

## Technical details of the operation of the Program

Participants who acquire Participations participate in the Program on the basis of Participation Points that are awarded to them on a month by month basis and reflect the risk adjusted value of the security for borrowing provided by their respective Assigned Assets for each month and, accordingly, the amount of the Proceeds borrowed by Foundations that are attributable to such security.

The allocation of Participation Points is made with reference to the risk-adjusted value from time to time of a Participant's Assigned Asset. The risk-adjusted value of an Assigned Asset is determined by the Company in accordance with the first of four Foundations Formulae that are described in more detail below. The second of these Foundations Formulae determines how many Participation Points are allocated to each Participant in respect of each Program Month. The third and fourth Foundations Formulae determine how Profits and Losses are apportioned between Participants using their respective Participation Points.

### Assigned Asset Risk Adjustment

The purpose of this calculation is to adjust the Ascribed Value (i.e. value that the Directors determine in their discretion to be its market value from time to time) of an Assigned Asset to take account of the discrepancies in the quality of the security provided by different underlying asset types. This is to reflect the fact that high-risk investments provide less security (dollar for dollar) than low-risk investments. The risk-adjustment formula assigns a Notional Value to each Assigned Policy from time to time so that Participants participate in the Program to an extent broadly commensurate with the security for the borrowing that they are providing.

In order to make the necessary risk-adjustment, the Directors have established six broad categories of asset organised by reference to the degree of risk associated with them and have ascribed estimated discount rates to those categories, as follows:

<i>Category</i>	<i>Description</i>	<i>Discount Rate</i>
1	Cash	100%
2	Corporate or sovereign debt securities rated AA or better by Standard & Poor's	90%
3	Quoted securities	70%
4	Funds (excluding hedge funds and venture capital funds)	70%
5	Endowment and with-profits policies	80%
6	Other assets	Case by case basis

Note: The Directors have an absolute discretion to reduce or to increase any Discount Rate, either generally or on a case-by-case basis and in respect of any Program Months. For the avoidance of doubt, this may include reducing the Discount Rate to zero where, for instance, the relevant Assigned Asset is incapable of realisation or is deemed unacceptable for collateral purposes by any Lender.

The Directors shall determine, in their absolute discretion, the Discount Rate to be applied to each Assigned Asset, based upon the category(ies) into which they determine (again, in their absolute discretion) the Underlying Assets of that Assigned Asset fall. The Directors may change all or any such determinations from Program Month to Program Month, either because of a change in the composition of the Underlying Assets or for any other reason. Each Underlying Asset comprised within an Assigned Asset is individually risk-rated and the

Assigned Asset as a whole will be given a Discount Rate based on the weighted average of the Discount Rates applicable to the Underlying Assets.

The first Foundations Formula calculates the Notional Value of each Assigned Asset for a Program Month in the following manner:

$$NV = AV \times DR$$

where NV is the Notional Value of the Assigned Asset, AV is the Ascribed Value of the Assigned Asset and DR is the Discount Rate determined by the Directors to be applied to the relevant Assigned Asset for that Program Month.

Where an Assigned Asset is not denominated in US dollars, the Notional Value shall also be subjected to a notional exchange rate, but not actually exchanged.

### Monthly Allocation of Participation Points

One of the features of the Program is that the Proceeds attributable to the risk-adjusted value of the security for borrowing provided by a Participant's Assigned Asset(s) are only drawn down by Foundations gradually, from Program Month to Program Month. The Proceeds are drawn down each Program Month as a percentage of the Notional Value, in accordance with the following table, which shows, as a Monthly Factor, the cumulative percentage of the Notional Value of a Participant's Assigned Asset(s) drawn down during each successive Program Month in which the Participant participates in the Program:

<i>Program Month</i>	<i>Monthly Factor</i>	<i>Program Month</i>	<i>Monthly Factor</i>
1	25%	14	64%
2	28%	15	67%
3	31%	16	70%
4	34%	17	73%
5	37%	18	76%
6	40%	19	79%
7	43%	20	82%
8	46%	21	85%
9	49%	22	88%
10	52%	23	91%
11	55%	24	94%
12	58%	25	97%
13	61%	26	100%

Notes:

1. As described above, the percentages set out in this table are percentages of the Notional Value of the relevant Assigned Asset; were they expressed as percentages of the Ascribed Values of the relevant Assigned Asset, they may be lower, depending on the Discount Rate that has been applied (as to which, see above).
2. The Monthly Factors set out above are maximum percentages and may be reduced at any time in the absolute discretion of the Directors.
3. The terms of the Facility(ies) or other factors may prevent Foundations from adhering precisely to this drawdown schedule (e.g. because of minimum utilisation levels). In these circumstances, the Directors will adopt a revised schedule that reflects it as closely as is reasonably practicable.

The purpose of the second Foundations Formula is to calculate the value of the security for borrowing provided by a Participant's Assigned Asset(s) during each Program Month using the Monthly Factor

in order to arrive at a number of Participation Points to be awarded to the Participant for that Program Month, as follows:

$$PP = NV \times MF$$

where PP is the number of Participation Points awarded to the Participant in respect of that Program Month, NV is the Notional Value of the Participant's Assigned Asset(s) for that Program Month and MF is the Monthly Factor applicable to the relevant Program Month for the Participant.

### **Allocation of Profits and Losses**

In respect of each Program Quarter, the Directors determine the Profit or the Loss, as appropriate. If there is a Profit, then the Directors determine what amount of the Profit will be treated as Allocated Profit. The balance of the Profit is treated as Unallocated Profit. The Allocated Profit is then apportioned among all the Participants in proportion to the relative numbers of Participation Points that they have been awarded during the course of the relevant Program Quarter. This apportionment is made using the third Foundations Formula, which states that:

$$AP = APR \times \frac{PP}{TPP}$$

where AP is a Participant's allocation of the Allocated Profit in respect of a Program Quarter, APR is the Allocated Profit for that Program Quarter, PP is the Participant's total Participation Points for that Program Quarter and TPP is the total Participation Points for that Program Quarter of all the Participants.

If a loss arises which exceeds the accumulated Unallocated Profit for the time being, then any such Loss is also apportioned among the Participants using the third Foundations Formula.

The detailed provisions for calculating Profits and Losses are set out in the Conditions in Part III of the Offering document.

If a Participant participates in the Program for less than 60 months he will not be entitled to participate in the Unallocated Profits. He will be able to apply any credit balances on his Ledger Account (normally arising from prior allocations of Allocated Profit) to offset any exit costs, other costs, redemption penalties or Losses attributable to him at time of exit. Any remaining credit balances after offsets will be paid to the Program Portfolio. If a Participant participates in the Program continuously for 60 months or more, he will be entitled to receive the benefit of his Allocated Profit as described above (if any) and, in addition, to receive his share of the accumulated Unallocated Profit. The amount of such Unallocated Profit to which he would be entitled is calculated in accordance with the fourth Foundations Formula, which states:

$$UPP = UPA \times \frac{TPP}{APP}$$

where UPP is the amount of Unallocated Profit to which he would be entitled, UPA is the aggregate Unallocated Profit as at the Redemption Date, TPP is the total number of Participation Points awarded to the Participant during all the complete Program Quarters in which he has participated in the Program and APP is the aggregate of all the total numbers of Participation Points awarded to all the Participants during all the complete Program Quarters in which each has participated in the Program.

All a Participant's Participation Points are cancelled immediately following the determination of his Redemption Payment (if any).