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OFFERING CIRCULAR

MELROSE FINANCING NO.1 PLC

(incorporated in England and Wales with limited liability under registered number 4102054)

$1,087,300,805 Series 2001-2 Floating Rate Notes due 2008

$935,000,000 Series 2001-2 Class A Asset Backed Floating Rate Notes Due 2008
$43,500,000 Series 2001-2 Class B Asset Backed Floating Rate Notes Due 2008
$32,600,000 Series 2001-2 Class C Asset Backed Floating Rate Notes Due 2008
$5,000,000 Series 2001-2 Class D1 Asset Backed Floating Rate Notes Due 2008
€14,100,000 Series 2001-2 Class D2 Asset Backed Floating Rate Notes Due 2008
£14,000,000 Series 2001-2 Class D3 Asset Backed Floating Rate Notes Due 2008

£26,250,000 Series 2001-2 Class E Asset Backed Floating Rate Notes Due 2008

The Class A Notes (the ''Class A Notes''), the Class B Notes (the ''Class B Notes''), the Class C Notes (the ''Class C Notes''), the Class D1 Notes, the Class D2 Notes and the Class D3 Notes (together with the Class D1 Notes and the Class D2 Notes, the ''Class D Notes'' and together with the Class A Notes, the Class B Notes and the Class C Notes, the ''Offered Notes'') and the Class E Notes (together with the Offered Notes, the ''Notes'') will be issued at 100 per cent. of their principal amount. The Notes are expected to mature on the Interest Payment Date (as defined below) falling in February 2008 (the ''Scheduled Maturity Date''), on which date, unless they have previously been redeemed by Melrose Financing No.1 plc (the ''Issuer'') and if the Termination Period (as defined herein) has not commenced on or prior to such date, the Notes will be redeemed at their respective then Principal Amount Outstanding (as defined in the terms and conditions of the Notes (the ''Conditions'')). Before the Scheduled Maturity Date, the Notes of each class will be subject to mandatory redemption in whole or in part in certain circumstances and in the manner set out in paragraph 6(b) of the Conditions. Provided that the Termination Period has not already commenced upon the occurrence of a Pay Out Event (as defined herein), if the Issuer has insufficient funds available to redeem the Notes of all Classes in full on the Scheduled Maturity Date, the Issuer shall give notice thereof to the Note Trustee and the Noteholders and the Termination Period will commence. From and including the commencement of the Termination Period, the Notes shall continue to bear interest, payable monthly in arrear at the rate specified in paragraph 5(c) of the Conditions for the Termination Period until the earlier of: (1) the Interest Payment Date on which the final payment of principal on the Series 2001-2 Interest is made; and (2) the Interest Payment Date falling in February 2011 (the ''Final Maturity Date''). See ''Summary - Optional redemption for tax and other reasons'' below.

Interest on the Notes will be payable in arrear in the currency in which such Note is issued on each Interest Payment Date. An ''Interest Payment Date'' means, prior to the commencement of the Termination Period, the 15th day of February, May, August and November or, following commencement of the Termination Period, the 15th day of each month, subject in each case to adjustment for non-business days in the manner set out in the Conditions. The first Interest Payment Date will be 15 May 2001 (or if 15 May 2001 is not a business day, the next succeeding business day). The Class A Notes will bear interest at the rate of 0.33 per cent. per annum above the London interbank offered rate for three-month deposits (except for the first Interest Period in respect of which the rate shall be the interpolated rate for two-month and three-month deposits) in Dollars (as determined in accordance with Condition 5(c)) or, subject to the Conditions, in the case of an Interest Period (as defined in Condition 5(b)) which commences on the Interest Payment Date which is the Scheduled Maturity Date or falls at the end of the quarterly Interest Period during which the Termination Period commences and each subsequent Interest Period thereafter, one month deposits in Dollars (''Dollar LIBOR'') calculated in accordance with the provisions of Condition 5(b). The Class B Notes will bear interest at the rate of 0.95 per cent. per annum above Dollar LIBOR. The Class C Notes will bear interest at the rate of 1.90 per cent. per annum above Dollar LIBOR. The Class D1 Notes will bear interest at the rate of 5.50 per cent. per annum above Dollar LIBOR. The Class D2 Notes will bear interest at a rate of 5.40 per cent. per annum above the interbank offered rates for three month deposits (except for the first Interest Period, in respect of which the rate shall be the interpolated rate for two-month and three-month deposits) in Euro (as determined in accordance with Condition 5(c)) or, subject to the Conditions, in the case of an Interest Period which commences on the Interest Payment Date which is the Scheduled Maturity Date or falls at the end of the quarterly Interest Period during which the Termination Period commences and each subsequent Interest Period thereafter, one month deposits in Euro (''EURIBOR'') calculated in accordance with the provisions of Condition 5(b). The Class D3 Notes will bear interest at a rate of 5.65 per cent. per annum above the London interbank offered rate for three-month deposits (except for the first Interest Period in respect of which the rate shall be the interpolated rate for two-month and three-month deposits) in Sterling (as determined in accordance with Condition 5(c)) or, subject to the Conditions, in the case of an Interest Period which commences on the Interest Payment Date which is the Scheduled Maturity Date or falls at the end of the quarterly Interest Period during which the Termination Period commences and each subsequent Interest Period thereafter, one month deposits in Sterling (''Sterling LIBOR'') calculated in accordance with the provisions of Condition 5(b). The Class E Notes will bear interest at a rate of 6.00 per cent. per annum above Sterling LIBOR. The first Interest Period will commence on and include 27 February 2001 or such later date as the Issuer and the lead manager may agree (such date, the ''Issue Date'') and will end on but exclude the first Interest Payment Date.

The Class B Notes, Class C Notes, Class D Notes and Class E Notes will be secured by the same security which will secure the Class A Notes but in the event of the security being enforced, the Class A Notes will rank in priority to the Class B Notes, Class C Notes, Class D Notes and Class E Notes; the Class B Notes will rank in priority to the Class C Notes, Class D Notes and Class E Notes; the Class C Notes will rank in priority to the Class D Notes and Class E Notes; and the Class D Notes will rank in priority to the Class E Notes. All the Notes of each Class of Notes will rank pari passu and rateably without any preference or priority among themselves as to priority of payments of principal and interest (in respect of which the Class A Notes will rank in priority to the Class B Notes, Class C Notes, Class D Notes and Class E Notes; the Class B Notes will rank in priority to the Class C Notes, Class D Notes and Class E Notes; the Class C Notes will rank in priority to the Class D Notes and Class E Notes; and the Class D Notes will rank in priority to the Class E Notes). Interest on the Class B Notes, Class C Notes, Class D Notes and Class E Notes will be paid only to the extent that there are funds available to the Issuer on an Interest Payment Date. Payment of all or part of any interest shortfall will be deferred until the next Interest Payment Date on which excess funds are available to the Issuer to pay interest on the Notes of the relevant class. Interest will accrue on such deferred interest at the rate of interest accruing on the Notes of the relevant class from time to time.

On the Issue Date, the Issuer will apply the aggregate proceeds of the issue of the Notes (after conversion, where appropriate, into Sterling) to subscribe for a loan note (the ''Series 2001-2 Loan Note'') issued by Melrose Investor Limited (the ''Loan Note Issuer'') pursuant to a supplement to a Loan Note Issuance Facility Agreement (as defined below and as more fully described in this Offering Circular). The ability of the Issuer to pay interest and repay principal on the Notes will depend on the receipt of amounts due from the Loan Note Issuer under the Series 2001-2 Loan Note.

Application has been made to the Financial Services Authority, in its capacity as competent authority for the purposes of Part IV of the Financial Services Act 1986 (the ''FSA 1986'') and referred to herein as the ''UKLA'', for each class of the Notes to be admitted to the Official List (as defined in section 142(7) of the FSA 1986). This Offering Circular comprises listing particulars prepared in compliance with the listing rules made under Section 142 of the FSA 1986 by the Financial Services Authority. Application has also been made to the London Stock Exchange plc for each class of Notes to be admitted to trading on the London Stock Exchange. A copy of this document has been delivered to the Registrar of Companies in England and Wales for registration as required by Section 149 of the FSA 1986.

It is expected that the Class D Notes will be made eligible for trading in the Portal[SM] Market (''PORTAL''), a subsidiary of The Nasdaq Stock Market Inc.

Payments in respect of the Notes will be subject to any applicable withholding taxes and the Issuer will not be obliged to pay additional amounts in relation thereto.

Particular attention is drawn to the section herein entitled ''Risk Factors and Investment Considerations''.

On the Issue Date, the Issuer expects to issue further floating rate asset backed notes in respect of Series 2001-1, which are not offered pursuant to this document. Investors are referred to the Offering Circular in respect of Series 2001-1 for further information on those notes.

Managers for the Class A Notes

Credit Suisse First Boston

Deutsche Bank | Schroder Salomon Smith Barney

Manager for Class B Notes, Class C Notes and Class D Notes

Credit Suisse First Boston

26 February 2001

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND UNLESS SO REGISTERED MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF, THE SECURITIES ACT AND THE APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE NOTES ARE BEING OFFERED AND SOLD TO PERSONS (OTHER THAN U.S. PERSONS) OUTSIDE THE UNITED STATES PURSUANT TO REGULATION S UNDER THE SECURITIES ACT. THE OFFERED NOTES WILL ALSO BE CONTEMPORANEOUSLY OFFERED AND SOLD IN THE UNITED STATES TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN AND PURSUANT TO RULE 144A OF THE SECURITIES ACT). FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON RESALES OR TRANSFERS, SEE "IMPORTANT NOTICE".

THE NOTES WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF THE GOVERNOR AND COMPANY OF THE BANK OF SCOTLAND ("BANK OF SCOTLAND"), ANY COMPANY IN THE SAME GROUP OF COMPANIES AS BANK OF SCOTLAND, CREDIT SUISSE FIRST BOSTON (EUROPE) LIMITED, OR ANY OF THE OTHER MANAGERS (AS DEFINED IN "SUBSCRIPTION AND SALE" BELOW (THE "MANAGERS")), THE CURRENCY SWAP COUNTERPARTY, ANY AGENT, THE LOAN NOTE ISSUER, MELROSE TRUSTEE LIMITED, (THE "RECEIVABLES TRUSTEE"), THE NOTE TRUSTEE, THE LOAN NOTE TRUSTEE (EACH AS DEFINED HEREIN) OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS AND NO SUCH PARTY SHALL ACCEPT ANY LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES.

The Notes are expected to settle in book-entry form through the facilities of The Depository Trust Company ("DTC"), Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, Société Anonyme ("Clearstream, Luxembourg") on or about the Issue Date against payments therefor in immediately available funds.

IMPORTANT NOTICE

THE DISTRIBUTION OF THIS OFFERING CIRCULAR AND THE OFFERING OF THE NOTES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. NO REPRESENTATION IS MADE BY THE ISSUER, THE LOAN NOTE ISSUER, THE NOTE TRUSTEE, THE LOAN NOTE TRUSTEE, THE RECEIVABLES TRUSTEE, BANK OF SCOTLAND, CREDIT SUISSE FIRST BOSTON (EUROPE) LIMITED, ANY OF THE OTHER MANAGERS OR ANY OF THEIR RESPECTIVE AFFILIATES THAT THIS OFFERING CIRCULAR MAY BE LAWFULLY DISTRIBUTED, OR THAT THE NOTES MAY BE LAWFULLY OFFERED IN COMPLIANCE WITH ANY APPLICABLE REGISTRATION OR OTHER REQUIREMENTS IN ANY SUCH JURISDICTION, OR PURSUANT TO AN EXEMPTION AVAILABLE THEREUNDER, AND NONE OF THEM ASSUMES ANY RESPONSIBILITY FOR FACILITATING ANY SUCH DISTRIBUTION OR OFFERING. IN PARTICULAR, SAVE FOR OBTAINING THE APPROVAL OF THIS OFFERING CIRCULAR AS LISTING PARTICULARS BY THE UKLA AND DELIVERY OF COPIES OF THIS OFFERING CIRCULAR TO THE REGISTRAR OF COMPANIES IN ENGLAND AND WALES, NO ACTION HAS BEEN TAKEN BY THE ISSUER, THE LOAN NOTE ISSUER, THE NOTE TRUSTEE, THE LOAN NOTE TRUSTEE, THE RECEIVABLES TRUSTEE, BANK OF SCOTLAND, CREDIT SUISSE FIRST BOSTON (EUROPE) LIMITED, ANY OF THE OTHER MANAGERS, THE CURRENCY SWAP COUNTERPARTY, ANY AGENT OR ANY OF THEIR RESPECTIVE AFFILIATES WHICH WOULD PERMIT A PUBLIC OFFERING OF THE NOTES OR DISTRIBUTION OF THIS OFFERING CIRCULAR IN ANY JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS OFFERING CIRCULAR NOR ANY ADVERTISEMENT OR OTHER OFFERING MATERIAL RELATED TO THE NOTES MAY BE DISTRIBUTED OR PUBLISHED, IN ANY JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS AND EACH MANAGER HAS REPRESENTED THAT ALL OFFERS AND SALES BY IT WILL BE MADE ON SUCH TERMS. PERSONS INTO WHOSE POSSESSION THIS OFFERING CIRCULAR COMES ARE REQUIRED BY THE ISSUER, THE LOAN NOTE ISSUER, THE NOTE TRUSTEE, THE LOAN NOTE TRUSTEE, THE RECEIVABLES TRUSTEE, BANK OF SCOTLAND, THE MANAGERS AND THEIR RESPECTIVE AFFILIATES TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTIONS.

THE OFFERED NOTES WILL BE OFFERED AND SOLD IN THE UNITED STATES ONLY TO A LIMITED NUMBER OF QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE LAWS OF ANY STATE. THE NOTES WILL ALSO BE CONTEMPORANEOUSLY OFFERED AND SOLD OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS PURSUANT TO THE REQUIREMENTS OF REGULATION S UNDER THE SECURITIES ACT. THERE IS NO UNDERTAKING TO REGISTER THE NOTES UNDER STATE OR FEDERAL SECURITIES LAW.

THE NOTES CANNOT BE RESOLD IN THE UNITED STATES OR TO U.S. PERSONS UNLESS THEY ARE SUBSEQUENTLY REGISTERED OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON RESALES AND TRANSFERS, SEE "TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS".

EACH INITIAL AND SUBSEQUENT PURCHASER OF THE NOTES WILL BE DEEMED BY ITS ACCEPTANCE OF SUCH NOTES TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS INTENDED TO RESTRICT THE RESALE OR OTHER TRANSFER THEREOF AS SET FORTH THEREIN AND DESCRIBED IN THIS OFFERING CIRCULAR AND, IN CONNECTION THEREWITH, MAY BE REQUIRED TO PROVIDE CONFIRMATION OF ITS COMPLIANCE WITH SUCH RESALE AND OTHER TRANSFER RESTRICTIONS IN CERTAIN CASES. SEE "TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS".

THE RISK CHARACTERISTICS OF THE CLASS E NOTES DIFFER FROM THOSE OF THE CLASS A NOTES, CLASS B NOTES, CLASS C NOTES AND CLASS D NOTES GENERALLY. IN THIS RESPECT AND MORE GENERALLY, PARTICULAR ATTENTION IS DRAWN TO THE SECTION HEREIN ENTITLED "RISK FACTORS AND INVESTMENT CONSIDERATIONS".

THE ISSUER ACCEPTS RESPONSIBILITY FOR ALL THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION.

NO PERSON IS AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFERING OR SALE OF THE NOTES OTHER THAN THOSE CONTAINED IN THIS OFFERING CIRCULAR AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER, THE LOAN NOTE ISSUER, THE NOTE TRUSTEE, THE LOAN NOTE TRUSTEE, THE RECEIVABLES TRUSTEE, BANK OF SCOTLAND, CREDIT SUISSE FIRST BOSTON (EUROPE) LIMITED, ANY OF THE OTHER MANAGERS, THE CURRENCY SWAP COUNTERPARTY, ANY AGENT OR ANY OF THEIR RESPECTIVE AFFILIATES. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE OR ALLOTMENT MADE IN CONNECTION WITH THE OFFERING OF THE NOTES SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION OR CONSTITUTE A REPRESENTATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, BANK OF SCOTLAND, THE RECEIVABLES TRUSTEE OR LOAN NOTE ISSUER OR IN THE OTHER INFORMATION CONTAINED HEREIN SINCE THE DATE HEREOF. THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR WAS OBTAINED FROM THE ISSUER AND OTHER SOURCES, BUT NO ASSURANCE CAN BE GIVEN BY CREDIT SUISSE FIRST BOSTON (EUROPE) LIMITED, OR ANY OF THE OTHER MANAGERS AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. NONE OF THE NOTE TRUSTEE, THE LOAN NOTE TRUSTEE, CREDIT SUISSE FIRST BOSTON (EUROPE) LIMITED, OR ANY OF THE OTHER MANAGERS MAKES ANY REPRESENTATION, EXPRESS OR IMPLIED, OR ACCEPTS ANY RESPONSIBILITY, WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION IN THIS OFFERING CIRCULAR. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE CONTENTS OF THIS OFFERING CIRCULAR SHOULD NOT BE CONSTRUED AS PROVIDING LEGAL, BUSINESS, ACCOUNTING OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN LEGAL, BUSINESS, ACCOUNTING AND TAX ADVISERS PRIOR TO MAKING A DECISIONS TO INVEST IN THE NOTES.

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER OF, OR AN INVITATION BY OR ON BEHALF OF, THE ISSUER, THE LOAN NOTE ISSUER, THE RECEIVABLES TRUSTEE, BANK OF SCOTLAND, CREDIT SUISSE FIRST BOSTON (EUROPE) LIMITED, CREDIT SUISSE FIRST BOSTON CORPORATION, THE OTHER MANAGERS OR ANY OF THEM TO SUBSCRIBE FOR OR PURCHASE ANY OF THE NOTES.

IN CONNECTION WITH THE ISSUE OF THE NOTES, THE LEAD MANAGER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILISE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

In this Offering Circular all references to "Pounds", "Sterling" and "£" are references to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland (the "United Kingdom"). References in this Offering Circular to "Dollars" or "$" are to the lawful currency for the time being of the United States of America (the "United States"). References in this Offering Circular to "Euro" and "€" are references to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union.

AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any of the Notes are restricted securities within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will furnish, upon request of a holder or beneficial owner of such a Note, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request the Issuer is not a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), or is exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

ENFORCEABILITY OF JUDGEMENTS

The Issuer is a public limited company incorporated in England and Wales. All of the Issuer's assets are located outside the United States. None of the officers and directors of the Issuer are residents of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or any such person not residing in the United States, or to enforce against them judgements of courts of the United States predicated upon the civil liability provisions of such securities laws. There is doubt as to the enforceability in the United Kingdom, in original actions or in actions for the enforcement of judgement of U.S. courts, of civil liabilities predicated solely upon such securities laws.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE STATE OF NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

FORWARD LOOKING STATEMENTS

Certain matters contained herein are forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Such statements appear in a number of places in the Offering Circular, including with respect to assumptions on repayment and certain other characteristics of the Included Advances (as defined below), and reflect significant assumptions and subjective judgements by the Issuer that may or may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans", or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the corporate loan market in the United Kingdom. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer. The Managers have not attempted to verify any such statements, nor do they make any representations, express or implied, with respect thereto.

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TRANSACTION SUMMARY INFORMATION

The information on pages 6 to 14 is an overview of the principal features of the transaction. This summary does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by, the detailed information presented elsewhere in this Offering Circular.

General

Broadly described, the transaction involves three elements. The first element is the declaration of a trust (the ''Corporate Loan Trust'') by Bank of Scotland on the Issue Date over certain Included Advances (as defined below). The beneficial interests under the Corporate Loan Trust are fixed undivided interests of 99 per cent. and 1 per cent., called the ''RT Interest'' and the ''Originator Interest'', respectively.

The second element is the declaration of a trust (the ''Receivables Trust'') by the Receivables Trustee over the RT Interest. The undivided beneficial interests created under the Receivables Trust are called the ''Investor Interest'' and the ''Transferor Interest'' and the cashflows received in respect of the RT Interest will be allocated to the holders of these beneficial interests, being the Loan Note Issuer and Bank of Scotland respectively, using floating or fixed percentages depending on whether the Receivables Trustee is reinvesting Principal Collections (as defined in ''Corporate Loan Trust — Corporate Loan Trust Property and Declaration of Corporate Loan Trust'') in Corporate Loan Trust Property or accumulating Principal Collections which will be used ultimately to enable the Issuer to redeem the Notes. The floating percentages are generally calculated on a monthly basis and depend mainly upon the then size of the Investor Interest relative to the then size of the property of the Receivables Trust. The fixed percentages are generally calculated and fixed at the commencement of the earlier of the Accumulation Period or the Termination Period and depend mainly upon the then size of the Investor Interest relative to the then size of the property of the Receivables Trust at such time.

The third element of the transaction is the loan to be made on the Issue Date by the Issuer to the Loan Note Issuer. The proceeds of this loan will be utilised principally to increase the size of the Investor Interest. This loan in part is funded by the Issuer through the issue of the Notes. Each of these elements is described in more detail below. The diagram at page 14 illustrates the three elements of the transaction.

Corporate Loan Trust

On the Issue Date, Bank of Scotland will declare the Corporate Loan Trust over, among other things, its interest in certain present and future rights arising from cash advances (''Eligible Advances'') which fulfil certain eligibility criteria (the ''Eligible Advance Criteria'') which are derived from an identified portfolio (the ''Designated Portfolio'') of corporate loan facilities (the ''Eligible Facilities'') and which are drawn by certain identified borrowers (the ''Borrowers'') under such Eligible Facilities.

Bank of Scotland, in its capacity as trustee of the Corporate Loan Trust (the ''Corporate Loan Trustee''), will maintain a memorandum (the ''Portfolio Memorandum'') containing information in relation to all Eligible Facilities designated for inclusion in the Designated Portfolio (such Eligible Facilities which are included in the Portfolio Memorandum being ''Tagged Eligible Facilities''). The Portfolio Memorandum will include relevant information for those Tagged Eligible Facilities so designated at the Issue Date and will be updated in relation to any Eligible Facilities designated for inclusion after the Issue Date.

At the time of identification for inclusion in the Designated Portfolio, Eligible Facilities are required to fulfil certain eligibility criteria as described in the section headed ''Corporate Loan Trust'' (the ''Eligible Facility Criteria''). Following the Issue Date, it is anticipated that Bank of Scotland will identify further Eligible Facilities for inclusion in the Designated Portfolio (provided at the time of identification, such Eligible Facilities fulfil the Eligible Facility Criteria) and will update the Portfolio Memorandum at such intervals as it shall decide to include such Eligible Facilities as Tagged Eligible Facilities. Upon an Eligible Facility being included in the Portfolio Memorandum, all Eligible Advances drawn by a Borrower under the Tagged Eligible Facility will become property of the Corporate Loan Trust.

The operation of the Corporate Loan Trust is such that, upon drawing, any Eligible Advance under a Tagged Eligible Facility will be property of the Corporate Loan Trust but only those Eligible Advances which satisfy certain further criteria described in ''Corporate Loan Trust'' (the ''Included Advance

Criteria'' and each such Advance an ''Included Advance'') may be funded by the Investor Interest. Included Advances are only required to fulfil the Included Advance Criteria on the date on which they become subject to the Corporate Loan Trust. The beneficial interest in the whole of any Eligible Advances which do not satisfy the Included Advance Criteria on that date shall be reacquired by Bank of Scotland.

Bank of Scotland, as Corporate Loan Trustee, will collect and allocate between the beneficiaries of the Corporate Loan Trust all Interest Collections, Principal Collections, Reacquisition Proceeds and Recoveries (as such terms are further described and defined under ''Corporate Loan Trust'') in relation to the Included Advances. The beneficiaries of the Corporate Loan Trust will be Bank of Scotland as to the fixed undivided 1 per cent. Originator Interest and Melrose Trustee Limited, a special purpose vehicle unconnected to Bank of Scotland (the ''Receivables Trustee''), as to the fixed undivided 99 per cent. RT Interest.

Originator Power of Attorney

The Receivables Trustee will not have any direct relationship with, and will not be able directly to enforce any of the obligations of, any Borrower. However, Bank of Scotland will, under the terms of the Corporate Loan Trust, grant to the Receivables Trustee a power of attorney given by way of security (the ''Originator Power of Attorney'') to permit the Receivables Trustee (or its Authorised Delegate (as defined below)), upon the occurrence of certain events, to take certain actions in the name of the Corporate Loan Trustee to ensure performance by Bank of Scotland of its obligations under the Corporate Loan Trust Deed (including its covenants to enforce rights under the Tagged Eligible Facilities and to collect amounts payable under or in respect of the Included Advances). The Originator Power of Attorney and operation thereof are further described under ''Corporate Loan Trust''.

Receivables Trust

The Receivables Trustee will, on or prior to the Issue Date, declare the Receivables Trust which on the Issue Date will extend to the RT Interest. The Receivables Trust will have two beneficiaries: Bank of Scotland, which will be entitled to the Transferor Interest, and Melrose Investor Limited, a special purpose vehicle (the ''Loan Note Issuer'') which will acquire the Investor Interest. Cashflows in relation to Principal Collections, Interest Collections, Reacquisition Proceeds and Recoveries (each as defined below) and amounts representing set-offs by Borrowers and defaults in relation to Included Advances will be allocated to Bank of Scotland and the Loan Note Issuer in relation to their respective beneficial interests using percentages which are re-calculated from time to time in accordance with the terms of the Receivables Trust. The methodology for such calculations is set out in ''Receivables Trust and Series 2001-2 Interest''.

On the Issue Date, the gross proceeds of the issue of the Notes will be converted into Sterling (in the case of the Offered Notes) and lent by the Issuer to the Loan Note Issuer under the terms of the Loan Note Issuance Facility Agreement and the Series 2001-2 Loan Note Supplement (see ''— Loan Note Issuance Facility Agreement and Loan Note Issuance''). The Loan Note Issuer will utilise such proceeds (the ''Initial Trust Consideration'') to increase the size of the Investor Interest, which will be evidenced by an investor certificate (the ''Investor Certificate''), and will also agree under the terms of the Receivables Trust to pay certain deferred and additional consideration amounts, called the ''Deferred Receivables Trust Consideration'' and the ''Additional Trust Consideration'', to the Receivables Trustee. The treatment of such consideration is set out in ''Receivables Trust and Series 2001-2 Interest''.

Calculation of the Investor Interest by reference to Series Interests

For calculation purposes, amounts payable in relation to the undivided Investor Interest are determined by reference to calculated amounts called series interests (each, a ''Series Interest''). Each Series Interest is determined and calculated by reference to a supplement to the Receivables Trust (the ''Series Supplement'', the Series Supplement in respect of the Series 2001-2 Interest being the ''Series 2001-2 Supplement'') and a supplement to the Loan Note Issuance Facility Agreement. The principal amount of the Investor Interest is calculated as the aggregate of the Series Interests. On the Issue Date, the principal amount of the Investor Interest will be £1,499,677,226, being the sum of the Series 2001-2 Interest in an amount of £749,862,624 and the Series 2001-1 Interest in an amount of £749,814,602. See ''Receivables Trust and Series 2001-2 Interest'' for further details of such calculations.

Loan Note Issuance Facility Agreement and Loan Note Issuance

On the Issue Date, the Loan Note Issuer will enter into a loan note issuance facility agreement (the "Loan Note Issuance Facility Agreement") with the Loan Note Trustee, under which the Loan Note Issuer will issue a loan note (the "Series 2001-2 Loan Note") to the Issuer on the terms of a supplement (the "Series 2001-2 Loan Note Supplement") to the Loan Note Issuance Facility Agreement. Amounts to be paid by the Loan Note Issuer in relation to the Series 2001-2 Loan Note will be calculated and paid by reference to the calculations to be made in relation to the Series Interest called the "Series 2001-2 Interest". Pursuant to the terms of the Series 2001-2 Loan Note Supplement, the Series 2001-2 Loan Note will be secured on the Investor Interest in the amount equal to the extent of the Series 2001-2 Interest (including all amounts paid or payable in respect thereof) from time to time. The Issuer will fund the acquisition of the Series 2001-2 Loan Note from the Loan Note Issuer by issuing the Notes and entering into the Currency Swap Agreement (see below). The Notes will be secured on the Issuer's interest in the Series 2001-2 Loan Note and the currency swap agreement entered into by the Issuer in respect of the Notes (the "Currency Swap Agreement").

Other Series Issuers

The Transaction Documents (as defined in "General Information" below) will allow for new issuers (together with the Issuer, the "Series Issuers") to be established who will issue notes and apply the proceeds thereof to subscribe for further loan notes issued by the Loan Note Issuer pursuant to further supplements to the Loan Note Issuance Facility Agreement. The Loan Note Issuer will apply the proceeds of the issue of each such further loan note to fund an increase of the Investor Interest, which will be evidenced by an annotation on the Investor Certificate in respect of the new Series Interest created as a consequence.

Series 2001-1

On the Issue Date, the Loan Note Issuer will, pursuant to a further Loan Note Supplement (the "Series 2001-1 Loan Note Supplement"), issue a further loan note (the "Series 2001-1 Loan Note") which will be purchased by the Issuer using the proceeds of the issue of a further series of notes (the "Series 2001-1 Notes"), which are not offered pursuant to this document and the entering into of a further currency swap agreement.

Amounts to be paid by the Loan Note Issuer in relation to the Series 2001-1 Loan Note will be calculated and paid by reference to the calculations to be made in relation to a separate Series Interest called the "Series 2001-1 Interest". Pursuant to the terms of the Series 2001-1 Loan Note Supplement, the Series 2001-1 Loan Note will be secured on the Investor Interest in the amount equal to the extent of the Series 2001-1 Interest (including all amounts paid or payable in respect thereof) from time to time.

The Series 2001-1 Notes will not be secured upon the Series 2001-2 Loan Note or the Series 2001-2 Interest.

The Series 2001-1 Notes are described in more detail under "Other Series Issued and Outstanding" below. The Series 2001-1 Notes are not offered pursuant to this document. Investors are referred to the Offering Circular for the Series 2001-1 Notes for further information in relation to those Notes. The Issuer will not issue any further series of notes other than the Series 2001-2 Notes and the Series 2001-1 Notes.

Series 2001-2 Interest: Calculations

The Series 2001-2 Interest is not a beneficial interest in the Receivables Trust but is a notional sub-division utilised to calculate the portion of the Investor Interest applicable to the Series 2001-2 Loan Note in accordance with the terms of the Receivables Trust. The Series 2001-2 Interest will itself be deemed to comprise notional amounts which will be used to calculate, administer and distribute amounts in relation to the Series 2001-2 Interest under the Receivables Trust and the Series 2001-2 Supplement and amounts in relation to the Series 2001-2 Loan Note under the Loan Note Issuance Facility Agreement and the Series 2001-2 Loan Note Supplement. These notional amounts are in turn referred to as the "Class A Interest", the "Class B Interest", the "Class C Interest", the "Class D Interest" and the "Class E Interest", and each a "Class Interest". Amounts calculated as payable to the Loan Note Issuer by reference to each Class Interest will ultimately be applied by the Issuer in respect of payments due on the corresponding class of Notes.

Revolving Period, Accumulation Period and Termination Period

The percentage used for allocation of amounts relating to the Series 2001-2 Interest and the distribution of amounts to the Loan Note Issuer (and in turn the Issuer) in relation to the Series 2001-2 Interest is dependent in part upon whether the Series 2001-2 Interest is in its Revolving Period, Accumulation Period or Termination Period (as such terms are further described and defined under "Receivables Trust and Series 2001-2 Interest") and whether any other Series Interest is then in its Revolving Period, Accumulation Period or Termination Period.

In the Revolving Period for the Series 2001-2 Interest, Principal Collections calculated by the Receivables Trustee as being available to the Series 2001-2 Interest are, subject to the sharing arrangements explained below, generally reinvested in the property of the Corporate Loan Trust, either by way of payment of Additional Trust Consideration for new Included Advances or by paying down part of the Transferor Interest (resulting in a subsequent change to the relative proportion of the Receivables Trust comprised by each of the Transferor Interest and the Investor Interest (as notionally divided into Series Interests)), subject to the Minimum Transferor Interest (as defined below). By contrast, on the Scheduled Maturity Date, Principal Collections accumulated in respect of the Series 2001-2 Interest are required to be paid by the Receivables Trustee to the Loan Note Issuer (and in turn by the Loan Note Issuer to the Issuer pursuant to the Series 2001-2 Loan Note). Accordingly, the Cash Manager will calculate the time required to accumulate the necessary funds for repayment of the Series 2001-2 Interest in full on the Scheduled Maturity Date (and such time period (the "Accumulation Period") is required to be no shorter than 6 months). During the Accumulation Period for the Series 2001-2 Interest, Principal Collections calculated by the Receivables Trustee as being available to the Series 2001-2 Interest will be accumulated in the Principal Funding Account (as defined below) to be applied on the Scheduled Maturity Date or, if a Pay Out Event (as such events are further described and defined under "Receivables Trust and Series 2001-2 Interest") has occurred prior thereto, on the first Interest Payment Date which occurs in the Termination Period (as defined below), to repay to the Issuer the principal amount outstanding of the Series 2001-2 Loan Note. The Issuer will apply such funds to redeem all or part of the Notes, to the extent of the funds available for such purpose on such day. Further details of the Accumulation Period are set out in "Receivables Trust and Series 2001-2 Interest — Calculation, Allocation and Distribution of Amounts in relation to the Series 2001-2 Interest".

In the event that a Pay Out Event occurs prior to the Scheduled Maturity Date, the reduction of the Series 2001-2 Interest (and in turn the repayment of the Series 2001-2 Loan Note) may be accelerated. The Notes will thereafter be redeemed in part on each monthly Interest Payment Date to the extent of funds available to the Issuer in accordance with Condition 6(b) (*Mandatory Redemption following Enforcement or during Termination Period*) of the Notes until the earlier of (a) redemption in full of the Notes of each Class and (b) the Final Maturity Date, such amortisation period being the "Termination Period", which will end on the corresponding Distribution Date (the "Termination Period End Date")), to the extent of the receipt by the Receivables Trustee of Principal Collections referable to the Series 2001-2 Interest. If a Pay Out Event occurs on the Scheduled Maturity Date, the maturity of the Notes will be extended to, but not beyond, the Final Maturity Date. In the event that the Issuer has not received sufficient funds to redeem all of the Notes on or before the Final Maturity Date, the Notes may be purchased from the Noteholders for nominal consideration under the terms of Condition 6(h) (*Post Enforcement Call Option*) of the Notes. The Issuer shall not have any further assets available to it to meet payments in respect of the Notes.

Sharing of Principal Collections among Series Interests

The terms of the Receivables Trust and supplements thereto may provide for the sharing of Principal Collections among Series Interests. Broadly, sharing operates as follows: when one Series Interest (the "Applicable Series Interest") is in its Accumulation Period or Termination Period while another Series Interest in the same group (the "Sharing Series Interest") is in its Revolving Period, Principal Collections calculated as being available to the Sharing Series Interest for reinvestment in the Corporate Loan Trust will instead be allocated to the Applicable Series Interest for accumulation or repayment as described above. Such sharing of Principal Collections will not alter the outstanding principal amount of the Sharing Series Interest. To the extent that the relevant Series Supplement so provides (as the Series 2001-2 Supplement does), Principal Collections calculated as being available to the Transferor Interest may also be applied in favour of a Series Interest which is in its Accumulation Period.

Defaults and Over-concentrations

Losses in respect of the RT Interest in any defaulted Included Advance will be borne by the Transferor Interest and the Investor Interest in proportions which take account of both (i) their relative proportional interests in such Included Advance at the time of the relevant default or downgrade of the relevant Tagged Eligible Facility and (ii) the level of over-concentrations (if any) relating to the defaulted Included Advances within the Designated Portfolio. Over-concentrations arise because the Investor Interest is subject to certain thresholds with respect to risk exposure to a single Borrower (or, where the Borrower is part of a group, to the relevant group) or to a specific industry sector. The extent by which any Included Advance exceeds such thresholds constitutes an over-concentration. Any loss in relation to the RT Interest in a defaulted Included Advance which is referable to an over-concentration will be borne by the Transferor Interest, while the remainder of such loss will be borne in proportion to the relative sizes of the Transferor Interest (after adjustment for over-concentrations) and the Investor Interest applicable to the defaulted Included Advance. The calculations in respect of over-concentrations are described further under "Receivables Trust and Series 2001-2 Interest".

Purchase of Investor Interest by Bank of Scotland

The Series 2001-2 Supplement provides that, in the event that the outstanding principal amount of the Series 2001-2 Loan Note (the "Clean-up Amount") is equal to or less than 10 per cent. of the Series 2001-2 Interest as at the Issue Date, then Bank of Scotland in its capacity as holder of the Transferor Interest may (but is not obliged to) acquire from the Loan Note Issuer an amount of the Investor Interest in relation to then outstanding Qualified Included Advances equal to the Series 2001-2 Interest by payment to the Loan Note Issuer of an amount equal to the Clean-up Amount. Such amount shall be paid to the Series 2001-2 Loan Note Issuer Account, paid by the Loan Note Issuer to the Issuer pursuant to the Series 2001-2 Loan Note Supplement and utilised by the Issuer to redeem the Notes pursuant to Condition 6(e) (*Optional Redemption*) of the Notes.

Basis Swap Agreement

Amounts in relation to the Included Advances bear interest calculated by reference to fixed rates, a series of base rates and/or Sterling London inter-bank offered rates from time to time while payments under the Loan Notes issued by the Loan Note Issuer are calculated by reference to three-month sterling LIBOR (or, after the commencement of the Termination Period, one-month sterling LIBOR). In order to mitigate the difference in these rates in respect of the Series 2000-1 Interest, the Receivables Trustee, as agent for the Loan Note Issuer, will enter into a basis swap agreement (the "Basis Swap Agreement", as further described under "Receivables Trust and Series 2001-2 Interest") with the Basis Swap Counterparty. Under the Basis Swap Agreement, the Receivables Trustee will pay to the Basis Swap Counterparty the Series 2001-2 Interest portion of the basis element of Interest Collections allocated to the Investor Interest on a monthly basis and the Basis Swap Counterparty will pay to the Loan Note Issuer on each Interest Payment Date payments calculated by reference to three-month sterling LIBOR (or, after the commencement of the Termination Period, one-month sterling LIBOR) and a notional amount which is the economic equivalent of the Series 2001-2 Interest. Such notional amounts will be adjusted for, among other things, defaults in relation to Included Advances.

Currency Swap Agreement

The Offered Notes are denominated in Dollars, Euro and Sterling whereas the Series 2001-2 Loan Note is denominated in Sterling. In order to facilitate payments on the Offered Notes denominated in currencies other than Sterling, the Issuer will enter into the Currency Swap Agreement with the Currency Swap Counterparty on the Issue Date (as further described under "Receivables Trust and Series 2001-2 Interest"). Under the Currency Swap Agreement, the Issuer will pay to the Currency Swap Counterparty, on the Issue Date, the proceeds in Dollars or, as the case may be, Euro of the issue of the Offered Notes and, on each Interest Payment Date, all Sterling amounts paid to the Issuer in relation to the Class A Interest, Class B Interest, Class C Interest and Class D Interest and the Currency Swap Counterparty will pay to the Issuer, on the Issue Date, the Sterling equivalent of the proceeds of the issue of the Offered Notes

and, on each Interest Payment Date, amounts in Dollars or, as the case may be, Euro calculated by reference to the principal amount of the Offered Notes and Dollar LIBOR or, as the case may be, EURIBOR.

Bank Accounts And Cashflows

A diagram illustrating the movement of funds through bank accounts is set out on page 15. Broadly, the payment flows are:

Corporate Loan Trust Accounts

Within two business days after receiving a payment from a Borrower or otherwise in respect of an Included Advance, Bank of Scotland will deposit such collection in one of the three following accounts of the Corporate Loan Trustee: the Corporate Loan Trust Principal Collections Account, the Corporate Loan Trust Interest Collections (Margin) Account and the Corporate Loan Trust Interest Collections (Basis) Account. Each account is held at the Account Bank (as defined below), which will initially be Bank of Scotland and is required to have a rating not less than the Required Rating (as defined in "Receivables Trust and Series 2001-2 Interest" below). All funds paid into any of the Corporate Loan Trustee's accounts will immediately be allocated by the Corporate Loan Trustee to the RT Interest (as to 99 per cent.) and to the Originator Interest (as to 1 per cent.).

Immediately upon credit to a Corporate Loan Trustee account, the proportion of each amount that is referable to the Originator Interest will be paid to Bank of Scotland and the amount referable to the RT Interest will be paid to the Receivables Trustee.

Receivables Trust Accounts

Each amount received by the Receivables Trustee from the Corporate Loan Trust Principal Collections Account will be paid into the Receivables Trustee Principal Collections Account; each amount received from the Corporate Loan Trust Interest Collections (Basis) Account will be paid into the Receivables Trustee Interest Collections (Basis) Account; and each amount received from the Corporate Loan Trust Interest Collections (Margin) Account will be paid into the Receivables Trustee Interest Collections (Margin) Account. Each such account is held at the Account Bank.

During the Revolving Period, amounts standing to the credit of the Receivables Trustee Principal Collections Account will, broadly, be applied first for the benefit of any Sharing Series Interest (see above "—Sharing of Principal Collections Amount Series Interest") which is in its Accumulation Period or Termination Period; secondly, to the extent permitted under the terms of the Receivables Trust and Cash Management Agreement, to purchase any new Included Advances on any day; and thirdly, to pay down part of the Transferor Interest. To the extent that either of the last two payments would cause the Transferor Interest to be reduced below the Minimum Transferor Interest (as defined in "Receivables Trust and Series 2001-2 Interest"), an amount of principal equal to the amount by which the Transferor Interest would have been reduced below the Minimum Transferor Interest will be deposited into the Excess Funding Account (as defined in "Receivables Trust and Series 2001-2 Interest") until such time as such amount may be applied in such manner without breach of the Minimum Transferor Interest. For further details of such payments, see "Receivables Trust and Series 2001-2 Interest".

During the Accumulation Period, certain Principal Collections which are referable to the Series 2001-2 Interest will be transferred daily to an account held by the Receivables Trustee on behalf of the Loan Note Issuer (the "Principal Funding Account"), where such amounts, subject to reallocation as set out in "Receivables Trust and Series 2001-2 Interest — Reallocated Principal Collections", will be accumulated until the earlier of the Scheduled Maturity Date and the Interest Payment Date following the commencement of the Termination Period, upon which they will be transferred to the Loan Note Issuer to repay principal outstanding on the Series 2001-2 Loan Note. During the Termination Period, Principal Collections referable to the Series 2001-2 Interest will be paid daily to the Principal Funding Account, and, on each Distribution Date, subject to reallocation as above, will be paid to the Series 2001-2 Loan Note Issuer Account to repay principal on the Series 2001-2 Loan Note on each Interest Payment Date.

To the extent required to maintain the Required Reserve Amount (as defined below), funds from the proceeds of the Expenses Loan and in respect of Interest Collections (Margin) referable to the Series 2001-2 Interest will be transferred on the Issue Date and on each Distribution Date to an account held by the Receivables Trustee on behalf of the Loan Note Issuer (the "Reserve Account"), and credited to the Series 2001-2 ledger. Funds standing to the credit of the Series 2001-2 ledger may on any Transfer Date be used to make up shortfalls in the Series 2001-2 Available Income Funds (as described below).

The proportion of interest collections, in respect of both basis and margin, which is referable to the Transferor Interest will be paid on a daily basis to Bank of Scotland. Interest Collections (Basis) referable to the Series 2001-2 Interest will be paid on behalf of the Loan Note Issuer on a monthly basis to the Basis Swap Counterparty. Interest Collections (Margin) will be paid on a monthly basis to the Loan Note Issuer.

Series 2001-2 Loan Note Issuer Account and Series 2001-2 Issuer Account

All payments to the Loan Note Issuer in respect of the Series 2001-2 Interest shall be credited to the Series 2001-2 Loan Note Issuer Account and, in the case of amounts representing Principal Collections, shall be paid to or to the order of the Issuer on each Interest Payment Date or, in the case of any other amounts, shall be allocated and applied in accordance with the Loan Note Issuer Income Priority of Payments (see "Receivables Trust — Calculation and Treatment of Series 2001-2 Available Income Funds") on each Distribution Date.

All payments to the Issuer in respect of the Series 2001-2 Interest shall be credited to the Series 2001-2 Issuer Account and shall be applied on each Interest Payment Date in accordance with, in the case of amounts representing principal payments of Notes, Condition 6 of the Notes and, in the case of any other amounts, the Issuer Income Priority of Payments (see "Receivables Trust — Calculation and Treatment of Series 2001-2 Available Income Funds").

Expenses Loan Agreement

The Issuer will on the Issue Date enter into a loan agreement with Bank of Scotland (the "Expenses Loan Provider") pursuant to which the Issuer will be entitled to borrow a maximum aggregate amount of £10,000,000 (the "Expenses Loan"), in order to meet the initial costs of issue of the Notes and to fund the Reserve Account in respect of the Series 2001-2 Interest up to £5,623,970.

The Issuer will enter into a separate expenses loan agreement with respect to the issue of the Series 2001-1 Notes.

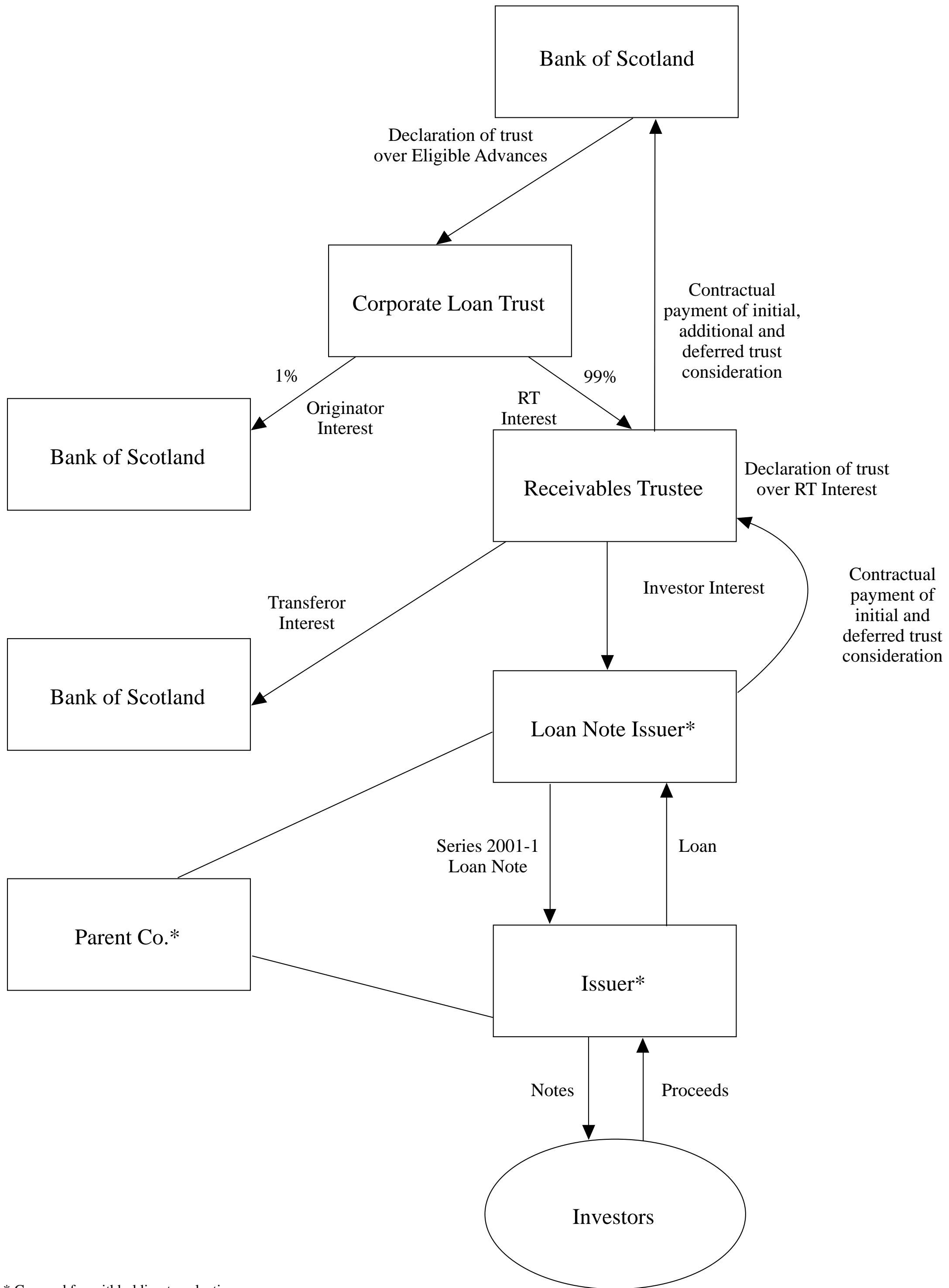
Interest will be payable under the Expenses Loan Agreement on each Interest Payment Date at a rate equal to LIBOR plus 0.25 per cent. per annum, but the Expenses Loan Provider shall not be entitled to repayment of any amounts of principal on the Expenses Loan until the last Note outstanding has been redeemed. All payments in respect of the Expenses Loan Agreement will be subordinated to payments on the Notes.

Investor Reporting

The Cash Manager will produce a report within 5 Business Days after each Distribution Date which will be delivered to the Issuer, the Receivables Trustee, the Loan Note Issuer, the Rating Agencies and the Note Trustee and will include, *inter alia*, (i) updated information regarding Included Advances, (ii) details of the performance of Included Advances and (iii) details of certain payments received since the preceding Distribution Date and certain payments made by the Issuer.

The Cash Manager shall distribute such report, via the Principal Paying Agent, on a monthly basis to Noteholders and such report will be available at the offices of the Cash Manager and the Principal Paying Agent.

TRANSACTION STRUCTURE



* Grouped for withholding tax election purposes

ACCOUNTS – FUNDS MOVEMENT OVERVIEW

Bank of Scotland

1% Originator Interest (principal and income)

Daily

CORPORATE LOAN TRUSTEE

Daily

Principal

Daily

Income (Margin)

Income (Basis)

Daily

Corporate Loan Trust Principal Collections Account*

Corporate Loan Trust Interest Collections (Margin) Account*

Corporate Loan Trust Interest Collections (Basis) Account*

Daily

Transferor Interest Principal Collections

Daily

Daily

Daily

Investor Principal Collections: (1) re-invested or (2) used to pay down Transferor Interest or (3) paid to Excess Funding Account if (1) or (2) would breach Minimum Transferor Interest

Daily

(During Revolving Period)

Receivables Trustee Principal Collections Account*

Receivables Trustee Interest Collections (Margin) Account*

Receivables Trustee Interest Collections (Basis) Account*

Daily during Accumulation Period and Termination Period

Reallocated Principal Amounts

Transferor Interest Collections (basis and margin) Daily

Bank of Scotland

Reinvested or used to pay down Transferor Interest where Minimum Transferor Interest permits

Series 2001-2 ledger of Principal Funding Account*

Margin Monthly

Daily

Monthly

Basis

Scheduled Maturity Date or monthly during Termination Period

Series 2001-2 ledger of Reserve Account* (initially funded by Expenses Loan)

Bank of Scotland (as Basis Swap Counterparty)*

Monthly to make up Interest and Principal shortfalls

Series 2001-2 ledger of Excess Funding Account

Margin to make up Reserve Amounts

Quarterly Basis Amount

Series 2001-2 Loan Note Issuer Account*

Interest and (when due) Principal

Quarterly/ Monthly during Termination Period

Quarterly/Monthly during Termination Period

Currency Swap Counterparty*

Series 2001-2 Issuer Account*

Quarterly/Monthly during Termination Period

Quarterly/Monthly during Termination Period

*Subject to downgrade trigger

Noteholders

THE PARTIES

Corporate Loan Trustee

Bank of Scotland, established by an Act of the Parliament of Scotland in 1695 will declare, and act as trustee of, the Corporate Loan Trust. Bank of Scotland cannot be removed by the beneficiaries as trustee of the Corporate Loan Trust and will continue to service the Included Advances and collect amounts paid in respect thereof.

Issuer

Melrose Financing No.1 plc is a special purpose bankruptcy-remote company incorporated in England and Wales as a public limited company. Its registered number is 4102054 and its registered office is at Blackwell House, Guildhall Yard, London EC2V 5AE.

ParentCo

Melrose Holdings Limited ("ParentCo") is a special purpose bankruptcy-remote vehicle incorporated with limited liability in England and Wales. Its registered number is 4096160 and its registered office is at Blackwell House, Guildhall Yard, London EC2V 5AE. ParentCo will beneficially own the entire share capital of the Issuer, the Loan Note Issuer and OptionCo. All share capital of ParentCo will be held by trustees on trust for charitable purposes. ParentCo, the Loan Note Issuer and the Issuer will be grouped for UK corporation tax purposes and eligible for group relief from UK withholding tax in respect of interest payable on the Series 2001-2 Loan Note.

Receivables Trustee

Melrose Trustee Limited is a special purpose bankruptcy-remote vehicle incorporated with limited liability in Jersey. Its registered number is 79145 and its registered office is at 47 Esplanade, St. Helier, Jersey, Channel Islands, JE1 0BD. All share capital of the Receivables Trustee will be held by trustees on bare trust for charitable purposes. The Receivables Trustee will be the trustee under the Receivables Trust and will hold the RT Interest on trust for Bank of Scotland (to the extent of the Transferor Interest) and the Loan Note Issuer (to the extent of the Investor Interest).

Loan Note Issuer

Melrose Investor Limited is a special purpose bankruptcy-remote vehicle incorporated with limited liability in England and Wales. Its registered number is 4096036 and its registered office is at Blackwell House, Guildhall Yard, London EC2V 5AE. The Loan Note Issuer will act as borrower under the Loan Note Issuance Facility Agreement and supplements thereto (including the Series 2001-2 Loan Note Supplement).

Cash Manager

Bank of Scotland will act as Cash Manager under the Receivables Trust. Upon the occurrence of certain events of default, Bank of Scotland may be replaced as Cash Manager and a successor Cash Manager appointed. Bank of Scotland may delegate to third parties certain of its cash management obligations.

OptionCo

Melrose Option Limited ("OptionCo") is a special purpose bankruptcy-remote vehicle incorporated with limited liability in England and Wales. Its registered number is 4096034 and its registered office is at Blackwell House, Guildhall Yard, London EC2V 5AE. OptionCo will hold the Post Enforcement Call Option (as further described and defined under "Summary of the Principal Terms of the Notes — Post Enforcement Call Option") which enables it, if it elects to do so, to acquire for nominal consideration any Notes remaining outstanding following enforcement of the security for the Notes.

Basis Swap Counterparty	Bank of Scotland will, subject to the rating requirements set out in "Receivables Trust and Series 2001-2 Interest — Swap Agreements — Downgrade Provisions in relation to Swap Agreements", act as Basis Swap Counterparty under the Basis Swap Agreement between the Receivables Trustee (as agent for the Loan Note Issuer) and Bank of Scotland.
Currency Swap Counterparty	Credit Suisse First Boston International ("CSFBi") will, subject to the rating requirements set out in "Receivables Trust and Series 2001-2 Interest — Swap Agreements — Downgrade Provisions in relation to Swap Agreements", act as the Currency Swap Counterparty under the Currency Swap Agreement between the Issuer and the Currency Swap Counterparty in relation to the Offered Notes.
Note Trustee for the Notes and Loan Note Trustee for the Series 2001-2 Loan Note	Citibank, N.A., London branch will act as security trustee under the Loan Note Issuance Facility Agreement (in such capacity, the "Loan Note Trustee") and as trustee for the holders of the Notes (in such capacity, the "Note Trustee").
Account Bank	Bank of Scotland will, for so long as it has the Required Rating, act as account bank to the Issuer, Loan Note Issuer and Receivables Trustee pursuant to the terms of bank account agreements to be entered into by, among others, Bank of Scotland, the Issuer, the Loan Note Issuer and the Receivables Trustee on the Issue Date.
GIC Provider and GIC Liquidity Facility Provider	Bank of Scotland will, for so long as it has the Required Rating, act as provider of a guaranteed investment contract ("GIC"), pursuant to which it will agree to accept deposits of sums from time to time to the credit of the Series 2001-2 ledgers of the Reserve Account and the Principal Funding Account. Bank of Scotland will have the benefit of a liquidity facility (the "GIC Liquidity Facility Agreement") provided by Citibank, N.A. (the "GIC Liquidity Facility Provider") in order to support the performance of its obligations under the GIC as described under "Servicing and Cash Management — Guaranteed Investment Contract" and "Servicing and Cash Management — GIC Liquidity Facility Agreement".
Expenses Loan Provider	Bank of Scotland will act as provider of the Expenses Loan pursuant to the Expenses Loan Agreement to be entered into by Bank of Scotland and the Issuer on the Issue Date in respect of the Notes.
Corporate Services Providers	Structured Finance Management Limited, having its registered office at Blackwell House, Guildhall Yard, London EC2V 5AE (the "Corporate Services Provider") will be appointed to provide certain corporate services to each of the Issuer, the Loan Note Issuer, ParentCo and OptionCo pursuant to corporate services agreements to be entered into on the Issue Date by each of the Issuer and the Loan Note Issuer with the Corporate Services Provider. SFM Offshore Limited, having its registered office at 47 Esplanade, Jersey, Channel Islands JE1 0BD (the "Jersey Corporate Services Provider"), will be appointed to provide certain corporate services to the Receivables Trustee pursuant to corporate services agreements to be entered into on the Issue Date by the Receivables Trustee and the Jersey Corporate Services Provider.

Authorised Delegate

Citibank, N.A., London branch will be appointed by the Receivables Trustee to act as its delegate with respect to the exercise of the Receivables Trustee's rights under the Originator Power of Attorney as described under "Corporate Loan Trust — Originator Power of Attorney".

SUMMARY OF THE PRINCIPAL TERMS OF THE NOTES

The information on pages 19 to 27 is a summary of the principal features of the Notes. This summary does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by, the detailed information presented elsewhere in this Offering Circular.

A. The Notes

The Notes

The Issuer will, on the Issue Date, issue $935,000,000 Class A Asset Backed Floating Rate Notes due 2008 (the "Class A Notes"), $43,500,000 Class B Asset Backed Floating Rate Notes due 2008 (the "Class B Notes"), $32,600,000 Class C Asset Backed Floating Rate Notes due 2008 (the "Class C Notes"), $5,000,000 Class D1 Asset Backed Floating Rate Notes due 2008 (the "Class D1 Notes"), €14,100,000 Class D2 Asset Backed Floating Rate Notes due 2008 (the "Class D2 Notes"), £14,000,000 Class D3 Asset Backed Floating Rate Notes due 2008 (the "Class D3 Notes" and together with the Class D1 Notes and the Class D2 Notes, the "Class D Notes"), and £26,250,000 Class E Asset Backed Floating Rate Notes due 2008 (the "Class E Notes"), and, together with the Class A Notes, Class B Notes, Class C Notes and Class D Notes, the "Notes").

The Notes will be obligations of the Issuer only. The Notes will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. In particular, the Notes will not be obligations of, or the responsibility of, or guaranteed by, any of Bank of Scotland, any company in the same group of companies as Bank of Scotland, Credit Suisse First Boston (Europe) Limited, or any of the other Managers, the Currency Swap Counterparty, the Agent Bank, the Loan Note Issuer, the Receivables Trustee, the Note Trustee, the Loan Note Trustee (each as defined herein) or any other party to the Transaction Documents and no such party shall accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes.

Subordination

Each Class of Notes will rank *pari passu* and rateably without any preference or priority among the Notes of such Class as to payments of principal and interest. Payments in respect of the Class A Notes will rank in priority to the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes; payments in respect of the Class B Notes will rank in priority to the Class C Notes, the Class D Notes and the Class E Notes; payments in respect of the Class C Notes will rank in priority to the Class D Notes and the Class E Notes; and payments in respect of the Class D Notes will rank in priority to the Class E Notes.

Status and Security

The Notes will be constituted by the Trust Deed between the Issuer and the Note Trustee. As security for, among other things, the payment of all monies payable in respect of the Notes, the Issuer will enter into a deed of charge (the "Issuer Deed of Charge", as to which see "Issuer Security" below) in favour of the Note Trustee, on behalf of the Noteholders, creating, among other things, first fixed security interests over the Issuer's right, title and interest in and to the Series 2001-2 Loan Note and the Currency Swap Agreement. The security will stand as security for, among other obligations, the amounts payable by the Issuer to the holders of the

Notes, subject to the subordination of the relevant Class of Notes, as set out in "Subordination" above. See "Terms and Conditions of the Notes — Status, Security and Priority" and "—Issuer Security and Priorities of Payments" below.

The Issuer has limited assets secured in favour of the Noteholders, primarily being its right, title and interest in, to and under, among other things, the Series 2001-2 Loan Note and the Currency Swap Agreement. Assets of the Issuer which are secured by way of first fixed security in favour of noteholders of the Series 2001-1 Notes will not be available to Noteholders of the Series 2001-2 Notes or vice versa.

The Issuer will be entitled to receive payments in respect of the Series 2001-2 Loan Note which will be calculated to be an amount up to (but not in excess of) the amount required (a) to pay the fees, costs and expenses of the Issuer, the Note Trustee and the Agents as herein described, (b) to make payments of interest on the Notes (as calculated in accordance with the Conditions) and to make payments in respect thereof as required under the Currency Swap Agreement in exchange for amounts from the Currency Swap Counterparty, (c) to make payments of principal on the Notes on the Scheduled Maturity Date and during the Termination Period and to make payments in respect thereof as required under the Currency Swap Agreement in exchange for amounts from the Currency Swap Counterparty, (d) to pay principal and interest in accordance with the Expenses Loan Agreement, (e) to meet other payments required to be made by the Issuer from time to time as described in this Offering Circular, and (f) to pay certain amounts representing earnings for the Issuer in the conduct of its business.

Form and Denomination of the Notes

The Class A Notes, the Class B Notes, the Class C Notes, and the Class D1 Notes will be in registered form in the denomination of $10,000. The Class D2 Notes will be in registered form in the denomination of €10,000. The Class D3 Notes and the Class E Notes will be in registered form in the denomination of £10,000. The Notes may be held and transferred, and will be offered and sold, in principal amounts equal to their respective Minimum Denomination (as defined in Condition 1 (*Form and Denomination*)) and integral multiples thereof, provided that each qualified institutional buyer purchasing a beneficial interest in the Offered Notes from a Manager (as defined in "Subscription and Sale") in reliance on Rule 144A will be required to purchase Offered Notes in a minimum aggregate principal amount of $250,000, in the case of the Class A Notes, the Class B Notes, the Class C Notes and the Class D1 Notes, €250,000 in the case of the Class D2 Notes and £200,000 in the case of the Class D3 Notes.

Each Class of Notes offered and sold outside the United States to non-U.S. persons in reliance on Regulation S will be represented by interests in a global registered note certificate (each a "Regulation S Global Note Certificate"). The Regulation S Global Note Certificate in respect of each Class of Notes will be deposited with a custodian for, and registered in the name of a nominee of, Euroclear S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"). Each Class of Notes which are

offered and sold in the United States in reliance on Rule 144A will be represented by interests in a global registered note certificate (each a ''Rule 144A Global Note Certificate'' and, together with the Regulation S Global Note Certificate, the ''Global Note Certificates''), deposited with a custodian for, and registered in the name of, a nominee of The Depository Trust Company (''DTC'') on or about the Issue Date. Interests in the Global Note Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg (together the ''Clearing Systems'') and their respective direct and indirect participants. Individual note certificates (''Individual Note Certificates'') evidencing holdings of Notes will only be available in certain limited circumstances. See ''Form of Notes and Transfer Restrictions relating to U.S. Sales''.

Interest on the Notes

Interest on each class of Notes will be calculated by reference to Dollar LIBOR (in the case of the Class A Notes, the Class B Notes, the Class C Notes and the Class D1 Notes), EURIBOR (in the case of the Class D2 Notes) and Sterling LIBOR (in the case of the Class D3 Notes and the Class E Notes) plus the Applicable Margin for such class of Notes. The ''Applicable Margin'' applicable to each class of Notes, and the Interest Periods for which such margins apply, will be as set out below:

Class A Notes: 0.33 per cent. per annum.

Class B Notes: 0.95 per cent. per annum.

Class C Notes: 1.90 per cent. per annum.

Class D1 Notes: 5.50 per cent. per annum.

Class D2 Notes: 5.40 per cent. per annum.

Class D3 Notes: 5.65 per cent. per annum.

Class E Notes: 6.00 per cent. per annum.

During the Revolving Period and Accumulation Period, interest shall be payable in respect of the Notes quarterly in arrear on the 15th day of February, May, August and November in each year and during the Termination Period, interest shall be payable on the 15th day of each month (each such date being an ''Interest Payment Date'') or, if such day is not a business day (as defined below), on the immediately succeeding business day, commencing on 15 May 2001; ''business day'' means a day (other than a Saturday or Sunday) on which banks are open for business in London and New York and a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System is open for the settlement of payments in Euro.

The first interest period (an ''Interest Period'') will commence on (and include) the Issue Date and end on (but exclude) the Interest Payment Date falling in May 2001. Each subsequent Interest Period applicable to the Notes will commence on (and include) an Interest Payment Date and end on (but exclude) the next succeeding Interest Payment Date.

Redemption on the Scheduled Maturity Date

If the Notes have not previously been redeemed and if the Termination Period has not commenced, the Notes of each class will be finally redeemed at their then Principal Amount Outstanding (as defined in the Conditions) on the Scheduled Maturity Date in accordance with the priority of payments set forth in the Issuer Deed of Charge.

Mandatory Redemption prior to the Scheduled Maturity Date

If a Pay Out Event (see "Receivables Trust and Series Interest 2001-2 Interest — Pay Out Events") occurs prior to the Scheduled Maturity Date, then the Termination Period in respect of the Notes will commence and the Notes will be redeemed in part on each Interest Payment Date which thereafter occurs and until the Termination Period End Date, to the extent of the Series 2001-2 Available Principal Funds in accordance with the priority of payments set forth in the Issuer Deed of Charge (see "Receivables Trust and Series 2001-2 Interest — Distribution of Principal Collections and Series 2001-2 Available Principal Funds"). The Issuer shall give notice to the Note Trustee and the Noteholders of the occurrence of a Pay Out Event in accordance with Condition 17 (*Notice to Noteholders*) of the Notes.

Mandatory Redemption following the Scheduled Maturity Date

If the Issuer has insufficient funds available to it on the Scheduled Maturity Date to redeem the Notes in full, then the Notes will remain outstanding to the extent not redeemed on the Scheduled Maturity Date and the Termination Period will commence. During the Termination Period, the outstanding Notes shall be redeemed in part on each Interest Payment Date as described above (under "— Mandatory Redemption prior to the Scheduled Maturity Date") and shall be finally redeemed on the Final Maturity Date, in accordance with the priority of payments set forth in the Issuer Deed of Charge.

Optional Redemption for Tax and Other Reasons

Upon giving not more than 60 nor less than 30 days' prior written notice to the Note Trustee and to the Noteholders in accordance with Condition 17 (*Notice to Noteholders*) of the Notes and provided that the Issuer has, prior to giving such notice, certified to the Note Trustee and produced evidence acceptable to the Note Trustee (as specified in the Trust Deed) that it will have the necessary funds to pay all amounts due in respect of the Notes on the relevant Interest Payment Date and to discharge any amounts required to be paid in priority to the Notes, the Issuer may at its option redeem all (but not some only) of the Notes at their Principal Amount Outstanding (as defined in Condition 6(c) (*Final Redemption*) of the Notes) on the following dates:

(i) on any Interest Payment Date, in the event of (a) certain tax changes affecting the Issuer or the Notes or (b) tax changes leading to a deduction or withholding for tax being applied to payments made by the Borrowers or any of the Issuer, the Loan Note Issuer or the Basis Swap Counterparty at any time (see Condition 6(d) (*Optional Redemption in whole for Tax*) of the Notes); or

(ii) on any Interest Payment Date on which the aggregate Principal Amount Outstanding of the aggregate of the Notes then outstanding is less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes as at the Issue Date (see Condition 6(e) (*Optional Redemption*) of the Notes).

Any Notes so redeemed will be redeemed at their Principal Amount Outstanding together with accrued but unpaid interest on the Principal Amount Outstanding of the relevant Notes.

Final Maturity Date

Unless previously redeemed in full, the Notes will mature on the Interest Payment Date falling in the months set out below:

Class A: February 2011;

Class B: February 2011;

Class C: February 2011;

Class D: February 2011; and

Class E: February 2011.

Post Enforcement Call Option

The Note Trustee will, on the Issue Date, grant to OptionCo (pursuant to a post enforcement call option agreement to be entered into on or about the Issue Date between the Issuer, OptionCo and the Note Trustee (the "Post Enforcement Call Option Agreement")) an option to require the transfer to OptionCo, for nominal consideration, of all (but not some only) of the outstanding Notes (together with any rights to any accrued but unpaid amounts due thereon) in the event that, following the enforcement of the Issuer Security (as defined below) and after payment of all other claims ranking in priority to such Notes under the Issuer Deed of Charge, the remaining proceeds of such enforcement are insufficient to pay in full all amounts due in respect of such Notes and all other claims ranking *pari passu* therewith. The Noteholders will be bound by the terms and conditions of the Trust Deed and the Conditions in respect of the post enforcement call option and the Note Trustee will be irrevocably authorised to enter into the Post Enforcement Call Option Agreement as agent for the Noteholders.

Withholding tax

Payments of interest and principal with respect to the Notes will be subject to any applicable withholding taxes and the Issuer will not be obliged to pay additional amounts in relation thereto, subject as provided above in respect of optional redemption for tax reasons.

For further tax issues in relation to the Notes, see "United Kingdom Taxation" below.

Ratings

The Offered Notes are expected, on issue, to be assigned the following ratings by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. ("S&P") and Moody's Investors Service Limited ("Moody's" and, together with S&P, the "Rating Agencies", which term includes any further or replacement rating agency appointed by the Issuer with the approval of the Note Trustee to give a credit rating to the Offered Notes or any class thereof). The Class E Notes will not be assigned a credit rating.

Class	*Expected S&P Rating*	*Expected Moody's Rating*
A	AAA	Aaa
B	A	A1
C	BBB	Baa1
D	BB	Ba2

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgement, circumstances (including without limitation, a reduction in the credit rating of the Basis Swap Counterparty, the Currency Swap Counterparty or the Account Bank) in the future so warrant.

Listing

Application has been made to the UKLA for each class of the Notes to be admitted to the Official List. Application has also been made to the London Stock Exchange for each class of Notes to be admitted to trading on the London Stock Exchange.

It is expected that the Class D Notes will be made eligible for trading in PORTAL.

Debt for US tax purposes

The Issuer believes that the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes represent debt for United States federal income tax purposes, and has received a legal opinion to the effect that (i) the Class A Notes, the Class B Notes and the Class C Notes will be so treated, and (ii) the Class D Notes should be so treated.

Investors should read further "United States Federal Income Taxation" below.

ERISA eligibility

Subject to the important considerations described under "United States ERISA Considerations" below, the Class A Notes, the Class B Notes and the Class C Notes are eligible for purchase by persons investing assets of employee benefit plans or individual retirement accounts.

The Class D Notes and Class E Notes are not eligible for purchase by persons investing assets of employee benefit plans or individual retirement accounts subject to ERISA or Section 4975 of the United States Internal Revenue Code of 1986 (the "Code") or any federal, state, local or foreign law substantially similar to Section 406 of ERISA or Section 4975 of the Code. See "United States ERISA Considerations" below.

B. Issuer Security and Priorities of Payments

Issuer Security

Pursuant to the Issuer Deed of Charge to be entered into on the Issue Date by the Issuer, the Note Trustee and the other Issuer Secured Creditors (as defined herein), the Notes will be secured, *inter alia*, by:

(a) an assignment and charge by way of first fixed security of the Issuer's right, title and interest in and to the Series 2001-2 Loan Note;

(b) an assignment and charge by way of first fixed security of the Issuer's right, title and interest in and to the Series 2001-2 Note Documents to which it is a party in respect of the Notes (including the Series 2001-2 Loan Note Supplement to the Loan Note Issuance Facility Agreement and the Currency Swap Agreement) (see further Condition 3(g) (Security) of the Notes);

(c) a charge by way of first fixed security over the Issuer's interest in its bank account maintained with the Account Bank in respect of the Notes (the "Series 2001-2 Issuer Account") and any sums standing to the credit thereof;

(d) a charge by way of first fixed security over the Issuer's interest in all Permitted Investments (as defined below) permitted to be made by the Issuer in respect of sums credited to the Series 2001-2 Issuer Account; and

(e) a first ranking floating charge over all the assets and undertaking of the Issuer not subject to any fixed security and over all of its Scottish assets and undertaking,

(together the "Issuer Security").

Certain other amounts, being the amounts owing to the other Issuer Secured Creditors, will also be secured by the Issuer Security.

Assets of the Issuer which are secured by way of first fixed security in favour of noteholders of the Series 2001-1 Notes will not be available to Noteholders of the Notes and vice versa.

Issuer Income Priority of Payments

As used in this Offering Circular, "Issuer Available Income Funds" means an amount equal to the aggregate of:

(a) that part of the amount paid by Loan Note Issuer under the Series 2001-2 Loan Note on the relevant Interest Payment Date which is referable to the Series 2001-2 Available Income Funds (see "Receivables Trust and Series 2001-2 Interest — Calculation and Treatment of Series 2001-2 Available Income Funds");

(b) revenue items received from the Currency Swap Counterparty under the Currency Swap Agreement; and

(c) interest on the Series 2001-2 Issuer Account and Permitted Investments (if any) received on or prior to the relevant Interest Payment Date.

"Issuer Available Principal Funds" means all other amounts received by the Issuer under the Series 2001-2 Loan Note which do not comprise Issuer Available Income Funds. Together, Issuer Available Income Funds and Issuer Available Principal Funds are referred to in this Offering Circular as "Issuer Available Funds".

On each Interest Payment Date, the Issuer Available Income Funds shall be applied, by payment to or to the order of the Issuer, in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "Issuer Income Priority of Payments"):

(a) *first*, in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof of any remuneration then due and payable to the Note Trustee for any costs, charges, liabilities and expenses incurred by it or its respective appointees under the provisions of the Trust Deed and the Issuer Deed of Charge (including interest thereon, if so provided in the Trust Deed or the Issuer Deed of Charge);

(b) *secondly*, to pay *pari passu* and *pro rata* according to the respective amounts thereof, (i) those amounts due and payable by the Issuer to the Currency Swap Counterparty pursuant to

the Currency Swap Agreement except for any termination payment due and payable by the Issuer under the Currency Swap Agreement following a Currency Swap Counterparty Default (as defined below); and (ii) interest due and payable on the Class A Notes;

(c) *thirdly (prior to enforcement of the Notes)*, to pay *pari passu* and *pro rata* according to the respective amounts thereof, (i) any amounts due and payable by the Issuer to the Agents, its auditors, the Rating Agencies, the Corporate Service Providers and any other third parties which were incurred without breach by the Issuer of the provisions of the documents to which it is a party with respect to the Notes (and for which payment has not been provided for elsewhere) and (ii) to pay or discharge any liability of the Issuer for corporation tax on any chargeable income or gain of the Issuer and to pay to the Issuer by way of profit an amount equal to 0.01 per cent. of the interest accruing on the Series 2001-2 Loan Note, provided that upon enforcement of the Notes all amounts payable under this item (c) (A) to secured creditors of the Issuer shall be paid after interest due and payable on the Notes, including any Deferred Interest and/or Additional Interest (each as defined in Condition 5(b) (*Interest Payment Dates and Interest Periods*)) which may have accrued thereon and (B) to unsecured creditors of the Issuer shall be paid out of funds remaining available to the Issuer under item (j) below;

(d) *fourthly*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, interest due and payable on the Class B Notes, including any Deferred Interest and/or Additional Interest which may have accrued thereon;

(e) *fifthly*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, interest due and payable on the Class C Notes, including any Deferred Interest and/or Additional Interest which may have accrued thereon;

(f) *sixthly*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, interest due and payable on the Class D Notes, including any Deferred Interest and/or Additional Interest which may have accrued thereon;

(g) *seventhly*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, interest due and payable on the Class E Notes, including any Deferred Interest and/or Additional Interest which may have accrued thereon;

(h) *eighthly*, after the occurrence of a Currency Swap Counterparty Default, in or towards satisfaction of any termination payment due and payable by the Issuer under the Currency Swap Agreement;

(i) *ninthly*, to pay to the Expenses Loan Provider any amounts then due and payable under the Expenses Loan Agreement; and

(j) *finally*, following the enforcement of the Notes, the remainder, if any, shall be paid to the Issuer,

As used in this Offering Circular, "Currency Swap Counterparty Default" means the occurrence of an Event of Default (as defined in the Currency Swap Agreement) where the Currency Swap Counterparty is the Defaulting Party (as defined in the Currency Swap Agreement).

Issuer Principal Funds Priority of Payments

All other amounts received by the Issuer under the Series 2001-2 Loan Note which do not constitute Issuer Available Income Funds will be applied in making payments to the Currency Swap Counterparty pursuant to the Currency Swap Agreement and in redeeming the Notes in the order of priority and at the time set out in Condition 6 of the Notes.

RISK FACTORS AND INVESTMENT CONSIDERATIONS

In evaluating whether to purchase Notes of any Class, prospective investors should carefully consider the following risk factors and investment considerations, in addition to the other information contained elsewhere in this Offering Circular.

Structural Considerations

General

Liabilities under the Notes

The Notes are obligations of the Issuer only and will not be obligations or responsibilities of, or guaranteed by, any other person. In particular, the Notes will not be obligations or responsibilities of, or guaranteed by, the Loan Note Issuer, the Receivables Trustee, the Note Trustee, the Loan Note Trustee, the Currency Swap Counterparty, any Agent, Credit Suisse First Boston (Europe) Limited, any of the other Managers, the Corporate Services Providers, the Authorised Delegate, Bank of Scotland (whether in its capacity as Corporate Loan Trustee, Basis Swap Counterparty, Cash Manager, Account Bank, Expenses Loan Provider or otherwise) or any company in the same group of companies as, or affiliated with, Bank of Scotland, or any other person other than the Issuer and none of any such persons will accept any liability whatsoever to Noteholders.

Limited source of funds

The Issuer has limited assets for the purposes of the Notes, being its right, title and interest in, to and under the Series 2001-2 Loan Notes, the Series 2001-2 Issuer Account, Permitted Investments referable to amounts in respect of the Series 2001-2 Notes and the Currency Swap Agreement. The Issuer's ability to meet its obligations to pay interest and repay principal on the Notes will depend primarily on its receipt of payments of interest and principal on the Series 2001-2 Loan Note from the Loan Note Issuer.

The Loan Note Issuer also has limited assets secured in favour of the Issuer in respect of the Series 2001-2 Loan Note, which are the Series 2001-2 Interest, the Basis Swap Agreement, the amounts standing to the credit of the Series 2001-2 Ledger of the Reserve Account, the Series 2001-2 Loan Note Issuer Account, the amounts standing to the credit of the Series 2001-2 ledger of the Principal Funding Account and the amounts standing to the credit of the Series 2001-2 ledger of the Excess Funding Account (as each such account is defined herein). The Loan Note Issuer's ability to meet its obligations to pay interest and repay principal on the Series 2001-2 Loan Note will be entirely dependent upon its receipt of funds in relation to these assets. Assets of the Loan Note Issuer secured by way of first fixed security in favour of other holders of Loan Notes (including the Issuer in respect of the Series 2001-1 Loan Note) will not be available to secure the Series 2001-2 Loan Note.

The Loan Note Issuer's receipt of such funds from the Receivables Trust to meet its obligations to pay the amounts referred to above to the Issuer will depend upon, among other things, (i) payments actually being made by the Borrowers (or guarantors) of the Included Advances (from whom no security has necessarily been taken in the support of those payments) (see "— Security" below), (ii) those payments being collected by the Corporate Loan Trustee in accordance with the terms of the Corporate Loan Trust and deposited in the Collection Accounts (as defined below), (iii) those payments being allocated to the RT Interest and deposited in the Receivables Trustee Collection Accounts (as defined below) by the Corporate Loan Trustee and (iv) those payments being allocated to the Loan Note Issuer (and pursuant to the calculations in relation to the Series 2001-2 Interest) and being distributed to the Loan Note Issuer by deposit to or to the order of the Series 2001-2 Loan Note Issuer Account by or on behalf of the Receivables Trustee in accordance with the terms of the Receivables Trust and the Series 2001-2 Supplement.

No Direct Interest

Beneficial Interest in Included Advances Only

The Issuer will not have any direct interest in the Receivables Trust, the Corporate Loan Trust or the Included Advances. The Loan Note Issuer will have a beneficial interest only in relation to the Receivables Trust. The Corporate Loan Trust Property will not be assigned legally or equitably or otherwise transferred to the Receivables Trustee, the Loan Note Issuer or the Issuer and legal title to the Included Advances will

remain with, or shall continue to be held on behalf of, Bank of Scotland (unless and until Bank of Scotland disposes of its legal interest in an Included Advance (in compliance with the requirements of the Corporate Loan Trust Deed), in which case the beneficial interest in the relevant Included Advance would cease to be Corporate Loan Trust Property). In its capacity as trustee of the Corporate Loan Trust, Bank of Scotland will hold its interest in the Included Advance on trust for the benefit of the Receivables Trustee (to the extent of the RT Interest). However, the Issuer will not have any direct entitlement under the Receivables Trust and none of the Issuer, the Receivables Trustee, the Loan Note Issuer, the Loan Note Trustee or the Note Trustee will have a direct contractual relationship with any Borrower under any Eligible Facility and nor will any of them have the right to assert claims or effect remedies directly against the Borrowers. The Series 2001-2 Supplement and the beneficial entitlement of the Loan Note Issuer under the Receivables Trust do not constitute a purchase or other acquisition, assignment or transfer of any legal interest in any Included Advance or Eligible Facility. The Loan Note Issuer and the Loan Note Trustee will have rights solely against the Receivables Trustee and the Cash Manager under the Receivables Trust and Cash Management Agreement and will have no rights against any Borrowers. In addition, Bank of Scotland will not grant the Issuer, the Loan Note Issuer, the Receivables Trustee, the Loan Note Trustee, the Note Trustee or any other entity any security interest over any Included Advance or Eligible Facility.

Limitations on Enforcing Loans Against Borrowers and the Originator Power of Attorney

In the event of defaults by Borrowers under the Included Advances, the Loan Note Issuer and the Loan Note Trustee will have rights solely against the Receivables Trustee and the Cash Manager under the Receivables Trust and Cash Management Agreement which rights will be secured in favour of the Issuer and the Note Trustee and will have no rights against Borrowers. Only Bank of Scotland will be entitled to take any remedial action in respect of the Eligible Facilities or to exercise any votes permitted to be taken or given thereunder.

The Originator Power of Attorney will allow the Receivables Trustee (or its Authorised Delegate) to act in the name of Bank of Scotland (as lender of record) to take actions to enforce the Eligible Facilities against the Borrowers and to collect the proceeds of Corporate Loan Trust Property upon the occurrence of a Power of Attorney Event (see "Corporate Loan Trust — Originator Power of Attorney"). The Issuer has received legal advice (subject to certain reservations) to the effect that the Receivables Trustee may exercise its powers under the Originator Power of Attorney following the occurrence of a Power of Attorney Event without the leave of the court under English or, as the case may be, Scots insolvency laws. There can be no assurance, however, that a court would reach the same conclusion or that leave, if required, would be granted.

The Authorised Delegate is not itself obliged to perform the services under the Originator Power of Attorney and may appoint a sub-delegate in respect thereof. The Authorised Delegate is not obliged to monitor or supervise the performance of the services by any sub-delegate. None of the Issuer, the Loan Note Issuer or the Receivables Trustee will have any direct claim against the ultimate sub-delegate.

Structural Issues Relating to Included Advances

Certain Set-off Considerations

In the event of the insolvency of Bank of Scotland or a Borrower, a Borrower which also has a deposit with Bank of Scotland or to which Bank of Scotland owes other obligations may attempt to satisfy its payment obligation in respect of an Included Advance by setting off its deposit or other obligations against such payment obligation.

The Eligible Facility Criteria provide that either (a) the relevant Tagged Eligible Facility must contain a provision pursuant to which the relevant Borrower expressly agrees to make payments in respect of the Included Advances thereunder without set-off or (b) the size of the Minimum Transferor Interest has been adjusted to take into account the principal amount of each Included Advance drawn under a Tagged Eligible Facility lacking such an express waiver.

Notwithstanding the previous paragraph, however, under English law, certain mandatory set-off provisions under applicable insolvency laws would continue to be available to a Borrower on its insolvency or the insolvency of Bank of Scotland if, contrary to the way in which the Corporate Loan Trust has been structured, the Corporate Loan Trust Deed were held to be in breach of a transfer restriction in the

underlying Eligible Facility. The effects of set-off under Scots law would be similar, though the technical set-off mechanisms differ. In particular, while Scots law contains no mandatory set-off on insolvency, it is probable that a waiver of set-off rights otherwise available will not be enforceable on the insolvency of a Borrower, leading to a similar effect to a mandatory set-off in relation to an insolvent Borrower under English law. Breach of transfer restrictions in underlying Eligible Facilities are not, however, strictly relevant to set-off under Scots law, save to support an argument in the absence of insolvency that a given set-off waiver is not contractually enforceable.

Therefore, if (1) (outside of an insolvency) a Tagged Eligible Facility either (a) does not contain an agreement or undertaking to pay without set-off or (b) it does contain an agreement or undertaking to pay without set-off, but such provision were determined to be unenforceable, or (2) a court determined that such mandatory set-off provisions were available so as to enable a Borrower to set off amounts owing by Bank of Scotland against its payment obligations, then in either case a Borrower which also had a deposit with Bank of Scotland or to which Bank of Scotland owes other obligations might be able to set-off such deposit against its obligations in respect of an Included Advance, in which case Collections in respect of such Included Advance could be diminished and consequently Noteholders could suffer a loss if the size of the Transferor Interest were insufficient to absorb the amount so set off.

Restrictions on Transfer in Eligible Facilities and No Removal of Bank of Scotland as Trustee of Corporate Loan Trust

Certain of the Tagged Eligible Facilities contain restrictions on transfer that may limit or restrict the transfer, assignment or assignation of the Tagged Eligible Facility or related Included Advances. The Corporate Loan Trust has been structured with the intention that such limitations or restrictions are not contravened by the declaration of the Corporate Loan Trust. Such limitations or restrictions on transfer, assignment or assignation and the provisions of the Corporate Loan Trust Deed will not permit the appointment of a substitute trustee under the Corporate Loan Trust, even in the event of a default by Bank of Scotland of its obligations as Corporate Loan Trustee. Accordingly, Bank of Scotland is the only entity capable of enforcing the Included Advances. However, under the Originator Power of Attorney, the Receivables Trustee (or the Authorised Delegate to which the Receivables Trustee will delegate its powers and discretions under the Originator Power of Attorney), may enforce, in certain limited circumstances and in the name of Bank of Scotland, the rights of Bank of Scotland to, among other things, collect the Included Advances.

Restrictions on Sub-Participation in Eligible Facilities

Certain of the Eligible Facilities contain restrictions on sub-participation by Bank of Scotland. There is no precise legal meaning to the term "sub-participation" under English or Scots law in the United Kingdom but commercially this term is usually regarded as referring to a contractual back-to-back non-recourse funding arrangement between the lending bank and the participant, which (unlike the Corporate Loan Trust) gives the latter no beneficial interest under, or in relation to, the loan which is the subject matter of the sub-participation. Such a contractual back-to-back non-recourse arrangement would generally not be subject to the same legal analysis as the Corporate Loan Trust, but in the absence of clear and settled legal meaning of the term "sub-participation", no assurance can be given that a court would not hold that a restriction on sub-participation contained in a loan agreement was not intended also to restrict an arrangement such as the Corporate Loan Trust. The Issuer, on the basis of legal advice received, considers the risk of a court reaching such a conclusion to be remote but is aware that legal opinion differs on this point and the effective meaning of sub-participation in respect of a Tagged Eligible Facility may be determined by the contractual terms of such Tagged Eligible Facility. In the event that a prohibition on sub-participation in respect of an underlying Tagged Eligible Facility were breached by the Corporate Loan Trust, issues would arise relating to set-off on an insolvency of Bank of Scotland (as referred to in "Certain Set-off Considerations") and the Receivables Trustee would be entitled to make a claim against Bank of Scotland that such Tagged Eligible Facility breached the representation that it must comply with the Eligibility Facility Criteria. There are no limits on the number of Tagged Eligible Facilities containing sub-participation restrictions that may form part of the Designated Portfolio. If the number of Tagged Eligible Facilities determined not to comply with the Eligible Facility Criteria were to be material

and if insufficient new Eligible Facilities were to be designated for inclusion in the Portfolio Memorandum, this could give rise to a Series Pay Out Event. See "— Payments and Maturity, Concentrations in Portfolio and Commercial Lending Competition".

Issues Relating to Hedging

Basis Risk and Currency Risk

The Included Advances are expected to provide for payment of interest at fixed rates or variable rates established by reference to rates for payment intervals ranging from five days to six months. Conversely, the rate of interest under the Series 2001-2 Loan Note is determined by reference to Sterling LIBOR and such interest rate will be reset either quarterly (in the Revolving Period and the Accumulation Period) or monthly (during the Termination Period). There is accordingly a mismatch between the bases on which interest on the Included Advances and interest on the Series 2001-2 Loan Note are calculated. This mismatch is addressed by the Basis Swap Agreement to be entered into between the Receivables Trustee (as agent for the Loan Note Issuer) and the Basis Swap Counterparty. See "Receivables Trust and Series 2001-2 Interest — Swap Agreements — Basis Swap Agreement".

Certain Offered Notes are denominated in Dollars or Euro and interest on the Offered Notes is calculated by reference to Dollar LIBOR or, as the case may be, EURIBOR. Amounts referable to the Class Interests and the Series 2001-2 Loan Note are calculated in Sterling by reference to the Sterling flows of funds on the Included Advances and by reference to Sterling LIBOR. To reduce the resulting exposure to the currency and interest rate risks between the Offered Notes and the Included Advances, the Issuer will enter into the Currency Swap Agreement with the Currency Swap Counterparty. See "Receivables Trust and Series 2001-2 Interest — Swap Agreements — Currency Swap Agreement".

Reliance on Creditworthiness of Swap Counterparties

The Currency Swap Counterparty is currently assigned an Aa3 rating by Moody's and an AA rating by S&P on its long-term unsecured, unsubordinated and unguaranteed senior debt obligations. There is no obligation on the part of the Issuer, the Note Trustee, the Currency Swap Counterparty or any other person to maintain any minimum credit rating for the Currency Swap Counterparty. In the event of a downgrade of the credit rating of the Currency Swap Counterparty which would adversely affect the rating of the Offered Notes, the Currency Swap Counterparty is required under the Currency Swap Agreement to take certain steps, including appointing a replacement or additional swap counterparty or posting collateral, designed to maintain the rating of the Offered Notes. See "Receivables Trust and Series 2001-2 Interest — Swap Agreements — Currency Swap Agreement".

The Basis Swap Counterparty is currently assigned an Aa3 rating by Moody's and an A+ rating by S&P on its long-term unsecured, unsubordinated and unguaranteed senior debt obligations. There is no obligation on the part of the Loan Note Issuer, the Loan Note Trustee, the Receivables Trustee, the Basis Swap Counterparty or any other person to maintain any minimum credit rating for the Basis Swap Counterparty. In the event of downgrade of the credit rating of the Basis Swap Counterparty which would adversely affect the rating of the Offered Notes, the Basis Swap Counterparty is required under the Basis Swap Agreement to take certain steps, including appointing a replacement or additional swap counterparty or posting collateral, designed to maintain the rating of the Offered Notes. See "Receivables Trust and Series 2001-2 Interest — Swap Agreements — Basis Swap Agreement".

In the event that the Currency Swap Agreement or the Basis Swap Agreement were to be terminated or not to be fully performed for any reason, including by reason of a default of the relevant swap counterparty, deficiencies could occur and the Noteholders could suffer a loss. See "Currency Swap Counterparty", "Receivables Trust and Series 2001-2 — Basis Swap Agreement" and "Receivables Trust and Series 2001-2 — Currency Swap Agreement".

Hedged Currency/non-UK Rollover Advances

If (a) on the day on which an Included Advance is repaid, an advance is drawn under the same Tagged Eligible Facility in a currency other than Sterling and/or by a Borrower who is not domiciled in the United Kingdom and (b) the Borrower of the Included Advance repaid does not have at the time of repayment the Required Grade (as defined in Corporate Loan Trust below) or the amount of the Included

Advance repaid if deducted from the then aggregate amount of Included Advances would cause the Investor Interest to exceed 99 per cent. of such aggregate, then such new advance is required to remain subject to the Corporate Loan Trust (despite the fact that, on drawing, such advance would not be an Included Advance in accordance with the Included Advance Criteria). These advances are called "Hedged Currency/non-UK Rollover Advances" or "HCRAs". In these circumstances, Bank of Scotland in its capacity as Corporate Loan Trustee, is required to use its best endeavours to enter into a foreign exchange or similar arrangement whereby each HCRA is replaced by an equivalent asset for the purposes of the Corporate Loan Trust. From the perspective of the transaction, the replacement asset, denominated in sterling and with a counterparty in the United Kingdom, is treated as an Included Advance and accordingly no specific calculation adjustments are required for calculating cashflows in the transaction. See "Corporate Loan Trust — Hedged Currency/non-UK Rollover Advances".

In the event that Bank of Scotland fails to enter into such foreign exchange arrangement in relation to a non-Sterling currency rollover, such failure could result in receipt by the Receivables Trustee of non-sterling Collections in relation to that HCRA. In such event, the Receivables Trustee will be required to exchange those non-sterling amounts for sterling amounts at then-prevailing exchange rates, the result of which may be that the amounts realised under the HCRA would be less than anticipated and the Receivables Trustee, the Loan Note Issuer, the Issuer and, ultimately, the Noteholders might suffer a loss.

In the event that Bank of Scotland fails to enter into an arrangement to replace an advance to a non-UK domiciled Borrower, the advance to such non-UK domiciled Borrower will remain Corporate Loan Trust Property. However, there can be no assurance that, under applicable law in the jurisdiction of the Borrower, the declaration of trust over such advance will be recognised or that payments of interest under such advance will not be subject to withholding tax. The result would be that the Receivables Trustee may be unable to collect any sums in relation to such advance or that amounts received by the Receivables Trustee in respect of such advance may be less than anticipated and the Receivables Trustee, the Loan Note Issuer, the Issuer and, ultimately, the Noteholders might suffer a loss.

In the event that any such foreign exchange or similar arrangement in relation to an HCRA were to be terminated for any reason, including by reason of a default by a counterparty thereunder, the Corporate Loan Trustee might be required to make termination payments and/or to exchange non-sterling amounts at then-prevailing exchange rates with the result that the amounts realised in relation to the HCRA might be less than anticipated and the Receivables Trustee, the Loan Note Issuer, the Issuer and, ultimately, the Noteholders might suffer a loss.

Certain Insolvency Considerations

The Corporate Loan Trust Deed creates in favour of the Receivables Trustee a fixed undivided 99% beneficial interest in the Corporate Loan Trust Property. The Issuer believes that the Corporate Loan Trust will be validly constituted (upon execution of the Corporate Loan Trust Deed and completion of the relevant conditions precedent). In the event a trustee in sequestration, liquidator or administrator (or other insolvency office holder) (an "Insolvency Practitioner") were to be appointed in respect of the business and property of Bank of Scotland in the United Kingdom, the Issuer believes that the effect of the Corporate Loan Trust and the Receivables Trust will be to remove Investor Interest proportion of the RT Interest in the Corporate Loan Trust Property from the property of Bank of Scotland available to the Insolvency Practitioner for distribution to the general creditors of Bank of Scotland. There can be no assurance, however, that a court would reach the same conclusion. It is possible that an Insolvency Practitioner appointed in relation to the business and property of Bank of Scotland in the United Kingdom may commence proceedings to challenge the validity and effectiveness of (i) the Corporate Loan Trust and the Receivables Trust for the purpose of including the Investor Interest in the property and estate of Bank of Scotland or (ii) the Originator Power of Attorney. If proceedings were commenced in relation to the Corporate Loan Trust or the Originator Power of Attorney, delays in distribution of amounts payable in respect of the Notes, possible failure to pay interest or principal on the Notes and limitations on the exercise of remedies under the Transaction Documents could occur, with the result that Noteholders might suffer a loss.

Security

Repayment of certain of the Included Advances may be secured in favour of Bank of Scotland or an agent as trustee on its behalf. However, there can be no assurance that such security will continue to be in force or be validly constituted at the time payment from a Borrower is sought to be enforced or that the nature or value of the security and any proceeds of enforcement thereof applied to the relevant Included Advance will necessarily be equal to the amount then outstanding of the Included Advance to which such security relates.

Such security may have been granted in respect of all debts owed by Borrowers or their affiliates to Bank of Scotland, such security may rank as junior in point of priority to other security granted by the Borrowers over the relevant assets in favour of other creditors, the application of the proceeds of the security may be at the discretion of Bank of Scotland or may not be within the control of Bank of Scotland or the value realised on sale of the assets which are the subject of such security may be less than their market value or the value at which they are carried in the books of the Borrower or their affiliates. Furthermore, if security has been taken, although the proceeds of the enforcement of such security should form part of the Corporate Loan Trust Property, no assurance can be given that the underlying security will form part of the Corporate Loan Trust Property or that the Originator Power of Attorney will be effective in respect of such security.

In general, in order for security to be enforceable, it is necessary, among other things, to comply with the relevant formalities required by law in respect of security interests of the relevant type. For example, where the security comprises assigned rights against third parties, the secured party can only enforce the security directly against those third parties, without the participation of the assignee (and under Scots law, in any case), if the third parties have been notified of the assignment or assignation. Furthermore, a company which is formed and registered under the Companies Acts 1948-1989 (with respect to assets wherever located) or which, although incorporated outside Great Britain, has established a place of business or branch in Great Britain (with respect to assets in Great Britain) must, in order to validate certain classes of security over those assets against a liquidator, administrator or any other creditor, deliver the instrument evidencing the security together with the prescribed particulars thereof for registration to the Registrar of Companies within 21 days of the creation of such security. In addition, if an Included Advance has been utilised to acquire shares in a company formed and registered under the Companies Act 1985, any security granted by that company or any of its subsidiaries to secure such Included Advance must generally have been validated in accordance with the procedure under sections 155 to 158 Companies Act 1985 in order to constitute effective security for that Included Advance.

Enforcement of security may also be subject to certain limitations of general application to secured creditors, in particular, the limitations contained in (a) Parts II and III of the Insolvency Act (which set out the powers and duties of administrators, administrative receivers and receivers); (b) Sections 238 to 243 of the Insolvency Act and at Scots common law (which provide for the setting aside (in certain circumstances and, under the Insolvency Act, subject to time limits) of transactions if they are carried out at an "undervalue" or amount to a "preference"); (c) Section 178 of the Insolvency Act (which enables a liquidator of a company to disclaim "onerous property"); (d) Section 186 of the Insolvency Act (which enables a court to make an order rescinding a contract between a person who has contracted with a company that has subsequently gone into liquidation); (e) Section 245 of the Insolvency Act (avoidance of certain floating charges); (f) Section 175 of the Insolvency Act (which provides that certain preferential debts are to be paid in priority to the claims of creditors secured by a floating charge); and (g) Section 423 of the Insolvency Act (whereby any transaction made at an "undervalue" and which has the purpose of putting assets beyond reach of a potential claimant or otherwise prejudicing such a claimant can be set aside).

Part II of the Insolvency Act sets out the circumstances in which a Borrower or its directors or creditors can apply to the Court for an administration order, to regulate the activities of the Borrower during its insolvency. During the period for which the administration order is in force, the affairs, business and property of the Borrower shall be managed by a person appointed for the purpose by the Court and during the period beginning with the presentation of a petition for an administration order and ending with the making of such an order or the dismissal of the petition, no steps may be taken to enforce any security over the Borrower property. Section 15 of the Insolvency Act empowers an administrator, in certain

circumstances, to dispose of property of the Borrower which is subject to a security as if the property were not subject to the security. In such a case the holder of the security has the same priority in respect of any property of the Borrower directly or indirectly representing the property disposed of as he would have had in respect of the property subject to the security. Some of the security may comprise a floating charge granted by a Borrower in favour of Bank of Scotland (although there can be no assurance that the security will include a floating charge or will include a floating charge in favour of Bank of Scotland). A floating charge gives the creditor in whose favour it is granted enhanced control in an enforcement situation, because a court may not appoint an administrator of a Borrower where the court is satisfied that an administrative receiver has been appointed in respect of that Borrower. An "administrative receiver" is defined in the Insolvency Act 1986 as being a receiver or manager of the whole (or substantially the whole) of a company's property appointed by or on behalf of the holders of any debenture of the company secured by a charge which, as created, was a floating charge.

Whilst security may be enforceable, it is not always in the interest of the holder of that security to enforce its rights under that security, whether in whole or in part.

If any security is found to be unenforceable in respect of an Included Advance, the proceeds of the enforcement of such security would not be available to repay the Included Advance with the result that the amounts received in respect of such Included Advance might be less than would otherwise have been anticipated had the security been enforceable and the Receivables Trustee, the Loan Note Issuer, the Issuer and ultimately the Noteholders might suffer a loss.

Further Series Interests

While the principal terms of any Series Interest are specified in the relevant Series Supplement, the provisions of a Series Supplement and, therefore, the terms of a future Series Interest, are not subject to prior review by the existing issuers (or note trustees on behalf of such issuers) who have outstanding debt securities issued on the basis of an existing Series Interest. Such principal terms may include methods for determining applicable investor interest percentages and allocating Collections, provisions creating different or additional security or enhancement, provisions subordinating such Series Interest to another Series Interest in point of payment or other Series Interest (if the Series Supplement relating to such Series Interest so permits) to such Series Interest in point of payment, and any other amendment or supplement to the terms of the Receivables Trust which is made applicable only to such Series Interest. It is a condition precedent to the creation of any further Series Interest that each Rating Agency that has rated any debt securities issued in respect of an existing Series Interest (including the Offered Notes) which remain outstanding, delivers written confirmation to the Receivables Trustee and the relevant issuer (or the note trustee on its behalf) that the creation of such further Series Interest will not result in that Rating Agency reducing or withdrawing its then current rating on such outstanding debt securities.

The Series 2001-2 Supplement provides that the Series 2001-2 Interest shall not be subordinated to any other Series Interest.

Portfolio Considerations

Informations and Investigation

Limited Provision of Information by Bank of Scotland

Certain of the Tagged Eligible Facilities contain confidentiality provisions and as a result Bank of Scotland will not provide the Issuer, the Note Trustee, the Loan Note Issuer, the Loan Note Trustee, the Receivables Trustee or any other third party with information relating to the identification of a Borrower, Tagged Eligible Facility or Included Advance or other information that would lead to the identification of a Borrower, Tagged Eligible Facility or any Included Advance thereunder or copies of financial and other information sent to it pursuant to any Tagged Eligible Facility or notify the Issuer, the Note Trustee, the Loan Note Issuer, the Loan Note Trustee, the Receivables Trustee or any other person of the contents of any notice received by it pursuant to any Tagged Eligible Facility.

Prior to a Power of Attorney Event, all of the beneficiaries of the Corporate Loan Trust, including Bank of Scotland, must consent to any disclosure of the Portfolio Memorandum, and the beneficiaries have acknowledged that Bank of Scotland would be subject to any applicable confidentiality requirements regarding such disclosure. Accordingly, Bank of Scotland will be obliged to provide to the Receivables Trustee a copy of the Portfolio Memorandum only following the occurrence of a Power of Attorney Event

and, where applicable, against delivery to each Borrower of a confidentiality undertaking. Bank of Scotland will provide, to the extent that it is able, to the Receivables Trustee the loan documents and other original records relating to a Tagged Eligible Facility only following a Power of Attorney Event in accordance with the provisions of the Corporate Loan Trust and where the Receivables Trustee requests such information and advises Bank of Scotland that the Originator Power of Attorney will be utilised in relation to Corporate Loan Trust Property related to such Tagged Eligible Facility. In addition, Bank of Scotland will not have any obligation to keep the Issuer, the Note Trustee, the Loan Note Issuer, the Receivables Trustee, the Loan Note Trustee or any other person informed as to matters arising in relation to the Corporate Loan Trust except with respect to certain limited information in respect of a Defaulted Advance which is part of the Corporate Loan Trust Property.

None of the Issuer, the Note Trustee, the Loan Note Issuer, the Receivables Trustee or the Loan Note Trustee shall have any right to inspect any records relating to the Corporate Loan Trust held by Bank of Scotland or its agents, and Bank of Scotland shall be under no obligation to disclose any further information or evidence regarding the existence or terms of any Tagged Eligible Facility or Included Advance or any matters arising in relation thereto or otherwise regarding a Tagged Eligible Facility or Included Advance, guarantor, security provider or other person in relation thereto unless specifically referred to in the operative documents relating to the transactions described herein.

No Independent Investigation

None of the Receivables Trustee, the Loan Note Trustee, the Note Trustee, the Loan Note Issuer or the Issuer has undertaken or will undertake any investigations, searches or other actions to verify the details of the Corporate Loan Trust Property or any Included Advances or to establish the creditworthiness of any Borrower or guarantor or the nature or value of any security other than, in the case of the Issuer, steps to verify certain details of the provisions of the Corporate Loan Trust Deed and constitution of the Corporate Loan Trust. The Receivables Trustee, the Loan Note Trustee, the Note Trustee, the Loan Note Issuer and the Issuer will rely solely on representations given by Bank of Scotland to the Receivables Trustee in relation to the Included Advances, as to whether such advances comply with the Included Advance Criteria and whether facilities constitute Eligible Facilities. Such representations are and will be given by Bank of Scotland only at the time a particular Advance becomes subject to the Corporate Loan Trust (or, in the case of additional Eligible Facilities becoming included in the Portfolio Memorandum, at the time of such addition).

If any representation made by Bank of Scotland in respect of any Included Advance proves to have been incorrect when made, Bank of Scotland will release such Included Advance from the Corporate Loan Trust and reacquire a beneficial interest in that Included Advance by payment to the Receivables Trustee of the Reacquisition Proceeds, being an amount equal to 99 per cent. of the outstanding amount of the relevant Included Advance and that Included Advance will thereafter cease to be Corporate Loan Trust Property and shall be an advance to which Bank of Scotland is solely entitled. The Reacquisition Proceeds payment shall be entirely allocated to the RT Interest and shall be treated by the Receivables Trustee as a Principal Collection in relation to that Included Advance. See "Corporate Loan Trust — Remedy for Breach of Representation".

Administration of Corporate Loan Trust Property

Reliance on Administration of Corporate Loan Trust Property by Bank of Scotland

None of the Issuer, the Loan Note Issuer or the Receivables Trustee has any legal interest in the Included Advances or Tagged Eligible Facilities and the Corporate Loan Trustee will not be, and will not be deemed to be, acting as the agent or trustee of the Issuer in connection with the exercise of, or the failure to exercise, any of the rights or powers of Bank of Scotland arising under or in connection with its holding of any such Tagged Eligible Facilities (although Bank of Scotland will be trustee of the Corporate Loan Trust).

The Receivables Trustee, the Loan Note Issuer and the Issuer will be dependent upon the Corporate Loan Trustee and its servicing activities and the performance of its obligations under the Corporate Loan Trust Deed in order to receive amounts due from Borrowers under Included Advances. Any such Collections in relation to Included Advances are held by the Corporate Loan Trustee in accordance with

the Corporate Loan Trust Deed. However, while such amounts are held in a Collection Account at Bank of Scotland, such amounts are not held subject to any security interest and the Receivables Trustee will accordingly have an unsecured claim against Bank of Scotland in respect of its beneficial interest in Collections then on deposit in the Collection Accounts.

Certain Included Advances have been originated by The British Linen Bank Limited, a wholly owned subsidiary of Bank of Scotland. The British Linen Bank Limited has assigned its beneficial interest in these Included Advances to Bank of Scotland, but remains the lender of record. However, an administration agreement was entered between Bank of Scotland and The British Linen Bank Limited, and a power of attorney granted to Bank of Scotland, to enable Bank of Scotland to administer such Included Advances and the Tagged Eligible Facilities under which they are drawn in the name of The British Linen Bank.

Ability to Change Terms of a Tagged Eligible Facility or Dispose of Eligible Facility

Bank of Scotland may, as lender of record for each Eligible Facility, act with respect to such transactions in the same manner as if Bank of Scotland were acting in its own commercial interests in relation to each Eligible Facility and without regard to whether any such action might have an adverse effect on an Included Advance, the Receivables Trustee, the Loan Note Issuer, the Issuer or the Noteholders or any other person. In particular, Bank of Scotland may, subject to transfer or assignment restrictions in the relevant Eligible Facilities, arrange for the sale or sub-participation of any Included Advance or part thereof which Bank of Scotland would otherwise sell or sub-participate in the ordinary course of the management of its corporate loan portfolio, as if it held the benefit of such Included Advance entirely for its own account, including in circumstances where Bank of Scotland reasonably considers that the credit quality of such Included Advance has declined or has a significant risk of declining.

In such event, the beneficial interest in the relevant Included Advance would, following payment to the Receivables Trustee by Bank of Scotland of the required amount in respect thereof in accordance with the Corporate Loan Trust Deed, be released from the Corporate Loan Trust Property and Bank of Scotland will then immediately on-sell or sub-participate such Included Advance to the relevant third party. The required amount referred to above is the amount equal to 99 per cent. of the amount of proceeds to be received by Bank of Scotland from the relevant third party in relation to the onward sale or sub-participation. In the event that the relevant Eligible Facility is sold or sub-participated for less than the amount outstanding, such proceeds would be a *pro rata* proportion of the total proceeds in relation to the onward sale or sub-participation of the relevant Eligible Facility (calculated by reference to the amount which the relevant Included Advance bears to all advances outstanding under the relevant Eligible Facility which are the subject of the sale or sub-participation). The removal of a beneficial interest in an Included Advance from the Corporate Loan Trust will be permitted only in circumstances where there has been a breach of representation such that the Corporate Loan Trust Deed requires Bank of Scotland to re-acquire a beneficial interest in such Included Advance or in the circumstances described above where the Included Advance is to be sold or sub-participated to a third party immediately following removal of a beneficial interest therein from the Corporate Loan Trust.

Proceeds of an onward sale or sub-participation will be treated by the Receivables Trustee in the same way as Reacquisition Proceeds and will be utilised as a Principal Collection in relation to the relevant Included Advance and shall be paid to the Receivables Trustee Principal Collections Account. The shortfall, if any, between the principal amount of the relevant Included Advances and the aggregate amount received as sale proceeds in respect thereof (treated for such purposes as Reacquisition Proceeds) will be treated as a Default Amount.

Syndicated Loan Facilities

A number of the Included Advances are drawn under Tagged Eligible Facilities which are syndicated or which have multiple lenders, in respect of which the exercise of remedies and the taking of other actions against Borrowers (including the granting of amendments and waivers) may be subject to the vote of a certain percentage of the lenders thereunder (measured by the amount of outstanding Advances or commitments). In respect of certain of the Tagged Eligible Facilities, Bank of Scotland may not have a sufficient interest to direct compliance by the Borrower with the terms of the Tagged Eligible Facility, to object to certain changes to the applicable Tagged Eligible Facility that may be agreed to by the other lenders or to require the enforcement of the Tagged Eligible Facility or any related security. In addition, a

bank other than Bank of Scotland may act as agent for the lenders. In such cases, Bank of Scotland is dependent upon the actions taken by the agent for the lenders as well as other lenders in enforcing the terms of the relevant Tagged Eligible Facility against the relevant Borrowers. Under syndicated loans in which a bank other than Bank of Scotland acts as agent for the lenders, Bank of Scotland in most circumstances will not have the ability to take enforcement actions directly against the Borrower under the Tagged Eligible Facility without the involvement of the agent, and accordingly the ability of the Receivables Trustee (or its Authorised Delegate) to take enforcement actions directly against such Borrower will be similarly limited in the event that it takes action under the Originator Power of Attorney. See "High Risk, Non-Performing Assets and Write-Off Procedures".

Collectability of Advances

The collectability of the Included Advances is subject to credit risks and will generally fluctuate in response to, among other things, general economic conditions, the financial conditions of Borrowers and related factors. Tagged Eligible Facilities included in the Portfolio Memorandum which comply with the Eligible Facility Criteria on the Cut-Off Date (or at the time they become included in the Portfolio Memorandum) but which subsequently cease to comply with the Eligible Facility Criteria will not be removed from the Portfolio Memorandum and advances thereunder which are Corporate Loan Trust Property will not cease to be Corporate Loan Trust Property. To the extent that a loss is suffered in relation to any Included Advance, there may be insufficient funds available to the Issuer to enable the Issuer to meet payments to Noteholders in full and the Noteholders may suffer a loss. See "Bank of Scotland and Bank of Scotland's Credit Policies and Procedures".

Continued Relationship of Bank of Scotland with Borrowers under Advances and Conflicts of Interest

Bank of Scotland and its affiliates may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business transactions with, any existing or future Borrower or its affiliates. Bank of Scotland and its affiliates may have entered into and may from time to time enter into business transactions with Borrowers or their respective affiliates and may or may not hold other obligations of or have business relationships with any existing Borrower or its affiliates. Such obligations or relationships may or may not comprise Tagged Eligible Facilities.

Various potential and actual conflicts of interest may arise from the activities of Bank of Scotland and/or its affiliates in connection with the transactions contemplated by this Offering Circular. Among other things, Bank of Scotland and/or its affiliates may have other loans, equity positions or other relationships with Borrowers or their affiliates as outlined above. These loans, equity positions and other relationships may give rise to interests that are different from or adverse to the interests of the Noteholders. There are no restrictions in the relevant agreements on such loans or relationships and Bank of Scotland shall not be obliged to have regard for the interests of the Receivables Trustee, the Loan Note Issuer, the Issuer or the Noteholders in its business transactions with Borrowers or their affiliates.

Payments and Maturity, Concentrations in Portfolio and Commercial Lending Competition

The expected life of the Notes will in part be dependent upon Bank of Scotland's continued ability to generate new Included Advances, which may in part depend upon Bank of Scotland's continued ability to compete in the highly competitive U.K. commercial lending business. If Borrowers choose to utilise competing sources of credit to prepay outstanding Included Advances, the rate at which Included Advances are repaid or commitments under Eligible Facilities are cancelled may be increased. If Bank of Scotland is unable to designate additional Eligible Facilities, or the rate at which Included Advances are drawn declines significantly, this could have an adverse effect on industry and Borrower concentrations in the Corporate Loan Trust Property. Moreover, if the rate at which new Included Advances are generated declines significantly or if Bank of Scotland does not designate additional Eligible Facilities (under which additional Included Advances are drawn), a Series Pay Out Event could occur, in which case the Termination Period would commence. See "Maturity Assumptions in relation to the Series 2001-2 Interest". Bank of Scotland's policies in relation to extension and maintenance of credit to corporate customers may also be impacted by the proposed changes to the Basle Accord. See "—Proposed Changes to the Basle Accord and the Risk Weighted Asset Framework" discussed below. The Noteholders of each class of Notes may receive repayment of principal earlier than the Scheduled Maturity Date in the event of the occurrence of a Pay Out Event and the commencement of the Termination Period.

Considerations in relation to the Notes

Limited Liquidity of the Notes

The Notes constitute a new issue of securities and there is no existing market for the Notes. The Managers have advised the Issuer that the Managers presently intend to make a market in the Notes as permitted by applicable law. The Managers are not obliged, however, to make a market in the Notes and any such market making may be discontinued at any time at the sole discretion of the Managers. Accordingly, there can be no assurance that a secondary market for any of the Notes will develop, or if a secondary market does develop, that it will provide holders of the Notes with liquidity or that it will continue for the life of the Notes. Consequently, any purchaser of the Notes must be prepared to hold such Notes until final redemption. See "Transfer Restrictions and Investor Representations".

Certain Tax Considerations

No Gross up on the Notes in the Event of Withholding Tax

In the event that any withholding or deduction for any taxes, levies, duties, imposts, assessments or charges of whatsoever nature is imposed, levied, collected, withheld or assessed on payments of principal or interest in respect of the Notes by the United Kingdom or any political subdivision thereof or any supra-national entity to which the United Kingdom belongs or any authority in or of such jurisdiction, or by any other jurisdiction or authority, neither the Issuer nor any Paying Agent (as defined below) will be required to make any additional payments to holders of the Notes in respect of such withholding or deduction.

Proposed European Withholding Tax Directive

In November 2000 the European Council confirmed proposals to proceed with a new EU Directive on the taxation of savings income, which is designed to secure that at least a minimum effective rate of tax is paid on all interest and similar savings income earned by residents of EU member states. The Directive is intended to come into effect in 2003. The key features of the proposed Directive are:

- Where a "paying agent" established in any EU member state makes payments of interest, discount or premium to an individual resident in another member state, the tax authorities of the paying agent's member state will be required to supply details of the payment to the tax authorities of the other member state. For these purposes, the term "paying agent" is widely defined to include both the principal obligor under a debt obligation; a paying agent in the normal sense of that term; and an agent who collects interest, discounts or premiums on behalf of an individual beneficially entitled thereto.
- During a transitional period of not more than seven years from the coming into effect of the Directive, certain member states (expected to be confined to Austria, Belgium and Luxembourg, and possibly Greece and Portugal) may, instead of supplying information on savings income to the tax authorities of other member states, operate a withholding tax. In such cases "paying agents" established in the relevant member states must withhold tax from any interest, discount or premium paid to an individual resident in another member state. The withholding tax will be levied at a rate of 15 per cent. during the first three years of the transitional period, and at a rate of 20 per cent. during the remaining four years.
- Eurobonds and other negotiable debt securities which are issued before 1 March 2001, or under a prospectus issued before that date, will be exempt from the withholding tax provisions of the Directive even if interest, discounts or premiums on such securities are paid through a "paying agent" established in a member state which adopts the transitional withholding tax regime. Securities issued on or after 1 March 2001, or under a prospectus issued after that date, will be fully within the scope of the Directive when it comes into force.

It is expected that the Directive, which can be adopted only by unanimous agreement amongst the member states, will also be conditional on the adoption of equivalent measures in third countries with significant financial centres (including the USA and Switzerland) and independent or associated territories of certain of the EU member states.

Pending agreement on the precise text of the Directive, it is not possible to say what effect, if any, the adoption of the Directive would have on the Notes or payments in respect thereof.

Change of Tax Law

The statements in relation to United Kingdom and United States taxation set out in this Offering Circular, including under the section entitled "Taxation", are based upon current law and the practice of the Inland Revenue, H.M. Customs & Excise, the Internal Revenue Service, the Department of Labor and other relevant authorities in force or applied in the United Kingdom or, as the case may be, the United States at the date of this Offering Circular. If there were changes in such law or practice, there might be a material adverse effect on the financial position of the Issuer, the Loan Note Issuer, the Receivables Trustee or the Corporate Loan Trustee.

Subordination and Deferral

The Notes are divided into classes and payments of interest and principal on the Notes will be made in accordance with the priorities designated for each class of Notes under the terms of the Trust Deed and the Issuer Deed of Charge (which will include payments in relation to the Currency Swap Agreement). For example, payments of interest on the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will be subordinated in priority of payment to the payments of interest on the Class A Notes. Payments of principal with respect to a class of Notes which is subordinated to one or more other classes of Notes will not begin until after the final principal payment in respect of the class or classes of Notes to which it is subordinated. In addition, if Interest Collections are not sufficient to make interest payments due and owing on the Offered Notes on any Interest Payment Date, amounts standing to the credit of the Series 2001-2 ledger of the Reserve Account and, subject to a maximum level, the Series 2001-2 ledger of the Principal Funding Account are available to the Loan Note Issuer to make up such interest payments on the Series 2001-2 Loan Note, and thereby enhance the payment of interest on the Offered Notes. In the event that the amounts standing to the credit of the Series 2001-2 ledger of the Reserve Account and the amounts standing to the credit of the Series 2001-2 ledger of the Principal Funding Account have been exhausted, there may not be funds available to make up interest due on the Offered Notes, which may be deferred first on the Class D Notes, then on the Class C Notes and ultimately on the Class B Notes. Interest on the Class A Notes will not be deferred. The Class E Notes do not have the benefit of amounts standing to the credit of the Series 2001-2 ledger of the Reserve Account or the Series 2001-2 ledger of the Principal Funding Account with regard to interest payment. Such subordination may reduce the portion of Interest Collections available to pay interest in respect of Notes subordinated to another class or classes of Notes in future periods and may result in a failure to pay interest or principal on such subordinated Notes in full or at all.

European Monetary Union

It is possible that, prior to the Final Maturity Date, the United Kingdom may become a participating Member State in Economic and Monetary Union and that the euro may become the lawful currency of the United Kingdom. If, as described above, the euro becomes the lawful currency of the United Kingdom, there would likely be a transition period whereby both sterling and the euro would be lawful denominations of the currency of the United Kingdom. During such a transition period, Borrowers may utilise their non-sterling facilities to a greater extent than they had prior to such period or may renegotiate their facilities to add a euro option. Depending upon the level of Borrowers' utilisation of these facilities, the number of new Included Advances created for inclusion in the Corporate Loan Trust may occur at a lower rate than had been previously assumed. In addition, (i) all amounts payable in respect of the Notes that would otherwise have been payable in sterling may become payable in euros; and (ii) applicable provisions of law may allow the Issuer to re-denominate any Notes denominated in sterling in euros and take additional measures in respect of the Notes. If the Notes are outstanding at a time when the euro becomes the lawful currency of the United Kingdom, the Issuer intends to make payment on the Notes in accordance with the then market practice of payment on such debts. It cannot be said with certainty what effect, if any, the adoption of the euro by the United Kingdom will have on investors in the Notes.

Rating

Any rating assigned to the Notes by a Rating Agency reflects such Rating Agency's assessment of the likelihood that the Noteholders of such Notes will receive the payments of the interest and principal required to be made under the Trust Deed and will be based primarily on the quality of the Included

Advances, the amount standing to the credit of the Series 2001-2 ledger of the Reserve Account, the terms of the subordinated classes and in part on the credit rating of the Currency Swap Counterparty, the Basis Swap Counterparty and the Account Bank, and the terms of the Currency Swap Agreement and the Basis Swap Agreement. The rating is not a recommendation to purchase, hold or sell the Notes, and nor does it provide any assurance as to market price or suitability for a particular investor. There is no assurance that any rating will remain for any given period of time or that any rating will not be revised, suspended or withdrawn entirely by a Rating Agency if in such Rating Agency's judgment circumstances so warrant.

The Managers will request ratings of each class of Notes other than the Class E Notes by the Rating Agencies. There can be no assurance whether any rating agency not requested to rate the Notes will nonetheless issue a rating with respect to the Notes or any class thereof, and, if so, what such rating would be. A rating assigned to the Notes or to any class thereof by a rating agency that has not been requested to do so by the Managers may be lower than the rating assigned by a Rating Agency pursuant to the Managers' request.

Proposed Changes to the Basel Accord and the Risk Weighted Asset Framework

The Basel Committee on Banking Supervision has issued proposals for reform of the 1988 Capital Accord and has proposed a framework which places enhanced emphasis on market discipline. The consultation period on the initial proposals ended in March 2000 and the Committee published its second consultation document, the "New Basel Capital Accord" on 16 January 2001. The consultation period on the further proposals contained in the New Basel Capital Accord will end on 31 May 2001 and the finalised policy is scheduled for publication at the end of 2001, for implementation from 2004. If adopted in their current form, the proposals could impact upon Bank of Scotland's capital treatment of the Tagged Eligible Facilities on its books and could cause Bank of Scotland to re-examine its policies regarding extension and maintenance of credit to its corporate customers. If adopted in their current form, the proposals could also affect risk weighting of the Notes in respect of certain investors if those investors are regulated in a manner which will be affected by the proposals. Consequently, each investor should consult its own advisers as to the consequences to and effect on such investor of the potential application of the New Basel Capital Accord proposals. It is not possible to predict the precise effects of potential changes which might result if the proposals were adopted in their current form.

CORPORATE LOAN TRUST

Corporate Loan Trust Property and Declaration of Corporate Loan Trust

Bank of Scotland will, pursuant to the Corporate Loan Trust Deed, declare the Corporate Loan Trust on or prior to the Issue Date and will, subsequent to such declaration, act as Corporate Loan Trustee under the Corporate Loan Trust.

The beneficial interest of the Receivables Trustee under the Corporate Loan Trust is referred to as the "RT Interest" and is a fixed undivided 99 per cent. interest in the Corporate Loan Trust Property. The beneficial interest of Bank of Scotland under the Corporate Loan Trust is referred to herein as the "Originator Interest" and is a fixed undivided 1 per cent. interest in the Corporate Loan Trust Property. In consideration for the RT Interest, the Receivables Trustee: (1) will pay to Bank of Scotland on the Issue Date the proceeds received by the Receivables Trustee from the Loan Note Issuer in respect of the creation of the Investor Interest, (2) will agree to pay to Bank of Scotland amounts representing Additional Trust Consideration paid to the Receivables Trustee by the Loan Note Issuer and (3) will agree to pay Bank of Scotland on each subsequent Payment Date certain amounts (the "Corporate Loan Trust Deferred Consideration") in accordance with the Corporate Loan Trust Deed (and being amounts available to the Receivables Trustee following satisfaction of amounts owing to it in relation to the Investor Interest (including amounts calculated in relation to the Series 2001-2 Interest)).

The Issuer's ability to meet its obligations to pay, among other things, amounts in respect of the Notes will depend on its receipt of payments from the Loan Note Issuer in respect of the Series 2001-2 Loan Note. The Loan Note Issuer's receipt of funds to meet its payment obligations in respect of, among other things, the Series 2001-2 Loan Note will depend on, among other things:

(a) payments actually being made by Borrowers in respect of Included Advances (from whom no security has necessarily been taken in the support of those payments (see "Risk Factors and Investment Considerations — Security" above));

(b) payments actually being made in respect of any relevant guarantees in respect of such Borrowers (to the extent that these are capable of inclusion as part of the Corporate Loan Trust Property and are in turn allocated to the RT Interest);

(c) those payments being collected by Bank of Scotland in its capacity as Corporate Loan Trustee in accordance with the terms of the Corporate Loan Trust;

(d) those payments being allocated to the RT Interest and distributed to the Receivables Trustee;

(e) such distributions being allocated to the Investor Interest and then being calculated as being referable to the Series 2001-2 Interest; and

(f) such amounts being paid to the Loan Note Issuer by the Receivables Trustee in accordance with the terms of the Receivables Trust.

Bank of Scotland, as Corporate Loan Trustee, will collect: (1) all payments of interest (including any increase in or element of such interest relating to mandatory costs, the relevant proportion of the proceeds of any guarantees or security relating to such payments of interest, but not including any commitment fee, undrawn commitment fee, facility entry fee, agency fee, administration fee or any other fee or any amount payable as a consequence of the repayment or prepayment of an Included Advance) in relation to Included Advances (collectively, "Interest Collections"); (2) all principal repayments in relation to Included Advances (including, without limitation, the relevant proportion of the proceeds of any guarantees or security relating to such principal repayments) (collectively, "Principal Collections"); (3) the proceeds of any re-acquisition by the Corporate Loan Trustee interest in an Included Advance for breach of warranty or otherwise or any sale or sub-participation of an Included Advance to a third party ("Reacquisition Proceeds"); and (4) recoveries ("Recoveries") of unpaid Principal Collections realised in relation to any Defaulted Advance (as defined herein). Together, Interest Collections, Principal Collections and Reacquisition Proceeds and Recoveries are called "Collections".

Under the Corporate Loan Trust, Bank of Scotland will hold on trust for itself and the Receivables Trustee (both of whom shall be absolutely entitled as against the Corporate Loan Trustee) the following property (the "Corporate Loan Trust Property"):

(a) all right, title and interest, present and future, in, to and under (1) all Included Advances, being all advances which are, at the time of drawing or at the time the relevant Tagged Eligible Facility is included in the Portfolio Memorandum, Included Advances drawn by the Borrowers under those Tagged Eligible Facilities identified in the Portfolio Memorandum from time to time (which, on the Issue Date, comprise those Tagged Eligible Facilities and Borrowers identified on the Portfolio Memorandum on 22nd February 2001 (the "Cut-Off Date")), (2) all Mini New Loans (as defined under "Hedged Currency/non-UK Rollover Advances") and (3) all HCRAs in respect of which there is at any time no Mini New Loan;

(b) all monies due or to become due in payment of such Included Advances, comprising accrued and unpaid Interest Collections, accrued and unpaid Principal Collections, Recoveries and Reacquisition Proceeds;

(c) all monies relating to any Collections received by the Corporate Loan Trustee (whether on deposit in any Collection Account or otherwise) and income, if any, earned on such monies;

(d) all of Bank of Scotland's right, title and interest, present and future, in, to and under the Tagged Eligible Facilities to the extent related to the Included Advances and capable of being the subject of the Corporate Loan Trust (including, without limitation, rights in respect of any insurance, guarantee, security or collateral relating thereto and rights to direct the agent thereunder to exercise certain powers in relation to any syndicated Tagged Eligible Facility).

Identifying Eligible Facilities

The Portfolio Memorandum is a computer stored list of the designated and identified Tagged Eligible Facilities and Borrowers (which will be printed monthly to generate a list of the facility numbers relative to the Tagged Eligible Facilities). In accordance with the timing and procedures set out in the Corporate Loan Trust Deed, Bank of Scotland may from time to time add to the list of Tagged Eligible Facilities and Borrowers set forth in the Portfolio Memorandum by electronically identifying additional facilities which comply with the Eligible Facility Criteria and by fulfilling certain other requirements set forth in the Corporate Loan Trust Deed including, with respect to Eligible Facilities governed by Scots Law, the execution of a declaration of trust in respect thereof. The Corporate Loan Trustee shall maintain the Portfolio Memorandum and shall identify (in printed form) those Tagged Eligible Facilities which form part of the Portfolio Memorandum and the related Borrowers.

Included Advances and Corporate Loan Trust Property

All present and future Eligible Advances drawn by Borrowers under Tagged Eligible Facilities will initially comprise Corporate Loan Trust Property although any such Eligible Advance will cease to be Corporate Loan Trust Property if (i) a beneficial interest therein is subsequently re-acquired by Bank of Scotland and released from the Corporate Loan Trust for breach of representation (as further described below), (ii) such Eligible Advance does not, at the time of inclusion in the Corporate Loan Trust, comply with the Included Advance Criteria, or (iii) if it is sold or sub-participated to a third party by Bank of Scotland. Provided that an advance drawn under a Tagged Eligible Facility is by its attributes an Included Advance, it will, immediately upon the making of such advance by Bank of Scotland, form part of the Corporate Loan Trust Property and be available to be funded by the Investor Interest. Bank of Scotland will also be required to keep a current electronic record of all Included Advances which comprise Corporate Loan Trust Property. However, the Corporate Loan Trust Property's composition will not depend upon (and nor will the definition of the trust be reliant upon) the identification by electronic means of the relevant Included Advances. The relevant Included Advance will form part of the Corporate Loan Trust Property based upon the Included Advance Criteria and the terms of the declaration of the Corporate Loan Trust. Future Included Advances will similarly become subject to the Corporate Loan Trust immediately following drawing and will accordingly, to the extent that they comprise Included Advances within the Investor Interest, not comprise part of the insolvent estate of Bank of Scotland.

Representations and Warranties of Bank of Scotland

Pursuant to the Corporate Loan Trust Deed, Bank of Scotland will make certain representations and warranties to the Receivables Trustee in respect of the Included Advances as at the Issue Date and on each date on which a new Included Advance becomes the subject of the Corporate Loan Trust, but then only in respect of such new Included Advance, including the following:

(a) the advances which Bank of Scotland identifies on its systems as being Included Advances shall comply, at the time of drawing (or, if later, at the time the relevant Tagged Eligible Facility becomes the subject of the Corporate Loan Trust), with the Included Advance Criteria or are Mini New Loans;

(b) Bank of Scotland is (a) in respect of each Included Advance which becomes subject to the Corporate Loan Trust on the Issue Date or on the date on which the relevant Tagged Eligible Facility becomes subject to the Corporate Loan Trust, the legal (other than with respect to Tagged Eligible Facilities governed by English law entered into by its wholly-owned subsidiary, British Linen Bank Limited) and (immediately prior to its forming part of the Corporate Loan Trust Property) beneficial owner of such Included Advance and (b) in respect of each Included Advance which is drawn under a Tagged Eligible Facility which is already subject to the Corporate Loan Trust, would be beneficial owner of such Included Advance but for its inclusion in the Corporate Loan Trust Property and in each case no encumbrance has been created or permitted to subsist by Bank of Scotland over all or any of the Included Advances (other than in accordance with the Corporate Loan Trust Deed, the Originator Power of Attorney or the other documents and agreements entered into in connection with the transactions contemplated by the Corporate Loan Trust Deed);

(c) (except in respect of a Mini New Loan) no Borrower is a subsidiary of Bank of Scotland, within the meaning of section 736 of the Companies Act 1985;

(d) Bank of Scotland has not waived any Borrower's payment obligations under any Included Advance, other than the waiver of payment obligations to which a reasonably prudent lender would have agreed or consented;

(e) any:

   (i) payments or receipts by Bank of Scotland under the Corporate Loan Trust Deed; and

   (ii) payments by any Borrower in connection with any Included Advances,

   notwithstanding the entry by Bank of Scotland into the Corporate Loan Trust Deed, may be made free and clear of, and without withholding or deduction for or on account of, any taxes, levies, duties, imposts, assessments or charges of whatsoever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political subdivision thereof or any supra-national entity to which the United Kingdom belongs or any authority in or of any such jurisdiction having power to tax;

(f) information relating to the Corporate Loan Trust Property in the Offering Circular is, to the best of Bank of Scotland's knowledge and belief, true and accurate in all material respects;

(g) Bank of Scotland has in all material respects kept proper accounts, books and records in respect of each Tagged Eligible Facility, which are in Bank of Scotland's possession or held to its order;

(h) there has been no default by Bank of Scotland under any Tagged Eligible Facility, the effect of which on its own or when aggregated with all other defaults by Bank of Scotland under that or any other Tagged Eligible Facility, would have a material adverse effect on the Corporate Loan Trust Property;

(i) each Included Advance is an obligation of the relevant Borrower which ranks at least *pari passu* with the unsecured and unsubordinated obligations of that Borrower (except for obligations which are mandatorily preferred by law applying to creditors rights generally);

(j) if the facility documentation in relation to an Included Advance indicates that such Included Advance is secured by fixed security over tangible assets of the relevant Borrower or floating security over all or substantially all of the assets of the relevant Borrower (for the purposes of paragraphs (j), (k) and (l), "Security"), such Security was taken in consultation with external lawyers or in accordance with

Bank of Scotland's internal documentation procedures in relation to such Security and the related security documentation is capable of being identified (and is maintained in a location ascertainable) by reference to the relevant facility documentation and/or Bank of Scotland's own records;

(k) the Security is legal, valid, binding and enforceable, subject only to (a) applicable bankruptcy, insolvency, reorganisation, moratorium, receivership, conservatorship or similar laws affecting the enforcement of rights of creditors generally (other than with respect to requirements for the registration of such Security), and (b) the effect of general principles of equity or analogous principles;

(l) Bank of Scotland has not received any notice of any invalidity or challenge to or proceedings in relation to any of the Security and, as far as Bank of Scotland is aware, there are no subsisting, pending or threatened proceedings involving the Security which would reasonably be expected to affect the legality, validity or enforceability of the Security; and

(m) the Tagged Eligible Facility under which each Included Advance is drawn contains no transfer restriction which would be breached by the inclusion as Corporate Loan Trust Property of a beneficial interest in that Included Advance in accordance with the Corporate Loan Trust Deed.

Remedy for Breach of Representation

If an advance is found not to have complied with a representation made at the time such advance becomes Corporate Loan Trust Property, Bank of Scotland will be required to re-acquire the beneficial interest in that advance and it will, following such re-acquisition (and payment of the required consideration therefor to the Corporate Loan Trustee), no longer be held on trust as Corporate Loan Trust Property and will be electronically identified by Bank of Scotland as no longer comprising Corporate Loan Trust Property. On any subsequent business day, Bank of Scotland as Corporate Loan Trustee may determine that the beneficial interest in such advance is eligible to be re-acquired as Corporate Loan Trust Property (on the basis that it now meets all required representations), in which case it will subsequently become an Included Advance (and Additional Trust Consideration (as defined herein) would be required to be paid in respect of it).

Servicing Covenant

Bank of Scotland will be required as Corporate Loan Trustee to administer the Included Advances in accordance with its customary and usual servicing procedures for servicing loan facility receivables comparable to the Included Advances and in accordance with the terms of the Corporate Loan Trust. Subject to the foregoing, Bank of Scotland has full power and authority, acting alone or through any party properly designated by it, to do any and all things in connection with the servicing and administration of the Included Advances as it may deem necessary or desirable, subject always to the requirement that Bank of Scotland act in a manner consistent with its ordinary business practices. See "Bank of Scotland and Bank of Scotland's Credit Policies and Procedures".

Originator Power of Attorney

Bank of Scotland will, in connection with the creation of the Corporate Loan Trust, grant to the Receivables Trustee the Originator Power of Attorney to permit the Receivables Trustee, upon the occurrence of certain Power of Attorney Events described below, to take certain actions in the name of the Corporate Loan Trustee to ensure the performance by the Corporate Loan Trustee of its obligations under the Corporate Loan Trust Deed, including its covenants to enforce rights under the Tagged Eligible Facilities in relation to Included Advances and to collect repayments in respect of the Included Advances in the ordinary course of its business and remit the proceeds relating to the RT Interest to the Receivables Trustee.

A "Power of Attorney Event" means:

(1) Bank of Scotland shall, unless it has received written confirmation from each Rating Agency that such action will not result in the withdrawal or reduction of its then current rating of any debt securities (including the Notes) secured, directly or indirectly, on the Investor Interest, consent or take any corporate action in relation to the appointment of a receiver, administrator, administrative receiver, provisional liquidator, liquidator, trustee in sequestration, judicial factor or similar officer of

it, relating to all or substantially all of its revenues and assets or an order of the court is made for its sequestration, winding up, dissolution, administration or insolvent re-organisation or a receiver, administrator, administrative receiver, provisional liquidator, liquidator, trustee in sequestration, judicial factor or similar officer of it, relating to all or substantially all of its revenues and assets is appointed.

(2) A member of the board of directors of Bank of Scotland shall admit in writing that Bank of Scotland is unable to pay its debts as they fall due or Bank of Scotland makes a general assignment, assignation or trust for the benefit of or a scheme, arrangement or composition with its creditors or voluntarily suspends payment of its obligations with a view to the general readjustment or rescheduling of its indebtedness.

(3) Bank of Scotland is in breach of its obligations to enforce the terms of any Tagged Eligible Facility pursuant to the provisions of the Corporate Loan Trust Deed, provided that (a) such breach has continued unremedied for 60 days after the date on which written notice of such breach, requiring the same to be remedied, shall have been given to the Corporate Loan Trustee and (b) the Receivables Trustee certifies to the Corporate Loan Trustee that it is satisfied that such breach continues to be materially prejudicial to the interests of the Receivables Trustee as holder of the RT Interest.

There will be three areas of action covered by the Originator Power of Attorney:

(1) Actions enforcing a change of the Collection Accounts arrangement in relation to Borrowers following a Power of Attorney Event and the Receivables Trustee will be required to conduct such actions and shall not be required to seek any further consent or authorisation from the Bank of Scotland (in any capacity) or the Loan Note Issuer to conduct such actions.

(2) Taking action against Borrowers in the name of the Corporate Loan Trustee following a Power of Attorney Event. The Receivables Trustee will be required to take action against the relevant Borrower under the Originator Power of Attorney to collect the relevant Included Advance, whether by enforcement of the terms of the Tagged Eligible Facility or otherwise. The Receivables Trustee may, if the Receivables Trustee considers it to be within the interests of the beneficiaries of the Receivables Trust to do so and without any further consent or authorisation from any of Bank of Scotland (in any capacity) or the Loan Note Issuer, take any such course of action as the Receivables Trustee considers to be desirable in relation to the collection, sale or analogous action in relation to such Included Advance, Tagged Eligible Facility or Borrower.

(3) Actions which involve matters fundamental to the constitution of the Corporate Loan Trust or allocation of Corporate Loan Trust Property, where the Receivables Trustee may take such actions as are required, provided any such actions are not materially prejudicial to the interests of Bank of Scotland or the Loan Note Issuer as beneficiaries of the Receivables Trust. The Receivables Trustee shall be entitled to assume that the matter will not be materially prejudicial to the interests of Bank of Scotland or the Loan Note Issuer if the matter would not adversely affect the then current rating of the Notes and any other outstanding rated debt issued by any other Series Issuer on the security of loan notes issued by the Loan Note Issuer.

The terms of the Originator Power of Attorney shall permit appointment of a delegate for the Receivables Trustee in relation to the Originator Power of Attorney and the actions of the Receivables Trustee in respect thereof (as set out above). On the Issue Date, the Receivables Trustee shall enter into a delegation arrangement (the "Delegation Agreement") in relation to the Originator Power of Attorney whereby the Receivables Trustee will delegate its duties and powers under the Originator Power of Attorney to Citibank, N.A., London branch (the "Authorised Delegate") on the terms set out in the Delegation Agreement and summarised in this paragraph. Under the terms of the Receivables Trust and Series 2001-2 Supplement, Bank of Scotland and the Loan Note Issuer as the beneficiaries of the Receivables Trust shall consent to such delegation. This delegation shall not relieve the Receivables Trustee of its fiduciary duties to collect in and to preserve Receivables Trust Property on behalf of the beneficiaries. The Authorised Delegate shall be permitted to, and it is intended that it will, sub-delegate its duties under its delegation to a permitted sub-delegate. The Authorised Delegate shall be obliged to use reasonable endeavours to procure the appointment of a suitable sub-delegate in accordance with the delegation agreement. In the event that the appointment of such suitable sub-delegate is made, the Authorised Delegate shall not be obliged to monitor or supervise the performance of the relevant duties by such sub-

delegate and shall not be responsible for any act or omission of such sub-delegate or for any loss caused thereby. The Authorised Delegate shall assume, until it receives notice of the occurrence of a Power of Attorney Event, that no Power of Attorney Event has occurred and until such time is not entitled to take any action under the Delegation Agreement or the Originator Power of Attorney.

In certain limited circumstances, the Receivables Trustee (or its Authorised Delegate) may seek directions from the Loan Note Issuer, which will itself seek instructions from the Issuer and any other Series Issuer holding a loan note issued by the Loan Note Issuer, in relation to actions to be taken under the Originator Power of Attorney. In such circumstances, the terms of the relevant Series Supplements (including the Series 2001-2 Supplement) will provide for voting based upon the then principal amount outstanding of all of the loan notes issued by the Loan Note Issuer (including the Series 2001-2 Loan Note). In such circumstances, governing votes will be based upon the principal amounts outstanding of the loan notes and the result might not be the same as would otherwise be the case if a single Series Issuer were voting alone. If one Series Issuer were voting alone, generally a vote of one class of notes (including the Notes) issued by such Series Issuer would prevail based upon the voting provisions of such notes (including the Notes); however, if more than one Series Issuer is voting, despite the fact that a class of notes (including the Notes) would prevail in respect of an individual Series Issuer, the aggregate of all noteholders (including the Noteholders) voting across all Series Issuers may result in that class of notes (including the Notes) being outvoted.

Eligibility Criteria relating to Loan Facilities

The facilities included in the Corporate Loan Trust, at the time they become listed in the Portfolio Memorandum (as the same may be supplemented from time to time), must fulfil the Eligible Facility Criteria which are set forth under the Corporate Loan Trust Deed. A facility will be an Eligible Facility if on the date such facility is added to the Portfolio Memorandum:

(a) it is a revolving or term corporate credit facility (not a finance lease, project finance, overdraft, foreign exchange, BACS, acceptance, limited recourse, loan note or guarantee facility) documented by a facility agreement to which Bank of Scotland and a Borrower thereunder are parties;

(b) the relevant Borrower(s) under the facility has or have been accorded a rating of at least 22.51 or its equivalent (the ''Required Grade'') in accordance with the borrower grading system utilised by Bank of Scotland for the purposes of this transaction (currently CRS);

(c) it provides for repayment of all outstanding advances under such facility by a maturity date which is no later than the scheduled maturity date of the last maturing debt securities which are secured directly or indirectly upon the Receivables Trust Property;

(d) no advance under such facility is a Defaulted Advance or would have been a Defaulted Advance (as defined below) over the twelve months prior to inclusion in the Corporate Loan Trust;

(e) the related facility agreement provides for cash repayments that fully amortise the outstanding balance of any advances under the facility by its maturity date and does not provide for such outstanding balance to be discounted pursuant to a prepayment in full;

(f) at least one Borrower permitted by the relevant facility agreement to draw advances under that facility is a corporate entity incorporated in England and Wales or Scotland who is not a sovereign or government or an agent, department, instrumentality or political subdivision of any sovereign or government;

(g) no Borrower in respect of such facility has been in Bank of Scotland's ''high risk category'' during the preceding twelve months;

(h) it was created, in all material respects, in accordance with all applicable laws (and all material consents, licences, approvals, authorisations, registrations or declarations required to be obtained, effected or given by Bank of Scotland in connection with the creation of the facility were obtained, effected or given and are in full force and effect);

(i) it has not been satisfied or rescinded;

(j) it is governed by English or Scots law;

(k) financial information in respect of at least 12 months is available with respect to the relevant Borrower (or, if such Borrower is treated by Bank of Scotland as being a member of a group, with respect to the group); and

(l) either (i) the related facility agreement contains a waiver of rights of set-off by the Borrower thereunder or (ii) the absence of such a waiver has been taken into account in the calculation of the Minimum Transferor Interest.

Criteria for Included Advances

An advance will be an ''Eligible Advance'' if it complies with the following criteria (the ''Eligible Advance Criteria''):

(a) it is made by a bank (as such term is utilised for purposes of Section 349(3)(a) under the Income and Corporation Taxes Act 1988) pursuant to a Tagged Eligible Facility;

(b) it is denominated and payable in sterling in the United Kingdom and there is no unilateral ability on the part of the relevant Borrower to change the currency in which or country in which such advance is repayable;

(c) interest will be paid on such advance at intervals of not more than 6 months (subject to any adjustment to ensure that interest payments are made on business days in accordance with the applicable business day convention for such advance), unless the lender(s) in respect of the relevant Tagged Eligible Facility otherwise agree;

(d) the relevant Borrower in relation to the advance is incorporated in one of England and Wales or Scotland;

(e) it is for a fixed period of at least 5 days;

(f) it carries no right of conversion into shares or other securities, or to the acquisition of shares or other securities;

(g) it does not carry, and has not at any earlier time carried, a right to interest which falls or has fallen to be determined to any extent by reference to the results of, or any part of, a business or to the value of any property, except for a right of interest which reduces in the event that the results of a business or part of a business improve, or the value of any property increases, or which increases in the event of the results of a business or part of a business deteriorating or the value of any property diminishing; and

(h) payments by the relevant Borrower in respect of such advance may be made free and clear of and without withholding or deduction for or on account of any taxes, levies, duties, imposts, assessments or charges of whatsoever nature imposted, levied, collected, withheld or assessed by the United Kingdom or any political subdivision thereof or any supra-national entity to which the United Kingdom belongs or any authority in or of such jurisdiction having power to tax, and such payments will not become subject to such withholding or deduction as a result of such advance becoming part of the property of the Corporate Loan Trust.

An Eligible Advance will be an ''Included Advance'' if it also complies with the following criteria (the ''Included Advance Criteria'') or it is a Mini New Loan:

(a) at the time such Eligible Advance is made, the Tagged Eligible Facility under which the Eligible Advance is made is not a facility under which there is then outstanding a Defaulted Advance;

(b) at the time such Eligible Advance is made, the Tagged Eligible Facility under which the Eligible Advance is made has the Required Grade;

(c) at the time such Eligible Advance is made, it did not carry a right to interest the amount of which exceeded a reasonable commercial return on the nominal amount of principal borrowed under the Eligible Advance;

(d) it constitutes a legal, valid, binding and enforceable obligation of the relevant Borrower enforceable against such Borrower in accordance with the terms of the relevant facility agreement, subject only to (a) applicable bankruptcy, insolvency, reorganisation, moratorium, receivership, conservatorship or other similar laws affecting the enforcement of rights of creditors generally, and (b) the effect of general principles of equity or analogous principles;

(e) if it bears interest at a fixed rate, such rate is greater than the Bank of Scotland's base rate at the time it became subject to the Corporate Loan Trust;

(f) it is booked and is being serviced by Bank of Scotland in the United Kingdom;

(g) it is not the subject of any dispute, counterclaim or enforcement order of which Bank of Scotland has notice; and

(h) it does not carry, and has not at any earlier time carried, a right on repayment to an amount which exceeds the nominal amount of the principal borrowed under the Eligible Advance and which is not reasonably comparable with what is generally repayable (in respect of a similar nominal amount of capital) under the terms of loan capital listed in the Official List of the UKLA.

An advance which does not fulfil all of the Eligible Advance Criteria will not be held on trust by the Corporate Loan Trustee as Corporate Loan Trust Property. An Eligible Advance will be held on trust by the Corporate Loan Trustee, provided that only Included Advances may be funded by the Investor Interest. The Bank of Scotland shall repurchase any Eligible Advances which are not Included Advances. An Included Advance which is repaid and then immediately redrawn in Sterling by a Borrower domiciled in the United Kingdom shall remain part of the Corporate Loan Trust Property, without further review of its compliance with the Included Advance Criteria.

Advances are checked for compliance with the eligibility criteria set out above at the time they are drawn or, if later, at the time the relevant Eligible Facility under which they are drawn is added to the Portfolio Memorandum for inclusion in the Corporate Loan Trust.

Additional Eligible Facilities

Facilities which fulfil the Eligible Facility Criteria may be identified by Bank of Scotland from time to time for inclusion in the Portfolio Memorandum. Accompanying the relevant documentation relating to such future Tagged Eligible Facilities will be certain limited data sheets summarising the attributes of such additional Tagged Eligible Facilities and the relevant Borrowers (including certain system reference numbers but not providing any other Borrower-specific information in relation thereto).

No later than the close of business in Edinburgh on the date on which the delivery of the documentation related to additional Tagged Eligible Facilities occurs, Bank of Scotland will be required to prepare an updated list of Tagged Eligible Facilities and the relevant Borrowers for inclusion in the Portfolio Memorandum required to be maintained by the Corporate Loan Trustee. Such updated list shall replace the previous version of such list which formed part of the Portfolio Memorandum. The updated Portfolio Memorandum will be maintained by the Corporate Loan Trustee in an identified location pursuant to the terms of the Corporate Loan Trust Deed. Upon an Eligible Facility becoming a Tagged Eligible Facility, all present and future Included Advances drawn by the relevant Borrowers under such Tagged Eligible Facility will form Corporate Loan Trust Property.

Where there has been a breach of the threshold specified by the S&P Trading Model (described below) no new Eligible Facilities may be included as Tagged Eligible Facilities without the approval of S&P if the results of the S&P Trading Model following the inclusion of such new Eligible Facilities would be equal to or worse than the then-current results.

S&P Trading Model

The S&P Trading Model is the dynamic, analytical model developed by Standard & Poor's which will be used on a monthly basis to estimate default risk for financial assets of the type which are Included Advances. The model calculates the cumulative default rate of a pool of such financial assets consistent with a specific benchmark rating level based upon Standard & Poor's proprietary corporate debt default studies. In calculating such default rate, the model considers each Borrower's most senior unsecured debt rating or implied debt rating for the purposes of this transaction, the number of Borrowers in the portfolio, the Borrower and industry concentrations in the portfolio and the remaining weighted average maturity of the assets and calculates a cumulative default rate based upon the statistical probability of distributions of defaults on the assets. The results of the model are then compared against certain predetermined threshold cumulative default rates set by Standard & Poor's to test for any breach of such threshold on a monthly basis.

Hedged Currency/non-UK Rollover Advances

The Borrower of an Included Advance may, after such Included Advance has become Corporate Loan Trust Property, cease to have the Required Grade. A ''Currency/non-UK Rollover Advance'' means an advance which is either (a) drawn by a Borrower in a currency other than Sterling and/or (b) drawn by a Borrower who is not domiciled in the United Kingdom, in each case under a Tagged Eligible Facility at a time when an Included Advance under that Tagged Eligible Facility is repaid. A ''Hedged Currency/non-UK Rollover Advance'' or ''HCRA'' means a Currency/non-UK Rollover Advance where at the time of redrawing:

(a) the Borrower of the repaid Included Advance does not have the Required Grade; or

(b) the amount of the Included Advance repaid if deducted from the then aggregate amount of Included Advances would cause the Investor Interest to exceed 99 per cent. of such aggregate amount.

In relation to a Currency/non-UK Rollover Advance (which is not an HCRA) during the Accumulation Period, the Principal Collection received by the Receivables Trustee in respect of the repayment of the corresponding Included Advance shall be allocated to the Transferor Interest and such Currency/non-UK Rollover Advance shall not constitute Corporate Loan Trust Property.

In relation to any Currency/non-UK Rollover Advance which is an HCRA, Bank of Scotland in its capacity as Corporate Loan Trustee, is required to use its best endeavours to enter into a foreign exchange or similar arrangement whereby the cashflows in relation to the HCRA are replaced by sterling cashflows from the perspective of the Corporate Loan Trust. This arrangement involves:

(a) the beneficial interest in the HCRA will be reacquired by Bank of Scotland and will accordingly be released from the Corporate Loan Trust;

(b) Bank of Scotland will enter into an arrangement which has the effect of being a limited recourse loan (the ''Mini Currency Loan'') in the currency and quantum of the HCRA and matching the actual payments received from the relevant Borrower, under the terms of which a third party bank will deposit the currency amount of the Mini Currency Loan with Bank of Scotland;

(c) Bank of Scotland and the third party bank will enter into a separate sterling loan arrangement (the ''Mini New Loan'') whereby Bank of Scotland lends to the third party bank a sterling amount, which will be calculated to be the sterling equivalent of the HCRA; the sterling amount of the Mini New Loan will be deposited by Bank of Scotland with the third party bank; the Mini New Loan is subject to certain ''set-off'' provisions whereby the third party bank will be required to repay to Bank of Scotland the amount of the Mini New Loan, less the sterling equivalent of any shortfall resulting from the limited recourse Mini Currency Loan;

(d) the Corporate Loan Trust will extend to the Mini New Loan.

Accordingly, the HCRA is ''replaced'' with the Mini New Loan. From the perspective of the transaction, the Mini New Loan is treated as a sterling Included Advance for all purposes.

RECEIVABLES TRUST AND SERIES 2001-2 INTEREST

Declaration of Receivables Trust and Beneficial Interests

On the day immediately prior to the Issue Date, the Receivables Trustee will declare the Receivables Trust. On the Issue Date, the RT Interest and all other right, title and interest held by the Receivables Trustee in the Corporate Loan Trust will become subject to the Receivables Trust. The Receivables Trust will be declared in favour of Bank of Scotland (to the extent of the Transferor Interest) and the Loan Note Issuer (to the extent of the Investor Interest). As consideration for the declaration of the Receivables Trust and granting of the Investor Interest, the Loan Note Issuer will agree to pay to the Receivables Trustee the Initial Trust Consideration, any Additional Trust Consideration and the Deferred Receivables Trust Consideration. Each of these amounts are described in more detail below. Amounts representing Initial Trust Consideration, Additional Trust Consideration and Deferred Receivables Trust Consideration will in turn be utilised by the Receivables Trustee to satisfy its obligation to make the equivalent payment to Bank of Scotland in consideration for the declaration of the Corporate Loan Trust.

The Investor Interest is a single undivided interest in the Receivables Trust. For calculation purposes, the Investor Interest is calculated as the aggregate of a number of individual calculated portions of the Investor Interest called the Series Interests (the Series Interests do not represent beneficial interests in the trust but are utilised to facilitate calculations only) and the detailed calculations in respect of such Series Interests, including the Series 2001-2 Interest, are set out below. On the Issue Date, the only Series Interests will be the Series 2001-2 Interest and the Series 2001-1 Interest. Prior to the creation of any further Series Interests in the future, the consent of the Transferor Beneficiary, the Investor Beneficiary and, if applicable, any other existing beneficiaries of the Receivables Trust will be obtained.

Under the Receivables Trust and Cash Management Agreement, the Loan Note Issuer will pay to the Receivables Trustee on the Issue Date the amount received from the Issuer (being the proceeds of the issue of the Notes, having been converted, to the extent necessary, into Sterling under the Currency Swap Agreement, and a portion of the proceeds of a drawdown under the Expenses Loan Agreement), such amount having been paid by the Issuer to the Loan Note Issuer in connection with the acquisition by the Issuer of the Series 2001-2 Loan Note.

Any future Series Issuer, pursuant to the terms of the relevant Loan Note Supplement to the Loan Note Issuance Facility Agreement, will pay to the Loan Note Issuer the proceeds of any issuance of notes which, pursuant to the applicable Loan Note Supplement, will fund its acquisition of a Loan Note (and pursuant to which a related new Series Interest in relation to the Investor Interest will be calculated). The Loan Note Issuer will in turn pay such proceeds to the Receivables Trustee pursuant to the Receivables Trust and Cash Management Agreement, resulting in an augmentation of the Investor Interest.

Allocations of Collections, Defaults and Recoveries: Investor Interest and Transferor Interest

Series Interests

The Receivables Trust and Cash Management Agreement contemplates that the amounts to be calculated in relation to a Series Interest will be recorded by one or more notional classes (each a "Class Interest") representing, in aggregate, the relevant Series Interest. The Class Interests are utilised for the purposes of calculation and administration only. For the purposes of such calculations, the amounts referable to one or more of the Class Interests may be treated as being calculated and paid before amounts referable to certain of the other Class Interests. Pursuant to the terms of the relevant Series Supplement, and to facilitate the necessary calculations in relation to a particular Series Interest, the amount of the entitlement recorded by one Class Interest may also differ from the amount of the entitlement recorded by other Class Interests as in respect of the same Series Interest in, amongst other things, timing of calculations and payments, payment dates and maturity.

In respect of the Series 2001-2 Interest, the following Class Interests will be deemed to have been created on the Issue Date to represent the relevant calculated portion of the Investor Interest: Class A Interest, Class B Interest, Class C Interest, Class D Interest and Class E Interest.

Advising of Collections, Default Amounts, Recoveries and other Amounts

Under the Corporate Loan Trust, Collections relating to Corporate Loan Trust Property will be calculated and allocated on a daily basis within two business days of receipt thereof in relation to the Originator Interest and the RT Interest in their respective fixed proportions of 1 per cent. and 99 per cent. and shall be distributed on a daily basis within two business days of receipt thereof to Bank of Scotland and to the Receivables Trustee (to the accounts in the name of the Receivables Trustee at the Account Bank in respect of Principal Collections and Reacquisition Proceeds (the "Receivables Trustee Principal Collections Account"), in respect of Interest Collections of basis amounts (the "Receivables Trustee Interest Collections (Basis) Account") and in respect of Interest Collections of margin amounts and Recoveries (the "Receivables Trustee Interest Collections (Margin) Account", and together with the Receivables Trustee Principal Collections Account and Receivables Trustee Interest Collections (Basis) Account, the "Receivables Trustee Collection Accounts"). Bank of Scotland is required, in its capacity as Corporate Loan Trustee, to advise the Receivables Trustee and the Cash Manager of amounts allocated to the RT Interest which represent Principal Collections, Interest Collections of basis amounts ("Interest Collections (Basis)"), Interest Collections of margin amounts ("Interest Collections (Margin)"), Reacquisition Proceeds, Recoveries, Set-off shortfalls and Default Amounts.

The Cash Manager is in turn required, pursuant to the terms of the Receivables Trust and Cash Management Agreement, to calculate and allocate all amounts of Principal Collections, Reacquisition Proceeds, Recoveries, Set-off Shortfalls, Interest Collections (Basis), Interest Collections (Margin) and Default Amounts. Default Amounts will be calculated and allocated to the RT Interest on each Transfer Date during the Revolving Period by reference to the immediately preceding Monthly Period and on a daily basis otherwise. See "Calculation and Allocation of Default Amounts and Set-off Shortfalls" below. The calculation and allocation of such amounts will depend upon, among other things, whether the Receivables Trust is in an Accumulation/Termination Period or a Revolving Period (each as defined below).

Amounts calculated, allocated and distributed to the Loan Note Issuer by the Cash Manager pursuant to the terms of the Receivables Trust and Cash Management Agreement are in turn distributed by the Loan Note Issuer in accordance with the terms of the Loan Note Issuance Facility Agreement and the relevant Loan Note Supplement. The amounts calculated in relation to each Series Interest will be applied by the Loan Note Issuer to the Loan Note corresponding to such Series Interest. Amounts calculated in relation to the Class Interests representing such Series Interest will be distributed by the Loan Note Issuer under the relevant Loan Note in a manner which corresponds to each class of notes issued by the relevant Series Issuer. Accordingly, amounts calculated in relation to the Class Interests under the Series 2001-2 Interest will on each Interest Payment Date be distributed by the Loan Note Issuer to the Issuer and the Issuer will correspondingly distribute such amounts to the holders of the relevant classes of Notes and the Currency Swap Counterparty.

Transfer of Interest Collections to Loan Note Issuer and Basis Swap Counterparty

Following allocation and distribution by the Corporate Loan Trustee of amounts allocated to the RT Interest to the Receivables Trustee Collection Accounts, on each business day, the Receivables Trustee (or the Cash Manager on its behalf) shall deposit amounts in respect of Interest Collections (Margin) and Recoveries into the Receivables Trustee Interest Collections (Margin) Account and amounts in respect of Interest Collections (Basis) into the Receivables Trustee Interest Collections (Basis) Account. The amounts of such Interest Collections and Recoveries referable to each Series Interest shall be credited to a separate ledger of the relevant account in respect of each Series Interest. Interest Collections (Margin) standing to the credit of the Series 2001-2 ledger of the Receivables Trustee Interest Collections (Margin) Account will in turn be transferred on each Distribution Date to the Loan Note Issuer. With respect to the Series 2001-2 Interest, the Receivables Trustee (or the Cash Manager on its behalf), as agent for the Loan Note Issuer, shall, on each Distribution Date, withdraw from the Receivables Trustee Interest Collections (Basis) Account all amounts of Interest Collections (Basis) credited to the Series 2001-2 ledger of such account and shall distribute them to the Basis Swap Counterparty in accordance with the Basis Swap Agreement.

Calculation and Allocation of Collections

Capitalised terms used in this section which are not otherwise defined and relating to calculations and allocations are set out on pages 71 to 78 of this Offering Circular.

Receivables Trust Property

Collections relating to Receivables Trust Property will be calculated and allocated as between the Transferor Interest and Investor Interest utilising the Transferor Interest Percentage and Investor Interest Percentage. To facilitate calculation, the full amounts of any such Collections (rather than the fixed undivided 99 per cent. RT Interest therein) or other relevant amounts received by the Corporate Loan Trustee are used when applying the Transferor Interest Percentage and Investor Interest Percentage. Similarly, in relation to any Reacquisition Proceeds, for calculation purposes, the Receivables Trustee shall apply the Transferor Interest Percentage and Investor Interest Percentage to an amount which represents 100 per cent. of the principal value of the relevant Included Advance (but calculated on the basis that such Reacquisition Proceeds are equal to 99 per cent. thereof). These calculations utilising full amounts illustrate the calculation and allocation by the Receivables Trustee of the Receivables Trust Property, despite the fact that the Receivables Trust Property is a fixed undivided 99 per cent. interest in the Corporate Loan Trust. The illustrative calculations result in amounts such that the Series Interests (which in aggregate represent the amount of the Investor Interest) and the Transferor Interest in the RT Interest will at all times be equal to 100 per cent. of the principal amount of Receivables Trust Property.

The calculation and allocation of amounts relating to each Series Interest under the Receivables Trust (upon which the calculation of the Investor Interest Percentage is dependent) will be calculated utilising the Series Interest Percentage applicable to such Series Interest. Calculations and allocations in respect of a Series Interest will be set out in the relevant Series Supplement to the Receivables Trust. The amount resulting from such calculation in respect of a Series Interest shall be allocated and paid in accordance with the priority of payments set forth in the Receivables Trust and Cash Management Agreement.

Allocation of Principal Collections

Amounts representing Principal Collections standing to the credit of the Receivables Trustee Principal Collections Account and calculated as being referable to a Series Interest shall be allocated and paid on each business day as follows:

(1) *if the Series Interest is in its Revolving Period, to Bank of Scotland for reinvestment in new Included Advances:* subject to any grouping arrangements for the sharing of Principal Collections (see "—Multiple Series and Sharing of Principal Collections" below), the amount calculated as being referable to the relevant Series Interest and equal to the *pro rata* share of such Series Interest of the amount of Additional Trust Consideration (described further below) payable by the Receivables Trustee on such day shall be paid (to the extent that it would not cause a breach of the Minimum Transferor Interest) by the Receivables Trustee from the Receivables Trustee Principal Collections Account to Bank of Scotland as Corporate Loan Trustee in satisfaction (along with amounts in respect of the Transferor Interest calculated in a similar manner) of the payment of the portion of the Additional Trust Consideration referable to that Series Interest on such day;

(2) *if the Series Interest is in its Revolving Period, to Bank of Scotland to pay down the Transferor Interest (resulting in effective reinvestment in the pool of Included Advances):* subject to any grouping arrangements for the sharing of Principal Collections (see "—Multiple Series and Sharing of Principal Collections" below), the amount calculated as being referable to the relevant Series Interest and which has not been used in accordance with paragraph (1) above on the grounds that insufficient Included Advances were available at such time shall be allocated (to the extent that it would not cause a breach of the Minimum Transferor Interest) to Bank of Scotland (and shall result in a commensurate decrease in the principal amount of the Transferor Interest) and shall be withdrawn from the Receivables Trustee Principal Collections Account and paid to Bank of Scotland;

(3) *if the Series Interest is in the Revolving Period, to the Loan Note Issuer for deposit to the Excess Funding Account:* subject to any grouping arrangements for the sharing of Principal Collections (see "—Multiple Series and Sharing of Principal Collections" below), the amount calculated as being referable to the relevant Series Interest to the extent that its application pursuant to paragraphs (1) or (2) above would result in a breach of the Minimum Transferor Interest shall be allocated to the Loan Note Issuer pursuant to calculations for that Series Interest and shall be withdrawn from the Receivables Trustee Principal Collections Account and deposited in the Excess Funding Account (and credited to a ledger identified for the relevant Series Interest); and

(4) *if the Series Interest is in an Accumulation Period or Termination Period, to the Loan Note Issuer for accumulation or payment to the Issuer:* the amount calculated as being referable to the relevant Series Interest (except for any amount in respect of Non-Qualified Included Advances which instead will be reinvested in accordance with paragraphs (1) to (3) above) and equal to the amount required to be paid to the Loan Note Issuer on such day by the Receivables Trustee under the terms of the Receivables Trust and Cash Management Agreement and relevant Series Supplement shall be allocated to the Loan Note Issuer and shall be withdrawn from the Receivables Trustee Principal Collections Account and deposited in the Principal Funding Account (and credited to a ledger identified for the relevant Series Interest);

Amounts representing Principal Collections standing to the credit of the Receivables Trustee Principal Collections Account and allocated to the Transferor Interest shall be paid to Bank of Scotland on each business day.

Allocation of Interest Collections (Basis)

During each Monthly Period, amounts representing Interest Collections (Basis) are calculated and allocated on each business day using the Investor Interest Percentage. Amounts representing Interest Collections (Basis) calculated as being referable to Series Interests shall be allocated to the Loan Note Issuer in accordance with such calculations and shall be distributed on each Distribution Date as set out in "— Transfer of Interest Collections to Loan Note Issuer and Basis Swap Counterparty" above. Amounts representing Interest Collections (Basis) calculated as referable to the Transferor Interest shall be transferred to Bank of Scotland on a daily basis.

Allocation of Interest Collections (Margin)

During each Monthly Period, amounts representing Interest Collections (Margin) are calculated on each business day using the Investor Interest Percentage and the Transferor Interest Percentage. The amounts referable to the Investor Interest will be transferred to the Receivables Trustee Interest Collection (Margin) Account on each business day, while amounts referable to the Transferor Interest will be allocated and distributed on each business day to the Bank of Scotland. Amounts allocated to the Investor Interest shall be apportioned among Series Interests using the Series Allocation Percentages (and credited to a ledger identified for the relevant Series Interest). Amounts representing Interest Collections (Margin) allocated to the Loan Note Issuer for a Monthly Period shall be distributed on the Distribution Date next following the end of such Monthly Period by the Receivables Trustee from the Receivables Trustee Interest Collections (Margin) Account to the relevant Loan Note Issuer Account. Amounts of Interest Collections (Margin) so paid into a Loan Note Issuer Account shall be treated, together with certain other amounts, as being referable to the Class Interests comprising the relevant Series Interest and certain costs and expenses related to the relevant Series Interest (see "— Calculation and Treatment of Series 2001-2 Available Income Funds"). The amount remaining after such allocation (such remaining amount, the "Deferred Receivables Trust Consideration") will be paid on each Payment Date to the Receivables Trustee in accordance with the terms of the Receivables Trust and Cash Management Agreement and the supplements thereto and shall be utilised by the Receivables Trustee to pay Corporate Loan Trust Deferred Consideration to Bank of Scotland.

Multiple Series Interests and Sharing of Principal Collections

It is intended that future Series Issuers will issue notes and utilise the proceeds of issue to acquire a corresponding Loan Note pursuant to a Loan Note Supplement (and which such proceeds will in turn be paid by the Loan Note Issuer to the Receivables Trustee resulting in an augmentation of the Investor Interest and the creation of a new Series Interest). Such new Series Issuer's entitlement will be governed by the relevant Series Supplement, the relevant Loan Note Supplement and the Loan Note Issuance Facility Agreement and the calculations in respect of the Series Interest will be made in accordance with the Receivables Trust and Cash Management Agreement such that the Investor Interest will be calculated as the aggregate of the Series Interests, including the Series Interest of such new Series Issuer.

It is intended that certain Series Interests will be grouped together for the purposes of calculating and allocating Principal Collections under the Receivables Trust and the Series Supplements thereto referable to such Series Interests. The Series 2001-2 Interest will be designated under the Series 2001-2 Supplement to the Receivables Trust as being in Group One. Other Series Interests may be included in Group One in the future if the Series Supplements for such future Series Interests so provide. The Series 2001-1 Interest will also be designated as being in Group One. This grouping will govern the calculation and sharing of Principal Collections across the relevant Series Interests.

Under the terms of the Receivables Trust and Cash Management Agreement, to the extent that Principal Collections calculated in respect of a Series Interest (the ''Sharing Series Interest'') are not then required to be distributed (broadly, because the Loan Note Issuer is not then required to make or accumulate principal payments in relation to the Sharing Series Interests), the Receivables Trust and Cash Management Agreement will provide that such Principal Collections (which would otherwise be calculated as being referable to the Sharing Series Interests), will instead be calculated as being referable to another Series Interest or Series Interests (the ''Applicable Series Interests'') within the same group as that Sharing Series Interest, if such Applicable Series Interest is in an Accumulation Period or Termination Period (as a consequence of which the Loan Note Issuer is then required to accumulate or make principal payments in relation to the Applicable Series Interest). Any such re-calculation will not result in a reduction in the amount representing the Sharing Series Interest in the Investor Interest. Moreover, any such re-calculations and referencing of amounts by the Receivables Trustee amongst grouped Series Interests do not affect the calculation of the Investor Interest (as the Investor Interest is calculated as the aggregate of the Series Interests). In this way, the Receivables Trust operates such that, although there may be amounts calculated as being referable to a particular Series Interest, the ultimate reference and calculation of such amounts will depend upon the grouping and sharing arrangements among all of the relevant Series Interests. The Loan Note Issuer will in turn pay amounts in relation to any Loan Note by reference to the amounts which are calculated as being referable to the related Series Interest under the terms of the Receivables Trust and Cash Management Agreement. In this way, amounts calculated as being shared by Series Interests under the Receivables Trust and the relevant Series Supplements will affect the amounts distributed by the Loan Note Issuer among Series Issuers in relation to the Loan Notes. If the relevant Series Supplement so provides (as the Series 2001-2 Supplement does), a portion of Principal Collections available to the Transferor Interest may also be applied in favour of a Series Interest which is in its Accumulation Period in an amount calculated by reference to the size of the Receivables Trust Property on the date on which such Series Interest was created. Such Principal Collections will be allocated to the relevant Series Interest and credited to the relevant Series Ledger of the Principal Funding Account.

Calculation and Allocation of Default Amounts and Set-off Shortfalls

Default Amounts and Allocation of Over-Concentrations

On each Transfer Date whilst all Series Interests are in their Revolving Periods (and on each business day otherwise), the Corporate Loan Trustee will calculate and advise the Receivables Trustee of the proportion of the principal amount of any Defaulted Advance referable to the RT Interest (a ''Default Amount'') arising during the preceding Monthly Period (or on the previous business day if a Series Interest is in its Accumulation/Termination Period). An advance shall become a ''Defaulted Advance'' upon the earlier of (a) the relevant Borrower thereunder failing to pay any interest or principal due in respect of the relevant advance within 90 days of such an amount becoming due, or (b) the sums owed by the relevant Borrower in respect of such advance have been written off by Bank of Scotland. A Defaulted Advance shall cease to be a Defaulted Advance on receipt by Bank of Scotland of the amount then due and payable in respect of such advance, but unpaid.

Default Amounts are required to be shared proportionately between the Transferor Interest and the Investor Interest. However, the proportion of defaults on any Included Advance which is borne by the Investor Interest is subject to thresholds with respect to risk exposure to a single Borrower (or, where the Borrower is part of a group, to the group) or to a specific industry sectors. Default Amounts are allocated in accordance with the following process:

(a) At the time that the first Tagged Eligible Facility of a Borrower is flagged for inclusion in the Designated Portfolio, the then-current rating of the Borrower (or, if Bank of Scotland treats such Borrower as part of a group, of the group) is assessed. The proportion of exposure to Included Advances under any Tagged Eligible Facility to such Borrower which the Investor Interest may bear depends on the rating of the Borrower.

A Borrower which is accorded a rating by CRS (as defined under "Bank of Scotland and Bank of Scotland's Credit Policies and Procedures") of 52.51 or better may account for up to 3 per cent. of the Receivables Trust Property. A Borrower which is accorded a rating under such rating system of 37.51 to 52.50 may account for up to 2 per cent. of the Investor Interest. A Borrower which is accorded a rating under such rating system of 22.51 to 37.50 may account for up to 1 per cent. of the Investor Interest.

If, and to the extent that the total Included Advances to such Borrower exceed the permitted maximum for Borrowers of such rating, the permitted maximum comprises the "Borrower Concentration Limit" and the excess is the "Unadjusted Over-Concentration".

(b) The size of the Borrower Concentration Limit is further adjusted by reference to the maximum permitted industry concentration, calculated by reference to the S&P Industry Classification, for Borrowers in that industry sector. This adjusted amount is the "Industry Adjusted Borrower Concentration Limit".

(c) The adjustment required to allocate to the Transferor Interest both industry and Borrower over-concentrations (the "Applicable Concentration Percentage") is calculated as the Industry Adjusted Borrower Concentration Limit divided by the total Included Advances to the relevant Borrower.

In order to calculate the adjusted proportions of the Transferor Interest and the Investor Interest for the allocation of defaults, two further calculations are necessary:

(a) The "Borrower Over-concentration Amount" is calculated as the aggregate Included Advances to the Borrower minus the Industry Adjusted Borrower Concentration Limit; and

(b) The "Aggregate Over-concentration Amount" is the sum of the Borrower Over-concentration Amounts.

The ratio by which Default Amounts will be allocated between the Transferor Interest and the Investor Interest (the "Default Floating Percentage") is determined as follows:

(a) the "Adjusted Transferor Interest" is calculated as the Transferor Interest minus the Aggregate Over-concentration Amount; and

(b) the Default Floating Percentage is the ratio of the Investor Interest to the sum of the Adjusted Transferor Interest and the Investor Interest.

Default Amounts are then allocated between the Transferor Interest and the Investor Interest as follows:

(a) In respect of a Borrower where there is an Unadjusted Over-Concentration:

(i) *Investor Interest:* A x B x C

(ii) *Transferor Interest:* (1 – (A x B)) x C

(b) In respect of a Borrower for which there is not an Unadjusted Over-Concentration:

(i) *Investor Interest:* B x C;

(ii) *Transferor Interest:* (1 – B) x C

Where:

A = the Applicable Concentration Percentage in respect of such Borrower;

B = the Default Floating Percentage; and

C = the Default Amount.

The aggregate Default Amount for the Investor Interest shall be apportioned to each Series Interest according to its Series Allocation Percentage, and shall be credited to the Principal Deficiency Ledgers for such Series Interest, starting with the lowest outstanding Class Interest, determined by reference to the corresponding class of debt securities.

For the purposes of the calculations set out above, the relevant proportions of the Transferor Interest and the Investor Interest shall be determined on the earlier of (a) the date of downgrade below the Required Grade of the Borrower by whom the relevant Defaulted Advance was drawn and (b) the date on which the relevant Defaulted Amount was realised.

Set-off Shortfalls

The terms of the Receivables Trust shall further provide that, in the event that a Borrower under an Included Advance purports to set-off (pursuant to Rule 4.90 under the Insolvency Act or otherwise) its principal repayment of that Included Advance against either deposits or monies owing by or claims against Bank of Scotland in respect of that Borrower, the amount by which payment of the relevant Included Advance is reduced by such set-off (the "Set-off Shortfall"), and the remaining Principal Collections (if any) in relation to such Included Advance, shall be calculated and allocated using the Set-off Shortfall Allocation (as defined below).

Calculation and Allocation of Recoveries

Recoveries, other than a Recovery relating to any Set-off Shortfall described above, are calculated for allocation between the Transferor Interest and the Series Interest using the Default Floating Percentage which was applied in relation to the Default Amount to which the Recovery relates. During the Revolving Period, Recoveries arising during any Monthly Period will be calculated and allocated by the Receivables Trustee on the next following Transfer Date. During the Accumulation Period or the Termination Period, Recoveries will be calculated and allocated by the Receivables Trustee on a daily basis. Recoveries allocated to the Investor Interest will be treated as referable to the Series Interests in proportion to their Series Allocation Percentages.

Funding of Initial Trust Consideration and Additional Trust Consideration

The consideration (the "Trust Consideration") for the declaration of the Corporate Loan Trust is (a) the covenant on the part of the Receivables Trustee to pay the cash payment in relation to the Initial Trust Consideration, (b) the covenant on the part of the Receivables Trustee to pay the cash payment in relation to the Additional Trust Consideration and (c) the covenant on the part of the Receivables Trustee to pay the Corporate Loan Trust Deferred Consideration.

The value of the consideration to be paid by the Receivables Trustee on the Issue Date ("Initial Trust Consideration") is equal to 99 per cent. of the principal amount of the Included Advances on the Issue Date and will be satisfied in part by the Receivables Trustee paying to the Corporate Loan Trustee the amount it receives from the Loan Note Issuer in connection with the creation the Series 2001-2 Interest and the Series 2001-1 Interest. Such amount will be the amount of the loan made by the Issuer to the Loan Note Issuer pursuant to the Loan Note Issuance Facility Agreement and the Series 2001-2 Loan Note Supplement and the Series 2001-1 Loan Note Supplement thereto, less the amount required to be credited to the Reserve Account and the amount of certain expenses of the Receivables Trustee and the Loan Note Issuer. Such loan shall in turn be made by the Issuer utilising:

(1) the sterling equivalent of the net cash proceeds of the issue of the Notes, and

(2) a portion of the proceeds of the drawdown under the Expenses Loan Agreement.

To the extent that the aggregate cash payment provided in (1) plus (2) above, less the amount required to be credited to the Reserve Account and the amount of certain expenses of the Receivables Trustee and the Loan Note Issuer, is less than 99 per cent. of the value of the Included Advances on the Issue Date, any such shortfall shall be satisfied, through operation of the Receivables Trust, by a commensurate increase in the Transferor Interest and the creation of the Series 2001-1 Interest.

The value of the "Additional Trust Consideration" arising in relation to any Eligible Advance which is drawn after the Issue Date is equal to 99 per cent. of the principal amount of such Eligible Advance. Notification of the drawing of any Eligible Advance after the Issue Date will be made by the Corporate

Loan Trustee to the Receivables Trustee on the business day immediately succeeding the date of drawing. The cash element of the Additional Trust Consideration shall be funded as described below. The Receivables Trustee (or the Cash Manager on its behalf) shall calculate the sum of :

(1) Principal Collections available to the RT Interest on such day (which are the amounts in respect of such Principal Collections which are calculated as being referable to the Transferor Interest and the Investor Interest in accordance with the Receivables Trust and which are, following the calculations and allocations in respect of Principal Collections set forth in the Receivables Trust and Cash Management Agreement and relevant Series Supplements, available to the Receivables Trustee to be used (pursuant to the agreement of Bank of Scotland and the Loan Note Issuer as beneficiaries under the Receivables Trust) for reinvestment in the Corporate Loan Trust);

less

(2) any amounts required to be paid on such day by the Receivables Trustee to any principal funding account or any loan note issuer account (including the Principal Funding Account and the Series 2001-2 Loan Note Issuer Account) pursuant to the terms of the Receivables Trust and Cash Management Agreement and relevant Series Supplements.

If the cash amount provided in (1) less (2) above is, in aggregate, in excess of 99 per cent. of the principal amount of additional Eligible Advances made on the immediately preceding business day and so notified, a cash amount which is equal to 99 per cent. of the principal amount of such Eligible Advances made on the immediately preceding business day and so notified shall be treated as being referable to the beneficiaries of the Receivables Trust and paid on their behalf by the Receivables Trustee to the Corporate Loan Trustee. The excess in respect of such cash amount will be allocated and distributed by the Receivables Trustee to the Transferor Interest, thereby reducing the Transferor Interest accordingly (subject to the requirement that the Transferor Interest may not be reduced below the Minimum Transferor Interest); in the event that the Transferor Interest is equal to or less than the Minimum Transferor Interest, any such excess shall be deposited in the Excess Funding Account and shall be identified as referable to particular Series Interests. Amounts on deposit in the Excess Funding Account shall be utilised from time to time to pay down the Transferor Interest (when the Transferor Interest is greater than the Minimum Transferor Interest).

If the cash amount provided in (1) less (2) above is, in aggregate, equal to or less than 99 per cent. of the additional Eligible Advances made on the immediately preceding business day and so notified, the whole of such cash amount shall be allocated to the beneficiaries of the Receivables Trust and paid on their behalf by the Receivables Trustee to the Corporate Loan Trustee. The consideration in relation to any shortfall between the Additional Trust Consideration and such cash amount shall be, through operation of the Receivables Trust, a commensurate increase (to the extent of such shortfall) in the Transferor Interest.

Accordingly, the value of the Additional Trust Consideration may be satisfied by a payment of cash and/or (through operation of the Receivables Trust) a commensurate increase in the Transferor Interest.

Series 2001-2 Interest

The Series 2001-2 Interest is that calculated portion of the Investor Interest to which the Series 2001-2 Loan Note relates.

The Series 2001-2 Loan Note Supplement sets out how such amounts will be calculated and distributed to the Issuer by the Loan Note Issuer during the Revolving Period for the Series 2001-2 Interest, the Accumulation Period for the Series 2001-2 Interest and the Termination Period for the Series 2001-2 Interest.

The Series 2001-2 Series Supplement provides for the calculation in relation to the Series 2001-2 Interest of the Loan Note Issuer's *pro rata* share of certain specified costs and expenses, including the Cash Management Fee payable to the Cash Manager from time to time and the Series 2001-2 Receivables Trustee Payment payable to the Receivables Trustee from time to time, which will, in certain cases, be met by the Receivables Trustee on behalf of the Loan Note Issuer.

The administration and calculation of the amounts available to be allocated and distributed to the Loan Note Issuer in relation to the Series 2001-2 Interest will be made by reference to notional interests referred to as the Class A Interest, the Class B Interest, the Class C Interest, the Class D Interest and the

Class E Interest. Such amounts are not beneficial interests in the Receivables Trust but are used for administration and calculation purposes in order to calculate amounts as being available, allocated and distributed to the Loan Note Issuer in relation to that part of the Investor Interest referable to the Series 2001-2 Interest. When calculated, the aggregate amount recorded by all classes is equal to the Series 2001-2 Interest and the aggregate of all Series Interests so calculated will equal the amount beneficially owned by the Loan Note Issuer as holder of the Investor Interest.

At the Issue Date the notional amounts calculated by reference to the Class A Interest, the Class B Interest, the Class C Interest, the Class D Interest and the Class E Interest are:

(i) in relation to the Class A Interest, an initial amount of: £644,827,586 (the "Class A Initial Series Interest");

(ii) in relation to the Class B Interest, an initial amount of: £30,000,000 (the "Class B Initial Series Interest");

(iii) in relation to the Class C Interest, an initial amount of: £22,482,759 (the "Class C Initial Series Interest");

(iv) in relation to the Class D Interest, an initial amount of: £26,302,279 (the "Class D Initial Series Interest"); and

(v) in relation to the Class E Interest, an initial amount of: £26,250,000 (the "Class E Initial Series Interest").

The aggregate Initial Series Interest in respect of the Series 2001-2 Interest is calculated on the basis of the above amounts. The Initial Series Interest for the Series 2001-2 Interest is accordingly equal to £749,862,624, being the sum of the Class A Initial Series Interest, the Class B Initial Series Interest, the Class C Initial Series Interest, the Class D Initial Series Interest and the Class E Initial Series Interest. For purposes of facilitating calculation only, each Class Interest shall be recorded as bearing interest at a rate plus an applicable margin (shown below rounded to two decimal places) as follows:

(i) in relation to the Class A Interest, Sterling LIBOR plus 0.30 per cent. (the "Class A Rate");

(ii) in relation to the Class B Interest, Sterling LIBOR plus 0.93 per cent.(the "Class B Rate");

(iii) in relation to the Class C Interest, Sterling LIBOR plus 1.93 per cent. (the "Class C Rate");

(iv) in relation to the Class D Interest, Sterling LIBOR plus 5.69 per cent. (the "Class D Rate"); and

(v) in relation to the Class E Interest, Sterling LIBOR plus 6.00 per cent. (the "Class E Rate").

Grouping: Shared Principal Collections

The Series 2001-2 Interest is included in a group of Series Interests ("Group One") and accordingly calculations and allocations by the Receivables Trustee and distributions by the Loan Note Issuer in relation to the Series 2001-2 Interest and the other Series Interests in Group One (which on the Issue Date is anticipated to include the Series 2001-1 Interest) are intended to facilitate sharing of Principal Collections among such Series Interests. Other Series Interests are intended to be included in Group One in the future if the Series Supplement for the related Series Interest so provides.

To the extent that Principal Collections calculated as being referable to the Series 2001-2 Interest (i) are not needed by the Loan Note Issuer to make payments to the Issuer under the Series 2001-2 Loan Note during the Termination Period for the Series 2001-2 Interest, (ii) are not required to be deposited in the Principal Funding Account during the Accumulation Period for the Series 2001-2 Interest (for payment to the Issuer by the Loan Note Issuer on the Scheduled Maturity Date), or (iii) are not required to be utilised in connection with any other payments required to be made in relation to the Series 2001-2 Interest as provided in the Series 2001-2 Series Supplement, such Principal Collections ("Shared Principal Collections"), notwithstanding being calculated as being otherwise available to the Series 2001-2 Interest, will be calculated as being referable to any Applicable Series Interest or Series Interests within Group One provided that: (1) such sharing will not take place if the effect would be to cause the aggregate of the Series Interests in Group One to fall below an amount equal to the Aggregate Series Interest Percentage in the amount of Included Advances which do not then have the Required Grade; and (2) in the case of sharing during a Termination Period in relation to any such Applicable Series Interest where all remaining

Qualified Included Advances in relation to that Applicable Series Interest do not have the Required Grade, then an equivalent amount of such Applicable Series Interest (allocated, to the Class Interests comprising such Applicable Series Interest, beginning first with the lowest ranked Class Interest) will remain outstanding until the earlier of: (a) the Termination Period End Date, (b) the date on which such Qualified Included Advances have been repaid, or (c) the date on which such Qualified Included Advances become Default Amounts.

Any such recalculation and consequential allocation will not result in a reduction in the Series 2001-2 Interest. In addition, Principal Collections otherwise calculated as being referable to any Applicable Series Interest, to the extent such Principal Collections are not needed to make principal payments to or deposits for the benefit of the Series Issuers in relation to such Applicable Series Interest, shall be calculated as being referable and shall be allocated to the Series 2001-2 Interest when it is in the Accumulation Period for the Series 2001-2 Interest or the Termination Period for the Series 2001-2 Interest. No assurance, however, can be given that any such Principal Collections will be available or, if available, will be so applied. Further Series Interests may also come into existence which are included in a group of Series Interests other than Group One, if the related Series Supplements so provide.

Principal Collections for any Monthly Period calculated as being referable to the Series 2001-2 Interest during the Revolving Period, to the extent not utilised for Additional Trust Consideration or as Shared Principal Collections or to pay down the Transferor Interest, shall be deposited by the Receivables Trustee in the Excess Funding Account.

Shared Interest Collections

No Interest Collections calculated as being referable to the Series 2001-2 Interest will be re-calculated as being referable to any other Series Interest.

Principal Deficiency Ledgers and Distribution Ledgers

Principal Deficiency Ledgers

The Cash Manager is required under the terms of the Receivables Trust and Cash Management Agreement to maintain deficiency ledgers which are referable to the notional interests pursuant to which each Series Interest is calculated. Accordingly, the Cash Manager will maintain, in relation to the Series 2001-2 Interest, the Class A Principal Deficiency Ledger, the Class B Principal Deficiency Ledger, the Class C Principal Deficiency Ledger, the Class D Principal Deficiency Ledger and the Class E Principal Deficiency Ledger.

On each Transfer Date on which a Default Amount is calculated as being referable to the Series 2001-1 Interest or on which a Reallocated Principal Collection is applied to make up any Shortfall Amount, such Default Amount or Reallocated Principal Collection shall be credited to each such Principal Deficiency Ledger (up to such Principal Deficiency Ledger's maximum amount (being in each case equal to the respective Initial Class Series Interest) and beginning with the Class E Principal Deficiency Ledger) until the full amount of such Default Amount or Reallocated Principal Collection has been utilised.

On each Distribution Date, to the extent that funds are available to the Loan Note Issuer under the Series 2001-2 Available Income Funds, the Loan Note Issuer shall apply such funds in accordance with items (1) to (3) of "— Allocation of Principal Collections" above, and an amount equal to the notional amount of any beneficial interest in new Included Advances or acquired Transferor Interest shall be debited from the Principal Deficiency Ledgers, starting with the Class A Principal Deficiency Ledger. Any Recoveries received by the Receivables Trustee and referable to the Series 2001-2 Interest shall also be debited from the Principal Deficiency Ledgers, starting with the Class A Principal Deficiency Ledger.

Distribution Ledgers

The Cash Manager is required under the terms of the Receivables Trust and Cash Management Agreement to maintain distribution ledgers which are referable to the notional interests pursuant to which each Series Interest is calculated. Accordingly, the Cash Manager will maintain, in relation to the Series 2001-2 Interest, the Class A Distribution Ledger, the Class B Distribution Ledger, the Class C Distribution Ledger, the Class D Distribution Ledger and the Class E Distribution Ledger. Series 2001-2 Available Income Funds and Series 2001-2 Available Principal Funds shall be credited by the Cash Manager to such

Distribution Ledgers as further described below. When amounts specified as being credited to the Distribution Ledgers are distributed from the relevant accounts, the amount of such distributed amount will be concurrently debited from the relevant Distribution Ledger.

Receivables Trustee Payment Amount

The Loan Note Issuer as holder of the Investor Interest is required to bear a share of the costs and expenses of the Receivables Trustee, including to the Authorised Delegate. Such costs and expenses are in turn borne *pro rata* by the holders of the Loan Notes (and among such holders, including the Issuer, are borne *pro rata*). The amount of such costs and expenses so calculated as being referable to the Series 2001-2 Interest is called the "Series 2001-2 Receivables Trustee Payment". The Series 2001-2 Receivables Trustee Payment is calculated and paid by the Loan Note Issuer on the Transfer Date in respect of each Monthly Period where the amount of any applicable costs and expenses has been certified by the Receivables Trustee to the Cash Manager by the end of each Monthly Period as being accrued due and payable in respect of such Monthly Period. The portion of such costs and expenses not referable to the Series 2001-2 Interest will be paid from cashflows under the Receivables Trust calculated in relation to other Series Interests and the Transferor Interest.

Calculation, Allocation and Distribution of Amounts in relation to the Series 2001-2 Interest

Revolving Period for the Series 2001-2 Interest

The Revolving Period for the Series 2001-2 Interest means the period commencing on and including the Issue Date and ending on but excluding the earlier of (a) the day the Accumulation Period for the Series 2001-2 Interest commences and (b) the day the Termination Period for the Series 2001-2 Interest commences. During the Revolving Period for the Series 2001-2 Interest, Principal Collections calculated as referable to the Series 2001-2 Interest will be (a) subject to any grouping arrangements for the sharing of Principal Collections, utilised for reinvestment in Included Advances by way of payment of the *pro rata* amount of any Additional Trust Consideration or payment down of the Transferor Interest, or paid to the Loan Note Issuer for deposit to the Excess Funding Account, or (b) in accordance with grouping arrangements for the sharing of Principal Collections relating to Series Interests in Group One, treated as referable to the Applicable Series Interests. During the Revolving Period for the Series 2001-2 Interest, Interest Collections calculated as being referable to the Series 2001-2 Interest will be allocated to the Loan Note Issuer.

Accumulation Period for Series 2001-2 Interest

Unless a Pay Out Event occurs, the Accumulation Period in respect of the Series 2001-2 Interest is scheduled to begin at the close of business on 31 January 2006. Subject to certain conditions, the commencement of the Accumulation Period for the Series 2001-2 Interest may be delayed until the close of business on 31 July 2007. See "Postponement of Accumulation Period for the Series 2001-2 Interest" below. The Accumulation Period for the Series 2001-2 Interest will end on the earlier of (a) the commencement of the Termination Period for the Series 2001-2 Interest, and (b) the Scheduled Maturity Date.

During the Accumulation Period for the Series 2001-2 Interest, Principal Collections in respect of Qualified Included Advances calculated as being referable to the Series 2001-2 Interest will be allocated and paid by the Receivables Trustee to the Loan Note Issuer and will be accumulated for the Loan Note Issuer in the Principal Funding Account for distribution to the Issuer on the Scheduled Maturity Date or (if earlier) the first Interest Payment Date following the commencement of the Termination Period for the Series 2001-2 Interest, in accordance with the Class Interest priority of payment provisions set forth in the Series 2001-2 Series Supplement.

Principal Collections in respect of Non-Qualified Included Advances calculated as being referable to the Series 2001-2 Interest will be utilised by the Receivables Trustee in the same manner as Principal Collections are utilised as described under "Revolving Period for the Series 2001-2 Interest" above (i.e. they will be reinvested in the pool of Included Advances or allocated to Applicable Series Interests). During the Accumulation Period for the Series 2001-2 Interest, Interest Collections calculated as being referable to the Series 2001-2 Interest will be allocated to the Loan Note Issuer.

Postponement of Accumulation Period for the Series 2001-2 Interest

The Accumulation Period for the Series 2001-2 Interest is scheduled to commence at the close of business on 31 January 2006. However, if the Expected Accumulation Period Length (determined as set out below) is less than 24 months, the Revolving Period for the Series 2001-2 Interest may be extended and commencement of the Accumulation Period for the Series 2001-2 Interest will be postponed, but not until later than the close of business on 31 July 2007.

On the Transfer Date immediately preceding the first Distribution Date and on each Transfer Date thereafter, until the Accumulation Period in respect of the Series 2001-2 Interest begins, the Cash Manager will determine the "Expected Accumulation Period Length", which is the number of months expected by the Cash Manager to be required to fund the Series 2001-2 ledger of the Principal Funding Account to the extent of the amount of the Series 2001-2 Interest by no later than the Scheduled Maturity Date, based on the monthly Principal Collections in respect of Qualified Included Advances expected to be allocated to the Series Interests in Group One during the Accumulation Period for the Series 2001-2 Interest.

If the Expected Accumulation Period Length is less than 24 months, the Cash Manager may, on behalf of the Receivables Trustee and at its option, postpone the commencement of the Accumulation Period for the Series 2001-2 Interest, such that the number of months included in the Accumulation Period for the Series 2001-2 Interest will be equal to or exceed the Expected Accumulation Period Length. The effect of the foregoing calculation is to permit the reduction of the length of the Accumulation Period for the Series 2001-2 Interest based on the expected amount of Qualified Principal Collections available to the Series Interests in Group One and whether any such other Series Interests are in their individual accumulation or termination periods. The Expected Accumulation Period Length will not be less than 6 months.

Termination Period for the Series 2001-2 Interest

The Termination Period for the Series 2001-2 Interest will commence on the day, if any, on which a Pay Out Event occurs and will continue until the Termination Period End Date. Pay Out Events are described further below.

During the Termination Period for the Series 2001-2 Interest, Principal Collections in respect of Qualified Included Advances calculated as referable to the Series 2001-2 Interest will be allocated to the Loan Note Issuer. Such amounts will be accumulated by the Loan Note Issuer and distributed by the Loan Note Issuer to the Issuer on each Interest Payment Date, in accordance with the Class Interest priority of payment provisions set forth in the Series 2001-2 Series Supplement (and on the first such Interest Payment Date in the Termination Period for the Series 2001-2 Interest, any amounts credited to the Series 2001-2 ledger of the Principal Funding Account at the start of the Termination Period for the Series 2001-2 Interest and identified as being referable to the Series 2001-2 Interest (and, if the Termination Period for the Series 2001-2 Interest commences prior to the Scheduled Maturity Date, amounts (if any) then credited to the Series 2001-2 ledger of the Excess Funding Account and identified as being referable to the Series 2001-2 Interest) will also be distributed to the Issuer. Principal Collections in respect of Non-Qualified Included Advances calculated as being referable to the Series 2001-2 Interest will be utilised by the Receivables Trustee in the same manner as Principal Collections are utilised as described under "Revolving Period for the Series 2001-2 Interest" above. During the Termination Period for the Series 2001-2 Interest, Interest Collections calculated as being referable to the Series 2001-2 Interest will be allocated to the Loan Note Issuer.

Calculation and Treatment of Series 2001-2 Available Income Funds

Calculation of Series 2001-2 Available Income Funds

Prior to each date (each, a "Transfer Date") which is the business day immediately prior to each Distribution Date, the Receivables Trustee (or the Cash Manager on its behalf) shall calculate the amount of "Series 2001-2 Available Income Funds", being an amount equal to the sum of:

(i) the Interest Collections (Margin) calculated as being referable to the Series 2001-2 Interest in respect of the Monthly Period prior to such Transfer Date and credited to the Series 2001-2 ledger of the Receivables Trustee Interest Collections (Margin) Account; plus

(ii) any Recoveries calculated as being referable to the Series 2001-2 Interest in respect of the Monthly Period prior to such Transfer Date and credited to the Series 2001-2 ledger of the Receivables Trustee Interest Collections (Margin) Account; plus

(iii) either (A) the amount accrued under the Basis Swap Agreement in relation to the Series 2001-2 Interest for the Calculation Period (each such amount, the "Basis Swap Amount") ending with the Distribution Date next following such Transfer Date; and such amount shall be calculated as the product of (1) the actual numbers of days in the Calculation Period over the actual number of days in the Finance Period and (2) the amount payable by the Basis Swap Counterparty to the Receivables Trustee (as agent) on the next following Payment Date; or (B) if the Basis Swap Counterparty is in default or if the Basis Swap Agreement has been terminated, the amount of Interest Collections (Basis) which would otherwise have been paid by the Receivables Trustee as agent for the Loan Note Issuer under the Basis Swap Agreement but which have not been paid to the Basis Swap Counterparty as a result of such default or termination; plus

(iv) during the Accumulation Period or the Termination Period for the Series 2001-2 Interest, any Reallocated Principal Collections, to the extent permitted by the Receivables Trust and Cash Management Agreement; plus

(v) the income in respect of any Permitted Investments calculated as being referable to the Series 2001-2 Interest on such Transfer Date.

The Series 2001-2 Available Income Funds shall be transferred from the relevant ledger of the relevant Receivables Trustee Collections Account to the Series 2001-2 Loan Note Issuer Account on each Distribution Date.

Priorities in relation to Treatment of Series 2001-2 Available Income Funds

On each Transfer Date, the Loan Note Issuer (or the Cash Manager on its behalf) shall determine the allocation of the Series 2001-2 Available Income Funds which will be credited to the Series 2001-2 Loan Note Issuer Account (including any amounts in respect of previous Monthly Periods) on the next following Distribution Date to the following payments and provisions (the "Loan Note Issuer Income Priority of Payments") in the following order of priority (but, in each case, only to the extent that all payments and/or provisions of a higher ranking priority have been paid or provided for in full and after the Loan Note Issuer has paid all amounts required to be paid to the Basis Swap Counterparty under the terms of the Basis Swap Agreement):

(i) an amount equal to the Series 2001-2 Receivables Trustee Payment for the next following Distribution Date plus any unpaid Series 2001-2 Receivables Trustee Payment outstanding on such Transfer Date for any preceding Distribution Date. Such amount shall be distributed by the Loan Note Issuer to the Receivables Trustee toward meeting the Series 2001-2 Receivables Trustee Payment (or such unpaid amount thereof) on the next following Distribution Date;

(ii) an amount equal to the Series 2001-2 Loan Note Issuer Costs Amount for the next following Distribution Date. Such amount shall be distributed to or to the order of the Loan Note Issuer on the next following Distribution Date;

(iii) an amount equal to the Series 2001-2 Interest portion (on a *pro rata* basis as among the Series Interests) of the Cash Management Fee for the next following Distribution Date, if any, plus the amount of any unpaid Cash Management Fee referable to the Series 2001-2 Interest outstanding on such Transfer Date for any proceeding Distribution Date. Such amount shall be paid by the Loan Note Issuer on the next following Distribution Date to the Receivables Trustee by way of indemnity for the payment by the Receivables Trustee of such Cash Management Fee referable to the Series 2001-2 Interest to or to the order of the Cash Manager on the next following Distribution Date;

(iv) *pari passu* and *pro rata* according to the respective amounts thereof, (a) an amount equal to the sum on such Transfer Date of the Class A Required Amount and the Class A Shortfall Amount in each case, for the next following Distribution Date. Such amount will be credited to the Class A Distribution Ledger and shall remain in the Loan Note Issuer Account until the next following Payment Date and (b) an amount equal to any cost associated with the hedging arrangements entered into by Bank of Scotland or any other provider in connection with an HCRA together with any

unhedged currency losses (if any) incurred by Bank of Scotland or any other provider (on a *pro rata* basis among the Series Interests) shall be paid to Bank of Scotland or such other provider of hedging arrangements as referred to above;

(v) an amount equal to the sum on such Transfer Date of the Class B Required Amount and the Class B Shortfall Amount in each case, for the next following Distribution Date. Such amount will be credited to the Class B Distribution Ledger and shall remain in the Loan Note Issuer Account until the next following Payment Date;

(vi) an amount equal to the sum on such Transfer Date of the Class C Required Amount and the Class C Shortfall Amount in each case, for the next following Distribution Date. Such amount will be credited to the Class C Distribution Ledger and shall remain in the Loan Note Issuer Account until the next following Payment Date;

(vii) an amount equal to the sum on such Transfer Date of the Class D Required Amount and the Class D Shortfall Amount in each case, for the next following Distribution Date. Such amount will be credited to the Class D Distribution Ledger and shall remain in the Loan Note Issuer Account until the next following Payment Date;

(viii) an amount applied to reduce to zero any balance then standing to the credit of the Class A Principal Deficiency Ledger on such Transfer Date. Such amount shall be treated as a Principal Collection referable to the Series 2001-2 Interest and shall be paid to the Receivables Trustee Principal Collections Account on the next following Distribution Date;

(ix) an amount applied to reduce to zero any balance then standing to the credit of the Class B Principal Deficiency Ledger on such Transfer Date. Such amount shall be treated as a Principal Collection referable to the Series 2001-2 Interest and shall be paid to the Receivables Trustee Principal Collections Account on the next following Distribution Date;

(x) an amount applied to reduce to zero any balance then standing to the credit of the Class C Principal Deficiency Ledger on such Transfer Date. Such amount shall be treated as a Principal Collection referable to the Series 2001-2 Interest and shall be paid to the Receivables Trustee Principal Collections Account on the next following Distribution Date;

(xi) an amount applied to reduce to zero any balance then standing to the credit of the Class D Principal Deficiency Ledger on such Transfer Date. Such amount shall be treated as a Principal Collection referable to the Series 2001-2 Interest and shall be paid to the Receivables Trustee Principal Collections Account on the next following Distribution Date;

(xii) an amount applied to reduce to zero any balance then standing to the credit of the Class E Principal Deficiency Ledger on such Transfer Date. Such amount shall be treated as a Principal Collection referable to the Series 2001-2 Interest and shall be paid to the Receivables Trustee Principal Collections Account on the next following Distribution Date;

(xiii) an amount equal to the Series 2001-2 Reserve Deficiency Amount and then an amount equal to, first, the Liquidity Reserve Class A Deficiency Amount, secondly, the Liquidity Reserve Class B Deficiency Amount and then Liquidity Reserve Class C Deficiency Amount. Such amounts shall be deposited into or to the order of the Reserve Account and credited to the Series 2001-2 ledger of such account on the next following Distribution Date;

(xiv) an amount equal to the sum on such Transfer Date of the Class E Required Amount and the Class E Shortfall Amount in each case for the next following Distribution Date. Such amount will be credited to the Class E Distribution Ledger and shall remain in the Loan Note Issuer Account until the next following Payment Date;

(xv) an amount equal to the Loan Note Issuer Return. Such amount shall be paid to or to the order of the account of the Loan Note Issuer specified for the receipt of its profit amount on the next following Distribution Date;

(xvi) an amount equal to the Loan Note Issuer Extra Amount. Such amount shall remain in the Series 2001-2 Loan Note Issuer Account until the next following Payment Date;

(xvii) at such time as the Series 2001-2 Interest is zero, an amount equal to any principal payable in accordance with the Expenses Loan Agreement. Such amount shall remain in the Series 2001-2 Loan Note Issuer Account until the next following Payment Date; and

(xviii) the balance, if any, after giving effect to the payments made pursuant to paragraphs (i) to (xvii) (inclusive) shall be paid as Deferred Receivables Trust Consideration on the next following Payment Date.

To the extent that Series 2001-2 Available Income Funds are insufficient to meet the payments in items (i) to (xii), any amount standing to the credit of the Series 2001-2 ledger of the Reserve Account (other than in respect of any amounts standing to the credit of any Liquidity Reserve Ledger for Series 2001-2) may be utilised to pay any remaining amounts in items (i) to (xii) (in the same order of priority as set forth above).

To the extent that there remains a shortfall after the utilisation of such amounts from the Reserve Account, Principal Collections standing to the credit of the Series 2001-2 ledger of the Principal Funding Account ("Reallocated Principal Collections") may be used to pay any remaining amounts in respect of items (i) to (vii), provided that such Principal Collections shall be credited to the Principal Deficiency Ledgers, starting with the Class E Principal Deficiency Ledger.

To the extent that such Reallocated Principal Collections are insufficient to meet the payments in items (iv) to (vi), any amount standing to the credit of the Liquidity Reserve Class C Ledger may be utilised to pay any remaining amounts in items (iv) to (vi) (in the order of priority set out above). To the extent that there remain insufficient funds to meet the payments in items (iv) to (v), any amount standing to the credit of the Liquidity Reserve Class B Ledger may be utilised to pay any remaining amounts in items (iv) to (v) (in the order of priority set out above). To the extent that there remain insufficient funds to meet the payments in item (iv), any amount standing to the credit of the Liquidity Reserve Class A Ledger may be utilised to pay any remaining amounts in item (iv).

Priority of Payments in relation to Issuer's Available Income Funds

Following the calculation and allocation of the Series 2001-2 Available Income Funds as described above, the Loan Note Issuer shall, on each Payment Date, distribute from the Loan Note Issuer Account to or to the order of the Issuer an amount equal to items (ii) (in an amount equal to items (i) and (iii) of Issuer Income Priority of Payments), (iv), (v), (vi), (vii), (xiv), (xvi) and (xvii) of Loan Note Issuer Income Priority of Payments. The amount distributed to or to the order of the Issuer by the Loan Note Issuer on each Payment Date shall, together with revenue items received by the Issuer under the Currency Swap Agreement and in respect of Permitted Investments, comprise the Issuer Available Income Funds for the Issuer in respect of the Notes.

Issuer Available Income Funds will, on each Payment Date, be applied by or to the order of the Issuer in making the following payments and/or provisions (the "Issuer Income Priority of Payments") in the following order of priority (but, in each case, only to the extent that all payments and/or provisions of a higher ranking priority have been paid or provided for in full):

(i) *pari passu* and on a *pro rata* basis, the remuneration payable to the Note Trustee for any costs, charges, liabilities and expenses incurred by it or its respective appointees under the provisions of the Trust Deed and the Issuer Deed of Charge (including interest thereon, if so provided in the Trust Deed or the Issuer Deed of Charge);

(ii) *pari passu* and on a *pro rata* basis, (a) all interest payable on that Payment Date in respect of the Class A Notes; and (b) any amounts payable by the Issuer to the Currency Swap Counterparty under the Currency Swap Agreement except for any termination payment payable to the Currency Swap Counterparty arising from a Currency Swap Counterparty Default;

(iii) *pari passu* and on a *pro rata* basis prior to the service of an Enforcement Notice in accordance with Condition 11 of the Notes, (a) any amounts properly paid by the Agents to the Noteholders and not paid by the Loan Note Issuer pursuant to the Agency Agreement; (b) the fees, costs and expenses of the Agents; (c) the fees, costs and expenses of the Issuer's auditors referable to the Notes; (d) any registered office fees in respect of the Issuer referable to the Notes; (e) the fees of each of the Rating Agencies referable to the Notes; (f) any amounts in respect of administration fees payable to any

party for services provided pursuant to the Corporate Services Agreement (other than in respect of the registered office of the Issuer) referable to the Notes; (g) all other amounts due and payable or expected to be due and payable by the Issuer to third parties with respect to the Notes and incurred without breach by the Issuer of the Transaction Documents to which it is a party and not provided for payment elsewhere, (h) any liability of the Issuer for corporation tax on any chargeable income or gain of the Issuer referable to the Notes, and (i) an amount equal to 0.01 per cent. of the interest accruing on the Series 2001-2 Loan Note, to be retained by the Issuer as profit provided that following the service of an Enforcement Notice in respect of the Notes, amounts payable under items (a) and (b) shall be paid before item (ii) above and item (f) shall be paid after interest payable on that Payment Date (including any Deferred Interest and Additional Interest) in respect of the Class E Notes and all other amounts payable under this item (iii) shall be paid out of amounts paid to the Issuer under item (x);

(iv) all interest payable on that Payment Date (including any Deferred Interest and Additional Interest) in respect of the Class B Notes and applying the payment first to current interest and then to any such Deferred Interest and then to any such Additional Interest;

(v) all interest payable on that Payment Date (including any Deferred Interest and Additional Interest) in respect of the Class C Notes and applying the payment first to current interest and then to any such Deferred Interest and then to any such Additional Interest;

(vi) all interest payable on that Payment Date (including any Deferred Interest and Additional Interest) in respect of the Class D Notes and applying the payment first to current interest and then to any such Deferred Interest and then to any such Additional Interest;

(vii) all interest payable on that Payment Date (including any Deferred Interest and Additional Interest) in respect of the Class E Notes and applying the payment first to current interest and then to any such Deferred Interest and then to any such Additional Interest;

(viii) after the occurrence of a Currency Swap Counterparty Default, in or towards satisfaction of any termination payment due and payable by the Issuer under the Currency Swap Agreement;

(ix) amounts then due and payable in respect of the Expenses Loan Agreement; and

(x) the remainder, if any, shall be paid to the Issuer.

To the extent that Issuer Available Income Funds on the relevant Payment Date are sufficient therefor, such amount shall be paid to the persons entitled thereto or so applied on the relevant Payment Date. It is expected that the Issuer may periodically pay dividends out of the retained profit to ParentCo or make such other investments with such funds as may be approved by the board of directors of the Issuer. Accordingly, it is not intended that any surplus will be accumulated by the Issuer.

Distribution of Principal Collections and Series 2001-2 Available Principal Funds

Reinvestment of Principal Collections

On each business day:

(a) during the Revolving Period for the Series 2001-2 Interest, the Receivables Trustee (or the Cash Manager on its behalf) shall calculate an amount equal to the Principal Collections (including any amounts applied by the Loan Note Issuer to reduce the positive balance of any Series 2001-2 Principal Deficiency Ledger on such date) credited to the Receivables Trustee Principal Collections Account and referable to the Series 2001-2 Interest;

(b) during the Accumulation Period or Termination Period for the Series 2001-2 Interest, the Receivables Trustee (or the Cash Manager on its behalf) shall calculate an amount equal to the Non-Qualified Principal Collections referable to the Series 2001-2 Interest,

and shall allocate and distribute such amount in the following priority:

(i) a proportion of such Principal Collections may be applied as Shared Principal Collections and allocated to Applicable Series Interests in Group One other than the Series 2001-2 Interest (in accordance with the provisions of the Receivables Trust and Cash Management Agreement and each relevant Series Supplement);

(ii) the balance remaining will be applied as the *pro rata* share represented by the Series 2001-2 Interest among all Series Interests of Additional Trust Consideration (to the extent that such application will not result in a breach of the Minimum Transferor Interest);

(iii) the balance remaining will be allocated to the Transferor Interest (to the extent the Transferor Interest is greater than the Minimum Transferor Interest) and deposited to such account as Bank of Scotland may specify; and

(iv) the balance remaining shall be allocated to the Loan Note Issuer and deposited in the Excess Funding Account (and identified as being referable to the Series 2001-2 Interest) provided that any amount standing to the credit of the Series 2001-2 ledger of the Excess Funding Account on the date on which the Series 2001-2 Interest is reduced to zero shall be treated as Principal Collections and shall be deposited in the Receivables Trustee Principal Collections Account on such date.

Use of Principal Collections to repay the Notes

On each business day during the Accumulation Period or Termination Period for the Series 2001-2 Interest, the Receivables Trustee will withdraw from the Receivables Trustee Principal Collections Account, debiting the relevant Series 2001-2 ledgers, allocate to the Loan Note Issuer and deposit to the Principal Funding Account, crediting the Series 2001-2 ledger, an amount (the "Series 2001-2 Available Principal Funds") equal to the lesser of:

(a) an amount calculated as equal to the product of:

    (i) a percentage equal to the aggregate of the (1) Series Interest Fixed Percentages of all Series Interests in Group One which are in their Revolving Period plus (2) the Series Interest Fixed Percentage of the Series 2001-2 Interest plus (3) (until such time as a capped amount calculated by reference to the Transferor Interest and the size of the Receivables Trust Property on the Issue Date has been distributed to the Loan Note Issuer) the Transferor Interest Percentage; and

    (ii) the amount of Principal Collections (including any amounts applied by the Loan Note Issuer to reduce the positive balance of the Series 2001-2 Principal Deficiency Ledger) in respect of Qualified Included Advances,

(b) the Adjusted Series Interest in respect of the Series 2001-2 Interest.

On the first business day of the Accumulation Period or Termination Period for the Series 2001-2 Interest (if any), the Receivables Trustee will withdraw any funds standing to the credit of the Series 2001-2 ledger of the Excess Funding Account and shall deposit such amount to or to the order of the Principal Funding Account identifying such funds as being referable to the Series 2001-2 Interest.

The Series 2001-2 Available Principal Funds shall also include during the Accumulation Period the amount of Principal Collections in respect of Qualified Included Advances allocated to the Transferor Interest, to the extent specified in the Series 2001-2 Supplement. Such amount shall be withdrawn from the Receivables Trustee Principal Collections Account, allocated to the Loan Note Issuer, deposited to the Principal Funding Account and identified as referable to the Series 2001-2 Interest.

On the earlier to occur of (i) the first Interest Payment Date during the Termination Period for the Series 2001-2 Interest and (ii) the Scheduled Maturity Date, and on each Interest Payment Date thereafter, the Loan Note Issuer (or the Cash Manager on its behalf) will arrange for the distribution of the Series 2001-2 Available Principal Funds on the related Interest Payment Date with the following priority:

(a) from the Principal Funding Account an amount equal to the lesser of the Class A Interest and the amount credited to the Principal Funding Account calculated as referable to the Class A Interest shall be paid to or to the order of the Series 2001-2 Loan Note Issuer Account and thereafter to or to the order of the Series 2001-2 Issuer Account (and the Issuer will use such monies, after their exchange for Dollars under the Currency Swap Agreement, to redeem the Class A Notes in whole (where the amount distributed is equal to the Class A Interest) or to repay principal outstanding thereon (in any other case) in accordance with the Conditions);

(b) from the Principal Funding Account an amount equal to the lesser of the Class B Interest and the amount credited to the Principal Funding Account calculated as referable to the Class B Interest shall be paid to or to the order of the Series 2001-2 Loan Note Issuer Account and thereafter to or to the order of the Series 2001-2 Issuer Account (and the Issuer will use such monies, after their exchange for Dollars under the Currency Swap Agreement, to redeem the Class B Notes in whole (where the amount distributed is equal to the Class B Interest) or to repay principal outstanding thereon (in any other case) in accordance with the Conditions);

(c) from the Principal Funding Account an amount equal to the lesser of the Class C Interest and the amount credited to the Principal Funding Account and calculated as referable to the Class C Interest shall be paid to or to the order of the Series 2001-2 Loan Note Issuer Account and thereafter to or to the order of the Series 2001-2 Issuer Account (and the Issuer will use such monies, after their exchange for Dollars under the Currency Swap Agreement, to redeem the Class C Notes in whole (where the amount distributed is equal to the Class C Interest) or to repay principal outstanding thereon (in any other case) in accordance with the Conditions);

(d) from the Principal Funding Account an amount equal to the lesser of the Class D Interest and the amount credited to the Principal Funding Account calculated as referable to the Class D Interest shall be paid to or to the order of the Series 2001-2 Loan Note Issuer Account and thereafter to or to the order of the Series 2001-2 Issuer Account (and the Issuer will use such monies, after their exchange for Dollars under the Currency Swap Agreement, to redeem the Class D Notes in whole (where the amount distributed is equal to the Class D Interest) or to repay principal outstanding thereon (in any other case) in accordance with the Conditions); and

(e) from the Principal Funding Account an amount equal to the lesser of the Class E Interest and the amount credited to the Principal Funding Account calculated as referable to the Class E Interest shall be paid to or to the order of the Series 2001-2 Loan Note Issuer Account and thereafter to or to the order of the Series 2001-2 Issuer Account (and the Issuer will use such monies to redeem the Class E Notes in whole (where the amount distributed is equal to the Class E Interest) or to repay principal outstanding thereon (in any other case) in accordance with the Conditions).

Pay Out Events

The following shall constitute "Trust Pay Out Events" (and, together with Series Pay Out Events, as defined below, "Pay Out Events"):

(a) Bank of Scotland shall, unless it has received confirmation from each Rating Agency that such action will not result in the withdrawal or reduction of its then current rating of any debt securities secured, directly or indirectly, on the Investor Interest, consent or take any corporate action in relation to the appointment of a receiver, administrator, administrative receiver, provisional liquidator, liquidator, trustee in sequestration, judicial factor or similar officer of it, relating to all or substantially all of its revenues and assets or an order of the court is made for its sequestration, winding up, dissolution, administration or insolvent reorganisation or a receiver, administrator, administrative receiver, provisional liquidator, liquidator, trustee in sequestration, judicial factor or similar officer of it, relating to all or substantially all of its revenues and assets is legally and validly appointed;

(b) a member of the board of directors of Bank of Scotland shall admit in writing that Bank of Scotland is unable to pay its debts as they fall due or Bank of Scotland makes a general assignment, assignation or trust for the benefit of or a scheme, arrangement or composition with its creditors or voluntarily suspends payment of its obligations with a view to the general readjustment or rescheduling of its indebtedness;

(c) Bank of Scotland shall become unable for any reason to create a beneficial interest in Included Advances under the Corporate Loan Trust or otherwise act as trustee in the manner contemplated in the Corporate Loan Trust Deed;

(d) Bank of Scotland ceases to be resident for tax purposes in the United Kingdom or otherwise ceases to be within the charge to United Kingdom corporation tax (including in respect of any interest payable under the Included Advances);

(e) a change in law or its interpretation or administration results in the Receivables Trustee becoming liable to make any material payment on account of tax in relation to the RT Interest;

(f) Bank of Scotland ceases to be a bank for the purposes of section 840A of the Income and Corporation Taxes Act 1988 (or any successor or analogous provision thereof) with the result that payments in respect of the Included Advances are unable to be made free from any withholding or deduction for tax;

(g) the Transferor Interest is below the Minimum Transfer Interest for a period of six consecutive months.

If any one of the above events shall occur then a Pay Out Event with respect to all issues of Notes shall occur, without any notice or other action on the part of the Receivables Trustee, the Loan Note Issuer, the Loan Note Trustee, the Note Trustee or any Series Issuer, immediately upon the occurrence of such event.

The following are "Series Pay Out Events" in relation to the Series 2001-2 Interest:

(a) failure on the part of the Receivables Trustee or the Cash Manager:

  (i) to make any payment or deposit required by the terms of the Receivables Trust and Cash Management Agreement or the Series 2001-2 Supplement, on or before the date occurring seven business days after the date such payment or deposit is required to be made, or

  (ii) duly to observe or perform in any material respect any covenants or agreements by which the Receivables Trustee or Cash Manager, as the case may be, is bound and which failure has a material adverse effect on the relevant Loan Note Issuer's interest in the Investor Interest and which continues unremedied for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Receivables Trustee or the Cash Manager, as the case may be, by the Loan Note Issuer (or the Loan Note Trustee on its behalf), and continues to affect materially and adversely the Loan Note Issuer's interest in the Investor Interest for such period;

(b) failure on the part of the Corporate Loan Trustee:

  (i) to make any payment or deposit required by the terms of the Corporate Loan Trust Deed on or before the date occurring seven business days after the date such payment or deposit is required to be made, or

  (ii) duly to observe or perform in any material respect any covenants or agreements by which the Corporate Loan Trustee is bound and which failure has a material adverse effect on the Receivables Trustee's interest in the RT Interest and which continues unremedied for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Corporate Loan Trustee, as the case may be, by the Receivables Trustee, and continues to affect materially and adversely the Receivables Trustee's interest in the RT Interest for such period;

  (iii) to re-locate the Collection Accounts and the RT Collection Accounts to a banking institution with the Required Rating, or obtain a guarantee in respect of such accounts from an entity rated at least A-1 (S&P) and P-1 (Moody's), following any downgrade of Bank of Scotland below A-1 (S&P) or P-1 (Moody's) and which failure continues unremedied for a period of 30 days after the date on which such downgrade has occurred;

(c) any representation or warranty made by Bank of Scotland in its capacity as Corporate Loan Trustee under the Corporate Loan Trust Deed (other than in respect of the Tagged Eligible Facilities and the advances thereunder) or as Cash Manager under the Receivables Trust and Cash Management Agreement:

  (i) shall prove to have been incorrect in any material respect when made or when delivered, which continues to be incorrect in any material respect for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to Bank of Scotland, in the above capacities, by the Loan Note Issuer or the Loan Note Trustee on its behalf, and

  (ii) as a result of which the Loan Note Issuer's interest in the Investor Interest is materially and adversely affected and continues to be materially and adversely affected for such period;

(d) any Cash Manager Default (as defined herein) has occurred;

(e) the Loan Note Issuer or the Receivables Trustee becomes an "investment company" within the meaning of the 1940 Act (as defined herein);

(f) failure on the part of the Basis Swap Counterparty to make any payment in respect of the Basis Swap Agreement within seven business days of the date upon which such payment was due or the failure to provide any required Swap Rating Support within 30 days after the withdrawal or reduction of the rating of the Basis Swap Counterparty below the Required Rating;

(g) failure on the part of the Currency Swap Counterparty to make any payment in respect of the Currency Swap Agreement within seven business days of the date upon which such payment was due or the failure to provide any required Swap Rating Support within 30 days after the withdrawal or reduction of the rating of the Currency Swap Counterparty below the Required Rating;

(h) the Moody's Diversity Score in respect of the Included Advances is less than 52 for three consecutive months; the "Moody's Diversity Score" is calculated by adding each of the Industry Diversity Scores which are calculated as follows: (a) a "Borrower Par Amount" is calculated for each Borrower under a Tagged Eligible Facility by summing the principal amount outstanding of all Included Advances in respect of such Borrower; (b) an "Average Par Amount" is calculated by adding the Borrower Par Amounts and dividing by the number of Borrowers in relation to the Included Advances; (c) an "Equivalent Unit Score" is calculated for each Borrower by taking the lesser of (i) one and (ii) the Borrower Par Amount for such Borrower divided by the Average Par Amount; (d) an "Aggregate Industry Equivalent Unit Score" is then calculated for each of the Industry Classification Groups by summing the Equivalent Unit Scores for each Borrower in such Industry Classification Group; (v) an "Industry Diversity Score" is then established by reference to Moody's established diversity score table for the related Aggregate Industry Equivalent Unit Score;

(i) the amount standing to the credit of the Series 2001-2 Principal Deficiency Ledger exceeds 2.90 per cent. of the Initial Series 2001-2 Interest;

(j) the Weighted Average Margin in respect of the Included Advances and Excess Funding Account balance (if any) falls below 1.30 per cent. for three consecutive months; "Weighted Average Margin" means, for any Monthly Period, the percentage derived from the fraction, the numerator of which is the sum of the "Margin Amounts" less any costs incurred in connection with hedging arrangements for HCRAs and the denominator of which is the sum of the Included Advances and the balance standing to the credit of the Excess Funding Account (if any). Each "Margin Amount" is the product of (i) the relevant margin rate payable in relation to an Included Advance (pursuant to the contractual terms of the relevant Tagged Eligible Facility under which the Included Advance was drawn) or the Excess Funding Account (pursuant to its terms) and (ii) the amount of that Included Advance or the balance of the Excess Funding Account (if any), as applicable;

(k) on the last day of each of three consecutive Monthly Periods, less than 70.0 per cent. of the Tagged Eligible Facilities (determined by aggregate outstanding principal balance of the Included Advances) had the benefit of Security;

(l) the Moody's Weighted Average Rating Score is greater than 1925 on the last day of a Monthly Period and the last day of the two immediately preceding Monthly Periods; "Moody's Weighted Average Rating Score" means the amount determined by summing the products obtained by multiplying the principal amount outstanding of each Included Advance by its Moody's Rating Score (as defined below), dividing such sum by the aggregate principal amount outstanding of all Included Advances. The "Moody's Rating Score" with respect to any Included Advance is the number shown below opposite the Facility Grade for the Tagged Eligible Facility under which the Included Advance was made (or in the event of replacement or amendment of such Facility Grades, such other numbers as may be agreed with Moody's from time to time):

Facility Grade	*Moody's Rating Score*
92.51 – 100.0	1
87.51 – 92.50	10
82.51 – 87.50	20
77.51 – 82.50	40
72.51 – 77.50	70
67.51 – 72.50	120
62.51 – 67.50	180
57.51 – 62.50	260
52.51 – 57.50	360
47.51 – 52.50	610
42.51 – 47.50	940
37.51 – 42.50	1350
32.51 – 37.50	1780
27.51 – 32.50	2220
22.51 – 27.50	2720
17.51 – 22.50	3490
12.51 – 17.50	4760
7.51 – 12.50	6500
2.51 – 7.50	8060
0 – 2.50	10000

If in the case of any event described in sub-paragraph (a), (b), (c), (d), (f) or (g) after the applicable grace period set forth in such sub-paragraphs, either the Receivables Trustee or the Loan Note Trustee by notice then given in writing to the Issuer, Bank of Scotland and the Cash Manager (and to the Receivables Trustee if given by the Loan Note Trustee) may declare that a Pay Out Event has occurred as of the date of such notice, and in the case of any event described in subparagraphs (e), (h), (i), (j), (k) or (l) a Series Pay Out Event shall occur, without any notice or other action on the part of the Receivables Trustee or the Loan Note Trustee, immediately upon the occurrence of such event. Following the occurrence of a Series Pay Out Event, the Notes shall become immediately due and repayable.

From the date on which any of the tests set out in paragraphs (h), (j), (k), and (l) above is first breached to the earlier of (a) the date on which such breach is cured and (b) the occurrence of a Series Pay Out Event, no new Eligible Facilities may be flagged until such breach has been cured, unless the addition of such new Eligible Facility shall improve compliance with at least one of such breached tests and shall not breach or make worse an existing breach to any other of such tests.

Expenses Loan Agreement

Under a loan agreement between Bank of Scotland and the Issuer, the Issuer will on the Issue Date borrow funds from Bank of Scotland to enable the Issuer to meet certain expenses of the issue of the Notes and funding of the acquisition of the Series 2001-2 Loan Note. The amounts outstanding under the Expenses Loan Agreement, together with interest thereon, will be repaid out of Series 2001-2 Available Income Funds. To the extent that Series 2001-2 Available Income Funds at such time are sufficient therefor, payments of interest under the Expenses Loan Agreement will be made on each Interest Payment Date. The Expenses Loan bears interest at a rate of Sterling LIBOR plus 0.25 per cent. per annum.

Swap Agreements

Basis Swap Agreement

The Included Advances bear interest at a variety of interest rates. The Loan Note Issuer will enter (through the Receivables Trustee acting as agent on behalf of the Loan Note Issuer) into the Basis Swap Agreement with the Basis Swap Counterparty in respect of the Interest Collections (Basis) to be allocated to the Series 2001-2 Interest. Under the Basis Swap Agreement, (a) the Receivables Trustee (as agent for the Loan Note Issuer) will pay to the Basis Swap Counterparty an amount calculated by reference to a rate (which is referable to the basis element of the interest rate on the Included Advances) multiplied by a notional amount equal to the Initial Investor Interest in the Included Advances and (b) the Basis Swap Counterparty will pay to the Receivables Trustee (as agent for the Loan Note Issuer) LIBOR (calculated in accordance with Sterling LIBOR) multiplied by a notional amount equal to the Initial Investor Interest in the Included Advances. In the event that the Initial Investor Interest is reduced by distributions being made to the Loan Note Issuer (whether by payment to the Principal Funding Account or otherwise) the Receivables Trustee (as agent for the Loan Note Issuer) and the Basis Swap Counterparty will enter into series of matching opposite basis swaps under the Basis Swap Agreement to remove any interest rate exposure of the Loan Note Issuer that would result from such reduction. Payments from each of the Receivables Trustee (as agent) and the Basis Swap Counterparty are subject to reduction in payment obligations for non-receipt of Interest Collections.

Currency Swap Agreement

The Series 2001-2 Loan Note will be denominated in Sterling whereas the Offered Notes will be denominated in Dollars, Euro and Sterling. To mitigate the risk of a movement in the value of Sterling relative to Dollars or, as the case may be, Euro and of Sterling LIBOR against Dollar LIBOR, or, as the case may be, EURIBOR, the Issuer has entered into the Currency Swap Agreement.

Prior to the Scheduled Maturity Date, pursuant to the terms of the Currency Swap Agreement, the Currency Swap Counterparty may, at its option following the occurrence of certain Pay Out Events, elect not to amortise the aggregate notional principal amount of the Currency Swap Agreement (as would normally be the case in the Termination Period) and may direct the Issuer to notify Class A Noteholders of the normal commencement (or continuation) of the Accumulation Period in relation to the Class A Notes, and the obligations of the Currency Swap Counterparty to make payments to the Issuer (enabling the Issuer to make its interest payments on the Class A Notes, the Class B Notes, the Class C Notes and the Class D1 Notes in Dollars and on the Class D2 Notes in Euro) shall remain unchanged.

Downgrade Provisions in relation to Swap Agreements

Each of the Basis Swap Agreement and the Currency Swap Agreement (in either such case, the ''Relevant Swap Agreement'') provides that if any rating in respect of any of (a) the Basis Swap Counterparty (in respect of the Basis Swap Agreement) or the Currency Swap Counterparty (in respect of the Currency Swap Agreement), or (b) any Swap Rating Support (as defined below) is:

(i) downgraded below the Required Rating or withdrawn by S&P; or

(ii) downgraded below the Required Rating or withdrawn by Moody's;

(either of (i) or (ii) a ''Swap Counterparty Rating Reduction'') then, immediately upon such Swap Counterparty Rating Reduction:

(a) if the Basis Swap Counterparty or Currency Swap Counterparty, as applicable, (acting reasonably) shall determine, or either S&P or Moody's shall indicate, that as a direct consequence of such Swap Counterparty Rating Reduction, the then current rating of the Offered Notes (in the case of the Currency Swap Agreement) or the Notes (in the case of the Basis Swap Agreement) could be adversely affected;

(b) in the event that such rating could be adversely affected, the Basis Swap Counterparty or the Currency Swap Counterparty, as applicable, shall immediately consult with the relevant Rating Agency and if such Rating Agency confirms that as a direct consequence of the Swap Counterparty Rating Reduction the then rating of the applicable Notes is or will be adversely affected;

(c) in the event that such confirmation is received, the Basis Swap Counterparty or the Currency Swap Counterparty, as applicable, shall thereupon use its best efforts (subject to the proviso at the end of the penultimate sentence of this paragraph) to assist the Loan Note Issuer or, as the case may be, the Issuer in ensuring (if necessary) that, within 30 days of receipt of such confirmation, all necessary actions are taken to maintain the rating of the applicable Notes at the rating that would subsist but for the Swap Counterparty Rating Reduction or, in the case of an immediate adverse effect on the rating of the applicable Notes, to restore the rating of the Notes to the rating that existed immediately prior to such Swap Counterparty Rating Reduction. These efforts shall include (A) obtaining a third party, acceptable to the Loan Note Issuer or the Issuer (as the case may be), to guarantee the obligations of the Basis Swap Counterparty or the Currency Swap Counterparty, as applicable, under the Relevant Swap Agreement or to whom the obligations under the Relevant Swap Agreement may be transferred, (B) posting collateral (and, (1) in the event the Swap Counterparty Rating Reduction is carried out by S&P, such posting of collateral shall be in accordance with the S&P's interest rate and currency swap criteria dated January 1999 for calculating swap collateral (including all mark-to-market and volatility buffer calculations set forth therein), as such criteria may be amended, supplemented or replaced from time to time, and (2) in the event that the Swap Counterparty Rating Reduction is carried out by Moody's, such posting of collateral shall be undertaken only following confirmation from Moody's of the sufficiency of the amount of the collateral so posted), and (C) any other action as the Basis Swap Counterparty or the Currency Swap Counterparty, as applicable, in its sole discretion, deems to be reasonably necessary (and the result of any such action in (A), (B) or (C) called "Swap Rating Support") to assist the Issuer in maintaining the rating of the applicable Notes or (in the event the applicable Notes have been downgraded) in restoring the rating of the applicable Notes to the rating that existed immediately prior to such Swap Counterparty Rating Reduction, provided that if Swap Rating Support cannot be completed despite the exercise of the Basis Swap Counterparty's or Currency Swap Counterparty's (as applicable) best efforts as outlined above, the Basis Swap Counterparty or Currency Swap Counterparty (as applicable) shall nonetheless post collateral as specified in (B) above. In the event that any rating in respect of the Basis Swap Counterparty or Currency Swap Counterparty (as applicable) is placed under review for possible downgrade or placed under review for possible withdrawal by Moody's, then the Relevant Swap Agreement provides that the Currency Swap Counterparty or Basis Swap Counterparty (as applicable) shall promptly send written notice of such fact to Moody's.

Defined Terms in relation to Calculations and Allocations

"Accumulation/Termination Period" means the time when any Series Interest which is in Group One is in its Accumulation Period or Termination Period, and during which time all amounts in respect of Series Interests in Group One will be calculated utilising the applicable fixed interest calculations; following the end of such Series Interest's Accumulation Period or Termination Period (as applicable) and in the event that all remaining Series Interests in Group One are then in their revolving periods, such remaining Series Interests and amounts in respect thereof will be calculated utilising the relevant revolving period floating interest calculations.

"Adjusted Series Interest" with respect to any Series Interest is equal to A–B–C where:

A = the Series Interest;

B = the amount then standing to the credit of the Principal Funding Account referable to that Series Interest; and

C = the amount then standing to the credit of the Excess Funding Account referable to that Series Interest.

"Aggregate Series Interest Percentage" means, on any date, the sum of the Series Interest Percentages.

"Calculation Period" means, with respect to any Distribution Date, the period from and including the Distribution Date immediately preceding such Distribution Date (or in the case of the first Distribution Date from and including the Issue Date) to but excluding such Distribution Date.

"Class A Additional Finance Amount" means, in respect of a Distribution Date, an amount equal to the product of (a) a fraction, the numerator of which is the number of days in the Calculation Period with respect to that Distribution Date and the denominator of which is 365, (b) the Class A Rate, and (c) the unpaid Class A Shortfall Amount (if any) on the immediately preceding Payment Date.

"Class A Adjusted Series Interest" means, with respect to any date of determination, an amount equal to the Class A Interest minus the aggregate of any amounts standing to the credit of the Principal Funding Account and the Excess Funding Account and referable to the Class A Interest on that date.

"Class A Debt Amount" means, on any date, the Class A Interest plus any amount then standing to the credit of the Class A Principal Deficiency Ledger.

"Class A Deficiency Amount" means, on any date, the amount standing to the credit of the Class A Principal Deficiency Ledger, which represents a debit balance in respect of the Class A Interest.

"Class A Distribution Ledger" means the distribution ledger maintained by the Receivables Trustee (or the Cash Manager) on behalf of the Loan Note Issuer in relation to amounts calculated for distribution by reference to the Class A Interest.

"Class A Interest" means, with respect to any date of determination, an amount equal to (a) the Class A Initial Series Interest, minus (b) the aggregate amount of principal payments made to the Loan Note Issuer in respect of the Series 2001-2 Interest (referable to the Class A Interest) from Receivables Trust Property prior to that date, minus (c) the aggregate amount of unreimbursed Class A Deficiency Amounts; provided, however, that the Class A Interest may not be reduced below zero.

"Class A Principal Deficiency Ledger" means the principal deficiency ledger maintained by the Receivables Trustee (or the Cash Manager) on behalf of the Loan Note Issuer in relation to Default Amounts referable to the Series 2001-2 Interest and allocated to the Class A Interest.

"Class A Required Amount" means, in respect of a Distribution Date, an amount equal to the product of (a) a fraction, the numerator of which is the actual number of days in the Calculation Period with respect to that Distribution Date and the denominator of which is 365, (b) the Class A Rate, and (c) the Class A Debt Amount as of the Payment Date preceding such Distribution Date.

"Class A Shortfall Amount" means, in respect of a Distribution Date,

$$(A+B+C) - D$$

where

A = the Class A Required Amount as of the prior Calculation Period;

B = the Class A Additional Finance Amount as of the prior Calculation Period;

C = any remaining unreimbursed Class A Shortfall Amount (or part thereof) calculated in relation to the previous Distribution Date; and

D = the amounts actually deposited to or to the order of the Loan Note Issuer Account (and referable to the Class A Interest), credited to the Class A Distribution Ledger and allocated to items A, B and C on that Distribution Date.

"Class B Additional Finance Amount" means, in respect of a Distribution Date, an amount equal to the product of (a) a fraction, the numerator of which is the number of days in the Calculation Period with respect to that Distribution Date and the denominator of which is 365, (b) the Class B Rate, and (c) the unpaid Class B Shortfall Amount (if any) on the immediately preceding Payment Date.

"Class B Adjusted Series Interest" means, with respect to any date of determination, an amount equal to the Class B Interest minus the aggregate of any amounts standing to the credit of the Principal Funding Account and the Excess Funding Account and referable to the Class B Interest on that date.

"Class B Debt Amount" means, on any date, the Class B Interest plus any amount then standing to the credit of the Class B Principal Deficiency Ledger.

"Class B Deficiency Amount" means, on any date, the amount standing to the credit of the Class B Principal Deficiency Ledger, which represents a debit balance in respect of the Class B Interest.

"Class B Distribution Ledger" means the distribution ledger maintained by the Receivables Trustee (or the Cash Manager) on behalf of the Loan Note Issuer in relation to amounts calculated for distribution by reference to the Class B Interest.

"Class B Interest" means, with respect to any date of determination, an amount equal to (a) the Class B Initial Series Interest, minus (b) the aggregate amount of principal payments made to the Loan Note Issuer in respect of the Series 2001-2 Interest (referable to the Class B Interest) from Receivables Trust Property prior to that date, minus (c) the aggregate amount of unreimbursed Class B Deficiency Amounts; provided, however, that the Class B Interest may not be reduced below zero.

"Class B Principal Deficiency Ledger" means the principal deficiency ledger maintained by the Receivables Trustee (or the Cash Manager) on behalf of the Loan Note Issuer in relation to Default Amounts referable to the Series 2001-2 Interest and allocated to the Class B Interest.

"Class B Required Amount" means, in respect of a Distribution Date, an amount equal to the product of (a) a fraction, the numerator of which is the actual number of days in the Calculation Period with respect to that Distribution Date and the denominator of which is 365, (b) the Class B Rate, and (c) the Class B Debt Amount as of the Payment Date preceding such Distribution Date.

"Class B Shortfall Amount" means, in respect of a Distribution Date,

$$(A+B+C) - D$$

where

A = the Class B Required Amount as of the prior Calculation Period;

B = the Class B Additional Finance Amount as of the prior Calculation Period;

C = any remaining unreimbursed Class B Shortfall Amount (or part thereof) calculated in relation to the previous Distribution Date; and

D = the amounts actually deposited to or to the order of the Loan Note Issuer Account (and referable to the Class B Interest) or credited to the Class B Distribution Ledger and allocated to items A, B and C on that Distribution Date.

"Class C Additional Finance Amount" means, in respect of a Distribution Date, an amount equal to the product of (a) a fraction, the numerator of which is the number of days in the Calculation Period with respect to that Distribution Date and the denominator of which is 365, (b) the Class C Rate, and (c) the unpaid Class C Shortfall Amount (if any) on the immediately preceding Payment Date.

"Class C Adjusted Series Interest" means, with respect to any date of determination, an amount equal to the Class C Interest minus the aggregate of any amounts standing to the credit of the Principal Funding Account and the Excess Funding Account and referable to the Class C Interest on that date.

"Class C Debt Amount" means, on any date, the Class C Interest plus any amount then standing to the credit of the Class C Principal Deficiency Ledger.

"Class C Deficiency Amount" means, on any date, the amount standing to the credit of the Class C Principal Deficiency Ledger, which represents a debit balance in respect of the Class C Interest.

"Class C Distribution Ledger" means the distribution ledger maintained by the Receivables Trustee (or the Cash Manager) on behalf of the Loan Note Issuer in relation to amounts calculated for distribution by reference to the Class C Interest.

"Class C Interest" means, with respect to any date of determination, an amount equal to (a) the Class C Initial Series Interest, minus (b) the aggregate amount of principal payments made to the Loan Note Issuer in respect of the Series 2001-2 Interest (referable to the Class C Interest) from Receivables Trust Property prior to that date, minus (c) the aggregate amount of unreimbursed Class C Deficiency Amounts; provided, however, that the Class C Interest may not be reduced below zero.

"Class C Principal Deficiency Ledger" means the principal deficiency ledger maintained by the Receivables Trustee (or the Cash Manager) on behalf of the Loan Note Issuer in relation to Default Amounts referable to the Series 2001-2 Interest and allocated to the Class C Interest.

"Class C Required Amount" means, in respect of a Distribution Date, an amount equal to the product of (a) a fraction, the numerator of which is the actual number of days in the Calculation Period with respect to that Distribution Date and the denominator of which is 365, (b) the Class C Rate, and (c) the Class C Debt Amount as of the Payment Date preceding such Distribution Date.

"Class C Shortfall Amount" means, in respect of a Distribution Date,

$$(A+B+C) - D$$

where

A = the Class C Required Amount as of the prior Calculation Period;

B = the Class C Additional Finance Amount as of the prior Calculation Period;

C = any remaining unreimbursed Class C Shortfall Amount (or part thereof) calculated in relation to the previous Distribution Date; and

D = the amounts actually deposited to or to the order of the Loan Note Issuer Account (and referable to the Class C Interest) or credited to the Class C Distribution Ledger and allocated to items A, B and C on that Distribution Date.

"Class D Additional Finance Amount" means, in respect of a Distribution Date, an amount equal to the product of (a) a fraction, the numerator of which is the number of days in the Calculation Period with respect to that Distribution Date and the denominator of which is 365, (b) the Class D Rate, and (c) the unpaid Class D Shortfall Amount (if any) on the immediately preceding Payment Date.

"Class D Adjusted Series Interest" means, with respect to any date of determination, an amount equal to the Class D Interest minus the aggregate of any amounts standing to the credit of the Principal Funding Account and the Excess Funding Account and referable to the Class D Interest on that date.

"Class D Debt Amount" means, on any date, the Class D Interest plus any amount then standing to the credit of the Class D Principal Deficiency Ledger.

"Class D Deficiency Amount" means, on any date, the amount standing to the credit of the Class D Principal Deficiency Ledger, which represents a debit balance in respect of the Class D Interest.

"Class D Distribution Ledger" means the distribution ledger maintained by the Receivables Trustee (or the Cash Manager) on behalf of the Loan Note Issuer in relation to amounts calculated for distribution by reference to the Class D Interest.

"Class D Interest" means, with respect to any date of determination, an amount equal to (a) the Class D Initial Series Interest, minus (b) the aggregate amount of principal payments made to the Loan Note Issuer in respect of the Series 2001-2 Interest (referable to the Class D Interest) from Receivables Trust Property prior to that date, minus (c) the aggregate amount of unreimbursed Class D Deficiency Amounts; provided, however, that the Class D Interest may not be reduced below zero.

"Class D Principal Deficiency Ledger" means the principal deficiency ledger maintained by the Receivables Trustee (or the Cash Manager) on behalf of the Loan Note Issuer in relation to Default Amounts referable to the Series 2001-2 Interest and allocated to the Class D Interest.

"Class D Required Amount" means, in respect of a Distribution Date, an amount equal to the product of (a) a fraction, the numerator of which is the actual number of days in the Calculation Period with respect to that Distribution Date and the denominator of which is 365, (b) the Class D Rate, and (c) the Class D Debt Amount as of the Payment Date preceding such Distribution Date.

"Class D Shortfall Amount" means, in respect of a Distribution Date,

$$(A+B+C) - D$$

where

A = the Class D Required Amount as of the prior Calculation Period;

B = the Class D Additional Finance Amount as of the prior Calculation Period;

C = any remaining unreimbursed Class D Shortfall Amount (or part thereof) calculated in relation to the previous Distribution Date; and

D = the amounts actually deposited to or to the order of the Loan Note Issuer Account (and referable to the Class D Interest) or credited to the Class D Distribution Ledger and allocated to items A, B and C on that Distribution Date.

"Class E Additional Finance Amount" means, in respect of a Distribution Date, an amount equal to the product of (a) a fraction, the numerator of which is the number of days in the Calculation Period with respect to that Distribution Date and the denominator of which is 365, (b) the Class E Rate, and (c) the unpaid Class E Shortfall Amount (if any) on the immediately preceding Payment Date.

"Class E Adjusted Series Interest" means, with respect to any date of determination, an amount equal to the Class E Interest minus the aggregate of any amounts standing to the credit of the Principal Funding Account and the Excess Funding Account and referable to the Class E Interest on that date.

"Class E Debt Amount" means, on any date, the Class E Interest plus any amount then standing to the credit of the Class E Principal Deficiency Ledger.

"Class E Deficiency Amount" means, on any date, the amount standing to the credit of the Class E Principal Deficiency Ledger, which represents a debit balance in respect of the Class E Interest.

"Class E Distribution Ledger" means the distribution ledger maintained by the Receivables Trustee (or the Cash Manager) on behalf of the Loan Note Issuer in relation to amounts calculated for distribution by reference to the Class E Interest.

"Class E Interest" means, with respect to any date of determination, an amount equal to (a) the Class E Initial Series Interest, minus (b) the aggregate amount of principal payments made to the Loan Note Issuer in respect of the Series 2001-2 Interest (referable to the Class E Interest) from Receivables Trust Property prior to that date, minus (c) the aggregate amount of unreimbursed Class E Deficiency Amounts; provided, however, that the Class E Interest may not be reduced below zero.

"Class E Principal Deficiency Ledger" means the principal deficiency ledger maintained by the Receivables Trustee (or the Cash Manager) on behalf of the Loan Note Issuer in relation to Default Amounts referable to the Series 2001-2 Interest and allocated to the Class E Interest.

"Class E Required Amount" means, in respect of a Distribution Date, an amount equal to the product of (a) a fraction, the numerator of which is the actual number of days in the Calculation Period with respect to that Distribution Date and the denominator of which is 365, (b) the Class E Rate, and (c) the Class E Debt Amount as of the Payment Date preceding such Distribution Date.

"Class E Shortfall Amount" means, in respect of a Distribution Date,

$$(A+B+C) - D$$

where

A = the Class E Required Amount as of the prior Calculation Period;

B = the Class E Additional Finance Amount as of the prior Calculation Period;

C = any remaining unreimbursed Class E Shortfall Amount (or part thereof) calculated in relation to the previous Distribution Date; and

D = the amounts actually deposited to or to the order of the Loan Note Issuer Account (and referable to the Class E Interest) or credited to the Class E Distribution Ledger and allocated to items A, B and C on that Distribution Date.

"Distribution Date" means the 15th day of each month or, if such day is not a business day, the next succeeding business day.

"Finance Period" means, with respect to any Payment Date, the period from and including the previous Payment Date, or in the case of the first Payment Date, from and including the Issue Date, to but excluding such Payment Date.

"Initial Class Series Interest" means, in relation to a Class Interest, the notional amount of that Class Interest on the Issue Date.

"Investor Interest Floating Percentage" means the lesser of:

(a) the aggregate of the Series Interest Floating Percentages; and

(b) 99 per cent.

"Investor Interest Fixed Percentage" means the lesser of:

(a) the aggregate of the Series Interest Fixed Percentages; and

(b) 99 per cent.

"Investor Interest Percentage" means:

(a) in relation to Interest Collections during all periods, the Investor Interest Floating Percentage;

(b) in relation to Principal Collections when the Receivables Trust is in a Revolving Period, the Investor Interest Floating Percentage;

(c) in relation to Principal Collections when the Receivables Trust is in an Accumulation/Termination Period, the Investor Interest Fixed Percentage;

(d) in relation to Default Amounts, the Default Floating Percentage;

(e) in relation to Recoveries, the Default Floating Percentage applicable in relation to the Default Amount to which such Recovery relates.

"Issuer Indemnity Amount" means the amount certified by the Note Trustee (based on information supplied to it by the relevant payee, on which the Note Trustee may rely without further investigation) as being required to indemnify the Issuer for all amounts due and payable by the Issuer under items (i) and (iii), and to pay to the Issuer an amount equal to item (iii)(i), of the Issuer Income Priority of Payments.

"Liquidity Reserve Deficiency Amount" means, on the relevant Transfer Date, the difference between a Liquidity Reserve Amount and the balance standing to the credit of the relevant Liquidity Reserve Ledger.

"Liquidity Reserve Amount" means any of the Liquidity Reserve Class A Amount, the Liquidity Reserve Class B Amount and the Liquidity Reserve Class C Amount.

"Liquidity Reserve Class A Amount" means the amount specified as such on or before the Issue Date by the Rating Agencies in relation to the Notes as set out in the Series 2001-2 Supplement and deposited from time to time (to the extent of funds available therefor) in the Reserve Account (and credited to the Liquidity Reserve Class A Ledger).

"Liquidity Reserve Class A Ledger" means a ledger maintained by the Cash Manager in relation to the Reserve Account and to which shall be credited all amounts deposited into the Reserve Account in relation to the Liquidity Reserve Class A Amount.

"Liquidity Reserve Class B Amount" means the amount specified as such on or before the Issue Date by the Rating Agencies in relation to the Notes as set out in the Series 2001-2 Supplement and deposited from time to time (to the extent of funds available therefor) in the Reserve Account (and credited to the Liquidity Reserve Class B Ledger).

"Liquidity Reserve Class B Ledger" means a ledger maintained by the Cash Manager in relation to the Reserve Account and to which shall be credited all amounts deposited into the Reserve Account in relation to the Liquidity Reserve Class B Amount.

"Liquidity Reserve Class C Amount" means the amount specified as such on or before the Issue Date by the Rating Agencies in relation to the Notes as set out in the Series 2001-2 Supplement and deposited from time to time (to the extent of funds available therefor) in the Reserve Account (and credited to the Liquidity Reserve Class C Ledger).

"Liquidity Reserve Class C Ledger" means a ledger maintained by the Cash Manager in relation to the Reserve Account and to which shall be credited all amounts deposited into the Reserve Account in relation to the Liquidity Reserve Class C Amount.

"Liquidity Reserve Ledger" means any of the Liquidity Reserve Class A Ledger, the Liquidity Reserve Class B Ledger and the Liquidity Reserve Class C Ledger.

"Loan Note Issuer Extra Amount" means, in relation to a Distribution Date, an amount equal to the accrued interest (including any such amounts outstanding in respect of previous Calculation Periods), if any, due and payable on that Distribution Date under the Expenses Loan Agreement.

"Loan Note Issuer Return Account" means the account of the Loan Note Issuer of such name.

"Loan Note Issuer Return" means, in respect of a Distribution Date, an amount equal to the product of (a) a fraction, the numerator of which is the actual number of days in the Calculation Period with respect to that Distribution Date and the denominator of which is 365, (b) 0.01 per cent. per annum, and (c) the Interest Collections in respect of the Series 2001-2 Interest determined as of the immediately preceding Distribution Date.

"Minimum Transferor Interest" means the greater of (a) 5 per cent. of the Receivables Trust Property and (b) the sum of (i) the Aggregate Over-concentration Amount (disregarding for the purposes of this definition any Included Advances which fall within (ii) hereof) and (ii) the aggregate outstanding amount of all Included Advances which are not subject to a waiver of set-off each calculated on each Transfer Date.

"Monthly Period" means the period from and including the first day of a calendar month to and including the last day of such calendar month, provided that in the case of Series 2001-2 Interest, the first Monthly Period will be the period from and including the Issue Date to and including the last day of March 2001.

"Payment Date" means (a) with respect to any Finance Period beginning during the Revolving Period or Accumulation Period related to the Series 2001-2 Interest, the third Distribution Date following the preceding Payment Date or, in the case of the first Payment Date, 15 May 2001 (or, if such day is not a business day, the next succeeding business day) and (b) with respect to any Finance Period beginning during the Termination Period related to the Series 2001-2 Interest, each Distribution Date.

"Qualified Included Advance" means, in relation to a particular Series Interest, an Included Advance outstanding on the last day of the relevant Series Revolving Period (including any Rollover Advance in respect thereof) and "Non-Qualified Included Advance" means an Included Advance which is not a Qualified Included Advance.

"Qualified Principal Collections" means Principal Collections in relation to any Qualified Included Advance and "Non-Qualified Principal Collections" means Principal Collections in relation to any Non-Qualified Included Advance.

"Qualifying Institution" means Bank of Scotland at any time it has the Required Rating (as defined herein) or, in the event that Bank of Scotland does not have the Required Rating, means an institution which at all times is an authorised institution under the Banking Act 1987, and the short term, unsecured, unsubordinated and unguaranteed debt of which is rated at least A-1 by S&P and P-1 by Moody's.

"Receivables Trust Property" means the RT Interest in the Corporate Loan Trust Property.

"Required Rating" means (a) in relation to Bank of Scotland, A-1 from S&P or P-1 from Moody's or such other rating as shall have been accepted in writing by the Rating Agencies; (b) in relation to the Basis Swap Counterparty, A-1 from S&P or P-1 from Moody's; (c) in relation to the Currency Swap Counterparty, A-1+ from S&P or Aa3 from Moody's; (d) in relation to any Qualifying Institution other than Bank of Scotland, A-1 from S&P or P-1 from Moody's; (e) in relation to any counterparty to a foreign exchange or similar arrangement in relation to an HCRA, A-1 from S&P or P-1 from Moody's; and (f) in relation to the GIC Liquidity Facility Provider, A-1+ from S&P or P-1 from Moody's.

"Required Reserve Amount" means £7,498,626 as from time to time adjusted with respect to the potential additional costs or liabilities associated with hedged positions on Hedged Currency Rollover Advances.

"Rollover Advance" means an Included Advance that is repaid and then immediately redrawn by the same Borrower in Sterling on the same business day, which shall, notwithstanding any failure to satisfy the Included Advance Criteria, remain part of the Corporate Loan Trust Property.

"Series Allocation Percentage" means a fraction expressed as a percentage, the numerator of which is the relevant Series Interest Percentage and the denominator of which is the then aggregate of all Series Interest Percentages of then outstanding Series Interests.

"Series Interest" is equal to A – B – C where:

A = the Initial Series Interest of such Series Interest (where the "Initial Series Interest" means the notional amount of such Series Interest on the Issue Date relating to such Series Interest);

B = the aggregate of all amounts of Principal Collections paid to or to the order of the Loan Note Issuer Account in respect of such Series Interest;

C = the aggregate amount then standing to the credit of the Principal Deficiency Ledger in relation to such Series Interest (being, in respect of the Series 2001-2 Interest, the Series 2001-2 Principal Deficiency Ledger).

"Series Interest Fixed Percentage" means the percentage, calculated on the last day of the Revolving Period, resulting from the following calculation:

$$\frac{\text{Adjusted Series Interest}}{\text{Aggregate of Qualified Included Advances}} \times 100$$

provided that, during the Accumulation/Termination Period such percentage shall be recalculated on any day (or on the next succeeding business day) on which there is a Default Amount in respect of a Qualified Included Advance.

"Series Interest Floating Percentage" means, in relation to any Series Interest on any day, the percentage calculated by reference to the close of business on the last business day of the preceding Monthly Period resulting from the following calculation:

$$\frac{\text{Adjusted Series Interest}}{\text{Aggregate of Included Advances}} \times 100$$

"Series Interest Percentage" means in relation to any Series Interest:

(a) in relation to Interest Collections during all periods, the Series Interest Floating Percentage;

(b) in relation to Principal Collections when all Series Interests are in Revolving Periods, the Series Interest Floating Percentage;

(c) in relation to Principal Collections when any one Series Interest is in an Accumulation Period or Termination Period, the Series Interest Fixed Percentage;

(d) in relation to Default Amounts, the Series Interest Floating Percentage on the earlier of (i) the downgrade below the Required Grade of the Borrower by whom the relevant Defaulted Advance was drawn and (ii) the date on which the relevant Default Amount was realised; and

(e) in relation to Recoveries, the Series Interest Floating Percentage applicable in relation to the Default Amount to which such recovery relates.

"Series Revolving Period" means the revolving period for the relevant Series Interest as set forth in the applicable Series Supplement.

"Set-off Shortfall Allocation" shall be used to calculate and allocate any Set-off Shortfall (as defined above under "-Calculation and Allocation of Default Amounts and Set-off Shortfalls") as follows:

(a) on each Transfer Date during the Revolving Period with respect to any Set-off Shortfall arising during the preceding Monthly Period, or on each business day during the Accumulation/Termination Period, the Receivables Trustee (or the Cash Manager on its behalf) shall calculate the full amount (the "Anticipated Amount") of Principal Collections in relation to the Included Advance that would otherwise have been paid on such day but for the Set-off Shortfall;

(b) 99 per cent. of the full amount of the Set-off Shortfall shall be allocated as a Default Amount to the Transferor Interest (and, to the extent that the Transferor Interest is less than the full amount of such Set-off Shortfall, any excess shall be allocated as a Default Amount to the Series Interests);

(c) the lesser of:

(i) an amount equal to the Investor Interest Percentage of the Anticipated Amount (calculated by reference to, and using the Investor Interest Percentage applicable, at the time the Anticipated Amount should have been received); and

(ii) the amount of Principal Collections received during the immediately preceding Monthly Period (during the Revolving Period) or on such business day (during the Accumulation/Termination Period) in relation to the relevant Included Advance,

shall be calculated as being referable to the Investor Interest (and in turn calculated as being referable to the Series Interests using the Series Allocation Percentages) (and such amount shall then be allocated in the usual way in accordance with the terms of the Receivables Trust);

(d) to the extent the amount of Principal Collections in (c)(ii) above exceeds the amount in (c)(i) above, such excess Principal Collections shall be allocated to the Transferor Interest;

(e) any amount recovered in respect of a Set-off Shortfall shall be allocated first to the Series Interests to the extent that the Series Interests have borne any amount relating to such Set-off Shortfall pursuant to (b) above and second to the Transferor Interest.

"Series 2001-2 Distribution Ledger" means the aggregate of the Class A Distribution Ledger, the Class B Distribution Ledger, the Class C Distribution Ledger, the Class D Distribution Ledger and the Class E Distribution Ledger.

"Series 2001-2 Loan Note Issuer Costs Amount" means, in respect of a Distribution Date, the aggregate of (a) the Series 2001-2 Interest portion (on a pro rata basis as among the Series Interests) of the amounts certified by the Loan Note Trustee as being required to pay the fees, costs and expenses of the Loan Note Issuer accrued due and payable on that Distribution Date (including the fees, costs and expenses of the Loan Note Trustee and any receiver appointed pursuant to the Loan Note Issuer Issuance Facility Agreement) plus any such fees, costs and expenses remaining unpaid for previous Distribution Dates plus, in each case where relevant, VAT thereon, (b) the Issuer Indemnity Amount and (c) the Series 2001-2 Interest portion (on a pro rata basis as among the Series Interests) of the liability of the Loan Note Issuer for corporation tax on any chargeable income or gain of the Loan Note Issuer.

"Series 2001-2 Principal Deficiency Ledger" means the aggregate of the Class A Principal Deficiency Ledger, the Class B Principal Deficiency Ledger, the Class C Principal Deficiency Ledger, the Class D Principal Deficiency Ledger and the Class E Principal Deficiency Ledger.

"Series 2001-2 Reserve Deficiency Amount" means, in relation to a Distribution Date, the difference between the Required Reserve Amount and the balance standing to the credit of the Series 2001-2 ledger of the Reserve Account.

"Shortfall Amount" means the aggregate of the Class A Shortfall Amount, the Class B Shortfall Amount, the Class C Shortfall Amount and the Class D Shortfall Amount;

"Sterling LIBOR" means, for any Monthly Period, the rate per annum determined by the Currency Swap Counterparty as applicable to sterling payments payable under the Currency Swap Agreement during the corresponding Interest Period;

"Transferor Interest Percentage" means the difference between 99 per cent. and the Investor Interest Percentage.

SERIES 2001-2 LOAN NOTE

On the Issue Date, the Loan Note Issuer and the Loan Note Trustee will enter into the Loan Note Issuance Facility Agreement, and pursuant to a supplement to which (the "Series 2001-2 Loan Note Supplement"), the Loan Note Issuer will issue, and the Issuer will subscribe for, the Series 2001-2 Loan Note. The terms and payments on the Series 2001-2 Loan Note will be equivalent (subject to currency swap requirements of the Issuer) to the principal and interest due on the Notes and the Expenses Loan Agreement. The Issuer will fund the subscription for the Loan Note through the issue of the Notes. Under the terms of the Series 2001-2 Loan Note Supplement, the Loan Note Issuer will provide the Loan Note Trustee (on behalf of the Issuer and itself) with the benefit of security which includes a first ranking fixed security over the Investor Interest to the extent of Series 2001-2 Interest, a floating charge and certain other rights in relation thereto, as described in more detail below.

The Series 2001-2 Loan Note Supplement, provides that future Series Issuers may subscribe for further loan notes issued by the Loan Note Issuer. Such further loan notes will be secured on different Series Interests (and not on the Series 2001-2 Interest), but will share in the security over the Loan Note Issuer's other assets with the existing Series Issuers (with consequential amendments being made to the other Transaction Documents as required). The Loan Note Issuance Facility Agreement provides that the Loan Note Trustee will exercise its rights under the shared security created by the Loan Note Issuance Facility Agreement and the Loan Note Supplement only in accordance with the direction of the Series Issuers. The Loan Note Issuance Facility Agreement will provide for inter-creditor arrangements (including voting arrangements) among acceding Series Issuers in respect of the shared security. If the direction given by various Series Issuers are not the same, the directions of those Series Issuers who have given the same directions and whose aggregate principal amount outstanding in relation to such Series Issuers' loan notes is greater than such loan note amount in relation to other Series Issuers giving such directions, shall prevail.

Loan Note Issuer Security

The Loan Note Issuer's obligations under the Loan Note Issuance Facility Agreement, the Series 2001-2 Loan Note Supplement and each other Transaction Document to which it is a party will be secured by:

(a) a first ranking fixed equitable charge and Scots law assignation over the Investor Interest in an amount equal to the Series 2001-2 Interest;

(b) a charge by way of first fixed security over the rights and benefits of the Loan Note Issuer in the Series 2001-2 Loan Note Issuer Account and all amounts standing to the credit thereof from time to time;

(c) an assignment by way of first fixed security of the Loan Note Issuer's right, title and interest in and to the Transaction Documents to which it is a party and all rights in respect of and incidental thereto to the extent related to the Series 2001-2 Interest or the Series 2001-2 Loan Note;

(d) a charge by way of first fixed security of the rights and benefits of the Loan Note Issuer in respect of all Permitted Investments purchased from time to time from amounts standing to the credit of the Series 2001-2 Loan Note Issuer Account; and

(e) a first ranking floating charge over all the assets and undertaking of the Loan Note Issuer not subject to any fixed security and all Scottish assets and undertaking (to the extent that the floating charge constitutes security over the general assets of the Loan Note Issuer, for example, the Corporate Services Agreement, it will be created in favour of the secured creditors from time to time of each loan note for each Series Interest),

(together the "Loan Note Issuer Security").

SERVICING AND CASH MANAGEMENT

General: Cash Management

Bank of Scotland will be appointed as Cash Manager pursuant to the Receivables Trust and Cash Management Agreement. The Cash Management Fee is £200,000 per year. If a successor Cash Manager is appointed, the Cash Management Fee will be subject to the arrangements between the Receivables Trustee and that successor Cash Manager. Bank of Scotland may not resign as Cash Manager, but in certain circumstances its appointment as Cash Manager may be terminated and a successor Cash Manager appointed in its place.

Corporate Loan Trust: Servicing

Under the Corporate Loan Trust Deed, the Corporate Loan Trustee shall administer and collect in the Corporate Loan Trust Property. The Corporate Loan Trustee is required to calculate, allocate and distribute (where applicable), on a daily basis, all Collections, Default Amounts and Set-off Shortfalls referable to the Originator Interest and the RT Interest. Collections are held on trust by the Corporate Loan Trustee in accordance with the Corporate Loan Trust. However, such amounts are not held subject to any security interest and the Receivables Trustee will accordingly have an unsecured claim against Bank of Scotland in respect of its beneficial interest in Collections then on deposit in the Collection Accounts.

Receivables Trust: Cash Management

The Cash Manager will, following receipt by the Receivables Trustee of amounts allocated to the RT Interest, calculate, allocate and pay such amounts on behalf of the Receivables Trustee and the Loan Note Issuer in accordance with the provisions of the Receivables Trust and Cash Management Agreement and shall maintain all required records, ledgers, books and accounts in relation to such calculation, allocation and payment (collectively, such activities are the "Services"). The Cash Manager, and any successor of it, is entitled to the Cash Management Fee payable by the Receivables Trustee from amounts representing Receivables Trust Property. Under the terms of the Receivables Trust, the cashflows in relation to each Series Interest will accordingly bear a proportionate amount of the Cash Management Fee.

The Cash Manager will indemnify the Receivables Trustee and the Loan Note Issuer from and against all loss, liability, expense, damage or injury suffered or sustained by reason of any bad faith, fraud, wilful misconduct or grossly negligent acts or omissions of the Cash Manager with respect to its duties and activities in relation to calculation, allocation and distribution of funds in accordance with the Receivables Trust and Cash Management Agreement.

Neither the directors, officers, employees or agents of the Cash Manager, nor the Cash Manager itself will be under any liability to the Receivables Trustee, the Loan Note Issuer, the Issuer or any other person under the Receivables Trust and Cash Management Agreement or pursuant to any document delivered pursuant to the Receivables Trust and Cash Management Agreement, except that the Cash Manager will be responsible for any wilful misfeasance, bad faith or gross negligence of the Cash Manager in the performance of its duties under the Receivables Trust and Cash Management Agreement.

Any person into which, in accordance with the Receivables Trust and Cash Management Agreement, the Cash Manager may be merged or consolidated or any person resulting from any merger or consolidation to which the Cash Manager is a party, or any person succeeding to the business of the Cash Manager, upon execution of a supplemental agreement to the Receivables Trust and Cash Management Agreement and delivery of a legal opinion with respect to the compliance of the succession with the applicable provisions of the Receivables Trust and Cash Management Agreement, will be the successor to the Cash Manager under the Receivables Trust and Cash Management Agreement.

Termination of Cash Manager appointment

Bank of Scotland may not resign as Cash Manager, but on the occurrence of a Cash Manager Default its appointment as Cash Manager may be terminated and a successor Cash Manager appointed in its place.

A "Cash Manager Default" means:

(a) any failure by the Cash Manager to make any payment or deposit required by the terms of the Receivables Trust and Cash Management Agreement and which continues unremedied for a period of seven business days after the date on which written notice of such failure shall have been given to the Cash Manager by the Receivables Trustee, the Loan Note Issuer, the Issuer or the Note Trustee;

(b) failure on the part of the Cash Manager duly to observe or perform in any respect any other covenants or agreements of the Cash Manager set forth in any relevant agreement, which has a material adverse effect on the Investor Interest and which continues unremedied for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Cash Manager by the Receivables Trustee or the Loan Note Issuer, the Issuer or the Note Trustee on its behalf and continues to materially and adversely affect the Investor Interest;

(c) delegation by the Cash Manager of its duties under the Receivables Trust and Cash Management Agreement to any other entity, except as permitted thereunder;

(d) any relevant representation, warranty or certification made by the Cash Manager in the Receivables Trust and Cash Management Agreement proves to have been incorrect when made, has a material adverse effect on the Investor Interest and continues to be incorrect in any material respect for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Cash Manager by the Receivables Trustee, the Loan Note Issuer, the Issuer or the Note Trustee on its behalf and continues to materially and adversely affect the Investor Interest;

(e) the Cash Manager shall, unless it has received prior written confirmation from each Rating Agency that such action will not result in the withdrawal or reduction of the then current rating of any debt securities secured directly or indirectly, on the Receivables Trust Property, consent or take any corporate action in relation to the appointment of a receiver, administrator, administrative receiver, provisional liquidator, liquidator, trustee in sequestration, judicial factor or similar officer of it, relating to all or substantially all of its revenues and assets or an order of the court is made for its sequestration, winding up, dissolution, administration or insolvent re-organisation or a receiver, administrator, administrative receiver, provisional liquidator, liquidator, trustee in sequestration, judicial factor or similar officer of it, relating to all or substantially all of its revenues and assets is legally and validly appointed;

(f) a member of the board of directors of the Cash Manager shall admit in writing that the Cash Manager is unable to pay its debts as they fall due or the Cash Manager makes a general assignment, assignation or trust for the benefit of or a scheme, arrangement or composition with its creditors or voluntarily suspends payment of its obligations with a view to the general readjustment or rescheduling of its indebtedness.

Cash Manager Representations and Covenants

The Cash Manager will make certain representations and covenants pursuant to the Receivables Trust and Cash Management Agreement, including in respect of its capacity to perform its obligations as Cash Manager, its authority to enter into the Receivables Trust and Cash Management Agreement in its capacity as Cash Manager, its ability to make required payments in its role as Cash Manager free from withholding or deduction for tax and a covenant to arrange for an annual audit by an internationally recognised firm of accountants of the monthly reports required to be delivered by the Cash Manager to the Receivables Trustee (such confirmation of each audit to be delivered to the Receivables Trustee and the Note Trustee no later than 90 days following each anniversary of the Issue Date (up to the Termination Period End Date)).

The Cash Manager shall, pursuant to the Receivables Trust and Cash Management Agreement prepare monthly reports (in the form required thereunder) and shall deliver such reports to the Receivables Trustee.

Bank Accounts and Ledgers

Corporate Loan Trustee Collection Accounts

Bank of Scotland maintains certain accounts (the "Collection Accounts") into which interest payments and principal repayments of Advances, including the Included Advances, are made. Not later than the second business day following receipt thereof, the Corporate Loan Trustee is required under the Corporate Loan Trust Deed to identify and calculate all amounts representing Principal Collections, Interest Collections, Recoveries and Reacquisition Proceeds relating to Corporate Loan Trust Property. Following such identification and calculation, such amounts will then be allocated and distributed by the Corporate Loan Trustee in accordance with the beneficial interests under the Corporate Loan Trust to Bank of Scotland (in relation to the Originator Interest) and to the Receivables Trustee (in relation to the RT Interest) based upon the respective fixed undivided 1% and 99% division.

Receivables Trustee Collection Accounts

The Cash Manager is required, pursuant to the terms of the Receivables Trust and Cash Management Agreement, to advise the Receivables Trustee of all amounts of cash allocable to the Investor Interest which represent Principal Collections (including Reacquisition Proceeds), Interest Collections (Margin), Interest Collections (Basis) and Recoveries.

On distribution by the Corporate Loan Trustee of amounts allocated to the RT Interest on each business day, the Receivables Trustee (or the Cash Manager on its behalf) shall credit all amounts in the name of the Receivables Trustee and held at the Account Bank. Interest Collections (Margin) and Recoveries allocated to the Investor Interest and standing to the credit of the Series 2001-2 ledger of the Receivables Trustee Interest Collections (Margin) Account will in turn be transferred on each Distribution Date following the end of each Monthly Period to the Series 2001-2 Loan Note Issuer Account and applied in accordance with the Series 2001-2 Supplement. The Receivables Trustee shall, as agent for the Loan Note Issuer, on each Distribution Date distribute all Interest Collections (Basis) allocated to the Investor Interest standing to the credit of the Series 2001-2 ledger of the Receivables Trustee Interest Collections (Basis) Account to the Basis Swap Counterparty in accordance with the Basis Swap Agreement and shall pay all amounts received from the Basis Swap Counterparty to the Series 2001-2 Loan Note Issuer Account. Amounts standing to the credit of the Receivables Trustee Principal Collections Account allocated to the Investor Interest will be treated as being referable to the Series Interests in accordance with the relevant Series Supplements.

Excess Funding Account

Under the terms of the Receivables Trust and Cash Management Agreement, Principal Collections which are allocated to a Series Interest but not then required to be reinvested or accumulated by the Loan Note Issuer or paid to the relevant Series Issuer will be, if the relevant Series Supplement so specifies, deposited by the Cash Manager in an excess funding account (the "Excess Funding Account") in the name of the Receivables Trustee and maintained at the Account Bank (and such amounts shall be identified by way of ledger as referable to the relevant Series Interest). The Excess Funding Account is held by the Receivables Trustee on separate trust solely for the benefit of the Loan Note Issuer. Amounts standing to the credit of the Excess Funding Account shall be utilised by the Receivables Trustee for reinvestment in the Receivables Trust (resulting in augmentation of the Investor Interest) pursuant to the contractual terms of the Receivables Trust and relevant Series Supplements thereto.

Funds standing to the credit of the Excess Funding Account (to the extent that such amounts are not required to be distributed) may be invested in Permitted Investments until such time as such amounts are required to be withdrawn.

Principal Funding Account

At the end of a Revolving Period relating to a particular Series Interest, in accordance with the Series Supplement to the Receivables Trust for that Series Interest, the Receivables Trustee will allocate to the Loan Note Issuer and will deposit all amounts in relation to Principal Collections calculated in relation to that Series Interest into the principal funding account (the "Principal Funding Account") in the name of the Receivables Trustee at the Account Bank and such amounts shall be identified by way of ledger for that Series Interest. The Receivables Trustee will hold the funds standing to the credit of each ledger of the

Principal Funding Account solely on trust for the Loan Note Issuer with respect to the corresponding Series Interest. Amounts standing to the credit of the Principal Funding Account will be released to the Loan Note Issuer in accordance with the terms of the corresponding Series Interest and shall in turn be utilised by the Loan Note Issuer for pay down of the relevant Loan Note relating to that Series Interest. Accordingly, in relation to the Series 2001-2 Interest, such amounts will be released to the Loan Note Issuer on the Scheduled Maturity Date and the amounts will in turn be utilised by the Loan Note Issuer to pay down the Series 2001-2 Loan Note on the Scheduled Maturity Date (resulting in amortisation of the Notes).

Funds standing to the credit of the Principal Funding Account (to the extent that such amounts are not required to be distributed) will be invested in Permitted Investments until such time as such amounts are required to be withdrawn.

Reserve Account

The Receivables Trustee will maintain a reserve account (the "Reserve Account") at the Account Bank. The Receivables Trustee will hold the Reserve Account solely on trust for the Loan Note Issuer. If the relevant Series Supplement to the Receivables Trust so specifies, the Receivables Trustee (or the Cash Manager on its behalf) will maintain in relation to each Series Interest a ledger in relation to the Reserve Account and will deposit and maintain funds in the Reserve Account in accordance with and up to the required amount specified in the relevant Series Supplement. Pending any release of funds from the Reserve Account to the Loan Note Issuer in relation to a Series Interest in accordance with the relevant Series Supplement to the Receivables Trust, such funds shall be invested in Permitted Investments.

In relation to the Series 2001-2 Interest, the Reserve Account will be funded on the Issue Date (and a ledger in relation thereto maintained in relation to the Series 2001-2 Interest) from, ultimately, the proceeds of a drawdown under the Expenses Loan Agreement and on subsequent Interest Payment Dates from Series 2001-2 Available Income Funds up to the Required Reserve Amount. All amounts on deposit in the Reserve Account and recorded on the ledger in relation to the Series 2001-2 Interest on any Distribution Date (after giving effect to any deposits to, or withdrawals from, the Reserve Account to be made on such Distribution Date in relation to the Series 2001-2 Interest) will be invested to the following Distribution Date by the Cash Manager on behalf of the Loan Note Issuer in Permitted Investments. On the Interest Payment Date on which the final payment of principal on the Series 2001-2 Notes is made, any amount standing to the credit of the Reserve Account and recorded in the ledger for the Series 2001-2 Interest will form part of the Series 2001-2 Available Income Funds and will be applied by the Loan Note Issuer in accordance with the Loan Note Issuer Income Priority of Payments.

Principal Deficiency Ledgers

The Cash Manager shall maintain, on behalf of the Receivables Trustee, in relation to each Series Interest, principal deficiency ledgers. To facilitate calculation of the relevant Series Interest, such principal deficiency ledgers will generally be maintained on a class basis by reference to Class Interests. In relation to the Series 2001-2 Interest, the Cash Manager shall maintain, the following ledgers referable to the Class Interests (the aggregate of which shall equal the amount of the Principal Deficiency Ledger identified for the Series 2001-2 Interest): Class A Principal Deficiency Ledger, Class B Principal Deficiency Ledger, Class C Principal Deficiency Ledger, Class D Principal Deficiency Ledger and Class E Principal Deficiency Ledger.

The maximum amount to be credited to each such ledger will be the notional amount of each Class Interest on the Issue Date. Default Amounts and Recoveries allocated to the Series 2001-2 Interest, together with any Reallocated Principal Collections used during the Accumulation Period or the Termination Period, will be credited or debited (as the case may be) to the Principal Deficiency Ledgers (with respect to Default Amounts, beginning with the Class E Principal Deficiency Ledger and through to the Class A Principal Deficiency Ledger and, with respect to Recoveries, vice-versa).

Series 2001-2 Loan Note Issuer Account and Series 2001-2 Issuer Account

Funds to be distributed to the Loan Note Issuer pursuant to the Receivables Trust and Series Supplements thereto shall be deposited into an account (such account in relation the Series 2001-1 Interest, the "Series 2001-2 Loan Note Issuer Account") (or shall be deposited to such account as

the Loan Note Issuer may direct) maintained in the name of the Loan Note Issuer at a Qualifying Institution. Funds standing to the credit of the Series 2001-2 Loan Note Issuer Account (to the extent such funds are not required be distributed) may be invested Permitted Investments until such time as such amounts are required to be withdrawn.

Funds to be distributed to Series Issuers pursuant to the Loan Note Issuance Facility Agreement and the relevant supplements thereto shall be held to the order of each such Series Issuer or be deposited in an issuer account maintained in the name of and for each such Series Issuer at the Account Bank. In the case of the Issuer in respect of the Series 2001-2 Loan Note, such account (the "Series 2001-2 Issuer Account") shall be opened in the name of the Issuer at the Account Bank and into which or to the order of which all cash calculated and distributed by the Loan Note Issuer in respect of the Series 2001-2 Loan Note shall be deposited. Funds standing to the credit of the Series 2001-2 Issuer Account (to the extent such funds are not then required to be distributed to Noteholders) may be invested in Permitted Investments until such time as such amounts are required to be withdrawn.

Replacement Qualifying Institutions

If the bank at which the Reserve Account, the Excess Funding Account, the Principal Funding Account, the Loan Note Issuer Account or the Series 2001-2 Issuer Account is held ceases to be a Qualifying Institution, then the Cash Manager will, within 15 business days of such event, establish a new account to replace the affected account or accounts, and will transfer any funds standing to the credit of the affected account to such new account or accounts.

Permitted Investments

"Permitted Investments" means with respect to investment of funds standing to the credit of or to the order of the Series 2001-2 Issuer Account, the Series 2001-2 Loan Note Issuer Account, the Principal Funding Account, the Reserve Account or the Excess Funding Account:

(i) demand or time deposits, certificates of deposit and short-term unsecured debt obligations including commercial paper provided that:

  (a) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the issuing entity or, if such investment is guaranteed, of the guaranteeing entity, are rated A-1+ by S&P or the long-term unsecured and unguaranteed debt obligations of the issuing entity or, if such investment is guaranteed, of the guaranteeing entity are rated AAA by S&P; and

  (b) (if such investments mature no later than one month after the acquisition thereof) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the issuing entity or, if such investment is guaranteed, of the guaranteeing entity, are rated P-1 by Moody's or the long term unsecured and unguaranteed debt obligations of the issuing or guaranteeing entity are rated at least A2 by Moody's or (if such investments mature no later than 3 months, but more than one month after such acquisition) at least A1 by Moody's or (if such investments mature no later than six months but more than three months after the acquisition) at least Aa3 by Moody's or (if such investments mature no later than one year, but more than 6 months, after such acquisition) rated Aaa by Moody's;

(ii) a guaranteed investment contract ("GIC") with a Qualifying Institution in respect of such account; or

(iii) any other obligation the investment in which would not adversely affect the then current rating(s) of the Notes,

provided that each such investment must (a) be denominated in sterling, (b) mature on or before the first date upon which a distribution is required to be made out of such account after the date on which such investment is made or acquired and (c), in respect of investments of amounts standing to the credit of the Series 2001-2 Issuer Account or the Series 2001-2 Loan Note Issuer Account, be capable of being charged under the Issuer Deed of Charge or the Series 2001-2 Loan Note Supplement.

Guaranteed Investment Contract

Pursuant to the GIC, the GIC Provider will pay interest on funds standing to the credit of the Principal Funding Account, the Excess Funding Account, and the Reserve Account at a rate of 0.25 per cent. per annum below Sterling LIBOR. For so long as the GIC Provider's short term unguaranteed, unsubordinated and unsecured debt obligations are rated at a level below the Requisite Ratings, the Receivables Trustee, as agent for the Loan Note Issuer, will have the benefit of the GIC Liquidity Facility Agreement as described further below.

GIC Liquidity Facility

Pursuant to the terms of the GIC Liquidity Facility Agreement, the GIC Liquidity Facility Provider will provide a 364-day committed facility (the "GIC Liquidity Facility") to the Receivables Trustee as agent for the Loan Note Issuer. The Receivables Trustee, on behalf of the Loan Note Issuer, will thereby be permitted at any time during the GIC Liquidity Facility Commitment Period to make drawings in aggregate of up to £7,498,626 (the "GIC Liquidity Facility Amount") where there is a GIC Liquidity Shortfall in respect of any Series Interest. The GIC Liquidity Facility Agreement will, on the Issue Date, extend only to amounts standing to the credit of the Series 2001-2 Ledger of the Reserve Account. If, at the commencement of or during the Accumulation Period or the Termination Period, Bank of Scotland does not have the Required Rating, the GIC Liquidity Facility Agreement may be extended to cover GIC Liquidity shortfalls on the Series 2001-2 Ledger of the Principal Funding Account (or a liquidity facility may be obtained from an alternative provider whose short-term, unsecured, unsubordinated, unguaranteed debt obligations are rated at least equal to the Required Ratings). If the aggregate amount standing to the credit of the Excess Funding Account, the Collection Accounts and the RT Collection Accounts exceeds 20 per cent. of the principal amount outstanding of the debt securities secured directly or indirectly on the Series 2001-2 Interest in the Receivables Trust Property, the Receivables Trustee, on behalf of the Loan Note Issuer, shall extend the full Liquidity Facility Agreement (or an analogous agreement) to such part of the amount standing to the credit of such accounts as exceeds 20 per cent. of the principal amount outstanding referred to above.

In respect of the Series 2001-2 Interest, a "GIC Liquidity Shortfall" means on any day the amount which is the difference between:

(a) the aggregate amount standing to the credit of the Series 2001-2 Ledger of each of (1) the Principal Funding Account and (2) the Reserve Account, to the extent required to be distributed to the Loan Note Issuer in respect of the Series 2001-2 Interest on that date; and

(b) the amount actually available for application by the Cash Manager on such date from the Series 2001-2 Ledgers of such accounts,

provided that the aggregate principal amount of all outstanding drawings under the GIC Liquidity Facility may not exceed the GIC Liquidity Facility Amount.

The "GIC Liquidity Facility Commitment Period" means the period of 364 days from the Issue Date. The Receivables Trustee, as agent for the Loan Note Issuer, may request the extension of the GIC Liquidity Facility for a further 364-day period by giving written notice to the GIC Liquidity Facility Provider.

The GIC Liquidity Facility Agreement provides that if:

(a) the short-term, unsecured, unsubordinated and unguaranteed debt obligations of the GIC Liquidity Facility Provider cease to be rated at least equal to the Requisite Ratings; or

(b) the GIC Liquidity Facility Provider does not agree to extend the GIC Liquidity Facility Commitment Period,

the Receivables Trustee, as agent for the Loan Note Issuer, may require the GIC Liquidity Facility Provider to pay into a bank account designated by the Receivables Trustee (the "GIC Liquidity Facility Stand-by Account"), maintained with an appropriately rated bank (which will be the GIC Liquidity Facility Provider if it has the Requisite Ratings), an amount equal to the then undrawn commitment under the GIC Liquidity Facility Agreement.

Amounts standing to the credit of the GIC Liquidity Facility Stand-by Account will be available to the Receivables Trustee, as agent for the Loan Note Issuer, for drawing during the GIC Liquidity Facility Commitment Period in the circumstances described above.

The Receivables Trustee, as agent for the Loan Note Issuer, may require that the GIC Liquidity Facility Provider transfer its rights and obligations under the GIC Liquidity Facility Agreement to a replacement GIC Liquidity Facility Provider which has the Requisite Ratings provided that the then current ratings of the Notes are not adversely affected thereby.

BANK OF SCOTLAND AND BANK OF SCOTLAND'S CREDIT POLICIES AND PROCEDURES

Bank of Scotland is one of the leading corporate lenders in the United Kingdom. It was established by an Act of the Parliament of Scotland in 1695, and has its head office at The Mound, Edinburgh EH1 1YZ. Bank of Scotland is supervised as an authorised institution under the Banking Act 1987 by the Financial Services Authority.

Bank of Scotland, together with its subsidiaries and associated undertakings (the "Bank of Scotland Group"), is a United Kingdom-based financial services group. It provides a wide range of banking and financial services (including loans, deposits, payments services, treasury and money markets, trade services and private banking) to personal and business customers in the United Kingdom and overseas. These overseas operations are primarily in Australia, Europe and North America. Since 1999, Bank of Scotland has operated with four business divisions: Services, Personal Banking, Business Banking and Corporate Banking.

The Bank of Scotland Group has over 350 offices in 10 countries. As at 29th February 2000, the Bank of Scotland Group's total assets were £71,813 million (1999: £59,796 million). In the year to 29th February 2000, the Bank of Scotland Group made a pre-tax profit of £965 million, prior to non-recurring exceptional items (1999: £850 million, prior to non-recurring exceptional items).

Credit Policies and Procedures in relation to the Eligible Facilities and Designated Portfolio

The transactions described in this Offering Circular involve loans to corporate clients booked and managed within the Bank of Scotland Corporate Banking Division (the "Corporate Banking Division"), but not the Personal Banking or Business Banking Divisions. Corporate Banking Division is Bank of Scotland's primary United Kingdom lending unit for major corporate accounts, defined generally as borrowers that have more than £10 million in annual revenue or more than £3 million in Bank of Scotland exposure (though these amounts are only guidelines). Corporate Banking Division is subdivided into structured finance, which cultivates new clients, relationship banking, which serves existing clients of the bank, and risk management/operations. Overall, Corporate Banking Division maintains over 3,000 corporate client relationships managed by a staff of approximately 850. Corporate borrowers are monitored by Corporate Banking Division for profit and cash levels and asset quality in order to assess their future ability to meet payment obligations to Bank of Scotland. This monitoring takes place on a ongoing basis (and, in any event, at least annually) pursuant to a credit review process described in more detail below and enables Corporate Banking Division to maintain a risk management approach to lending and overall portfolio risk exposure. Bank of Scotland's credit process is dynamic and is subject to regular review to ensure that account is taken of changes in specific credit risks and general market conditions.

General

The Included Advances funded by the transactions described in this Offering Circular are drawn by corporate borrowers, denominated in sterling and booked and managed by Corporate Banking Division. The Included Advances are drawn under certain syndicated or bilateral term or revolving credit facilities which satisfy the Eligible Facility Criteria.

Syndicated facilities are facilities provided by two or more lenders under the same documentation with, generally, advances (including in some cases the Included Advances) being made to the borrower(s). The terms and conditions applicable to such syndicated facilities may differ depending upon the nature of the facilities and risks accepted by participating banks. Payments are made by the borrower to the lenders in proportion to their respective lending commitments. An agent bank, which may or may not be Bank of Scotland, acts as a conduit for payments in both directions and performs other mechanical and administrative functions. Bilateral facilities are facilities provided to the relevant borrower by a single lender, in this case, Bank of Scotland. See "Risk Factors and Investment Considerations – Administration of Corporate Loan Trust Property".

In the case of syndicated facilities, Bank of Scotland may either be an original lending party to a facility agreement and advances thereunder or may have become a party by novation, transfer, assignment or assignation in accordance with the terms of the relevant facility documentation.

Bank of Scotland is a relationship bank and seeks to develop long-standing and committed relationships with its corporate clients. Generally, the approach taken by the Corporate Banking Division to relationship management can be characterised by the following:

(a) *Origination.* Teams of experienced relationship managers are grouped on a geographic basis (with four teams (based in a number of offices) covering England and Wales and a further four teams (based in a number of offices) covering Scotland). Each relationship team is charged with managing and controlling existing customer relationships, as well as developing opportunities from existing customers and introductory sources. A substantial portion of the bank's new lending demand comes from existing customers. In addition, teams of structured finance professionals (two national teams and 10 regional teams) are charged with developing new structured finance opportunities, principally sourced from venture capital and private equity houses. Bank of Scotland's structured finance activities consist primarily of lending for acquisition finance and management buyouts. Bank of Scotland does not concentrate on targeting specific industry sectors.

(b) *Monitoring.* The performance of individual advances made by the Corporate Banking Division is monitored on a day to day basis by the relationship team (headed by a relationship manager) responsible for the facility or the borrower. The relationship teams collect and collate data on borrowers' profits, cash and asset values in order to monitor the ongoing viability of the borrower and from which monthly reports are produced.

(c) *Management.* The Managing Director for Risk Management and Operations, together with the Credit and Operational Risk Committee ("CORC") of the Corporate Banking Division plays an active role in the supervision of the loan portfolio with regard to borrower, industry and sector limits and concentrations. Where necessary, Bank of Scotland uses an established and dedicated unit of individuals to provide intensive management and control of the borrower relationship to ensure maximum recovery of doubtful debts. See "— High Risk, Non-Performing Assets and Write-off Procedures".

Credit Approval Process and Monitoring

It is Bank of Scotland policy to formulate, maintain and refine credit policies and procedures (the "credit guidelines") to enable Bank of Scotland business units to carry on their lending operations within established principles. Bank of Scotland's credit approval for a facility is granted in accordance with the credit guidelines and principles set by Bank of Scotland's management. Bank of Scotland's procedures apply a hierarchical rather than a committee-based approach. As the size of the proposed exposure increases, increasingly more senior officers within Bank of Scotland will be required to approve the credit.

In addition, a number of principles apply to all exposures and these include:

- The principle of "two pairs of eyes" applies, i.e. a Head of Corporate Banking or Managing Director cannot approve their own lending and must pass it to an appropriate person for approval.
- Lending approvals are based upon agreement by the required individuals.
- An escalation process to the next tier of control exists in the event of failure to achieve agreement to approve the exposure.
- All approvals must be reported to the next tier of control.
- All declines must be reported to a higher level.
- Where, after debate and discussion, consensus on the lending approval is not reached, the proposal may be resubmitted under amended terms or the proposal may be referred to the next tier in the control matrix for approval (i.e. arbitration).

Relationship managers and structured finance managers meet with clients to discuss the clients' underlying needs for facilities, overall industry/sector conditions and other related information that may be in the public domain or provided by the client. Bank of Scotland reviews each potential facility on its individual merits. When a client makes a formal request for a facility, the credit application process is documented and has a number of stages:

(a) The credit officer responsible for the relationship with the client prepares a short transaction introduction review for his or her line manager on which the basic details of the proposed facility are indicated (including the identity of the borrower(s), the industry sector, size and structure of the loan and likely margins).

(b) A full credit application is then prepared using a standard format. The credit application is a comprehensive document giving detailed information on both the client and the proposed facility. The credit application includes a general summary sheet, a summary financial sheet detailing the proposed financial covenants and an outline term sheet. The credit application includes an introduction stating the identity of the borrower and the purpose of the loan and sections on the nature of the borrower (sector, business, performance), risk assessment, management, lending viability (financial structure, interest cover, quality of earnings, project feasability, cash flow cover, sensitivity analysis, repayment), lending safety (asset cover, asset quality, covenants), general comments or highlights, sell down/underwriting hold levels, a recommendation, any conditions and a financial model.

(c) The credit application is then passed to an independent credit officer, or panel of the appropriate standing, to ensure that individual credit officers are not responsible for approving applications in respect of their own clients.

(d) A pre-completion report is required for certain facilities which feature a flexible structure or where the borrower(s) is given flexible covenants, to ensure that the final documentation for the facility complies with the approval given for such facility.

The formulation, refinement and maintenance of the credit assessment guidelines is delegated to the CORC. The CORC is comprised of senior Bank of Scotland executives and reports directly to the Board of the Corporate Banking Division. The credit assessment guidelines are reviewed and updated periodically and are available to, and must be followed by, all lending officers. Certain loans in Bank of Scotland's corporate portfolio were originated by The British Linen Bank Limited, a bank acquired by Bank of Scotland in 1971. While Bank of Scotland believes that the underwriting standards of The British Linen Bank Limited were generally consistent with those of Bank of Scotland, these loans were not subjected to Bank of Scotland's approval processes on origination prior to 1999. Such loans are now serviced and maintained utilising Bank of Scotland's current credit approval, credit scoring and monitoring procedures. The British Linen Bank Limited is a banking institution incorporated in Scotland which has been a wholly-owned subsidiary of Bank of Scotland since 1971. Its business is operated by Bank of Scotland from The Mound, Edinburgh, EH1 1YZ.

The performance of advances made by the Corporate Banking Division is monitored on a day-to-day basis by the account executive responsible for the facility or the borrower. Account executives maintain regular contact with the individual borrowers, including periodic (at least annual) visits to the borrower's premises.

In order to assist in the monitoring of a facility, a number of reports are produced, including daily and monthly balance position reports, an overdraft control report (including connections with covenant breaches) and, where a borrower has provided monthly financial information, a monthly credit rating revision based upon such information. (See "— Internal Rating System"). As a minimum, a more thorough annual lending review is undertaken, which updates information on borrowers, including audited or certified accounts, management accounts, confirmation of security and financial projections.

Bank of Scotland also produces monthly risk migration reports, showing movements in the loan portfolio's measured credit quality and changes in exposure levels, both broken down by industry sector. These reports aid management in identifying trends in the overall loan portfolio and developing a view on the desired exposure to particular segments of the economy.

The above-described Corporate Banking Division credit approval process and monitoring procedures were refined and adopted in conjunction with internal reorganisation and the formation of the Corporate Banking Division in 1999. Prior to this time, Bank of Scotland utilised different procedures, including a committee-based approach; however, Bank of Scotland believes that the standards applied were similar to those currently in place.

Internal Rating System

Corporate Banking Division uses internal rating systems to monitor the quality of its facilities on an on-going basis, to assist in making decisions to advance further funds and to indicate high-risk facilities.

Corporate Banking Division is in the process of replacing its current rating system, "CODA", with a new system, "CQM". The transition is currently in the pilot stage and is due to be completed in the course of 2001. The existing rating system assesses credit quality purely on the basis of the borrower's gross asset cover and gross earnings before interest and tax, through it may be adjusted to take into account other relevant facts. The CQM system is a more comprehensive quantitative system which analyses a number of variables, including:

(a) historical and/or projected financial statements of a borrower (including turnover, earnings before interest and tax and gross margin). This is the most significant component of the CQM rating, and accounts for approximately 90 per cent. of the overall rating;

(b) an analysis of the strength and viability of the business and management of a borrower;

(c) an analysis of the security in relation to a facility; and

(d) Bank of Scotland's current credit policies for the relevant industry sector.

An individual CODA rating is, and an individual CQM rating will be, updated as financial or other information is received. Each borrower is attributed a grade which is used both for the initial credit approval and for on-going monitoring of the connection.

Credit Rating System ("CRS")

CRS is quantitative credit rating system that has been developed by Credit Suisse First Boston ("CSFB") to replicate the methodology of the public rating institutions and is used as a credit risk management tool by CSFB.

CRS will be used to assess the credit quality of the Borrowers whose Eligible Facilities have been tagged at the outset for the Designated Portfolio. Also, on a continuing basis CRS will be used to rate Borrowers whose Eligible Facilities are tagged at a later date for inclusion in the Designated Portfolio and also to monitor changes in the credit quality of Borrowers whose Eligible Facilities have been previously tagged. However, CRS will not be used by the Bank of Scotland to manage its loan portfolio. Bank of Scotland will continue to use CODA and (when implemented) CQM to determine and monitor credit quality.

CRS assesses the credit quality of borrowers on the basis of certain key financial ratios and statistics relating to the borrower including, for example:

(a) Leverage

(b) Cashflow and coverage of interest

(c) Profitability

(d) Size

The rating scale used by CRS is a numerical scale running from 0 to 100 in which 0 indicates a very poor credit quality and 100 a very high credit quality.

CSFB has entered into a contractual relationship with Bank of Scotland under which CSFB will undertake to provide updated CRS ratings for the Designated Portfolio on a monthly basis based on data provided to CSFB by Bank of Scotland. Subject to consent of the rating agencies in relation to any debt securities secured directly or indirectly on the Investor Interest, Bank of Scotland may replace CRS with an alternative rating system.

Internal Audit Reports

In addition to the regularly scheduled reviews of credits within the portfolio, an internal audit department conducts regularly scheduled reviews of compliance with credit and operational procedures. The internal audit group also analyses the efficiency and effectiveness of existing procedures and may recommend changes to such procedures. The Bank of Scotland Group Audit Department is functionally separate from Corporate Banking Division and monitors the operations of all Corporate Banking Division

business units. Corporate Banking Division is accordingly subject to a programme of internal audit visits to verify that each credit file was opened, and is regularly reviewed, in accordance with the Bank of Scotland's established procedures. These audits do not, however, independently verify whether a credit rating is appropriate. Audits take place every one to two and one half years, with the frequency of visits is determined by the risk of business unit. However, the Bank of Scotland believes that all material risks are reviewed every twelve months. After each audit, a report is issued to the Managing Director (Risk and Operations) and to the appropriate function Managing Director. Any material risks identified are considered by the CORC.

High Risk, Non-Performing Assets and Write-Off Procedures

The Corporate Banking Division has a long established, dedicated team (the ''High Risk Team'') to manage that part of its portfolio that is determined to be high risk or non-performing assets. Advances under a facility are determined to be high risk if the related borrower CODA grading is equal to or greater than 8 (on a sliding scale of 1 (strongest) to 10), unless specific approval is given by the High Risk Team that a connection need not be reported. In addition, advances under a facility, regardless of the related borrower CODA grading, can be marked high risk if the relationship manager or High Risk Team believe that available information suggests that the borrower's ability to meet payment obligations is in doubt. In broad terms, advances under a facility will be classified as non-performing assets if the borrower is unable to service interest and as a result a loss to the Bank is likely to be incurred.

The originating account executive will continue to be responsible for the management of the high risk or non-performing assets, supported by the High Risk Team; however, the account executive will not be permitted to grant any waivers, extensions or further credit in relation to the relevant loan asset once such asset is determined to be high risk or non-performing without the approval of the High Risk Team. Day-to-day operational responsibility for the team lies with a director of Corporate Banking Division. The High Risk Team is accountable to the Managing Director, Corporate Banking (Risk and Operations) who in turn reports to the board of the Corporate Banking Division. The primary objective of the High Risk Team is to improve the risk profile of Corporate Banking Division's high risk and non-performing assets. Although it has been Corporate Banking Division's experience that some loans within the portfolio migrate from high risk to non-performing assets, the Corporate Banking Division seeks to mitigate the amount of losses actually incurred through careful control prior to the occurrence of an insolvency event.

Delinquency information is monitored and utilised in connection with management of loan facilities. Delinquencies play a role (but are not the exclusive factor) in assessment of a borrower's credit quality. Where it is considered necessary, Bank of Scotland may enter into restructuring or refinancing arrangements in relation to a loan facility; however, any restructuring or refinancing arrangements would not themselves necessarily be reflected as delinquencies.

In the event that borrowers under high risk facilities breach agreed arrangements with Bank of Scotland, or fail to reach an arrangement with Bank of Scotland or are unable to service interest costs when they fall due, the High Risk Team and the account executive will consider all of the available alternatives and, if appropriate, instigate recovery procedures. Such procedures may include on-site visits with the relevant borrower to examine management of the business and to suggest management changes, assistance with restructuring, examination of financial data and other investigations. Such procedures may also include the enforcement of security by way of appointment of an administrative receiver. Some of the security may comprise a floating charge granted by a borrower in favour of Bank of Scotland or a syndicate of lenders (as applicable). A floating charge is generally considered to give the creditor in whose favour it is granted enhanced control in an enforcement situation, because a court will not appoint an administrator of a borrower where the court is satisfied that there is an administrative receiver of that borrower. An ''administrative receiver'' is defined in the Insolvency Act 1986 as being a receiver or manager of the whole (or substantially the whole) of a company's property appointed by or on behalf of the holders of any debentures of the company secured by a charge which, as created, was a floating charge. Alternatively, under circumstances where the recoverability of a loan to a corporate client has become questionable, Bank of Scotland may seek to resolve the situation by working with the client's other corporate creditors towards an out of court restructuring of the client's indebtedness.

For larger corporate borrowers or exposures, or in circumstances where the lending is part of a larger syndicate arrangement, Bank of Scotland would generally apply the eight principles developed by the Lenders Group of INSOL International, which have their origin in the London Approach.

In summary, the eight principles are:

(i) Where a borrower is in financial difficulty, all relevant creditors should be prepared to co-operate to give sufficient (though limited) "standstill" to the borrower for information to be obtained and evaluated and for proposals for resolving the financial difficulties to be formulated and assessed unless such a course of action is inappropriate in any particular case.

(ii) During the standstill, all relevant creditors should refrain from taking any steps to enforce their claims against or reducing their exposure to the borrower but are entitled to expect that during the standstill their position relative to other creditors and each other will not be prejudiced.

(iii) During the standstill, the borrower should not take any action that might adversely affect the prospective return to creditors compared with the position at the standstill.

(iv) Creditors best interests are served by coordinating their responses to the borrower. This is facilitated by the selection of representative coordination committees and by the appointment of professional advisers to advise and assist such committees and, where appropriate, the relevant creditors.

(v) During the standstill, the borrower should provide, and allow creditors and their advisers, reasonable and timely access to all relevant information relating to its assets, liabilities, business and prospects, to enable them to evaluate its financial condition and any proposals made.

(vi) Proposals for resolving the financial difficulties of the borrower and arrangements between relevant creditors relating to any standstill should reflect applicable law and the relative positions of relevant creditors at the commencement of the standstill.

(vii) Information obtained for the purposes of the process concerning the assets, liabilities and business of the borrower and any proposals for resolving its difficulties should be made available to all relevant creditors and should, unless already publicly available, be treated as confidential.

(viii) If additional funding is provided during the standstill or under any restructuring proposals, the repayment of such additional funding should, so far as is practicable, be accorded priority status as compared to other indebtedness or claims of relevant creditors.

The aim of these principles is to maximise value for the borrower's financial creditors and therefore are structured to offer lenders the prospect of recovering at least as much of their exposure as they would have recovered by alternative routes, such as the appointment of receivers. However, there can be no assurance that the amount ultimately recovered through an out-of-court restructuring on the basis of the above principles will equal what Bank of Scotland might otherwise recover had other approaches been employed.

The following tables set out the write off and delinquency experience of Bank of Scotland in relation to sterling-denominated loans to corporate borrowers made by the Corporate Banking Division. for each of the periods shown (excluding project finance relationships and loans to financial institutions). The write off and delinquency experience shown in the tables is historical and relates to all corporate clients of Corporate Banking Division (or its predecessors). The tables do not necessarily reflect the future write off experience or delinquency experience for Included Advances comprising Corporate Loan Trust Property. The tables are derived from data provided by Bank of Scotland. The data have not been audited in the context of the annual audit of Bank of Scotland, but the Issuer has procured the testing of the data in the tables to ensure that it correlates with the data provided by the Bank of Scotland and that such data is consistent with Bank of Scotland underlying data from which it was derived.

Write-Off Experience

	Year ended February 28th/29th				
	1996 (£000)	*1997 (£000)*	*1998 (£000)*	*1999 (£000)*	*2000 (£000)*
Principal balance of loans outstanding[1]	3,127,125	3,928,717	4,319,717	5,537,377	8,319,104
Gross Write-Offs[2]	9,280	45,556	31,405	15,322	11,400
Recoveries of Write-Offs[3]	1,350	3,118	2,666	3,970	3,000
Net Write-Offs	7,930	42,438	28,739	11,352	8,400
Net Write-Offs as a percentage of year end principal balance of loans outstanding	0.25%	1.08%	0.67%	0.21%	0.10%

(1) Represents the principal balance of sterling term and revolving credit loans outstanding for Bank of Scotland's Corporate Banking Division connections. Bank of Scotland Corporate Banking Division was created in 1999 following an internal restructuring. A series of assumptions have been applied to all advances originated prior to this date to create an "implied" Corporate Banking Division portfolio.
(2) Actual provisions charged to Bank of Scotland's Profit And Loss Account in period specified.
(3) Actual recoveries credited to Bank of Scotland's Profit And Loss Account in period specified.

Corporate Loan Delinquency Experience

	Year ended February 28th/29th				
	1996 (£000)	*1997 (£000)*	*1998 (£000)*	*1999 (£000)*	*2000 (£000)*
Principal balance of loans outstanding[1]	3,127,125	3,928,717	4,319,717	5,537,377	8,319,104
Principal balance of loans more than 90 Days past due[2]	16,865	35,801	43,579	42,117	85,080
Principal balance of loans more than 90 Days past due as a percentage of year end principal balance of loans outstanding ..	0.54%	0.91%	1.01%	0.76%	1.02%

(1) Represents the principal balance of sterling term and revolving credit loans outstanding for Bank of Scotland's Corporate Banking Division connections. Bank of Scotland Corporate Banking Division was created in 1999 following an internal restructuring. A series of assumptions have been applied to all advances originated prior to this date to create an "implied" Corporate Banking Division portfolio.
(2) Total principal balance and capitalised interest relating to loans for which principal and interest payments are more than 90 days past due.

LOAN PORTFOLIO

The Tagged Eligible Facilities were selected on the basis of the Eligible Facility Criteria from a portfolio of corporate loans originated by Bank of Scotland. The property of the Corporate Loan Trust at any time is comprised of Included Advances. See "Corporate Loan Trust".

The following tables summarise the characteristics of the Tagged Eligible Facilities and Included Advances thereunder by reference to the criteria identified in each such table as at 30 November 2000. The tables are derived from data provided by Bank of Scotland. The data have not been audited in the context of the annual audit of Bank of Scotland, but the Issuer has procured the testing of the data in the tables to ensure that it correlates with the data provided by Bank of Scotland and that such data is consistent with Bank of Scotland underlying data from which it was derived. The Designated Portfolio will comprise Included Advances made under such Eligible Facilities as fulfil the Included Advance Criteria on the Cut-Off Date. The information below does not reflect the composition of the Included Advances at the Cut-Off Date. Moreover, because the future characteristics of the Tagged Eligible Facilities, the Included Advances thereunder and accordingly the property of the Corporate Loan Trust may change over time, these tables may not be representative of the Tagged Eligible Facilities and Included Advances thereunder at any time after 30 November 2000.

On the Issue Date, the Included Advances are anticipated to amount, in the aggregate, to £2,050,000,000.

As a result of rounding in some tables, the total percentage figure does not always equal 100 per cent. and the sum of the Total Included Advances is not always £2,128,100,580.

Characteristics of Tagged Eligible Facilities and Included Advances

Outstanding Balance of Included Advances (£000)	2,128,100.58
Number of Included Advances	553
Number of Tagged Eligible Facilities	279
Number of Relationships	248
Largest Relationship Outstanding Balance (£000)	90,000.00
Smallest Relationship Outstanding Balance (£000)	53.31
Average Relationship Outstanding Balance (£000)	8,581.05
Weighted Average Interest Margin on Included Advances (%)	1.46
Weighted Average Remaining Term to Included Advance Maturity (months)	54.9
Moody's Diversity Score	63.2
Moody's Weighted Average Rating Score	1,630

Distribution of Tagged Eligible Facilities and Included Advances by CRS Facility Grade

CRS Grade	*Number of Relationships*	*Number of Tagged Eligible Facilities*	*Number of Included Advances*	*Total Included Advances (£000)*	*Percentage of Total Included Advances (%)*
67.51 to 72.50	1	1	2	90,000	4.2
62.51 to 67.50	1	1	4	14,305	0.7
57.51 to 62.50	2	2	5	59,579	2.8
52.51 to 57.50	2	2	4	30,052	1.4
47.51 to 52.50	8	8	27	100,160	4.7
42.51 to 47.50	12	12	30	166,393	7.8
37.51 to 42.50	34	36	90	505,541	23.8
32.51 to 37.50	40	42	80	417,529	19.6
27.51 to 32.50	78	93	195	476,557	22.4
22.51 to 27.50	70	82	116	267,986	12.6
Total	248	279	553	2,128,101	100.0

Distribution of Included Advances by Relationship

Total Advances by Relationship (£)	*Number of Relationships*	*Total Included Advances (£000)*	*Average Outstanding per Relationship (£000)*	*Percentage of Total Included Advances (%)*
0 to 2,000,000.00	67	58,829	878	2.8
2,000,000.01 to 4,000,000.00	41	122,527	2,988	5.8
4,000,000.01 to 6,000,000.00	36	184,458	5,124	8.7
6,000,000.01 to 8,000,000.00	22	155,682	7,076	7.3
8,000,000.01 to 10,000,000.00	20	180,200	9,010	8.5
10,000,000.01 to 12,000,000.00	15	162,097	10,806	7.6
12,000,000.01 to 14,000,000.00	8	102,715	12,839	4.8
14,000,000.01 to 16,000,000.00	7	103,580	14,797	4.9
16,000,000.01 to 18,000,000.00	4	69,262	17,316	3.3
18,000,000.01 to 20,000,000.00	8	153,208	19,151	7.2
20,000,000.01 to 25,000,000.00	3	73,685	24,562	3.5
25,000,000.01 to 30,000,000.00	4	115,650	28,913	5.4
30,000,000.01 to 35,000,000.00	2	68,548	34,274	3.2
35,000,000.01 to 40,000,000.00	4	152,975	38,244	7.2
40,000,000.01 to 45,000,000.00	—	—	—	0.0
45,000,000.01 to 50,000,000.00	1	46,667	46,667	2.2
50,000,000.01 to 75,000,000.00	5	288,015	57,603	13.5
75,000,000.01 to 100,000,000.00	1	90,000	90,000	4.2
Total	248	2,128,101	8,581	100.0

Distribution of Advances by Tagged Eligible Facility

Total Advances Drawn under Tagged Eligible Facilities (£)	*Number of Tagged Eligible Facilities*	*Total Included Advances (£000)*	*Average Outstanding per Tagged Eligible Facility (£000)*	*Percentage of Total Included Advances (%)*
0 to 2,000,000	98	78,211	798	3.7
2,000,000.01 to 4,000,000.00	44	136,562	3,104	6.4
4,000,000.01 to 6,000,000.00	36	188,148	5,226	8.8
6,000,000.01 to 8,000,000.00	21	148,613	7,077	7.0
8,000,000.01 to 10,000,000.00 ..	18	160,764	8,931	7.6
10,000,000.01 to 12,000,000.00 ..	14	151,497	10,821	7.1
12,000,000.01 to 14,000,000.00 ..	8	102,715	12,839	4.8
14,000,000.01 to 16,000,000.00 ..	7	103,580	14,797	4.9
16,000,000.01 to 18,000,000.00 ..	4	69,262	17,316	3.3
18,000,000.01 to 20,000,000.00 ..	8	153,208	19,151	7.2
20,000,000.01 to 25,000,000.00 ..	3	73,685	24,562	3.5
25,000,000.01 to 30,000,000.00 ..	6	168,429	28,071	7.9
30,000,000.01 to 35,000,000.00 ..	2	68,548	34,274	3.2
35,000,000.01 to 40,000,000.00 ..	4	152,975	38,244	7.2
40,000,000.01 to 45,000,000.00 ..	0	—	—	0.0
45,000,000.01 to 50,000,000.00 ..	1	46,667	46,667	2.2
50,000,000.01 to 75,000,000.00 ..	4	235,237	58,809	11.1
75,000,000.01 to 100,000,000.00 ..	1	90,000	90,000	4.2
Total	279	2,128,101	7,628	100.0

Distribution of Advances by Included Advance

Balance of Outstanding Included Advances (£000)	*Number of Included Advances*	*Total Included Advances (£000)*	*Average Outstanding per Included Advance (£000)*	*Percentage of Total Included Advances (%)*
0 to 2,000	308	238,390	774	11.2
2,000,000.01 to 4,000,000.00	101	305,389	3,024	14.4
4,000,000.01 to 6,000,000.00	54	269,351	4,988	12.7
6,000,000.01 to 8,000,000.00	32	221,547	6,923	10.4
8,000,000.01 to 10,000,000.00	11	101,898	9,263	4.8
10,000,000.01 to 12,000,000.00	11	122,338	11,122	5.7
12,000,000.01 to 14,000,000.00	8	105,642	13,205	5.0
14,000,000.01 to 16,000,000.00	3	44,875	14,958	2.1
16,000,000.01 to 18,000,000.00	2	32,330	16,165	1.5
18,000,000.01 to 20,000,000.00	4	78,462	19,615	3.7
20,000,000.01 to 25,000,000.00	6	142,261	23,710	6.7
25,000,000.01 to 30,000,000.00	6	169,525	28,254	8.0
30,000,000.01 to 35,000,000.00	2	67,178	33,589	3.2
35,000,000.01 to 40,000,000.00	1	40,000	40,000	1.9
40,000,000.01 to 45,000,000.00	1	42,250	42,250	2.0
45,000,000.01 to 50,000,000.00	3	146,667	48,889	6.9
Total	553	2,128,101	3,848	100.0

Distribution of Advances by Remaining Term to Included Advance Maturity

Remaining Term (months)	*Number of Included Advances*	*Total Included Advances (£000)*	*Average Outstanding per Advance (£000)*	*Percentage of Total Included Advances (%)*
0 to 6	4	10,350	2,588	0.5
6.01 to 12.00	17	17,705	1,041	0.8
12.01 to 18.00	17	27,743	1,632	1.3
18.01 to 24.00	28	27,023	965	1.3
24.01 to 30.00	24	71,544	2,981	3.4
30.01 to 36.00	35	158,288	4,523	7.4
36.01 to 42.00	68	215,843	3,174	10.1
42.01 to 48.00	73	304,973	4,178	14.3
48.01 to 54.00	57	212,034	3,720	10.0
54.01 to 60.00	55	240,101	4,365	11.3
60.01 to 66.00	42	140,805	3,352	6.6
66.01 to 72.00	34	216,608	6,371	10.2
72.01 to 78.00	62	218,361	3,522	10.3
78.01 to 84.00	29	251,986	8,689	11.8
84.01 to 90.00	8	14,737	1,842	0.7
Total	553	2,128,101	3,848	100.0

Distribution of Tagged Eligible Facilities and Included Advances by S&P Industry Group Classification

S&P Industry Group	*Number of Tagged Eligible Facilities*	*Number of Included Advances*	*Total Included Advances (£000)*	*Average Outstanding per Tagged Eligible Facility (£000)*	*Percentage of Total Included Advances (%)*
Aerospace and defence	—	—	—	—	—
Air transport	2	4	38,901	19,451	1.8
Automotive	11	21	60,807	5,528	2.9
Beverage and tobacco	5	14	21,775	4,355	1.0
Broadcast radio and television	—	—	—	—	—
Brokers/dealers/investment houses	—	—	—	—	—
Building and development ..	28	52	293,015	10,465	13.8
Business equipment and services	25	42	94,502	3,780	4.4
Cable and satellite television ..	1	4	68,500	68,500	3.2
Chemical/plastics	13	16	47,110	3,624	2.2
Clothing/textiles	12	25	54,521	4,543	2.6
Conglomerates	1	2	10,714	10,714	0.5
Containers and glass products	1	1	560	560	—
Cosmetics/toiletries	2	2	30,506	15,253	1.4
Drugs	—	—	—	—	—
Ecological services and equipment	2	4	6,281	3,140	0.3
Electronics/electric	12	23	62,910	5,243	3.0
Equipment leasing..	—	—	—	—	—
Farming/agriculture	—	—	—	—	—
Financial intermediaries.. ..	—	—	—	—	—
Food/drug retailers	4	9	33,839	8,460	1.6
Food products	25	42	170,694	6,828	8.0
Food service..	12	25	149,323	12,444	7.0
Forest products	—	—	—	—	—
Health care	11	28	93,571	8,506	4.4
Home furnishings	5	7	23,372	4,674	1.1
Lodging and casinos	22	40	276,701	12,577	13.0
Industrial equipment	21	33	81,248	3,869	3.8
Insurance	—	—	—	—	—
Leisure goods/activities/movies	13	35	106,817	8,217	5.0
Nonferrous metals/minerals ..	9	11	22,914	2,546	1.1
Oil and gas	12	14	42,194	3,516	2.0
Publishing	23	56	201,463	8,759	9.5
Rail industries	—	—	—	—	—
Retailers (except food and drug)	4	10	66,298	16,574	3.1
Steel	—	—	—	—	—
Surface transport	3	33	69,565	23,188	3.3
Telcommunications/cellular ..	—	—	—	—	—
Utilities	—	—	—	—	—
Total	279	553	2,128,101	7,628	100.0

Distribution of Tagged Eligible Facilities and Included Advances by Moodys Industry Group Classification

	Moodys Industry Classification	*Number of Tagged Eligible Facilities*	*Number of Included Advances*	*Total Included Advances (£000)*	*Average Outstanding per Tagged Eligible Facility (£000)*	*Percentage of Total Included Advances (%)*
1	Aerospace and Defence	—	—	—	—	—
2	Automobile	10	20	57,907	5,791	2.7
3	Banking	—	—	—	—	—
4	Beverage, Food and Tobacco ..	29	57	186,777	6,441	8.8
5	Buildings, and Real Estate	32	59	314,736	9,836	14.8
6	Chemicals, Plastics and Rubber ..	15	18	98,976	6,598	4.7
7	Containers, Packaging and Glass..	1	1	560	560	—
	Personal and Non Durable Consumer Products (Manufacturing Only)	2	2	29,270	14,635	1.4
8	Diversified/Conglomerate Manufacturing	1	1	950	950	—
9	Diversified/Conglomerate Service..	9	18	31,842	3,538	1.5
10	Diversified Natural Resources, Precious Metals and Minerals ..	—	—	—	—	—
11	Ecological	2	4	6,281	3,140	0.3
12	Electronics	21	37	105,748	5,036	5.0
13	Finance	—	—	—	—	—
14	Farming and Agriculture	1	1	15,000	15,000	0.7
15	Grocery	3	5	21,775	7,258	1.0
16	Healthcare, Education and Childcare	12	29	104,886	8,741	4.9
17	Home and Office Furnishings, Housewares, and Durable Consumer Products	7	9	16,040	2,291	0.8
18	Hotels, Motels, Inns and Gaming	16	26	192,290	12,018	9.0
19	Insurance	—	—	—	—	—
20	Leisure, Amusement, Entertainment	15	37	165,145	11,010	7.8
21	Machinery (Non-Agriculture, Non-Construction, Non-Electronic)	15	23	61,241	4,083	2.9
22	Mining, Steel, Iron, and Non Precious Metals	9	11	22,524	2,503	1.1
23	Oil and Gas	12	14	42,194	3,516	2.0
24	Personal, Food and Miscellaneous	16	35	170,638	10,665	8.0
25	Printing and Publishing	24	65	210,288	8,762	9.9
26	Cargo Transport	6	39	83,562	13,927	3.9
27	Retail Stores	3	9	19,631	6,544	0.9
28	Telecommunications	—	—	—	—	—
29	Textiles and Leather	11	19	44,462	4,042	2.1
30	Personal Transportation	2	4	38,901	19,451	1.8
31	Utilities	—	—	—	—	—
32	Broadcasting & Entertainment ..	5	10	86,476	17,295	4.1
	Total	279	553	2,128,101	7,628	100.0

Distribution of Included Advances by Facility Type

Type	*Number of Included Advances*	*Total Included Advances (£000)*	*Percentage of Total Included Advances (%)*
Revolving	131	558,593	26.3
Non-Revolving	422	1,569,507	73.8
Total	553	2,128,101	100.0

Distribution of Included Advances by Currency Option

Currency Option	*Number of Included Advances*	*Total Included Advances (£000)*	*Percentage of Total Included Advances (%)*
Multi-Currency Option[1]	86	367,454	17.3
Sterling Only	467	1,760,646	82.7
Total	553	2,128,101	100.0

1. Multi-currency option allows a Borrower to draw under the facility in a currency other than £.

Distribution of Included Advances by Security Status

Security Status[1]	*Number of Included Advances*	*Total Included Advances (£000)*	*Percentage of Total Included Advances (%)*
Secured	475	1,655,982	77.8
Unsecured	78	472,118	22.2
Total	553	2,128,101	100.0

1. Secured for this purpose means that the Borrower has granted fixed security over tangible assets or floating security over all or substantially all of its assets.

MATURITY ASSUMPTIONS IN RELATION TO THE SERIES 2001-2 INTEREST

The Series 2001-2 Loan Note Supplement provides that the Issuer will not receive principal repayments in respect of the Series 2001-2 Loan Note until the Scheduled Maturity Date or, in the event of a Pay Out Event which results in the commencement of the Termination Period, the first Interest Payment Date (and subsequent Interest Payment Dates thereafter) during the Termination Period. See "Risk Factors and Investment Considerations — Payments and Maturity, Concentrations in Portfolio and Commercial Lending Competition".

Accumulation Period

On each business day during the Accumulation Period for the Series 2001-2 Interest, certain Principal Collections, Reacquisition Proceeds and other amounts referable to the Series 2001-2 Interest will be allocated by the Receivables Trustee to the Loan Note Issuer and will be deposited in the Principal Funding Account (and identified by the Loan Note Issuer for the Series 2001- Interest), until the amount on deposit in the Principal Funding Account equals the Series 2001-2 Interest. Amounts in the Principal Funding Account are expected to be sufficient, when received by the Issuer as payments in respect of the Series 2001-2 Loan Note to repay the Notes in full on the Scheduled Maturity Date. Although it is anticipated that Principal Collections during the Accumulation Period will be sufficient to make deposits to the Principal Funding Account equal to the aggregate of the amount of the Series 2001-2 Interest, and that such amount will be paid by the Issuer (pursuant to payments to or to the order of the Issuer by the Loan Note Issuer under the Series 2001-2 Loan Notes, to the Noteholders on the Scheduled Maturity Date, no assurance can be given in this regard. If the amount required to pay the Series 2001-2 Interest in full is not available on the related Scheduled Maturity Date or a Pay Out Event occurs during the Accumulation Period, the Termination Period in relation to the Series 2001-2 Interest will commence.

Termination Period

If a Series 2001-2 Pay Out Event occurs, the Termination Period will commence with respect to the Series 2001-2 Interest. If a Trust Pay Out Event occurs, the Termination Period will commence with respect to all Series Interests.

In the event that the Termination Period commences and there are funds standing to the credit of the Principal Funding Account in respect of the Series 2001-2 Interest, such funds will be distributed on the next following Interest Payment Date to the Loan Note Issuer to make payments in respect of, among others, the Series 2001-2 Loan Note. Amounts of principal received by the Issuer under the Series 2001-2 Loan Note will be applied:

(a) first, for payment to the Class A Noteholders until the principal amount outstanding of the Class A Notes has been reduced to zero;

(b) second, for payment to the Class B Noteholders until the principal amount outstanding of the Class B Notes has been reduced to zero;

(c) third, for payment to the Class C Noteholders until the principal amount outstanding of the Class C Notes has been reduced to zero;

(d) fourth, for payment to the Class D Noteholders until the principal amount outstanding of the Class D Notes has been reduced to zero; and

(e) fifth, for payment to the Class E Noteholders until the principal amount outstanding of the Class E Notes has been reduced to zero.

In addition, to the extent that the amounts of the Series 2001-2 Interest evidenced by the Class A Interest have not been repaid in full and if the Termination Period End Date with respect to the Class A Notes has not occurred, the Issuer will receive, pursuant to the calculations in respect of the Class A Interest, principal funds from the Loan Note Issuer under the Series 2001-2 Loan Note which the Issuer will use to pay to Class A Noteholders payments of principal on each Interest Payment Date equal to the Principal Collections referable to the Class A Interest until the earlier of the date on which the full amount represented by the Class A Interest has been repaid in full and the applicable Termination Period End Date for such Class A Notes.

After the Class A Notes have been repaid in full and if the Termination Period End Date with respect to the Class B Notes has not occurred, the Issuer will receive, pursuant to the calculations in respect of the Class B Interest, principal funds from the Loan Note Issuer under the Series 2001-2 Loan Note which the Issuer will use to pay to Class B Noteholders payments of principal on each Interest Payment Date equal to the Principal Collections referable to the Class B Interest until the earlier of the date on which the full amount evidenced by the Class B Interest has been repaid in full and the applicable Termination Period End Date for such Class B Notes.

After the Class B Notes have been repaid in full and if the Termination Period End Date with respect to the Class C Notes has not occurred, the Issuer will receive, pursuant to the calculations in respect of the Class C Interest, principal funds from the Loan Note Issuer under the Series 2001-2 Loan Note which the Issuer will use to pay to Class C Noteholders payments of principal on each Interest Payment Date equal to the Principal Collections referable to the Class C Interest until the earlier of the date on which the full amount evidenced by the Class C Interest has been repaid in full and the applicable Termination Period End Date for such Class C Notes.

After the Class C Notes have been repaid in full and if the Termination Period End Date with respect to the Class D Notes has not occurred, the Issuer will receive, pursuant to the calculations in respect of the Class D Interest, principal funds from the Loan Note Issuer under the Series 2001-2 Loan Note which the Issuer will use to pay to Class D Noteholders payments of principal on each Interest Payment Date equal to the Principal Collections referable to the Class D Interest until the earlier of the date on which the full amount evidenced by the Class D Interest has been repaid in full and the applicable Termination Period End Date for such Class D Notes.

After the Class D Notes have been repaid in full and if the Termination Period End Date with respect to the Class E Notes has not occurred, the Issuer will receive, pursuant to the calculations in respect of the Class E Interest, principal funds from the Loan Note Issuer under the Series 2001-2 Loan Note which the Issuer will use to pay to Class E Noteholders payments of principal on each Interest Payment Date equal to the Principal Collections referable to the Class E Interest until the earlier of the date on which the full amount evidenced by the Class E Interest has been repaid in full and the applicable Termination Period End Date for such Class E Notes.

ISSUER

Introduction

The Issuer was incorporated in England and Wales on 3 November 2000 (registered number 4102054) as a public limited company under the Companies Act 1985 (as amended). The authorised share capital of the Issuer comprises 100,000 ordinary shares of £1 each. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each of which 49,998 are partly paid to £0.25 each and held by Melrose Holdings Limited and 2 are partly paid to £0.25 each and held by SFM Corporate Services Limited (the "Share Trustee") on trust for charitable purposes by a declaration of trust dated 1 February 2001. The issued share capital of Melrose Holdings Limited is held by the Share Trustee on trust for charitable purposes by a declaration of trust dated 1 February 2001.

The Issuer has no subsidiaries. Bank of Scotland does not own directly or indirectly any of the share capital of the Parent or the Issuer.

The principal objects of the Issuer are set out in clause 4 of its Memorandum of Association and are to lend money and give credit, secured or unsecured, to borrow or raise money and secure the payment of money, and to grant security over its property for the performance of its obligations or the payment of money. It was established to issue the Notes and purchase the Series 2001-2 Loan Note and the Series 2001-2 Loan Note.

The Issuer has not engaged, since its incorporation, in any material activities other than those incidental to its registration as a public company under the Companies Act 1985 and to the proposed issues of the Notes and the authorisation of the other Transaction Documents referred to in this Offering Circular to which it is or will be a party, changing its name from Bronzetiger Public Limited Company to Melrose Financing No.1 plc on 8 January 2001 and other matters which are incidental or ancillary to the foregoing.

Directors

The directors of the Issuer and their respective business addresses and occupations are:

Name	*Business Address*	*Business Occupation*
SFM Directors Limited	Blackwell House Guildhall Yard London EC2V 5AE	Director of special purpose companies
SFM Directors (No.2) Limited	Blackwell House Guildhall Yard London EC2V 5AE	Director of special purpose companies
Ian McDonald	Uberior House 61 Grassmarket Edinburgh EH1 2JF	Head of Risk and Operations, Bank of Scotland Corporate Banking Division

The directors of SFM Directors Limited and SFM Directors (No.2) Limited and their respective occupations are:

Name	*Business Occupation*
Jonathan E. Keighley	Managing Director of Structured Finance Management Limited
James G. S. Macdonald	Director of Structured Finance Management Limited

The company secretary of the Issuer is SFM Corporate Services Limited.

The registered office of the Issuer is Blackwell House, Guildhall Yard, London EC2V 5AE.

The accounting reference date of the Issuer is the last day of February.

The activities of the Issuer will be restricted by the Conditions and will be limited to the issues of the Notes, purchasing the Series 2001-2 Loan Note, the exercise of related rights and powers, and other activities referred to herein or reasonably incidental thereto.

Capitalisation statement

The following table shows the capitalisation of the Issuer as at 26 February 2001:

	As at 26 February 2001 *£*
Authorised share capital	
Ordinary shares of £1 each	100,000
Issued share capital	
Allotted and fully paid	0
Allotted and unpaid	0
Allotted and partly paid	12,500
	12,500

The Issuer has no loan capital, borrowings or material contingent liabilities (including guarantees) as at 26 February 2001.

LOAN NOTE ISSUER

Introduction

The Loan Note Issuer was incorporated in England and Wales on 25 October 2000 (registered number 4096036) as a limited company under the Companies Act 1985 (as amended). The authorised share capital of the Loan Note Issuer comprises 100 ordinary shares of £1 each. The issued share capital of the Loan Note Issuer comprises 2 ordinary shares of £1 each, all of which are fully paid and owned by Melrose Holdings Limited.

The Loan Note Issuer has no subsidiaries. Bank of Scotland does not own directly or indirectly any of the share capital of the Parent or the Loan Note Issuer.

The principal objects of the Loan Note Issuer are set out in clause 3 of its Memorandum of Association and are to invest and deal in loan obligations, to lend money and give credit, secured or unsecured, to borrow or raise money and secure the payment of money, and to grant security over its property for the performance of its obligations or the payment of money. It was established to issue the loan notes to invest in the Receivables Trust.

The Loan Note Issuer has not engaged, since its incorporation, in any material activities other than those incidental to its registration as a limited company under the Companies Act 1985 and to the proposed issues of the loan notes and the authorisation of the other Transaction Documents referred to in this Offering Circular to which it is or will be a party, changing its name from Precis (1947) Limited to Melrose Investor Limited on 29 December 2000 and other matters which are incidental or ancillary to the foregoing.

Directors

The directors of the Loan Note Issuer and their respective business addresses and occupations are:

Name	*Business Address*	*Business Occupation*
SFM Directors Limited	Blackwell House Guildhall Yard London EC2V 5AE	Director of special purpose companies
SFM Directors (No.2) Limited	Blackwell House Guildhall Yard London EC2V 5AE	Director of special purpose companies
Ian McDonald	Uberior House 61 Grassmarket Edinburgh EH1 2JF	Head of Risk and Operations, Bank of Scotland Corporate Banking Division

The directors of SFM Directors Limited and SFM Directors (No.2) Limited and their respective occupations are:

Name	*Business Occupation*
Jonathan E. Keighley	Managing Director of Structured Finance Management Limited
James G. S. Macdonald	Director of Structured Finance Management Limited

The company secretary of the Loan Note Issuer is SFM Corporate Services Limited

The registered office of the Loan Note Issuer is Blackwell House, Guildhall Yard, London EC2V 5AE.

The accounting reference date of the Loan Note Issuer is the last day of February.

Capitalisation statement

The following table shows the capitalisation of the Loan Note Issuer as at 26 February 2001:

	As at 26 February 2001 £
Authorised share capital	
Ordinary shares of £1 each	100
Issued share capital	
Allotted and fully paid	2
Allotted and unpaid	0
Allotted and partly paid	0
	2

The Loan Note Issuer has no loan capital, borrowings or material contingent liabilities (including guarantees) as at 26 February 2001.

RECEIVABLES TRUSTEE

Introduction

The Receivables Trustee was incorporated in Jersey on 24 January 2001 (registered number 79145) as a limited company under the Companies (Jersey) Law 1991 (as amended). The authorised share capital of the Receivables Trustee comprises 2 ordinary shares of £1 each, both of which have been issued and are beneficially owned by the Share Trustee.

The Receivables Trustee has no subsidiaries. Bank of Scotland does not own directly or indirectly any of the share capital of the Receivables Trustee.

The principal objects of the Receivables Trustee are to acquire and maintain a beneficial interest in the Corporate Loan Trust Property and to act as trustee of such beneficial interest on behalf of the Transferor Beneficiary and the Investor Beneficiary.

The Receivables Trustee has not engaged, since its incorporation, in any material activities other than those incidental to its registration as a limited company under the Companies (Jersey) Law 1991 and to the declaration of the Receivables Trust and the authorisation of the other Transaction Documents referred to in this Offering Circular to which it is or will be a party and other matters which are incidental or ancillary to the foregoing.

Directors

The directors of the Receivables Trustee and their respective business addresses and occupations are:

Name	*Business Address*	*Business Occupation*
Michael George Best	47 Esplanade St Helier, Jersey Channel Islands JE1 0BD	Director of SFM Offshore Limited and Dominion Corporate Services Limited
Graham Edward Journeaux	47 Esplanade St Helier, Jersey Channel Islands JE1 0BD	Director of SFM Offshore Limited and Dominion Corporate Services Limited
Ian McDonald	Uberior House 61 Grassmarket Edinburgh EH1 2JF	Head of Risk and Operations, Bank of Scotland Corporate Banking Division

The company secretary of the Receivables Trustee is SFM Offshore Limited

The registered office of the Receivables Trustee is 47 Esplanade, St Helier, Jersey, Channel Islands JE1 0BD.

The accounting reference date of the Receivables Trustee is the last day of February in each year.

Capitalisation statement

The following table shows the capitalisation of the Receivables Trustee as at 26 February 2001:

	As at 26 February 2001 *£*
Authorised share capital	
Ordinary shares of £1 each	2
Issued share capital	
Allotted and fully paid	2
Allotted and unpaid	0
Allotted and partly paid	0
	2

The Receivables Trustee has no loan capital, borrowings or material contingent liabilities (including guarantees) as at 26 February 2001.

ACCOUNTANTS' REPORTS

The following is the text of the accountants' reports on each of the Issuer, the Loan Note Issuer and the Receivables Trustee received by the Directors of the Issuer, the Loan Note Issuer and the Receivables Trustee respectively from the auditors to the Issuer, the Loan Note Issuer and the Receivables Trustee being, in each case, KPMG Audit plc. The balance sheets contained therein do not comprise the statutory accounts of any of the Issuer, the Loan Note Issuer and the Receivables Trustee. No statutory accounts have been prepared or delivered to the Registrar of Companies on behalf of any of the Issuer, the Loan Note Issuer and the Receivables Trustee in England and Wales since their respective incorporations. The first statutory accounts of each of the Issuer, the Loan Note Issuer and the Receivables Trustee will be drawn up to 28 February 2002. The accounting reference date for each of the Issuer, the Loan Note Issuer and the Receivables Trustee will be the last day of February and further statutory accounts will be drawn up to 28 February 2002 and annually on the last day of February, thereafter.

THE ISSUER

KPMG Audit Plc
Satire Court
20 Castle Terrace
Edinburgh
EH1 2EG
United Kingdom

The Directors
Melrose Financing No1 plc
c/o SFM Corporate Services Limited
Blackwell House
Guildhall Yard
London EC2V 5AE

Credit Suisse First Boston (Europe) Limited
One Cabot Square
London
E14 4QJ

26 February 2001

Dear Sirs

The Issue of the $1,087,231,173 (equivalent) Series 2001-1 Floating Rate Notes due 2006 and the $1,087,300,805 (equivalent) Series 2001-2 Floating Rate Notes due 2008 (together the "Notes")

We report on the financial information set out below. This financial information has been prepared for inclusion in the Offering Circulars dated 26 February 2001 relating to the issue of the Notes (the "Offering Circulars").

Basis of preparation

No audited statutory financial statements have been prepared for submission to the members of the Company in respect of any period.

The financial information set out in this report is based on the financial statements of the Company from incorporation on 3 November 2000 to 26 February 2001 prepared on the basis described in note 2.1, to which no adjustments were considered necessary.

Responsibility

The financial statements referred to above are the responsibility of the directors of the Company.

The directors of Melrose Financing No. 1 plc are responsible for the contents of the Offering Circulars in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Offering Circular, a true and fair view of the state of affairs of the Company as at the date stated.

1. Balance sheet

Balance sheets as at 26 February 2001

	£
Current assets	
Cash at bank and in hand	12,500
Capital and reserves	
Called up equity share capital	12,500

2. Notes

2.1 *Accounting policies*

The financial information has been prepared under the historical cost convention and in accordance with accounting standards currently applicable in the United Kingdom.

2.2 *Trading activity*

The Company has not traded during the period from incorporation on 3 November 2000 to 26 February 2001, nor did it receive any income, incur any expenses or pay any dividends. Consequently, no profit and loss account has been prepared.

2.3 *Share capital*

The Company was incorporated and registered as a public limited company on 3 November 2000, with the name of Bronzetiger Public Limited Company. The Company changed its name to Melrose Financing No.1 plc on 8 January 2001.

On incorporation the authorised share capital of the Company was divided into 100,000 ordinary shares of £1 each.

On 17 January 2001, 49,998 ordinary shares of £1 each were issued by Melrose Financing No.1 plc to Melrose Holdings Limited and were one quarter called up for a total cash consideration of £12,499.50.

On 17 January 2001, two ordinary shares of £1 each were transferred to SFM Corporate Services Limited and were one quarter called up for cash consideration of £0.50.

2.4 *Auditors*

KPMG Audit Plc was appointed as auditor on 17 January 2001.

Yours faithfully

KPMG Audit plc
Chartered Accountants

KPMG Audit Plc
Satire Court
20 Castle Terrace
Edinburgh
EH1 2EG
United Kingdom

The Directors
Melrose Investor Limited
c/o SFM Corporate Services Limited
Blackwell House
Guildhall Yard
EC2V 5AE

Credit Suisse First Boston (Europe) Limited
One Cabot Square
London
E14 4QJ

26 February 2001

Dear Sirs

The Issue of the $1,087,231,173 (equivalent) Series 2001-1 Floating Rate Notes due 2006 and the $1,087,300,805 (equivalent) Series 2001-2 Floating Rate Notes due 2008 (together the "Notes")

We report on the financial information set out below. This financial information has been prepared for inclusion in the Offering Circular dated 26 February 2001 relating to the issue of the Notes (the "Offering Circular").

Basis of preparation

No audited statutory financial statements have been prepared for submission to the members of the Company in respect of any period.

The financial information set out in this report is based on the financial statements of the Company from incorporation on 25 October 2000 to 26 February 2001 prepared on the basis described in note 2.1, to which no adjustments were considered necessary.

Responsibility

The financial statements referred to above are the responsibility of the directors of the Company.

The directors of Melrose Financing No.1 plc are responsible for the contents of the Offering Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Offering Circular, a true and fair view of the state of affairs of the Company as at the date stated.

1. Balance sheet

Balance sheets as at 26 February 2001

	£
Current assets	
Cash at bank and in hand	2
Capital and reserves	
Called up equity share capital	2

2. Notes

2.1 *Accounting policies*

The financial information has been prepared under the historical cost convention and in accordance with accounting standards currently applicable in the United Kingdom.

2.2 *Trading activity*

The Company has not traded during the period from incorporation on 25 October 2000 to 26 February 2001, nor did it receive any income, incur any expenses or pay any dividends. Consequently, no profit and loss account has been prepared.

2.3 *Share capital*

The Company was incorporated on 25 October 2000, with the name of Precis (1947) Limited and subsequently changed its name to Melrose Investor Limited on 29 December 2000.

On incorporation the authorised share capital of the Company was divided into 100 ordinary shares of £1 each.

On 17 January 2001, two ordinary shares £1 each were transferred to Melrose Holdings Limited and are fully paid-up for a total cash consideration of £2.

2.4 *Auditors*

KPMG Audit Plc was appointed as auditor on 17 January 2001.

Yours faithfully,

KPMG Audit plc
Chartered Accountants

THE RECEIVABLES TRUSTEE

KPMG
45 The Esplanade
St. Helier
Jersey JE4 8WQ

The Directors
Melrose Trustee Limited
c/o SFM Offshore Limited
47 Esplanade
St Helier
Jersey
Channel Islands
JE1 0BD

Credit Suisse First Boston (Europe) Limited
One Cabot Square
London
E14 4QJ

26 February 2001

Dear Sirs

The Issue of the $1,087,231,173 (equivalent) Series 2001-1 Floating Rate Notes due 2006 and the $1,087,300,805 (equivalent) Series 2001-2 Floating Rate Notes due 2008 (together the "Notes")

We report on the financial information set out below. This financial information has been prepared for inclusion in the Offering Circular dated 26 February 2001 relating to the issue of the Notes (the "Offering Circular").

Basis of preparation

The financial information set out in this report is based on the financial statements of the Company from incorporation on 24 January 2001 to 26 February 2001 prepared on the basis described in note 2.1, to which no adjustments were considered necessary.

Responsibility

The financial statements referred to above are the responsibility of the directors of the Company.

The directors of Melrose Financing No.1 plc are responsible for the contents of the Offering Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Offering Circular, a true and fair view of the state of affairs of the Company as at the date stated.

1. Balance sheet

Balance sheets as at 26 February 2001

	£
Current assets	
Cash at bank and in hand	2
Capital and reserves	
Called up equity share capital	2

2. Notes

2.1 *Accounting policies*

The financial information has been prepared under the historical cost convention and in accordance with accounting standards currently applicable in the United Kingdom.

2.2 *Trading activity*

The Company has not traded during the period from incorporation on 24 January 2001 to 26 February 2001, nor did it receive any income, incur any expenses or pay any dividends. Consequently, no profit and loss account has been prepared.

2.3 *Share capital*

The Company was incorporated on 24 January 2001.

On incorporation the authorised share capital of the Company was divided into 2 ordinary shares of £1 each.

On 15 February 2001, one ordinary share of £1 was transferred to SFM Corporate Services Limited and was fully paid up for a total cash consideration of £1, and one ordinary share of £1 was transferred to Structured Finance Management Limited and was fully paid up for a total cash consideration of £1.

2.4 *Auditors*

KPMG was appointed as auditor on 15 February 2001.

Yours faithfully,

KPMG
Chartered Accountants

CURRENCY SWAP COUNTERPARTY

CSFBi was incorporated in England and Wales under the Companies Act 1985, on 9 May 1990 with registered no. 2500199 and was re-registered as unlimited under the name "Credit Suisse Financial Products" on 6 July 1990. Its registered office and principal place of business is at One Cabot Square, London E14 4QJ. CSFBi is an authorised institution under the Banking Act 1987 and is regulated by The Securities and Futures Authority. With effect from 27 March 2000, CSFBi was renamed "Credit Suisse First Boston International". This change was a renaming only.

CSFBi is an unlimited liability company and, as such, its shareholders have a joint, several and unlimited obligation to meet any insufficiency in the assets of CSFBi in the event of its liquidation.

CSFBi commenced business on 16 July 1990. Its principal business is banking, including the trading of derivative products linked to interest rates, equities, foreign exchange, commodities and credit. The primary objective of CSFBi is to provide comprehensive treasury and risk management derivative product services world-wide. CSFBi has established a significant presence in global derivative markets through offering a full range of basic derivative products and continues to develop new products in response to the needs of its customers and changes in underlying markets.

Credit Ratings

CSFBi has been assigned a senior unsecured debt rating of "AA" by Standard & Poor's Rating Group, a division of the McGraw-Hill, Companies, a senior unsecured debt rating of "Aa3" by Moody's Investors Service, Inc. and a senior unsecured debt rating of "AA" by Fitch IBCA Inc.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions (the "Conditions" and any reference to a "Condition" shall be construed accordingly) of the Notes in the form (subject to amendment) in which they will be set out in the Trust Deed.

The $935,000,000 Class A Asset Backed Floating Rate Notes due 2008 (the "Class A Notes"), the $43,500,000 Class B Asset Backed Floating Rate Notes due 2008 (the "Class B Notes"), the $32,600,000 Class C Asset Backed Floating Rate Notes due 2008 (the "Class C Notes"), the $5,000,000 Class D1 Asset Backed Floating Rate Notes due 2008 (the "Class D1 Notes"), the €14,100,000 Class D2 Asset Backed Floating Rate Notes due 2008 (the "Class D2 Notes"), the £14,000,000 Class D3 Asset Backed Floating Rate Notes due 2008 (the "Class D3 Notes" and together with the Class D1 Notes and the Class D2 Notes, the "Class D Notes"), and the £26,250,000 Class E Asset Backed Floating Rate Notes due 2008 (the "Class E Notes" and together with the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, the "Notes", as more fully defined below) of Melrose Financing No.1 plc (the "Issuer") are constituted in relation to a trust deed dated on or about 27 February 2001 (the "Trust Deed", which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) and made between the Issuer and Citibank, N.A. (in such capacity, the "Note Trustee", which expression includes its successors or any further or other note trustee appointed under the Trust Deed) as trustee for, *inter alios*, the holders for the time being of the Class A Notes (the "Class A Noteholders"), the holders for the time being of the Class B Notes (the "Class B Noteholders"), the holders for the time being of the Class C Notes (the "Class C Noteholders"), the holders for the time being of the Class D Notes (the "Class D Noteholders") and the holders for the time being of the Class E Notes (the "Class E Noteholders" and, together with the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders, the "Noteholders"). Any reference below to a "class" of Notes or of Noteholders shall be a reference to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes, as the case may be, or to the respective holders thereof.

The security for the Notes is created pursuant to, and on the terms set out in, a deed of charge (the "Issuer Deed of Charge", which expression includes such deed of charge as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) dated on or about 27 February 2001 and made between, *inter alios*, the Issuer and the Note Trustee.

Provisions governing the payment of principal and interest in respect of the Notes of each class and the transfer and registration of ownership of the Notes are contained in an agency agreement (the "Agency Agreement", which expression includes such agency agreement as from time to time modified in accordance with the provisions contained therein and any agreement, deed or other document expressed to be supplemental thereto as from time to time modified) dated on or about 27 February 2001 between the Issuer, the Note Trustee, Citibank AG Frankfurt, as registrar (the "Registrar"), the transfer agents named therein (the "Transfer Agents"), Citibank, N.A., acting through its London branch, as agent bank (the "Agent Bank"), authentication agent (the "Authentication Agent") and principal paying agent in the United Kingdom (the "Principal Paying Agent" and together with any further or other paying agents for the time being appointed under the Notes, the "Paying Agents", and, together with the Registrar, the Transfer Agents, the Authentication Agent and the Agent Bank, the "Agents"). The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Issuer Deed of Charge and the Agency Agreement.

Copies of the Trust Deed, the Issuer Deed of Charge, the Agency Agreement and each of the other Series 2001-2 Note Documents (as defined in Condition 3(g)) are available for inspection at the principal London office for the time being of (i) the Note Trustee, being at the date hereof Third Floor, Cottons Centre, Hays Lane, London SE1 2QT and (ii) the Principal Paying Agent, being at the date hereof 5 Carmelite Street, London EC4Y 0PA. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of, and definitions contained in, the Trust Deed, the Issuer Deed of Charge and the documents referred to in each of them, and are deemed to have notice of all the provisions of the Agency Agreement.

Capitalised terms used and not otherwise defined in these Conditions shall bear the meanings given to them in the Trust Deed, which is available for inspection as described above.

The issue of the Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 19 February 2001.

1. Form and Denomination

The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes initially offered and sold outside the United States to non-US persons pursuant to Regulation S (''Regulation S'') under the United States Securities Act of 1933, as amended (the ''Securities Act'') will initially be represented by a separate global note certificate in registered form for each such class (the ''Class A Regulation S Global Note Certificate'', the ''Class B Regulation S Global Note Certificate'', the ''Class C Regulation S Global Note Certificate'', the ''Class D Regulation S Global Note Certificate'' and the ''Class E Regulation S Global Note Certificate'', respectively, and together, the ''Regulation S Global Note Certificates'').

The Class A Notes, the Class B Notes, the Class C Notes, the Class D1 Notes, the Class D2 Notes and the Class D3 Notes initially offered and sold in the United States to qualified institutional buyers as defined in and in reliance on Rule 144A (''Rule 144A'') under the Securities Act likewise will initially be represented by a separate global note certificate (and, in the case of the Class A Notes, two global note certificates) in registered form for each such class (the ''Class A Rule 144A Global Note Certificates'', the ''Class B Rule 144A Global Note Certificate'', the ''Class C Rule 144A Global Note Certificate'', the ''Class D1 Rule 144A Global Note Certificate'', the ''Class D2 Rule 144A Global Note Certificate'' and the ''Class D3 Rule 144A Global Note Certificate'', respectively, and together, the ''Rule 144A Global Note Certificates'' and, together with the Regulation S Global Note Certificates, the ''Global Note Certificates''). The Global Note Certificates will, in aggregate, represent the aggregate principal amount outstanding of the Class A Notes, Class B Notes, Class C Notes, Class D Notes and the Class E Notes.

Individual Note Certificates of each class (which, if issued, will be in the denominations set out below) will be serially numbered and will be issued in registered form only in accordance with Condition 14 (*Individual Note Certificates*).

The denominations (each respectively the ''Minimum Denomination'') of any Individual Note Certificates issued will be as follows:

Class A Notes: $10,000;

Class B Notes: $10,000;

Class C Notes: $10,000;

Class D1 Notes: $10,000;

Class D2 Notes: €10,000;

Class D3 Notes: £10,000; and

Class E Notes: £10,000.

2. Register, Title and Transfers

(a) *Register*

The Registrar will maintain a register (the ''Register'') in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the ''Holder'' of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and ''Noteholder'' shall be construed accordingly.

(b) *Title*

The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder.

(c) *Transfers*

For so long as any Notes are represented by a Global Note Certificate, transfers and exchanges of beneficial interests in Global Note Certificates and entitlement to payments thereunder will be effected subject to and in accordance with the provisions of the Agency Agreement and the rules and procedures from time to time of The Depository Trust Company ("DTC"), Euroclear S.A./N.V. as operator of the Euroclear System ("Euroclear") or Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), as appropriate.

Subject to paragraphs (f) and (g) below, an Individual Note Certificate may be transferred upon surrender of the relevant Individual Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* (i) Notes may not be transferred unless the principal amount of Notes transferred is an integral multiple of the Minimum Denomination and (ii) Notes which are restricted securities within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933 may only be transferred in a minimum aggregate amount of $250,000 in the case of the Class A Notes, the Class B Notes, the Class C Notes and the Class D1 Notes, €250,000 in the case of the Class D2 Notes and £200,000 in the case of the Class D3 Notes. Where not all the Notes represented by the surrendered Individual Note Certificate are the subject of the transfer, a new Individual Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) *Registration and delivery of Individual Note Certificates*

Within five business days of the surrender of an Individual Note Certificate in accordance with paragraph (c) above, the Registrar will register the transfer in question and deliver a new Individual Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "business day" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(e) *No charge*

The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*

Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(g) *Regulations concerning transfers and registration*

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3. Status, Security and Priority

(a) *Status of the Class A Notes*

The Class A Notes constitute direct, secured and unconditional obligations of the Issuer and are secured by the same security that secures the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes. The Class A Notes rank *pari passu* without preference or priority amongst themselves.

(b) *Status of the Class B Notes*

The Class B Notes constitute direct, secured and unconditional obligations of the Issuer and are secured by the same security that secures the Class A Notes, the Class C Notes, the Class D Notes and the Class E Notes. The Class B Notes rank *pari passu* without preference or priority amongst themselves but the Class A Notes will rank in priority to the Class B Notes in the event of the Issuer Security being enforced. Prior to enforcement of the Issuer Security, payments of principal and interest on the Class B Notes are subordinated to, *inter alia*, payments of principal and interest on the Class A Notes as provided herein and in the Trust Deed.

(c) *Status of the Class C Notes*

The Class C Notes constitute direct, secured and unconditional obligations of the Issuer and are secured by the same security that secures the Class A Notes, the Class B Notes, the Class D Notes and the Class E Notes. The Class C Notes rank *pari passu* without preference or priority amongst themselves but the Class A Notes and the Class B Notes will rank in priority to the Class C Notes in the event of the Issuer Security being enforced. Prior to enforcement of the Issuer Security, payments of principal and interest on the Class C Notes are subordinated to, *inter alia*, payments of principal and interest on the Class A Notes and the Class B Notes as provided herein and in the Trust Deed.

(d) *Status of the Class D Notes*

The Class D Notes constitute direct, secured and unconditional obligations of the Issuer and are secured by the same security that secures the Class A Notes, the Class B Notes, the Class C Notes and the Class E Notes. The Class D Notes rank *pari passu* without preference or priority amongst themselves but the Class A Notes, the Class B Notes and the Class C Notes will rank in priority to the Class D Notes in the event of the Issuer Security being enforced. Prior to enforcement of the Issuer Security, payments of principal and interest on the Class D Notes are subordinated to, *inter alia*, payments of principal and interest on the Class A Notes, the Class B Notes and the Class C Notes as provided herein and in the Trust Deed.

(e) *Status of the Class E Notes*

The Class E Notes constitute direct, secured and unconditional obligations of the Issuer and are secured by the same security that secures the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes. The Class E Notes rank *pari passu* without preference or priority amongst themselves but the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes will rank in priority to the Class E Notes in the event of the Issuer Security being enforced. Prior to enforcement of the Issuer Security, payments of principal and interest on the Class E Notes are subordinated to, *inter alia*, payments of principal and interest on the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes as provided herein and in the Trust Deed.

(f) *Conflict between the classes of Notes*

Each of the Trust Deed and the Issuer Deed of Charge contains provisions requiring the Note Trustee to have regard to the interests of the Noteholders of each Class equally as regards the exercise of all powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise), but requiring the Note Trustee to have regard only to the interests of the most Senior Class of Notes outstanding if, in the Note Trustee's opinion, there is or may be a conflict between the interests of the Noteholders of such Class and the interests of the Noteholders of a Junior Class. Except where expressly provided otherwise, so long as any of the Notes remains outstanding, the Note Trustee is not required to have regard to the interests of any other persons entitled to the benefit of the Issuer Security.

In these Conditions:

"Senior Class" means, with respect to any class of Notes, a class of Notes ranking in priority to another class of Notes in point of payment or in point of security; and

"Junior Class" means, with respect to any class of Notes, a class of Notes ranking behind another class of Notes in point of payment or in point of security.

The Trust Deed and the Issuer Deed of Charge contain provisions limiting the powers of the Noteholders of a Junior Class, *inter alia*, to request or direct the Note Trustee or the Note Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the Noteholders of a Senior Class. Except in certain circumstances set out in Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution of Principal Debtor*), the Trust Deed and the Issuer Deed of Charge contain no such limitation on the powers of the Class A Noteholders, the exercise of which will be binding on the Noteholders of each Junior Class, respectively, irrespective of the effect thereof on their interests.

The Note Trustee shall be entitled to assume, for the purpose of exercising any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Series 2001-2 Note Documents, that such exercise will not be materially prejudicial to the interests of the Noteholders (or any class thereof) if the Rating Agencies have confirmed that the then current ratings of the applicable class or classes of Notes would not be adversely affected by such exercise.

The Noteholders will share in the benefit of the security created by the Issuer Deed of Charge, upon and subject to the terms thereof.

(g) *Security*

As security for, *inter alia*, the payment of all monies payable in respect of the Notes, the Issuer has entered into the Issuer Deed of Charge creating, *inter alia*, the following security (the "Issuer Security") in favour of the Note Trustee for itself and on trust for the other persons to whom secured amounts are outstanding (the "Issuer Secured Creditors"):

(i) an assignment and charge by way of first fixed security of its right, title and interest in and to the Series 2001-2 Loan Note issued by Melrose Investor Limited (the "Loan Note Issuer") on or about 27 February 2001 (the "Loan Note");

(ii) an assignment and charge by way of first fixed security of its right, title and interest in, to and under each document to which the Issuer is a party with respect to the Notes, including:

(1) a supplement in respect of the Series 2001-2 Loan Note to the loan note issuance facility agreement made between the Loan Note Issuer and the Loan Note Trustee dated on or about 27 February 2001 (the "Series 2001-2 Loan Note Supplement");

(2) a currency swap agreement dated on or about 27 February 2001 between Credit Suisse First Boston International, the Issuer and the Note Trustee (the "Currency Swap Agreement");

(3) the Agency Agreement;

(4) the subscription agreements dated on or about 26 February 2001 between, *inter alios*, the Issuer and the Managers (as defined therein) in respect of the Notes;

(5) a bank account agreement entered into on or about 27 February 2001 between, *inter alios*, Bank of Scotland (the "Account Bank") and the Issuer (the "Bank Account Agreement"); and

(6) the Trust Deed,

(such documents, together with the Issuer Deed of Charge, being the "Series 2001-2 Note Documents") and such other documents as are expressed to be subject of the security created by the Issuer Deed of Charge;

(iii) a charge by way of first fixed security of its rights, title and interest in, to and under the Issuer Transaction Account and any amounts deposited from time to time therein (which security interests may take effect as a floating charge and thus rank behind the claims of certain preferential and other creditors);

(iv) a charge by way of first fixed security of its right, title and interest in, to and under all Issuer Authorised Investments made by or on behalf of the Issuer from time to time in accordance with the relevant Series 2001-2 Note Documents, including all monies, income and proceeds payable thereunder (which security interests may take effect as a floating charge and thus rank behind the claims of certain preferential and other creditors); and

(v) a first ranking floating charge over the whole of the assets and undertaking of the Issuer not already subject to any fixed charge and all Scottish assets and undertaking,

all as more particularly set out in the Issuer Deed of Charge.

4. Covenants

Save with the prior written consent of the Note Trustee or as provided in or envisaged by the Conditions or any of the Series 2001-2 Note Documents, the Issuer shall not, so long as any Note remains outstanding:

(a) *Negative Pledge*

create or permit to subsist any mortgage, pledge, lien, charge or other security interest whatsoever (unless arising by operation of law), upon the whole or any part of its assets (including any uncalled capital) or its undertakings, present or future;

(b) *Disposal of Assets*

transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein or thereto or agree, attempt or purport to do so;

(c) *Equitable Interest*

permit any person other than itself and the Note Trustee to have any equitable or analogous interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;

(d) *Bank Accounts*

open any bank account whatsoever with any bank or other financial institution, save where such account is immediately charged in favour of the Note Trustee so as to form part of the Issuer Security described in Condition 3;

(e) *Restrictions on Activities*

engage in any activity which is not incidental to any of the activities in which the Series 2001-2 Note Documents and the offering circular in respect of the Notes provide or envisage that the Issuer will engage;

(f) *Borrowings*

incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any such indebtedness;

(g) *Merger*

consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;

(h) *Other*

permit the validity or effectiveness of any of the Trust Deed or the Issuer Deed of Charge or the priority of the security interests created thereby to be amended, terminated, postponed or discharged, or permit any other person whose obligations form part of the Issuer Security to be released from such obligations;

(i) *Employees or premises*

have any employees, premises or subsidiaries;

(j) *Dividends and Distributions*

pay any dividend or make any other distribution to its shareholders or issue any further shares prior to redemption of the Notes; or

(k) *Purchase Notes*

purchase or otherwise acquire any Note or Notes.

5. Interest

(a) *Period of Accrual*

Each Note bears interest on its Principal Amount Outstanding (as defined in Condition 6(c)) from (and including) the Issue Date. Each Note (or, in the case of redemption in part only of a Note, that part only of such Note) shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal or any part thereof is improperly withheld or refused. In such event, interest will continue to accrue on such unpaid amount (both before and after any judgment) at the rate applicable to such Note up to (but excluding) the date on which, on presentation of such Note, payment in full of the relevant amount of principal is made, or (if earlier) the seventh day after notice is duly given by the Principal Paying Agent to the Holder thereof (either in accordance with Condition 17 or individually) that upon presentation thereof being duly made, such payment will be made, provided that upon presentation thereof being duly made, payment is in fact made. Whenever it is necessary to compute an amount of interest in respect of the Notes for any period (including any Interest Period (as defined below)), such interest shall be calculated on the basis of actual days elapsed in a 360 day year, in the case of the Class A Notes, the Class B Notes, the Class C Notes, the Class D1 Notes and the Class D2 Notes and in a 365 day year in the case of the Class D3 Notes and the Class E Notes.

(b) *Interest Payment Dates and Interest Periods*

Interest on the Notes is payable:

(i) prior to the Reset Date, quarterly in arrear on the 15th day in February, May, August and November in each year; and thereafter

(ii) monthly on the 15th day of each calendar month,

(or, if such day is not a Business Day, the next succeeding Business Day) (each an "Interest Payment Date"), the first Interest Payment Date being 15 May 2001 (or, if such day is not a Business Day, the next succeeding Business Day) in respect of the Interest Period ending immediately prior thereto.

In these Conditions:

"Business Day" shall mean a day which is a New York Business Day, a London Business Day and a TARGET Settlement Date;

"Interest Period" shall mean the period from (and including) an Interest Payment Date (or in respect of the first Interest Period, the Issue Date) to (but excluding) the next following (or first) Interest Payment Date;

"London Business Day" means a day (other than a Saturday or Sunday) on which banks are generally open for business in the City of London;

"New York Business Day" means a day (other than a Saturday or a Sunday) on which banks are generally open in the city of New York;

"Reset Date" means the first Interest Payment Date following the date on which the Termination Period with respect to the Series 2001-2 Interest commences;

"Series 2001-2 Interest" means that part of beneficial entitlement in the receivables trust to be declared by Melrose Trustee Limited on 26 February 2001 which is to be acquired by the Loan Note Issuer with the proceeds of the Loan Note; and

"TARGET Settlement Date" means a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System is open for settlement of payments in Euro.

To the extent that the funds available to the Issuer to pay interest on any class of Notes (other than the Class A Notes) on an Interest Payment Date are insufficient to pay the full amount of such interest, payment of the shortfall ("Deferred Interest"), which will be borne by the Notes of such class in a proportion equal to the proportion that the Principal Amount Outstanding of such Note bears to the aggregate Principal Amount Outstanding of the relevant class of Notes (in each case as determined on the Interest Payment Date on which such Deferred Interest arises), will not then fall due but will instead be deferred until the first Interest Payment Date thereafter on which funds are available (after allowing for the Issuer's liabilities of a higher priority) to the Issuer to pay such Deferred Interest, to the extent of such available funds. Such Deferred Interest will accrue interest ("Additional Interest") at the rate of interest applicable from time to time to the relevant class of Notes, as the case may be, and payment of any Additional Interest, will also be deferred until the first Interest Payment Date thereafter on which funds are available to the Issuer to pay such Additional Interest to the extent of such available funds. Amounts of Deferred Interest and Additional Interest shall not be deferred beyond the Final Maturity Date of the relevant class of Notes, when such amounts will become due and payable. The Noteholders accept that all or any part of any interest due on any class of Notes may never be made good if there are insufficient funds available to pay such interest after paying amounts of a higher priority.

(c) *Rates of Interest*

The rate of interest payable in respect of each class of Notes (each a "Rate of Interest" and together the "Rates of Interest") shall be determined on the basis of the provisions set out below:

(i) on the first Interest Determination Date (as defined below), the Agent Bank will determine the Initial Relevant Screen Rate (as defined below) in respect of each class of Notes as at or about 11.00 a.m. (London time) on that date. If the Initial Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks (as defined below) to provide the Agent Bank with its offered quotations to leading banks for two-month and three-month Dollar deposits of $10,000,000 in the London inter-bank market (in the case of the Class A Notes, the Class B Notes, the Class C Notes and the Class D1 Notes), for two-month and three-month Euro deposits of €10,000,000 in the inter-bank market (in the case of the Class D2 Notes) or for two-month and three-month Sterling deposits of £10,000,000 in the London inter-bank market (in the case of the Class D3 Notes and the Class E Notes), as at or about 11.00 a.m. (London time) on such Interest Determination Date and the Rates of Interest for the first Interest Period shall be the aggregate of (a) the Relevant Margin and (b) the Initial Relevant Screen Rate or, if the Initial Relevant Screen Rate is unavailable, the linear interpolation of the arithmetic mean of such offered quotations for three month Sterling deposits, Dollar deposits, or, as the case may be, Euro deposits and the arithmetic mean of such offered quotations for four month Sterling deposits, Dollar deposits or, as the case may be, Euro deposits (rounded upwards, if necessary, to four decimal places);

(ii) on each subsequent Interest Determination Date up to but excluding the Reset Date, the Agent Bank will determine the Relevant Screen Rate in respect of each class of Notes as at or about 11.00 a.m. (London time) on the Interest Determination Date in question. If the Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for three-month Dollar deposits of $10,000,000 in the London inter-bank market (in the case of the Class A Notes, the Class B Notes, the Class C Notes and the Class D1 Notes) for three-month Euro deposits of €10,000,000 in the inter-bank market (in the case of the Class D2 Notes) or for three-month Sterling deposits of £10,000,000 in the London inter-bank market (in the case of the Class D3 Notes and the Class E Notes), as at or about 11.00 a.m. (London time) on the relevant Interest Determination Date and the Rates of Interest for the relevant Interest Period shall be the aggregate of (a) the Relevant Margin and (b) the Relevant Screen Rate or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for Sterling deposits, Dollar deposits or, as the case may be, Euro deposits (rounded upwards, if necessary, to four decimal places); and

(iii) on each Interest Determination Date from and including the Reset Date, the Agent Bank will determine the Relevant Screen Rate in respect of each class of Notes as at or about 11.00 a.m. (London time) on the Interest Determination Date in question. If the Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks

to provide the Agent Bank with its offered quotation to leading banks for one-month Dollar deposits of $10,000,000 in the London inter-bank market (in the case of the Class A Notes, the Class B Notes, the Class C Notes and the Class D1 Notes) for one-month Euro deposits of €10,000,000 in the inter-bank market (in the case of the Class D2 Notes) or for one-month Sterling deposits of £10,000,000 in the London inter-bank market (in the case of the Class D3 Notes and the Class E Notes) as at or about 11.00 a.m. (London time) on the relevant Interest Determination Date and the Rates of Interest for the relevant Interest Period shall be the aggregate of (a) the Relevant Margin and (b) the Relevant Screen Rate or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for Sterling deposits, Dollar deposits or, as the case may be, Euro deposits (rounded upwards, if necessary, to four decimal places); and

(iv) if on any Interest Determination Date, the Relevant Screen Rate is unavailable and two or three only of the Reference Banks provide offered quotations, the Rates of Interest for the relevant Interest Period shall be determined in accordance with the provisions of sub-paragraph (i) or, as the case may be, (ii) above on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one or none of the Reference Banks provide the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Note Trustee and the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank (which bank or banks are in the opinion of the Note Trustee suitable for such purpose) and the Rates of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rates of Interest for the relevant Interest Period shall be the Rates of Interest in effect for the last preceding Interest Period to which sub-paragraph (i) or sub-paragraph (ii), as the case may be, shall have applied but taking account of any change in the Relevant Margin.

There will be no minimum or maximum Rate of Interest.

For the purposes of these Conditions the following expressions shall have the following meanings:

"Initial Relevant Screen Rate" means:

(i) in respect of the Class A Notes, the Class B Notes, the Class C Notes and the Class D1 Notes, the linear interpolation of the arithmetic mean of the offered quotations to leading banks for two-month Dollar deposits and the arithmetic mean of the offered quotations to leading banks for three-month Dollar deposits (rounded upwards, if necessary, to four decimal places); or

(ii) in respect of the Class D2 Notes, the linear interpolation of the arithmetic mean of the offered quotations to leading banks for two-month Euro deposits and the arithmetic mean of the offered quotations to leading banks for three-month Euro deposits (rounded upwards, if necessary, to four decimal places); or

(iii) in respect of the the Class D3 Notes and the Class E Notes, the linear interpolation of the arithmetic mean of the offered quotations to leading banks for two-month Sterling deposits and the arithmetic mean of the offered quotations to leading banks for three-month Sterling deposits (rounded upwards, if necessary, to four decimal places),

in each case, displayed on the Dow Jones/Telerate Monitor at Telerate Page No. 3750 (or such replacement page on that service which displays the information) or, if that service ceases to display the information, such other screen service as may be determined by the Issuer with the approval of the Note Trustee;

"Interest Determination Date" means, in respect of the first Interest Period, the Issue Date and, in respect of subsequent Interest Periods, in the case of the Class A Notes, the Class B Notes, the Class C Notes, the Class D1 Notes and the Class D2 Notes, two Business Days before the first day of the Interest Period for which the rate will apply and, in the case of the Class D3 Notes and the Class E Notes, the first day of the Interest Period for which the rate will apply;

"Reference Banks" means the Initial Reference Banks (as defined in Condition 5(h), and/or such other bank as may be appointed pursuant to Condition 5(h);

"Relevant Margin" means:

(i) in respect of the Class A Notes, 0.33 per cent. per annum;

(ii) in respect of the Class B Notes, 0.95 per cent. per annum;

(iii) in respect of the Class C Notes, 1.90 per cent. per annum;

(iv) in respect of the Class D1 Notes, 5.50 per cent. per annum;

(v) in respect of the Class D2 Notes, 5.40 per cent. per annum;

(vi) in respect of the Class D3 Notes, 5.65 per cent. per annum;

(vii) in respect of the Class E Notes, 6.00 per cent. per annum;

"Relevant Screen Rate" means

(i) in respect of the first Interest Period, the Initial Relevant Screen Rate;

(ii) in respect of subsequent Interest Periods to but excluding the Reset Date, in respect of the Class A Notes, the Class B Notes, the Class C Notes and the Class D1 Notes, the arithmetic mean of the offered quotations to leading banks for three-month Dollar deposits in the London inter-bank market, in respect of the Class D2 Notes, the arithmetic mean of the offered quotations to leading banks for three-month Euro deposits in the inter-bank market or, in respect of the Class D3 Notes and the Class E Notes, the arithmetic mean of the offered quotations to leading banks for three-month Sterling deposits in the London inter-bank market, in each case, displayed on the Dow Jones/Telerate Monitor at Telerate Page No. 3750 and in the case of Euro deposits page No. 248 (or such replacement page on that service which displays the information) or, if that service ceases to display the information, such other screen service as may be determined by the Issuer with the approval of the Note Trustee (rounded upwards, if necessary, to four decimal places); and

(iii) in respect of Interest Periods from and including the Reset Date, in respect of the Class A Notes, the Class B Notes, the Class C Notes and the Class D1 Notes, the arithmetic mean of the offered quotations to leading banks for one-month Dollar deposits in the London inter-bank market, in respect of the Class D2 Notes, the arithmetic mean of the offered quotations to leading banks for one-month Euro deposits in the inter-bank market or, in respect of the Class D3 Notes and the Class E Notes, the arithmetic mean of the offered quotations to leading banks for one-month Sterling deposits in the London inter-bank market, in each case, displayed on the Dow Jones/Telerate Monitor at Telerate Page No. 3750 and in the case of Euro deposits page No. 248 (or such replacement page on that service which displays the information) or, if that service ceases to display the information, such other screen service as may be determined by the Issuer with the approval of the Note Trustee (rounded upwards, if necessary, to four decimal places).

(d) *Determination of Rates of Interest and Calculation of Interest Amounts*

The Agent Bank shall, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date, determine and notify the Issuer, the Cash Manager, the Note Trustee and the Paying Agents of (i) the Rates of Interest applicable to the relevant Interest Period and (ii) the Dollar amount (in the case of a Class A Note, a Class B Note, a Class C Note and a Class D1 Note), the Euro amount (in the case of a Class D2 Note) or the Sterling amount (in the case of a Class D3 Note and a Class E Note) (in each case, the "Interest Amount") payable in respect of such Interest Period in respect of the Principal Amount Outstanding of each such Note.

The Interest Amount in respect of each class of Notes shall be determined by applying the relevant Rate of Interest to the Principal Amount Outstanding of a Note of the relevant class, multiplying the sum by the actual number of days in the Interest Period concerned divided by 360, in the case of the Class A Notes, the Class B Notes, the Class C Notes, the Class D1 Notes and the Class D2 Notes, and 365 in the case of the Class D3 Notes and the Class E Notes and rounding the resultant figure to the nearest cent (in the case of the Class A Notes, the Class B Notes, the Class C Notes, the Class D1 Notes and the Class D2 Notes) and the nearest penny (in the case of the Class D3 Notes and the Class E Notes) (half a cent being rounded upwards and half a penny being rounded downwards).

(e) *Publication of Rates of Interest, Interest Amounts and other Notices*

As soon as practicable after receiving notification thereof, the Issuer will cause the Rate of Interest and the Interest Amount applicable to each class of Notes for each Interest Period and the Interest Payment Date falling at the end of such Interest Period to be notified to the Note Trustee and to each stock exchange (if any) on which the Notes are then listed and will cause notice thereof to be given to the relevant class of Noteholders in accordance with Condition 17 (*Notice to Noteholders*). The Interest Amounts and Interest Payment Dates so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant Interest Period.

(f) *Determination and/or Calculation by Note Trustee*

If the Agent Bank does not at any time for any reason determine the Rate of Interest and/or calculate the Interest Amount for any class of the Notes in accordance with the foregoing paragraphs, the Note Trustee shall (i) determine the Rate of Interest as such rate as (having such regard to the procedure described above) it shall deem fair and reasonable in all the circumstances and/or (as the case may be) (ii) calculate the Interest Amount for such class of Notes in the manner specified in Condition 5(d) above, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

(g) *Notifications to be Final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5, whether by the Reference Banks (or any of them), any other bank, the Agent Bank or the Note Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Cash Manager, the Reference Banks, such bank, the Agent Bank, the Note Trustee and all Noteholders and (in such absence as aforesaid) no liability to the Noteholders shall attach to the Issuer, the Reference Banks, such bank, the Agent Bank, the Note Trustee or the Cash Manager in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

(h) *Reference Banks and Agent Bank*

The Issuer shall ensure that, so long as any of the Notes remains outstanding, there shall at all times be four Reference Banks with offices in London and an Agent Bank. The initial Reference Banks shall be the principal London office of each of Citibank, N.A., The Chase Manhattan Bank, Barclays Bank PLC and ABN AMRO Bank N.V. (the "Initial Reference Banks"). The initial Agent Bank shall be Citibank, N.A. acting through its London office. In the event of the principal London office of any Reference Bank being unable or unwilling to continue to act as a Reference Bank, the Issuer shall, with the approval of the Note Trustee, appoint a successor Reference Bank (acting through its principal London office) to act as such in its place. In the event of the Agent Bank being unwilling to act through its London office or resigning pursuant to the Agency Agreement, the Issuer shall, with the approval of the Note Trustee, appoint a successor Agent Bank. If the Issuer shall fail to appoint a successor Reference Bank or successor Agent Bank (as the case may be), the Agent Bank shall appoint such other bank as may be previously approved in writing by the Note Trustee to act as the Reference Bank (acting through its principal London office) or Agent Bank (as the case may be). The resignation of the Agent Bank will not take effect until a successor approved by the Note Trustee has been appointed.

6. Redemption

(a) *Scheduled Redemption*

Unless the Termination Period has earlier commenced, the Notes will be redeemed on the Interest Payment Date falling in February 2008 (the "Scheduled Maturity Date") as follows and to the following extent:

(i) if on the Scheduled Maturity Date the funds received by the Issuer from (A) the Loan Note Issuer in respect of the principal amount of the Series 2001-2 Loan Note and (B) the Currency Swap Counterparty pursuant to the Currency Swap Agreement in respect of amounts paid by the Loan Note Issuer in respect of the principal amount of the Series 2001-2 Loan Note on the Interest

Payment Date which falls in February 2008 (the "Series 2001-2 Scheduled Redemption Date"), are at least equal to the Principal Amount Outstanding of the Notes, then the Notes will be redeemed in the order of priority specified in Condition 6(b) to the extent of that amount; and

(ii) if on the Scheduled Maturity Date, the funds received by the Issuer from (A) the Loan Note Issuer in respect of the principal amount of the Series 2001-2 Loan Note and (B) the Currency Swap Counterparty pursuant to the Currency Swap Agreement on the Series 2001-2 Scheduled Redemption Date are less than the Principal Amount Outstanding of the Notes, then the Notes will be redeemed to the extent of such lesser amount of funds in the order of priority specified in Condition 6(b) below, and the Termination Period will commence with effect from the Scheduled Maturity Date.

If the Termination Period commences in the circumstances referred to in (ii) above, then on each Interest Payment Date which thereafter occurs during the Termination Period, the Notes will be redeemed to the extent of Available Redemption Funds (as defined below) on such day until the Final Maturity Date, in accordance with the order of priorities specified in Condition 6(b).

With respect to any Interest Payment Date (including the Scheduled Maturity Date) on which the Issuer receives funds from (A) the Loan Note Issuer in respect of the principal amount of the Series 2001-2 Loan Note and (B) the Currency Swap Counterparty pursuant to the Currency Swap Agreement, the aggregate amount so received by the Issuer shall be the "Available Redemption Funds" for such Interest Payment Date. On each Interest Payment Date, the Agent Bank shall determine (i) the amount of each principal payment (the "Note Principal Payment") payable on the next following Interest Payment Date on each Note (by reference to the then Available Redemption Funds and the amounts thereof calculated as being referable to the classes of Certificates), and (ii) the Principal Amount Outstanding of each Note on the first day of the next following Interest Period (after deducting any principal payment to be made in respect of each Note, as applicable, on that Interest Payment Date).

The Issuer will cause each Note Principal Payment and Principal Amount Outstanding to be notified to the Issuer, the Paying Agents, the Note Trustee and each stock exchange (if any) on which the Notes are then listed, as soon as practicable after such determination, but in any event not later than the seventh day thereafter or such earlier day as such stock exchange may require and will cause the same to be published in accordance with Condition 17 (*Notice to Noteholders*) as soon as possible thereafter.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Agent Bank will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Paying Agents, the Note Trustee and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Agent Bank in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

If the Agent Bank fails at any time to determine a Note Principal Payment or Principal Amount Outstanding as aforesaid, the Note Trustee shall calculate such Note Principal Payment or Principal Amount Outstanding in accordance with the above provisions of this Condition, and each such determination or calculation shall be deemed to have been made by the Agent Bank. Any such determination or calculation will be binding on the Issuer, the Paying Agents, the Note Trustee and the Noteholders.

(b) *Mandatory Redemption following Enforcement or during Termination Period*

If Security is enforced or if the Termination Period commences, then on each Interest Payment Date which thereafter occurs in respect of which there are Available Redemption Funds, the Notes will be redeemed, to the extent of such Available Redemption Funds and in the following order of priority:

(i) each Class A Note will be repaid on such Interest Payment Date in an amount equal to the Principal Amount Outstanding of such Class A Note, after having paid all amounts required to be paid to the Currency Swap Counterparty under the terms of the Currency Swap Agreement;

(ii) each Class B Note will be repaid on such Interest Payment Date in an amount equal to the Principal Amount Outstanding of such Class B Note;

(iii) each Class C Note will be repaid on such Interest Payment Date in an amount equal to the Principal Amount Outstanding of such Class C Note;

(iv) each Class D Note will be repaid on such Interest Payment Date in an amount equal to the Principal Amount Outstanding of such Class D Note; and

(v) each Class E Note will be repaid on such Interest Payment Date in an amount equal to the Principal Amount Outstanding of such Class E Note.

(c) *Final Redemption*

If the Notes have not previously been redeemed in full pursuant to Condition 6(a) or Condition 6(b) above, the Notes will be finally redeemed at their then Principal Amount Outstanding on the Final Maturity Date. "Principal Amount Outstanding" means in relation to a Note on any date the principal amount of that Note on the Issue Date less the aggregate amount of all principal payments in respect of that Note that have been paid by the Issuer to the Noteholder concerned under this Condition 6 prior to such date in accordance with these Conditions. "Final Maturity Date" means the Interest Payment Date falling in February 2011.

(d) *Optional Redemption in whole for Tax*

If the Issuer at any time satisfies the Note Trustee immediately prior to the giving of the notice referred to below that: (i) on the next date on which any of the Issuer, the Loan Note Issuer or the Basis Swap Counterparty is required to make any payment in respect of the Notes, the Series 2001-2 Loan Note or the Basis Swap Agreement, respectively, the Issuer, the Loan Note Issuer or the Basis Swap Counterparty would be required to deduct or withhold from any such payment any amount for or on account of any present or future taxes, levies, duties, imposts, assessments or charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any other jurisdiction or any political sub-division thereof or any supra-national entity to which the United Kingdom belongs or any authority in or of any such jurisdiction, or by any other jurisdiction or authority; or (ii) the Issuer would, by virtue of a change in United Kingdom tax law (or the application or official interpretation thereof), not be entitled to relief for United Kingdom tax purposes for any material amount which it is obliged to pay, or is treated as receiving for United Kingdom tax purposes, under the Series 2001-2 Note Documents; or (iii) a change in United Kingdom tax law (or the application or official interpretation thereof) would cause Borrowers to be obliged to deduct or withhold from any payments to be made by them to the Corporate Loan Trustee for or on account of any present or future taxes, levies, duties, imposts, assessments or governmental charges of whatever nature, then the Issuer may, having given not more than 60 nor less than 30 days' notice to the Note Trustee and the Noteholders in accordance with Condition 17 (*Notice to Noteholders*), redeem all (but not some only) of the Notes on any Interest Payment Date at their Principal Amount Outstanding, together with interest accrued to the date of redemption, provided that, prior to giving any such notice, the Issuer shall have provided to the Note Trustee (i) a legal opinion (in form and substance satisfactory to the Note Trustee) opining on the relevant requirement to deduct or withhold or change in tax law (or its application or interpretation) and (ii) a certificate from two directors of the Issuer confirming (a) that the obligation to withhold or deduct such amounts or the affects of any such change in tax law cannot be avoided by the Issuer taking such steps as are reasonably available to it and (b) that it will have the funds, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition 6(d) and meet its payment obligations of a higher priority under the Trust Deed and the Issuer Deed of Charge. Any certificate and legal opinion so given by or on behalf of the Issuer may be relied upon by the Note Trustee and shall, if so relied upon, be conclusive and binding on the Noteholders.

(e) *Optional Redemption*

The Issuer may by not less than thirty and not more than sixty days' notice to the Note Trustee and without the need for to obtain the consent of the Note Trustee or the Noteholders redeem all of the remaining Notes on the next following Interest Payment Date, together with all accrued interest, if any, if the then Principal Amount Outstanding of the Notes then outstanding is less than ten per cent. of their original Principal Amount Outstanding and that prior to the giving of any such notice, the Issuer shall have provided to the Note Trustee a certificate signed by two directors to the effect that it will have funds to redeem the Notes pursuant to this Condition 6(e) and meet its payment obligations of a higher priority under the Trust Deed and the Issuer Deed of Charge.

(f) *Other redemption*

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (e) above.

(g) *Cancellation*

All Notes redeemed in full by the Issuer pursuant to the foregoing provisions shall be cancelled forthwith and may not be reissued or resold.

(h) *Post Enforcement Call Option*

All Noteholders will, at the request of OptionCo (or any other designated holding company or subsidiary of OptionCo other than the Issuer or any holding company or subsidiary of the Issuer), sell all (but not some only) of their Notes, as the case may be, to OptionCo (or any other designated subsidiary of OptionCo other than the Issuer or any holding company or subsidiary of the Issuer) pursuant to the option (the "Post Enforcement Call Option") under the Post Enforcement Call Option Agreement to be dated on or about 27 February 2001 among the Issuer, the Note Trustee and OptionCo to acquire all (but not some only) of the outstanding Notes for a consideration of $0.01 per $100,000 in principal amount of Notes (in the case of the Class A Notes, the Class B Notes, the Class C Notes and the Class D1 Notes) €0.01 per €100,000 in principal amount of Notes (in the case of the Class D2 Notes) or £0.01 per £100,000 in principal amount of Notes (in the case of the Class D3 Notes and the Class E Notes) in the event that following enforcement of the Issuer Security and distribution of the proceeds thereof, principal and/or interest on the Notes, and any other claim ranking *pari passu* with the Notes, is not paid in full in accordance with the terms of the Notes. Each of the Noteholders acknowledges that the Note Trustee has the authority and the power to bind the Noteholders in accordance with the provisions set out in the Post Enforcement Call Option Agreement and each relevant Noteholder by subscribing for or purchasing the Notes, agrees to be so bound.

(i) *Purchase*

The Issuer may not purchase any Notes.

7. Payments

(a) *Principal*

Payments of principal shall be made by cheque in the same currency as the relevant Note drawn on, or, upon application by a Noteholder to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in such currency maintained by the payee with a bank in the relevant Principal Financial Centre upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

"Principal Financial Centre" means, with respect to Notes denominated in Dollars, New York City, with respect to Notes denominated in Sterling, London and, with respect to Notes denominated in euro, the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Agent Bank.

(b) *Interest*

Payments of interest shall be made by cheque in the same currency as the relevant Note drawn on, or, upon application by a Noteholder to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in such currency maintained by the payee with, a bank in the relevant Principal Financial Centre and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 9 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days*

Where payment is to be made by transfer to a Sterling account or a Dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by Sterling cheque or a Dollar cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Noteholder shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 7 (*Payments*) arriving after the due date for payment or being lost in the mail. In this paragraph, "business day" means any day on which banks are open for business (including dealings in foreign currencies) in London and New York and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(e) *Partial payments*

If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date*

Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "Record Date"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

(g) *Paying Agent*

For so long as the Notes are listed on the Official List of the United Kingdom Listing Authority (the "UKLA") the issuer shall maintain a Paying Agent in the United Kingdom.

8. Prescription

Claims for payment of principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

"Relevant Date" means, in respect of any payment in relation to the Notes, whichever is the later of:

(a) the date on which the payment in question first becomes due; and

(b) if the full amount payable has not been received by the Principal Paying Agent or the Note Trustee on or prior to such date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with the Condition 17 (*Notice to Noteholders*).

9. Taxation

All payments in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer or any Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Notes subject to any withholding or deduction for, or on account of, any present or future taxes, imposts, assessments, levies, duties or charges of whatsoever nature. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. NONE OF THE

NOTE TRUSTEE, THE PRINCIPAL PAYING AGENT OR ANY OTHER AGENT, THE ISSUER NOR ANY OTHER PERSON WILL BE OBLIGED TO MAKE ANY ADDITIONAL PAYMENTS TO NOTEHOLDERS IN RESPECT OF ANY SUCH WITHHOLDING OR DEDUCTION.

10. Events of Default

(a) *Events of Default*

The Note Trustee at its absolute discretion may, and if so directed (subject to being indemnified to its satisfaction) by an Extraordinary Resolution of the Holders of the most Senior Class of Notes then outstanding or in writing by the Holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of such Senior Class then outstanding, shall, give notice (a "Note Enforcement Notice") to the Issuer declaring the Notes to be due and repayable at any time after the happening of any of the following events (each an "Event of Default"):

(i) default being made for a period of 10 business days in the payment of the principal of or any interest on any Note of the most Senior Class then outstanding when and as the same ought to be paid in accordance with these Conditions; or

(ii) the Issuer failing duly to perform or observe any other obligation binding upon it under the Notes or any Series 2001-2 Note Document and (except where the Note Trustee certifies that, in its opinion, such failure is incapable of remedy when no notice will be required) such failure is continuing for a period of 30 days following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or

(iii) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in sub-paragraph (iv) below, ceasing or threatening to cease to carry on business or being unable to pay its debts as and when they fall due; or

(iv) an order being made or an effective resolution being passed for the winding-up of the Issuer, except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Note Trustee in writing or by an Extraordinary Resolution of the Noteholders of the most Senior Class of Notes then outstanding; or

(v) proceedings being otherwise initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an administration order) and such proceedings not, in the opinion of the Note Trustee, being disputed in good faith with a reasonable prospect of success, or an administration order being granted or an administrative receiver or other receiver, liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer, or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the Issuer, or a distress, execution, diligence or other process being levied or enforced upon or against the whole or any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) not being discharged or not otherwise ceasing to apply within 30 days, or the Issuer initiating or consenting to judicial proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance, assignment or trust for the benefit of its creditors generally;

Provided that, in the case of each of the events described in sub-paragraph (ii) of this Condition 10(a), the Note Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders.

(b) *Acceleration*

Upon any declaration being made by the Note Trustee in accordance with Condition 10(a) (*Events of Default*) above that the Notes are due and repayable, the Notes shall immediately become due and repayable at their then Principal Amount Outstanding together with accrued interest as provided in the Trust Deed.

11. Enforcement of Notes

The Note Trustee may at any time, without prejudice to its rights of enforcement in relation to the Issuer Security, at its discretion and without further notice, take such proceedings as it may think fit to enforce its rights under the Trust Deed in respect of the Notes and under the Issuer Deed of Charge but it shall not be bound to take any such proceedings unless (a) it shall have been so directed as provided in Condition 10(a) and (b) it shall have been indemnified and/or provided with security to its satisfaction. No Noteholder shall be entitled to proceed directly against the Issuer unless the Note Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

12. Meetings of Noteholders, Modification, Waiver and Substitution of Principal Debtor

(a) The Trust Deed contains provisions for convening single or separate meetings of each class (as defined in the Trust Deed) of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Series 2001-2 Note Documents or any other documents, the rights and benefits in respect of which are comprised in the Issuer Security ("Other Relevant Documents"). The quorum at any meeting for the passing of an Extraordinary Resolution shall be two or more persons holding or representing a majority of the Principal Amount Outstanding of the relevant class of outstanding Notes (and, in the case of a joint meeting, the Class A Notes, Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes (as the case may be)) or, at any adjourned meeting, two or more persons being or representing the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders (as the case may be) whatever the Principal Amount Outstanding of such outstanding Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes (as the case may be) so held or represented, except that at any meeting the business of which includes the sanctioning of a modification of certain terms including, *inter alia*, the date of maturity of a class of Notes, a modification which would have the effect of postponing any day for payment of interest thereon, reducing or cancelling the amount of principal payable in respect of a class of Notes (if applicable) or altering the currency of payment for a class of Notes (other than in respect of the redenomination of any Sterling Note into euro in the event that the United Kingdom becomes a participating member state under phase three of European Monetary Union) or altering the majority required to pass an Extraordinary Resolution (any such modification being referred to as a "Basic Terms Modification"), the necessary quorum for passing an Extraordinary Resolution (at an original meeting) shall be two or more persons holding or representing not less than 75 per cent. of the Principal Amount Outstanding of the outstanding Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes (as the case may be) and at an adjourned meeting 25 per cent. of the Principal Amount Outstanding of the outstanding Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes (as the case may be). The majority required for an Extraordinary Resolution (including the sanctioning of a Basic Terms Modification) shall be 75 per cent. of the votes cast on that Extraordinary Resolution. An Extraordinary Resolution passed at any meeting of the Noteholders of a class shall be binding on all Noteholders of that class whether or not they are present at the meeting. So long as the aggregate Principal Amount Outstanding of the Notes of any class then outstanding thereof is represented by a Global Note Certificate, the holder of such Global Note Certificate shall be deemed to be two persons for the purposes of forming a quorum.

(b) The Trust Deed provides that each Extraordinary Resolution, to be valid, must be passed at a separate meeting of the Noteholders of each class of Notes then outstanding affected thereby, except to the extent that the Note Trustee is satisfied that there is no conflict of interest between one or more such classes, in which event a single meeting of the Noteholders of such classes may be held.

(c) The Trust Deed contains provisions limiting the powers of the Noteholders of any Junior Class, amongst other things, to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the holders of any Senior Class.

(d) The Trust Deed imposes no such limitation on the powers of the holders of any class of Notes by reference to the effect thereof on the interests of holders of lower ranking classes of Notes. Any such exercise will be binding on the holders of lower ranking classes of Notes irrespective of the effect on their interests, except an Extraordinary Resolution of the holders of one class of the Notes to sanction a modification of, or any waiver or authorisation of any breach or proposed breach of, these Conditions or any of the Series 2001-2 Note Documents shall not be effective unless the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of the lower ranking classes of the Notes or it has been sanctioned by an Extraordinary Resolution of the holders of each such class of Notes.

(e) In addition, a resolution in writing signed by or on behalf of all Noteholders or a particular class of Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(f) The Note Trustee may agree, without the consent of the Noteholders (i) to any modification (except a Basic Terms Modification) of, or to the waiver or authorisation of any breach of or proposed breach of, these Conditions or any of the Series 2001-2 Note Documents, which is not, in the opinion of the Note Trustee, materially prejudicial to the interests of the Noteholders or (ii) to any modification of these Conditions or any of the Series 2001-2 Note Documents or any Other Relevant Documents, which, in the Note Trustee's opinion, is to correct a manifest error or is of a formal minor or technical nature. The Note Trustee may also, without the consent of the Noteholders, determine that any Event of Default shall not, or shall not subject to specified conditions, be treated as such. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Note Trustee agrees otherwise, any such modification shall be notified to the Noteholders in accordance with Condition 17 (*Notice to Noteholders*) as soon as practicable thereafter.

(g) The Note Trustee may agree, subject to the consent of the Issuer, to such amendment of these Conditions and of any of the Series 2001-2 Note Documents, to such other conditions as the Note Trustee may require and subject to the relevant provisions of the Trust Deed, but without the consent of the Noteholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Notes, subject to the Notes being unconditionally and irrevocably guaranteed by the Issuer (unless all or substantially all of the assets of the Issuer are transferred to such body corporate) and to such body corporate being a special purpose vehicle and undertaking itself to be bound by the provisions set out in Condition 4 (*Covenants*). In the case of a substitution pursuant to this paragraph (g), the Note Trustee may in its absolute discretion agree, without the consent of the Noteholders, to a change of the law governing the Notes and/or any of the Series 2001-2 Note Documents provided that such change would not, in the opinion of the Note Trustee, be materially prejudicial to the interests of such Noteholders.

(h) Where the Note Trustee is required in connection with the exercise of its powers, trusts, authorities, duties and discretions to have regard to the interests of the holders of the Notes of any class, it shall have regard to the interests of such holders as one class and, in particular but without prejudice to the generality of the foregoing, the Note Trustee shall not have regard to, or be in any way liable for, the consequences of such exercise for individual Noteholders of the relevant class resulting from their being for any purposes domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any such exercise, the Note Trustee shall not be entitled to require, and no Noteholder shall be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.

(i) The Note Trustee shall be entitled to assume, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Series 2001-2 Note Documents, that such will not be materially prejudicial to the interests of the Noteholders of any class if the Rating Agencies have confirmed that the then current ratings of such class of Notes would not be adversely affected by such exercise.

13. Indemnification and Exoneration of the Note Trustee

(a) The Trust Deed contains provisions governing the responsibility (and relief from responsibility) of the Note Trustee and providing for its indemnification in certain circumstances, including provisions relieving it from directing enforcement proceedings or enforcing the Issuer Security unless indemnified and/or secured to its satisfaction. The Note Trustee and its related companies are entitled to enter into business transactions with the Issuer, the Loan Note Issuer, the Receivables Trustee, Bank of Scotland and/or related companies of either of them without accounting for any profit resulting therefrom. The Note Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Issuer Security, or any deed or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Corporate Services Provider or any agent or related company of the Corporate Services Provider or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons whether or not on behalf of the Note Trustee.

(b) The Issuer Deed of Charge also relieves the Note Trustee of liability for not having made or not having caused to be made on its behalf the searches, investigations and enquiries which a prudent chargee would normally have been likely to make in entering into the Issuer Deed of Charge. The Note Trustee: (i) has no responsibility in relation to the legality, validity, sufficiency and enforceability of the Issuer Security or any order of priority purportedly created by the Issuer Deed of Charge; (ii) will not be obliged to take any action which might result in its incurring personal liabilities; and (iii) will not be obliged to supervise the performance of the Corporate Services Provider or any other person of their obligations under the Series 2001-2 Note Documents or the Other Relevant Documents. The Note Trustee shall be entitled to assume, unless it has actual knowledge to the contrary, that all such persons are properly performing their duties.

14. Individual Note Certificates

(a) Individual Note Certificates will only be issued in the following limited circumstances:

(i) in the case of Rule 144A Global Note Certificates, DTC is at any time unwilling or unable to continue as, or ceases to be, a clearing agency registered under the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), and a successor to DTC registered as a clearing agency under the Exchange Act is not able to be appointed by the Issuer within 90 days of such notification; or

(ii) in the case of the Regulation S Global Note Certificates, either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention to cease business permanently (or does so and no alternative clearing system acceptable to the Note Trustee is then available); or

(iii) the Note Trustee has given a Note Enforcement Notice to the Issuer; or

(iv) the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in (or a change in the application or interpretation of) the laws or regulations (taxation or otherwise) of any applicable jurisdiction or payments being made net of tax which would not be suffered were the relevant Notes in definitive form and a certificate to such effect signed by two directors of the Issuer, together with a legal opinion to such effect, is delivered to the Note Trustee.

(b) If Individual Note Certificates are issued, the beneficial interests represented by the Regulation S Global Note Certificate of each class and by the Rule 144A Global Note Certificate of each class shall be exchanged by the Issuer for Notes of such classes in definitive form ("Regulation S Individual Note Certificates" and "Rule 144A Individual Note Certificates" respectively). The aggregate principal amount of the Regulation S Individual Note Certificates and the Rule 144A Individual Note Certificates of each class shall be equal to the Principal Amount Outstanding at the date on which notice of exchange of the Regulation S Global Note Certificates or, as the case may be, the Rule 144A Global Note Certificates of the corresponding class is given, subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Trust Deed and the relevant Global Note Certificates.

15. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Authentication Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Authentication Agent may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

16. Provision of Information

For so long as any Notes remain outstanding and are "restricted securities" (as defined in Rule 144A(a)(3) under the Securities Act), the Issuer shall during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, furnish, at its expense and upon the request of any holder of, or beneficial owner of an interest in, such Notes in connection with any resale thereof and to any prospective purchaser designated by such holder or beneficial owner, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

17. Notice to Noteholders

Any notice to Noteholders shall be deemed to have been duly given (in respect of Notes represented by a Global Note Certificate) if sent to Euroclear, Clearstream, Luxembourg, DTC and the Registrar and shall be deemed to be given on the date on which it was so sent. In addition, notices to holders of Individual Note Certificates will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses as on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. In addition (other than when the Notes are in global form), notice to the Noteholders shall be validly given if published in the *Financial Times* or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper or newspapers as the Note Trustee shall approve and having a general circulation in the United Kingdom, provided that if, at any time, the Issuer procures that the information contained in such notice shall appear on a page of the Reuters Screen or of the Bloomberg service, and such page has been notified to the Noteholders in the manner set out above, or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee (in each case the "Notification Screen"), publication in the *Financial Times* shall not be required with respect to such information. Such notices shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Notification Screen on which) publication is required.

The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a class of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require. While the Notes are admitted to the Official List of the "UKLA", copies of all notices given in accordance with these provisions shall be sent to the UKLA Company Announcements Office and to DTC, Euroclear and Clearstream, Luxembourg.

18. Governing Law

(a) The Series 2001-2 Note Documents, the Global Note Certificates and the Individual Notes Certificates (if any) are governed by, and shall be construed in accordance with, English law, save that any terms thereof which are particular to the law of Scotland shall be construed in accordance with Scots law.

(b) The courts of England have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection with the Notes ("Proceedings") may be brought in such courts.

19. Third Party Rights

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

FORM OF NOTES AND TRANSFER RESTRICTIONS RELATING TO U.S. SALES

The following information relates to the form, transfer and delivery of the Notes. Because of the following restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of Notes.

Form of Notes

All Notes will be in registered form, without interest coupons attached. Notes offered and sold outside the United States in reliance on Regulation S (the "Regulation S Notes") will be represented by interests in the Regulation S Global Note Certificates. The Regulation S Global Note Certificates will be registered in the name of Citivic Nominees Limited as nominee for Euroclear and Clearstream, Luxembourg and will be deposited on or about the Issue Date with Citibank, N.A., acting through its London branch (the "Regulation S Custodian") as common depository for Euroclear and Clearstream, Luxembourg.

Offered Notes offered and sold in reliance on Rule 144A ("Rule 144A Notes") will be represented by interests in the Rule 144A Global Note Certificates. A Rule 144A Global Note Certificate for each sub-class of Notes will be registered in the name of Cede & Co. as nominee for DTC and will be deposited on or about the Issue Date with Citibank, N.A., acting through its London branch (the "DTC Custodian", and together with the Regulation S Custodian, the "Custodians") as custodian for DTC. A corresponding Rule 144A Global Note Certificate for each sub-class of Notes will be deposited on the same date with the Regulation S Custodian. The Rule 144A Global Note Certificates (and any Individual Note Certificates issued in exchange therefor) will be subject to certain restrictions on transfer as described below under "Transfer Restrictions".

Transfer Restrictions

On or prior to the fortieth day after the Issue Date, Offered Notes represented by an interest in a Regulation S Global Note Certificate may be transferred to a person who wishes to hold such Offered Notes in the form of an interest in a Rule 144A Global Note Certificate only upon receipt by the Registrar of a written certification from the transferor (in the form set out in Schedule 2 (*Form of Transfer Certificate*) of the Agency Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. After such fortieth day, such certification requirements will no longer apply to such transfers of the Class A Notes, the Class B Notes and the Class C Notes but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Global Note Certificate, as described below under "Exchange of Interests in Global Note Certificates for Individual Note Certificates".

Offered Notes represented by an interest in a Rule 144A Global Note Certificate may also be transferred to a person who wishes to hold such Notes in the form of an interest through a Regulation S Global Note Certificate, but only upon receipt by the Registrar of a written certification from the transferor (in the form set out in Schedule 2 (*Form of Transfer Certificate*), in the case of the Class A Notes, the Class B Notes or the Class C Notes of the Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any interest in either a Rule 144A Global Note Certificate or a Regulation S Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the other Global Note Certificate in respect of such sub-class of Notes will, upon transfer, cease to be an interest in such Global Note Certificate and become an interest in the other Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in such other Global Note Certificate.

The Offered Notes are being offered and sold in the United States only to qualified institutional buyers within the meaning of and in reliance on Rule 144A.

Each purchaser of Offered Notes offered pursuant to Rule 144A will be deemed to have represented and agreed as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):

(a) the purchaser (i) is a qualified institutional buyer, (ii) is acquiring the Offered Notes for its own account or for the account of a qualified institutional buyer and (iii) is aware that the sale of the Offered Notes to it is being made in reliance on Rule 144A;

(b) the purchaser understands that the Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the Notes have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below; and

(c) the purchaser understands that each Rule 144A Global Note Certificate and any Rule 144A Individual Note Certificates (as defined below) will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) PROVIDED, HOWEVER, THAT TRANSFERS OF THE CLASS D NOTES MAY BE MADE ONLY TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER ("QIB") WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT PROVIDED, HOWEVER, THAT TRANSFERS OF THE CLASS D NOTES MAY BE MADE ONLY TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QIB.

Upon the transfer, exchange or replacement of a Rule 144A Global Note Certificate or a Rule 144A Individual Note Certificate bearing the above legend, or upon specific request for removal of the legend, the Issuer or the Registrar will deliver only Individual Note Certificates that bear such legend ("Rule 144A Individual Note Certificates") or will refuse to remove such legend, unless there is delivered to the Issuer and the Registrar such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Exchange of Interests in Global Note Certificates for Individual Note Certificates

Interests in Global Note Certificates will only be exchanged for Individual Note Certificates in the circumstances set out in Condition 14 (*Individual Note Certificates*).

In such circumstances, the Issuer shall procure the delivery of Individual Note Certificates in exchange for the Regulation S Global Note Certificate of each sub-class and/or the Rule 144A Global Note Certificate of each sub-class of Notes. A person having an interest in a Global Note Certificate must provide the Registrar (through DTC, Euroclear and/or Clearstream, Luxembourg) with (a) such information as the Issuer and the Registrar may require to complete and deliver Individual Note

Certificates (including the name and address of each person in whose name the Individual Note Certificates are to be registered and the principal amount of each such person's holding) and (b) (in the case of a Rule 144A Global Note Certificate only) a certificate given by or on behalf of the holder of each beneficial interest in such Rule 144A Global Note Certificate stating either (i) that such holder is not transferring its interest at the time of such exchange or (ii) that the transfer or exchange of such interest has been made in compliance with the transfer restrictions applicable to the Offered Notes and that the person transferring such interest reasonably believes that the person acquiring such interest is a qualified institutional buyer and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. Individual Note Certificates issued in exchange for interests in Rule 144A Global Note Certificates will bear the legends and be subject to the transfer restrictions set out above under "— Transfer Restrictions".

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued within five business days of delivery to the Registrar of the information and any required certification described in the preceding paragraph against the surrender of the relevant Global Note Certificate at the Specified Office of the Registrar. Such exchange shall be effected in accordance with the regulations concerning the transfer and registration from time to time relating to the Notes and shall be effected without charge, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

The Registrar will not register the transfer of, or exchange of interests in a Global Note Certificate for, Individual Note Certificates for a period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

Book-Entry Ownership of Global Note Certificates

The Issuer has applied to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry settlement systems of the Regulation S Notes and the Rule 144A Notes. The Regulation S Notes and the Rule 144A Notes will have a CINS number, a common code and an ISIN. The Issuer has also applied to DTC for acceptance in its book-entry settlement system of the Rule 144A Notes. The Rule 144A Notes will have a CUSIP number.

The Clearing Systems will record electronically the principal amount of the Notes represented by the Regulation S Global Note Certificate and the Rule 144A Global Note Certificates held within their respective systems. Up to and including the fortieth day after the later of the commencement of the offering and the Issue Date, investors may hold their interests in the Regulation S Global Note Certificates only through Clearstream, Luxembourg or Euroclear. Thereafter, investors may additionally hold such interests directly through DTC, if they are participants in DTC, or indirectly through organisations which are participants in DTC. Clearstream, Luxembourg and Euroclear will hold interests in the Regulation S Global Note Certificates on behalf of their account holders through customers' securities accounts in Clearstream, Luxembourg's or Euroclear's respective names on the books of their respective depositaries. Citibank, N.A., acting through its London branch, will initially act as depositary for Clearstream, Luxembourg and Euroclear. Investors may hold their interests in the Rule 144A Global Note Certificates directly through DTC, Euroclear or Clearstream, Luxembourg, if they are participants in DTC, Euroclear or Clearstream, Luxembourg, or indirectly through organisations which are participants in DTC, Euroclear or Clearstream, Luxembourg.

Payments of the principal of, interest on and any other amounts payable under each Global Note Certificate will be made to or to the order of the relevant Clearing System's nominee as the registered Holder of such Global Note Certificate. The Issuer expects that the nominees, upon receipt of any such payment, will immediately credit the relevant Clearing System's participants' accounts with payments in amounts proportionate to their respective interests in the principal amount of the relevant Global Note Certificate as shown on the records of such Clearing System or nominee. The Issuer also expects that payments by Clearing System participants to owners of interests in such Global Note Certificate held through such Clearing System participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such Clearing System participants. None of the Issuer, the Registrar, the Trustee, any Transfer Agent or any Paying Agent will

have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Note Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

While a Global Note Certificate is lodged with a Clearing System or its custodian, Notes represented by Individual Note Certificates will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg or Euroclear.

Transfers of Interests in Global Note Certificates

Transfers of interests in Global Note Certificates within a Clearing System will be in accordance with the usual rules and operating procedures of the relevant Clearing System.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Notes. Consequently, the ability to transfer interests in a Global Note Certificate to such persons will be limited. Because DTC only acts on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note Certificate to pledge such interest to persons or entities which do not participate in the relevant Clearing System, or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Note Certificate representing such interest.

Subject to compliance with the transfer restrictions applicable to the Notes described above and under "Subscription and Sale", cross-market transfers between DTC participants, on the one hand, and Clearstream, Luxembourg or Euroclear account holders, on the other, will be effected in accordance with the rules and procedures of the relevant Clearing Systems or by their respective depositaries. However, such cross-market transactions will require delivery of instructions to Clearstream, Luxembourg or (as the case may be) Euroclear by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Clearstream, Luxembourg or (as the case may be) Euroclear will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving beneficial interests in the relevant Global Note Certificate in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream, Luxembourg account holders and Euroclear account holders may not deliver instructions directly to the depositaries for Clearstream, Luxembourg or Euroclear.

Because of time zone differences, credits of Notes received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a DTC participant will be made during the securities settlement processing day dated the business day following the DTC settlement date and such credits of any transactions in such securities settled during such processing will be reported to the relevant Clearstream, Luxembourg or Euroclear account holder on such business day. Cash received in Clearstream, Luxembourg or Euroclear as a result of sales of Notes by or through a Clearstream, Luxembourg account holder or a Euroclear account holder to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only as of the business day following settlement in DTC. Settlement between Euroclear or Clearstream, Luxembourg account holders and DTC participants cannot be made on a delivery versus payment basis. The arrangements for transfer of payments must be established separately from the arrangements for transfer of Notes, the latter being effected on a free delivery basis. The customary arrangements for delivery versus payment between Euroclear and Clearstream, Luxembourg account holders or between DTC participants are not affected.

For a further description of restrictions on the transfer of Notes, see "Subscription and Sale".

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes (including, without limitation, the presentation of Global Note Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Global Note Certificates are credited, and only in respect of such portion of the aggregate principal amount of the Global Note Certificates as to which such participant or participants has or have given such direction. However, in certain circumstances, DTC will exchange the Global Note Certificates for Individual Note Certificates (which will, in the case of Rule 144A Notes, bear the legend set out above under "— Transfer Restrictions").

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Note Certificates among participants and account holders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Registrar, the Note Trustee, the Authorisation Agent, any Transfer Agent or any Paying Agent will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their respective operations.

TAXATION

United Kingdom Taxation

The following is a general description of certain UK tax considerations relating to the Notes based on current law and practice in the UK. It does not purport to be a complete analysis of all tax considerations relating to the Notes. It relates to the position of persons who are the absolute beneficial owners of Notes and may not apply to certain classes of persons such as dealers. Prospective purchasers of Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the UK of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

Withholding tax

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of interest in respect of the Notes. The following assumes that no payments of interest will be made in respect of the Notes before 1 April 2001:

(a) the Notes will constitute "quoted Eurobonds" provided that they carry a right to interest and are and continue to be listed on a recognised stock exchange within the meaning of Section 841 of the Income and Corporation Taxes Act 1988 (the "Act") (the London Stock Exchange is currently a recognised stock exchange for these purposes). Whilst the Notes are and continue to be quoted Eurobonds as so defined, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax. This will be the case whether the Notes were issued on or after 1 April 2001 or before that date;

(b) in all cases falling outside the exemption described in paragraph (a) above interest on the Notes may be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent), subject to such relief as may be available under the provisions of any applicable double taxation treaty. However, this withholding will not apply if the relevant interest is paid on Notes with a maturity date of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of a year or more.

While withholding tax may not be deducted from payments to Noteholders as described above, the United Kingdom Inland Revenue has authority in certain circumstances to exchange information relating to such payments with the tax authorities of other countries.

Proposed European Union Directive on the taxation of savings income

In November 2000 the European Council confirmed proposals to proceed with a new EU Directive on the taxation of savings income, which is designed to secure that at least a minimum effective rate of tax is paid on all interest and similar savings income earned by residents of EU member states. The Directive is intended to come into effect in 2003. The key features of the proposed Directive are:

- Where a "paying agent" established in any EU member state makes payments of interest, discount or premium to an individual resident in another member state, the tax authorities of the paying agent's member state will be required to supply details of the payment to the tax authorities of the other member state. For these purposes, the term "paying agent" is widely defined to include both the

principal obligor under a debt obligation; a paying agent in the normal sense of that term; and an agent who collects interest, discounts or premiums on behalf of an individual beneficially entitled thereto.

- During a transitional period of not more than seven years from the coming into effect of the Directive, certain member states (expected to be confined to Austria, Belgium and Luxembourg, and possibly Greece and Portugal) may, instead of supplying information on savings income to the tax authorities of other member states, operate a withholding tax. In such cases "paying agents" established in the relevant member states must withhold tax from any interest, discount or premium paid to an individual resident in another member state. The withholding tax will be levied at a rate of 15% during the first three years of the transitional period, and at a rate of 20% during the remaining four years.

- Eurobonds and other negotiable debt securities which are issued before 1 March 2001, or under a prospectus issued before that date, will be exempt from the withholding tax provisions of the Directive even if interest, discounts or premiums on such securities are paid through a "paying agent" established in a member state which adopts the transitional withholding tax regime. Securities issued after 1 March 2001, or under a prospectus issued after that date, will be fully within the scope of the Directive when it comes into force.

It is expected that the Directive, which can be adopted only by unanimous agreement amongst the member states, will also be conditional on the adoption of equivalent measures in third countries with significant financial centres (including the USA and Switzerland) and in dependent or associated territories of certain of the EU member states.

Pending agreement on the precise text of the Directive, it is not possible to say what effect, if any, the adoption of the Directive would have on the Notes or payments in respect thereof.

Direct Assessment of Non-UK Resident Holders of Notes to UK Tax on Interest

Interest on the Notes has a UK source. Accordingly, such interest will in principle be within the charge to UK tax even if paid without withholding or deduction. By way of an exception to this, such interest will not be chargeable to UK tax in the hands of a holder of Notes who is not resident for tax purposes in the UK unless such holder carries on a trade, profession or vocation in the UK through a UK branch or agency in connection with which the interest is received or to which the Notes are attributable in which case (subject to exemptions for interest received by certain categories of agent such as some brokers and investment managers) tax may be levied on the United Kingdom branch or agency.

Taxation of Returns: Companies Within the Charge to Corporation Tax

Noteholders who are within the charge to UK corporation tax (other than authorised unit trusts) will normally be subject to tax on all profits and gains, including interest, arising on or in connection with the Notes under the loan relationship rules contained in the Finance Act 1996. Any such profits and gains will generally fall to be calculated in accordance with the statutory accounting treatment of the Notes in the hands of the relevant Noteholder, and will generally be charged to tax as income in respect of each accounting period to which they are allocated, in accordance with that accounting treatment. Relief may be available in respect of losses (which will be determined as summarised above), or for related expenses, on a similar basis.

For holders of Class A Notes, Class B Notes, Class C Notes and the Class D Notes within the charge to UK corporation tax (other than authorised unit trusts and investment trusts), the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes will be qualifying assets for the purposes of the taxation of foreign exchange gains and losses. Any changes in the sterling value of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes as a result of changes in the Sterling/Dollar exchange rate during each accounting period in which such a holder holds the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes will generally be taxed or relieved by reference to the holder's accounting treatment of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes.

Taxation of Returns: Other Noteholders

A disposal of any Note which does not constitute a ''qualifying corporate bond'' (within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992) by a Noteholder who is not within the charge to UK corporation tax and who is resident or ordinarily resident in the UK for tax purposes or who carries on a trade, profession or vocation in the UK through a branch or agency to which the Note is attributable, may give rise to a chargeable gain or allowable loss for the purposes of the taxation of chargeable gains depending on the individual circumstances of the Noteholder. In computing any such gain or loss, the consideration for the disposal of the Note will be reduced by any amount on which the Noteholder is chargeable to UK income tax on the transfer of the Note under the accrued income scheme as described below. It is not expected that the Class A, B, C and D Notes will be treated by the Inland Revenue as ''qualifying corporate bonds''. In relation to the Class E Notes, the Issuer has been advised that it may be arguable that such Notes do not constitute ''qualifying corporate bonds'' on the grounds that it is contemplated that such Notes may be converted into or redeemed in euro, but that it is considered to be the better view that those Notes constitute ''qualifying corporate bonds'' with the result that the disposals of those Notes by Noteholders would not be treated as giving rise to chargeable gains or allowable losses for the purposes of the taxation of chargeable gains.

On a transfer of a Note by such a Noteholder that Noteholder may be chargeable to UK income tax on an amount treated (by rules known as the accrued income scheme contained in Chapter II of Part XVII of the Act) as representing interest on the Note from the last interest payment date to the time of transfer.

Stamp Duty and Stamp Duty Reserve Tax

No UK stamp duty or stamp duty reserve tax will be payable on the issue or on transfer by delivery or on redemption of the Notes.

United States Federal Income Taxation

The following is a general summary of certain United States federal income tax considerations for original purchasers of the Notes. This summary does not discuss all aspects of United States federal tax law. In particular, except as specifically indicated herein, this summary addresses only investors who hold Notes as ''capital assets'' within the meaning of Section 1221 of the United States Internal Revenue Code of 1986, as amended (the ''Code''), and does not address special United States federal income tax considerations which may be important to particular investors in light of their individual investment circumstances or to certain types of investors subject to special tax rules including, without limitation, the following: financial institutions, insurance companies, tax-exempt institutions, persons whose functional currency is not the United States dollar, dealers or traders in securities or currencies, non-U.S. investors, or investors holding the Notes as part of a conversion transaction, as part of a hedge or hedging transaction, or as a position in a straddle for United States federal income tax purposes. Further, this discussion does not address alternative minimum tax consequences or any tax consequences to the holders of equity interests in a holder of a Note. In addition, this summary does not discuss any foreign, state, local or other tax considerations. This summary is based on the Code and administrative and judicial authorities, all as in effect on the date hereof and all of which are subject to change, which change could apply retroactively and could affect the tax consequences described below. Moreover, there are no authorities on similar transactions involving securities issued by an entity with terms similar to those of the Notes described herein. Accordingly, persons considering the purchase of Notes should consult their own tax advisors with regard to the United States federal income tax consequences of an investment in the Notes and the application of United States federal tax laws, as well as the laws of any state, local or foreign taxing jurisdictions, to their particular situations.

For purposes of this summary, a ''United States Holder'' means a beneficial owner of a Note who is a ''United States person'' as described in Section 7701 (a)(30) of the Code, generally including (i) an individual who is a citizen or resident of the United States, (ii) a corporation or partnership created in or under the laws of the United States, any state thereof or any political subdivision of either (including the District of Columbia), (iii) an estate whose income is includible in gross income for United States federal income tax purposes without regard to source and (iv) a trust if (x) a court within the United States is able to exercise primary supervision over its administration and (y) one or more United States persons have the authority to control all of the substantial decisions of such trust. As provided in United States Treasury

regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to that date that maintain a valid election to continue to be treated as United States persons also are United States Holders. A "Non-United States Holder" means a beneficial owner of Notes that is not a United States Holder.

United States Holders

The Issuer believes that the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes represent debt for United States federal income tax purposes. In the case of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes the Issuer has obtained an opinion from its United States tax counsel, Clifford Chance Rogers & Wells LLP, that the Class A Notes the Class B Notes and the Class C Notes will be, and the Class D Notes should be, treated as debt for United States federal income tax purposes. This opinion is based upon, among other things, certain representations and assumptions authorised by the Issuer. In addition, only the Issuer may rely upon the foregoing opinion and such opinion will not be binding upon the United States Internal Revenue Service ("IRS") or the courts. In the case of the Class E Notes, the Issuer has not obtained an opinion from counsel (and will not seek a ruling from the IRS) regarding the characterisation of the Class E Notes for United States federal income tax purposes. In particular, in the case of the Class D Notes and the Class E Notes, because of the subordination level, it is possible that these Notes might be viewed as equity interests in the Issuer for United States federal income tax purposes. United States Holders of Class D Notes and the Class E Notes that are treated as equity in the Issuer likely would be treated as owning interests in a "passive foreign investment company" (a "PFIC"), and also be treated as owning an investment in a "controlled foreign corporation" (a "CFC") as described more fully below. See "— Investment in a Passive Foreign Investment Company — CFC Status" below. In such case, the timing, character and source of gain, loss and income to the United States holder might be different than that described below in the case where the Notes are treated as debt for United Stated federal income tax purposes. Prospective investors should consult their tax advisors regarding the tax consequences of investing in the Notes. Except as otherwise stated, the following discussion assumes that the Notes are debt of the Issuer for United States federal income tax purposes.

Interest Payments and Distributions

The Class A Notes, Class B Notes, Class C Notes and Class D Notes may be treated as having been issued with original issue discount ("OID") for United States federal income tax purposes, in which case such OID will be taxed as described below. However, in the absence of any OID with respect to such Notes, interest on the Notes will be taxable to a United States holder as ordinary income at the time it is received or accrued, in accordance with the holder's regular method of accounting for United States federal income tax purposes.

The total amount of OID on a Note is the excess of its "stated redemption price at maturity" over its "issue price". The issue price for the Notes is the price (including any accrued interest) at which a substantial portion of the respective class of Notes is first sold to the public. In general, the stated redemption price at maturity is the sum of all payments made on the Note other than payments of interest that (i) are actually payable at least annually over the entire life of the Note and (ii) are based on a single fixed rate or variable rate (or certain combinations of fixed and variable rates).

If any of the Notes are issued at a discount of an amount equal to or greater than 0.25 per cent. of such Note's stated redemption price at maturity multiplied by such Note's weighted average maturity ("WAM"), then such Note will be deemed to bear OID. The WAM of a Note is computed based on the number of full years each distribution of principal (or other amount included in the stated redemption price at maturity) is scheduled to be outstanding. The schedule of such distributions should likely be determined in accordance with the assumed rate of prepayment used by the parties in pricing the Notes (the "Prepayment Assumption"). See "Expected Average Life of the Notes". There can be no assurance that payments will actually be made in accordance with the Prepayment Assumption. In addition, if on the applicable issue date there is a differential of more than 25 basis points between the initial fixed interest rate and the current value of the variable interest rate which follows, then the IRS may take the position that such Note bears OID and the holder of such Note will be required to accrue OID into income as described below.

A United States Holder (including a cash basis holder) of any class of Notes deemed to bear OID generally would be required to accrue OID on the relevant Note for United States federal income tax purposes for each day on which the United States Holder holds such Note. The OID accruing in any period will likely equal the amount by which (a) the sum of (i) the present value of all remaining distributions to be made as of the end of such period plus (ii) the distributions made during such period included in the stated redemption price at maturity, exceeds (b) the adjusted issue price as of the beginning of the period. The present value of the remaining distributions is calculated based on (x) the original yield to maturity of such Note, (y) events (including actual prepayments) that have occurred prior to the end of the period and (z) the Prepayment Assumption. The "adjusted issue price" of a Note at the beginning of any accrual period generally would be the sum of its issue price and the amount of OID allocable to all prior accrual periods, less the amount of any payments made in all prior accrual periods. If OID computed as described in this paragraph is negative for any period, the United States Holder generally will not be allowed a current deduction for the negative amount but instead will be entitled to offset such amount only against future positive OID from such Note. The accrual of OID may require holders to recognise income in advance of payments.

Sourcing

Interest payments or distributions on a Note and any OID on a Note generally will constitute foreign source income for United States federal income tax purposes. Subject to certain limitations, United Kingdom withholding tax, if any, imposed on such payments will generally be treated as foreign tax eligible for credit against a United States Holder's United States federal income tax. For foreign tax credit purposes, it is expected that interest will generally be treated as passive income (or, in the case of certain United States Holders, financial services income).

Foreign Currency Considerations

A United States Holder who uses the cash method of accounting and who receives a payment of interest or distribution in sterling with respect to the Notes generally will be required to include in income the United States dollar value of the sterling payment or distribution (determined at the spot rate on the date such payment or distribution is received) regardless of whether the payment or distribution is in fact converted to United States dollars at that time, and such United States dollar value will be the United States holder's tax basis in the sterling. The United States Holder will not have to recognise additional exchange gain or loss with respect to the receipt of such income (other than the exchange gain or loss that might be realised on the disposition of the sterling).

A United States Holder who uses the accrual method of accounting and who receives a payment of interest or distribution in sterling with respect to the Notes generally will be required to include in income the United States dollar value of the amounts of income that have accrued and are otherwise required to be taken into account with respect to such Note during an accrual period. The United States dollar value of such accrued income will be determined by translating such income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. In addition, such United States Holder will recognise exchange gain or loss, treated as ordinary income or loss, with respect to such accrued income on the date such income is actually received or the applicable Note is disposed of. The amount of such ordinary income or loss recognised will equal the difference between (i) the United States dollar value of the sterling payment or distribution received (determined at the spot rate on the date such payment or distribution is received or the applicable Note is disposed of) in respect of such accrual period and (ii) the United States dollar value of the related income that has accrued during such accrual period (determined at the average rate as described above). A United States Holder may elect to translate such income into United States dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the last day of the interest accrual period is within five business days of the date of receipt, the spot rate on the date of receipt. A United States Holder that makes such an election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

In the case of any class of Notes deemed to bear OID, such OID will be determined in sterling and then translated into dollars in the same manner as interest payments accrued by an accrual basis United States Holder, as described immediately above. Upon receipt of an amount attributable to OID in these circumstances, a United States Holder may recognise ordinary income or loss as described immediately above.

The foregoing foreign currency considerations apply with respect to a United States Holder who has elected to receive payments and distributions with respect to a Note in sterling. In the event that such holder receives payments in dollars as described in "The Depository Agreement — Denomination of Payments," it is expected that such holder generally would be treated as described above with respect to amounts available for payment or distribution to such holder in sterling, and additionally as having converted such sterling amounts to dollars upon receipt by the Depository.

Disposition or Retirement of Investment

Subject to the discussion of the PFIC rules below, upon the sale, exchange or retirement of a Note (including pursuant to a redemption by the Issuer prior to the maturity date of such Note) the United States Holder will recognise gain or loss equal to the difference between the amount realised and such United States Holder's "adjusted tax basis" in such Note. In general, a United States Holder's adjusted tax basis in an OID debt instrument is equal to the United States Holder's cost for such debt instrument, plus any OID accrued and less the amount of any payments received by such holder that are not "qualified stated interest" payments under United States Treasury regulations relating to OID. A United States Holder's adjusted tax basis in a debt instrument with no OID is generally equal to the holder's cost less the amount of any principal payments made prior to the date of disposition. Subject to the PFIC and CFC rules below (in the case where the Notes are treated as equity for United States federal income tax purposes), in general, any gain or loss realised by such holder in excess of foreign currency gain or loss (as described below) will be capital gain or loss. Under certain circumstances, capital gains derived by individuals are taxed at preferential rates. The deductibility of capital losses is subject to limitations.

Sourcing

Gain realised by a United States Holder on the sale, exchange or retirement of a Note generally will be treated as a United States source gain. Under recently issued United States Treasury regulations governing losses recognised on the sale of personal property, loss from the sale, exchange or retirement of a Note generally will also be treated as a United States source loss. Exceptions to the application of these regulations' sourcing provisions include exceptions for certain losses attributable to foreign exchange fluctuations, accrued but unpaid interest, and foreign offices of U.S. residents, among others. Certain other exceptions to the regulations' general rule apply with respect to Notes treated as equity in the Issuer. United States Holders should consult their own tax advisors regarding the proper treatment of losses for foreign tax credit purposes.

Foreign Currency Considerations

Gain or loss realised upon the sale, exchange or retirement (including partial retirement) of a Class A Note, Class B Note, Class C Note or Class D Note that is attributable to fluctuations in currency exchange rates will be treated as ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the United States dollar value of the sterling principal amount of the relevant Note (or payment thereof) and any payment with respect to accrued interest, translated at the spot rate on the date such payment is received or the relevant Note is disposed of, and (ii) the United States dollar value of the sterling principal amount of such Note (or payment thereof) on the date such holder acquired such Note, and the United States dollar amounts previously included in income in respect of such accrued interest. Such foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by a United States Holder on the sale, exchange or retirement of the relevant Note. Subject to certain exceptions, the source of such sterling gain or loss will be determined by reference to the residence of the United States Holder or the qualified business unit of the United States Holder on whose books the Note is properly reflected.

The foregoing foreign currency considerations apply with respect to a United States holder who has elected to receive payments and distributions with respect to a Note in sterling. In the event that such holder receives payments in dollars as described in "The Depository Agreement — Denomination of Payments," it is expected that such holder generally would be treated as described above with respect to amounts available for payment or distribution to such holder in sterling, and additionally as having converted such sterling amounts to dollars upon receipt by the Depository.

A United States Holder who purchases a Note with previously owned sterling will recognise ordinary income or loss in an amount equal to the difference, if any, between such United States Holder's tax basis in the sterling and the United States dollar fair market value of the relevant Note on the date of purchase. A United States Holder will have a tax basis in any sterling received on the sale, exchange or retirement of a Note, equal to the United States dollar value of such sterling, determined at the time of such sale, exchange or retirement. Any gain or loss realised by a United States Holder on a sale or other disposition of sterling will be ordinary income or loss.

Investment in a Passive Foreign Investment Company

It is possible that the Class D Notes or the Class E Notes might be treated as equity interests in the Issuer. Because of the nature of the income of the Issuer, the Issuer likely will constitute a PFIC. Accordingly, if any of the Class D Notes or the Class E Notes were not treated as debt but rather were treated as equity of the Issuer for United States federal income tax purposes, direct or indirect United States Holders of such Notes likely would also be considered United States shareholders of a PFIC.

In general, United States Holders treated as shareholders of a PFIC constituted by the Issuer will be subject to special tax rules with respect to "excess distributions" made to them by the Issuer, including a rateable inclusion of excess distributions in the United States Holder's gross income as ordinary income and requirement for the payment of an interest charge on tax which is deemed to have been deferred with respect to such excess distributions. Excess distributions would generally include, among other things, (i) certain distributions with respect to a United States shareholder's equity interest in the Issuer for a taxable year if the aggregate of such amounts exceeds 125 per cent. of the average amount of distributions from the Issuer made during a specified base period, and (ii) gain from the disposition of such equity interest in the Issuer. The Issuer presently does not intend to comply with certain reporting requirements necessary for United States Holders to elect to treat the Issuer as a qualified electing fund ("QEF"), and thus it is unlikely that a United States Holder would be able to make a QEF election. If it were available, such an election would mitigate the adverse tax consequences as described above to holders.

A United States Holder that holds "marketable" stock in a PFIC may, in lieu of making a QEF election, also avoid certain unfavourable consequences of the PFIC rules by electing to mark the PFIC stock to market as of the close of each taxable year. A United States Holder that makes the mark-to-market election is required to include in income each year as ordinary income an amount equal to the excess, if any, of the fair market value of the stock at the close of the year over the United States Holder's adjusted tax basis in the stock. For this purpose, a United States Holder's adjusted basis will generally be the holder's cost for the stock, increased by the amount previously included in the holder's income pursuant to this mark-to-market election and decreased by any amount previously allowed to the United States Holder as a deduction pursuant to such election. If, at the close of the year, the United States Holder's adjusted tax basis exceeds the fair market value of the stock, then the United States Holder may deduct any such excess from ordinary income, but only to the extent of net mark-to-market gains previously included in income. Any gain from the actual sale of the PFIC stock will be treated as ordinary income, and any loss will be treated as ordinary loss to the extent of net mark-to-market gains previously included in income. Stock is considered "marketable" if it is "regularly traded" on an exchange which the IRS determines to be "qualified" for these purposes. Application has been made to the London Stock Exchange for the Notes to be admitted to trading. However, there can be no assurance (and no representation is made) that such Notes will be admitted to trading on the London Stock Exchange, that they will be "regularly traded" or that such exchange would be considered a "qualified exchange" for these purposes. In that regard, the IRS issued final proposed regulations articulating definitions of "regularly traded" and "qualified exchange" under these mark-to-market provisions, as to which prospective investors should consult their own tax advisors.

Sourcing

For sourcing of payments with respect to a Note treated as stock in the Issuer and gain or loss on sale of an interest in such stock, see generally "— Interest Payments and Distributions — Sourcing" and "— Disposition or Retirement of Investments — Sourcing" above. Investors in the Notes should consult their own tax advisors regarding the proper treatment of payments (including the source thereof) with respect to a Note treated as stock in the Issuer and gain or loss on the sale of an interest in such stock.

CFC Status

It is possible that the Issuer might be treated as a CFC for United States federal income tax purposes. In such event, United States Holders of equity interests that are treated as owning 10 per cent. or more of the combined "voting power" of the Issuer (each a "US SH") would be required to include in income their pro rata share of the earnings and profits of the Issuer, and generally would not be subject to the rules described above relating to PFICs. In addition, gain on the sale or exchange (including redemption or retirement) of an equity interest in the Issuer by a US SH (during the period the Issuer is a CFC and thereafter for a five-year period) may be classified in whole or in part as dividend income. Prospective investors should consult with their tax advisors concerning the potential effect of the CFC provisions.

Non-United States Holders

An investment in the Notes by Non-United States Holders generally will not give rise to any United States federal income tax to such holder, unless the income received on, or any gain recognised on the sale or other disposition of, such Notes by such holders is treated as effectively connected with the conduct of a trade or business in the United States or, in the case of gain recognised by an individual, such individual is present in the United States for 183 days or more and has a "tax home" (as defined in the Code) in the United States during the taxable year. Investors that are not United States Holders should consult their own tax advisers regarding the United States federal income and other tax consequences of owning Notes.

Backup Withholding and Information Reporting

Information reporting to the IRS generally will be required with respect to any payments (including any OID) on the Notes and on proceeds of the sale of the Notes by a payor within the United States to United States Holders other than corporations and certain other exempt recipients. A 31 per cent. "backup" withholding tax will apply to those payments and proceeds if such United States Holder fails to provide certain identifying information (such as the holder's taxpayer identification number) or the holder is notified by the IRS that it has failed to report all interest and dividends required to be shown on its United States federal income tax returns. Non-United States Holders may be required to comply with applicable certification procedures to establish that they are not United States Holders in order to avoid the application of the foregoing information reporting requirements and backup withholding.

The United States Treasury recently released regulations that will revise the procedures for backup withholding and information reporting described above for payments on the Notes and payments of proceeds of the sale of the Notes made after 31 December 2000. Prospective investors should consult with their tax advisers concerning the potential effect of such regulations on their ownership of the Notes.

THE UNITED STATES FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A NOTEHOLDER'S PARTICULAR TAX SITUATION. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES' INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS, AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.

UNITED STATES ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended (''ERISA''), and the Code, as applicable, impose certain restrictions on (a) employee benefit plans (as defined in Section 3(3) of ERISA), whether or not be subject thereto (''Plans''), (b) plans described in Section 4975(e)(1) of the Code, including individual retirement accounts or Keogh plans (also ''Plans''), (c) any entities whose underlying assets include plan assets by reason of a plan's investment in such entities (together with Plans, ''Plan Investors'') and (d) persons who have certain specified relationships to such Plans (''parties in interest'') under ERISA and ''disqualified persons'' under the Code (collectively, ''Parties in Interest''). As discussed further below, an insurance company's general account may be deemed to include assets of the Plans that have an interest in such account (e.g. through the purchase of an annuity contract), in which case the insurance company would be treated as a Party in Interest with respect to the investing Plan by virtue of such investment. ERISA also imposes certain duties on persons who are fiduciaries of Plans subject to ERISA and prohibits certain transactions between a Plan and Parties in Interest with respect to such Plans.

Before authorising any investment in Class A Notes, Class B Notes and Class C Notes, fiduciaries of Plans should consider, to the extent applicable, among other matters, (a) ERISA's fiduciary standards (including its prudence and diversification standards), (b) whether such fiduciaries have the authority to make such investment in Notes under the applicable Plan investment policies and governing instruments, and (c) rules under ERISA and the Code that prohibit Plan fiduciaries from causing a Plan to engage in a ''prohibited transaction''. The Class D Notes and the Class E Notes may not be purchased or held by Plan Investors subject to ERISA or Section 4975 of the Code.

Section 406 of ERISA and Section 4975 of the Code prohibit Plans subject thereto from, among other things, engaging in certain transactions involving ''plan assets'' with persons who are Parties in Interest with respect to such Plan. A violation of these ''prohibited transaction'' rules may result in the imposition of an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless exemptive relief is available under an applicable statutory or administrative exemption. Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code.

The United States Department of Labor (''DOL'') has issued a regulation (29 C.F.R. §2510.3-101) concerning when the assets of a Plan will be considered to include the assets of an entity in which the Plan invests (the ''Plan Asset Regulation''). This regulation provides that, as a general rule, the underlying assets and properties of corporations, partnerships, trusts and certain other entities in which a Plan purchases an ''equity interest'' will be deemed for purposes of ERISA to be assets of the investing Plan unless certain exceptions apply. If the underlying assets of the entity are deemed to be Plan assets, the obligations and other responsibilities of Plan sponsors, Plan fiduciaries, Plan administrators and Parties in Interest under Parts 1 and 4 of Subtitle B of Title I of ERISA and Section 4975 of the Code, as applicable, may be expanded, and there may be an increase in their liability under these and other provisions of ERISA and the Code (except to the extent (if any) that a favourable statutory or administrative exemption or exception applies). In addition, various providers of fiduciary or other services to the entity, and any other parties with authority or control with respect to the entity, could be deemed to be Plan fiduciaries or otherwise Parties in Interest by virtue of their provision of such services.

The Plan Asset Regulation defines an ''equity interest'' as any interest in an entity other than an interest that is treated as indebtedness under applicable local law and which has no substantial equity features. The Issuer believes that the Class A Notes, the Class B Notes and the Class C Notes are not ''equity interest'' for purposes of the Plan Asset Regulation. Accordingly, Plans that are subject to the provisions of ERISA or Section 4975 of the Code may in the Class A Notes, Class B Notes and Class C Notes, subject to the discussion below. The Class D Notes and Class E Notes may not be purchased by or transferred to a Plan that is subject to the provisions of ERISA or Section 4975 of the Code.

Even assuming that the Class A Notes, Class B Notes and Class C Notes will not be treated as ''equity interests'' under the Plan Asset Regulation, it is possible that an investment in such Notes by a Plan Investor could be treated as a prohibited transaction under ERISA or the Code (e.g. the direct or indirect transfer or lending to, or use by or for the benefit of, a Party in Interest of Plan assets) or under a similar law, if

applicable. However, it is possible that an exemption may apply to a Plan's purchase or holding of Notes. Because exemptions generally impose a range of conditions and do not provide an exemption to all possible prohibited transaction rules, any Plan fiduciary considering the investment of Plan assets in Notes should consult with its legal counsel.

In response to the decision of the United States Supreme Court in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank,* 540 U.S. 86 (1993), pursuant to which assets held in an insurance company's general account may be treated as ''plan assets'' to the extent that an insurance company has issued to Plan Investors certain types of annuity contracts, ERISA Section 401(c) was enacted. Section 401(c) provides that the DOL must issue regulations to provide guidance for the purpose of determining which assets held by an insurer constitute plan assets of the Plan for purposes of ERISA by reason of the issuance of insurance policies before 1st January, 1999 that are supported by assets of the insurance company's general account. Until expiration of the 18-month period following the issuance of final regulations under Section 401(c), the portion of an insurance company's general account attributable to annuity contracts held by Plans will, due to certain exclusion from liability provided for in Section 401(c) of ERISA, be entitled to relief provided that certain requirements are satisfied. The DOL issued final regulations under Section 401(c) of ERISA on January 5, 2000. The plan asset status of insurance company separate accounts is unaffected by Section 401(c) of ERISA, and separate account assets continue to be treated as the assets of any such Plan invested in a separate account.

Each purchaser and other transferee of the Class A Notes, Class B Notes and Class C Notes will be deemed to have represented and agreed that either (i) it is not, and for so long as it holds Notes will not be, a Plan Investor and is not purchasing such Notes with the assets of any Plan or (ii) the use of such assets, including the purchase and holding of Notes, does not and will not constitute a prohibited transaction under ERISA or Section 4975 of the Code or any federal, state, local or foreign law substantially similar to Section 406 of ERISA or Section 4975 of the Code. Each purchaser and other transferee and holders of Class D Notes or Class E Notes will be deemed to have represented and agreed that either (i) it is not, and for so long as it holds Notes will not be, a Plan Investor or (ii) (A) it is, and for so long as it holds Notes will be a Plan Investor that is not subject to ERISA or Section 4975 of the Code and (B) the purchase and holding of Notes do not and will not constitute or result in a violation of any federal, state, local or foreign law substantially similar to Section 406 of ERISA or Section 4975 of the Code

Any Plan fiduciary that proposes to cause a Plan Investor to purchase such Notes should consult with its counsel with respect to the potential applicability of ERISA and the Code to such investment and whether any exemption would be applicable and determine on its own whether all conditions of such exemption or exemptions have been satisfied.

Governmental plans, foreign plans, and certain church and other plans may not be subject to ERISA, and also may not be subject to the prohibited transaction provisions of Section 4975 of the Code. However, state and foreign laws or regulations may apply to the investment and management of the assets of such plans and may contain fiduciary duty and prohibited transaction provisions similar to ERISA or Section 4975 of the Code. Accordingly, fiduciaries of governmental, foreign, and church plans should consult with their legal counsel as to the impact of their applicable laws on their proposed investment in Notes.

USE OF PROCEEDS

The net proceeds of issue of the Notes will be £747,349,682 (calculated in respect of the Class A Notes, Class B Notes, Class C Notes and Class D Notes using an exchange rate fixed on 16 February 2001 of £1 = $1.450 and £1 = €1.5925). The fees and commissions payable on the issue of the Notes, along with certain other expenses, will be deducted from the gross proceeds of the issue and the Issuer will make a drawing under the Expenses Loan Agreement of at least an amount equal to the aggregate of (i) such fees and commissions and expenses and (ii) the Required Reserve Amount. The proceeds of the issue of the Notes and a part of such drawing under the Expenses Loan Agreement will be utilised by the Issuer on the Issue Date to acquire the Series 2001–1 Loan Note. Such proceeds will in turn be utilised by the Loan Note Issuer on the Issue Date in connection with its acquisition of the Investor Interest in the Receivables Trust (which will in turn be utilised by the Receivables Trustee in connection with its acquisition of the RT Interest in the Corporate Loan Trust). Such proceeds will be utilised by Bank of Scotland for general corporate purposes.

SUBSCRIPTION AND SALE

Credit Suisse First Boston (Europe) Limited, (the "Lead Manager"), Salomon Brothers International Limited and Deutsche Bank AG London (together, the "Managers") have, pursuant to a subscription agreement dated the date of this document amongst themselves and the Issuer (the "Class A Subscription Agreement"), jointly and severally agreed with the Issuer (subject to certain conditions) to subscribe and pay for the Class A Notes at the issue price of 100 per cent. of the principal amount of the Class A Notes. Pursuant to two further subscription agreements (the "Class B, Class C and Class D Subscription Agreement" and the "Class E Subscription Agreement", and together with the Class A Subscription Agreement, the "Subscription Agreements"), the Lead Manager has agreed with the Issuer (subject to certain conditions) to subscribe and pay for (i) the Class B Notes at the issue price of 100 per cent. of the principal amount of the Class B Notes, (ii) the Class C Notes at the issue price of 100 per cent. of the principal amount of the Class C Notes and (iii) the Class D Notes at the issue price of 100 per cent. of the principal amount of the Class D Notes. On the issue date, Bank of Scotland will subscribe for the Class E Notes.

The Issuer will pay to the Managers, in respect of the Class A Notes, and the Lead Manager, in respect of the Class B Notes and the Class C Notes, the following selling commissions and combined management and underwriting commissions:

	Management and Underwriting Commission	*Selling Commission*
Class A	0.15%	0.10%
Class B	0.30%	0.20%
Class C	0.60%	0.40%

In connection with the Class D Notes, the Issuer will pay to the Lead Manager a selling Commission and combined management and underwriting commission as agreed between them.

The Issuer has also agreed to reimburse the Managers in connection with certain expenses in connection with the issues of the Notes.

The Subscription Agreements are subject to a number of conditions and may be terminated by the Managers in certain circumstances prior to payment for the Notes to the Issuer. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the issues of the Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A and to certain persons in offshore transactions in reliance on Regulation S. In addition, until 40 days after the later of the commencement of the offering and the closing of the offering, an offer or sale of the Notes within the United States by any dealer may violate the registration requirements of the Securities Act if such offer or sale is made other than pursuant to Rule 144A. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Manager has agreed that, except as permitted by the Subscription Agreements, it will not offer, sell or deliver the Notes (i) as part of its distribution at any time or (ii) prior to the end of the Distribution Compliance Period, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each affiliate to which it sells Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

The Subscription Agreements provide that selected Managers, through their selling agents which are registered broker-dealers in the United States, may resell Offered Notes in the United States to a limited number of "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) pursuant to Rule 144A under the Securities Act.

The Issuer has agreed to furnish the holders and prospective purchasers of the Notes with the information required pursuant to Rule 144A(d)(4).

Each Manager has represented and agreed that:

(i) it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom, prior to admission of the Notes to listing in accordance with Part IV of the Financial Services Act 1986 (the "1986 Act"), except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or the 1986 Act;

(ii) it has complied and will comply with all applicable provisions of the 1986 Act with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and

(iii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issues of the Notes, other than any document which consists of or any part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules under Part IV of the 1986 Act, to a person who is of a kind described in Article 11 (3) of the Financial Services Act (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom such document may otherwise lawfully be issued or passed on.

Other than admission of the Notes to the Official List of the UKLA and that admission to trading on the London Stock Exchange no action is being taken to permit a public offering of the Notes, or possession or distribution of the Offering Circular or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

Each Manager has undertaken not to offer or sell, directly or indirectly, Notes, or to distribute or publish this Offering Circular or any other material relating to the Notes, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

This Offering Circular does not constitute, and may not be used for the purpose of, an offer or solicitation in or from any country or jurisdiction where such an offer or solicitation is not authorised.

TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

Offers and Sales by the Initial Purchasers

The Notes (including interests therein represented by a Rule 144A Global Note, a Rule 144A Definitive Note or a Book-Entry Interest) have not been and will not be registered under the Securities Act or any other applicable securities laws, and may not be offered or sold in the United States or to U.S. persons except pursuant to an effective registration statement or in accordance with an applicable exemption from the registration requirements of the Securities Act and any other applicable laws. Accordingly, the Notes (and any interests therein) are being offered and sold: (1) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act and (2) in the case of the Offered Notes also in the United States only to a limited number of "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("QIBs") in transactions exempt from the registration requirements of the Securities Act and any other applicable securities laws.

Investors' Representations and Restrictions on Resale

Each purchaser of the Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book-Entry Interests) will be deemed to have represented and agreed as follows:

(1) (A) it is a QIB and is acquiring such Notes for its own account or as a fiduciary or agent for others (which others also must be QIBs) for investment purposes and not for distribution in violation of the Securities Act, and it is able to bear the economic risk of an investment in the Notes and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of purchasing the Notes, or (B) it is acquiring such Notes for its own account or as a fiduciary or agent for others in an offshore transaction pursuant to an exemption from registration provided by Regulation S under the Securities Act;

(2) such Notes are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes, then it agrees that it will resell or transfer such Notes only (i) so long as such Notes are eligible for resale pursuant to Rule 144A, to a person whom the seller reasonably believes is a QIB acquiring the Notes for its own account or as a fiduciary or agent for others (which others must also be QIBs) to whom notice is given that the resale or other transfer is being made in reliance on Rule 144A, (ii) pursuant to an exemption from registration provided by Rule 144 under the Securities Act (if available) (provided, however, that transfers of the Class D Notes may be made only to a person that the holder reasonably believes is a QIB), (iii) to a purchaser acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act or (iv) pursuant to an effective registration statement under the Securities Act (provided, however, that transfers of the Class D Notes may be made only to a person that the holder reasonably believes is a QIB), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction; provided, that the agreement of such purchaser is subject to any requirement of law that the disposition of the purchaser's property shall at all times be and remain within its control;

(3) unless the relevant legend set out below has been removed from the Notes such purchaser shall notify each transferee of Notes (as applicable) from it that (i) such Notes have not been registered under the Securities Act, (ii) the holder of such Notes is subject to the restrictions on the resale or other transfer thereof described in paragraph (2) above, (iii) such transferee shall be deemed to have represented (a) as to its status as a QIB or a purchaser acquiring the Notes in an offshore transaction (as the case may be), (b) if such transferee is a QIB, that such transferee is acquiring the Notes for its own account or as a fiduciary or agent for others (which others also must be QIBs), (c) if such purchaser is acquiring the Notes in an offshore transaction, that such transfer is made pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, and (d) that such transferee is not an underwriter within the meaning of Section 2(11) of the Securities Act, and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing;

(4) with respect to purchasers of the Class D Notes or the Class E Notes, either (i) no part of the assets to be used to purchase such Class D Notes or Class E Notes (as the case may be) constitutes assets of any person who is or for so long as such Notes are held will be an employee benefit plan, or other plan, or individual retirement account, whether or not subject to ERISA or Section 4975 of the Code or (ii) (a) the purchasers will for so long as such Notes are held be an employee benefit plan not subject to ERISA or Section 4975 of the Code and (b) the purchase and holding of such Notes do not and will not constitute cause or result in a violation of any federal, state local or foreign law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code;

(5) with respect to purchasers of the Class A Notes, Class B Notes and Class C Notes, either (i) no part of the assets to be used to purchase such Notes to be purchased by it constitutes assets of any person who is or for so long as such Notes are held will be an employee benefit plan, or other plan, or individual retirement account, whether or not subject to Title I of ERISA or Section 4975 of the Code or (ii) the use of such assets to purchase such Notes will not constitute, cause or result in the occurrence of a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a violation of any federal, state, local or foreign law that is substantially similar to Section 406 of ERISA or Section 406 of the Code.

The Notes that represent interests sold outside the United States to purchasers that are not U.S. persons in compliance with Regulation S will bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND, AS A MATTER OF U.S. LAW, PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING OF THE OFFERING OF THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES"

Set out below is a form of notice which may be used to notify the transferees of the foregoing restrictions on transfer. Such notice will be set out in the form of a legend on each Rule 144A Global Note. Additional copies of such notice may be obtained from the Principal Paying Agent, the Registrar or the Transfer Agent.

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER SECURITIES LAWS, AND, AS A MATTER OF U.S. LAW, MAY NOT BE OFFERED OR SOLD IN VIOLATION OF THE SECURITIES ACT OR SUCH OTHER LAWS. THIS NOTE MAY BE TRANSFERRED ONLY IN INITIAL PRINCIPAL AMOUNTS OF £200,000, €250,000 OR $250,000, DEPENDING ON ITS CURRENCY OF DENOMINATION, AND INTEGRAL MULTIPLES IN EXCESS THEREOF. THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUER AND THE MANAGERS THAT IT WILL RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE, AS A MATTER OF U.S. LAW, ONLY (A) (1) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE, PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER, AS DEFINED IN RULE 144A (A "QUALIFIED INSTITUTIONAL BUYER"), THAT IT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR AS A FIDUCIARY OR AGENT FOR OTHERS (WHICH OTHERS MUST ALSO BE QUALIFIED INSTITUTIONAL BUYERS) TO WHOM NOTICE IS GIVEN THAT THE RESALE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), PROVIDED, HOWEVER THAT TRANSFERS OF THE CLASS D NOTES MAY BE MADE ONLY TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE

144A UNDER THE SECURITIES ACT (3) TO A PERSON WHO IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) OUTSIDE THE UNITED STATES ACQUIRING THIS NOTE IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, PROVIDED, HOWEVER THAT TRANSFERS OF THE CLASS D NOTES MAY BE MADE ONLY TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND (B) WITH RESPECT TO THE CLASS D NOTES AND CLASS E NOTES, EITHER (1) TO A PURCHASER WITH RESPECT TO WHOM NO PART OF THE ASSETS TO BE USED TO PURCHASE THIS NOTE CONSTITUTES ASSETS OF ANY PERSON WHO IS OR WHILE SUCH NOTES ARE HELD WILL BE AN EMPLOYEE BENEFIT PLAN, OTHER PLAN, OR INDIVIDUAL RETIREMENT ACCOUNT, WHETHER OR NOT SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (2) THE PURCHASER IS AND FOR SO LONG AS IT HOLDS SUCH NOTES WILL BE AN EMPLOYEE BENEFIT PLAN NOT SUBJECT TO ERISA OR SECTION 4975 OF THIS CODE AND (3) THE PURCHASE AND HOLDING OF SUCH NOTES WILL NOT CONSTITUTE, CAUSE OR RESULT IN A VIOLATION OF ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, (C) WITH RESPECT TO THE CLASS A NOTES, CLASS B NOTES OR CLASS C NOTES TO A PURCHASER WITH RESPECT TO WHOM (X) NO PART OF THE ASSETS USED TO PURCHASE THIS NOTE CONSTITUTES ASSETS OF ANY PERSON WHO IS OR WHILE SUCH NOTES ARE HELD WILL BE AN EMPLOYEE BENEFIT PLAN, OTHER PLAN OR INDIVIDUAL RETIREMENT ACCOUNT WHETHER OR NOT SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR (Y) THE USE OF SUCH ASSETS WILL NOT CONSTITUTE CAUSE OR RESULT IN THE OCCURRENCE OF A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR VIOLATION OF ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE. THIS NOTE AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES UNDERTAKEN OR REPRESENTED BY THE HOLDER, FOR RESALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OR RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE AND ANY BENEFICIAL OWNER OF ANY INTEREST THEREIN SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS NOTE AND ANY NOTES ISSUED IN EXCHANGE OR SUBSTITUTION HEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON) AND AGREES TO TRANSFER THIS NOTE ONLY IN ACCORDANCE WITH ANY SUCH AMENDMENT OR SUPPLEMENT IN ACCORDANCE WITH APPLICABLE LAW IN EFFECT AT THE DATE OF SUCH TRANSFER"

Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.

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OTHER SERIES ISSUED AND OUTSTANDING

The table below sets out the principal characteristics of the Series 2001-1 Notes. No other Notes have been issued by the Issuer or any other issuer in connection with the Receivables Trust or the Corporate Loan Trust. For more information with respect to the Series 2001-1 Notes or any series of notes issued under the same programme, any prospective investor should contact The Governor and Company of the Bank of Scotland, The Mound, Edinburgh EH1 1YZ (facsimile number: 0131 243 5516), Attention: The Secretary (Ref: Corporate Banking Division, Head of Risk & Operations, Securitisations). Bank of Scotland will provide, without charge, to any prospective purchaser of the Series 2001-2 Notes, a copy of the disclosure documents for any such other publicly-issued series.

Series 2001-1

Series 2001-1 Notes	$790,000,000 Series 2001-1 Class A1 Floating Rate Asset Backed Notes Due 2006 £100,000,000 Series 2001-1 Class A2 Floating Rate Asset Backed Notes Due 2006 $16,200,000 Series 2001-1 Class B1 Floating Rate Asset Backed Notes Due 2006 €30,000,000 Series 2001-1 Class B2 Floating Rate Asset Backed Notes Due 2006 $14,400,000 Series 2001-1 Class C1 Floating Rate Asset Backed Notes Due 2006 €20,000,000 Series 2001-1 Class C2 Floating Rate Asset Backed Notes Due 2006 $8,000,000 Series 2001-1 Class D1 Floating Rate Asset Backed Notes Due 2006 €15,000,000 Series 2001-1 Class D2 Floating Rate Asset Backed Notes Due 2006 £11,300,000 Series 2001-1 Class D3 Floating Rate Asset Backed Notes Due 2006 £26,250,000 Series 2001-1 Class E Floating Rate Asset Backed Notes Due 2006
Initial Class A Interest	£644,827,586
Class A Interest Rate	Three-month Dollar or Sterling LIBOR plus 0.28 (Class A1) and 0.24 (Class A2) per cent. per annum except for the first interest period, where Dollar or Sterling LIBOR will be based on the linear interpolation of LIBOR for two-month and three-month Dollar or, as the case may be, Sterling deposits and following the commencement of the Termination Period where Dollar or Sterling LIBOR will be based on one-month Dollar or, as the case may be, Sterling deposits
Initial Class B Interest	£30,010,719
Class B Interest Rate	Three-month Dollar LIBOR or EURIBOR plus 0.85 (Class B1) and 0.78 (Class B2) per cent. per annum except for the first interest period, where Dollar LIBOR or EURIBOR will be based on the linear interpolation of LIBOR or, as the case may be, EURIBOR for two-month and three-month Dollar or, in the case of the Class B2 Notes, Euro deposits and following the commencement of the Termination Period where Dollar LIBOR or EURIBOR will be based on one-month Dollar or, in the case of the Class B2 Notes, Euro deposits

Initial Class C Interest	£22,489,904
Class C Interest Rate	Three-month Dollar LIBOR or EURIBOR plus 1.75 (Class C1) and 1.67 (Class C2) per cent. per annum except for the first interest period, where Dollar LIBOR or EURIBOR will be based on the linear interpolation of LIBOR or, as the case may be, EURIBOR for two-month and three-month Dollar or, in the case of the Class C2 Notes, Euro deposits and following the commencement of the Termination Period where Dollar LIBOR or EURIBOR will be based on one-month Dollar or, in the case of the Class C2 Notes, Euro deposits
Initial Class D Interest	£26,236,393
Class D Interest Rate	Three-month Dollar LIBOR, EURIBOR or Sterling LIBOR plus 5.00 (Class D1), 4.90 (Class D2) or 5.15 (Class D3) per cent. per annum except for the first interest period, where Dollar LIBOR, EURIBOR or or Sterling LIBOR will be based on the linear interpolation of LIBOR or, as the case may be, EURIBOR for two-month and three-month Dollar, Sterling or, as the case may be, Euro deposits and following the commencement of the Termination Period where Dollar LIBOR, EURIBOR or Sterling LIBOR will be based on one-month Dollar, Sterling or, as the case may be, Euro deposits
Initial Class E Interest	£26,250,000
Class E Interest Rate	Three-month Sterling LIBOR plus 6.00 per cent. per annum except for the first interest period, where Sterling LIBOR will be based on the linear interpolation of LIBOR for two-month and three-month Sterling deposits and following the commencement of the Termination Period where Sterling LIBOR will be based on one-month Sterling deposits
Series 2001-1 Scheduled Maturity Date	February 2006 Interest Payment Date
Other Enhancement for the Class A Notes	Subordination of Class B Notes, Class C Notes, Class D Notes and Class E Notes, Series 2001-1 ledger of the Reserve Account and Reallocated Principal Collections referable to the Series 2001-1 Interest
Other Enhancement for the Class B Notes	Subordination of Class C Notes, Class D Notes and Class E Notes, Series 2001-1 ledger of the Reserve Account and Reallocated Principal Collections referable to the Series 2001-1 Interest
Other Enhancement for the Class C Notes	Subordination of Class D Notes and Class E Notes, Series 2001-1 ledger of the Reserve Account and Reallocated Principal Collections referable to the Series 2001-1 Interest
Other Enhancement for the Class D Notes	Subordination of Class E Notes, Series 2001-1 ledger of the Reserve Account and Reallocated Principal Collections referable to the Series 2001-1 Interest
Other Enhancement for the Class E Notes	Series 2001-1 ledger of the Reserve Account
Series 2001-1 Final Maturity Date	February 2011 Interest Payment Date
Series 2001-1 Issue Date	27 February 2001

GENERAL INFORMATION

1. The issue of the Notes was authorised by resolutions dated 19 February 2001 of the board of directors of the Issuer.

2. The listing of the Notes on the Official List of the UKLA is expected to be granted on or about 27 February 2001 subject only to the issue of the Global Note Certificates. Prior to official listing, however, dealings in the Notes will be permitted by the London Stock Exchange in accordance with its rules.

3. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. In addition, the Class D Notes have been accepted for clearance through DTC and The Portal Market of the Nasdaq Stock Market, Inc. The applicable securities codes and Portal symbols for each class of Notes are as follows:

	Common Code – ISIN		*CUSIP*		
Class	*Reg S*	*R144A*	*Reg S*	*R144A*	*Portal*
A	USG59739AE59	US585561AE39	G59739 AE 5	585561 AE 3	—
B	USG59739AF25	US585561AF04	G59739 AF 2	585561 AF 0	—
C	USG59739AH80	US585561AH69	G59739 AH 8	585561 AH 6	—
D1	USG59739AK10	US585561AK98	G59739 AK 1	585561 AK 9	MRSFD108
D2	USG59739AL92	US585561AL71	G59739 AL 9	585561 AL 7	MRSFD208
D3	USG59739AM75	US585561AM54	G59739 AM 7	585561 AM 5	MRSFD308

4. Save as described in the section herein entitled "Issuer", there has been (i) no significant change in the financial or trading position and (ii) no material adverse change in the financial position or prospects of the Issuer since 3 November 2000 (being the date of incorporation of the Issuer).

5. Save as described in the section herein entitled "Loan Note Issuer", there has been (i) no significant change in the financial or trading position and (ii) no material adverse change in the financial position or prospects of the Loan Note Issuer since 25 October 2000 (being the date of incorporation of the Loan Note Issuer) .

6. Save as described in the section herein entitled "Receivables Trustee", there has been (i) no significant change in the financial or trading position and (ii) no material adverse change in the financial position or prospects of the Receivables Trustee since 24 January 2001 (being the date of incorporation of the Receivables Trustee).

7. The Issuer is not and has not been involved in any legal or arbitration proceedings which may have, or have had since 3 November 2000 (being the date of incorporation of the Issuer), a significant effect on its financial position nor, so far as the Issuer is aware, are any such proceedings pending or threatened.

8. The Loan Note Issuer is not and has not been involved in any legal or arbitration proceedings which may have, or have had since 25 October 2000 (being the date of incorporation of the Loan Note Issuer), a significant effect on its financial position nor, so far as the Loan Note Issuer is aware, are any such proceeds pending or threatened.

9. The Receivables Trustee is not and has not been involved in any legal or arbitration proceedings which may have or have had since 24 January 2001 (being the date of incorporation of the Receivables Trustee), a significant effect on its financial position nor, so far as the Receivables Trustee is aware, are any such proceedings pending or threatened.

10. In relation to this transaction, the Issuer has entered into the Subscription Agreement which is or may be material.

11. No statutory or non-statutory accounts within the meaning of Section 240 of the Companies Act 1985 in respect of any financial year of the Issuer, the Loan Note Issuer or the Receivables Trustee have been prepared.

12. KPMG Audit Plc has given and not withdrawn its written consent to, and has authorised, for the purposes of Section 152(1)(e) of the FSA 1986 the inclusion in this document of references to its name in the form and context in which they appear and the contents herein of its letters reproduced in the section entitled "Accountants' Reports".

13. KPMG, Jersey has given and not withdrawn its written consent to, and has authorised, for the purposes of Section 152(1)(e) of the FSA 1986 the inclusion in this document of references to its name in the form and context in which they appear and the contents herein of its letters reproduced in the section entitled "Accountants' Reports".

14. There is no intention to accumulate surpluses in any of the Issuer, the Loan Note Issuer or the Receivables Trustee, other than as stated in this Offering Circular.

15. The information set out in the sections entitled "Bank of Scotland and Bank of Scotland's Credit Policies and Procedures" and "Loan Portfolio" has been compiled by reference to information published by and/or provided by Bank of Scotland.

16. Copies of the following draft agreements (subject to modification) (the "Transaction Documents") may be inspected at the offices of Clifford Chance, Limited Liability Partnership, 200 Aldersgate Street, London EC1A 4JJ during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) during the period of 14 days from the date of this document:

(a) Master Definitions Schedule;

(b) Corporate Loan Trust Deed (including Originator Power of Attorney);

(c) Receivables Trust and Cash Management Agreement;

(d) Series 2001-2 Supplement to the Receivables Trust and Cash Management Agreement;

(e) Loan Note Issuance Facility Agreement;

(f) Series 2001-2 Loan Note Supplement to the Loan Note Issuance Facility Agreement;

(g) Expenses Loan Agreement;

(h) Corporate Services Agreement (Issuer) and Corporate Services Agreement (Loan Note Issuer);

(i) Trust Deed;

(j) Issuer Deed of Charge;

(k) Post Enforcement Call Option Agreement;

(l) Basis Swap Agreement;

(m) Currency Swap Agreement;

(n) Agency Agreement;

(o) Memorandum and Articles of Association of the Issuer;

(p) Memorandum and Articles of Association of the Loan Note Issuer;

(q) Memorandum and Articles of Association of the Receivables Trustee;

(r) Accountants' Report on the Issuer;

(s) Accountants' Report on the Loan Note Issuer;

(t) Accountants' Report on the Receivables Trustee;

(u) Subscription Agreements.

ISSUER

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