

**IMPORTANT NOTICE**

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS THAT ARE EITHER (1) "QUALIFIED PURCHASERS" (AS DEFINED FOR PURPOSES OF SECTION 3(c)(7) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT")) AND "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) OR (2) PERSONS THAT ARE NOT "U.S. PERSONS" (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) AND THAT ARE OUTSIDE THE UNITED STATES.

**IMPORTANT: You must read the following before continuing.** The following applies to the Base Prospectus following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT, BE REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION, AND THE ISSUER REFERRED TO HEREIN WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT. THE SECURITIES DESCRIBED HEREIN MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: To be eligible to view this Base Prospectus or make an investment decision with respect to the securities described herein, investors must be either (1) Qualified Purchasers and Qualified Institutional Buyers or (2) persons that are not U.S. Persons and that are outside the United States. This Base Prospectus is being sent at your request and by accepting this e-mail and accessing this Base Prospectus, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) Qualified Purchasers and Qualified Institutional Buyers or (b) not U.S. Persons and the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the

United States and (2) you consent to delivery of the Base Prospectus by electronic transmission.

The attached Base Prospectus has been sent to you in the belief that you are (a) a person of the kind described in within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc.) of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or who otherwise fall within an exemption set forth in such Order so that section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer and (b) a person to whom this Base Prospectus can be sent lawfully in accordance with all other applicable securities laws. If this is not the case then you must return the attached Base Prospectus immediately.

You are reminded that this Base Prospectus has been delivered to you on the basis that you are a person into whose possession this Base Prospectus may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Base Prospectus to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by or through a licensed broker or dealer and the Initial Offeree or any affiliate of the Initial Offeree is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by or through such Initial Offeree or such affiliate on behalf of the Issuer in such jurisdiction.

This Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither AIG Capital Management Limited or Nightingale Finance Limited nor any person who controls any such persons nor any director, officer, employee nor agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from AIG Capital Management Limited or Nightingale Finance Limited.

**BASE PROSPECTUS**

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# **Nightingale Finance Limited**

*(incorporated with limited liability in Jersey)*

## **U.S.\$5,000,000,000 Capital Note Programme**

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On 21 May 2007, Nightingale Finance Limited (the "**Issuer**") entered into a U.S.\$5,000,000,000 capital note programme (the "**Programme**"). This document (the "**Base Prospectus**") supersedes the base prospectus dated 21 May 2007 in respect of the Programme.

Under the Programme described in this Base Prospectus, the Issuer, subject to compliance with all relevant laws, regulations and directives, may from time to time issue secured, subordinated capital notes (the "**Capital Notes**", or, the "**Notes**").

The Notes are and will be issued in Classes associated with particular Sub-Portfolios of Debt Securities and Derivatives (each as defined below).

Each Class may comprise one or more sequentially numbered Tiers (as defined below) with the Tier 1 Capital Notes ranking in priority to all other Tiers of Notes within the same Class (the "**Tier 1 Capital Notes**").

The Notes are secured, subordinated and limited recourse debt obligations of the Issuer and will not be guaranteed by, or be the responsibility of, any other entity. The Issuer has granted security over its assets and undertaking in favour of The Bank of New York Mellon, London Branch ("**The Bank of New York Mellon**") as security trustee (the "**Security Trustee**") pursuant to a security trust deed dated 26 March 2007 (as amended from time to time, the "**Security Trust Deed**") between, among others, the Issuer and the Security Trustee. The Security Trustee holds the benefit of the security on trust for itself and the other Secured Creditors (as defined herein), including the holders of the Notes on, and subject to, the terms of the Security Trust Deed.

The Notes may be issued on a continuing basis to the Capital Note Dealers specified herein and any additional Capital Note Dealer appointed under the Programme from time to time, which appointment may be for a specified issue or generally in respect of the Programme (each, a "**Capital Note Dealer**" and, together, the "**Capital Note Dealers**").

A copy of this Base Prospectus has been delivered to the Registrar of Companies in Jersey in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and he has given, and has not withdrawn, his consent to its circulation.

The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958, as amended, to the issue of the Notes by the Issuer.

The Jersey Financial Services Commission is protected by the Control of Borrowing (Jersey) Law, 1947, as amended, against liability arising from the discharge of its functions under that law.

It must be distinctly understood that, in giving these consents, neither the Registrar of Companies nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions expressed, with regard to it.

If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

It should be remembered that the price of securities and the income from them can go down as well as up.

The Base Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under the Prospectus Directive 2003/71/EC (the "**Prospectus Directive**"). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange (the "**Irish Stock Exchange**") for the Notes to be admitted to the Official List (the "**Official List**") and trading on its regulated market. **Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area.**

This Base Prospectus constitutes a "base prospectus" for the purposes of the Prospectus Directive.

Notes may be listed or admitted to trading, as the case may be, on such other stock exchange(s) or market(s) as may be specified in the Final Terms. The Final Terms will specify whether or not Notes will be listed on the Irish Stock Exchange. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

References in this Base Prospectus to Notes being listed in Ireland (and all related references) shall mean that such Notes have been admitted to trading on the Irish Stock Exchange's regulated market and have been listed on the Irish Stock Exchange.

The Notes of each Series (as defined herein) will be denominated in U.S. dollars or such other currency as may be agreed between the Issuer and the relevant Capital Note Dealer. No Notes will be issued under the Programme which have a minimum denomination of less than U.S.\$250,000.

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Capital Note Dealer at the time of issue in accordance with prevailing market conditions.

The Notes have not been, and are not expected to be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), the securities laws of any state of the United States or the securities laws of any other jurisdiction. The Issuer has not registered and does not intend to register as an investment company under the United States Investment Company Act of 1940, as amended (the "**Investment Company Act**"), in reliance on the exception provided by Section 3(c)(7) of the Investment Company Act.

The Notes may be offered (i) outside of the United States to non-U.S. Persons in reliance on Regulation S ("**Regulation S**") under the Securities Act (the "**Regulation S Notes**"), and (ii) within the United States or to or for account or benefit of U.S. persons ("**U.S. Person**") within the meaning of Regulation S, in reliance on Rule 144A ("**Rule 144A**") under the Securities Act (the "**Rule 144A Notes**"). The Notes may not be offered, sold, issued or delivered within the United States or to or for the account or benefit of any person that is a U.S. Person unless, among other things, such person is both (1) a "qualified institutional buyer" (a "**QIB**") within the meaning of Rule 144A and (2) a "qualified purchaser" (a "**QP**") within the meaning of Section 2(a)(51)(A) of the Investment Company Act and the rules and regulations thereunder, acting for its own account or the account of another QIB which is a QP and meets the other requirements set forth herein.

Interests in the Notes may not be reoffered, resold, pledged or otherwise transferred unless registered pursuant to, or in transactions exempt from or not subject to the registration requirements of, the

Securities Act and any other applicable securities laws. By its purchase of Notes, such purchaser will be deemed to agree or, in the case of registered definitive notes, will be required to certify that it will only resell or otherwise transfer such Notes in accordance with the applicable restrictions set forth therein. See "*Subscription and Sale*". Any resale or other transfer of a Note (or a beneficial interest therein) which is not made in compliance with the restrictions set forth therein shall be null and void *ab initio*.

The Regulation S Notes will initially be represented by a temporary global note which will be deposited on the issue date thereof with a common depositary on behalf of Euroclear Bank SA/NV, as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and/or another agreed depositary, and will be exchangeable for a permanent global note upon certification as to non-U.S. beneficial ownership as required by applicable U.S. Treasury Regulations. Each permanent global note will be exchangeable for definitive notes only with the agreement of the Issuer or in the limited circumstances specified herein and in such permanent global note. The Rule 144A Notes will be represented by one or more permanent global notes or global note certificates (except in the limited circumstances described herein).

If specified in the Final Terms relating to a Series of Notes, one or more Tranches of Notes of such Series may be rated by Moody's Investors Service Limited ("**Moody's**") and/or Standard & Poor's - A division of The McGraw-Hill Companies ("**S&P**"). Such a rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by Moody's and/or S&P, as applicable.

The attention of investors is drawn to the section headed "*Risk Factors*".

**ARRANGER AND DEALER**

**Banque AIG**

**DEALER**

**AIG Financial Securities Corp**

**Dated 12 October 2010**

## IMPORTANT NOTICE

The Issuer accepts responsibility for the information contained in this document (other than for the information contained in the section of this document entitled "*Description of the Portfolio Administrator*" for which the Portfolio Administrator accepts responsibility). To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this document is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect its import.

This Base Prospectus should be read and construed together with any amendments or supplements hereto and with any other documents incorporated by reference herein and, in relation to any Tranche (as defined herein) of Notes, should be read and construed together with the relevant Tranche Final Terms and, in relation to any Class, together with the Class Final Terms applicable to such Class (all as defined herein).

The Issuer has confirmed to the Capital Note Dealers that this document (including, for this purpose, each relevant Class Final Terms and Tranche Final Terms) contains all information regarding the Issuer and the Notes which is (in the context of the Programme and the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein on the part of the Issuer are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme and the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Security Trustee, any Capital Note Dealer, the Arranger or the Manager (each as defined herein).

None of the Security Trustee, the Capital Note Dealers, the Arranger or the Manager has separately verified the information contained herein or any other information provided by the Issuer in connection with the Programme, the Notes or their distribution. Accordingly, no representation or warranty is made or implied by the Capital Note Dealers or any of their respective affiliates, and none of the aforementioned parties makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme or the Notes or their distribution. Neither the delivery of this Base Prospectus or any Class Final Terms or Tranche Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the

date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

None of the Security Trustee, the Capital Note Dealers, the Arranger or the Manager has undertaken, and none of them will be under any obligation to, or be in any position to undertake to, monitor or keep under review the financial condition, creditworthiness, business, assets, activities or affairs of the Issuer or the Manager or the performance by the Manager of its obligations under the Management Agreement (as defined below) during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Security Trustee, the Capital Note Dealers, the Arranger or the Manager, respectively. Investors should review, *inter alia*, the most recent consolidated published financial statements of the Issuer when deciding whether or not to purchase any Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined herein) of Notes will be set out in the tranche final terms (the "**Tranche Final Terms**") which, with respect to Notes to be listed on the Irish Stock Exchange, will be delivered to the Central Bank.

Particulars of the dates of, parties to and general nature of each document to which the Issuer is a party are set out in various sections of this Base Prospectus.

#### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

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

The distribution of this Base Prospectus, any Class Final Terms and any Tranche Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus, any Class Final Terms and/or any Tranche Final Terms comes are required by the Issuer and the Capital Note Dealers to inform

themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus, any Class Final Terms and/or any Tranche Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*".

Prospective investors are hereby offered the opportunity, prior to purchasing any Notes, to ask questions and receive answers concerning the terms and conditions of the offering of the Notes and to obtain from the Issuer additional information, to the extent that the Issuer possess such information or can acquire it without unreasonable effort or expense and subject, where so required by the manager, to the execution of a confidentiality undertaking, that is necessary to verify the accuracy of the information contained herein or provided hereto.

None of the Capital Note Dealers, the Arranger, the Security Trustee, the Manager or the Issuer represent that this Base Prospectus, any Class Final Terms and/or any Tranche Final Terms may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering.

No Notes may be offered or sold, directly or indirectly and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Capital Note Dealers have represented that all offers and sales by them will be made on the same terms.

The Notes described in this Base Prospectus are interests in a collective investment scheme which has not been authorised or recognised by the Financial Services Authority ("**FSA**") of the United Kingdom. Accordingly this Base Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom. Rather the communication of this Base Prospectus as a financial promotion is only being made to (or if to an unrestricted audience of recipients, directed only at):

- (i) those persons falling within Articles 19 or 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("**Financial Promotion Order**") if made by a person who is not authorised by the FSA;
- (ii) those persons falling within Articles 14 or 22 of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 ("**CIS Exemptions Order**") if made by a person who is authorised by the FSA; or
- (iii) any person to whom it may otherwise lawfully be made.

By way of explanation, the following persons fall within Articles 19 and 49 of the Financial Promotion Order:

- persons having professional experience in matters relating to investments;



- a body corporate which has more than 20 members or which is a subsidiary undertaking of a parent undertaking which has more than 20 members and which has a called up share capital or net assets of not less than £500,000;
- any other body corporate, unincorporated association or partnership which has a called up capital or net assets of not less than £5 million;
- the trustee of a high value trust (being a trust where the aggregate value of the cash and investments which form part of the trust's assets (before deducting the amount of its liabilities) is (a) £10 million or more; or (b) has been £10 million or more at any time during the year immediately preceding the date on which this communication was first directed); or
- any person acting in the capacity of a director, officer or employee of one of the previous three categories of person and whose responsibilities include him or her engaging in investment activity.

The categories of person who fall within Articles 14 and 22 of the CIS Exemptions Order are the same as those who fall within Articles 19 and 49 of the Financial Promotions Order, save that the category of persons having professional experience in matters relating to investments is limited to persons having professional experience in participating in unregulated collective investment schemes.

**The investments described in this document do not constitute a collective investment fund for the purpose of the Collective Investment Funds (Jersey) Law 1988, as amended, on the basis that they are investment products designed for financially sophisticated investors with specialist knowledge of, and experience of investing in, such investments, who are capable of fully evaluating the risks involved in making such investments and who have an asset base sufficiently substantial as to enable them to sustain any loss that they might suffer as a result of making such investments. These investments are not regarded by the Jersey Financial Services Commission as suitable investments for any other type of investor.**

**Any individual intending to invest in any investment described in this document should consult his or her professional adviser and ensure that he or she fully understands all the risks associated with making such an investment and has sufficient financial resources to sustain any loss that may arise from it.**

Any investment or investment activity to which this Base Prospectus relates is only available to such persons or will be engaged in only with such persons and this financial promotion must not be relied or acted upon by persons who do not fall within those Articles referenced above. Expressions of interest resulting from this Base Prospectus will only be responded to if received from persons falling within those Articles referenced above.

This Base Prospectus, any Class Final Terms and/or any Tranche Final Terms will not constitute an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Capital Note Dealers or any of them that any recipient of this Base Prospectus, any Class Final Terms and/or any Tranche Final Terms

should subscribe for or purchase any Notes. Each recipient of this Base Prospectus, any Class Final Terms and/or any Tranche Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed U.S.\$5,000,000,000 (the "**Programme Limit**"). Such maximum aggregate principal amount may be increased from time to time, subject to compliance with the relevant provisions of the Capital Note Dealer Agreement.

THE NOTES ARE ONLY SUITABLE FOR FINANCIALLY SOPHISTICATED INVESTORS WHO ARE CAPABLE OF EVALUATING THE RISKS AND MERITS OF SUCH INVESTMENT AND WHO HAVE SUFFICIENT RESOURCES TO BEAR ANY LOSS WHICH MIGHT RESULT FROM SUCH INVESTMENT. IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS BASE PROSPECTUS, YOU SHOULD CONSULT A STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER FINANCIAL ADVISER.

In this Base Prospectus, unless otherwise specified, references to "U.S.\$", "U.S. dollars" or "**dollars**" are to United States dollars, references to "EUR" or "**euro**" are to the single currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended, and references to "£" or "**Sterling**" are to the currency of the United Kingdom.

**In connection with the issue of any Tranche of Notes, the Capital Note Dealer or Capital Note Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Tranche Final Terms may over-allot Notes (provided that, in the case of any Tranche of Notes to be admitted to trading on the Irish Stock Exchange, the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

#### INFORMATION AS TO PLACEMENT

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE NOTES AND THE OFFERING THEREOF DESCRIBED HEREIN, INCLUDING THE MERITS AND RISKS

INVOLVED. PROSPECTIVE INVESTORS ARE HEREBY OFFERED THE OPPORTUNITY, PRIOR TO PURCHASING ANY NOTES, TO ASK QUESTIONS RECEIVE ANSWERS CONCERNING THE TERMS AND CONDITIONS OF THE OFFERING OF THE NOTES AND TO OBTAIN FROM THE ISSUER ADDITIONAL INFORMATION TO THE EXTENT THAT THE ISSUER POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

#### **AVAILABLE INFORMATION**

To permit compliance with Rule 144A under the Securities Act in connection with the sale of the Notes, the Issuer will furnish, upon request of a holder of a Note, to such holder or prospective purchaser designated by such holder, as the case may be, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request the Issuer is not a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. All information made available by the Issuer pursuant to the terms of this paragraph may also be obtained during usual business hours free of charge at the specified office of the Fiscal Agent. Notwithstanding the foregoing, the Issuer agrees to furnish the information required to be delivered under Rule 144A(d)(4) under the Securities Act for so long as the Issuer relies on Section 3(c)(7) of the Investment Company Act.

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## GENERAL DESCRIPTION OF THE PROGRAMME

*The following general description is a summary only and is taken from, and is qualified in its entirety by the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Note, the relevant Final Terms. Words and expressions defined in "Certain Definitions", "Terms and Conditions of the Notes" and "Description of the Issuer" shall have the same meanings in this general description and in the remainder of this Base Prospectus.*

<b>Issuer:</b>	Nightingale Finance Limited.
<b>Arranger:</b>	Banque AIG.
<b>Capital Note Dealers:</b>	Banque AIG, AIG Financial Securities Corp. and such other dealers as may be appointed under the Capital Note Dealer Agreement.
<b>Fiscal Agent:</b>	The Bank of New York Mellon.
<b>Calculation Agent:</b>	The Bank of New York Mellon.
<b>Paying Agent:</b>	The Bank of New York Mellon.
<b>Manager:</b>	AIG Capital Management Limited.
<b>Registrar:</b>	Bank of New York Mellon (Luxembourg) S.A.
<b>Irish Listing Agent:</b>	The Bank of New York Mellon (Ireland) Limited.
<b>Portfolio Administrator:</b>	QSR Management Limited.
<b>Size:</b>	Up to U.S.\$5,000,000,000 (or its equivalent in other currencies) outstanding at any time, which maximum amount may be increased from time to time subject to compliance with the relevant provisions of the Capital Note Dealer Agreement. The Issuer has also established a euro commercial paper programme, a euro medium term note programme and (together with its wholly-owned subsidiary Nightingale Finance LLC) a U.S. commercial paper programme and a U.S. medium term note programme.
<b>Distribution:</b>	Notes may be distributed (i) within the United States or to or for the account or benefit of U.S. Persons, in transactions meeting the requirements of Rule 144A and in reliance by the Issuer on the exception from registration under the Investment Company Act pursuant to Section 3(c)(7) thereof, and (ii) outside the United States to non-U.S. Persons in reliance on Regulation S.
<b>Classes and Tiers:</b>	The Notes will be issued in classes (each, a "Class"). The Class Final Terms for each Class of Notes will associate that

Class with a Sub-Portfolio of the Issuer's investment portfolio for the purpose of determining the returns payable to that Class. Each Class may comprise one or more sequentially-numbered tiers (each, a "**Tier**"), with Tier 1 Notes ranking in priority to all other Tiers of Notes of the same Class. Notes of the same Class and Tier will rank *pari passu* without preference or priority amongst themselves.

**Series and Tranches:**

Within each Class and Tier, Notes will be issued in series (each, a "**Series**") and the Notes of any Series may be issued in one or more tranches (each, a "**Tranche**"). The Notes of the same Series will be identical, save that different Tranches of the same Series may have different issue dates, issue prices and first interest payment dates.

**Final Terms:**

Each Class will be the subject of a class final terms (each, a "**Class Final Terms**") which will supplement the Terms and Conditions for the purposes of that Class. Each Tranche of Notes will be the subject of Final Terms (each, "**Tranche Final Terms**") which, for the purposes of that Tranche only, supplement the Terms and Conditions and the Class Final Terms.

In the case of Notes to be listed on the Irish Stock Exchange, a copy of the Final Terms will be delivered to the Irish Stock Exchange and to the Central Bank.

**Currencies:**

Notes may be denominated in United States dollars or such other currency or currencies (including composite currencies) as the Issuer and the relevant Capital Note Dealer may agree in accordance with the Capital Note Dealer Agreement (the "**Specified Currency**") subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to compliance as aforesaid, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

**Maturity:**

Each Note shall have an initial maturity date as specified in the relevant Tranche Final Terms.

Unless specified otherwise in the relevant Final Terms, on the Interest Payment Date falling on or immediately before each anniversary of the Issue Date, the maturity date of each Note shall be automatically extended to the Interest Payment Date which falls closest to the anniversary of the Issue Date in the year immediately following the existing Maturity Date,

unless the Noteholder elects to stop the extension by giving a notice to the Issuer in accordance with Condition 9(b) (*Extension of Maturity Date*).

**Limited Recourse:**

The Class Final Terms for each Class of Notes will establish the order of priority in which amounts payable in respect of each Note of that Class will be paid following the Enforcement Date (the "**Class Priority of Payments**"). Each Class of Notes is limited in recourse solely to the Associated Sub-Portfolio to which such Class is associated. Accordingly, Noteholders of any Class must rely solely on amounts payable under or in respect of the Associated Sub-Portfolio as a source for the payment of principal and interest on such Notes.

**Anti-dilution option:**

If the Issuer proposes to issue a further Series or Tranche of Notes of any Class, Noteholders holding Notes of the same Class and Tier will have the option to subscribe for such further Notes *pro rata* to their existing holdings of Notes of the same Class and Tier which are outstanding as of the date of notice of the proposed issue. See Condition 5(c) (*Anti-dilution rights*).

**Redemption at the option of the holder:**

Unless 'Put Option' is specified in the relevant Final Terms as being inapplicable, and subject to the provisions of Condition 10(c) (*Redemption at the option of Noteholders*), the Issuer shall, at the option of any Noteholder, redeem such Noteholder's Notes (in whole or in part) on any Optional Redemption Date specified in the relevant Final Terms at the Optional Redemption Amount together with interest (if any) accrued to such date.

**Enforcement Redemption:**

The Notes may be redeemed at the option of the Issuer following the occurrence of an Enforcement Event (as described in Condition 10(d) (*Enforcement Redemption Option*)).

**Required Sale upon occurrence of certain circumstances:**

The Issuer shall be entitled to require any U.S. Person (A) that is a holder of a Rule 144A Note (or beneficial interest therein) that is determined not to have been at the time of acquisition of such Note (or such beneficial interest therein) both a QIB and a QP, or (B) that is a holder of a Regulation S Note (or beneficial interest therein) that acquired such Note in a transaction that was not an Eligible Secondary Market Transaction (as defined below), to transfer such Note (or beneficial interest therein) in accordance with the provisions

set forth therein. See "*Subscription and Sale*".

**Form of Notes:**

The Rule 144A Notes will be issued in registered form and represented by one or more permanent global notes or global note certificates (except in the limited circumstances described herein).

The Regulation S Notes will be issued in bearer or registered form and will initially be in the form of a Temporary Global Note. Each Temporary Global Note will be exchangeable for a Permanent Global Note. Each Global Note will be deposited on or around the relevant issue date of the Series or Class of Notes with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. If the TEFRA D Rules are specified in the relevant Tranche Final Terms as being applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.

**Interest Payments:**

Subject to Condition 11 (*Restrictions on Payments*) and unless specified otherwise in the relevant Final Terms, the Notes will bear interest at the Base Margin specified in the relevant Tranche Final Terms which shall be a fixed margin above U.S.\$ LIBOR (or such other benchmark or index as may be agreed between the Issuer and the Purchaser of the Notes). In addition, each Class of Notes will receive distributions from the net income of the Associated Sub-Portfolio in accordance with Condition 8(e) (*Calculation of Additional Margin*), to be distributed *pro rata* amongst the Notes of such Class unless otherwise specified in the relevant Tranche Final Terms.

**Notwithstanding the foregoing provisions, for so long as any Senior Liabilities remain outstanding, no payment whether of interest, principal or otherwise may be made to holders of Notes if a Restricted Funding Event or an Enforcement Event has occurred and is continuing or would occur as a result of such payment and payment of interest other than Base Margin may only be made in certain events if a Restricted Operating Event has occurred and is continuing. See further Condition 11(a)**



*(Restrictions on Payments)* below. In addition, amounts in respect of Base Margin shall be deferred if (in the discretion of the directors of the Issuer) the Issuer's funds are insufficient to make such payment on any Interest Payment Date (other than on the final Maturity Date). Noteholders should note that a Restricted Operating Event has occurred and is continuing with respect to the Issuer and that on 27 August 2008 the directors of the Issuer announced that payments of Base Margin were suspended until further notice. If any amount due in respect of a Note (for the avoidance of doubt, excluding an amount in respect of Additional Margin) is deferred as specified above, interest shall accrue in respect of any such deferred amount at the relevant Base Margin, and any deferred amounts shall be payable as permitted in accordance with Agreed Criteria.

**Denomination of Notes:**

No Notes may be issued under the Programme which have a minimum denomination of less than U.S.\$250,000 (or equivalent in another currency). Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Tranche Final Terms.

**Taxation:**

All payments in respect of the Notes will be made without withholding or deduction for or on account of taxes imposed by Jersey unless such deduction is required by law. The Issuer will not be obliged to gross up payments for any such deduction or withholding.

**ERISA:**

The Notes may not be acquired or held, directly or indirectly, by or on behalf of any employee benefit plan or similar arrangement subject to the requirements of either the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), Section 4975 of the Internal Revenue Code of 1986, as amended (the "**Code**") or any Federal, State or local law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code. See "*Certain ERISA and Other Considerations*".

**Status of the Notes:**

The Notes constitute direct, general and subordinated limited recourse obligations of the Issuer, secured in the manner described in Condition 6 (*Security*) and rank in subordination to any obligations of the Issuer and, where applicable, the Subsidiary owing in respect of Senior Liabilities, and Mezzanine Notes and in respect of certain other fees, costs and expenses referred to below in "*The Security and its*

*Enforcement - Application of Proceeds*". Notes of the same Class will rank *pari passu* and without any preference amongst themselves save that each Tier of Notes with a numerical designation will rank in priority to each Tier of Notes with a higher numerical designation within the same Class of Notes (for example Notes designated as "Tier 1" will rank in priority to Notes designated as "Tier 2" or "Tier 3"). See further *"The Security and its Enforcement"*.

**Security:**

The Notes have the benefit of the security over all of the Assets and an undertaking of the Issuer granted in favour of the Security Trustee pursuant to the Security Documents. The Security Trustee holds the benefit of the security on trust for itself, the Noteholders and the other parties specified therein pursuant to the terms of the Security Documents. For more information on the security and the circumstances in which it becomes enforceable, see *"The Security and its Enforcement"*. The Capital Notes are subordinated to the Senior Notes and may be subordinated to any Mezzanine Notes, as specified in the terms of the relevant Mezzanine Notes.

**Custody:**

The Issuer has entered into a custody agreement (the "**Custody Agreement**") dated on or about the Closing Date with The Bank of New York Mellon as custodian (the "**Custodian**") pursuant to which the Custodian has undertaken to hold certain investments on behalf of the Issuer on the terms set out therein. See *"The Security and its Enforcement - Custody Arrangements"*.

**Committed Facility**

Pursuant to a letter of undertaking dated 23 January 2008, AIG Financial Products Corp. has agreed to provide a financing commitment to the Issuer to enter into certain transactions (as defined in the Repo Agreement of 7 November 2007) (the "**Repo Commitment**") and to purchase Senior Notes (the "**Senior Notes Repurchase Commitment**") (together, the "**Commitment**"). Such Commitment shall not at any time exceed an aggregate amount of U.S.\$2,200,000,000 and shall be reduced from time to time by any amortisation of the Issuer's portfolio (as determined at 23 January 2008). The Commitment shall be in place for as long as necessary (as determined by the Manager) to finance the Portfolio.

**Listing:**

The Base Prospectus has been approved by the Central Bank. Application has been made to the Irish Stock Exchange for

the Notes to be admitted to the Official List and trading on its regulated market.

The Tranche Final Terms relating to each issue will state whether or not the Notes are to be listed on the Irish Stock Exchange or any other or further stock exchange(s) or whether the Notes will be unlisted. Unlisted Notes may also be issued.

**Rating:**

If specified in the Class Final Terms relating to a Class of Notes, one or more Tiers of Notes of such Class will be rated by Moody's and/or S&P. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

**Governing Law:**

The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law.

**Selling Restrictions:**

The Notes have not been, and are not expected to be, registered under the Securities Act, the securities laws of any state of the United States or the securities laws of any other jurisdiction. The Issuer has not registered and does not intend to register as an investment company under the Investment Company Act, in reliance on the exception from registration provided by Section 3(c)(7) thereunder.

The Notes are being offered (i) outside the United States to non-U.S. Persons in reliance on Regulation S, and (ii) within the United States or to or for the account or benefit of U.S. Persons in reliance on Rule 144A. The Notes may not be offered, sold or delivered within the United States or to or for the account or benefit of any person that is a U.S. Person unless, among other things, such person is both (1) a QIB and (2) a QP, acting for its own account or the account of another QIB that is a QP, and meets the other requirements set forth herein.

Interests in the Notes may not be reoffered, resold, pledged or otherwise transferred unless restricted pursuant to, or in transactions exempt from or not subject to the registration requirements of, the Securities Act and any other applicable securities laws. By its purchase of Notes (or beneficial interest therein), such purchaser will be deemed to agree or, in the case of the Rule 144A Notes, will be required to certify that it will only resell or otherwise transfer such Notes (or beneficial interest therein) in accordance with the

applicable restrictions set forth therein. Any resale or other transfer of a Note (or beneficial interest therein) which is not made in compliance with the transfer restrictions set forth therein shall be null and void and not honoured by the Issuer.

Sales or transfers that would cause the Issuer to be required to register as an investment company under the Investment Company Act will be void, and will not be honoured by the Issuer. If, at any time, the holding or transfer of a Note (or beneficial interest therein) by or to or for the benefit of a U.S. Person would cause the Issuer to be required to register as an investment company under the Investment Company Act, the Issuer may require any holder who holds any Note (or beneficial interest therein) in violation of the applicable transfer restrictions set forth herein to sell such Note (or beneficial interest herein) in accordance with the provisions set forth therein.

The Bearer Notes, as defined below, are being offered and sold in reliance on the TEFRA D regulations promulgated under the Internal Revenue Code of 1986, as amended (the "**Code**").

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom, Jersey, Japan and Ireland, see "*Subscription and Sale*" below.

## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. These factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Factors (although not exhaustive) which could be material for the purpose of assessing the market risks associated with Notes issued under the Programme are described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. The risks described below are not the only risks the Issuer faces. Additional risks and uncertainties not presently known to the Issuer or that it currently believes to be immaterial could also have a material impact on its business operations. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

*Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section, unless otherwise stated.*

Noteholders will be exposed to the general risks of the Issuer's business, as well as to the business risks of any Associated Sub-Portfolio to which the relevant Notes may have been allocated in the relevant Class Final Terms. The principal business risks are described in "*The Issuer's Business*" below. These include credit risk, market risk, liquidity risk and operational risk. In addition, returns to Noteholders will be sensitive to any rating changes to the CP and/or the MTNs. Any such rating changes could result from any one or all of the following risks materialising and could have a material adverse effect on the ability of the Issuer to pay interest, principal or any other sums otherwise payable in respect of the Notes.

In addition, each Class of Notes is limited in recourse solely to the amounts payable under or in respect of the Associated Sub-Portfolio. Noteholders of any such Class must rely solely on amounts payable under or in respect of the Associated Sub-Portfolio as a source for the payment of principal and interest on the Notes of such Class. **However, without prejudice to the foregoing, losses in one Sub-Portfolio may in certain circumstances be allocated to the Noteholders of every Class: see Condition 6(c) (Allocation of any Sub-Portfolio Shortfall).**

Potential investors should also pay particular attention to the events that may lead to, and the consequences of, an Enforcement Event or a Restricted Funding Event or a Restricted Operating Event. These triggers were put in place to contain the business risks of the Issuer. However, these triggers are primarily intended to protect the Senior Creditors and therefore the triggering of an Enforcement Event or a Restricted Funding Event or a Restricted Operating Event may result in a loss to Noteholders. **It should be noted that a Restricted Operating Event has occurred and is currently continuing.** See "*The Security and its Enforcement*" below for further details.

## **Recent Events in the Capital Markets**

There currently exists a liquidity crisis in the global credit markets which is continuing and characterised by a large number of borrower defaults in the sub-prime mortgage loan market in the United States. The lack of liquidity has adversely impacted other sectors of the global credit markets resulting in asset-backed conduits and other investment funds with little or no exposure to sub-prime mortgage loans having difficulty in raising funds via the capital markets.

There exist significant additional risks for the Issuer and investors as a result of the current liquidity crisis. Those risks include, among others, (i) the likelihood that the Issuer will find it harder to sell any of its assets in the secondary market, thus rendering it more difficult to dispose of credit impaired Investments and Associated Derivatives, (ii) the possibility that, on or after the Issue Date, the price at which assets can be sold by the Issuer will have deteriorated from their effective purchase price and (iii) the increased illiquidity of the Notes as there is currently little or no secondary trading in securities similar to the Notes. These additional risks may affect the returns on the Notes to investors.

While it is possible that the current liquidity crisis may soon alleviate for certain sectors of the global credit markets, there can be no assurance that the market for the Notes will recover at the same time or to the same degree as such other recovering global credit market sectors.

## **Credit Risk**

Noteholders will be exposed to credit risk relating both to Investments purchased by the Issuer and to Derivatives entered into with Derivative counterparties. The Issuer intends to manage its credit risk relating to Investments and Derivative counterparties by complying with the Portfolio Limits and the Eligibility Criteria described herein (see "*The Issuer's Business*" below).

It should be noted however that certain Investments within the Portfolio have suffered significant credit rating downgrades and that the price at which such Investments could be sold by the Issuer is currently materially below their effective purchase price. As at 30 June 2010, the Issuer's net asset value, being the difference between the sum of the market value of the Issuer's Portfolio plus accrued interest, and the sum of the Issuer's liabilities (excluding Capital Notes) plus accrued interest, was such that the Issuer would have been unable to repay all of its senior liabilities if its Investments were to have been liquidated at the then current market prices. In such circumstances, the Noteholders would receive no further payments in respect of interest or principal.

To the extent credit defaults occur, the value of the Portfolio will be reduced, which may reduce the amount payable to Noteholders in respect of interest and principal. In addition, credit defaults and credit rating downgrades of Investments and of Derivative counterparties may adversely affect the ability of the Issuer to comply with its operating limits described herein and, in certain circumstances, its requirements in respect of Committed Liquidity. Finally, a credit default with respect to an Investment, or with respect to a Derivative, could introduce market risk and, if not eliminated within five Business Days, could result in a

breach of the Interest Rate Sensitivity Limits or the Currency Sensitivity Limit which, after such five Business Day period, will constitute a Restricted Funding Event. Accordingly such defaults could have a material adverse effect on the ability of the Issuer to pay interest, principal or any other sums in respect of the Notes.

### **Market Risk**

Since the Issuer may acquire Investments and borrow in a variety of currencies and interest rate benchmarks, Noteholders could be exposed to risks in fluctuations in interest and currency exchange rates. To hedge these risks, the Issuer entered into Associated Derivatives in accordance with procedures intended to reduce interest and currency exchange rate risk to *de minimis* levels (see "*The Issuer's Business*" below). Failure to follow these procedures could trigger an Enforcement Event or a Restricted Funding Event, which could result in a loss to the Noteholders.

Any increase or decrease in the market value of the Investments affects the value of the Portfolio and may, as a consequence, affect the amount payable to Noteholders in respect of interest (including Additional Margin) and principal, particularly in circumstances where an Enforcement Event or a Restricted Funding Event has been triggered. In addition, decreases in the market value of Investments may result in sales by the Issuer of such Debt Securities at a loss in order to reduce the Issuer's continuing credit exposures and may adversely affect the ability of the Issuer to comply with its operating limits described herein, which could in certain circumstances result in an Enforcement Event or a Restricted Funding Event.

As noted above, certain Investments of the Issuer have decreased in market value below their effective purchase price.

### **Going Concern Risk**

The Issuer is required to receive an annual going concern opinion from its auditors in relation to its annual accounts. A failure to meet this requirement in the future, as a result of the continuing volatility in the capital markets and the ensuing risks described above in "*Recent Events in the Capital Markets*", could trigger an Enforcement Event which could in turn result in a loss to the Noteholders.

### **Liquidity Risk**

Noteholders are exposed to liquidity risks arising out of the funding by the Issuer of longer term assets with short or medium term liabilities. These risks will be addressed by managing the maturity dates of Investments and borrowings by the Issuer, managing this Programme and the Senior Programmes in such a way as to maintain their then current ratings and by arranging for Committed Liquidity and Liquidity Eligible Assets to cover particular periods of maximum cumulative outflow concentrations. If the Issuer were unable to access competitive financing for periods beyond those provided for by Committed Liquidity, a gradual or (if an Enforcement Event was triggered) forced wind-down of the Issuer would occur in order to meet the Issuer's maturing senior liabilities. In such a case, Investments would have to be sold and any losses on sales may be borne by Noteholders.

Specifically, there can be no assurance that the Commitment entered into by AIG-FP to provide a financing commitment to the Issuer shall endure to finance the Portfolio through its maturity. AIG-FP Capital Management has sole discretion to determine the duration of the Commitment. If the Issuer were unable to access an alternative financing, a gradual or (if an Enforcement Event was triggered) forced wind-down of the Issuer would occur. In such a case, Investments would have to be sold and any losses on sales may be borne by Noteholders.

### **Operational Risk**

The ability of the Issuer to meet its business objectives and to manage its risks in such a way as to maintain top ratings on the Senior Debt programmes is in part dependent upon the operational performance of the Manager. Failure to maintain the required ratings at a level equal to 'AAA' and 'Aaa' by S&P and Moody's respectively on the Senior Debt programmes could have adverse effects on the Notes by triggering a Restricted Funding Event and could give rise to other adverse effects.

### **Payments Subordinated**

The Issuer's obligation to pay interest and principal in relation to any Note is subordinated to its obligation to pay any amounts due and payable to Senior Creditors, any Mezzanine Noteholders that rank senior to such Notes and the other Secured Creditors. In addition, the Issuer's obligation to pay interest and principal in relation to any Tier of Notes is subordinated to its obligation to pay amounts due and payable on higher-ranking Sub-Portfolio Liabilities of the same Class. Additionally, the Issuer's obligation to pay interest and principal in relation to any Capital Notes (excluding Tier 1 Capital Notes) is subordinated to its obligation to pay amounts due and payable on any Tier 1 Capital Notes. It should be noted that payment of Base Margin on the Notes is currently suspended and that as a result of the provisions set out in Condition 11 (*Restrictions on Payment*), payments of principal on the Notes are not currently expected to occur in the foreseeable future.

### **Limited Recourse**

The Class Final Terms for each Class of Notes will allocate such Class to a Sub-Portfolio for the purposes of allocating returns. Each Class of Notes is limited in recourse solely to the Associated Sub-Portfolio. Accordingly, Noteholders of any Class must rely solely on amounts payable under or in respect of the Associated Sub-Portfolio for such Class as a source for the payment of principal and interest on the Notes of such Class. If distributions in respect of the Associated Sub-Portfolio are insufficient to make payments on the Associated Notes, no other assets will be available for payment of the deficiency and, following the realisation of the Associated Sub-Portfolio, the obligation of the Issuer to pay any such deficiency will be extinguished. In addition, losses in one Sub-Portfolio may in certain circumstances be allocated to the Noteholders of every Class (see Condition 6(c) (*Allocation of any Sub-Portfolio Shortfall*)).



### **Risks Associated with Sub-Portfolios**

Each Class of Notes will be subject to the risks described herein as they are relevant to the Investments and Associated Derivatives which comprise the Associated Sub-Portfolio. In addition, because the Notes are subordinated to the Issuer's obligation to make payments that are due and payable to Senior Creditors, to the extent that defaults occur with respect to the Investments and/or Associated Derivatives allocated to other Sub-Portfolios, such defaults in respect of other Sub-Portfolios may adversely affect the amount payable to Noteholders of such Class in respect of interest and principal. As a result, although Noteholders of each Class will have limited recourse only to the assets in the Associated Sub-Portfolio, if losses with respect to the Investments and/or Associated Derivatives of any Sub-Portfolio exceed the Associated Liabilities of the related Class of Notes, each other Class of Noteholders will proportionately share in any such excess losses.

### **Risks Associated with Optional Redemption of Notes**

Notes may only be redeemed on an Optional Redemption Date if the Rating Condition and any other conditions specified in the relevant Tranche Final Terms are satisfied on such date. In addition, no Note may be redeemed if a Restricted Funding Event or Enforcement Event has occurred and is continuing or would occur as a result of such payment.

### **Risk relating to the Notes**

#### ***There is no active trading market for the Notes***

Potential investors should view the Notes as a long-term investment and as Notes they will hold through maturity. The market value of the Notes will vary over time and may be significantly less than par in certain circumstances. Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued) and there can be no assurance that there will be one. There is no obligation on the Issuer, the Portfolio Administrator, the Manager or any Dealer to make a market in the Notes. If the Notes are traded after their initial issuance, they are currently expected to trade at a significant discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although application has been made to the Central Bank for the Base Prospectus to be approved and to the Irish Stock Exchange for the Notes issued under the Programme within 12 months of the date of this Base Prospectus to be admitted to the Official List and trading on the regulated market of the Irish Stock Exchange, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

#### ***Volatility of the Notes***

The Notes represent a leveraged investment in the relevant Sub-Portfolio. Utilisation of leverage is a speculative investment technique and involves certain risks to investors. The use of leverage generally magnifies Noteholders' opportunities for gain and risk of loss.

#### ***Payment of Additional Margin***

Payment of Base Margin on the Notes was suspended by the directors of the Issuer in August 2008. If such payments resume in future, in addition to interest at the Base Margin, each Class of Notes will be entitled to receive a distribution on each Interest Payment Date calculated by reference to the net income of the Issuer. Such net income will be distributed amongst the Notes of that Class and *pari passu* with payments of Incentive Management Fee, as specified in Condition 8(e) (*Calculation of Additional Margin*) and the relevant Tranche Final Terms. The determination of income available for distribution as Additional Margin will be at the sole discretion of the Issuer's board of directors, following consultation with the Manager. In addition, the Manager may propose to the directors of the Issuer that the Issuer defer payment to the Manager of all or part of the Incentive Management Fee otherwise payable to the Manager on an Interest Payment Date. If such deferral is approved by the Issuer's directors, the amount of Incentive Management Fee so deferred shall be payable on such future date as may be approved in the sole discretion of the Issuer's directors. The timing of payment of any Deferred Incentive Management Fee may affect the determination of income available for distribution as Additional Margin on any Interest Payment Date.

#### ***Limitation on Payments***

So long as any Senior Liabilities remain outstanding, no payment whether of interest, principal or otherwise may be made to holders of Notes if a Restricted Funding Event or an Enforcement Event has occurred and is continuing or would occur as a result of such payment. Payment of interest other than Base Margin may only be made in certain events if a Restricted Operating Event has occurred and is continuing. See further Condition 11(a) (*Restrictions on Payments*) below. In addition, the Issuer may defer payment of amounts in respect of Base Margin if (in the discretion of the Issuer's directors) the Issuer has insufficient funds to pay such amount on any Interest Payment Date. If a Mezzanine Programme is established by the Issuer, the Issuer may agree, in accordance with Agreed Criteria, to additional capital or other tests in respect of Mezzanine Notes which, if breached, will result in a Restricted Funding Event or an Enforcement Event.

***Dependence on Manager.*** Subject to the restrictions, criteria and guidelines in relation to the constitution of the Portfolio, the Manager may choose to add or remove an investment in or from (as applicable) the Portfolio. Accordingly, the performance of the value of the Portfolio is dependent on the Manager's selection of the constituents in the Portfolio. Investors should review and be aware of the Manager's discretion in its management of the Portfolio and the restrictions, criteria and guidelines related thereto.

***Reliance on Performance by Manager.*** The Issuer has engaged the Manager to provide advice and assistance in relation to the acquisition, funding and management of the Portfolio pursuant to the Management Agreement. While the Manager is under contract to perform certain services under the Management Agreement, there can be no assurance that the

Manager's appointment will not terminate while Notes remain outstanding. In the event that the appointment of the Manager is terminated on a Manager Transition Date (occurring on receipt by the Issuer of a written request for termination by the Manager), the Issuer is required to appoint a substitute manager. However, there can be no assurance as to the availability of, and the time necessary to engage such a substitute manager; it should be noted however that where the Manager's appointment is terminated prior to the Enforcement Date, the termination of the Manager's appointment shall not take effect until a substitute manager has been appointed.

***The Manager's performance history is not indicative of future results.*** The nature of and risks associated with the Notes' future investments may differ materially from those investments and strategies historically undertaken by the Manager. There can be no assurance that the Manager or the persons associated with it or any other entity or person will avoid losses or realize returns comparable to those achieved in the past or generally available in the market.

***The Manager may have conflicts of interest.*** Various potential and actual conflicts of interest may arise from the overall investment activities of the Manager, its investment professionals and its affiliates. The Manager's investment professionals may manage investments for their own accounts and the Manager or its affiliates may manage the portfolios of other investment vehicles. Affiliates of the Manager may deal in the same investments, and at the same time, as the Manager deals in on behalf of the Issuer. The Manager may deal in securities issued by affiliates of the Manager, on behalf of the Issuer. The Manager may make decisions that are contrary to the best interests of the Noteholders. The Manager or its affiliates may make investment decisions for its clients and affiliates that may be different from those made by such persons on behalf of the Issuer, even where the investment objectives are the same or similar to those of the Issuer.

The Manager and its affiliates may at certain times be simultaneously seeking to purchase or sell the same or similar investments for the Issuer and another client for which any of them serves as investment adviser or manager, or for themselves. Likewise, the Manager may on behalf of the Issuer make an investment in an issuer or obligor in which another account, client or affiliate is already invested or has co-invested. The Manager and members of the team performing services for the Manager may, in their discretion, give priority over the Issuer in the allocation of investment opportunities to certain accounts or clients designated by the Manager in its discretion and to other accounts or clients of the Manager or its affiliates to the extent obligated or permitted by the application of regulatory requirements, internal policies and client guidelines and/or principles of fiduciary duty. Neither the Manager nor any of its affiliates has any obligation to obtain for the Issuer any particular investment opportunity, and the Manager may be precluded from offering to the Issuer particular securities in certain situations including, without limitation, where the Manager or its affiliates may have a prior contractual commitment with other accounts or clients or as to which the Manager or any of its affiliates possesses material, non-public information.

The Manager and its officers, agents and affiliates may also have ongoing relationships with the issuers of Investments and they or their clients may own equity or other securities or

obligations issued by issuers of Investments. In addition, the Manager, its officers and affiliates and their employees, either for their own accounts or for the accounts of others, may invest in securities or obligations that are senior to, junior to, or have interests different from or adverse to, the securities or obligations that are acquired on behalf of the Issuer.

***The Portfolio Administrator may have Conflicts of Interest***

The Portfolio Administrator and/or its associates or affiliates may have proprietary interests in, and may manage or advise accounts or investment funds that have investment objectives similar or dissimilar to those of the Issuer and/or which engage in transactions in the same types of securities and investments as the Issuer, and as a result may compete with the Issuer for appropriate investment opportunities. The Portfolio Administrator and/or its associates or affiliates may create, write or issue derivative instruments with respect to which the underlying securities may be or which may be based on the performance of any Investments or assets underlying such Investments.

***Possible Phantom Income Subject to U.S. Federal Income Tax***

The Trust Deed requires the Issuer and each U.S. Holder, as defined under "*Taxation - United States Income Taxation*" below, of Capital Notes to treat the Issuer as a corporation for U.S. federal income tax purposes and to treat the Capital Notes as equity for these purposes. The Issuer will constitute a passive foreign investment company ("**PFIC**"). An investment in a PFIC may have materially adverse consequences to a U.S. investor. In addition, the Issuer may be classified as a "**controlled foreign corporation**", which would affect the treatment of any U.S. investor that owns or is deemed to own 10% or more of the Issuer's combined voting power of all classes of equity. Prospective U.S. investors are urged to read the section entitled "*Taxation - United States Income Taxation*" and to consult with their tax advisor regarding any investment in the Issuer.

***ERISA Considerations***

The Notes have substantial equity features for the purposes of the Plan Assets Regulation (as defined herein) and may not be acquired or held by any employee benefit or other plan subject to Section 406 of ERISA or Section 4975 of the Code, or any similar law, or by any entity whose underlying assets include plan assets by reason of an employee benefit or other plan's investment in the entity. See "*Certain ERISA and Other Considerations*".

***Because the Global Notes are held by or on behalf of DTC or Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.***

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depository for The Depository Trust Company ("**DTC**") or Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. DTC or Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors

will be able to trade their beneficial interests only through DTC or Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for DTC or Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of DTC or Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Persons holding beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such persons will be permitted to act only to the extent that they are enabled by DTC or Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

## **DOCUMENTS INCORPORATED BY REFERENCE**

The Base Prospectus should be read and construed in accordance with the following documents, which documents shall be deemed to be incorporated in, and form part of, this Base Prospectus:

- the memorandum and articles of association of the Issuer;
- the Financial Statements of the Issuer for the period from 1 November 2006 (date of incorporation) to the period ended 31 December 2007;
- the Financial Statements of the Issuer for the year ended 31 December 2008; and
- the Financial Statements of the Issuer for the year ended 31 December 2009,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the specified office of the Issuer set out at the end of this Base Prospectus. In addition, such documents will be available from the principal office in Dublin of the Irish Listing Agent for Notes listed on the Irish Stock Exchange.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes. Furthermore, the Issuer has given an undertaking to the Capital Note Dealers that if at any time during the duration of the Programme there is a significant change affecting any matter contained in this Base Prospectus, including any modification of the terms and conditions or any material adverse change in the financial position of the Issuer, whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Base Prospectus, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospectus of the Issuer and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Capital Note Dealer such number of copies of such supplement hereto or replacement Base Prospectus as such Capital Note Dealer may reasonably request.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, following a meeting of Noteholders on 21 January 2010 at which an Extraordinary Resolution was passed, are amended, and as supplemented, amended and/or replaced by the relevant Class Final Terms, will be applicable to each Class of Notes issued and outstanding under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.*

### 1. INTRODUCTION

- (a) *Programme:* Nightingale Finance Limited (the "**Issuer**") has established a Capital Note Programme (the "**Programme**") for the issuance of up to U.S.\$5,000,000,000 (or its equivalent in other Specified Currencies) in aggregate principal amount of Capital Notes (the "**Notes**"). The Notes will be secured as described in paragraph (g) (*Security Trust Deed*) below.
- (b) *Classes and Tiers:* Notes will be issued in Classes (as defined in Condition 2 (*Interpretation*) below). Each Class will be associated with a Sub-Portfolio for the purpose of allocating returns thereto. Each Class may comprise one or more sequentially-numbered tiers (each, a "**Tier**"), with Tier 1 Capital Notes ranking in priority to all other Tiers of Notes of the same Class. Notes of the same Class and Tier will rank *pari passu* without preference or priority amongst themselves.
- (c) *Series and Tranches:* Notes of the same Class and Tier will be issued in series (each, a "**Series**"). The Notes of any Series may be issued in one or more tranches (each, a "**Tranche**"). The Notes of the same Series will be identical, save that different Tranches of the same Series may have different issue dates, issue prices and first interest payment dates.
- (d) *Final Terms:* Each Class will be the subject of a class final terms (each, a "**Class Final Terms**") which will supplement these terms and conditions (the "**Conditions**") and, among other things: (i) identify the Associated Sub-Portfolio, (ii) identify the number of Tiers within that Class and (iii) if the relevant Class comprises more than one Tier, specify the order of priority of payments between the different Tiers of Sub-Portfolio Liabilities of such Class. Each Tranche of Notes will be the subject of Final Terms (each, "**Tranche Final Terms**") which, together with the Class Final Terms for that Class, shall be referred to collectively hereafter as the "**Final Terms**"). The terms and conditions applicable to any particular Class of Notes are these Conditions as supplemented by the relevant Class Final Terms and the terms and conditions applicable to any particular Tranche will be the terms and conditions applicable to the relevant Class, as supplemented by the relevant Tranche Final Terms for that Tranche. In the event of any inconsistency between (A) these Conditions and any Class Final Terms, these Conditions shall prevail and (B) between any

Class Final Terms and any Tranche Final Terms, the Class Final Terms shall prevail.

- (e) *Deed of Covenant:* The Notes are constituted by a deed of covenant dated the Closing Date (as amended or supplemented from time to time, the "**Deed of Covenant**") entered into by the Issuer.
- (f) *Agency Agreement:* The Notes are the subject of an issue and paying agency agreement dated the Closing Date (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, The Bank of New York Mellon as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), Bank of New York Mellon (Luxembourg) S.A. as registrar (the "**Registrar**", which expression includes any additional or successor registrar appointed from time to time in connection with the Notes), the Paying Agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional Paying Agents appointed from time to time in connection with the Notes) and the Security Trustee (as defined below).
- (g) *Security Trust Deed:* The Notes have the benefit of and are subject to a security trust deed dated the Closing Date (as amended or supplemented from time to time, the "**Security Trust Deed**") made by the Issuer in favour of The Bank of New York Mellon (the "**Security Trustee**", which term shall include any successor or substitute security trustee appointed pursuant to the terms of the Security Trust Deed).
- (h) *Management Agreement:* In relation to the Notes, the Issuer has entered into a management agreement (as amended, supplemented or replaced, the "**Management Agreement**") dated the Closing Date between the Issuer, Nightingale Finance LLC and AIG Capital Management Limited (the "**Manager**", which term shall include any successor or substitute manager appointed pursuant to the terms of the Management Agreement).
- (i) *Custody Agreement:* In relation to the Notes, the Issuer has entered into a custody agreement (as amended, supplemented or replaced, the "**Custody Agreement**") dated the Closing Date between the Issuer and The Bank of New York Mellon (the "**Custodian**", which term shall include any successor or substitute custodian appointed pursuant to the terms of the Custody Agreement).
- (j) *Administrative Services Agreement:* In relation to the Notes, the Issuer has entered into an administrative services agreement (as amended, supplemented or replaced, the "**Administrative Services Agreement**") dated on or about the Closing Date between the Issuer, the Subsidiary, the Manager and QSR Management Limited (the "**Portfolio Administrator**", which term shall include any successor or substitute administrator appointed pursuant to the terms of the Administrative Services Agreement).



- (k) *The Notes:* All subsequent references in these Conditions to "**Notes**" are to the Notes which are the subject of the relevant Tranche Final Terms. Copies of the relevant Tranche Final Terms are available for inspection by Noteholders during normal business hours at the Specified Office of the Fiscal Agent.
- (l) *Summaries:* Certain provisions of these Conditions are summaries of the Agency Agreement, the Deed of Covenant and the Security Trust Deed and are subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Deed of Covenant and the Security Trust Deed applicable to them. Copies of the Agency Agreement, the Deed of Covenant and the Security Trust Deed are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents.

## 2. **INTERPRETATION**

- (a) *Definitions:* Unless otherwise defined or construed in these Conditions, or the context requires otherwise, terms defined or construed in the Deed of Covenant shall have the same definitions and constructions when used in these Conditions. In addition, the following expressions have the following meanings when used in these Conditions:

"**Additional Margin**" means that portion of the Interest Amount payable on the Notes pursuant to Condition 8(e) (*Calculation of Additional Margin*);

"**Administrator**" means Ogier SPV Services Limited, a company with limited liability incorporated under the laws of Jersey, whose registered office is at Ogier House, The Esplanade, St Helier, Jersey, Channel Islands JE4 9WG;

"**Advance**" means an advance (as from time to time reduced by repayment) made by a Liquidity Provider to the Issuer pursuant to a Liquidity Facility;

"**Agreed Criteria**" means the criteria, in respect of which the Rating Agencies have confirmed that the then current rating(s) (if any) of the Senior Programmes and (if applicable) Mezzanine Notes will not be adversely affected if such criteria are complied with by the Issuer;

"**Approved Bank**" means any bank whose short-term senior unsecured debt is rated A-1 + by S&P and P-1 by Moody's;

"**Asset Purchase Agreements**" means committed purchase agreements relating to the purchase or sale of Investments at a predetermined price or spread between the Issuer and a Liquidity Provider;

"**Assets**" means all of the Issuer's right, title, interest and benefit, both present and future, in and to the following assets (other than the Excluded Property):

- (a) the Portfolio;
- (b) the Secured Documents;
- (c) all sums of money standing to the credit of any account opened by or on behalf of the Issuer or maintained in its name, together with all interest accruing from time to time thereon and the debts represented thereby;
- (d) any property held as margin by any market and/or exchange for or on behalf of the Issuer;
- (e) all rights, benefits and proceeds deriving from, attaching to, or arising from or in respect of any of the assets referred to in paragraphs (a) to (d) (inclusive) above; and
- (f) all other rights, benefits, property, assets and undertaking of the Issuer, whatsoever and wheresoever situate;

**"Associated Class"** means, with respect to any Sub-Portfolio, the Class associated with that Sub-Portfolio pursuant to the Class Final Terms for that Class;

**"Associated Derivative"** means, with respect to an instrument or instruments (including any Debt Security, Derivative, Liquidity Facility, Note, MTN, CP or other financial instrument or security), a Derivative entered into by the Issuer to hedge the Issuer's risks in relation to such instrument or instruments;

**"Associated Liabilities"** means, with respect to any Sub-Portfolio, the relevant Class and any other Sub-Portfolio Liabilities associated with that Sub-Portfolio;

**"Associated Noteholders"** means, with respect to any Sub-Portfolio, the holders of the Notes of the Associated Class;

**"Associated Sub-Portfolio"** means, with respect to any Class, the Sub-Portfolio associated with that Class pursuant to the relevant Class Final Terms;

**"Available Sub-Portfolio Net Income"** means, in respect of each Sub-Portfolio and Interest Period, the amount determined by the Issuer's board of directors (in its sole discretion) to be the revenue earned or expected to be earned by such Sub-Portfolio during such Interest Period, less (i) such Sub-Portfolio's *pro rata* share of the Issuer's liabilities (excluding liabilities in respect of Additional Margin and any incentive management fee payable to the Manager) incurred or expected to be incurred during such Interest Period and (ii) such reserves as the Issuer's board of directors considers prudent to establish or maintain in respect of such Sub-Portfolio;

**"Base Management Fee"** means, in relation to any date on which such fee is payable to the Manager, a fee in an amount equal to an amount equal to the

principal amount of Capital Notes outstanding on that payment date (immediately prior to the repayment of principal on such Capital Notes) multiplied by 0.50% per annum, or such different amount as the Manager may agree with the Issuer from time to time;

**"Base Margin"** means (a) in the case of Floating Rate Notes, the Reference Rate plus the Relevant Margin and (b) in the case of Fixed Rate Notes, the rate specified in the relevant Tranche Final Terms;

**"Base Margin Amount"** means, in respect of Floating Rate Notes, the amount payable pursuant to Condition 8(d) (*Base Margin Amount - Floating Rate Notes*) and, in respect of Fixed Rate Notes, the amount payable pursuant to Condition 8(c) (*Base Margin Amount - Fixed Rate Notes*);

**"Base Prospectus"** means, for the purposes of these Conditions, the Base Prospectus referred to in the Tranche Final Terms for the relevant Notes containing information about the Issuer and the Programme which was prepared by or on behalf of the Issuer together with any information incorporated by reference therein;

**"Breakable Deposit Agreements"** means the breakable deposit agreements entered into between the Issuer and deposit banks from time to time;

**"Business Day"** means any day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for the transaction of commercial business in London, *provided that* in respect of any action to be taken by the Issuer on its own behalf (such as corporate actions like the filing of accounts), such term means a day on which commercial banks in Jersey are open for the purpose of conducting commercial banking business;

**"Business Day Convention"** means Following Business Day Convention or Modified Following Business Day Convention, each as defined in Condition 2(b) (*Interpretation*);

**"Capital Adequacy Limits"** means such limits as may be specified in the Management Agreement with respect to the adequacy of capital held by the Issuer against the Investments and Associated Derivatives in the Portfolio as a whole, and in respect of each Sub-Portfolio;

**"Capital Loss Limits"** means the capital loss limits specified in accordance with Agreed Criteria, as amended, restated, supplemented or otherwise modified or replaced and in effect from time to time;

**"Calculation Agent"** means the Fiscal Agent or such other Person specified in the relevant Tranche Final Terms as the party responsible for calculating the Base Margin, the Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Tranche Final Terms;

**"Capital Model"** means the software which is used by the Manager in order to determine whether the Issuer is in compliance with the Capital Adequacy Limits;

**"Capital Note Dealer Agreement"** means the Capital Note dealer agreement entered into on or about the Closing Date between the Issuer and the Capital Note Dealers;

**"Capital Note Dealers"** means Banque AIG, AIG Financial Securities Corp. and any additional Capital Note Dealer appointed under the Programme from time to time, which appointment may be for a specified issue or generally in respect of the Programme;

**"Capital Note Programme Documents"** means the Capital Note Dealer Agreement, the Agency Agreement and the Deed of Covenant;

**"Class"** means the Notes and other Sub-Portfolio Liabilities associated with the same Sub-Portfolio pursuant to the relevant Class Final Terms, and **"Class of Notes"** shall refer to the Notes of the same Class;

**"Class Additional Margin Amount"** has the meaning given to that term in Condition 8(e) (*Calculation of Additional Margin*);

**"Class Priority of Payments"** means, in respect of any Class, the order of priority of payments set out in the Class Final Terms for that Class (or, if there is more than one such priority of payments in such Class Final Terms, the priority of payments applicable at the relevant time);

**"Closing Date"** means 21 May 2007;

**"Committed Liquidity Agreement Event of Default"** means:

- (a) a failure to pay any sum due by the Issuer to a Liquidity Provider under a Liquidity Facility Agreement within 10 Business Days (in the case of principal) or 20 Business Days (in the case of interest) of the due date thereof or on the date of demand, if such sum is payable on demand, in the currency and manner specified in such Committed Liquidity Agreement or, in any case other than the failure to pay the principal of, or interest on, any Advance, breach of representation or warranty by the Issuer under the Liquidity Facility Agreement where such breach is not remedied within 30 days after the Liquidity Provider has given notice thereof to the Issuer; or
- (b) an Insolvency Event in respect of the Issuer occurs and is continuing;

**"Committed Liquidity Agreements"** means collectively, Liquidity Facility Agreements; Breakable Deposit Agreements; Repo Agreements; Puttable Debt Security Agreements and Asset Purchase Agreements;

**"Common Terms"** means the provisions set out in Schedules 2 to 7 (inclusive) of the Master Framework Agreement;

**"Corporate Services Agreement"** means the corporate services agreement dated on or about the Closing Date between the Issuer and the Administrator;

**"Coupon Sheet"** means, in respect of a Note, a coupon sheet relating to the Note;

**"CP"** means ECP or USCP or either or both, as the context may require;

**"Currency Sensitivity Limit"** means the currency sensitivity limit as determined pursuant to Schedule 11 (*Market Risk Management*) of the Management Agreement;

**"Day Count Fraction"** means, in respect of any Interest Period, such day count fraction as may be specified in these Conditions or the relevant Tranche Final Terms and:

- (i) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Interest Period divided by 365;
- (ii) if **"Actual/360"** is so specified, means the actual number of days in the Interest Period divided by 360;
- (iii) if **"30/360"** is so specified, means the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (iv) if **"30E/360"** or **"Eurobond Basis"** is so specified means, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);

**"Dealers"** means the Capital Note Dealers and the MTN and CP dealers appointed by the Issuer and/or the Subsidiary from time to time;

**"Debt Programmes"** means the CP and MTN programmes and the Capital Note Programme established by the Issuer;

**"Debt Security"** means any bond, debenture, note, loan stock or other security evidencing debt and all moneys, rights or property which may at any time accrue or be offered (whether by way of bonus, redemption, preference, option or otherwise) in respect of any of the foregoing and any certificates, receipts, warrants or other instruments (whether in registered or in unregistered form) representing rights to receive, purchase or subscribe for any of the foregoing or evidencing or representing any other rights or interests therein (including, without limitation, any of the foregoing not constituted, evidenced or represented by a certificate or other document or instrument but an entry in the books or other permanent records of the issuer, a trustee or other fiduciary thereof, a financial intermediary or a depository) and includes any other instruments designated as such by the Manager in accordance with Agreed Criteria, but does not include any of the foregoing if issued by the Issuer or the Subsidiary;

**"Deferred Incentive Management Fee"** means any Incentive Management Fee, the payment of which the directors of the Issuer have agreed to defer in accordance with Clause 15 (*Management Fees and Expenses*) of the Management Agreement;

**"Derivative"** means an instrument, the performance of which derives from the performance of another instrument or other reference measure and includes an agreement which constitutes or provides for a rate swap, basis swap, forward rate transaction, equity or equity index option, credit or credit index swap, credit or credit index option, credit default swap, total return swap, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, any option with respect to any of the foregoing, any combination of any of the foregoing and any other instrument categorised as a Derivative in accordance with Agreed Criteria;

**"Derivative Termination Event"** means the termination of any Derivative pursuant to (a) an event of default in relation to the Issuer under Section 5(a)(i) or (b) a non-payment by the Issuer under Section 6(d)(ii) of the ISDA Master Agreement (1992 or 2002 Edition) relating to such Derivative or, as the case may be, pursuant to the equivalent provisions of any similar master derivative document;

**"Dollar Equivalent"** means in relation to an amount (in this definition, the "f-amount") denominated in a currency other than U.S. dollars, the amount in U.S. dollars that the f-amount could purchase at the spot rate at the relevant time for

the sale of U.S. dollars in the London foreign exchange market (as quoted by any leading bank selected by the Manager or, following the occurrence of an Enforcement Event, the Security Trustee) and, in relation to an amount denominated in U.S. dollars, that amount;

"**ECP**" means commercial paper issued by the Issuer pursuant to the euro commercial paper programme established by the Issuer on or about the date of establishment of the Programme;

"**Eligible Votes**" has the meaning given to that term in Condition 17(a) (*Meetings of Noteholders*);

"**EMTNs**" means the euro medium-term notes issued by the Issuer pursuant to the euro medium term note programme established by the Issuer on or about the date of establishment of the Programme and "**EMTN**" means any of them;

"**Enforcement Event**" means:

- (a) a default in payment of any interest on any Senior EMTN or Senior USMTN (i) within five Business Days (in the case of a Senior EMTN) or five New York Business Days (in the case of a Senior USMTN) following the due date thereof, if such failure is due to an Operational Event or (ii) on the due date thereof if such failure to pay is not due to an Operational Event, a default in payment of any principal (i) of any Senior EMTN within five Business Days (or on any Senior USMTN within five New York Business Days) following the due date thereof if such failure is due to an Operational Event or (ii) of any Senior EMTN or Senior USMTN on the due date thereof if such failure to pay is not due to an Operational Event or any other event which is an event of default under Condition 13 (*Events of Default*) of the terms and conditions of the Senior EMTNs or Section 5.01 (*Events of Default*) of the USMTN Indenture;
- (b) if no Senior Notes are then outstanding, a default in payment of any interest on any Mezzanine Note (i) within five Business Days (in the case of an EMTN which is a Mezzanine Note) or five New York Business Days (in the case of a USMTN which is a Mezzanine Note) following the due date thereof, if such failure is due to an Operational Event or (ii) on the due date thereof if such failure to pay is not due to an Operational Event, a default in payment of any principal (i) of any Mezzanine Note within five Business Days (or on any USMTN which is a Mezzanine Note within five New York Business Days) following the due date thereof if such failure is due to an Operational Event or (ii) of any Mezzanine Note on the due date thereof if such failure to pay is not due to an Operational Event

or any other event which is an event of default under Condition 13 (*Events of Default*) of the terms and conditions of the Mezzanine EMTNs or Section 5.01 (*Events of Default*) of the USMTN Indenture;

- (c) a default in payment of any amount due in respect of any ECP or USCP (i) within three Business Days (in the case of ECP) or three New York Business Days (in the case of USCP) following the due date thereof if such failure to pay is due to an Operational Event or (ii) on the due date thereof if such failure to pay is not due to an Operational Event;
- (d) the occurrence of a Committed Liquidity Agreement Event of Default;
- (e) the occurrence of a Derivative Termination Event; or
- (f) the occurrence of an Insolvency Event;

**"Enforcement Notice"** means a notice that the security constituted by the Security Trust Deed has become enforceable, delivered by the Security Trustee upon the fulfilment of certain conditions set out in the Security Trust Deed including, without limitation, the conditions set out in Clause 4.6 (*Conditions precedent to service of a Default Notice*) of the Security Trust Deed;

**"Enhanced Sub-Portfolio Liabilities"** means Sub Portfolio Liabilities rated on issuance at least 'A-' by S&P and/or at least 'A3' by Moody's;

**"Exchange Notice"** has the meaning given to that term in Condition 17 (*Meetings of Noteholders; Modifications and Waivers*);

**"Excluded Property"** means the initial subscription for two ordinary shares of the Issuer in the amount of £2.00 and any transaction fees paid to the Issuer and any interest accrued thereon;

**"Extraordinary Resolution"** means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the provisions of Schedule 1 to the Agency Agreement by a majority of not less than three quarters of the Eligible Votes cast;

**"Final Redemption Amount"** means, in respect of any Note, its principal amount outstanding or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

**"Fixed Coupon Amount"** has the meaning given to that term in the relevant Final Terms;



**"Fixed Maturity Series"** means a Series of Notes created (or, as the case may be, increased) as a result of the fixing of a maturity date pursuant to Condition 9(b) (*Extension of Maturity Date*);

**"Fixed Rate Notes"** has the meaning given to that term in Condition 8(c) (*Base Margin Amount - Fixed Rate Notes*);

**"Floating Rate Notes"** has the meaning given to that term in Condition 8(d) (*Base Margin Amount - Floating Rate Notes*);

**"Global Note"** means a Temporary Global Note or a Permanent Global Note, as the case may be;

**"Incentive Management Fee"** has the meaning given to that term in Clause 15.1 (*Payment of Management Fees and Expenses*) of the Management Agreement (and includes any Deferred Incentive Management Fee that the Manager elects to pay);

**"Indemnification Obligations"** means indemnification obligations of the Issuer and/or the Subsidiary under the Transaction Documents other than indemnification obligations to the Security Trustee under the Security Documents;

**"Indenture Trustee"** means The Bank of New York Mellon and any additional or successor indenture trustee appointed under the USMTN Indenture;

**"Insolvency Acceleration Event"** means any of the following events:

- (a) the Issuer is unable to pay its debts as they fall due to Senior Creditors and any other persons whose claims against the Issuer are required by applicable law to be paid in priority thereto; or
- (b) the appointment of an administrator or liquidator (or other similar insolvency official or public officer, including without limitation the Viscount of the Royal Court of Jersey) in relation to the Issuer;

**"Insolvency Event"** means any of the following events:

- (a) an Insolvency Acceleration Event;
- (b) an application is made for the property of the Issuer to be declared "en désastre" or for the winding up, liquidation or dissolution of the Issuer or the Subsidiary that is not dismissed within 30 days from the date of such application;
- (c) an encumbrancer takes possession of the undertaking, assets and revenues of the Issuer; or

- (d) (other than pursuant to the Security Documents or the Capital Note Programme Documents) the Issuer or the Subsidiary takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors;

**"Insolvency Notice"** means a notice served by the Security Trustee on the Issuer upon the occurrence of an Insolvency Acceleration Event pursuant to Clause 5.1 (*Delivery of notice*) of the Security Trust Deed;

**"Interest Amount"** has the meaning given to that term in Condition 8(b) (*Interest Amount*);

**"Interest Commencement Date"** means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Tranche Final Terms;

**"Interest Payment Date"** means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Tranche Final Terms, as the same may be adjusted by the applicable Business Day Convention;

**"Interest Period"** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**"Interest Rate Sensitivity Limits"** means the interest rate sensitivity limits set out in Schedule 11 (*Market Risk Management*) to the Management Agreement;

**"Investment"** means a Debt Security, any Derivative that is not an Associated Derivative and is entered into for the purpose of taking credit risk, cash deposited by the Issuer with an Approved Bank and any other investment eligible to be categorised as an Investment in accordance with Agreed Criteria;

**"ISDA Definitions"** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Tranche Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

**"ISDA Master Agreement"** means an ISDA Master Agreement (Multicurrency Cross Border) (1992) or an ISDA 2002 Master Agreement or any successor master agreement promulgated by ISDA, or any successor organisation, as the context requires;

**"Issue Date"** has the meaning given to that term in the relevant Tranche Final Terms;

**"Jersey Security Interest Agreement"** means the agreement dated on or about the Closing Date between the Issuer and the Security Trustee in relation to the Jersey Collateral (as defined therein);

**"LIBOR"** means the London inter-bank offered rate;

**"Liquidity Facility"** means a liquidity facility granted to the Issuer pursuant to a Liquidity Facility Agreement;

**"Liquidity Facility Agreement"** means:

- (a) each revolving credit and swing-line facility agreement entered into between the Issuer as borrower and a Liquidity Provider as lender on or about the Closing Date;
- (b) each other agreement on substantially similar terms as those referred to in paragraph (a) between the Issuer and one or more Liquidity Providers; and
- (c) any other agreement for the provision of committed liquidity to the Issuer,

*provided that*, in accordance with Agreed Criteria, such agreement may be treated as a Liquidity Facility Agreement for the purposes of the Transaction Documents;

**"Liquidity Provider"** means any bank or financial institution which is a lender or counterparty under a Committed Liquidity Agreement;

**"Local Banking Day"** means a day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of presentation of the relevant Note or, as the case may be, Coupon;

**"Management Expenses"** means those expenses for which the Manager is entitled to reimbursement pursuant to the Management Agreement;

**"Master Framework Agreement"** means the agreement so named between the Issuer, the Manager and the Security Trustee dated on or about the Closing Date;

**"Maturity Date"** means, in respect of each Note, the maturity date of such Note pursuant to Condition 9(a) (*Initial Maturity Date*) or 9(b) (*Extension of Maturity Date*), as the case may be;

**"MCO Limits"** or **"Maximum Cumulative Outflow Limits"** means the limits as set out in Schedule 5 (*Management of Liquidity*) to the Management Agreement;

**"Mezzanine EMTN"** or **"Mezzanine EMTN Note"** means an EMTN which is a Mezzanine Note;

**"Mezzanine Notes"** means notes designated as mezzanine notes under any mezzanine note programme established by the Issuer;

**"Mezzanine Noteholders"** means the holders of Mezzanine Notes;

**"Mezzanine Programme"** means any programme established by the Issuer for the purpose of issuing Mezzanine Notes;

**"Mezzanine Programme Documents"** means the mezzanine dealer and placement agency agreement, the indenture or fiscal agency agreement that governs the issue of Mezzanine Notes and the Mezzanine Note agency agreement;

**"Moody's"** means Moody's Investors Service Limited or Moody's Investors Service Inc., as the context may require;

**"MTNs"** means either EMTNs or USMTNs or both, as the context may require;

**"Net Realised Proceeds"** has the meaning given to that term in Clause 6.20 (*Net Realised Proceeds*) of the Security Trust Deed;

**"New York Business Day"** means any day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for the transaction of commercial business in New York, New York, U.S.A.;

**"Non-Voting Series"** means a Series of Notes created (or, as the case may be, increased) as a result of the exchange, pursuant to Condition 17(f)(iv) (*Exchange of Controlling Notes for Non-Controlling Notes*) of a Voting Series for Notes without a voting entitlement;

**"Note Tax Event"** means, at any time (i) the introduction of a new, or any change in, any home jurisdiction or foreign tax statute, treaty, regulation, rule, ruling, practice, procedure or judicial decision or interpretation (whether proposed, temporary or final) which results in (or would on the next Interest Payment Date result in) any payment of principal or interest on the Notes becoming properly subject to any withholding tax; or (ii) United Kingdom or U.S. federal or state tax authorities impose net income, profits or similar tax upon the Issuer.

**"Operational Event"** means a material disruption in communication, commercial banking or securities depository services provided to the Issuer or other similar third party events beyond the control of the Issuer that has prevented or will prevent the Issuer and/or the applicable paying agent from making payments on any CP in a timely manner;

**"Optional Redemption Amount"** means the lower of par and a *pro rata* share of the net asset value of the Portfolio;

**"Optional Redemption Date(s)"** has the meaning given to that term in the relevant Tranche Final Terms;

**"Original Series"** means a Series of Notes other than a Fixed Maturity Series;

**"Payment Business Day"** means:

- (a) in the case of a currency other than Euro and/or in the case of one or more specified financial centres, a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business:
  - (i) in London (in the case of Notes having LIBOR as the Reference Rate) or (in the case of other Floating Rate Notes, the rate of interest in respect of which interest is to be calculated by reference to some other benchmark) in the financial centre determined by the Calculation Agent to be appropriate for such benchmark and/or each of the financial centres so specified; and
  - (ii) in the principal financial centre of the Specified Currency in which such Floating Rate Note is denominated, being a day on which deposits in such Specified Currency may be dealt with in such principal financial centre; and
- (b) in the case of Euro, a TARGET Settlement Day;

**"Portfolio"** means the Investments and Associated Derivatives held by or on behalf of the Issuer;

**"Programme Paying Agents"** means each of the Euro Paying Agents, the US Paying Agents and the Paying Agents;

**"Provisional Receiver"** means a Receiver appointed pursuant to, and in the circumstances set out in, the Security Trust Deed;

**"Proportionate Share"** means, in respect of any Sub-Portfolio or its Sub-Portfolio Liabilities, a fraction, the numerator of which is the Dollar Equivalent of the then book value of the Notes of the Associated Class and the denominator is the Dollar Equivalent of the then book value of all Notes then outstanding;

**"Put Option Notice"** means a notice which must be delivered to a Paying Agent by or on behalf of a Noteholder who wishes to exercise any right to redeem such Notes at the option of the Noteholder;

**"Put Option Period"** has the meaning given to that term in the relevant Tranche Final Terms with such period not being less than 5 Business Days;

**"Put Option Receipt"** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Puttable Debt Security Agreements"** means an agreement between the Issuer and a Liquidity Provider pursuant to which the Issuer is entitled to put Investments to the Liquidity Provider at an agreed price or spread upon an agreed notice period;

**"QIB"** means a "qualified institutional buyer" as defined under Rule 144A under the Securities Act of 1933, as amended;

**"QP"** means a "qualified purchaser" as defined under Section 2(a)(51)(A) of the Investment Company Act and the rules and regulations thereunder, and that is not:

- (1) a broker-dealer which owns and invests on a discretionary basis less than U.S.\$25 million in securities of unaffiliated issuers;
- (2) a participant-directed employee plan, such as a 401(k) plan, or a trust fund holding the assets of such plan;
- (3) an entity formed, reformed or recapitalised for the purpose of investing in the Notes and/or other securities of the Issuer;
- (4) an investment company excepted from the Investment Company Act pursuant to Section 3(c)(1) or Section 3(c)(7) thereof (or a foreign investment company under Section 7(d) thereof relying on Section 3(c)(1) or 3(c)(7) with respect to its holders that are U.S. persons), which was formed on or before 30 April 1996, unless it has received the consent of its beneficial owners who acquired their interests on or before 30 April 1996, with respect to its treatment as a QP in the manner required by Section 2(a)(51)(C) of the Investment Company Act and the rules promulgated thereunder;
- (5) a: (a) partnership; (b) common trust fund; or (c) special trust, pension fund or profit sharing or retirement plan, or other entity, in which the partners, beneficiaries, beneficial owners, participants or other equity owners, as the case may be, may designate the particular investments to be made, or the allocation thereof; or
- (6) an entity that has invested more than 40% of its assets in the Notes (or beneficial interests therein) and/or other securities of the Issuer after giving effect to the purchase of the Notes (or beneficial interests therein);

**"Rating Agencies"** means S&P and Moody's and **"Rating Agency"** means either of them;

**"Rating Condition"** means, in relation to a specified rated security or programme, in respect of any action, written notifications from the Rating Agencies to the Issuer confirming that the then current rating(s) assigned to the specified security or programme would not be adversely affected if such action were followed;

**"Receiver"** means a receiver and/or manager and/or administrative receiver appointed in respect of the Issuer under Clause 15 (*Appointment and powers of a Receiver*) of the Security Trust Deed;

**"Redemption Amount"** means, as appropriate, the Final Redemption Amount or the Optional Redemption Amount;

**"Reference Banks"** has the meaning given to that term in the relevant Tranche Final Terms or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

**"Reference Rate"** means, in respect of Floating Rate Notes, the rate determined in accordance with Condition 8(d) (*Base Margin Amount - Floating Rate Notes*);

**"Register"** means the register maintained by the Registrar in accordance with the provisions of the Agency Agreement;

**"Relevant Date"** has the meaning given to that term in Condition 14 (*Prescription*);

**"Relevant Financial Centre"** has the meaning given to that term in the relevant Tranche Final Terms;

**"Relevant Financial Centre Day"** means a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre;

**"Relevant Margin"** means, in respect of Floating Rate Notes, the margin specified in the relevant Tranche Final Terms;

**"Repo Agreement"** means an agreement, which satisfies Agreed Criteria, between the Issuer and a counterparty pursuant to which the Issuer has the option to require such counterparty to purchase from the Issuer specific amounts of particular Debt Securities in return for an obligation on the part of the Issuer to repurchase such Debt Securities at a future date for an agreed price;

**"Reserve Ledger"** has the meaning given to that term in Clause 6.10 (*Reserve Ledgers*) of the Security Trust Deed;

**"Reserved Matter"** means any proposal to change any date fixed for payment of principal or interest in respect of the Notes (other than pursuant to Condition 9(b) (*Extension of Maturity Date*)), to reduce or cancel the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for

any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

**"Restricted Funding Event"** means that any one or more of the following events has occurred and is continuing:

- (a) a breach of the restricted funding capital adequacy test, as set forth in the Capital Model;
- (b) any Senior Note ceases to be rated "A-" by S&P and "A3" by Moody's and such rating has not been restored within five Business Days after the occurrence of such event;
- (c) the Issuer's counterparty rating (if any) ceases to be "A-" from S&P and "A3" from Moody's and such rating has not been restored within five Business Days after the occurrence of such event;
- (d) breach of the Interest Rate Sensitivity Limits or Currency Sensitivity Limits (with respect to either the Portfolio or a Sub-Portfolio) which has not been remedied within five Business Days after the occurrence of such event; or
- (e) breach of the MCO Limits which has not been remedied within five Business Days of the occurrence of such event;

**"Restricted Operating Event"** means the occurrence of any of the following events:

- (a) breach of the restricted operations capital adequacy test, as set forth in the Capital Model; or
- (b) any Senior Note ceases to be rated 'AAA' by S&P and 'Aaa' by Moody's and such rating has not been restored within 5 Business Days after the occurrence of such event;
- (c) the Issuer's counterparty rating (if any) ceases to be 'AAA' from S&P and 'Aaa' from Moody's and such rating has not been restored within 5 Business Days after the occurrence of such event; or
- (d) breach of the Interest Rate Sensitivity Limits or Currency Sensitivity Limits (with respect to either the Portfolio or a Sub-Portfolio); or
- (e) breach of the MCO Limits;



"**S&P**" means Standard & Poor's Ratings Services - a division of The McGraw-Hill Companies, Inc.;

"**Secured Creditors**" means the Senior Creditors, the Mezzanine Noteholders, the Sub-Portfolio Creditors, the Dealers and any other person to whom a Secured Liability is owed and who has confirmed (in a form satisfactory to the Security Trustee in its absolute discretion) to the Manager and the Security Trustee that it acknowledges and agrees to be bound by the provisions of the Security Trust Deed;

"**Secured Documents**" means the Transaction Documents, the Mezzanine Programme Documents, any Derivative agreement, any Repo Agreement and any Securities Lending Agreement;

"**Secured Liabilities**" means the aggregate of the present or future, actual or contingent obligations of the Issuer and the Subsidiary (whether alone or jointly and severally and whether as principal debtor, guarantor, or otherwise) under (i) the MTNs; (ii) the CP; (iii) the Capital Notes; (iv) any Mezzanine Notes; (v) all amounts due to: (A) the Manager; (B) the Custodian under the Custody Agreement; (C) the Security Trustee under the Security Trust Deed; (D) the Portfolio Administrator under the Administrative Services Agreement; (E) the Administrator under the Corporate Services Agreement; (F) any Receiver or Provisional Receiver under the terms of its appointment; (G) the Indenture Trustee; (H) any Repo Agreement counterparty under that Repo Agreement; (I) the Paying Agents under the Paying Agency Agreements; (J) the Dealers under the relevant dealer or placement agent agreement in respect of the Notes; and (vi) all amounts due under the Secured Documents;

"**Securities Lending Agreement**" means an agreement, which satisfies Agreed Criteria, whereby the Issuer agrees to the transfer by it of its interest in a Debt Security held in the Portfolio and the subsequent transfer to it of an equivalent Debt Security;

"**Security Documents**" means the Security Trust Deed, the Jersey Security Interest Agreement and any other security document entered into pursuant to the Security Trust Deed;

"**Senior Creditors**" means all persons to whom Senior Liabilities are owed;

"**Senior Debt**" means the Senior Notes and Advances;

"**Senior Derivatives**" means all Derivatives other than Sub-Portfolio Derivatives;

"**Senior EMTN**" or "**Senior EMTN Note**" means an EMTN which is not a Mezzanine Note;

**"Senior Liabilities"** means the Senior Debt and all amounts due to any Senior Derivative counterparty under the relevant Derivative agreement;

**"Senior Notes"** means the CP and the MTNs;

**"Senior USMTN"** or **"Senior USMTN Note"** means a USMTN which is not a Mezzanine Note;

**"Specified Currency"** means U.S. Dollars or such other currency as the Issuer and the relevant dealer under the Capital Note Dealer Agreement may agree;

**"Specified Denomination(s)"** has the meaning given to that term in the relevant Tranche Final Terms;

**"Specified Office"** has the meaning given to that term in the Agency Agreement;

**"Specified Period"** has the meaning given to that term in the relevant Tranche Final Terms;

**"Sub-Portfolio"** has the meaning given to that term in Clause 6.1 (*Establish and maintain Sub-Portfolios*) of the Security Trust Deed;

**"Sub-Portfolio Creditor"** means any person to whom a Sub-Portfolio Liability is owed (in his or her capacity as such);

**"Sub-Portfolio Derivatives"** means any Derivative designated as such in the relevant Derivative confirmation;

**"Sub-Portfolio Liabilities"** means the Issuer's liabilities under the Notes, together with all other Secured Liabilities which rank *pari passu* with the Notes (or any of them) in accordance with the Transaction Documents;

**"Subsidiary"** means Nightingale Finance LLC, a Delaware limited liability corporation whose registered office is at 615 South DuPont Highway, Dover, Delaware, U.S.A. 19901;

**"Talon"** means a talon for further Coupons;

**"TARGET2"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

**"TARGET Settlement Day"** means any day on which TARGET2 is open for the settlement of payments in euro;

**"Transaction Documents"** means the Master Framework Agreement, the Management Agreement, the Custody Agreement, the Administrative Services Agreement, the Corporate Services Agreement, the Security Documents, the USCP Programme Documents, the USMTN Programme Documents, the ECP

Programme Documents, the EMTN Programme Documents, the Capital Note Programme Documents, the Mezzanine Programme Documents, the Liquidity Facility Agreements, the Securities Lending Agreements, the Repo Agreements, the ISDA Master Agreements, the Breakable Deposit Agreements, any agreement to which the Common Terms apply and any document in which the parties thereto acknowledge that it has been assigned by way of security under the Security Trust Deed;

**"USCP"** means the commercial paper co-issued by the Issuer and the Subsidiary pursuant to the U.S. commercial paper programme established by the Issuer and the Subsidiary on or about the date of establishment of the Programme;

**"USCP Depositary"** means The Bank of New York Mellon and any successor USCP depositary appointed pursuant under the USCP Depositary Agreement;

**"USCP Depositary Agreement"** means the depositary agreement entered into jointly by the Issuer, the Subsidiary and the USCP Depositary on or about the Closing Date;

**"USCP Placement Agent"** means the institution or institutions specified as a Placement Agent in the USCP Placement Agreement, together with any additional institution(s) appointed pursuant to that agreement from time to time but excluding any institution(s) whose appointment thereunder has been terminated;

**"USCP Placement Agreement"** means the USCP placement agreement entered into by the Issuer, the Subsidiary and the USCP Placement Agents on or about the Closing Date;

**"USCP Programme Documents"** means the USCP Depositary Agreement and the USCP Placement Agreement;

**"USMTN Dealers"** means the institution or institutions specified as a Dealer under the USMTN Programme Agreement, together with any additional institution(s) appointed pursuant to that Agreement from time to time but excluding any institution(s) whose appointment thereunder has been terminated;

**"USMTN Indenture"** means the USMTN indenture entered into on or about the Closing Date between the Issuer, the Subsidiary and the Indenture Trustee;

**"USMTN Programme Agreement"** means the USMTN programme agreement entered into on or about the Closing Date between the Issuer, the Subsidiary and the USMTN Dealers;

**"USMTN Programme Documents"** means the USMTN Indenture and the USMTN Programme Agreement; and

**"USMTNs"** means the medium-term notes co-issued by the Issuer and the Subsidiary pursuant to the U.S. medium term note programme established by

the Issuer and the Subsidiary on or about the date of establishment of the Programme.

(b) *Interpretation:* In these Conditions:

- (i) if Talons are specified in the relevant Tranche Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (ii) if Talons are not specified in the relevant Tranche Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iii) any reference to the "**holder**" or "**Holder**" of a Registered Note shall be a reference to the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof), any reference to the "**holder**" or "**Holder**" of a Bearer Note shall be a reference to the bearer thereof and "**Noteholder**" shall be construed accordingly;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include a reference to any amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement;
- (vii) references to "U.S. Dollars" or "U.S.\$" are to the lawful currency of the United States of America;
- (viii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Tranche Final Terms, but the relevant Tranche Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and
- (ix) if an action (including the payment of interest or the repayment of principal) in respect of a Series of Notes is required to be taken on any specified date, and such specified date falls on a day that is not a Business Day, the date for the performance of such action shall be:
  - (A) if "**Following Business Day Convention**" is specified in the relevant Final Terms, the first Business Day following such specified date; or
  - (B) if "**Modified Following Business Day Convention**" is specified in the relevant Tranche Final Terms and the first Business Day following such

specified date falls in the next calendar month, the first Business Day immediately prior to such specified date.

### 3. **FORM AND DENOMINATION**

- (a) *Form:* The Regulation S Notes will be issued in bearer form ("**Bearer Notes**") or in registered form, and the Rule 144A Notes will be issued in registered form (together with the Regulation S Notes issued in registered form, the ("**Registered Notes**"). If Rule 144A Notes are issued in relation to any Series, any Regulation S Notes of such Series will be issued in registered form.
- (b) *Bearer Notes:* Bearer Notes will be denominated in U.S. Dollars or another Specified Currency and will be issued in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. Rule 144A Notes and Registered Notes cannot be exchanged for Bearer Notes.
- (c) *Registered Notes:* Registered Notes will be denominated in U.S. Dollars or another Specified Currency and may be held in holdings in the Specified Denomination(s).

### 4. **TITLE AND TRANSFER**

#### **Bearer Notes**

- (a) *Title and Transfer:* Title to the Bearer Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder.

#### **Registered Notes**

- (b) *Register:* A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (c) *Title:* Title to Registered Notes passes by registration in the Register kept by the Registrar. The holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such holder.

- (d) *Transfers:* Subject to paragraphs (g), (h) and (i) below, a Registered Note may be transferred in whole or in part (*provided that* such part is at least equal to, or is an integral multiple of, the Specified Denomination) upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, together with such transferee certificates as are required under the Agency Agreement, at the Specified Office of the Registrar, together with such evidence as the Registrar may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes shall be issued to the transferor.
- (e) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (d) (*Transfers*) above, the Registrar shall register the transfer in question and deliver a new Note Certificate (of a like principal amount to the Notes transferred) to each relevant Holder at its Specified Office or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this paragraph, "**business day**" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar has its Specified Office.
- (f) *No charge:* The transfer of a Note will be effected without charge by or on behalf of the Issuer or the Registrar but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (g) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.
- (h) *Regulations concerning transfers and registration:* All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.
- (i) *Third Party Rights:* No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

## 5. STATUS

- (a) *Status of the Notes:* The Notes constitute direct, general and subordinated limited recourse obligations of the Issuer, secured in the manner described in Condition 6 (*Security*).

- (b) *Subordination:*
  - (i) All Notes shall be subordinated to any obligations of the Issuer owing in respect of (A) Senior Liabilities (B) Mezzanine Notes (unless otherwise specified in the terms and conditions of the relevant Mezzanine Notes) and (C) any other Secured Liabilities other than Sub-Portfolio Liabilities.
  - (ii) Notes of the same Class and Tier will rank *pari passu* and without any preference amongst themselves, regardless of Series or Tranche.
  - (iii) The ranking of different Tiers of Sub-Portfolio Liabilities of the same Class (if there is more than one Tier in that Class) shall be specified in the relevant Tranche Final Terms, provided that a Tier of Capital Notes with a specified numerical designation shall rank in priority to a Tier of Capital Notes with a higher specified numerical designation (for example, Tier 1 Capital Notes shall rank in priority to Tier 2 Capital Notes).
  - (iv) Capital Notes shall be subordinated to the Senior Notes and may be subordinated to any Mezzanine Notes, as specified in the terms and conditions of the relevant Mezzanine Notes. Capital Notes (other than Tier 1 Capital Notes) shall be subordinated to Tier 1 Capital Notes.
- (c) *Anti-dilution rights:* The Issuer may issue a new Series of Notes or a further Tranche of the same Series (such new Notes being referred to herein as the "**Further Notes**"), *provided that:*
  - (i) notice (the "**Further Issue Notice**") has been given of such proposed issue by or on behalf of the Issuer to all holders of outstanding Notes of the same Class and Tier as such Further Notes (the "**Relevant Notes**"), in accordance with Condition 19 (*Notices*), at least 30 days prior to the date upon which such Further Notes are to be issued and all holders of Relevant Notes are given the opportunity to subscribe for such Further Notes (*pro rata* to their holding(s) of Relevant Notes as of the date of the Further Issue Notice); or
  - (ii) the aggregate nominal amount of the relevant Further Notes does not exceed ten per cent. of the aggregate nominal amount of Relevant Notes outstanding as of the date of the Further Issue Notice.

## 6. **SECURITY**

- (a) *Security:* As continuing security for the payment or discharge of all moneys payable in respect of the Notes and in respect of any other amounts payable to the Secured Creditors under the Notes or the Transaction Documents, the Issuer with full title guarantee has pursuant to the Security Trust Deed created the following security in favour of the Security Trustee for itself and as trustee for the other Secured Creditors, all as more particularly specified in the Security Trust Deed:

- (i) an assignment of the benefit of the Secured Documents (other than the Security Documents), and any other agreements to which the Issuer is a party, or to which it is, or may at any time be, expressed to have the benefit or to have any interest thereunder; and
- (ii) a charge by way of first floating charge over the whole of the Assets (excluding the Security Documents and any Asset over which security has been created as described in paragraph (i) above and excluding property or assets subject to the security constituted by the Jersey Security Interest Agreement or assets located in Jersey (if any)) and paragraph 14 of Schedule B1 of the Insolvency Act 1986 applies to the floating charge created thereunder,

*provided that*, the Security Trustee will not have a first-ranking security interest over Assets which are the subject of a Repo Agreement, except that the Security Trustee will have a first ranking security over the Issuer's redelivery rights with respect to such Asset.

Pursuant to the Jersey Security Interest Agreement, the Issuer will grant security over its right, title and interests in, to and under the Corporate Services Agreement.

- (b) *Non-Petition:* The Noteholders shall not, until the expiry of two years and one day or, if longer, the preference period then in effect after all Secured Liabilities outstanding and owing by the Issuer (whether contingently or otherwise) have been paid in full or discharged, take any corporate action or other steps or legal proceedings for the winding-up, dissolution or re-organisation or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, sequestrator or similar officer of the Issuer or of any or all of the Issuer's revenues and assets or analogous proceedings in any jurisdiction.
- (c) *Allocation of any Sub-Portfolio Shortfall:* To the extent that the net proceeds of realisation of the security constituted by the Security Trust Deed over any Sub-Portfolio upon enforcement thereof are less than the aggregate of (a) the aggregate Associated Liabilities and (b) that portion of the other Secured Liabilities allocated to that Sub-Portfolio in accordance with Clause 6 (*Sub-Portfolios*) of the Security Trust Deed, such shortfall (the "**Sub-Portfolio Shortfall**") shall be borne first by the Associated Class, then by each other Class (to the extent of its Proportionate Share) in accordance with the provisions of Clause 6 (*Sub-Portfolios*) of the Security Trust Deed. Any Sub-Portfolio Shortfall allocated to a Class shall be borne by the Sub-Portfolio Liabilities of that Class in accordance with the Class Priority of Payments (applied in reverse order). In such circumstances the other assets (if any) of the Issuer will not be available for payment of such shortfall. The rights of the Secured Creditors to claim any further amounts in respect of such obligations shall be extinguished and none of the Noteholders or the other Secured Creditors may take any further action to recover such amounts.



- (d) *Recourse Limited to Sub-Portfolio:* For the avoidance of doubt, each Class shall have recourse only to the proceeds of enforcement of the Associated Sub-Portfolio (together with, where applicable, any recoveries in respect of any other Sub-Portfolio which are allocated to such Associated Sub-Portfolio in accordance with the provisions of the Security Trust Deed) and, the rights of the holders of Notes of a Class to claim any further amounts in respect of such obligations shall be extinguished and none of the Noteholders of such Class may take any further action to recover such amounts.

## 7. COVENANTS OF AND RESTRICTIONS ON THE ISSUER

The Security Trust Deed contains, amongst other things, representations, warranties and covenants in favour of the Security Trustee which require the Issuer to comply with its obligations under the Transaction Documents and restrict the ability of the Issuer to dispose of its assets or create or permit to subsist over any of its assets any Security Interest other than that created by or pursuant to the Security Documents.

## 8. INTEREST

- (a) *Restrictions on Payments:* This Condition 8 is subject to Condition 11 (*Restrictions on Payments*).
- (b) *Interest Amount:* The Notes of each Series shall be entitled to receive the aggregate of the Base Margin Amount and, if specified in the relevant Tranche Final Terms as being payable in respect of the Notes of that Series, the Additional Margin (together, the "**Interest Amount**") in arrear on each Interest Payment Date.
- (c) *Base Margin Amount - Fixed Rate Notes*
  - (i) *Application:* This paragraph (c) is applicable to a Series of Notes ("**Fixed Rate Notes**") only if the Fixed Rate Note Provisions are specified in the relevant Tranche Final Terms as being applicable.
  - (ii) *Calculation of Base Margin Amount:* The Base Margin Amount payable in respect of each Fixed Rate Note for any Interest Period shall be (A) the relevant Fixed Coupon Amount or (B) if no Fixed Coupon Amount is specified in the relevant Tranche Final Terms, the amount calculated by applying the Base Margin to the principal amount of such Note, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (or nearest sub-unit of the Specified Currency, if other than U.S. dollars) (half a cent (or sub-unit of the Specified Currency, as applicable)) being rounded upwards). For the purpose of this paragraph (c)(ii) and paragraph d(ii) below a "sub-unit" means, in the case of a currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

- (d) *Base Margin Amount - Floating Rate Notes*
- (i) *Application:* This paragraph (d) is applicable to a Series of Notes ("**Floating Rate Notes**") only if the Floating Rate Note Provisions are specified in the relevant Tranche Final Terms as being applicable.
  - (ii) *Calculation of Base Margin Amount:* The Base Margin Amount in respect of each Floating Rate Note for any Interest Period shall be calculated by applying the Base Margin to the principal amount of such Note, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (or nearest sub-unit of the Specified Currency, if other than U.S. dollars) (half a cent (or sub-unit of the Specified Currency, as applicable)) being rounded upwards).
  - (iii) *Base Margin:* The Base Margin shall be equal to the Reference Rate plus the Relevant Margin.
  - (iv) *Reference Rate:* The Reference Rate applicable to the Floating Rate Notes for each Interest Period shall be the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
    - (A) the Floating Rate Option (as defined in the ISDA Definitions) is USD-LIBOR-BBA (if the relevant Series is denominated in U.S. dollars), EUR-EURIBOR-Reuters (if the relevant Series is denominated in euro) or such other reference rate as may be specified in the relevant Final Terms;
    - (B) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Tranche Final Terms; and
    - (C) the relevant Reset Date (as defined in the ISDA Definitions) is the first day of that Interest Period, unless otherwise specified in the relevant Tranche Final Terms.
  - (v) *Maximum or Minimum Rate of Interest:* Notwithstanding paragraph (iii) above, the minimum Interest Amount in respect of any Interest Period shall be zero.
- (e) *Calculation of Additional Margin*
- (i) *Entitlement:* Each Class of Notes shall be entitled to receive not less than 50% of the Available Sub-Portfolio Net Income of the Associated Sub-Portfolio in respect of each Interest Period, payable in arrear on each Interest Payment Date (the "**Class Additional Margin Amount**").

- (ii) *Determination of Available Sub-Portfolio Net Income:* The Issuer's board of directors shall, following consultation with the Manager, determine (in its sole discretion) the Available Sub-Portfolio Net Income for each Sub-Portfolio not later than three Business Days prior to the Interest Payment Date for the Associated Class of Notes, which amount shall be notified by the Issuer (or the Manager on its behalf) to the Calculation Agent not later than two Business Days prior to such Interest Payment Date.
- (iii) *Allocation of Additional Margin:* Unless otherwise specified in the relevant Tranche Final Terms, Notes of each Class shall receive a *pro rata* share of the relevant Class Additional Margin Amount on each Interest Payment Date.
- (f) *Calculation of Amounts:* The Calculation Agent will calculate (A) the Interest Amount payable in respect of each Note for each Interest Period as soon as practicable after being notified of the Class Additional Margin Amount in respect of the relevant Class of Notes and (B) any other amount specified in a Final Terms as being calculated by the Calculation Agent, at the times and in the manner specified in such Final Terms.
- (g) *Publication:* The Calculation Agent will cause the following to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) on which the Notes have then been admitted to listing, trading and/or quotation:
  - (i) each Reference Rate and Base Margin Amount, in each case as soon as practicable after such determination, but in any event not later than the first day of the relevant Interest Period; and
  - (ii) the relevant Interest Payment Date, not later than the first day of the relevant Interest Period; and
  - (iii) such other amounts required to be determined by it (excluding the Additional Margin and the Class Additional Margin Amount) and/or dates required to be notified by it, in each case as required by the Conditions and/or the relevant Tranche Final Terms,

and the Paying Agents shall promptly give notice thereof to the Noteholders. The Calculation Agent will cause the Additional Margin determined by it to be notified to the Paying Agents as soon as practicable after such determination.

- (h) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

- (i) *Cessation of Accrual:* Each Note shall cease to bear interest from the due date for final redemption unless, upon due presentation of the relevant Note or (if applicable) Note Certificate, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 8 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (j) *Tax Certification:* In the event the holder of a Bearer Note has not exchanged a Temporary Global Note for a Permanent Global Note, interest will be paid upon certification as to the non-U.S. beneficial ownership thereof as required by the U.S. Treasury regulations (in substantially the form set out in the Temporary Global Note or in such other form as is customarily issued in such circumstances by the relevant clearing system or depository).

## 9. MATURITY

- (a) *Initial Maturity Date:* Subject to Conditions 9(b) (*Extension of Maturity Date*) and 10(c) (*Redemption at the option of Noteholders*), each Note shall have an initial term as specified in the applicable Tranche Final Terms.
- (b) *Extension of Maturity Date:* Unless specified otherwise in the relevant Tranche Final Terms, on the Interest Payment Date falling on or immediately before each anniversary of the Issue Date (each such date, an "**Extension Date**"), the Maturity Date of each Note shall be automatically extended to the Interest Payment Date which falls closest to the anniversary of the Issue Date in the year immediately following the existing Maturity Date, unless the holder of such Note elects to stop the extension of such Note by giving written notice to such effect to the Issuer, the Manager and the Fiscal Agent, which notice (a "**Maturity Fixing Notice**") is received not later than 5 p.m. on the 30th day prior to the relevant Extension Date. If a Maturity Fixing Notice is duly received, the Note to which the Maturity Fixing Notice relates shall be exchanged into a Note of a Fixed Maturity Series in accordance with the terms of the Agency Agreement. Such Fixed Maturity Series shall comprise all Notes from the Original Series in respect of which a Maturity Fixing Notice has been given in relation to the same Maturity Date. The Notes resulting from such exchange shall have the same terms as the Notes of the relevant Original Series, shall accrue interest from (and including) the last Interest Payment Date on which interest has been paid on the Notes of such Original Series and shall have the same entitlement to outstanding deferred interest, if any. A fixing of maturity pursuant to this Condition 9(b) may not be revoked.

10. **REDEMPTION AND PURCHASE**

- (a) *Redemption Conditional:* Any redemption or purchase of Notes by the Issuer pursuant to this Condition 10 is subject to the terms of Condition 11 (*Restrictions on Payments*).
- (b) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, each Note will be redeemed on the Maturity Date at the Final Redemption Amount.
- (c) *Redemption at the option of Noteholders*
  - (i) Unless 'Put Option' is specified in the relevant Tranche Final Terms as being inapplicable, the Issuer shall (subject to the following sentence), at the option of any Noteholder, redeem such Noteholder's Notes (in whole or in part) on any applicable Optional Redemption Date at the Optional Redemption Amount, together with interest (if any) accrued to such date, subject to the conditions set out in this Condition 10(c). However, such redemption cannot occur unless the Rating Condition is satisfied in respect thereof at the time of the proposed payment. If such redemption cannot occur because the Rating Condition is not satisfied at that time, such payment will be delayed until such time as the Rating Condition is satisfied (and will not be made if the relevant Noteholder withdraws its Put Option Notice).
  - (ii) In order to exercise the option contained in this Condition 10(c), a holder of the relevant Notes must, on a day falling not less than a period equal to the Put Option Period before the relevant Optional Redemption Date, deposit (in the case of Bearer Notes) with any Paying Agent such Notes together with all unmatured Coupons (if any) relating thereto and (in the case of both Bearer Notes and Registered Notes) a duly completed Put Option Notice in the form obtainable from any Paying Agent or (as the case may be) the Registrar, *provided that* neither the Paying Agent nor the Registrar shall be permitted to accept such notice unless such conditions as are specified in the relevant Tranche Final Terms are satisfied in respect of such notice.
  - (iii) A Paying Agent or (as the case may be) the Registrar shall deliver a duly completed Put Option Receipt to the depositing Noteholder upon its acceptance of a Put Option Notice from such Noteholder.
  - (iv) A Put Option Notice will be irrevocable once accepted and no Notes, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(c), may be withdrawn, except that: (i) a depositing Noteholder may revoke a Put Option Notice at any time with the consent of the Issuer (or the Manager on its behalf) and (ii) if, upon due presentation of any such Note on the relevant Optional Redemption Date, payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have

been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt.

- (v) For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(c), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.
- (d) *Enforcement Redemption Option*: If the Security Trustee delivers to the Issuer an Enforcement Notice, the Issuer may, provided that no Insolvency Notice has been delivered by the Security Trustee to the Issuer (in which case the Notes shall be deemed to be due and payable at the Final Redemption Amount, subject always to Condition 11 (*Restrictions on Payments*), by giving not less than 30 nor more than 60 days' notice to the Security Trustee or Receiver (as the case may be), the Fiscal Agent and, in accordance with Condition 19 (*Notices*), the Noteholders (which notice shall be irrevocable), redeem the Notes of each Tranche in whole but not in part, on any Business Day (the "**Enforcement Redemption Date**"), at their principal amount outstanding or such lower amount as may be specified in the relevant Tranche Final Terms (the "**Enforcement Redemption Amount**") together with interest accrued to (but excluding) the Enforcement Redemption Date. The Issuer shall not deliver any such notice in respect of any Note unless it simultaneously delivers such a notice to redeem all Senior Notes outstanding at such time at their principal amount outstanding (or such other amount as may be due and payable in accordance with the terms thereof) plus accrued interest up to the Enforcement Redemption Date.
- (e) *Required Sale of a Note (or interest therein) upon occurrence of certain circumstances*: The Issuer shall be entitled to require any U.S. Person (A) that is a holder of a Rule 144A Note (or beneficial interest therein) that is determined not to have been, at the time of acquisition of such Note (or beneficial interest therein), both a QIB and a QP, or (B) (i) that is a holder of a Regulation S Note (or beneficial interest therein) that acquired such Note in a transaction that was not an Eligible Secondary Market Transaction, to sell such Note (or beneficial interest therein) within 30 days after notice of the sale requirement is given (with a copy to the Rating Agencies), to a person that either:
  - (i) (a) is both a QIB and a QP, (b) is taking delivery of a Rule 144A Note in a transaction meeting the requirements of Rule 144A and the requirements hereof with respect to Rule 144A Notes, and (c) has delivered to the Fiscal Agent and the Issuer the transfer certificate(s) applicable to transfers of Rule 144A Notes; or
  - (ii) (a) is not a U.S. Person, (b) is taking delivery of an interest in a Regulation S Note in an offshore transaction meeting the requirements of Regulation S, and

(c) provides to the Fiscal Agent and the Issuer the transfer certificate(s) applicable to transfers of Regulation S Notes (or beneficial interest therein).

If such holder fails to effect the sale within such 30-day period, the Issuer shall cause such holder's Note (or beneficial interest therein) to be transferred in a commercially reasonable sale (conducted in accordance with Sections 9-610, 9-611 and 9-627 of the Uniform Commercial Code as applied to securities that are sold on a recognised market or that may decline speedily in value) to a person that meets the requirements of either (i) or (ii) above.

- (f) *Tax Redemption:* Upon the occurrence of a Note Tax Event, the Issuer shall, subject to and in accordance with the terms of the Security Trust Deed, use all reasonable efforts to change the territory in which it is resident for tax purposes to another jurisdiction which, at the time of such change, would not give rise to a Note Tax Event. Upon the earlier of (a) the date upon which the Issuer notifies (or procures the notification of) the Noteholders (with a copy to the Rating Agencies) that it is not able to effect such change of residence and (b) the date which is 90 days from the date upon which the Issuer first becomes aware of such Note Tax Event (provided that such 90 day period shall be extended by a further 90 days in the event that during the former period the Issuer has notified (or procured the notification of) the Noteholders that, based on advice received by it, it expects that it shall have changed its place of residence by the end of the latter 90 day period), the Noteholders acting by Extraordinary Resolution may elect that the Notes of each Tranche are redeemed, in whole but not in part, on any Interest Payment Date thereafter, at their respective Final Redemption Amounts in accordance with the Priority of Payments in which case the Issuer shall so redeem the Notes of each Tranche on such terms.
- (g) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (b) through (f) above.
- (h) *Purchase:* The Issuer may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith.
- (i) *Cancellation:* All Notes so redeemed or purchased by the Issuer, any Note Certificates relating thereto and any unmatured Coupons attached to or surrendered with them shall be surrendered for cancellation to the order of the Fiscal Agent and may not be reissued or resold.
- (j) *Publication:* In the case of Notes listed on the Irish Stock Exchange, any notice of early redemption will be given to the Irish Stock Exchange.

## 11. RESTRICTIONS ON PAYMENTS

- (a) *Restricted Operating Events, Restricted Funding Events and Enforcement Events:* Notwithstanding anything to the contrary in these Conditions, for so long as any Senior Liabilities remain outstanding, the Issuer shall not make any

payment in respect of any Note if a Restricted Operating Event, a Restricted Funding Event, an Enforcement Event, an Insolvency Acceleration Event or a breach of the Capital Adequacy Limits has occurred and is continuing or a Restricted Operating Event, or a Restricted Funding Event, an Enforcement Event an Insolvency Acceleration Event or a breach of the Capital Adequacy Limits would occur as a result of such payment, except that if a Restricted Operating Event has occurred and is continuing (but no Restricted Funding Event or Enforcement Event has occurred and is continuing), the Issuer may (i) pay the Base Margin Amount in respect of the Notes and (ii) pay Additional Interest if the only Restricted Operating Event which has occurred and is continuing is a breach of the Currency Sensitivity Limit, the Interest Rate Sensitivity Limits and/or the MCO Limits and such payment would not cause any other Restricted Operating Event or a Restricted Funding Event, Enforcement Event or Insolvency Acceleration Event to be triggered and/or (iii) redeem or purchase Notes on scheduled dates for redemption or repurchase if such redemption or repurchase would prevent the occurrence of an Enforcement Event, Insolvency Acceleration Event or Restricted Funding Event or, following such redemption or repurchase, the effect on the Issuer's compliance with the Capital Adequacy Limits would be positive or neutral (measured on a cumulative basis on the basis of all transactions entered into by the Issuer on or after the date on which the relevant Restricted Operating Event occurred) and the Rating Condition is satisfied.

- (b) *Insufficient funds:* If 'Insufficient Funds Deferral' is specified as being applicable in the relevant Tranche Final Terms, the Issuer shall not pay the Base Margin Amount (or part thereof) in respect of any Series on any Interest Payment Date if the board of directors of the Issuer, in its sole discretion, determines at any time that there are insufficient funds available to the Issuer to pay such Base Margin Amount (or part thereof) on such Interest Payment Date; *provided that* this paragraph (b) shall not apply if the relevant Interest Payment Date is the Maturity Date of the relevant Series.
- (c) *Interest to accrue on unpaid amounts:* Subject to Condition 6 (*Security*), if any amount due in respect of a Note (for the avoidance of doubt, excluding an amount in respect of Additional Margin) is not paid by reason of the occurrence of any of the circumstances specified in paragraphs (a) or (b) above (each, a "**Non-Payment Event**"):
  - (i) such amount shall remain an obligation of the Issuer and interest shall accrue on such unpaid amount at the relevant Base Margin; and
  - (ii) such amount, together with interest thereon in accordance with paragraph (i) above, shall be payable (A) on the next Interest Payment Date following the date of such non-payment (if such unpaid amount is in respect of Base Margin due on an Interest Payment Date other than the relevant Maturity Date) or (B) on the next Business Day following the date of such non-payment, provided in



the case of each of (A) and (B) that no Non-Payment Event exists or would exist as a result of such payment.

## 12. **PAYMENTS**

### (A) **General**

- (a) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*).
- (b) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note, Coupon or Note Certificate presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (c) *Form of payments:* Payments of amounts due (whether principal, interest or otherwise) in respect of Notes will be made in the currency in which such amount is due (a) by cheque drawn in the currency in which the payment is due or (b) at the option of the payee, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which Euro may be credited or transferred) and maintained by the payee with a bank in the principal financial centre of that currency (which shall be, in the case of a sterling cheque, a town clearing branch of a bank in the City of London) or, in the case of Euro, in such financial centre or centres as the Calculation Agent may select.

### (B) **Bearer Notes**

- (a) *Principal:* Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States.
- (b) *Interest:* Payments of interest shall, subject to paragraph (g) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States.
- (c) *Payments in New York City:* Payments of principal or interest denominated in U.S. dollars may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents with Specified Offices outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the Specified Offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law without involving, in the opinion of the Issuer, any adverse tax consequences for the Issuer. If

sub-clauses (i) and (ii) of this paragraph (c) apply, the Issuer shall appoint a further Paying Agent with an office in New York City.

- (d) *Deductions for unmatured Coupons*: If the relevant Tranche Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:
- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; provided, however, that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
  - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
    - (a) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; provided, however, that where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
    - (b) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; provided, however, that, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

- (e) *Unmatured Coupons void*: If the relevant Tranche Final Terms specifies that this paragraph (e) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption of such Note pursuant to Condition 10(c) (*Redemption at the option of*

*Noteholders*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

- (f) *Payments on business days:* If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation of such Note or Coupon, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (g) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (h) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

(C) **Registered Notes**

- (a) *Principal:* Payments of principal due on final redemption of Registered Notes shall be made only against presentation and (provided that payment is made in full) surrender of the relevant Note Certificate at the Specified Office of the Registrar. If the due date for payment of principal in respect of any Registered Note is not a Relevant Financial Centre Day, then the holder thereof will not be entitled to payment thereof until the next day which is such a day, and from such day and thereafter will be entitled to receive payment by cheque on any Local Banking Day and will be entitled to payment by transfer to a designated account on any day which is a Local Banking Day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Conditions in which event interest shall continue to accrue at the rate in effect immediately prior to such date.
- (b) *Other amounts:* Payment of amounts (whether principal, interest or otherwise) due (other than on final redemption) in respect of Registered Notes will be paid to the holder thereof (or, in the case of joint holders, the first-named) as appearing in the Register as at opening of business (local time in the place of the specified office of the Registrar) on the fifteenth Relevant Banking Day (in the

place of the specified office of the Registrar) before the due date for such payment (the "**Record Date**").

- (c) *Payments on business days*: Notwithstanding the provisions of paragraph (b) above, payment of amounts (whether principal, interest or otherwise) due (other than on final redemption) in respect of Registered Notes will be made in the currency in which such amount is due by cheque posted to the address as recorded in the Register of the holder thereof (or, in the case of joint holders, the first-named) on the Relevant Banking Day not later than the relevant due date for payment unless prior to the relevant Record Date the holder thereof (or, in the case of joint holders, the first-named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency, in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to an account, if the due date for any such payment is not a Relevant Financial Centre Day, then the Holder thereof will not be entitled to payment thereof until the first day thereafter which is a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Conditions in which event interest shall continue to accrue at the rate in effect immediately prior to such date.

### 13. **TAXATION**

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by Jersey or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. The Issuer will not be obliged to gross up payments in the event that any such withholding or deduction is required.

### 14. **PRESCRIPTION**

Claims for principal shall become void unless the relevant Notes or (if applicable) Note Certificates are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons or (if applicable) Note Certificates are presented for payment within five years of the appropriate Relevant Date. In this Condition 14, "**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

15. **REPLACEMENT OF NOTES, NOTE CERTIFICATES AND COUPONS**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent and if any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar (and, if the Notes are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and listing authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the fees and expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note or Coupon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes or further Coupons) and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Note Certificates must be surrendered before replacements will be issued.

16. **AGENTS**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Calculation Agent (if any) is specified in the relevant Tranche Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor Fiscal Agent or Calculation Agent and additional or successor paying agents; provided, however, that:

- (a) the Issuer shall at all times maintain a Fiscal Agent;
- (b) if a Calculation Agent is specified in the relevant Tranche Final Terms, the Issuer shall at all times maintain a Calculation Agent;
- (c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system;
- (d) the Issuer undertakes that it will ensure that it maintains a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council

meeting of 26 – 27 November 2000 or any law implementing or complying with, or introduced to conform to, such Directive; and

- (e) if required pursuant to Condition 12(B)(c) (*Payments in New York City*), the Issuer shall appoint a Paying Agent with a Specified Office in New York City.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

17. **MEETINGS OF NOTEHOLDERS; MODIFICATION AND WAIVER**

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders (or of the holders of Notes of any Series, Class or Tier of a Class) to consider matters affecting their respective interests. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of the Noteholders (or of the holders of Notes of the relevant Series, Class or Tier of a Class) entitled to cast not less than 20% of the Eligible Votes. In these Conditions, "**Eligible Votes**", in respect of a meeting or resolution of the Noteholders (or of the holders of Notes of a particular Series, Class or Tier of a Class, as the case may be), means the aggregate number of votes allocated pursuant to paragraph (b) below to the Notes entitled to vote at such meeting or in respect of such resolution. Subject to paragraph (d) below, these Conditions may be amended by an Extraordinary Resolution of the Noteholders and the Conditions (to the extent that they are supplemented by the terms set out in the Class Final Terms of any Class) may be modified by an Extraordinary Resolution of the Noteholders of that Class, in each case subject to satisfaction of the Rating Condition.
- (b) *Allocation of voting rights:* Each Note shall carry with it the right to cast one vote (rounding fractions down to the nearest whole number) for each \$100,000 in principal amount of that Note then outstanding (converting non-US Dollar currencies into their respective Dollar Equivalents), which shall be allocated to each Note of that Class *pro rata* in accordance with its principal amount outstanding.
- (c) *Quorum:* The quorum at any meeting convened to vote on an Extraordinary Resolution of the Noteholders (other than in respect of a Reserved Matter) will be two or more persons entitled to cast more than 75% of the Eligible Votes. In the case of a meeting that has previously been adjourned, the quorum (except in respect of a Reserved Matter) shall be two or more persons being or representing Noteholders entitled to vote at that meeting.
- (d) *Reserved Matters:*
  - (i) *Series Reserved Matters:* In respect of the Notes of any Series, any proposal to change: (A) the date fixed for payment of principal or interest (other than pursuant to Condition 9(b) (*Extension of Maturity Date*)); (B) the amount of

principal or interest payable on any date; (C) the method of calculating the amount of any payment or the date for any such payment; (D) the currency of any payment; (E) the quorum requirements relating to meetings of the Noteholders of that Series or the majority required to pass an Extraordinary Resolution thereof and (F) the definition of 'Series Reserved Matter' (each of (A) to (F) (inclusive) being a "**Series Reserved Matter**") may only be sanctioned by an Extraordinary Resolution passed at a meeting of the Noteholders of that Series at which two or more Persons holding or representing not less than 75% or, at any adjourned meeting, 50% of the Eligible Votes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders of the Notes of the affected Series, whether or not present, but no Extraordinary Resolution shall have any effect if such Extraordinary Resolution would adversely affect the rating of any other debt security of the Issuer which is then rated by any Rating Agency.

- (ii) *Class Reserved Matters*: In respect of the Notes of any Class, any proposal to change (A) the Class Priority of Payments or (B) any other matter specified in the Class Final Terms for that Class as being a 'Class Reserved Matter' or (C) the definition of 'Class Reserved Matter' (each of (A), (B) and (C) being a "**Class Reserved Matter**" and, together with Series Reserved Matters, "**Reserved Matters**") may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders of each Tier of that Class, at which two or more Persons holding or representing not less than 75% or, at any adjourned meeting, 50% of the Eligible Votes in respect of each Tier shall form a quorum, but no Extraordinary Resolution shall have any effect if such Extraordinary Resolution would adversely affect the ratings of any other Class of Notes or any Senior Notes of the Issuer.
- (iii) *Binding*: Any Extraordinary Resolution duly passed at any a meeting referred to in this paragraph (d) shall be binding on all the Noteholders and Couponholders of the Notes of relevant Series, Class or Tier so affected, whether or not present.
- (e) *Resolutions in writing*: A resolution in writing signed by or on behalf of Noteholders who for the time being are entitled to cast Eligible Votes will take effect as if it were an Extraordinary Resolution; such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.
- (f) *Controlling Votes*:
  - (i) *Control Matters*: In certain circumstances set out in Clause 17.1.1 (*Optional Termination*) of the Management Agreement (the "**Manager Termination Provision**"), and subject to the conditions set out in the Management Agreement, the Issuer (or, after the Enforcement Date, the Security Trustee) will be required to terminate the appointment of the Manager if so directed by

a resolution of 75% of the Controlling Votes (as defined below). In addition, the Security Trustee has agreed that it shall not consent to any amendment of the Manager Termination Provision unless so directed by a resolution of 75% of the Controlling Votes.

- (ii) *Interpretation:* In this paragraph (f), "**Controlling Tier**" means any Tier which is specified as such in the Class Final Terms for the relevant Class; "**Non-Controlling Series**" means a Series in a Controlling Tier which is designated, in the Final Terms for that Series, as being a Non-Controlling Series (and "**Non-Controlling Note**" shall be construed accordingly) and "**Controlling Note**" shall mean each Note, other than a Non-Controlling Note, which is part of a Controlling Tier (and "**Controlling Series**" shall be construed accordingly).
- (iii) *Allocation of Controlling Votes:* Each Class shall have allocated to it one vote (rounding fractions down to the nearest whole number) (a "**Controlling Vote**") for each U.S.\$100,000 in principal amount of the Notes of that Class then outstanding (converting non-US Dollar currencies into their respective Dollar Equivalents). The Controlling Votes allocated to any Class in accordance with the foregoing shall be allocated amongst the Controlling Notes of that Class (A) *pro rata* in accordance with their respective principal amounts outstanding or (B) as otherwise specified in the Class Final Terms for that Class.
- (iv) *Exchange of Controlling Notes for Non-Controlling Notes:* The holder of a Controlling Note may, by giving written notice (an "**Exchange Notice**") to the Issuer, the Manager and the Fiscal Agent, elect to exchange, on a date specified by such Noteholder in the Exchange Notice (the "**Exchange Date**"), one or more Controlling Notes held by that Noteholder for Non-Controlling Notes. No Exchange Notice shall be valid unless received not later than 5:00 p.m. on the 30th Business Day prior to the Exchange Date. If an Exchange Notice is duly received, the Controlling Notes to which such Exchange Notice relates shall be exchanged for an equal amount of Non-Controlling Notes on the Exchange Date in accordance with the terms of the Agency Agreement. The Non-Controlling Notes provided to such Noteholder in such exchange shall, but for the right to cast Controlling Votes, have the same terms as the Controlling Note so exchanged by that Noteholder, and shall accrue interest from (and including) the last Interest Payment Date on which interest was paid on such Controlling Notes and shall have the same entitlement to outstanding deferred interest, if any. An Exchange Notice may not be revoked by the Noteholder without the prior written consent of the Issuer (or the Manager on its behalf). A Noteholder may exchange any Non-Controlling Note for a Controlling Note in accordance with this paragraph (f), *mutatis mutandis*.
- (g) *Modification:* The Notes, these Conditions and the Security Trust Deed may be amended without the consent of the Noteholders of any Class or the



Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without an Extraordinary Resolution of Noteholders and prior satisfaction of the Rating Condition, to any such modification unless it is of a formal, minor or technical nature or it is made to correct a manifest error.

- (h) *Rating Agency Confirmation*: In addition to the above requirements, any modification to, or waiver by the Noteholders of a breach or proposed breach of the Notes or the Agency Agreement is subject to satisfaction of the Rating Condition (on the basis of such information and/or opinions as Moody's and/or S&P, as applicable, may require).

## 18. **FURTHER ISSUES**

Subject to Condition 5(c) (*Anti-Dilution Rights*) and the terms of each Tranche Final Terms, the Issuer may from time to time, without the consent of existing Noteholders, create and issue further Notes under the Programme.

## 19. **NOTICES**

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

Each Paying Agent or (as the case may be) the Registrar shall make available to Noteholders during the period specified in Condition 10(c) (*Redemption at the option of Noteholders*) for the deposit of Put Option Notices forms of Put Option Notice upon request during business hours at its Specified Office.

## 20. **CURRENCY INDEMNITY**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first

currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

21. **ROUNDING**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Tranche Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.) (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up).

22. **GOVERNING LAW AND JURISDICTION**

- (a) *Governing law:* The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by, and shall be construed in accordance with, English law.
- (b) *Jurisdiction:* The Issuer agrees for the benefit of the Noteholders that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes (including a dispute relating to the existence, validity or termination of the Notes or any non-contractual obligations arising out of or in connection with the Notes or the consequences of their nullity) (respectively, "**Proceedings**" and "**Disputes**") and, for such purposes, irrevocably submits to the jurisdiction of such courts.
- (c) *Appropriate forum:* The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.
- (d) *Process agent:* The Issuer agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to AIG Capital Management Limited at 5<sup>th</sup> Floor, One Curzon Street, London, W1J 5RT or, if different, its registered office for the time being or at any address maintained on behalf of the Issuer in Great Britain at, and for the sole purpose of which, process may be served on it in accordance with the Companies Act 2006. If such Person is not or ceases to be effectively appointed to accept service of process on the Issuer's behalf, the Issuer shall, on the written demand of any Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, appoint a further Person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a Person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal

Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

- (e) *Non-exclusivity:* The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of any Noteholder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

## FORM OF CLASS FINAL TERMS

*The Class Final Terms in respect of each Class of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Class. Text in this section appearing in italics does not form part of the form of the Class Final Terms but denotes directions for completing the Class Final Terms.*

### CLASS FINAL TERMS

#### Nightingale Finance Limited

Class [ ]

[Title of Issue]

These Class Final Terms (the "**Class Final Terms**") are prepared in connection with the U.S.\$5,000,000,000 Capital Note Programme of Nightingale Finance Limited (the "**Programme**"), and are supplemental to and should be read in conjunction with the Base Prospectus dated 12 October 2010 (as amended or supplemented from time to time) (the "**Base Prospectus**") issued in relation to the Programme and, in relation to any Tranche of Notes, with the relevant Tranche Final Terms. Terms defined in the Base Prospectus have the same meaning when used in these Class Final Terms.

These Class Final Terms have been prepared for the purpose of giving information about the issue by the Issuer of Class [ ] Notes (the "**Class [ ] Notes**").

The attention of investors is drawn to the section headed "*Risk Factors*" in the Base Prospectus.

Arranger and Dealer

**Banque AIG**

Dealer

**AIG Financial Securities Corp.**

Dated [ ]

*[page break to appear here in Class Final Terms]*

The Issuer accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this document is correct in all material respects and does not omit anything likely to affect its import.

No representation is made that these Class Final Terms and any Tranche Final Terms may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption

available thereunder, and no assumption is made of any responsibility for facilitating any such distribution or offering. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither these Class Final Terms nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

## **INFORMATION RELEVANT TO CLASS**

### **Tiers**

This Class [ ] shall consist of [ ] [Tier(s)] *[insert details]*. Tier [(s)] [ ] shall be the Controlling Tier[(s)].

### **Associated Sub-Portfolio**

*[specify details of Sub-Portfolio including all Investments and Associated Derivatives identified on the books and records of the Manager as belonging to this particular Sub-Portfolio which shall be the Associated Sub-Portfolio of this particular Class]*

### **Class Priority of Payments**

*[specify order in which funds allocated to the Class will be paid to each Tier of Associated Liabilities, including any applicable reserves]*

*[Include other relevant information]*

### **Class-specific covenants of the Issuer**

*[specify details]*

### **Class Reserved Matters**

*[specify details]*

### **Allocation of Controlling Votes**

*[Pro rata/other]*

### **Incentive Fee**

*[insert details]*

## **GENERAL INFORMATION**

Save as disclosed in these Class Final Terms, there has been no significant change and no significant new matter has arisen since the publication of the Base Prospectus.

## FORM OF TRANCHE FINAL TERMS

*The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Any material changes to the Terms and Conditions will be made by the issuance of a supplement to the Base Prospectus. Text in this section appearing in italics does not form part of the form of the Tranche Final Terms but denotes directions for completing the Tranche Final Terms.*

TRANCHE FINAL TERMS DATED [•].

### Nightingale Finance Limited

Issue of

[Aggregate Nominal Amount of Tranche] [Title of Notes]

under the Capital Note Programme

## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 12 October 2010 (as amended or supplemented from time to time) which constitutes a Base Prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document together with the Class Final Terms constitute the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus as so supplemented. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Tranche Final Terms, together with the Class Final Terms and the Base Prospectus as supplemented. [The Base Prospectus [and the Class Final Terms] [is] [are] available for viewing at [address] and copies may be obtained from [•]]

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the "**Conditions**") set forth in the Base Prospectus dated [original date] and the Class Final Terms dated [•]. This document together with the Class Final Terms constitute the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated 12 October 2010 (as amended or supplemented from time to time), save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] and the Class Final Terms dated [•] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Tranche Final Terms dated [•] and the Base Prospectus dated 12 October 2010 (as amended or supplemented from time to time). [The Base Prospectus [and the Class Final Terms] are available for viewing at [address] and copies may be obtained from [•].]

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Tranche Final Terms.]*

*[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]*

- |    |  |  |
|----|--|--|
| 1. | Class:   | [     ]  |
| 2. | Tier:  | [     ]  |
| 3. | Issuer:  | Nightingale Finance Limited  |
| 4. | [(i)] Series Number:   | [     ]  |
|    | [(ii)] Tranche Number:<br>(If fungible with an existing Series,<br>details of that Series, including the date<br>on which the Notes become fungible).] | [     ]  |
| 5. | Specified Currency or Currencies:  | [     ]  |
| 6. | Aggregate Nominal Amount of Notes admitted<br>to trading:  |  |
|    | [(i)] Series:  | [     ]  |
|    | [(ii)] Tranche:  | [     ]]   |
| 7. | Issue Price:   | [   ] per cent. of the Aggregate<br>Nominal Amount [plus accrued<br>interest from <i>[insert date]</i> (if<br><i>applicable</i> )] |
| 8. | Specified Denominations:   | [   ] <sup>1</sup><br>[   ]  |
| 9. | [(i)] Issue Date:  | [   ]  |

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<sup>1</sup> Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of S19 FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

- [(ii) Interest Commencement Date: [ ]]
10. Initial Maturity Date: *[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*
11. Extension Date: *[specify, if other than as set out in Condition 10(c) (Redemption at the option of Noteholders)]*
12. Interest Basis: [Fixed Rate Notes]  
[Floating Rate Notes]  
[Other (specify)]  
(further particulars specified below)
13. (a) Entitlement to Additional Margin: [Yes / No]  
(b) Cap Amount: [N/A] *[specify]*
14. Entitlement to other amounts: *[specify details of other amounts to be calculated under Condition 8(f) (Calculation of Amounts)]*
15. Insufficient Funds Deferral: [Applicable/Not Applicable]
16. Redemption/Payment Basis: [Redemption at par]  
[Other (specify)]
17. Put Option: [Applicable/Not Applicable]  
*[(further particulars specified below)]*
18. (i) Status of the Notes: Secured and Subordinated  
(ii) Date Board approval for issuance of [ ] [and [ ]], respectively  
Notes obtained:
19. Method of distribution: [Syndicated/Non-syndicated]
20. Liquidity Facility: *[Further information]* [N/A]

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

21. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of*



*this paragraph)*

- (i) Base Margin: [ ] per cent. per annum  
[payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [ ] in each year [adjusted in accordance with [*specified Business Day Convention* /not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [[ ] per [ ] in Nominal Amount]
- (iv) Day Count Fraction: [Actual/365 (Fixed)]  
[Actual/360]  
[30/360]  
[30E/360]
- (v) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/*give details*]

22. **Floating Rate Note Provisions**

*[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Interest Period(s): [ ]
- (ii) Specified Interest Payment Dates: [ ]
- (iii) Business Day Convention: [Following Business Day Convention/ Modified Following Business Convention]
- (iv) Party responsible for calculating the Base Margin and Interest Amount(s) (if not the Fiscal Agent): [[*Name*] shall be the Calculation Agent (*no need to specify if the Fiscal Agent is to perform this function*)]
- (v) Relevant Financial Centre: **[Registered Notes]**  
*[For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]*

- (vi) Reference Rate (ISDA Determination):
- Floating Rate Option: [USD-LIBOR-BBA] [EUR-EURIBOR-Reuters] [other specify]
  - Designated Maturity: [ ]
  - Reset Date: [specify, if other than first day of relevant Interest Period]
- (vii) Relevant Margin: [ ]
- (viii) Reference Banks: [ ]
- (ix) Day Count Fraction: [ ]
- (x) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]

## PROVISIONS RELATING TO REDEMPTION

23. **Put Option** [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [ ]
  - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [par/[ ]%/other]
  - (iii) Put Option Period : [ ]
  - (iv) Other conditions: [specify, if any]
24. **Final Redemption Amount of each Note** [par/[ ] per Note of [ ] specified denomination/other/see Appendix]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes: [Bearer / Registered]

**Bearer Notes:**

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only in the limited circumstances specified in the Permanent Global Note].

**[Registered Notes]**

*[If any part of a Class of Notes is issued in registered form, all Notes of such Class must be in registered form]*

- |     |   |  |
|-----|---|--|
| 26. | Financial Centre(s) or other special provisions relating to Payment Dates:  | [Not Applicable/give details.]   |
| 27. | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | [Yes/No. <i>If yes, give details</i> ]   |
| 28. | Redenomination, renominatisation and reconventioning provisions:  | [Not Applicable/The provisions annexed to these Tranche Final Terms apply]   |
| 29. | Consolidation provisions:   | [Not Applicable/The provisions [in Condition 18 ( <i>Further Issues</i> )] [annexed to these Tranche Final Terms] apply]   |
| 30. | Controlling Tier (as defined in Condition 17(f)):   | [Yes/No]   |
| 31. | Controlling Series (as defined in Condition 17(f)):   | [Not applicable/Yes/No ( <i>only applicable if part of a Controlling Tier</i> )]   |
| 32. | Other final terms:  | [Not Applicable/give details]<br><i>(When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Base</i> |

**DISTRIBUTION**

- |     |                                    |  |
|-----|------------------------------------|--|
| 33. | If syndicated, names of Managers:  | [Not Applicable/ <i>give names</i> ]   |
| 34. | Stabilising Manager (if any):      | [Not Applicable/ <i>give name</i> ]    |
| 35. | If non-syndicated, name of Dealer: | [Not Applicable/ <i>give name</i> ]    |
| 36. | Additional selling restrictions:   | [Not Applicable/ <i>give details</i> ] |

**[LISTING AND ADMISSION TO TRADING APPLICATION**

These Tranche Final Terms comprise the final terms required to list [and have admitted to trading] the issue of Notes described herein pursuant to the U.S.\$5,000,000,000 Capital Note Programme of Nightingale Finance Limited.]

**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Tranche Final Terms.

Signed on behalf of the Issuer:

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Listing: [Ireland/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [ ] with effect from [ ].] [Not Applicable.]
- (iii) Estimate of total [ ] expenses related to admission to trading:

### 2. RATINGS

Ratings: The Notes to be issued have been rated:

[S&P: [ ]]  
[Moody's: [ ]]  
[[Other]: [ ]]

### 3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

["Save as discussed in "*Subscription and Sale*", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

### 4. [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i) Reasons for the [ ] offer:

[(ii)] Estimated net [ ] proceeds:

(See "*Use of Proceeds*" wording in *Base Prospectus* – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)

[(iii)] Estimated total [Include breakdown of expenses.] expenses:

### 5. [FIXED RATE NOTES ONLY - YIELD

Indication of yield:        ☐ The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield].

6. **OPERATIONAL INFORMATION**

ISIN Code:                    ☐        ]

Common Code:              ☐        ]

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking *société anonyme* and the relevant identification number(s):        [Not Applicable/*give name(s) and number(s)*]

Delivery:                      Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any):        ☐        ]

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note or a Global Note Certificate, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note or (if applicable) the registered holder of the relevant Global Note Certificate which, for so long as such Global Note or Global Note Certificate is held by or (as the case may be) registered in the name of a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg, DTC and/or any other relevant clearing system, will be that depositary or common depositary.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg, DTC and/or any other relevant clearing system as being entitled to an interest in a Global Note or (if applicable) a Global Note Certificate (each, an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note or (as the case may be) the registered holder of the Global Note Certificate and in relation to all other rights arising under such Global Note or Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note or Global Note Certificate will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Note Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note or (as the case may be) the registered holder of the Global Note Certificate.

### Exchange of Temporary Global Notes

Whenever any interest in a temporary global note (each, a "**Temporary Global Note**") is to be exchanged for an interest in a permanent global note (each, a "**Permanent Global Note**"), the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent within 7 days of the bearer requesting such exchange.

Prior to exchanging a Temporary Global Note for a Permanent Global Note, certification must be provided as to the non-U.S. beneficial ownership thereof as required by the U.S. Treasury regulations (in substantially the form set out in the Temporary Global Note or in such other form as is customarily issued in such circumstances by the relevant clearing system or depository).

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Tranche Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5:00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) Definitive Notes have not been delivered by 5:00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or
- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or Definitive Notes, as the case may be) will become void at 5:00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5:00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5:00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.



## Exchange of Permanent Global Notes or Global Note Certificates

Each Global Note and Global Note Certificate will become exchangeable, in whole but not in part only, for Definitive Notes or (as the case may be) Definitive Note Certificates in accordance with the Agency Agreement if any of the following events occurs:

- *Closure of clearance systems:* Euroclear Bank S.A./ N.V., as operator of the Euroclear System ("**Euroclear**") or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") or any other relevant clearance system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
- *Other:* in any other circumstances specified in the terms and conditions of the Notes.

Whenever a Permanent Global Note or Global Note Certificate is to be exchanged for Definitive Notes or (as the case may be) Definitive Note Certificates, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes or (as the case may be) Definitive Note Certificates, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Tranche Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note or Global Note Certificate to the bearer of the Permanent Global Note or (as the case may be) to the registered holder of the Global Note Certificate against the surrender of such Permanent Global Note or Global Note Certificate at the Specified Office of the Fiscal Agent (in the case of the Permanent Global Note) or the Specified Office of the Registrar (in the case of the Global Note Certificate) within 30 days of the bearer or (as the case may be) the registered holder requesting such exchange.

If:

- (a) Definitive Notes or (as the case may be) Definitive Note Certificates have not been delivered by 5:00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note or (as the case may be) the registered holder of a Global Note Certificate has duly requested exchange of such Permanent Global Note for Definitive Notes or (as the case may be) such Global Note Certificate for Definitive Note Certificates;
- (b) a Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void in accordance with its terms; or
- (c) a Permanent Global Note (or any part of it) or (as the case may be) a Global Note Certificate has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note or (as the case may be) the registered holder of the Global Note Certificate in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note or (as the case may be) Global Note Certificate (including the obligation to deliver Definitive Notes or (as the case may be) Global Note Certificates) will become void at 5:00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5:00 p.m. (London time) on the date on which such Temporary Global Note becomes void (in the case of (c) above) or at 5:00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Permanent Global Note or (as the case may be) the registered holder of the Global Note Certificate will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or (as the case may be) the registered holder of the Global Note Certificate or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Note or Global Note Certificate will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note or Global Note Certificate became void, they had been the holders of Definitive Notes or Definitive Note Certificates in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

#### **Conditions applicable to Global Notes and Global Note Certificates**

Each Global Note and Global Note Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to such Global Note or Global Note Certificate. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Note or (as the case may be) Global Note Certificate will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or (as the case may be) Global Note Certificate at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note or Global Note Certificate, the Issuer shall procure that the same is noted (in the case of a Permanent Global Note) in a schedule thereto or (in the case of a Global Note Certificate) on the Register.

*Exercise of put option:* In order to exercise the option contained in Condition 10(c) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note or (as the case may be) the registered holder of the Global Note Certificate must, within the period specified in the Terms and Conditions for the deposit of the relevant Note or (as the case may be) Note Certificate and Put Option Note, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised and presenting the Permanent Global Note to the Fiscal Agent for notation. Any such Notice shall be irrevocable and may not be withdrawn.

*Notices:* Notwithstanding Condition 19 (*Notices*), while all the Notes are represented by a Global Note or (as the case may be) a Global Note Certificate and the Permanent Global Note or (as the case may be) Global Note Certificate is deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearance

system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearance system.

## **DESCRIPTION OF THE ISSUER**

### **Nightingale Finance Limited**

#### **(the "Issuer")**

The Issuer was incorporated in Jersey on 1 November 2006 (registered number 95011) as a public company with limited liability under the Companies (Jersey) Law 1991. The registered office of the Issuer is Ogier House, The Esplanade, St Helier, Jersey JE4 9WG and its telephone number is +44 1534 504 000.

There are no constitutional restrictions on the activities of the Issuer.

The Issuer was established as a special purpose vehicle for the limited purposes of issuing the Notes and issuing or incurring other Secured Liabilities, opening accounts, creating security, lending money and receiving interest in respect thereof, and entering into certain related transactions described elsewhere in this document.

The Issuer has not engaged, since its incorporation, in any material activities other than those incidental to its incorporation and registration as a public company under the Companies (Jersey) Law 1991 and to the issue of Notes and the authorisation of the other transaction documents referred to in this document and other matters which are incidental or ancillary to the foregoing.

The Issuer's authorised share capital is £10,000 divided into 10,000 ordinary shares of £1 each, two of which have been issued and are fully paid up.

The entire issued share capital of the Issuer is registered in the name of Ogier Corporate Trustee (Jersey) Limited and its nominees. Ogier Corporate Trustee (Jersey) Limited holds the shares in its capacity as trustee of the Nightingale Charitable Trust. Ogier Corporate Trustee (Jersey) Limited was incorporated in Jersey (registered number 78260) and has its registered office at Ogier House, The Esplanade, St. Helier, Jersey, Channel Islands JE4 9WG. Ogier Corporate Trustee (Jersey) Limited is ultimately beneficially owned by the partners of the Ogier Group.

#### **Directors**

<b>Name</b>	<b>Nationality</b>	<b>Business Address</b>	<b>Occupation</b>
Michael Lombardi	British	Ogier House The Esplanade St Helier Jersey JE4 9WG	Partner of Ogier

Peter Gatehouse	British	Ogier House The Esplanade St Helier Jersey JE4 9WG	Associate Director of Ogier Fiduciary Services (Jersey) Limited
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### **Directors' Interests**

Michael Lombardi is a partner in the law firm Ogier, the Jersey legal advisor to the Issuer which derives fees for the provision of such legal services to the Issuer.

Michael Lombardi is also a partner in Ogier Group Limited Partnership, the ultimate holding entity of, and is a director of, and has a beneficial interest in, Ogier Fiduciary Services (Jersey) Limited and certain of its subsidiaries, including Ogier SPV Services Limited which is to provide administration services to the Issuer and which derives fees for the provision of such administrative services to the Issuer.

Peter Gatehouse is an associate director of Ogier Fiduciary Services (Jersey) Limited, and a director of certain of its subsidiaries including Ogier SPV Services Limited, the secretary of the Issuer and provider of administration services to the Issuer. Ogier SPV Services Limited will derive fees for the provision of such administrative services to the Issuer.

The Directors do not, and it is not proposed that they will, have service contracts with the Issuer. No Director has entered into any transaction on behalf of the Issuer which is or was unusual in its nature of conditions or is or was significant to the business of the Issuer since its incorporation.

At the date of this Base Prospectus there were no loans granted or guarantees provided by the Issuer to any Director.

The Articles of Association of the Issuer provide that:

Subject to the provisions of the Law, any Director may vote on any proposal, arrangement or contract in which he is materially interested provided he has disclosed the nature of his interest in it prior to its consideration and any vote thereon.

Subject to the provisions of the Articles of Association, a Director shall hold office until such time as he is removed from office by resolution of the Issuer in general meeting.

For purposes of the Issuer's Articles of Association, "*Law*" means the Companies (Jersey) Law, 1991, as the same may be amended from time to time.

### **Secretary**

The company secretary of the Issuer is Ogier SPV Services Limited, whose registered office is Ogier House, The Esplanade, St. Helier, Jersey, Channel Islands JE4 9WG.

Ogier SPV Services Limited also acts as corporate services administrator to the Issuer under the terms of a Corporate Services Agreement (the "**Corporate Services Agreement**") and

provides certain corporate services to the Issuer including the provision of related corporate administrative services.

### **Capitalisation and Indebtedness**

The unaudited capitalisation and indebtedness of the Issuer as at 26 March 2007 is as follows:

**As at 26 March 2007**

	£
<b>Share capital</b>	
<i>Authorised:</i>	
10,000	<b>10,000</b>
<i>Issued</i>	
2 ordinary shares of £1 each, issued and fully paid up	<b>2</b>
<b>Borrowings</b>	
Notes	<b>£0</b>
<b>Total capitalisation and indebtedness</b>	<b>£2</b>

All loan capital is secured over the assets of the Issuer. The loan capital of the Issuer is not guaranteed.

During the period 28 March 2007 to 30 April 2007, the Issuer issued Capital Notes in an aggregate principal amount of US\$110,000,000 and invested the net issue proceeds in Investment Assets. Taking account of the effects of marking the carrying value of Investment Assets from purchase price to bid price in accordance with IFRS and the difference in the aggregate accrued Base Margin on the Capital Notes for the period from the initial issuance of Capital Notes to 30 April 2007 and the Issuer's total interest income for this period on its Investment Assets and excluding operational expenses, the Issuer's total net loss for the period was US\$55,077.

As of the date of this document, the Issuer has no loan capital outstanding or created but unissued, no term loans outstanding and no other borrowings or indebtedness in the nature of borrowings nor any contingent liabilities or guarantees.

### **Auditors**

PricewaterhouseCoopers of Twenty Two Colomberie St. Helier, Jersey JE1 4XA have been appointed as auditors to the Issuer. PricewaterhouseCoopers is a member of The Institute of Chartered Accountants in England and Wales.

The current financial period of the Issuer will end on 31 December 2010.

## **THE ISSUER'S BUSINESS**

The Issuer has been established for the limited purpose of carrying on business as an investment company within certain guidelines, including those described in this section. The Issuer has not previously carried on any business activities other than those incidental to its registration, the offering and sale of its debt securities, its entry into the Transaction Documents and certain other matters incidental thereto. The Issuer has retained the Manager pursuant to the Management Agreement to provide advice and assistance in relation to its acquisition, funding and management of the Portfolio.

The Eligibility Criteria for assets to be purchased by the Issuer, together with the Portfolio Composition Limits described below have been designed to ensure that the assets on which the Notes are secured have the characteristics and are capable of producing funds to service payments of principal, interest and other amounts payable on the Notes.

### **Management of the Portfolio**

#### ***Investment Objectives***

The Manager is obliged, to the extent of its powers and discretions (and subject to its obligations) under the Management Agreement, to assist the Issuer in achieving the following Investment Objectives:

- (a) to acquire/enter into Eligible Investments with a general view to holding them to maturity;
- (b) to manage interest rate and currency risks associated with the management of the Issuer's investments;
- (c) to manage the credit and liquidity risks associated with the management of the Issuer's investments; and
- (d) to redeem the Senior Notes, any Mezzanine Notes and the Capital Notes in accordance with their respective terms and conditions, subject to paragraphs (b) and (c) (inclusive) above (and, where applicable, to the Restricted Operating Procedures, the Restricted Funding Procedures, the Enforcement Management Procedures and any other applicable provisions subject to the Rating Condition).

#### ***Acquisition and disposal of Investments***

Subject to certain restrictions, including compliance with the Eligibility Criteria referred to below, the Manager may, in the name of and as agent of the Issuer, acquire and dispose of Investments and Associated Derivatives of any kind at such times as the Manager (in its sole and absolute discretion) thinks fit in order for the Issuer to attain the Investment Objectives.

## ***Eligibility Criteria***

### ***Debt Securities***

A Debt Security will meet the Eligibility Criteria if, when considered together with any Associated Derivative and/or insurance wrap or guarantee:

- (a) it is Investment Grade;
- (b) it is denominated in an Eligible Currency;
- (c) it is not a future or option contract on land (other than a future or option contract involving an index of land);
- (d) it is not (and will not be) convertible into real property;
- (e) it does not give (and is not capable of giving) the holder title to metal or any other physical commodity;
- (f) it is not convertible into the ordinary share capital (or other instrument determined to be an equity instrument in accordance with Agreed Criteria) of any person;
- (g) it will not produce interest, subject to withholding tax, from a source or sources within the United States for United States federal income tax purposes;
- (h) its acquisition (including manner of acquisition), ownership, enforcement or disposition will not cause the Issuer to be treated as engaged, or to be deemed to be engaged, in a U.S. trade or business for U.S. federal income tax purposes or otherwise subject the Issuer to U.S. federal income tax on a net income basis; or
- (i) it is a Debt Security, the acquisition of which by the Issuer satisfies the relevant Agreed Criteria (together with the criteria set forth in (a) through to (h) immediately above, the "**Eligibility Criteria**").

### ***Investment Derivatives***

An Investment which is a Derivative will meet the Eligibility Criteria if, on the date of entry thereinto, when considered in conjunction with any Associated Derivative, the relevant obligation referenced by that Derivative, if physical settlement by the Derivative counterparty to the Issuer is specified, is an Eligible Investment or, if cash settlement only is specified, satisfies the relevant Agreed Criteria.

### ***Associated Derivatives***

An Associated Derivative will meet the Eligibility Criteria if, on the date of entry thereinto, the relevant counterparty is an Eligible Counterparty.



### *Repo Agreements*

A Repo Agreement will meet the Eligibility Criteria if, on the date of entry thereinto, the Debt Security, the subject of the Repo Agreement, is an Eligible Investment and the counterparty under the Repo Agreement is an Eligible Counterparty.

### *Portfolio Composition Limits*

#### *Credit Rating Limits*

The Issuer's aggregate Exposure to Obligors whose ratings by S&P and Moody's, respectively, fall within any of the rating categories set out below (measured as a percentage of the Issuer's aggregate Exposure to all Investments and Associated Derivatives) shall not fall below the relevant minimum limit(s) set out below:

<b>Rating Category</b>	<b>Minimum Limit</b>
AAA/Aaa	40 %
AAA/Aaa to AA/Aa	50 %
AAA/Aaa to A/A	80 %
AAA/Aaa to BBB/Baa	95 %
AAA/Aaa to BB/Ba	100 %

#### **Issuer Concentration**

<b>Rating</b>	<b>Maximum Concentration as % of Market Value of Assets</b>
AAA /Aaa	10 %
AA /Aa	8 %
A /A	4 %
BBB /Baa	2 %
BB /Ba	1 %

In addition, the par value of the paid-in capital must be at least equal to each of the following: (i) the largest AAA/Aaa asset; (ii) the two largest AA/Aa assets; (iii) the three largest A/A assets; (iv) the five largest BBB/Baa assets; and (v) the ten largest BB/Ba assets.

For the purposes of the above, the rating of an Obligor shall fall within a rating category if it has long-term ratings from S&P and Moody's which fall within a sub-category (as indicated by a '+' or '-' sign, in the case of S&P, and a number, in the case of Moody's) of the ratings within such rating category.

### ***Country Limits***

The Issuer's aggregate Exposure to sovereign states and Obligors established within such sovereign states shall not exceed the following limits (expressed as a percentage of the Issuer's aggregate Exposure to all Obligors):

### **Geographic Concentration**

<b>Geographic Jurisdiction of Issuer/Counterparty</b>	<b>Maximum Portfolio %</b>
U.S.A.	100 %
Other Countries or supranational agencies (on an individual, non-aggregated basis) with Foreign Currency Ratings	
AAA / Aaa	50 %
AA / Aa	25 %
A / A	10 %
BBB / Baa	5 %
BB / Ba	3 %

### ***Sector Limits***

The Issuer's aggregate Exposure to Obligors falling within one of the categories set out below (as determined by the Manager) shall not exceed the following limits (expressed as a percentage of the Issuer's aggregate Exposure to all Obligors):

<b>Sector</b>	<b>Maximum Limit</b>
Financial	75 %
Structured Finance	100 %
Sovereign (including political subdivisions and supranational agencies)	75 %
Corporate	50 %

If the Portfolio is not in compliance with any of the portfolio limits specified above, the relevant Exposure will be modelled in accordance with Agreed Criteria for the purposes of the Capital Adequacy Limits and Capital Loss Limits.

### ***Interest Rate Sensitivity Limits***

The sensitivity of the Financial Instruments to (a) a parallel shift in the LIBOR yield curve or (b) a shift of the LIBOR yield curve at any selected tenor (all as calculated in accordance with Agreed Criteria) shall not exceed the applicable limits set out below on each London Business Day:

<b>Change</b>	<b>Limit</b>
1 bp shift (up or down)	0.2 bp of the Adjusted Market Value of Capital
100 bp shift (up or down)	20 bp of the Adjusted Market Value of Capital

#### ***Currency Sensitivity Limit***

The sensitivity of the Financial Instruments as a result of a change in the relevant currency exchange rates (as calculated in accordance with Agreed Criteria) shall not exceed the applicable limits set out below on each London Business Day:

<b>Change</b>	<b>Limit</b>
1 % change in exchange rates	2 bp of the Adjusted Market Value of Capital
10% change in exchange rates	20 bp of the Adjusted Market Value of Capital

During the period from the first issuance by the Issuer of Senior Debt to the earlier of (i) the date falling 3 weeks after the Closing Date and (ii) the occurrence of a Restricted Operating Event or a Restricted Funding Event (the "**Ramp-Up Period**"), the MCO Limits, the Interest Rate Sensitivity Limits, the Currency Sensitivity Limits and the concentration limits specified above, will not apply.

#### **Funding the Portfolio**

##### ***Funding Objectives***

The Manager is obliged, to the extent of its powers and discretions (and subject to its obligations) under the Management Agreement, to assist the Issuer in achieving the following Funding Objectives:

- (a) to fund the Issuer's Investments through the issuance or co-issuance, as the case may be, of Senior Debt, Capital Notes, Mezzanine Notes and/or financial instruments;
- (b) to minimise the Issuer's cost of borrowing, subject to paragraphs (a) above and (c) and (d) (inclusive) below;
- (c) to manage the interest rate and currency risks associated with the management of the Issuer's investments so as to comply with the Interest Rate Sensitivity Limits and the Currency Sensitivity Limits;
- (d) to manage the liquidity risks associated with the management of the Issuer's investments so as to comply with the MCO Limits;
- (e) to maximise the diversity of funding providers; and
- (f) to maximise compliance with the Issuer's Capital Adequacy Limits.

### ***The Programmes***

In addition to the Programme, the Issuer has established ECP and EMTN programmes and has, together with the Subsidiary, established a USMTN programme and a USCP programme. Subject to certain restrictions (including the Restricted Funding Procedures), Senior Notes may be issued under each of the MTN and CP programmes. The Issuer, together with the Subsidiary, may also, but is not obliged to, establish a Mezzanine Programme.

The return on any Series of Capital Notes will be determined by reference to a specific Sub-Portfolio; however, all Senior Notes will rank in priority in point of security to all Capital Notes.

### ***Incentive Fee***

The Issuer may, in certain circumstances, enter into an agreement with a Capital Noteholder pursuant to which the Issuer shall pay to such Capital Noteholder, in consideration for such Capital Noteholder purchasing Capital Notes, an incentive fee equal to a percentage (as specified in the applicable Class Final Terms) of the fee which the Manager would otherwise be entitled to receive from the Issuer in respect of such Capital Notes under the Management Agreement.

The Manager may propose to the directors of the Issuer that the Issuer defer payment to the Manager of all or part of the Incentive Management Fee otherwise payable to the Manager. If such deferral is approved by the Issuer's directors, the amount of Incentive Management Fee so deferred shall be payable on such future date as may be approved by the Issuer's directors. No interest shall be payable by the Issuer in respect of any amount of Deferred Incentive Management Fee.

### ***Restricted Operating Procedures***

After a Restricted Operating Event has occurred, and for so long as it is continuing, with respect to the Portfolio or a Sub-Portfolio, as the case may be, the Issuer shall not, with respect to the Portfolio or such Sub-Portfolio, as the case may be:

- (a) make any payments in respect of redemption or repurchase of the Capital Notes or Mezzanine Notes allocated to the Portfolio or, as the case may be, the relevant Sub-Portfolio except in accordance with Agreed Criteria; or
- (b) make any payment of interest on any Capital Notes or Mezzanine Notes other than payment of rated coupon or in accordance with Agreed Criteria; or
- (c) make any payment of Incentive Management Fee; or
- (d) issue any Senior Notes allocated to the Portfolio or, as the case may be, the relevant Sub-Portfolio except to refinance existing Senior Notes; or
- (e) purchase any Investment (or, as the case may be, allocate additional Investments to the relevant Sub-Portfolio) except in accordance with Agreed Criteria.

The Issuer may enter into Liquidity Facility Agreements after the occurrence of a Restricted Operating Event.

### ***Restricted Funding Procedures***

After a Restricted Funding Event has occurred, and for so long as it is continuing, with respect to the Portfolio or a Sub-Portfolio, the Issuer shall not:

- (a) make any payments in respect of the redemption or repurchase of the Capital Notes or Mezzanine Notes allocated to the Portfolio or, as the case may be, the relevant Sub-Portfolio (any such deferred amounts to bear interest at LIBOR, or such other base rate as is applicable to such Capital Notes or Mezzanine Notes, plus the Base Margin from and including the date of deferral to but excluding the date of actual payment); or
- (b) make any payment of rated or unrated interest on the Capital Notes or Mezzanine Notes (any such deferred amounts of rated coupon on Capital Notes or Mezzanine Notes to bear interest at LIBOR, or such other base rate as is applicable to such Capital Notes or Mezzanine Notes, plus the Base Margin from and including the date of deferral to but excluding the date of actual payment); or
- (c) issue any Senior Debt allocated to the Portfolio or, as the case may be, the relevant Sub-Portfolio, except in accordance with Agreed Criteria; or
- (d) make any payment of Incentive Management Fee; or
- (e) purchase any Investment (or, as the case may be, allocate additional Investments to the relevant Sub-Portfolio), except in accordance with Agreed Criteria.

The Issuer may enter into Liquidity Facility Agreements after the occurrence of a Restricted Funding Event.

### ***Liquidity***

#### ***Liquidity Management***

The Manager may, in order to satisfy the liquidity management requirements in the Management Agreement, to achieve the Funding Objectives and to enable the Issuer and the Subsidiary to meet their respective payment obligations (including under the Committed Liquidity Agreement) on a timely basis, in each case in the name of and as agent of the Issuer:

- (a) identify Liquidity Providers and negotiate the terms of Committed Liquidity Agreements;
- (b) enter into other liquidity arrangements in accordance with Agreed Criteria; and
- (c) arrange for drawdowns by the Issuer of Advances, the sale of Liquidity Eligible Assets or other Investments (if appropriate) or the utilisation of such other liquidity arrangements, as necessary.

### *MCO Limits*

On each London Business Day, 5 Day MCO shall not exceed the aggregate amount of Committed Liquidity in place on that day (or such other limit as may be specified in accordance with Agreed Criteria from time to time), and 15 Day MCO shall not exceed the aggregate amount of Committed Liquidity in place on that day and of Liquidity Eligible Assets held by the Issuer on that day.

### **Testing, reporting and compliance**

#### *Portfolio Tests*

On each Business Day, the Manager is required to determine whether the Issuer is in compliance with the Portfolio Limits described under "*Management of the Portfolio*" above.

#### *Operating Limits*

The Manager has established a set of operating limits ("**Operating Limits**") which have been acknowledged by the Rating Agencies as a condition of the rating of the Senior Programmes. These limits are additional to, and more restrictive than, those contained in the Transaction Documents. The Manager intends to manage the Portfolio within the Operating Limits; failure to comply with these limits may result in the downgrade of this Programme. The Operating Limits may be changed without the consent of, or notice to, the Noteholders, but only if the ratings of the Senior Programmes will not be adversely affected thereby.

As part of the Operating Limits, the Manager has established Agreed Criteria for testing that the Issuer will have sufficient liquidity to redeem maturing Capital Notes on their scheduled redemption dates and that following such redemption the Issuer will have sufficient remaining capital to support its rated debt at its then current rating level. If the Issuer is in breach of the Agreed Criteria relating to Capital Note redemption for a period of five consecutive Business Days, and for so long as such breach is continuing, the Manager will operate under the same restrictions as apply in the case of a Restricted Operating Event.

#### *Upon the occurrence of certain events*

The Manager shall report, *inter alia*, to the Issuer's directors, the Dealers, the Paying Agents, the Liquidity Providers, the Rating Agencies and the Security Trustee the occurrence of an Enforcement Event (only if such related Default Notice fails to be withdrawn in accordance with the below), an Administration Event, a Restricted Funding Event or the termination of its appointment immediately upon the Manager becoming aware of the same. For the avoidance of doubt, the Manager shall not report to the Security Trustee the occurrence of an Enforcement Event unless such related Default Notice fails to be withdrawn in accordance with the below.

The Manager shall also report to the Security Trustee any breach of the Enforcement Management Procedures between the Enforcement Date and the date of appointment of a Receiver.

The Manager is further required to provide to the Issuer's directors and the Rating Agencies such information concerning the affairs of the Issuer and the Subsidiary as they may reasonably request and which is in the Manager's possession or power to obtain.

***Senior Debt Investor Report***

The Manager is required to prepare and distribute to the Issuer, the Rating Agencies, the Dealers, the Capital Noteholders, the holders of CP and MTNs and the Liquidity Providers a monthly investment report which includes the following information (subject to amendment or variation as set out in the Operating Manual from time to time):

- (a) a summary of the Investments contained in the Portfolio;
- (b) the aggregate paid up capital of the Issuer (by currency);
- (c) the results of the Portfolio Composition Limits, the Currency Sensitivity Limit, the Interest Rate Sensitivity Limits and the MCO Limits tests, including as to minimum ratings concentration limits, maximum single obligor exposure, industry exposure and geographic exposure;
- (d) the Portfolio Expected Weighted Average Life;
- (e) the aggregate amount of Committed Liquidity, the aggregate amount of Liquidity Eligible Assets in the Portfolio and whether the Issuer is in compliance with the MCO Limits;
- (f) the weighted average life of the Senior Debt; and
- (g) if the Issuer has entered into any Securities Lending Agreements or Repo Agreements, the aggregate principal amount of securities governed by such agreements.

## DESCRIPTION OF THE MANAGER AND THE MANAGEMENT AGREEMENT

### *Description of the Manager*

The Manager is a limited company incorporated under the laws of England on November 28, 1995. The Manager changed its name on 13 August 2010 from AIG-FP Capital Management Limited to AIG Capital Management Limited. The Directors of the Manager are Thomas Fewings, Paul Griffiths and Bruce McCoy. The registered office of the Manager is located at 5<sup>th</sup> Floor, One Curzon Street, London W1J 5RT. The Manager is authorised and regulated by the FSA to carry on investment business in the UK, including investment management and advisory services.

The Manager is a wholly-owned subsidiary of American International Group, Inc. ("AIG") and is administered in close co-ordination with a group of companies managed by AIG Financial Products Corp. (collectively "AIG-FP"). AIG-FP is located at 50 Danbury Road, Wilton, Connecticut 06897, United States of America and engaged as principal in a wide variety of financial transactions, including standard and customized financial products involving commodities, credit, currencies, energy, equities and interest rates. It also invested in a diversified portfolio of securities and principal investments and engaged in borrowing activities that involve issuing standard and structured notes and other securities and entering into guaranteed investment agreements. Due to the extreme market conditions experienced in 2008, the downgrades of AIG's credit ratings by the rating agencies, as well as AIG's intent to refocus on its core businesses, beginning in late 2008, AIG-FP, together with its related companies, has been unwinding its businesses and portfolios.

The Manager's Directors and operating personnel have been employed by Banque AIG or AIG-FP, which have entered into one or more agreements with the Manager to provide the services contemplated by the Management Agreement. The Manager currently outsources all middle and back office functions to AIG-FP or Banque AIG.

### *Description of the Management Agreement*

Pursuant to the Management Agreement, each of the Issuer and the Subsidiary has appointed the Manager for the purpose of purchasing and managing the Issuer's Investments in accordance with the Investment Objectives described herein under "*The Issuer's Business - Management of the Portfolio - Investment Objectives*" above, arranging funding for the Issuer in accordance with its Funding Objectives described herein under "*The Issuer's Business - Funding the Portfolio - Funding Objectives*" above, and complying with certain obligations, operating procedures and principles set out in the Management Agreement, effective until the Manager's appointment is terminated as described below.

As consideration for its services under the Management Agreement, the Manager will receive the Base Management Fee and the Incentive Management Fee, and will be entitled to payment of certain of its expenses. Pursuant to the Commitment entered into on 23 January 2008, the Manager has waived a portion of its Base Management Fee for the duration of the Commitment. The Manager may propose to the directors of the Issuer that the Issuer defer payment to the Manager of all or part of the Incentive Management Fee otherwise payable to



the Manager. If such deferral is approved by the Issuer's directors, the amount of Incentive Management Fee so deferred shall be payable on such future date as may be approved by the Issuer's directors. No interest shall accrue or be payable by the Issuer in respect of any amount of Deferred Incentive Management Fee.

The Issuer (or, after the Enforcement Date, the Security Trustee) may, and if directed by the requisite percentage of the holders of the Notes shall, terminate the appointment of the Manager on giving not less than five Business Day's notice to the Manager (except in relation to paragraph (b) below, in respect of which no notice shall be required), the Security Trustee and the Rating Agencies on the occurrence of any of the following events (which is continuing):

- (a) a material breach by the Manager of its obligations under the Management Agreement which is not remedied to the satisfaction of the Issuer within 30 London Business Days following the occurrence of the breach;
- (b) a Receiver has been appointed following the occurrence of an Enforcement Event;
- (c) a breach of the MCO Limits for 15 consecutive London Business Days;
- (d) a breach of the Interest Rate Sensitivity Limits for 15 consecutive London Business Days;
- (e) a breach of the Currency Sensitivity Limit for 15 consecutive London Business Days;
- (f) at any time when AIG Capital Management Limited or any other affiliate of Banque AIG is Manager, the long-term, unsecured and unsubordinated debt obligations of Banque AIG (or its successor) cease to be rated at least "Baa3" by Moody's; or
- (g) the Issuer having been subject to Restricted Funding Procedures for a continuous period of 12 months.

The Manager may resign, provided that such resignation shall not be effective until the Manager Transition Date (as defined below).

In addition, the Issuer (or, after the Enforcement Date and provided the Manager has notified the Security Trustee, or the Security Trustee is otherwise aware of the occurrence of any of the following events, the Security Trustee acting in accordance with the Security Trust Deed) shall terminate the appointment of the Manager on the occurrence of any of the following events:

- (a) the Manager Transition Date, if the Issuer receives a written request for termination from the Manager in accordance with the provisions for resignation in the Management Agreement; or

- (b) the Manager ceases to have all necessary consents, licences, approvals and authorisations required under applicable law in order to perform its obligations under the Management Agreement and such circumstance continues for a period of 20 consecutive London Business Days.

Where the Manager's appointment is terminated prior to the Enforcement Date, such termination shall not take effect until the Manager Transition Date. Following any termination of the appointment of the Manager as described above, the Issuer shall appoint a Substitute Manager effective as of the date specified in the notice of termination, subject as described below.

The "**Manager Transition Date**" is the later of the termination date stipulated in a notice delivered pursuant to the optional termination events or the mandatory termination events described above and the Business Day upon which:

- (i) the proposed Substitute Manager has obtained all necessary consents, licences, approvals and authorisations required under applicable law in order to perform its obligations as Substitute Manager;
- (ii) each Rating Agency has confirmed to the Issuer in writing that the appointment of the proposed Substitute Manager will not adversely affect that Rating Agency's then current rating(s) of the Senior Programmes or the Capital Note Programme (if any); and
- (iii) the proposed Substitute Manager has agreed to be bound by the terms of the Management Agreement as if it were a party thereto and by the terms of any additional fee agreement entered into between the Manager and any Capital Noteholder and as if references to the Manager were references to the Substitute Manager.

## DESCRIPTION OF THE PORTFOLIO ADMINISTRATOR

### Responsibility Statement

The Portfolio Administrator accepts responsibility for the information in this section "**Description of the Portfolio Administrator**". Having taken all reasonable care to ensure that such is the case, the information in this section is, to the best of the knowledge of the Portfolio Administrator, in accordance with the facts and does not omit anything likely to affect its import.

The information appearing in this Section has been prepared by the Portfolio Administrator and has not been independently verified by the Issuer or the Capital Note Dealers. None of the Capital Note Dealers assumes any responsibility for the accuracy, completeness, or applicability of the information appearing in this Section.

### QSR Management Limited

Each of the Issuer and the Subsidiary has appointed QSR Management Limited as its portfolio administrator to provide certain administrative services to the Issuer pursuant to the administrative services agreement dated on or about the Closing Date among the Issuer, the Subsidiary, the Manager, and the Portfolio Administrator (the "**Administrative Services Agreement**").

The Portfolio Administrator is a United Kingdom-based, wholly-owned subsidiary of The Bank of New York Mellon. The registered office of the Portfolio Administrator is at One Canada Square, London E14 5AA. The Portfolio Administrator provides third-party administrative services to the structured investment vehicle and asset-backed commercial paper market. The Portfolio Administrator was established in August 2002, when The Bank of New York Mellon acquired part of the business of Quadrant Capital Limited. The Portfolio Administrator intends to provide certain operational and technology support services and certain liability, hedging and treasury management services to the Issuer. The Portfolio Administrator is authorised and regulated for the conduct of its business in the United Kingdom by the Financial Services Authority.

There is no assurance that the Portfolio Administrator will remain a wholly-owned subsidiary of The Bank of New York Mellon. If at any time the Portfolio Administrator ceases to be a wholly-owned subsidiary of The Bank of New York Mellon and if the Rating Condition is not satisfied with respect to that event, the Administrative Services Agreement may be terminated and the Portfolio Administrator removed upon the appointment of a replacement Portfolio Administrator.

## THE SECURITY AND ITS ENFORCEMENT

### Security Trust Deed

Under the Security Trust Deed, the Issuer, as security for the payment of the Secured Liabilities, has assigned the benefit of the Secured Documents (other than the Security Documents) and any other agreement or document to which the Issuer is a party or to which it is, or may at any time be, expressed to have the benefit or to have any interest thereunder, and has granted first-ranking security over the whole of the Assets (excluding the Security Documents and any Asset over which security has been granted pursuant to the assignment as described above) to the Security Trustee as trustee for the Secured Creditors (the "**Issuer Security**"). Paragraph 14 of Schedule B1 to the Insolvency Act 1986 applies to the floating charge so created. Notwithstanding the foregoing, the Security Trustee will not have first-ranking security over Assets which are the subject of a Repo Agreement; however the Security Trustee will have first-ranking security over the Issuer's redelivery rights with respect to such Assets.

### Enforcement of the Issuer Security

#### *Insolvency Events*

If the Manager notifies the Security Trustee of the occurrence of an Insolvency Acceleration Event, or the Security Trustee actually becomes aware of the occurrence of such an event, the Security Trustee will be obliged to deliver an Insolvency Notice to the Issuer, the Manager, each Noteholder Representative, the Dealers and the other Secured Creditors.

#### *Other Enforcement Events*

The Security Trustee shall be required to serve an Enforcement Notice following (i) delivery to the Issuer and the Security Trustee of a notice (a "**Default Notice**") by an Affected Party of the occurrence of an Enforcement Event (other than an Insolvency Event) or an event which, upon the service of such notice, may constitute a potential Enforcement Event and (ii) failure by the Notifying Party (as defined below) to withdraw its Default Notice in accordance with the provisions described below.

If the Issuer wishes to contest the Default Notice, it has until 5:00 p.m. on the third Business Day after service of the Default Notice (the "**Notice Period**") to so notify the person on whose behalf the Default Notice was delivered that it intends to contest that Default Notice. If the Issuer contests the Default Notice within the Notice Period, and the party which delivered the Default Notice (the "**Notifying Party**") has not withdrawn the Default Notice by 5:00 p.m. on the fifth Business Day following the end of the Notice Period, the Security Trustee will be required promptly to deliver an Enforcement Notice.

#### *Conditions precedent to delivery of a Default Notice*

Subject to the Security Trust Deed, a Default Notice may not be served:

- (a) on behalf of a holder of CP unless there has been a default in payment of any amount of principal or interest due to that holder under that CP (i) within three

Business Days (in the case of ECP) or three New York Business Days (in the case of USCP) following the due date therefor if such failure to pay was due to an Operational Event or (ii) on the due date therefor if such failure to pay was not due to an Operational Event;

- (b) on behalf of a holder of MTNs unless there has been (i) a default in payment of any interest due to that holder under that MTN within five Business Days (in the case of EMTNs) or five New York Business Days (in the case of USMTNs) of the due date thereof, (ii) a default in payment of any principal due to that holder under that MTN within three Business Days (in the case of EMTNs) or three New York Business Days (in the case of USMTNs) following the due date thereof or any other event which is an MTN Event of Default (as defined in the Master Framework Agreement) in respect of any MTNs;
- (c) on behalf of a holder of Mezzanine Note unless there has been (i) a default in payment of any interest due to that holder under that Mezzanine Note within five Business Days of the due date thereof, (ii) a default in payment of any principal due to that holder under that Mezzanine Note within three Business Days following the due date thereof or any other event which is an Event of Default as defined in the terms and conditions specified in the Mezzanine Programme;
- (d) by a Liquidity Provider unless a Committed Liquidity Agreement Event of Default has occurred under a Liquidity Facility Agreement to which it is a party; and
- (e) by a Senior Derivative counterparty unless a Derivative Termination Event has occurred under the Derivative Agreement to which it is a party.

Subject to the terms of the Security Trust Deed, the Security Trustee shall be entitled to rely on a certificate of the Notifying Party (or by the relevant Noteholder Representative) that all relevant conditions precedent to the delivery of a Default Notice have been satisfied.

### ***Enforcement***

As of the Enforcement Date, the floating charge constituted by the Security Trust Deed will automatically convert to a fixed charge and the Security Trustee will be entitled to exercise all the Issuer's rights under the Secured Documents. Until such time the Issuer continues to be entitled to deal with its Assets and exercise all such rights under the Secured Documents.

The Security Trustee shall, as soon as reasonably practicable after the Enforcement Date, appoint a Receiver and stipulate in the terms of the Receiver's appointment that, unless and until the delivery of an Insolvency Notice, the Receiver shall use best endeavours to ensure that the Issuer's business is managed in accordance with the Enforcement Management Procedures (to the extent that compliance with the Enforcement Management Procedures (in the reasonable determination of the Receiver) does not adversely affect the interests of the Secured Creditors). Where the Receiver is required to make such determination and there exists a conflict between the interests of the Senior Creditors and the interests of any other

Secured Creditors ranking below the Senior Creditors, the Receiver shall give priority to the interests of the Senior Creditors, or where there exists a conflict between the interests of the Mezzanine Creditors and the interests of any Secured Creditors ranking below the Mezzanine Notes, the Receiver shall give priority to the interests of the Mezzanine Noteholders, or where there exists a conflict between the interests of the Sub-Portfolio Creditors and any other Secured Creditors, the Receiver shall give priority to the interests of such other Secured Creditors.

Following the occurrence of an Enforcement Event but prior to the appointment of a Receiver, the Manager will continue to manage the Issuer's investment and funding business in accordance with the Enforcement Management Procedures. Notwithstanding the above, the Security Trustee has the right to terminate the Manager's appointment at any time after the occurrence of an Enforcement Event.

#### ***Enforcement following Administration Event***

Upon the occurrence of an Administration Event, the Security Trustee is obliged to appoint a Provisional Receiver in accordance with the provisions of the Security Trust Deed. Unless the Enforcement Date has occurred, the Manager shall continue to carry out its functions under the Management Agreement, but as agent of the Provisional Receiver. If the Administration Event ceases to subsist then, *provided that* no Enforcement Event is continuing, the Security Trustee may terminate the appointment of the Provisional Receiver.

#### ***Enforcement Management Procedures***

After an Enforcement Event has occurred, the Manager shall, if directed to do so by the Security Trustee, comply with the following procedures (the "**Enforcement Management Procedures**"):

##### ***Debt Issuance:***

No further Senior Notes shall be issued.

##### ***Liquidity Management:***

The Manager shall, to the extent it deems necessary, draw down available amounts under Liquidity Facilities, liquidate any investments in money market funds and Breakable Deposit Agreements, exercise extension options with respect to extendible commercial paper and sell LEAs and/or Investments.

On or promptly following receipt of directions to comply with the Enforcement Management Procedures, the Manager shall calculate forward projected cash requirements (at least 10 New York/London Business Days prior) and meet such liabilities with the proceeds of sales of Investments, LEAs and amounts drawn down under the Liquidity Facilities or available under Breakable Deposit Agreements.

Where Investments are sold that have Associated Derivatives related thereto, the Manager shall terminate such Associated Derivatives (if possible, without breach of their terms) at the

same time as the sale of such Investments or shall use reasonable efforts to replace such Associated Derivatives with equivalent but offsetting Derivatives.

If the Manager, in its discretion, considers it necessary or appropriate or if the Security Trustee shall so direct, redeem those Senior Notes or Mezzanine Notes (if any) that by their terms provide for annual redemption options upon the occurrence of an Enforcement Event.

*Credit Risk Management:*

The Manager shall take all reasonable steps to reduce excessive exposure to any issuer, guarantor, industry sector or country or other credit quality that is declining and to maintain compliance with Portfolio Limits related to the Portfolio (only if this does not conflict with the other Enforcement Management Procedures).

With respect to Investments for which there are Obligor defaults, the Manager shall take reasonable steps to sell such Investments and to terminate Associated Derivatives with respect thereto (if possible, without breaching their terms) within a month of becoming aware of the Obligor default unless the Manager determines that it is in the best interests of the Issuer to manage such Investments (and Associated Derivative) in a manner that is more beneficial to the Issuer, in which case it should be managed in such manner.

With respect to any Derivative for which the counterparty thereto has defaulted, the Issuer (or the Manager on its behalf) shall, if reasonably practicable, replace such Derivative or shall take other reasonable steps to remove market risk caused by such defaults. The counterparty to any replacement Derivative acquired by the Issuer must be an Eligible Counterparty.

*Market Risk Management:*

The Manager shall test daily, on each Business Day, for breaches of the Currency Sensitivity Limit and Interest Rate Sensitivity Limit and take all reasonable steps to remedy any such breaches within 5 Business Days. Such steps shall include, without limitation, terminating (without breach) Derivatives and acquiring replacement Derivatives, the counterparty to which shall be an Eligible Counterparty, and the sale of Investments.

The Issuer (and the Manager on its behalf) shall take all reasonable steps to minimize exposure of the Portfolio to market risks.

*Application of proceeds*

Any monies received by the Security Trustee or any Receiver or Provisional Receiver after the Enforcement Date shall be applied in the following order of priority:

- (a) *first*, to pay, *pari passu* and *pro rata* in accordance with the respective amounts then owing thereto, any fees, costs or expenses then due to the Security Trustee, any Receiver or any Provisional Receiver;
- (b) *second*, to pay the Senior Liabilities, *pari passu* and *pro rata* in accordance with the respective amounts then owing in respect thereof;

- (c) *third*, to pay any amounts then due and payable to the holders of Mezzanine Notes designated as 'Enhanced Mezzanine Notes' under their terms and conditions of issuance, *pari passu* and *pro rata* in accordance with the respective amounts then owing in respect thereof;
- (d) *fourth*, to pay, *pari passu* and *pro rata* in accordance with the respective amounts then owing in respect thereof: (i) any amounts then owing to Mezzanine Noteholders in respect of the Mezzanine Notes and not paid under (c) above (other than in respect of Mezzanine Notes ranking *pari passu* with a Class of Capital Notes, as specified in the terms and conditions of the relevant Mezzanine Notes) and (ii) any amounts due and payable in respect of Enhanced Sub-Portfolio Liabilities (other than in respect of any Additional Margin), except in respect of Enhanced Sub-Portfolio Liabilities ranking *pari passu* with a Class of Capital Notes, as specified in the terms and conditions of the relevant Capital Notes;
- (e) *fifth*, to pay an annual dividend payable to the shareholders of the Company in an amount equal to £500.00 to the extent due on such date;
- (f) *sixth*, to pay all other Secured Liabilities (other than Indemnification Obligations, Sub-Portfolio Liabilities and any Incentive Management Fee not deferred), *pari passu* and *pro rata* in accordance with the respective amounts then owing in respect thereof;
- (g) *seventh*, to pay any Indemnification Obligations then due and payable;
- (h) *eighth*, to pay the Sub-Portfolio Liabilities not paid under (d) above (other than in respect of any Additional Margin) and any liabilities in respect of Mezzanine Notes not paid under (c) or (d) above, *pari passu* and *pro rata* in accordance with the respective amounts then owing in respect thereof; and
- (i) *ninth, pari passu*, any surplus (i) to pay any Incentive Management Fee and (ii) to allocate to each Class of Sub-Portfolio Liabilities the Net Realised Proceeds from the Associated Sub-Portfolio (which Net Realised Proceeds shall be distributed among the Sub-Portfolio Creditors of such Class in accordance with the relevant Class Priority of Payments).

No payment in respect of lower ranking liabilities may be made unless (a) all other higher ranking liabilities have been paid in full or (b) except to the extent that the Security Trustee or, as the case may be, the Receiver or Provisional Receiver reasonably considers that the remaining Assets will be sufficient to enable all such higher liabilities which are not then due and payable to be discharged in full as and when they fall due for payment (provided that the Security Trustee shall not be liable if such Assets are subsequently found to be insufficient for such purpose); *provided that* any monies received by the Security Trustee or any Receiver or Provisional Receiver after the Enforcement Date and retained to provide for amounts owing to Senior Creditors which are not then due and payable will be deposited on a call basis with any Approved Bank or will be invested in:



- (a) securities issued by any OECD government rated AAA by S&P and Aaa by Moody's; or
- (b) certificates of deposit or commercial paper rated A-1+ by S&P and P-1 by Moody's issued by a person whose long-term, senior unsecured debt is rated not less than AA- by S&P and Aa3 by Moody's,

having a remaining term to maturity of 30 days or less.

### **Role of the Security Trustee**

The Security Trustee will be trustee of the security constituted by the Security Trust Deed (the "**Security**") and of certain covenants contained in the Security Trust Deed. The Security Trust Deed provides expressly for steps to be taken by the Security Trustee to enforce the security constituted by the Security Trust Deed. The Security Trustee is not obliged to take any action under the Security Trust Deed unless (i) the provisions of the Security Trust Deed expressly require it to do so or it is directed to do so by a resolution and (ii) it is indemnified and/or secured to its satisfaction.

In exercising any of its trusts, powers, authorities or discretions under the Security Trust Deed, the Security Trustee is required to have regard to the interests of the Secured Creditors as a class *provided that* if, in the opinion of the Security Trustee, there is a conflict between the interests of the Senior Creditors and the interests of the other Secured Creditors, the Security Trustee is required to have regard only to the interests of the Senior Creditors.

Notwithstanding that it may be a party to certain of them, the Security Trustee has no role or responsibility in relation to the monitoring or supervision or enforcement of the performance and observance by the Issuer or any other party thereto of the Transaction Documents (other than the Security Trust Deed). The Security Trustee's role in relation to the Security Trust Deed is limited by the terms of the Security Trust Deed.

### **Limited Recourse**

To the extent that the net proceeds of realisation of the security constituted by the Security Trust Deed over any Sub-Portfolio upon enforcement thereof are less than the aggregate of (a) the aggregate Associated Liabilities and (b) that portion of the other Secured Liabilities allocated to that Sub-Portfolio in accordance with Clause 6 (*Sub-Portfolios*) of the Security Trust Deed, such shortfall (the "**Sub-Portfolio Shortfall**") shall be borne first by the Associated Class, then by each other Class (to the extent of its Proportionate Share) in accordance with the provisions of Clause 6 (*Sub-Portfolios*) of the Security Trust Deed. Any Sub-Portfolio Shortfall allocated to a Class will be borne by the Sub-Portfolio Liabilities of that Class in accordance with the Class Priority of Payments (applied in reverse order). In such circumstances the other assets (if any) of the Issuer will not be available for payment of such shortfall. The rights of the Secured Creditors to claim any further amounts in respect of such obligations will be extinguished and Noteholders shall not be entitled to take any further action to recover such amounts.

The foregoing is a summary of, and subject to the detailed provisions of, the Security Trust Deed. A copy of the Security Documents may be obtained from the Specified Office of each of the Paying Agents.

### **Custody Arrangements**

The Issuer has entered into a custody agreement with The Bank of New York Mellon (the "**Custody Agreement**"), pursuant to which the Custodian has undertaken to hold investments received for the benefit and to the order of the Issuer, subject to the security created in favour of the Security Trustee pursuant to the Security Documents. The Custody Agreement provides for the replacement of the Custodian within 30 calendar days if the Custodian's short term unsecured and unsubordinated debt obligations are rated below P1 by Moody's or A-1 by S&P or its long-term senior unsecured debt obligations are rated below A1 by Moody's or A+ by S&P, or if the Custodian's long term debt rating by Moody's or S&P is withdrawn. If the Issuer, or the Manager on its behalf, has not appointed a replacement custodian satisfactory to the Rating Agencies within such 30 calendar day period, the Custodian may itself appoint (but is not obliged to appoint) a replacement custodian but must remain as custodian until a replacement custodian, satisfactory to the Rating Agencies, has been appointed.

## TAXATION

*The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.*

### Jersey Taxation

#### General Issues

The Income Tax (Jersey) Law 1961 provides that the general basic rate of income tax on the profits of companies regarded as resident in Jersey or having a permanent establishment in Jersey, is zero percent ("**zero tax rating**") and that only a limited number of financial services companies which are regulated by the Jersey Financial Services Commission under the Financial Services (Jersey) Law 1998, are subject to income tax at a rate of 10 percent. For so long as the Issuer holds a zero tax rating, payments in respect of the Notes will not be subject to any taxation in Jersey (unless the holder is resident in Jersey) and no withholding in respect of Jersey taxation will be required on payments to any holder of the Notes.

Under current Jersey law there are no death or estate duties, capital gains, gift, wealth, inheritance or capital transfer taxes. No stamp duty is levied in Jersey on the issue or transfer of Notes. In the event of the death of an individual sole holder, duty at rates of up to 0.75 per cent. of the value of the Notes held may be payable on the registration of Jersey probate or letters of administration which may be required in order to transfer or otherwise deal with Notes held by the deceased individual holder.

#### European Union Directive on the Taxation of Savings Income

Jersey is not part of the EU and is not subject to the EU Savings Tax Directive or other EU fiscal legislation. However, in keeping with Jersey's policy of constructive international engagement (and in line with steps taken by other relevant third countries) the Island has now entered into various agreements regarding the European Union directive on the taxation of savings income in the form of interest payments (the "**EU Savings Tax Directive**").

The States of Jersey have introduced a system which permits, either:

1. the disclosure of information concerning details of payments of interest (or other similar payments) and the identity of an individual beneficial owner of the interest to the tax authority of the EU jurisdiction where the owner of the interest payment is resident; or

2. the imposition of a retention or withholding tax in respect of payments of interest (or other similar income) made to an individual beneficial owner resident in an EU member state by a paying agent situated in Jersey or an EU member state.

The retention tax system will apply for an initial transitional period during which tax would be retained from such payments, instead of communicating the details of such payments to the tax authorities of the EU member state in which the individual beneficial owner is resident (the transitional period is prior to the implementation of a system of automatic communication among all EU member states of information regarding interest payments).

(The terms "beneficial owner" and "paying agent" are defined in the bilateral agreements entered into between Jersey and each of the EU member states relating to the treatment of savings income).

Where the Issuer has appointed a paying agent located outside Jersey, the Issuer is not required to make any disclosures or levy retention tax. However, the rules applicable in the jurisdiction where the paying agent is located will apply.

The requirements in respect of information disclosure or retention tax will not apply to companies, partnerships or to most types of trusts, nor will they apply to individuals who are resident outside the EU.

### **European Union Code of Conduct on Business Taxation**

On 3 June 2003, the European Union Council of Economic and Finance Ministers reached political agreement on the adoption of a Code of Conduct on Business Taxation. Jersey is not a member of the European Union, however, the Policy & Resources Committee of the States of Jersey has announced that, in keeping with Jersey's policy of constructive international engagement, it intends to propose legislation to replace the Jersey exempt company regime by the end of 2008 with a general zero rate of corporate tax.

### **United Kingdom Taxation**

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments are made on the assumption that the Issuer of the Notes is not resident in the United Kingdom for United Kingdom tax purposes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Noteholders should be aware that the particular terms of issue of any Series of Notes as specified in the relevant Tranche Final Terms may affect the tax treatment of that and other series of Notes. The following is a general guide and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that

they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

#### ***UK Withholding Tax on Interest Payments by the Issuer***

Interest on Notes issued for a term of less than one year (and which are not issued under arrangements the effect of which is to render the Notes part of a borrowing with a total term of one year or more) may be paid by the Issuer without withholding or deduction for or on account of United Kingdom income tax.

Interest on Notes issued for a term of one year or more (or under arrangements the effect of which is to render the Notes part of a borrowing with a total term of one year or more) may be paid by the Issuer without withholding or deduction for or on account of United Kingdom income tax except in circumstances where such interest has a United Kingdom source. Interest on Notes may have a United Kingdom source where, for example, the Notes are secured on assets situate in the United Kingdom or the interest is paid out of funds maintained in the United Kingdom.

Interest which has a United Kingdom source ("**UK interest**") may be paid by the Issuer without withholding or deduction for or on account of United Kingdom income tax if the Notes in respect of which the UK interest is paid constitute "quoted Eurobonds". Notes which carry a right to interest will constitute quoted Eurobonds provided they are and continue to be listed on a recognised stock exchange. On the basis of the United Kingdom HM Revenue and Customs' published interpretation of the relevant legislation, Notes which are to be listed on a stock exchange in a country which is a member state of the European Union or which is part of the European Economic Area will satisfy this requirement if they are listed by a competent authority in that country and are admitted to trading on a recognised stock exchange in that country; securities which are to be listed on a stock exchange in any other country will satisfy this requirement if they are admitted to trading on a recognised stock exchange in that country. The Irish Stock Exchange is a recognised stock exchange for these purposes.

In all other cases, UK interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20%) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply.

Any payments made by the Issuer under the Deed of Covenant may not qualify for the exemptions from United Kingdom withholding tax described above.

#### ***Other Rules Relating to United Kingdom Withholding Tax***

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "interest" and "principal" in this United Kingdom Taxation section mean "interest" as understood in United Kingdom tax law. The statements in this United Kingdom

Taxation section do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer and does not consider the tax consequences of any such substitution.

### ***Provision of Information***

Holders should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by any person in the United Kingdom acting on behalf of the Issuer (a "**paying agent**"), or is received by any person in the United Kingdom acting on behalf of the relevant Holder (other than solely by clearing or arranging the clearing of a cheque) (a "**collecting agent**"), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to the United Kingdom HM Revenue and Customs details of the payment and certain details relating to the Holder (including the Holder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Holder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Holder is not so resident, the details provided to the United Kingdom HM Revenue and Customs may, in certain cases, be passed by the United Kingdom HM Revenue and Customs to the tax authorities of the jurisdiction in which the Holder is resident for taxation purposes.

With effect from 6 April 2011, the provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes where the amount payable on redemption is greater than the issue price of the Notes.

### ***EU Savings Directive***

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Belgium has replaced this withholding tax with a regime of exchange of information to the Member State of residence as from 1 January 2010.

A number of non-EU countries and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or

transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 13 November 2008 the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. The European Parliament approved an amended version of this proposal on 24 April 2009. Investors who are in any doubt as to their position should consult their professional advisers.

## **United States Income Tax Considerations**

### ***General***

**The discussion of tax matters in this Base Prospectus was written to support the promotion or market of the Notes. It was not intended or written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed under U.S. federal, state or local tax laws. Each taxpayer should seek advice based on its particular circumstances from an independent tax advisor.**

The transaction described herein and the associated tax strategies are not confidential, proprietary or exclusive. Notwithstanding anything to the contrary herein, there is no limitation on the disclosure by any recipient of this Base Prospectus of the tax treatment or tax structure of the transaction described herein.

The following summary describes the principal U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes by U.S. Holders (as defined below) that acquire the Notes at original issuance. This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a particular investor's decision to purchase the Notes. For example, the specific U.S. federal income tax considerations for financial institutions, entities that are treated as partnerships for U.S. federal income tax purposes, partners in a partnership that holds Notes, dealers and traders in securities, insurance companies, regulated investment companies, subsequent purchasers of the Notes and tax-exempt organizations are not discussed here. In addition, this summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the U.S. federal income tax laws. In general, the summary assumes that a Holder holds a Note as a capital asset and not as part of a hedge, straddle, or conversion transaction within the meaning of Section 1258 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**").

This summary is based on the U.S. tax laws, regulations (final, temporary and proposed), administrative rulings and practice and judicial decisions in effect or available on the date of this Base Prospectus. All of the foregoing are subject to change or differing interpretation at any time, which change or interpretation may apply retroactively and could affect the continued validity of this summary.

This summary is included herein for general information only, and there can be no assurance that the U.S. Internal Revenue Service (the "**IRS**") will take a similar view of the U.S. federal

income tax consequences of an investment in the Notes as described herein. **ACCORDINGLY, PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, AND THE POSSIBLE APPLICATION OF STATE, LOCAL, FOREIGN OR OTHER TAX LAWS.**

As used in this section, the term "**U.S. Holder**" means a beneficial owner of a Note that is, for U.S. federal income tax purposes, a citizen or individual resident of the United States of America, an entity taxed as a corporation, created or organized in or under the laws of the United States of America, any State thereof, or the District of Columbia, an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or a trust if, in general, a court within the United States of America is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of such trust.

#### ***U.S. Tax Treatment of the Issuer***

The Issuer will be treated as a foreign corporation for U.S. federal income tax purposes, and it will make no elections to the contrary.

The Issuer expects to conduct its affairs in a manner that will not cause it to subject it to income tax in the United States and does not expect to be subject to a material amount of U.S. withholding tax on income it receives from the Assets.

#### ***U.S. Tax Treatment of U.S. Holders of Notes***

*Status of the Notes.* Although the Notes are in the form of debt and may be treated as debt for certain purposes, there is a strong likelihood that the Notes will be treated as equity of the Issuer for U.S. federal income tax purposes and that the U.S. Holders will be treated as shareholders in the Issuer. Each U.S. Holder, by acquiring an interest in a Note, will agree to treat such Note as equity of the Issuer for U.S. federal income tax purposes. In addition, the Issuer agrees to treat the Notes as equity for U.S. federal income tax purposes. Except as otherwise indicated, this summary assumes this treatment. No assurance can be given, however, that the IRS will respect this position in light of the Notes' form as debt.

In general, the timing and character of income recognized with respect to the Notes may differ substantially based on whether the Notes are treated for U.S. federal income tax purposes as debt instruments or as equity of the Issuer. Investors should consider the tax consequences of any investment in the Notes and should consult their tax advisors regarding treatment of the Notes on their tax returns.

*Investment in a Passive Foreign Investment Company.* The Issuer will constitute a "**passive foreign investment company**" (a "**PFIC**") for U.S. federal income tax purposes. Accordingly, U.S. Holders (other than certain U.S. Holders that are subject to the rules pertaining to a "**controlled foreign corporation**" described below) will be considered shareholders of a PFIC.



On disposition (including redemption) of any Notes, a U.S. Holder (other than certain U.S. Holders that are subject to the rules pertaining to a "**controlled foreign corporation**" described below) any gain recognized will not be classified as capital gain. In addition, the U.S. Holder must compute the tax liability on such gain and any "**excess distribution**" received in respect of the Notes as if such items had been earned rateably over each day in the U.S. Holder's holding period for the Notes. Amounts allocated to the year of the disposition or to an "**excess distribution**" are taxable as ordinary income. The U.S. Holder will be subject to tax on such items at the highest income tax rate for amounts allocated to each taxable year prior to the year in which the gain or "**excess distribution**" is received, regardless of the rate otherwise applicable to the U.S. Holder. Further, such U.S. Holder will also be liable for an additional tax equal to the interest that would be owed on the tax liability attributable to income allocated to prior years as if such liability had been due with respect to each such prior year. For purposes of these rules, gifts, exchanges pursuant to corporate reorganizations and use of the Notes as security for a loan will be treated as a taxable disposition of such Notes. An "**excess distribution**" is the amount by which distributions (including dividend and redemption proceeds) during a taxable year in respect of a Note exceed 125 percent of the average amount of distributions (including dividend and redemption proceeds) in respect thereof during the three preceding taxable years (or, if shorter, the U.S. Holder's holding period for the Note).

In general, a U.S. Holder of a PFIC may desire to make an election to treat the Issuer as a qualified electing fund ("**QEF**") with respect to such U.S. Holder. Generally a QEF election should be made with the filing of a U.S. Holder's U.S. federal income tax return for the first taxable year for which it held the Notes. If a timely QEF election is made for the Issuer, an electing U.S. Holder will be required in each taxable year to include in gross income (i) as ordinary income, such U.S. Holder's *pro rata* share of the Issuer's ordinary earnings and (ii) as long term capital gain, such U.S. Holder's *pro rata* share of the Issuer's net capital gain. Losses of the Issuer in a taxable year will not be reflected in a U.S. Holder's gross income to such U.S. Holder and may not be carried back or forward in computing the Issuer's ordinary earnings and net capital gain in other taxable years. An amount included in an electing U.S. Holder's gross income should be treated as income from sources outside the United States for U.S. foreign tax credit limitation purposes. However, if U.S. Holders collectively own (directly or constructively) 50 per cent. or more (measure by vote or value) of the Notes, such amount will be treated as income from sources within the United States for such purposes to the extent that such amount is attributable to income of the Issuer from sources within the United States.

A U.S. Holder that makes a QEF election in respect of a PFIC will recognise the taxable amount of the PFIC's earnings as determined in the functional currency of the PFIC and translated into U.S. dollars by the average exchange rate for the taxable year of the PFIC. A U.S. Holder that has paid tax on the undistributed earnings of a PFIC pursuant to a QEF election inclusion will receive distributions from the PFIC tax free up to the amount of the previously taxed earnings. The tax free amount is determined in the functional currency of the PFIC and is translated into dollars at the spot exchange rate on the date of distribution. Differences between the amount taxed and the amount distributed that result from fluctuations

in the exchange rate are taxable as ordinary income or loss from the same sources as the associated income inclusion.

In certain cases in which a QEF does not distribute all of its earnings in a taxable year, U.S. shareholders may also be permitted to elect to defer payment of some or all of the taxes on the QEF's income subject to an interest charge on the deferred amount. In this respect, prospective purchasers of Notes should be aware that it is expected that Debt Securities may be purchased by the Issuer with substantial original issue discount, the cash payment of which may be deferred, perhaps for a substantial period of time, and the Issuer may use interest and other income from the Debt Securities to purchase additional Debt Securities or to retire the Notes. As a result, the Issuer may have in any given year substantial amounts of earnings for U.S. federal income tax purposes that are not distributed on the Notes. Thus, absent an election to defer payment of taxes, U.S. Holders that make a QEF election with respect to the Issuer may owe tax on significant "phantom" income.

In addition, it should be noted that if the Issuer invests in obligations that are not in registered form, a U.S. Holder making a QEF election (i) may not be permitted to account for any loss attributable to such obligations when calculating its share of the Issuer's earnings and (ii) may be required to treat income attributable to such obligations as ordinary income even though the income would otherwise constitute capital gains. It is possible that some portion of the investments of the Issuer will constitute obligations that are not in registered form.

The Issuer will provide, upon request, all information and documentation that a U.S. Holder making a QEF election is required to obtain for U.S. federal income tax purposes.

In many cases, application of the tax on gain on disposition and receipt of excess distributions will be substantially more onerous than the treatment applicable if a timely QEF election is made. ACCORDINGLY, U.S. HOLDERS OF NOTES SHOULD CONSIDER CAREFULLY WHETHER TO MAKE A QEF ELECTION WITH RESPECT TO THE NOTES AND THE CONSEQUENCES OF NOT MAKING SUCH AN ELECTION.

To the extent that a distribution paid on an Note is not subject to the "excess distribution" rules described above and is not treated as a non-taxable distribution paid from earnings previously included in income under the QEF rules, the distribution (including amounts withheld in respect of foreign income tax) will be taxable as ordinary income to the extent of the Issuer's current or accumulated earnings and profits, as computed for U.S. federal income tax purposes. Distributions on the Notes will not be eligible for the preferential income tax rate on "qualified dividend income" under U.S. federal income tax law, or the dividends received deduction available for certain corporate dividends. Distributions on the Notes generally will be foreign source income for U.S. foreign tax credit purposes.

A U.S. Holder in a PFIC will generally be required to file annually a Form 8621 with the IRS with respect to its interest in the Issuer and may be subject to additional reporting obligations.

*Investment in a Controlled Foreign Corporation.* The Issuer may be classified as a controlled foreign corporation ("CFC"). In general, a foreign corporation will be classified as a CFC if more than 50% of the shares of the corporation, measured by reference to combined voting

power or value, is owned (actually or constructively) by "**U.S. Shareholders**". A U.S. Shareholder, for this purpose, is any U.S. person that possesses (actually or constructively) 10% or more of the combined voting power of all classes of shares of a corporation. It is possible that the IRS would assert that the Notes are de facto voting securities and that U.S. Holders deemed to own under the applicable constructive ownership rules 10% or more of the sum of the aggregate outstanding amount of the interests in the Issuer are U.S. Shareholders. If this assertion prevailed and more than 50% of the interests in the Issuer (determined with respect to aggregate value or aggregate outstanding amount) are owned (actually or constructively) by such U.S. Shareholders, the Issuer would be treated as a CFC. A U.S. Holder that is a U.S. Shareholder of the Issuer will be subject to the CFC rules and not the PFIC rules.

If the Issuer were treated as a CFC, a U.S. Holder that is treated as a U.S. Shareholder of the Issuer would be treated, subject to certain exceptions, as receiving a deemed dividend at the end of the taxable year of the Issuer in an amount equal to that person's pro rata share of the "**subpart F income**" of the Issuer. Among other items, and subject to certain exceptions, "**subpart F income**" includes dividends, interest, annuities, gains from the sale of shares and securities, certain gains from commodities transactions, certain types of insurance income and income from certain transactions with related parties. It is likely that, if the Issuer were to constitute a CFC, all, or almost all, of its income would be subpart F income. If more than 70% of the Issuer's income is Subpart F income, then 100% of its income will be so treated.

Distributions to U.S. Holders from amounts not attributable to subpart F income will be taxed as non- U.S. source ordinary dividends to the extent of earnings and profits. In addition, special rules apply to determine the appropriate exchange rate to be used to translate such amounts treated as a dividend and the amount of any foreign currency gain or loss with respect to distributions of previously taxed amounts attributable to movements in exchange rates between the times of deemed and actual distributions. U.S. Holders should consult their tax advisors regarding these special rules.

Notwithstanding the foregoing, a U.S. Holder that receives a distribution of amounts previously taxed under the CFC rules may recognize ordinary income or loss upon receipt of a distribution attributable to currency fluctuations, if such distribution is denominated in a currency other than the U.S. dollar. Prospective U.S. Holders of Notes denominated in a currency other than the U.S. dollar are urged to consult with their tax advisors as to the federal income tax consequences of such investment.

*Disposition of the Notes.* Subject to the discussion above, in general, a U.S. Holder will recognize gain or loss upon the sale, exchange, redemption, retirement or other taxable disposition of a Note equal to the difference between the U.S. Dollar amount realized on the disposition and such U.S. Holder's adjusted tax basis in the Note. Except as discussed above, such gain or loss will be long-term capital gain or loss if the U.S. Holder held the Note for more than one year at the time of the disposition. In certain circumstances, non-corporate U.S. Holders may be entitled to preferential treatment for net long-term capital gains; however, the ability of U.S. Holders to offset capital losses against ordinary income is limited.

Initially, a U.S. Holder's tax basis for a Note will equal the U.S. Dollar value of the amount paid for the Note. Where applicable, such basis will be increased by amounts taxable to such U.S. Holder by virtue of the CFC rules and QEF rules and decreased by actual distributions from the Issuer that are deemed to consist of such previously taxed amounts or are treated as a non-taxable reduction to the U.S. Holder's tax basis for the Notes (as described above).

If the Issuer were treated as a CFC and a U.S. Holder were treated as a U.S. Shareholder with respect to the Issuer, then any gain realized by such U.S. Holder upon the disposition of Notes, other than gain constituting an excess distribution under the PFIC rules, if applicable, would be treated as ordinary income to the extent of the aggregate current and accumulated earnings and profits of the Issuer (if any) of which are allocated to the Notes the U.S. Holder disposes. In this regard, earnings and profits would not include any amounts previously taxed pursuant to the CFC rules.

### ***U.S. Tax Treatment of Tax-Exempt U.S. Holders of Notes***

A U.S. Holder which is a tax-exempt entity (a "**Tax-Exempt U.S. Holder**") should consider whether interest it receives in respect of the Notes may be treated as unrelated business taxable income ("**UBTI**") under rules governing certain payments received from controlled entities.

With regard to "excess distributions" (defined above under "Tax Treatment of U.S. Holders of Notes - Investment in a Passive Foreign Investment Company"), a Tax-Exempt U.S. Holder generally will not be subject to the tax on UBTI with respect to regular distributions on the Notes. In addition, a Tax-Exempt U.S. Holder which is subject to the rules relating to "controlled foreign corporations" with respect to the Notes generally should not be subject to the tax on UBTI with respect to income from such Notes.

Notwithstanding the discussion in the preceding two paragraphs, a Tax-Exempt U.S. Holder which incurs "acquisition indebtedness" (as defined in Section 514(c) of the Code) with respect to the Notes will be subject to the tax on UBTI with respect to income from the Notes to the extent that the Notes constitute "debt-financed property" (as defined in Section 514(b) of the Code) of the Tax-Exempt U.S. Holder. A Tax-Exempt U.S. Holder subject to the tax on UBTI with respect to income from the Note will be taxed on "excess distributions" in the manner discussed above under "Tax Treatment of U.S. Holders of Notes - Investment in a Passive Foreign Investment Company".

Tax-Exempt U.S. Holders should consult their own tax advisors regarding an investment in the Notes.

### ***Transfer Reporting Requirements***

A U.S. Person (including a tax-exempt entity) that purchases the Notes for cash will be required to file a Form 926 or similar form with the IRS if (i) such person owned, directly or by attribution, immediately after the transfer at least 10% by vote or value of the Issuer or (ii) if the transfer, when aggregated with all transfers made by such person (or any related person) within the preceding 12 month period, exceeds U.S.\$100,000. In the event a U.S. Holder fails to file any such required form, the U.S. Holder could be required to pay a penalty equal

to 10% of the gross amount paid for such Notes (subject to a maximum penalty of U.S.\$100,000, except in cases involving intentional disregard). U.S. persons should consult their tax advisors with respect to this or any other reporting requirement which may apply with respect to their acquisition of the Notes.

#### ***Information Reporting and Backup Withholding***

U.S. Holders may be subject to information reporting on the amounts paid to them, unless they provide proof of an applicable exemption. If a U.S. Holder does not provide this proof of exemption, it may be subject to backup withholding on the amounts paid to it unless the U.S. Holder provides its taxpayer identification number and otherwise complies with the requirements of the backup withholding rules. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is furnished to the United States Internal Revenue Service.

U.S. Holders should consult with their tax advisors regarding other reporting or filing requirements they may have as a result of acquiring, holding or disposing of the Notes.

#### **Disclosure of Reportable Transactions and Maintenance of Participants List**

Under Treasury regulations, any person that files a U.S. federal income tax return or U.S. federal information return and participates in a "reportable transaction" in a taxable year is required to disclose certain information on IRS Form 8886 (or its successor form) attached to such person's U.S. federal tax return for such taxable year (and also file a copy of such form with the IRS's Office of Tax Shelter Analysis) and to retain certain documents related to the transaction. In addition, under these regulations, under certain circumstances, certain organizers and sellers of a "reportable transaction" will be required to maintain lists of participants in the transaction containing identifying information, retain certain documents related to the transaction, and furnish those lists and documents to the IRS upon request. The definition of "reportable transaction" is highly technical. However, in very general terms, a transaction may be a "reportable transaction" if, among other things, it is offered under conditions of confidentiality or it results in the claiming of a loss or losses for U.S. federal income tax purposes in excess of certain threshold amounts.

In addition, under these Treasury regulations, if the Issuer participates in a "reportable transaction", a U.S. Holder of Notes (or any other notes issued by the Issuer, if such notes are treated as equity for U.S. federal income tax purposes) that is a "reporting shareholder" of the Issuer will be treated as participating in the transaction and will be subject to the rules described above. Although most of the Issuer's activities generally are not expected to give rise to "reportable transactions," the Issuer nevertheless may participate in certain types of transactions that could be treated as "reportable transactions". A U.S. Holder of Notes or other equity in the Issuer will be treated as a "reporting shareholder" of the Issuer if the Issuer is treated as a CFC and such U.S. Holder is a "U.S. Shareholder" (as defined above) of the Issuer. The Issuer intends to provide to U.S. Holders of Notes that are "reporting shareholders" any information necessary to complete IRS Form 8886 (or its successor form).

Prospective investors in the Notes should consult their own tax advisors concerning any possible disclosure obligations under these Treasury regulations with respect to their ownership or disposition of the Notes in light of their particular circumstances.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to the Capital Note Dealers or to purchasers procured by the Capital Note Dealers. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Capital Note Dealers are set out in the Capital Note Dealer Agreement. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Capital Note Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Capital Note Dealer Agreement makes provision for the resignation or termination of appointment of existing Capital Note Dealers and for the appointment of additional or other Capital Note Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

Each prospective initial purchaser of the Notes offered in reliance on Rule 144A and each prospective initial purchaser of the Notes offered in reliance on Regulation S under the Securities Act (collectively, the "**Initial Offerees**") will be deemed to have represented, acknowledged and agreed as follows:

- (i) The Initial Offeree acknowledges that this Base Prospectus (together with any relevant Tranche Final Terms and Class Final Terms (collectively, the "**Offering Documents**")) is personal to the Initial Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of the Offering Documents or disclosure of any of their contents to any person other than the Initial Offeree and those persons, if any, retained to advise the Initial Offeree with respect thereto and other persons meeting the requirements of Rule 144A or another exemption from registration from the Securities Act or Regulation S is unauthorised and any disclosure of any of the contents of the Offering Documents, without the prior written consent of the Issuer, is prohibited.
- (ii) The Initial Offeree agrees to make no photocopies of the Offering Documents or any documents referred to herein or therein and, if received in any electronic format, agrees not to disclose or alter the contents of the Offering Documents or to forward a copy of all or any portion hereof or thereof by electronic mail or any other means to any person other than the person receiving electronic transmission hereof or thereof from the Capital Note Dealer and any person retained to advise the person receiving such electronic transmission with respect to the offering contemplated herein. If the Initial Offeree does not purchase the Notes or the offering is terminated, it agrees to return all Offering Documents and all other documents referred to herein or therein to Nightingale Finance Limited, Ogier House, The Esplanade, St. Helier, Jersey JE4 9WG, Attention: The Directors or, at the sole election and direction of the Capital Note Dealer, to permanently delete any electronic copy thereof.
- (iii) The Initial Offeree has carefully read and understands the Offering Documents, including, without limitation, the "*Risk Factors*" section herein, and has based its decision to purchase the Notes upon the information contained herein and not on any

other information. The Initial Offeree is not purchasing the Notes with a view to the resale, distribution or other disposition thereof in violation of the Securities Act.

**United States of America:**

**Initial Offers and Sales of Notes**

The Notes (or beneficial interests therein) have not been, and are not expected to be, registered under the Securities Act, the securities laws of any state of the United States or the securities laws of any other jurisdiction. The Issuer has not registered and does not intend to register as an investment company under the Investment Company Act, in reliance on the exception provided by Section 3(c)(7) of the Investment Company Act.

The Notes are being offered (i) outside of the United States to non-U.S. Persons in reliance on Regulation S, and (ii) within the United States or to or for the account or benefit of U.S. Persons in reliance on Rule 144A. The Notes may not be offered, sold or delivered within the United States or to or for the account or benefit of any person that is a U.S. Person unless, among other things, such person is both (1) a QIB and (2) a QP, acting for its own account or the account of another QIB which is a QP, and meets the other requirements set forth herein.

The Bearer Notes may not be offered, sold, delivered or otherwise transferred within the United States or to or for the account or benefit of any U.S. Person except as permitted under rules provided in Treasury regulation Section 1.163-5(c)(2)(i)(D). Any purported sale or other transfer of such beneficial interest that does not comply with the foregoing requirement shall be null and void *ab initio* and not honoured by the Issuer to the extent permitted by applicable law. Terms used herein have the meanings given to them by the Code and the regulations promulgated thereunder.

Interests in the Notes may not be reoffered, resold, pledged or otherwise transferred unless (1) registered pursuant to, or in transactions exempt from or not subject to the registration requirements of, the Securities Act and any other applicable securities laws and (2) pursuant to the provisions of the Code and the regulations promulgated thereunder. By its purchase or acquisition of Notes (or beneficial interest therein), such purchaser will be deemed to represent, warrant, acknowledge and agree or, in the case of registered definitive notes, will be required to certify that it will only resell or otherwise transfer such Notes (or beneficial interest therein) in accordance with the applicable restrictions set forth in the Notes and herein. Any resale or other transfer of a Note (or beneficial interest therein) which is not made in compliance with the transfer restrictions set forth therein shall be null and void and not honoured by the Issuer.

**Representations and Restrictions on Purchasers and Transferees**

*Purchasers' Representations and Warranties*

Rule 144A Notes:

Each person who purchases or otherwise acquires a Rule 144A Note (or a beneficial interest therein) will be required, in a transfer certificate, to represent, warrant, acknowledge and



agree, for the benefit of the Issuer, that it and any person for which it is acting will not reoffer, resell, pledge, exchange or otherwise transfer such Rule 144A Note or any beneficial interest therein except in compliance with the Securities Act and all other applicable laws of any jurisdiction and except (a) to a person it reasonably believes to be both a QIB (as defined below) and a QP (as defined below) in a transaction meeting the other requirements set forth herein; or (b) in an offshore transaction meeting the requirements of Regulation S under the Securities Act and the transfer restrictions applicable to Regulation S Notes and if applicable in a transaction that has received the prior written authorisation of the Issuer; or (c) to the Issuer or to AIG Financial Securities Corp..

Each person that purchases or otherwise acquires a Rule 144A Note or a beneficial interest in any Rule 144A Note will be required to certify in a transfer certificate delivered to the Fiscal Agent and the Issuer that either (A):

- (i) it, and each person for which it is acting, is a QIB (as defined below) that is a QP (as defined below) and is acquiring the Rule 144A Notes (or beneficial interests therein) for its own account or for the account or accounts of one or more other persons, each of which is a QIB and a QP;
- (ii) it, and each person for which it is acting, is aware that the sale, resale, pledge, exchange or other transfer of the Rule 144A Notes (or beneficial interest therein) is being made in reliance on Rule 144A and will so inform any subsequent transferee of a Rule 144A Note (or beneficial interest therein) that the subsequent transfer will be made in reliance on Rule 144A;
- (iii) it, and each account for which it is purchasing or otherwise acquiring such Rule 144A Notes (or beneficial interest therein), will hold at least U.S.\$250,000 (or its equivalent in any other currency in which Rule 144A Notes may be issued) of Rule 144A Notes (or beneficial interest therein);
- (iv) it, and each person for which it is acting, understands that the Issuer has not registered, and does not intend to register as an investment company under the Investment Company Act and that the Issuer is relying on Section 3(c)(7) of the Investment Company Act. It, and each person for which it is acting, also understands and agrees that the Issuer shall have the right to request and receive such additional documents, certifications, representations and undertakings, from time to time, as the Issuer may deem necessary in order to comply with applicable legal requirements;
- (v) it, and each person for which it is acting, understands that any sale or transfer to a person that does not comply with the requirements set forth in paragraphs (A)(i) through (A)(viii) hereof will be null and void *ab initio* and not honoured by the Issuer;
- (vi) it, and each person for which it is acting, agrees that the Issuer shall be entitled to require any Holder of a Rule 144A Note (or beneficial interest therein) that is determined not to have been both a QIB and a QP (and to have complied with the requirements set forth in paragraphs (A)(i) through (A)(viii) hereof) at the time of acquisition of such Rule 144A Note (or beneficial interest therein) to sell such Rule

144A Note (or beneficial interest therein) in accordance with the provisions set forth therein and under "Required Sale" below;

- (vii) it, and each person for which it is acting, will provide notice of these transfer restrictions to any subsequent transferees and agrees not to reoffer, resell, pledge or otherwise transfer the Rule 144A Notes (or any beneficial interest therein) to any person except to a person that (x) meets all of the requirements in paragraphs (A)(i) through (A)(viii) hereof or (B) and (y) agrees not to subsequently transfer the Rule 144A Notes or any beneficial interest therein except in accordance with these transfer restrictions;
- (viii) it will not institute against, or join any person instituting against, the Issuer any bankruptcy, reorganisation, arrangement, insolvency or liquidation proceeding under any federal or state bankruptcy or similar law, for two years and a day (or, if longer, the preference period then in effect) after the date the latest maturing Senior Note, Mezzanine Note or Capital Note is paid in full; and
- (ix) it, and each person for which it is acting, understands that the Issuer may receive a list of DTC participants holding beneficial interests in a global note held in DTC,

or (B) it and each person for which it is acting (1) is not a U.S. Person within the meaning of Regulation S, (2) is taking delivery of an interest in a Regulation S Note in an offshore transaction meeting the requirements of Regulation S and the transfer restrictions applicable to Regulation S Notes and, if applicable, in a transaction that has received the prior written authorisation of the Issuer, and (3) the transferee has provided to the Fiscal Agent and the Issuer the transfer certificate(s) applicable to transfers of Regulation S Notes (or beneficial interest therein).

**"QIB"** means a "qualified institutional buyer" as defined under Rule 144A.

**"QP"** means a "qualified purchaser" as defined under Section 2(a)(51)(A) of the Investment Company Act and the rules and regulations thereunder, and that is not:

- (1) a broker-dealer which owns and invests on a discretionary basis less than U.S.\$25 million in securities of unaffiliated issuers;
- (2) a participant-directed employee plan, such as a 401(k) plan, or a trust fund holding the assets of such plan;
- (3) an entity formed, reformed or recapitalised for the purpose of investing in the Notes (or beneficial interests therein) and/or other securities of the Issuer (unless all of the beneficial owners of such entity's securities are both QIBs and QPs);
- (4) an investment company excepted from the Investment Company Act pursuant to Section 3(c)(1) or Section 3(c)(7) thereof (or a foreign investment company under Section 7(d) thereof relying on Section 3(c)(1) or 3(c)(7) with respect to its holders that are U.S. persons), which was formed on or before 30 April 1996, unless it has received the consent of its beneficial owners who acquired their interests on or before

30 April 1996, with respect to its treatment as a QP in the manner required by Section 2(a)(51)(C) of the Investment Company Act and the rules promulgated thereunder;

- (5) a: (a) corporation (b) partnership; (c) common trust fund; or (d) special trust, pension fund or profit sharing or retirement plan, or other entity, in which the partners, beneficiaries, beneficial owners, participants or other equity owners, as the case may be, may designate the particular investments to be made, or the allocation thereof; or
- (6) an entity that has invested more than 40% of its assets in the Notes (or beneficial interests therein) and/or other securities of the Issuer after giving effect to the purchase of the Notes (or beneficial interests therein).

In acquiring such Rule 144A Note (or beneficial interest therein), the transferee may seek the prior written authorisation of the Issuer and a written opinion of the Issuer's counsel that such transaction will not affect the Issuer's ability to rely on the Section 3(c)(7) exception from the Investment Company Act. The Registrar may rely upon any such authorisation or opinion for all purposes hereunder without further inquiry.

In addition, each purchaser and any subsequent transferee of a Rule 144A Note (or a beneficial interest therein) will be required, in a transfer certificate, to represent, warrant, acknowledge and agree that it, and each person for which it is acting, understands that the Rule 144A Notes (or beneficial interests therein) are being offered and may be transferred only in transactions not involving any public offering within the meaning of the Securities Act and must be prepared to hold its Rule 144A Note (or beneficial interest therein) until maturity.

Each person that purchases or otherwise acquires a beneficial interest in any Rule 144A Note will be required to certify in a transfer certificate delivered to the Fiscal Agent and the Issuer that (i) it is not, and is not acting on behalf of, an ERISA Plan (as defined below) or other Plan (as defined below), or an entity whose underlying assets include plan assets by reason of an ERISA Plan's or other Plan's investment in the entity within the meaning of the Plan Assets Regulation (as defined below), or a governmental or other employee benefit plan which is subject to any federal, state or local law that is substantially similar to the provisions of Section 406 of ERISA (as defined below) or Section 4975 of the Code (as defined below), and (ii) it will not sell or otherwise transfer any such Notes to any person without obtaining these same representations, warranties and agreements from such person.

As used above:

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

the "**Code**" means the United States Internal Revenue Code of 1986, as amended;

"**ERISA Plan**" means an employee benefit plan within the meaning of Section 3(3) of ERISA that is subject to Title I of ERISA;

"**other Plan**" means a plan, an individual retirement account or another entity subject to Section 4975 of the Code; and

"**Plan Assets Regulation**" means the regulations issued by the United States Department of Labor and found at 29 CFR Section 2510.3-101, as modified by Section 3(42) of ERISA.

The Issuer will be relying on the foregoing representations and agreements with respect to the exemption of the offering under the Securities Act and the exception of the Issuer from registration under Section 3(c)(7) of the Investment Company Act.

By purchasing or accepting a Rule 144A Note, the holder thereof agrees to treat such Note for purposes of United States federal, state and local income taxes and any other taxes imposed on or measured by income, as equity, to report such Note on all applicable tax returns in a manner consistent with such treatment, and to provide any required U.S. withholding certification consistent with such treatment.

A Rule 144A Note may not be exchanged for a Bearer Definitive Note.

Regulation S Notes (issued in registered form):

Each person who purchases or otherwise acquires a Regulation S Note (or a beneficial interest therein) will be deemed to represent, warrant, acknowledge and agree (and if it is acquiring an interest in a Definitive Regulation S Note will be required to certify), for the benefit of the Issuer, that it and any person for which it is acting will not reoffer, resell, pledge, exchange or otherwise transfer such Regulation S Note or any beneficial interest therein except in compliance with the Securities Act and all other applicable laws of any jurisdiction and except (a) to a person it reasonably believes to be both a QIB (as defined below) and a QP (as defined below) in a transaction meeting the requirements of Rule 144A under the Securities Act; or (b) in an offshore transaction meeting the requirements of Regulation S under the Securities Act and the transfer restrictions applicable to Regulation S Notes and if applicable in a transaction that has received the prior written authorisation of the Issuer; or (c) to the Issuer or to Banque AIG.

Each initial purchaser will represent and agree and each person that subsequently purchases or otherwise acquires a beneficial interest in any Regulation S Note will be deemed, by its acquisition thereof, to represent, warrant, acknowledge and agree (and if it is acquiring an interest in a registered Regulation S Note in definitive form (a "**Definitive Regulation S Note**") will be required to certify) that either:

(A)

- (i) it and each person for which it is acting is not a U.S. Person and is acquiring a beneficial interest in the Notes in an offshore transaction meeting the requirements of Regulation S;
- (ii) it, and each person for which it is acting will hold at least U.S.\$250,000 (or its equivalent in any other currency in which the Regulation S Notes may be issued) of Notes;
- (iii) it and each person for which it is acting is taking delivery in the form of an interest in a Regulation S Global Note or, if delivery is in the form of a Definitive Regulation S Note, it and each person for which it is acting has delivered to the Fiscal Agent and the

Issuer the transferee certificates applicable to transfers of Definitive Regulation S Notes;

- (iv) it and each person for which it is acting will provide notice of these transfer restrictions to any subsequent transferee and agrees not to reoffer, resell, pledge, or otherwise transfer the Notes or any beneficial interest therein to any person except to a person that (x) meets all of the requirements in (A)(i) through (A)(viii) hereof or (B) and (y) agrees not to subsequently transfer the Notes or any beneficial interest therein except in accordance with these transfer restrictions;
- (v) it and each person for which it is acting understands that any sale or transfer to a person that does not comply with the foregoing requirements will be null and void *ab initio* and not honoured by the Issuer;
- (vi) it and each person for which it is acting agrees that the Issuer shall be entitled to require any holder of a Regulation S Note (or beneficial interest therein), that acquired such Note in a transaction that was not an Eligible Secondary Market Transaction (as defined below) or that is determined to have been a U.S. Person at the time of acquisition of such Note (or beneficial interest therein), to sell such Notes (or such beneficial interest therein) in accordance with the provisions set forth therein and under "*Required Sale*" below;
- (vii) it, and each person for which it is acting, understands that the Issuer will not register as an investment company under the Investment Company Act and that the Issuer is relying on Section 3(c)(7) of the Investment Company Act. It, and each person for which it is acting, also understands and agrees that the Issuer shall have the right to request and receive such additional documents, certifications, representations and undertakings, from time to time, as the Issuer may deem necessary in order to comply with applicable legal requirements; and
- (viii) it will not institute against, or join any persons instituting against, the Issuer any bankruptcy, reorganisation, arrangement, insolvency or liquidation proceeding under any federal or state bankruptcy or similar law, for two years and a day (or, if longer, the preference period then in effect) after the date the latest maturing Senior Note, Mezzanine Note or Capital Note is paid in full,

or (B) it and each person for which it is acting (1) is both a QIB and a QP, (2) is taking delivery of a Rule 144A Note in a transaction meeting the requirements of Rule 144A and the requirements hereof with respect to Rule 144A Notes, and (3) has delivered to the Fiscal Agent and the Issuer the transfer certificate(s) applicable to transfers of Rule 144A Notes.

**"Eligible Secondary Market Transaction"** means an offshore transaction meeting the requirements of Regulation S in which (a) none of the Issuer or any of its affiliates is involved and (b) no dealer, transferor, transferee or any other person involved in such transaction (i) has been engaged to act, or is otherwise acting, as an agent of or intermediary for the Issuer or any of its affiliates in connection with such transaction or (ii) has received or will receive any compensation from the Issuer or any of its affiliates in connection with such transaction.

In acquiring such Regulation S Note (or beneficial interest therein), the transferee may seek the prior written authorisation of the Issuer and a written opinion of the Issuer's counsel that such transaction will not affect the Issuer's ability to rely on the Section 3(c)(7) exception from the Investment Company Act. The Fiscal Agent may rely upon any such authorisation or opinion for all purposes hereunder without further inquiry.

In addition, each purchaser and any subsequent transferee of a Regulation S Note (or a beneficial interest therein), by its purchasing or otherwise accepting such Regulation S Note (or beneficial interest therein), will be deemed to represent, warrant, acknowledge and agree (and if it is acquiring an interest in a Definitive Regulation S Note will be required to certify) that it, and each person for which it is acting, understands that the Regulation S Notes are being offered and may be transferred only in transactions not involving any public offering within the meaning of the Securities Act and must be prepared to hold its Regulation S Note (or beneficial interest therein) until maturity.

Each person that purchases or otherwise acquires a beneficial interest in any Regulation S Note will be deemed to represent, warrant, acknowledge and agree (and if it is acquiring an interest in a Definitive Regulation S Note, will certify) that (i) it is not, and is not acting on behalf of, an ERISA Plan (as defined below) or other Plan (as defined below), or an entity whose underlying assets include plan assets by reason of an ERISA Plan's or other Plan's investment in the entity within the meaning of the Plan Assets Regulation (as defined below), or a governmental or other employee benefit plan which is subject to any federal, state or local law that is substantially similar to the provisions of Section 406 of ERISA (as defined below) or Section 4975 of the Code (as defined below), and (ii) it will not sell or otherwise transfer any such Notes to any person without obtaining these same representations, warranties and agreements from such person.

As used above:

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

the "**Code**" means the United States Internal Revenue Code of 1986, as amended;

"**ERISA Plan**" means an employee benefit plan within the meaning of Section 3(3) of ERISA that is subject to Title I of ERISA;

"**other Plan**" means a plan, an individual retirement account or another entity subject to Section 4975 of the Code; and

"**Plan Assets Regulation**" means the regulations issued by the United States Department of Labor and found at 29 CFR Section 2510.3-101, as modified by Section 3(42) of ERISA.

The Issuer will be relying on the foregoing representations and agreements with respect to the exemption of the offering under the Securities Act and the exception of the Issuer under Section 3(c)(7) of the Investment Company Act.

By purchasing or accepting a Regulation S Note, the holder thereof agrees to treat such Note for purposes of United States federal, state and local income taxes and any other taxes imposed on or measured by income, as equity, to report such Note on all applicable tax returns in a manner consistent with such treatment, and to provide any required U.S. withholding certification consistent with such treatment.

Bearer Notes:

Bearer Notes may not be offered, sold, delivered or otherwise transferred within the United States or to or for the account or benefit of any U.S. Person except as permitted under rules provided in Treasury regulation Section 1.163-5(c)(2)(i)(D). Any purported sale or other transfer of such beneficial interest that does not comply with the foregoing requirement shall be null and void *ab initio* and not honoured by the Issuer to the extent permitted by applicable law.

Terms used herein have the meanings given to them by the Code and the regulations promulgated thereunder.

**Required Sale**

The Issuer shall be entitled to require any U.S. Person (A) that is a holder of any Note (or beneficial interest therein) that is determined not to have been, at the time of acquisition of such Note (or beneficial interest therein), both a QIB and a QP, or (B) (i) that is a holder of a Regulation S Note (or beneficial interest therein) that acquired such Note in a transaction that was not an Eligible Secondary Market Transaction, to sell such Note (or beneficial interest therein) within 30 days after notice of the sale requirement is given, to a person that either:

- (i) (a) is both a QIB and a QP and meets the other requirements set forth herein, (b) is taking delivery of a Rule 144A Note in a transaction meeting the requirements of Rule 144A and the requirements hereof with respect to Rule 144A Notes, and (c) has delivered to the Fiscal Agent and the Issuer the transfer certificate(s) applicable to transfers of Rule 144A Notes; or
- (ii) (a) is not a U.S. Person, (b) is taking delivery of an interest in a Regulation S Note in an offshore transaction meeting the requirements of Regulation S and the requirements thereof with respect to the Regulation S Notes, and (c) provides to the Fiscal Agent and the Issuer the transfer certificate(s) applicable to transfers of Regulation S Notes (or beneficial interest therein).

If such holder fails to effect the sale within such 30-day period, the Issuer shall cause such holder's Note (or beneficial interest therein) to be transferred in a commercially reasonable sale (conducted in accordance with Sections 9-610, 9-611 and 9-627 of the Uniform Commercial Code as applied to securities that are sold on a recognised market or that may decline speedily in value) to a person that meets the requirements of either (i) or (ii) above.

## *Legends*

Set forth below are the form of legends which shall appear on each Note, unless the Issuer, based on advice of counsel, determines otherwise in compliance with applicable law. Such legends may be used to notify transferees of the foregoing restrictions on the resale or other transfer of Notes. The following legends may not be removed from any Note as long as the Issuer is relying on Section 3(c)(7) of the United States Investment Company Act of 1940.

*Rule 144A Note:* Each Rule 144A Note will contain the following legend:

"NEITHER THIS NOTE NOR ANY BENEFICIAL INTEREST HEREIN HAS BEEN OR IS EXPECTED TO BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. NIGHTINGALE FINANCE LIMITED (THE "**ISSUER**") HAS NOT REGISTERED AND DOES NOT INTEND TO REGISTER AS AN INVESTMENT COMPANY UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), IN RELIANCE ON THE EXCEPTION PROVIDED BY SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT.

THIS NOTE AND BENEFICIAL INTERESTS IN THIS NOTE MAY NOT BE REOFFERED, RESOLD, PLEDGED, EXCHANGED OR OTHERWISE TRANSFERRED IN VIOLATION OF THE SECURITIES ACT OR SUCH OTHER SECURITIES LAWS. EACH PERSON WHO PURCHASES OR OTHERWISE ACQUIRES THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) IS REQUIRED, IN A TRANSFER CERTIFICATE, TO REPRESENT, WARRANT, ACKNOWLEDGE AND AGREE, FOR THE BENEFIT OF THE ISSUER, THAT IT AND ANY PERSON FOR WHICH IT IS ACTING WILL NOT REOFFER, RESELL, PLEDGE, EXCHANGE OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND ALL OTHER APPLICABLE LAWS OF ANY JURISDICTION AND EXCEPT: (A) TO A U.S. PERSON IT REASONABLY BELIEVES TO BE BOTH A QIB (AS DEFINED BELOW), AND QP (AS DEFINED BELOW) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") (IN WHICH CASE IT WILL INFORM SUCH PERSON THAT THE TRANSFER TO SUCH PERSON IS BEING MADE IN RELIANCE ON RULE 144A); OR (B) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") AND THE TRANSFER RESTRICTIONS APPLICABLE TO REGULATION S NOTES, AND IF APPLICABLE IN A TRANSACTION THAT HAS RECEIVED THE PRIOR WRITTEN AUTHORISATION OF THE ISSUER; OR (C) TO THE ISSUER OR TO BANQUE AIG OR AIG FINANCIAL SECURITIES CORP. (THE "**DEALERS**").

"**QIB**" MEANS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED UNDER RULE 144A.



"QP" MEANS A "QUALIFIED PURCHASER" AS DEFINED UNDER SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT AND THE RULES AND REGULATIONS THEREUNDER, AND THAT IS NOT:

- (1) A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.\$25 MILLION IN SECURITIES OF UNAFFILIATED ISSUERS;
- (2) A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(k) PLAN, OR A TRUST FUND HOLDING THE ASSETS OF SUCH PLAN;
- (3) AN ENTITY FORMED, REFORMED OR RECAPITALISED FOR THE PURPOSE OF INVESTING IN THE NOTES AND/OR OTHER SECURITIES OF THE ISSUER;
- (4) AN INVESTMENT COMPANY EXCEPTED FROM THE INVESTMENT COMPANY ACT PURSUANT TO SECTION 3(c)(1) OR SECTION 3(c)(7) THEREOF (OR A FOREIGN INVESTMENT COMPANY UNDER SECTION 7(d) THEREOF RELYING ON SECTION 3(c)(1) OR 3(c)(7) WITH RESPECT TO ITS HOLDERS THAT ARE U.S. PERSONS), WHICH WAS FORMED ON OR BEFORE 30 APRIL 1996, UNLESS IT HAS RECEIVED THE CONSENT OF ITS BENEFICIAL OWNERS WHO ACQUIRED THEIR INTERESTS ON OR BEFORE 30 APRIL 1996, WITH RESPECT TO ITS TREATMENT AS A QP IN THE MANNER REQUIRED BY SECTION 2(a)(51)(C) OF THE INVESTMENT COMPANY ACT AND THE RULES PROMULGATED THEREUNDER;
- (5) A: (A) PARTNERSHIP; (B) COMMON TRUST FUND; OR (C) SPECIAL TRUST, PENSION FUND OR PROFIT SHARING OR RETIREMENT PLAN, OR OTHER ENTITY, IN WHICH THE PARTNERS, BENEFICIARIES, BENEFICIAL OWNERS, PARTICIPANTS OR OTHER EQUITY OWNERS, AS THE CASE MAY BE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, OR THE ALLOCATION THEREOF; OR
- (6) AN ENTITY THAT HAS INVESTED MORE THAN 40% OF ITS ASSETS IN THE NOTES (OR BENEFICIAL INTERESTS THEREIN) AND/OR OTHER SECURITIES OF THE ISSUER AFTER GIVING EFFECT TO THE PURCHASE OF THE NOTES (OR BENEFICIAL INTERESTS THEREIN).

EACH PURCHASER OR TRANSFEREE HEREOF WILL BE REQUIRED, IN A TRANSFER CERTIFICATE, TO REPRESENT, WARRANT, ACKNOWLEDGE AND AGREE, THAT EITHER:

- (A)
  - (1) IT, AND EACH PERSON FOR WHICH IT IS ACTING, IS A QIB THAT IS A QP AND IS ACQUIRING THIS NOTE (OR BENEFICIAL INTEREST HEREIN) FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OR ACCOUNTS OF ONE OR MORE OTHER PERSONS, EACH OF WHICH IS A QIB AND A QP;

- (2) IT, AND EACH PERSON FOR WHICH IT IS ACTING, IS AWARE THAT THE SALE, RESALE, PLEDGE, EXCHANGE OR OTHER TRANSFER OF THE NOTES (OR BENEFICIAL INTEREST HEREIN) IS BEING MADE IN RELIANCE ON RULE 144A AND WILL SO INFORM ANY SUBSEQUENT RULE 144A TRANSFEREE THAT THE TRANSFER WILL BE MADE IN RELIANCE ON RULE 144A;
- (3) IT, AND EACH ACCOUNT FOR WHICH IT IS PURCHASING OR OTHERWISE ACQUIRING NOTES (OR BENEFICIAL INTEREST THEREIN), WILL HOLD AT LEAST U.S.\$250,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY IN WHICH RULE 144A NOTES MAY BE ISSUED) OF RULE 144A NOTES (OR BENEFICIAL INTEREST THEREIN);
- (4) IT, AND EACH PERSON FOR WHICH IT IS ACTING, UNDERSTANDS THAT THE ISSUER HAS NOT REGISTERED, AND DOES NOT INTEND TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT AND THAT THE ISSUER IS RELYING ON SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT. IT, AND EACH PERSON FOR WHICH IT IS ACTING, ALSO UNDERSTANDS AND AGREES THAT THE ISSUER SHALL HAVE THE RIGHT TO REQUEST AND RECEIVE SUCH ADDITIONAL DOCUMENTS, CERTIFICATIONS, REPRESENTATIONS AND UNDERTAKINGS, FROM TIME TO TIME, AS THE ISSUER MAY DEEM NECESSARY IN ORDER TO COMPLY WITH APPLICABLE LEGAL REQUIREMENTS;
- (5) IT, AND EACH PERSON FOR WHICH IT IS ACTING, UNDERSTANDS THAT ANY SALE OR TRANSFER TO A PERSON THAT DOES NOT COMPLY WITH THE REQUIREMENTS SET FORTH IN PARAGRAPHS (A)(1) THROUGH (A)(8) HEREOF WILL BE NULL AND VOID *AB INITIO* AND NOT HONoured BY THE ISSUER;
- (6) IT, AND EACH PERSON FOR WHICH IT IS ACTING, AGREES THAT THE ISSUER SHALL BE ENTITLED TO REQUIRE ANY HOLDER OF THIS NOTE (OR BENEFICIAL INTEREST THEREIN) THAT IS DETERMINED NOT TO HAVE BEEN BOTH A QIB AND A QP (AND TO HAVE COMPLIED WITH THE REQUIREMENTS SET FORTH IN PARAGRAPHS (A)(1) THROUGH (A)(8) HEREOF) AT THE TIME OF ACQUISITION OF SUCH RULE 144A NOTE (OR BENEFICIAL INTEREST THEREIN) TO SELL SUCH RULE 144A NOTE (OR BENEFICIAL INTEREST THEREIN) IN ACCORDANCE WITH THE PROVISIONS SET FORTH HEREIN;
- (7) IT, AND EACH PERSON FOR WHICH IT IS ACTING, WILL PROVIDE NOTICE OF THESE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREES AND AGREES NOT TO REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THE RULE 144A NOTES OR ANY BENEFICIAL INTEREST THEREIN TO ANY PERSON EXCEPT TO A PERSON THAT (X) MEETS ALL OF THE REQUIREMENTS IN PARAGRAPHS (A)(1) THROUGH (A)(8) HEREOF OR

(B) AND (Y) AGREES NOT TO SUBSEQUENTLY TRANSFER THE RULE 144A NOTES OR ANY BENEFICIAL INTEREST THEREIN EXCEPT IN ACCORDANCE WITH THESE TRANSFER RESTRICTIONS; AND

- (8) IT WILL NOT INSTITUTE AGAINST, OR JOIN ANY PERSON INSTITUTING AGAINST, THE ISSUER ANY BANKRUPTCY, REORGANISATION, ARRANGEMENT, INSOLVENCY OR LIQUIDATION PROCEEDING UNDER ANY FEDERAL OR STATE BANKRUPTCY OR SIMILAR LAW, FOR TWO YEARS AND A DAY (OR, IF LONGER, THE PREFERENCE PERIOD THEN IN EFFECT) AFTER THE DATE THE LATEST MATURING SENIOR NOTE OR CAPITAL NOTE IS PAID IN FULL,

OR (B) IT AND EACH PERSON FOR WHICH IT IS ACTING (1) IS NOT A U.S. PERSON WITHIN THE MEANING OF REGULATION S, (2) IS TAKING DELIVERY OF AN INTEREST IN A REGULATION S NOTE IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF REGULATION S AND THE TRANSFER RESTRICTIONS APPLICABLE TO REGULATION S NOTES AND, IF APPLICABLE, IN A TRANSACTION THAT HAS RECEIVED THE PRIOR WRITTEN AUTHORISATION OF THE ISSUER, AND (3) THE TRANSFEREE HAS PROVIDED TO THE FISCAL AGENT AND THE ISSUER THE TRANSFER CERTIFICATE(S) APPLICABLE TO TRANSFERS OF REGULATION S NOTES (OR BENEFICIAL INTEREST THEREIN).

IN ACQUIRING THIS RULE 144A NOTE (OR BENEFICIAL INTEREST HEREIN), THE TRANSFEREE MAY SEEK THE PRIOR WRITTEN AUTHORISATION OF THE ISSUER AND A WRITTEN OPINION OF THE ISSUER'S COUNSEL THAT SUCH TRANSACTION WILL NOT AFFECT THE ISSUER'S ABILITY TO RELY ON THE SECTION 3(c)(7) EXCEPTION FROM THE INVESTMENT COMPANY ACT. THE REGISTRAR MAY RELY UPON ANY SUCH AUTHORISATION OR OPINION FOR ALL PURPOSES HEREUNDER WITHOUT FURTHER INQUIRY.

THE ISSUER AND THE FISCAL AGENT MAY REQUIRE THE HOLDER TO PROVIDE THEM WITH AN OPINION OF COUNSEL ADDRESSED TO AND SATISFACTORY TO THEM TO THE EFFECT THAT SUCH REOFFER, RESALE, EXCHANGE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM OR NOT SUBJECT TO REGISTRATION UNDER THE SECURITIES ACT AND WILL NOT REQUIRE THE ISSUER TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT.

IN ADDITION, EACH PURCHASER AND ANY SUBSEQUENT TRANSFEREE OF THIS RULE 144A NOTE (OR A BENEFICIAL INTEREST HEREIN), WILL BE REQUIRED, IN A TRANSFER CERTIFICATE, TO REPRESENT, WARRANT, ACKNOWLEDGE AND AGREE THAT IT, AND EACH PERSON FOR WHICH IT IS ACTING, UNDERSTANDS THAT THIS NOTE (OR BENEFICIAL INTEREST HEREIN) IS BEING OFFERED AND MAY BE TRANSFERRED ONLY IN TRANSACTIONS NOT INVOLVING ANY PUBLIC OFFERING WITHIN THE MEANING OF THE SECURITIES ACT AND MUST BE

PREPARED TO HOLD THIS NOTE (OR BENEFICIAL INTEREST HEREIN) UNTIL MATURITY.

EACH PERSON THAT PURCHASES OR OTHERWISE ACQUIRES A BENEFICIAL INTEREST IN ANY RULE 144A NOTE WILL BE REQUIRED TO CERTIFY IN A TRANSFER CERTIFICATE DELIVERED TO THE FISCAL AGENT AND THE ISSUER THAT (I) IT IS NOT, AND IS NOT ACTING ON BEHALF OF, AN ERISA PLAN (AS DEFINED BELOW) OR OTHER PLAN (AS DEFINED BELOW), OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF AN ERISA PLAN'S OR OTHER PLAN'S INVESTMENT IN THE ENTITY WITHIN THE MEANING OF THE PLAN ASSETS REGULATION (AS DEFINED BELOW), OR A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA (AS DEFINED BELOW) OR SECTION 4975 OF THE CODE (AS DEFINED BELOW), AND (II) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SUCH NOTES TO ANY PERSON WITHOUT OBTAINING THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS FROM SUCH PERSON.

AS USED ABOVE:

"**ERISA**" MEANS THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

THE "**CODE**" MEANS THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED;

"**ERISA PLAN**" MEANS AN EMPLOYEE BENEFIT PLAN WITHIN THE MEANING OF SECTION 3(3) OF ERISA THAT IS SUBJECT TO TITLE I OF ERISA;

"**OTHER PLAN**" MEANS A PLAN, AN INDIVIDUAL RETIREMENT ACCOUNT OR ANOTHER ENTITY SUBJECT TO SECTION 4975 OF THE CODE; AND

"**PLAN ASSETS REGULATION**" MEANS THE REGULATIONS ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR AND FOUND AT 29 CFR SECTION 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA.

IF THE PURCHASER OR ANY SUBSEQUENT TRANSFEREE OF A NOTE (OR A BENEFICIAL INTEREST THEREIN) IS DETERMINED NOT TO HAVE BEEN BOTH A QIB AND A QP (AND TO HAVE MET THE OTHER REQUIREMENTS SET FORTH HEREIN) AT THE TIME IT ACQUIRED SUCH NOTE (OR BENEFICIAL INTEREST THEREIN), THE ISSUER MAY COMPEL SUCH PERSON TO SELL SUCH NOTE (OR BENEFICIAL INTEREST THEREIN) WITHIN 30 DAYS AFTER NOTICE OF THE SALE REQUIREMENT IS GIVEN TO A PERSON THAT IS BOTH A QIB AND A QP (AND MEETS THE OTHER REQUIREMENTS SET FORTH HEREIN) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A. IF SUCH PERSON FAILS TO EFFECT THE SALE WITHIN SUCH 30-DAY PERIOD, THE ISSUER MAY CAUSE

SUCH PERSON'S NOTE (OR BENEFICIAL INTEREST THEREIN) TO BE TRANSFERRED IN A COMMERCIALY REASONABLE SALE (CONDUCTED IN ACCORDANCE WITH SECTIONS 9-610, 9-611 AND 9-627 OF THE UNIFORM COMMERCIAL CODE AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNISED MARKET) TO A TRANSFEREE THAT CERTIFIES TO THE ISSUER AND THE TRUSTEE THAT IT IS BOTH A QIB AND A QP (AND MEETS THE OTHER REQUIREMENTS SET FORTH HEREIN) AND IS AWARE THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, TOGETHER WITH THE OTHER ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS TO BE MADE BY A TRANSFEREE OF A NOTE OR BENEFICIAL INTEREST THEREIN, PROVIDED, HOWEVER, THAT THE ISSUER MAY WAIVE THE FOREGOING CERTIFICATION REQUIREMENT IF THEY HAVE BEEN ADVISED BY ISSUER'S COUNSEL THAT SUCH SALE WOULD NOT REQUIRE THE ISSUER TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OR REQUIRE REGISTRATION UNDER THE SECURITIES ACT.

THIS NOTE AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME BY THE ISSUER, WITHOUT THE CONSENT OF BUT UPON NOTICE TO THE CAPITAL NOTE DEALERS AND TO THE HOLDERS OF NOTES SENT TO THEIR REGISTERED ADDRESSES, TO (1) MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS NOTE AND/OR BENEFICIAL INTERESTS THEREIN TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES SUCH AS THIS NOTE GENERALLY OR (2) ENABLE THE ISSUER TO RELY UPON ANY EXCLUSION FROM THE DEFINITION OF INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT THAT MAY BECOME AVAILABLE, PROVIDED, IN EACH CASE, THAT NO SUCH AMENDMENT OR SUPPLEMENT SHALL HAVE A MATERIAL ADVERSE EFFECT UPON HOLDERS OR OWNERS OF BENEFICIAL INTERESTS IN THE NOTES OR ON THE ABILITY OF THE ISSUER TO RELY ON SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT. THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS NOTE, AGREES, AND EACH BENEFICIAL OWNER, BY PURCHASING OR OTHERWISE ACQUIRING A BENEFICIAL INTEREST IN THIS NOTE, SHALL AGREE, TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND THE OWNERS OF BENEFICIAL INTERESTS HEREIN AND ALL FUTURE HOLDERS OF THIS NOTE AND OWNERS OF BENEFICIAL INTERESTS HEREIN AND ANY NOTES ISSUED IN EXCHANGE OR SUBSTITUTION HEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE THEREON).

A RULE 144A NOTE MAY NOT BE EXCHANGED FOR A BEARER NOTE."

*Regulation S Note (issued in registered form only).* Each Regulation S Note will contain the following legend:

"NEITHER THIS NOTE NOR ANY BENEFICIAL INTEREST HEREIN HAS BEEN, OR IS EXPECTED TO BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. NIGHTINGALE FINANCE LIMITED (THE "**ISSUER**") HAS NOT REGISTERED AND DOES NOT INTEND TO REGISTER AS AN INVESTMENT COMPANY UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), IN RELIANCE ON THE EXCEPTION FROM REGISTRATION PROVIDED BY SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT.

THIS NOTE AND BENEFICIAL INTERESTS IN THIS NOTE MAY NOT BE REOFFERED, RESOLD, PLEDGED, EXCHANGED OR OTHERWISE TRANSFERRED IN VIOLATION OF THE SECURITIES ACT OR SUCH OTHER SECURITIES LAWS. EACH PERSON THAT PURCHASES OR OTHERWISE ACQUIRES THIS NOTE (OR A BENEFICIAL INTEREST HEREIN), BY PURCHASING OR OTHERWISE ACQUIRING SUCH INTEREST, IS DEEMED TO REPRESENT, WARRANT, ACKNOWLEDGE AND AGREE (AND IF IT IS ACQUIRING AN INTEREST IN A DEFINITIVE REGULATION S NOTE WILL BE REQUIRED TO CERTIFY), FOR THE BENEFIT OF THE ISSUER, THAT IT AND ANY PERSON FOR WHOM IT IS ACTING WILL NOT REOFFER, RESELL, PLEDGE, EXCHANGE OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND ALL OTHER APPLICABLE LAWS OF ANY JURISDICTION: (A) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") AND, IF APPLICABLE, IN A TRANSACTION THAT HAS RECEIVED THE PRIOR WRITTEN AUTHORISATION OF THE ISSUER; OR (B) TO A PERSON IT REASONABLY BELIEVES TO BE BOTH A QIB (AS DEFINED BELOW), AND QP (AS DEFINED BELOW), IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") AND IN WHICH DELIVERY IS TAKEN IN THE FORM OF A RULE 144A NOTE (IN WHICH CASE IT WILL INFORM SUCH PERSON THAT THE TRANSFER TO SUCH PERSON IS BEING MADE IN RELIANCE ON RULE 144A); OR (C) TO THE ISSUER OR TO BANQUE AIG OR AIG FINANCIAL SECURITIES CORP. (THE "**DEALERS**").

EACH PURCHASER OR OTHER TRANSFEREE HEREOF, BY PURCHASING OR ACCEPTING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN), REPRESENTS, WARRANTS, ACKNOWLEDGES AND AGREES, AND WILL BE DEEMED TO REPRESENT, WARRANT, ACKNOWLEDGE AND AGREE (AND IF IT IS ACQUIRING AN INTEREST IN A DEFINITIVE REGULATION S NOTE WILL BE REQUIRED TO CERTIFY) FOR THE BENEFIT OF THE ISSUER, THAT EITHER:

(A)

- (1) IT AND EACH PERSON FOR WHICH IT IS ACTING IS NOT A U.S. PERSON AND IS ACQUIRING A BENEFICIAL INTEREST IN THE NOTES IN AN

OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF REGULATION S;

- (2) IT AND EACH PERSON FOR WHICH IT IS ACTING WILL HOLD AT LEAST U.S.\$250,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY IN WHICH THE REGULATION S NOTES MAY BE ISSUED)) OF NOTES;
- (3) IT AND EACH PERSON FOR WHICH IT IS ACTING WILL PROVIDE NOTICE OF THESE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREE AND AGREES NOT TO REOFFER, RESELL, PLEDGE, OR OTHERWISE TRANSFER THE NOTES OR ANY BENEFICIAL INTEREST THEREIN TO ANY PERSON EXCEPT TO A PERSON THAT (X) MEETS ALL OF THE REQUIREMENTS IN (A)(1) THROUGH (A)(7) HEREOF OR (B) AND (Y) AGREES NOT TO SUBSEQUENTLY TRANSFER THE NOTES OR ANY BENEFICIAL INTEREST THEREIN EXCEPT IN ACCORDANCE WITH THESE TRANSFER RESTRICTIONS;
- (4) IT AND EACH PERSON FOR WHICH IT IS ACTING UNDERSTANDS THAT ANY SALE OR TRANSFER TO A PERSON THAT DOES NOT COMPLY WITH THE FOREGOING REQUIREMENTS WILL BE NULL AND VOID *AB INITIO* AND NOT HONOURED BY THE ISSUER;
- (5) IT AND EACH PERSON FOR WHICH IT IS ACTING AGREES THAT THE ISSUER SHALL BE ENTITLED TO REQUIRE ANY HOLDER OF A REGULATION S NOTE (OR BENEFICIAL INTEREST THEREIN), THAT ACQUIRED SUCH NOTE IN A TRANSACTION THAT WAS NOT AN ELIGIBLE SECONDARY MARKET TRANSACTION (AS DEFINED BELOW) OR THAT IS DETERMINED TO HAVE BEEN A U.S. PERSON AT THE TIME OF ACQUISITION OF SUCH NOTE (OR BENEFICIAL INTEREST THEREIN), TO SELL SUCH NOTES (OR SUCH BENEFICIAL INTEREST THEREIN) IN ACCORDANCE WITH THE PROVISIONS SET FORTH HEREIN;
- (6) IT AND EACH PERSON FOR WHICH IT IS ACTING UNDERSTANDS THAT THE ISSUER WILL NOT REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT AND THAT THE ISSUER IS RELYING ON SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT. IT AND EACH PERSON FOR WHICH IT IS ACTING ALSO UNDERSTANDS AND AGREES THAT THE ISSUER SHALL HAVE THE RIGHT TO REQUEST AND RECEIVE SUCH ADDITIONAL DOCUMENTS, CERTIFICATIONS, REPRESENTATIONS AND UNDERTAKINGS, FROM TIME TO TIME, AS THE ISSUER MAY DEEM NECESSARY IN ORDER TO COMPLY WITH APPLICABLE LEGAL REQUIREMENTS; AND
- (7) IT WILL NOT INSTITUTE AGAINST, OR JOIN ANY PERSONS INSTITUTING AGAINST, THE ISSUER ANY BANKRUPTCY, REORGANISATION, ARRANGEMENT, INSOLVENCY OR LIQUIDATION PROCEEDING UNDER ANY FEDERAL OR STATE BANKRUPTCY OR SIMILAR LAW, FOR TWO

YEARS AND A DAY (OR, IF LONGER, THE PREFERENCE PERIOD THEN IN EFFECT) AFTER THE DATE THE LATEST MATURING SENIOR NOTE OR CAPITAL NOTE IS PAID IN FULL,

OR (B) IT AND EACH PERSON FOR WHICH IT IS ACTING (1) IS BOTH A QIB AND A QP, (2) IS TAKING DELIVERY OF A RULE 144A NOTE IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A AND THE REQUIREMENTS HEREOF WITH RESPECT TO RULE 144A NOTES, AND (3) HAS DELIVERED TO THE FISCAL AGENT AND THE ISSUER THE TRANSFER CERTIFICATE(S) APPLICABLE TO TRANSFERS OF RULE 144A NOTES.

"**QIB**" MEANS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED UNDER RULE 144A;

"**QP**" MEANS A "QUALIFIED PURCHASER" AS DEFINED UNDER SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT AND THE RULES AND REGULATIONS THEREUNDER, AND THAT IS NOT:

- (1) A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.\$25 MILLION IN SECURITIES OF UNAFFILIATED ISSUERS;
- (2) A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(k) PLAN, OR A TRUST FUND HOLDING THE ASSETS OF SUCH PLAN;
- (3) AN ENTITY FORMED, REFORMED OR RECAPITALISED FOR THE PURPOSE OF INVESTING IN THE NOTES AND/OR OTHER SECURITIES OF THE ISSUER;
- (4) AN INVESTMENT COMPANY EXCEPTED FROM THE INVESTMENT COMPANY ACT PURSUANT TO SECTION 3(c)(1) OR SECTION 3(c)(7) THEREOF (OR A FOREIGN INVESTMENT COMPANY UNDER SECTION 7(d) THEREOF RELYING ON SECTION 3(c)(1) OR 3(c)(7) WITH RESPECT TO ITS HOLDERS THAT ARE U.S. PERSONS), WHICH WAS FORMED ON OR BEFORE 30 APRIL 1996, UNLESS IT HAS RECEIVED THE CONSENT OF ITS BENEFICIAL OWNERS WHO ACQUIRED THEIR INTERESTS ON OR BEFORE 30 APRIL 1996, WITH RESPECT TO ITS TREATMENT AS A QP IN THE MANNER REQUIRED BY SECTION 2(a)(51)(C) OF THE INVESTMENT COMPANY ACT AND THE RULES PROMULGATED THEREUNDER;
- (5) A: (A) PARTNERSHIP; (B) COMMON TRUST FUND; OR (C) SPECIAL TRUST, PENSION FUND OR PROFIT SHARING OR RETIREMENT PLAN, OR OTHER ENTITY, IN WHICH THE PARTNERS, BENEFICIARIES, BENEFICIAL OWNERS, PARTICIPANTS OR OTHER EQUITY OWNERS, AS THE CASE MAY BE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, OR THE ALLOCATION THEREOF; OR



- (6) AN ENTITY THAT HAS INVESTED MORE THAN 40% OF ITS ASSETS IN THE NOTES (OR BENEFICIAL INTERESTS THEREIN) AND/OR OTHER SECURITIES OF THE ISSUER AFTER GIVING EFFECT TO THE PURCHASE OF THE NOTES (OR BENEFICIAL INTERESTS THEREIN).

**"ELIGIBLE SECONDARY MARKET TRANSACTION"** MEANS AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF REGULATION S IN WHICH (A) NONE OF THE ISSUER OR ANY OF ITS AFFILIATES IS INVOLVED AND (B) NO DEALER, TRANSFEROR, TRANSFEREE OR ANY OTHER PERSON INVOLVED IN SUCH TRANSACTION (I) HAS BEEN ENGAGED TO ACT, OR IS OTHERWISE ACTING, AS AN AGENT OF OR INTERMEDIARY FOR THE ISSUER OR ANY OF ITS AFFILIATES IN CONNECTION WITH SUCH TRANSACTION OR (II) HAS RECEIVED OR WILL RECEIVE ANY COMPENSATION FROM THE ISSUER OR ANY OF ITS AFFILIATES IN CONNECTION WITH SUCH TRANSACTION.

IN ACQUIRING SUCH NOTE (OR BENEFICIAL INTEREST THEREIN) THE TRANSFEREE MAY SEEK THE PRIOR WRITTEN AUTHORISATION OF THE ISSUER AND A WRITTEN OPINION OF THE ISSUER'S COUNSEL THAT SUCH TRANSACTION WILL NOT RESTRICT THE ISSUER'S ABILITY TO RELY ON THE SECTION 3(c)(7) EXCEPTION FROM THE INVESTMENT COMPANY ACT.

THE ISSUER AND THE FISCAL AGENT MAY REQUIRE THE HOLDER TO PROVIDE THEM WITH AN OPINION OF COUNSEL ADDRESSED TO AND SATISFACTORY TO THEM TO THE EFFECT THAT SUCH REOFFER, RESALE, EXCHANGE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM OR NOT SUBJECT TO REGISTRATION UNDER THE SECURITIES ACT AND WILL NOT REQUIRE THE ISSUER TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT.

IN ADDITION, EACH PURCHASER AND ANY SUBSEQUENT TRANSFEREE OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN), BY ITS PURCHASING OR OTHERWISE ACCEPTING THIS NOTE (OR BENEFICIAL INTEREST THEREIN), WILL BE DEEMED TO REPRESENT, WARRANT, ACKNOWLEDGE AND AGREE (AND IF IT IS ACQUIRING AN INTEREST IN A DEFINITIVE REGULATION S NOTE WILL BE REQUIRED TO CERTIFY) THAT IT, AND EACH PERSON FOR WHICH IT IS ACTING, UNDERSTANDS THAT THIS NOTE (OR BENEFICIAL INTEREST HEREIN) IS BEING OFFERED AND MAY BE TRANSFERRED ONLY IN TRANSACTIONS NOT INVOLVING ANY PUBLIC OFFERING WITHIN THE MEANING OF THE SECURITIES ACT AND MUST BE PREPARED TO HOLD THIS NOTE (OR BENEFICIAL INTEREST HEREIN) UNTIL MATURITY.

EACH PERSON THAT PURCHASES OR OTHERWISE ACQUIRES A BENEFICIAL INTEREST IN THIS NOTE WILL BE DEEMED TO REPRESENT, WARRANT, ACKNOWLEDGE AND AGREE (AND IF IT IS ACQUIRING AN INTEREST IN A DEFINITIVE REGULATION S NOTE, WILL CERTIFY) THAT (I) IT IS NOT, AND IS NOT ACTING ON BEHALF OF, AN ERISA PLAN (AS DEFINED BELOW) OR OTHER PLAN (AS DEFINED BELOW), OR AN ENTITY WHOSE UNDERLYING ASSETS

INCLUDE PLAN ASSETS BY REASON OF AN ERISA PLAN'S OR OTHER PLAN'S INVESTMENT IN THE ENTITY WITHIN THE MEANING OF THE PLAN ASSETS REGULATION (AS DEFINED BELOW), OR A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA (AS DEFINED BELOW) OR SECTION 4975 OF THE CODE (AS DEFINED BELOW), AND (II) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SUCH NOTES TO ANY PERSON WITHOUT OBTAINING THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS FROM SUCH PERSON.

AS USED ABOVE:

**"ERISA"** MEANS THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

THE **"CODE"** MEANS THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED;

**"ERISA PLAN"** MEANS AN EMPLOYEE BENEFIT PLAN WITHIN THE MEANING OF SECTION 3(3) OF ERISA THAT IS SUBJECT TO TITLE I OF ERISA;

**"OTHER PLAN"** MEANS A PLAN, AN INDIVIDUAL RETIREMENT ACCOUNT OR ANOTHER ENTITY SUBJECT TO SECTION 4975 OF THE CODE; AND

**"PLAN ASSETS REGULATION"** MEANS THE REGULATIONS ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR AND FOUND AT 29 CFR SECTION 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA.

IF THE PURCHASER OR ANY SUBSEQUENT TRANSFEREE OF A NOTE (OR A BENEFICIAL INTEREST THEREIN) THAT IS A U.S. PERSON IS DETERMINED NOT TO HAVE BEEN BOTH A QIB AND A QP (AND TO HAVE MET THE OTHER REQUIREMENTS SET FORTH HEREIN) AT THE TIME IT ACQUIRED SUCH NOTE (OR BENEFICIAL INTEREST THEREIN), THE ISSUER MAY COMPEL SUCH PERSON TO SELL SUCH NOTE (OR BENEFICIAL INTEREST THEREIN) WITHIN 30 DAYS AFTER NOTICE OF THE SALE REQUIREMENT IS GIVEN TO A PERSON THAT IS BOTH A QIB AND A QP (AND MEETS THE OTHER REQUIREMENTS SET FORTH HEREIN) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A. IF SUCH PERSON FAILS TO EFFECT THE SALE WITHIN SUCH 30-DAY PERIOD, THE ISSUER MAY CAUSE SUCH PERSON'S NOTE (OR BENEFICIAL INTEREST THEREIN) TO BE TRANSFERRED IN A COMMERCIALY REASONABLE SALE (CONDUCTED IN ACCORDANCE WITH SECTIONS 9-610, 9-611 AND 9-627 OF THE UNIFORM COMMERCIAL CODE AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNISED MARKET) TO A TRANSFEREE THAT CERTIFIES TO THE ISSUER AND THE FISCAL AGENT THAT IT IS BOTH A QIB AND A QP (AND MEETS THE OTHER REQUIREMENTS SET FORTH HEREIN) AND IS AWARE THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, TOGETHER WITH THE OTHER ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS TO BE

MADE BY A TRANSFEREE OF A NOTE OR BENEFICIAL INTEREST THEREIN, PROVIDED, HOWEVER, THAT THE ISSUER MAY WAIVE THE FOREGOING CERTIFICATION REQUIREMENT IF THEY HAVE BEEN ADVISED BY ISSUER'S COUNSEL THAT SUCH SALE WOULD NOT REQUIRE THE ISSUER TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OR REQUIRE REGISTRATION UNDER THE SECURITIES ACT.

THIS NOTE AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME BY THE ISSUER, WITHOUT THE CONSENT OF BUT UPON NOTICE TO THE CAPITAL NOTE DEALERS AND TO THE HOLDERS OF NOTES SENT TO THEIR REGISTERED ADDRESSES, TO (1) MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS NOTE AND/OR BENEFICIAL INTERESTS THEREIN TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES SUCH AS THIS NOTE GENERALLY OR (2) ENABLE THE ISSUER TO RELY UPON ANY EXCLUSION FROM THE DEFINITION OF INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT THAT MAY BECOME AVAILABLE, PROVIDED, IN EACH CASE, THAT NO SUCH AMENDMENT OR SUPPLEMENT SHALL HAVE A MATERIAL ADVERSE EFFECT UPON HOLDERS OR OWNERS OF BENEFICIAL INTERESTS IN THE NOTES OR ON THE ABILITY OF THE ISSUER TO RELY ON SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT. THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS NOTE, AGREES, AND EACH BENEFICIAL OWNER, BY PURCHASING OR OTHERWISE ACQUIRING A BENEFICIAL INTEREST IN THIS NOTE, SHALL AGREE, TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND THE OWNERS OF BENEFICIAL INTERESTS HEREIN AND ALL FUTURE HOLDERS OF THIS NOTE AND OWNERS OF BENEFICIAL INTERESTS HEREIN AND ANY NOTES ISSUED IN EXCHANGE OR SUBSTITUTION HEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE THEREON)."

*Bearer Notes.* Bearer Notes will contain the following legend:

"IF CLASSIFIED AS DEBT FOR U.S. TAX PURPOSES ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

THIS NOTE HAS NOT BEEN, AND IS NOT EXPECTED TO BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND THE ISSUER HAS NOT REGISTERED AND DOES NOT INTEND TO REGISTER AS AN INVESTMENT COMPANY UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT") IN RELIANCE ON THE

EXCEPTION FROM REGISTRATION PROVIDED BY SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT.

THIS NOTE AND BENEFICIAL INTERESTS IN THIS NOTE MAY NOT BE REOFFERED, RESOLD, PLEDGED, EXCHANGED OR OTHERWISE TRANSFERRED EXCEPT TO PERSONS WHO ARE NOT U.S. PERSONS IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF REGULATION S UNDER THE SECURITIES ACT.

EACH PERSON THAT PURCHASES OR OTHERWISE ACQUIRES THIS NOTE (OR A BENEFICIAL INTEREST HEREIN), BY ITS PURCHASING OR OTHERWISE ACCEPTING THIS NOTE (OR BENEFICIAL INTEREST HEREIN), WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED, ACKNOWLEDGED AND AGREED THAT (I) IT, AND EACH PERSON FOR WHICH IT IS ACTING, IS NOT, AND FOR SO LONG AS IT HOLDS THIS NOTE (OR A BENEFICIAL INTEREST HEREIN), WILL NOT BE AN ERISA PLAN (AS DEFINED BELOW) OR OTHER PLAN (AS DEFINED BELOW), OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF AN ERISA PLAN'S OR OTHER PLAN'S INVESTMENT IN THE ENTITY WITHIN THE MEANING OF THE PLAN ASSETS REGULATION (AS DEFINED BELOW), OR A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA (AS DEFINED BELOW) OR SECTION 4975 OF THE CODE (AS DEFINED BELOW), AND (II) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SUCH NOTES TO ANY PERSON WITHOUT OBTAINING THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS FROM SUCH PERSON. AS USED ABOVE:

**"ERISA"** MEANS THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

THE **"CODE"** MEANS THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED;

**"ERISA PLAN"** MEANS AN EMPLOYEE BENEFIT PLAN WITHIN THE MEANING OF SECTION 3(3) OF ERISA THAT IS SUBJECT TO TITLE I OF ERISA;

**"OTHER PLAN"** MEANS A PLAN, AN INDIVIDUAL RETIREMENT ACCOUNT OR ANOTHER ENTITY SUBJECT TO SECTION 4975 OF THE CODE; AND

**"PLAN ASSETS REGULATION"** MEANS THE REGULATIONS ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR AND FOUND AT 29 CFR SECTION 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA."

*All Notes.* In addition to the foregoing legends, whichever is applicable, all Notes will also contain the following language:

"BY PURCHASING OR ACCEPTING THIS NOTE, THE HOLDER HEREOF AGREES TO TREAT THIS NOTE FOR PURPOSES OF UNITED STATES FEDERAL, STATE

AND LOCAL INCOME TAXES AND ANY OTHER TAXES IMPOSED ON OR MEASURED BY INCOME, AS EQUITY, TO REPORT THIS NOTE ON ALL APPLICABLE TAX RETURNS IN A MANNER CONSISTENT WITH SUCH TREATMENT, AND TO PROVIDE ANY REQUIRED U.S. WITHHOLDING CERTIFICATION CONSISTENT WITH SUCH TREATMENT.

NOTWITHSTANDING ANY PROVISION TO THE CONTRARY, NO PARTICIPANT IN THIS TRANSACTION SHALL BE LIMITED FROM DISCLOSING THE U.S. FEDERAL INCOME TAX TREATMENT OR THE U.S. FEDERAL INCOME TAX STRUCTURE OF THIS TRANSACTION."

### **Amendments and Supplements**

The Notes and related documentation may be amended or supplemented from time to time by the Issuer, without the consent of but upon notice to the Capital Note Dealers and to the Holders of Notes sent to their registered address, to (1) modify the restrictions on and procedures for resales and other transfers of the Notes to reflect any change in applicable law or regulation (or the interpretation thereof) or in practices relating to the resale or other transfer of restricted securities generally or (2) enable the Issuer to rely upon any exemption from registration under the Investment Company Act that may become available, *provided*, in each case, that no such amendment or supplement shall have a material adverse effect upon Holders of Notes. Each Holder of a Note shall be deemed, by its acceptance or purchase thereof, to have agreed to any such amendment or supplement (each of which shall be conclusive and binding on such Holder and all future Holders of such Note and any Notes issued in exchange or substitution for such Note, whether or not any notation thereof is made thereon).

**United Kingdom:** Each Capital Note Dealer has represented and agreed, and each further Capital Note Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or as agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## **Ireland**

Each Capital Note Dealer has represented and agreed that the Notes may not lawfully be offered for sale to persons in Ireland except in circumstances which do not require the publication of a prospectus pursuant to Article 3 of Prospectus Directive No. 2003/71/EC. The Notes will not, to the extent applicable, be underwritten or placed otherwise than in conformity with the provisions of the Irish Investment Intermediaries Act 1995 (as amended).

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Capital Note Dealer undertakes that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

## **General**

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuer or the Capital Note Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Base Prospectus, any supplemental prospectus or any Class Final Terms or Tranche Final Terms comes are required by the Issuer and the Capital Note Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Capital Note Dealer Agreement provides that the Capital Note Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Capital Note Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Tranche Final Terms (in the

case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this document.

## CERTAIN ERISA AND OTHER CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes certain fiduciary standards and certain other requirements on employee benefit plans subject thereto, including collective investment funds, separate accounts and entities whose underlying assets are treated as if they were the assets of such plans pursuant to the U.S. Department of Labor "plan assets" regulation, 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA ("**Plan Assets Regulation**") (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan, as well as of those plans that are not subject to Title I of ERISA but which are subject to Section 4975 of the Code (together with ERISA Plans, "**Plans**") and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory, regulatory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes or other liabilities under ERISA and the Code.

Under a "look-through rule" set forth in the Plan Assets Regulation, if a Plan invests in an "equity interest" of an entity and no other exception applies, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets. An equity interest does not include debt (as determined by applicable local law) which does not have substantial equity features. If the underlying assets of the entity are deemed to be Plan assets, the obligations and other responsibilities of Plan sponsors, Plan fiduciaries and Plan administrators, and of parties in interest and disqualified persons, under Parts 1 and 4 of Subtitle B of Title I of ERISA and Section 4975 of the Code, as applicable, may be expanded, and there may be an increase in their liability under these and other provisions of ERISA and the Code (except to the extent (if any) that a favorable statutory, regulatory or administrative exemption or exception applies). In addition, various providers of fiduciary or other services to the entity, and any other parties with authority or control with respect to the entity, could be deemed to be Plan fiduciaries or other parties in interest or disqualified persons by virtue of their provision of such services.

Governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state or other federal laws that are substantially similar to the foregoing provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

There is a substantial risk that the Notes will be treated as indebtedness having substantial equity features under the Plan Assets Regulation; for this reason the Notes may not be acquired or held directly or indirectly by or on behalf of any ERISA Plan or similar employee benefit plan or an entity whose underlying assets include plan assets by reason of a Plan's



investment in the entity within the meaning of the Plan Assets Regulation. By its purchase and holding of any Note, (a) the purchaser thereof will be deemed to have represented, warranted and agreed, at the time of its purchase and throughout the period that it holds such Notes, that it is not, and is not acting on behalf of, an ERISA Plan or other Plan, or an entity whose underlying assets include plan assets by reason of an ERISA Plan's or other Plan's investment in the entity within the meaning of the Plan Assets Regulation, or a governmental or other employee benefit plan which is subject to any federal, state or local law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, and (b) in the case of the Rule 144A Notes, it will not sell or otherwise transfer any such Notes to any person without obtaining these same representations, warranties and agreements from such person.

## **GENERAL INFORMATION**

### **Listing**

The Base Prospectus has been approved by the Central Bank, as the competent authority under the Prospectus Directive and application will be made to the Irish Stock Exchange for Notes issued under the Programme within 12 months of the date of this Base Prospectus to be admitted to the Official List and trading on its regulated market.

The constitutional documents of the Issuer and the legal notice relating to the issue has been registered with the Irish Listing Agent, where copies of these documents may be obtained upon request.

However, Notes may be issued pursuant to the Programme which will not be listed on the Irish Stock Exchange or any other stock exchange or which will be listed on such stock exchange as the Issuer and the relevant Capital Note Dealer(s) may agree.

### **Authorisations**

The establishment of the Programme and the issue of Notes under the Programme was authorised by a resolution of the board of directors of the Issuer dated 26 March 2007. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

### **Clearing of the Notes**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Tranche Final Terms relating thereto. The relevant Tranche Final Terms shall specify any other clearing system that has accepted the relevant Notes for clearance together with any further appropriate information.

### **Use of Proceeds**

The proceeds of the issuance of the Notes have been and will be utilised by the Issuer to acquire or finance the holding of Investments within the investment parameters set out in "*The Issuer's Business*".

### **Litigation**

There are no governmental, legal or arbitration proceedings against or affecting the Issuer or its Subsidiary or any of their respective assets or revenues, nor is the Issuer aware of any pending or threatened proceedings of such kind, which may have, or have had in the recent past, significant effects on the Issuer and/or the group's financial position or profitability.

### **No material change**

Other than as disclosed in this Base Prospectus and since the date of the last published financial statements of the Issuer, there has been no material adverse change, or any

development reasonably likely to involve a material adverse change, in the condition (financial or otherwise) or general affairs of the Issuer or its Subsidiary.

### **Documents available for inspection**

For so long as the Programme remains in effect or any Notes shall be outstanding, physical copies of the following documents may be inspected during normal business hours at the specified office of the Fiscal Agent and the Irish Paying Agent and at the office of the Issuer, namely:

- (a) the Agency Agreement;
- (b) the Deed of Covenant;
- (c) the Capital Note Dealer Agreement;
- (d) the Security Trust Deed;
- (e) the Master Framework Agreement;
- (f) the Management Agreement;
- (g) the Administrative Services Agreement;
- (h) the Memorandum and Articles of Association of the Issuer;
- (i) a copy of this Base Prospectus;
- (j) a copy of the base prospectus dated 21 May 2007 in respect of the Programme;
- (k) any Tranche Final Terms relating to Notes which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system. (In the case of any Notes which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Tranche Final Terms will only be available for inspection by the relevant Noteholders);
- (l) any Class Final Terms relating to Notes which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system. (In the case of any Notes which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Class Final Terms will only be available for inspection by the relevant Noteholders);
- (m) the financial statements of the Issuer for the period ended 31 December 2007;
- (n) the financial statements of the Issuer for the year ended 31 December 2008; and
- (o) the financial statements of the Issuer for the year ended 31 December 2009.

In addition, copies of each Tranche Final Terms relating to Notes which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system will be obtainable from the specified office of the relevant Capital Note Paying Agent which, in the case of Notes listed on the Irish Stock Exchange, shall be the Irish Paying Agent. (In the case of any Notes which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Tranche Final Terms will only be available for inspection by the relevant Noteholders at the offices of the Capital Note Paying Agents).

In addition to the documents mentioned above, copies of all other documents mentioned in the Base Prospectus will be available for inspection at the specified office of the Irish Paying Agent.

#### **Financial statements available**

The latest financial statements of the Issuer have been prepared as of 31 December 2009. For so long as the Programme remains in effect or any Notes shall be outstanding, copies of the most recent publicly available audited financial statements of the Issuer may be obtained during normal business hours at the specified office of the Fiscal Agent and the Irish Paying Agent.

The Issuer does not produce interim financial statements.

## CERTAIN DEFINITIONS

Capitalised terms used in this Base Prospectus have the meanings set out in Condition 2 (*Interpretation*) of the terms and conditions of the Notes. In addition, the following expressions have the following meanings:

**"5 Day MCO"** is the limit which provides that the Issuer's net cumulative cash outflow, as calculated in accordance with the Agreed Criteria, during any five consecutive calendar days (excluding Saturdays and Sundays) during the period of one calendar year from the date of assessment shall not exceed the aggregate amount of Committed Liquidity as at such date of assessment;

**"15 Day MCO"** is the limit which provides that the Issuer's net cumulative cash outflow, as calculated in accordance with the Agreed Criteria, during any 15 calendar days (excluding Saturdays and Sundays) during the period of one calendar year from the date of assessment shall not exceed the aggregate amount of Committed Liquidity and Liquidity Eligible Assets in the Portfolio (as calculated in accordance with Agreed Criteria) as at such date of assessment;

**"Adjusted Market Value of Capital"** means, on any Business Day, an amount equal to the Market Value of the Portfolio minus the Market Value of the Senior Notes;

**"Administration Event"** means:

- (a) the making of an administration petition or application;
- (b) the filing of documents by the Issuer or by any shareholder or director of the Issuer with a court for the appointment of an administrator or other similar official or public officer in relation to the Issuer;
- (c) the giving of formal notice by the Issuer or by any shareholder or director of the Issuer of an intention to appoint an administrator or other similar official or public officer in relation to the Issuer; or
- (d) the making of a request to a court in any part of the United Kingdom by a court in a "relevant" country or territory (as defined in Section 426 of the Insolvency Act 1986) for the making of an administration order in relation to the Issuer;

**"Affected Party"** means any of the Manager, each Liquidity Provider, each Senior Derivative counterparty, each Noteholder Representative and the paying agents and depositary under the CP programmes;

**"Available Amount"** has the meaning ascribed to the term "Available Facility Amount" in the relevant Liquidity Facility Agreement (or, if such term is not defined in the applicable Liquidity Facility Agreement, the maximum amount available for drawing or utilisation by the Issuer at the time of determination);

**"Breach of Duty"** means, in relation to any person, a wilful default, fraud, illegal dealing or negligence by such person;

**"Capital Note Programme"** means the Capital Note programme to be established by the Issuer pursuant to the Capital Note Programme Documents;

**"Capital Note Representative"** means The Bank of New York Mellon in its capacity as Fiscal Agent;

**"Capital Noteholder"** means the holder of one or more Capital Notes;

**"Capital Notes"** means all secured subordinated notes issued by the Issuer (whether pursuant to the Agency Agreement, any other subordinated note programme of the Issuer or otherwise), or any of them, as the context may require and "Capital Note" means any of them;

**"Clearing System"** means Clearstream, Euroclear, Euroclear France, DTC and such other clearance or depository systems or recognised exchanges as may from time to time be specified in accordance with Agreed Criteria for use in connection with transactions relating to Debt Securities and Derivatives, and any depository or nominee for any of the foregoing;

**"Committed Liquidity"** means amounts available for drawing under Liquidity Facilities that meet Agreed Criteria;

**"Eligible Counterparty"** means a person (i) whose unsecured long term debt or derivatives obligations are rated (either expressly or implied in accordance with Agreed Criteria) Investment Grade by S&P or Moody's (or, if the counterparty's obligations are guaranteed, then the unsecured long term debt or derivatives obligations of the guarantor are rated Investment Grade by S&P or Moody's) and (ii) who has entered into an ISDA Master Agreement, Repo Agreement or Securities Lending Agreement with the Issuer which complies with Agreed Criteria;

**"Eligible Currency"** means U.S. dollars, Sterling, Euro and such other currencies as may be specified in accordance with Agreed Criteria from time to time;

**"Eligible Investment"** means an Investment that meets the Eligibility Criteria;

**"Enforcement Date"** means the earlier of:

- (a) the date upon which the Security Trustee delivers an Insolvency Notice in accordance with the Security Trust Deed; and
- (b) the date upon which the Security Trustee delivers an Enforcement Notice in accordance with the Security Trust Deed;

**"Enforcement Notice"** means a notice that the security constituted by the Security Trust Deed has become enforceable, delivered by the Security Trustee upon the fulfilment of certain conditions set out in the Security Trust Deed;

**"Enforcement Resolution"** means a resolution stating that an Enforcement Event has occurred and directing the Security Trustee to enforce the Security;

**"Euro Notes"** means the ECP and the EMTNs or any of them as the context requires;

**"Euro Programmes"** means the EMTN and ECP programmes established by the Issuer;

**"Expected Average Life"** means:

- (a) in respect of any Debt Security, an amount equal to (i) the average of the products obtained by multiplying each expected principal repayment due on such Debt Security by the remaining number of years (rounded to the nearest hundredth) until such expected principal repayment divided by (ii) the current principal amount outstanding on such Debt Security; and
- (b) in respect of any Derivative, an amount equal to (i) the average of the products obtained by multiplying each expected reduction in notional due on such Derivative by the remaining number of years (rounded to the nearest hundredth) until such expected reduction in notional divided by (ii) the current notional outstanding on such Derivative, or as otherwise specified in accordance with Agreed Criteria from time to time;

**"Exposure"** means, unless otherwise specified in accordance with Agreed Criteria from time to time:

- (a) with respect to an Investment, the U.S. dollar equivalent (or equivalent in such other currency specified in accordance with Agreed Criteria from time to time) of the maximum accounting loss that the Issuer would suffer (excluding legal and other expenses, but including any gain or loss on replacing any Associated Derivative with a suitable contract) following a credit default by the Obligor of such Investment; and
- (b) with respect to an Associated Derivative, the U.S. dollar equivalent (or equivalent in such other currency as may be specified in accordance with Agreed Criteria from time to time) of any loss on unwinding or replacing any Derivative with a suitable contract following a credit default by the Obligor of such Derivative;

**"Fee Payment Date"** means each Interest Payment Date in relation to the Notes, or such other dates agreed between the Issuer and the Manager from time to time;

**"Financial Instrument"** means an Investment or Associated Derivative in the Portfolio, a Capital Note or any component of the Senior Debt;

**"Investment Grade"** means, in the case of S&P, BBB- or higher for a long term rating and A-3 or higher for a short term rating and, in the case of Moody's, Baa3 or higher for a long term rating and P-3 or higher for a short term rating;

**"Irish Paying Agent"** means The Bank of New York Mellon (Ireland) Limited;

**"Liquidity Eligible Assets"** and **"LEAs"**, means Debt Securities held by the Issuer which meet the LEA criteria specified in accordance with Agreed Criteria from time to time;

**"Market Value"** of any asset means the Dollar Equivalent of the value determined by the Manager to be the market value on a bid price basis of that asset by reference to prices quoted by dealers or, where this is unavailable, by reference to market sources and pricing models as agreed between the Issuer and the Manager, and with respect to which the Rating Condition has been satisfied;

**"maximum cumulative outflow"**, in respect of a period of one or more successive Business Days, means the Dollar Equivalent of the aggregate Scheduled Payments falling due during that period (or during any portion thereof) less the Dollar Equivalent of the aggregate Scheduled Receipts falling due during that period (or during any portion thereof);

**"Net Realised Proceeds"** has the meaning given to that term in Clause 6.20 (*Net Realised Proceeds*) of the Security Trust Deed;

**"Noteholder Representative"** means:

- (a) with respect to the holders of USMTNs, The Bank of New York Mellon; and
- (b) with respect to the holders of EMTNs, the fiscal agent for the time being under the Issuer's EMTN programme,

and **"Noteholder Representative"** shall mean either of them;

**"Obligor"** means:

- (a) in respect of any Debt Security or Derivative, the person determined as such in accordance with the Agreed Criteria to be the obligor for such Investment; or
- (b) in the absence of the criteria referred to in (a), above,
  - (i) in respect of a Debt Security, the issuer of such Debt Security or, if the payment obligations of such issuer under such Debt Security are fully, unconditionally and irrevocably guaranteed by another person having a higher rating than such issuer, such guarantor; and
  - (ii) in respect of an Associated Derivative, the counterparty to such Derivative or, if the payment obligations of such counterparty under such Derivative are fully, unconditionally and irrevocably guaranteed by another person having a higher rating than such counterparty, such guarantor;

**"Portfolio Composition Limits"** means the Portfolio composition limits set out in Schedule 4 (*Portfolio Composition Limits*) to the Management Agreement;

**"Portfolio Expected Weighted Average Life"** means, with respect to the Portfolio, the aggregate of the products of (i) the Expected Average Life of each Debt Security and Derivative in the Portfolio and (ii) a fraction, the numerator of which is the Exposure of such Debt Security or Derivative and the denominator of which is the aggregate Exposure of the Portfolio, or as otherwise in accordance with Agreed Criteria from time to time;



**"Portfolio Limits"** means the Portfolio Composition Limits, the Currency Sensitivity Limit, the Interest Rate Sensitivity Limits and the MCO Limits;

**"Priority of Payments"** means the order of priority of payments set out in Clause 7.6 (*Application of proceeds*) of the Security Trust Deed;

**"Programme Limit"** means U.S.\$5,000,000,000;

**"Scheduled Payments"** means all payments scheduled or expected to be made by the Issuer and/or the Subsidiary (or otherwise in accordance with Agreed Criteria from time to time);

**"Scheduled Receipts"** means all payments under Investments, Advances, Associated Derivatives and Notes scheduled or expected to be received by the Issuer (or otherwise as specified in accordance with Agreed Criteria from time to time);

**"Specified Office"** has the meaning given in the Agency Agreement;

**"Substitute Manager"** means a person appointed as substitute manager pursuant to the Management Agreement;

**"US Noteholder"** means a person who holds US Notes;

**"US Notes"** means the USCP and the USMTNs or any of them as the context requires; and

**"US Programmes"** means the USMTN and USCP programmes established by the Issuer and the Subsidiary.

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