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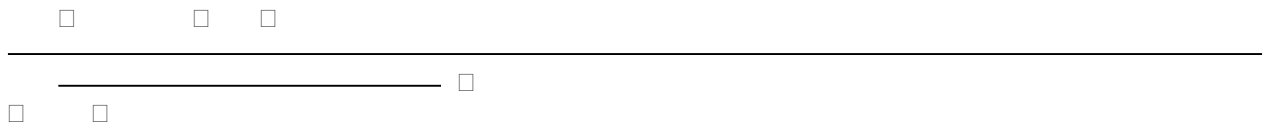


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80_ PRELIMINARY€OFFERING€MEMORANDUMIÒ

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ÓWeather-Indexed€Return€Securities€("Ô
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òSecuritiesó

ó")€will€be€issued€by€WINRS€Trust€1999-1€(the€"ò

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ÔIssueró

ó"),€a€business€trust€organizedD□□

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□ Dunder€the€claws€of€the€State€of€Delaware.€€On€the€Closing€Date€ (as€defin
ed€herein),€the€Issuer€will€enter€intoİ(i)€ò

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òa€series€of€optionsó

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òWeather€Funding€Corp.ó

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ôOption€Counterpartyó

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òwhich€is€based€on€an€underlying€portfolio€of€optionsĐ□□

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□ Don't the amount that the actual temperature differs in certain locations from 65° to ° Fahrenheit, °

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° as more fully D □

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° and (ii) notional principal contract (the "°

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 ÔPrepaid€Swapó

ó")€with€Merrill€Lynch€Capital&□□
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ÔSwap€Counterpartyó

ó").€€Interest€on€the€Notes€will€be€payable€semi-annually€onĐ□□

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òDecember€1,€1999ó

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ó€Payment€Date€(the€"ò

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ó").€€Interest€on€the€Certificates€will€accrue€and€compound€semi-annually,€but€will€not€be€payable€untilĐ□□

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□ Đthe€Final€Payment€Date.€€Interest€payable€on€each€Payment€Date€and€principal€payable€on€the€Final€Payment€Date€will€be€paid€out€of€funds€available€to€the€Issuer,€which€will€consist€o

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óof€amounts€received€byĐ□□

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□ Đit€as€(i)€premium€for€the€Weather€Portfolio€Option€and€(ii)€payments€from€the€Swap€Counterparty€under€the€Prepaid€Swap€as€more€fully€described€herein€ò

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òreduced€by€any€amounts€owed€by€the€Issuer€to€the€OptionĐ□□

□□¤<L □ □ ĐCounterparty€pursuant€to€the€Weather€Portfolio€Optionó

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ó.€€The€Securities€are€not€subject€to€early€redemptionĐ□□

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øPROSPECTIVE€INVESTORSE\$SHOULD€CONSIDER,€AMONG€OTHERø□□

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□ øCONSIDERATIONS,€THE€INFORMATION€SET€FOR THE€IN€THE€SECTION€ENTITLED€"RISK
İFACTORS"€BEGINNING€ONE€PAGE€__.*î*à@□ □□□% □□□ à_____^*î*à□

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àTHE€NOTES€REPRESENT€OBLIGATION€OF,€AND€THE€CERTIFICATES€REPRESENT€UNDIV
IDED€INTEREST€IN,€THE€ISSUER€ONLY€AND€DO€NOT€REPRESENT€OBLIGATIONS€OF€CORE
INTEREST€IN€THE€OPTION€COUNTERPARTY,€[ECT,]€MERRILLELYNCHE&€CO.,€THE€ISWAP
€COUNTERPARTY€OR€ANY€OF€THEIR€RESPECTIVE€AFFILIATES.Ïà@ % à
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ÐIt€is€a€condition€of€issuance€of€the€Securities€that€the€Notes€

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óthe€Certificates€be€issued€concurrently.€€Ð

Ü ÐMerrill€Lynch€&€Co.€will€act€as€

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òplacement€Agentó

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ò"Placement€Agent")ó

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ó€with€respect€to€the€issuance€of€the€Securities.€€It€is€expected€that€del
ivery€of€(i)€each€Note€which€is€a

entry€form€through€the€facilities€of€The€Depository€Trust€Company€("ò

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□ Đthe€United€States€and€Cedelbank,€socið)□ðtð)□ð€anonyme€("Ô□
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ò[and€(ii)€each€Note€which€is€a€legended€definitive€Note€in€fully€register
ed€form€without€interest€couponsĐ□□

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□ Đwill€be€made€available€on€the€Closing€Date€at€the€Offices€of€the€Placem
ent€Agent€in€New€York,€New€York],ó

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ó")€against€payment€in€immediately€available€funds.€TheĐ□□
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□ ÐCertificates€sold€within€in€reliance€on€Rule€144A€under€the€Securities€Act,€will€be€issued€in€the€form€of€definitiveÿphysical€certificates€in€fully€registered€form€without€coupons€and€are€offered,€subject€to€prior€sale,€when,€as€andÿif€accepted€by€the€ð

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óCon€or€about€the€Closing€Date.€Ð□□

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□ ÐIf€these€Securities€have€not€been€registered€under€the€Securities€Act€of€1933€and€are€being€initially€offered€only€(1) ÿto€qualified€institutional€buyers€under€Rule€144A€and€(2) €in€the€case€of€the€Notes,€outside€the€United€States€inÿcompliance€with€Regulation€S.€€For€a€description€of€certain€restrictions€on€transfer,€see€ð

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àTHE€SECURITIES€OFFERED€HEREBY€HAVE€NOT€BEEN€AND€WILL€NOT€BE€REGISTEREDÛ
NDER€THE€UNITED€STATES€SECURITIES€ACT€OF€1933,€AS€AMENDED€(THE€"ò

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ÔSECURITIESÐ

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ó"), €ORE€ANY€STATE€SECURITIES€LAW€AND€MAY€NOT€BEE€OFFERED€OR€SOLD€EXCEPTĐ□□

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□ ĐPURSUANT€TO€AN€EXEMPTION€FROM, €OR€IN€A€TRANSACTION€NOT€SUBJECT€TO, €THE€İ
REGISTRATION€REQUIREMENT€OF€THE€SECURITIES€ACT€AND€APPLICABLE€STATE€İSECUR
ITIES€LAWS. €€ACCORDINGLY, €THE€NOTES€ARE€BEING€OFFERED€AND€SOLD€ONLY€IN€MIN
IMUM€DENOMINATION€OF€ [US\$1,600,000] €AND€INTEGRAL€MULTIPLE€OF€ [US\$1,000] €
IN€EXCESS€THEREOF€ (A) €IN€THE€UNITED€STATES€TO€ "QUALIFIED€INSTITUTIONAL€BUY
ERS" € (AS€DEFINED€IN€RULE€144A€UNDER€THE€SECURITIES€ACT) €OR€ (B) €IN€AN€OFFSH
ORE€TRANSACTION€İIN€ACCORDANCE€WITH€RULE€903€OR€RULE€904€OF€REGULATION€S€UN
DER€THE€SECURITIES€İACT, €AND€ARE€SUBJECT€TO€TRANSFER€RESTRICTIONS. €€SEE€ "TR
ANSFER€RESTRICTIONS. "€İTHE€CERTIFICATES€ARE€BEING€OFFERED€AND€SOLD€ONLY€IN
€MINIMUM€DENOMINATIONS€İOF€ [US\$1,500,000] €AND€INTEGRAL€MULTIPLE€OF€ [US\$1,0
00] €IN€EXCESS€THEREOF€IN€THE€İUNITED€STATES€TO€ "QUALIFIED€INSTITUTIONAL€BUY
ERS" € (AS€DEFINED€IN€RULE€144AİUNDER€THE€SECURITIES€ACT) €AND€ARE€SUBJECT€TO
€SUBSTANTIAL€TRANSFERİRESTRICTIONS. €€SEE€ "TRANSFER€RESTRICTIONS. "€€ò

ðEACH€INVESTORE (EXCEPT€THEÐ□□

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òINITIAL€PURCHASERó

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ó€PURCHASES€NOTES) €IN€MAKING€A€PURCHASE€OF€THE€NOTES€WILLÐ□□

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□ ÐBEE€DEEMED€TO€HAVE€MADE€CERTAIN€REPRESENTATIONSE€CONTAINED€IN€THE€NOTES.€

İEACH€INITIAL€INVESTOR€ò

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ó[AND€EACH€SUBSEQUENT€PURCHASER€OFò

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óWILLEBEEREQUIREDETOEXECUTEANDELIVERANINVESTOR'SREPRESENTATION

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ó€SUBSTANTIALLY€IN€THE€FORM€OF€APPENDIX€B€OR€APPENDIX€C€HERE TO.ó

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òNo€person€is€authorized€in€connection€with€the€offering€made€hereby€to€gi
ve€any€informationÐ□□

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□ Ðor€to€make€any€representation€other€than€as€contained€in€this€Prelimina
ry€Offering€Memorandum€ (theĭ"Ô□

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ÔPreliminary€Memorandum"€or€the€"Ô□

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ÔMemorandum")€and,€if€given€or€made,€such€information€orĭrepresentation€m
ust€not€be€relied€upon€as€having€been€authorized€by€or€on€behalf€of€the€Is
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ó€or€any€of€its€affiliates.€€This€Memorandum€does€not€constitute€andÐ□□

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□ Ðoffer€to€sell€or€a€solicitation€of€an€offer€to€buy€any€security€other€t
han€the€Securities€offered€hereby,ĭnor€does€it€constitute€an€offer€to€sell
,€or€a€solicitation€of€an€offer€to€buy,€any€of€the€Securities€offeredĭhere
by€to€any€person€in€any€jurisdiction€in€which€it€is€unlawful€to€make€such€
an€offer€or€solicitationĭto€such€person.€€No€security€may€be€sold€without€
delivery€of€a€Final€Offering€Memorandum.ĭà@□ °□°□! ĭ□□ à_____

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óFORENEWCHAMPSHIRE€RESIDENTS€ONLY^Đ□□

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àNEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A
LICENSE HAS BEEN FILED UNDER N.H. REV. STAT. ANN. § 421-
B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIV
ELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE I
TUTES A FINDING BY THE SECRETARY OF THE STATE OF NEW HAMPSHIRE THAT ANY D
OCUMENT FILED UNDER N.H. REV. STAT. ANN. § 421-
B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FAC
T THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACT
ION MEANS THAT THE SECRETARY OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN A
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ALETO,€ANY€PERSON,€SECURITY€ORETRANSACTION.€€ITEISEUNLAWFULETO€MAKEĬORECAU
SE€TO€BEE€MADE,€TO€ANY€PROSPECTIVE€INVESTOR,€CUSTOMER€ORECLIENT€ANYĬREPRESE
NTATION€INCONSISTENT€WITH€THE€PROVISIONSEOF€THIS€PARAGRAPH.ĬÔ

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☐ ì☐☐ àFORENORTHECAROLINA€RESIDENTSEONLY^ììà☐

àTHE€SECURITIES€OFFERED€HEREBY€HAVE€NOT€BEEN€APPROVED€OR€DISAPPROVED€BY€T
HE€COMMISSIONER€OF€INSURANCE€FOR€THE€STATE€OF€NORTH€CAROLINA,€NOR€HAS€THE€
COMMISSIONER€OF€INSURANCE€RULED€UPON€THE€ACCURACY€OR€THE€ADEQUACY€OF€THIS€
MEMORANDUM.€€THE€INVESTOR€IN€NORTH€CAROLINA€UNDERSTANDS€THAT€NEITHER€THE€I
SSUER€[NOR€ITS€SUBSIDIARIES]€ò

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□ ðLICENSED€IN€NORTH€CAROLINA€PURSUANT€TO€CHAPTER€58€OF€THE€NORTH€CAROLINA
ïGENERAL€STATUTES,€NOR€COULD€[IT] [THEY]€MEET€THE€BASIC€ADMISSIONS€REQUIREM
ENTSE€IMPOSED€BY€SUCH€CHAPTER€AT€THE€PRESENT€TIME.ó

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ôAVAILABLE€INFORMATIONô

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àThe€Issuer€is€not€subject€to€the€information€requirements€of€the€Securit
ies€Exchange€Act€of€1934,€as€amended€(the€"ò

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 ÔExchange€Actó

ó"). The Issuer has agreed that, so long as the Issuer is not subject to the

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Information requirements of the Exchange Act, upon the request of a Securityholder, it will furnish to such Securityholder and to a prospective purchaser of a Security the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to permit compliance with Rule 144A in connection with resale of Securities.

àEach€person€receiving€this€Preliminary€Memorandum€acknowledges€that€such
€person€has€been“afforded€an€opportunity€to€request€from€the€Issuer€and€to
€review,€and€has€received€from€the€Issuer,€all“additional€information€cons
idered€by€it€to€be€necessary€to€verify€the€accuracy€and€completeness€of€th
e“information€herein.¿ð □

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àStatements€to€Securityholdersà,# Š!Š!F (#. □~□~□, ` (#` (## àò
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àSatisfaction€and€Discharge€of€the€Indentureà,# Š!Š!F (#. □€□€□: `

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àEvidence€as€to€Complianceà,# Š!Š!F (#. □Ü

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àTax€Treatment€of€Non-U.S.€Holders€of€Notesà,# Š!Š!F (#. □□□□9 `

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àTax€Treatment€of€U.S.€Holders€of€Certificatesà,# Š!Š!F (#. □:□:□< `

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The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Memorandum. Certain capitalized terms used herein are defined elsewhere in this Memorandum (see "Index of Defined Terms" for a listing of the pages on which such terms are defined). Prospective investors should consider carefully the information set forth under the caption "Risk Factors," and all other information set forth in this Memorandum, before making any investment in the Securities.

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□ Under the laws of the State of Delaware. The Issuer will not be permitted to engage in any business other than entering into the Weather Portfolio

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□ Entering into a Prepaid Swap with the Swap Counterparty and issuing the Notes and the Certificates. See "The Issuer." D

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ÔTotal€Certificate€Interestó

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€ " (Use of Proceeds

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" " ' The Issuer will use (i) the net proceeds from the sale of the Securities and (ii) the Option Premium (as defined herein) paid by the Option Counterparty for entering into the Weather Portfolio Option to invest in the Prepaid Swap

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ò, € [net of costs paid

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" To the Trustee and Administration Agent and incurred by the Issuer in entering into transactions described herein, or more fully described herein

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"E"!*
 "The Swap Guarantor"
 - "8)\#+ " - "Merrill Lynch & Co."
 "Inc."
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 "a corporation organized under the"
 "8)\#, " laws of the State of Delaware"
 "ó
 "or a replacement entity"
 "ó
 "The Swap"
 "8\$- "
 "Guarantor will unconditionally guarantee full and timely payment by the
 "Swap Counterparty under the Prepaid Swap."
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 "The"
 "I+%/ "
 "Swap Counterparty Merrill Lynch Capital Services ("MLCS"), a corporation
 "organized under the laws of the State of Delaware."
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 "It is expected that the Swap"
 "ó
 "Counterparty"
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 "Guarantor"
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 "will have a"
 "ø " short-term rating of F-
 "by Fitch"
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 "and"
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 "EP-1"
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 "by Moody's and A-1+
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" by S&P. See "Swap Counterparty."
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òThe€Swap€CounterpartyÐ
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- ÐMerrill€Lynch€Capital€Services€("Ô□
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ÖMLCSÓ

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 - □On€the€Closing€Date,€the€Issuer€will€enter€into€a€notional€principal€co
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ÔPrepaid€Swapó

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□ □ ÐCounterparty.€€Under€the€Prepaid€Swap,€the€Issuer€will€make€aï[ò

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ò\$165,000,000ó

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ò\$150,000,000ó

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ó")€to€the€Swape€Counterparty€using€the€entire€netĐ□□
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□ Proceeds of the Offering on the Closing Date and a portion of the Option Premium received from the Option Counterparty. On each Payment Date, the Swap Counterparty will pay to the Issuer:

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ÔPeriodic€Swap€Paymentó

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òdays€based€on€30/360ð□□
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òthe€first€Interest€Accrualð□ □ □ P□t□□ □□V□□#V□□#□ ðà□

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□ ðÌOn€the€Final€Payment€Date,€the€Swap€Counterparty€will€pay€toÏthe€Issue
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ÔFinal€Swap€Paymentó

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€(v)€the€Additional€Accruedó
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ò[Weather€Funding€Corp.]ó
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- OntheClosingDate,theIssuerwillwriteanOption(the"

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ÔWeather€Portfolio€Optionó

ó")€to€the€Option€Counterparty.€Đ□□

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□ ĐUnder€the€Weather€Portfolio€Option,€the€Option€Counterpartyİwill,€on€th
e€Closing€Date,€pay€a€premium€of€[ò

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ò\$10,000,000ó

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ò\$15,000,000ó

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Option Premium

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€Closing€Date€for€entering€into€the€Weather€Portfolio€Option.€€On€the€Final€Payment€Date,€the€Issuer€will€pay€to€the€Option€Counterparty€an€amount€equal€to€the€

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€Settlement€Payment€(as€defined€herein).€€See€"€!€The€Weather€Portfolio€

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ÔThe€Weather€PortfolioĐ
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óUnder€the€Weather€Portfolio€Option,€on€the€Final€Payment€Date,Đ□□
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□ □ Ðthe€Issuer€will€make€the€payment€ò

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òwhich€is€determined€by€theÐ□□

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□ □ Ðvariance€of€temperaturesó

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ðSettlement€Paymentó

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□ The Option Counterparty. The amount of the Settlement Payment will be

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òspecified€U.S.€cities€fromó
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òthe€aggregate€make€up€the€WeatherÐ□□
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□ □ □ ÐPortfolio€Option,€relative€toó
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ó€a€specified€"strike€ò
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ò"price€over€aÐ□□
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ÐEachOptionComponentisTiedToTheWeatherInOneOf10citiesï(each
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ÔLocationó

ó")€for€one€of€two€Measurement€Seasons€asĐ□□
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$\delta \hat{\theta}$

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$\hat{\theta}_{\text{Measurement} \in \text{Season} \hat{\theta}}$

ó"€is€either€a€SummerĐ□□
□à□□□□ □ □ Đor€a€Winter€Measurement€Season.€€A€"ò

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ÔSummer€MeasurementĐ

4à Seasonó

ó"€is€the€period€from€and€including€April€1ò~òtóó€throug€andĐ~
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Đincluding€October€31ò~òtóó€of€each€year€commencing€in€the€yearĐ
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ÔWinter€Measurement€Seasonó

ó"€is€the€period€from€andĐ□□

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□ Đincluding€November€1ò□òstó□ó€through€and€including€March€31ò□òstó□ó€of€
eachĐ□□

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□ Đyear€commencing€in€the€year€1999€through€2003.€€ììThe€term€"Ô□

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ðWeather€Unitsó

ó"€refers€generally€either€to€heatingD□□

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□ Ddegree€days€or€cooling€degree€days.€€For€each€Location€and€Measurement€Season,€the€total€Weather€Units€will€equal€the€sum€of€either€the€Heating€Degree€Days€("ò

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ÖHDDsó


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ó")€for€WinterĐ□□  
    □T"x□# □ □ ĐMeasurement€Seasons€Cor€the€Cooling€Degree€Days€("Ô□  
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òCDDsó

ó")€forÐ□□

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□ ÐSummer€Measurement€Seasons,€calculated€in€accordance€with€the€procedure
s€detailed€below,€for€each€day€during€the€applicable€Measurement€Season.¿¿

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òIn€the€context€of€this€transaction,ó

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°DegreeDays°

ó"€are€units€usedĐ□□
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 ònumber€of€degreesó
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 □i*□%- □ □ ĐThe€HDDs€for€each€day€at€any€location€equal€ò
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 □@□d □ □
 □ Đ65€ò□òminusó□ó€the€Average€Temperature€(as€defined€herein)€on€suchĐ□□
 □□ @□□ □
 □ Đday€at€such€location€or€(ii)€zero.€The€CDDs€for€each€day€at€any€location
 n€are€equal€to€the€greater€of€(i)€the€Average€Temperature€on€such€day€at€s
 uch€location€ò□òminusó□ó€65€or€(ii)€zero.€€For€a€moreĐ□□
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 □ Đdetailed€explanation€of€the€methods€used€in€calculating€HDDs€and€CDDsò
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 ó€"The€Weather€Portfolio€Option"€herein.Đ□□
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 □ ĐÀt€the€end€of€each€Measurement€Season,€the€Calculation€Agent€will€calc
 ulate€the€Option€Components€Result€related€to€each€Option€Component€applic
 able€to€that€Measurement€Season€and€the€Seasonal€Portfolio€Result€(as€defi
 ned€below)€related€to€the€entire€Option€Portfolio.€€For€an€option€that€is€
 described€as€a€"call"€option€(a€"ò

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ÔCalló

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ðOption€Component€Resultó

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□ Amount, if any, by which the total Weather Units observed at the applicable location during a given Measurement Season exceeds the Strike (as defined herein), multiplied by \$10,000 (the "ð

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ÔNotional€Amountó

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    For a weather option that is described as  
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ÔOption€Component€Resultó

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□ Đamount,€if€any,€by€which€the€Strike€exceeds€the€sum€of€callİWeather€Unit
s€observed€at€the€applicable€location€during€a€givenİMeasurement€Season,€m
ultiplied€by€the€Notional€Amount.€€In€noİevent,€however,€will€a€single€Opt
ion€Component€Result€exceedĐ□□

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ðOption€Component€Limitó

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□ ÐìThe€sum€of€call€of€the€Option€Component€Results€yields€theĭ"ò

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ÔSeasonal€Portfolio€Resultó

ó"€related€to€any€MeasurementĐ□□

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□ ĐSeason.€€The€Seasonal€Portfolio€Result€for€any€MeasurementİSeason€shall
€in€no€event€exceed€\$20,000,000€(the€"ò

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ÔSeasonalD
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□ ÐìOn€the€Final€Payment€Date,€the€Calculation€Agent€will€calculateĩthe€sum€of€all€of€the€Seasonal€Portfolio€Results€(the€"ò

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òWeather€Deficiency")ó

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□ ĐDeficiency€will€in€no€event€exceed€\$[200,000,000]€(the€"ò

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x#æ# Option€Limitó

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□ DÀAs€described€herein,€on€the€Final€Payment€Date,€the€Issuer€will€pay€th
e€Option€Counterparty€the€amount€(the€"ò

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ÔPortfolio€Strike€Leveló

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âThe€Securities€are€scheduled€to€mature€on€ò
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□ DSecurities€shall€be€the€period€from€and€including€the€Closing€Date€to€a
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ÔNote€Interest€Rateó

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ÔCertificate€Interest€Rateó

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□ □ Ðcompounded€semi-
annually, €and€will€be€payable€in€a€lump€sum€at€maturity. €€Such€interest€wi
ll€consist€of€a€rated€portion€(thei"ð

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ÔBase€Certificate€Interestó

ó")€accrued€and€compounded€on€the€
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□ ⅆoriginal€principal€amount€of€the€Certificates€(including€interestĭprevi
ously€accrued€and€ò

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òà€portion€of€the€Option€PremiumĐ□□

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□ Received by the Issuer pursuant to the Weather Portfolio Option and

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óó compounded at the Base Certificate Interest Rate

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□ Including any previously accrued Additional Certificate Interest) at a rate of

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ÔBase€Certificate€InterestĐ

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ó")€and€an€unrated€portion.€€The€unrated€portion€of€theĐ□□
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ÔAdditional€CertificateÐ

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□□□ (□□ □
□ ĐInterest€and€the€interest€that€would€have€accrued€and€compounded€if€the
€Base€Certificate€Interest€Rate€had€been€equal€to€ò
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ó€per€annum,€compounded€semi-annually.Đ□□
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ÔInterest€will€accrue€at€the€applicable€rate€for€each€class€of€Securities
€on€the€principal€amount€of€such€Securities€ (plus,€in€the€case€of€the€Cert
ificates,€interest€accrued€for€prior€interest€accrual€periods€and€interest
€thereon)€at€the€beginning€of€the€related€Interest€Accrual€Period.€€Intere
st€will€be€Ô
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Ôcalculated€on€the€basis€of€a€360-
day€year€consisting€of€twelve€30€day€months.Đ
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- Interest on each class of Securities will accrue from each June 1st

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òthrough€each€November€30ó

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□ ðFinal€Payment€Date€(in€the€case€of€the€Notes)€or€be€compoundedġat€the€a
pplicable€interest€rate€from€[December€1€to€Julyó

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òand€from€June€1€to€November€30]€of€each€yearó

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□ ðcase€of€the€first€Interest€Accrual€Period,€from€the€Closing€Dateġto,€bu
t€not€includingò

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òInterest€on€the€Notes€will€be€paid€on€each€PaymentĐ□□

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□ ĐDate€and€interest€on€the€Certificates€will€be€compounded€on€each€Paymen
t€ñ□¹ ñDate€and€paid€on€the€Final€Payment€Dateñ□¹ ñ.ó

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accrued€and€compounded€during€the€Term€will€be€paid`on€the€Final€Payment€D
ate,€to€the€extent€funds€are€available`therefore€(the€"ò

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ÔTotal€Certificate€Interestó

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„§§ „' §The principal amount of each class of securities will be repaid
on the final payment date, to the extent funds are available
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□ \textregistered repaid on any class of securities prior to the final payment dateñ» ñĩ

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„□□ „' DThe€priorityCof€payments€under€the€Indenture€is€described€inI"
ò□òDescriptionCof€the€Securities€-€PriorityCof€Payments.ó□ó"€D
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„□□ „' DThe€Securities€are€not€subject€to€early€redemption€by€the€Issu
er.D
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    €□ €„□ □ „1 DSubordinationCof€the€CertificatesD
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„□□ „' DThe€rightsCof€the€holdersCof€the€Certificates€(theI"ò

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ÔCertificateholdersó

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Interest on the Final Payment Date will be subordinate to the rights of the holders of the Notes (the "o

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ÔNoteholdersó

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□ Ðpayments€of€principal€and€interest.€€The€subordination€of€theİCertifica
tes€is€intended€to€enhance€the€likelihood€of€receipt€byİthe€Noteholders€of
€the€full€amount€of€the€Accrued€Note€Interestİwhen€due€and€the€Note€Princi
pal€Amount€on€the€Final€PaymentİDate€and€to€afford€such€holders€protection
€against€losses€ofİprincipal€and€interest€in€the€event€that€funds€availabl
e€to€theİIssuer€to€repay€the€Notes€and€the€Certificates€are€reduced€by€the
İpayment€to€the€Option€Counterparty€of€any€Settlement€Payment.€İñ□Å ñÐ

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Đthe€Weather€PortfoñÊ ññÎ ñliñÎ ññÒ ño€ñÒ ññĐ ñOptionó

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„□□ „' Đñ□Ã ññ□Æ ñThe€rights€of€the€Noteholders€and€Certificateholders
€to€be€paid€interest€and€principal€on€any€date€will€be€subordinated€to€the
€rights€of€the€Option€Counterparty€to€receive€payment€of€the€Settlement€Pa
yment.ñ□Æ ñĐ

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ó€perform€certain€[agreed€uponĐ□□

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□ Procedures] with respect to the Option Portfolio during each Measurement Season and at the Final Payment Date. The Calculation Agent will not be obligated in any way to make payments under the Notes, the Certificates or the

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Weather Portfolio Option. See

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ò "Certain Terms of Other Agreements"

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ó† Calculation Agent

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ò Agreement. "Administrator" [Enron

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□ □ □ Identity] (the "Administrator")

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□ The Issuer to perform certain of the administrative obligations of the Issuer. The Administrator will not be obligated in any way to make payments under the Notes, the Certificates or the Weather Portfolio Option. Some of the duties performed by the Administrator for the Issuer will include (i) the paying of ordinary operating expenses, (ii) the preparing and filing of tax returns, (iii) the preparing of financial statements and (iv) the preparing of reports for the Securityholders. ¶ 0 ¶ 0

òThe€ñ□∅ ññ□Ú ñAdministrationÐ□□

☐ DAgent will also agree to pay certain expenses if required to be paid by the Issuer.ó

ó€€ñ□Ú ñSee€"The€Administration€Agreement."Đ

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 the€verification€agent€(the€”ò

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□ ĐVerification€Agent€will€be€engaged€by€the€Issuer€within€ñ□Ý ñ[ñ□Ý ñ45ñ□
P ñ]ñ□P ññdays€ñ□Ű ñprior€to€ñ□Ű ñthe€Final€Payment€Date€to€verify€ECT's€c
alculationsĩfor€purposes€of€confirming€amounts€owed€to€[Enron]€[WFC]ĩunder
€the€Weather€Portfolio€Option.ó

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„□□ „' ĐNone€of€the€Securities€have€been€or€will€be€registered€under€t
heĩSecurities€Act€and€are€subject€to€restrictions€on€transfer.€€TheĩSecuri
ties€may€only€be€transferred€(A)€in€the€United€States€ò

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□ Đa€person€who€the€seller€reasonably€believes€is€a€qualifiedĩinstitutiona
l€buyer€in€a€transaction€meeting€the€requirements€ofĩRule€144A€under€the€S
ecurities€Actò

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□ Đ"accredited€investors"€meeting€the€requirements€of€Ruleĩ501(a)(1),€(2),
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ò(7)€of€Regulation€D€under€the€SecuritiesĐ□□

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□ ĐAct€or€to€entities€in€which€all€of€the€equity€owners€areĐ□□

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□ Đinstitutions€that€are€accredited€investors€("InstitutionalĩAccredited€I
nvestors"€or€"IAIs")€or€(iii)ó

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ó€pursuant€to€an€exemptionĐ□□

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□ Đfrom€registration€under€the€Securities€Act€provided€by€Rule€144ĩthereun
der€(if€available),€or€(B)€in€the€case€of€the€Notes,€inĩoffshore€transacti
ons€pursuant€to€Regulation€S€under€theĩSecurities€Act,€in€each€case€in€acc
ordance€with€any€applicableĩsecurities€laws€of€any€State€of€the€United€Sta
tes€or€any€otherĩapplicable€jurisdiction.€€Any€purported€transfer€of€Secur
itiesĩother€than€as€described€in€the€immediately€preceding€sentenceĩwill€b
e€void€and€of€no€legal€effect€whatsoever.€€See€"TransferĩRestrictions."Đ

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- The Notes will be issued in fully registered, book-entry form only in minimum denominations of \$1,600,000 and integral multiples of \$1,000 in excess thereof. If the Certificates will be issued in fully registered, certificated form only in minimum denominations of \$1,500,000 and integral multiples of \$1,000 in excess thereof.

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„ „' ¶Upon¶the¶issuance¶of¶the¶Notes,¶Skadden,¶Arps,¶Slate,¶Meagher¶
&¶Flom¶LLP,¶special¶income¶tax¶counsel¶to¶the¶Issuer¶("ò

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□ Dassumptions€and€representations€referred€to€therein, €to€the€effect€that
, €for€United€States€Federal€income€tax€purposes€the€Notes€will€be€characte
rized€as€indebtedness. ïïEach€holder, €by€the€acceptance€of€a€Note, €and€each
€purchaser, €by€its€acceptance€of€a€beneficial€interest€in€a€Note, €will€agr
ee€to€treat€such€Note€as€indebtedness€for€all€United€States€Federal, €state
€and€local€income€tax€purposes. ïïEach€holder, €by€the€acceptance€of€a€Certi
ficate, €and€each€purchaser, €by€its€acceptance€of€a€beneficial€interest€in€
a€Certificate, €will€agree€to€treat€such€Certificate€as€equity€of€the€Issue
r€for€all€United€States€Federal, €state€and€local€income€tax€purposes. ð

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ÐİAny person that proposes to purchase Notes on behalf of, or with "plan assets" of any employee benefit plan or other retirement arrangement subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ò

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ó")€or€SectionĐ□□

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□ Đ4975€of€the€Internal€Revenue€Code€of€1986,€as€amended€(theĐ□□

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ó") will be deemed to represent and warrant that one or

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More statutory or administrative exemptions from the prohibited transaction rules of ERISA and Section 4975 of the Code applies, such that the purchase and holding of such Notes by, on behalf of, or with "plan assets" of such plan does not and will not constitute or result in a non-exempt "prohibited transaction" under ERISA or Section 4975 of the Code. Such exemptions may apply to certain transactions involving insurance company general accounts, insurance company separate accounts, and bank collective investment funds, and to certain transactions determined on behalf of a plan by a "qualified professional assets manager" ("ò

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□ Ð Employee benefit plans will generally be restricted from purchasing and holding the Certificates (except for one or more investors that may be authorized in writing to purchase a portion (less than 25%) of one or more of such classes using assets that may constitute assets of one or more employee benefit plans), such plans and other benefit plan investors (including insurance companies using their general account assets, as well as governmental plans and foreign plans that are not generally subject to ERISA or Section 4975 of the Code) will be restricted from purchasing and holding Certificates. See "ERISA Considerations" and "Transfer Restrictions." Purchasers of the Certificates will be required to make certain representations and warranties to such effect. Ð

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The ratings of the notes
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 address the likelihood of the timely payment of accrued note interest and the ultimate payment of the note principal amount on the final payment date.
 It is a condition to the issuance of the certificates that
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 payment of principal and base certificate interest

 $\text{à } \text{be rated at } \text{least}$
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 by Fitch

 (not
 (4) including additional certificate interest)

 The ratings of the
 $i (\# * \quad$
 Certificates address the likelihood of the ultimate payment of the base certificate interest and certificate principal amount thereof on the final payment date. The ratings have not
 $\epsilon + \pi \% - \quad$
 addressed the likelihood that the certificates will receive the additional certificate interest.
 A security rating is not a recommendation to buy, sell, or hold securities and is subject to revisions or withdrawal in the future by the assigning rating agency.
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 RISK FACTORS
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òRisks€Associated€with€the€Weather€Portfolio€Option€-
€Unpredictability€of€Weather€Riskó

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àUnder the Weather Portfolio Option, the Issuer will be required to make a Settlement Payment equal to the amount, if any, by which the Term

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òPortfolio Strike Leveló

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òtherefore€the€amount€of€Weather€Units€observed€at€any€Location€isÐ□□
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àInformation€is€provided€under€"The€Option€Portfolio"€with€respect€to€the
€Option€Portfolio€and€the€Option€Components.€€Historical€ò
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ò[weather€pattern]€[ó
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óWeather€Units€ò
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ó€data€with€respect€to€each€Location€is€also€
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 €provided€but€may€not€be€indicative€of€future€ò
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ò[weather€patterns€and€the€related€Weather€Unit€and€Strike€
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ó€for€such€locations.€€Because€the€occurrence€of€a€Settlement€Payment€and€theD□□

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òsignificantly€depend€upon€the€[daily€weather€fluctuationsó

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ØTHE€INFORMATION€IN€THIS€MEMORANDUM€REGARDING€
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□ ĐAND€ [THE€CORRESPONDING€VALUES€FOR€WEATHER€UNITSEAND€THE€STRIKE€AT€THE€IL
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□ ĐPRIMARILY€ [DATA€MEASURED€BY€THE€NWS€AND€PROVIDED€BY€NCDC.€€SUCH€INFORMA
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óIS€PUBLICLY€AVAILABLE€AND€WAS€NOT€PROVIDED€TO€THE€ISSUER€ORD□□
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òPLACEMENT€AGENTó
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ó€FOR€USE€IN€CONNECTION€WITH€THE€Đ□□
□È-ì□□ □ □ ĐOFFERING€OF€THE€SECURITIES€HEREBYò
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ó.€€SUCHE€INFORMATION€HAS€NOT€BEENĐ□□
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□ ĐREVIEWED€BY€THE€NWS€OR€THE€NCDC€IN€CONNECTION€WITH€THE€SECURITIES€OFFER
ED€HEREBY.€€ò
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óSUCHE€INFORMATION€WAS€GIVEN€AS€OF€THE€DATE€OF€SUCHĐ□□
□\!€□ □ □ ĐINFORMATION,€AND€NEITHER€THE€ISSUER€NOR€THE€
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òPLACEMENT€AGENTó
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òINITIALĐ□□
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ó€HAS€VERIFIED€THE€ACCURACY€OF,€OR€UNDERTAKEN€TO€UPDATE,€SUCHĐ□□
□□#8□" □
□ ĐINFORMATION.€€NO€REPRESENTATION€IS€MADE€AS€TO€THE€ACCURACY€OR€COMPLETEN
ES€OF€SUCHE€INFORMATION.ò
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óììRisk€of€Loss€of€Investment€on€the€ò

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òSecuritiesó

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àThe€Issuer's€obligation€to€pay€the€amount€owed€to€the€Securityholders€will€be€reduced€by€any€Settlement€Payment€pursuant€to€the€Weather€Portfolio€Option.€€Principal€reductions€on€the€Securities€will€be€allocated€to€the€Certificates€until€first€the€Additional€Certificate€Interest,€then€the€Base€Certificate€Interest,€and€finally,€the€Certificate€Principal€Amount€thereof€is€reduced€to€zero.€€Any€additional€shortfall€in€amounts€

€+D%, €

€€Available€to€make€payments€on€the€Final€Payment€Date€will€result€in€failure€to€pay€the€Notes€in€full.€€Accordingly,€investors€in€the€Securities,€and€especially€the€Certificates,€bear€the€risk€that€they€could€lose€all€or€part€of€the€principal€of€and€the€interest€on€the€Securities€if€the€Term€Portfolio€Result€exceeds€the€Portfolio€Strike€Level.€€

ò An investor in the Securities may fail to recover its initial investment as a result of the D

p " _____

ò Occurrence of a Term Portfolio Result in excess of the Portfolio Strike Level.

ó€€See"The€Weather€PortfolioĐ□□
□L p□□ □ □ ĐOption."ó

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Ôò□òNotesó□óĐ□□
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Ownership of the Notes involves a degree of risk because the Notes are effectively subordinated to the obligations of the Issuer under the Weather Portfolio Option. The

Option Premium paid by the Option

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□ ÐCounterparty€under€the€Weather€Portfolio€Option€on€the€Closing€Date€and
€theó

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ó€amounts€paid€by€the€SwapÐ□□

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□ ÐCounterparty€under€the€Prepaid€Swap€on€each€Payment€Date€and€on€the€Fin
al€Payment€Date€to€the€Issuer€will€be€the€only€source€of€funds€available€t
o€the€Issuer€to€pay€periodic€interest€due€on€the€Notes€on€each€Payment€Dat
e€and€the€Note€Principal€Amount€on€the€Final€Payment€Date.€€Although€the€N
oteholders€will€be€secured€by€a€security€interest€in€call€of€the€Issuer's€r
ight,€title€and€interest€in€the€Issuer's€assets€(consisting€principally€of
€its€right€to€the€payments€under€the€Prepaid€Swap),€there€can€be€no€assura
nce€that€such€amounts€will€be€available€to€the€Issuer€on€the€Final€Payment
€Date€to€pay€the€Note€Principal€Amount.€€ò

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òIn€the€event€that€theÐ□□

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□ ÐSettlement€Payment€on€the€Weather€Portfolio€Option€exceeds€the€Certific
ate€Principal€Amount€and€the€total€Certificate€Interest,€the€Notes€will€no
t€be€paid€in€full.ììô

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òRisk€of€Loss€of€Investment€on€theó

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ó€Certificatesó□óÐ□□

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àOwnership of the Certificates involves a

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òhigh

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ógreater

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ódegree of risk because the Certificates are

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óeffectively

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ósubordinated to

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óboth

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ó(i) the obligations of the Issuer under the Weather Portfolio Option and

ó(ii) D

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D the payment of principal and interest on the Notes. The periodic swap payments and final swap payment that are payable by the swap counterparty to the Issuer on the final payment date will be the only source of funds available to the Issuer to pay the total certificate interest and the certificate principal amount on the final payment date. Although the certificate holders will be secured by a security interest in all of the Issuer's right, title and interest in the Issuer's assets (consisting principally of its right to the payments under the

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òWeather Portfolio Option)

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óPrepaid swap)

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ó, there can be no assurance that such amounts will be available

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D to the Issuer on the final payment date to pay the certificate principal amount and the total certificate interest. ì

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ò[Additionally, the Issuer's obligation to pay the certificate principal amount will be reduced by any

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D Settlement payment pursuant to the Weather Portfolio Option. Principal reductions on the securities will be allocated to the certificates until first the additional certificate interest, then the base certificate interest, and finally, the certificate principal amount thereof is reduced to zero. Any additional shortfall in amounts available to make payments on the final payment date will result in failure to pay the notes in full. Accordingly, investors in the securities, and especially the certificates, bear the risk that they could lose all or part of the principal of and the interest on the securities if the term weather deficiency exceeds the

âTriggerAmount.€An€investor€in€the€Securities€may€fail€to€recover€its€in
itial€investment€as€a€result€of€theĐ

Đ*ô\$+

Đ Đoccurrence€of€a€Term€Weather€Deficiency€in€excess€of€the€TriggerAmount
.€See"The€Weather€PortfolioOption."}ó

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oRelianceontheSwapCounterpartyandGuarantoró

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□p□"□————□ □ Ðìà□

àThe€ability€of€the€Issuer€to€pay€principal€and€interest€on€the€Securitie
s€is€dependent€on€(i)€the€ò

òò

òPeriodicĐ□□

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□ ΔSwap€Payments€due€to€it€under€the€Prepaid€Swap€on€the€Payment€Dates€fro
m€the€Swap€Counterparty,€(ii)€theó

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□ Δpayment€by€the€Swap€Counterparty€of€the€Final€Swap€Payment€due€to€the€I
ssuer€under€the€Prepaid€Swap€and,€if€such€ò

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òpayment€isó

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òpayments€areó

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ó€not€paid,€upon€ò

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ò(iii)ó

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ó€the€credit-worthiness€of€the€Guarantor.€€The€ò

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òIssuer'sĐ□□

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□ ∂sources€for€payment€of€the€interest€on€the€Notes€will€be€(i)€the€Periodic€Swap€Payments€due€to€it€under€the€Prepaid€Swap€on€the€Payment€Dates€from€the€Swap€Counterparty€and€(ii)€upon€any€failure€to€pay€by€the€Swap€Counterparty,€the€Guarantor€pursuant€to€the€Guaranty.€[The€Issuer€has€no€control€over€the€way€in€which€theó

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□ ∂Swap€Counterparty€invests€the€Initial€Swap€Payment€(which€is€ultimately€the€source€of€funds€available€to€the€Swap€Counterparty€to€make€its€Counterparty€Payment€to€the€Issuer)].€Any€default€by€the€Swap€Counterparty€on€the€Periodic€Swap€Payments€or€the€Final€Swap€Paymentò

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ò,€whether€due€to€the€creditworthiness€of€the€Swap∂□□

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□ □ ÐCounterparty€or€for€any€other€reason,ó
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ó€would€trigger€the€obligation€of€the€Guarantor.€€ò
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óIn€the€event€that€theÐ□□
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□ If Swap Counterparty fails to pay any Periodic Swap Payment when due under the Prepaid Swap and such failure is not remedied

or

on or before the fifth Business Day after notice of such failure is given to the Swap

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□ If Counterparty, the Issuer will terminate the Prepaid Swap, which termination would constitute an Event of Default under the Indenture

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ó If prepaid by the Swap Guarantor, the Securityholders may close call or a portion of

00T □ □ If their investment in the Securities

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ðDowngrade€of€Swap€Guarantor€ó

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à In the event that the rating of the Guarantor is downgraded below a short-term rating of

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| S&P

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ò, P-1 by Moody's

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ó and F-

1 by Fitch, the Prepaid Swap will terminate, and the Swap Counterparty may

X | S&P

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òTermination€Paymentó

ó")€to€the€Issuer.€€If€either€the€Swap€Counterparty€or

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€the€Guarantor€were€unwilling€or€unable€to€pay€the€Termination€Payment,€the€Issuer€might€not€be€able€to€enter€into€a€replacement€swap€with€a€substitute€counterparty€on€terms€as€favorable€as€the€Prepaid€Swap.€€In€that€event,€the€Issuer€might€be€unable€to€pay€the€Securities€in€accordance€with€their€terms.€€

òò

òIf€the€Swap€Guarantor's€short€term€rating€falls€below€P1/F1,€the€Issuer€shall€have€the€option€to€terminate€the

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€Prepaid€Swap€within€[30]€Business€Days.€If€the€Prepaid€Swap€is€terminated,€the€Prepaid€Swap€shall€be€settled€based€on€the€average€of€the€mid-market€prices€of€no€less€than€five€potential€replacement€counterparties€which€bear€a€short€term€rating€of€P1/F1€or€better.€€Certain€Terms€of€the€Indenture

€#8" ¤ ¤ €Event€of€Default."

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ðInsolvency of the Swap Counterparty or Guarantor

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à If either the Swap Counterparty or the Guarantor becomes insolvent and if
it is for bankruptcy, the Issuer may not receive amounts owed to it under the
Prepaid Swap due to the stay

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òLimitations€of€RMSERisk€Analysis€Đ□□

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òRMSEdoes€not€sponsor,€endorse,€offer€or€promote€the€Securities,€nor€does€it€make€any€representationĐ□□

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âor€warranty,€express€or€implied,€regarding€the€advisability€of€investing
€in€the€Securities.€ERMSEis€not€responsible€for€and€has€not€participated€i
n€the€determination€of€the€structure€or€pricing€of€the€Securities.€Further
more,€RMSEhas€no€obligation€or€liability€in€connection€with€the€trading€of
€the€Securities.€ERMSEmakes€no€representation€or€warranty,€express€or€impl
ied,€as€to€the€accuracy€or€completeness€of€the€information€set€forth€in€th
is€Offering€Circular€other€than€information€provided€under€"Risk€Analysis"
€for€which€specific€limitations€of€warranty€are€defined.ó

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àThe€data€and€methodologies€ò
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òused€by€RMSó
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òdescribed€hereinó
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ó,€and€the€analyses,€estimates€and€servicesD□□
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òintended€to€be€provided€areó

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ó€provided€"as€is"€without€warranty€or€guaranty€of€any€kind.€€These€analys
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□ Ðestimates€and€services€are€provided€for€illustrative€purposes€only€and€
are€not€intended€to€ò

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òpredict€or€toó

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òprovide,Ð□□

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□ ðnor€should€they€be€interpreted€as€providing€any€facts€regarding,€or€pre
diction€oró

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ó€forecast€ò

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ó€the€likelihoodð□□

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òa€Trigger€Eventó

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òvarious€levels€of€payoffs€determined€with€respect€to€the€Weather€Portfoli
o€Optionó

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ó€mayð□□

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□ □ Do occur that investors in the
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òSecuritiesó
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òNotes€and€Certificatesó
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ó€will€receive€payment€of€principal€of,€and€□□
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□ □ Dinterest€on,€the€ò
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òSecurities.€Any€of€the€Option€Components€could€contribute€up€to€[\$10,000,
000]€toward€the€□□
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□ The possibility that the Term Weather Deficiency will exceed the Trigger Amount. A net option payment obligation of any particular magnitude, up to the maximum annual amount of \$40,000,000, could occur in any given year.

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ò Notes and Certificates.

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ó@various@studiesò

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ó@and@investigations@and@has@selected@those@that@it@believes@to@represent@

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□□ □ □ Ðcredible€scientific€opinion.€€However,€ò
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òsinceó
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ó€no€scientific€consensus€on€models€or€risk€parameters€exists€ò
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òandó
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□Äè□□ □ □ ÐRMS€acknowledges€tható
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ó€other€credible,€published€models€or€risk€parameters€may€exist€that,€if€u
sed,€couldÐ□□
□ □Ä□□ □
□ Ðproduce€different€results.€€RMS€also€has€not€reviewed€the€authenticity€
of€all€the€data€in€the€historical€catalogs€for€other€data€sources€used€to€d
evelop€the€ò
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óModelsò
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 óModeling€ò
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 òtemperatureó
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 ó€ò
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 òdegree€dayó
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 ó€variations€and€the€resulting€ò
 òò
 òoption€payment€obligations€lossesó
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 òò
 òpayoffs€to€the€Weather€Portfolio€Optionó
 óó
 ó€is€an€inherently€subjective€and€imprecise€process,€involving€anÐ□□
 □i□□□□ □
 □ Ðassessment€of€information€that€comes€from€a€number€of€sources€and€that€
 may€not€be€complete€or€accurate.€ò
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 □È-ì□□ □ □ Ðìó
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 óNo€model€is,€or€could€be,€an€exact€representation€of€reality.€€The€RMS€ò
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 óModels€ò
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 ò]€modelsó
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 ó€rely€on€variousÐ□□
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 □ Ðassumptions€that€might€not€be€used€in€models€provided€by€other€modeling
 €firms,€and€some€of€which€are€subject€to€uncertainty,€and€there€can€be€no€
 assurance€that€RMS's€statistical€modeling€will€prove€accurate.ĬAccordingly
 ,€the€ò
 òò
 òlossó
 óó
 ó€estimates€ò
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 òof€option€payment€obligationsó
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 ó€produced€by€the€RMS€ò
 òò
 ò[M]odelsó
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 ó€ò
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òModelsó
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 ó€areĐ□□
 □□#8□" □
 □ Đthemselves€subject€to€uncertainty.€€RMS€reviews€these€model€assumptions
 €in€view€of€new€meteorologicalĐ□□
 □đ#□-# □ □ Đò
 òò
 ò[,€and€other]ó
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 ó€data€and€information€ò
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 òto€refine€the€loss€estimates€as€such€information€becomes€available.€SuchĐ
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 □Ì\$đ-\$ □ □ Đrefinements€may€ó
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 òand€reserves€the€right€to€modify€the€models€at€any€time.€€Such€modificati
 ons€may€produceó
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 òalter,€and€have€in€the€past€materially€altered,€the€option€payment€obliga
 tion€estimatesó
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 òdifferentĐ□□
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 ó€generated€by€the€ò
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 ò[IRAS€Model€or€the]€RMS€[Weather€Model]models.ó
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 òRMS€Models.€ó
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 òò
 òA significant amount of uncertainty existsó
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 òA number of uncertainties existó
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 ò€in the parameters used in Ð
 Ð) <#) Ð Ð Ðò
 òò
 òthe RMSó
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 ò€analysis, any one of which alone can cause modeledò
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 òoption payment obligationsó
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 òSeasonal Ð
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 ò€to beò
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 òsignificantlyó
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 òactual Term Weather Deficiencyó
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 òTerm Payoff Results Ð
 Ð*ô\$+ Ð Ð Ð Ultimately sustained at the end of the five-year termó
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 ò. €€Such uncertainties exist in, but are not limited to, Ð
 Ð+Ð%, Ð Ð Ðò
 òò
 òtemperatureó
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 òdegree dayó
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 ò€estimations, assessment of trends andò
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 òtemperatureó
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òdegree€dayó

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ó€correlations,€statisticalĐ□□

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Ñmodeling assumptions, è

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òas well asó

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óthe simulation techniques used to model the è

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òtransaction. Considerable

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Uncertainty exists in the RMSE Weather Model[s] as well as in the parameters used in the [Models] model, arising from insufficient data, limited scientific knowledge, and alternative empirical relationshipsó

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óas well as from the random nature of è

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òtemperatureó

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òdegree dayó

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óvariations. RMSE has included

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Uncertainty assumptions in key parameters such as estimation of historical and simulated è

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òthese securities, but has not included all sources of uncertainty.ð

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L Further more, the ó

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 òthe€Underlying€Weather€Portfolio.€Theó
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 ó€assumptions€and€methodologies€used€by€RMS€mayĐ□□
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 (□□ □ □ Đnot€constitute€the€exclusive€set€of€reasonable€assumptions€ò
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 òand€may€not€be€correctó
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 ó.€Use€of€alternativeĐ□□
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□ □ Đassumptions€and/or€models€could€yield€ò
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 òresultsó
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 ó€materially€different€ò
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 ó€than€those€produced€by€RMS.€€RMSĐ□□
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□ Ðalso€did€not€elicit€from€other€experts€alternative€interpretations€of€i
ts€data,€nor€did€RMS€research€all€potentially€available€interpretations.¶¶
à□

àThe€RMS€analyses€have€been€conducted€on€the€basis€of€current€procedures,
€instruments,€and€other€aspects€of€the€process€whereby€the€U.S.€ò
òò
òNational€Weather€Service€ (NWS) €and€National€Climatic€Data€CenterĐ□□
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òNWS€and€NCDCó
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ó€gather€and€report€data€on€temperature€ò
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òvariationsó
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ó.€€Future€recording€of€temperatureĐ□□
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ó€may€be€affected€by€a€variety€of€factors,€including€but€not€limited€to€changes€in€governmentÐ□□

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□ "policy or funding and changes in weather station location or instrumentation." Such factors have not been considered in the RMS analyses and could have a material impact on the validity of the analysis results. "à□

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 òò
 òloss€probabilitiesó
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 òTerm€Payoff€Resultsó
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 ó€generated€by€the€RMSE€Weather€Model€are€not€predictiveD
 00T of€future€weather€patterns,€nor€of€the€magnitude€of€
 òò
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 òò
 òSeasonal€Payoff€Resultsó
 óó
 ó€that€may€
 òò
 òoccur€during€theD
 □

00 00 DtermCofCtheCSecuritiesó

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be determined with respect to the Underlying Weather Portfolio

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ó.€€€Actual€weatherĐ□□

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□□ □ □ Ðpatterns€and€ò

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òtemperatureó

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òdegree€dayó

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ó€variations€could€differ€ò

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òmateriallyó

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ó€from€the€variations€ò

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òestimatedó

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òmodeledó

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□Äè□□ □ □ Ðby€RMS.ììò

òLimited€Liability€of€RMSó

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àRMSEhas€provided€its€analyses,€ò
 òò
 òlossó
 óó
 ó€ò
 òò
 òSeasonal€Payoff€Result€and€Term€Payoff€Resultó
 óó
 ó€estimates,€andÐ□□
 □□□4□□ □
 □ Ðservices€to€Enron€Capital€and€Trade€Resources€pursuant€to€a€consulting€
 agreement€between€RMSEand€Enron's€Capital€and€Trade€Resources.€€Holders€of€t
 he€ò
 òò
 òSecuritiesó
 óó
 ó€ò
 òò
 òNotes€or€Certificatesó
 óó
 ó€are€not€parties€to€suchÐ□□
 □È-ì□□ □
 □ Ðagreement€and€have€no€right€to€enforce€or€take€actions€thereunder€again
 st€RMSEor€any€other€right€thereunder€for€in€connection€therewith.€€ìò
 òò
 òThe€€Evaluation€by€RMSEis€Not€a€PredictionÐ□□
 □8"\\□! □
 □ Ðì[ECT]€engaged€RMSEto€analyze€historical€weather€information€for€the€we
 ather€stations€chosen€for€the€Option's€Components€and€to€project€the€results
 €of€the€Option€Portfolio.€RMSE's€analysis€is€not€a€prediction,€but€merely€r
 eresents€one€possible€outcome.ììThe€analysis€is€based€on€raw€data€obtaine
 d€from€the€National€Weather€Service€("NWS")€and€the€National€Climatic€Data
 €Center€("NCDC").€Such€data€may€not€be€consistent€from€day€to€day€or€year€
 to€year€because€of€changes€in€conditions,€such€as€changes€in€equipment€use
 d€to€collect€weather€data€and€changes€in€the€location€of€such€equipment.ó
 óó
 óÐ□□
 □ô)□\$* □ □ Ðìò

òYear€2000€Issueó

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□¬+ð%, □ □ ðð□□
□^,¬&- □ □ ðà□

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óECT,€RMS,€the€Trustee€and€the€Administrator€ò
òò
òhasó
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ó€ò
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òhaveó
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ó€conducted€ò
òò
òan€analysisó
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òanalysesó
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ó€of€ò
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òitsó
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ó€ò
òò
òtheiró
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óÐ□□
□Ü□ □ □ Ðcomputer€systems€and€ò
òò
òhasó
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ó€ò
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òhaveó
óó
ó€concluded€that€all€such€systems€will€be€year€2000€compliant€by€the€end€of
fÐ□□
□,□Ü □ □ □ Ð1999.€€"ò

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ÔYear€2000€compliantó

ó"€means€fault-free€performance€in€the€processing€of€data€and€date-related€data"€

□" ,□□ □

□ Ð (including, €but€not€limited€to, €calculating, €comparing€and€sequencing) €by€all€hardware€and€software€products, ĩindividually€and€in€combination.€€Fault-free€performance€must€include€the€manipulation€of€data€when€dates ĩare €in€the€20ò□òthó□ó€or€21ò□òstó□ó€century€and€must€be€transparent€to€the€user.€€If€the€computer€system€is€not€year€2000"€

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□ Ðcompliant, €many€computer€applications€could€fail€or€create€erroneous€results€by€or€at€the€year€2000.€ĩMoreover, €in€the€event€that€third€parties€with€which€the€Issuer€transacts€business€or€derives€information ĩ (including, €without€limitation, €the€NWS€and€NCDC) €are€not€year€2000€compliant, €òò

òthere€existsó

óó

ó€the€potential"€

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à□□ □

□ Ðfor€an€adverse€effect€on€the€Issuer's€or€the€Administrator's€ability€to
€calculate€the€Term€Portfolio€Result.ïïà□

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ò[While the Issuer is taking precautions to minimize this risk, no assurance can be given as to whether

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□ □ ∅such∅third∅parties∅will∅beó

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òThe∅NCDC∅is∅fully∅cognizant,∅however,∅of∅the∅anticipated∅computer∅problem

s∅□□

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□ □ ∅associated∅with∅the∅year∅2000.∅∅It∅is∅projected∅tható

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ó€Year∅2000€ò

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òcompliant.∅Measurement∅of∅the∅weather∅at∅the∅□□

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□ □ DRWS€is€highly€dependent€on€computer€systems€that€mayó
óó
ó€ò
òò
òcompliance€at€the€NCDC€will€be€achieved€and€testedD□□
□À□ä

□ □

□ Dwell€in€advance€of€the€turn€of€the€century.€€A€plan€has€been€formulated
,€milestones€set€and€appropriate€efforts€have€been€initiated€to€ensure€tha
t€all€ingested€data€and€climate€data€products€produced€by€the€NCDC€will€no
t€

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□ □ □ Ðbe€affected€by€ò

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òthe€upcoming€millennium€dating.€€Services€currently€provided€by€the€NCDCE
are€expected€toÐ□□

□T□x□□ □

□ Ðcontinue€into€the€year€2000€and€beyond€with€no€degradation€of€quality€o
r€timeliness.ó

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òthis€"Year€2000"€issue.]Ð□□

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◊Limited€Liquidity◊

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àThere€is€currently€no€secondary€market€for€either€the€Notes€or€the€Certi
ficates.€€The€ò

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òPlacement€Agentó

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□X□|□□ □ □ Ðò

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òInitial€Purchaseró

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ó€is€under€no€obligation€to€make€a€market€in€the€Securities€and€any€such€m
arket,€to€the€extentÐ□□

□4□X□□ □

□ Ðthat€such€market€making€is€commenced,€may€be€discontinued€at€any€time.€
€There€is€no€assurance€that€a€secondary€market€will€develop€or,€if€it€does
€develop,€that€it€will€provide€holders€of€Securities€with€liquidity€of€inv
estment€or€that€it€will€continue€until€the€respective€Principal€Amounts€of
€the€Securities€are€paid.€€The€Securities€will€be€issued€(A)€in€the€United
€States,€only€to€(i)€QIBs€(as€defined€herein)€or€(B)€in€the€case€of€the€No
tes,€in€offshore€transactions€in€accordance€with€Rule€903€or€Rule€904€of€R
egulation€S€under€the€Securities€Act.€€The€Notes€will€be€issued€in€minimum
€denominations€of€[\$1,600,000]€and€integral€multiples€of€\$1,000€in€excess€
thereof,€and€the€Certificates€will€be€issued€in€minimum€denominations€of€[
\$1,500,000]€and€integral€multiples€of€\$1,000€in€excess€thereof,€and€each€w
ill€be€subject€to€substantial€restrictions€on€transfer.€€Each€investor€pur
chasing€Notes€offered€hereby,€and€each€transferee€of€the€Notes,€will€be€de
emed€to€have€made€certain€representations€contained€in€the€Note.€€Each€sub
sequent€purchaser€of€a€Certificate€will€be€required€to€execute€and€deliver
€an€investor's€representation€letter€for€the€benefit€of€the€ò

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òPlacement€Agentó

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□“%Ì% □ □ Ðò

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òInitial€Purchaseró

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ó€and€the€Issuer€substantially€in€the€form€of€Appendix€B.]Ð□□

□„&“ & □ □ ÐÌò

òAbsence€of€Operating€History€of€Issuer;€Reliance€on€Agentsó

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□<(`"(□ □ Ðià□

àThe€Issuer€is€a€recently€formed€business€trust€under€the€laws€of€the€Sta
te€of€Delaware,€the€sole€business€purpose€of€which€is€to€issue€the€Securit
ies,€enter€into€the€Weather€Portfolio€Option€and€the€Prepaid€Swap.€€The€Is
suer€has€no€operating€history.¿

¿^,¬&- ¿ ¿ Ðà

à Certain of the business activities of the Issuer are to be carried out on behalf of the Issuer by the agents appointed by the Issuer for such purpose. For example, the Calculation Agent will be responsible to perform certain [agreed upon procedures] with respect to the data underlying the Weather Unit [on behalf of the Issuer]. See "Certain Terms of Other Agreements" of the Calculation Agent Agreement. The Calculation

Δ Agent will not audit the data it obtained from the NWS but will only be responsible for applying such agreed upon procedures. There can be no assurance that applying such agreed upon procedures to such data will bring to the attention of the Calculation Agent other matters which would have been brought to its attention had an audit of such data been undertaken. à

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óHas€been€appointed€as€the€Calculation€Agent.Đ□□

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òÌInvestment€Exposure€of€Prepaid€AssetsÌÌ[Proceeds€from€the€Sale€of€the€Securities€and€the€Option€Premium€will€be€paid€to€Merrill€Lynch€pursuant€to€the€Prepaid€Swap.€The€Issuer€has€no€control€over€the€manner€in€which€the€Initial€Swap€Payment€is€investedÌby€the€Swap€Counterparty.€There€can€be€no€assurance€that€the€Swap€Counterparty€will€[wisely]€invest€the€Initial€Swap€Payment.€Any€[errors€made€in€investing]€may€adversely€affect€the€Swap€Counterparty's€ability€to€make€payments€to€the€Issuer.€The€payments€owed€by€the€Swap€Counterparty€under€the€Prepaid€Swap€are€not€guaranteed€in€any€way;€provided,€however,€if€the€Swap€Counterparty's€rating€decreases€below€[€]€by€[any€nationally€recognized€rating€agency],€[the€Issuer€will€be€required€under€the€Indenture€to€retain€another€Swap€Counterparty.]ó
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òFurther€Subordination€of€the€Certificatesó

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àThe€holders€of€the€Certificates€will€not€be€entitled€to€receive€distribu
tions€of€principal€or€interest€until€the€Notes€have€been€paid€in€full.Ï

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òLegality€of€Investment^Đ□□

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□ ÐEach€purchaser€of€Securities€is€responsible€for€determining€for€itself
€whether€it€has€the€legal€power,€authority€and€right€to€purchase€such€Secu
rities.€The€Issuer,€ECT,€Enron,€Merrill€Lynch,€the€Placement€Agent€and€the
ir€respective€affiliates€express€no€view€as€to€any€purchaser's€legal€power
,€authority€or€right€to€purchase€the€Securities.€Investors€are€urged€to€co
nsult€their€own€legal€advisors€as€to€such€matters.€Each€purchaser€of€Secur
ities€will€be€required€to€provide€the€Issuer€and€the€Placement€Agent€with€
an€investor's€representation€letter€substantially€in€the€form€of€Appendix€
B€or€C€hereto€representing€that€it€has€the€legal€power,€authority€and€righ
t€to€purchase€such€Securities.€See€"Placement€of€Securities."€Ïó

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óDESCRIPTION€OF€THE€SECURITIESÔ

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ÔStatus€and€SecurityÔ

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Tx Dia

àThe€Notes€will€be€recourse€debt€obligations€of€the€Issuer.€€However,€the
€assets€of€the€Issuer€will€be€limited.€€In€the€event€that€the€Periodic€Swa
pe€Payments€and€the€Final€Swap€Payment€from€the€Swap€Counterparty,€reduced€
by€any€Settlement€Payment€required€to€be€made€by€the€Issuer€to€the€Option
Counterparty,€is€insufficient€to€pay€the€Notes€ò

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òand€Certificatesó

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ó€in€full€on€the€Final€Payment€Date,€no€additional

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□ Damounts€will€be€available€to€make€payments€on€the€Notes€or€Certificates
.€The€Notes€will€be€senior€in€right€of€payment€of€interest€and€principal€t
o€the€Certificates.€€The€Certificates€will€be€beneficial€interests€in€a€De
laware€business€trust.€The€Issuer's€ability€to€pay€interest€and€principal€
on€the€Notes,€as€direct€recourse€obligations€of€the€Issuer€and€to€make€dis
tributions€on€the€Certificates,€is€limited€to€the€extent€that€funds€are€av
ailable€from€the€Prepaid€Swap€and€not€reduced€by€any€obligation€under€the€
Weather€Portfolio€Option€relating€to€such€Securities€and€otherwise€as€desc
ribed€herein.€ò

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óThe€payments€to€the€Issuer€from€the€Swap

□È-ì□ □

□ DCounterparty€under€the€Prepaid€Swap,€reduced€by€any€payments€from€the€I
ssuer€to€the€Option€Counterparty,€should€be€sufficient€to€make€call€payment
s€of€principal€and€interest€on€the€Notes.€€It€is€anticipated,€however,€tha
t€the€payments€of€principal€and€interest€on€the€Certificates€may€be€reduce
d€by€the€amount€of€the€Settlement€Payment€due€under€the€Weather€Portfolio€
Option.€€Accordingly,€the€Certificateholders€will€be€exposed€to€the€

òò

òcredit€risk€of€the€Option€Portfolio€to€the€[full€extent]€ofó

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òrisk€tható

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ó€their€investment€in€the€Certificates€ò

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òinsofar

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□ Das€credit€losses€with€respect€to€the€Term€Weather€Deficiency€of€the€Opt
ionó

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òwill€be€reduced€by€the€amount

□ð#□-# □ □ Dthe€Term€Portfolio€Result€exceeds€the€ó

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óPortfolio€ò

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òare€not€absorbed€by€the€Trigger€Amountó

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òStrike€Leveló

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àAll€payments€in€respect€of€the€Securities€and€the€payment€of€any€expense
s€will€be€made€solely€from€the€proceeds€of€the€Prepaid€Swap,€net€of€any€ex
penses€and€extraordinary€payments.€€ò

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óThe€amount€that€will€

□`'„!' □ □ ðbe€available€for€payments€on€the€ò

òò

òWeather€Portfolio€Option€and€theó

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ó€Securities€and€payment€of€the€Expenseð□□

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□ ðAmount€on€any€Payment€Date€will€be€the€amount€of€payments€and€collectio
ns€received€in€respect€of€the€Prepaid€Swap.ò

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àThe€Notes€will€bear€interest€from€the€Closing€Date€and€such€interest€will
be€payable€semi-annually€in€arrears€on€each€ò

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òJune€1ó

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òDecember€1,ó

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ó€commencing€ò

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òDecember€1ó

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ó,€1999,€or€if€any€such€date€isĐ□□

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□ ðnot€a€Business€Day,€the€immediately€following€Business€Day€(each,€a€"ò

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ÔPayment€Dateó

ó")€and€on€theĐ□□
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òDecember€1,€2004ó
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ó€Payment€Date€(the€"ò

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ÔFinal€Payment€Dateó

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ó€€The€period€from€(and€including)€theĐ□□

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□ Đdate€of€issuance€of€the€Securities€to€(but€excluding)€the€first€Payment
€Date,€and€each€successive€period€fromİ (and€including)€each€Payment€Date€t
o€(but€excluding)€the€following€Payment€Date€until€the€principal€of€theİSe
curities,€as€applicable,€is€paid€or€made€available€for€payment,€is€an€"ò

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ÔInterest€Accrual€Periodó

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àThe€Note€Interest€Rate€will€be€equal€to€a€fixed€rate€of€
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ó€per€annum;€payable€semi-annuallyÐ□□
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□ □ Ðon€a€360-day€year€consisting€of€twelve€30€day€months.îà□

àThe€Certificates€will€accrue€interest€from€the€Closing€Date€and€such€int
erest€will€accrue€semi-
annually€in€arrears€on€the€then€outstanding€principal€and€accrued€interest
,€on€each€ò

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òJune€1ó

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òDecember€1,ó

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òJune€1,€2000ó

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ó,€or€if€any€such€date€is€not€a€Business€Day,€the€immediatelyÐ□□

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□ Following Business Day and on the Final Payment Date. All interest accrued on the Certificates will be paid simultaneously on the Final Payment Date. Ìà□

Interest on the Certificates will accrue at a rate equal to
____%
[12] %
per annum (the "
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ÔCertificateÐ□□

0T InterestRate

ó"), compounded semi-annually, and will be payable in a lump sum at maturity. Such interest

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ÔBase€Certificate€Interestó

ó")€accrued€and€compounded€on€the€originalĐ□□
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□ Ðprincipal€amount€of€the€Certificates€(including€interest€previously€accrued€and€compounded€at€the€BaseĨCertificate€Interest€Rate€but€not€includin
g€any€previously€accrued€Additional€Certificate€Interest)€at€a€rate€ofÐ□□

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ó€per€annum€(the€"ò

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ÔBase€Certificate€Interest€Rateó

ó")€and€an€unrated€portion.€€The€unrated€portion€of€
| | | | €the€interest€on€the€Certificates€(the€"ò

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ÔAdditional€Certificate€Interestó

ó")€will€equal€the€difference€between€theĐ□□

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□ ĐBase€Certificate€Interest€and€the€interest€that€would€have€accrued€and€
compounded€if€the€Base€Certificate€Interest€Rate€had€been€equal€to€ò

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ò__%ó

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ò[12]%ó

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ó€per€annum,€compounded€semi-annually.Đ□□

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ÔBusiness€Dayó

ó" means any day other than (i) Saturday or Sunday or (ii) a day on which commercial

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banks in New York, New York, or London, England or, for final payment of principal, in the relevant place of presentation, or the city in which either Trustee is located, are authorized or required by applicable law, regulation or executive order to close. ì

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ÔPrincipalÔ

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à Upon the occurrence of (i) an Event of Default or (ii) the Final Payment Date for any Securities (each such event, "a"

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ÔPrincipal€Payment€Eventó

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ÔPriorityCofCPaymentsÔ

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àOn each Payment Date and on the Final Payment Date, the Issuer shall only make payments in accordance with the priorities described below (the "ò

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ÔPriorityCofCPaymentsó

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à Payments by the Issuer on each Payment Date will be made from the Periodic Swap Payment

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ò $p \times \frac{1}{360} \times \text{Days}$

ò

ò in the following priority:

ò L $p \times \frac{1}{360} \times \text{Days}$ (i) to

ó

ó the payment of taxes, if any

ò

ò, and less

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ò; \$

ò $\frac{1}{360} \times \text{Days}$

($\frac{1}{360} \times \text{Days}$ (ii) to

ó

ó the payment of accrued and unpaid fees and expenses of the Trustee

ò

ò up to the maximum amount \$

ò $\frac{1}{360} \times \text{Days}$

à□□ □ □ Ðspecified€in€the€Indenture;ó

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ò,€Issuer€and€Administration€Agent)€and€to€the€payment€of€the€Accrued€Note

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òPayments€by€the€Issuer€on€the€Final€Payment€Date€will€be€made€from€the€Fi
nal€Swap€PaymentD□□
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□ □ Ð (less€any€amounts€paid€for€the€payment€of€taxes,€if€any,€and€lessó
óó
ó€the€payment€of€accrued€and€unpaid€fees€andÐ□□
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□ □ Ðexpenses€of€the€ò
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òAdministrator€up€to€the€maximum€amount€specified€in€the€Indenture;ó
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òTrustee,€Issuer€andÐ□□
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□ □ ÐAdministration€Agent)€in€the€following€priority:ó
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àto€the€payment€of€ò
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òfees€and€expenses€of€the€Issuer;ó
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□ □ □ ÐOption€Counterparty€under€the€Weather€Portfolio€Option;ó
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à€to€the€payment€of€the€Accrued€Note€Interest;Ð□ □ □ □

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ò Payments by the Issuer on the Final Payment Date will be made from the Final Swap

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Payment, less any amounts paid to the Option Counterparty as an Settlement Payment under the Weather Portfolio Option, in the following priority: (i) to the payment of taxes, if any; (ii) to the payment of accrued and unpaid fees and expenses of the Trustee up to the maximum amount specified in the Indenture; (iii) to the payment of accrued and unpaid fees and expenses of the Administrator up to the maximum amount specified in the Indenture; (iv) to the payment of fees and expenses of the Issuer; (v) to the payment of the Accrued Note Interest; (vi)

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to the payment of the Note Principal Amount; and (b) the (b) -
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    àto€the€payment€of€the€Certificate€Principal€Amount;€ò
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(# ¢ ÐÌ(viii)€to€the€payment€of€the€Base€Certificate€Interest;€andó
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ó€Certificate€Interest.Đ□ □ □ □¬+Đ%, □□,
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ÔEnhancementÔ

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à Enhancement for the Notes is provided by (i) the guarantee of the Prepaid Swap Payments and the Final Swap Payment by the Swap Guarantor and (ii) the subordination of the Certificates. Such subordination is effected by the accrual of the Base Certificate Interest and Additional Certificate Interest as described above and by the preferential application of the payments of the principal and interest amounts of the Notes.ð

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ÔWithholding€TaxÔ

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Although payments of interest and principal on the Securities are not currently expected to be subject to withholding taxes (subject to compliance with any applicable administrative and procedural requirements), if any such taxes were imposed, because the Issuer is not obligated to pay additional amounts in relation thereto, the Securityholders would bear the burden of such taxes. In the event of an imposition by any jurisdiction of withholding tax with respect to any payment by the Swap Counterparty with respect to the Prepaid Swap, the Swap Counterparty will be obligated to pay additional amounts to the Issuer such that the Issuer receives its payments on a "grossed-up" basis. ¹¹

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ôCancellationô

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Tx Dia

àAll€Securities€that€are€paid€and€surrendered€for€cancellation€as€describ
ed€herein€will€forthwith€be€cancelled€and€may€not€be€reissued€or€resold.ii
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ÔPaying€Agent,€Transfer€Agent€and€RegistrarÔ

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ó€and€any€other€financial€institution€appointed€as€a€Paying€Agent€by€the€I
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ÔPayments€on€Notes€and€CertificatesÔ

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à Payments in respect of principal and interest (if applicable) on a Security will be made to the person in whose name such Security is registered on the Record Date. Payments on the Global Notes will be made by wire transfer in immediately available funds to an account maintained by DTC or its nominee or, if wire transfer cannot be effected, by a check delivered to DTC or its nominee. Final payments in respect of principal on the Notes will be made only against surrender of such Notes at the office of any Paying Agent appointed under the Indenture. None of the Issuer, the Administrator, the Indenture Trustee or the Paying Agents will have any responsibility or liability for any aspects of the records maintained by DTC or its nominee or any of its participants relating to, or for payments made thereby to an account of, beneficial interests in a Global Note. ãà

àThe€Issuer€expects€that€DTCEor€its€nominee,€upon€receipt€of€any€payment€of€principal€or€interest€in€respect€of€a€Global€Note€held€by€DTCEor€its€nominee,€will€immediately€credit€participants'€accounts€with€payments€in€amounts€proportionate€to€their€respective€beneficial€interests€in€such€Global€Note€as€shown€on€the€records€of€DTCEor€its€nominee.€The€Issuer€also€expects€that€payments€by€participants€to€owners€of€beneficial€interests€in€such€Global€Note€held€through€such€participants€will€be€governed€by€standing

âinstructions€and€customary€practices,€as€is€now€the€case€with€securities€held€for€the€accounts€of€customers

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âRegistered€in€the€names€of€nominees€for€such€customers.€Such€payments€will€be€the€responsibility€of€such€participants.â

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à Payments on the Certificates will be made by a check delivered by mail to the Certificateholder at the address noted in the Security Register or its nominee or by wire transfer in immediately available funds, or

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provided that the Certificateholder provides wiring instructions to the Trustee as set forth in the Indenture.

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If any payment on a Certificate is due on a day that is not a Business Day, then payment will not be made until the next succeeding Business Day with the same force and effect as if made on the date for payment, and no interest will accrue for the period from or after that day.

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ÔForm,€Denomination€and€Registration€of€the€SecuritiesÔ

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àThe€Issuer€will€cause€to€be€kept€a€register€(the€"ò

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Security Register

ó")€with€respect€to€the€Securities.€D□□
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□ Subject to such reasonable regulations as it may prescribe, the Issuer will provide for the registration of Securities and the registration of transfers of Securities in the Security Register. The Trustee has been initially appointed"ô

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Security Registrar" for the purpose of registering the Securities and transfers of Securities as provided herein and in the Indenture. It is

àThe€Securities€sold€within€the€United€States€or€to€U.S.€Persons€will€be€initially€issued€in€fully€registered€form€without€interest€coupons€to€qualified€institutional€buyers€as€defined€in€Rule€144A€under€the€Securities€Act€("ò

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ÔQualified€Institutional€Buyersó

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 ÔQIBsó

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àòòNotesóó.€The€Notes€sold€within€the€United€States€or€to€U.S.€Persons
€will€be€initially€issued€in€fullyĐ

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Đregistered€form€without€interest€coupons€to€QIBs.€The€Notes€sold€to€U.S.
€Persons€in€reliance€on€Rule€144A€under€the€Securities€Act€will€be€issued
€in€the€form€of€beneficial€interests€in€one€or€more€restricted€global€note
s€(the€"

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ÔRestricted€Global€Notesó

ó"), deposited with the Trustee as custodian for DTCE (in such capacity, D

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ó") or any successor. The Notes sold in offshore transactions in reliance on Regulation S under

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the Securities Act will be represented by one or more permanent global notes in fully registered form without interest coupons (the "ò

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ÔRegulation€S€Global€Notesó

ó,"€and€together€with€the€Restricted€Global€Notes,€theĐ□□
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ÔGlobal€Notesó

ó")€deposited€with€the€Custodian€as€custodian€for€DTC.Đ□□
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àThe Restricted Global Notes will be subject to certain restrictions on transfer described herein and set forth in the Indenture and, unless determined otherwise by the Security Registrar in accordance with applicable law, will bear the legend regarding such restrictions set forth under "Transfer Restrictions." No person other than a QIB

or

or an Institutional Accredited Investor

or

may own a beneficial interest in a Restricted

#8 " " Global Note.

àA beneficial interest in a Restricted Global Note may be transferred only upon receipt by the Security Registrar of a written certificate in the form provided in the Indenture (a "ò

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ÔTransfer€Certificateó

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□ Đtransferor€to€the€effect€that€such€transfer€is€being€made€in€accordance
€with€(i)€the€transfer€restrictions€set€forth€in€the€Indenture€and€the€Not
e€and€(ii) (a) €Rule€144A, €to€a€person€who€the€transferor€reasonably€believe
s€is€purchasing€for€its€own€account€or€for€the€account€of€a€QIB€ò

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òor€an€Institutional€Accredited€Investoró

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□ Đthe€holder€has€informed€that€such€offer, €sale€or€other€transfer€is€bein
g€made€in€reliance€on€Rule€144A, €and€in€accordance€with€any€applicable€sec
urities€laws€of€any€State€of€the€United€States€or€any€other€jurisdiction. If
Beneficial€interests€in€a€Restricted€Global€Note€may€be€transferred€to€a€p
erson€who€takes€delivery€in€the€form€of€a€beneficial€interest€in€a€Regulat
ion€S€Global€Note, €only€upon€receipt€by€that€Security€Registrar€of€a€writt
enĐ□□

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□ Đcertification€in€the€form€provided€in€the€Indenture€(a€"ò

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ÔRegulation€S€Certificateó

ó")€from€the€transferor€to€theD□□

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□ Deffect€that€such€transfer€is€being€made€in€accordance€with€Regulation€S
€under€the€Securities€Act€("ò

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ÔRegulationÐ

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ó") €or€Rule€144.€Any€beneficial€interest€in€one€of€the€Global€Notes€that€i
s€transferred€to€a€person€who€takes

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€delivery€in€the€form€of€a€beneficial€interest€in€another€Global€Note€wi
ll,€upon€transfer,€cease€to€be€a€beneficial€interest€in€such€Global€Note€a
nd€become€a€beneficial€interest€in€such€other€Global€Note€and,€accordingly
,€will€thereafter€be€subject€to€all€transfer€restrictions€and€other€proced
ures€applicable€to€beneficial€interests€in€such€other€Global€Note€for€as€l
ong€as€it€retains€such€an€interest.ìà

à Upon the issuance of the Global Notes, DTCE will credit, on its internal system, the respective individual beneficial interests represented by each Global Note to the accounts of persons who have accounts with DTCE ("ò

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ÔParticipantsó

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òPlacementAgentó

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òInitial€Purchaseró

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ó.€Ownership€of€beneficial€interests€in€a€Global€Note€will€be€limited€to€P
articipants€or€personsÐ□□

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□ Ðwho€hold€interests€through€Participants.€Beneficial€interests€in€the€Gl
obal€Notes€may€be€held€in€minimum€denominations€of€\$[1,600,000]€in€initial
€principal€amount€or€any€integral€multiple€of€\$1,000€in€excess€thereof.ïOw
nership€of€beneficial€interests€in€the€Global€Notes€will€be€shown€on,€and€
the€transfer€of€that€ownershipïwill€be€effected€only€through,€records€main
tained€by€DTCEor€its€nominee€(with€respect€to€interests€ofïParticipants)€a
nd€the€records€of€Participants€(with€respect€to€interests€of€persons€who€h
old€throughïParticipants).ïïà□

à So long as DTC, or its nominee, is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be treated as the sole owner or holder of the Notes represented by such Global Note for all purposes under the Indenture and the Notes. No owner of a beneficial interest in a Global Note will be able to transfer that interest except in accordance with DTC's applicable procedures. Ìà

à Investors may hold their beneficial interests in a Regulation S Global Note through Cedelbank or Euroclear, if they are customers or participants in such systems, indirectly through organizations which are participants in such systems or through organizations other than Cedelbank and Euroclear that are Participants in the DTCS system. Cedelbank and Euroclear will hold beneficial interests in the Regulation S Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries, who in turn will hold such beneficial interests in the Regulation S Global Notes in customers' securities accounts in the depositaries' names on the books of DTC. ìà□

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àThe€Certificates€will€be€issuable€or€transferable€in€minimum€denominatio
ns€of€U.S.€\$[1,500,000]€in€initial€principal€amount€and€integral€multiples
€of€U.S.€\$1,000€in€excess€thereof.€€The€Certificates,€and€transfers€thereo
f,€will€be€registered€as€provided€in€the€Indenture.€€Notwithstanding€anyth
ing€else€contained€herein,€no€Certificate€may€be€transferred€if€the€Issuer
€determines€that€such€transfer€would€result€in€either€the€Issuer€being€req
uired€to€register€as€an€investment€company€under€the€1940€Act,€and€a€Trans
fer€Certificate€regarding€the€foregoing€and€certain€other€matters€is€requi
red€in€connection€with€each€such€transfer.¿¿à□

àSubject to the restrictions on transfer and exchange set forth in the Indenture and the Certificate, the Certificateholder may transfer or exchange the same in whole or in part (in initial principal amount equal to the minimum authorized denominations set forth in the previous paragraph relating to the status of the

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Ð Certificate into which such Certificate is to be transferred or exchanged or any integral multiple of \$1,000 in excess thereof), by surrendering such Certificate at the corporate trust office of the Security Registrar or at the office of another transfer agent,

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óó with an executed instrument of assignment and

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Ð transfer in form and substance satisfactory to the Security Registrar in the case of transfer and a written request for exchange in the case of exchange. It is

à In exchange for any Certificate properly presented for transfer or exchange with all necessary accompanying documentation, the Security Registrar will, within five Business Days of such request if made at the Corporate Trust Office of the Security Registrar, or within ten Business Days if made at the Office of another transfer agent (other than the Security Registrar), cause the Issuer to execute and the Authenticating Agent to authenticate, and will deliver at the Corporate Trust Office of the Security Registrar or the Office of the transfer agent, as the case may be, to the transferee (in the case of transfer) or Certificateholder (in the case of exchange) or send by first-class mail at the risk of the transferee or Certificateholder, as applicable, may request, a Certificate or Certificates, as the case may require, for a like aggregate initial principal amount and in such authorized denominations as may be requested. The presentation for transfer or exchange of any Certificate will not be valid unless made at the Corporate Trust Office of the Security Registrar or at the Office of another transfer agent by the registered Certificateholder in person, or by a duly authorized attorney-in-fact. The Security Registrar will decline to accept any request for an exchange or registration of transfer of any Certificate during the period of 15 days preceding any Payment Date. The Certificateholder will not be required to bear the costs and expense of effecting any exchange, transfer or registration of transfer, except that the relevant Certificateholder will be required to bear (i) the expenses of delivery by other than regular mail (if any) and (ii) if the Security Registrar shall so require, the payment of a sum sufficient to cover any stamp, duty, tax or other governmental charge or insurance charge that may be imposed with respect thereto; and provided that the costs of any opinions of counsel or certifications required.

§ 3.10

Under the Indenture in connection therewith will be at the expense of the Certificateholder or its proposed transferee.

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àA€beneficial€interest€in€a€Certificate€may€be€transferred€only€upon€receipt€by€the€Security€Registrar€of€a€written€certificate€in€the€form€provided€in€the€Indenture€(a€"ò

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ÔTransfer€Certificateó

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□ Đtransferor€to€the€effect€that€such€transfer€is€being€made€in€accordance
€with€(i)€the€transfer€restrictions€set€forthĭin€the€Indenture€and€the€Cer
tificate€and€(ii) (a)€Rule€144A, €to€a€person€who€the€transferor€reasonably€
believesĭis€purchasing€for€its€own€account€or€for€the€account€of€a€QIB€ò
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òor€an€Institutional€Accredited€Investoró

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□ Đwhom€the€holder€has€informed€that€such€offer, €sale€or€other€transfer€is
€being€made€in€reliance€on€Rule€144A, ĩand€in€accordance€with€any€applicabl
e€securities€laws€of€any€State€of€the€United€States€or€any€otherĭjurisdict
ion.€Any€transfer€of€a€Certificate€shall€be€subject€to€the€limitations€des
cribed€under€"TransferĭRestrictions."ĭĭà□

àò Transfers within and among DTC, Cedelbank and Euroclear. ó Transfer
s between Participants in DTC
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 It will be effected through DTC's Deposit/Withdrawal Custodian ("ò

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ÔDWACó

ó")€system€and€will€be€settled€in€D

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day€funds€upon€clearance€of€the€transfer€through€the€DWAC€system.€The€laws
€of€some€States€require€that€certain€persons€take€physical€delivery€in€def
initive€form€of€securities.€Consequently,€the€ability€to€transfer€benefici
al€interests€in€a€Global€Note€to€such€persons€may€be€limited.€Because€DTCC
can€only€act€on€behalf€of€Participants,€who€in€turn€act€on€behalf€of€indir
ect€participants€and€certain€banks,€the€ability€of€a€person€having€a€benef
icial€interest€in€a€Global€Note€to€pledge€such€interest€to€persons€or€enti
ties€that€do€not

â€participate€in€the€DTCC€system,€or€otherwise€take€actions€in€respect€of€s
uch€interest,€may€be€affected€by€the€D

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D lack€of€a€physical€certificate€evidencing€such€interest.€Transfers€betw
een€customers€in€Cedelbank€and€participants€in€Euroclear€will€be€effected€
in€accordance€with€their€respective€rules€and€operating€procedures.â

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àSubject to compliance with the transfer restrictions applicable to the Notes described herein and in "Transfer Restrictions," cross-market transfers between DTC Participants, other than depositaries for Cedelbank or Euroclear, on the one hand, and directly or indirectly through Cedelbank or Euroclear to customers or participants, on the other, will be effected through the DWAC system on behalf of Cedelbank or Euroclear, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Cedelbank or Euroclear, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (which are established on the basis of Brussels time). Cedelbank or Euroclear, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving beneficial interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to the DWAC system upon clearance of the transfer through the DWAC system. Cedelbank customers and participants in Euroclear may not deliver instructions directly to the depositaries for Cedelbank or Euroclear. Ìà□

àAlthough DTC, Cedelbank and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Notes among participants of DTC, Cedelbank and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer nor the Trustee will have any responsibility for the performance by DTC, Cedelbank or Euroclear or their respective customers or participants or indirect participants of their respective obligations under the rules and procedures governing their operations. ÌÌ

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ôNoticesô

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à Notices to Securityholders will be emailed or faxed to them at their respective addresses or fax numbers in the Register. Any such notice will be deemed to have been given on the later of the date of such publication and the day of such mailing or faxing; and provided, however, that in no case will any such notice be

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Defective with respect to a particular Securityholder later than the date of receipt of such notice by such Securityholder.

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ôAccess€to€Noteholder€Listô

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àAny€Securityholder€will€have€the€right,€after€the€occurrence€and€during€the€continuance€of€a€Defaultï (as€defined€in€the€Indenture)€or€Event€of€Default€and€upon€five€Business€Days'€prior€written€notice€to€the€NoteïRegistrars€and€at€the€expense€of€the€Issuer,€to€obtain€a€complete€list€of€the€Securityholders;òòprovided,€howeveróó,òò

□“%ï% □

□ ðthat€each€Securityholder€agrees€by€acceptance€of€its€Note€or€Certificate,€as€applicable,€that€it€will€use€suchïlist€for€no€purpose€other€than€the€exercise€of€its€rights€under€the€Indenture;èèprovidedóó,€èèfurtheróó,€that€the€Noteðð

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□ ðRegistrar€will€have€no€liability€in€connection€with€releasing€such€a€list€upon€request€made€in€accordance€withïthe€terms€of€the€Indenture.ïò

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ÔGoverning€LawÔ

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àThe€Notes,€the€Certificates,€the€Indenture,€the€Weather€Portfolio€Option
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âAdministration€Agreement€are€governed€by,€and€will€be€construed€in€accor
dance€with,€the€claws€of€the€Stateïof€New€York€without€regard€to€principles
€of€conflicts€of€laws.€The€parties€to€such€agreements€have€submittedïto€th
e€non-exclusive€jurisdiction€of€the€New€York€courts.ïÐ □

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ÔWEATHER€PORTFOLIO€OPTIONÓ

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à On the Closing Date, the Issuer will enter into a Weather Portfolio Option with the Option Counterparty. Under the Weather Portfolio Option, the Option Counterparty will make the Option Premium to the Issuer of [ò

ò \$15,000,000

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ó] On the Closing Date and the Issuer may be obligated to make and

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Settlement Payment to the Option Counterparty on the Final Payment Date

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□ Dbelow,€for€each€day€during€the€applicable€Measurement€Season.Ïà□

àThe€HDD€for€each€day€is€equal€to€the€greater€of€(i)€65€°–°minus°°°the€non-
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s:€if€the€first€number€after€the€decimal€point€is€five€(5)€or€greater,€the
n€the€whole€number€shall€be€increased€by€one€(1), €and€if€the€first€number€
after€the€decimal€point€is€less€than€five€(5)€the€whole€number€shall€remai
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àThe€CDDs€for€each€day€is€equal€to€the€greater€of€(i)€the€non-
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rees€Fahrenheit€from€and€including€12:01€AM€on€that€day€to€and€including€1
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\ominus Daily maximum and minimum temperatures measured by the NWS and reported by the NCDC shall be rounded to whole numbers prior to the calculation of HDDs in accordance with the Rounding Convention. \ominus

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ómeans the National Weather Service, the division of the National Oceanic
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Atmospheric Administration responsible for providing weather and flood warnings, public forecasts and advisories for all of the United States, its territories, adjacent waters and ocean areas, or its successor organization.

àThe€Option€Components€are€listed€below.€€[In€choosing€the€locations,€ò
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ity€of€the€portfolio.€€The€Strikes€associated€with€the€individual€Option€C
omponents€were€set€equal€to€the€average€of€the€10€most€recent€historical€s
easons€ (winter€or€summer,€as€applicable)€using€data€available€from€the€NWS
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àFor any individual Winter or Summer Option Component with Type described as a Call, the amount, if any, by which the Weather Units observed at the Location during a given Measurement Season exceed the Strike, multiplied by the Notional Amount. However, such amount shall not exceed the Option Component Limit. ãà□

à For any individual Winter or Summer Option Component with Type described as a Put, the amount, if any, by which the Strike exceeds the Weather Units observed at the Location during a given Measurement Season, multiplied by the Notional Amount. However, such amount shall not exceed the Option Component Limit. iO

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àThe€data€used€to€determine€the€Weather€Unit€ (and€to€the€extent€required
,€data€for€the€
òò
òFRWS) ó
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 :^9 Ðò
òò
òFallback€Location)€for€the€final€Measurement€Seasonó
óó
ó€shall€be€obtained€from€the€NCDC's€Official€websiteÐ
 -: : Ðlocated€at€ò

ðhttp://www.nndc.noaa.gov/cgi-bin/nndc/eph2_lcd_v2.cgió

ó,€or€any€successor€thereto;€òòprovidedóóó,Đ

ò-;

Đòòhoweveróó,€if€data€is€not€reported€for€any€particular€day€at€such€w
ebsite,€then€the€ò

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òfallbackó

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ódata€for€such€dayĐ

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Đshall€be€obtained€from€the€website€for€the€appropriate€Regional€Climate
€Data€Center€located€atîò

ð<http://www.nws.noaa.gov/regions.shtml>ó

ðhttp://www.ncdc.noaa.gov/cgi-win/wwcgi.dll?Ð  
    B     ÐWWNolos~Product~PB~078 

ó.€€Notwithstanding€the€foregoing,€if€neither€the€Regional€Climate€Data€Ce
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□Ò%öC □ □ Đnor€the€NCDC€issues€data€for€the€ò

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ó,€then€the€procedures€set€forth€under€ð

□®&Ò D □ □ ĐWeather€Station(s)ð-

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òMerrill€Lynchó

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ó€as€Calculation€Agent€throughout€the€life€of€theĐ□□

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à If for any day during the Measurement Season a daily maximum or daily minimum temperature is \hat{a}

à unavailable for the

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ó then the missing temperature (s) for that day at such

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ó shall \hat{D}

\hat{D} , \hat{D} \hat{D}

\hat{D} be calculated in accordance with the following procedure: \hat{D}

$\hat{a}(i) \hat{a}0$

àthe€daily€maximum€(if€the€missing€temperature€is€a€daily€maximum)€or€dai
ly€minimum€(if

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□ ðthe€missing€temperature€is€a€daily€minimum)€temperature€for€the€corresp
onding€day€of€each€of€the€previous€ò

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ó€years€at€such€ò

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ó€shall€be€identified€as€reported€in€degreesð□□

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□ ðFahrenheit€by€the€NCDC€(which€numbers€as€reported€by€the€NCDC€shall€not
€be€rounded€by€the€parties)€and€an€average€temperature€shall€be€determined
,€which€average€temperature€shall€be€determined€to€and€including€four€deci
mal€points;ð□□

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à(ii)à0

à [in accordance with the above procedures, the daily maximum or daily minimum

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Temperature as appropriate shall be determined for the corresponding day of each of the previous

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NWSE Weather Station at [] WBAN# [], WMO# [] (the

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Fallback

Reference Weather Station

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□ □ ÐclosestGeographicalLocationthatpublishesNWSdataÓ
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òLocationassociatedwiththeLocationÐ□
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□ □ □ Ðfailing€to€report€the€temperature€data€(see€table€below) ó

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ó€for€that€period€as€reported€in€degreesÐ□□

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□ ÐFahrenheit€by€the€NCDC€(which€numbers€as€reported€by€the€NCDC€shall€not
€be€rounded€by€the€parties), €and€an€average€temperature€shall€be€determine
d, €which€average€temperature€shall€be€determined€to€and€including€four€dec
imal€pointsò

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ò]€List€to€be€providedó

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the average temperature generated in (ii) above shall be subtracted from
the average
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□ \nexists temperature generated in (i) above (with the resulting number (whether positive or negative) referred to as the δ)

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ÔAverage€Temperature€Difference€Numberó

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à(iv)à0

àthe€daily€maximum€or€daily€minimum€temperature€as€appropriate€for€the€co
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ó€for€the€day€for€which€the€daily€maximum€or€daily€minimumĐ□□

□4□X□□ □ □ Đtemperature€is€missing€for€the€ò

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ó€shall€be€identified€as€reported€in€degreesĐ□□

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□ ĐFahrenheit€by€the€NCDC€ (which€number€as€reported€by€the€NCDC€shall€not€
be€rounded); ĩandĐ□□

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□ ĐİÓ□9 □ □Ü□ ^□ Ü□fX□ h□ À□ ì□ ýŸ□Ü□□ ^□ Ü□„X□ h□ À□□,□9 Óà□

$$\alpha(v) \rightarrow 0$$

à the temperature determined in (iv) shall be adjusted by adding the Average Temperature

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□ Difference Number if it is a positive number and subtracting the absolute value of the Average Temperature Difference Number if it is a negative number, with the resulting number being rounded in accordance with the Rounding Convention. The final rounded whole number determined in (v) shall be deemed the daily maximum or daily minimum temperature as appropriate for the

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ó for the relevant day and shall be the

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□ Number used to make the calculations as required pursuant to the procedures set forth in the

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àECT,€in€its€capacity€ase€Calculation€Agent,€will€use€the€nearest€geograph
ical€location€ò
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□ ĐLocation€designated€in€the€table€above€to€serve€as€the€Fallback€Locatio
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ó€in€the€event€that€data€from€neitherĐ□□
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ÔTHE€PREPAID€SWAPÓ

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ôThe€Prepaid€Swapô

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On the Closing Date, the Issuer will enter into a notional principal contract (the "o

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ÔPrepaid€Swapó

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òMerrill€Lynch€Capital€Services,€Inc.€(the€ò

ò"Swap€Counterparty"ó

ó).€€On€the€Closing€Date,ó
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ó€the€Swap€
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(€€ € € € €Counterparty€
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òwill€be€required€to€have€a€short-term€debt€rating€of€A-1+€from€S&P€and€P-
1€from€Moody'só
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€ €Under€the€Prepaid€Swap,€the€Issuer€will€make€a€[\$160,000,000]€payment€(
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ÔInitial€Swap€Paymentó

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□ The Swap Counterparty using the entire net proceeds of the Offering on the Closing Date and the Option Premium. On each Payment Date, the Swap Counterparty will pay to the Issuer (the "ò

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$\hat{\Omega} \text{Periodic} \in \text{Swap} \mathbb{D}$

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On the Final Payment Date, the Swap Counterparty will pay to the Issuer
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ÔThe€Swap€ò

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àThe€Periodic€Swap€Payments€and€the€Final€Swap€Payment€are€guaranteed€by€
 the€Swap€Guarantor.€If€the€Swap€Guarantor€must€have€a€short€term€rating€of€ò
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 ó,€the€Issuer€shall€have€the€option€to€terminate€the€PrepaidD□□
 □□)<#) □
 □ DSwap€within€[30]€Business€Days.€€If€the€Prepaid€Swap€is€terminated,€the
 €Prepaid€Swap€shall€be€settled€based€on€the€average€of€the€mid-
 market€prices€of€no€less€than€five€potential€replacement€counterparties€wh
 ich€bear€a€ò
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 òrating€from€S&P€of€AAA€and€from€Moody's€of€Aaa€oró
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àRisk€Management€Solutions,€Inc.€("ò

ÖRMSÓ

ó")€is€a€leading€worldwide€provider€of€risk€assessmentĐ□□

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□ Đmodels,€software€applications,€and€consulting€services€for€the€quantifi-
cation€and€management€of€risk.€RMSĐ□□Đİrisk€assessment€models€and€data€cov-
er€over€40€countries€for€property€catastrophe,€natural€hazard,€andİweather
-related€risk.€RMS€provides€ò

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òinformation€products€includingó

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ó€digital€data,€products,€and€analyticalĐ□□

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□ Đservices€based€on€the€RMS€models,€including€the€RMS€Weather€Model,€as€w-
ell€as€independent€consultingİservices€for€the€issuance€and€trading€of€sec-
urities.€€Over€350€leading€insurers,€reinsurers,€corporations,İgovernments
,€and€financial€institutions€access€RMS€technology€to€manage€their€exposur-
e.İà□

ARMSEwasfoundedin1988, andcurrentlyoperatesfromeightofficesinNorth America, EuropeandAsia, withheadquartersinMenloPark, California.

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òThecompanyó

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óemploysapproximately500people, Ð

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Ðincludingover200employeesinitsprimaryriskmanagementbusiness, andanadditional300employeesinitsubsidarybasedinIndiawhichspecializesintheconversionandcompilationoftechnicaldata. Thecompanyðs riskmanagementbusinessincludesprofessionalswithbackgroundsinactuarialandstatisticalsciences, meteorology, physics, geology, seismology, structuralandcivilengineering, managementconsulting, economics, andfinance. €ò

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ópercentofthetechnicalstaffand36percentofthetotalÐ

ÐTÐx Ð Ð staffholdadvanceddegrees, including€ò

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óPhDs. ERMSalsoutilizesaeglobalnetworkÐ

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Ð ofacademiccontactsandconsultingengineerswhoareretainedforperiodicreviewofRMS technologyorfor specificprojects. Ìà

ARMSE is a wholly-owned subsidiary of The Daily Mail and General Trust plc. This ownership structure allows RMSE to provide an independent and objective assessment of risk-related issues. For the year ended December 31, 1998, RMSE's gross revenues were derived from software and data licensing (60 percent) and related consulting and services (40 percent).

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òRole of RMS
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òAs experts in the analysis of risks associated with underlying weather portfolio variations
óó
óRMS was
 -
 ð retained by Enron Capital and Trade Resources Corporation to quantify the risk
òò
òof loss
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óto the
òò
òUnderlying
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óð
 - Weather
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ò-Indexed Return Securities (WINRS) due to temperature variations
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òPortfolio
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ó. The statistical data, ð
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 ð modeling and the explanations thereof included in this

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òas experts in the analysis of risks associated with weather variations.
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 ð Limitations of RMS Risk Analysis - The data and methodologies described herein, and the analyses, estimates and services intended to be provided are provided "as is" without warranty or guaranty of any kind. These analyses, estimates and services are provided for illustrative purposes only and are not intended to provide, nor should they be interpreted as providing any facts regarding, or predicting or forecasting of, the likelihood that various levels of payoffs on the underlying portfolio [a "Trigger Event"] may occur or that investors in the Securities will receive payment of principal of, and interest on, the Securities. A [Net Loss] of any particular magnitude, up to the maximum annual amount of \$40,000,000, could occur in any given year. ð
 ^, -&-
 ð RMS does not sponsor, endorse, offer or promote the Securities, nor does it make any representation or warranty, express or implied, regarding the advisability of investing in the Securities. RMS is not responsible for

and has not participated in the determination of the structure or pricing of the Securities. Furthermore, IRMS has no obligation or liability in connection with the trading of the Securities. IRMS makes no representation or warranty, express or implied, as to the accuracy or completeness of the information set forth in the Offering Circular hereunder other than information provided under "Risk Analysis" for which specific limitations of warranty are defined. In the development of the IRMS Weather Model, IRMS has relied on published technical papers and weather catalogs [based on weather information,] various studies, and investigations and has selected those that it believes to represent credible scientific opinion. However, since no scientific consensus on models or risk parameters exists, IRMS acknowledges that other credible, published models or risk parameters may exist that, if used, could produce different results. IRMS also has not reviewed the authenticity of call the data in the historical catalogs or other data sources used to develop the [Models]. Modeling temperature variations and the resulting losses is an inherently subjective and imprecise process, involving an assessment of information that comes from a number of sources and that may not be complete or accurate. No model is, or could be, an exact representation of reality. The IRMS [Models] models rely on various assumptions that might not be used in models provided by other modeling firms, and some of which are subject to uncertainty, and there can be no assurance that IRMS's statistical modeling will prove accurate. Accordingly, the loss estimates produced by the IRMS [Models] are themselves subject to uncertainty. IRMS reviews these model assumptions in view of new meteorological, and other data and information to refine the loss estimates as such information becomes available. Such refinements may materially alter, and have in the past materially altered, the loss estimates generated by the [IRAS Model or the] IRMS [Weather Model] models. A significant amount of uncertainty exists in the parameters used in this analysis, any one of which alone can cause modeled losses to be significantly different from the losses ultimately sustained at the end of the five-year term. Such uncertainties exist in, but are not limited to, temperature estimations, assessment of trends and temperature correlations, statistical modeling assumptions, as well as the simulation techniques used to model the transaction. Considerable uncertainty exists in the IRMS Weather [Model] as well as in the parameters used in the [Models] model, arising from insufficient data, limited scientific knowledge, and alternative empirical relationships as well as from the random nature of temperature variations. IRMS has included uncertainty assumptions in key parameters such as estimation of historical and simulated temperature for the [locations] included in these Securities, but has not included all sources of uncertainty. Furthermore, the assumptions and methodologies used by IRMS may not constitute the exclusive set of reasonable assumptions and may not be correct. Use of alternative assumptions and/or models could yield results materially different than those produced by IRMS. IRMS also did not elicit from other experts alternative interpretations of its data, nor did IRMS research all potentially available interpretations. The IRMS analyses have been conducted on the basis of current procedures, instruments, and other aspects of the process whereby the U.S. National Weather Service (NWS) and National Climatic Data Center (NCDC) gather and report data on temperature variations. Future recording of temperature variations may

be affected by a variety of factors, including but not limited to change in government policy or funding and

□-+D%, □

□ Dchanges€in€weather€station€location€or€instrumentation.€Such€factors€have€not€been€considered€in€the€RMS€analyses€and€could€have€a€material€impact€on€the€validity€of€the€analysis€results.Ïâ□

âÏThe€loss€probabilities€generated€by€the€RMSEWeather€Model€are€not€predictive€of€future€weather€patterns,Ïnor€of€the€magnitude€of€losses€that€may€occur€during€the€term€of€the€Securities.€Actual€weather€patterns€andÏtemperature€variations€could€differ€materially€from€the€variations€estimated€by€RMS.ÏRMS€has€provided€its€analyses,€loss€estimates,€and€services€to€Enron€Capital€and€Trade€Resources€pursuantÏto€a€consulting€agreement€between€RMSEand€Enron€Capital€and€Trade€Resources.€Holders€of€the€SecuritiesÏare€not€parties€to€such€agreement€and€have€no€right€to€enforce€or€take€actions€thereunder€against€RMSEor€anyÏother€right€thereunder€or€in€connection€therewith.€ó

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ðWeather€Overviewó

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ò[Meteorological€aspects€of€weatheró

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òò

òWeatheró

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ó€and€temperatureó□óò

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àWeather€refers€to€the€state€of€the€atmosphere€in€a€specific€location€at€a€particular€point€in€time€or€over€a€short€period€of€time€in€terms€of€air€temperature,€humidity,€precipitation,€wind,€and€other€related€factors.€If€the€generalized€composite€of€weather€conditions€over€time,€including€the€extremes€of€weather€that€have€been€observed€or€are€believed€to€be€possible,€is€known€as€climate.€ò

òò

ò€Weather€and€climate€are€both€components€of€Ð□□

□T□x□□ □

□ Ðmeteorology.€Weather€consists€of€short€term€(less€than€a€few€weeks)€variations€of€the€atmosphere.€On€the€other€hand,€climate€is€the€synthesis€of€weather€over€a€longer€period€of€time€as€well€as€extreme€values€and€frequency€of€every€occurrence€that€might€be€of€interest.€The€main€climatic€elements€include€temperature,€precipitation,€humidity,€sunshine,€wind€velocity,€and€other€phenomena€such€as€thunder,€cloudiness,€and€fog.ó

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àBoth weather and climate are closely linked to the
 òò
 ò[produced by the effects of]ó
 óó
 óheating and coolingð
 □|□ □ □
 □ Do of the surface of the Earth as well as the interactions between the components of the climate system. These components
 òò
 ò[are]ó
 óó
 óinclude the atmosphere (the envelope of air surrounding Earth), the hydrosphere (oceansð
 □4X□ □
 □ and other large bodies of water), the cryosphere (permanent ice), the lithosphere (the outer and solid part of the Earth), and the biosphere (transition zone between the surface of the Earth and the atmosphere where terrestrial life is found). ìò
 òò
 ò[Do we need to go as far as definingð

□€ ▣ □ □ ▣ enough items to not require definition?]ó
 óó
 óð□□
 □\!€□ □
 □ ðìòòDefinition of weather risk for this transactionó□óð□□
 □□#8□" □ □ ðìà□


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àWeatherRiskForThisTransactionò
òò
òrepresentsthevariationofindicesderivedfromtemperaturereadingsó
óó
óÐ
    òÌ$ð-$  Ðò
òò
òisrepresentedbythedifferentialbetweencumulativeheatingorcoolingdegree-dayscalculatedfromactualó
óó
óÐ
    ò"%Ì%  Ðrecordedò
òò
òtemperaturesó
óó
óeat specific weather stations. The risk is measured by the cumulative number ofÐ
    ò„&  ÐCoolingDegreeDaysò
òò
ò (CDDs) ó
óó
ò (CDDðððs) ó
óó
óCorHeatingDegreeDaysò
òò
ò (HDDs) ó
óó
ò (HDDðððs) ó
óó
ófor the MeasurementÐ
    ò`'„!'  ÐSeasonfor each weather station. ÈÌà

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àÀÈ
 òò
 ò "Degree€Day"ó
 óó
 óÈò
 òò
 òdegree€dayó
 óó
 óis€an€economic€index€ò
 òò
 òused€to€quantify€the€extent€to€which€dailyĐ
 □ô)□\$* □ □ Đó
 óó
 òrepresented€by€the€variation€ofó
 óó
 ó€average€ò
 òò
 òtemperature€is€above€or€belowó
 óó
 óÈò
 òò
 òdaily€temperatures€from€a€base,€in€thisó
 óó
 òĐ□□
 □Đ*ô\$+ □ □ Đâ□
 â65ô□□ _____ Îÿz+ž%¬+Đ% □ Ôoô□□
 _____ 2 ¬+Đ%z+ž% □ Ô€Fahrenheit.€€CDDs€and€HDDs€ò
 òò
 òhave€previously€been€defined€in€this€[offering€circular]ó
 óó
 óÈò
 òò
 òare€based€on€theĐ□□
 □¬+Đ%, □
 □ Đaverage€daily€temperature€observations€(average€of€the€daily€maximum€an
 d€minimum€temperatures)€at€specific€weather€stations.€Îâ□
 â [Heating€Degree€Days]€ (HDDs) €are€the€summations€of€negative€differences€
 between€the€mean€dailyïtemperatures€and€65o€Fahrenheit€for€the€period€of€i
 nterest,€as€can€be€expressed€by€the€formula€below.€Byïdefinition,€there€ar
 e€no€negative€values€for€HDDð□□ðs.ïïHDD€=€calledays€max€[(65€ð!□ð€Tave.),€0
],€where€Tave.€is€the€average€of€the€daily€maximum€and€minimumĐ□□
 □□
 (□□ □
 □ Đtemperature€ïï [Cooling€Degree€Days]€ (CDDs) €are€the€summations€of€positi
 ve€differences€between€mean€daily€temperatureïand€65o€Fahrenheit€for€the€ep
 eriod€of€interest,€as€can€be€expressed€by€the€formula€below.€By€definition
 ,€thereïare€no€negative€values€for€CDDð□□ðs.ïïCDD€=€calledays€max€[(Tave.€-
 €65),€0],€where€Tave.€is€the€average€of€the€daily€maximum€and€minimumïtemp
 erature€ïï [Where€Tave.€is€the€average€of€the€maximum€and€minimum€temperatu
 re€during€the€day€recorded€at€a€specificïweather€station.]€As€an€example,€
 if€the€period€of€interest€is€seven€days€and€the€average€daily€temperatures
 ïTave.€for€these€seven€days€are:€67oF,€60oF,€70oF,€65oF,€66oF,€62oF,€and€6

□ | □ □ □ □ Ìà□

à Surface air temperature as well as other weather conditions are measured at local weather stations throughout the United States. The primary source of observed temperature data in the U.S. is the National Climatic Data Center (NCDC) which archives and publishes data gathered by various organizations including the National Weather Service (NWS), the Federal Aviation Administration (FAA), and U.S. military agencies, each of which operate networks of weather stations. The most reliable historical temperature data is generally considered to be that collected by the approximately 300

òò

ò [Temperature data is collected by several government organizations such as the National Weather Service]

#8"

è (NWS) through its national network of weather stations and made available by the National Climatic Data Center (NCDC). The data represents the actual temperature readings recorded by the local weather stations.]

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àAs part of
 the
 [its]
 ó
 óa modernization program, the NWS has been installing Automated Surface
 Observing
 Systems (ASOS) in
 the
 [several]
 ó
 óthe majority of
 the
 "ó
 ó
 ófirst order
 the
 "ó
 ó
 óweather stations
 the
 [locations]
 ó
 óthroughout the U.S.
 " ' , ! '
 For most stations, the installation of the ASOS instruments was completed
 the
 the
 ó
 ómid to late 1990s. The
 < (" (
 ASOS instruments use electronic weather sensors and have automated data
 collection and reporting capabilities.
 the
 [This new system represents an automated method for observing the atmosphere
 and includes
 ô) \$* modern weather sensors.]
 ó
 ó
 ó* ô\$+ ô ô ô Temperature variability ô ô
 ^ , ¬ & - ô ô ô ‡ à


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àTemperature€at€specific€location€fluctuate€due€to€numerous€factors,€in
cluding€natural€heating€and€cooling€throughout€the€course€of€a€day€ò
òò
ò("diurnal€effects").€[Variations€in€temperature€are€affected€by]ó
óó
ò(diurnalÐ
    ,.Ü   Ðeffects),ó
óó
ó€variability€in€regional€weather€patterns,€seasonal€effects,€and€other€ò
òò
ò[as€well€as]ó
óó
ó€short€and€long-termÐ
    ",.  Ðclimate€conditions.ò
òò
ò[Temperature€varies€depending€on€factors€such€as€the€season€of€the€year€(
seasonal€effects)Ð
    p"_____
    Ðas€well€as€weather€systems€that€move€through€the€atmosphere,€e.g.€large
€scale,€pervasive€weather€features€such€as€jet€streams€and€smaller€scale,€
more€temporary€features€such€as€individual€high€or€low€pressure€systems.]ó
óó
óÐ
    (  Ðà

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àIn€addition€to€natural€variability€of€temperatures€on€short€timeñ□ä ñ€ñ□
ä ñscales,€ò
òò
ò[t]hereó
óó
ó€ò
òò
òthereó
óó
ó€is€evidence€ò
òò
òinÐ□□
□4

à□□ □ □ Ðrecent€decadesó

óó

ó€that€average€temperatures€ò

òò

òseem€to€have€[changed]€increased€and/or€decreased€in€specificÐ□□

□~

$\frac{1}{4}$

□

□ Ðlocations€cover€different€periods€throughout€history,€and€in€recent€deca
desó

óó

ó€have€increased€in€many€locationsÐ□□

□t

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□ □ Ðò

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ò[ó

óó

óover€timeò

òò

ò].€[There€are€a]ó

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ò.ó

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ó€A€number€of€possible€reasons€ò

òò

ò[that]ó

óó

ó€have€been€proposed€to€explain€these€recentÐ□□

□P□t

□

□ Ðchanges, €ranging €from €long €term €climate €cycles €to €overall €increases €in €worldwide €temperatures €due €to €a ĩvariety €of €factors €(a €phenomenon €known €generally €as €"global €warming") €ò

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òtoó

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òincludingó

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ó€increases €in €population, Ð□□

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□ □ Ðò

òò

ò[automobile€usage]ó

óó

ó€industrial €activity, €and €urban €land €use €in €metropolitan €regions€ò

òò

òthat €can €cause €localizedÐ□□

□ä□□

□ □ Ðincreases€in€temperature€[observations]ó
óó
ó.€€However,€there€remains€significant€uncertainty€ò
òò
ò[There€is€a€largeÐ□□
□Ä□ä

□ □ □ Ðamount€of€uncertainties]ó

óó

ó€in€understanding€exactly€what€is€causing€these€effects€and,€therefore,€in€being€ableÐ□□

□œ□À

□ □ □ Ðò

òò

ò[the€ability]ó

óó

ó€to€forecast€such€future€changes.Ð□□

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àOne of the
 òò
 ò[A]ó
 óó
 ómost prominent sources of
 òò
 òinter-annualó
 óó
 óó
 òò
 òinterannualó
 óó
 óvariability in weather and climate
 00T around the world is a phenomenon known as ENSO (El
 òò
 ò[Nino]ó
 óó
 óENiñoó
 òò
 ò-ó
 óó
 óSouthern Oscillation), which represents
 □

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the dynamic interactions between the ocean and the atmosphere in the equatorial and tropical Pacific Ocean and is usually associated with large-scale swings in surface air pressure between the western and eastern tropical Pacific. ENSO is also characterized by

[the presence]

episodes of

[a]

warmer or

/colder

colder

than

normal

[surface layer of]

water surface temperatures across the central and eastern tropical Pacific Ocean.

the western and eastern tropical Pacific.

[This phenomenon is usually associated with large-scale swings in surface air pressure between the western and eastern tropical Pacific.]

the western and eastern tropical Pacific.

Warmer than normal ocean temperatures

[(across central and eastern tropical Pacific Ocean)]

the Pacific Ocean)

in this region characterize the phase known as El

[Nino]

warmer and colder than normal ocean

temperatures characterize the phase known as La

[Nina] these weather patterns

warmer and

El Niño and

the

□ ÐLa€Nið9□ða€can€affect€temperatures€throughout€the€U.S.€and€other€regions
s€of€the€world,€however€their€impact€varies€across€locations.€€ò

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òFurthermore,ó

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òWhile,ó

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ó€there€ò

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òisó

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òcan€beó

óó

ó€a€large€amount€of€variability€in€the€impact€at€anyÐ□□

□¤È□- □ □ Ðparticular€location€ò

òò

òit€is€not€consistent€across€seasons€and€wide€geographical€regionsó

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òÔ



ÔRMSEApproachetoModelingWeatherRiskó

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□8"\"□! □ □ Ðìò

òò

ò[Weather€data€for€weather€stations€in€the€United€States€are€available€fro
m€several€government€organizationsÐ□□

□ð#□-# □

□ Ðsuch€as€the€NWS€and€the€NCDC.€However,€this€data€usually€contain€severa
l€inconsistencies€and€in-

homogeneities,€furthermore,€there€are€several€climatological€factors€that€
can€introduce€biases€to€the€recorded€weather€data.€RMSEbelieves€that€using
€the€data€without€any€treatment€and€analysis€can€lead€to€misleading€conclu
sions€on€the€expected€losses€for€weather€transactions.]€ó

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□`'„!' □ □ Ðìà□

àRMSEhasdevelopedò
 òò
 òanalytical,estatisticalandempiricaló
 óó
 óetechniquesfor modelingweather riskandððð
 ððð<#) ð ð ð assessingò
 òò
 ò[associated]lossesó
 óó
 óEò
 òò
 òpotentialoutcomesó
 óó
 óto weather-linkedfinancialò
 òò
 òcontractsbasedonanalytical,ððð
 ððð)ð\$* ð ð ð statistical, and empirical techniquesó
 óó
 óEò
 òò
 òproductsó
 óó
 ó.€€Suchtechniquesincorporateestablishedprinciplesofððð
 ððð*ð\$+ ð ð ð meteorology, climatologyò
 òò
 ò,ó
 óó
 óandotherrelatedfields.€€ò
 òò
 òTheó
 óó
 óRMSEWeatherModelò
 òò
 ò[ingProcedure]ó
 óó
 óEò
 òò
 òisbasedonððð
 ððð+ð%, ð
 ð ð statistical modeling approach in which seasonal degree day index evalu
 esaremodeledandsimulated.€€RMSPððð
 ððð^,¬&- ð
 ð ð believes that the historical record of temperature data is a sufficient
 basis for understanding and statistically modeling degree day variations
 at specific locations.ÿÿàð

→ In developing its method for modeling weather risk, RMS considered two alternative approaches: →

àA€Global€Circulation€Model,€which€is€extremely€complex,€is€used€to€model
€the€overall€behavior€ofĐ□□

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□ Đthe€atmosphere€and€forecast€weather€conditions.€€RMS€did€not€believe€th
at€a€Global€Circulation€Model€was€appropriate€for€assessing€the€risk€to€we
ather-
linked€financial€products€because€the€reliability€of€the€forecast€produced
€by€a€Global€Circulation€Model€diminishes€significantly€beyond€a€few€days€
and€is€not€designed€for€modeling€variations€in€temperature€at€specific€loc
ations.Đ□□

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àÀTime-
 SteppingModel is an alternative statistical model that uses simulations of
 daily temperature P_t
 P_t
 values to capture the auto-
 correlations in temperature between days. ÀÀTime-
 SteppingModel can be unstable as it is highly sensitive to the assumption
 used and because daily auto-
 correlations decay exponentially over time and do not capture seasonal deg-
 ree day distributions. ÀÀTime-
 SteppingModel is not ideal as a primary tool to assess the risk associate
 d with a multi-
 year portfolio of seasonal weather contracts, but is appropriate as a pote-
 ntial stress test to a simulated statistical model such as the ÀÀTime-
 Weather Model.

(# (# Δ RMSE Weather Model Δ
 Δ
 Δ
 Δ

àThe€RMSEWeather€Model€is€designed€around€three€main€components:€1)€ò
òò
òacquisition€andó
óó
ó€treatmentĐ□□
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àA€schematic€of€the€RMSEWeather€Model€ò
òò
ò[ing€Procedure]ó
óó
ó€for€analyzing€risk€to€a€portfolio€of€one€orĐ□□
□X□|□□ □ □ Đmore€weather-linked€contracts€is€provided€below:ììĐ
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òAcquisition€&ó

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òRMSEWeather€Modeló

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àThe€basis€of€the€RMSEWeather€Model€is€a€catalog€of€detailed€historical€i
nformation€on€recorded€temperatures€for€all€weather€stations€ò

òò

òutilizedó

óó

ó€included€in€the€ò

òò

ò[transaction]€contract(s) [(primary€stations)]ó

óó

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□|□ □□ □ □ Ðò

òò

òUnderlying€Weather€Portfolioó

óó

ó€as€well€as€for€neighboring€stations.€€This€information€includes:€daily€m
inimumÐ□□

□X□|□□ □

□ Ðand€maximum€temperature€data€for€each€station€for€the€entire€history€of
€record,€the€entire€record€of€station€location€information,€and€climate€co
nditions€for€the€station.€€The€sources€of€this€information€include:€NWS€an
d€NCDC€electronic€and€paper€publications,€Monthly€Local€Climatological€dat
a€summaries€(produced€by€NCDC),€and€local€ò

òò

òNational€Weather€Serviceó

óó

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òò

òNWSó

óó

ó€centers.€€Ð□□

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òRMSEbelievesetható
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òToedevelopEahistoricalEcatalogEofEweatherEdataEthatEisEasEreliableEandEa
ccurateEasD□□
□E □□ □ □ DpossibleEforEriskEassessmentEpurposes,ERMSEadjustsó
óó
óEtheErawEdataEavailableEfromEtheENWSEò
òò
òandENCDCcanEbeD□□
□\!E□ □
□ DmisleadingEforEassessingEweatherEriskEdueEtoEaEcombinationEofEerrorsEin
EtheEdataEandEchangesEinEweatherErecordingEconditionsEcoverEtime.EToE[ensur
eEthatEthe]EdevelopEahistoricalEcatalogE[data]EthatEisEasEreliableEandEac
curateEasEpossibleEforEriskEassessmentEpurposes,ERMSEadjustsEtheErawEdataó
óó
óEinEseveralEphases:D□□
□ð#□-# □ □ Dìô□

Ôô

òTreatment€for€missing€values€and€ò
òò
ògrossó
óó
ó€inconsistenciesó

óÐ

Temperature data from NCDC

òò

ò[usually]ó

óó

ócan contain

òò

òseveraló

óó

ómissing values as well as

òò

ògrossó

óó

óinconsistencies

„ & "

Ð(e.g., the maximum temperature is lower than the minimum temperature for the same day). RMSE identifies missing values and

òò

ògrossó

óó

óinconsistencies in the NCDC data for each station and edits these identified values

< (" (

Ðusing local climatological data summaries or other official NCDC documents. In instances where no official NCDC data are available to edit missing values or

òò

ògross errorsó

óó

ó

òò

òinconsistenciesó

óó

ó, RMSE corrects the data using

ô) \$* "

Ðtechniques that utilize temperature recordings for the periods of time before and after the identified values as well as temperature information from neighboring stations. Ð

^, - & - " Ð

ðAdjustment€for€effects€of€changes€in€station€location€and€instrumentation
ó

óÐ□□

□Ü□ □

□ ÐTemperature readings can be affected by several factors including changes in the location or the instrumentation of a weather station. These changes can have a significant effect on the assessment of the historical

òò

òCDDsó

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òCDDð□□ðsó

óó

ó€or€ò

òò

òHDDsó

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 ó€acquires€information€from€the€NCDC€that€indicates€the€dates€of€changes€i
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 □ Ðor€instrumentation€for€the€weather€stations€operated€by€the€NWS.€€RMSEò
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 □ Ðresearch€to€enhance€and€confirm€the€completeness€of€the€NCDC€data€ò
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 òfor€each€of€the€primary€weather€stations.Ð□□
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□ □ ÐRMSE[performed]ó
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 óperforms€statistical€analyses€to€examine€whether€the€identified€changes€i
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□ □location€or€instrumentation€had€a€statistically€significant€impact€on€temperature€recordings.€€For€relevant€station€changes,€RMSE€adjusts€the€historical€temperature€data€using€statistical€techniques€that€incorporate€temperature€information€for€periods€before€and€after€the€identified€dates€as€well€as€temperature€information€from€neighboring€stations.ïïà□

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òAll€weather€stations€providing€temperature€data€for€the€Underlying€Weathe
r€Portfolio€make€use€ofĐ□□

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àLocal temperature observations can be affected by several factorsò
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 ó.€€These€factors€can€change€temperature€observations€cover€time,€ò
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 □ Ðintroducing€a€trend€in€the€historical€time€series.€€For€the€purposes€of
 €risk€assessment,€RMSEbelieves€that€it€is€important€to€account€for€such€tr
 ends€in€order€to€develop€an€accurate€understanding€of€expected€present€day
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 ò[has€to€be€done€in€light€of€present€conditions.€Therefore€using€historica
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 □ Ðweather€data€without€accounting€for€the€effects€of€trends€can€lead€to€m
 isleading€conclusions€in€the€assessment€of€temperature€variations.€RMSEper
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 trending€analyses€on€the€historical€temperature€time€series€for€each€stati
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àRMSEusesde-trendingtechniquesetoadjustthehistoricalè

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ótimeCseriesCforCeachD□□

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□ DstationCandCcontractCstructureCinCorderCtoCaccountCforCtheseCeffects.CC
SuchCtechniquesCinvolveCtheCmodificationCofChistoricalCdataCtoCreflectCcur
rentCconditionsCunderCcertaintrendingCassumptionsCwhileCretainingCtheivar
iabilityCinCtheChistoricalCrecord.ììà□


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ò[statistical]ó
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àThe€final€step€in€the€RMSEWeather€Model€is€stochastic€and€financial€mode
ling,€which€includes€assessing€correlations€between€

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ó,€applying€the€probability€distribution€for€each€

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à In the event there is more than one
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àThe€financial€structure€for€each€one€of€the€optionsò

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mulations€are€performed€to€develop€a€set€of€loss€scenarios€to€the€entire€p-
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s.€The€loss€to€the€first€layer,€which€extends€to€the€modeled€loss€of€the€[
port€folio]€Portfolio€(\$37,217,256€),€will€be€retained€by€Weather€Fundingï
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$\hat{D}[\text{in} \in \mathcal{D}]$ descending order of loss, together with the rate of occurrence
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□ Ðthat€either€the€Certificates€or€the€Notes€will€incur€a€loss,€and€to€cal
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ÐìSummary€of€statistics€from€RMSEtreated€data,€and€comparison€to€NWSEdata
ììThe€following€table€summarizes€key€statistics€for€both€the€RMSEtreated€d
ata€and€the€raw€NWSEdata:ó

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year mean HDD (historical NWS) Winter Seattle, WA

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òThe following are the attachment levels for the Certificates and Notes for the 5-year term of the transaction Ð
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Ð and the probabilities of exceedence as calculated by RMSE on

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óthe basis of the procedures described aboveò
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Ð RMSE calculated the following probabilities of exceeding specific levels of payoff amounts for the Underlying Weather Portfolio over the five year term of the Weather Portfolio.ó

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Ð Probability of a loss to the Certificatesxxxxx% (\$37,217,256 attachment point) Probability of a loss to the Notesxxxxx% (\$xxx attachment point) Based on the RMSE analysis, the modeled loss for the 5-year term to the entire portfolio (\$200 million) is \$37,217,256. The modeled loss for the 5-year term to the Certificates and Notes, expressed as a percentage of the total limit of each, are summarized below: Modeled loss for the Certificatesxxxxx% Ð

^,¬&- Ð Modeled loss for the Notesxxxxx%ó

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òBased on the RMSE analysis, the theoretical modeled Term Payoff Result for the 5-year term is \$37,217,256. $\text{€} \square \square$

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òLoss€to€the€Certificates€and€Notesó

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d€assuming€an€attachment€point€ofÐ□□

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ófor the Notes, RMSEcalculated the following statistics for the Certificates and the

Notes: Probability of loss to the Certificates

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□ Ðseasons€or€regions,€causing€them€to€be€different€than€the€historical€lo

ng-term€average.€€The€El€ò

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ó€Nið9□ða€climate€states€are€the€most€notable€examples€of€such€phenomena€t

hat€could€have€aÐ

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□ Ðsignificant€impact€on€weather€options€based€on€a€single€season€at€a€sin

gle€station.€€Historically,€El€ò

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ay€persist€as€longÐ

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ó€includes€ten€non-overlappingÐ

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□ Ðseasons€cover€five€years,€with€caps€on€the€exposure€for€a€single€station

€in€a€single€season,€the€impact€of€specific€climate€states€that€affect€spe

cific€years€or€seasons€is€minimized.€€Furthermore,€El€ò

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 ò[RMS€did€not€believe€it€was€appropriate€to€reflect€such€factors€in€the€mo
 deled€loss€estimates€for€theÐ□□
 □P+t%3 □ □ ÐCertificates€and€Notes.]€ó
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Underlying Weather Portfolio

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  ó€variability€for€a€series€of€33€five-year€periods€beginning€inÐ
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□ 1961/62 and each subsequent year until 1993/94. The mean five year historical

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 ó€50,668,059,€which€occurred€for€the€years€19xx€toÐ□□
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The historical analysis indicates that a loss would have occurred to the Certificates in XX of the XX time periods starting in 1961 and that no losses would have occurred to the Notes during any of these time periods.

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Insert graph(s) showing annual losses to the portfolio back to 1961 and for losses over the 5 year term for terms starting in 1961 to 1994. It

Correlation between temperature risk and hurricane risk. o

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àRMS€performed€an€analysis€to€compare€historical€
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 òlosses€of€the€ (WINRS) €portfolioó
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 □ □Đcoasts,€based€on€current€insurance€industry€exposure.€€In€the€analysis,
 €RMS€employed€Đ

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 ó€U.S.€Insured€Exposure€Database€and€U.S.€Hurricane€model.€Đ□□
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 □ □ĐIn€addition,€RMS€compared€the€frequency€of€hurricanes€of€Saffir-
 Simpson€Category€3€and€greater€that€made€landfall€in€the€U.S.€to€the€histo-
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òState€Street€Bank€and€Trust€Company,€a€Massachusetts€bankingĐ□□

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ÔTHE€WEATHER€PORTFOLIO€OPTION€COUNTERPARTYÔ

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àMerrill€Lynche€Capital€Servicesò
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ó€Merrill€Lynche€&€Co.ò

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ò,€Inc.'s€primary€derivative€products€dealers€and€acts€asĐ□□

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□ Đintermediary€and€principal€in€a€variety€of€interest€rate,€currency€and€other€over-the-counter€derivativeìtransactions.ììò

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àMLCSEis€a€Delaware€corporation€with€its€principal€place€of€business€loca-
ted€at€World€Financial€Center,€North€Tower,€250€Vesey€Street,€New€York,€Ne-
w€Yorke€10281.€€It€is€a€wholly€owned€subsidiary€of€Merrill€Lynche€&€Co.,€In-
c.€€MLCSEprimarily€acts€as€a€counterparty€for€certain€derivative€financial
€products,€including€interest€rate,€currency,€and€commodity€swaps,€caps€an-
d€floors,€currency€options€and€credit€derivatives.€€MLCSEmaintains€positio-
ns€in€interest-
bearing€securities,€financial€futures€and€forward€contractsD□□

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□ Dprimarily€to€hedge€its€exposure.€€In€the€normal€course€of€its€business,
€MLCSEenters€into€repurchase€and€resale€agreements€with€certain€affiliated
€companies.€The€obligations€of€MLCSEas€Swap€Counterparty€will€be€guarantee-
d€by€Merrill€Lynche€and€Co.,€Inc.¶¶ò

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Merrill Lynch & Co., Inc., is a Delaware corporation with its principal place of business located at 1 World Financial Center, North Tower, 250 Vesey Street, New York, New York 10281. Merrill Co., Inc.'s senior unsecured debt obligations currently are rated AA- by S&P and Aa3 by Moody's.

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ÓTHE€INDENTUREÔ

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àThe€Issuer€will€issue€the€Securities€pursuant€to€the€Indenture.€The€ò

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ó€will€undertakeD□□

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□ Dcertain€administrative€duties€with€respect€to€the€Issuer€pursuant€to€th
e€[Administration€Agreement].€The€following€summary€does€not€purport€to€be
€complete€and€is€subject€to,€and€qualified€in€its€entirety€by€reference€to
,€the€provisions€of€the€Indenture,€the€[Administration€Agreement]€and€the€
other€agreements€referred€to€below.ììò

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ÔEvents€of€DefaultÔ

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ó"€in€the€Indenture€consist€of€the€followingĐ□□
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□ Defaults: (i) the Issuer is required to register as an "investment company" under the Investment Company Act; (ii) the Issuer defaults in the payment of any interest or principal due in respect of any class of Securities and such default continues for a period of five Business Days; (iii) the Issuer fails to perform or observe any of its other material obligations under the Securities or the Indenture and such failure continues for a period of thirty days (or such longer period as the Trustee may permit) following the service of notice by

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óóf€such€failure€to€perform€to€the€Issuer;€(iv)€the€commencement€by€the€Issuer€ofÐ□□

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□ Ða€voluntary€case€or€other€proceeding€seeking€liquidation,€reorganization€or€other€relief€with€respect€to€itself€for€its€debts€under€any€bankruptcy,€insolvency€or€other€similar€law€or€seeking€the€appointment€of€a€trustee,€receiver,€liquidator,€custodian€or€other€similar€official€of€it€or€any€substantial€part€of€its€property;€or€the€consent€by€the€Issuer€to€any€such€relief€or€to€the€appointment€of€or€taking€possession€by€any€such€official€in€an€involuntary€case€or€other€proceeding€commenced€against€it,€or€the€making€of€a€general€assignment€for€the€benefit€of€creditors;€or€the€failure€on€the€part€of€the€Issuer€generally€to€pay€its€debts€as€they€become€due€or€the€taking€of€any€action€in€furtherance€of€any€of€the€foregoing;€(v)€the€commencement€of€an€involuntary€case€or€other€proceeding€against€the€Issuer€seeking€liquidation,€reorganization€or€other€relief€with€respect€to€it€or€its€debts€under€any€bankruptcy,€insolvency€or€other€similar€law€or€seeking€the€appointment€of€a€trustee,€receiver,€liquidator,€custodian€or€other€similar€official€of€it€or€any€substantial€part€of€its€property,€where€such€involuntary€case€or€other€proceeding€will€remain€undismissed€and€unstayed€for€a€period€of€60€days;€or€the€entry€of€an€order€for€relief€against€the€Issuer€under€any€bankruptcy€law;€(vi)€the€Swap€Counterparty€defaults€in€the€payment€of€any€amount€due€in€respect€of€the€Prepaid€Swap€and€such€default€continues€for€a€period€of€five€Business€Days;€or€(vii)€the€entry€against€the€Issuer€by€one€or€more€courts€of€competent€jurisdiction€of€one€or€more€final€judgments€or€orders€(not€subject€to€appeal)€in€an€aggregate€amount€in€excess€of€\$1,000,000€(after€giving€effect€to€insurance,€if€any,€available€with€respect€thereto)€which€judgment(s)€or€order(s)€remain€unstayed€or€undischarged€for€a€period€of€30€days€after€the€date€on€which€the€right€to€appeal€has€expired.¶¶à□

In the case of any event described in clause (i), (ii), (iv), (v), (vi) or (vii) above, an Event of Default with respect to the Securities to which such Event of Default applies will be deemed to have occurred without any notice or other action on the part of the Trustee or the Securityholders immediately upon the occurrence of such event. In the case of any event described in clause (iii) above, an Event of Default with respect to the Securities to which such Event of Default applies will be deemed to have occurred only if, after any applicable grace period, the Trustee at its discretion or if so requested in writing by the holders of at least a majority of the aggregate Principal Amount of the Notes, or if directed by a resolution of such Securityholders adopted by a two-thirds majority of the Principal Amount of the Securities declares that an Event of Default has occurred with respect to all Securities. On the date on which an Event of Default is deemed to have occurred, all Securities will be due and payable at their Principal Amount and any accrued and unpaid interest thereon.

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ÔRemediesÔ

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àFollowing an Event of Default, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal or interest on the Securities or to enforce the performance of any provision (including ¹ L, ² £/ ³ ¤ any obligation of payment or performance) of the Securities or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding, and a delay or omission by such Note Trustee or any Securityholders in exercising any right or remedy accruing upon an Event of Default will not impair any right or remedy available to such Securityholders or the Trustee or constitute a waiver of or acquiescence in the Event of Default. The Notes will be entitled to their share of any proceeds of enforcement, subject to the subordination of the Certificates as described herein. ⁴

à In the event of receipt by the Trustee of money upon the occurrence of a
n Event of Default, the proceeds will be distributed: (a) to the payment o
f the "pro rata" portion of the following expenses: (i) taxes

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□ Paying by the Issuer accrued for the related Interest Accrual Period, if any; (ii) accrued and unpaid expenses of the Issuer; (iii) accrued and unpaid fees, and reimbursement of expenses of, the Trustee; (iv) accrued and unpaid expenses of the Administrator incurred in connection with the enforcement of the rights of the Issuer for the Noteholders and (v) accrued and unpaid expenses of the Calculation Agent; (b) to the payment when due of all amounts payable under the Indenture in respect of the Notes; (c) to the payment when due of all amounts payable under the Indenture in respect of the Certificates; (d) to the payment of the Issuer. ïà□

àThe holders of a majority of the Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it. However, it is subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee may refuse to follow any direction that conflicts with any law or the Indenture, that the Trustee determines may be unduly prejudicial to the rights of any other Securityholder, or that may involve the Trustee in personal liability; it is provided, however, that the Trustee may take any other action deemed proper by the Trustee which is not

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§ Inconsistent with such direction. With respect to Global Notes, the Trustee will act only in accordance with the instructions of Cede & Co., as nominee for The Depository Trust Company ("D

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Global Notes. Under the rules, DTCC will act only in accordance with the instructions of the Participants to whom Notes are credited, which will in turn act in accordance with the instructions of persons holding beneficial interests in such Notes through such Participants. Accordingly, although only Cede & Co. will be entitled to vote under the Indenture in respect of the Global Notes, holders of beneficial interests in the Global Notes will be entitled to instruct DTCC as to the manner in which to vote.

àNo€Noteholder€may€pursue€any€remedy€with€respect€to€the€Indenture€or€the
€Notes€(other€than€the€institution€of€a€suit€for€the€payment€of€principal€
of€the€Notes€held€by€such€Noteholder€when€due),€unless€(i)€the€Securityhol
der€gives€to€the€Trustee€written€notice€of€a€continuing€Event€of€Default;€
(ii)€the€holders€of€a€majority€of€the€aggregate€Principal€Amount€of€the€Se
curities€of€the€same€Class€as€the€Securities€of€such€Securityholder€make€a
€written€request€to€the€Trustee€to€pursue€the€remedy;€(iii)€the€holders€of
€a€majority€of€the€aggregate€Principal€Amount€of€the€Securities€of€the€sam
e€Class€as€the€Securities€of€such€Securityholder€offer€to€the€Trustee€inde
mnity€satisfactory€to€the€Trustee€against€any€loss,€liability€or€expense;€
(iv)€the€Trustee€does€not€comply€with€the€request€within€60€days€after€rec
eipt€of€the€request€and€the€offer€of€indemnity;€and€(v)€during€such€60-
day€period€the€holders€of€a€majority€of€the€aggregate€Principal€Amount€of€
the€Securities€of€the€same€Class€as€the€Securities€of€such€Securityholder€
do€not€give€the€Trustee€a€direction€which,€in€the€Ð□□

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□ Ðopinion€of€the€Trustee,€is€inconsistent€with€the€request.€Neither€the€T
rustee€in€its€individual€capacity,€nor€the€Ð□□

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ó,€nor€any€of€their€respective€owners,€beneficiaries,€agents,€officers,€Ð□□

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□ Ðdirectors,€employees,€successors€or€assigns€will,€in€the€absence€of€an€
express€agreement€to€the€contrary,€be€personally€liable€for€the€payment€of
€interest€on€or€principal€of€the€Securities€or€for€the€agreements€of€the€I
ssuer€contained€in€the€Indenture.€Ïò

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ÔSecurity€InterestÔ

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à Pursuant to the Indenture, the Issuer will grant to the Trustee for the benefit of the Noteholders a security interest in the Prepaid Swap. ì ò

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ÔCertain€CovenantsÔ

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àThe Issuer has covenanted with the Trustee that it will not, among other things, (i) sell, transfer, assign, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist) any part of the Collateral, except as expressly permitted by the Indenture; (ii) claim any credit on, or make any deduction from, the principal or interest payable in respect of the Securities (other than amounts withheld in accordance with the Code) or assert any claim against any present or future Securityholder, by reason of the payment of any taxes levied or assessed upon any part of the Prepaid Swap; (iii) incur, assume or guarantee or become directly or indirectly liable with respect to any indebtedness or any contingent obligations (including swap agreements, cap agreements, reimbursement obligations, repurchase obligations or the like), other than pursuant to the Securities, the Placement Agency Agreement, the Indenture, and the other agreements and transactions expressly contemplated hereby or without the prior written consent of the Securityholders; (iv) (A) permit the validity or effectiveness of the Indenture or any grant thereunder to be impaired, or permit the lien of the Indenture to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations with respect to the Indenture or the Securities, except as may be expressly permitted hereby, (B) permit any lien, charge, adverse claim, security interest, mortgage or other encumbrance (other than the lien of the Indenture) to be created on or extend to or otherwise arise upon or burden the Prepaid Swap or any part thereof, any interest therein or the proceeds thereof, or (C) take any action that would cause the lien of the Indenture not to constitute a valid first priority perfected security interest in the Prepaid Swap, except as may be expressly permitted it hereby (or in connection with a disposition of Prepaid Swap required thereby); (D) make or incur any capital expenditures, except as reasonably required to perform its functions in accordance with the terms of the Indenture; or (E) become liable in any way, whether directly or by assignment or assignment of guarantor or other surety, for the obligations of the lessee under any lease, or hire any employees. ¶

àThe€Issuer€has€further€covenanted€with€the€Trustee€that€it€will€not,€amongothert€things,€(a)€(i)€engage€in€any€activity€which€is€not€reasonably€incidental€to€any€of€the€activities€which€the€relevant€transaction€documents€provide€or€envisage€that€the€Issuer€will€engage€in;€(ii)€open€any€account€whatsoever€with€any€bank€or€other€financial€institution,€save€where€obligated€to€do€so€under€such€documents;€or€(iii)€have€any€subsidiaries€or€employees€or€premises;€(b)€pay€any€dividend€or€make€any€other€distribution€to€its€shareholders€except€in€accordance€with€the€provisions€of€such€documents;€(c)€consolidate€or€merge€with€any€other€person€or€convey€or€transfer€its€properties€or€assets€substantially€as€an€entirety€to€any€other€person;€(d)€cause€or€permit€any€of€such€documents,€or€the€priority€of€these€security€interests€created€thereby,€to€be€amended,€terminated€or

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Discharged€or€cause€or€permit€any€party€to€any€of€such€documents€to€be€released€from€any€obligations€thereunder;€(e)€claim€any€credit€on,€or€make€any€deduction€from,€the€principal€or€interest€payable€in€respect€of€the€Securities€(other€than€amounts€withheld€in€accordance€with€the€Code)€or€assert€any€claim€against€any€present€or€future€Securityholder,€by€reason€of€any€taxes€levied€or€assessed€upon€any€part€of€the€Prepaid€Swap;€or€(f)€become€liable€in€any€way,€whether€directly€or€by€assignment€or€as€guarantor€or€surety,€for€the€obligations€of€the€lessee€under€any€lease.¶¶

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ÔDuties€of€TrusteeÔ

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àWith€respect€to€the€Securities,€except€during€the€continuance€of€an€Even
t€of€Default,€ò

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□ I will (i) perform such duties and only such duties as are specifically set forth in the Indenture, (ii) rely, as to the truth of the statements and the correctness of the opinions expressed therein, on certificates or opinions furnished to the Trustee which conform to the requirements of the Indenture, and (iii) examine any such certificates and opinions which are specifically required to be furnished to the Trustee by the Indenture to determine whether or not they conform to the requirements of the Indenture. Upon the continuance of an Event of Default, the Trustee will be required to exercise the rights and powers vested in it by the Indenture and use the same degree of care and skill in the exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. ¹¹

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ÔCompensation€and€Indemnity€of€TrusteeÔ

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àThe€Issuer€will€(i)€pay€to€the€Trustee€from€time€to€time€reasonable€compensation€for€its€services,€(ii)€reimburse€the€Trustee€for€all€expenses,€advances€and€disbursements€reasonably€incurred€and€(iii)€indemnify€the€Trustee€for,€and€hold€it€harmless€against,€any€and€all€losses,€liability€or€expense€(including€attorneys'€fees)€incurred€by€it€in€connection€with€the€performance€of€its€duties.€The€Trustee€will€not€be€indemnified€against€any€loss,€liability€or€expense€incurred€by€it€through€its€own€willful€misconduct,€negligence€or€bad€faith.ÏÏ

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ÔReplacementCof€TrusteeÔ

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àThe€Noteholders€or,€if€no€Notes€are€outstanding,€the€Certificateholders€
€holding€not€less€than€a€majority€of€the€aggregate€Principal€Amount€of€the
€Notes€or€the€Certificates,€as€the€case€may€be,€may€remove€the€Trustee€wit-
hout€cause€by€so€notifying€the€Trustee€and€the€Issuer,€and€following€such€
removal€may€appoint€a€successor€Trustee.€Any€successor€Trustee€must€at€all
€times€satisfy€the€requirements€of€Section€310 (a) €of€the€Trust€Indenture€A-
ct€of€1939,€as€amended,€and€must€have€a€combined€capital€and€surplus€of€at
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term€debt€rating€of€investment€grade€or€better€by€each€Rating€Agency.¤¤¤

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àThe€Trustee€may€resign€at€any€time€by€so€notifying€the€Issuer.€If€(i)€the€Trustee€ceases€to€be€eligible€under€the€Indenture€to€continue€as€the€Trustee,€(ii)€the€Trustee€is€adjudged€to€be€bankrupt€or€insolvent,€(iii)€if€the€property€of€the€Trustee€comes€under€the€charge€of€a€receiver€or€other€public€officer,€or€(iv)€the€Trustee

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□ Otherwise€becomes€incapable€of€acting,€then€(A)€the€Issuer€may€remove€the€Trustee€or€(B)€any€Noteholder€or,€if€no€Notes€are€outstanding,€any€Certificateholder,€may€petition€a€court€of€competent€jurisdiction€for€the€removal€of€the€Trustee.€Upon€the€resignation€or€removal€of€the€Trustee,€or€the€failure€of€the€Noteholders€or€if€the€Certificateholders,€as€applicable,€to€appoint€a€successor€Trustee€following€the€removal€without€cause€of€the€Trustee,€the€Issuer€will€be€required€promptly€to€appoint€a€successor€Trustee.ì

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ÔAnnual€Compliance€StatementÔ

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ÔStatements€to€SecurityholdersÔ

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ÔSemi-Annual€Reportó

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ó.€€The€Trustee€will€provide€such€reportÐ□□

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□ Ðto€the€Securityholders€of€record.€See€"Administration€Agreementð"□ðQuar
terly€Reports."Ð□□

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ÔSatisfaction€and€Discharge€of€the€IndentureÔ

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àThe Indenture will be discharged with respect to the Prepaid Swap securi
ng the Securities upon the delivery to the Trustee for cancellation of all
of the Securities or, with certain limitations, including receipt of cert
ain opinions with respect to tax matters, upon deposit with the Trustee of
funds sufficient for the payment in full of all of the Securities (includ
ing interest and any fees due and payable). . . .

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ÔModification€of€the€IndentureÔ

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àWithout the consent of the Securityholders, the Issuer and the Trustee may execute a supplemental indenture for the purposes of (i) adding to the covenants of the Indenture, (ii) curing any ambiguity, (iii) evidencing a successor entity to the Issuer or a successor entity to the Trustee, (iv) correcting or supplementing any provision which may be inconsistent with any other provision, (v) making any other provision with respect to matters or questions arising under the Indenture which will not be inconsistent with other provisions of the Indenture, (vi) adding provisions regarding the issuance of additional series or (vii) making any change that does not adversely affect the rights of the Securityholders. à□

àWithout the consent of each Securityholder affected thereby, however, no supplemental indenture may (i) change the Final Payment Date, Legal Final Maturity Date, or the Payment Date of any Security, or reduce the principal amount thereof or the interest rate thereon or change the coin or currency in which any Security or interest thereon is payable; (ii) impair the right to institute suit for the enforcement of any such payment on or after the date any such payment becomes due and payable; (iii) reduce the percentage in principal amount, the consent of the Securityholders of which is required for the execution of any such amendment or supplement to the Indenture, or the consent of the Securityholders of which is required for any waiver of compliance with provisions of the Indenture or for any waiver of Defaults or Events of Defaults under the Indenture and their consequence as provided for in the Indenture; (iv) change any obligation to purchase or redeem Securities or change any purchase or redemption price or dates; (v) modify or alter the

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provisions of the Indenture regarding the voting of Securities held by Merrill or any affiliate; (vi) permit the creation of any lien ranking prior to or on a parity with the lien of a Trustee under the Indenture with respect to any part of the Prepaid Swap, or except as otherwise permitted hereunder, terminate the lien under the Indenture on any property at any time subject thereto or deprive a Securityholder of the security afforded by such liens; or (vii) modify certain provisions of the Indenture relating to amendments, control or limitation on suits by Securityholders.

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ÔTHE€ADMINISTRATION€AGREEMENTÔ

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à[_____will agree under the terms of the Administration Agreement to provide certain administrative services to the Issuer. The Administrator will serve until its resignation or dissolution or its removal by the Issuer or by the Issuer's member, as described herein. Certain of the Administrator's duties may be delegated to other parties as contemplated in the Administration Agreement.]îà□

à[The€Administrator€will€be€responsible€for€the€day-to-day€operations€of€the€Issuer€and€will€provide€accounting,€clerical€and€administrative€services€to€the€Issuer.]îà□

à [The Administration Agreement will have a term of [eight years] unless sooner terminated by a party thereto upon 90 days' written notice of such party's intention to terminate. No resignation or removal of the Administrator will become effective until the appointment, acceptance and assumption of duties by a successor Administrator. The Administration Agreement may be amended by the parties thereto with the written approval of the Trustee, who will not agree to any amendment that will have a material adverse effect on the Security without the consent of a majority of the Security.] Ì Ì à □

à[The€Issuer€will€agree€to€indemnify€the€Administrator€from€and€against€a
ny€liability,€actions,€proceedings,€claims,€demands,€costs€or€expenses€wha
tsoever€(other€than€those€resulting€from€the€negligence,€willful€misconduct,
dishonesty,€fraud,€bad€faith€or€reckless€disregard€on€the€part€of€the€A
dministrator€of€its€duties€under€the€Administration€Agreement)€which€may€b
e€imposed€on,€incurred€by€or€asserted€against€the€Administrator€in€perform
ing€its€obligations€or€duties€pursuant€to€the€Administration€Agreement.€Th
e€Administrator€will€not€be€liable€for€any€damage,€loss,€costs€or€expenses
€whatsoever€to€or€by€the€Issuer€at€any€time€for€any€action€taken,€or€for€r
efraining€from€the€taking€of€any€action,€in€good€faith€pursuant€to€the€Adm
inistration€Agreement,€unless€caused€by€the€Administrator's€own€negligence
,€willful€misconduct,€dishonesty,€fraud,€bad€faith€or€reckless€disregard€o
f€its€duties€thereunder.€However,€in€no€event€(except€in€the€case€of€gross
negligence,€willful€misconduct,€dishonesty,€fraud,€bad€faith€or€reckless€
disregard€on€the€part€of€the€Administrator)€will€the€Administrator€be€liab
le€for€special,€indirect,€incidental€or€consequential€losses€or€damages€of
€any€kind€whatsoever,€including€lost€profits.]ïïò

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ÔCERTAIN€UNITED€STATES€FEDERAL€INCOME€TAX€CONSIDERATIONSÔ

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àThe following is a summary of certain material U.S. federal income tax consequences of acquiring, holding and disposing of the Notes and the Certificates. It is based on current U.S. federal income tax law. This summary deals only with Notes and Certificates held as capital assets and, in general, only with Notes and Certificates held by initial purchasers. This summary does not discuss all of the tax consequences that may be relevant to a particular investor or to certain investors subject to special treatment under the federal income tax laws, such as dealers in securities, life insurance companies, regulated investment companies, banks, tax-exempt entities, persons holding Notes or Certificates as a hedge, as part of a "conversion transaction" or "straddle" for tax purposes, or as a participant of a "synthetic security," non-U.S. persons (except with respect to U.S. withholding tax), or persons whose functional currency is not the U.S. Dollar. This summary assumes that all of the Issuer's distributions will be made in cash only. There are no cases or Internal Revenue Service (the "ò

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□ Do not pronounce on transactions involving entities engaged in activities similar to the Issuer's or on instruments issued by such an entity with terms similar to those of the Notes or the Certificates and no advance rulings have been or will be sought from the Service regarding any matter discussed in this Offering Circular. As a result, there can be no assurance that the Service will not challenge the conclusions reached herein. This discussion is intended as an explanatory discussion of the possible effect of the classification for U.S. federal income tax purposes of the Certificates as indebtedness and of the Certificates as equity in a partnership on investors generally and of related tax matters affecting investors generally, but does not purport to furnish information in the level of detail or with the attention to an investor's specific tax circumstances that would be provided by an investor's tax advisor. Accordingly, taxpayers should consult their respective tax advisors and tax return preparers regarding the preparation of any item on a tax return, even where the anticipated federal income tax treatment has been discussed herein. Prospective investors are urged to consult their tax advisers to determine the federal, state, local and foreign income and other tax consequences to them of acquiring, holding and disposing of the Notes and the Certificates. ¹¹à□

As used in this section: the term "U.S. person" means (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the U.S. or of any political subdivision thereof, (iii) an estate whose income from sources without the U.S. is includible in gross income for United States federal income tax purposes regardless of its connection with the conduct of a trade or business within the U.S., or (iv) a trust, if either (A) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control substantial decisions of the trust or (B) it was in existence on August 20, 1996 and elected to be treated as a U.S. person thereafter; the term "Non-U.S. person" means any individual or entity that is not a U.S. person; the term "U.S. holder" means a beneficial owner of Notes or Certificates that is a U.S. person; and the term "non-U.S. holder" means a beneficial owner of Notes or Certificates that is not a U.S. holder. ¹¹

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àAlthough there is no direct authority addressing transactions involving entities engaged in activities similar to the Issuer's or on instruments issued by such an entity with terms similar to those of the Notes or the Certificates, the Issuer will receive an opinion of Special Tax Counsel that under current law, Special Tax Counsel is of the opinion that the Issuer will be treated as a partnership and not as a corporation, an association or a publicly traded partnership (a "ò

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ó")€or€(ii)€will€otherwise€be€exempt€from€classification€as€a€PTP€taxable€
as€a€corporation.Ð□□
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□ In the absence of such an opinion, the Trustee will be instructed to refuse to register any transfer of Certificates if as a result of such transfer the number of Certificateholders would exceed 95. The Trust Agreement will provide that any transfer in violation of the foregoing restriction will be void.
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àUnlike an advance ruling from the Service, an opinion of counsel is not binding on the Service or any court. No assurance can be given that the Service will not challenge the classification of the Issuer as a partnership or that a court will not sustain any such challenge. If for any reason the Issuer were treated as a corporation or as an association or as a PTP taxable as a corporation, the Issuer would be subject to tax on its net income at corporate tax rates, without deduction for any distributions to the Certificateholders and, possibly, the Noteholders, thereby materially reducing the amount of any cash available for distribution to such Certificateholders and Noteholders. In addition, capital gains and losses and other income and deductions of the Issuer would not be passed through to the Certificateholder, and the Certificateholders and, possibly, the Noteholders would be treated as shareholders for federal income tax purposes. Thus all distributions by the Issuer to the Certificateholders and, possibly, Noteholders would be treated as dividends, return of capital and/or capital gain.

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ÔTreatment€of€U.S.€Holders€of€NotesÔ

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à Characterization of the Notes. In general, whether for United States federal income tax purposes, ⁶

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¶ An instrument constitutes an equity or debt investment is a question of fact, the resolution of which is based upon the economic substance of the transaction rather than its form or the manner in which it is labeled. Although the Service and the courts have set forth several factors to be taken into account in determining whether an instrument is properly characterized as debt or equity for United States federal income tax purposes, the primary factor in making this determination is whether the holder of the instrument has assumed the risk of loss or other economic burdens relating to the property and has obtained the benefit of ownership thereof. Accordingly, notwithstanding that no authority addresses the proper characterization of the Notes, and therefore the matter is not free from doubt, based upon its analysis of such factors, Special Tax Counsel is of the opinion that, under current law, the Notes will be characterized as indebtedness. The beneficial owners of the Notes will agree, by their acceptance of beneficial interests therein, to treat the Notes as indebtedness for United States federal, state and local income tax purposes, and the discussion in this summary, unless otherwise indicated, assumes such characterization. ⁷

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àIf€contrary€to€the€opinion€of€Special€Counsel,€the€Service€were€to€asser
t€successfully€that€the€Notesîâ□

âare€not€indebtedness€for€United€States€federal€income€tax€purposes,€the€
Notes€could€be€treated€as€equity,îpossibly€subjecting€the€Issuer€to€full€U
.S.€income€tax€as€a€corporation,€which€tax€would€reduce€the€Issuer'sîabili
ty€to€make€payments€to€the€holders€of€Notes.îîâ□

à ¨ ¨ Interest, ¨ Discount ¨ or ¨ Premium ¨ on ¨ the ¨ Notes. ¨ ¨ ¨ ¨ In ¨ general, ¨ U.S. ¨ holders ¨ of ¨ the ¨ Notes ¨ will ¨ include ¨ payments ¨ of ¨

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¨ ¨ If ¨ stated ¨ interest ¨ received ¨ on ¨ such ¨ Notes, ¨ in ¨ accordance ¨ with ¨ their ¨ method ¨ of ¨ accounting, ¨ as ¨ ordinary ¨ interest ¨ income. ¨ If, ¨ however, ¨ the ¨ issue ¨ price ¨ of ¨ the ¨ Notes ¨ is ¨ less ¨ than ¨ the ¨ "stated ¨ redemption ¨ price ¨ at ¨ maturity" ¨ of ¨ such ¨ Notes ¨ by ¨ more ¨ than ¨ a ¨ de ¨ minimis ¨ amount, ¨ a ¨ U.S. ¨ holder ¨ will ¨ be ¨ considered ¨ to ¨ have ¨ purchased ¨ such ¨ Notes ¨ with ¨ original ¨ issue ¨ discount ¨ (" ¨

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ó"). In the case of the Notes, "stated redemption price at maturity" means the sum of

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□ Do all payments to be received on a Note other than payments of stated interest. If a U.S. holder acquires Notes with OID, then regardless of such holder's method of accounting, the holder will be required to accrue OID on a constant yield basis and include such accruals in gross income. It is not anticipated that the Notes will be issued with OID. ì à

àIn general, if the issue price of a Note exceeds the "stated redemption price at maturity" of such Note, a U.S. holder will be considered to have purchased such Note at a premium. In this event, a U.S. holder may elect to amortize the amount of such premium, based on a constant interest basis, as an offset to interest income. It is not anticipated that the Notes will be issued at a premium. Ìà□

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¶ In such Note equal to the cost of such Note to such holder, increased by any amount includible in income by such holder as OID and reduced by any amortized premium and any payments other than payments of stated interest on such Note. Upon a sale, exchange or retirement of a Note, a U.S. holder will generally recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued interest, which would be taxable as such) and the holder's tax basis in such Note. Such gain or loss will be long-term capital gain or loss if the U.S. holder held such Note for more than one year at the time of disposition. In certain circumstances, U.S. holders that are individuals may be entitled to preferential treatment for net long-term capital gains, particularly, in the case of a capital asset that has been held for more than 12 months at the time of disposition. However, the ability of U.S. holders to offset capital losses against ordinary income is limited. ii

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ÔTax€Treatment€of€Non-U.S.€Holders€of€NotesÔ

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à Payments on the Notes to a non-U.S. holder, or gain realized on the sale, exchange or redemption of the Notes (excluding accrued OID, if any) by such holder, will not be subject to United States federal income or withholding tax, as the case may be, unless such income is effectively connected with a trade or business by such non-U.S. holder in the United States, provided (A) in the case of payments of interest or principal, that the non-U.S. holder (i) provides the person who would otherwise be required to withhold U.S. tax with respect to the Notes with an appropriate statement (on IRS Form W-8 or a substitute form), signed under penalties of perjury, certifying that the beneficial owner of the Note is not a U.S. person and providing the non-U.S. holder's name and address, (ii) does not actually or constructively own 10% or more of the total combined voting power or equity (as determined for United States federal income tax purposes) of the Issuer within the meaning of Section 871(h)(3) of the Code and the Treasury Regulations thereunder, (iii) the non-U.S. holder is not a controlled foreign corporation (a "ò

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ó") €that €is €related €to €the €Issuer €throug€equityĐ□□

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□ Downership€ (as €determined €for €United €States €federal €income €tax €purposes) €and €(iv) €the €beneficial €owner €is €notĐ□□

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□ Da €bank €whose €receipt €of €interest €on €a €Senior €Note €is €described €in €Secti on €881€ (c) €(3) €(A) €of €the €Code; €or, €(B) ĩn €the €case €of €gain €recognized €on €the €sale €or €other €disposition €of €the €Notes, €such €holder €is €a €nonresident €a lien ĩn €individual €who €holds €the €Notes €as €a €capital €asset €and €who €is €not €pres ent €in €the €United €States €more €than €182 ĩdays €in €the €taxable €year €of €the €sal e €and €who €does €not €satisfy €certain €other €criteria. €A €Note €beneficially €own ed ĩby €an €individual €who €at €the €time €of €death €is €a €non-

U.S. €holder €will €not €be €subject €to €United €States €federal ĩestate €tax €as €res ult €of €such €individual' s €death, €provided €that €such €individual €does €not €act ually €or €constructively ĩown €10% €or €more €of €the €total €combined €voting €power €or €equity €(as €determined €for €United €States €federal ĩincome €tax €purposes) €o f €the €Issuer €within €the €meaning €of €Section €871€ (h) €(3) €of €the €Code €and €pro vided €that ĩthe €interest €payments €with €respect €to €such €Note €would €not €have € been, €if €received €at €the €time €of €such ĩindividual' s €death, €effectively €conn ected €with €the €conduct €of €a €U.S. €trade €or €business €by €such €individual. ĩĩò

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ÔTaxeTreatmentofU.S.HoldersofCertificatesÔ

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àòòStatusOftheCertificatesóóó.€€UnderU.S.€federal€income€tax€principles,€a€strong€likelihood€exists€thatĐ□□
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□ ĐtheCertificateswillbeetreatedasequityoftheIssuer.€EachCertificateholderbyacquiringaninterestin€a€Certificatewill€agree€to€treatsuchCertificateasequityoftheIssuerand€to€treattheIssueras€a€partnershipforU.S.€federal€income€tax€purposes.€In€addition,€theIssuerwill€treattheCertificateasequityintheIssuerforU.S.€federal€income€tax€purposes.€Except€as€otherwise€indicated,€this€summary€assumes€such€treatment.İNo€assurance€can€be€given,€however,€that€the€Service€will€respect€this€position.İà□

àAllocation of Issuer Profits and Losses.óThe Issuer will not itse
lf generally be subject to federal
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Income tax on its net income. Rather each Certificateholder in computing its federal income tax liability for a taxable year will be required to take into account its allocable share of all items of the Issuer's income, gain, loss, deduction and credit for the taxable year of the Issuer ending within or with such taxable year of such Certificateholder, regardless of whether such Certificateholder has received any distributions from the Issuer. The characterization of an item of profit or loss usually will be determined at the Issuer (rather than at the Certificateholder) level. 000

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 óIn general, the income of the Issuer will consist solely of the periodic
 payments under the
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 òPrepaid
 òi ò Swap less payments made under the
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 óWeather Portfolio Option
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 òto the Option Counterparty
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 ó.€The Issuer's
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 ò Deductions will consist primarily of the interest payable with respect
 to the Notes and other fees and losses or deductions incurred by the Issue
 r, including those with respect to the [Administrator, the Trustee and the
 Calculation Agent].
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àThe tax items of the Issuer are allocable to the Certificateholders in accordance with the Code, Treasury Regulations, and the Trust Agreement (and Related Documents). The Trust Agreement will provide that the amounts of interest that will accrue with respect to the Certificates will be treated as the Certificateholders' distributive share of the Issuer's net income. Accordingly, the Trust Agreement will provide that the Certificateholders will be allocated ordinary taxable income of the Issuer for each interest period equal to the sum of (i) the amount of interest that accrues on their Certificates for such interest period based on the Interest Rate for the Certificates, and (ii) an amount equivalent to interest that accrues during such Interest Period on amounts previously due on such Certificates but not yet distributed. ìà□

àAll€or€a€portion€of€the€taxable€income€allocated€to€a€Certificateholder€
that€is€a€pension,€profit€sharing€or€employee€benefit€plan€or€other€tax-
exempt€entity€(including€an€individual€retirement€account)€will€likely€con-
stitute€"unrelated€business€taxable€income"€generally€taxable€to€such€a€Ce-
rtificateholder€under€the€Code.Ð□□

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à Losses, deductions and credits generally will not be allocated to the Certificateholders except to the extent the Certificateholders are reasonably expected to bear the economic burden of such losses, deductions or credits. ì à □

Under the foregoing method of allocation, Certificateholders will be allocated income greater than the amount of interest payable by the Issuer to Certificateholders (i) during each taxable year prior to the Maturity Date of the certificates and, possibly, (ii) upon the Maturity Date of the certificates. Thus, cash basis Certificateholders will in effect be required to report income from the certificates on the accrual basis and Certificateholders will become liable for taxes on Issuer income even if they have not received cash from the Issuer to pay such taxes. ¹¹

àAlthough the Issuer's allocations will be based upon the principles of Section 704 of the Code, it is not certain that the Service will agree that such allocations have "substantial economic effect" or are determined in accordance with the Certificateholders' interests in the Issuer. If such allocation were successfully challenged by the Service, the redetermination of the allocation to a particular Certificateholder for federal income tax purposes could be less favorable than the allocations set forth in the Trust Agreement. ìà□

àòòPayments€to€Certificateholder.óó€€Certificateholders€generally€will€
not€recognize€gain€or€loss€withĐ

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□ In respect to distributions from the Issuer. A Certificateholder will, however, recognize gain to the extent any money distributed exceeds the Certificateholder's adjusted basis in the Certificates (as described below under "Disposition of Certificates") immediately before distribution, and a Certificateholder will recognize loss upon termination of the Issuer or termination of the interest in the Issuer if the Issuer only distributes money to the Certificateholder and the amount distributed is less than the Certificateholder's adjusted basis in the Certificates. Any such gain or loss would be long-term capital gain or loss if the holding period of the Certificates were more than one year. ìà□

Section 708 Termination. If a trust is treated as a partnership for federal income tax purposes will be

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Deemed to terminate under Section 708 of the Code if within a 12-month period there is a sale or exchange of 50 percent or more of the total interest in the capital and profits of the trust. If such a termination occurs with respect to the issuer, the issuer will be deemed under the Code to contribute all of its assets and liabilities to a new entity that is created as a partnership for federal income tax purposes in exchange for an interest in such new entity, and to immediately thereafter terminate and distribute such interest in the new entity to the certificateholders in proportion to their respective interests in the issuer. Such deemed termination of the issuer generally should not result in any material adverse tax consequences to certificateholders (although such deemed termination may accelerate the recognition of income from the issuer for certificateholders whose taxable year is different than the issuer's taxable year).

àòEffectofStraddleRulesonCertificateholders'SecuritiesPositions.
óóTheService may treat certain

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Positions in property held (directly or indirectly) by a Certificateholder and its indirect interest in similar positions held by the respective Series as "straddles" for federal income tax purposes. The application of the "straddle rules" in such a case could affect a Certificateholder's holding period for the property involved and may defer the recognition of losses with respect to such property. à

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ÔSale€of€the€Certificatesó

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Generally, gain or loss will be recognized on a sale of a Certificate in an amount equal to the difference between the amount realized and the Certificateholder's tax basis in the Certificate sold. The gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the holding period is more than one year; in the case of Certificateholder that are individuals, trusts, or estates, a favorable income tax rates may apply to net long-term capital gains, especially in the case of Certificates held for more than 12 months. A Certificateholder's tax basis in a Certificate will generally equal the amount paid for such Certificate increased by the Certificateholders share of the Issuer's income that is includible in his gross income and decreased by any distributions received with respect to such Certificate. In addition, both the tax basis in a Certificate and the amount realized on a sale of such Certificate would include the Certificateholder's share of the liabilities represented by the Notes and any other liabilities of the Issuer. A Certificateholder acquiring Certificates at different prices will be required to maintain a single aggregate adjusted tax basis in such Certificates, and, upon sale or other disposition of some of the Certificates, to allocate a pro rata portion of such aggregate tax basis to the Certificates sold (rather than maintaining a separate tax basis in each Certificate for purposes of computing gain or loss on a sale of that Certificate). It is

à If a Certificateholder is required to recognize an aggregate amount of income (not including income attributable to disallowed miscellaneous itemized deductions described above) over the life of the Certificates that exceeds the aggregate cash distributions with respect thereto, such excess will generally give rise to a capital loss upon the retirement of the Certificates. ì

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ÔTaxeAuditsó

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Under the Code, adjustments in tax liability with respect to income tax items generally will be made at the Issuer level in a single proceeding rather than in separate proceedings with each Certificateholder. Under the Trust Agreement, the

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State Street Bank and Trust Company

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will be designated or engaged to serve, the

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Directly or indirectly, as a "Tax Matters Manager" for the Issuer and will represent the Issuer as the "tax matters partner" during any audit and in any dispute with the Service. Each Certificateholder will be informed by the tax matters partner of the commencement of an audit of the Issuer. In general, the tax matters partner may enter into a settlement agreement with the Service on behalf of, and binding upon, some or all of the Certificateholders. Prior to settlement, however, a Certificateholder may file a statement with the Service providing that the tax matters partner does not have authority to settle on behalf of such Certificateholder. It is

àThe period for assessing a deficiency against a Certificateholder in a Trust is treated as a partnership if for federal income tax purposes, such as the Issuer, with respect to a Trust item is the later of three years after the Trust files its information return or, under certain circumstances, if the name, address, and taxpayer identification number of the Certificateholder do not appear on the information return, one year after the Service is furnished with such information. The tax matters partner may consent on behalf of the Issuer to an extension of the period for assessing a deficiency with respect to an Issuer item. As a result, a Certificateholder's federal income tax return may be subject to examination and adjustment by the Service if for an Issuer item more than three years after such return has been filed. ìà□

à If adjustments are made to items of Issuer income, gain, loss, deduction or credit as the result of an audit of the Issuer, the tax returns of the Certificateholder may be reviewed by the Service, which could result in adjustments of non-Issuer items as well as Issuer items. D

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ÔAdministrative€MattersÔ

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àThe Manager, on behalf of the Issuer, is required to keep or cause to be kept complete and accurate books of the Issuer. Such books will be maintained for financial reporting and tax purposes on an accrual basis and the taxable year of the Issuer will be the calendar year. The Issuer will file an information return (Form 1065) with the Service for each taxable year of the Issuer and will report to Certificateholder (and to the Service) each Certificateholder's allocable share of items of the Issuer's income and expense on Schedule K-1. The Issuer will provide the Schedule K-1 information to nominees that fail to provide the Issuer with the information statement described below and such nominees will be required to forward such information to the beneficial owners of the Certificates. Generally, Certificateholders must file tax returns that are consistent with the information returns filed by the Issuer or be subject to penalties unless the Certificateholder notifies the Service of all such inconsistencies. à

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Under Section 6031 of the Code, any person that holds Certificates as a nominee on behalf of another person at any time during a calendar year is required to furnish the Issuer with a statement containing certain information on the nominee, the beneficial owner and the Certificates so held. Such information includes (i) the name, address and taxpayer identification number of the nominee and (ii) as to each beneficial owner (x) the name, address and taxpayer identification number of such person, (y) whether such person is a United States person, a tax-exempt entity or a foreign government, an international organization, or a wholly owned agency or instrumentality of either of the foregoing and (z) certain information concerning Certificates that were held, acquired or transferred on behalf of such person through the year. In addition, brokers and financial institutions that hold Certificates through a nominee are required to furnish directly to the Issuer information as to themselves and their ownership of Certificates. A clearing agency registered under Section 17A of the Exchange Act that holds Certificates as a nominee is not required to furnish any such information statement to the Issuer. The information referred to above for any calendar year must be furnished to the Issuer on or before the following January 31. Nominees, brokers and financial institutions that fail to provide the Issuer with the information described above may be subject to penalties. ð

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ÔBackup€WithholdingÔ

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àDistributions€made€on€the€Certificates€and€proceeds€from€the€sale€of€the
€Certificates€may€be€subject€to€a€"backup"€withholding€tax€of€31%€if,€in€g
eneral,€the€Certificateholder€fails€to€comply€with€certain€identification€
procedures,€unless€the€holder€is€an€exempt€recipient€under€applicable€prov
isions€of€the€Code.ììò

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ôPossible€Federal€Tax€Law€Changesô

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àThe foregoing discussion is only a summary and is based upon existing U.S. federal income tax law. Prospective investors should recognize that the federal income tax treatment of an investment in Notes may be modified at any time by legislative, judicial or administrative action. Any such changes may have retroactive effect with respect to existing transactions and investments and may modify the statements made above. ïð

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ÔState€and€Local€TaxationÔ

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à In addition to the federal income tax consequences described above, prospective investors should consider potential state and local tax consequences of an investment in the Issuer, including the possibility of

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□ That ownership of Certificates could subject such owner to tax in a state where the owner is not otherwise subject. State and local laws often differ from federal income tax laws with respect to the treatment of specific items of income, gain, loss, deduction and credit. A Certificateholder's distributive share of the taxable income or loss of the Issuer generally will be required to be included in determining its reportable income for state and local tax purposes in the jurisdiction in which it is a resident. [[Any other state tax disclosure required?]]

òò□òProspective€purchasers€of€Certificates€are€advised€to€consult€their€ta
x€advisers€as€to€the€consequences,Ð□□

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à□□ □ □ Under the tax laws of the jurisdictions (state, local and non-U.S.) of which or in which they are residents for doing business, of a purchase of the Certificates, including the consequences of the receipt of not e payments and sale or redemption of the Certificates.óóó

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ÔERISA€CONSIDERATIONSÔ

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Đi[To€be€revised]îà

à[The€U.S.€Employee€Retirement€Income€Security€Act€of€1974,€as€amended€("ò

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□ Ðcertain€requirements€on€"employee€benefit€plans"€(as€defined€in€Section
€3(3)€of€ERISA)€subject€to€ERISA,€including€entities€Ô'□ □□

□l÷□ □ Ôsuch€as€collective€investment€funds,€separate€accounts€and€certain
€insurance€ò

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ó€general€accounts€whose€underlying€assets€include€the€assets€of€such€plan
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ó"), and on those persons who are fiduciaries with respect to ERISA Plans.
Investments by ERISA Plans

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□ Dare€subject€to€ERISA's€general€fiduciary€requirements,€including€the€requirement€of€investment€prudence€and€diversification€and€the€requirement€that€an€ERISA€Plan's€investments€be€made€in€accordance€with€the€documents€governing€the€ERISA€Plan.€The€prudence€of€a€particular€investment€must€be€determined€by€the€responsible€fiduciary€of€an€ERISA€Plan€by€taking€into€account€the€ERISA€Plan's€particular€circumstances€and€all€of€the€facts€and€circumstances€of€the€investment€including,€but€not€limited€to,€the€matters€discussed€herein€under€"Risk€Factors"€and€the€fact€that€in€the€future€there€may€be€no€market€in€which€such€fiduciary€will€be€able€to€sell€or€otherwise€dispose€of€the€

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àSection 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts) (together with ERISA Plans, "ò

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Ôparties€in€interest"€or€"disqualified€persons"€(collectively,€"ò

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ÔParties€in€Interestó

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§ 4975(c)(2). If a person has a prohibited transaction with a plan, unless a statutory or administrative exemption is applicable to the transaction, a party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code.

àThe€U.S.€Department€of€Labor€has€promulgated€a€regulation,€29€C.F.R.€Sec
tion€2510.3-101€(the€"ò

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ÔPlan€Asset€Regulationó

ó"), describing what constitutes the assets of a Plan with respect to
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ò the Plan's
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Investment in an entity for purposes of certain provisions of ERISA and the Code, including the fiduciary responsibility provisions of Title I of ERISA and Section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests in an "equity interest" of an entity that is neither a "publicly offered security" nor a security issued by an investment

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€ registered under the Investment Company Act, the Plan's assets

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Include both the equity interest and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating

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€ that equity participation in the entity by

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benefit plan investors "is not" significant." Ità

Under the terms of the Plan Asset Regulation, if the Issuer were deemed to hold "O"

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Plan Assets" by reason of a Plan's investment in

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o a Security

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o an equity interest in the Issuer

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o, such Plan's assets would include

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o An undivided interest in the assets held by the Issuer. In such event, the persons providing services with respect to such assets may be subject to the fiduciary responsibility provisions of Title I of ERISA and to the prohibited transaction provisions of ERISA and Section 4975 of the Code with respect to transactions involving such assets. In addition,

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o if any of the obligors

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o such assets

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o is a Party in Interest with respect

< (" (to an investing Plan, such

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o would include various swaps,

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o Plan's investment could be deemed to constitute a

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o A transaction prohibited under Title I of ERISA or Section 4975 of the Code

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o (e.g. the extension of credit

) \$* between a Plan and a Party in Interest)

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ÔThe€NotesÔ
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àAlthough there can be no assurances in this regard, the Notes should not be considered to be "equity interests" in the Issuer. Nevertheless, prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if such Notes are acquired by a Plan with respect to which the Issuer, its

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ô Placement Agent

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ô Initial Purchaser

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ô, the Trustee or Merrill, or any of their respective affiliates, is a Party

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ô In Interest. Similarly, prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if such Notes are acquired by a Plan and a person which is a Party in Interest with respect to such Plan acquires or holds an equity interest in the Issuer or if such Notes are acquired by a person or entity which is a Party in Interest with respect to a Plan which acquires or holds an equity interest in the Issuer.

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ô [In this regard, an affiliate of the Issuer has agreed to purchase a portion of the Certificates and Plans

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□ □ It will be restricted from purchasing and holding the Certificates.]ó

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óó Certain exemptions from the prohibited □□
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□ It transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Class Exemption PTCE 84-

14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance)

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óó pooled separate accounts), ("ó

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□ Đ (relating€to€investments€by€bank€collective€investment€funds) ,€PTCE€95-60€ (relating€to€investments€by€insurance€ò

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ó€general€accounts) ,€and€PTCE€96-

23€ (relating€to€transactions€determined€byĐ□□

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house€asset€managers) .€There€can€be€no€assurance€that€any€of€these€class€e
xemptions€or€any€other€exemption€will€be€available€with€respect€to€any€par
ticular€transaction€involving€the€Notes. Ìà□

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ÏOFESECTIONE406EOFEERISAEORESECTIONE4975EOFETHEECODEEORE (B) EITSEPURCHASEEO
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àGovernmental 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. If fiduciaries of any such plans should consult with their counsel before purchasing any Notes. ì`

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ÔTheCertificatesÔ

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As noted above, an exception under the Plan Asset Regulation provides that an investing Plan's assets will not include any of the underlying assets of an entity if equity participation in the entity by

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Benefit plan investors is not "significant." The Plan Asset Regulation defines

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Benefit plan investor "as including (i) an employee benefit plan (as defined in Section 3(3) of ERISA, whether or not it is subject to Title I of ERISA; (ii) a plan described in Section 4975(e)(1) of the Code; and (iii) any entity whose underlying assets include"

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Plan assets "by reason of a plan's investment in the entity or otherwise"

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Benefit plan investor "as

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Such term is defined in the Plan Asset Regulation). The Plan Asset Regulation provides that equity participation in an entity by benefit plan investors is "significant" if, immediately after the most recent acquisition of any equity interest in the entity, 25% or more of the value of any class of equity interests in the entity is held by

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Benefit plan investors

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Benefit Plan Investors

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For purposes of determining whether this

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25% threshold has been met or exceeded, the value of any equity interests held by a person (other than such a benefit plan investor) who has discretionary authority or control with respect to the assets of the entity, or any person who provides investment advice for a fee (directly or indirectly) with respect to such assets, or any affiliate of such person

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(a "Controlling Person")

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ó,€except€as€described€below,€Plans€and€other€benefit€plan€investors€will€
be€restricted€from€purchasingÐ□□
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□ Ðand€holding€the€Certificates.€In€the€case€of€Certificates,€a€portion€(less€than€25%)€may€be€sold€to€an€investor€that€is€using€assets€that€may€constitute€assets€of€one€or€more€Plans.€In€order€to€assure€that€the€equity€participation€of€benefit€plan€investors€ð

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ó€does€not€become€significant€for€purposes€of€the€Plan€AssetÐ□□

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□ ÐRegulation,€Plans€and€other€benefit€plan€investors€(including€insurance€companies€using€general€account€assets,€as€well€as€governmental€plans€and€foreign€plans€that€are€not€generally€subject€to€ERISA€or€Section€4975€of€the€Code)€will€be€ð

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òprohibited€from€purchasing€or€otherwise€acquiring€the€Certificates€unless€[theÐ□□

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□ ÐIssuer]€determines€that€immediately€following€such€purchase€or€acquisition,€less€than€25%€of€the€Certificates€would€be€held€by€Benefit€Plan€Investors€(disregarding€Certificates€held€by€Controlling€Person).€€In€this€regard,€in€the€case€of€an€insurance€company€acting€on€behalf€of€its€general€account,€such€purchaser€will€be€required€to€represent€that€as€of€the€date€it€acquires€the€Certificates,€less€than€25%€of€the€assets€of€such€general€account€will€constitute€"plan€assets"€for€purposes€of€Title€I€of€ERISA€and€Section€4975€of€the€Code€and€that€at€all€times€while€it€is€holding€the€Certificates,€less€than€25%€of€the€assets€of€such€general€account€will€constitute€"plan€assets"€for€such€purposes.ó

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òrestricted€from€purchasing€and€holding€such€Certificates.Ð□□

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□ ÐUNLESS€EXPLICITLY€PROVIDED€OTHERWISE€IN€WRITING,€BY€ITSELF€PURCHASE€OF€CERTIFICATES,€THE€PURCHASER€THEREOF€WILL€BE€DEEMED€TO€HAVE€REPRESENTED€AND€WARRANTED€THAT€IT€IS€NOT€ (I) €AN€EMPLOYEE€BENEFIT€PLAN€ (AS€DEFINED€IN€SECTION€3 (3) €OF€ERISA,€WHETHER€OR€NOT€IT€IS€SUBJECT€TO€TITLE€I€OF€ERISA;€ (II) €A€PLAN€DESCRIBED€IN€SECTION€4975€OF€THE€CODE;€OR€ (III) €ANY€ENTITY€WHOSE€UNDERLYING€ASSETS€INCLUDE€PLAN€ASSETS€BY€REASON€OF€A€PLAN'S€INVESTMENT€IN€THE€ENTITY€OR€OTHERWISE€A€"BENEFIT€PLAN€INVESTOR"€ (AS€SUCH€TERM€IS€DEFINED€IN€THE€PLAN€ASSET€REGULATIONS) .ó

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àAny insurance Company proposing to invest assets of its general account in the Certificates should consider the extent to which such investment would be subject to the requirements of ERISA in light of the U.S. Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank*.

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Under any subsequent guidance that may become available relating to that decision, any such investor should note that the Small Business Job Protection Act of 1996 added new Section 401(c) of ERISA relating to the status of the assets of insurance company general accounts under ERISA and Section 4975 of the Code. Pursuant to Section 401(c), the Department of Labor is required to issue final regulations (the "0

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ÔGeneral€Account€Regulationsó

ó")€not€later€than€December€31,€1997€with€respect€to€insurance€policies€or
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□ Ðannuity€contracts€issued€on€or€before€December€31,€1998€that€are€suppor
ted€by€an€insurer's€general€account.ĭThe€General€Account€Regulations€are€t
o€provide€guidance€on€which€assets€held€by€the€insurer€constitute€"ô□
€□ò□

Ôplanĭassets"€for€purposes€of€the€fiduciary€responsibility€provisions€of€
ERISA€and€Section€4975€of€the€Code.ĭSection€401(c)€also€provides€that,€exc
ept€in€the€case€of€avoidance€of€the€General€Account€Regulations€andĭaction
s€brought€by€the€Secretary€of€Labor€relating€to€certain€breaches€of€fiduci
ary€duties€that€also€constituteÐ□□

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□ Ðbreaches€of€state€or€federal€criminal€law,€until€the€date€that€is€18€mo
nths€after€the€General€AccountĭRegulations€become€final,€no€liability€unde
r€the€fiduciary€responsibility€and€prohibited€transaction€provisionsĭof€ER
ISA€and€Section€4975€may€result€on€the€basis€of€a€claim€that€the€assets€of
€the€general€account€of€anĭinsurance€company€constitute€"ô□
€□ò□

Ôplan€assets"€of€any€Plan.ĭĭà□

àAny€Plan€fiduciary€or€benefit€plan€investor€that€proposes€to€purchase€any€Certificates€should€consult€with€its€counsel€regarding€the€applicability€of€the€fiduciary€responsibility€and€prohibited€transaction€provisions€of€ERISA€and€Section€4975€of€the€Code€to€such€an€investment,€and€to€confirm€that€such€investment€will€not€constitute€or€result€in€a€prohibited€transaction€or€any€other€violation€of€an€applicable€requirement€of€ERISA.îà□

àThe€sale€of€any€Certificates€is€in€no€respect€a€representation€by€the€Is
suer,€the€ò

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ó€or€Merrill€that€such€an€investment€meets€all€relevant€legal€requirements
€with€respect€to€investmentsÐ□□

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□ Ðby benefit plan investors (including Plans generally or any particular Plan), or that such an investment is appropriate for such benefit plan investors generally or any particular Plan.] Ð□□

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ÔPLANE OF DISTRIBUTIONÔ

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àSubject to the terms and conditions set forth in
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òa Placement Agency Agreement (the "Placement
 " , Agency
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òthe Purchase Agreements (the "ô
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òPurchaseó
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ó")€€between€the€Issuer€and€Merrill€Lynche€(theĐ□□

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ó,€the€Issuer€has€agreed€to€offer€to€the€ò
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òPlacement€Agentó
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òInitial€Purchaseró
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ó€has€agreed€to€use€its€best€efforts€to€sell,€the€principalĐ□□
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L□□ □ □ Đamount€of€the€Securities€set€forth€below.ÏÏà@□ =

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àThe€Purchase€Agreements€provides€that€the€obligations€of€the€ò

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□ Ðsubject€to€certain€conditions€precedent.€The€Issuer€has€been€advised€by
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□ Ðthat€it€proposes€to€offer€the€Securities€initially€at€the€offering€pric
e€to€investors€equal€to€100%€of€the€corresponding€Principal€Amount,€and€th
at€after€the€Offering,€the€price€to€investors€may€change.ÏÏà□

àThe€Securities€have€not€been€registered€under€the€Securities€Act€and€may
€not€be€offered€or€sold€within€the€United€States€or€to,€or€for€the€account
€of,€U.S.€Persons€except€to€qualified€institutional€buyers€in€reliance€on€
Rule€144A€under€the€Securities€Act,€and€to€certain€persons€in€offshore€tra
nsactions€in€reliance€on€Regulation€S€under€the€Securities€Act.€The€ò

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óHas€agreed€that,€except€asĐ□□

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òPurchase€Agreementsó

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ó,€it€will€not€offer,€sell€or€deliver€theĐ□□

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□ ĐSecurities€as€part€of€its€distribution€at€any€time,€except€(i)€to€QIBs€
in€accordance€with€Rule€144Aò

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ò,€(ii)€in€theĐ□□

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□ Đcase€of€a€subsequent€transfer,€to€Institutional€Accredited€Investors€or
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òor€(ii)€ó

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óin€reliance€on€Regulation€S.Đ□□

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□ Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Securities are restricted as described under "Transfer Restrictions." It □ □

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òPlacement€Agentó
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ó€represents€and€agrees€that€(i)€it€has€not€offered€or€sold€and, Ð^Ü
^Ü Ðprior€to€the€expiry€of€the€period€of€six€months€from€the€date€of€issue€of€the€Securities,€will€not€offer€or€sell, ïany€Notes€to€persons€in€the€United€Kingdom€except€to€persons€whose€ordinary€activities€involve€them€inïacquiring,€holding,€managing€or€disposing€of€investments€(as€principal€or€agent)€for€the€purposes€of€theirïbusinesses€or€otherwise€in€circumstances€which€have€not€resulted€and€will€not€result€in€an€offer€to€the€publicïin€the€United€Kingdom€within€the€meaning€of€the€Public€Offers€of€Securities€Regulations€1995;€(ii)€it€hasïcomplied€and€will€comply€with€all€applicable€provisions€of€the€Financial€Services€Act€1986€with€respect€toïanything€done€by€it€in€relation€to€the€Securities€in,€from€or€otherwise€involving€the€United€Kingdom;€and€(iii) ïit€has€only€issued€or€passed€on€and€will€only€issue€or€pass€on€in€the€United€Kingdom€any€document€receivedïby€it€in€connection€with€the€issue€of€the€Securities€to€a€person€who€is€of€a€kind€described€in€Article€11(3)€ofïthe€Financial€Services€Act€1986€(Investments€Advertisements)€(Exemptions)€Order€1996€or€is€a€person€toïwhom€such€document€may€otherwise€lawfully€be€issued€or€passed€on.ïïà^Ü

àIn€connection€with€sales€outside€the€United€States,€the€ò

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ó€has€agreedD□□

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□ Dthat€it€will€not€offer,€sell€or€deliver€the€Securities€to,€or€for€the€a
ccount€or€benefit€of,€U.S.€Persons€as€part€of€its€distribution€at€any€time
,€except€to€qualified€institutional€buyers€in€accordance€with€Rule€144A€un
der€the€Securities€Act€ò

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òor€(ii)€in€the€case€of€a€subsequent€transfer,€to€Institutional€Accredited
€Investorsó

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ó.€As€used€in€thisD□□

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□ □ □ Dsection€and€under€"Transfer€Restrictions,"€the€terms€"ô□

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ôUnited€States"€and€"ô□

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ôU.S.€Persons"€have€the€meaning€given€to€them€in€Regulation€S.ììà□

àThe€Issuer€has€agreed€to€indemnify€the€ò
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òPlacement€Agentó
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òInitial€Purchaseró
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ó€against€certain€liabilitiesÐ□□
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ó€may€be€required€to€make€in€respectĐ□□

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àThe€Securities€are€newly€issued€securities€for€which€there€is€currently€no€market.€The€ò

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òPlacementĐ□□

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ó€has€advised€the€Issuer€that€they€presently€intend€to€make€a€market€in€the€SecuritiesĐ□□

□X□|□□ □ □ Δas€permitted€by€applicable€law.€The€ò

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ó€is€not€obligated,€however,€to€makeĐ□□

□4□X□□ □ □ Δa€market€in€such€Securities,€and€any€such€market-making€may€be€discontinued€at€any€time€at€the€sole€discretion€of€the€ò

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ó.€Accordingly,€no€assurance€can€be€given€as€to€theĐ□□

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□ Δdevelopment€of€liquidity€or€any€market€for€the€Securities.ÏÏà□

àIn€connection€with€the€offer€and€sale€of€the€Securities,€the€ò

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ó€mayĐ□□

□€ □□ □ □ Δengage€in€over-

allotment,€stabilizing€transactions,€syndicate€covering€transactions€and€p

enalty€bids€in€accordance€with€Regulation€M€under€the€Exchange€Act.€Over-

allotment€involves€sales€in€excess€of€the€offering€size,€which€create€a€sh

ort€position€for€the€ò

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ó.€Stabilizing€transactionsΔ□□

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□ Δpermit€bids€to€purchase€the€underlying€security€so€long€as€the€stabiliz

ing€bids€do€not€exceed€a€specified€maximum.€Short€covering€transactions€in

volve€purchases€of€shares€of€the€Securities€in€the€open€market€after€the€d

istribution€has€been€completed€in€order€to€cover€short€positions.€Penalty€

bids€permit€the€ò

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òInitial€Purchaseró

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ó€to€reclaim€a€selling€concession€from€a€dealer€when€the€Securities€origin

ally€sold€by€suchΔ□□

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□ Δdealer€are€purchased€in€a€covering€transaction€to€cover€short€positions

.€Such€stabilizing€transactions,€short€covering€transactions€and€penalty€b

ids€may€cause€the€price€of€the€Securities€to€be€higher€than€it€would€other

wise€be€in€the€absence€of€such€transactions.ÌÌà□

àThe€decision€to€distribute€the€Securities€and€the€determination€of€the€t
erms€of€the€distribution€were€the€result€of€negotiation€between€the€Issuer
€and€the€ò

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ó.€Merrill€will€notĐ□□

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□ Đreceive€any€benefit€from€the€Offering€other€than€its€respective€portion
€of€the€fee€payable€by€the€Issuer.Đ□□

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ÔTRANSFER€RESTRICTIONSÔ

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à"Because of the following restrictions, investors are advised to consult legal counsel prior to making

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Deny offer, resale, pledge or other transfer of the securities. óó

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àThe€Securities€have€not€been€registered€under€the€Securities€Act€and€may
€not€be€offered€or€sold€within€the€United€States€or€to,€or€for€the€account
€of,€U.S.€Persons€(as€defined€in€Regulation€S€under€the€Securities€Act)€ex
cept€to€(a)€qualified€institutional€buyers€("ò

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ó") €in€reliance€on€the€exemption€from€theD□□
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□ Dregistration€requirements€of€the€Securities€Act€provided€by€Rule€144Aò
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ò,€(b) €in€the€case€of€a€subsequentD□□
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□ Ðtransfer,etoinstitutionale"accreditedinvestors"meetingtherequirements ofRule501(a)(1),(2),(3)or(7)ofRegulationDundertheSecuritiesActortoentitiesinwhichalloftheequityownersareinstitutions thatareñaccreditedinvestors("IAIs"),and(c)ó

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òand(b)€ó

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óinthe case oftheNotes, to certain persons in offshoreÐ□□

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□ □ ÐtransactionsinrelianceonRegulationS.ñà□

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òinitial€purchaser€and€each€subsequentó

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ó€purchaser€of€the€Securities€(other€than€the€ò

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òInitial€Purchaser)ó
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ó€will€be€deemed€to€have€represented€and€agreed€as€follows€(terms€used€in€
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□ ¶paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein): ¶à0

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àThe purchaser (A) ò

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óEisEaEQIB, EisEawareEthatEtheEsaleEtoEitEisEbeingEmadeEinErelianceD□□

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□ DonERuleE144AEandEisEacquiringEsuchENotesEorECertificatesEforEitsEownEac
countEorEforEtheEaccountEofEaEQIBò

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òorE(ii)EinEtheEcaseEofEaEsubsequentEtransfer, EisEaEIAI, EisEawareEthatEthe
EsaleEtoEitEisEbeingEmadeD□□

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in reliance on Rule 144A and is acquiring such Notes or Certificates for its own account or for the account of a

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or (B) in the case of a purchaser of Notes, is not a U.S. Person and is purchasing

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such Notes in an offshore transaction pursuant to Regulation S.

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àThe purchaser understands that the Securities are being offered in a transaction not

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involving any public offering in the United States within the meaning of the Securities Act, that the Securities have not been and will not be registered under the Securities Act and that (A) if in the future it decides to offer, resell, pledge or otherwise transfer any Notes or Certificates, such Securities may be offered, resold, pledged or otherwise transferred only (i) to a person whom the seller reasonably believes is a QIB

or

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or

in a transaction meeting the requirements of Rule 144A, D

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(ii) in a transaction complying with the provisions of Rule 904 under the Securities Act, (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available), (iv) pursuant to an effective registration statement under the Securities Act or (v) in the case of the Notes, to a non-U.S. Person in an offshore transaction pursuant to Regulation S, in each of cases (i) through (v) in accordance with any applicable securities laws of any State of the United States, and that (B) the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of such Securities from it of the resale restrictions referred to in (A) above. D

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àThe€purchaser€agrees€that€if€in€the€future€it€should€offer,€sell€or€othe
rwise€transferĐ□□

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ó€or€an€affiliate€thereof,Đ□□

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□ Đ(ii)€pursuant€to€Rule€144A€under€the€Securities€Act€to€a€person€who€the
€seller€reasonably€believes€is€a€QIB€ò

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ó€in€a€transaction€meeting€the€requirements€of€Rule€144A,€purchasing€for€i
ts€ownĐ□□

□ô)□\$* □ □ Đaccount€or€for€the€account€of€a€QIB€ò

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ó,€whom€the€holder€has€informed€that€such€offer,€sale€orĐ□□

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□ Đother€transfer€is€being€made€in€reliance€on€Rule€144A,€(iii)€in€the€cas
e€of€an€offer,€sale€or€transfer€of€a€Note,€in€an€offshore€transaction€meet
ing€the€requirements€of€Rule€904€of€Regulation€S,€or€(iv)Đ□□

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□ Đpursuant€to€an€exemption€from€registration€under€the€Securities€Act€pro
vided€by€Rule€144€(if€available).Đ□□

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àThe purchaser, if it is a foreign purchaser outside the United States, acknowledges

that

that the Notes will initially be represented by the Regulation S Global Note and that transfers thereof are restricted as described herein. If it is a QIB

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ó, it acknowledges that the Notes offered in

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Reliance on Rule 144 will be represented by a Restricted Global Note. Before any interest in a Restricted Global Note may be offered, sold, pledged or otherwise transferred to a purchaser outside the United States in compliance with Rule 904 under the Securities Act, the transferor will be required to provide the Trustee with a written certificate (the form of which certification can be obtained from the Trustee) as to compliance with the transfer restriction referred to above.

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àThe€purchaser€acknowledges€that€Certificates€may€be€acquired€by€it,€or€a
cquired€byD□□
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□ Ðany€subsequent€transferee,€only€upon€the€receipt€by€the€Security€Registrar€of€written€certification€by€the€purchaser,€or€such€proposed€transferee,€that€such€purchaser,€or€proposed€transferee,€is€a€U.S.€resident.Ð□□

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àThe€purchaser€acknowledges€that€in€accordance€with€the€Employee€Retireme
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□ □ □ ÐIncome€Security€Act€of€1974,€as€amended€("ò

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ó"), and Section 4975 of the Internal Revenue Code
Tax Code of 1986, as amended (the "ò

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ó"), €(i) €no €Plan, €including €but €not €limited €to €an €insuranceĐ□□

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□ ĐCompany €general €account, €may €purchase €the €Notes €unless €one €or €more €stat
utory €or €administrative €exemptions €from €the €prohibited €transaction €rules €o
f €ERISA €and €Section €4975 €of €the €Code €applies €to €such €purchase, €such €that €t
he €Plan' s €acquisition €and €holding €of €the €Notes €does €not €and €will €not €const
itute €a €non-

exempt €prohibited €transaction €for €purposes €of €Section €406 €of €ERISA €and €Sec
tion €4975 €of €the €Code, €(ii) €the €Notes €may €not €be €purchased €using €the €asset
s €of €any €Plan €if €the €ò

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òInitial €Purchaseró

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ó, €the €Trustee €or €the €Issuer €has €investment €authority €with €respect €to €such
€assets.Đ□ □ □ □X□|□□ □□□ (#□ (#□ Đà0

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à In the case of a purchaser of Certificates, the purchaser acknowledges that, unless

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Explicitly provided otherwise in writing, by its purchase of such Certificates, the purchaser will be deemed to have represented and warranted that it is not (a) it is not a Benefit Plan Investee (as defined in

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Plan Assets

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Plan Assets

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istent with Applicable Law: ☐☐

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THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, AN Y PERSON EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. D

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BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "O

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QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH THE REGULATIONS UNDER THE SECURITIES ACT; (2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO MERRILL LYNCH OR AN AFFILIATE THEREOF, (B) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH THE RULE 904 UNDER THE SECURITIES ACT, (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT; AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND, IN CONNECTION WITH ANY TRANSFER OF THIS NOTE WITHIN TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS NOTE OR THE LAST DATE ON WHICH THIS NOTE WAS HELD BY MERRILL LYNCH, THE TRUSTEE OR ANY AFFILIATE OF ANY OF SUCH PERSONS. AS USED HEREIN, THE TERM "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATIONS UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING RESTRICTIONS. D

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àThe purchaser acknowledges that each Temporary [Restricted] Global Note and

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Regulation S Global Note will bear a legend to the following effect, unless the Issuer determines that it is otherwise consistent with applicable law:

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THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO A U.S. PERSON EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. D

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àThe purchaser acknowledges that transfers of the Securities will otherwise
be subject to

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in all respects to the restrictions applicable thereto contained in the
Indenture.

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àThe€purchaser€acknowledges€that€the€Issuer,€the€ò

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òInitial€Purchaseró

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□ Ðand€others€will€rely€on€the€truth€and€accuracy€of€the€foregoing€acknowledgments,€representations€and€agreements,€and€agrees€that€if€any€of€the€foregoing€acknowledgments,€representations€and€agreements€deemed€to€have€been€made€by€it€are€no€longer€accurate,€it€will€promptly€notify€the€Trustee,€the€Issuer€and€the€ò

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òPlacement€Agentó

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òInitial€Purchaseró

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ó.€If€it€is€acquiring€any€Securities€as€aÐ□□

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□ Ðfiduciary€or€agent€of€one€or€more€investor€accounts,€it€represents€that€it€has€sole€investment€discretion€with€respect€to€each€such€investor€account€and€that€it€has€full€power€to€make€the€foregoing€acknowledgments,€representations€and€agreements€on€behalf€of€each€such€investor€account.€Because€of€the€foregoing€restrictions,€investors€are€advised€to€consult€legal€counsel€prior€to€making€any€transfer€of€Securities.Ð□ □ □ □^,¬&-

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à€€The€purchaser€acknowledges€that€the€Certificates€will€be€issued€in€physicalD

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€certificated€form€only€and€will€be€subject€to€substantial€restrictions€on€transfer.€The€holder€of€any€interest€in€a€Certificate€either€represents€that€it€is€a€U.S.€Person€(as€defined€in€the€Code)€or€acknowledges€that€it€will€be€subject€to€withholding€with€respect€to€its€Certificate€pursuant€to€Section€1446€of€the€Code.D

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à€The€purchaser€acknowledges€that€each€Certificate€will€bear€a€legend€to
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□ Đfollowing€effect,€unless€the€Issuer€determines€that€it€is€otherwise€inc
onsistent€with€applicable€law:Đ□□

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THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY PERSON EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT IT IS AN

"A

QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT); (2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO MERRILL LYNCH OR AN AFFILIATE THEREOF, (B) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT; AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS CERTIFICATE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND, IN CONNECTION WITH ANY TRANSFER OF THIS CERTIFICATE WITHIN TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS CERTIFICATE OR THE LAST DATE ON WHICH THIS CERTIFICATE WAS HELD BY MERRILL LYNCH, THE TRUSTEE OR ANY AFFILIATE OF ANY OF SUCH PERSONS. AS USED HEREIN, THE TERM "UNITED STATES" HAS THE MEANING GIVEN TO IT BY REGULATIONS UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS CERTIFICATE IN VIOLATION OF THE FOREGOING RESTRICTIONS. D

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àThe purchaser acknowledges that each Certificate will bear a legend to the following effect:

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Defect, unless the Issuer determines that it is otherwise consistent with the applicable law:

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àTHIS€CERTIFICATE€HAS€NOT€BEEN€AND€WILL€NOT€BE€REGISTERED€UNDER€THE€UNITED STATES€SECURITIES€ACT€OF€1933,€AS€AMENDED€(THE€"SECURITIES€ACT"),€AND€MAY€NOT€BE€OFFERED,€SOLD,€PLEDGED€OR€OTHERWISE€TRANSFERRED€IN€THE€UNITED STATES€OR€TO€A€U.S.€PERSON€EXCEPT€PURSUANT€TO€AN€EXEMPTION€FROM€THE€REGISTRATION€REQUIREMENTS€OF€THE€SECURITIES€ACT.Đ□□

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à Certain legal matters with respect to the Securities will be passed upon
for the Issuer by

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ò [Richards, Layton & Finger LLP] ó

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ó. Certain legal matters with respect to the Issuer and

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ò Placement Agent ó

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ò Initial Purchaser ó

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ó will be passed upon by Skadden, Arps, Slate, Meagher & Flom LLP. ð

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As long as any of the Securities are outstanding, copies of the Indenture, will be available for inspection, and the annual and any semi-annual interim financial statements of the Issuer will be obtainable at [], where copies thereof may be obtained upon request. *ii*

àCopies of the [] and the []
[] and the resolutions of the member of the Issuer a
uthorizing the issuance of the Securities and authorizing the Indenture an
d the [] will be available for ins
pection until the maturity of the Securities at []
[].iià

àThe€Issuer€represents€that€there€has€been€no€material€adverse€change€in€
its€financial€position€since€its€date€of€creation.€€The€Issuer€is€not€invo-
lved€in€any€litigation€or€arbitration€proceedings€relating€to€claims€on€am-
ounts€which€are€material€in€the€context€of€the€issue€of€the€Securities,€no-
r,€so€far€as€the€Issuer€is€aware,€is€any€such€litigation€or€arbitration€in-
volving€it€pending€or€threatened.€€The€issuance€of€the€Securities€was€auth-
orized€by€the€member€of€the€Issuer€by€resolution€adopted€on€_____,€1999.ii
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ÔNOTICE€TO€INVESTORSó

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à[Certain persons participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of the notes, including short-covering transactions in such notes, and the imposition of a penalty bid, in connection with the offering. For a description of these activities, see "Placement of the Securities."] à

àThe€Notes€are€being€offered€and€sold€simultaneously€in€offshore€transact
ions€in€reliance€on€Regulation€S€("ò

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ÔRegulation€Só

ó")€under€the€Securities€Act€and€the€Securities€are€being€offered€and€sold
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□ Ðsimultaneously€in€domestic€transactions€to€qualified€institutional€buye
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ó")€within€the€meaning€of€RuleĐ□□

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àAn investment in the securities offered hereby (the "Offering")

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Offering") involves a high degree of risk. Ð

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Ð Shortfalls in amounts available to the Issuer to repay the interest due and principal amounts of the Securities will be allocated to the Certificates until the interest amount and principal amount thereof have been reduced to zero. In the event that a shortfall were to exceed the total principal and accrued interest on the Certificates, an event of default could occur on the Notes and the Notes would not be paid in full. Accordingly, investment in the Securities, but particularly an investment in the Certificates, is speculative, and investors bear the risk that they could lose all or a portion of the original principal amount of the Certificates or the Notes purchased by them if the term portfolio result exceeds the

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ð trigger amount

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ð Portfolio Strike Level

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ó as described herein. Ð

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 ó€is€under€no€obligation€to€make€a€market€in€either€theD□□
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 □ DNotes€or€the€Certificates€and€any€such€market,€to€the€extent€that€such€
 market€making€is€commencedĭby€the€ò
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 ó,€may€be€discontinued€at€any€time.€€ò
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 óThe€Certificates€areD□□
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 □ Dsubject€to€substantial€restrictions€on€transfer€as€set€forth€under€"Tra
 nsfer€Restrictions"€ò
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 ó€given€theD□□
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 □ Drisks€associated€with€an€investment€in€the€Securities,€the€high€minimum
 €denominations€and€theĭrestrictions€on€transfer,€there€is€no€assurance€tha
 t€a€secondary€market€will€develop€or,€if€it€doesĭdevelop,€that€it€will€pro
 vide€holders€of€any€class€of€Securities€(the€"Ô□
 €□ä
 ÔSecurityholders")€with€liquidity€ofĭinvestment€or€that€it€will€continue€
 until€the€maturity€of€the€Securities.€€Prospective€investors€shouldĭprocee
 d€on€the€assumption€that€they€will€have€to€bear€the€economic€risk€of€an€in
 vestment€in€theĭSecurities€until€the€Final€Payment€date.ĭĭà□

àThis€Memorandum€is€being€furnished€solely€for€the€purpose€of€enabling€pr
ospective€investors€to€evaluate€the€Securities€offered€hereby.€€The€inform
ation€contained€herein€may€not€be€reproduced€or€used€in€whole€or€in€part€f
or€any€other€purpose.€€The€information€contained€herein€has€been€provided
by€the€Issuer€and€other€sources€identified€herein.€€No€representation€or€w
arranty,€express€or€implied,€is€made€by€the€Issuer,€the€ò

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□ DGuarantor],€etc€or€[Enron]€as€to€the€accuracy€or€completeness€of€such€i
nformation,€and€nothing€contained€herein€is,€or€shall€be€relied€upon€as,€a
€promise€or€representation€by€the€Issuer,€the€ò

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ó,€the€Option€Counterparty,€[the€Guarantor],€etc€or€[Enron]€as€to€futureÐ

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àIn€making€an€investment€decision,€investors€must€rely€on€their€own€examination€of€the€Issuer,€the€Securities€and€the€terms€of€the€Offering,€including€the€merits€and€risks€involved.€€The€contents€of€this€Memorandum€are€not€to€be€construed€as€legal,€business€or€tax€advice.€€Each€prospective€investor€should€consult€its€own€attorney,€business€advisor€and€tax€advisor€as€to€legal,€business€or€tax€advice.€I€see€"Risk€Factors"€ø"ø€Legality€of€Investment."€øøø

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àThe€Securities€have€not€been€recommended€by€any€federal€or€state€securit
ies€commission€or€securities€regulatory€authority€or€any€state€or€foreign€
securities€commission€or€insurance€or€other€regulatory€body.€€Furthermore,
€the€foregoing€authorities€have€not€reviewed€this€document€nor€confirmed€o
r€determined€the€adequacy€or€accuracy€of€this€document.€€Any€representatio
n€to€the€contrary€may€be€a€criminal€offense.ó

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ÔINDEX€OF€DEFINED€TERMSÓ

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àCFCà,# p"p"I (#. □

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àCounterparty€Paymentà,# ì"ì"J (#. □*
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àDWACà,# p"p"I (#. □à□à□

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àERISA€Plansà,# p"p"I (#. ~~~ ` (#` (## à56^Đ

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àEuroclearà,# ö"ö"J (#. □| | □ ` (#` (## ài^Đ□□
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àEvents€of€Defaultà,# p"p"I (#. À À ` (#` (## à41^Đ

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àExchange€Actà,# Ì"Ì"J (#. 44` (#` (## àv^Đ
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àFallback€Reference€Weather€Stationà,# p"p"I (#. □□□□□, ` (#`
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àFRWSà,# p"p"I (#. □▣▣▣

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àGeneral€Account€Regulationsà,# p"p"I (#. □,

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àHDDà,# p"p"I (#. □<□<□
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àHDDsà,# ì"ì"J (#. □,,□,,□

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àINHAMà,# ì"ì"J (#. □- - □ ` (#` (## à8^Đ□□
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àInstitutional€Accredited€Investorsà,# B"B"H (#. □J

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àInterest€Accrual€Periodà,# ,!;!F (#. □Z
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àIssuerà,# >">"G (#. □j□j□□ ` (#` (## ài,€1^Đ□□
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àLocationà,# ì"ì"J (#. < < ` (#` (## à3^Đ

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àLocationsà,# p"p"I (#. □" " □ ` (#` (## à25^Ð□□
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àMeasurement€Seasonà,# ì"ì"J (#. □Ò
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àMemorandumà,# '""H (#. □Â□Â□□ ` (#` (## àiii^Đ□□
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àMILSà,# ö"ö"J (#. □h□h□

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àMLCSà,# ì"ì"J (#. □▣▣▣

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àNote€Interest€Rateà,# Ì"Ì"J (#. □è è □ ` (#` (## à4^Đ□□
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àNote€Principale€Amountà,# ì"ì"J (#. □^
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àNote€Registrarà,# p"p"I (#. ääää ` (#` (## à19^Ðää
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àNotional€Amountà,# B"B"H (#. □ ̣ ̣ ̣ ` (#` (## àò
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àOfferingà,# Š!Š!F (#. □* * □ ` (#` (## àò
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àOIDà,# p"p"I (#. ö ö
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àOption€Componentà,# ì"ì"J (#. □2
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àOption€Component€Resultà,# B"B"H (#. □4

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àOption€Counterpartyà,# ö"ö"J (#. □
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àOption€Premiumà,# Ì"Ì"J (#. □z z □ ` (#` (## à2^Đ□□
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àParties€in€Interestà,# p"p"I (#. □ ̸ □ ` (#`
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àPlacement€Agency€Agreementà,# p"p"I (#. □t
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àPlan€Asset€Regulationà,# p"p"I (#. □

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àPlansà,# p"p"I (#. >> ` (#` (## à56^Đ
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àPreliminary€Memorandumà,# '""H (#. □R

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àPrincipal€Payment€Eventà,# p"p"I (#. □Đ
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àPriority€of€Paymentsà,# p"p"I (#. □

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àPTCEà,# p"p"I (#. □p□p□

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àRating€Agenciesà,# Ì"Ì"J (#. □r r □ ` (#` (## à8^Ð□□
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àRegulation€S€Certificateà,# p"p"I (#. □œ
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àRMSà,# p"p"I (#. 44
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àRounding€Conventionà,# p"p"I (#. □

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àRWSà,# p"p"I (#. >>>
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àSeasonale€€Option€Limità,# ì"ì"J (#. □X
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àSeasonal€Portfolio€Resultà,# ì"ì"J (#. □ú
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àSecuritiesà,# >">"G (#. □" " □ ` (#` (## ài,€1^Ð□□
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àSECURITIES€ACTà,# '""H (#. □\

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àSecurity€Registerà,# p"p"I (#. □| ; □ ` (#` (## à19^Đ□□
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àSECURITYHOLDERSà,# Š!Š!F (#. □|
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àSemi-Annual€Reportà,# p"p"I (#. □
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□ The delivery of this Memorandum nor any sale made hereunder shall under any circumstance create an implication that there has been no change in the affairs of the Issuer since the date hereof. This Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. 16

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