

# THE DEPOSITORY TRUST COMPANY

## IMPORTANT

B#: 3850-08

DATE:

TO: ALL PARTICIPANTS

FROM: Robin Bainlardi, Director, Underwriting Department

ATTENTION: Managing Partner/Officer; Cashier, Operations  
Data Processing and Underwriting Managers

SUBJECT: Section 3(c)(7) restrictions for Cascadia II Limited, Principal At-Risk Variable Rate Notes due August 31, 2009

(A) CUSIP Number 147392AA2

(B) Security Description Cascadia II Limited, Principal At-Risk Variable Rate Notes due August 31, 2009

(C) Offer Amount: \$300,000.0000

(D) Managing Underwriter Bear, Stearns Securities Corp

(E) Paying Agent The Bank of New York

(F) Closing Date August 25, 2006

**Special Instructions**  
**See Attached Important**  
**Instructions from the Issuer.**

## **Cascadia II Limited.**

FROM: Cascadia II Limited., (the "Issuer")

SUBJECT: Section 3(c)(7) restrictions for Issuer and insurance regulatory considerations for owners of the Securities.

Re: \$300,000.00 Principal At-Risk Variable Rate Notes due 31 August 2009 (the "Notes").

The Issuer and the Initial Purchaser referred to above are 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 ("Rule\_144A") under the Securities Act of 1933, as amended (the "Securities Act"), offers, sales and resales of the above-referenced Notes, in global form, may only be made, in minimum denominations of \$250,000 and in integral multiples of \$1,000 in excess thereof. To "qualified institutional buyers" ("QIBs") within the meaning of Rule 144A that, if U.S. Persons (as defined in Rule 902(k) under the Securities Act, "U.S. Persons"), must also be "qualified purchasers" ("Q") within the meaning of the Investment Company Act. Each purchaser of Notes, in global form, (I) represents to and agrees with the Issuer and the Initial Purchaser that (A)(i) the purchaser is a QIB (or, solely in connection with the initial offering of each Series of Notes, are non-U.S. purchasers that are institutional investors approved by the Issuer and the Initial Purchaser prior to the issuance of such Notes) that, if a U.S. Person, is also a QP; (ii) the purchaser is not a broker-dealer that owns and invests on a discretionary basis less than \$25 million in securities of unaffiliated issuers; (iii) the purchaser is not a participant-directed employee plan, such as a 401(k) plan; (iv) the purchaser is acting for its own account, or the account of a QIB that, if a U.S. Person, is also a QP; (v) in the case of a U.S. Person, the purchaser is not formed for the purpose of investing in the Issuer (except where each beneficial owner of the purchaser is a QP); (vi) the purchaser, and each account for which it is purchasing, must hold at least the minimum denomination of Notes; and (vii) the purchaser shall provide notice of the transfer restrictions to any subsequent transferees 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 shall not offer, resell, pledge or otherwise transfer the Notes, in global form, except to a QIB that, if a U.S. Person, is also a QP in a transaction meeting the requirements of Rule 144A. Each purchaser further understands that the Notes shall bear a legend with respect to such transfer restrictions. See "Notice to Investors" in the Offering Circular, dated 22 August 2006, relating to the Notes (the "Offering Circular").

The Issuer is putting Participants on notice that the above-referenced Notes are "risklinked

securities" the ownership of which, as set forth in the original offering documents for such Notes, is limited to investors in jurisdictions identified in the Offering Circular as "Permitted U.S. Jurisdictions" or "Permitted Non-U.S. Jurisdictions".

Each purchaser of the above-referenced Notes is responsible for determining for itself

whether it has the legal power, authority and right to purchase such Notes or whether such purchase would subject it to the jurisdiction of any insurance or other regulatory authority. Neither the Issuer nor any other person involved in the original offering of the securities expresses any view as to an investor's legal power, authority or right to purchase such Notes or whether such purchase would subject it to the jurisdiction of any insurance or other regulatory authority. Investors are urged to consult their own legal advisors as to such matters.

The Indenture, dated as of 25 August 2006, between the Issuer and The Bank of New York, as Indenture Trustee, provides that the Issuer shall have the right to (i) require any holder of Notes, in global form, who is determined (x) not to have been, if a U.S. Person, a QP, or (y) who does not reside and hold their interest in the Notes in a Permitted U.S. Jurisdiction or a Permitted Non-U.S. Jurisdiction, to sell their Notes to (i) a person that is a QIB that, if a U.S. Person, is also a QP, and who resides and holds their interest in the Notes in a Permitted U.S. Jurisdiction or a Permitted Non-U.S. Jurisdiction, in a transaction meeting the requirements of Rule 144A.

The ownership considerations referred to above are identified by the notation "RLS" or "GRLS" in the DTC descriptor for the security and in s Reference Directory.

The restrictions on transfer required by the Issuer (outlined above) related to the Investment Company Act shall be reflected under the notation "3c7" in DTC's User Manuals and in upcoming editions of DTC's Reference Directory.

Sylvia