

The Depository Trust Company

IMPORTANT

B#: 0374

DATE: July 27, 2000

TO: All Participants
Managing Partner/Officer; Cashier and Operations

CATEGORY: Settlement/Underwriting

FROM: Denise Russo, Director, Underwriting Department

ATTENTION: Data Processing and Underwriting Managers

SUBJECT: Section 3(c)(7) Restrictions for STF Finance Corporation
Series 2000-1 Senior Secured Notes

- A) CUSIP Number: 78476UAA2
- (B) Security Description: STF Finance Corporation, Series 2000-1 Senior Secured Notes
- (C) Offer Amount: \$75,000,000
- (D) Managing Underwriter: Westdeutsche Landesbank Girozentrale
- (E) Paying Agent: First Union National Bank
- (F) Closing Date: July 25, 2000

Special Instructions:

Refer to the attachments for important instructions from the issuer.

Re: STF Finance Corporation (the "Issuer") Series 2000-1 Senior Secured Notes (the "Notes")

CUSIP NO.:

Senior/Secured Notes - Rule 144A: 78476U AA 2

The Issuer is putting Participants on notice that they are required to follow these purchase and transfer restrictions with regard to the above-referenced Notes.

In order to qualify for the exemption provided by Section 3(c)(7) under the Investment Company Act of 1940, as amended (the "Investment Company Act"), and the exemption provided by Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), offers, sales and resales of the Notes within the United States or to U.S. Persons may only be made to "qualified institutional buyers ("QIBs") within the meaning of Rule 144A that are also "qualified purchasers" ("QPs") within the meaning of Section 2(a)(51)(A) of the Investment Company Act. Each purchaser of Notes (I) represents to and agrees with the Issuer that either (A)(i) the purchaser is a QIB who is a QP (a "QIB/QP"); (ii) the purchaser is not a broker-dealer which owns and invests on a discretionary basis less than \$25 million in securities of unaffiliated issuers; (iii) if the purchaser is an employee benefit plan or trust fund holding the assets of such a plan, its investment decisions are made by the plan's fiduciary, trustee or sponsor or, with respect to investment decisions made by plan beneficiaries, such beneficiaries are themselves QPs; (iv) the QIB/QP is acquiring such Notes for its own account, or the account of another QIB/QP, and not for distribution; (v) the purchaser is not formed for the purpose of investing in the Issuer (unless each of its beneficial owners is a QP); (vi) the purchaser, and each account for which it is purchasing, will hold and transfer the Notes in at least \$500,000 minimum denominations; and (vii) the purchaser will provide notice of the transfer restrictions to any subsequent transferees; or (B) it is not a U.S. Person and is purchasing the Notes outside the United States and (II) acknowledges that the Issuer has not been registered under the Investment Company Act and the Notes have not been registered under the Securities Act and represents to and agrees with the Issuer that, for so long as the Notes are outstanding, it will not offer, resell, pledge or otherwise transfer the Notes in the United States or to a U.S. Person except in accordance with the transfer restrictions relating to the Notes. Each purchaser further understands that the Notes will bear a legend with respect to such transfer restrictions.

The Issuer reserves the right to refuse to register or otherwise honor a transfer of the Notes to a proposed transferee that is a U.S. Person who is not either a QP, a company whose beneficial owners are each a QP. As used herein, the terms "United States" and "U.S. Person" have the meanings given such terms in Regulation S under the Securities Act.

The restrictions on transfer required by the Issuer (outlined above) will be reflected under the Notation "3c7" in DTC's User Manuals and in upcoming editions of DTC's Reference Directory.

Any questions or comments regarding this subject should be directed to Westdeutsche Landesbank Girozentrale, New York Branch, as Administrative Agent for the Issuer.

(a) THIS SECTION HAS BEEN INSERTED INTO THE TRUST INDENTURE, ALONG WITH THE ATTACHED EXHIBIT C:

The Issuer shall (a) request of DTC, and cooperate with DTC to ensure, that the DTC security description and delivery order include a "3(c)(7) marker" and confirm that the DTC user's manual contain an accurate description of the restrictions on the holding and transfer of the Notes due to the Issuer's reliance on the exclusion to registration provided by Section 3(c)(7) of the Investment Company Act, (b) request of DTC, and cooperative with DTC to ensure, that DTC send to its Participants in connection with the initial offering of the Notes a notice substantially in the form attached hereto as Exhibit C, and (c) request of DTC, and cooperate with DTC to ensure, that the DTC Reference Directory include the Notes in the listing of 3(c)(7) issues together with an attached description of the limitations as to the distribution, purchase, sale and holding of the Notes.