

The Depository Trust Company
IMPORTANT

B#: 4556
DATE: April 03, 2003
TO: All Participants
Managing Partner/Officer, Cashier & Operations
CATEGORY: Settlement/Underwriting
FROM: Denise Russo, Director, Underwriting Dept.
ATTENTION: Data Processing & Underwriting Managers
SUBJECT: Beta Finance Corporation and Beta Finance Incorporated

Special Instructions:

Refer to the attachments for important instructions from the issuer.

**NOTICE ON BEHALF OF
BETA FINANCE CORPORATION AND BETA FINANCE INCORPORATED**

Beta Finance Corporation and Beta Finance Incorporated request that you forward this notice to, and for the information of, the beneficial holders of the Euro Commercial Paper and Euro Medium Term Notes issued by Beta Finance Corporation or the US Commercial Paper and US Medium Term Notes issued by Beta Finance Incorporated (collectively the "**Senior Debt**"):

1. INTRODUCTION

This notice describes a proposal to enhance the structure of Beta Finance Corporation ("**Beta**"), to allow it to benefit from advancements in technology in structured investment vehicles. As a result of this proposal, the structure of Beta will closely mirror that of other investment vehicles also managed by Citibank International plc, such as Centauri Corporation and Dorada Corporation.

There is no requirement for holders of existing Senior Debt to take any action in relation to these structural enhancements. This notice is provided for information purposes only.

This notice has been prepared by Citibank International plc in its capacity as Investment Manager and as agent of Beta in connection with the revisions outlined below. The purpose of this notice is to set out for the holders of existing Senior Debt the key elements of the revised Beta structure, and is not intended to be an exhaustive summary of the revised structure. The changes will become effective on 2 May 2003 or such later date as is notified to the dealers on the Senior Debt programmes (the "**Effective Date**").

PROPOSED STRUCTURE

1.1 Senior Debt Investor Protection

Security for senior debt investors is provided by a first charge over Beta's assets, with The Law Debenture Trust Corporation acting as Security Trustee.

The earnings of the company provide the first level of protection for senior debt investors in the event of any credit losses. Further overcollateralisation is provided by the company's capital, which at 2 April 2003 was US\$1 billion.

After the Effective Date, structural protection for senior investors will be provided by the following early wind-down process, triggered by, inter alia, changes to the ratings of Beta's senior debt programmes:

- (a) *Downgraded to Double-A.* Beta will continue to operate under restrictive operating policies pre-agreed with Moody's, Standard & Poor's and Fitch (collectively the "**Rating Agencies**"). These policies are designed to reduce risk in the portfolio and thereby assist Beta in regaining the Triple-A senior ratings as soon as practicable.

- (b) *Downgraded to Single-A.* Defeasance is triggered bringing about an orderly wind-down of Beta's portfolio. Liabilities are repaid as they fall due from the proceeds raised from sales in the asset portfolio. No further debt issuance may occur and there will be no further distributions to the capital investors until all senior debt is repaid. This process is carried out by Citibank International plc in its capacity as the Defeasance Manager.
- (c) *Ratings deteriorate further to below Investment Grade.* The vehicle enters Enforcement and the security is enforced by the Security Trustee.

1.2 Defeasance and Enforcement Process

In the process of unwinding the portfolio, assets in the existing portfolio shall be sold to repay liabilities as they fall due.

1.3 Capital Adequacy

The continuing ability of Beta to meet its financial obligations to the AAA/Aaa/AAA and A-1+/P-1/F1+ standards is demonstrated by regular tests of its capital adequacy. After the Effective Date, proprietary simulation technology will be used to ensure capital adequacy. This is achieved by analysing the ability of Beta to repay its senior debt obligations to the triple-A standard in a variety of stressed scenarios.

After the Effective Date, leverage will be limited by the Rating Agencies to 25 times. However Beta's debt ceiling will remain at \$15 billion. For as long as Beta's outstanding capital totals \$1 billion, Beta's leverage will therefore continue to be limited to 15 times.

1.4 A-1/P-1/F1 Liquidity Providers

In accordance with criteria agreed with the Rating Agencies, A-1/P-1/F1 rated financial institutions will be eligible to provide liquidity.

2. MECHANISM TO EFFECT THE ENHANCEMENTS

In order to effect the enhancements, approval of changes to the documentation has been provided by the Security Trustee, Rating Agencies and Liquidity Banks.

The Rating Agencies have confirmed that the changes to the documentation will not affect the Triple A ratings of the Senior Debt programmes or the existing Senior Debt.

This Notice is directed only at holders of the Senior Debt. Any other person should not rely on it.

After the Effective Date for further information, please contact the dealers on the Senior Debt programmes for the Information Memorandum or the Private Placement Memorandum in relation to the Senior Debt, as appropriate.