



## GLOSSARY OF TECHNICAL TERMS

base value	Avitas Inc defines 'base value' as the appraisers' opinion of the underlying economic value of an aircraft in an open, unrestricted, stable market environment with a reasonable balance of supply and demand and assumes full consideration of its "highest and best use". Base value typically assumes that an aircraft's physical condition is average for an aircraft of its type and age, and its maintenance time status is at mid-life, mid-time. Definitions of base value between appraisers may differ.
collateralised bond obligation (CBO)	A debt instrument backed by a pool of bonds structured in a transaction where there are several classes of notes with varying maturities and risk, called tranches.
collateralised debt obligation (CDO)	An umbrella term that covers Collateralised Bond Obligations, Collateralised Loan Obligations and Collateralised Mortgage Obligations. A CDO is a form of securitisation.
collateralised loan obligation (CLO)	A debt instrument backed by a pool of commercial or personal loans, in a transaction structured so that there are several classes of notes with varying maturities and risk, called tranches.
commercial mortgage-backed securities (CMBS)	Debt securities issued by a securitisation vehicle which are secured against commercial real estate such as hotels, shopping malls and office buildings.
coupon	Interest rate on a debt security. Such rate is usually expressed as an annual percentage calculated by reference to the amount of principal then outstanding.
credit default swap (CDS)	An instrument that transfers the credit, or default, risk of a reference obligation such as a debt security from one party to another.
credit enhancement	Techniques used by borrowers to raise the credit rating of one or more tranches of their debt, often involving the provision of further collateral for such debt.
equity notes	The unrated, most subordinated tranche of notes issued in a securitisation.
full recourse	In respect of a loan, this refers to an obligation of the borrower which is unlimited in its recovery against the borrower and its assets.
LIBOR	London Inter-Bank Offered Rate

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limited recourse	In respect of a loan, this means an obligation of the borrower for which the lender's right of recovery is limited to a specific asset. If the proceeds of sale of the assets are insufficient to repay the secured debt, then the lender cannot make any further claim against the borrower.
liquidity event	This can also be known as the exit strategy for an investment and refers to the way in which an investor plans to close out or "exit" an investment and realise a return of their invested capital together with any capital profits. For example, an investor in an unlisted private company may look to an initial public offering or a trade sale as the exit strategy for their investment.
loan to value ratio	The ratio of money borrowed to the value of the collateral.
mezzanine debt or notes	Debt which is subordinated in repayment to more senior debt. Mezzanine debt or notes are closer to equity than debt. Such debt may be unsecured or secured.
multi-obligor	A debt which is secured by loans which are due from one than one borrower.
non-conforming real estate mortgages	A mortgage loan that does not meet generally accepted standard bank criteria for making a real estate loan.
non recourse debt	See "limited recourse debt".
obligor	In respect of a loan, this means the borrower and in respect of a guarantee, this means the guarantor.
residential mortgage-backed securities (RMBS)	Debt securities issued with residential mortgage loans as collateral.
securitisation	The issuing of different tranches of debt secured against a pool of underlying assets by a special purpose vehicle
senior debt	Debt that has a claim for repayment which is senior to all other claims against the secured property.
single-obligor	In respect of a loan, this means a loan where only one party is obliged to repay that loan. Please compare with "multi-obligor".
special purpose vehicle (SPV)	A legal entity created for a specific purpose and which does not carry out any other activity.
subordinated note	See "mezzanine debt or notes".

Source: Babcock & Brown Structured Finance Fund Limited's IPO Prospectus, 12 December 2006

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