of February 1, 1997 (herein called the "Indenture"),

between the County and AmSouth Bank of Alabama, as trustee (herein, together with its successors in trust, called the "Trustee"). Simultaneously with the issuance of the Series 1997-A Warrants, the County issued, under the Indenture, $48,020,000 principal amount of its Taxable Sewer Revenue Refunding Warrants, Series 1997-B (herein called the "Series 1997-B Warrants"), and $52,880,000 principal amount of its Taxable Sewer Revenue Refunding Warrants, Series 1997-C (herein called the "Series 1997-C Warrants").

The Series 1997-A Warrants having stated maturities after February 1, 2007, are subject to redemption and prepayment prior to maturity, at the option of the County, as a whole or in part, from such maturity or maturities as shall be specified by the County, on February 1, -2007, and on any date thereafter, such redemption (except in the case of Series 1997-A Warrants maturing on February 1, 2027) to be at and for the following respective redemption prices (expressed as a percentage of the principal amount redeemed) plus accrued interest to the date fixed for redemption:

Redemption Period	Redemption Price
February 1, 2007, through January 31, 2008	101.0%
February 1, 2008, through January 31, 2009	100.5
February 1, 2009, or thereafter	100

The redemption price for any Series 1997-A Warrant maturing on February 1, 2027, that is called for optional redemption, in whole or in part, shall be equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption.

The Series 1997-A Warrants having a stated maturity on February 1, 2022, are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in the following principal amounts on the following dates:

Redemption Date	Principal Amount
February 1, 2020	$ 11,310,000
February 1, 2021	13,775,000
February 1, 2022 (maturity)	16,555,000

The Series 1997-A Warrants having a stated maturity on February 1, 2027, are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount

thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in the following principal amounts on the following dates:

Redemption Date	Principal Amount
February 1, 2023	$ 19,700,000
February 1, 2024	23,190,000
February 1, 2025	27,115,000
February 1, 2026	31,515,000
February 1, 2027 (maturity)	36,445,000

If less than all of the outstanding Series 1997-A Warrants of a particular maturity are to be called for redemption, the Series 1997-A Warrants (or principal portions thereof) to be redeemed shall be selected by the Trustee by lot in the principal amounts designated to the Trustee by the County or otherwise as required by the Indenture. In the event any of the Series 1997-A Warrants are called for redemption, the Trustee shall give notice, in the name of the County, of the redemption of such Warrants, which notice shall state that on the redemption date the Series 1997-A Warrants to be redeemed shall cease to bear interest. Such notice shall be given by mailing a copy thereof by registered or certified mail at least thirty (30) days prior to the date fixed for redemption to the holders of the Series 1997-A Warrants to be redeemed at the addresses shown on the registration books of the Trustee; provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of the redemption of any of the Series 1997-A Warrants for which notice was properly given. Any Series 1997-A Warrants which have been duly selected for redemption and which are deemed to be paid in accordance with the Indenture shall cease to bear interest on the date fixed for redemption and shall thereafter cease to be entitled to any lien, benefit or security under the Indenture.

Under the Indenture, the Series 1997-A Warrants, the Series 1997-B Warrants and the Series 1997-C Warrants are equally and ratably secured by a pledge of certain revenues from the sanitary sewer system of the County (herein, as it may at any time exist, called the "System") that remain after the payment of the expenses of operating and maintaining the System. Upon compliance with certain conditions specified in the Indenture, the County may issue additional securities (without limitation as to principal amount) that are secured by the Indenture on a parity with the Series 1997-A Warrants, the Series 1997-B Warrants and the Series 1997-C Warrants with respect to the pledge of the aforesaid revenues from the System (the Series 1997-A Warrants, the Series 1997-B Warrants, the Series 1997-C Warrants and all such additional securities being herein together called the "Parity Securities").

The holders of the Parity Securities shall never have the right to demand payment of the Parity Securities out of any funds raised or to be raised by taxation or from any source whatsoever, except the payments and amounts described in this warrant and the Indenture. Except for the revenues from the System and the other moneys that may be held by the Trustee

under the Indenture, no property of the County is encumbered by any lien or security interest for the benefit of the holder of this warrant. Neither the faith and credit, nor the taxing power, of the State of Alabama or the County, or any other public corporation, subdivision or agency of the State of Alabama or the County, is pledged to the payment of the principal of or the interest or premium (if any) on this warrant.

The transfer of this warrant shall be registered upon the registration books kept at the principal corporate office of the Trustee, at the written request of the holder hereof or his attorney duly authorized in writing, upon surrender of this warrant at said office, together with a written instrument of transfer satisfactory to the Trustee duly executed by the holder hereof or his duly authorized attorney. Upon payment of any required tax or other governmental charge, this warrant may, upon the surrender hereof at the principal corporate trust office of the Trustee, be exchanged for an equal aggregate principal amount of Series 1997-A Warrants of the same maturity in any other authorized denominations.

The Trustee shall not be required to transfer or exchange this warrant during the period of fifteen days next preceding any interest payment date with respect hereto. In the event that this warrant (or any principal portion hereof) is duly called for redemption and prepayment, the Trustee shall not be required to transfer or exchange this warrant during the period of thirty days next preceding the date fixed for such redemption and prepayment.

Except as provided in the Indenture, the registered holder of this warrant shall have no right to enforce the provisions of the Indenture, or to institute action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto.

With certain exceptions as provided therein, the Indenture may be modified or amended only with the consent of the holders of a majority in aggregate principal amount of all Parity Securities outstanding under the Indenture.

Reference is hereby made to the Indenture, a copy of which is on file with the Trustee, for the provisions thereof concerning the nature and extent of the rights, duties and obligations of the County, the Trustee and the holders of the Parity Securities. The registered holder of this warrant, by the acceptance hereof, is deemed to have agreed and consented to the terms and provisions of the Indenture.

The County and the Trustee may deem and treat the person in whose name this warrant is registered as the absolute owner hereof for all purposes, whether or not any principal of or interest on this warrant is overdue, and neither the County nor the Trustee shall be affected by any notice to the contrary.

It is hereby certified, recited and declared that all acts, conditions and things required by the constitution and laws of the State of Alabama to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of

this warrant, do exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this warrant or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the County in his individual capacity, and neither the members of the governing body of the County, nor any official executing this warrant, shall be liable personally on this warrant or be subject to any personal liability or accountability by reason of the issuance or sale of this warrant.

This warrant shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this warrant shall have been authenticated by the execution by the Trustee of the certificate of authentication inscribed hereon.

IN WITNESS WHEREOF, the County has caused this warrant to be executed in its name and behalf with the facsimile signature of the President of its County Commission, has caused a facsimile of its official seal to be hereunto imprinted, has caused the signature of the aforesaid President to be attested by the Minute Clerk of its County Commission, who has caused a facsimile of her signature to be imprinted hereon, and has caused this warrant to be dated February 1, 1997.

JEFFERSON COUNTY, ALABAMA

By_____
President of the County Commission

ATTEST:

_____
Minute Clerk of the
County Commission

[S E A L]

[Form for Assignment]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the within warrant and hereby irrevocably constitutes and appoints _____ attorney, with full power of substitution in the premises, to transfer the within warrant on the books kept for registration thereof by the within-mentioned Trustee.

Dated this _____ day of _____, _____.

_____

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears upon the face of the within warrant in every particular, without alteration or enlargement or any change whatsoever.

AUTHENTICATION CERTIFICATE

DATE OF AUTHENTICATION: _____

This warrant is one of the Series 1997-A Warrants described in the within-mentioned Trust Indenture.

AMSOUTH BANK OF ALABAMA,
as Trustee

By_____
Its Authorized Officer

Section 7.7 **Execution and Delivery of Series 1997-A Warrants.** The Series 1997-A Warrants shall be forthwith executed and delivered to the Trustee and shall be authenticated and delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the County by the President of the Governing Body requesting such authentication and delivery and designating the Person or Persons to receive the same or any part thereof.

Section 7.8 **Application of Proceeds from the Sale of Series 1997-A Warrants.** The entire proceeds derived from the sale of the Series 1997-A Warrants shall be paid to the Trustee and promptly thereafter applied by the Trustee for the following purposes and in the following order:

(a) payment into the Debt Service Fund of that portion of such proceeds (if any) that is allocable to accrued interest;

(b) payment of the sum of $533,029.80 to the Bond Insurer;

(c) payment of the sum of $130,321,616.44 to Bayerische Landesbank Girozentrale, acting through its New York Branch, to provide immediate reimbursement for moneys drawn under said bank's letter of credit to effect the purchase of the Series 1995-A Warrants;

(d) payment of the sum of $51,439,061.58 to AmSouth Bank of Alabama, in its capacity as escrow trustee with respect to the Series 1992 Warrants under an Escrow Trust Agreement dated as of February 1, 1997, between the County and said bank;

(e) payment into the Reserve Fund of the sum of $19,323,212.94; and

(f) payment of the balance of such proceeds into the Issuance Cost Account.

ARTICLE VIII

THE SERIES 1997-B WARRANTS

Section 8.1 **Authorization and Description of the Series 1997-B Warrants and Places of Payment.** Pursuant to the applicable provisions of the Act, and for the purpose of refunding the Series 1993 Warrants, there is hereby authorized to be issued under the Indenture an issue or series of Parity Securities designated Taxable Sewer Revenue Refunding Warrants, Series 1997-B, limited in aggregate principal amount to $48,020,000. The Series 1997-B Warrants shall be dated February 1, 1997, shall be numbered from R1 upwards in the order issued and shall be issued initially in the respective principal amounts of $5,000 or any greater integral multiple thereof. The Series 1997-B Warrants shall mature and become payable on the dates and in the amounts set forth below and shall bear interest from their respective dates payable on August 1, 1997, and on each February 1 and August 1 thereafter until maturity or earlier redemption at the per annum rates set forth below:

Maturity Date	Principal Amount	Interest Rate
February 1, 1998	$ 4,200,000	5.80%
February 1, 1999	4,700,000	6.10
February 1, 2000	8,880,000	6.32
February 1, 2001	13,335,000	6.46
February 1, 2002	6,100,000	6.55
February 1, 2003	10,805,000	6.63

The principal of and the interest on any Series 1997-B Warrant shall bear interest after their respective due dates until paid at the rate of interest borne by the principal of such Series 1997-B Warrant prior to maturity. The Series 1997-B Warrants shall be initially issued and registered in the names of such Holders as shall be designated by the initial purchasers of the Series 1997-B Warrants.

The principal of and the interest on the Series 1997-B Warrants shall be payable in accordance with the provisions of Section 3.2 hereof.

Section 8.2 **Purchase of Series 1997-B Warrants for Retirement.** The County may at any time and from time to time purchase Series 1997-B Warrants for retirement using funds from any source. Any Series 1997-B Warrants so purchased for retirement shall be delivered by the County to the Trustee, together with a written order of an authorized officer of the County for their cancellation, whereupon such purchased Series 1997-B Warrants shall be cancelled by the Trustee.

Section 8.3 **Form of Series 1997-B Warrants.** The Series 1997-B Warrants and the Trustee's authentication certificate applicable thereto shall be in substantially the following forms, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:

[Form of Series 1997-B Warrant]

No. R___ $_____

UNITED STATES OF AMERICA

STATE OF ALABAMA

JEFFERSON COUNTY, ALABAMA

TAXABLE SEWER REVENUE REFUNDING WARRANT
Series 1997-B

Interest Rate	Maturity Date	CUSIP
_____	_____	_____

JEFFERSON COUNTY, ALABAMA, a political subdivision of the State of Alabama (herein called the "County"), hereby acknowledges that it is indebted to, and hereby directs the County Treasurer of the County to pay to _____, or registered assigns, solely out of the revenues hereinafter referred to, the principal sum of

DOLLARS

on the date specified above with interest thereon from the date hereof until the maturity hereof at the per annum rate of interest specified above (computed on the basis of a 360-day year of twelve consecutive 30-day months), payable on August 1, 1997, and semiannually thereafter on each February 1 and August 1 until maturity or earlier redemption. The principal of and the interest on this warrant shall be payable in lawful money of the United States of America and shall bear interest after their respective due dates until paid at the rate of interest borne by the principal hereof prior to maturity. The principal of this warrant shall be payable only upon presentation and surrender of this warrant at the principal office of the Trustee hereinafter referred to. The interest on this warrant shall be remitted by said Trustee by check or draft mailed or otherwise delivered to the registered holder hereof at the address shown on the registry books of said Trustee.

This warrant is one of a duly authorized issue or series of warrants authorized to be issued in the aggregate principal amount of $48,020,000 and designated Taxable Sewer Revenue Refunding Warrants, Series 1997-B (herein called the "Series 1997-B Warrants"). The Series 1997-B Warrants have been issued under and pursuant to the constitution and laws of the State of Alabama and a Trust Indenture dated as of February 1, 1997 (herein called the "Indenture"),

between the County and AmSouth Bank of Alabama, as trustee (herein, together with its successors in trust, called the "Trustee"). Simultaneously with the issuance of the Series 1997-B Warrants, the County issued, under the Indenture, $211,040,000 principal amount of its Sewer Revenue Refunding Warrants, Series 1997-A (herein called the "Series 1997-A Warrants"), and $52,880,000 principal amount of its Taxable Sewer Revenue Refunding Warrants, Series 1997-C (herein called the "Series 1997-C Warrants").

Under the Indenture, the Series 1997-A Warrants, the Series 1997-B Warrants and the Series 1997-C Warrants are equally and ratably secured by a pledge of certain revenues from the sanitary sewer system of the County (herein, as it may at any time exist, called the "System") that remain after the payment of the expenses of operating and maintaining the System. Upon compliance with certain conditions specified in the Indenture, the County may issue additional securities (without limitation as to principal amount) that are secured by the Indenture on a parity with the Series 1997-A Warrants, the Series 1997-B Warrants and the Series 1997-C Warrants with respect to the pledge of the aforesaid revenues from the System (the Series 1997-A Warrants, the Series 1997-B Warrants, the Series 1997-C Warrants and all such additional securities being herein together called the "Parity Securities").

The holders of the Parity Securities shall never have the right to demand payment of the Parity Securities out of any funds raised or to be raised by taxation or from any source whatsoever, except the payments and amounts described in this warrant and the Indenture. Except for the revenues from the System and the other moneys that may be held by the Trustee under the Indenture, no property of the County is encumbered by any lien or security interest for the benefit of the holder of this warrant. Neither the faith and credit, nor the taxing power, of the State of Alabama or the County, or any other public corporation, subdivision or agency of the State of Alabama or the County, is pledged to the payment of the principal of or the interest on this warrant.

The transfer of this warrant shall be registered upon the registration books kept at the principal corporate office of the Trustee, at the written request of the holder hereof or his attorney duly authorized in writing, upon surrender of this warrant at said office, together with a written instrument of transfer satisfactory to the Trustee duly executed by the holder hereof or his duly authorized attorney. Upon payment of any required tax or other governmental charge, this warrant may, upon the surrender hereof at the principal corporate trust office of the Trustee, be exchanged for an equal aggregate principal amount of Series 1997-B Warrants of the same maturity in any other authorized denominations.

The Trustee shall not be required to transfer or exchange this warrant during the period of fifteen days next preceding any interest payment date with respect hereto.

Except as provided in the Indenture, the registered holder of this warrant shall have no right to enforce the provisions of the Indenture, or to institute action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto.

With certain exceptions as provided therein, the Indenture may be modified or amended only with the consent of the holders of a majority in aggregate principal amount of all Parity Securities outstanding under the Indenture.

Reference is hereby made to the Indenture, a copy of which is on file with the Trustee, for the provisions thereof concerning the nature and extent of the rights, duties and obligations of the County, the Trustee and the holders of the Parity Securities. The registered holder of this warrant, by the acceptance hereof, is deemed to have agreed and consented to the terms and provisions of the Indenture.

The County and the Trustee may deem and treat the person in whose name this warrant is registered as the absolute owner hereof for all purposes, whether or not any principal of or interest on this warrant is overdue, and neither the County nor the Trustee shall be affected by any notice to the contrary.

It is hereby certified, recited and declared that all acts, conditions and things required by the constitution and laws of the State of Alabama to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of this warrant, do exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this warrant or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the County in his individual capacity, and neither the members of the governing body of the County, nor any official executing this warrant, shall be liable personally on this warrant or be subject to any personal liability or accountability by reason of the issuance or sale of this warrant.

This warrant shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this warrant shall have been authenticated by the execution by the Trustee of the certificate of authentication inscribed hereon.

IN WITNESS WHEREOF, the County has caused this warrant to be executed in its name and behalf with the facsimile signature of the President of its County Commission, has caused a facsimile of its official seal to be hereunto imprinted, has caused the signature of the aforesaid President to be attested by the Minute Clerk of its County Commission, who has caused a facsimile of her signature to be imprinted hereon, and has caused this warrant to be dated February 1, 1997.

JEFFERSON COUNTY, ALABAMA

By_____
President of the County Commission

ATTEST:

_____
Minute Clerk of the
County Commission

[S E A L]

[Form for Assignment]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the within warrant and hereby irrevocably constitutes and appoints _____ attorney, with full power of substitution in the premises, to transfer the within warrant on the books kept for registration thereof by the within-mentioned Trustee.

Dated this _____ day of _____, _____.

_____

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears upon the face of the within warrant in every particular, without alteration or enlargement or any change whatsoever.

AUTHENTICATION CERTIFICATE

DATE OF AUTHENTICATION: _____

This warrant is one of the Series 1997-B Warrants described in the within-mentioned Trust Indenture.

AMSOUTH BANK OF ALABAMA,
as Trustee

By_____
Its Authorized Officer

Section 8.4 **Execution and Delivery of Series 1997-B Warrants.** The Series 1997-B Warrants shall be forthwith executed and delivered to the Trustee and shall be authenticated and delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the County by the President of the Governing Body requesting such authentication and delivery and designating the Person or Persons to receive the same or any part thereof.

Section 8.5 **Application of Proceeds from the Sale of Series 1997-B Warrants.** The entire proceeds derived from the sale of the Series 1997-B Warrants shall be paid to the Trustee and promptly thereafter applied by the Trustee for the following purposes and in the following order:

(a) payment into the Debt Service Fund of that portion of such proceeds (if any) that is allocable to accrued interest;

(b) payment of the sum of $63,275.51 to the Bond Insurer;

(c) payment of the sum of $43,113,758.97 to AmSouth Bank of Alabama, in its capacity as escrow trustee with respect to the Series 1993 Warrants under an Escrow Trust Agreement dated as of February 1, 1997, between the County and said bank;

(d) payment of the sum of $4,396,800.06 into the Reserve Fund; and

(e) payment of the balance of such proceeds into the Issuance Cost Account.

ARTICLE IX

THE SERIES 1997-C WARRANTS

Section 9.1 **Authorization and Description of the Series 1997-C Warrants and Places of Payment.** Pursuant to the applicable provisions of the Act, and for the purpose of refunding by exchange the SRF Warrant, there is hereby authorized to be issued under the Indenture an issue or series of Parity Securities designated Taxable Sewer Revenue Refunding Warrants, Series 1997-C, limited in aggregate principal amount to $52,880,000. The Series 1997-C Warrants shall be dated February 15, 1997, shall be numbered from R1 upwards in the order issued and shall be issued initially in the respective principal amounts of $5,000 or any greater integral multiple thereof. The Series 1997-C Warrants shall mature and become payable on February 15, 2015, and shall bear interest from their date payable on August 15, 1997, and on each February 15 and August 15 thereafter until maturity or earlier redemption at the rate of 4.05% per annum. The principal of and the interest on any Series 1997-C Warrant shall bear interest after their respective due dates until paid at a per annum rate of interest equal to 2% above the Authority Trustee Prime Rate; provided that if, as a result of a failure by the County to pay when due the principal of or interest on the Series 1997-C Warrants, a withdrawal of moneys from the Bond Proceeds Account of the Debt Service Fund created in that certain Trust Indenture dated as of August 15, 1992, between the Authority and Central Bank of the South, as trustee, is necessary in order to prevent a default in the payment of the bonds of the Authority issued pursuant to said Trust Indenture, then the amount so withdrawn from said account shall be immediately due and payable by the County and shall bear interest until paid at the Authority Trustee Prime Rate. The Series 1997-C Warrants shall be initially issued as a single warrant registered in the name of the Authority.

The principal of and the interest on the Series 1997-C Warrants shall be payable in accordance with the provisions of Section 3.2 hereof.

Section 9.2 **Optional Redemption of Series 1997-C Warrants.** The Series 1997-C Warrants will be subject to redemption and prepayment prior to their stated maturities, at the option of the County, as a whole or in part on August 15, 2002, and on any February 15 or August 15 thereafter, at and for a redemption price, for each Series 1997-C Warrant or portion thereof to be redeemed equal to the principal amount thereof plus accrued interest to the date fixed for redemption. The Series 1997-C Warrants may be redeemed only in installments of $5,000 or any integral multiple thereof. In the event that less than all of the Series 1997-C Warrants are redeemed and prepaid pursuant to this Section 9.2, the Trustee shall select by lot the Series 1997-C Warrants (or portions of the principal thereof) to be redeemed and prepaid. The redemption of Series 1997-C Warrants pursuant to this section shall comply with the applicable provisions of Article VI and Section 9.5 hereof, with the provisions of Section 9.5 particularly applicable to the Series 1997-C Warrants to govern in the case of any conflict.

Section 9.3 **Scheduled Mandatory Redemption of Series 1997-C Warrants.** The Series 1997-C Warrants shall be subject to scheduled mandatory redemption on the following respective dates and in the following respective principal amounts:

Redemption Date	Principal Amount
February 15, 1998	$2,035,000
February 15, 1999	2,120,000
February 15, 2000	2,210,000
February 15, 2001	2,300,000
February 15, 2002	2,395,000
February 15, 2003	2,495,000
February 15, 2004	2,595,000
February 15, 2005	2,705,000
February 15, 2006	2,815,000
February 15, 2007	2,935,000
February 15, 2008	3,055,000
February 15, 2009	3,180,000
February 15, 2010	3,310,000
February 15, 2011	3,450,000
February 15, 2012	3,590,000
February 15, 2013	3,740,000
February 15, 2014	3,895,000

Series 1997-C Warrants in the aggregate principal amount of $4,055,000 will remain to be paid at their scheduled maturity on February 15, 2015.

The Series 1997-C Warrants shall be redeemed pursuant to the provisions of this section at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, and such redemption shall be effected in accordance with the applicable provisions of Article VI and Section 9.5 hereof, with the provisions of Section 9.5 particularly applicable to the Series 1997-C Warrants to govern in the case of any conflict.

Section 9.4 **Purchase of Series 1997-C Warrants for Retirement.** The County may at any time and from time to time purchase Series 1997-C Warrants for retirement using funds from any source. Any Series 1997-C Warrants so purchased for retirement shall be delivered by the County to the Trustee, together with a written order of an authorized officer of the County for their cancellation, whereupon such purchased Series 1997-C Warrants shall be cancelled by the Trustee.

Section 9.5 **Special Provisions Respecting Partial Redemption of Series 1997-C Warrants.** The principal of any Series 1997-C Warrants shall be redeemed only in the amount of $5,000 or any integral multiple thereof. If less than all the Series 1997-C Warrants are to be called for redemption on any single redemption date, the Trustee shall assign a number or other unique designation to each $5,000 in principal amount of the Series 1997-C Warrants then outstanding and select by lot, from among all such numbers or other unique designations associated with the Series 1997-C Warrants then outstanding, numbers or other unique designations representing an aggregate principal amount equal to the principal amount of the Series 1997-C Warrants to be so called for redemption, whereupon there shall be called for redemption an amount of the unpaid principal of each Series 1997-C Warrant equal to the principal amount represented by the numbers or other unique designations related thereto that were so selected.

Section 9.6 **Form of Series 1997-C Warrants.** The Series 1997-C Warrants and the Trustee's authentication certificate applicable thereto shall be in substantially the following forms, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:

[Form of Series 1997-C Warrant]

No. R___ $_____

UNITED STATES OF AMERICA

STATE OF ALABAMA

JEFFERSON COUNTY, ALABAMA

TAXABLE SEWER REVENUE REFUNDING WARRANT
Series 1997-C

JEFFERSON COUNTY, ALABAMA, a political subdivision of the State of Alabama (herein called the "County"), hereby acknowledges that it is indebted to, and hereby directs the County Treasurer of the County to pay to _____, or registered assigns, solely out of the revenues hereinafter referred to, the principal sum of

DOLLARS

on February 15, 2015 with interest thereon from the date hereof until the maturity hereof at the rate of 4.05% per annum (computed on the basis of a 360-day year of twelve consecutive 30-day

months), payable on August 15, 1997, and semiannually thereafter on each February 15 and August 15 until maturity or earlier redemption. The principal of and the interest on this warrant shall be payable in lawful money of the United States of America and shall bear interest after their respective due dates until paid at a per annum rate of interest equal to 2% above the Authority Trustee Prime Rate (as defined in the Indenture hereinafter referred to); provided that if, as a result of a failure by the County to pay when due the principal of or interest on the Series 1997-C Warrants hereinafter referred to, a withdrawal of moneys from the Bond Proceeds Account of the Debt Service Fund created in that certain Trust Indenture dated as of August 15, 1992, between the Alabama Water Pollution Control Authority (herein called the "Authority"), and Central Bank of the South, as trustee, is necessary in order to prevent a default in the payment of the bonds of the Authority issued pursuant to said Trust Indenture, then the amount so withdrawn from said account shall be immediately due and payable by the County and shall bear interest until paid at the Authority Trustee Prime Rate (as defined in the Indenture hereinafter referred to). The principal of this warrant shall be payable only upon presentation and surrender of this warrant at the principal office of the Trustee hereinafter referred to. The interest on this warrant shall be remitted by said Trustee by check or draft mailed or otherwise delivered to the registered holder hereof at the address shown on the registry books of said Trustee.

This warrant is one of a duly authorized issue or series of warrants authorized to be issued in the aggregate principal amount of $52,880,000 and designated Taxable Sewer Revenue Refunding Warrants, Series 1997-C (herein called the "Series 1997-C Warrants"). The Series 1997-C Warrants have been issued under and pursuant to the constitution and laws of the State of Alabama and a Trust Indenture dated as of February 1, 1997 (herein called the "Indenture"), between the County and AmSouth Bank of Alabama, as trustee (herein, together with its successors in trust, called the "Trustee"). Simultaneously with the issuance of the Series 1997-C Warrants, the County issued, under the Indenture, $211,040,000 principal amount of its Sewer Revenue Refunding Warrants, Series 1997-A (herein called the "Series 1997-A Warrants") and $48,020,000 principal amount of its Taxable Sewer Revenue Refunding Warrants, Series 1997-B (herein called the "Series 1997-B Warrants").

The Series 1997-C Warrants are subject to redemption and prepayment prior to maturity, at the option of the County, as a whole or in part, on August 15, 2002, and on any February 15 or August 15 thereafter, such redemption to be at and for a redemption price, for each Series 1997-C Warrant or portion thereof to be redeemed, equal to the principal amount thereof plus accrued interest to the date fixed for redemption.

The Series 1997-C Warrants are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in the following principal amounts on the following dates:

Redemption Date	Principal Amount
February 15, 1998	$2,035,000
February 15, 1999	2,120,000
February 15, 2000	2,210,000
February 15, 2001	2,300,000
February 15, 2002	2,395,000
February 15, 2003	2,495,000
February 15, 2004	2,595,000
February 15, 2005	2,705,000
February 15, 2006	2,815,000
February 15, 2007	2,935,000
February 15, 2008	3,055,000
February 15, 2009	3,180,000
February 15, 2010	3,310,000
February 15, 2011	3,450,000
February 15, 2012	3,590,000
February 15, 2013	3,740,000
February 15, 2014	3,895,000
February 15, 2015 (maturity)	4,055,000

If less than all of the outstanding Series 1997-C Warrants are to be called for redemption, the Series 1997-C Warrants (or principal portions thereof) to be redeemed shall be selected by the Trustee by lot in the principal amounts designated to the Trustee by the County or otherwise as required by the Indenture. In the event any of the Series 1997-C Warrants are called for redemption, the Trustee shall give notice, in the name of the County, of the redemption of such Warrants, which notice shall state that on the redemption date the Series 1997-C Warrants to be redeemed shall cease to bear interest. Such notice shall be given by mailing a copy thereof by registered or certified mail at least forty-five (45) days prior to the date fixed for redemption to the holders of the Series 1997-C Warrants to be redeemed at the addresses shown on the registration books of the Trustee; provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of the redemption of any of the Series 1997-C Warrants for which notice was properly given. Any Series 1997-C Warrants which have been duly selected for redemption and which are deemed to be paid in accordance with the Indenture shall cease to bear interest on the date fixed for redemption and shall thereafter cease to be entitled to any lien, benefit or security under the Indenture.

Under the Indenture, the Series 1997-A Warrants, the Series 1997-B Warrants and the Series 1997-C Warrants are equally and ratably secured by a pledge of certain revenues from the sanitary sewer system of the County (herein, as it may at any time exist, called the "System") that remain after the payment of the expenses of operating and maintaining the System. Upon compliance with certain conditions specified in the Indenture, the County may

issue additional securities (without limitation as to principal amount) that are secured by the Indenture on a parity with the Series 1997-A Warrants, the Series 1997-B Warrants and the Series 1997-C Warrants with respect to the pledge of the aforesaid revenues from the System (the Series 1997-A Warrants, the Series 1997-B Warrants, the Series 1997-C Warrants and all such additional securities being herein together called the "Parity Securities").

The holders of the Parity Securities shall never have the right to demand payment of the Parity Securities out of any funds raised or to be raised by taxation or from any source whatsoever, except the payments and amounts described in this warrant and the Indenture. Except for the revenues from the System and the other moneys that may be held by the Trustee under the Indenture, no property of the County is encumbered by any lien or security interest for the benefit of the holder of this warrant. Neither the faith and credit, nor the taxing power, of the State of Alabama or the County, or any other public corporation, subdivision or agency of the State of Alabama or the County, is pledged to the payment of the principal of or the interest on this warrant.

The transfer of this warrant shall be registered upon the registration books kept at the principal corporate office of the Trustee, at the written request of the holder hereof or his attorney duly authorized in writing, upon surrender of this warrant at said office, together with a written instrument of transfer satisfactory to the Trustee duly executed by the holder hereof or his duly authorized attorney. Upon payment of any required tax or other governmental charge, this warrant may, upon the surrender hereof at the principal corporate trust office of the Trustee, be exchanged for an equal aggregate principal amount of Series 1997-C Warrants in any other authorized denominations.

The Trustee shall not be required to transfer or exchange this warrant during the period of fifteen days next preceding any interest payment date with respect hereto. In the event that this warrant (or any principal portion hereof) is duly called for redemption and prepayment, the Trustee shall not be required to transfer or exchange this warrant during the period of thirty days next preceding the date fixed for such redemption and prepayment.

Except as provided in the Indenture, the registered holder of this warrant shall have no right to enforce the provisions of the Indenture, or to institute action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto.

With certain exceptions as provided therein, the Indenture may be modified or amended only with the consent of the holders of a majority in aggregate principal amount of all Parity Securities outstanding under the Indenture.

Reference is hereby made to the Indenture, a copy of which is on file with the Trustee, for the provisions thereof concerning the nature and extent of the rights, duties and obligations of the County, the Trustee and the holders of the Parity Securities. The registered holder of this

warrant, by the acceptance hereof, is deemed to have agreed and consented to the terms and provisions of the Indenture.

The County and the Trustee may deem and treat the person in whose name this warrant is registered as the absolute owner hereof for all purposes, whether or not any principal of or interest on this warrant is overdue, and neither the County nor the Trustee shall be affected by any notice to the contrary.

It is hereby certified, recited and declared that all acts, conditions and things required by the constitution and laws of the State of Alabama to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of this warrant, do exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this warrant or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the County in his individual capacity, and neither the members of the governing body of the County, nor any official executing this warrant, shall be liable personally on this warrant or be subject to any personal liability or accountability by reason of the issuance or sale of this warrant.

This warrant shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this warrant shall have been authenticated by the execution by the Trustee of the certificate of authentication inscribed hereon.

IN WITNESS WHEREOF, the County has caused this warrant to be executed in its name and behalf with the facsimile signature of the President of its County Commission, has caused a facsimile of its official seal to be hereunto imprinted, has caused the signature of the aforesaid President to be attested by the Minute Clerk of its County Commission, who has caused a facsimile of her signature to be imprinted hereon, and has caused this warrant to be dated February 15, 1997.

JEFFERSON COUNTY, ALABAMA

By_____
President of the County Commission

ATTEST:

_____
Minute Clerk of the
County Commission

[S E A L]

[Form for Assignment]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the within warrant and hereby irrevocably constitutes and appoints _____ attorney, with full power of substitution in the premises, to transfer the within warrant on the books kept for registration thereof by the within-mentioned Trustee.

Dated this _____ day of _____, _____.

_____

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears upon the face of the within warrant in every particular, without alteration or enlargement or any change whatsoever.

AUTHENTICATION CERTIFICATE

DATE OF AUTHENTICATION: _____

This warrant is one of the Series 1997-C Warrants described in the within-mentioned Trust Indenture.

AMSOUTH BANK OF ALABAMA,
as Trustee

By_____
Its Authorized Officer

Section 9.7 **Execution and Delivery of Series 1997-C Warrants.** The Series 1997-C Warrants shall be forthwith executed and delivered to the Trustee and shall be authenticated and

delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the County by the President of the Governing Body requesting such authentication and delivery and designating the Person or Persons to receive the same or any part thereof.

ARTICLE X

ADDITIONAL PARITY SECURITIES

Section 10.1 **Additional Parity Securities—In General.** If no Event of Default shall have occurred and be continuing, the County may at any time and from time to time issue Additional Parity Securities, within the limitations of and upon compliance with the provisions of this Article X, for any one or more of the following purposes:

(a) for the purpose of constructing or otherwise acquiring any System Improvements,

(b) for the purpose of refunding any obligations issued or incurred by the County for the purpose of constructing or otherwise acquiring any System Improvements,

(c) for the purpose of refunding or otherwise retiring all or any portion of any one or more series of Parity Securities then outstanding under the Indenture,

(d) for any other purpose at the time permitted by applicable law, or

(e) for any combination of the foregoing purposes.

The Additional Parity Securities shall be in such denomination or denominations, shall bear interest at such rate or rates, shall bear such dates, shall mature in such amounts and on such dates, shall be in such form, and may be subject to redemption prior to maturity under such conditions, all as shall be provided in the Supplemental Indenture under which they are issued. Any redemption of Additional Parity Securities prior to maturity shall be effected in the manner set forth in and shall be subject to the provisions of Article VI hereof. All Additional Parity Securities so issued shall contain an appropriate series designation.

Section 10.2 **Conditions Precedent to Issuance of Additional Parity Securities.** Prior to the issuance of any Additional Parity Securities, the County shall deliver to the Trustee those of the Additional Parity Securities proposed to be issued, duly executed and sealed, accompanied by the following:

(a) Supplemental Indenture. A Supplemental Indenture between the County and the Paying Agent for the Additional Parity Securities proposed to be issued, duly executed, sealed and acknowledged on behalf of the County and said Paying Agent and containing the following: (i) a description of such Additional Parity Securities, including the aggregate principal amount, the numbers and series designation, the denomination or denominations, the date, the interest rate or rates and the maturity or maturities thereof, the provisions for redemption thereof prior to maturity and the forms of such Additional Parity Securities and various certificates applicable thereto; (ii) a confirmation of the lien of the Indenture on all revenues, properties and rights then constituting the Trust Estate; (iii) provisions for the establishment of a separate account within the Debt Service Fund to provide for the payment of such Additional Parity Securities; (iv) if the proposed Additional Parity Securities are to be secured by the Reserve Fund, provisions requiring any increase in the Reserve Fund Requirement that may result from the issuance of such Additional Parity Securities to be fully funded out of proceeds derived by the County from the sale of such Additional Parity Securities or, alternatively, provisions requiring any requisite increase in the Reserve Fund Requirement to be funded by such additional periodic payments from the System Revenues into the Reserve Fund as, when added to the moneys held in the Reserve Fund when such Additional Parity Securities are issued and any payment to be made into the Reserve Fund simultaneously with the issuance of such Additional Parity Securities, will cause the amount held in the Reserve Fund to equal the Reserve Fund Requirement within sixty (60) months after the issuance of such Additional Parity Securities; and (v) any other matters deemed appropriate by the County and not inconsistent with the terms of this Indenture;

(b) Proceedings. A certified copy of the proceedings taken by the Governing Body authorizing the issuance of such Additional Parity Securities and the execution and delivery of the Supplemental Indenture providing therefor, which said proceedings shall include a Resolution requesting the applicable Paying Agent to authenticate and deliver such Additional Parity Securities and reciting the following: (i) that no Event of Default has occurred and is continuing and no event which, with the giving of notice or the passage of time or both, would constitute an Event of Default has occurred and is continuing; (ii) the Person or Persons to whom such Additional Parity Securities have been sold and awarded and shall be delivered; (iii) the purchase price of such Additional Parity Securities; (iv) a list of all Additional Parity Securities previously issued by the County hereunder and at the time outstanding and of the Supplemental Indentures under which they were issued; (v) if any of such Additional Parity Securities are to be issued for the purpose of refunding or otherwise retiring any Parity Securities then outstanding, a brief description of such Parity Securities to be so refunded or otherwise retired; and (vi) whether or not such Additional Parity Securities are to be secured by the Reserve Fund;

(c) Revenue Certificate or Revenue Forecast. Either a Revenue Certificate or a Revenue Forecast, as such terms are defined and used in the succeeding paragraphs of this Section 10.2 (provided, however, that the delivery of a Revenue Certificate or a Revenue Forecast shall not be a condition precedent to the issuance of the Additional 1997 Parity Securities);

(d) Certificate Required for Variable Rate Securities. In the case of any Additional Parity Securities that are being issued as Variable Rate Securities, a certificate signed by an Independent Accountant, the President of the Governing Body or the County's Director of Finance certifying that, immediately following the issuance of such Additional Parity Securities, the aggregate principal amount of all outstanding Variable Rate Securities would not exceed 50% of the aggregate principal amount of all outstanding Parity Securities;

(e) Opinion of Bond Counsel Respecting Previously Issued Parity Securities. An opinion of Bond Counsel that (i) the issuance of the Additional Parity Securities will not adversely affect the exemption from federal income taxation of interest payable on the Parity Securities theretofore issued, and (ii) the Additional Parity Securities, when issued, will be entitled to the benefit and security of this Indenture in like manner as Parity Securities theretofore issued under and pursuant to this Indenture;

(f) Opinion of Independent Counsel. An opinion, acceptable to the Trustee and dated as of the date of the issuance of such Additional Parity Securities, of Independent Counsel acceptable to the Trustee [which Independent Counsel may, but need not, be the Bond Counsel rendering the opinion required by subsection (g) of this section] approving the forms of all documents required by the preceding portions of this section to be delivered to the Trustee and stating that they comply with the applicable requirements of this Article X; and

(g) Opinion of Bond Counsel as to Validity of Additional Parity Securities. An opinion, dated as of the date of the issuance of such Additional Parity Securities, of Bond Counsel approving the validity of such Additional Parity Securities.

As used in this Section 10.2, the term "Revenue Certificate" means a certificate signed by an Independent Accountant, the President of the Governing Body or the County's Director of Finance that satisfies whichever of the following is applicable:

(I) If such Revenue Certificate is delivered with respect to Additional Parity Securities issued prior to October 1, 2007, such certificate shall state the following:

(i) the sum of (A) the Prior Years' Surplus as of the beginning of the Fiscal Year that immediately preceded the Fiscal Year in which such certificate

is delivered and (B) the Net Revenues Available for Debt Service during the then most recently completed Fiscal Year or during any period of twelve consecutive months in the eighteen-month period next preceding the date of issuance of the proposed Additional Parity Securities was not less than one hundred and five percent (105%) of the Maximum Annual Debt Service payable during the then current or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such certificate is made; and

(ii) the Net Revenues Available for Debt Service during the then most recently completed Fiscal Year or during any period of twelve consecutive months in the eighteen-month period next preceding the date of issuance of the proposed Additional Parity Securities was not less than seventy-five percent (75%) of the Maximum Annual Debt Service payable during the then current or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such certificate is made; or

(II) If such Revenue Certificate is delivered with respect to Additional Parity Securities issued on or after October 1, 2007, such certificate shall state that the Net Revenues Available for Debt Service during the then most recently completed Fiscal Year or during any period of twelve consecutive months in the eighteen-month period next preceding the date of issuance of the proposed Additional Parity Securities was not less than one hundred and five percent (105%) of the Maximum Annual Debt Service payable during the then current or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such certificate is made.

If rates and charges for services furnished by the System were increased and put into effect by the County after the beginning of the Fiscal Year or other twelve-month period to which a Revenue Certificate refers and not thereafter reduced, an Independent Engineer may certify the amount of gross revenues from the System that would have been received by the County had such increased rates and charges been in effect during the entire Fiscal Year or other twelve-month period, and the Independent Accountant, the President of the Governing Body or the County's Director of Finance, as the case may be, preparing and signing the Revenue Certificate, may compute Net Revenues Available for Debt Service during such Fiscal Year or other twelve-month period based on the amount of revenues that would have been derived from the System during such period with such increased rates and charges, as so certified by such Independent Engineer.

As used in this Section 10.2, the term "Revenue Forecast" means a report prepared by an Independent Engineer with respect to a period that shall begin on the first day of the Fiscal Year that succeeds the Fiscal Year in which the proposed Additional Parity Securities are issued and that shall not be longer than five Fiscal Years (such period being herein called the "Forecast Period"), which report shall make the following projections with respect to the last Fiscal Year in the Forecast Period (such year being herein called the "Test Year"):

(I) If such Revenue Forecast is delivered with respect to Additional Parity Securities issued prior to October 1, 2007,

(i) the sum of (A) the projected Prior Years' Surplus as of the beginning of the Test Year and (B) the projected Net Revenues Available for Debt Service for the Test Year shall not be less than one hundred and five percent (105%) of the Maximum Annual Debt Service payable during the Test Year or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such report is made; and

(ii) the projected Net Revenues Available for Debt Service for the Test Year shall not be less than seventy-five percent (75%) of the Maximum Annual Debt Service payable during the Test Year or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such report is made.

(II) If such Revenue Forecast is delivered with respect to Additional Parity Securities issued on or after October 1, 2007, the projected Net Revenues Available for Debt Service for the Test Year shall not be less than one hundred and five percent (105%) of the Maximum Annual Debt Service payable during the Test Year or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such report is made.

In preparing its Revenue Forecast, the Independent Engineer shall be entitled (a) to make projections with respect to the rates and charges to be imposed for services furnished by the System during each of the Fiscal Years in the Forecast Period (so long as such Independent Engineer certifies, with respect to any projected rates and charges that are higher than the actual rates and charges in effect as of the date of the Revenue Forecast, that such projected rates and charges would be reasonable for public sanitary sewer systems similar in size and character to the System) and (b) to rely upon estimates prepared by an Independent Investment Advisor with respect to the aggregate amount of debt service on the Parity Securities to become due and payable during each of the Fiscal Years in the Forecast Period.

Upon receipt of the documents required by the provisions of this section to be furnished to it, the Trustee shall, unless it has cause to believe any of the statements set out in said documents to be incorrect, thereupon acknowledge its receipt of the Supplemental Indenture so presented and, if required by pertinent law, cause the same to be filed for record at the expense of the County in the public office or offices in the State of Alabama in which such document is then required by law to be filed in order to constitute constructive notice thereof. The Trustee shall then authenticate (or direct the applicable Paying Agent to authenticate) the Additional Parity Securities with respect to which the said documents shall have been provided and shall, upon receipt of evidence satisfactory to it that the County has received the purchase price or other consideration therefor, deliver (or direct the applicable Paying Agent to deliver) such

Additional Parity Securities to the Person or Persons to whom the Resolution provided for in subsection (b) of this section directed that they be delivered.

Section 10.3 **Subordinate Indebtedness Permitted.** Nothing contained herein shall be construed as a restriction upon the right of the County to issue subordinate lien bonds or warrants or other obligations secured by a pledge of the Pledged Revenues that is subject and subordinate in all respects to the pledge of revenues herein made or provided for the payment of the Parity Securities.

Section 10.4 **Related Obligations.** In connection with the initial issuance of any series of Parity Securities, the County may obtain or cause to be obtained letters of credit, lines of credit, bond insurance or similar obligations, agreements or instruments (herein collectively called "Credit Facilities") securing or providing for the payment of all or a portion of the principal or redemption price of or interest on that series of Parity Securities or providing for the purchase of that series of Parity Securities or a portion thereof by the issuer or obligor of any such Credit Facility. In connection therewith, the County may enter into agreements with the issuer of or obligor on any such Credit Facility providing for, among other things, the payment of fees and expenses to such issuer or obligor for the issuance of such Credit Facility, the terms and conditions of such Credit Facility and the series of Parity Securities affected thereby, and the security, if any, to be provided for the issuance of such Credit Facility and the payment of such fees and expenses or the obligations of the County with respect thereto. The County may also, to the extent permitted by then applicable law, enter into an interest rate swap agreement, an interest rate cap agreement, an interest rate floor agreement, an interest rate collar agreement or any similar agreement with respect to any series of Parity Securities or portion thereof.

In addition to any other security permitted by applicable law, the County may, if it elects to do so, secure all or any portion of its contractual obligations with respect to any Credit Facility or any Qualified Swap (any such contractual obligations being herein called "Related Obligations") by a pledge of the Pledged Revenues which may be on a parity with the pledge made in the Indenture (except to the extent that any such pledge secures the payment of any amount payable by the County as a consequence of an early termination of a Qualified Swap) so long as no default exists on the part of the Person providing such Credit Facility or on the part of the related Qualified Swap Provider, as the case may be. Notwithstanding any pledge that may be made pursuant to the preceding sentence, Related Obligations shall not constitute or be treated as Parity Securities for any purpose in applying the provisions of this Indenture (including, without limitation, the conditions precedent to the issuance of Additional Parity Securities contained in Section 10.2 and the covenants contained in Article XII).

ARTICLE XI

APPLICATION OF SYSTEM REVENUES AND ESTABLISHMENT OF SPECIAL FUNDS

Section 11.1 **Revenue Account.** There is hereby established a special account in the name of the County, the full name of which shall be the "Jefferson County Sewer System Revenue Account". All System Revenues and all amounts received by the County pursuant to Qualified Swaps shall be deposited in the Revenue Account promptly upon receipt by the County, provided that amounts received by the County as (a) grants or borrowed funds for improvements or extensions to the System, (b) deposits or payments by contractors to offset the cost of extensions or new connections, and (c) customer deposits to ensure payment for utility services may be held by the County in a separate account or accounts pending use thereof for the said purposes.

On or before the last Business Day of each calendar month, the County will apply the moneys in the Revenue Account for the payment of all Operating Expenses that are then due and that were incurred during the then-current or in any then-preceding calendar month. On or before the various dates specified in Sections 11.2 through 11.5, the County will apply the moneys in the Revenue Account that remain after payment of Operating Expenses for payment into the Debt Service Fund, the Reserve Fund, the Rate Stabilization Fund and the Depreciation Fund, in the order named, of such amounts as are required hereby to be paid therein on or before the pertinent dates specified in the aforesaid sections, to the respective extents provided in such sections and to the extent that moneys on deposit in the Revenue Account are sufficient therefor.

Revenues derived from the Sewer Tax that are deposited into the Revenue Account shall be applied for the payment of Operating Expenses in preference to any other moneys at the time held in the Revenue Account, it being the County's intention and expectation that such tax revenues be applied for no purpose other than the payment of Operating Expenses. No payments or withdrawals shall at any time be made from the Revenue Account other than the transfers, payments or withdrawals provided for in this article.

The Governing Body may at any time and from time to time designate any banking institution or institutions as depository or depositories for the Revenue Account, provided that each such depository so designated shall at all times while acting as such be and remain a member of the Federal Deposit Insurance Corporation or of any agency of the United States of America that may succeed to its functions, if there be any such, and shall be and remain duly qualified to do business in the State of Alabama. Each such depository shall be fully protected in paying out moneys from the Revenue Account on checks, vouchers or drafts signed by any duly authorized officer, employee or agent of the County, and no such depository shall be liable for the misapplication by the County of any moneys so withdrawn if such moneys shall be so withdrawn without knowledge or reason on the part of such depository to believe that such

disbursement constitutes a misapplication of funds. So long as no Event of Default shall have occurred and be continuing, the County may combine moneys held in the Revenue Account with other moneys of the County for purposes of custody, safekeeping and investments.

Section 11.2 **Debt Service Fund.** There is hereby established a special trust fund, the full name of which shall be the "Jefferson County Sewer System Debt Service Fund." The Trustee shall be the depository, custodian and disbursing agent for the Debt Service Fund. Out of the moneys on deposit in the Debt Service Fund, the Trustee shall (i) pay the principal of and the interest on those of the Parity Securities for which it serves as Paying Agent, as said principal and interest respectively become due, (ii) make provision for the payment of the principal of and the interest on all other Parity Securities by transferring sufficient moneys to the applicable Paying Agent or Agents on or before the respective dates on which such principal and interest become due and payable, and (iii) pay or make provision for the payment of any Related Obligations (as defined in Section 10.4) that have been secured by a pledge of the Pledged Revenues that is on a parity with the pledge made in the Indenture (any such Related Obligation being herein called a "Secured Related Obligation").

The following amounts shall be transferred and paid into the Debt Service Fund at the following times:

(a) Amounts Referable to Series 1997 Warrants. In order to provide funds for the payment of the principal of and interest on the Series 1997 Warrants, there shall be transferred or paid into the Debt Service Fund, out of moneys held in the Revenue Account [except as otherwise provided in clause (1)], the following amounts at the following times:

(1) simultaneously with the issuance and sale of the Series 1997 Warrants and out of the proceeds derived therefrom, that portion of such proceeds allocable to accrued interest;

(2) on or before the third day preceding August 1, 1997, an amount equal to the difference between (i) the amount of interest on the Series 1997 Warrants that will become due on August 1, 1997, and (ii) the amount deposited in the Debt Service Fund pursuant to the foregoing clause (1);

(3) on or before the third day preceding February 1, 1998, and on or before the third day preceding each February 1 and August 1 thereafter until and including the third day preceding February 1, 2027, an amount equal to the interest becoming due with respect to the then outstanding Series 1997 Warrants on the then next succeeding Interest Payment Date; and

(4) on or before the third day preceding August 1, 1997, and on or before the third day preceding each February 1 and August 1 thereafter until and including the third day preceding February 1, 2027, an amount equal to one-half

(d) Amounts Referable to Secured Related Obligations. In order to provide for the payment of Secured Related Obligations, there shall be transferred or paid into the Debt Service Fund, out of moneys on deposit in the Revenue Account, such moneys as shall be necessary to pay such obligations on or before the respective dates on which such obligations become due and payable.

(e) General. There shall be transferred or paid into the Debt Service Fund any other moneys that are expressly required to be transferred or paid therein by the provisions of the Indenture.

There may be credited against any transfer or payment required to be made into either account of the Debt Service Fund pursuant to the preceding provisions of this section any amount then held in such account, but only to the extent that such amount does not itself consist of prior transfers or payments made pursuant to any of the preceding provisions of this section and has not theretofore been credited against any transfer or payment previously required by any of such provisions; provided, however, that moneys in the Debt Service Fund shall not be so credited against any required transfer or payment into such fund if such moneys (i) are held therein for payment of matured but unpaid Parity Securities, Parity Securities called for redemption but not yet redeemed, and matured but unpaid interest on the Parity Securities, (ii) are held therein pursuant to instructions from the County for the future redemption or purchase of Parity Securities, (iii) are held therein for the payment of unmatured Parity Securities not called for redemption if such Parity Securities are considered fully paid pursuant to the provisions of Section 16.1 hereof by reason of the fact that such moneys are so held in the Debt Service Fund, or (iv) are held therein subject to the provisions of a Supplemental Indenture providing for the issuance of Additional Parity Securities which requires such moneys to be credited in a manner inconsistent with the provisions hereof, in which case such moneys shall be credited in the manner provided by such Supplemental Indenture.

Subject to the provisions of Section 11.8 hereof, the Trustee shall hold and apply moneys in the Debt Service Fund for the payment of principal of and interest on the Parity Securities on or after the respective due dates of such principal and interest, for the redemption of Parity Securities prior to their maturity, and for the purchase of Parity Securities for retirement at a purchase price not greater than the original principal amount thereof plus accrued interest thereon. The Trustee shall pay or provide for the payment of the principal and interest maturing with respect to the Parity Securities, as well as the redemption price of any Parity Securities that are required by the provisions of the Indenture to be redeemed prior to the stated maturity thereof, out of the moneys held in the Debt Service Fund, as and when such principal, interest or redemption price shall be due and payable.

The County and the Trustee covenant that (i) all funds transferred to or deposited in the Debt Service Fund shall be applied to the payment of the principal and premium (if any) and interest on the Parity Securities within twelve months from the date of such transfer or deposit and (ii) all income and profits received from the investment of moneys in the Debt Service Fund

shall be applied to the payment of the principal and premium (if any) and interest on the Parity Securities within twelve months from the date of receipt of such income or profits.

Section 11.3 **Reserve Fund.** There is hereby established a special trust fund, the full name of which shall be the "Jefferson County Sewer System Debt Service Reserve Fund". The Trustee shall be the depository, custodian and disbursing agent for the Reserve Fund. Simultaneously with the delivery hereof, the County shall cause to be deposited into the Reserve Fund proceeds of the Series 1997-A Warrants in the amount of $19,323,212.94 and proceeds of the Series 1997-B Warrants in the amount of $4,396,800.06.

If on the first Business Day of any calendar month the total amount held in the Reserve Fund is less than the Reserve Fund Requirement, then, on or before the fifteenth day of such calendar month, the County shall pay into the Reserve Fund (from any moneys remaining in the Revenue Account after there shall have been made therefrom all payments required to be made during such month into the Debt Service Fund) an amount obtained by dividing (i) the amount by which the Reserve Fund Requirement exceeds the amount then held in the Reserve Fund by (ii) the number of months between the first day of such calendar month and the last day of the fifth calendar month next succeeding that during which the amount held in the Reserve Fund is first determined to be below the Reserve Fund Requirement, all to the end that the monthly amounts to be paid into the Reserve Fund pursuant to this paragraph will cause any deficiency in the Reserve Fund to be restored within six months after such deficiency first occurred.

In the event that the County hereafter issues any Additional Parity Securities that are secured by the Reserve Fund, the County will cause to be added to the moneys then on deposit in the Reserve Fund an amount equal to the difference obtained by subtracting (a) the Reserve Fund Requirement immediately prior to the issuance of those of the Additional Parity Securities that have been most recently issued from (b) the Reserve Fund Requirement immediately following the issuance of those of the Additional Parity Securities that have been most recently issued. Any such addition of moneys to the Reserve Fund that is required to be made in connection with the issuance of any such Additional Parity Securities may be effected through any of the following methods:

(i) a single deposit to the Reserve Fund out of the proceeds of the Additional Parity Securities with respect to which such deposit is required to be made, such deposit to be made at the time of issuance of such Additional Parity Securities;

(ii) a series of ten (10) equal semiannual deposits to the Reserve Fund out of the moneys remaining in the Revenue Account after compliance with the then applicable provisions of Section 11.2 hereof, such deposits to be made on or before the February 15 or August 15, as the case may be, next succeeding the month during which the Additional Parity Securities with respect to which such deposits are required to be made were issued and on or before each February 15

and each August 15 thereafter until the ten (10) required deposits have been made; or

(iii) any series of deposits to the Reserve Fund out of the moneys remaining in the Revenue Account after compliance with the then applicable provisions of Section 11.2 hereof that will result in the moneys required to be added to the Reserve Fund being accumulated at a faster rate than the series of deposits described in the foregoing clause (ii).

If, upon the issuance of any Additional Parity Securities, any required addition of moneys to the Reserve Fund is effected through a method described in the preceding clause (ii) or (iii), then the Reserve Fund shall be divided into two or more accounts and all moneys and securities held in the Reserve Fund upon the issuance of such Additional Parity Securities shall be allocated first on a proportionate basis to the account or accounts that secure those of the Parity Securities that were outstanding prior to the issuance of such Additional Parity Securities, until each such account is funded in an amount equal to the Reserve Fund Requirement for those of the Parity Securities to which such account is referable, and the balance of such moneys and securities shall be allocated to the account that secures such Additional Parity Securities.

The moneys on deposit in the Reserve Fund shall be used to pay interest coming due on the Parity Securities secured thereby on any Interest Payment Date, or to pay the principal of such Parity Securities as it comes due, whether at maturity or by mandatory redemption, but only in the event that, at the time of any Interest Payment Date, the moneys then held in the Debt Service Fund shall be insufficient for the said payments; provided, however, that, if any of the Parity Securities are issued in a form which permits the holders thereof to require the County or an agent thereof to purchase such Parity Securities prior to maturity, moneys in the Reserve Fund shall not be used to effect any such mandatory purchase or to pay the principal of any such Parity Securities which become due solely because of an inability to remarket them following any such mandatory purchase. In no event shall any moneys withdrawn from the Reserve Fund be used to provide for the payment of any principal of or interest on the Series 1997-C Warrants.

If on any date on which a valuation of the investments held in the Reserve Fund is made the amount on deposit in the Reserve Fund exceeds the Reserve Fund Requirement, the Trustee shall withdraw the amount of such excess and deposit the same in the Debt Service Fund. The Governing Body hereby finds and determines that the Reserve Fund will constitute a reasonable reserve for payment of principal of and interest on the Parity Securities and that the period of time herein provided for the restoration of any deficiency in the Reserve Fund will constitute a reasonable period for the restoration of any such deficiency.

The Reserve Fund Requirement may be satisfied, in whole or in part, with an insurance policy, surety bond or letter of credit that satisfies the various requirements specified in Section 11.11 of this Indenture.

Section 11.4 **Rate Stabilization Fund.** There is hereby established a special trust fund, the name of which shall be the "Jefferson County Sewer System Rate Stabilization Fund." The Governing Body may at any time and from time to time designate any banking institution or institutions as depository or depositories for the Rate Stabilization Fund, provided that each such depository so designated shall at all times while acting as such be and remain a member of the Federal Deposit Insurance Corporation or of any agency of the United States of America that may succeed to its functions, if there be any such, and shall be and remain duly qualified to do business in the State of Alabama. Simultaneously with the issuance of the Series 1997 Warrants, the County shall deposit into the Rate Stabilization Fund the sum of $10,000,000 from moneys that are not proceeds of the Series 1997 Warrants or of any other obligations of the County.

At any time when the total amount held in the Rate Stabilization Fund is less than the Rate Stabilization Fund Requirement, the County shall pay into the Rate Stabilization Fund from the Revenue Account, on or before each February 15 and each August 15 and after there shall have been made from the Revenue Account all payments required to be made on or before such date into the Debt Service Fund and the Reserve Fund, an amount equal to 10% of the then effective Rate Stabilization Fund Requirement (or such lesser amount as shall result in the amount held in the Rate Stabilization Fund being equal to the Rate Stabilization Fund Requirement). In addition, the County may from time to time deposit into the Rate Stabilization Fund other moneys that do not constitute System Revenues.

The County may, from time to time at the election of the County's Director of Finance, transfer moneys from the Rate Stabilization Fund into the Revenue Account.

Section 11.5 **Depreciation Fund.** There is hereby established a special trust fund, the name of which shall be the "Jefferson County Sewer System Funded Depreciation Fund." The Governing Body may at any time and from time to time designate any banking institution or institutions as depository or depositories for the Depreciation Fund, provided that each such depository so designated shall at all times while acting as such be and remain a member of the Federal Deposit Insurance Corporation or of any agency of the United States of America that may succeed to its functions, if there be any such, and shall be and remain duly qualified to do business in the State of Alabama.

At any time when the total amount held in the Depreciation Fund is less than the amount of accumulated depreciation referable to the System (as known in the then most recent audited financial statements of the County), the County shall pay into the Depreciation Fund from the Revenue Account, on or before each February 15 and each August 15 and after there shall have been made from the Revenue Account all payments required to be made on or before such date into the Debt Service Fund, the Reserve Fund and the Rate Stabilization Fund, the sum of $5,000,000. If on any such date the moneys available in the Revenue Account are not sufficient to permit a deposit of said sum into the Depreciation Fund, such shortfall shall not increase the required amount of any subsequent deposit to the Depreciation Fund. Moneys held in the

Depreciation Fund may be withdrawn from time to time by the County, but only to pay the costs of System Improvements or to purchase or redeem Parity Securities.

Section 11.6 **Surplus Revenues.** After making the transfers and payments required by Sections 11.1 through 11.5 hereof, and after making good any delinquency or deficit existing in the Debt Service Fund or the Reserve Fund by reason of withdrawals therefrom or the failure during any prior period to pay therein the amounts respectively required to be paid therein by the provisions of Sections 11.2 and 11.3 hereof, the balance remaining in the Revenue Account on each February 15 and each August 15 shall be deemed "surplus revenues" and may be withdrawn from the Revenue Account by the County and used for any lawful purpose related to the County's ownership and operation of the System.

For purposes of this section a deficiency in the Debt Service Fund or the Reserve Fund shall be the difference between the amount then held in such fund and the amount scheduled to be held therein pursuant to the respectively applicable provisions of Section 11.2 or 11.3 hereof.

Section 11.7 **Redemption Fund.** There is hereby created a special trust fund, the name of which shall be the "Jefferson County Sewer System Redemption Fund" and which shall be maintained as long as any of the Parity Securities are outstanding. There shall be paid into the Redemption Fund only such moneys as are herein expressly required to be paid therein. The Trustee shall, subject to the provisions of Section 11.8 hereof, use and apply the moneys in the Redemption Fund solely for the purpose of redeeming Parity Securities prior to their maturity; provided that if at any time the aggregate of available moneys held in the Debt Service Fund shall not be sufficient to pay the principal of or the interest on any of the Parity Securities at the respective maturities of such principal and interest or the redemption price of any of the Parity Securities on the date on which, under the terms hereof, they are required to be redeemed, then the moneys held in the Redemption Fund shall be used to pay said principal or interest so maturing or the redemption price of any such Parity Securities, but only to such extent as may be necessary to prevent default in the payment thereof.

Not more than sixty (60) days and not less than forty-five (45) days prior to each Interest Payment Date, the Trustee will determine the amount then held in the Redemption Fund, and if such amount is sufficient to effect the redemption of at least $5,000 in principal amount of Parity Securities, the Trustee shall so notify the County, whereupon the County will take such action as may be necessary under the provisions hereof to exhaust, as nearly as may be practicable, the moneys held in the Redemption Fund by effecting the redemption of Parity Securities on the earliest practicable date thereafter on which such redemption may be effected.

Section 11.8 **Investment of Indenture Fund Moneys.** Moneys on deposit in the Indenture Funds shall be invested by the Trustee or the depository therefor in accordance with the succeeding provisions of this section in Eligible Investments; provided, however, that the moneys

at any time held in the Debt Service Fund may be invested only in Federal Obligations having stated maturities, or being redeemable at the option of the holder thereof at a stated price and time, not later than the date upon which such moneys will be needed for the payment of principal of or interest on the Parity Securities. The investments held in each of the other Indenture Funds shall have such maturities as shall result in the availability at all times of sufficient cash moneys for the various purposes to be served by each of such funds.

Subject to the limitations imposed by the provisions of the first paragraph of this section, the County hereby reserves the right to control the investment of the moneys at any time on deposit in the Indenture Funds and hereby designates the County's Director of Finance as its representative for the purpose of communicating investment decisions to the Trustee. In particular, and without limiting the generality of the foregoing, County's Director of Finance may from time to time specify to the Trustee the types and maturities of the Eligible Investments to be acquired with the moneys held in the Indenture Funds, the price to be paid for such investments and the securities dealer or dealers from which such investments are to be acquired. So long as such directions from the County's Director of Finance are not inconsistent with the provisions of the first paragraph of this section, the Trustee will acquire the specified investments from the specified dealer or dealers and at any specified price, regardless of its opinion as to the prudence of such investments or its ability to acquire such investments upon more favorable terms from another source; provided, however, that the County's Director of Finance shall have no right to require, and the Trustee shall be prohibited from making, any investment that would result in any of the Parity Securities being considered "arbitrage bonds" within the meaning of Section 148 of the Code and the applicable regulations thereunder. In the absence of general or specific investment directions from the County's Director of Finance, the Trustee shall invest the moneys held in the Indenture Funds in accordance with its general practices respecting the investment of public moneys held in trust. The Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with the provisions of this paragraph.

All Eligible Investments in which any portion of the moneys in any Indenture Fund are invested, together with all income therefrom, shall become a part of the particular Indenture Fund from which moneys were used to make such investment; provided that (a) so long as the balance in the Reserve Fund is equal to the Reserve Fund Requirement, any income or profits derived from the investment of moneys held in the Reserve Fund shall be transferred to the Debt Service Fund Primary Account and (b) so long as the balance in the Rate Stabilization Fund is equal to the Rate Stabilization Fund Requirement, any income or profits derived from the investment of moneys held in the Rate Stabilization Fund shall be paid to the County.

Section 11.9 **Commingling of Moneys in Separate Indenture Funds.** Any provision hereof to the contrary notwithstanding, moneys on deposit in any Indenture Fund may be commingled and combined with moneys in any of the other Indenture Funds for the purpose of making investments under the provisions of Section 11.8 hereof, subject to the following conditions:

(a) all interest, income or profit realized from any such commingled investment shall be credited, and all losses resulting therefrom shall be charged, to each such fund in the same respective proportions as the amount invested from each such fund bears to the total amount so invested (subject, however, to the provisions of the said section which, under certain circumstances, provide for a different disposition of the earnings from the Reserve Fund or the Rate Stabilization Fund); and

(b) no moneys forming a part of any such fund shall be invested in any investments other than such as are expressly authorized herein.

Section 11.10 **Valuation of Indenture Funds.** Any investments constituting a part of the Indenture Funds shall, for purposes of this Indenture, be valued at their fair market value (exclusive of accrued interest), except that any investments having a term of less than six months may be valued at par. The Trustee shall make a valuation of investments in the Reserve Fund on the first Business Day of each calendar month and at such other times as the County may request or as may be necessary to ascertain compliance with the provisions of the Indenture. If as a result of such valuation the balance in such fund is determined to be less than the balance required to be maintained therein under the terms of this Indenture, then monthly transfers to such fund shall be resumed and continued as required by Section 11.3 hereof.

Section 11.11 **Reserve Fund Surety Requirements.** The County may satisfy all or a portion of the Reserve Fund Requirement by the deposit with the Trustee of a surety bond, insurance policy or letter of credit that satisfies the succeeding requirements of this Section 11.11.

A surety bond or insurance policy issued to the Trustee by a company licensed to issue insurance policies guaranteeing the timely payment of debt service on municipal bonds (a "municipal bond insurer") may be deposited in the Reserve Fund to meet the Reserve Fund Requirement if the claims paying ability of the issuer thereof is rated "AAA" or "Aaa" by S&P or Moody's, respectively. A surety bond or insurance policy issued to the Trustee by an entity other than a municipal bond insurer may be deposited in the Reserve Fund to meet the Reserve Fund Requirement if the form and substance of such instrument and the issuer thereof are approved by the Bond Insurer.

An unconditional irrevocable letter of credit issued to the Trustee by a bank may be deposited in the Reserve Fund to meet the Reserve Fund Requirement if the issuer thereof is rated at least "AA" by S&P or "Aa" by Moody's. Any such letter of credit shall be payable in one or more draws upon presentation by the Trustee of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal of or interest on the Parity Securities. Any such draw shall be payable within two days of presentation of the related sight draft. Any such letter of credit shall be for a term of not less

than three years. The issuer of any such letter of credit shall be required to notify the County and the Trustee, not later than 30 months prior to the stated expiration date of such letter of credit, as to whether such expiration date will be extended, and if so, shall indicate the new expiration date. If any such notice indicates that the expiration date will not be extended, the County shall deposit in the Reserve Fund an amount sufficient to cause the cash or Eligible Investments on deposit in the Reserve Fund, together with any other qualifying credit instruments, to equal the Reserve Fund Requirement on all outstanding Parity Securities, such deposit to be paid in equal installments on at least a semi-annual basis over the remaining term of the letter of credit, unless the letter of credit in question is replaced by another Reserve Fund credit instrument. Any letter of credit in the Reserve Fund shall permit a draw in full not less than two weeks prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The Trustee shall, in turn, draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Reserve Fund is fully funded in its required amount. The use of any Reserve Fund credit instrument pursuant to this section shall be subject to receipt of an opinion of counsel acceptable to the Bond Insurer and in form and substance satisfactory to the Bond Insurer as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Bond Issuer. In addition, the use of an irrevocable letter of credit to satisfy all or a portion of the Reserve Fund Requirement shall be subject to receipt of an opinion of counsel acceptable to the Bond Insurer and in form and substance satisfactory to the Bond Insurer to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the United States Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the United States Bankruptcy Code or similar state laws by or against the County.

The obligation to reimburse the issuer of a Reserve Fund credit instrument for any fees, expenses, claims or draws upon such Reserve Fund credit instrument shall be subordinate to the payment of debt service on the Parity Securities. The right of the issuer of a Reserve Fund credit instrument to payment or reimbursement of its fees and expenses shall be subordinated to cash replenishment of the Reserve Fund, and, subject to the second succeeding sentence, its right to reimbursement for claims or draws shall be on a parity with the cash replenishment of the Reserve Fund. Any Reserve Fund credit instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Reserve Fund credit instrument to reimbursement will be further subordinated to cash replenishment of the Reserve Fund to an amount equal to the difference between the full original amount available under the Reserve Fund credit instrument and the amount then available for further draws or claims. If (a) the issuer of a Reserve Fund credit instrument becomes insolvent or (b) the issuer of a Reserve Fund credit instrument defaults in its payment obligations thereunder or (c) the claims-paying ability of the issuer of a Reserve Fund insurance policy or surety bond falls below an S&P "AAA" or a Moody's "Aaa" or (d) the rating of the issuer of a Reserve Fund letter of credit falls below an S&P "AA", the

obligation to reimburse the issuer of such Reserve Fund credit instrument shall be subordinate to the cash replenishment of the Reserve Fund.

If (a) the revolving reinstatement feature of a Reserve Fund credit instrument described in the preceding paragraph is suspended or terminated or (b) the rating of the claims paying ability of the issuer of a Reserve Fund surety bond or insurance policy falls below an S&P "AAA" or a Moody's "Aaa" or (c) the rating of the issuer of a Reserve Fund letter of credit falls below an S&P "AA", the County shall either (i) deposit into the Reserve Fund an amount sufficient to cause the cash or Eligible Investments on deposit in the Reserve Fund to equal the Reserve Fund Requirement on all outstanding Parity Securities, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (ii) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements of this section within six months of such occurrence. In the event (a) the rating of the claims-paying ability of the issuer of a Reserve Fund surety bond or insurance policy falls below "A" or (b) the rating of the issuer of a Reserve Fund letter of credit falls below "A" or (c) the issuer of a Reserve Fund credit instrument defaults in its payment obligations or (d) the issuer of a Reserve Fund credit instrument becomes insolvent, the County shall either (i) deposit into the Reserve Fund an amount sufficient to cause the cash or Eligible Investments on deposit in the Reserve Fund to equal the Reserve Fund Requirement on all outstanding Parity Securities, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (ii) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements of this section within six months of such occurrence. Where applicable, the amount available for draws or claims under a Reserve Fund credit instrument may be reduced by the amount of cash or Eligible Investments deposited in the Reserve Fund pursuant to the preceding provisions of this paragraph.

If the County chooses any of the permitted alternatives to a fully cash-funded Reserve Fund described in the preceding provisions of this Section 11.11, any amounts owed by the County to the issuer of any such credit instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to the Indenture for any purpose.

The Trustee shall ascertain the necessity for a claim or draw upon any Reserve Fund credit instrument and provide notice to the issuer of the Reserve Fund credit instrument in accordance with its terms not later than three days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the Reserve Fund credit instrument) prior to each Interest Payment Date.

Cash on deposit in the Reserve Fund shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Reserve Fund credit instrument. If and to the extent that more than one Reserve Fund credit instrument is deposited in the Reserve Fund, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

Section 11.12 **Issuance Cost Account.** There is hereby created a special account the full name of which shall be the "Series 1997 Warrants Issuance Cost Account." The Issuance Cost Account shall be maintained as a separate account until the moneys in said account shall have been fully expended as hereinafter provided. The Trustee shall be the depository and disbursing agent for the Issuance Cost Account.

The County will apply the moneys in the Issuance Cost Account solely for payment of the Issuance Costs, as and when such costs become due and payable. The President of the Governing Body or any Authorized County Representative is hereby authorized and directed to cause the said costs to be paid, as promptly as may be feasible following the issuance of the Series 1997 Warrants and Series 1997-C Warrants, by submitting to the Trustee requisitions signed by any one of said officers directing the payment of the costs specified in said requisition.

In the event the moneys deposited in or transferred to the Issuance Cost Account are not sufficient to pay all Issuance Costs, the President of the Governing Body is hereby authorized and directed to pay, out of any other funds of the County available therefor, the remainder of such costs. If any moneys remain in the Issuance Cost Account after the payment of all costs of issuing the Series 1997 Warrants and Series 1997-C Warrants, the Trustee shall transfer such moneys to the County upon receipt of a certificate signed by the President of the Governing Body or any Authorized County Representative stating that all expenses of issuing the Series 1997 Warrants and Series 1997-C Warrants, to the extent known to or anticipated by the County, have been paid in full.

ARTICLE XII

PARTICULAR COVENANTS AND AGREEMENTS OF THE COUNTY; RELEASE OF PORTION OF THE SYSTEM

Section 12.1 **Budget for the System.** No later than the first Tuesday in the month of October at the beginning of each Fiscal Year, beginning with the Fiscal Year that begins on October 1, 1997, the County shall cause to be prepared and approved by the Governing Body an annual budget and monthly budgets for the System. Each such budget shall include the following:

(a) the estimated gross revenues and income to be derived from the System during such Fiscal Year and in each month thereof;

(b) an estimated sum sufficient to provide for the payment of all Operating Expenses during such Fiscal Year and in each month thereof;

(c) the sum required by this Indenture to be paid into the Debt Service Fund during such Fiscal Year and in each month thereof;

(d) the sum (if any) required by this Indenture to be paid into the Reserve Fund during such Fiscal Year and in each month thereof; and

(e) the sum (if any) expected to be transferred from the Rate Stabilization Fund into the Revenue Account during such Fiscal Year and in each month thereof.

The budget in effect for any Fiscal Year may be amended or revised by the County in accordance with changed circumstances and conditions at any time during such Fiscal Year. The County shall submit a copy of each such budget as initially approved to the Trustee.

Section 12.2 **Maintenance of Books and Records; Annual Audits.** The County will maintain complete and separate books and records pertaining to the System and all receipts and disbursements with respect thereto. Within ninety (90) days following the close of each Fiscal Year, the County will provide the Trustee with unaudited financial statements respecting the System prepared by the County's financial officers. The County will cause an audit of the books and records for the System to be completed as soon as practicable after the close of each Fiscal Year. Each such audit shall be made by an Independent Accountant and shall include: (a) a statement in reasonable detail of the revenues derived from the System and of Operating Expenses during such Fiscal Year; (b) a statement of changes in fund balances for such Fiscal Year; (c) a balance sheet respecting the System as of the end of such Fiscal Year; (d) a statement of the amounts on deposit in the Indenture Funds at the end of such Fiscal Year; (e) the Independent Accountant's comments regarding the manner in which the County has carried out the requirements of the Indenture; (f) the Independent Accountant's recommendations for any changes or improvements in the financial operation of the System; (g) a list of the insurance policies and fidelity bonds in force with respect to the System at the end of such Fiscal Year, setting out with respect to each such policy the amount thereof, the risk covered, the name of the insurer and the expiration date of the policy; and (h) the number of customers connected to and served by the System at the end of such Fiscal Year, as disclosed by the records of the County and without any requirement of verification thereof by the Independent Accountant. Within one hundred and eighty (180) days following the close of each Fiscal Year, the County will furnish a copy of such audit to the Trustee and to each Rating Agency which has a rating outstanding respecting any series of the Parity Securities, and each of them is granted the right to discuss the contents of the audit with the Independent Accountant making the same and to secure from the Independent Accountant such additional information respecting the matters therein set out as may be reasonably required.

Section 12.3 **Restrictions as to Free Service.** The County will not furnish or permit to be furnished any free service from the System to the State of Alabama, any county or incor-

porated municipality or any agency, instrumentality, person, firm or corporation whatsoever, other than to itself and its agencies. All services furnished from the System shall be charged for at the rates at the time established therefor (except for those instances in which the County has entered into specific agreements with particular customers, which special agreements will not, in the aggregate, affect System Revenues by more than $100,000).

Section 12.4 **Discontinuance of Service on Non-Payment of Bills and Charges.** If the account of any user of utility service supplied by the System shall remain unpaid for a period of thirty days after such account shall become due (or such longer period, if any, as may be required for compliance with applicable federal and state law), the County thereupon will use its best efforts promptly to discontinue furnishing service to such user whose account shall so remain unpaid, but upon subsequent payment of the account, including any penalties which may be provided for in the applicable schedule of rates of the County, the County may thereafter furnish service to such user until such time as his account shall again remain unpaid for a period of thirty days after such account shall become due (or such longer period, if any, as may be required for compliance with applicable federal and state laws), whereupon the County will again use its best efforts to the end that the furnishing of service shall again be discontinued. The schedule of rates for service furnished by and from the System shall provide that all accounts for such service shall become due not less often than once each calendar quarter.

Section 12.5 **Maintenance of Rates.** (a) The County hereby covenants and agrees to fix, revise and maintain such rates for services furnished by the System as shall be sufficient (i) to provide for the payment of the interest and premium (if any) on and the principal of the Parity Securities, as and when the same become due and payable, (ii) to provide for the payment of the Operating Expenses and (iii) to enable the County to perform and comply with all of its covenants contained in the Indenture.

(b) The County will make from time to time, to the extent permitted by law, such increases and other changes in such rates and charges as may be necessary to comply with the provisions of the preceding paragraph and to provide, in each Fiscal Year, Net Revenues Available for Debt Service in an amount that shall result in compliance with each of the following two requirements (such requirements being referred to herein collectively as the "Rate Covenant"):

(i) the sum of (A) Net Revenues Available for Debt Service for a given Fiscal Year and (B) the Prior Years' Surplus as of the beginning of such Fiscal Year shall not be less than one hundred and ten percent (110%) of the aggregate amount payable during such Fiscal Year as debt service on all outstanding Parity Securities; and

(ii) the Net Revenues Available for Debt Service for a given Fiscal Year shall not be less than eighty percent (80%) [or, in the case of any Fiscal

Year beginning on or after October 1, 2007, one hundred percent (100%)] of the aggregate amount payable during such Fiscal Year as debt service on all outstanding Parity Securities.

For purposes of the Rate Covenant, (a) debt service on the Parity Securities shall not include any interest (i.e., accrued interest or capitalized interest) paid with proceeds of Parity Securities, (b) debt service shall be reduced by any amounts received by the County during the Fiscal Year in question pursuant to Qualified Swaps, and (c) debt service shall be increased by any amounts paid by the County during such Fiscal Year pursuant to Qualified Swaps.

(c) The County's Director of Finance shall, within sixty (60) days after the end of each Fiscal Year, (i) determine whether or not the Net Revenues Available for Debt Service and Prior Years' Surplus for the then most recently completed Fiscal Year were sufficient to result in compliance with the Rate Covenant for such Fiscal Year (the "Historical Evaluation"), (ii) determine whether or not the combination of the Net Revenues Available for Debt Service for the then most recently completed Fiscal Year (subject to adjustment in the manner hereinafter described) and the Prior Years' Surplus as of the beginning of the then current Fiscal Year would be sufficient to result in compliance with the Rate Covenant for the then current Fiscal Year (the "Immediate Prospective Evaluation"), and (iii) determine whether or not the Net Revenues Available for Debt Service for the then most recently completed Fiscal Year (subject to adjustment in the manner hereinafter described) were equal to or greater than 100% of Maximum Annual Debt Service (the "Extended Prospective Evaluation"). For purposes of the Immediate Prospective Evaluation and the Extended Prospective Evaluation, the Net Revenues Available for Debt Service for the preceding Fiscal Year may be adjusted to give effect to any increase in the rates and charges for services furnished by the System that was put into effect after the beginning of such Fiscal Year.

If at the beginning of any Fiscal Year the County's Director of Finance makes the aforesaid determinations and concludes that the County has failed to satisfy the Historical Evaluation, the Immediate Prospective Evaluation or the Extended Prospective Evaluation, then a written notice setting forth such determinations and the conclusions reached shall be delivered, no later than December 10 in such Fiscal Year, to the Trustee and to each member of the Governing Body. The County hereby covenants, in the event of the delivery of any such notice of failure to satisfy the Historical Evaluation or the Immediate Prospective Evaluation (or both), to make an increase in the rates and charges for services furnished by the System, in an amount intended to result in compliance with the rate covenant contained in subsection (b), with such rate increase to be effective no later than January 1 in such Fiscal Year.

Section 12.6 **Continued Operation of the System; Transfer of the System.** The County will not hereafter sell, transfer, lease or otherwise dispose of or cease control of the whole or any essential operating part of the System (except pursuant to Section 12.10 or 12.11 hereof) until all principal of and interest and premium (if any) on the Parity Securities shall have been paid in full, or unless and until provision for such payment shall have been made, as per-

mitted in Article XVI hereof. So long as any of the Parity Securities shall remain outstanding, the County will keep the System in good repair and efficient operating condition, making from time to time all needed repairs and replacements thereto, and it will continuously operate the System in an economical and efficient manner.

If the laws of Alabama at the time shall permit such action to be taken, nothing contained in this section shall prevent the transfer by the County of the entire System to a public corporation whose property and income are not subject to taxation and which has the power to own and operate the System; provided that (a) upon any such transfer, the due and punctual payment of the principal of and interest on the Parity Securities according to their tenor and the due and punctual performance and observance of all the agreements and conditions provided in this Indenture to be kept and performed by the County shall be expressly assumed in writing by the corporation to which the System shall be so transferred; (b) such transfer shall not cause or result in any mortgage or other lien being affixed to or imposed on the System or the revenues therefrom that will be prior to or on a parity with the lien of the pledge herein made for the benefit of the Parity Securities; and (c) the County shall deliver to the Trustee an opinion of Bond Counsel to the effect that such transfer shall not result in the interest on the Parity Securities becoming subject to federal income taxation.

Nothing contained in this section shall be construed to prevent the County from disposing of portions of the System that may become obsolete or worn out or that may no longer be needed for the efficient operation of the System.

Section 12.7 **Warranties and Representations Concerning Title to the System.** The County warrants its title to the System as it presently exists to be free and clear of every lien, encumbrance or charge other than Permitted Encumbrances. The County further warrants and represents that no pledges of, or agreements respecting, the revenues from the System are now outstanding other than those made herein.

Except to the extent specifically permitted otherwise by the provisions of the third paragraph of this section, the County will maintain its existence, will not dissolve, and will not consolidate with or merge into another county or political subdivision or permit one or more other counties or political subdivision to consolidate with or merge into it. Further, the County will use its best efforts to maintain, preserve and renew all the rights and powers provided to it by the constitution or any applicable laws of the State of Alabama or of the United States of America.

If the constitution and laws of the State of Alabama at the time shall permit such action to be taken, nothing contained in this section shall prevent the consolidation of the County with, or the merger of the County into, any county or political subdivision which has authority to undertake and perform the obligations and agreements of the County under the Indenture; provided that upon any such consolidation or merger the following conditions shall be satisfied: (i) the due and punctual payment of the principal of and the interest and premium (if any) on the

Parity Securities according to their tenor and the due and punctual performance and observance of all the agreements and conditions contained in the Indenture to be kept and performed by the County shall be expressly assumed in writing by the corporation resulting from such consolidation or surviving such merger; (ii) such consolidation or merger shall not cause or result in any pledge or lien being imposed on the moneys pledged under the Indenture that will be prior to the pledge made in the Indenture for the benefit of the Parity Securities; and (iii) the County shall deliver to the Trustee an opinion of Bond Counsel to the effect that such consolidation or merger shall not cause or result in the interest income on any of the Parity Securities becoming subject to income taxation by the United States of America, the State of Alabama or any political subdivision of either thereof.

Section 12.8 **System to be Kept Free of Prior Liens.** The County will keep the System free and clear from all liens, encumbrances and charges other than Permitted Encumbrances, but it may defer payment of any claim against the System or the revenues therefrom pending the bona fide contest of any such claim unless by such action the title of the County to the System or any part thereof or the revenues therefrom shall be materially endangered or the System or any part thereof shall be subject to loss or forfeiture, in which event any such payment then due shall not be deferred. Nothing herein contained shall be construed to prevent the County from hereafter acquiring from other governmental entities properties that are to constitute additions or improvements to the System, even though the properties to be acquired, or the revenues derived therefrom, have been subjected, prior to the County's acquisition thereof, to a lien that is or may be prior to the lien of the Indenture.

Section 12.9 **Priority of Pledge.** The pledge of the Pledged Revenues herein made shall be prior and superior to any pledge thereof hereafter made for the benefit of any securities hereafter issued by the County (other than Additional Parity Securities), and the County agrees that in the event it should hereafter issue any securities (other than Additional Parity Securities) or make any contract payable out of the Pledged Revenues or for which any part of the said revenues may be pledged, the County will, in the proceedings under which any such securities or contract are authorized, recognize the priority of the pledge of the Pledged Revenues herein made. The County will not place any mortgage, lien or other encumbrance on the System unless such mortgage, lien or other encumbrance is junior or subordinate in all respects to the pledge herein made and the lien herein created.

Section 12.10 **Sale or Disposition of Personal Property.** While the County is not in default under this Indenture, it may, without the consent of or any release from the Trustee, sell or otherwise dispose of any machinery, equipment or other personal property (including mains and pipes embedded in land but not including land itself or any building thereon) that shall have become inadequate, obsolete, worn out, unsuitable for use or undesirable or unnecessary for use as a part of the System. The proceeds of any such sale or other disposition shall not be regarded

as revenues of the System which are subject to the lien of this Indenture or which are required by the provisions hereof to be paid into the Revenue Account.

Section 12.11 **Sale or Disposition of Portions of the System.** While the County is not in default under this Indenture, the County may sell or otherwise dispose of any part of the System (including, without limitation, real property or improvements or buildings thereon or machinery, equipment and other personal property not described in Section 12.10 hereof), and the Trustee shall consent to such sale or other disposition, upon deposit by the County with the Trustee of the following:

(i) a resolution of the Governing Body describing in reasonable detail the property to be released, stating the consideration to be received by the County for such sale or disposition, stating that the County is not in default under any of the provisions of this Indenture, and requesting such release;

(ii) a certificate of a licensed engineer, who may be an employee of the County, stating that the property to be released is not and will not be needed by the County for the safe, efficient and economical operation of the remaining portions of the System and that the consideration to be received by the County for such sale or disposition is not less than the reasonable value of the property to be released; and

(iii) the proceeds from such sale or other disposition.

Upon compliance by the County with the foregoing conditions, the Trustee shall, at the expense of the County, execute and deliver to the County any and all instruments that may be necessary to release such property from the lien or encumbrance imposed by this Indenture.

Subject to the provisions of the next paragraph, the proceeds from any such sale or other disposition of any part or parts of the System shall be deposited in the Revenue Account, unless the Governing Body shall provide the Trustee with written directions to apply all or a portion of such proceeds for the redemption of Parity Securities prior to maturity in accordance with the terms of the Indenture and on the earliest practicable date permitted thereby, in which event the proceeds from such sale or other disposition to be used for such purpose shall be deposited in the Redemption Fund.

Section 12.12 **Insurance with Respect to the System.** The County will take out and continuously maintain in effect insurance with respect to those components of the System other than underground mains, laterals and collection lines against such risks as are customarily insured against by systems similar in size and character to the System, paying as the same become due all premiums with respect thereto, including but not limited to:

(a) insurance to the extent of the full insurable value of the insured portions of the System against loss or damage by fire or other casualty, with uniform standard extended coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at the time in use in the State of Alabama;

(b) comprehensive public liability insurance against liability for bodily injury to or death of persons and for damage to or loss of property occurring on or about the properties comprising the System or as a result of operation of the System (including the operation of vehicles owned or leased by the County and used in connection with the System) in such amounts as are customarily carried by systems similar in size and character to the System; provided that the County may, at its election, be self-insured for such risks to the extent customary at the time for systems similar in size and character to the System; and

(c) workmen's compensation insurance respecting all employees of the System in such amount as is customarily carried by systems similar in size and character to the System; provided that the County may, at its election, be self-insured for such risk to the extent customary at the time for systems similar in size and character to the System.

All policies evidencing the insurance required by the terms of this section shall be taken out and maintained in generally recognized responsible insurance companies qualified under the laws of the State of Alabama to assume the respective risks undertaken.

Each insurance policy required to be carried by this section shall contain, to the extent obtainable, an agreement by the insurer that (i) the County may not, without the consent of the Trustee, cancel such insurance or sell, assign or dispose of any interest in such insurance, such policy, or any proceeds thereof, (ii) such insurer will notify the Trustee if any premium shall not be paid when due or any such policy shall not be renewed prior to the expiration thereof, and (iii) such insurer shall not cancel any such policy except on sixty (60) days' prior written notice to the Trustee.

All policies evidencing the insurance required to be carried by this section shall be deposited with the Trustee; provided, however, that in lieu thereof the County may deposit with the Trustee a certificate or certificates of the respective insurers attesting the fact that such insurance is in force and effect. Prior to the expiration of any such policy, the County will furnish to the Trustee evidence reasonably satisfactory to the Trustee that such policy has been renewed or replaced by another policy or that there is no necessity therefor under this Indenture.

Section 12.13 **Damage and Destruction Provisions.** If the System is destroyed, in whole or in part, or is damaged, by fire or other casualty, to such extent that the loss to the System resulting therefrom is not greater than $25,000,000, the County will promptly repair,

replace or restore the property destroyed or damaged to substantially the same condition as prior to the event causing such damage or destruction with such changes, alterations or modifications (including the substitution and addition of other property) as will not significantly impair the operating utility of the System. The County will apply so much as may be necessary of any Net Insurance Proceeds referable to such damage or destruction to the payment of the costs of such repair, replacement or restoration, and if such costs exceed the available Net Insurance Proceeds, the County will provide any additional moneys required for the payment of such costs. In the event that the total costs of such repair, replacement and restoration are less than such Net Insurance Proceeds, the County will pay into the Revenue Account the amount by which such proceeds exceed said total costs.

If the System is destroyed, in whole or in part, or is damaged, by fire or other casualty, to such extent that the loss to the System resulting therefrom is greater than $25,000,000, the County will promptly so notify the Trustee in writing. The Net Insurance Proceeds recovered by the County and the Trustee on account of such damage or destruction shall be paid to and held by the Trustee. Pursuant to written directions to be given to the Trustee by the Governing Body not more than sixty (60) days following the event causing such damage or destruction, such proceeds shall be applied by the Trustee in one or both of the following ways (the amount, if any, to be applied in each such way to be specified in such written directions):

(a) payment of the costs of repairing, replacing or restoring the property damaged or destroyed to the extent necessary for it to have substantially the same operating utility that it had prior to the event causing such damage or destruction, with such changes, alterations or modifications as shall be specified by the Governing Body;

(b) the redemption of Parity Securities prior to maturity in accordance with the terms of the Indenture and on the earliest practicable date permitted thereby, in which case such portion of the Net Insurance Proceeds to be used therefor shall be deposited in the Redemption Fund.

In the event that the Net Insurance Proceeds held by the Trustee (or any specified portion thereof) are to be applied for payment of the costs of repairing, replacing or restoring the property damaged or destroyed, a special construction fund shall be established with the Trustee and such proceeds (or specified portion thereof) shall be deposited therein, and the Trustee will provide for such proceeds (or specified portion thereof) to be disbursed as needed for the payment of such costs pursuant to requisitions submitted by the County. Any balance of the Net Insurance Proceeds (or any balance of the portion thereof specified for the payment of such costs) remaining after the payment of all such costs shall be paid into the Revenue Account. In the event that the Net Insurance Proceeds (or the portion thereof specified for the payment of such costs) are not sufficient to pay in full the costs of such repair, replacement or restoration, the County will nonetheless complete the work thereof and will pay that portion of the costs thereof in excess of the Net Insurance Proceeds (or specified portion thereof) available for the payment of such costs.

All property acquired in connection with the repair, replacement or restoration of any part of the System pursuant to the provisions of this Section 12.13 shall be and become part of the System, with the revenues derived therefrom being subject to the pledge made herein for the benefit of the Holders of the Parity Securities.

Section 12.14 **Fidelity Bonds.** The County will at all times carry fidelity bonds on all of its officers and employees who may handle funds of the County appertaining to the System, such bonds to be in such amounts as are customarily carried by systems similar in size and character to the System.

Section 12.15 **Tax Covenants.** The County recognizes that the Holders of the Series 1997-A Warrants from time to time will have accepted them on, and paid therefor a price which reflects, the understanding that interest on the Series 1997-A Warrants is excluded from gross income for federal income tax purposes under the laws in force at the time the Series 1997-A Warrants shall have been delivered. In this connection the County covenants (i) that it will not take any action or omit to take any action if the taking of such action or the failure to take such action, as the case may be, will result in the interest on any of the Series 1997-A Warrants becoming includable in gross income for purposes of federal income taxation, (ii) that it will use the "proceeds" of the Series 1997-A Warrants and any other funds of the County in such a manner that the use thereof, as reasonably expected by the County at the time of issuance of the Series 1997-A Warrants, will not cause the Series 1997-A Warrants to be "arbitrage bonds" under Section 103(b)(2) and Section 148 of the Code and the regulations thereunder and (iii) that it will satisfy the requirements of Section 148(f) of the Code and the applicable regulations thereunder. The County further covenants and agrees that it will not permit at any time any "proceeds" of the Series 1997-A Warrants or any other funds of the County to be used, directly or indirectly, in a manner which would result in any Series 1997-A Warrant being classified as a "private activity bond" within the meaning of Section 141(a) of the Code. The officers and employees of the County shall execute and deliver from time to time, on behalf of the County, such certificates, instruments and documents as shall be deemed necessary or advisable to evidence compliance by the County with said Section 103(b)(2) and Section 148 and the regulations thereunder with respect to the use of the proceeds of the Series 1997-A Warrants. Such certificates, instruments and documents may contain such stipulations as shall be necessary or advisable in connection with the stated purpose of this section and the foregoing provisions hereof, and the County hereby covenants and agrees to comply with the provisions of any such stipulations throughout the term of the Series 1997-A Warrants.

Section 12.16 **Compliance with Requirements of Law.** The County will comply with all of the terms, provisions and requirements of the Act and any other state or federal laws which are applicable to the County by reason of the ownership and operation of the System or the issuance of the Parity Securities. Without limiting the generality of the foregoing, the County will use its best efforts to comply with the requirements imposed on it by the Consent

Decree entered in those civil actions consolidated in the United States District Court, Northern District of Alabama, and styled *United States of America v. Jefferson County, Alabama, et al.*, Civil Action No. 94-G-2947-S, and *R. Allen Kipp, Jr., et al. and Cahaba River Society, Inc. v. Jefferson County, Alabama, et al.*, Civil Action No. 93-G-2492-S.

Section 12.17 **Levy of Sewer Tax.** As long as it is permitted to do so by applicable law, the County will levy and collect, on an annual basis, the Sewer Tax and will apply the revenues derived therefrom solely for purposes related to the System.

Section 12.18 **Payment of Parity Securities.** The County will pay or cause to be paid, out of the sources of payment provided in the Indenture, the principal of and the interest and premium (if any) on the Parity Securities as specified therein, and it will otherwise perform all obligations that either expressly or by reasonable implication are imposed on it in the Indenture and it will not default hereunder.

ARTICLE XIII

EVENTS OF DEFAULT AND REMEDIES OF TRUSTEE AND PARITY SECURITYHOLDERS

Section 13.1 **Events of Default Defined.** Any of the following shall be "Events of Default" under the Indenture, and the term "Event of Default" shall mean, whenever it is used in the Indenture, any one or more of the following conditions or events:

(a) failure by the County to pay the principal of or the interest or premium (if any) on any Parity Security as and when the same become due as therein and herein provided (whether such shall become due at maturity or by redemption, acceleration or otherwise);

(b) failure by the County to satisfy the Rate Covenant, provided that any such failure shall not constitute an Event of Default if (i) the Trustee receives evidence satisfactory to it that an increase in the rates charged for services furnished by the System has occurred pursuant to the provisions of the ordinance of the County that governs such rates, or (ii) the County employs a utility system consultant to review the System and its existing rates and fees and makes a good faith effort to comply with the recommendations of such consultant;

(c) failure by the County to perform or observe any agreement, covenant or condition required by the Indenture to be performed or observed by it [other than its agreement to pay the principal of and the interest and premiu

m (if any) on the Parity Securities or the Rate Covenant] after thirty (30) days' written notice (which said notice must state that it is a "notice of default" hereunder) to it of such failure given by the Trustee or by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Parity Securities then outstanding hereunder, unless during such period or any extension thereof the County has commenced and is diligently pursuing appropriate corrective action;

(d) any material warranty, representation or other statement by or on behalf of the County contained in the Indenture, or in any document furnished by the County in connection with the issuance and sale of any of the Parity Securities, being false or misleading in any material respect at the time made; or

(e) an order, judgment or decree shall be entered by any court of competent jurisdiction (i) appointing a receiver, trustee or liquidator for the System, (ii) approving a petition filed by the County under the federal or any state bankruptcy laws, (iii) granting relief to the County under federal or state bankruptcy laws or relief substantially similar to that afforded under the said laws or (iv) assuming the custody or control of the System (or any part thereof) under the provisions of any other law for the relief or aid of debtors, and such order, judgment or decree shall not be vacated or set aside or stayed within ninety (90) days from the date of the entry thereof, or the County shall file a petition in bankruptcy or make an assignment for the benefit of its creditors or consent to the appointment of a receiver of the whole or any substantial part of its propert ies or shall file a petition or answer seeking relief under the federal or any state bankruptcy laws.

Section 13.2 **Remedies on Default.** Upon the occurrence and continuation of any Event of Default, the Trustee shall have the following rights and remedies:

(a) Upon the occurrence and continuation of any Event of Default described in clause (a) of Section 13.1 hereof, the Trustee shall, and, upon the occurrence and continuation of any other Event of Default described in Section 13.1 hereof, the Trustee may, declare the Parity Securities to be immediately due and payable, whereupon they shall, without further action, become and be immediately due and payable, anything in this Indenture or in the Parity Securities to the contrary notwithstanding.

(b) The Trustee may, by civil action, mandamus or other proceedings, protect, enforce and compel performance of all duties of the officials of the County, including the fixing of sufficient rates, the collection of revenues, the proper segregation of the revenues of the System and the proper application thereof and may, without limitation of the foregoing, proceed to protect and

enforce its rights and the rights of the Parity Securityholders by a suit or suits, whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power granted herein or for the enforcement of any other proper, legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce its rights and the rights of the Parity Securityholders hereunder.

(c) The Trustee shall be entitled upon or at any time after the commencement of any proceedings instituted with respect to an Event of Default, as a matter of strict right, upon the order of any court of competent jurisdiction, to the appointment of a receiver to administer and operate the System, with power to fix and charge rates and collect revenues sufficient to provide for the payme nt of the Parity Securities and any other obligations outstanding against the System or the revenues thereof and for the payment of expenses of operating and maintaining the System and with power to apply the income and revenues of the System in conformity with the Act and the Indenture.

The provisions of the preceding subparagraph (a), however, are subject to the condition that if, after the principal of the Parity Securities shall have been so declared to be due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the County shall cause to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all Parity Securities and the principal of any and all Parity Securities which shall have become due otherwise than by reason of such declaration (with interest upon such principal and on overdue installments of interest, at the rates per annum determined as provided in the Parity Securities) and such amount as shall be sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee, and all Events of Default hereunder other than nonpayment of the principal of the Parity Securities which shall have become due by said declaration shall have been remedied, then, in every such case, such Event of Default shall be deemed waived and such declaration and its consequences rescinded and annulled, and the Trustee shall promptly give written notice of such waiver, rescission or annulment to the County; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

Section 13.3 **Application of Moneys Collected.** All moneys collected by the Trustee pursuant to this article or pursuant to any right given to it or action taken by it under the provisions of this article, together with all other funds of the County from the System then held by it or the Trustee hereunder, shall, after payment of all amounts for which the Trustee has a lien under Section 14.7 hereof, be applied in the following order, on the date or dates fixed by the Trustee, and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Parity Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

(a) Unless the principal of all Parity Securities shall have become or shall have been declared due and payable, all such moneys shall be applied:

First. To the payment to the persons entitled thereto of interest then due on the Parity Securities, with interest on overdue installments of such interest, and if the amount available shall not be sufficient to pay in full all such installments plus the said interest thereon, then to the proportionate payment of all such installments and the interest thereon, according to the amounts thereof, without preference or priority of any installment of interest over any other installment or any discrimination or privilege among the persons entitled thereto.

Second. To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on the Parity Securities which shall have matured, with interest on overdue installments of principal and premium, if any, from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full all such principal and premium, if any, together with the aforesaid interest thereon, then to the proportionate payment of such principal, premium, if any, and interest, according to the amounts thereof, without preference or priority of any installment of principal over any other installment or any discrimination or privilege among the persons entitled thereto; and

Third. The surplus, if any, to the Revenue Account.

(b) If the principal of all the Parity Securities shall have become or been declared due and payable, all such moneys shall be applied as follows:

First. To the payment of the principal and interest then due and unpaid upon the Parity Securities, with interest on overdue principal and on overdue interest, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Parity Security over any other Parity Security, in proportion to the amounts for both principal and interest due respectively to the persons entitled thereto, without any discrimination or privilege among such persons; and

Second. The surplus, if any, to the County or to whomsoever may be entitled thereto.

Section 13.4 **Parity Securityholders Need Not be Joined in Actions.** All rights of action (including the right to file proof of claims) under this Indenture or under any of the Parity Securities may be prosecuted and enforced by the Trustee without the possession of any of the Parity Securities or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as trustee of

an express trust without the necessity of joining as plaintiffs or defendants any Parity Securityholders and any recovery shall (after provisions for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) be for the ratable benefit of the Parity Securityholders in respect of which such judgment has been recorded.

Section 13.5 **Rights of the Parity Securityholders to Direct Proceedings.** The Holders of a majority in aggregate principal amount of the Parity Securities then outstanding shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under this Indenture or exercising any trust or power conferred on the Trustee by this Indenture.

Section 13.6 **Limitation on Suits by Parity Securityholders.** No Parity Securityholder shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless (a) such Holder has previously given written notice to the Trustee of a continuing Event of Default; (b) the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Parity Securities then outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder; (c) such Holder or Holders have offered to the Trustee indemnity in the manner provided in Section 14.3(e) hereof; (d) the Trustee for thirty days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and (e) no direction inconsistent with such written request has been given to the Trustee during such thirty-day period by the Holders of a majority in aggregate principal amount of the outstanding Parity Securities, it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provisions of this Indenture to affect, disturb or prejudice the rights of any other Holders, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders.

Notwithstanding any other provision hereof, the right of the Parity Securityholders, which is absolute and unconditional, to receive payment of the principal of and the interest and premium (if any) on the Parity Securities on or after the due date of the same, but solely from the sources of payment provided herein, as therein and herein expressed, or to institute suit for the enforcement of such payment on or after such due date, or the obligation of the County, which is also absolute and unconditional, to pay, but solely from the said sources of payment, the principal of and the interest on the Parity Securities to the respective Holders thereof at the time and place in the Parity Securities expressed, shall not be impaired or affected without the consent of such Holder; provided, however, that no Parity Securityholder shall be entitled to take any action or institute any such suit to enforce the payment of his Parity Securities, whether for principal or interest, if and to the extent that the taking of such action or the institution or prosecution of any such suit or the entry of judgment therein would under applicable law result

in a surrender, impairment, waiver or loss of the lien hereof upon the revenues from the System, or any part thereof, as security for the Parity Securities held by any other Parity Securityholder.

Section 13.7 **Remedies Cumulative.** No remedy herein conferred upon or reserved to the Trustee or to the Parity Securityholders is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 13.8 **Delay or Omission Not a Waiver.** No delay or omission of the Trustee or any Parity Securityholder to exercise any right or power accruing upon any default occurring and continuing as aforesaid shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or the Parity Securityholders may be exercised from time to time and as often as may be deemed expedient by the Trustee or the Parity Securityholders.

Section 13.9 **Remedies Subject to Applicable Law.** All rights, remedies and powers provided by this Indenture may be exercised only to the extent the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Indenture are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render the Indenture invalid or unenforceable.

Section 13.10 **Waivers of Past Defaults Under the Indenture.** The Holders of not less than a majority in aggregate principal amount of the outstanding Parity Securities may, on behalf of the Holders of all outstanding Parity Securities, waive any past default under this Indenture and its consequence, except for the following types of defaults:

(a) any default in the payment of the principal of or interest or premium (if any) on any Parity Security, or

(b) any default or failure in respect of any covenant or provision of this Indenture which under Article XIV hereof cannot be modified or amended without the consent of the Holder of each outstanding Parity Security affected.

Upon any such waiver, such default shall cease to exist, and an Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

ARTICLE XIV

THE TRUSTEE

Section 14.1 **Certain Duties and Responsibilities.** (a) Except during the continuance of an Event of Default,

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from its own gross negligence or its own willful misconduct, except that

(i) this subsection shall not be construed to limit the effect of subsection (a) of this section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or officers of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in aggregate principal amount of the outstanding Parity Securities of each series relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

(iv) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance

of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this section.

Section 14.2 **Notice of Defaults.** Within ninety (90) days after the occurrence of any Event of Default the Trustee shall give notice by registered or certified mail to the Parity Securityholders of such Event of Default known to the Trustee; provided, however, that except in the case of a default in the payment of the principal of or interest or premium (if any) on any Parity Securities, the Trustee shall be protected in withholding such notice if and so long as a responsible officer of the Trustee in good faith determines that the withholding of such notice is in the interests of the Parity Securityholders.

Section 14.3 **Certain Rights of the Trustee.** Except as otherwise provided in Section 14.1 hereof:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, warrant or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, election, order or demand of the County shall be sufficiently evidenced by an instrument signed in the name of the County by the President or other presiding officer of the Governing Body (unless otherwise in this Indenture specifically prescribed), and any resolution of the County may be evidenced to the Trustee by a copy thereof certified by the Minute Book Clerk of the County;

(c) the Trustee may consult with Independent Counsel and the written advice or opinion of such Independent Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(d) whenever, in the administration of the trust of this Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be

conclusively proved and established by a certificate of the County, and such certificate of the County shall, in the absence of negligence or bad faith on the part of the Trustee, be full warranty to the Trustee for any action taken, suffered or omitted by it under the provisions of this Indenture upon the faith thereof;

(e) the Trustee shall be under no obligation to exercise any of the rights, powers or remedies vested in it by this Indenture at the request or direction of any of the Parity Securityholders pursuant to this Indenture, unless such Parity Securityholders shall have furnished to the Trustee satisfactory indemnity for the reimbursement of all expenses to which it may be put and to protect it against all liability which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorne ys, and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

Section 14.4 **Trustee not Responsible for Certain Matters Respecting Parity Securities or Security Therefor.** The recitals contained herein and in the Parity Securities, except the Trustee's certificate of authentication and its recital of its authority to accept the trusts hereof, shall be taken as the statements of the County, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Parity Securities. The Trustee is not responsible for the recording of this Indenture or for the payment of taxes, charges, assessments and liens upon the System, or for insuring the System or the maintenance thereof, or for the sufficiency of the security for the Parity Securities.

Section 14.5 **Trustee May Hold Parity Securities.** The Trustee, in its individual or any other capacity, may become the Holder or pledgee of Parity Securities and may otherwise deal with the County with the same rights it would have if it were not Trustee hereunder.

Section 14.6 **Right of the Trustee to Perform Certain Acts on Failure of the County.** In case the County shall fail seasonably to pay or to cause to be paid any tax, assessment, or governmental or other charge upon any part of the System or the premiums on insurance on the

System or the expenses of maintaining or preserving the System, the Trustee may pay such tax, assessment, governmental charge, premiums or expenses without prejudice, however, to any rights of the Trustee or the Parity Securityholders arising in consequence of such failure; and any amount at any time so paid under this section, with interest thereon from the date of payment at the Trustee's prime lending rate plus two percent (2%) per annum or the maximum rate of interest allowed by law, whichever is less, shall be repaid by the County upon demand, and shall become additional indebtedness secured by this Indenture, but the Trustee shall be under no obligation to make any such payment unless it shall have been requested to do so by the Holders of not less than twenty-five percent (25%) of the aggregate principal amount of the outstanding Parity Securities and shall have been provided with adequate funds for the purpose of such payment.

Section 14.7 **Compensation of the Trustee; Lien Therefor.** The Trustee shall have a lien on the revenues of the System and all funds held or collected by the Trustee as such (except funds held in trust for the benefit of the Holders of particular Parity Securities) with right of payment prior to payment on account of interest, principal or premium (if any) of any Parity Security, for reasonable compensation for all services rendered by it hereunder and for all reasonable expenses, advances, disbursements and counsel fees incurred or made in and about the execution of the trusts hereby created and exercise and performance of the powers and duties of the Trustee hereunder and the cost and expense incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful default of the Trustee).

Section 14.8 **Resignation and Removal of the Trustee; Appointment of Successor.** No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this article shall become effective until the acceptance of appointment by the successor Trustee under Section 14.9 hereof.

The Trustee may resign at any time by giving written notice thereof to the County. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

The Trustee may be removed at any time (a) by the Holders of a majority in aggregate principal amount of the outstanding Parity Securities by an instrument or instruments in writing delivered to the Trustee and to the County or (b) by the County, if no Event of Default exists, by written notice delivered to the Trustee.

If at any time the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then (i) the County may remove the

Trustee, or (ii) any Parity Securityholder who has been a Parity Securityholder for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the County shall promptly appoint a successor Trustee. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by the Holders of a majority in aggregate principal amount of the outstanding Parity Securities of each series by an instrument or instruments in writing delivered to the County and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the County. If no successor Trustee shall have been so appointed by the County or the Parity Securityholders and accepted appointment in the manner hereinafter provided, any Parity Securityholder who has been a Parity Securityholder for at least six months may, on behalf of himself and all other similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

The County shall give notice by registered or certified mail to the Holders of all outstanding Parity Securities and to each Rating Agency of each resignation and each removal of the Trustee and each appointment of a successor Trustee. Each notice shall include the name and address of the principal corporate trust office of the successor Trustee.

Section 14.9 **Acceptance of Appointment by Successor Trustee.** Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the County and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the estate and title of the retiring Trustee to the Trust Estate and all the rights, powers, trusts and duties of the retiring Trustee; but, on request of the County or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the estate and title of the retiring Trustee to the Trust Estate and all the rights, powers, and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its lien, if any, provided for in Section 14.7 hereof. Upon request of any such successor Trustee, the County shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such estate, title, rights, powers and trusts.

Section 14.10 **Merger or Consolidation of the Trustee.** Any corporation or association into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation or association succeeding to all or substantially

all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Parity Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Parity Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Parity Securities.

Section 14.11 **Paying Agents.** (a) Any Paying Agent other than the Trustee shall signify its acceptance of such appointment and its assumption of the duties and obligations imposed upon it by this Indenture by execution and delivery of an agreement satisfactory to the Trustee and the County.

(b) Any Paying Agent may resign at any time by giving 30 days' notice to the County and the Trustee; provided, however, that no such resignation shall become effective until a successor Paying Agent has been appointed and has accepted its duties and obligations hereunder.

(c) The County may, with the consent of the Trustee (if such Paying Agent is other than the Trustee), remove any Paying Agent by giving 30 days' notice to such Paying Agent; provided, however, that no such removal shall be effective until a successor Paying Agent has been appointed and has accepted its duties and obligations hereunder.

(d) If any Paying Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Paying Agent for any cause, the County shall appoint a successor Paying Agent.

(e) Any Paying Agent shall (i) be a commercial bank with trust powers or a trust company, (ii) have a combined capital and surplus of at least $50,000,000, and (iii) be subject to supervision and examination by federal or state authority.

(f) Compensation of any Paying Agent shall be paid directly by the County.

(g) The provisions of the Indenture shall be applicable to any Paying Agent.

ARTICLE XV

AMENDMENTS AND SUPPLEMENTS TO THE INDENTURE

Section 15.1 **Supplemental Indentures Without Consent of Parity Securityholders.** Without the consent of or any notice to any Parity Securityholders, the County and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(a) to add to the covenants of the County for the benefit of the Parity Securityholders, or to surrender any right or power herein conferred upon the County; or

(b) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions which shall not be inconsistent with the provisions of this Indenture, provided such action shall not adversely affect the interests of the Parity Securityholders; or

(c) to subject to this Indenture additional revenues, properties or collateral; or

(d) to authorize the issuance of Additional Parity Securities; or

(e) to grant to or confer or impose upon the Trustee for the benefit of the Parity Securityholders any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with the Indenture as theretofore in effect, provided that no such additional liabilities or duties shall be imposed upon the Trustee without its consent; or

(f) to authorize a different denomination or denominations of the Series 1997 Warrants or Series 1997-C Warrants and to make correlative amendments and modifications to the Indenture regarding exchangeability of Series 1997 Warrants or Series 1997-C Warrants of different denominations, redemptions of portions of Series 1997 Warrants or Series 1997-C Warrants of particular denominations and similar amendments and modifications of a technical nature; or

(g) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Parity Securityholders and which does not involve a change described in Section 15.2 hereof.

Before the County and the Trustee shall enter into any Supplemental Indenture pursuant to this section, there shall have been delivered to the Trustee an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the County in accordance with its terms and will not adversely affect the exemption from federal income taxation of interest on the Series 1997-A Warrants.

Section 15.2 **Supplemental Indentures With Consent of Parity Securityholders.** With the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Parity Securities, the County and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of modifying in any manner the rights of the Parity Securityholders under the Indenture; provided, however, that no such Supplemental Indenture shall, without the consent of the Holder of each outstanding Parity Security adversely affected thereby,

(1) change the security for, the stated maturity or mandatory redemption date of the principal of, or any installment of interest on, any Parity Security, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, change the coin or currency in which any Parity Security or the 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 redemption, on or after the redemption date), or

(2) reduce the percentage in principal amount of the outstanding Parity Securities, the consent of whose Holders is required for any such Supplemental Indenture, or

(3) eliminate or modify any provision of the Indenture, the elimination or modification of which by its terms requires the consent of the Holder of each Parity Security affected thereby, or

(4) create a lien or charge on the revenues from the System ranking prior to or on a parity of lien with the lien and pledge thereon contained herein (other than for Additional Parity Securities), or

(5) establish preference or priority as between the Parity Securities.

It shall not be necessary for any written consent of any Parity Securityholder under this section to approve the particular form of any proposed Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

If at any time the County shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes of this section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be mailed to each Parity Securityholder. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Parity Securityholders. Except in the case of a Supplemental Indenture requiring the consent of the Holder of each outstanding Parity Security adversely affected thereby, if the Holders of not less than a majority in aggregate principal amount of the Parity Securities of each series outstanding at the time of the execution of any Supplemental Indenture shall consent to and approve the execution thereof as herein no provided, no Parity Securityholder shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the County from executing the same or from taking any action pursuant to the provisions thereof.

Before the County and the Trustee shall enter into any Supplemental Indenture pursuant to this section, there shall have been delivered to the County and the Trustee an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and the Act, complies with their respective terms, will be valid and binding upon the County in accordance with its terms and will not adversely affect the exemption from federal income taxation of interest on the Series 1997-A Warrants.

Section 15.3 **Discretion of the Trustee.** In the case of any amendments or supplements authorized under the provisions of this article, the Trustee shall be entitled to exercise its discretion in determining whether or not any proposed amendment or supplement, or any term or provision therein contained, is proper or desirable, having in view the purposes of such instrument, the needs of the County and the System and the rights and interests of the Parity Securityholders, and the Trustee shall not be under any responsibility or liability to the County or to any Parity Securityholder or to anyone whomsoever for any act or thing which it may in good faith do or decline to do under the provisions of Sections 15.1 and 15.2 hereof. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, an opinion of Independent Counsel acceptable to it as conclusive evidence that any such amendment or supplement complies with the provisions hereof and that the Trustee is authorized hereunder to join in the execution of or consent to such amendment or supplement. The Trustee may, but shall not be obligated to, enter into any Supplemental Indenture which affects the Trustee's own rights, duties or immunities under the Indenture.

Section 15.4 **Effect of Supplemental Indentures.** Upon the execution of any Supplemental Indenture under this article, this Indenture shall be modified in accordance therewith and such Supplemental Indenture or supplement or amendment shall form a part of the Indenture for all purposes; and every Holder of any Parity Security theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

ARTICLE XVI

PAYMENT AND CANCELLATION OF THE PARITY SECURITIES AND SATISFACTION OF THE INDENTURE

Section 16.1 **Satisfaction of Indenture.** Whenever the principal of and the interest and premium (if any) on the Parity Securities and the fees, charges and disbursements of the Trustee for services performed hereunder shall have been fully paid and the County shall have performed and observed all the covenants and promises expressed in the Parity Securities and in the Indenture to be performed and observed by it or on its part, the Trustee shall, at the expense of the County, cancel, satisfy and discharge the lien of the Indenture and shall execute and deliver to the County such instruments as shall be requisite to satisfy of record the lien hereof. For purposes of the Indenture (except as may herein be expressly provided otherwise), any of the Parity Securities shall be deemed to have been fully paid when there shall have been irrevocably deposited with the Trustee for payment thereof the entire amount (principal, interest and premium, if any) due or to become due thereon until and at maturity, and, further, any Parity Securities subject to redemption shall also be deemed to have been fully paid when the County shall have deposited with the Trustee the following:

(a) the applicable redemption price in cash of such Parity Securities, including the interest that will mature thereon to the earliest date on which they may, under the terms of the Indenture, be redeemed, and

(b) a certified copy of a Resolution calling such Parity Securities for redemption (if, under the terms of Section 6.1 hereof, the adoption of such a Resolution is required).

In addition, any of the Parity Securities shall, for all purposes of the Indenture (except as may herein be expressly provided otherwise), be considered as fully paid if the Trustee shall be provided with each of the following:

(1) a trust agreement between the County and the Trustee making provision for the retirement of such Parity Securities by creating for that purpose an irrevocable trust fund sufficient to provide for payment and retirement of such Parity Securities (including payment of the interest that will mature thereon until and on the dates they are retired, as such interest becomes due and payable), either by redemption prior to their respective maturities, by payment at their respective maturities or by payment of part thereof at their respective maturities and redemption of the remainder prior to their respective maturities, which said trust fund shall consist of (i) Permitted Defeasance Obligations which are not subject to redemption prior to their respective maturities at the option of the

issuer and which, if the principal thereof and the interest thereon are paid at their respective maturities, will produce funds sufficient so to provide for payment and retirement of all such Parity Securities, or (ii) both cash and such Permitted Defeasance Obligations which together will produce funds sufficient for such purpose, or (iii) cash sufficient for such purpose; provided, however, that said trust agreement shall require the Trustee to keep all cash held on deposit in such trust fund continuously secured by holding on deposit, as collateral security, Permitted Defeasance Obligations having a market value not less than the amount of cash on deposit in such trust fund;

(2) a certified copy of a Resolution calling for redemption those of such Parity Securities that, according to said trust agreement, are to be redeem ed prior to their respective maturities (if, under the terms of Section 6.1 hereof, the adoption of such a Resolution is required);

(3) a certificate of a firm of certified public accountants stating that, if the principal of and the interest on the Permitted Defeasance Obligations (if any) forming part of the trust fund provided for in the preceding subparagraph (1) are paid on the respective due dates of such principal and interest, said trust fund will produce funds sufficient to provide for the full payment and retirement of such Parity Securities; and

(4) an opinion of Bond Counsel to the effect that the execution and effectuation of the trust agreement referred to in the preceding subparagraph (1) will not result in subjecting the interest income on such Parity Securities to federal income taxation.

The Trustee is hereby irrevocably authorized to give notice, in accordance with the applicable requirements of Article VI hereof, of any redemption of Parity Securities to be effected in connection with arrangements made pursuant to the provisions of this Section 16.1.

If a trust fund of the type described in subparagraph (1) of the preceding paragraph is established for payment of less than all of the Parity Securities of a particular series and maturity, the particular Parity Securities (or portions thereof) of such series and maturity to be paid from such trust fund shall be selected by the Trustee within seven days after such trust fund is established and shall be identified by a separate CUSIP number or other designation satisfactory to the Trustee. The Trustee shall notify Holders whose Parity Securities (or portions thereof) have been selected for payment from such trust fund and shall direct such Holders to surrender their Parity Securities to the Trustee in exchange for replacement securities with an appropriate CUSIP number and corresponding series and maturity designation.

Section 16.2 **Destruction of Surrendered Parity Securities.** Upon the surrender to the Trustee of any mutilated Parity Securities, or Parity Securities transferred or exchanged for other

Parity Securities, or Parity Securities redeemed or paid at maturity by the County, such Parity Securities shall forthwith be cancelled and destroyed by the Trustee, which shall deliver its certificate confirming such destruction to the County.

Section 16.3 **Release of Funds Upon Payment of Parity Securities.** Any amounts remaining in any of the Indenture Funds after payment in full of the Parity Securities, the fees, charges and expenses of the Trustee and all other amounts required to be paid hereunder shall be paid to the County.

ARTICLE XVII

PROVISIONS CONCERNING THE INSURANCE POLICY

Section 17.1 **Payments Under the Insurance Policy.** (a) If, on the third day preceding any Interest Payment Date for the Series 1997 Warrants, there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the Series 1997 Warrants due on such date, the Trustee shall immediately notify the Bond Insurer and State Street Bank and Trust Company, N.A., New York, New York, or its successor as the Bond Insurer's Fiscal Agent (the "Fiscal Agent"), of the amount of such deficiency. If, by said Interest Payment Date, the County has not provided the amount of such deficiency, the Trustee shall simultaneously make available to the Bond Insurer and to the Fiscal Agent the registration books for the Series 1997 Warrants maintained by the Trustee. In addition:

(i) the Trustee shall provide the Bond Insurer with a list of the Holders of the Series 1997 Warrants entitled to receive principal or interest payments from the Bond Insurer under the terms of the Insurance Policy and shall make arrangements for the Bond Insurer and its Fiscal Agent (1) to mail checks or drafts to Warrantholders entitled to receive full or partial interest payments from the Bond Insurer and (2) to pay principal of the Warrants surrendered to the Fiscal Agent by the Warrantholders entitled to receive full or partial principal payments from the Bond Insurer; and

(ii) the Trustee shall, at the time it makes the registration books available to the Bond Insurer, notify Warrantholders entitled to receive payment of principal of or interest on the Series 1997 Warrants from the Bond Insurer (1) as to the fact of such entitlement, (2) that the Bond Insurer will remit to them all or part of the interest payments coming due subject to the terms of the Insurance Policy, (3) that, except as provided in paragraph (b) below, in the event that any Warrantholder is entitled to receive full payment of principal from the Bond Insurer, such Warrantholder must tender his Series 1997 Warrant to the Fiscal

Agent with the instrument of transfer in the form provided on the Series 1997 Warrant executed in the name of the Bond Insurer, and (4) that, except as provided in paragraph (b) below, in the event that such Warrantholder is entitled to receive partial payment of principal from the Bond Insurer, such Warrantholder must tender his Series 1997 Warrant for payment first to the Trustee, which shall note on such Series 1997 Warrant the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of the Bond Insurer, to the Fiscal Agent, which will then pay the unpaid portion of principal to the Warrantholder subject to the terms of the Insurance Policy.

(b) In the event that the Trustee has notice that any payment of principal of or interest on a Series 1997 Warrant has been recovered from a Warrantholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the Bond Insurer, notify all Holders of Series 1997 Warrants that, in the event that any Warrantholder's payment is so recovered, such Warrantholder will be entitled to payment from the Bond Insurer to the extent of such recovery, and the Trustee shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the Series 1997 Warrants which have been made by the Trustee and subsequently recovered from Warrantholders, and the dates on which such payments were made.

(c) The Bond Insurer shall, to the extent it makes payment of principal of or interest on the Series 1997 Warrants, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy and, to evidence such subrogation, (1) in the case of subrogation as to claims for past due interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from the Bond Insurer of proof of the payment of interest thereon to the Holders of such Series 1997 Warrants and (2) in the case of subrogation as to claims for past due principal, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books for the Series 1997 Warrants maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Holders of such Series 1997 Warrants. Notwithstanding anything in the Indenture or the Series 1997 Warrants to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to the Bond Insurer to the extent that the Bond Insurer is a subrogee with respect thereto.

Section 17.2 **Information to be Provided to the Bond Insurer.** The Bond Insurer shall be provided with the following information:

(a) within 180 days after the end of each Fiscal Year of the County, a copy of the County's budget for the then current Fiscal Year, a copy of the County's annual audited financial statements for the most recently completed Fiscal Year, a statement of the amount on deposit in the Reserve Fund as of the last valuation and, if not presented in the audited financial statements, a statement

of the net revenues pledged to payment of the Parity Securities for the most recently completed Fiscal Year;

(b) the Official Statement or other disclosure document, if any, prepared in connection with the issuance of additional debt instruments payable from the System Revenues, whether or not such instruments constitute Additional Parity Securities, within 30 days after the sale thereof;

(c) notice of any draw upon, or any deficiency due to market fluctuation in the amount on deposit in, the Reserve Fund;

(d) notice of the redemption, other than mandatory sinking fund redemption, of any of the Parity Securities, including the principal amount, maturities and CUSIP numbers thereof;

(e) simultaneously with the delivery of the County's annual audited financial statements:

(i) the number of System users as of the end of the most recently completed Fiscal Year;

(ii) notification of the withdrawal of any System user responsible for 5% or more of System Revenues since the last reporting date;

(iii) any significant plant retirements or expansions planned or undertaken in the System's service area since the last reporting date;

(iv) maximum and average daily System usage for the most recently completed Fiscal Year;

(v) any updated capital plans for expansion and improvement projects; and

(vi) results of any annual engineering inspections.

(f) such additional information as the Bond Insurer may reasonably request from time to time.

Section 17.3 **Miscellaneous Special Provisions Respecting the Bond Insurer and the Bond Insurance Policy.** (a) In determining whether a payment default has occurred or whether a payment on the Series 1997-A Warrants or Series 1997-B Warrants has been made under the Indenture, no effect shall be given to payments made under the Insurance Policy.

(b) The Bond Insurer shall receive immediate notice of any default in payment of principal of or interest on the Series 1997 Warrants and notice of any other Event of Default known to the Trustee within 30 days of the Trustee's knowledge thereof.

(c) For all purposes of Article XIII of the Indenture, except the giving of notice of default to Warrantholders, the Bond Insurer shall be deemed to be the sole holder of the Series 1997 Warrants it has insured for so long as it has not failed to comply with its payment obligations under the Bond Insurance Policy.

(d) No resignation or removal of the Trustee shall become effective until a successor has been appointed and has accepted the duties of Trustee. The Bond Insurer shall be furnished with written notice of the resignation or removal of the Trustee and the appointment of any successor thereto.

(e) The Bond Insurer shall be treated as a party in interest and as a party entitled to (i) notify the Trustee of the occurrence of an Event of Default and (ii) request the Trustee to intervene in judicial proceedings that affect the Series 1997 Warrants or the security therefor.

(f) Any amendment or supplement to the Indenture shall be subject to the prior written consent of the Bond Insurer. The Bond Insurer shall be deemed to be the holder of all outstanding Series 1997 Warrants for the purpose of consenting to any proposed amendment or supplement to the Indenture (except for any such amendment or supplement that, under the provisions of the Indenture, requires the consent of the Holder of each outstanding Series 1997 Warrant). Any rating agency rating any of the Series 1997-A Warrants or Series 1997-B Warrants must receive notice of each amendment or supplement hereafter executed and a copy thereof at least fifteen days in advance of its execution or adoption.

(g) The Bond Insurer shall be provided with a full transcript of all proceedings relating to the execution of any Supplemental Indenture hereafter executed.

(h) Any notices to the Bond Insurer or the Fiscal Agent pursuant to the Indenture shall be sent to the following addresses (unless and until different addresses are specified in writing to the County and the Trustee):

Financial Guaranty Insurance Company
115 Broadway
New York, New York 10006
Attention: General Counsel

State Street Bank and Trust Company, N.A.
61 Broadway
New York, New York 10006
Attention: Corporate Trust Department

ARTICLE XVIII

MISCELLANEOUS PROVISIONS

Section 18.1 **Disclaimer of General Liability.** It is hereby expressly made a condition of the Indenture that any agreements, covenants or representations herein contained or contained in the Parity Securities do not and shall never constitute or give rise to any personal or general pecuniary liability or charge against the general credit or taxing powers of the County, and in the event of a breach of any such agreement, covenant or representation, no personal or general pecuniary liability or charge payable directly or indirectly from the general revenues of the County shall arise therefrom. Nothing contained in this section, however, shall relieve the County from the observance and performance of the several covenants and agreements on its part herein contained.

Section 18.2 **Counterparts.** The Indenture may be executed in several counterparts, and each executed copy shall constitute an original instrument but such counterparts shall together constitute but one and the same instrument.

Section 18.3 **Notices.** All notices, demands and requests to be given or made hereunder shall be deemed sufficient and properly given or made if in writing and sent by United States first class mail, postage prepaid, or sent by an electronic method capable of producing a written document, addressed as follows:

(a) If to the County:

Jefferson County
Jefferson County Courthouse
Birmingham, Alabama 35203
Attention: President of County Commission

(b) If to the Trustee:

AmSouth Bank of Alabama
Post Office Box 11426
Birmingham, Alabama 35202
Attention: Corporate Trust Department

The County and the Trustee may, by like notice, designate any further or different addresses to which subsequent notices shall be sent.

Section 18.4 **Retention of Moneys for Payment of Parity Securities.** Should any of the Parity Securities not be presented for payment when due, whether by maturity or otherwise, or should it be impossible for the Trustee to pay the interest on any of the Parity Securities as such interest becomes due, the Trustee shall, subject to the provisions of any applicable escheat or other similar law, retain from any moneys transferred to it for the purpose of paying the principal of and the interest and premium (if any) on such Parity Securities, for the benefit of the Holders thereof, a sum of money sufficient to pay such principal and premium (if any) when the appropriate Parity Securities are presented by the Holders thereof for payment and to pay such interest when it becomes possible to do so (upon which sum the Trustee shall not be required to pay interest). All liability of the County to the Holders of such Parity Securities and all rights of such Holders against the County under such Parity Securities or under the Indenture in respect of such principal, interest and premium (if any) shall thereupon cease and terminate, and the sole right of such Holders in respect of such principal, interest and premium (if any) shall thereafter be against such sum of money retained by the Trustee. If the principal of or any interest or premium on any Parity Security shall not be paid within a period of ten (10) years following the date when such principal, interest or premium first becomes due, whether by maturity or otherwise, the Trustee shall, subject to the provisions of any applicable escheat or other similar law, pay to the County any moneys theretofore retained by it for the payment of such principal, interest or premium. After the payment to the County of any moneys retained by the Trustee for the payment of any principal of or interest or premium on any of the Parity Securities, such principal, interest or premium shall (subject to the defense of any applicable statute of limitation) be an unsecured obligation of the County.

Section 18.5 **Payments Not Due on Business Day.** In any case where the date of maturity of the principal of or the interest or premium (if any) on the Parity Securities, or the date fixed for redemption of any Parity Securities, shall not be a Business Day, then payment of such principal, interest and premium (if any) 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 such date of maturity or such date fixed for redemption, and no interest shall accrue for the period after such date of maturity or date fixed for redemption, as the case may be.

Section 18.6 **Form of Requests, etc., by Parity Securityholders.** Any request, direction or other instrument required to be signed or executed by Parity Securityholders may be in any number of concurrent instruments of similar tenor, signed, or executed in person or by agent appointed in writing. Such signature or execution may be proved by the certificate of a notary public or other officer at the time authorized to take acknowledgments to deeds to be recorded in the State of Alabama, stating that the signer was known to him and acknowledged to him the execution thereof.

Section 18.7 **Notice to Rating Agencies.** The Trustee shall give written notice of any Supplemental Indenture or any other modification to documents or agreements respecting the

rights or duties of the County or the Trustee with respect to any of the Parity Securities to each Rating Agency that has outstanding a rating with respect to any of the Parity Securities. Such notice shall be given to each Rating Agency within five Business Days after the date on which the Supplemental Indenture, amendment or modification requiring such notice shall become effective.

Section 18.8 **Severability.** In the event any provision hereof shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 18.9 **Article and Section Captions.** The article and section headings and captions contained herein are included for convenience only and shall not be considered a part hereof or affect in any manner the construction or interpretation hereof.

Section 18.10 **Indenture Governed by Alabama Law.** The Indenture shall in all respects be governed by and construed in accordance with the laws of the State of Alabama.

Section 18.11 **Binding Effect.** The Indenture shall inure to the benefit of, and shall be binding upon, the County and the Trustee and their respective successors and assigns.

IN WITNESS WHEREOF, the County has caused this Indenture to be signed in its name by the President of the Governing Body and its official seal to be hereunto affixed and the said seal to be attested by the Minute Clerk of the Governing Body, and the Trustee, to evidence its acceptance of the trusts hereby created, has caused this Indenture to be executed in its corporate name and behalf by its duly authorized officer and its corporate seal to be hereunto affixed and the said seal to be attested by its duly authorized officer, all of whom are hereunto duly authorized, and the parties hereto have caused this Indenture to be dated as of February 1, 1997, although actually executed and delivered on February 27, 1997.

JEFFERSON COUNTY, ALABAMA

By Mary M Buckelew
President of the County Commission

ATTEST:

Virginia Davis
Minute Clerk
of the County Commission

[S E A L]

AMSOUTH BANK OF ALABAMA

By Renee Rayford

Its CORPORATE TRUST OFFICER

ATTEST:

Kara Lee Patterson
ASSISTANT VICE PRESIDENT
Its AND CORPORATE TRUST OFFICER

[S E A L]

State of Alabama - Jefferson
I certify this instrument filed on:
1997 MAR 21 A.M. 10:01
Recorded and $ Mtg. Tax
and $ Deed Tax and Fee Amt.
$ 283.00 Total $ 283.00
GEORGE R. REYNOLDS, Judge of Probate

9703/8419

STATE OF ALABAMA)
:
JEFFERSON COUNTY)

I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that MARY BUCKELEW, whose name as President of the County Commission of JEFFERSON COUNTY, ALABAMA, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the said instrument, she, as such officer and with full authority, executed the same voluntarily for and as the act of said County.

GIVEN under my hand and seal, this 26th day of February, 1997.

[NOTARIAL SEAL]

Notary Public

My Commission Expires: 2/17/99

STATE OF ALABAMA)
:
JEFFERSON COUNTY)

I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that Renee Rafland, whose name as Corporate Trust Officer of AMSOUTH BANK OF ALABAMA, an Alabama banking corporation, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said banking corporation.

GIVEN under my hand and seal, this 26th day of February, 1997.

[NOTARIAL SEAL]

Notary Public

My Commission Expires: 2/17/99

STATE OF ALABAMA, JEFFERSON COUNTY
I hereby certify that no mortgage tax or deed tax was taken thereon at the time of recording.
Judge of Probate
NO TAX COLLECTED

155265.6

State of Alabama
Jefferson County
I, the Undersigned, as Judge of Probate Court in and for Jefferson County, Alabama, hereby certify that the foregoing is a full, true and correct copy of the instrument with the filing of same as appears of record in this office. Given under my hand and official seal, this the 22 ND day of MAY, 2012.

Alan L. Krisher

JUDGE OF PROBATE

EXHIBIT D

THIRD SUPPLEMENTAL INDENTURE

between

JEFFERSON COUNTY, ALABAMA

and

THE BANK OF NEW YORK

Dated as of March 1, 2001

Relating to

$275,000,000

JEFFERSON COUNTY, ALABAMA

Sewer Revenue Capital Improvement Warrants
Series 2001-A

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to
THIRD SUPPLEMENTAL INDENTURE
between
JEFFERSON COUNTY, ALABAMA
and
THE BANK OF NEW YORK

*This Table of Contents appears here for reference only and should not be considered a part of this Third Supplemental Indenture.

ARTICLE III

AGREEMENTS RESPECTING CONSTRUCTION OF 2001 SYSTEM IMPROVEMENTS AND USE OF MONEYS IN 2001 CONSTRUCTION FUND

ARTICLE IV

PROVISIONS CONCERNING THE SERIES 2001-A INSURANCE POLICY

ARTICLE V

MISCELLANEOUS

THIRD SUPPLEMENTAL INDENTURE between **JEFFERSON COUNTY, ALABAMA**, a political subdivision of the State of Alabama (herein called the "County"), and **THE BANK OF NEW YORK**, a New York banking corporation and the successor to AmSouth Bank of Alabama in its capacity as Trustee under that certain Trust Indenture of the County dated as of February 1, 1997 (said banking corporation in such capacity, as well as any successor trustee under said Trust Indenture, being herein called the "Trustee"),

RECITALS

Under and pursuant to the provisions of the aforesaid Trust Indenture (herein called the "Original Indenture"), the County has heretofore issued $211,040,000 principal amount of Sewer Revenue Refunding Warrants, Series 1997-A, dated February 1, 1997 (herein called the "Series 1997-A Warrants"), $48,020,000 principal amount of Taxable Sewer Revenue Refunding Warrants, Series 1997-B, dated February 1, 1997 (herein called the "Series 1997-B Warrants"), and $52,880,000 principal amount of Taxable Sewer Revenue Refunding Warrants, Series 1997-C, dated February 15, 1997 (herein called the "Series 1997-C Warrants"). The Series 1997-A Warrants, the Series 1997-B Warrants and the Series 1997-C Warrants were issued to refund certain indebtedness of the County that had been incurred to pay the costs of certain capital improvements to the County's sanitary sewer system (herein called the "System").

Under the provisions of Article X of the Original Indenture, the County has reserved the right to issue, upon compliance with the conditions precedent set forth in said Article X, additional warrants, bonds, notes or other forms of indebtedness (herein called "Additional Parity Securities"), to be secured on a parity with securities previously issued under the Indenture, for the purposes of refunding any outstanding obligations of the County issued to finance capital improvements to the System and of financing the costs of acquiring and constructing capital improvements to the System. The County has heretofore issued as Additional Parity Securities its (a) $296,395,000 aggregate principal amount of Sewer Revenue Warrants, Series 1997-D, dated March 1, 1997 (herein called the "Series 1997-D Warrants") and (b) its $952,695,000 aggregate principal amount of Sewer Revenue Capital Improvement Warrants, Series 1999-A, dated March 1, 1999 (herein called the "Series 1999-A Warrants"). The Series 1997-D Warrants and the Series 1999-A Warrants were issued under the Original Indenture, as supplemented and amended by the First Supplemental Indenture dated as of March 1, 1997 (herein called the "First Supplemental Indenture"), and the Second Supplemental Indenture dated as of March 1, 1999 (herein called the "Second Supplemental Indenture"), between the County and the Trustee.

The County proposes to sell and issue the Series 2001-A Warrants hereinafter referred to in order to obtain funds to pay the costs of additional capital improvements to the System. The County has, by proper official action and pursuant to the provisions of the Original Indenture (as heretofore supplemented), duly authorized said Series 2001-A Warrants, which are to be secured by the Original Indenture, as supplemented hereby and by the First and Second Supplemental Indentures, on a parity

with the outstanding Series 1997-A Warrants, Series 1997-B Warrants, Series 1997-C Warrants, Series 1997-D Warrants and Series 1999-A Warrants (herein together called the "Outstanding Parity Securities"). This Third Supplemental Indenture has been executed and delivered in order to specify the details with respect to said Series 2001-A Warrants and to provide for certain other matters set forth herein.

NOW, THEREFORE, THIS

THIRD SUPPLEMENTAL INDENTURE

W I T N E S S E T H:

It is hereby agreed among the County, the Trustee and the holders at any time of said Series 2001-A Warrants (the holders of said warrants evidencing their consent hereto by the acceptance of said warrants), each with each of the others, as follows:

ARTICLE I

DEFINITIONS, FINDINGS AND USE OF PHRASES

Section 1.1 **New Definitions**. Unless the context clearly indicates a different meaning, the following words and phrases, as used in this Third Supplemental Indenture, shall have the following respective meanings:

"Reserve Policy" means the municipal bond debt service reserve fund policy issued by Financial Guaranty Insurance Company (the "Bond Insurer") simultaneously with the issuance of the Series 2001-A Warrants and deposited in the Reserve Fund established under the Indenture.

"Series 2001-A Insurance Policy" means the municipal bond insurance policy issued by the Bond Insurer that guarantees payment of principal of and interest on the Series 2001-A Warrants.

"Series 2001-A Issuance Costs" means the reasonable costs and expenses of issuing and selling the Series 2001-A Warrants, including, without limitation, the fees and expenses of Bond Counsel to the County, the acceptance fee of the Trustee, the fees of any Rating Agency rating the Series 2001-A Warrants, bond insurance premiums, accounting fees, financial advisory fees, underwriters' commissions and discounts, the costs of printing the Official Statement for the Series 2001-A Warrants, and other usual and customary expenses.

"**Series 2001-A Warrants**" means the County's Sewer Revenue Capital Improvement Warrants, Series 2001-A, authorized to be issued in the aggregate principal amount of $275,000,000.

"**Third Supplemental Indenture**" or "**this Third Supplemental Indenture**" means this Third Supplemental Indenture.

"**2001 Construction Fund**" means the Jefferson County Sewer System 2001 Construction Fund created in Section 3.2 hereof.

"**2001 System Improvements**" means the System Improvements, the costs of which are to be financed, in whole or in part, through the issuance of the Series 2001-A Warrants.

Section 1.2 **Findings**. The Governing Body has ascertained and does hereby find and declare as follows:

(a) Purposes for which Additional Parity Securities may be Issued. In the Original Indenture, the County has reserved the right to issue, upon compliance with the conditions precedent set forth therein, additional warrants, bonds, notes or other obligations that are secured on a parity with the Outstanding Parity Securities, as respects the pledge of the revenues derived by the County from the operation of the System, for the purposes of financing the costs of constructing or acquiring any System Improvements and refunding or retiring all or any portion of any one or more series of Parity Securities then outstanding under the Indenture or any other obligations of the County issued to finance System Improvements.

(b) Purpose of the Series 2001-A Warrants. In order to comply with the requirements of the Consent Decree entered in those civil actions consolidated in the United States District Court, Northern District of Alabama, and styled *United States of America v. Jefferson County, Alabama, et al.*, Civil Action No. 94-G-2947-S, and *R. Allen Kipp, Jr., et al. and Cahaba River Society, Inc. v. Jefferson County, Alabama, et al.*, Civil Action No. 93-G-2492-S, and to otherwise provide for the expansion and improvement of the System, it is necessary, desirable and in the public interest for the County to issue the Series 2001-A Warrants to finance the costs of acquiring and constructing various System Improvements.

(c) No Default. No Event of Default and no event which, with the giving of notice or the passage of time or both, would constitute such an Event of Default, has occurred and is continuing.

(d) Parity Securities Previously Issued. No Parity Securities, other than the Outstanding Parity Securities, have heretofore been issued by the County under the Indenture, and the County now has no outstanding obligations payable from the revenues derived by the County from the operation of the System except the Outstanding Parity Securities.

(e) Revenue Forecast. The firm of Paul B. Krebs & Associates, Inc., has provided the County and the Trustee with a Revenue Forecast that satisfies the requirements of Section 10.2 of the Original Indenture with respect to the issuance of the Series 2001-A Warrants.

Section 1.3 **Use of Phrases**. "Herein", "hereby", "hereunder", "hereof", "hereinbefore", "hereinafter" and other equivalent words refer to this Third Supplemental Indenture as an entirety and not solely to the particular portion thereof in which any such word is used. The terms used herein include both singular and plural. Whenever used herein, any pronoun shall be deemed to include both singular and plural and to cover all genders.

Section 1.4 **Definitions Contained in the Original Indenture**. Unless the context clearly indicates a different meaning, any words, terms or phrases that are used in this Third Supplemental Indenture as defined terms without being herein defined shall have the meanings respectively given them in the Original Indenture (subject to any amendments thereto made in the First or Second Supplemental Indenture).

Section 1.5 **References to the Parity Securities and the Indenture**. The County and the Trustee acknowledge and agree that, from and after the issuance by the County of the Series 2001 Warrants, any reference in the Original Indenture, in the First Supplemental Indenture, in the Second Supplemental Indenture or in this Third Supplemental Indenture to the "Parity Securities" shall, unless the context clearly and unequivocally indicates otherwise, be construed to include the Outstanding Parity Securities, the Series 2001 Warrants and any Additional Parity Securities hereafter issued.

The County and the Trustee further acknowledge and agree that, from and after the execution and delivery of this Third Supplemental Indenture, any reference in the Original Indenture, in the First Supplemental Indenture, in the Second Supplemental Indenture or in this Third Supplemental Indenture to the "Indenture" shall, unless the context clearly and unequivocally indicates otherwise, be construed to refer to the Original Indenture as supplemented and amended by the First Supplemental Indenture, the Second Supplemental Indenture and this Third Supplemental Indenture. The provisions of the Original Indenture, to the extent they are not inconsistent with the provisions hereof, shall also apply to this Third Supplemental Indenture.

ARTICLE II

THE SERIES 2001-A WARRANTS

Section 2.1 **Authorization and Description of the Series 2001-A Warrants and Places of Payment.** Pursuant to the applicable provisions of the Act, and for the purposes of (i) providing for the payment of the costs of the 2001 System Improvements, (ii) providing for the payment of the premiums for the Series 2001-A Insurance Policy and the Reserve Policy and (iii) providing for the payment of the expenses of issuing the Series 2001-A Warrants, there are hereby authorized to be issued by the County $275,000,000 in initial principal amount of its Sewer Revenue Capital Improvement Warrants, Series 2001-A. The Series 2001-A Warrants shall be dated March 1, 2001, shall be numbered from R-1 upwards in the order issued and shall be issued initially in the respective principal amounts of $5,000 or any greater integral multiple thereof.

The Series 2001-A Warrants shall mature and become payable on the dates and in the amounts set forth below and shall bear interest from their respective dates payable on August 1, 2001, and on each February 1 and August 1 thereafter until maturity or earlier redemption at the per annum rates set forth below:

Series 2001-A Warrants

Maturity Date	Principal Amount	Interest Rate
February 1, 2007	$ 795,000	4.50%
February 1, 2008	830,000	4.50
February 1, 2009	870,000	4.50
February 1, 2010	910,000	4.50
February 1, 2011	950,000	4.50
February 1, 2012	995,000	4.50
February 1, 2013	1,045,000	5.00
February 1, 2014	1,095,000	5.00
February 1, 2015	1,155,000	5.00
February 1, 2016	1,215,000	5.00
February 1, 2018	2,615,000	5.00
February 1, 2019	1,410,000	5.00
February 1, 2020	1,480,000	5.00
February 1, 2021	1,555,000	5.00
February 1, 2031	21,285,000	5.50
February 1, 2034	8,955,000	5.00
February 1, 2040	90,505,000	5.50
February 1, 2041	137,335,000	5.00

The principal of and the interest on any Series 2001-A Warrant shall bear interest after their respective due dates until paid at the rate of interest borne by the principal of such Series 2001-A Warrant prior to maturity. Interest on the Series 2001-A Warrants shall be computed on the basis of a 360-day year of 12 consecutive 30-day months.

The Series 2001-A Warrants shall be initially issued and registered in the names of such Holders as shall be designated by the initial purchasers of the Series 2001-A Warrants. The principal of and the interest and premium (if any) on the Series 2001-A Warrants shall be payable at the principal office of the Trustee in Houston, Texas, in accordance with the provisions of Section 3.2 of the Original Indenture. As used in the Indenture with respect to the Series 2001-A Warrants, the term "Paying Agent" means the Trustee.

Section 2.2 **Optional Redemption of Series 2001-A Warrants.** The Series 2001-A Warrants will be subject to redemption and prepayment prior to their stated maturities, at the option of the County, as a whole or in part, on February 1, 2011, and on any date thereafter, at and for the following respective redemption prices (expressed in percentages of the principal amount of each Series 2001-A Warrant or portion thereof to be redeemed) plus accrued interest to the date fixed for redemption:

Redemption Period	Redemption Price
February 1, 2011, through January 31, 2012	101%
February 1, 2012, or thereafter	100

The Series 2001-A Warrants may be redeemed only in installments of $5,000 or any integral multiple thereof. In the event that less than all of the Series 2001-A Warrants of a particular maturity are redeemed and prepaid pursuant to this Section 2.2, the Trustee shall select by lot the Series 2001-A Warrants (or portions of the principal thereof) of such maturity to be redeemed and prepaid.

The redemption of Series 2001-A Warrants pursuant to this section shall comply with the applicable provisions of Article VI of the Original Indenture and Section 2.5 hereof, with the provisions of Section 2.5 particularly applicable to the Series 2001-A Warrants to govern in the case of any conflict.

Section 2.3 **Scheduled Mandatory Redemption of Series 2001-A Warrants.** Those of the Series 2001-A Warrants maturing on February 1, 2018, shall be subject to scheduled mandatory redemption on February 1, 2017, in the principal amount of $1,275,000. Series 2001-A Warrants in the aggregate principal amount of $1,340,000 will remain to be paid at their scheduled maturity on February 1, 2018.

Those of the Series 2001-A Warrants maturing on February 1, 2031, shall be subject to scheduled mandatory redemption on the following respective dates and in the following respective principal amounts:

Redemption Date	Principal Amount
February 1, 2022	$ 1,640,000
February 1, 2023	1,735,000
February 1, 2024	1,830,000
February 1, 2025	1,935,000
February 1, 2026	2,045,000
February 1, 2027	2,160,000
February 1, 2028	2,285,000
February 1, 2029	2,410,000
February 1, 2030	2,550,000

Series 2001-A Warrants in the aggregate principal amount of $2,695,000 will remain to be paid at their scheduled maturity on February 1, 2031.

Those of the Series 2001-A Warrants maturing on February 1, 2034, shall be subject to scheduled mandatory redemption on the following respective dates and in the following respective principal amounts:

Redemption Date	Principal Amount
February 1, 2032	$ 2,835,000
February 1, 2033	2,985,000

Series 2001-A Warrants in the aggregate principal amount of $3,135,000 will remain to be paid at their scheduled maturity on February 1, 2034.

Those of the Series 2001-A Warrants maturing on February 1, 2040, shall be subject to scheduled mandatory redemption on the following respective dates and in the following respective principal amounts:

Redemption Date	Principal Amount
February 1, 2035	$ 3,305,000
February 1, 2036	3,490,000
February 1, 2037	3,690,000
February 1, 2038	3,900,000
February 1, 2039	4,120,000

Series 2001-A Warrants in the aggregate principal amount of $72,000,000 will remain to be paid at their scheduled maturity on February 1, 2040.

Those of the Series 2001-A Warrants maturing on February 1, 2041, shall be subject to scheduled mandatory redemption on February 1, 2040, in the principal amount of $29,960,000. Series 2001-A Warrants in the aggregate principal amount of $107,375,000 will remain to be paid at their scheduled maturity on February 1, 2041.

The Series 2001-A Warrants shall be redeemed pursuant to the provisions of this section at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, and such redemption shall be effected in accordance with the applicable provisions of Article VI of the Original Indenture and Section 2.5 hereof, with the provisions of Section 2.5 particularly applicable to the Series 2001-A Warrants to govern in the case of any conflict.

Not less than forty-five (45) days or more than sixty (60) days prior to each scheduled mandatory redemption date, the Trustee shall proceed to select for redemption, as provided in Section 2.5 hereof, Series 2001-A Warrants (or portions thereof) from the maturity subject to mandatory redemption on such date in an aggregate principal amount equal to the amount required to be redeemed and shall call such Series 2001-A Warrants (or portions thereof) for redemption on such scheduled mandatory redemption date; provided, however, that the County may, upon direction delivered to the Trustee not less than sixty (60) days prior to any such scheduled mandatory redemption date with respect to Series 2001-A Warrants of a particular maturity, direct that any or all of the following amounts be credited against the principal amount of Series 2001-A Warrants of such maturity scheduled for redemption on such date: (i) the principal amount of Series 2001-A Warrants of such maturity delivered by the County to the Trustee for cancellation and not previously claimed as a credit; and (ii) the principal amount of Series 2001-A Warrants of such maturity previously redeemed pursuant to the optional redemption provisions of Section 2.2 hereof and not previously claimed as a credit.

Section 2.4 **Purchase of Series 2001-A Warrants for Retirement.** The County may at any time and from time to time purchase Series 2001-A Warrants for retirement using funds from any

source. Any Series 2001-A Warrants so purchased for retirement shall be delivered by the County to the Trustee, together with a written order of an authorized officer of the County for their cancellation, whereupon such purchased Series 2001-A Warrants shall be cancelled by the Trustee. In the event that the County elects to purchase any Series 2001-A Warrants for retirement, the Trustee may, if requested to do so by the County, solicit for tenders of Series 2001-A Warrants by holders thereof who wish to sell such Series 2001-A Warrants to the County.

Section 2.5 **Special Provisions Respecting Partial Redemption of Series 2001-A Warrants.** The principal of any Series 2001-A Warrants shall be redeemed only in the amount of $5,000 or any integral multiple thereof. If less than all the outstanding Series 2001-A Warrants are to be redeemed on any single redemption date pursuant to Section 2.2 hereof, those to be redeemed shall be called for redemption from such maturity or maturities as shall be specified by the County. If less than all the Series 2001-A Warrants of a single maturity are to be called for redemption on any single redemption date, the Trustee shall assign a number or other unique designation to each $5,000 in principal amount of the Series 2001-A Warrants of such maturity then outstanding and select by lot, from among all such numbers or other unique designations associated with the Series 2001-A Warrants then outstanding, numbers or other unique designations representing an aggregate principal amount equal to the principal amount of the Series 2001-A Warrants of such maturity to be so called for redemption, whereupon there shall be called for redemption an amount of the unpaid principal of each Series 2001-A Warrant of such maturity equal to the principal amount represented by the numbers or other unique designations related thereto that were so selected.

Section 2.6 **Form of Series 2001-A Warrants.** The Series 2001-A Warrants and the Trustee's authentication certificate and the form of assignment and related signature guaranty applicable thereto shall be in substantially the following forms, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:

[Form of Series 2001-A Warrant]

No. R-___ $_____

UNITED STATES OF AMERICA

STATE OF ALABAMA

JEFFERSON COUNTY, ALABAMA

SEWER REVENUE CAPITAL IMPROVEMENT WARRANT
Series 2001-A

Interest Rate	Maturity Date	CUSIP
_____	_____	_____

JEFFERSON COUNTY, ALABAMA, a political subdivision of the State of Alabama (herein called the "County"), hereby acknowledges itself indebted to and orders and directs the County Treasurer of the County to pay to _____, or registered assigns, solely out of the revenues hereinafter referred to, the principal sum of

DOLLARS

on the maturity date specified above, with interest thereon from the date hereof until the maturity hereof at the per annum rate specified above (computed on the basis of a 360-day year of twelve consecutive 30-day months), payable on August 1, 2001, and semiannually thereafter on each February 1 and August 1 until maturity or earlier redemption. The principal of and the premium (if any) on this warrant shall be payable in lawful money of the United States of America at the principal corporate trust office of The Bank of New York in Houston, Texas, or its successors as Trustee under the Indenture hereinafter referred to, and the interest payable on this warrant on each interest payment date shall be remitted, by the Trustee hereinafter referred to, by check or draft mailed or otherwise delivered to the registered holder hereof at the address shown on the registry books of the said Trustee. The principal of and the interest and premium (if any) on this warrant shall bear interest after their respective due dates until paid at the per annum rate shown above.

This warrant is one of a duly authorized issue or series of warrants authorized to be issued in the aggregate principal amount of $275,000,000 and designated Sewer Revenue Capital Improvement Warrants, Series 2001-A (herein called the "Series 2001-A Warrants"). The Series 2001-A Warrants have been issued, on a parity with the Outstanding Parity Securities hereinafter referred to, under a Trust Indenture dated as of February 1, 1997 (herein called the "Original

Indenture"), between the County and The Bank of New York, Birmingham, Alabama, as Trustee (herein, in such capacity, together with its successors in trust, called the "Trustee"), as supplemented and amended by a First Supplemental Indenture dated as of March 1, 1997 (herein called the "First Supplemental Indenture"), by a Second Supplemental Indenture dated as of March 1, 1999 (herein called the "Second Supplemental Indenture"), and by a Third Supplemental Indenture dated as of March 1, 2001 (herein called the "Third Supplemental Indenture"). The County has heretofore issued under the Original Indenture, as supplemented and amended by the First and Second Supplemental Indentures, $211,040,000 principal amount of its Sewer Revenue Refunding Warrants, Series 1997-A, dated February 1, 1997, $48,020,000 principal amount of its Taxable Sewer Revenue Refunding Warrants, Series 1997-B, dated February 1, 1997, $52,880,000 principal amount of Taxable Sewer Revenue Refunding Warrants, Series 1997-C, dated February 15, 1997, $296,395,000 principal amount of Sewer Revenue Warrants, Series 1997-D, dated March 1, 1997, and $952,695,000 principal amount of Sewer Revenue Capital Improvement Warrants, Series 1999-A (all of which are herein together called the "Outstanding Parity Securities"). As used herein, the term "Indenture" means the Original Indenture as supplemented and amended by the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture.

The Series 2001-A Warrants are subject to redemption and prepayment prior to maturity, at the option of the County, as a whole or in part, from such maturity or maturities as shall be specified by the County, on February 1, 2011, and on any date thereafter, such redemption to be at and for the following respective redemption prices (expressed as a percentage of the principal amount redeemed) plus accrued interest to the date fixed for redemption:

Redemption Period	Redemption Price
February 1, 2011, through January 31, 2012	101%
February 1, 2012, or thereafter	100

The Series 2001-A Warrants having a stated maturity on February 1, 2018, are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in the principal amount of $1,275,000 on February 1, 2017.

The Series 2001-A Warrants having a stated maturity on February 1, 2031, are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in the following principal amounts on the following dates:

Redemption Date	Principal Amount
February 1, 2022	$ 1,640,000
February 1, 2023	1,735,000
February 1, 2024	1,830,000
February 1, 2025	1,935,000
February 1, 2026	2,045,000
February 1, 2027	2,160,000
February 1, 2028	2,285,000
February 1, 2029	2,410,000
February 1, 2030	2,550,000

The Series 2001-A Warrants having a stated maturity on February 1, 2034, are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in the following principal amounts on the following dates:

Redemption Date	Principal Amount
February 1, 2032	$ 2,835,000
February 1, 2033	2,985,000

The Series 2001-A Warrants having a stated maturity on February 1, 2040, are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in the following principal amounts on the following dates:

Redemption Date	Principal Amount
February 1, 2035	$ 3,305,000
February 1, 2036	3,490,000
February 1, 2037	3,690,000
February 1, 2038	3,900,000
February 1, 2039	4,120,000

The Series 2001-A Warrants having a stated maturity on February 1, 2041, are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be

redeemed plus accrued interest thereon to the date fixed for redemption, in the principal amount of $29,960,000 on February 1, 2040.

Not less than forty-five (45) days or more than sixty (60) days prior to each scheduled mandatory redemption date, the Trustee shall proceed to select for redemption, by lot, Series 2001-A Warrants (or portions thereof) from the maturity subject to mandatory redemption on such date in an aggregate principal amount equal to the amount required to be redeemed and shall call such Series 2001-A Warrants (or portions thereof) for redemption on such scheduled mandatory redemption date; provided, however, that the County may, upon direction delivered to the Trustee not less than sixty (60) days prior to any such scheduled mandatory redemption date with respect to Series 2001-A Warrants of a particular maturity, direct that any or all of the following amounts be credited against the principal amount of Series 2001-A Warrants of such maturity scheduled for redemption on such date: (i) the principal amount of Series 2001-A Warrants of such maturity delivered by the County to the Trustee for cancellation and not previously claimed as a credit; and (ii) the principal amount of Series 2001-A Warrants of such maturity previously redeemed pursuant to the applicable optional redemption provisions and not previously claimed as a credit.

If less than all of the outstanding Series 2001-A Warrants of a particular maturity are to be called for redemption, the Series 2001-A Warrants (or principal portions thereof) to be redeemed shall be selected by the Trustee by lot in the principal amounts designated to the Trustee by the County or otherwise as required by the Indenture. In the event any of the Series 2001-A Warrants are called for redemption, the Trustee shall give notice, in the name of the County, of the redemption of such Warrants, which notice shall state that on the redemption date the Series 2001-A Warrants to be redeemed shall cease to bear interest. Such notice shall be given by mailing a copy thereof by registered or certified mail at least thirty (30) days prior to the date fixed for redemption to the holders of the Series 2001-A Warrants to be redeemed at the addresses shown on the registration books of the Trustee; provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of the redemption of any of the Series 2001-A Warrants for which notice was properly given. Any Series 2001-A Warrants which have been duly selected for redemption and which are deemed to be paid in accordance with the Indenture shall cease to bear interest on the date fixed for redemption and shall thereafter cease to be entitled to any lien, benefit or security under the Indenture.

Under the Indenture, the Outstanding Parity Securities and the Series 2001-A Warrants are equally and ratably secured by a pledge of certain revenues from the sanitary sewer system of the County (herein, as it may at any time exist, called the "System") that remain after the payment of the expenses of operating and maintaining the System. Upon compliance with certain conditions specified in the Indenture, the County may issue additional securities (without limitation as to principal amount) that are secured by the Indenture on a parity with the Outstanding Parity Securities and the Series 2001-A Warrants with respect to the pledge of the aforesaid revenues from the System (the Outstanding Parity Securities, the Series 2001-A Warrants and all such additional securities being herein together called the "Parity Securities").

The holders of the Parity Securities shall never have the right to demand payment of the Parity Securities out of any funds raised or to be raised by taxation or from any source whatsoever, except the payments and amounts described in this warrant and the Indenture. Except for the revenues from the System and the other moneys that may be held by the Trustee under the Indenture, no property of the County is encumbered by any lien or security interest for the benefit of the holder of this warrant. Neither the faith and credit, nor the taxing power, of the State of Alabama or the County, or any other public corporation, subdivision or agency of the State of Alabama or the County, is pledged to the payment of the principal of or the interest or premium (if any) on this warrant.

The transfer of this warrant shall be registered upon the registration books kept at the principal corporate office of the Trustee, at the written request of the holder hereof or his attorney duly authorized in writing, upon surrender of this warrant at said office, together with a written instrument of transfer satisfactory to the Trustee duly executed by the holder hereof or his duly authorized attorney. Upon payment of any required tax or other governmental charge, this warrant may, upon the surrender hereof at the principal corporate trust office of the Trustee, be exchanged for an equal aggregate principal amount of Series 2001-A Warrants of the same maturity in any other authorized denominations.

The Trustee shall not be required to transfer or exchange this warrant during the period of fifteen days next preceding any interest payment date with respect hereto. In the event that this warrant (or any principal portion hereof) is duly called for redemption and prepayment, the Trustee shall not be required to transfer or exchange this warrant during the period of thirty days next preceding the date fixed for such redemption and prepayment.

Except as provided in the Indenture, the registered holder of this warrant shall have no right to enforce the provisions of the Indenture, or to institute action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto.

With certain exceptions as provided therein, the Indenture may be modified or amended only with the consent of the holders of a majority in aggregate principal amount of all Parity Securities outstanding under the Indenture.

Reference is hereby made to the Indenture, a copy of which is on file with the Trustee, for the provisions thereof concerning the nature and extent of the rights, duties and obligations of the County, the Trustee and the holders of the Parity Securities. The registered holder of this warrant, by the acceptance hereof, is deemed to have agreed and consented to the terms and provisions of the Indenture.

The County and the Trustee may deem and treat the person in whose name this warrant is registered as the absolute owner hereof for all purposes, whether or not any principal of or interest on this warrant is overdue, and neither the County nor the Trustee shall be affected by any notice to the contrary.

It is hereby certified, recited and declared that all acts, conditions and things required by the constitution and laws of the State of Alabama to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of this warrant, do exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this warrant or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the County in his individual capacity, and neither the members of the governing body of the County, nor any official executing this warrant, shall be liable personally on this warrant or be subject to any personal liability or accountability by reason of the issuance or sale of this warrant.

This warrant shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this warrant shall have been authenticated by the execution by the Trustee, in its capacity as paying agent for the Series 2001-A Warrants, of the certificate of authentication inscribed hereon.

IN WITNESS WHEREOF, the County has caused this warrant to be executed in its name and behalf by the President of its County Commission, has caused its official seal to be hereunto affixed, has caused the signature of the aforesaid President to be attested by the Minute Clerk of its County Commission, and has caused this warrant to be dated March 1, 2001.

JEFFERSON COUNTY, ALABAMA

By_____
President of the County Commission

ATTEST:

_____
Minute Clerk of the
County Commission

[SEAL]

AUTHENTICATION CERTIFICATE

DATE OF AUTHENTICATION: _____

This warrant is one of the Series 2001-A Warrants described in the within-mentioned Trust Indenture.

THE BANK OF NEW YORK,
as Trustee

By_____
Its Authorized Signatory

[Form for Assignment]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the within warrant and hereby irrevocably constitutes and appoints _____ attorney, with full power of substitution in the premises, to transfer the within warrant on the books kept for registration thereof by the within-mentioned Trustee.

Dated this _____ day of _____, _____.

_____

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears upon the face of the within warrant in every particular, without alteration or enlargement or any change whatsoever.

Signature guaranteed:

_____

(Bank, Trust Company or Firm)*

By_____

(Authorized Officer)

Medallion Number: _____

*Signature(s) must be guaranteed by an eligible guarantor institution which is a member of a recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP), or New York Stock Exchange Medallion Signature Program (MSP).

Section 2.7 **Execution and Delivery of Series 2001-A Warrants.** The Series 2001-A Warrants shall be forthwith executed and delivered to the Trustee and shall be authenticated and delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the County by the President of the Governing Body requesting such authentication and delivery and designating the Person or Persons to receive the same or any part thereof.

Section 2.8 **Application of Proceeds from the Sale of Series 2001-A Warrants.** The entire proceeds derived from the sale of the Series 2001-A Warrants shall amount to $266,420,631.38. All of such proceeds shall be paid to the Trustee and promptly thereafter applied by the Trustee for the following purposes and in the following order:

(a) payment into the Debt Service Fund of that portion of such proceeds that is allocable to accrued interest;

(b) payment of the sum of $1,271,078.87 to the Bond Insurer as the premium for the Series 2001-A Insurance Policy;

(c) payment of the sum of $178,980.98 to the Bond Insurer as the premium for the Reserve Policy; and

(d) payment of the balance into the 2001 Construction Fund.

ARTICLE III

AGREEMENTS RESPECTING CONSTRUCTION OF 2001 SYSTEM IMPROVEMENTS AND USE OF MONEYS IN 2001 CONSTRUCTION FUND

Section 3.1 **Agreement to Construct 2001 System Improvements.** The County will proceed continuously and with reasonable dispatch with the acquisition, construction and installation of the various System Improvements that constitute part of the County's Sanitary Sewer Capital Improvement Program. The County will complete the acquisition, construction and installation of the 2001 System Improvements, including the acquisition of such real estate (and interests therein) as may be necessary therefor, as soon as may be practicable, delays incident to strikes, riots, acts of God and the public enemy and similar acts beyond the reasonable control of the County only excepted. The County will promptly pay, as and when due, all expenses incurred in said acquisition, construction and installation.

Section 3.2 **Creation of 2001 Construction Fund; Purposes for Which Moneys Therein May Be Expended.** There is hereby created a special trust fund, the full name of which shall be the "Jefferson County Sewer System 2001 Construction Fund," for the purpose of providing funds for the acquisition, construction and installation of the 2001 System Improvements. The Trustee shall be and remain the depository, custodian and disbursing agent for the 2001 Construction Fund. The moneys in the 2001 Construction Fund shall be paid out from time to time by the Trustee for the following purposes only and only upon presentation of requisitions as described in Section 3.3 hereof:

(a) payment of Series 2001-A Issuance Costs;

(b) payment of the reasonable expenses and charges of the Trustee in connection with the 2001 Construction Fund;

(c) payment for labor, services, materials, supplies and equipment furnished in acquiring, constructing and installing the 2001 System Improvements;

(d) payment of the costs of acquiring any real estate (including easements and other interests therein) for the construction or installation thereon of any part or parts of the 2001 System Improvements; and

(e) payment of all expenses (including the fees and expenses of engineers and attorneys and recording fees) incurred in connection with matters referred to in the preceding subsections (c) and (d) of this section.

Section 3.3 **Payments from the 2001 Construction Fund.** All requisitions for disbursements from the 2001 Construction Fund shall be signed by an Authorized County Representative and shall (a) state the amount required to be paid and the name and address of the Person to whom payment is to be made, (b) describe in reasonable detail the particular Improvement Cost or issuance expense to be paid, and (c) certify that the purpose for which such payment is to be made is a purpose for which 2001 Construction Fund moneys are authorized under the Third Supplemental Indenture to be expended.

In addition to the documents required by this section the Trustee may require as a condition precedent to any disbursement further evidence with respect thereto or with respect to the application of any moneys previously disbursed or as to the correctness of any statement made in any requisition. Upon the written request of the Holders of at least ten percent (10%) of the aggregate principal amount of the Parity Securities, the Trustee shall require such evidence. The Trustee shall, however, be under no duty to require such evidence unless so requested. The Trustee shall not be liable for any misapplication of moneys in the 2001 Construction Fund if disbursed pursuant to the provisions of this section and without knowledge or reason to believe that such disbursement constituted a misapplication of funds.

Section 3.4 **Security for 2001 Construction Fund Moneys.** The moneys at any time on deposit in the 2001 Construction Fund shall be and at all times remain public funds impressed with a trust for the purposes specified in Section 3.2 hereof. The Trustee shall at all times keep the moneys on deposit in the 2001 Construction Fund continuously secured, for the benefit of the County and the Holders of the Parity Securities, either

(a) by holding on deposit, as collateral security, Federal Obligations, or other marketable securities eligible as security for the deposit of trust funds under regulations of the Comptroller of the Currency, having a market value (exclusive of accrued interest) not less than the amount of moneys on deposit in the 2001 Construction Fund, or

(b) if the furnishing of security in the manner provided by the foregoing clause (a) of this section is not permitted by the then applicable law and regulations, then in such other manner as may be required or permitted by the then applicable state and federal laws and regulations respecting the security for, or granting a preference in the case of, the deposit of trust funds;

provided, however, that it shall not be necessary for the Trustee so to secure any portion of the moneys on deposit in the 2001 Construction Fund (i) that is invested in Federal Obligations or pursuant to an agreement described in clause (v) of the definition of "Eligible Investments" in the Original Indenture, or (ii) that is insured by the Federal Deposit Insurance Corporation or any agency of the United States of America that may succeed to its functions.

Section 3.5 **Investment of 2001 Construction Fund.** As promptly as practicable following the execution and delivery of this Third Supplemental Indenture and from time to time thereafter, the County will furnish to the Trustee a written certificate stating the approximate dates when the moneys on deposit in the 2001 Construction Fund will be needed for the various purposes for which such fund is being created. Promptly after receipt of each such certificate, the Trustee will, at the direction of the County and to the extent practicable, cause the 2001 Construction Fund moneys to be invested in Eligible Investments having stated maturities in such amounts and at such times, prior to or corresponding with the amounts and dates specified in said certificate, as to make available from the 2001 Construction Fund cash moneys sufficient to meet the needs of the 2001 Construction Fund as specified in said certificate. Any such certificate may contain either specific or general instructions from the County as to the kind of Eligible Investments in which the presently unneeded moneys in the 2001 Construction Fund are to be invested, and the Trustee will comply with such instructions to the extent that they are not inconsistent with the applicable provisions hereof; provided that the County shall not direct the Trustee to make any investment of moneys in the 2001 Construction Fund that would result in any of the Parity Securities being considered "arbitrage bonds" within the meaning of Section 103(b)(2) and Section 148 of the Code and the applicable regulations thereunder. In the event of any such investment, the securities in which such moneys are so invested, together with all income derived therefrom, shall become a part of the 2001 Construction Fund to the same extent as if they were moneys originally deposited therein. The Trustee may at any time and from time to time sell or otherwise convert into cash any such securities, whereupon the net proceeds therefrom shall become a part of the 2001 Construction Fund. The Trustee shall be fully protected in making any such investment, sale or conversion in accordance with the provisions of this section. In any determination of the amount of moneys at any time forming a part of the 2001 Construction Fund, all such securities in which any portion of the 2001 Construction Fund is at the time so invested shall be included therein at their then market value.

ARTICLE IV

PROVISIONS CONCERNING THE SERIES 2001-A INSURANCE POLICY

Section 4.1 **Payments Under the Series 2001-A Insurance Policy.** (a) If, on the Business Day preceding any Interest Payment Date for the Series 2001-A Warrants, there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the Series 2001-A Warrants due on such date, the Trustee shall immediately notify the Bond Insurer and State Street Bank and Trust Company, N.A., New York, New York, or its successor as the Bond Insurer's Fiscal Agent (the "Fiscal Agent"), of the amount of such deficiency. If, by said Interest Payment Date, the County has not provided the amount of such deficiency, the Trustee shall simultaneously make available to the Bond Insurer and to the Fiscal Agent the registration books for the Series 2001-A Warrants maintained by the Trustee. In addition:

(i) the Trustee shall provide the Bond Insurer with a list of the Holders of the Series 2001-A Warrants entitled to receive principal or interest payments from the Bond Insurer under the terms of the Series 2001-A Insurance Policy and shall make arrangements for the Bond Insurer and its Fiscal Agent (1) to mail checks or drafts to the Holders of Series 2001-A Warrants entitled to receive full or partial interest payments from the Bond Insurer and (2) to pay principal of the Series 2001-A Warrants surrendered to the Fiscal Agent by the Holders thereof entitled to receive full or partial principal payments from the Bond Insurer; and

(ii) the Trustee shall, at the time it makes the registration books available to the Bond Insurer, notify Holders entitled to receive payment of principal of or interest on the Series 2001-A Warrants from the Bond Insurer (1) as to the fact of such entitlement, (2) that the Bond Insurer will remit to them all or part of the interest payments coming due subject to the terms of the Series 2001-A Insurance Policy, (3) that, except as provided in paragraph (b) below, in the event that any Holder of Series 2001-A Warrants is entitled to receive full payment of principal from the Bond Insurer, such Holder must tender his Series 2001-A Warrant to the Fiscal Agent with the instrument of transfer in the form provided on the Series 2001-A Warrant executed in the name of the Bond Insurer, and (4) that, except as provided in paragraph (b) below, in the event that such Holder is entitled to receive partial payment of principal from the Bond Insurer, such Holder must tender his Series 2001-A Warrant for payment first to the Trustee, which shall note on such Series 2001-A Warrant the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of the Bond Insurer, to the Fiscal Agent, which will then pay the unpaid portion of principal to the Holder subject to the terms of the Series 2001-A Insurance Policy.

(b) In the event that the Trustee has notice that any payment of principal of or interest on a Series 2001-A Warrant has been recovered from a Holder thereof pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the Bond Insurer, notify all Holders of Series 2001-A Warrants that, in the event that any such Holder's payment is so recovered, such Holder will be entitled to payment from the Bond Insurer to the extent of such recovery, and the Trustee shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the Series 2001-A Warrants which have been made by the Trustee and subsequently recovered from Holders, and the dates on which such payments were made.

(c) The Bond Insurer shall, to the extent it makes payment of principal of or interest on the Series 2001-A Warrants, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series 2001-A Insurance Policy and, to evidence such subrogation, (1) in the case of subrogation as to claims for past due interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from the Bond Insurer of proof of the payment of interest thereon to the Holders of such Series 2001-A

Warrants and (2) in the case of subrogation as to claims for past due principal, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books for the Series 2001-A Warrants maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Holders of such Series 2001-A Warrants. Notwithstanding anything in the Indenture or the Series 2001-A Warrants to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to the Bond Insurer to the extent that the Bond Insurer is a subrogee with respect thereto.

Section 4.2 **Information to be Provided to the Bond Insurer**. The County shall provide the Bond Insurer with the following information:

(a) within 180 days after the end of each Fiscal Year of the County, a copy of the County's budget for the then current Fiscal Year, a copy of the County's annual audited financial statements for the most recently completed Fiscal Year, a statement of the amount on deposit in the Reserve Fund as of the last valuation and, if not presented in the audited financial statements, a statement of the net revenues pledged to payment of the Parity Securities for the most recently completed Fiscal Year;

(b) the Official Statement or other disclosure document, if any, prepared in connection with the issuance of additional debt instruments payable from the System Revenues, whether or not such instruments constitute Additional Parity Securities, within 30 days after the sale thereof;

(c) notice of any draw upon, or any deficiency due to market fluctuation in the amount on deposit in, the Reserve Fund;

(d) notice of the redemption, other than mandatory sinking fund redemption, of any of the Parity Securities, including the principal amount, maturities and CUSIP numbers thereof

(e) simultaneously with the delivery of the County's annual audited financial statements:

(i) the number of System users as of the end of the most recently completed Fiscal Year;

(ii) notification of the withdrawal of any System user responsible for 5% or more of System Revenues since the last reporting date;

(iii) any significant plant retirements or expansions planned or undertaken in the System's service area since the last reporting date;

(iv) maximum and average daily System usage for the most recently completed Fiscal Year;

(v) any updated capital plans for expansion and improvement projects; and

(vi) results of any annual engineering inspections.

(f) such additional information as the Bond Insurer may reasonably request from time to time.

Section 4.3 **Miscellaneous Special Provisions Respecting the Bond Insurer and the Series 2001-A Insurance Policy.** (a) In determining whether a payment default has occurred or whether a payment on the Series 2001-A Warrants has been made under the Indenture, no effect shall be given to payments made under the Series 2001-A Insurance Policy.

(b) The Bond Insurer shall receive immediate notice of any default in payment of principal of or interest on the Series 2001-A Warrants and notice of any other Event of Default known to the Trustee within 30 days of the Trustee's knowledge thereof.

(c) The Trustee shall, if and to the extent that there are no other available moneys held under the Indenture, use moneys in the 2001 Construction Fund to pay principal of or interest on the Series 2001-A Warrants.

(d) For all purposes of Article XIII of the Original Indenture, except the giving of notice of default to Holders of Series 2001-A Warrants, the Bond Insurer shall be deemed to be the sole holder of the Series 2001-A Warrants it has insured for so long as it has not failed to comply with its payment obligations under the Series 2001-A Insurance Policy.

(e) No resignation or removal of the Trustee shall become effective until a successor has been appointed and has accepted the duties of Trustee. The Bond Insurer shall be furnished with written notice of the resignation or removal of the Trustee and the appointment of any successor thereto.

(f) The Bond Insurer shall be treated as a party in interest and as a party entitled to (i) notify the Trustee of the occurrence of an Event of Default and (ii) request the Trustee to intervene in judicial proceedings that affect the Series 2001-A Warrants or the security therefor.

(g) Any amendment or supplement to the Indenture shall be subject to the prior written consent of the Bond Insurer. The Bond Insurer shall be deemed to be the holder of all outstanding Series 2001-A Warrants for the purpose of consenting to any proposed amendment or supplement to the Indenture (except for any such amendment or supplement that, under the provisions of the

Indenture, requires the consent of the Holder of each outstanding Series 2001-A Warrant). Any rating agency rating any of the Series 2001-A Warrants must receive notice of each amendment or supplement hereafter executed and a copy thereof at least fifteen days in advance of its execution or adoption.

(h) The Bond Insurer shall be provided with a full transcript of all proceedings relating to the execution of any Supplemental Indenture hereafter executed.

(i) Any notices to the Bond Insurer or the Fiscal Agent pursuant to the Indenture shall be sent to the following addresses (unless and until different addresses are specified in writing to the County and the Trustee):

Financial Guaranty Insurance Company
115 Broadway
New York, New York 10006
Attention: General Counsel

State Street Bank and Trust Company, N.A.
61 Broadway
New York, New York 10006
Attention: Corporate Trust Department

Section 4.4 **Miscellaneous Special Provisions Respecting the Bond Insurer and the Reserve Policy**. (a) Notwithstanding anything to the contrary in the Original Indenture, the County's repayment of any draws under the Reserve Policy and related reasonable expenses incurred by the Bond Insurer (together with interest thereon at a rate equal to the lower of (i) the prime rate of Morgan Guaranty Trust Company of New York in effect from time to time plus 2% per annum and (ii) the highest rate permitted by law) shall enjoy the same priority as the obligation to maintain and refill the Reserve Fund. Repayment of draws, expenses and accrued interest (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw. If and to the extent that cash has also been deposited in the Reserve Fund, all such cash shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing under the Reserve Policy, and repayment of any Policy Costs shall be made prior to replenishment of any such cash amounts. If, in addition to the Reserve Policy, any other reserve fund substitute instrument ("Additional Reserve Policy") is provided, drawings under the Reserve Policy and any such Additional Reserve Policy, and repayment of Policy Costs and reimbursement of amounts due under the Additional Reserve Policy, shall be made on a pro rata basis (calculated by reference to the maximum amounts available thereunder) after applying all available cash in the Reserve Fund and prior to replenishment of any such cash draws, respectively.

(b) If the County shall fail to repay any Policy Costs in accordance with requirements of the preceding subsection (a), the Bond Insurer shall be entitled to exercise any and all remedies available at law or under the Indenture other than (i) acceleration of the maturity of the Parity Securities or (ii) remedies which would adversely affect the Holders of the Parity Securities.

(c) The Indenture shall not be discharged until all Policy Costs owing to the Bond Insurer shall have been paid in full.

(d) As security for the County's repayment obligations with respect to the Reserve Policy, the County hereby grants to the Bond Insurer a security interest in the Pledged Revenues, subordinate only to the primary pledge and security interest granted in the Indenture for the benefit of Holders of Parity Securities.

(e) At any time when any Policy Costs are due and unpaid, the Additional Parity Securities test and the Rate Covenant in the Indenture shall be deemed to require at least one times coverage of the County's obligations with respect to repayment of Policy Costs then due and owing. Furthermore, no Additional Parity Securities may be issued without the Bond Insurer's prior written consent if any Policy Costs are past due and owing to the Bond Insurer. Upon the issuance of any Additional Parity Securities secured by the Reserve Fund, such Reserve Fund shall be fully funded (to the Reserve Fund Requirement) upon the issuance of such securities, either with cash or Eligible Investments or by a reserve fund credit instrument acceptable to the Bond Insurer.

(f) The Trustee shall ascertain the necessity for a claim upon the Reserve Policy and, if necessary, provide notice to the Bond Insurer in accordance with the terms of the Reserve Policy at least two Business Days prior to each Interest Payment Date.

(g) So long as the Reserve Policy remains in effect, the Indenture shall not be modified or amended without the prior written consent of the Bond Insurer.

(h) The Bond Insurer shall be provided with written notice of the resignation or removal of the Trustee and the appointment of a successor thereto and of the issuance of Additional Parity Securities of the County at 115 Broadway, New York, New York 10006, Attention: Risk Management.

ARTICLE V

MISCELLANEOUS

Section 5.1 **2001 System Improvements to Constitute Part of System.** The 2001 System Improvements shall henceforth constitute part of the System referred to in the Indenture and

shall be subject to the Indenture as fully and completely as if they had been in existence at the time the Original Indenture was executed and delivered and had been specifically described therein.

Section 5.2 **Confirmation of Indenture.** All the terms, covenants and conditions of the Indenture are hereby in all things confirmed, and they shall remain in full force and effect. Further, the County does hereby confirm the pledge made in the Indenture with respect to the revenues derived from all properties now or hereafter constituting a part of the System, including specifically, without limiting the generality of the foregoing, all properties acquired as a part of the System since the execution and delivery of the Original Indenture.

Section 5.3 **Pledge of 2001 Construction Fund.** For the purposes specified in Section 2.1 of the Original Indenture, the County does hereby grant, bargain, sell and convey, assign, transfer and pledge to and with the Trustee the moneys deposited in the 2001 Construction Fund, together with any investments and reinvestments of such moneys and the income or proceeds thereof; subject, however, to the disbursement of all moneys at any time held in the 2001 Construction Fund for application in accordance with the provisions of this Third Supplemental Indenture.

Section 5.4 **Debt Service Fund Deposits Referable to Series 2001-A Warrants.** In order to provide funds for the payment of the principal of and the interest on the Series 2001-A Warrants, there shall be transferred or paid into the Debt Service Fund, out of moneys held in the Revenue Account, the following amounts at the following times:

(1) on or before August 1, 2001, and on or before each February 1 and August 1 thereafter until and including February 1, 2041, an amount equal to the interest becoming due with respect to the then outstanding Series 2001-A Warrants on each such Interest Payment Date; and

(2) on or before February 1, 2007, and on or before each February 1 thereafter until and including February 1, 2041, an amount equal to the principal amount of Series 2001-A Warrants maturing or required to be redeemed on each such February 1.

Notwithstanding the foregoing, if the total amount of principal of and interest on the Parity Securities becoming due and payable on any Interest Payment Date is greater than the amount then held in the Reserve Fund (without taking into account the aggregate amount payable under the Reserve Policy and any Additional Reserve Policy then in effect), then the related transfer or payment into the Debt Service Fund shall be made at least one Business Day prior to such Interest Payment Date.

The Debt Service Fund deposits required by this Section 5.4 shall be in addition to the deposits respecting the Outstanding Parity Securities required by Section 11.2 of the Original

Indenture, by Section 5.4 of the First Supplemental Indenture and by Section 5.4 of the Second Supplemental Indenture.

Section 5.5 **Amendment of Due Dates for Debt Service Fund Deposits.** Notwithstanding anything to the contrary contained in Section 11.2 of the Original Indenture, Section 5.4 of the First Supplemental Indenture or Section 5.4 of the Second Supplemental Indenture, from and after the date of delivery hereof,

(i) all transfers or payments of money to the Debt Service Fund to provide for the payment of any interest on any of the Outstanding Parity Securities shall be made on or before the Interest Payment Date on which such interest becomes due and payable; and

(ii) all transfers or payments of money to the Debt Service Fund to provide for the payment of any principal of any of the Outstanding Parity Securities shall be made on or before the date on which such principal matures or is required to be redeemed.

Notwithstanding the foregoing, if the total amount of principal of and interest on the Parity Securities becoming due and payable on any Interest Payment Date is greater than the amount then held in the Reserve Fund (without taking into account the aggregate amount payable under the Reserve Policy and any Additional Reserve Policy then in effect), then the related transfer or payment into the Debt Service Fund shall be made at least one Business Day prior to such Interest Payment Date.

Section 5.6 **Book-Entry Procedures Applicable to Series 2001-A Warrants.** (a) Except as provided in Section 5.6(c) hereof, the registered owner of all of the Series 2001-A Warrants shall be The Depository Trust Company ("DTC") and the Series 2001-A Warrants shall be registered in the name of Cede & Co., as nominee of DTC. Payment of semiannual interest for any Series 2001-A Warrant registered as of a Record Date in the name of Cede & Co. shall be made by wire transfer to the account of Cede & Co. on the Interest Payment Date at the address indicated on the Record Date for Cede & Co. in the registry books of the County kept by the Paying Agent.

(b) The Series 2001-A Warrants shall be initially issued in the form of a separate single authenticated fully registered warrant in the principal amount of each separately stated maturity for each separate series. Upon initial issuance, the ownership of each such Series 2001-A Warrant shall be registered in the registry book of the County kept by the Paying Agent in the name of Cede & Co., as nominee of DTC. The Paying Agent and the County may treat DTC (or its nominee) as the sole and exclusive owner of the Series 2001-A Warrants registered in its name for the purposes of payment of the principal or redemption price of or interest on such Series 2001-A Warrants, selecting such Series 2001-A Warrants or portions thereof to be redeemed, giving any notice permitted or required to be given to Holders of Series 2001-A Warrants under the Indenture, registering the

transfer of Series 2001-A Warrants, obtaining any consent or other action to be taken by Holders of Series 2001-A Warrants and for all other purposes whatsoever; and neither the Paying Agent nor the County shall be affected by any notice to the contrary. Neither the Paying Agent nor the County shall have any responsibility or obligation to any DTC participant, any Person claiming a beneficial ownership interest in the Series 2001-A Warrants under or through DTC or any DTC participant, or any other Person which is not shown on the registration books of the County kept by the Paying Agent as being a Holder of Series 2001-A Warrants. The County and the Paying Agent shall have no responsibility with respect to the accuracy of any records maintained by DTC, Cede & Co. or any DTC participant with respect to any ownership interest in the Series 2001-A Warrants; the payment by DTC or any DTC participant to any beneficial owner of any amount in respect of the principal or redemption price of or interest on the Series 2001-A Warrants; the delivery to any DTC participant or any beneficial owner of any notice which is permitted or required to be given to Holders of the Series 2001-A Warrants under the Indenture; the selection by DTC or any DTC participant of any Person to receive payment in the event of a partial redemption of the Series 2001-A Warrants; or the authority for any consent given or other action taken by DTC as the Holder of Series 2001-A Warrants. The Paying Agent shall pay all principal of and premium, if any, and interest on the Series 2001-A Warrants only to Cede & Co., as nominee of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the County's obligations with respect to the principal of and premium, if any, and interest on such Series 2001-A Warrants to the extent of the sum or sums so paid. Upon delivery by DTC to the Paying Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co. and direction to effect such change on the registry books maintained by the Paying Agent, the term "Cede & Co." in the Indenture shall refer to such new nominee of DTC.

(c) In the event the County determines that it is in the best interest of the beneficial owners of the Series 2001-A Warrants that they be able to obtain warrant certificates, the County may notify DTC and the Paying Agent of the availability through DTC of warrant certificates. In such event, the Paying Agent shall issue, transfer and exchange warrant certificates as requested by DTC and any other Holders of Series 2001-A Warrants in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Series 2001-A Warrants at any time by giving notice to the County and the Paying Agent and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the County and Paying Agent shall be obligated to deliver warrant certificates as described in the Indenture. In the event warrant certificates are issued to Holders of the Series 2001-A Warrants other than DTC, the provisions of Article V of the Original Indenture shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever DTC requests the County and the Paying Agent to do so, the County and the Paying Agent will cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Series 2001-A Warrants to any DTC participant having Series 2001-A Warrants credited to its DTC account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series 2001-A Warrants.

(d) Notwithstanding any other provision of the Indenture to the contrary, so long as any Series 2001-A Warrant is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on such Series 2001-A Warrant and all notices with respect to such Series 2001-A Warrant shall be made and given to DTC as provided in the Representation Letter to be signed by the County and the Paying Agent on or prior to the date of issuance and delivery of the Series 2001-A Warrants and accepted by DTC. Without limitation of the foregoing, so long as any Series 2001-A Warrant is registered in the name of Cede & Co., as nominee of DTC, the Paying Agent shall send a copy of any notice of redemption by overnight delivery not less than thirty (30) days before the redemption date to DTC, but such mailing shall not be a condition precedent to such redemption and failure to so mail any such notice (or failure of DTC to advise any DTC participant, or any DTC participant to notify the beneficial owner, of any such notice or its content or effect) shall not affect the validity of the proceedings for the redemption of the Series 2001-A Warrants.

(e) In connection with any notice or other communication to be provided to Holders of the Series 2001-A Warrants pursuant to the Indenture by the County or the Paying Agent with respect to any consent or other action to be taken by Holders of the Series 2001-A Warrants, so long as any Series 2001-A Warrant is registered in the name of Cede & Co., as nominee of DTC, the County or the Paying Agent, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

(f) In the event of any inconsistency between the provisions of this Section 5.6 and any other provision of the Indenture or the forms of Series 2001-A Warrants, the provisions of this Section 5.6 shall govern so long as warrant certificates have not been issued to the Holders of the Series 2001-A Warrants other than DTC in accordance with Section 5.6(c) hereof.

Section 5.7 **Valuation of Reserve Fund**. Notwithstanding anything to the contrary contained in Section 11.10 of the Original Indenture, a valuation of the investments in the Reserve Fund shall be made by the Trustee (a) during each calendar month that immediately precedes a month during which an Interest Payment Date occurs and (b) at such other times as the County may request or as may be necessary to ascertain compliance with the provisions of the Indenture. Each regular semi-annual valuation described in clause (a) of the preceding sentence shall be made no later than the 20th day of the month immediately preceding the Interest Payment Date to which such valuation is related (i.e., no later than January 20 or July 20). The provisions of Section 11.10 of the Original Indenture that are not hereby amended shall remain in force and effect.

Section 5.8 **Tax Covenants**. The County recognizes that the Holders of the Series 2001-A Warrants from time to time will have accepted them on, and paid therefor a price which reflects, the understanding that interest on the Series 2001-A Warrants is excluded from gross income for federal income tax purposes under the laws in force at the time the Series 2001-A Warrants shall

have been delivered. In this connection the County covenants (i) that it will not take any action or omit to take any action if the taking of such action or the failure to take such action, as the case may be, will result in the interest on any of the Series 2001-A Warrants becoming includable in gross income for purposes of federal income taxation, (ii) that it will use the "proceeds" of the Series 2001-A Warrants and any other funds of the County in such a manner that the use thereof, as reasonably expected by the County at the time of issuance of the Series 2001-A Warrants, will not cause the Series 2001-A Warrants to be "arbitrage bonds" under Section 103(b)(2) and Section 148 of the Code and the regulations thereunder and (iii) that it will satisfy the requirements of Section 148(f) of the Code and the applicable regulations thereunder. The County further covenants and agrees that it will not permit at any time any "proceeds" of the Series 2001-A Warrants or any other funds of the County to be used, directly or indirectly, in a manner which would result in any Series 2001-A Warrant being classified as a "private activity bond" within the meaning of Section 141(a) of the Code. The officers and employees of the County shall execute and deliver from time to time, on behalf of the County, such certificates, instruments and documents as shall be deemed necessary or advisable to evidence compliance by the County with said Section 103(b)(2) and Section 148 and the regulations thereunder with respect to the use of the proceeds of the Series 2001-A Warrants. Such certificates, instruments and documents may contain such stipulations as shall be necessary or advisable in connection with the stated purpose of this section and the foregoing provisions hereof, and the County hereby covenants and agrees to comply with the provisions of any such stipulations throughout the term of the Series 2001-A Warrants.

Section 5.9 **Article and Section Captions**. The article and section headings and captions contained herein are included for convenience only and shall not be considered a part hereof or affect in any manner the construction or interpretation hereof.

IN WITNESS WHEREOF, the County has caused this Third Supplemental Indenture to be executed in its name and behalf by the President of the Governing Body, has caused its official seal to be hereunto affixed and has caused this Third Supplemental Indenture to be attested by the Minute Clerk of the Governing Body, and the Trustee has caused this Third Supplemental Indenture to be executed in its corporate name and behalf, has caused its corporate seal to be hereunto affixed and has caused this Third Supplemental Indenture to be attested, by its duly authorized officers, all in ten (10) counterparts, each of which shall be deemed an original, and the County and the Trustee have caused this Third Supplemental Indenture to be dated as of March 1, 2001, although actually executed and delivered on March 22, 2001.

JEFFERSON COUNTY, ALABAMA

By _____
President of the County Commission

ATTEST:

Diane Downes
Minute Clerk of the
County Commission

[SEAL]

THE BANK OF NEW YORK, as Successor Trustee under the Trust Indenture of Jefferson County, Alabama, dated as of February 1, 1997

By: The Bank of New York Trust Company of Florida, N.A.,
Its Agent

By _____

Its VICE PRESIDENT

ATTEST:

Robin Foster

Its ASSISTANT TREASURER

[SEAL]

STATE OF ALABAMA)

JEFFERSON COUNTY)

I, the undersigned authority, a Notary Public in and for said county in said state, hereby certify that Gary White, whose name as President of the County Commission of JEFFERSON COUNTY, ALABAMA, a political subdivision of the State of Alabama, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said county.

GIVEN under my hand and official seal of office, this 22nd day of March, 2001.

[NOTARIAL SEAL]

Maureen McDermott
Notary Public

My Commission Expires: 7-24-04

STATE OF ALABAMA)

JEFFERSON COUNTY)

I, the undersigned authority, a Notary Public in and for said county in said state, hereby certify that Gary L. Jones, whose name as Vice President of THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A., a national banking association acting as agent for THE BANK OF NEW YORK, a New York banking corporation acting in its capacity as Trustee under the Trust Indenture of Jefferson County, Alabama, dated as of February 1, 1997, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said banking association in its capacity as the agent of the Trustee as aforesaid.

GIVEN under my hand and official seal of office, this 22nd day of March, 2001.

[NOTARIAL SEAL]

Maureen McDermott
Notary Public

My Commission Expires: 7-24-04

310585:2

State of Alabama - Jefferson County
I certify this instrument filed on:
2001 APR 05 A.M. 09:02
Recorded and $ Mtg. Tax
and $ Deed Tax and Fee Amt.
$ 93.00 Total $ 93.00
MICHAEL F. BOLIN, Judge of Probate
200104/6604

STATE OF ALABAMA-JEFFERSON COUNTY
I hereby certify that no mortgage tax or deed tax has been collected on this instrument.
Michael F. Bolin
Judge of Probate
"No Tax Collected"

State of Alabama
Jefferson County

I, the Undersigned, as Judge of Probate Court in and for Jefferson County, Alabama, hereby certify that the foregoing is a full, true and correct copy of the instrument with the filing of same as appears of record in this office. Given under my hand and official seal, this the 22ND day of MAY, 2012.

Alan L. Krug

JUDGE OF PROBATE

EXHIBIT E

Exhibit 1

Preliminary Analysis of FGIC Payments Not Paid to FGIC and Resulting Reductions of Cash Payments on Certain Permitted Policy Claims

Preliminary Analysis of FGIC Payments Not Paid to FGIC and Resulting Reductions of Cash Payments on Certain Permitted Policy Claims[1]

The attached charts reflect FGIC's preliminary estimates of FGIC Payments not paid to FGIC and resulting reductions against projected initial Cash payments on account of certain Permitted Policy Claims and, to the extent applicable, subsequent Cash payments with respect to such Claims, in each case pursuant to the application of Section 1.4(A) of the Restructured Policy Terms.

In developing these preliminary estimates, FGIC (i) reviewed all Policies to assess whether there are any premiums due and payable to FGIC, which had not been paid to FGIC, and (ii) reviewed and analyzed the Policies and underlying servicer or trustee reports and Transaction Documents available to FGIC, as of September 30, 2012, in respect of over one hundred forty (140) transactions where FGIC has paid or received Claims, including over one hundred twenty (120) transactions that FGIC has classified as RMBS, to assess whether there are any reimbursements due and payable to FGIC and to what extent such amounts would be due and payable to FGIC within the meaning of FGIC Payments, which have not been paid to FGIC. Of these transactions, FGIC identified eighteen (18) transactions where amounts constituting FGIC Payments (i.e., premiums and/or reimbursements) should have been paid to FGIC by the trustees pursuant to the Transaction Documents but were not. Such identified transactions may be categorized as follows:

- For four (4) of these transactions, FGIC believes that the applicable trustees likely have set aside or escrowed unpaid FGIC Payments. Pursuant to the Plan, such trustees will be obligated to turn over to FGIC such unpaid amounts within five (5) Business Days of the Effective Date. Assuming compliance by the trustees with such requirement, there will be no unpaid FGIC Payments to offset against the initial Cash payments in respect of related Permitted Policy Claims (and this assumption is reflected in the attached charts) (See Schedule A);

- For four (4) of the identified transactions, FGIC believes that the applicable trustees likely distributed the FGIC Payment amounts to the underlying holders. For these transactions, pursuant to Section 1.4(A) of the Restructured Policy Terms, FGIC will offset such amounts against the Cash payments FGIC otherwise would have paid on related Permitted Policy Claims (See Schedule B); and

- For the remaining ten (10) transactions, FGIC has been unable, to date, to determine whether the applicable trustees have set aside the unpaid FGIC Payment amounts, or whether they have distributed such amounts to the

[1] Capitalized terms not defined herein or in the attached charts have the meanings ascribed to them in the Plan of Rehabilitation for Financial Guaranty Insurance Company, dated September 27, 2012 (as may be amended or supplemented).

underlying holders (in the attached charts it has been assumed that these amounts have been distributed to the underlying holders) (See Schedule C).

The attached charts identify which of the eighteen (18) transactions fall within each of the above-described categories. Each of the transactions is shown on a Policy-level basis, rather than a CUSIP-level basis. Many of the numbers reflected on the attached charts have been rounded.

With respect to the balance of the transactions analyzed by FGIC, FGIC believes, based upon its preliminary analysis, that no FGIC Payments are due and owing to FGIC as of September 30, 2012 with respect to those transactions.

Please note that the estimates set forth in the attached charts and summarized herein are based on FGIC's preliminary analysis as of September 30, 2012, are based in part upon information provided by third parties (including in trustee and servicer reports), and are subject to adjustment and correction based upon, without limitation, FGIC's continued investigation into and refinement of the underlying data, as well as any additional FGIC Payment amounts or Claims that have arisen or may arise subsequent to September 30, 2012. In addition, the analysis does not take into account, among other things, (i) errors (if any) that trustees or servicers may have made in interpreting the Transaction Documents or applying or distributing funds, (ii) incorrect or missing information in the trustee or servicer reports, (iii) Plan-imposed limitations on what may constitute a Permitted Claim (for which the information called for by the Proof of Policy Claim Form, to be completed and submitted following the Effective Date, will be required), or (iv) changes to the CPP. Accordingly, the amounts listed in the "Initial Cash Payment to Policyholder" column are not necessarily the amounts that ultimately will be paid pursuant to the Plan.

Schedule A

Dated 11/14/2012
Data as of 9/30/2012

Subject to Qualifications Contained in Attached Cover Sheets

Preliminary Estimates - Subject to Change

		Unpaid FGIC Payments Due to FGIC as of 9-30-12							
CUSIP	FGIC Description	Unpaid Premiums	Unpaid Reimbursements	Total Premiums and Reimbursements Due to FGIC	Post 1310 Order Unpaid Claims as of 9-30-12	Initial Cash Calculation at 15% CPP	Reduction to Initial Cash Calculation for Unpaid FGIC Payments	Initial Cash Payment to Policyholder	Balance to be Reduced from Future Cash Payments
Transactions where it appears unpaid FGIC Payments due to FGIC have been set aside by the trustees									
040104MX6 040104MY4	ARSI 2005-W1 / AMLT	1,340,000	12,360,000	13,700,000	26,216,083	3,932,412		3,932,412	
45254NKQ9 45254NKR7 45254NKS5	IMM 2004-8 2A1 / Impac 2004-8	350,000	6,990,000	7,340,000	9,514,297	1,427,145		1,427,145	
45254NLJ4 45254NLK1 45254NLL9	IMM 2004-10 1A1 / Impac 2004-10	860,000	14,340,000	15,200,000	15,222,225	2,283,334		2,283,334	
45254NLZ8 45254NMA2	IMM 2004-11 1A1 / Impac 2004-11	-	7,410,000	7,410,000	8,906,788	1,336,018		1,336,018	
	Total	2,550,000	41,100,000	43,650,000	59,859,393	8,978,909	-	8,978,909	-

Schedule B

CUSIP	FGIC Description	Unpaid FGIC Payments Due to FGIC as of 9-30-12: Unpaid Premiums	Unpaid Reimbursements	Total Premiums and Reimbursements Due to FGIC	Post 1310 Order Unpaid Claims as of 9-30-12	Initial Cash Calculation at 15% CPP	Reduction to Initial Cash Calculation for Unpaid FGIC Payments	Initial Cash Payment to Policyholder	Balance to be Reduced from Future Cash Payments
Transactions where it appears unpaid FGIC Payments due to FGIC have been passed through to holders by trustees									
126685DV5 126685DW3 126685DX1 126685DY9 126685DZ6	CWHEQ 2006-S2	-	7,640,000	7,640,000	111,317,220	16,697,583	7,640,000	9,057,583	-
23242MAA9 23242MAB7 23242MAC5 23242MAD3 23242MAE1	CWHEQ 2006-S3	-	13,330,000	13,330,000	128,424,707	19,263,706	13,330,000	5,933,706	-
126683AA9 126683AB7 126683AC5 126683AD3 126683AE1 126683AF8	CWHEQ 2006-S5	-	14,070,000	14,070,000	155,433,080	23,314,962	14,070,000	9,244,962	-
43709KAA7	IndyMac INDS 2006-2B	990,000	16,980,000	17,970,000	72,713,857	10,907,079	10,907,079	-	7,062,921
	Total	990,000	52,020,000	53,010,000	467,888,863	70,183,329	45,947,079	24,236,251	7,062,921

Schedule C

Unpaid FGIC Payments Due to FGIC as of 9-30-12

CUSIP	FGIC Description	Unpaid Premiums	Unpaid Reimbursements	Total Premiums and Reimbursements Due to FGIC	Post 1310 Order Unpaid Claims as of 9-30-12	Initial Cash Calculation at 15% CPP	Reduction to Initial Cash Calculation for Unpaid FGIC Payments	Initial Cash Payment to Policyholder	Balance to be Reduced from Future Cash Payments
Transactions where it is uncertain if unpaid FGIC Payments due to FGIC have been set aside by the trustees									
02660TDZ3	American Home Mortg 2005-1	110,000	-	110,000	5,197,593	779,639	110,000	669,639	-
02660TEV1	American Home Mortg 2005-2	210,000	-	210,000	11,015,910	1,652,387	210,000	1,442,387	-
748351AE3 748351AF0	Ameriquest 2005-X2	230,000	-	230,000	1,280,847	192,127	192,127	-	37,873
361856EA1 361856EB9 361856EC7 361856ED5 361856EE3 361856EF0	GMACM 2005-HE1	-	200,000	200,000	24,450,334	3,667,550	200,000	3,467,550	-
36185MAA0 36185MAB8 36185MAC6 36185MAD4 36185MAE2 36185MAF9	GMACM 2005-HE2	100,000	-	100,000	1,783,116	267,467	100,000	167,467	-
361856ER4	GMACM 2006-HE1	-	250,000	250,000	69,710,686	10,456,603	250,000	10,206,603	-

CUSIP	FGIC Description	Unpaid FGIC Payments Due to FGIC as of 9-30-12: Unpaid Premiums	Unpaid Reimbursements	Total Premiums and Reimbursements Due to FGIC	Post 1310 Order Unpaid Claims as of 9-30-12	Initial Cash Calculation at 15% CPP	Reduction to Initial Cash Calculation for Unpaid FGIC Payments	Initial Cash Payment to Policyholder	Balance to be Reduced from Future Cash Payments
Transactions where it is uncertain if unpaid FGIC Payments due to FGIC have been set aside by the trustees (cont'd)									
36185HEF6 36185HEG4 36185HEH2 36185HEJ8 36185HEK5	GMACM 2006-HLTV1	70,000	-	70,000	10,152	1,523	1,523	-	68,477
437089AA3 437089AB1 437089AC9 437089AD7 437089AE5	IndyMac INDS 2006-1	580,000	-	580,000	49,241,947	7,386,292	580,000	6,806,292	-
456606MZ2	IndyMac 2006-H1	480,000	-	480,000	40,735,618	6,110,343	480,000	5,630,343	-
76110VQY7 RFC4HS3VF	RFMSII 2004-HS3	100,000	-	100,000	1,048,792	157,319	100,000	57,319	-
	Total	1,880,000	450,000	2,330,000	204,474,997	30,671,250	2,223,650	28,447,600	106,350