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BRACKEN SECURITIES PLC

(Incorporated in England and Wales with limited liability, registered number 06382146)

Class of Notes	Principal Amount	Issue Price	Interest Rate	Expected Ratings (Moody's/Fitch)	Final Maturity Date
Class A1 Notes	£2,695,420,000	100%	0.20% margin above Three-month Sterling LIBOR	Aaa/AAA	12 August 2049
Class A2 Notes	£1,555,050,000	100%	0.25% margin above Three-month Sterling LIBOR	Aaa/AAA	12 August 2049
Class A3 Notes	£1,036,700,000	100%	0.30% margin above Three-month Sterling LIBOR	Aaa/AAA	12 August 2049
Class A4 Notes	£4,250,470,000	100%	0.35% margin above Three-month Sterling LIBOR	Aaa/AAA	12 August 2049
Class B1 Notes	£414,680,000	100%	0.90% margin above Three-month Sterling LIBOR	Aa3/AA	12 August 2049
Class C1 Notes	£414,680,000	100%	1.50% margin above Three-month Sterling LIBOR	Baa2/BBB	12 August 2049

On 11 October 2007 (the **Closing Date**), the Issuer will issue its asset backed floating rate notes (the **Notes**) in the classes set out above.

The principal asset from which the Issuer will make payments on the Notes is a pool of residential mortgage loans originated by Alliance & Leicester plc (**A&L**) and secured over properties located in England and Wales, Northern Ireland and Scotland.

Interest will be payable quarterly in arrear on the 12th day of February, May, August and November in each year for all classes of Notes. See further the definition of Interest Payment Date.

Subject to the detailed description and limitations set out in Credit Structure, the Notes will have the benefit of credit enhancement or support comprising the availability of excess portions of revenue and principal receipts, a general reserve fund, a liquidity facility, a liquidity reserve fund (if established following an A&L rating downgrade) and subordination of junior classes of Notes (as applicable). The Notes will also have the benefit of derivative transactions, namely the Swaps provided by A&L.

The Notes will be obligations of the Issuer only. The Notes will not be obligations of A&L or any of their affiliates.

Application may in future be made to the Financial Services Authority (the **FSA**) in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for the Notes to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for the Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market (being a regulated market) or, alternatively, application may in the future be made for the listing of the Notes on another recognised stock exchange (for the purposes of Section 1005 of the Income Tax Act 2007) outside the United Kingdom.

The Notes are expected to be assigned the ratings set out above on or about the Closing Date. 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.

The Notes are highly structured. Before you purchase any Notes, be sure that you understand the structure and the risks (see, in particular, the section herein entitled "*Risk Factors*"). The risk characteristics of the Class B1 Notes and the Class C1 Notes differ from those of the Class A Notes generally.

The date of this Information Memorandum is 11 October 2007

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 ACCOUNT OR BENEFIT OF, **U.S. PERSONS** (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (**REGULATION S**)) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE NOTES ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS PURSUANT TO REGULATIONS.

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IMPORTANT NOTICE

The Notes of each class sold in reliance on Regulation S (**Regulation S**) under the Securities Act will be represented on issue by a global note in registered form for each such class of Note (the **Global Notes**).

The Issuer will maintain a register, to be kept by the Registrar, in which it will register the Global Notes in the name of a nominee for Citibank, N.A., as common depository (the **Common Depository**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), as owner of the Global Notes. Transfers of all or any portion of the interests in the Global Notes may be made only through the register maintained by the Issuer. Each of Euroclear and Clearstream, Luxembourg will record the beneficial interests in the Global Notes (**Book-Entry Interests**). Book-Entry Interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear or Clearstream, Luxembourg, and their respective participants. Except in the limited circumstances described under *Description of the Notes — Issuance of Definitive Notes*, the Notes will not be available in definitive form (the **Definitive Notes**). Definitive Notes will be issued in registered form only.

THE DISTRIBUTION OF THIS INFORMATION MEMORANDUM AND THE OFFERING OF THE NOTES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. NO REPRESENTATION IS MADE BY THE ISSUER, THE SELLER, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE THAT THIS INFORMATION MEMORANDUM 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, NO ACTION HAS BEEN TAKEN BY THE ISSUER, THE SELLER, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE WHICH WOULD PERMIT A PUBLIC OFFERING OF THE NOTES OR DISTRIBUTION OF THIS INFORMATION MEMORANDUM 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 INFORMATION MEMORANDUM NOR ANY ADVERTISEMENT OR OTHER OFFERING MATERIAL MAY BE DISTRIBUTED OR PUBLISHED, IN ANY JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. PERSONS INTO WHOSE POSSESSION THIS INFORMATION MEMORANDUM COMES ARE REQUIRED BY THE ISSUER TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTIONS.

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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 OF THE NOTES AS SET FORTH THEREIN AND DESCRIBED IN THIS INFORMATION MEMORANDUM AND, IN CONNECTION THEREWITH, MAY BE REQUIRED TO PROVIDE CONFIRMATION OF ITS COMPLIANCE WITH SUCH RESALE AND OTHER TRANSFER RESTRICTIONS IN CERTAIN CASES.

THE ISSUER ACCEPTS RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS INFORMATION MEMORANDUM. TO THE BEST OF ITS KNOWLEDGE (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THIS INFORMATION MEMORANDUM 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 INFORMATION MEMORANDUM AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER, THE SELLER, THE NOTE TRUSTEE, THE SECURITY TRUSTEE OR ANY OF THEIR RESPECTIVE AFFILIATES OR ADVISERS. NEITHER THE DELIVERY OF THIS INFORMATION MEMORANDUM 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 OR THE SELLER OR IN THE OTHER INFORMATION CONTAINED HEREIN SINCE THE DATE HEREOF. CERTAIN INFORMATION CONTAINED IN THIS INFORMATION MEMORANDUM WAS OBTAINED FROM THE SOURCES IDENTIFIED HEREIN, BUT NO ASSURANCE CAN BE GIVEN BY AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. NEITHER THE NOTE TRUSTEE OR THE SECURITY TRUSTEE MAKES ANY REPRESENTATION, EXPRESS OR IMPLIED, OR ACCEPTS ANY RESPONSIBILITY, WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION IN THIS INFORMATION MEMORANDUM. 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 INFORMATION MEMORANDUM 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 DECISION TO INVEST IN THE NOTES.

THIS INFORMATION MEMORANDUM DOES NOT CONSTITUTE AN OFFER OF, OR AN INVITATION BY OR ON BEHALF OF, THE ISSUER OR THE SELLER OR EITHER OF THEM TO SUBSCRIBE FOR OR PURCHASE ANY OF THE NOTES IN ANY JURISDICTION WHERE SUCH ACTION WOULD BE UNLAWFUL AND NEITHER THIS INFORMATION MEMORANDUM, NOR ANY PART THEREOF, MAY BE USED FOR OR IN CONNECTION WITH ANY OFFER TO, OR SOLICITATION BY, ANY PERSON IN ANY JURISDICTION OR IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORISED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

PAYMENTS OF INTEREST AND PRINCIPAL IN RESPECT OF THE NOTES WILL BE SUBJECT TO ANY APPLICABLE WITHHOLDING TAXES WITHOUT THE ISSUER OR ANY OTHER PERSON BEING OBLIGED TO PAY ADDITIONAL AMOUNTS THEREFOR.

IN THIS INFORMATION MEMORANDUM ALL REFERENCES TO **POUNDS, STERLING, GBP** AND **£** ARE REFERENCES TO THE LAWFUL CURRENCY FOR THE TIME BEING OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (THE **UNITED KINGDOM** or **UK**).

Notwithstanding any provision herein, and with effect from the date of commencement of discussion concerning the offering of Notes, each party hereto (and each employee, representative or other agent of such party) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of this transaction and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such tax treatment and tax structure, except to the extent that any such disclosure could reasonably be expected to cause this offering not to be in compliance with securities laws. In addition, no person may disclose the name of or identifying information with respect to any party identified herein or other non-public business or financial information that is unrelated to the tax treatment or tax structure of this transaction without the prior consent of the Issuer.

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PARTIES AND PRINCIPAL FEATURES OF TRANSACTION

The following is an overview of the parties and the principal features of the Notes, the Loans and their Related Security and the Transaction Documents and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Information Memorandum.

You should read the entire Information Memorandum carefully, especially the risks of investing in the Notes discussed under “Risk Factors”.

Capitalised terms used, but not defined, in certain sections of this Information Memorandum, including this summary, may be found in other sections of this Information Memorandum, unless otherwise stated. An index of defined terms is set out at the end of this Information Memorandum.

The Parties

Issuer: Bracken Securities plc is a public limited company incorporated under the laws of England and Wales with registered number 06382146 (the **Issuer**). The Issuer is a wholly owned subsidiary of Holdings. The Issuer was established as a special purpose entity for the purpose of, *inter alia*, issuing the Notes and using the gross proceeds of the Notes to acquire the Initial Portfolio from the Seller.

Holdings: Bracken Securities Holdings Limited is a private limited company incorporated under the laws of England and Wales with registered number 06382115 (**Holdings**). The issued share capital of Holdings is held by a trustee (the **Share Trustee**) under the terms of a discretionary trust for charitable purposes.

Seller: Alliance & Leicester plc is a public limited company incorporated under the laws of England and Wales with registered number 03263713 (**A&L**, in such capacity, the **Seller**) and will enter into a mortgage sale agreement with the Issuer, the Administrator and the Security Trustee on or about the Closing Date (the **Mortgage Sale Agreement**). On the Closing Date, the Seller will sell the Initial Portfolio to the Issuer pursuant to the terms of the Mortgage Sale Agreement.

Administrator: A&L (in such capacity, the **Administrator**) will enter into an administration agreement with, *inter alia*, the Issuer, the Seller and the Security Trustee on or about the Closing Date (the **Administration Agreement**). Pursuant to the terms of the Administration Agreement, the Administrator will administer the residential mortgage loans sold by A&L, in its capacity as a Seller, to the Issuer (the **Loans**) that comprise the Portfolio on behalf of the Issuer.

Cash Manager: A&L (in such capacity, the **Cash Manager**) will enter into a cash management agreement with the Issuer and the Security Trustee on or about the Closing Date (the **Cash Management Agreement**). The Cash Manager will act as agent for the Issuer, to manage all cash transactions and maintain certain ledgers on behalf of the Issuer.

Note Trustee: Citicorp Trustee Company Limited (in such capacity, the **Note Trustee**), will be appointed pursuant to a trust deed (the **Trust Deed**) to be entered into on or about the Closing Date between, *inter alios*, the Issuer and the Note Trustee to represent the interests of the registered holders of the Notes (the **Noteholders**).

Security Trustee: Citicorp Trustee Company Limited (in such capacity, the **Security Trustee**), will hold the security to be granted by the Issuer under the Deed of Charge for the benefit of, *inter alios*, the Noteholders and will be entitled to enforce the security granted in its favour under the Deed of Charge.

Swap Provider: On or about the Closing Date, A&L (in such capacity, the **Swap Provider**) will enter into an ISDA Master Agreement (including a schedule, a credit support annex and one or more confirmations) with the Issuer to swap a one-off payment to be made by the Issuer to the Swap Provider on the Closing Date in return for a one-off payment to be made by the Swap Provider to the Issuer on the first Interest Payment Date and to swap and hedge various interest rates payable on the Loans in the Portfolio into rates calculated by reference to Three-Month Sterling LIBOR (the **Swap Agreement**).

Liquidity Facility Provider: On or about the Closing Date, A&L (in such capacity, the **Liquidity Facility Provider**) will enter into a liquidity facility agreement with the Issuer and the Security Trustee which provides for a liquidity facility to be made available to the Issuer to draw on in certain specified circumstances (the **Liquidity Facility Agreement**).

Account Bank: A&L will be appointed as account bank to the Issuer (in such capacity, the **Account Bank**) pursuant to the terms of a bank account agreement to be entered into by, *inter alios*, the Account Bank, the Issuer and the Security Trustee on or about the Closing Date (the **Bank Account Agreement**). The Issuer will open two accounts (the **GIC Account** and the **Transaction Account**) with the Account Bank on or about the Closing Date.

The short term unguaranteed, unsubordinated and unsecured debt obligations of the Account Bank are currently rated P-1 by Moody's and F1+ by Fitch.

If, at any time the short term, unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank are downgraded below a rating of P-1 by Moody's and F1 by Fitch, the Issuer will be required (within 30 days) to arrange for the transfer (at its own cost) of the Bank Accounts to an appropriately rated bank or financial institution on substantially similar terms to those set out in the Bank Account Agreement in order to maintain the ratings of the Notes at their then current ratings, unless agreed otherwise with the Rating Agencies.

The Account Bank will agree to pay a rate of interest in relation to the GIC Account.

Seller Collection Account Bank: As at the date of this Information Memorandum, the Seller maintains the Seller Collection Account with A&L (in such capacity, the **Seller**

Collection Account Bank). The Seller Collection Account Bank will receive all collections from Borrowers.

Subordinated Loan Provider:

A&L will act as subordinated loan provider to the Issuer (in such capacity, the **Subordinated Loan Provider**) pursuant to the subordinated loan agreement to be entered into on or about the Closing Date between, *inter alios*, the Issuer and the Subordinated Loan Provider (the **Subordinated Loan Agreement**).

Corporate Services Provider:

Structured Finance Management Limited, having its registered office at 35 Great St. Helen's, London EC3A 6AP, a private limited company incorporated in England and Wales with registered number 03859347 (in such capacity, the **Corporate Services Provider**) will be appointed to provide certain corporate services to the Issuer, PECO and Holdings, pursuant to a corporate services agreement (the **Corporate Services Agreement**) to be entered into on or about the Closing Date by, *inter alios*, the Issuer, Holdings, PECO and the Corporate Services Provider.

Secretarial Services Provider:

A&L (in such capacity, the **Secretarial Services Provider**) will be appointed to provide certain secretarial services to the Issuer, PECO and Holdings, pursuant to a secretarial services agreement (the **Secretarial Services Agreement**) to be entered into on or about the Closing Date by, *inter alios*, the Issuer, Holdings, PECO and the Secretarial Services Provider.

Post-Enforcement Call Option Holder: Bracken Securities Option Limited (the **Post-Enforcement Call Option Holder** or **PECO**) is a private limited company incorporated under the laws of England and Wales with registered number 06382152. The entire issued share capital of the Post Enforcement Call Option Holder is held by Holdings. The Post-Enforcement Call Option Holder will enter into a post-enforcement call option agreement on or about the Closing Date with, *inter alios*, the Issuer (the **Post-Enforcement Call Option Agreement**).

Principal Paying Agent:

Citibank, N.A., acting out of its London Branch, will be appointed to act as principal paying agent and agent bank (the **Principal Paying Agent** and the **Agent Bank** respectively) pursuant to an agency agreement to be entered into on or about the Closing Date between, *inter alios*, the Issuer, the Principal Paying Agent and the Agent Bank (the **Agency Agreement**).

Registrar:

Citibank, N.A., acting out of its London Branch, will be appointed to act as registrar under the Agency Agreement (the **Registrar**).

Share Trustee:

SFM Corporate Services Limited, having its registered office at 35 Great St. Helen's, London EC3A 6AP, a private limited company incorporated in England and Wales with registered number 03920255 (in such capacity, the **Share Trustee**) will hold the entire issued share capital of Holdings on trust under the terms of a discretionary trust (the **Share Trustee Declaration of Trust**), the benefit of which is expressed to be for charitable purposes.

Figure 1 — Ownership Structure

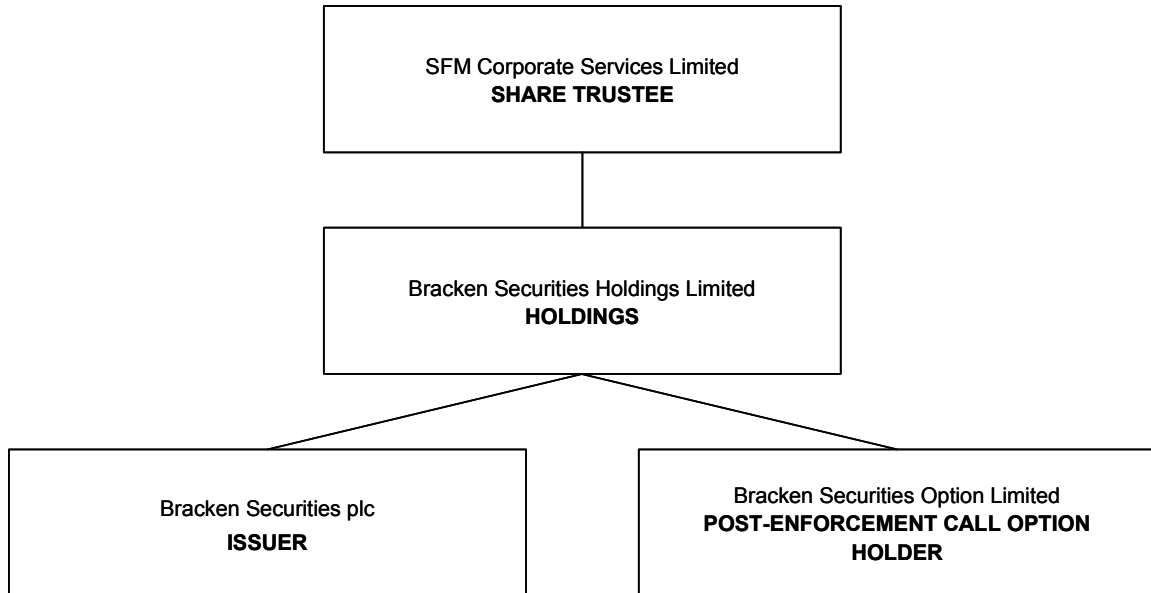


Figure 1 illustrates the ownership structure of the special purpose companies that are parties to the transaction, as follows:

- The Issuer and PECOHO are each wholly owned subsidiaries of Holdings.
- The entire issued share capital of Holdings is held on trust by the Share Trustee under the terms of a discretionary trust, the benefit of which is expressed to be for charitable purposes.
- None of the Issuer, PECOHO, Holdings, or the Share Trustee are either owned, controlled, managed, directed or instructed, whether directly or indirectly, by the Seller or any member of the group of companies containing the Seller.

Figure 2 — Transaction Structure

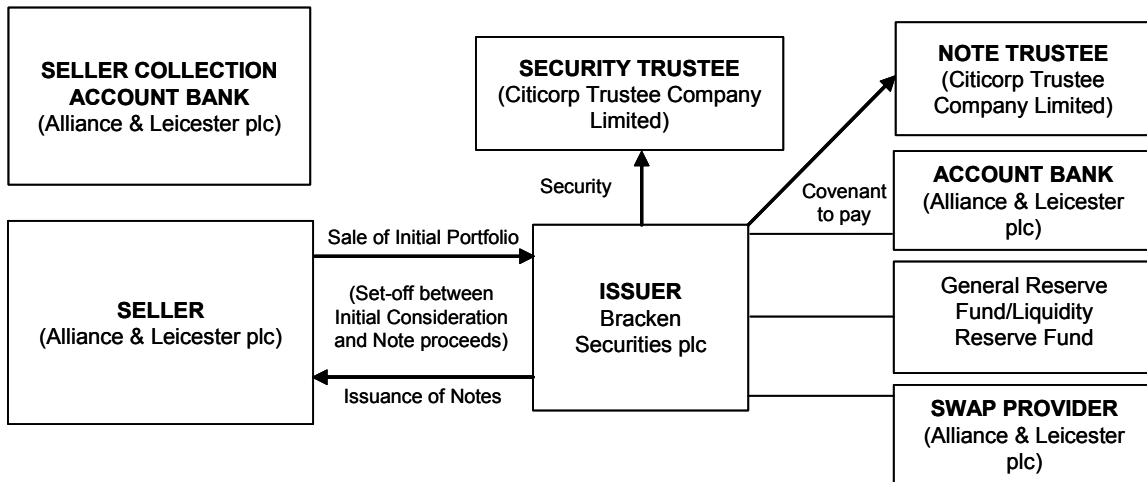


Figure 2 illustrates a brief overview of the transaction, as follows:

The Seller will sell the Initial Portfolio (comprising the Initial Loans, the Initial Related Security and all amounts derived therefrom) to the Issuer on the Closing Date.

The Issuer will set off its obligations to pay the Initial Consideration of £10,367,000,000 to the Seller against the proceeds of the issue of Notes due from the Seller to the Issuer and pay the Seller a sum of £133,948 representing principal receipts in respect of the Provisional Portfolio prior to the Closing Date. At later dates, the Issuer will pay Deferred Consideration to the Seller from excess Available Revenue Receipts.

The Issuer will use amounts received in respect of the Portfolio which are Revenue Receipts and Principal Receipts to meet its obligations to pay, among other items, interest amounts and principal amounts, respectively, to the Noteholders.

Pursuant to the terms of the Deed of Charge, the Issuer will grant security over all of its assets in favour of the Security Trustee, to secure its obligations to its various creditors, including the Noteholders.

The terms of the Notes will be governed by a Trust Deed made with the Note Trustee.

The Issuer will open the GIC Account and the Transaction Account with the Account Bank.

The Issuer will enter into the Swap Agreement with the Swap Provider to swap a sum on the Closing Date for an equivalent sum to be paid to the Issuer by the Swap Provider on the first Interest Payment Date as well as to hedge various interest rates payable on the Loans in the Portfolio into a rate calculated by reference to Three-Month Sterling LIBOR.

The Issuer will establish a General Reserve Fund on the Closing Date from part of the proceeds of a Subordinated Loan made by the Subordinated Loan Provider to the Issuer on the Closing Date. Moneys standing to the credit of the General Reserve Fund will be applied towards payment of senior expenses and interest amounts on the Notes. In limited circumstances, the Issuer will establish a Liquidity Reserve Fund. If established, moneys standing to the credit of the Liquidity Reserve Fund will be applied towards payment of senior expenses and interest amounts on the Notes.

KEY CHARACTERISTICS OF THE NOTES

	<u>Class A1</u>	<u>Class A2</u>	<u>Class A3</u>	<u>Class A4</u>	<u>Class B1</u>	<u>Class C1</u>
Principal Amount:	£2,695,420,000	£1,555,050,000	£1,036,700,000	£4,250,470,000	£414,680,000	£414,680,000
Credit enhancement:	Subordination of the Class B1 Notes, the Class C1 Notes and the Reserve Funds.	Subordination of the Class B1 Notes, the Class C1 Notes and the Reserve Funds.	Subordination of the Class B1 Notes, the Class C1 Notes and the Reserve Funds.	Subordination of the Class B1 Notes, the Class C1 Notes and the Reserve Funds.	Subordination of the Class C1 Notes and the Reserve Funds.	Subordination of the Reserve Funds.
Issue Price:	100%	100%	100%	100%	100%	100%
Interest Rate:	Three-month Sterling LIBOR + Margin	Three-month Sterling LIBOR + Margin	Three-month Sterling LIBOR + Margin	Three-month Sterling LIBOR + Margin	Three-month Sterling LIBOR + Margin	Three-month Sterling LIBOR + Margin
Margin until Interest Payment Date falling in 12 February 2013:	0.20% p.a.	0.25% p.a.	0.30% p.a.	0.35% p.a.	0.90% p.a.	1.50% p.a.
Margin after Interest Payment Date falling in 12 February 2013:	0.40% p.a.	0.50% p.a.	0.60% p.a.	0.70% p.a.	1.80% p.a.	2.50% p.a.
Interest Accrual Method:	Actual/365(Fixed)					
Interest Payment Dates:	For all Notes, quarterly in arrear on the Interest Payment Dates falling in February, May, August and November of each year.					
First Interest Payment Date:	12 February 2008	12 February 2008	12 February 2008	12 February 2008	12 February 2008	12 February 2008
Final Maturity Date:	12 August 2049	12 August 2049	12 August 2049	12 August 2049	12 August 2049	12 August 2049
ISIN:	XS0325265600	XS0325266087	XS0325266327	XS0325266913	XS0325267309	XS0325268299
Common Code:	032526560	032526608	032526632	032526691	032526730	032526829
Expected Ratings (Moody's/Fitch):	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aa3/AA	Baa2/BBB

TRANSACTION OVERVIEW

Description of the Notes, the Loans and their Related Security and the Transaction Documents

Status and Form of the Notes: The Issuer will issue the following classes of the Notes under the Trust Deed:

- Class A1 Asset Backed Floating Rate Notes due 12 August 2049 (the **Class A1 Notes**);
- Class A2 Asset Backed Floating Rate Notes due 12 August 2049 (the **Class A2 Notes**);
- Class A3 Asset Backed Floating Rate Notes due 12 August 2049 (the **Class A3 Notes**);
- Class A4 Asset Backed Floating Rate Notes due 12 August 2049 (the **Class A4 Notes** and, together with the Class A1 Notes, the Class A2 Notes and the Class A3 Notes, the **Class A Notes**);
- Class B1 Asset Backed Floating Rate Notes due 12 August 2049 (the **Class B1 Notes** or the **Class B Notes**);
- Class C1 Asset Backed Floating Rate Notes due 12 August 2049 (the **Class C1 Notes** or the **Class C Notes** and, together with the Class A Notes and the Class B1 Notes, the **Notes**).

The Notes of each class will rank *pari passu* and rateably without any preference or priority among themselves as to payments of interest and (other than in the case of the Class A Notes) principal. The payment of principal in respect of the Class A1 Notes will rank in priority to payments of principal in respect of the Class A2 Notes, the Class A3 Notes and the Class A4 Notes and the payments of principal in respect of the Class A2 Notes will rank in priority to payments of principal in respect of the Class A3 Notes and the Class A4 Notes and the payment of principal in respect of the Class A3 Notes will rank in priority to the payment of principal in respect of the Class A4 Notes.

Pursuant to the Deed of Charge, the Notes will all share the same Security. Certain other amounts, being the amounts owing to the other Secured Creditors, will also be secured by the Security. In the event of the Security being enforced (a) the Class A Notes will rank in priority to the Class B Notes and the Class C Notes and (b) the Class B Notes will rank in priority to the Class C Notes. Certain amounts due by the Issuer to its other Secured Creditors will also rank in priority to the Class A Notes.

Interest on the Notes:

The interest rates applicable to the Notes from time to time will be determined by reference to the London Interbank Offered Rate (**LIBOR**) for three-month Sterling deposits as displayed on Reuters Screen page LIBOR01 (**Three-Month Sterling LIBOR**) (other than the first Interest Period in the case of all Notes which will be determined by reference to a linear interpolation of four-month and five-month Sterling LIBOR), plus, in each case, a margin which will differ for each class of Notes. Sterling LIBOR will be determined on the first day for which the relevant interest rate will apply (the **Interest Determination Date**).

The margins applicable to the Notes, and the Interest Periods for which such margins apply, will be as set out in *Key Characteristics of the Notes* above.

Interest payments on the Class B Notes will be subordinated to interest payments on the Class A Notes and interest payments on the Class C Notes will be subordinated to interest payments on the Class

A Notes and the Class B Notes (see "*Cashflows — Application of Available Revenue Receipts prior to service of a Note Acceleration Notice on the Issuer — Pre-Acceleration Revenue Priority of Payments*" below). This means that holders of the Class B Notes (the **Class B Noteholders**) will not receive any payment of interest unless and until all amounts of interest then due to holders of the Class A Notes (the **Class A Noteholders**) have been paid in full and holders of the Class C Notes (the **Class C Noteholders**) will not receive any payment of interest unless and until all amounts of interest then due to Class A Noteholders and Class B Noteholders have been paid in full.

Subject to the provisions of the next paragraph, if on any Interest Payment Date prior to service of a Note Acceleration Notice on the Issuer, after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, the Issuer has insufficient funds to make payment in full of all amounts of interest (including accrued interest thereon) payable in respect of the Class B Notes and/or the Class C Notes, any shortfall in the amount of interest due will not then be paid on such Interest Payment Date but will be deferred and will only be paid, in accordance with the relevant Priority of Payments (as described in Cashflows below), on subsequent Interest Payment Dates if and when permitted by any subsequent cashflow which is available after the Issuer's higher ranking liabilities have been discharged in full. Any interest not paid on the Notes when due will accrue interest and will be paid only to the extent there are funds available on a subsequent Interest Payment Date in accordance with the relevant Priority of Payments (as described in Cashflows below). All deferred amounts (including interest thereon) will become immediately due and payable on the Final Maturity Date of the Notes or on any earlier date that the Notes are redeemed in full.

Interest will not be deferred on the Class A Notes (or the most senior class of Notes outstanding where one or more classes of Notes has been redeemed in full).

Failure to pay interest on the Class A Notes (or the most senior class of Notes outstanding where one or more classes of Notes has been redeemed in full) shall constitute an Event of Default under the Notes which may result in the Note Trustee giving a Note Acceleration Notice and directing the Security Trustee to enforce the Security. Failure to pay interest when due on any class of Notes where a more senior class of Notes remains outstanding will not constitute an Event of Default.

Interest is payable in respect of the Notes in Sterling. In respect of each class of Notes, interest is payable quarterly in arrear on the 12th day of February, May, August and November, in each year, or, if such day is not a Business Day, on the immediately succeeding Business Day (each such date being an **Interest Payment Date**).

An **Interest Period** in relation to the Notes is the period from (and including) an Interest Payment Date (except in the case of the first

Interest Payment Date, where it shall be the period from (and including) the Closing Date) to (but excluding) the next succeeding (or first) Interest Payment Date.

Mandatory Redemption:

Subject to the terms of the Deed of Charge, on each Interest Payment Date prior to the occurrence of a Pro-Rata Trigger Event, Available Principal Receipts will be applied sequentially to repay the Class A1 Notes on a *pro rata* basis until repaid in full, then the Class A2 Notes on a *pro rata* basis until repaid in full, then the Class A3 Notes on a *pro rata* basis until repaid in full, then the Class A4 Notes on a *pro rata* basis until repaid in full and then the Class B Notes on a *pro rata* basis until repaid in full and then the Class C Notes on a *pro rata* basis until repaid in full.

Subject to the terms of the Deed of Charge, on or following the occurrence of a Pro-Rata Trigger Event, Available Principal Receipts will be applied to repay the Class A Notes, the Class B Notes and the Class C Notes on a *pro rata* basis, provided that such amounts available to be applied to repay the Class A Notes *pro rata* will be applied first to repay the Class A1 Notes, then to repay the Class A2 Notes, then to repay the Class A3 Notes and then to repay the Class A4 Notes.

A **Pro-Rata Trigger Event** will occur if on any Collection Period End Date (as defined below), X is greater than or equal to two times Y where:

X = the Principal Amount Outstanding of the Class A Notes as at the Closing Date divided by the aggregate Principal Amount Outstanding of the Class B Notes and the Class C Notes as at the Closing Date; and

Y = the Principal Amount Outstanding of the Class A Notes as at that Collection Period End Date (as defined below) divided by the aggregate Principal Amount Outstanding of the Class B Notes and the Class C Notes as at that Collection Period End Date,

provided that none of the following events has occurred and is subsisting as at that Collection Period End Date:

- (a) the aggregate current balance of Loans in respect of which the aggregate amount in arrears is more than 3 times the monthly payment then due is less than 5 per cent. of the aggregate current balance of all the Loans in the Portfolio;
- (b) the balance of the General Reserve Fund is less than the General Reserve Required Amount;
- (c) the balance of the Liquidity Reserve Fund (if established) is less than the Liquidity Reserve Required Amount;
- (d) the aggregate Principal Amount Outstanding of the Notes as at the Collection Period End Date is less than 10% of the

aggregate Principal Amount Outstanding of the Notes as at the Closing Date; or

- (e) there is a debit balance on any Principal Deficiency Sub Ledger that will not be reduced to nil on the immediately following Interest Payment Date.

A **Collection Period End Date** means the last day of the calendar month immediately preceding the immediately following Calculation Date.

A **Calculation Date** occurs four Business Days prior to each Interest Payment Date.

The Pro-Rata Trigger Event will be tested by the Cash Manager on each Calculation Date with reference to the immediately preceding Collection Period End Date.

Investors should note that principal repayments may be made in respect of lower ranking classes of Notes *pro rata* with higher ranking classes of Notes on or following the occurrence of a Pro-Rata Trigger Event.

If any of the events set out in paragraph (a), (b), (c), (d) or (e) should occur, then Available Principal Receipts will not be applied to repay the Notes on a *pro rata* basis but will continue to be applied to repay the Notes on a sequential basis as described above.

Optional Redemption (for Reasons other than Taxation Reasons):

Subject to the conditions of the Notes (the **Conditions**), the Issuer may at its option redeem some or all of the Notes on any Interest Payment Date provided that, prior to the occurrence of a Pro-Rata Trigger Event, Available Principal Receipts will be applied to repay the Notes sequentially in the following order of priority:

- (a) *first*, in or towards repayment *pro rata* and *pari passu* of the Class A1 Notes;
- (b) *second*, in or towards repayment *pro rata* and *pari passu* of the Class A2 Notes;
- (c) *third*, in or towards repayment *pro rata* and *pari passu* of the Class A3 Notes;
- (d) *fourth*, in or towards repayment *pro rata* and *pari passu* of the Class A4 Notes;
- (e) *fifth*, in or towards repayment *pro rata* and *pari passu* of the Class B1 Notes; and
- (f) *sixth*, in or towards repayment *pro rata* and *pari passu* of the Class C1 Notes.

On or following the occurrence of a Pro-Rata Trigger Event but prior to the service of a Note Acceleration Notice on the Issuer and provided that the circumstances giving rise to a Pro-Rata Trigger Event continue to exist, Available Principal Receipts will be allocated and applied to repay the Class A Notes, the Class B Notes and the Class C Notes on a pro-rata basis at the then Principal Amount Outstanding. Any pro rata amount allocated to repay the Class A Notes shall be applied firstly towards repayment (on a pro rata and pari passu basis) of the Class A1 Notes, then towards repayment (on a pro rata and pari passu basis) of the Class A2 Notes, then towards repayment (on a pro rata and pari passu basis) of the Class A3 Notes and then towards repayment (on a pro rata and pari passu basis) of the Class A4 Notes.

If the circumstances giving rise to the occurrence of a Pro-Rata Trigger Event cease to exist, then Available Principal Receipts will be applied on the following Interest Payment Date to repay the Notes as described initially above.

Any Note redeemed pursuant to Condition 7.3 will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to (but excluding) the date of redemption (see *Condition 7.3 of "Terms and Conditions of the Notes"*).

Optional Redemption for Taxation Reasons:

Subject to the Conditions, if by reason of a change in tax law affecting the Notes and/or the Swap Agreement which becomes effective on or after the Closing Date, (a) the Issuer or the Paying Agents would be required (on the next Interest Payment Date) to make a deduction or withholding for or on account of tax from any payment in respect of the Notes and/or (b) either the Issuer or the Swap Provider would be required to make a withholding or deduction for or on account of tax from any payment it makes under the Swap Agreement, then the Issuer shall, in the case of (a), use its reasonable endeavours to appoint a Paying Agent in another jurisdiction or arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes or, in the case of (b), use reasonable endeavours to procure that the Swap Agreement is replaced by a swap agreement with a different swap provider or transferred to a different branch of the Swap Provider in respect of which no withholding or deduction for or on account of tax will be required from payments made under that agreement.

If the Issuer satisfies the Note Trustee that taking the actions as described above would not avoid the effect of the relevant events in (a) or (b) or that, having used its reasonable endeavours, the Issuer is unable to effect such appointment, substitution or replacement (as applicable), then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 30 days' notice in accordance with Condition 7.4 redeem all (but not some only) of the Notes at their respective Principal Amount Outstanding together with

any interest accrued (and unpaid) thereon. (See *Condition 7.4* of "*Terms and Conditions of the Notes*".)

Credit Enhancement:

The Notes will have the benefit of the following credit enhancement or support:

- availability of excess portions of Revenue Receipts and Principal Receipts (See "*Credit Structure — Credit Support for the Notes provided by Available Revenue Receipts*" and "*Credit Structure — Income Deficiency*");
- the General Reserve Fund (see "*Credit Structure — General Reserve Fund*");
- the Liquidity Facility (see "*Credit Structure — Liquidity Facility*");
- the Liquidity Reserve Fund, if established following an A&L rating downgrade (see "*Credit Structure — Liquidity Reserve Fund*"); and
- subordination of junior classes of Notes (as applicable).

Swap Agreement:

The Notes will also have the benefit of derivatives instruments, namely the Swaps provided by the Swap Provider. See "*Credit Structure — Interest Rate Risk for the Notes*".

Further Notes, New Notes and Replacement Notes:

The Issuer will be entitled (but not obliged) to issue:

- (a) further notes (the **Further Notes**) carrying the same terms and conditions in all respects (or in all respects except for the first Interest Period) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, any class of the Notes,
- (b) replacement notes (the **Replacement Notes**) to replace one or more classes of the Notes which shall have the same terms and conditions in all respects as the class of Notes which it replaces (except for the rate of interest applicable to such Replacement Notes which, if not the same, must be lower than the rate of interest applicable to the class of Notes being replaced) and which may on issue be in an aggregate principal amount which is different from the aggregate Principal Amount Outstanding of the class of Notes which it replaces; and
- (c) new Notes (the **New Notes**) which may rank *pari passu* with the Class A Notes, Class B Notes or Class C Notes or after the Class A Notes but ahead of the Class B Notes or after the Class B Notes but ahead of the Class C Notes or after the Class C Notes and which may have terms and conditions which differ from the Notes, which do not form a single series with the Class A Notes, the Class B Notes or the Class C Notes.

The issue of any Further Notes, Replacement Notes or New Notes will be subject to satisfaction of the conditions set out in Condition 17 (See "*Credit Structure - Further Notes, Replacement Notes and New Notes*") including the sale of new Loans (the **New Loans**) by the Seller to the Issuer in an amount equal to the aggregate principal amount of such Further Notes or New Notes pursuant to the provisions of the Mortgage Sale Agreement and that the ratings of each class of Notes at that time outstanding are not downgraded, withdrawn or qualified by any Rating Agency as a result of such issue of Further Notes, Replacement Notes or New Notes.

Purchase of Notes:

Unless it is provided for in or permitted by the terms of the Transaction Documents, the Issuer shall not purchase any Notes.

Final Maturity:

Unless previously redeemed in full, each class of Notes will mature on the date (which is an Interest Payment Date) designated as the **Final Maturity Date** for that class of Notes in the table titled *Key Characteristics of the Notes*.

Post-Enforcement Call Option:

The Note Trustee will, on the Closing Date, grant to the Post-Enforcement Call Option Holder pursuant to the Post-Enforcement Call Option Agreement, an option (the **Post-Enforcement Call Option**) to require the transfer to the Post-Enforcement Call Option Holder, for a nominal amount, of all (but not some only) of the Class A Notes then outstanding (together with accrued interest thereon), the Class B Notes then outstanding (together with accrued interest thereon) and/or Class C Notes then outstanding (together with accrued interest thereon), in the event that the Security is enforced and, after payment of all other claims ranking in priority to the Class A Notes and/or the Class B Notes and/or the Class C Notes under the Deed of Charge, the remaining proceeds of such enforcement are insufficient to pay in full all principal, interest and other amounts due in respect of the Class A Notes and/or the Class B Notes and/or the Class C Notes (as the case may be) and all other claims ranking *pari passu* therewith. The Class A Noteholders, the Class B Noteholders and the Class C 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 Class A Noteholders, the Class B Noteholders and the Class C Noteholders.

Withholding Tax:

Payments of interest and principal with respect to the Notes will be subject to any applicable withholding or deduction for or on account of any taxes and neither the Issuer, nor any Paying Agent or any other person will be obliged to pay additional amounts in respect of any such withholding or deduction. The applicability of any withholding or deduction for or on account of UK taxes is discussed further under "*United Kingdom Taxation*", below.

Expected Average Lives of the Notes:

The actual average lives of the Notes cannot be stated, as the actual rate of repayment of the Loans and redemption of the Loans and a number of other relevant factors are unknown. However, calculations

of the possible average lives of the Notes can be made based on certain assumptions as described under "*Expected Average Lives of the Notes*", below.

However, in certain circumstances as set out in "*Risk Factors*"— *Risk Factors relating to the Issuer*" and "*Risk Factors — Considerations relating to yield, prepayments and mandatory redemptions*" below, the actual average lives of the Notes may be shorter or longer than the expected average lives of the Notes.

Ratings:

The rating expected to be assigned to each class of Notes on or about the Closing Date by Moody's Investors Service Limited (**Moody's**) and Fitch Ratings Ltd. (**Fitch**, and, together with Moody's, 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 Notes (or any class thereof)), are set out in "*Key Characteristics of the Notes*" above.

The issuance of the Notes is conditional on the assignment on the Closing Date of the expected ratings by Moody's and Fitch set out above in the table titled "*Key Characteristics of the Notes*" above.

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 judgment, circumstances (including without limitation, a reduction in the credit rating of the Account Bank and/or the Swap Provider) in the future so warrant.

Listing:

Application may be made in the future to the UK Listing Authority to list each class of the Notes on the Official List maintained by the UK Listing Authority and to the London Stock Exchange to admit the Notes to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market or, alternatively, application may in the future be made for the listing of the Notes on a recognised stock exchange outside the United Kingdom.

Sale of Initial Portfolio:

The primary source of funds available to the Issuer to pay interest and principal on the Notes will be the Revenue Receipts and Principal Receipts generated by the Loans in the Portfolio. Pursuant to the Mortgage Sale Agreement, the Seller will sell its interest in the Initial Portfolio to the Issuer on the Closing Date. The sale by the Seller to the Issuer on the Closing Date of each Initial Loan in the Initial Portfolio which is secured by a Mortgage over a property located in England and Wales, Northern Ireland or Scotland will be given effect by (a) as regards Initial Loans that are secured by a Mortgage over a property located in England and Wales or Northern Ireland, an equitable assignment and (b) as regards Initial Loans that are secured by a Mortgage over a property located in Scotland, a declaration or declarations of trust (each a **Scottish Declaration of Trust**) pursuant to which the Issuer is vested in the beneficial interest in and to such Initial Loans and their Initial Related Security. The terms **sale**, **sell** and **sold** when used in the Information Memorandum in connection with the Loans and their Related Security shall be construed to mean

each such equitable assignment and each such Scottish Declaration of Trust.

The term **Loans** when used in this Information Memorandum means the residential mortgage loans in the Initial Portfolio to be sold to the Issuer on the Closing Date together with, where the context so requires, each Further Advance (as defined in "*Summary of Key Transaction Documents – Mortgage Sale Agreement – Product Switches and Further Advances*") sold to the Issuer by the Seller after the Closing Date, any Loan the subject of a Product Switch and any Flexible Drawings in respect of a Loan but excluding (for the avoidance of doubt) each Loan and its Related Security redeemed or repurchased by the Seller pursuant to the Mortgage Sale Agreement or otherwise sold by the Issuer in accordance with the terms of the Transaction Documents and no longer beneficially owned by it.

The term **English Loan** when used in this Information Memorandum means a Loan secured by an English Mortgage (as defined below). The term **Northern Irish Loan** when used in this Information Memorandum means a Loan secured by a Northern Irish Mortgage (as defined below). The term **Scottish Loan** when used in this Information Memorandum means a Loan secured by a Scottish Mortgage (as defined below).

Prior to the occurrence of a Seller Insolvency Event (as defined below) or a Seller Downgrade Event (as defined below), notice of the sale of the Portfolio will not be given to the relevant borrowers (the **Borrowers**) under those Loans transferred and the Issuer will not apply to the Land Registry or the Central Land Charges Registry of England and Wales or the Land Registry or the Registry of Deeds of Northern Ireland or the Registers of Scotland (as applicable) to register or record its equitable or beneficial interest in or legal title to the Mortgages.

The Loans:

The **Portfolio** will consist of the Loans, the Related Security and all moneys derived therefrom from time to time.

When used in this Information Memorandum, **Related Security** means, in relation to a Loan, the security for the repayment of that Loan including the relevant mortgage or (in Scotland) standard security (the **Mortgage**) and all other matters applicable thereto acquired as part of the Portfolio sold to the Issuer pursuant to the Mortgage Sale Agreement.

All the Loans are secured by:

- (a) first ranking legal charges over freehold or leasehold properties located in England or Wales (each, an **English Mortgage** and together, the **English Mortgages**);
- (b) first fixed charges over freehold or leasehold properties located in Northern Ireland (each, a **Northern Irish Mortgage** and together, the **Northern Irish Mortgages**); or

- (c) first ranking standard securities over heritable properties or properties held under long leases located in Scotland (each, a **Scottish Mortgage** and together, the **Scottish Mortgages** and, together with the English Mortgages and the Northern Irish Mortgages, the **Mortgages** and each, a **Mortgage** and each property the subject of a Mortgage, a **Mortgaged Property** and together, the **Mortgaged Properties**).

The Initial Provisional Portfolio consists of 106,062 Loans with an aggregate current balance of £10,481,093,988.

As at the Closing Date, the Initial Loans in the Initial Portfolio will comprise Fixed Rate Loans, Variable Rate Loans, Discounted Rate Loans and Base Rate Loans, any of which may also be a Flexible Loan. See "*The Loans — Characteristics of the Loans — Mortgage Loan Products*" for a full description of the Loans).

Any reference to the **current balance** of the Loans includes the outstanding principal balance, all capitalised amounts and accrued amounts in relation to the Loans. Any reference to the **outstanding principal balance** means, in relation to a Loan at any date (the **determination date**), the aggregate principal balance of the Loan at such date (but avoiding double counting) including (a) the original principal amount advanced by the Seller to the relevant Borrower and (b) any increase in the principal amount due under the Loans due to the Borrower making Cash Withdrawals, a Borrower taking Payment Holidays or making Underpayments or a Further Advance being made available to a Borrower in each case relating to such Loan less any prepayment (including any decrease in the principal amount outstanding under that Loan due to the Borrower making Overpayments), repayment or payment of the foregoing made on or prior to the determination date.

As at the Closing Date, the Initial Loans in the Initial Portfolio will each have had an original repayment term of up to 40 years. No Loan in the Portfolio will have a final repayment date beyond two years prior to the Final Maturity Date for the Notes.

Further Advances: If a Borrower requests, or the Seller or the Administrator (on behalf of the Seller) offers, a Further Advance under a Loan, the Seller or the Administrator (on behalf of the Seller) will be solely responsible for offering, documenting and funding that Further Advance. Any Further Advance made to a Borrower will be purchased by the Issuer on the relevant Advance Date (as defined in "*Summary of the Key Transaction Documents — Mortgage Sale Agreement — Product Switches and Further Advances*") unless a notice has been given by the Seller to the Issuer on the immediately preceding Calculation Date that any of the Portfolio Conditions are not satisfied (a **Notice of Non-Satisfaction of Portfolio Conditions**) and such notice has not been revoked and/or any Further Advance Condition (as defined below) has not been met. If a Further Advance is purchased by the Issuer on the relevant Advance Date, the Issuer will pay the Seller the purchase price of such Further Advance (the **Further Advance Purchase Price**) on the Business Day following

the relevant Advance Date. If a Notice of Non-Satisfaction of Portfolio Conditions has been given by the Seller to the Issuer and such notice has not been revoked and/or a Further Advance Condition has not been met, then the Issuer shall not purchase any Further Advance made on or following the date of such Notice of Non-Satisfaction of Portfolio Conditions, and from that point on the Seller will repurchase each Loan which is the subject of such Further Advance and its Related Security from the Issuer on the relevant Advance Date, until such notice is revoked.

Product Switches: If a Borrower requests, or the Seller or the Administrator (on behalf of the Seller) offers, a Product Switch (as defined in "*Summary of the Key Transaction Documents – Mortgage Sale Agreement – Product Switches and Further Advances*") under a Loan, the Seller or the Administrator (on behalf of the Seller) will be solely responsible for offering and documenting that Product Switch. Any Loan which has been subject to a Product Switch will remain in the Portfolio unless the Seller has given a Notice of Non-Satisfaction of Portfolio Conditions on the immediately preceding Calculation Date (as defined in "*Summary of the Key Transaction Documents – Mortgage Sale Agreement – Product Switches and Further Advances*") that any of the Portfolio Conditions are not satisfied and such notice has not been revoked and/or if a Product Switch Condition has not been met. If a Notice of Non-Satisfaction of Portfolio Conditions has been given by the Seller to the Issuer and such notice has not been revoked and/or if a Product Switch Condition has not been met, the Seller must then, on the relevant Switch Date, repurchase the relevant Loan and its Related Security from the Issuer and must pay the Issuer the consideration for such repurchase on the Business Day following the relevant Switch Date.

If it is subsequently determined that any warranty made by the Seller in respect of a Loan which is the subject of a Further Advance or Product Switch and which remains in the Portfolio was materially untrue as at the Advance Date or Switch Date (as applicable) or any relevant Portfolio Condition or other Further Advance Condition or Product Switch Condition (as applicable) was in fact not satisfied on the Advance Date or Switch Date (as applicable) (a) despite no Notice of Non-Satisfaction of Portfolio Conditions having been given by the Seller to the Issuer on the relevant Calculation Date or (b) where a Notice of Non-Satisfaction of Portfolio Conditions was given but was revoked prior to such date, and that default has not been remedied within 20 Business Days of receipt of notice from the Issuer, then the relevant Loan and its Related Security must be repurchased by the Seller on the next Business Day following receipt of a notice from the Issuer requiring repurchase thereof.

Where the Seller or the Administrator (on behalf of the Seller) proposes making a Further Advance or Product Switch (as applicable) following the Step-Up Date (as defined in "*Summary of the Key Transaction Documents – Mortgage Sale Agreement – Product Switches and Further Advances*"), the Seller may despite not having given a Notice of Non-Satisfaction of Portfolio Conditions to the

Issuer on the relevant Calculation Date before the Advance Date or the Switch Date (as applicable), alternatively to selling the Further Advance to the Issuer or the Loan which is the subject of a Product Switch remaining in the Portfolio (as applicable), elect to repurchase the relevant Loan and its Related Security from the Issuer on the relevant Advance Date or Switch Date (as applicable). Any such election must be made at least one Business Day before the relevant Advance Date or Switch Date (as applicable). The Seller must pay the consideration for the relevant Loan to the Issuer on the Business Day following the relevant Advance Date or Switch Date (as applicable).

See "*Summary of the Key Transaction Documents — Mortgage Sale Agreement — Product Switches and Further Advances*" below.

Flexible Drawings: If a Borrower requests a Flexible Drawing under a Flexible Loan, the Seller or the Administrator (on behalf of the Seller) will be solely responsible for documenting and funding that Flexible Drawing. Any Flexible Drawing made to a Borrower will be purchased by the Issuer on the relevant drawing date (the **Flexible Drawing Date**). The Issuer will pay the Seller the purchase price of the Flexible Drawing (the **Flexible Drawing Purchase Price**) on the Business Day following the relevant Flexible Drawing Date.

Warranties: The Issuer will have the benefit of warranties (the **Loan Warranties**) given, or to be given, by the Seller as at the Closing Date in relation to the Loans and their Related Security, including warranties in relation to the Lending Criteria applied in advancing the Loans.

The Seller will be required to repurchase any Loan sold to the Issuer pursuant to the Mortgage Sale Agreement if any Loan Warranty made by the Seller in relation to that Loan and/or its Related Security is materially breached or proves to be materially untrue as at the Closing Date, the Advance Date or the Switch Date (as applicable), and that default has not been remedied within 20 Business Days of receipt of notice from the Issuer. See "*Summary of the Key Transaction Documents — Mortgage Sale Agreement — Repurchase by Seller*" below.

In relation to the loans comprising the Initial Provisional Portfolio, (a) the weighted average loan to value of those loans was 66%, (b) the weighted average seasoning of those loans was 29 months and (c) the loans are secured by mortgages or standard securities over properties situated in England, Wales, Northern Ireland or Scotland.

Principal Deficiency Ledger:

A Principal Deficiency Ledger will be established to record any Losses affecting the Loans in the Portfolio and the application of any Principal Receipts and/or the application of amounts standing to the credit of the Liquidity Reserve Fund (if established) to cover any Income Deficit as described in "*Credit Structure — Principal Deficiency Ledger*" below.

When used in this Information Memorandum, **Losses** means all realised losses on the Loans.

The Principal Deficiency Ledger will comprise three sub-ledgers — the **Class A Principal Deficiency Sub Ledger** (relating to the Class A Notes), the **Class B Principal Deficiency Sub Ledger** (relating to the Class B Notes) and the **Class C Principal Deficiency Sub Ledger** (relating to the Class C Notes).

See "*Credit Structure — Principal Deficiency Ledger*" below.

Administration Agreement:

Pursuant to the Administration Agreement, the Administrator will agree to service the Loans and their Related Security on behalf of the Issuer (such services, *inter alia*, the **Administration Services**).

The Administration Services include collecting payments on the Loans and paying such amounts collected to the Issuer's GIC Account on the next Business Day on a daily basis, enforcing Mortgages that are in arrears and setting the variable interest rates on the Variable Rate Loans, the Discounted Rate Loans and the Base Rate Loans after the fixed tracker period, and the margins on the Base Rate Loans and the Discounted Rate Loans.

The Issuer will, on each Interest Payment Date, pay to the Administrator an administration fee (inclusive of VAT) of 0.08% per annum on the aggregate current balance of the Loans comprising the Portfolio as at the opening of business on the first day of the preceding Collection Period (the **Administration Fee**). The Administration Fee will rank ahead of all payments on the Notes.

Swap Agreement:

Payments received by the Issuer under the Loans will be subject to variable and fixed rates of interest. To hedge the potential variance between these rates and Three-Month Sterling LIBOR, the Issuer will enter into Swaps with the Swap Provider under the Swap Agreement.

Subordinated Loan Agreement:

The Issuer will enter into the Subordinated Loan Agreement on or about the Closing Date with the Subordinated Loan Provider, pursuant to which the Subordinated Loan Provider will advance a loan (the **Subordinated Loan**) to the Issuer on or about the Closing Date in the amount of approximately £293,675,000 which will be used to fund the payment by the Issuer to the Swap Provider on the Closing Date to swap that sum for an equivalent sum to be paid to the Issuer by the Swap Provider on the first Interest Payment Date under the Swap Agreement, to meet certain of the Issuer's expenses in connection with the issue of the Notes and to partially fund the General Reserve Fund.

Bank Account Agreement:

The Issuer will enter into the Bank Account Agreement with the Account Bank on or about the Closing Date in respect of the GIC Account, the Transaction Account and any additional accounts established pursuant to the Bank Account Agreement (collectively, the **Bank Accounts**). The Account Bank will agree to pay interest on the GIC Account at a specified rate. On each Interest Payment Date, the Cash Manager will transfer moneys from the GIC Account to the Transaction Account. Moneys will be transferred from the GIC Account to the Transaction Account to be applied in accordance with the relevant Priority of Payments set out in the Cash Management

Agreement. Moneys may also be transferred from the GIC Account to pay the Further Advance Purchase Price and the Flexible Drawing Purchase Price in respect of any Further Advance or Flexible Drawing respectively sold by the Seller to the Issuer.

***Seller Collection Account
Declaration of Trust:***

Payments by Borrowers in respect of amounts due under the Loans will be made into the Seller Collection Account (as defined in "*Loan Administration — Collections*"), and such payments will be subject of the Seller Collection Account Declaration of Trust (as defined in "*Loan Administration — Collections*") in favour of the Issuer. See "*Loan Administration — Collections*".

RISK FACTORS

The following is a summary of the principal risks associated with an investment in the Notes. These risk factors are material to an investment in the Notes and in the Issuer. Prospective Noteholders should carefully read and consider all the information contained in this Information Memorandum, including the risk factors set out in this section, prior to making any investment decision.

Liabilities Under the Notes

The Notes will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Seller, the Swap Provider, the Administrator, the Cash Manager, the Account Bank, the Seller Collection Account Bank, the Note Trustee, the Security Trustee, any company in the same group of companies as such entities, any other party to the Transaction Documents or by any person other than the Issuer.

Limited Source of Funds

The ability of the Issuer to meet its obligations to pay principal and interest on the Notes and its operating and administrative expenses will be dependent primarily on receipts from the Loans in the Portfolio (including, amounts standing to the credit of the General Reserve Fund and the Liquidity Reserve Fund (if established) (the **Reserve Funds**), interest earned on the Bank Accounts and the receipts under the Swaps).

Considerations Relating to Yield, Prepayments and Mandatory Redemptions

The yield to maturity of the Notes of each class will depend on, *inter alia*, the amount and timing of payment of principal on the Loans and the price paid by the holders of the Notes of each class. Prepayments on the Loans may result from refinancings, sales of properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Mortgages, as well as the receipt of proceeds under the insurance policies. In addition, repurchases of Loans required to be made under the Mortgage Sale Agreement will have the same effect as a prepayment of such Loans. The yield to maturity of the Notes of any class may be adversely affected by a higher or lower than anticipated rate of prepayments on the Loans. See "*Expected Average Lives of the Notes*", below.

The rate of prepayment of Loans is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing programmes, local and regional economic conditions and homeowner mobility. Generally, when market interest rates increase, borrowers are less likely to prepay their mortgage loans, while conversely, when market rates decrease, borrowers are generally more likely to prepay their mortgage loans. For instance, Borrowers may prepay Loans when they refinance their Loans or sell their properties (either voluntarily or as a result of enforcement action taken). In addition, if the Seller is required to repurchase a Loan or Loans under a Mortgage Account and their Related Security because, for example, one of the Loans does not comply with the Loan Warranties, then the payment received by the Issuer will have the same effect as a prepayment of all the Loans under that Mortgage Account. Because these and other relevant factors are not within the control of the Issuer, no assurance can be given as to the level of prepayments that the Portfolio will experience.

Payments and prepayments of principal on the Loans will be applied to reduce the Principal Amount Outstanding of the Notes on a pass-through basis on each Interest Payment Date in accordance with the Pre-Acceleration Principal Priority of Payments (see "*Cashflows*" below).

Following enforcement of the Security, there is no guarantee that the Issuer will have sufficient funds to redeem the Notes in full.

Declining Property Values

The security for the Notes consists primarily of the Issuer's interest in the Loans and Related Security. The value of the Related Security may be affected by, among other things, a decline in the residential property values in the United Kingdom. No assurance can be given that the value of any Related Security has remained or will remain at the level at which it was on the date of origination of the related Loan. If the residential property market in the United Kingdom should experience an overall decline in property values, such a decline could in certain circumstances result in the value of the Related Security being significantly reduced and, in the event that the Related Security is required to be enforced, may result in losses on the Notes.

Geographic Concentration Risks

Loans in the Portfolio may also be subject to geographic concentration risks within certain regions of the United Kingdom. To the extent that specific geographic regions within the United Kingdom have experienced or may experience in the future weaker regional economic conditions and housing markets than other regions in the United Kingdom, a concentration of the Loans in such a region may be expected to exacerbate the risks relating to the Loans described in this section. Certain geographic regions within the United Kingdom rely on different types of industries. Any downturn in a local economy or particular industry may adversely affect the regional employment levels and consequently the repayment ability of the Borrowers in that region or the region that relies most heavily on that industry. Any natural disasters in a particular region may reduce the value of affected Mortgaged Properties. This may result in a loss being incurred upon sale of the Mortgaged Property. These circumstances could affect receipts on the Loans and ultimately result in losses on the Notes. For an overview of the geographical distribution of the Loans, see "*Characteristics of the Portfolio — Geographical distribution*".

Lack of liquidity in the secondary market may adversely affect the market value of the Notes

The secondary mortgage markets are currently experiencing severe disruptions resulting from reduced investor demand for mortgage loans and mortgage-backed securities and increased investor yield requirements for those loans and securities. As a result, the secondary market for mortgage-backed securities is experiencing extremely limited liquidity. These conditions may continue or worsen in the future.

Limited liquidity in the secondary market for mortgage-backed securities has had a severe adverse effect on the market value of mortgage-backed securities. Limited liquidity in the secondary market may continue to have a severe adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the investment requirements of limited categories of investors. Consequently, you may not be able to sell your Notes readily. The market values of the Notes are likely to fluctuate. Any of these fluctuations may be significant and could result in significant losses to you.

In addition, the forced sale into the market of mortgage-backed securities held by structured investment vehicles, hedge funds, issuers of collateralised debt obligations and other similar entities that are currently experiencing funding difficulties could adversely affect your ability to sell, and/or the price you receive for, your Notes in the secondary market.

Continuing increases in prevailing market interest rates may adversely affect the performance and market value of the Notes

Over the past two years and as a result of, among other things, increases in the Bank of England base rate, there has been a pattern of rising mortgage interest rates, resulting in borrowers with a mortgage loan subject to a variable rate of interest or with a mortgage loan for which the related interest rate adjusts following an initial fixed rate or low introductory rate, as applicable, being exposed to increased monthly payments as and when the related mortgage interest rate adjusts upward (or, in the case of a mortgage loan with an initial

fixed rate or low introductory rate, at the end of the relevant fixed or introductory period). This increase in borrowers' required monthly payments, which (in the case of a mortgage loan with an initial fixed rate or low introductory rate) may be compounded by any further increase in the related mortgage interest rate during the relevant fixed or introductory period, ultimately may result in higher delinquency rates and losses in the future.

Borrowers seeking to avoid these increased monthly payments by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. Any decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance. These events, alone or in combination, may contribute to higher delinquency rates and losses. See "*Risk factors — Declining Property Values*" above.

Subordination of Other Classes of Notes in Relation to Interest

The Class B Notes and the Class C Notes are subordinated in right of payment of interest to the Class A Notes, and the Class C Notes are subordinated in right of payment of interest to the Class B Notes. There is no assurance that these subordination rules will protect the holders of Class A Notes or Class B Notes from all risk of loss.

Subordination of Other Classes of Notes in Relation to Principal

Prior to the occurrence of a Pro-Rata Trigger Event, the Class B Notes and the Class C Notes are subordinated in right of payment of principal to the Class A Notes, and the Class C Notes are subordinated in right of payment of principal to the Class B Notes. There is no assurance that these subordination rules will protect the holders of Class A Notes or Class B Notes from all risk of loss.

On or following the occurrence of a Pro-Rata Trigger Event but prior to service of a Note Acceleration Notice on the Issuer and provided that the circumstances giving rise to a Pro-Rata Trigger Event continue to exist, each of the holders of the Class A Notes, the Class B Notes and the Class C Notes shall be repaid principal on a pro-rata basis, based on the aggregate Principal Amount Outstanding of a class of Notes to the aggregate Principal Amount Outstanding of all the Notes, provided that amounts available to repay the Class A Notes will be applied first to repay the Class A1 Notes, then the Class A2 Notes, then the Class A3 Notes and then the Class A4 Notes. This mechanism means that lower ranking classes of Notes will be repaid principal in the same priority as higher ranking classes of Notes.

Subordination of Other Classes of Notes Following Service of a Note Acceleration Notice on the Issuer

The terms on which the security for the Notes will be held will provide that, following service of a Note Acceleration Notice on the Issuer, payments will rank in the order of priority set out in "*Cashflows — Post-Acceleration Priority of Payments*". Following service of a Note Acceleration Notice on the Issuer, no amounts will be paid to the Class B Noteholders until all amounts owing to the Class A Noteholders have been paid in full and no amounts will be paid to the Class C Noteholders until all amounts owing to the Class A Noteholders and the Class B Noteholders have been paid in full. There is no assurance that these subordination provisions will protect the holders of Class A Notes or Class B Notes from all risk of loss.

Deferral of Interest Payments

If, on any Interest Payment Date whilst any of the Class A Notes remains outstanding, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) payable in respect of the Class B Notes and/or Class C Notes after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then the Issuer will be entitled under Condition 16 (Subordination By Deferral) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date or such earlier date as interest in respect of the Class B Notes or the Class C Notes, as the case may be, becomes immediately due and repayable in accordance

with the Conditions. This will not constitute an Event of Default. If there are no Class A Notes then outstanding, the Issuer will be entitled, under Condition 16 (Subordination By Deferral), to defer payments of interest in respect of the Class C Notes only.

Failure to pay interest on the Class A Notes (or the most senior class of Notes outstanding where one or more classes of Notes has been redeemed in full) shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

Income and Principal Deficiency

If, on any Interest Payment Date, as a result of shortfalls in Available Revenue Receipts relative to interest due on the Class C Notes and amounts ranking in priority thereto there is an Income Deficit, then subject to certain conditions set out in "*Cashflows — Application of Principal Receipts and Liquidity Reserve Fund amounts to cover shortfalls*", the Issuer may apply firstly Principal Receipts (if any) and secondly amounts standing to the credit of the Liquidity Reserve Fund (if established) to make up the shortfall. In this event, the consequences set out in the following paragraph may result.

Application, as described above, of any Principal Receipts and/or amounts standing to the credit of the Liquidity Reserve Fund (if established) to meet any Income Deficit will be recorded first on the Class C Principal Deficiency Sub Ledger until the balance of the Class C Principal Deficiency Sub Ledger is equal to the aggregate Principal Amount Outstanding of the Class C Notes then outstanding, next on the Class B Principal Deficiency Sub Ledger until the balance of the Class B Principal Deficiency Sub Ledger is equal to the aggregate Principal Amount Outstanding of the Class B Notes then outstanding and finally on the Class A Principal Deficiency Sub Ledger until the balance of the Class A Principal Deficiency Sub Ledger is equal to the aggregate Principal Amount Outstanding of the Class A Notes then outstanding.

It is expected that during the course of the life of the Notes, principal deficiencies will be recouped from Available Revenue Receipts. Available Revenue Receipts will be applied, after meeting prior ranking obligations as set out under the Pre-Acceleration Revenue Priority of Payments, first to credit the Class A Principal Deficiency Sub Ledger, secondly (once the balance on the Class A Principal Deficiency Sub Ledger is reduced to nil) to credit the Class B Principal Deficiency Sub Ledger and thirdly (once the balance on the Class B Principal Deficiency Sub Ledger is reduced to nil) to credit the Class C Principal Deficiency Sub Ledger.

If there are insufficient funds available as a result of such income or principal deficiencies, then one or more of the following consequences may ensue:

- the interest and other net income of the Issuer may not be sufficient, after making the payments to be made in priority thereto, to pay, in full or at all, interest due on the Notes; and
- there may be insufficient funds to repay the Notes on or prior to the Final Maturity Date of the Notes unless the other net income of the Issuer is sufficient, after making other payments to be made in priority thereto, to reduce to nil the balance on the Principal Deficiency Ledger.

Ratings of the Notes

The ratings address the likelihood of full and timely payment to the Noteholders of all payments of interest on each Interest Payment Date and ultimate payment of principal on the Final Maturity Date of each class of Notes.

The expected ratings of the Notes on the Closing Date are set out in Ratings, below. A 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 judgment, circumstances (including without limitation, a reduction in the credit rating of a Swap Provider and/or the Account Bank) in the future so warrant.

Conflict of Interest

The Deed of Charge contains provisions requiring the Security Trustee to have regard to the interest of each of the Secured Creditors as a class as regards all of its powers, trusts, authorities, duties and discretions, but requiring the Security Trustee, in the event of a conflict between the interests of the Noteholders and any other Secured Creditors, to have regard only (except where expressly provided otherwise) to the interests of the Noteholders.

For so long as there are any Notes outstanding, in having regard to the interests of the Noteholders, the Security Trustee shall be entitled to rely solely on a written confirmation from the Note Trustee as to whether, in the opinion of the Note Trustee, any matter, action or omission is or is not in the interests of or is or is not prejudicial or materially prejudicial to the interests of, the Noteholders. The Note Trustee shall have sole responsibility for resolving conflicts of interest as between Noteholders, subject to and in accordance with the provisions of the Trust Deed and the Conditions.

Conflict Between Classes of Noteholders

The Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the Class A Noteholders and the Class B Noteholders and the Class C Noteholders equally as regards all powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise). If, in the Note Trustee's opinion, however, there is or may be a conflict between the interests of the Class A Noteholders (for so long as there are any Class A Notes outstanding) on one hand and the interests of the Class B Noteholders and/or the Class C Noteholders on the other hand, then the Note Trustee is required to have regard only to the interests of the Class A Noteholders. Subject thereto if, in the Note Trustee's opinion, there is or may be a conflict between the interests of the Class B Noteholders (for so long as there are any Class B Notes outstanding) on the one hand and/or the interests of the Class C Noteholders on the other hand, then the Note Trustee is required to have regard only to the interests of the Class B Noteholders. Subject thereto, if, in the Note Trustee's opinion, there is or may be a conflict between the interests of the Class C Noteholders (for so long as there are any Class C Notes outstanding) on the one hand and the interests of the other persons entitled to the benefit of the Security on the other hand, then the Note Trustee is required to have regard only to the interests of the Class C Noteholders.

Meetings of Noteholders, Modification and Waivers

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Note Trustee may agree, without the consent of the Noteholders, to (i) any modification (other than a Basic Terms Modification) of, or the waiver or authorisation of any breach or proposed breach of, the Conditions or any of the Transaction Documents which is not, in the opinion of the Note Trustee, materially prejudicial to the interests of the Noteholders or (ii) any modification which, in the Note Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error.

The Security Trustee may without the consent or sanction of the Secured Creditors (except where they are party to the relevant Transaction Document the subject of such modification, where the consent of such party will be required), but with the written consent of the Swap Provider, concur with any person in making or giving its consent to any modification (except a Basic Terms Modification) to any Transaction Document only if so directed by (a) the Note Trustee so long as there are any Notes outstanding or (b) all the Secured Creditors, if there are no Notes outstanding.

Book-Entry Interests

Unless and until Definitive Notes are issued in exchange for the Book-Entry Interests, holders and beneficial owners of Book-Entry Interests will not be considered the legal owners or holders of Notes under the Trust Deed. After payment to the Principal Paying Agent, the Issuer will not have responsibility or liability for the payment of interest, principal or other amounts to Euroclear or Clearstream, Luxembourg or to holders or beneficial owners of Book-Entry Interests.

Citivic Nominees Limited will be considered the registered holder of the Notes as shown in the records of Euroclear or Clearstream, Luxembourg and will be the sole legal Noteholder of the Global Notes under the Trust Deed while the Notes are represented by the Global Notes. Accordingly, each person owning a Book-Entry Interest must rely on the relevant procedures of Euroclear and Clearstream, Luxembourg and, if such person is not a participant in such entities, on the procedures of the participant through which such person owns its interest, to exercise any right of a Noteholder under the Trust Deed.

Payments of principal and interest on, and other amounts due in respect of, the Global Notes will be made by the Principal Paying Agent to Citivic Nominees Limited (as nominee of the Common Depository for Euroclear and Clearstream, Luxembourg). Upon receipt of any payment from the Principal Paying Agent, Euroclear and Clearstream, Luxembourg, as applicable, will promptly credit participants' accounts with payment in amounts proportionate to their respective ownership of Book-Entry Interests as shown on their records. The Issuer expects that payments by participants or indirect payments to owners of Book-Entry Interests held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers registered in "street name", and will be the responsibility of such participants or indirect participants. None of the Issuer, the Note Trustee, the Security Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, the Book-Entry Interests or for maintaining, supervising or reviewing any records relating to such Book-Entry Interests.

Unlike Noteholders, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by or on behalf of the Issuer for consents or requests by or on behalf of the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg (as the case may be) and, if applicable, their participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default under the Notes, holders of Book-Entry Interests will be restricted to acting through Euroclear and Clearstream, Luxembourg unless and until Definitive Notes are issued in accordance with the relevant provisions described herein under "*Terms and Conditions of the Notes*" below. There can be no assurance that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

Although Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of Book-Entry Interests among account holders of Euroclear and Clearstream, Luxembourg, 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 Note Trustee, the Security Trustee, any Paying Agent, the Registrar or any of their agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants or account holders of their respective obligations under the rules and procedures governing their operations.

Certain transfers of Notes or interests therein may only be effected in accordance with, and subject to, certain transfer restrictions and certification requirements.

Interest Rate Risk

The Loans are subject to variable and fixed interest rates while the Issuer's liabilities under the Notes are based on Three-Month Sterling LIBOR.

To hedge its interest rate exposure, the Issuer will, therefore, enter into the Swap, on or about the Closing Date with the Swap Provider (see "*Credit Structure — Interest Rate Risk for the Notes*").

A failure by the Swap Provider to make timely payments of amounts due under the Swap Agreement will constitute a default thereunder. The Swap Provider is obliged to make payments under a swap only to the extent that the Issuer makes payments under it. To the extent that the Swap Provider defaults in its obligations under the Swap to make payments to the Issuer in Sterling calculated by reference to Three-Month Sterling LIBOR on any payment date under the Swap (each of which corresponds to an Interest Payment Date), the Issuer will be exposed to the possible variance between various fixed and variable rates payable on the Loans in the Portfolio and Three-Month Sterling LIBOR. Unless one or more comparable replacement interest rate swaps are entered into, the Issuer may have insufficient funds to make payments due on the Notes.

The Swap Agreement will provide that, upon the occurrence of certain events, the Swap may terminate and a termination payment by either the Issuer or the Swap Provider will be payable based on the cost of a replacement transaction. In relation to the Swaps, any termination payment due by the Issuer (other than a Swap Excluded Termination Amount and to the extent not satisfied by any applicable Replacement Swap Premium, which shall be paid directly by the Issuer to the Swap Provider) will rank equally with the payments in respect of the most senior class of Notes. Payment of such termination amounts may affect amounts available to pay interest and principal on all the Notes.

Any additional amounts required to be paid by the Issuer following termination of the interest rate swaps (including any extra costs incurred (for example, from entering into replacement short term swaps) if the Issuer cannot immediately enter into a relevant replacement transaction) will also rank equally with payments in respect of the most senior class of Notes. This may affect amounts available to pay interest and principal on all the Notes.

No assurance can be given as to the ability of the Issuer to enter into one or more replacement transactions, or if one or more replacement transactions are entered into, as to the credit rating of the swap provider(s) for the replacement transactions.

Issuer Reliance on Third Parties

The Issuer is also party to contracts with a number of other third parties who have agreed to perform services in relation to the Notes. In particular, but without limitation, the Corporate Services Provider has agreed to provide certain corporate services to the Issuer pursuant to the Corporate Services Agreement, the Account Bank has agreed to provide the GIC Account and the Transaction Account to the Issuer pursuant to the Bank Account Agreement and the Paying Agents, the Registrar and the Agent Bank have all agreed to provide services with respect to the Notes pursuant to the Agency Agreement. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party, Noteholders may be adversely affected.

Ability to Appoint Substitute Administrator

If the Administrator is removed due to any event, there is no guarantee that a substitute administrator would be found, which could delay collection of payments on the Loans and ultimately could adversely affect payments of interest and principal on the Notes.

The Administrator has been appointed by the Issuer to administer the Loans. If the Administrator breaches the terms of the Administration Agreement, the Issuer and/or the Security Trustee may, having given notice to the Administrator and the Rating Agencies, terminate the appointment of the Administrator and appoint a substitute administrator on substantially the same terms as the Administration Agreement.

There can be no assurance that a substitute administrator with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service the Loans on the terms of the Administration Agreement. In addition, as described below, any such substitute administrator will be required to be authorised under the Financial Services and Markets Act 2000 (the **FSMA**) in order to administer Loans that constitute Regulated Mortgage Contracts. The ability of any entity acting as a substitute administrator to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute administrator may affect payments on the Loans and hence the Issuer's ability to make payments when due on the Notes.

The Administrator has no obligation itself to advance payments that Borrowers fail to make in a timely fashion.

Withholding Tax Under the Notes

In the event that any withholding or deduction for or on account of any taxes are imposed in respect of payments to Noteholders of any amounts due under the Notes, neither the Issuer nor any other person is obliged to gross up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of such withholding or deduction. However, in such circumstances, the Issuer will in accordance with Condition 7.4 of the Notes use reasonable endeavours to prevent such an imposition.

As of the date of this Information Memorandum, no withholding or deduction for or on account of UK tax will be required on interest payments to any holders of the Notes provided that at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; provided that HM Revenue & Customs has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

Searches, Investigations and Warranties in Relation to the Loans

The Seller will give certain warranties to each of the Issuer and the Security Trustee regarding the Loans and their Related Security to be sold to the Issuer on the Closing Date (see "*Summary of Key Transaction Documents — Mortgage Sale Agreement*" below for a summary of these).

Neither the Security Trustee nor the Issuer has undertaken, or will undertake, any investigations, searches or other actions of any nature whatsoever in respect of any Loan or its Related Security in the Portfolio and each relies instead on the warranties given in the Mortgage Sale Agreement by the Seller in respect of the Loans sold by it. The primary remedy of the Issuer against the Seller if any of the warranties made by the Seller is materially breached or proves to be materially untrue as at the Closing Date, and is not remedied within 20 Business Days of receipt by the Seller of a notice from the Issuer, shall be to require the Seller to repurchase any relevant Loan and its Related Security. There can be no assurance that the Seller will have the financial resources to honour such obligations under the Mortgage Sale Agreement. This may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments due on the Notes.

Set off risks in relation to Flexible Loans

The Seller has made an equitable assignment of Loans and their Related Security or, in the case of Scottish Loans, a transfer of the beneficial interest in Loans and their Related Security, to the Issuer, with legal title being retained by the Seller. Therefore, the rights of the Issuer may be subject to the direct rights of the Borrowers against the Seller, including rights of set off existing prior to notification to the Borrowers of the sale of the Loans. Set off rights (including analogous rights in Scotland and Northern Ireland) may occur if, for example, the Seller fails to advance to a Borrower a Flexible Drawing under a Flexible Loan when the Borrower is entitled to draw additional amounts under a Flexible Loan.

If the Seller fails to advance the Flexible Drawing, then the relevant Borrower may set off any damages claim (or analogous rights in Scotland and Northern Ireland) arising from the Seller's breach of contract against the Seller's (and, as assignee or holder of the beneficial interest in the Loans and their Related Security, the Issuer's) claim for payment of principal and/or interest under the Loan as and when it becomes due. These set off claims will constitute transaction set off.

The amount of the claim in respect of a Flexible Drawing will, in many cases, be the cost to the Borrower of finding an alternative source of finance (although in the case of Flexible Loans which are governed by Scots law, it is possible, though regarded as unlikely, that the Borrower's rights of set off could extend to the full amount of the additional drawing). The Borrower may obtain a loan elsewhere, in which case the damages would be equal to any difference in the borrowing costs together with any consequential losses, namely the associated costs of obtaining alternative funds (for example, legal fees and survey fees). If the Borrower is unable to obtain an alternative loan, he or she may have a claim in respect of other losses arising from the Seller's breach of contract where there are special circumstances communicated by the Borrower to the Seller at the time the Mortgage was taken out or which otherwise were reasonably foreseeable.

A Borrower is entitled to set off the full amount of any failed Flexible Drawing. A borrower may also attempt to set off against his or her Mortgage payments an amount greater than the amount of his or her damages claim (or analogous rights in Scotland and Northern Ireland). In that case, the Administrator will be entitled to take enforcement proceedings against the Borrower, although the period of non-payment by the Borrower is likely to continue until a judgment is obtained.

The exercise of set off rights by Borrowers would reduce the incoming cashflow to the Issuer during such exercise. Further, there may be circumstances in which:

- (a) a Borrower might seek to argue that any Loan, Further Advance or Flexible Drawing is wholly or partly unenforceable by virtue of non-compliance with the Consumer Credit Act 1974 as amended (the CCA); or
- (b) security for certain Flexible Drawings or Further Advances may rank behind the security created by a Borrower after the date upon which the Borrower entered into its Mortgage with the Seller.

Interest only Loans

Each Loan in the Portfolio is repayable either on a capital repayment basis, an interest only basis or a combination capital repayment/interest only basis (see "*The Loans — Repayment Terms*" below). Where the Borrower is only required to pay interest during the term of the Loan, with the capital being repaid in a lump sum at the end of the term, the Borrower is recommended to ensure that some repayment mechanism such as an investment policy is put in place to help ensure that funds will be available to repay the capital at the end of the term. However, the Seller does not require proof of any such repayment mechanism and does not take security over any investment policies taken out by Borrowers.

Borrowers may not have been making payment in full or on time of the premiums due on any relevant investment or life policy, which may therefore have lapsed and/or no further benefits may be accruing

thereunder. In certain cases, the policy may have been surrendered but not necessarily in return for a cash payment and any cash received by the Borrower may not have been applied in paying amounts due under the Borrower's Loan. Thus the ability of such a Borrower to repay an interest only loan at maturity frequently may depend on such Borrower's responsibility in ensuring that sufficient funds are available from a given source such as pension policies, PEPs, ISA or endowment policies, as well as the financial condition of the Borrower, tax laws and general economic conditions at the time. If a Borrower cannot repay an interest only loan and a Loss occurs, this may affect repayments on the Notes if the resulting Principal Deficiency Ledger entry cannot be cured.

Seller to Initially Retain Legal Title to the Loans

The sale by the Seller to the Issuer of:

- (a) the English Loans and the Northern Irish Loans and their Related Security will (until legal title is conveyed) take effect in equity only;
- (b) the Scottish Loans and their Related Security will (until legal title is conveyed) be given effect to by a Scottish Declaration of Trust by the Seller by which the beneficial interest in such Scottish Loans and their Related Security will be transferred to the Issuer.

In each case, this means that legal title to the Loans and their Related Security in the Portfolio will remain with the Seller until certain trigger events occur under the terms of the Mortgage Sale Agreement (see "*Summary of the Key Transaction Documents — Mortgage Sale Agreement*", below). Until such time, the assignment by the Seller to the Issuer of the English Loans and the Northern Irish Loans and their Related Security takes effect in equity only and the transfer of the Scottish Loans and their Related Security will be beneficial only by way of a Scottish Declaration of Trust. The Issuer has not and will not apply to the Land Registry or the Central Land Charges Registry to register or record its equitable interest in the English Mortgages or to the Land Registry or the Registry of Deeds of Northern Ireland to register or record its equitable interest in the Northern Irish Mortgages and may not in any event apply to the Registers of Scotland to register or record its beneficial interest in the Scottish Mortgages.

As a consequence of the Issuer not obtaining legal title to the Loans and their Related Security, a bona fide purchaser from the Seller for value of any of such Loans and their Related Security without notice of any of the interests of the Issuer might obtain a good title free of any such interest. However, the risk of third party claims obtaining priority to the interests of the Issuer in this way would be likely to be limited to circumstances arising from a breach by the Seller of its contractual obligations or fraud, negligence or mistake on the part of the Seller or the Issuer or their respective personnel or agents. Further, prior to the insolvency of the Seller, unless (i) notice of the assignment was given to a Borrower who is a creditor of the Seller in the context of English Loans or Northern Irish Loans and their Related Security and (ii) notice of the transfer of the Scottish Loans and their Related Security was given to a Borrower who is a creditor of the Seller, equitable or independent set off rights may accrue in favour of the Borrower against his or her obligation to make payments to the Seller under its Loan. These rights may result in the Issuer receiving reduced payments on the Loans. The transfer of the benefit of any Loans to the Issuer will continue to be subject to any prior rights the Borrower may become entitled to after the transfer. Where notice of the assignment or transfer is given to the Borrower, however, some rights of set off may not arise after the date notice is given.

Until notice of the assignment or transfer is given to Borrowers, Borrowers will also have the right to redeem their Mortgages by repaying the relevant Loan directly to the Seller. However, the Seller will undertake, pursuant to the Mortgage Sale Agreement, to hold any money repaid to the Seller in respect of relevant Loans to the order of the Issuer.

For so long as the Issuer does not have legal title, the Seller will undertake for the benefit of the Issuer that it will lend its name to, and take such other steps as may reasonably be required by the Issuer in relation to, any legal proceedings in respect of the Loans and their Related Security.

Product Switches and Further Advances

Further Advances and Product Switches will remain in the Portfolio if certain conditions are satisfied on the Advance Date or Switch Date (as applicable). See below under "*Summary of the Key Transaction Documents – Mortgage Sale Agreement – Product Switches and Further Advances*".

It should be noted that any representations and warranties made by the Seller in relation to a Further Advance and/or a Product Switch may be amended from time to time and such changes will be notified to the Rating Agencies. The consent of the Noteholders in relation to such amendments will not be obtained if the Security Trustee has received written confirmation that Fitch will not downgrade, withdraw or qualify the ratings of the Notes as a result of those amendments (and, for the avoidance of doubt, Moody's will not be required to provide such confirmation).

Where the Seller is required to repurchase because the conditions are not satisfied or the representations and warranties are not true, there can be no assurance that the Seller will have the financial resources to honour its repurchase obligations under the Mortgage Sale Agreement. This may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments on the Notes.

The number of Further Advance and Product Switch requests received by the Seller and/or the Administrator will affect the timing of principal amounts received by the Issuer and hence payments of principal and (in the event of a shortfall) interest on the Notes.

Insurance Policies

The policies of the Seller in relation to buildings insurance are described under "*The Loans – Buildings Insurance Policies*", below. No assurance can be given that the Issuer will always receive the benefit of any claims made under any applicable buildings insurance contracts. This could adversely affect the Issuer's ability to redeem the Notes.

Denominations

The Notes are issued in the denominations of £50,000 per Note. However, for so long as the Notes are represented by a Global Note, and Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradeable in minimum nominal amounts of £50,000 and integral multiples of £1,000 thereafter

If Definitive Notes are required to be issued in respect of the Notes represented by Global Notes, they will only be printed and issued in denominations of £50,000 and any amount in excess thereof in integral multiples of £1,000 up to and including £99,000. No Definitive Notes will be issued with a denomination above £99,000. Accordingly, if Definitive Notes are required to be issued in respect of the Global Notes, a Noteholder holding an interest in a Global Note of less than the minimum authorised denomination at the relevant time may not receive a Definitive Note in respect of such holding and may need to purchase a principal amount of Notes such that their holding amounts to the minimum authorised denomination. If Definitive Notes are issued, Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum authorised denomination or for any amount in excess thereof, in integral multiples of £1,000 up to and including £99,000 may be illiquid and difficult to trade.

Change of Law

The structure of the transaction and, *inter alia*, the issue of the Notes and the ratings which are to be assigned to them are based on the law and administrative practice in effect as at the date of this Information Memorandum as it affects the parties to the transaction and the Portfolio, and having regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to such law and practice after the date of this Information Memorandum.

Certain Regulatory Considerations

Office of Fair Trading, Financial Services Authority and Other Regulatory Authorities

In the United Kingdom, the Office of Fair Trading (the **OFT**) is responsible for the issue of licences under, and the superintendence of the working and enforcement of, the CCA, related consumer credit regulations and other consumer protection legislation. The OFT may review businesses and operations, provide guidelines to follow and take action when necessary with regard to the mortgage market in the United Kingdom (except to the extent of the regulation of the market by the FSA under the FSMA, as described under below). The licensing regime under the CCA is different from, and additional to, the regime for authorisation under the FSMA.

Currently, a credit agreement is regulated by the CCA where (a) the borrower is or includes an "individual" as defined in the CCA, (b) the amount of "credit" as defined in the CCA does not exceed the financial limit, which is £25,000 for credit agreements made on or after 1 May 1998 or lower amounts for credit agreements made before that date and (c) the credit agreement is not an exempt agreement under the CCA (for example, in certain circumstances, a credit agreement to finance the purchase of land is an exempt agreement under the CCA). The £25,000 financial limit is expected to be removed in respect of credit for non-business lending from 6 April 2008.

Any credit agreement that is wholly or partly regulated by the CCA or treated as such has to comply with requirements under the CCA as to licensing of lenders and brokers, documentation and procedures of credit agreements and (in so far as applicable) pre-contract disclosure. If it does not comply with those requirements, then to the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable against the borrower (a) without an order of the OFT, if the lender or any broker does not hold the required licence at the relevant time, (b) totally, if the credit agreement is made before 6 April 2007 and if the form to be signed by the borrower is not signed by the borrower personally or omits or mis-states a "prescribed term" or (c) without a court order in other cases and, in exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the borrower and any culpability of the lender.

Any credit agreement intended to be a Regulated Mortgage Contract under the FSMA (as defined below) or unregulated might instead be wholly or partly regulated by the CCA or treated as such because of technical rules on (a) determining whether any credit under the CCA arises or whether the financial limit of the CCA is exceeded, (b) determining whether the credit agreement is an exempt agreement under the CCA and (c) changes to credit agreements.

The Seller will provide no representation and warranty under the Mortgage Sale Agreement as to the enforceability in relation to any Loan which relates to any Flexible Drawing and any other Further Advance made pursuant to an agreement regulated by the CCA which is not enforceable by virtue of the CCA. However the Liquidity Facility Agreement will be calculated to include an amount referable to the aggregate current balance of all cash withdrawals made by borrowers under Flexible Loans and all Further Advances under the Loans, that are regulated by the CCA, to mitigate the risks relating to such cash withdrawals and other Further Advances being unenforceable by virtue of the CCA against the Borrower without an OFT or court order or being totally unenforceable under the CCA.

A court order under Section 126 of the CCA is necessary to enforce a land mortgage (including, in Scotland, a standard security) securing a credit agreement to the extent that the credit agreement is regulated by the CCA or treated as such. In dealing with such application, the court has the power, if it appears just to do so, to amend the credit agreement or to impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared).

Under Section 75 of the CCA in certain circumstances (a) the lender is liable to the borrower in relation to misrepresentation and breach of contract by a supplier in a transaction financed by the lender, where the related credit agreement is or is treated as entered into under pre-existing arrangements, or in contemplation of future arrangements, between the lender and the supplier and (b) the lender has a statutory indemnity from the supplier against such liability, subject to any agreement between the lender and the supplier. The borrower may set off the amount of the claim against the lender against the amount owing by the borrower under the loan or under any other loan that the borrower has taken. Any such set off may adversely affect the Issuer's ability to make payments on the Notes.

The "extortionate credit" regime was replaced, from 6 April 2007, by an "unfair relationship" test which will have retrospective effect in some cases, explicitly imposing liability to repay amounts received from a borrower on both the originator and any assignee (such as the Issuer) in certain circumstances where there is an "unfair relationship". In applying the new unfair relationship test, the courts will be able to consider a wider range of circumstances surrounding the transaction, including the creditor's conduct before and after making the agreement. There is no statutory definition of the word "unfair" as the intention is for the test to be flexible and subject to judicial discretion.

The courts may, but are not obliged to, look only to the CCA for guidance. The FSA principles may also be relevant and apply to the way contract terms are used in practice and not just the way they are drafted. Once the debtor alleges that an unfair relationship exists, the burden of proof is on the creditor to prove the contrary.

An alternative dispute resolution scheme for consumer credit matters is run by the Financial Ombudsman Service, as described below. From 6 April 2007, the scheme became mandatory for all businesses licensed under the CCA. An independent Consumer Credit Appeals Tribunal will be introduced from 6 April 2008.

The UK Department for Business Enterprise and Regulatory Reform (**DBERR**), (formerly the Department of Trade and Industry) has indicated that, from 6 April 2008, the statutory upper financial limit of £25,000 for CCA regulation will be removed thereby widening the scope of the CCA's regulation.

The OFT, from (it is expected) April 2008, will be able to apply intermediate sanctions, will have substantial powers of investigation and will be able to issue indefinite standard licences. The DBERR has indicated that, from 1 October 2008, lenders will be obliged to give customers clearer and more regular information on their credit accounts.

The Seller has interpreted certain technical rules under the CCA in a way common with many other lenders in the mortgage market. If such interpretation were held to be incorrect by a court or other dispute resolution authority, then a credit agreement, to the extent that it is regulated by the CCA or treated as such, would be unenforceable as described above. If such interpretation were challenged by a significant number of Borrowers, then this could lead to significant disruption and shortfall in the income of the Issuer. Court decisions have been made on technical rules under the CCA against certain mortgage lenders, but such decisions are very few and are generally county court decisions which are not binding on other courts.

The Seller has given or, as applicable, will give warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each Loan and its Related Security is enforceable (subject to certain exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default (if capable of remedy) cannot be or is not cured within 20 Business Days, then the Seller will, upon receipt of notice from

the Issuer, be required to repurchase the Loans under the relevant Mortgage Account and their Related Security from the Issuer.

In the United Kingdom, regulation of residential mortgage business by the FSA under the FSMA came into force on 31 October 2004, the date known as “**N(M)**”. Entering into, arranging or advising in respect of, and administering Regulated Mortgage Contracts, and agreeing to do any of these things, are (subject to applicable exemptions) regulated activities under the FSMA.

A credit agreement is a **Regulated Mortgage Contract** under the FSMA if, at the time it is entered into on or after N(M) (a) the borrower is an individual or trustee, (b) the contract provides for the obligation of the borrower to repay to be secured by a first legal mortgage (or the Northern Irish or Scottish equivalent) on land (other than timeshare accommodation) in the UK and (c) at least 40% of that land is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in case of credit provided to trustees) by an individual who is a beneficiary of the trust or by a related person.

The main effects are that, unless an exclusion or exemption applies (a) each entity carrying on a regulated mortgage activity has to hold authorisation and permission from the FSA to carry on that activity and (b) generally, each financial promotion in respect of an agreement relating to qualifying credit has to be issued or approved by a person holding authorisation and permission from the FSA. If requirements as to authorisation and permission of lenders and brokers or as to issue and approval of financial promotions are not complied with, a Regulated Mortgage Contract will be unenforceable against the borrower except with the approval of a court. An unauthorised person who administers a Regulated Mortgage Contract entered into on or after N(M) may commit a criminal offence, but this will not render the contract unenforceable against the borrower.

Any credit agreement intended to be a Regulated Mortgage Contract under the FSMA might instead be wholly or partly regulated by the CCA or treated as such, or unregulated, and any credit agreement intended to be regulated by the CCA or treated as such or unregulated might instead be a Regulated Mortgage Contract under the FSMA, because of technical rules on (a) determining whether the credit agreement or any part of it falls within the definition of Regulated Mortgage Contract and (b) changes to credit agreements.

The FSA Mortgages and Home Finance: Conduct of Business Sourcebook (**MCOB**), which sets out its rules for regulated mortgage activities, came into force on 31 October 2004. These rules cover, *inter alia*, certain pre-origination matters such as financial promotions and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions. FSA rules for prudential and authorisation requirements for mortgage firms, and for extending the appointed representatives regime to mortgages, came into force on 31 October 2004.

A borrower who is a private person is entitled to claim damages for loss suffered as a result of any contravention by an authorised person of an FSA rule, and may set off the amount of the claim against the amount owing by the borrower under the loan or any other loan that the borrower has taken (or exercise analogous rights in Northern Ireland or in Scotland). Any such set off may adversely affect the Issuer’s ability to make payments on the Notes.

So as to avoid dual regulation, it is intended that Regulated Mortgage Contracts will not be regulated by the CCA, and the relevant regulations under the FSMA are designed to clarify the position in this regard. This exemption only affects credit agreements made on or after N(M) and credit agreements made before N(M) but subsequently changed such that a new contract is entered into on or after N(M) and constitutes a separate Regulated Mortgage Contract. Further consideration is currently being given, by the DBERR and others, as to the desirability of additional clarification in relation to the question of dual regulation. A court order under Section 126 of the CCA is, however, necessary to enforce a land mortgage (including in Scotland, a standard security) securing a Regulated Mortgage Contract to the extent that it would, apart from the exemption referred to above, be regulated by the CCA or be treated as such.

No assurance can be given that additional regulatory changes by the OFT, the FSA or any other regulatory authority will not arise with regard to the mortgage market in the United Kingdom generally, the Seller's particular sector in that market or specifically in relation to the Seller. Any such action or developments or compliance costs may have a material adverse effect on the Seller, the Issuer, the Administrator and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

As some of the Loans to be included in the Portfolio were offered on or after N(M), the FSMA regime as set out above would apply to such Loans. Also although other Loans to be included in the Portfolio were offered prior to N(M), as subsequent Further Advances and Product Switches relating to such Loans were documented as variations to the existing agreements, it is possible that a court could hold that such variations create a Regulated Mortgage Contract. Thus the Seller has given or, as applicable, will give warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each Loan and its Related Security is enforceable (subject to certain exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default (if capable of remedy) is not cured within 20 Business Days, then the Seller will, upon receipt of notice from the Issuer, be required to repurchase the Loans under the relevant Mortgage Account and their Related Security from the Issuer.

The Seller holds authorisation and permission to enter into and to administer and, where applicable, to advise in respect of Regulated Mortgage Contracts. Subject to any exemption, brokers will be required to hold authorisation and permission to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts.

The Issuer is not and does not propose to be an authorised person under the FSMA. The Issuer does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. The Issuer does not carry on the regulated activity of administering in relation to Regulated Mortgage Contracts by having them administered pursuant to an administration agreement by an entity having the required FSA authorisation and permission. If such administration agreement terminates or the appointment of an administrator thereunder is terminated, however, the Issuer will have a period of not more than one month in which to arrange for mortgage administration to be carried out by a replacement administrator having the required FSA authorisation and permission. In addition, on and after N(M), no variation has been or will be made to the Loans and no Flexible Drawing, Further Advance or Product Switch has been or will be made in relation to a Loan, where it would result in the Issuer arranging or advising in respect of, administering or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

Prior to N(M), in the United Kingdom, self-regulation of mortgage business existed under the Mortgage Code (the **CML Code**) issued by the Council of Mortgage Lenders (the **CML**). The Seller subscribed to the CML Code and on and from N(M), as an authorised person, has been subject to the FSA requirements in MCOB. Membership of the CML and compliance with the CML Code were voluntary. The CML Code set out minimum standards of good mortgage business practice, from marketing to lending procedures and dealing with borrowers experiencing financial difficulties. Since 30 April 1998 lender-subscribers to the CML Code could not accept mortgage business introduced by intermediaries who were not registered with (before 1 November 2000) the Mortgage Code Register of Intermediaries or (on and after 1 November 2000 until 31 October 2004) the Mortgage Code Compliance Board. Complaints relating to breach of the CML Code were dealt with by the relevant scheme, such as the Banking Ombudsman Scheme or the Mortgage Code Arbitration Scheme.

In September 2002, the European Commission published a proposal for a Directive of the European Parliament and of the Council on consumer credit. The proposal as originally drafted applied to certain mortgage loan products. This proposal, and an amended proposal published in October 2004, were met with significant opposition. In October 2005, the European Commission published a further amended form of the proposed Directive, which provides that (subject to certain exceptions) loans not exceeding €50,000 will be regulated, but that loans secured by a land mortgage will be excluded from the proposed Directive. In March

2006, the DBERR released a further consultation paper in this area and the Government's response was published in November 2006, confirming its continuing support for the exclusion of secured lending from the scope of the proposed consumer credit directive. The proposed Directive is expected to have its second reading in the European Parliament later this year. When the proposed Directive is adopted, member states will have a further two years in which to bring implementing legislation into force. The European Commission is expected to publish a White Paper on mortgage credit later this year with a view to a possible mortgage Directive.

Until the final text of the Directive on consumer credit and of any mortgage credit Directive are decided and the details of the United Kingdom implementing legislation are published, it is not certain what effect the adoption and implementation of the consumer credit Directive or the introduction of a mortgage credit Directive would have on the Seller, the Issuer, the Administrator and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

Distance Marketing

The Financial Services (Distance Marketing) Regulations 2004 apply to, *inter alia*, credit agreements entered into on or after 31 October 2004 by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower). A Regulated Mortgage Contract under the FSMA, if originated by a UK lender from an establishment in the UK, will not be cancellable under these regulations. Certain other credit agreements will be cancellable under these regulations if the borrower does not receive prescribed information at the prescribed time. Where the credit agreement is cancellable under these regulations, the borrower may send notice of cancellation at any time before the end of the 14th day after the day on which the cancellable agreement is made, where all the prescribed information has been received or, if later, the borrower receives the last of the prescribed information.

If the borrower cancels the credit agreement under these regulations then:

- (a) the borrower is liable to repay the principal and any other sums paid by the originator to the borrower under or in relation to the cancelled agreement, within 30 days beginning with the day of the borrower sending the notice of cancellation or, if later, the originator receiving notice of cancellation;
- (b) the borrower is liable to pay interest, or any early repayment charge or other charge for credit under the cancelled agreement, only if the borrower received certain prescribed information at the prescribed time and if other conditions are met; and
- (c) any security provided in relation to the contract is to be treated as never having had effect.

If a significant portion of the Loans are characterised as being cancellable under these regulations, then there could be an adverse effect on the Issuer's receipts in respect of the Loans, affecting the Issuer's ability to make payments in full on the Notes when due.

Unfair Terms in Consumer Contracts Regulations 1994 and 1999

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the **1999 Regulations**), which, together with (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 (together with the 1999 Regulations, the **UTCCR**), apply to agreements made on or after 1 July 1995 and affect all or almost all of the Loans, provide that:

- a consumer may challenge a standard term in an agreement on the basis that it is "unfair" within the UTCCR and therefore not binding on the consumer; and

- the OFT and any “qualifying body” within the 1999 Regulations (such as the FSA) may seek to enjoin or in Scotland, interdict) a business from relying on unfair terms.

The UTCCR will not affect “core terms” which define the main subject matter of the contract, such as the borrower’s obligation to repay the principal (provided that these terms are written in plain and intelligible language and are drawn adequately to the consumer’s attention), but may affect terms that are not considered to be core terms, such as the lender’s power to vary the interest rate.

For example, if a term permitting the lender to vary the interest rate (as the Seller is permitted to do) is found to be unfair, the borrower will not be liable to pay interest at the increased rate or, to the extent that the borrower has paid it, will be able, as against the lender, or any assignee such as the Issuer, to claim repayment of the extra interest amounts paid or to set off the amount of the claim against the amount owing by the borrower under the loan or any other loan that the borrower has taken. Any such non-recovery, claim or set off may adversely affect the ability of the Issuer to make payments to Noteholders on the Notes.

In February 2000, the OFT issued a guidance note on what the OFT considers to be fair terms and unfair terms for interest variation in mortgage loan contracts. Where the interest variation term does not provide for precise and immediate tracking of an external rate outside the lender’s control and if the borrower is locked in, for example by an early repayment charge that is considered to be a penalty, the term is likely to be regarded as unfair under the UTCCR unless the lender (a) notifies the affected borrower in writing at least 30 days before the rate change and (b) permits the affected borrower to repay the whole loan during the next three months after the rate change, without paying the early repayment charge. The Seller has reviewed the guidance note and has concluded that its compliance with it will have no material adverse effect on the Loans or its business. The guidance note has been withdrawn from the OFT website but may remain in effect as the OFT’s view and a factor that the FSA may take into account.

The FSA and the OFT have agreed the allocation of responsibility for the enforcement of the UTCCR in mortgage loan agreements, normally, to the FSA in relation to mortgage contracts in respect of the activities of firms authorised by the FSA, and to the OFT in relation to other mortgage contracts. In April 2006, the OFT publicly announced that the principles the OFT considers should be applied in assessing the fairness of credit card default charges shall apply (or are likely to apply) also to analogous default charges in other agreements including those for mortgages. In May 2005, the FSA issued a statement of good practice on fairness of terms in consumer contracts, which is relevant to firms authorised and regulated by the FSA in relation to products and services within the FSA’s regulatory scope. This statement provides that, for locked-in borrowers, a lender may consider drafting the contract to permit a change in the contract to be made only where any lock-in clause is not exercised. The FSA has recently published the Unfair Contract Terms Regulatory Guide which is designed to explain the FSA’s policy on how it will use its powers under the 1999 Regulations.

In August 2002, the Law Commission for England and Wales and the Scottish Law Commission issued a joint consultation on proposals to rationalise the UK Unfair Contract Terms Act 1977 and the UTCCR into a single piece of legislation and a final report, together with a draft bill on unfair terms, was published in February 2005. The Law Commissions have a duty under Section 3 of the UK Law Commissions Act 1965 to keep the law under review for a number of purposes, including its simplification. The proposals are primarily to simplify the legislation on unfair terms. It is not proposed that there should be any significant increase in the extent of controls over terms in consumer contracts. Some changes are proposed, however, such as that (a) a consumer may also challenge a negotiated term in an agreement on the basis that it is “unfair” and “unreasonable” within the legislation and therefore not binding on the consumer and (b) in any challenge by a consumer (but not by the OFT or a qualifying body) of a standard term or a negotiated term, the burden of proof lies on the business to show that the term is fair and reasonable. It is too early to tell how the proposals, if enacted, would affect the Loans.

No assurance can be given that changes enacted in the UTCCR, or any change adopted in guidance on interest variation terms, would not have a material adverse effect on the Seller, the Issuer, the Administrator

and their respective businesses and operations. This may adversely affect the ability of the Issuer to make payments in full on the Notes when due.

Financial Ombudsman Service

Under the FSMA, the Financial Ombudsman Service is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account, among other things, law and guidance. Transitional provisions exist by which certain complaints relating to breach of the CML Code occurring before N(M) may be dealt with by the Financial Ombudsman Service. Complaints brought before the Financial Ombudsman Service for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman.

As the Financial Ombudsman Service is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to the borrower, it is not possible to predict how any future decision of the Financial Ombudsman Service would affect the ability of the Issuer to make payments to Noteholders.

In August 2006, the Financial Ombudsman Service, having discussed the matter with the FSA, announced that mortgage exit administration fees raised an issue with wider implications. While there is no material difference in the way each individual case that is referred to is dealt with, it should be noted that the Financial Ombudsman Service will take into account any guidance issued, or decisions made, by the FSA.

The FSA issued a statement on mortgage exit fees on 26 January 2007. The FSA stated that lenders had to decide by 28 February 2007 which option it would adopt for their current customers to ensure that its customers had a clear understanding of the fees that would be payable on exit. The FSA stated that it was unlikely to investigate further a lender that opted to apply no charge or to charge the original (or no more than the original) mortgage exit administration fee. The FSA stated that it expected lenders to treat past customers who complain about the level of the mortgage exit administration fee in the same way as the lender will be treating comparable current customers.

No assurances can be given that the option adopted by A&L could not lead to significant disruption and shortfall in the income of the Issuer.

Unfair Commercial Practices Directive 2005

In May 2005, the European Parliament and the Council adopted a Directive on unfair business-to-consumer commercial practices (the **Unfair Practices Directive**). Generally, the Unfair Practices Directive applies full harmonisation, which means that member states may not impose more stringent provisions in the fields to which full harmonisation applies. By way of exception, the Unfair Practices Directive permits member states to impose more stringent provisions in the fields of financial services and immovable property, such as mortgage loans.

The Unfair Practices Directive provides that enforcement bodies may take administrative action or legal proceedings against a commercial practice on the basis that it is "unfair" within this Directive. The Unfair Practices Directive is intended to protect only collective interests of consumers, and so is not intended to give any claim, defence or right of set off to an individual consumer.

The DBERR has published consultation papers, most recently in May 2007, on implementing the Unfair Commercial Practices Directive into UK law and amending existing consumer legislation. Member states have until 12 December 2007 in which to bring national implementing legislation into force (although the UK legislation is expected to be implemented in April 2008). The implementing legislation will be subject

to a transitional period until 12 June 2013 for applying full harmonisation in the fields to which it applies. It is too early to predict what effect the implementation of the Unfair Commercial Practices Directive would have on the Loans and accordingly on the ability of the Issuer to make payments to Noteholders.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each member state is required to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other member state. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

European Monetary Union

If the United Kingdom joins the European Monetary Union prior to the maturity of the Notes, this may adversely affect payments on the Notes.

It is possible that, prior to the maturity of the Notes, the United Kingdom may become a participating member state in the European economic and monetary union and that the Euro may become the lawful currency of the United Kingdom. In that event, (a) all amounts payable in respect of the Notes may become payable in Euro, (b) applicable provisions of law may allow or require the Issuer to redenominate the Notes into Euro and take additional measures in respect of such Notes and (c) the introduction of the Euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in Sterling used to determine the rates of interest on the Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the Euro could also be accompanied by a volatile interest rate environment which could adversely affect a Borrower's ability to repay its Loan as well as adversely affect investors. It cannot be said with certainty what effect, if any, adoption of the Euro by the United Kingdom will have on investors in the Notes.

Implementation of Basel II risk-weighted asset framework may result in changes to the risk-weighting of the Notes

Following the issue of proposals from the Basel Committee on Banking Supervision for reform of the 1988 Capital Accord, a framework has been developed which places enhanced emphasis on market discipline and sensitivity to risk. A comprehensive version of the text of the proposed framework was published in June 2006 under the title "International Convergence of Capital Measurement and Capital Standards: A Revised Framework (Comprehensive Version)" (the **Framework**). The Framework is being implemented in stages: the Basel II standard approach and the Foundation IRB approach for credit risk was implemented from 1 January 2007 and the most advanced Basel II IRB approach and the advanced measurement approach (AMA) for operational risks is expected to be implemented from 1 January 2008. However, the Framework is not self-implementing and, accordingly, implementation dates in participating countries are dependent on the relevant national implementation process in those countries. In the U.K., Basel II and the EU Capital Requirements Directive have been implemented through the Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) and the Capital Requirements Regulations 2006 SI 2006/3221, although the most advanced approaches referred to above will only be available from 1 January 2008. As and when implemented, the Framework could affect risk-weighting of the Notes for Noteholders who are subject to capital adequacy requirements that follow the Framework. Consequently, Noteholders should consult their own advisers as to the consequences to and effect on them of the application of the Framework and any relevant implementing measures (including in the EEA, the EU Capital Requirements Directive). Proposals and guidelines for implementing the Framework in certain participating jurisdictions are still in development

and no predictions can be made as to the precise effects of potential changes on the Notes, the Alliance & Leicester Group, any Noteholder or otherwise.

English law security and insolvency considerations

The Issuer will enter into the Deed of Charge pursuant to which it will grant the Security in respect of certain of its obligations, including its obligations under the Notes (as to which, see "*Summary of Key Transaction Documents – Deed of Charge*"). If certain insolvency proceedings are commenced in respect of the Issuer, the ability to realise the Security may be delayed and/or the value of the Security impaired.

In particular, the ability to realise the security granted by the Issuer may be delayed if an administrator is appointed or in the context of a company voluntary arrangement in respect of the Issuer. In this regard, it should be noted that:

- (a) in general, an administrator may not be appointed in respect of a company if an administrative receiver is in office. Amendments were made to the Insolvency Act 1986 in September 2003 (and equivalent amendments were made to the Insolvency (Northern Ireland) Order 1989 by the Insolvency (Northern Ireland) Order 2005 which came into force on 27 March 2006) which restrict the right of the holder of a floating charge to appoint an administrative receiver, unless an exception applies. Significantly, one of the exceptions allows for the appointment of an administrative receiver in relation to certain transactions in the capital market. While it is anticipated that the requirements of this exception will be met in respect of the Deed of Charge, it should be noted that the Secretary of State may by regulation modify the capital market exception and/or provide that the exception shall cease to have effect;
- (b) under the Insolvency Act 1986 (as amended by the Insolvency Act 2002) and under the Insolvency (Northern Ireland) Order 1989 (as amended by the Insolvency (Northern Ireland) Order 2002), certain "small" companies (which are defined by reference to certain financial and other tests) are entitled to seek protection from their creditors for a limited period for the purposes of putting together a company voluntary arrangement. The position as to whether or not a company is a small company may change from time to time and consequently no assurance can be given that the Issuer will not, at any given time, be determined to be a small company. However, certain companies are excluded from the optional moratorium provisions, including a company which is party to certain transactions in the capital market and/or which has a liability in excess of a certain amount. While the Issuer should fall within the current exceptions, it should be noted that the Secretary of State may by regulation modify these exceptions.

In addition, it should be noted that, to the extent that the assets of the Issuer are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of section 176A of the Insolvency Act 1986 and Section 7 of the Insolvency (Northern Ireland) Order 2005, certain floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the Deed of Charge may be used to satisfy any claims of unsecured creditors. While certain of the covenants given by the Issuer in the Transaction Documents are intended to ensure it has no significant creditors other than the secured creditors under the Deed of Charge, it will be a matter of fact as to whether the Issuer has any other such creditors at any time. There can be no assurance that the Noteholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Security.

While the transaction structure is designed to minimise the likelihood of the Issuer becoming insolvent, there can be no assurance that the Issuer will not become insolvent and/or the subject of insolvency proceedings and/or that the Noteholders would not be adversely affected by the application of insolvency laws (including English insolvency laws).

Liquidation Expenses

Prior to the House of Lords' decision in the case of *Re Leyland Daf* in 2004, the general position was that, in a liquidation of a company, the liquidation expenses ranked ahead of unsecured debts and floating chargees' claims. *Re Leyland Daf* reversed this position so that liquidation expenses could no longer be recouped out of assets subject to a floating charge. The Companies Act 2006 contains provisions which will, when they are brought into force, broadly restore the pre-*Leyland Daf* position. The Insolvency Service has indicated that the relevant provisions will be brought into force on 6 April 2008. Significantly, the provisions will only come into force upon the enactment of secondary legislation which will require the floating chargeholder to approve the amount of certain liquidation expenses. Such secondary legislation is under consultation; however, based on the current proposals, these expenses will extend to litigation costs of the liquidator only (and not the general costs of the liquidation).

At this stage, it is too early to say with certainty what the secondary legislation will include and/or what comfort it might provide to floating charge-holders. However, it seems likely that, following the coming into force of the relevant provisions of the Companies Act 2006, floating charge realisations upon the enforcement of the floating charge security granted by the Issuer would be reduced by the amount of all, or a significant proportion of, any liquidation expenses.

SUMMARY OF THE KEY TRANSACTION DOCUMENTS

Mortgage Sale Agreement

The parties to the Mortgage Sale Agreement will be the Issuer, the Seller, the Administrator and the Security Trustee. The Mortgage Sale Agreement will be entered into on the Closing Date.

Pursuant to the terms of the Mortgage Sale Agreement, the Seller will sell its interest in a portfolio of residential mortgage loans (the **Initial Loans**) and their associated mortgages (the **Mortgages** and, together with the other security for the Loans, the **Related Security**) and all moneys derived therefrom from time to time (collectively referred to herein as the **Initial Portfolio**) to the Issuer on the Closing Date. The sale by the Seller to the Issuer of the Initial Loans in the Initial Portfolio will be given effect by (a) as regards English Loans and Northern Irish Loans, an equitable assignment and (b) as regards Scottish Loans, a Scottish Declaration of Trust. Until the Issuer has confirmed that it has received the requisite licence under the CCA, the Seller will hold such Loans and their Related Security as are regulated by the CCA on trust absolutely for the Issuer, and following the receipt of such confirmation from the Issuer, such Loans and their Related Security will be assigned to the Issuer. The consideration due to the Seller will be the aggregate of:

- (a) £10,367,000,000.00 (the **Initial Consideration**);
- (b) £133,948 (the **Purchase Price Adjustment**); and
- (c) the Deferred Consideration.

The Issuer will set off its obligations to pay the Initial Consideration to the Seller against the proceeds of issue of the Notes due from the Seller to the Issuer and pay the Purchase Price Adjustment. Any Deferred Consideration will be paid in accordance with the Pre-Acceleration Revenue Priority of Payments and, if applicable, the Post-Acceleration Priority of Payments.

Title to the Mortgages, Registration and Notifications

The completion of the legal transfer or conveyance of the Loans and Related Security (and, where appropriate, their registration) to the Issuer is, save in the limited circumstances referred to below, deferred. Legal title to the Loans and Related Security therefore remains with the Seller. Notice of the sale of the Loans and their Related Security to the Issuer will not (except as stated below) be given to any Borrower.

The legal transfers to the Issuer of all the Loans and their Related Security will be completed by the 20th Business Day after the earliest to occur of the following:

- (a) the Seller, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (b) below, ceases or, through an authorised action of the board of directors of the Seller, threatens to cease to carry on all or substantially all of its business or its mortgage administration business or the Seller is deemed unable to pay its debts as and when they fall due within the meaning of Section 123(1)(a) of the Insolvency Act 1986 (on the basis that the reference in such section to £750 was read as a reference to £10 million), Section 123(1)(b), (d) and (e), 123(1)(c) (on the basis that the words “for a sum exceeding £10 million” were inserted after the words “extract registered bond” and “extract registered protest”) and 123(2) of the Insolvency Act 1986 (as that Section may be amended); or
- (b) an order is made or an effective resolution is passed for the winding-up of the Seller, except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction (a) with or by the

Seller or (b) the terms of which have previously been approved by the Security Trustee in writing (such approval not to be unreasonably withheld or delayed); or

- (c) proceedings shall be initiated against the Seller under any applicable liquidation, insolvency, bankruptcy, composition, reorganisation (other than a reorganisation where the Seller is solvent) or other similar laws (including, but not limited to, presentation of a petition for an administration order, the filing of documents with the court for the appointment of an administrator, the service of a notice of intention to appoint an administrator or the taking of any steps to appoint an administrator) and (except in the case of presentation of a petition for an administration order, the filing of documents with the court for the appointment of an administrator, the service of a notice of intention to appoint an administrator or the taking of any steps to appoint an administrator) such proceedings are not, in the reasonable opinion of the Security Trustee, being disputed in good faith with a reasonable prospect of success or an administration order shall be granted or the appointment of an administrator takes effect or an administrative receiver or other receiver, liquidator, trustee in sequestration or other similar official shall be appointed in relation to the Seller or in relation to the whole or any substantial part of the undertaking or assets of the Seller, or an encumbrancer shall take possession of the whole or any substantial part of the undertaking or assets of the Seller, or a distress, execution or diligence or other process shall be levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Seller and such possession or process (as the case may be) shall not be discharged or otherwise ceases to apply within 30 days of its commencement, or the Seller (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws or makes a conveyance or assignment or assignation for the benefit of its creditors generally or takes steps with a view to obtaining a moratorium in respect of any indebtedness, each of (a), (b) and (c) being a **Seller Insolvency Event**; or
- (d) the Seller ceases to be assigned a long term unsecured, unsubordinated debt obligation rating from Moody's of at least Baa2 or from Fitch of at least BBB (a **Seller Downgrade Event** or an **A&L Downgrade Event**).

The title information documents and customer files relating to the Portfolio are currently held by or to the order of the Seller. The Seller has undertaken that, until perfection of the assignments contemplated by the Mortgage Sale Agreement, all the title information documents and customer files relating to the Portfolio which are at any time in its possession or under its control or held to its order will be held to the order of the Issuer or as the Issuer directs.

Neither the Security Trustee nor the Issuer has made or has caused to be made on its behalf any enquiries, searches or investigations in relation to the Portfolio, but each is relying entirely on the representations and warranties by the Seller contained in the Mortgage Sale Agreement.

Representations and Warranties

The Seller will represent and warrant in the Mortgage Sale Agreement to the Issuer and the Security Trustee to the effect that, as at the Closing Date, *inter alia*:

- (a) each Loan was originated by the Seller in pounds sterling and is denominated in pounds sterling;
- (b) no Loan has a current balance of more than £750,000;
- (c) each Loan in the Portfolio was made not earlier than 1 October 1994 and the final maturity date of each Loan is no later than 1 August 2047;

- (d) no lien or right of set off or counterclaim or other right of deduction has been created or arisen between any Borrower and the Seller or any other party which would entitle such Borrower to reduce the amount of any payment otherwise due under the Loan;
- (e) prior to the making of each initial advance and any further advance in respect of a Loan, the Lending Criteria and all preconditions to the making of that advance were satisfied in all material respects subject only to such exceptions as made on a case by case basis as would be acceptable to a reasonable, prudent mortgage lender;
- (f) each Borrower has made at least one monthly payment;
- (g) other than with respect to monthly payments, no Borrower is, or has been, since the date of the relevant Mortgage, in material breach of any obligation owed in respect of the relevant Loan or under the Related Security and accordingly no steps have been taken by the Seller to enforce any Related Security and the Seller is not aware of any fraud in relation to any Loan or Related Security which in any way affects the enforceability of the Related Security or the repayment of the Loan in accordance with the relevant Mortgage Conditions;
- (h) the total amount of arrears of interest or principal, together with any fees, commissions and premiums payable at the same time as such interest payment or principal repayment, on any Loan is not as at the Closing Date in respect of such Loan nor has been during the 12 months immediately preceding the Closing Date more than the monthly payment payable in respect of such Loan in respect of the month in which such date falls;
- (i) all of the Borrowers are natural legal persons and were aged 18 years or older at the date of execution of the Mortgage;
- (j) each Loan and its Related Security constitute legal, valid and binding obligations of the Borrower enforceable in accordance with their terms and each Loan and its Related Security is non-cancellable:
 - (i) except in relation to any term of any Loan or in its Related Security in each case which is not binding by virtue of the UTCCR (as amended, extended or re-enacted from time to time); and
 - (ii) except in relation to any Loan, Flexible Drawing or any Further Advance which is not enforceable by virtue of the CCA (as amended, extended or re-enacted from time to time);
- (k) in relation to any Loan in respect of which interest is calculated by reference to the Variable Rate, the Issuer or the Security Trustee has a right pursuant to the terms and conditions applicable to the relevant Loan and/or the Mortgage (the **Mortgage Terms**) to set the Variable Rate at any time and from time to time and such Variable Rate is and will be binding on, and enforceable against, the Borrower;
- (l) no agreement for any Loan constitutes an extortionate credit bargain under Sections 137 to 140 of the CCA or gives rise (whether on its own or taken together with any related agreement) to an unfair relationship under the CCA;
- (m) the whole of the current balance on each Loan and all future advances and interest, fees, costs, expenses and any other amounts payable under or in respect of such Loan are secured by a Mortgage over a residential property;
- (n) each Mortgage constitutes a valid and subsisting first ranking charge by way of legal mortgage (in relation to the English Loans) or by way of first fixed charge (in relation to the Northern Irish Loans)

or first ranking standard security (in relation to the Scottish Loans) over the relevant Mortgaged Property and subject only in certain appropriate cases to applications for registrations or recordings at the Land Registry of England and Wales or in the Registers of Scotland or the Registry of Deeds or Land Registry of Northern Ireland, which, where required, have been made and are pending and in relation to such cases, the Seller is not aware of any notice or any other matter that would prevent such registration or recording;

- (o) each Mortgage has first priority for the whole of the current balance of the Loan or Mortgage;
- (p) all of the Mortgaged Properties are residential properties situated in England and Wales, Northern Ireland or Scotland;
- (q) not more than 12 months prior to the execution of each Mortgage (or two years in the case of a Re-Mortgage or further advance made prior to the Closing Date), the Seller received a valuation report on the relevant Mortgaged Property (or another form of report concerning the valuation of the relevant Mortgaged Property as would be acceptable to a reasonable, prudent mortgage lender), the contents of which were such as would be acceptable to a reasonable, prudent mortgage lender (except in relation to newly built properties where the Seller received confirmation of the purchase price of the relevant property from the solicitor responsible for registering the Mortgage in relation to such property);
- (r) prior to the inception of each Mortgage (other than a Re-Mortgage completed pursuant to the Mortgage Transfer Service), the Seller: (a) instructed the Seller's solicitor or licensed conveyancer or (in Scotland) qualified conveyancer to carry out an investigation of title to the relevant Mortgaged Property and to undertake such other searches, investigation, enquiries and other actions on behalf of the Seller as are set out in the instructions which the Seller issued to the relevant solicitor, licensed conveyancer or qualified conveyancer as are set out in the case of English Loans in the CML's Lenders' Handbook for England and Wales (or, for Mortgages taken before the CML's Lenders' Handbook for England and Wales was adopted in 1999, the Seller's Standard Instructions to Conveyancers), in the case of the Northern Irish Loans in the CML's Lenders' Handbook for Northern Ireland (or, for Mortgages taken before the CML's Lenders' Handbook for Northern Ireland was adopted in 2004, the Seller's Standard Instructions to Solicitors) and, in the case of Scottish Loans, the CML's Lenders' Handbook for Scotland (or, for Mortgages taken before the CML's Lenders' Handbook for Scotland was adopted in 2000, the Seller's Standard Instructions to Conveyancers) (or such comparable, predecessor or successor instructions and/or guidelines as may for the time being be in place), subject only to those variations made (A) in circumstances where a mortgage loan is provided by the Seller on a "fees free" basis in connection with the re-mortgage of the property and provided that the relevant property is conveyed in accordance with a service agreement entered into between the Seller and its solicitor or (B) on a case by case basis as would be acceptable to a Reasonable, Prudent Mortgage Lender at the relevant time; and (b) received a Certificate of Title from the solicitor or licensed conveyancer or (in Scotland) qualified conveyancer relating to the Property, the contents of which were such as would have been acceptable to a Reasonable, Prudent Mortgage Lender at that time;
- (s) the benefit of all valuation reports and certificates of title which were provided to the Seller can be validly assigned to the Issuer without obtaining the consent of the relevant valuer, solicitor or licensed conveyancer or (in Scotland) qualified conveyancer;
- (t) buildings insurance cover for each Mortgaged Property is available under a policy arranged by the Borrower, by the Seller or by the relevant landlord or the properties in possession cover;
- (u) the Seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits in relation to the Loans and their Related Security agreed to be sold by the Seller to the Issuer pursuant to the Mortgage Sale Agreement, the Seller has not charged

or dealt with the benefit of any Loans or their Related Security, any of the other rights relating thereto or any of the property, rights, titles, interests or benefits to be sold or assigned to the Issuer nor is the Seller in breach of any covenant or warrandice implied by reason of its selling any of the Loans in the Portfolio with full title guarantee or absolute warrandice or as beneficial owner;

- (v) the Seller has, since the making of each Loan, kept or procured the keeping of full and proper accounts, books and records showing clearly all transactions, payments, receipts, proceedings and notices relating to such Loans and all such accounts, books and records are up to date and in the possession of the Seller, the Administrator or held to the Seller or the Administrator's (as applicable) order;
- (w) there are no authorisations, approvals, licences or consents (including without limitation licences under the CCA and authorisations under the FSMA) required as appropriate for the Seller or the Administrator to enter into or perform their respective obligations under the Mortgage Sale Agreement to render the Mortgage Sale Agreement legal, valid, binding, enforceable and admissible in evidence or to originate and administer the Loans and, with the exception of sending notification of assignment to the Borrowers, all formal approvals, consents and other steps necessary to permit a legal transfer of the Loans and their Related Security to be sold under this Agreement have been obtained or taken;
- (x) to the best of the Seller's knowledge, none of the terms in any Loan or its Related Security is not binding by virtue of it being unfair within the meaning of the UTCCR (as amended, extended or re-enacted from time to time) (except that the Seller makes no representation as to the fairness or otherwise of terms which relate to its ability to vary the rate of interest or its right to unilaterally revoke its consent to letting);
- (y) to the best of the Seller's knowledge, the Portfolio does not contain any Loans that were originated by the Seller to its staff;
- (z) to the extent that any Loan constitutes a regulated mortgage contract for the purposes of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, the Seller has materially complied with its obligations under the FSMA (including, without limitation, MCOB) in connection with the origination and administration of such Loan and has not received written notice of any allegation or claim that any of its obligations under the FSMA in connection with the origination and administration of any Loan have not been made in full;
- (aa) where there is any restriction on the assignment or transfer of any Loan or Related Security relating to the advance of monies other than the Loan, any Flexible Drawing or any Further Advance secured by the Related Security, no such monies have been advanced to the Borrower since the date of completion of such Loan save for where such monies have been advanced under an agreement regulated by the CCA which does not include as one of its terms that the money payable under it is secured by the relevant Mortgage.

For the purposes of this Information Memorandum, **Re-Mortgage** means a loan granted to a person and secured over a property as a replacement to an existing loan advanced to such person by another lender and secured over the same property.

Repurchase by the Seller

The Seller will agree in the Mortgage Sale Agreement to repurchase any Loan together with its Related Security in the circumstances described below.

If any of the representations or warranties given by the Seller are materially breached in respect of any Loan and/or its Related Security or any representation or warranty proves to be materially untrue as at the Closing

Date and this (where capable of remedy) has not been remedied within 20 Business Days of receipt by the Seller of notice from the Issuer in relation thereto, the Seller will, upon receipt of a further notice from the Issuer, purchase such Loan and its Related Security from the Issuer on the next Business Day after receipt of such notice by the Seller (or such other date as the Issuer may direct in the notice (provided that the date so specified by the Issuer shall not be later than 15 days after receipt by the Seller of such notice)) for a consideration equal to its current balance, on the date of repurchase.

The Seller must, pursuant to the terms of the Mortgage Sale Agreement, notify the Issuer and the Security Trustee of any breach of a warranty as soon as the Seller becomes aware of such breach.

The Seller will also be required to repurchase a Portable Loan and its Related Security on the date that the Borrower transfers the loan balance at the same interest rate and subject to all the existing terms and conditions to a new property during any applicable Discount Rate Period, Fixed Rate Period or Premium Rate Period. The Seller will repurchase such Loan and its Related Security from the Issuer at a price equal to the current balance of the Loan and such amount will be paid by the Seller on the next Business Day immediately following the date of such transfer.

Product Switches and Further Advances

Under the Mortgage Sale Agreement, the Issuer has agreed that the Seller or the Administrator (on behalf of the Seller) may accept an application from, or make an offer to, any Borrower for a Further Advance. If the Seller or the Administrator (on behalf of the Seller) accepts an application from a Borrower for, or offers (which offer is accepted by a Borrower), a Further Advance, the Seller or the Administrator (on behalf of the Seller) will be solely responsible for documenting and funding the relevant Further Advance.

Where the Seller makes a Further Advance in respect of any Loan, the Seller will sell and the Issuer must purchase the Further Advance on the date that the Further Advance is made by the Seller to the Borrower (the **Advance Date**) if no Notice of Non-Satisfaction of Portfolio Conditions has been given by the Seller to the Issuer on the immediately preceding Calculation Date, or has been so given and subsequently revoked by the Seller.

A Notice of Non-Satisfaction of Portfolio Conditions will be given by the Seller to the Issuer on a Calculation Date if any of the following conditions (the **Portfolio Conditions**) are not satisfied on such Calculation Date:

- (a) no Event of Default has occurred and is continuing;
- (b) no event which obliges the Seller to perfect the assignments and transfers of title contemplated by the Mortgage Sale Agreement has occurred;
- (c) the loan-to-value ratio (the **LTV**) of the Loans in the Portfolio as at the most recent Collection Period End Date does not exceed the LTV of the Loans in the Portfolio as at the Closing Date plus 0.25%;
- (d) any debit balance on the Principal Deficiency Ledger on the immediately preceding Collection Period End Date was or will be reduced to nil on the immediately following Interest Payment Date;
- (e) the aggregate current balance of Loans as at the most recent Collection Period End Date in respect of which the aggregate amount in arrears is more than 3 times the monthly payment then due is less than 5% of the aggregate current balance of all the Loans in the Portfolio;
- (f) the yield of the Loans as at the most recent Collection Period End Date in the Portfolio together with the yield of the relevant Further Advance will be at least 0.40% greater than Sterling-LIBOR for Three-Month Sterling deposits as at the immediately preceding Interest Payment Date, taking into

account the average yield on the Loans which are Variable Rate Loans, Base Rate Loans and Fixed Rate Loans and the margin on the Swap, in each case, as at the most recent Collection Period End Date;

- (g) the balance of the General Reserve Fund is not less than the General Reserve Required Amount as at the immediately following Interest Payment Date;
- (h) the balance of the Liquidity Reserve Fund (if established) will not be less than the Liquidity Reserve Required Amount as at the immediately following Interest Payment Date;
- (i) the product of the weighted average foreclosure frequency (**WAFF**) and the weighted average loss severity (**WALS**) for the Loans, calculated on the most recent Calculation Date (in the same manner as for the Loans in the Portfolio as at the Closing Date (or as otherwise agreed by the Administrator and the Rating Agencies from time to time)) does not exceed the product of the WALS and WAFF for the Loans calculated on the Closing Date plus 0.25%; and
- (j) if required, the Swap Agreement will be appropriately varied or, if appropriate, the Issuer and the Security Trustee will enter into a new swap, in order to hedge against the interest rate payable on the Loans and the floating rate of interest payable on the Notes.

The following conditions (**Further Advance Conditions**) apply to Further Advances:

- (i) the Portfolio Conditions were satisfied on the Calculation Date immediately preceding the relevant Advance Date;
- (ii) the Issuer will have sufficient Principal Receipts and/or Revenue Receipts on the Business Day following the relevant Advance Date to pay the Seller the Further Advance Purchase Price for the relevant Further Advance;
- (iii) the Administrator has not been notified that the purchase of the Further Advance on the Advance Date would adversely affect the then current ratings of the Notes by Moody's or Fitch; and
- (iv) the purchase of the Further Advance will not result in the aggregate principal balance of all Further Advances purchased by the Issuer in the then current Collection Period exceeding 1.5 per cent. of the aggregate Principal Amount Outstanding of the Notes as at the immediately preceding Interest Payment Date (taking into account any principal payments made by the Issuer on such Interest Payment Date and any issue of Additional Notes during the relevant Collection Period).

The following conditions (**Product Switch Conditions**) apply to Product Switches:

- (i) the Portfolio Conditions were satisfied on the Calculation Date immediately preceding the relevant Switch Date;
- (ii) if the Product Switch does not correspond to a type of loan product offered by the Seller on the Issue Date (a **New Loan Product**) and such New Loan Product does not form part of the Portfolio on the Switch Date, the Administrator has received written confirmation from Fitch that the inclusion of that New Loan Product would not have an adverse effect on the then current ratings of the Notes by Fitch;
- (iii) the Product Switch will be effected by such means as would be adopted by the Seller, for the purpose of ensuring the validity and priority of the Loan, were such switch in respect of a loan advanced by the Seller which is not part of the Portfolio;

- (iv) the Product Switch will be similar to switches offered to the Seller's mortgage borrowers whose mortgages do not form part of the Portfolio; and
- (v) the Administrator has not been notified that the retention of the Loan subject to the Product Switch within the Portfolio would adversely affect the then current ratings of the Notes by Moody's or Fitch.

If no Notice of Non-Satisfaction of Portfolio Conditions has been given by the Seller to the Issuer, or has been so given and subsequently revoked by the Seller, and the Further Advance is accordingly purchased by the Issuer on the relevant Advance Date, the Seller must, in relation to the Loan which is subject to the Further Advance, give the representations and warranties in respect of Further Advances set out in the Mortgage Sale Agreement as at the relevant Advance Date. Further, the Issuer must pay the Further Advance Purchase Price to the Seller on the Business Day following the relevant Advance Date. The purchase price for the relevant Further Advance shall be an amount equal to the principal amount of the Further Advance (the **Further Advance Purchase Price**) and will be paid from Principal Receipts and Revenue Receipts, if necessary. If Revenue Receipts have been used during any Collection Period to purchase Further Advances, the Loans subject to these Further Advances will be repurchased by the Seller together with their Related Security in inverse order of the relevant Advance Date in an amount at least equal to the Revenue Receipts so used.

If on a Calculation Date, a Notice of Non-Satisfaction of Portfolio Conditions has been given by the Seller to the Issuer and has yet to be revoked and/or a Further Advance Condition or a Product Switch Condition is not met on the relevant Advance Date or Switch Date (as applicable) then the Issuer shall not purchase any Further Advance made on or following the date of such Notice of Non-Satisfaction of Portfolio Conditions, and from that point on, the Seller will repurchase each Loan which is the subject of a Further Advance and its Related Security from the Issuer on the relevant Advance Date, until such notice is revoked.

In addition, the Seller agrees in the Mortgage Sale Agreement that, if it is subsequently determined that:

- (a) any of the representations or warranties made in respect of a Loan subject to a Further Advance was materially untrue as at the Advance Date; or
- (b) any Portfolio Condition was in fact not satisfied on the Calculation Date immediately preceding such Advance Date:
 - (i) despite no Notice of Non-Satisfaction of Portfolio Conditions having been given by the Seller to the Issuer on such Calculation Date; or
 - (ii) where a Notice of Non-Satisfaction of Portfolio Conditions was given but was revoked prior to such Calculation Date; or
- (c) any other Further Advance Condition listed in paragraph (iii) or (iv) of the definition of Further Advance Conditions is proven not to have been satisfied,

and, in either case, this (where capable of remedy) has not been remedied within 20 Business Days of receipt by the Seller of notice from the Issuer in relation thereto, the Seller will, upon receipt of a further notice from the Issuer, repurchase the entire Loan and its Related Security (including, for the avoidance of doubt, the Further Advance) from the Issuer on the next Business Day after receipt of such further notice by the Seller (or such other date as the Issuer may direct in that notice (provided that the date so specified by the Issuer shall not be later than 15 days after receipt by the Seller of such further notice)) for a consideration equal to its current balance on the date of repurchase.

The Seller or the Administrator (on behalf of the Seller) may offer a Borrower (and the Borrower may accept), or a Borrower may request, a Product Switch. Any Loan which has been subject to a Product

Switch will remain in the Portfolio unless a Notice of Non-Satisfaction of Portfolio Conditions has been given by the Seller to the Issuer and such notice has not been revoked.

If no Notice of Non-Satisfaction of Portfolio Conditions has been given by the Seller to the Issuer, or has been so given and subsequently revoked by the Seller, and the Loan which is the subject of a Product Switch remains in the Portfolio, the Seller must, in relation to the relevant Loan, give the representations and warranties in respect of Product Switches set out in the Mortgage Sale Agreement as at the relevant date that the Product Switch is made (the **Switch Date**).

In addition, the Seller agrees in the Mortgage Sale Agreement that, if it is subsequently determined that:

- (a) any representation or warranty made by the Seller in respect of the Loan which is subject to a Product Switch was materially untrue as at the Switch Date; or
- (b) any Portfolio Condition was in fact not satisfied on the Calculation Date immediately preceding the Switch Date:
 - (i) despite no Notice of Non-Satisfaction of Portfolio Conditions being given by the Seller to the Issuer on such Calculation Date; or
 - (ii) where a Notice of Non-Satisfaction of Portfolio Conditions was given but was revoked prior to such Calculation Date; or
- (c) any other Product Switch Condition listed in paragraphs (ii), (iii), (iv) and (v) of the definition of Product Switch Conditions,

and, in each case, this (where capable of remedy) has not been remedied within 20 Business Days of receipt by the Seller of notice from the Issuer, the Seller will, upon receipt of a further notice from the Issuer, repurchase the entire Loan and its Related Security from the Issuer on the next Business Day after receipt of such notice by the Seller (or such other date as the Issuer may direct in the notice (provided that the date so specified by the Issuer shall not be later than 15 days after receipt by the Seller of such notice)) for a consideration equal to its current balance on the date of repurchase.

Where in relation to a proposed Further Advance or a Product Switch, the Seller or the Administrator (on behalf of the Seller) proposes making a Further Advance or Product Switch (as applicable) following the Interest Payment Date falling on 12 February 2013 (the **Step-Up Date**), the Seller may, despite not having given a Notice of Non-Satisfaction of Portfolio Conditions to the Issuer, alternatively to selling the Further Advance to the Issuer or the Loan which is the subject of a Product Switch remaining in the Portfolio (as applicable), elect to repurchase the relevant Loan and its Related Security from the Issuer on the relevant Advance Date or Switch Date (as applicable) for a consideration equal to its current balance. Any such election must be made prior to the relevant Advance Date or Switch Date (as applicable). The Seller must pay to the Issuer the consideration for the relevant Loan and its Related Security which is the subject of a Further Advance or a Product Switch (as applicable) on the next Business Day following the Advance Date or the Switch Date (as applicable).

Neither the Seller nor the Administrator (as applicable) shall be permitted to issue any offer for a Further Advance to any Borrower with a Loan which is delinquent or which is in default.

A **Further Advance**, for the purposes of this Information Memorandum, is a further amount lent to a Borrower under his or her Loan after the Closing Date, which amount is secured by the same Mortgaged Property as the Loan, and **Advance Date** means the date such Further Advance is made to a Borrower.

A Loan will be subject to a **Product Switch** if there is any variation of the financial terms and conditions of the Loan other than:

- (a) an addition or a release of a party to the Loan;
- (b) any variation agreed with a Borrower to control or manage arrears on the Loan;
- (c) any variation which extends the maturity date of the Loan up to 12 August 2047;
- (d) any substitution of the Mortgaged Property secured by the Related Security for that Loan; and
- (e) any variation imposed by statute.

The Seller must, pursuant to the terms of the Mortgage Sale Agreement, notify the Issuer and the Security Trustee of any breach of warranty in respect of Loans subject to Further Advances or Product Switches or of the Portfolio Conditions as soon as the Seller becomes aware of such breach.

Sale of New Portfolio

The Seller may in connection with the issue of Further Notes or New Notes sell new loans (a **New Portfolio**) to the Issuer after the Closing Date, provided that:

- (a) the Portfolio Conditions have been satisfied on the most recent Calculation Date; and
- (b) Additional Notes will be issued in a principal amount not less than the Purchase Price of the New Portfolio; and
- (c) written confirmation from the Rating Agencies has been received that the purchase of the New Portfolio would not have an adverse effect on the then current rating of the Notes by the Rating Agencies; and
- (d) the Step-Up Date has not been reached,

and the conditions set out in Condition 17 (Further Notes, Replacement Notes and New Notes) of the Notes are satisfied.

Flexible Drawings

It shall be a term of any sale of Initial Loans or any sale of New Loans to the extent that such Initial Loans or New Loans (as applicable) are Flexible Loans, that the Seller be paid an amount equal to the outstanding principal amount of the relevant Flexible Drawings (the **Flexible Drawings Purchase Price**) by CHAPS by the Issuer on the relevant Flexible Drawing Date to the extent that the Issuer has sufficient Principal Receipts and/or Revenue Receipts on such Flexible Drawing Date (excluding any Principal Receipts and/or Revenue Receipts to be used to pay any Further Advance Purchase Price) to make such payment and otherwise on the immediately following Interest Payment Date.

If Revenue Receipts have been used during any Collection Period to purchase Flexible Drawings and there have not been enough funds available to it under the Liquidity Facility commitment to make up those Revenue Receipts used, the Loans subject to these Flexible Drawings will be repurchased by the Seller together with their Related Security in inverse order of the relevant Flexible Drawing Date in an amount at least equal to the amount by which the Liquidity Facility commitment has been exceeded.

Governing Law

English law (other than certain aspects relating to the Scottish Loans and their Related Security, which are governed by Scots law and certain aspects relating to the Northern Irish Loans and their Related Security, which are governed by Northern Irish law).

Administration Agreement

The parties to the Administration Agreement will be the Issuer, the Security Trustee, the Seller and the Administrator.

On the Closing Date, the Administrator will be appointed by the Issuer under the Administration Agreement as its agent to administer the Loans and their Related Security. The Administrator will undertake to comply with any proper directions and instructions that the Issuer and/or the Security Trustee may from time to time give to it in accordance with the provisions of the Administration Agreement. The Administrator is required to administer the Loans and their Related Security in the following manner:

- (a) in accordance with the Administration Agreement; and
- (b) as if the Loans and Mortgages had not been sold to the Issuer but remained with the Seller, and in accordance with the Seller's procedures and administration and enforcement policies as they apply to those Loans from time to time.

The Administrator's actions in the administration of the Loans in accordance with its procedures and the Administration Agreement are binding on the Issuer. The Administrator will also be appointed by the Seller under the Administration Agreement to be its agent to administer the Loans and their Related Security in the making of any Flexible Drawings and/or Further Advances and/or Product Switches. For instance, the Administrator shall, on behalf of the Seller, make offers (where applicable) to Borrowers and accept applications from Borrowers.

The Administrator may, in some circumstances, delegate or subcontract some or all of its responsibilities and obligations under the Administration Agreement. However, the Administrator remains liable at all times for the administration of the Loans and for the acts or omissions of any delegate or subcontractor.

Powers

Subject to the guidelines for administration set forth above, the Administrator will have the power, *inter alia*:

- (a) to exercise the rights, powers and discretions of the Issuer in relation to the Loans and their Related Security and to perform its duties in relation to the Loans and their Related Security; and
- (b) to do or cause to be done any and all other things which it reasonably considers necessary or convenient or incidental to the administration of the Loans and their Related Security or the exercise of such rights, powers and discretions.

Undertakings by the Administrator

The Administrator will undertake, among other things, the following:

- (a) to maintain all approvals, authorisations, permissions, consents and licences required by it in order to properly administer the Loans and their Related Security and to perform or comply with its obligations under the Administration Agreement, and to prepare and submit all necessary applications and requests for any further approvals, authorisations, permissions, consents and licences required in connection with the Administration Services, and in particular any necessary notification under the Data Protection Act, authorisation and permissions under the FSMA and licence under the CCA;
- (b) to determine and set the variable rate, differential rate or any discretionary rate applicable to any Loan in the Portfolio (the **Issuer Variable Rate**) or margin applicable to any Loan in the Portfolio except in circumstances described in paragraph (c) when the Issuer will be entitled to do so;

- (c) to not at any time, without the prior consent of the Issuer, set or maintain:
- (i) the Issuer Variable Rate at a rate which is higher than (although it may be lower than or equal to) the then prevailing Variable Rate which applies to loans beneficially owned by the Seller outside the Portfolio;
 - (ii) a margin in respect of any Loan which is higher than (although it may be lower than or equal to) the margin which would then be set in accordance with the Seller's policy from time to time in relation to those types of loans beneficially owned by the Seller outside the Portfolio.

In particular, the Administrator shall determine four Business Days prior to each Interest Payment Date (each a **Calculation Date**), having regard to the aggregate of:

- (A) the revenue which the Issuer would expect to receive during the following Collection Period (as defined below);
- (B) the Issuer Variable Rate which the Administrator proposes to set under the Administration Agreement;
- (C) the Base Rate in respect of the Base Rate Loans; and
- (D) the other resources available to the Issuer including the Swap Agreement, the General Reserve Fund, the Liquidity Facility and the Liquidity Reserve Fund (if established),

whether the Issuer would receive an amount of revenue during that Collection Period which is less than the aggregate of (I) the amount of interest which will be payable in respect of all the Class A Notes on the relevant Interest Payment Date and (II) the other senior expenses of the Issuer ranking in priority to or *pari passu* with interest then due on all the Class A Notes.

Collection Period means each period from (but excluding) the last day in the calendar month immediately preceding a Calculation Date (or, in the case of the first Collection Period, from (and including) 11 October 2007) to (and including) the last day in the calendar month immediately preceding the immediately following Calculation Date (or, in the case of the first Collection Period, the last day in the calendar month immediately preceding the first Calculation Date).

If the Administrator determines that there will be a shortfall in the foregoing amounts, it will give written notice to the Issuer and the Security Trustee, within two Business Days of such calculation of the amount of the shortfall and the Issuer Variable Rate which would, in the Administrator's opinion, need to be set in order for no shortfall to arise, having regard to the date(s) on which the change to the Issuer Variable Rate would take effect and at all times acting in accordance with the standards of a reasonable, prudent mortgage lender as regards the competing interests of those Borrowers with the Variable Rate Loans and the Discounted Rate Loans. If the Issuer and the Security Trustee notify the Administrator that, having regard to the obligations of the Issuer, the Issuer Variable Rate should be increased, then the Administrator will take all steps which are necessary to increase the Issuer Variable Rate including publishing any notice which is required in accordance with the Mortgage Terms.

The Issuer and the Security Trustee may terminate the authority of the Administrator to determine and set the Issuer Variable Rate on or after the occurrence of an Administrator Termination Event as defined under "*Summary of Key Transaction Documents – Administration Agreement – Removal or resignation of the Administrator*") below, in which case the Issuer will set the Issuer Variable Rate itself in accordance with this paragraph;

- (a) to the extent so required by the relevant Mortgage Terms and applicable law, to notify Borrowers of any change in interest rates, whether due to a change in the Issuer Variable Rate or as a consequence of any provisions of the Mortgage Conditions or the offer conditions, and to notify the Issuer and the Security Trustee of any such changes;
- (b) use all reasonable endeavours to procure that the Seller makes payments in respect of the Loans into the GIC Account not later than one Business Day following receipt of the same by the Seller;
- (c) to execute all documents on behalf of the Issuer and/or the Seller which are necessary or desirable for the efficient provision of Administration Services, including (but not limited to) documents relating to the discharge of Mortgages comprised in the Portfolio;
- (d) to keep records and accounts on behalf of the Issuer in relation to the Loans and their Related Security;
- (e) to keep the customer files and title information documents in safe custody (including electronic records) and maintain records necessary to enforce each Loan and its Related Security, to ensure that each title information document is capable of identification and retrieval and that each title information document is distinguishable from information held by the Administrator for other persons, and (if A&L's short-term, unsecured, unsubordinated and unguaranteed debt is rated less than P-1 by Moody's and F1 by Fitch), to use reasonable endeavours to ensure the customer files and title information documents are identified as distinct from customer files and title information documents which relate to loans held outside the Portfolio;
- (f) to provide the Issuer and the Security Trustee (and their auditors) with access to the title information documents and other records relating to the administration of the Loans and Related Security;
- (g) to prepare a report on a quarterly basis about the Loans in the Portfolio in the form set out in the Administration Agreement;
- (h) to take all reasonable steps, in accordance with the arrears procedures undertaken by a reasonable, prudent mortgage lender, to recover all sums due to the Issuer, including instituting proceedings and enforcing any relevant Loan or Related Security;
- (i) to enforce any Loan which is in arrears in accordance with its usual arrears procedures or, to the extent that the arrears procedures are not applicable having regard to the nature of the default in question, with the usual procedures undertaken by a reasonable, prudent mortgage lender on behalf of the Issuer; and
- (j) not knowingly fail to comply with any legal requirements in the performance of its obligations under the Administration Agreement.

The requirement for any action to be taken according to the standards of a **reasonable, prudent mortgage lender** means a reasonable prudent prime residential mortgage lender lending to borrowers in England, Wales, Northern Ireland and/or Scotland who generally satisfy the lending criteria of traditional sources of residential mortgage capital. For the avoidance of doubt, any action taken by the Administrator to set the Issuer Variable Rate at a level which is lower than that of the competitors of the Seller will be deemed to be in accordance with the standards of a reasonable, prudent mortgage lender.

Compensation of the Administrator

The Administrator receives a fee for servicing the Loans. The Issuer will pay to the Administrator on each Interest Payment Date an administration fee (inclusive of VAT) of 0.08% per annum on the aggregate current balance of the Loans comprising the Portfolio as at the opening of business on the first day of the

preceding Collection Period. The fee is payable quarterly in arrear on each Interest Payment Date only to the extent that the Issuer has sufficient funds in accordance with the Pre-Acceleration Revenue Priority of Payments to pay it. Any unpaid balance will be carried forward until the next Interest Payment Date and, if not paid earlier, will be payable in full by 12 August 2049 or on any earlier date on which a Note Acceleration Notice is served on the Issuer.

Removal or Resignation of the Administrator

The Issuer with the written consent of the Security Trustee, or the Security Trustee itself may, upon written notice to the Administrator, terminate the Administrator's rights and obligations immediately if any of the following events (each an **Administrator Termination Event**) occurs:

- (a) the Administrator defaults in the payment of any amount due under the Administration Agreement or the relevant Transaction Documents to which it is a party and fails to remedy that default for a period of 10 Business Days after the earlier of becoming aware of the default and receipt of written notice from the Issuer or the Security Trustee requiring the default to be remedied; or
- (b) the Administrator fails to comply with any of its other covenants or obligations under the Administration Agreement or any other Transaction Document to which it is a party which in the opinion of the Security Trustee is materially prejudicial to the Secured Creditors and does not remedy that failure within 20 Business Days after the earlier of becoming aware of the failure and receipt of written notice from the Issuer or the Security Trustee requiring the failure to be remedied; or
- (c) an Insolvency Event occurs in relation to the Administrator. (In this context **Insolvency Event** has the same meaning as Seller Insolvency Event (as defined in "*Summary of the Key Transaction Documents – Mortgage Sale Agreement – Title to the Mortgages Registration and Notifications*" above) but any reference to the Seller shall be deemed to be replaced with a reference to the Administrator.)

Subject to the fulfilment of a number of conditions (including the appointment of a substitute administrator), the Administrator may voluntarily resign by giving not less than 12 months' notice to the Issuer and the Security Trustee. The substitute administrator is required to have experience of administering mortgages in the United Kingdom and to enter into an administration agreement with the Issuer and the Security Trustee substantially on the same terms as the relevant provisions of the Administration Agreement. It is a further condition precedent to the resignation of the Administrator that the current ratings of the Notes by Fitch are not adversely affected as a result of the resignation (and, for the avoidance of doubt, Moody's will not be required to provide such confirmation), unless the Noteholders otherwise agree by an Extraordinary Resolution.

If the appointment of the Administrator is terminated, the Administrator must deliver the title information documents and customer files relating to the Loans and Related Security to, or at the direction of, the Issuer.

Where a substitute administrator is appointed following the occurrence of an Administrator Termination Event, or the voluntary resignation by the Administrator, the Issuer's costs and expenses associated with the transfer of administration to the substitute administrator (the **Transfer Costs**) will be paid by the Seller. Where the Seller fails to pay such Transfer Costs, the Issuer shall pay such Transfer Costs in accordance with the Pre-Acceleration Revenue Priority of Payments prior to payment of any Deferred Consideration to the Seller.

The administration fee payable to a substitute administrator will be agreed by the Issuer, the Security Trustee and the substitute administrator prior to its appointment.

The Security Trustee shall not be responsible for monitoring or ascertaining whether or not an Administrator Termination Event has occurred, and unless and until it has actual knowledge to the contrary shall be entitled to assume that no such event has occurred.

Right of Delegation by the Administrator

The Administrator may subcontract or delegate the performance of its duties under the Administration Agreement, provided that it meets particular conditions, including that:

- (a) the Security Trustee consents to the proposed subcontracting or delegation;
- (b) written notification has been given to each of the Rating Agencies;
- (c) where the arrangements involve the custody or control of any customer files and/or title information documents relating to the Portfolio for the purpose of performing any delegated services, the subcontractor or delegate has executed an acknowledgement in form and substance acceptable to the Issuer to the effect that any such customer files and/or title information documents are and will be held to the order of the Issuer and the Security Trustee or such entity (as the Issuer and the Security Trustee shall direct);
- (d) where the arrangements involve or may involve the receipt by the subcontractor or delegate of moneys belonging to the Issuer which are to be paid into the GIC Account, the subcontractor or delegate has executed a declaration that any such moneys are held on trust for the Issuer and will be paid forthwith into the GIC Account in accordance with the terms of the Administration Agreement;
- (e) the subcontractor or delegate has executed a written waiver of any security interest arising in connection with the delegated services;
- (f) the Issuer and the Security Trustee have no liability for any costs, charges or expenses in relation to the proposed subcontracting or delegation; and
- (g) the subcontractor or delegate has confirmed that it has, and will maintain all approvals required for itself in connection with the fulfilment of its obligations under the agreement with the Administrator.

The provisos set out in paragraphs (a) and (b) above (among others) will not be required in respect of any delegation to (i) a wholly-owned subsidiary of A&L from time to time or (ii) to persons such as receivers, lawyers or other relevant professionals.

Liability of the Administrator

The Administrator will indemnify each of the Issuer and the Security Trustee on an after-tax basis against all losses, liabilities, claims, expenses or damages incurred as a result of negligence or wilful default by the Administrator in carrying out its functions as Administrator under the Administration Agreement or any other Transaction Document to which it is a party or as a result of a breach by the Administrator of the terms of the Administration Agreement or the other Transaction Documents to which it is a party in relation to such functions.

Governing Law

English law other than certain terms of the Administration Agreement which are particular to the laws of Scotland, which shall be construed in accordance with Scots law and certain terms of the Administration Agreement which are particular to the laws of Northern Ireland, which shall be construed in accordance with Northern Irish law.

Deed of Charge

On the Closing Date, the Issuer will enter into a deed of charge (the **Deed of Charge**) with the Security Trustee.

Security

Under the terms of the Deed of Charge, the Issuer will provide the Security Trustee with the benefit of, *inter alia*, the following security (the **Security**):

- (a) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit in and to the Transaction Documents;
- (b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's interest in the English Loans and Northern Irish Loans and their Related Security and other related rights comprised in the Portfolio;
- (c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit to and under insurance policies sold to the Issuer pursuant to the Mortgage Sale Agreement;
- (d) an assignment in security of the Issuer's interest in the Scottish Loans and their Related Security (comprising the Issuer's beneficial interest under the trusts declared by the Seller pursuant to each Scottish Declaration of Trust);
- (e) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts maintained with the Account Bank and any sums standing to the credit thereof;
- (f) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in all Authorised Investments permitted to be made by the Issuer; and
- (g) a floating charge over all other assets of the Issuer not otherwise subject to a fixed charge (but extending over all the Issuer's assets which are situated in Scotland or the rights to which are governed by Scots law).

Authorised Investments means:

- (a) Sterling gilt-edged securities; and
- (b) Sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper),

provided that in all cases either such investments (i) have a maturity date of 90 days or less and mature on or before the next following Interest Payment Date or (ii) may be broken or demanded by the Issuer (at no cost to the Issuer) on or before the next following Interest Payment Date, and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated at least "P-1" by Moody's and "F1+" by Fitch (and "AA-" by Fitch (long-term) if the issuing or guaranteeing entity has a long-term rating).

Transaction Documents means the Administration Agreement, the Agency Agreement, the Bank Account Agreement, the Cash Management Agreement, the Corporate Services Agreement, the Deed of Charge, the Issuer Power of Attorney, the Liquidity Facility Agreement, the Master Definitions and Construction Schedule, the Mortgage Sale Agreement, the Nominee Declaration of Trust, the Note Purchase Agreement, the Post-Enforcement Call Option Agreement, the Secretarial Services Agreement, the Seller Collection Account Declaration of Trust, the Seller Power of Attorney, the Share Trustee Declaration of Trust, the Subordinated Loan Agreement, the Swap Agreement, the Trust Deed and such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes.

Whether a fixed security interest expressed to be created by the Deed of Charge will be upheld as a fixed security interest rather than floating security will depend, among other things, on whether the Security Trustee has the requisite degree of control under the Transaction Documents over the chargor's ability to deal in the relevant assets and the proceeds thereof, and if so, whether such control is exercised by the Security Trustee in practice. However, it is likely that the Security Trustee does not exert sufficient control over the accounts of the Issuer for the charges over those accounts to take effect as fixed charges. In addition, any assignment, charge or security granted over an asset which is expressed to be a fixed charge may be characterised as a floating charge if the proceeds thereof are paid into a bank account over which the Security Trustee is not deemed to have sufficient control. Such may be the case in this transaction.

Unlike the fixed charges, the floating charge does not attach to specific assets but instead "floats" over a class of assets which may change from time to time, allowing the Issuer to deal with those assets and to give third parties title to those assets free from any encumbrance in the event of sale, discharge or modification, provided those dealings and transfers of title are in the ordinary course of the Issuer's business. Any assets acquired by the Issuer after the Closing Date (including assets acquired as a result of the disposition of any other assets of the Issuer) will also be subject to the floating charge unless (except in relation to Scottish assets) they are subject to the fixed charges mentioned in this section.

The floating charge created by the Deed of Charge allows the Security Trustee to appoint an administrative receiver of the Issuer and thereby prevent the appointment of an administrator of the Issuer by one of the Issuer's other creditors. An appointment of an administrative receiver by the Security Trustee under the Deed of Charge will not be prohibited by Section 72A of the Insolvency Act as the appointment will fall within the exception set out under Section 72B of the Insolvency Act (First Exception: Capital Markets). Therefore, in the event that enforcement proceedings are commenced in respect of amounts due and owing by the Issuer, the Security Trustee will be entitled to control those proceedings in the best interests of the Noteholders. However, see "*Risk factors — Change of law*" relating to the appointment of administrative receivers.

Secured Creditors means the Security Trustee, the Note Trustee, the Noteholders, the Seller, the Administrator, the Cash Manager, the Swap Provider, the Liquidity Facility Provider, the Account Bank, the Subordinated Loan Provider, the Corporate Services Provider, the Secretarial Services Provider, the Paying Agents, the Registrar, the Agent Bank and any other person who is expressed in any deed supplemental to the Deed of Charge to be a secured creditor.

The interest of the Secured Creditors in property and assets over which there is a floating charge will rank behind the expenses of any administration and the claims of certain preferential creditors on enforcement of the Security. Section 250 of the Enterprise 2002 Act (and the equivalent Section 6 of the Insolvency (Northern Ireland) Order 2005) abolishes Crown Preference in relation to all insolvencies (and thus reduces the categories of preferential debts that are to be paid in priority to debts due to the holder of a floating charge) but a new Section 176A of the Insolvency Act 1986 (as inserted by Section 251 of the Enterprise Act 2002) and the equivalent Section 7 of the Insolvency (Northern Ireland) Order 2005 requires a "prescribed part" (up to a maximum amount of £600,000) of the floating charge realisations available for distribution to be set aside to satisfy the claims of unsecured creditors. This means that the expenses of any administration, the claims of preferential creditors and the beneficiaries of the prescribed part will be paid out of the proceeds of enforcement of the floating charge ahead of amounts due to Noteholders. The prescribed part

will not be relevant to property subject to a valid fixed security interest or to a situation in which there are no unsecured creditors.

The floating charge created by the Deed of Charge may “crystallise” and become a fixed charge over the relevant class of assets owned by the Issuer at the time of crystallisation. Crystallisation will occur automatically following the occurrence of specific events set out in the Deed of Charge, including, among other events, when an Event of Default occurs (except in relation to assets governed by Scots law, where crystallisation will only occur on the appointment of a receiver). A crystallised floating charge will rank ahead of the claims of unsecured creditors which are in excess of the prescribed part but will rank behind the expenses of any administration, the claims of preferential creditors and the beneficiaries of the prescribed part on enforcement of the Security.

Pre-Acceleration Revenue Priority of Payments and Pre-Acceleration Principal Priority of Payments

Prior to the Note Trustee serving a Note Acceleration Notice on the Issuer pursuant to Condition 10 (Events of Default) of the Notes, declaring the Notes to be immediately due and payable, the Cash Manager (on behalf of the Issuer) shall apply moneys standing to the credit of the Transaction Account as described in "*Cashflows — Application of Available Revenue Receipts prior to service of a Note Acceleration Notice on the Issuer*", "*Cashflows — Application of Available Principal Receipts prior to the occurrence of a Pro-Rata Trigger Event*" and "*Cashflows — Application of Available Principal Receipts after the occurrence of a Pro-Rata Trigger Event but prior to service of a Note Acceleration Notice on the Issuer*" below.

Post-Acceleration Priority of Payments

After the Note Trustee has served a Note Acceleration Notice on the Issuer pursuant to Condition 10 (Events of Default) of the Notes, declaring the Notes to be immediately due and payable, the Security Trustee shall (if directed by the Note Trustee to enforce the security) apply the moneys available in accordance with the Post-Acceleration Priority of Payments defined in "*Cashflows — Distribution of Available Principal Receipts and Available Revenue Receipts following the service of a Note Acceleration Notice on the Issuer*" below.

The Security will become enforceable following the service of a Note Acceleration Notice on the Issuer pursuant to Condition 10 (Events of Default) of the Notes provided that, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Security Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless either a sufficient amount would be realised to allow discharge in full of all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders as set out in the order of priority of payment below) or, once all of the Class A Noteholders have been repaid, to the Class B Noteholders or, once all of the Class A Noteholders and the Class B Noteholders have been repaid, to the Class C Noteholders or the Security Trustee is of the opinion that the cashflow expected to be received by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders as set out in the order of priority below) or, once all of the Class A Noteholders have been repaid, to the Class B Noteholders or, once all of the Class A Noteholders and the Class B Noteholders have been repaid, to the Class C Noteholders.

Governing Law

English law (other than any terms of the Deed of Charge which are particular to the laws of Northern Ireland which shall be construed in accordance with Northern Irish law and certain aspects relating to the Scottish Loans and their Related Security, including any Scottish supplemental charge granted pursuant and supplemental to the Deed of Charge, which will be governed by Scots law).

Cash Management Agreement

On the Closing Date, the Cash Manager, the Issuer and the Security Trustee will enter into the Cash Management Agreement.

Cash Management Services to be Provided to the Issuer

Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer. The Cash Manager's principal function will be effecting payments to and from the GIC Account and the Transaction Account. In particular, the Cash Manager will:

- (a) apply, or cause to be applied Available Revenue Receipts (together with amounts referred to in paragraph (f) of the definition of Available Principal Receipts) in accordance with the Pre-Acceleration Revenue Priority of Payments and Available Principal Receipts in accordance with the applicable Pre-Acceleration Principal Priority of Payments; and
- (b) make withdrawals from the General Reserve Fund and/or the Liquidity Reserve Fund (if established) as and when required.

In addition, the Cash Manager will:

- (c) maintain the following ledgers (the **Ledgers**) on behalf of the Issuer:
 - (i) the **Principal Ledger**, which records all Principal Receipts received by the Issuer and the distribution of the Principal Receipts in accordance with the Pre-Acceleration Sequential Principal Priority of Payments, the Pre-Acceleration Pro-Rata Principal Priority of Payments or the Post-Acceleration Priority of Payments (as applicable);
 - (ii) the **Revenue Ledger**, which records all Revenue Receipts received by the Issuer and distribution of the same in accordance with the Pre-Acceleration Revenue Priority of Payments or the Post-Acceleration Priority of Payments (as applicable);
 - (iii) the **General Reserve Ledger**, which records amounts credited to the general reserve fund (the **General Reserve Fund**) from Tranche C of the Subordinated Loan and from Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments and withdrawals from the General Reserve Fund on each Interest Payment Date (see "*Credit Structure — General Reserve Fund*", below);
 - (iv) the **Liquidity Reserve Ledger**, which (if the Liquidity Reserve Fund is required to be established), records amounts credited to the Liquidity Reserve Fund in accordance with the Pre-Acceleration Sequential Principal Priority of Payments and amounts debited from the Liquidity Reserve Fund with respect to Income Deficits (see "*Credit Structure — Liquidity Reserve Fund*", below);
 - (v) the **Liquidity Facility Ledger**, and record on it all Liquidity Facility Drawings (as a credit) and all Liquidity Facility Repayments (as a debit); and
 - (vi) the **Principal Deficiency Ledger**, which records deficiencies arising from Losses on the Portfolio or the application of Principal Receipts and/or the application of amounts standing to the credit of the Liquidity Reserve Fund (if established) to cover Income Deficits as described in "*Credit Structure — Principal Deficiency Ledger*" below;
- (d) calculate on each Calculation Date the amount of Available Revenue Receipts and Available Principal Receipts to be applied on the relevant Interest Payment Date;

- (e) provide the Issuer, the Seller, the Security Trustee and the Rating Agencies with quarterly reports in relation to the Portfolio;
- (f) (if the Notes are admitted to the Official List and to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market or any other recognised stock exchange) procure that the quarterly reports in relation to the Portfolio are provided to Bloomberg L.P. for publication on a page of the Bloomberg screen or to such other service provider providing any medium for electronic display of data as may be previously approved in writing by the Issuer and the Security Trustee;
- (g) invest monies standing from time to time to the credit of a Bank Account in Authorised Investments as determined by the Issuer or the Administrator, subject to the following provisions:
 - (i) any such Authorised Investment shall be made in the name of the Issuer;
 - (ii) any costs properly and reasonably incurred in making and changing Authorised Investments will be reimbursed to the Cash Manager by the Issuer; and
 - (iii) all income and other distributions arising on, or proceeds following the disposal or maturity of, Authorised Investments shall be credited to the relevant Bank Account; and
- (h) to give all notices and make all determinations and withdrawals in respect of the Liquidity Facility on behalf of the Issuer as set out in the Liquidity Facility Agreement.

Remuneration of Cash Manager

The Cash Manager shall be paid a fee (inclusive of any VAT) of 0.01% on the aggregate current balance of the Portfolio as at the opening of business on the first day of the preceding Collection Period for its cash management services under the Cash Management Agreement quarterly in arrear on each Interest Payment Date.

Termination of Appointment of Cash Manager

If the Cash Manager defaults in the performance of its obligations under the Cash Management Agreement and such default remains unremedied (if capable of remedy) for a specified period thereafter or an Insolvency Event occurs in relation to the Cash Manager or (while the Cash Manager is A&L) a Seller Downgrade Event occurs, then the Issuer (with the written consent of the Security Trustee) or the Security Trustee may at once or at any time thereafter if the default is continuing, by notice in writing to the Cash Manager, terminate the appointment of the Cash Manager. (In this context, Insolvency Event has the same meaning as Seller Insolvency Event (as defined in "*Summary of Key Transaction Documents- Mortgage Sale Agreement – Title to Mortgages, Registration and Notification*" above) but any reference to the Seller shall be deemed to be replaced with a reference to the Cash Manager.)

The Cash Manager may resign its appointment as Cash Manager on giving 12 months' written notice thereof to the Security Trustee and the Issuer if, *inter alia*:

- (a) a substitute cash manager has been appointed and a new cash management agreement is entered into on terms satisfactory to the Security Trustee and the Issuer (and the Cash Manager shall not be released from its appointment under the Cash Management Agreement until such an appointment has been made and such new agreement has been entered into); and
- (b) the Issuer and Security Trustee have received confirmation from Fitch that the then current ratings of any class of the existing Notes would not be adversely affected as a result thereof (and, for the avoidance of doubt, Moody's will not be required to provide such confirmation) unless otherwise agreed by an Extraordinary Resolution of the holders of the relevant class of Notes.

Liability of the Cash Manager

The Cash Manager will indemnify each of the Issuer and the Security Trustee on an after-tax basis for any loss, liability, claim, expense or damage suffered or incurred by it in respect of the negligence, fraud or wilful default of the Cash Manager in carrying out its functions as Cash Manager under, or as a result of a breach by the Cash Manager of, the terms and provisions of the Cash Management Agreement or such other Transaction Documents to which the Cash Manager is a party (in its capacity as such) in relation to such functions.

Governing Law

English.

Other Agreements

For a description of the Swap Agreement, Liquidity Facility and the Subordinated Loan Agreement, see "*Credit Structure*" below.

CREDIT STRUCTURE

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 Seller, the Swap Provider, the Administrator, the Cash Manager, the Account Bank, the Seller Collection Account Bank, the Note Trustee, the Security Trustee, any company in the same group of companies as any such entities or any other party to the Transaction Documents. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Seller, the Swap Provider, the Administrator, the Cash Manager, the Account Bank, the Seller Collection Account Bank, the Note Trustee, the Security Trustee or by any other person other than the Issuer.

The structure of the credit support arrangements may be summarised as follows:

1. Credit Support for the Notes provided by Available Revenue Receipts

It is anticipated that, during the life of the Notes, the interest payable by Borrowers on the Loans will, assuming that all of the Loans are fully performing, be sufficient so that the Available Revenue Receipts will be sufficient to pay the amounts payable under items (a) to (e), (g) and (i) of the Pre-Acceleration Revenue Priority of Payments. The actual amount of any excess will vary during the life of the Notes. Two of the key factors determining such variation are the interest rates applicable to the Loans in the Portfolio and the performance of the Portfolio.

Interest Rate on the Portfolio

To hedge against the possible variance between (a) the various fixed and variable rates of interest payable on the Loans in the Portfolio and (b) Three-Month Sterling LIBOR, the Issuer will enter into the Swaps with the Swap Provider and the Security Trustee as described in paragraph 10 below.

Performance of the Portfolio

Available Revenue Receipts may be applied (after making payments or provisions ranking higher in the Pre-Acceleration Revenue Priority of Payments) on each Interest Payment Date towards reducing any Principal Deficiency Ledger entries which may arise from Losses on the Portfolio or the application of Principal Receipts and/or the application of amounts standing to the credit of the Liquidity Reserve Fund (if established) to cover previous Income Deficits.

To the extent that the amount of Available Revenue Receipts on each Interest Payment Date exceeds the aggregate of the payments and provisions required to be met in priority to item (k) of the Pre-Acceleration Revenue Priority of Payments, such excess is available to replenish and increase the General Reserve Fund up to and including an amount equal to the General Reserve Required Amount.

2. Income Deficiency

On each Calculation Date, the Cash Manager, pursuant to the terms of the Cash Management Agreement, will determine whether Available Revenue Receipts are sufficient to pay or provide for payment of the items described in (a) to (e), (g) and (i) of the Pre-Acceleration Revenue Priority of Payments. To the extent that Available Revenue Receipts are insufficient for this purpose (the amount of any deficit being an **Income Deficit**), the Cash Manager on behalf of the Issuer shall, on the relevant Interest Payment Date, pay or provide for such Income Deficit subject to the conditions set out in "*Cashflows — Application of Principal Receipts and Liquidity Reserve Fund amounts to cover shortfalls*" by applying firstly, Principal Receipts and secondly, amounts standing to the credit

of the Liquidity Reserve Fund (if established), and the Cash Manager shall make a corresponding entry in the relevant Principal Deficiency Sub Ledger as described in paragraph 6 below.

3. General Reserve Fund

On the Closing Date, a fund will be established called the **General Reserve Fund**. The General Reserve Fund will be partially funded on the Closing Date by Tranche C of the Subordinated Loan in the sum of £259,175,000 (being an amount equal to 2.5% of the Principal Amount Outstanding of the Notes as at the Closing Date). The General Reserve Fund will be credited to the GIC Account (with a corresponding credit to the General Reserve Ledger). The Issuer may invest the amounts standing to the credit of the GIC Account in Authorised Investments.

The Cash Manager will maintain a ledger pursuant to the Cash Management Agreement to record the balance from time to time of the General Reserve Fund (the **General Reserve Ledger**).

On each Calculation Date the amount of the General Reserve Fund as at the immediately preceding Collection Period End Date (excluding, until Tranche C of the Subordinated Loan is repaid in full, any amounts standing to the credit of the General Reserve Fund in excess of the General Reserve Required Amount (the **General Reserve Fund Excess**) which will be used to repay Tranche C of the Subordinated Loan) will be added to the other income of the Issuer to determine the amount of Available Revenue Receipts (see "*Cashflows — Definition of Available Revenue Receipts*", below).

After the Closing Date, the General Reserve Fund will be funded up to the General Reserve Required Amount from Available Revenue Receipts and will be replenished from Available Revenue Receipts in accordance with the provisions of the Pre-Acceleration Revenue Priority of Payments.

The **General Reserve Required Amount** will be an amount equal to £259,175,000 (being an amount equal to 2.5% of the Principal Amount Outstanding of the Notes as at the Closing Date) as at the Closing Date provided that on each Interest Payment Date falling on or after the immediately preceding Collection Period End Date on which X is greater than or equal to two times Y (the **General Reserve Calculation Date**) where:

X = the Principal Amount Outstanding of the Class A Notes as at the Closing Date divided by the aggregate Principal Amount Outstanding of the Class B Notes and the Class C Notes as at the Closing Date; and

Y = the Principal Amount Outstanding of the Class A Notes as at that Collection Period End Date divided by the aggregate Principal Amount Outstanding of the Class B Notes and the Class C Notes as at (a) that Collection Period End Date, and if:

- (a) all balances recorded on each of the Principal Deficiency Sub Ledgers are zero;
- (b) the aggregate current balance of Loans in respect of which the aggregate amount in arrears is more than 3 times the monthly payment then due is less than 5 per cent. of the aggregate current balance of all the Loans in the Portfolio;
- (c) the amount in the General Reserve Fund is not less than the General Reserve Required Amount as of the relevant General Reserve Calculation Date,

then the General Reserve Required Amount will be reduced on the immediately following Interest Payment Date to an amount equal to 5% of the then Principal Amount Outstanding of the Notes, provided that, the General Reserve Required Amount shall never be less than an amount equal to 1.25% of the Principal Amount Outstanding of the Notes as at the Closing Date; provided further

that if an A&L Downgrade Event occurs and is continuing, the General Reserve Required Amount will be £259,175,000 (2.5% of the Principal Amount Outstanding of the Notes as at the Closing Date).

After a reduction to the General Reserve Required Amount, any amounts standing to the credit of the General Reserve Fund in excess of the General Reserve Required Amount (the **General Reserve Fund Excess**) will be applied on the immediately following Interest Payment Date to repay Tranche C of the Subordinated Loan only. For the avoidance of doubt, once Tranche C of the Subordinated Loan has been repaid in full, any General Reserve Fund Excess will form part of Available Revenue Receipts.

On any Interest Payment Date on which the Notes are redeemed in full, the General Reserve Fund will be applied to repay Tranche C of the Subordinated Loan only. If there are still amounts held in the General Reserve Fund once the Subordinated Loan has been repaid, the excess will then form part of the Available Revenue Receipts.

4. **Liquidity Facility**

If the Cash Manager determines on the Calculation Date immediately preceding an Interest Payment Date that there will be a Liquidity Shortfall (a **Liquidity Shortfall**) on the immediately following Interest Payment Date, then the Cash Manager must direct the Issuer to request a drawing under the Liquidity Facility to apply towards the Liquidity Shortfall (a **Liquidity Loan**). The drawing will be the lesser of the amount of the Liquidity Shortfall and the amount available for drawing under the Liquidity Facility. A drawing may only be made by a duly completed drawdown notice signed by an authorised signatory of the Issuer.

A Liquidity Shortfall means, on each Calculation Date, either of the following is determined to occur:

- (a) the Flexible Drawings Purchase Price paid for any Flexible Drawings in respect of the immediately preceding Collection Period exceeded the aggregate Principal Receipts in respect of such Collection Period (such excess being the **Flexible Drawings Shortfall**);
- (b) in respect of the immediately preceding Collection Period, the amount by which any contractually agreed suspension of payments of principal, capitalised interest, capitalised fees and capitalised arrears and any interest charged during the most recent Collection Period (the **Payment Holiday Amount**) will exceed the amount determined by adding items in (a) to (e) in the definition of Available Principal Receipts and subtracting item (f)(i) (such excess being the **Payment Holiday Shortfall**);
- (c) the current balance under any Loan and/or its Related Security is reasonably believed by the Administrator to be unenforceable by virtue of the CCA and recorded as a loss on the Principal Deficiency Ledger (the amount of such current balance being the **CCA Shortfall**);

No drawing may be made under the Liquidity Facility if an event of default exists under the Liquidity Facility.

The Liquidity Facility Agreement will provide that if:

- (a) the short-term, unsecured, unsubordinated and unguaranteed debt obligations of the Liquidity Facility Provider cease to be rated at least P-1 by Moody's and F1 by Fitch (the **Requisite Ratings**); or

- (b) the Liquidity Facility Provider does not agree to renew the Liquidity Facility beyond each 364-day commitment period,

then the Issuer may require the Liquidity Facility Provider to pay an amount equal to the then undrawn commitment under the Liquidity Facility Agreement (the **Stand-By Loan**) into a designated bank account of the Issuer for such purpose (the **Liquidity Facility Stand-By Account**). The Liquidity Facility Stand-By Account must be maintained with a bank having the Requisite Ratings, which will be the Liquidity Facility Provider if it has the Requisite Ratings. Amounts standing to the credit of the Liquidity Facility Stand-By Account will be available for drawing during the period that the Liquidity Facility is available in the circumstances described and for investing in short-term authorised investments.

All interest accrued on the amount on deposit in the Liquidity Facility Stand-By Account will belong to the Issuer.

The Issuer may require that the Liquidity Facility Provider transfer its rights and obligations under the Liquidity Facility Agreement to a replacement Liquidity Facility Provider which has the Requisite Ratings.

Interest will be payable to the Liquidity Facility Provider on the principal amount drawn under the Liquidity Facility. This interest is payable at a rate based on three-month sterling LIBOR plus a margin of 0.25 per cent. Unpaid interest will be added to the principal amount owed to the Liquidity Facility Provider and interest accrues on that amount. A commitment fee is also payable at the rate of 0.125 per cent. per annum on the undrawn, uncanceled amount of the Liquidity Facility. The commitment fee is payable quarterly in arrear on each Interest Payment Date. Interest in respect of a drawing under the Liquidity Facility (except for the purposes of a CCA Shortfall) and fees on the Liquidity Facility are senior to amounts due to the Noteholders under the Pre-Acceleration Revenue Priority of Payments and under the Post-Acceleration Priority of Payments.

If an amount has been drawn down under the Liquidity Facility, the principal amount (other than in respect of a CCA Shortfall, which is repayable out of Available Revenue Receipts) is repayable on the following Interest Payment Date from Available Principal Receipts prior to making payments on the Notes.

There will be limited events of default under the Liquidity Facility, including:

- (a) the Issuer does not pay on the due date any amount payable by it under the Liquidity Facility Agreement; and
- (b) a Note Acceleration Notice is served; or
- (c) it becomes unlawful for the Issuer to make or receive payment under the Liquidity Facility Agreement or to comply with any other material provision of the Liquidity Facility Agreement.

After the occurrence of an event of default under the Liquidity Facility Agreement, the Liquidity Facility Provider may by notice to the Issuer:

- (a) cancel the Liquidity Facility commitment; and/or
- (b) demand that all or part of the loans made to the Issuer under the Liquidity Facility, together with accrued interest and all other amounts accrued under the Liquidity Facility Agreement, be immediately due and payable, in which case they shall become immediately due and payable; and/or

- (c) demand that all or part of the loans made under the Liquidity Facility be repayable on demand, in which case they will immediately become repayable on demand.

The Liquidity Facility Provider will be a Secured Creditor of the Issuer pursuant to the Deed of Charge. All amounts owing to the Liquidity Facility Provider will, on the service of an acceleration notice on the Issuer, rank in priority to the payment of all amounts of interest and principal in respect of the Class A Notes.

The Liquidity Facility Agreement will be governed by English law.

5. Liquidity Reserve Fund

The Issuer will be required to establish a liquidity reserve fund (the **Liquidity Reserve Fund**) if the long-term, unsecured, unsubordinated and unguaranteed debt obligations of A&L cease to be rated at least A3 by Moody's or A- by Fitch or if the short-term, unsecured, unsubordinated and unguaranteed debt obligations of A&L cease to be rated at least P-1 by Moody's (unless Moody's or Fitch, as applicable, confirms that the then current ratings of the Notes would not be adversely affected by the ratings downgrade of A&L).

Prior to service of a Note Acceleration Notice, the Liquidity Reserve Fund may be applied as part of Available Principal Receipts or used to meet any Income Deficit as described in paragraph 2 (**Income Deficiency**) above. Use of amounts for the Liquidity Reserve Fund to cover Income Deficits is subject to the conditions set out in "*Cashflows — Application of Principal Receipts and Liquidity Reserve Fund amounts to cover shortfalls*".

The Liquidity Reserve Fund, if any, will be initially funded from the Available Principal Receipts. The Liquidity Reserve Fund will be funded up to the **Liquidity Reserve Required Amount**, being an amount as at any Interest Payment Date equal to 3% of the aggregate Principal Amount Outstanding of the Notes on that Interest Payment Date (taking into account any principal payments to be made by the Issuer on that Interest Payment Date).

The Liquidity Reserve Fund will be deposited in the GIC Account. The Cash Manager will maintain a separate Liquidity Reserve Ledger to record the balance from time to time of the Liquidity Reserve Fund.

Once it has been initially funded, the Liquidity Reserve Fund will be replenished from Available Principal Receipts.

6. Principal Deficiency Ledger

A Principal Deficiency Ledger, comprising three sub ledgers, known as the **Class A Principal Deficiency Sub Ledger** (relating to the Class A Notes), the **Class B Principal Deficiency Sub Ledger** (relating to the Class B Notes) and the **Class C Principal Deficiency Sub Ledger** (relating to the Class C Notes) (each a **Principal Deficiency Sub Ledger** and, together, the **Principal Deficiency Ledger**), will be established on the Closing Date in order to record any Losses on the Portfolio and the application of any Principal Receipts and/or amounts standing to the credit of the Liquidity Reserve Fund (if established) to meet any Income Deficit as described in paragraph 2 (**Income Deficiency**) above and paragraph 4 (**Liquidity Facility**) above.

The application of any Principal Receipts and/or the application of amounts standing to the credit of the Liquidity Reserve Fund (if established) to meet any Income Deficit will be recorded first on the Class C then outstanding Principal Deficiency Sub Ledger until the balance of the Class C Principal Deficiency Sub Ledger is equal to the then aggregate Principal Amount Outstanding of the Class C Notes then outstanding, next on the Class B Principal Deficiency Sub Ledger until the balance of the

Class B Principal Deficiency Sub Ledger is equal to the then aggregate Principal Amount Outstanding of the Class B Notes then outstanding and finally on the Class A Principal Deficiency Sub Ledger until the balance of the Class A Principal Deficiency Sub Ledger is equal to the then aggregate Principal Amount Outstanding of the Class A Notes.

On each Interest Payment Date, Available Revenue Receipts shall, after making the payments or provisions required to be met in priority to item (f) of the Pre-Acceleration Revenue Priority of Payments, be applied in an amount necessary to reduce to nil the balance on the Class A Principal Deficiency Sub Ledger. Then once the balance on the Class A Principal Deficiency Sub Ledger is reduced to nil and interest due on the Class B Notes has been paid (in accordance with the Pre-Acceleration Revenue Priority of Payments), Available Revenue Receipts shall be applied to reduce to nil the balance on the Class B Principal Deficiency Sub Ledger. Then once the balance on the Class B Principal Deficiency Sub Ledger is reduced to nil and interest due on the Class C Notes has been paid (in accordance with the Pre-Acceleration Revenue Priority of Payments), Available Revenue Receipts shall be applied to reduce to nil the balance on the Class C Principal Deficiency Sub Ledger.

7. Available Funds

To the extent that the Available Revenue Receipts and Available Principal Receipts are sufficient on any Calculation Date, they shall be paid on the immediately following Interest Payment Date to the persons entitled thereto (or a relevant provision made) in accordance with the relevant Pre-Acceleration Priority of Payments. It is not intended that any surplus will be accumulated in the Issuer (other than amounts standing to the credit of the Reserve Funds).

If, on any Interest Payment Date when there are Class A Notes outstanding, the Issuer has insufficient Available Revenue Receipts (and insufficient Principal Receipts and Liquidity Reserve Fund amounts to make good an Income Deficit), to pay the interest otherwise due on the Class B Notes and/or the Class C Notes, then the Issuer will be entitled under Condition 16 (Subordination By Deferral) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date. This will not constitute an Event of Default. If there are no Class A Notes then outstanding, the Issuer will be entitled to defer payments of interest in respect of the Class C Notes only.

Failure to pay interest on the Class A Notes (or the most senior class of Notes outstanding where one or more classes of Notes has been redeemed in full) shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

8. GIC Account

Pursuant to the Bank Account Agreement the Account Bank will pay interest on funds in the GIC Account at a rate of:

- (a) with respect to the first Interest Payment Date, the linear interpolation of four-month and five-month LIBOR for sterling deposits; and
- (b) for each subsequent Interest Payment Date, three-month LIBOR for sterling deposits,

less in each case 0.10% per annum. The Issuer may invest amounts standing to the credit of the GIC Account in Authorised Investments.

If, at any time short term unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank are downgraded below a rating of P-1 by Moody's or F1 by Fitch, the Issuer will be required (within 30 days) to transfer (at its own cost) the GIC Account to an appropriately rated bank

or financial institution on substantially similar terms to those set out in the Bank Account Agreement, in order to maintain the ratings of the Notes at their then current ratings.

9. Subordinated Loan

The Subordinated Loan Provider will make available to the Issuer a subordinated loan (the **Subordinated Loan**) pursuant to the Subordinated Loan Agreement, which will be a subordinated loan facility consisting of three tranches. The first tranche of the Subordinated Loan (**Tranche A**) will be in an amount up to £32,000,000 and will be used to fund the payment by the Issuer to the Swap Provider on the Closing Date to swap that sum for an equivalent sum to be paid by the Swap Provider to the Issuer on the first Interest Payment Date pursuant to the Swap Agreement. The second tranche of the Subordinated Loan (**Tranche B**) will be in an amount of £2,500,000 and will be used to meet the costs and expenses of the Issuer arising in connection with the sale of the Initial Portfolio to the Issuer. The third tranche of the Subordinated Loan (**Tranche C**) will be in an amount of £259,175,000 and will be used to partially fund the General Reserve Fund and will be credited to the GIC Account (with a corresponding credit to the General Reserve Ledger). The Issuer may invest amounts standing to the credit of the GIC Account in Authorised Investments.

The Subordinated Loan Provider will have the right to assign or novate its rights and/or obligations under Tranche A and/or Tranche B and/or Tranche C of the Subordinated Loan to a third party at any time.

The Subordinated Loan Agreement will be governed by English law.

10. Interest Rate Risk for the Notes

The interest rate on some of the Loans in the Portfolio is payable by reference, or linked, to the Variable Rate or the Base Rate. The interest rate on other Loans in the Portfolio is payable by reference to a fixed rate. However, the interest rate payable by the Issuer with respect to the Notes is an amount calculated by reference to Three-Month Sterling LIBOR.

To hedge against the possible variance between:

- (a) the various fixed and variable rates of interest payable on the Loans in the Portfolio; and
- (b) Three-Month Sterling LIBOR,

the Issuer will, on or about the Closing Date, enter into the Swap Agreement with the Swap Provider and the Security Trustee.

The Swap Agreement will govern the terms of three interest rate swap transactions (each a **Swap Transaction**), one relating to the Variable Rate Loans and the Discounted Rate Loans (known as the **Variable/Discounted Rate Loan Transaction**), another relating to the Fixed Rate Loans (known as the **Fixed Rate Loan Transaction**) and a third relating to the Base Rate Loans (known as the **Base Rate Loan Transaction**).

A **Swap Calculation Period** is the period from (and including) a Swap Calculation Date (except in the case of the first Swap Calculation Date, where it shall be the period from (and including) the Closing Date) to (but excluding) the next succeeding (or first) Swap Calculation Date. A **Swap Calculation Date** is the 12th day of each month or, if such day is not a Business Day, on the immediately succeeding Business Day.

On each Interest Payment Date the following amounts will be calculated for each Swap Calculation Period relating to the Interest Period ending on that Interest Payment Date:

- (a) in relation to the Variable/Discounted Rate Loan Transaction:
 - (i) the amount produced by applying Three-Month Sterling LIBOR plus a spread for the relevant Swap Calculation Period to the Variable Notional Amount (known as the **Variable Swap Calculation Period Swap Provider Amount**); and
 - (ii) the amount produced on each Interest Payment Date by multiplying the weighted average of the average of the standard variable mortgage rates or their equivalent charged to existing borrowers on residential mortgage loans, in effect as at the first Business Day of the relevant Collection Period, after excluding the highest and lowest rate, of Abbey National PLC, Barclays Bank PLC, Bank of Scotland plc, Lloyds TSB Bank PLC, National Westminster Bank PLC, Nationwide Building Society and Northern Rock PLC (or their respective successors) (and where those banks have more than one standard variable rate or equivalent rate, the highest of those rates) for the relevant Calculation Period by the Variable Notional Amount (known as the **Variable Swap Calculation Period Issuer Amount**);
- (b) in relation to the Fixed Rate Loan Transaction:
 - (i) the amount produced by applying Three-Month Sterling LIBOR plus a spread for the relevant Swap Calculation Period to the Fixed Notional Amount (known as the **Fixed Swap Calculation Period Swap Provider Amount**); and
 - (ii) the amount (known as the **Fixed Swap Calculation Period Issuer Amount**) produced by applying the fixed rate (as set out in the confirmation) to the Fixed Notional Amount; and
- (c) in relation to the Base Rate Loan Transaction:
 - (i) the amount produced by applying Three-Month Sterling LIBOR plus a spread for the relevant Swap Calculation Period to the Base Notional Amount (known as the **Base Swap Calculation Period Swap Provider Rate Amount** and, together with the Variable Period Swap Provider Amount and the Fixed Period Swap Provider Amount, the **Calculation Period Swap Provider Amounts** and each, a **Swap Calculation Period Swap Provider Amount**); and
 - (ii) the amount produced by multiplying the Bank of England Base Rate as at the first Business Day of the relevant Collection Period by the Base Notional Amount (known as the **Base Swap Calculation Period Issuer Amount** and, together with the Variable Swap Calculation Period Issuer Amount and the Fixed Swap Calculation Period Issuer Amount, the **Swap Calculation Period Issuer Amounts** and each an **Interest Period Issuer Amount**).

After these amounts are calculated in respect of each Swap Transaction and in relation to each Calculation Period, the following amounts will be calculated:

- (a) in relation to the Variable/Discounted Rate Loan Transaction:
 - (i) the sum of the Variable Swap Calculation Period Swap Provider Amounts for each Swap Calculation Period relating to the Interest Period ending on that Interest Payment Date (known as the **Variable Interest Period Swap Provider Amount**); and

- (ii) the sum of the Variable Swap Calculation Period Issuer Amounts for each Swap Calculation Period relating to the Interest Period ending on that Interest Payment Date (known as the **Variable Interest Period Issuer Amount**);
- (b) in relation to the Fixed Rate Loan Transaction:
 - (i) the sum of the Fixed Swap Calculation Period Swap Provider Amounts for each Swap Calculation Period relating to the Interest Period ending on that Interest Payment Date (known as the **Fixed Interest Period Swap Provider Amount**); and
 - (ii) the sum of the Fixed Swap Calculation Period Issuer Amounts for each Swap Calculation Period relating to the Interest Period ending on that Interest Payment Date (known as the **Fixed Interest Period Issuer Amount**); and
- (c) in relation to the Base Rate Loan Transaction:
 - (i) the sum of the Base Swap Calculation Period Swap Provider Amounts for each Swap Calculation Period relating to the Interest Period ending on that Interest Payment Date (known as the **Base Interest Period Swap Provider Amount** and, together with the Variable Interest Period Swap Provider Amount and the Fixed Interest Period Swap Provider Amount, the **Interest Period Swap Provider Amounts** and each, an **Interest Period Swap Provider Amount**); and
 - (ii) the sum of the Base Swap Calculation Period Issuer Amounts for each Swap Calculation Period relating to the Interest Period ending on that Interest Payment Date (known as the **Base Interest Period Issuer Amount** and, together with the Variable Interest Period Issuer Amount and the Fixed Interest Period Issuer Amount, the **Interest Period Issuer Amounts** and each an **Interest Period Issuer Amount**).

After these amounts are calculated in respect of each Swap Transaction and in relation to an Interest Payment Date, the following payments will be made on that Interest Payment Date:

- (a) if the relevant Interest Period Swap Provider Amount is greater than the relevant Interest Period Issuer Amount, then the Interest Rate Swap Provider will pay the difference to the Issuer;
- (b) if the relevant Interest Period Issuer Amount is greater than the relevant Interest Period Swap Provider Amount, then the Issuer will pay the difference to the Interest Rate Swap Provider; and
- (c) if the relevant Interest Period Swap Provider Amount and the relevant Interest Period Issuer Amount are equal, neither party will make a payment to the other.

If a payment is to be made by the Swap Provider, that payment will be included in the Available Revenue Receipts and will be applied on the relevant Interest Payment Date according to the relevant Priority of Payments. If a payment is to be made by the Issuer, it will be made according to the relevant Priority of Payments.

Unless the Issuer redeemed Notes under Condition 7.3 (Optional Redemption for Reasons other than Taxation Reasons) during the Collection Period ending immediately prior to a Swap Calculation Date, the notional amount of the Variable/Discounted Rate Loan Transaction in relation to such Swap Calculation Date will be the principal amount outstanding of the Variable Rate Loans and the Discounted Rate Loans in the Portfolio at the start of such Collection Period, excluding those in respect of which losses have been attributed to the Principal Deficiency Ledger, minus an amount

equal to the amount, standing to the credit of the GIC Account and which is attributable to the Variable Rate Loans and the Discounted Rate Loans repaid (in whole or in part) during the relevant Collection Period (known as the **Variable Notional Amount**).

Unless the Issuer redeemed Notes under Condition 7.3 (Optional Redemption for Reasons other than Taxation Reasons) during the Collection Period ending immediately prior to a Swap Calculation Date, the notional amount of the Fixed Rate Loan Transaction in relation to such Swap Calculation Date will be the principal amount outstanding of the Fixed Rate Loans in the Portfolio at the start of such Collection Period, excluding those in respect of which losses have been attributed to the Principal Deficiency Ledger, minus an amount equal to the amount, standing to the credit of the GIC Account and which is attributable to the Fixed Rate Loans repaid (in whole or in part) during the relevant Collection Period (known as the **Fixed Notional Amount**).

Unless the Issuer redeemed Notes under Condition 7.3 (Optional Redemption for Reasons other than Taxation Reasons) during the Collection Period ending immediately prior to a Swap Calculation Date, the notional amount of the Base Rate Loan Transaction in relation to such Swap Calculation Date will be the principal amount outstanding of the Base Rate Loans in the Portfolio at the start of such Collection Period, excluding those in respect of which losses have been attributed to the Principal Deficiency Ledger, minus an amount equal to the amount, standing to the credit of the GIC Account and which is attributable to the Base Rate Loans repaid (in whole or in part) during the relevant Collection Period (known as the **Base Notional Amount**).

If the Issuer redeemed Notes under Condition 7.3 (Optional Redemption for Reasons other than Taxation Reasons) during the Collection Period ending immediately prior to a Swap Calculation Date, the Variable Notional Amount, the Fixed Notional Amount and the Base Notional Amount in relation to such Swap Calculation Date shall be further reduced by an amount which corresponds to the reduction (if any) in the principal amounts outstanding of the relevant types of Loans in connection with such redemption of Notes.

In addition, the Swap Agreement will provide that the Issuer will swap a sum on the Closing Date for an equivalent sum to be paid to the Issuer by the Swap Provider on the first Interest Payment Date.

In the event that a Swap Transaction is terminated prior to service of a Note Acceleration Notice or final redemption of the relevant Notes, the Issuer shall enter into a replacement transaction in respect of the Notes on terms acceptable to the Issuer and the Security Trustee with an interest rate swap provider who Fitch have confirmed in writing to the Issuer and the Security Trustee will not cause Fitch's then current ratings of the existing Notes to be adversely affected (and, for the avoidance of doubt, Moody's will not be required to provide such similar confirmation). The Issuer may apply any early termination payment received from the Swap Provider pursuant to the Swap Agreement for such purpose. If the Issuer is unable to enter into any replacement transactions on similar terms to the terminated swap, this may affect amounts available to pay amounts due under the Notes.

Under the terms of the Swap Agreement, in the event that the relevant rating(s) of the Swap Provider is or are, as applicable, downgraded by a Rating Agency below the Required Swap Rating, the Swap Provider will, in accordance with the Swap Agreement, be required to elect to take certain remedial measures within the timeframe stipulated in the Swap Agreement and at its own cost which may include providing collateral for its obligations under the Swap Agreement, arranging for its obligations under the Swap Agreement to be transferred to an entity with the Required Swap Rating, procuring another entity with the Required Swap Rating to become co-obligor or guarantor, as applicable, in respect of its obligations under the Swap Agreement or taking such other action that would result in the relevant Rating Agency continuing the then current rating of the Notes.

The Swap may be terminated in certain circumstances, including the following, each as more specifically defined in the Swap Agreement:

- (a) if there is a failure by a party to pay amounts due under the Swap Agreement and any applicable grace period has expired;
- (b) if certain insolvency events occur with respect to a party;
- (c) if a breach of a provision of the Swap Agreement by the Swap Provider is not remedied within the applicable grace period;
- (d) if a change of law results in the obligations of one of the parties becoming illegal;
- (e) in certain circumstances, if a deduction or withholding for or on account of taxes is imposed on payments under a Swap or if certain tax representations by either the Issuer or the Swap Provider prove to have been incorrect or misleading in any material respect;
- (f) if the Swap Provider is downgraded and fails to comply with the requirements of the downgrade provisions contained in the Swap Agreement and described above;
- (g) if the Note Trustee serves a Note Acceleration Notice on the Issuer pursuant to Condition 10 (Events of Default) of the Notes; and
- (h) if there is a redemption of the Notes pursuant to Condition 7.3 (Optional Redemption for Reasons other than Taxation Reasons) or Condition 7.4 (Optional Redemption for Taxation Reasons).

Upon an early termination of a Swap, the Issuer or the Swap Provider may be liable to make a termination payment to the other. This termination payment will be calculated and made in Sterling. The amount of any termination payment will be based on the market value of the terminated transaction as determined on the basis of quotations sought from leading dealers as to the costs of entering into a transaction with the same terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties (or based upon a good faith determination of total losses and costs (or gains) if an insufficient number of quotations can be obtained or if basing the valuation on quotations would not produce a commercially reasonable result) and will include any unpaid amounts that became due and payable prior to the date of termination. Any such termination payment could be substantial and may affect the funds available to pay amounts due to the Noteholders.

The Swap Provider may, subject to certain conditions specified in the Swap Agreement, transfer its obligations under the Swap Agreement to another entity with the Required Swap Rating.

If a withholding or deduction for or on account of taxes is imposed on payments made by either party under a Swap, neither party shall be obliged to gross up those payments. The relevant Swap may be terminated in such circumstances. The Swap Agreement will be governed by English law.

For the purposes of the above provisions, **Required Swap Rating** means:

- (a)(i) where the relevant entity has a short-term Moody's rating, its short-term, unsecured and unsubordinated debt obligations are rated no lower than "P-1" by Moody's and its long-term, unsecured and unsubordinated debt obligations are rated no lower than "A2" by Moody's; or
- (ii) where the relevant entity has no short-term Moody's rating, its long-term, unsecured and unsubordinated debt obligations are rated no lower than "A1" by Moody's; and

- (b) the relevant entity's long-term, unsecured and unsubordinated debt ratings are rated at least as high as "A" by Fitch and its short-term, unsecured and unsubordinated debt ratings are rated at least as high as "F1" by Fitch.

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Definition of Revenue Receipts

Revenue Receipts means payments received by the Issuer directly or from the Seller representing:

- (a) payments of interest on the Loans (including any arrear of interest, accrued interest and capitalised arrears of interest) and fees paid from time to time under the Loans and other amounts received by the Issuer in respect of the Loans other than the Principal Receipts;
- (b) recoveries of interest and outstanding fees (including capitalised arrears of interest, if any) from defaulting Borrowers under Loans being enforced;
- (c) recoveries of interest and outstanding fees (including capitalised arrears of interest, if any) and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed;
- (d) the proceeds of the repurchase of any Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement to the extent such proceeds are attributable to accrued interest, arrears of interest and other interest amounts in respect of the Loans (including, for the avoidance of doubt, capitalised arrears of interest) as at the relevant repurchase date; and
- (e) any early repayment charges which have been paid by the Borrower in respect of the Loans.

Definition of Available Revenue Receipts

Available Revenue Receipts means for each Interest Payment Date an amount equal to the aggregate of (without double-counting):

- (a) Revenue Receipts received during the immediately preceding Collection Period;
- (b) interest payable to the Issuer on the Bank Accounts and income from any Authorised Investments in each case received during the immediately preceding Collection Period;
- (c) amounts received by the Issuer under the Swap Agreement (other than (i) any early termination amount received by the Issuer under the Swap Agreement which is to be applied in acquiring a replacement swap and/or cap, (ii) prior to the designation of an early termination date under the Swap Agreement and the resulting application of the collateral by way of netting or set off, an amount equal to the value of all collateral (other than Excess Swap Collateral) provided by the Swap Provider, as applicable, to the Issuer pursuant to the Swap Agreement and any interest or distributions in respect thereof standing to the credit of the Swap Collateral Account, and (iii) any Replacement Swap Premium but only to the extent applied to pay any termination payment), on such Interest Payment Date;
- (d) the amounts standing to the credit of the General Reserve Fund as at the immediately preceding Collection Period End Date (excluding, until Tranche C of the Subordinated Loan is repaid in full, any General Reserve Fund Excess);
- (e) the amounts (if any) drawn under the Liquidity Facility (other than amounts standing to the credit of the Liquidity Facility Stand-by Account except to the extent that a withdrawal from the Liquidity Facility Stand-by Account would be a deemed Liquidity Loan pursuant to Clause 5.4(b) of the Liquidity Facility Agreement) on such Interest Payment Date in respect of any Liquidity Shortfall arising in the immediately preceding Collection Period;

- (f) (in respect of the first Interest Period only) (i) an amount equal to Tranche A of the Subordinated Loan paid by the Swap Provider to the Issuer pursuant to the Swap Agreement and (ii) an amount equal to paragraph (b) of the definition of Pre-Closing Amount; and
- (g) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Receipts and, without double-counting, the amounts described in paragraphs (a) to (f) above;

less

- (h) third party amounts which include:
 - (i) amounts under a direct debit which are repaid to the bank making the payment if such a bank is unable to recoup that amount itself from that the customer's account; or
 - (ii) payments by Borrowers of any fees and other charges which are due to the Seller (including payments of insurance premiums, if any, due to the Seller in respect of any Seller arranged insurance policy to the extent not paid or payable by the Seller (or to the extent such insurance premiums have been paid by the Seller in respect of any Loan, which is not repurchased by the Seller, to reimburse the Seller)),

(items within (h) being collectively referred to herein as **Third Party Amounts**). Third Party Amounts may be deducted by the Cash Manager on a daily basis from the GIC Account to make payment to the persons entitled thereto.

For the purpose of this Information Memorandum:

Excess Swap Collateral means in respect of the Swap Agreement, an amount (which will be transferred directly to the Swap Provider in accordance with the Swap Agreement) equal to the amount by which the value of the collateral provided by the Swap Provider to the Issuer pursuant to the Swap Agreement exceeds the Swap Provider's liability under the Swap Agreement as at the date of termination of the Swap Agreement or which it is otherwise entitled to have returned to it under the terms of the Swap Agreement;

Pre-Closing Amount means the sum of:

- (a) such amount of Principal Receipts in respect of Loans comprising the Provisional Portfolio during the period from (and including) 7 October 2007 to (and excluding) the Closing Date as is equal to the aggregate principal amount of the Notes issued on the Closing Date less the Current Balance of the Initial Portfolio on the Closing Date; and
- (b) an amount equal to the Revenue Receipts in respect of Loans comprising the Provisional Portfolio during the period from (and including) 7 October 2007 to (and excluding) the Closing Date; and

Swap Collateral Account means any bank account opened with the Account Bank and/or such other banks (with the prior consent of the Security Trustee) and designated as such for the purposes of holding collateral posted by the Swap Provider pursuant to the Swap Agreement.

Application of Principal Receipts and Liquidity Reserve Fund Amounts to Cover Shortfalls

On each Calculation Date, the Cash Manager shall calculate whether the Available Revenue Receipts (as calculated above) will be sufficient to pay on the relevant Interest Payment Date items (a) to (e), (g) and (i) of the Pre-Acceleration Revenue Priority of Payments.

If the Cash Manager determines that there would be an Income Deficit on an Interest Payment Date to pay those items, then the Issuer shall pay or provide for that Income Deficit by applying Principal Receipts (if any) and, thereafter, amounts standing to the credit of the Liquidity Reserve Fund (if established), and the Cash Manager shall make a corresponding entry on the relevant Principal Deficiency Sub Ledger as described in "*Credit Structure — Principal Deficiency Ledger*", above. Any amounts so applied may not be used to pay interest on any class of Notes if and to the extent that would result in a deficiency being recorded or an existing deficiency being increased on a Principal Deficiency Sub Ledger relating to a higher ranking class of Notes.

If an Income Deficit exists, no Principal Receipts may be applied, and no drawings may be made from the Liquidity Reserve Fund, to cover interest shortfalls on the Class B Notes or, as the case may be, the Class C Notes to the extent that, after application of Available Revenue Receipts on an Interest Payment Date, the Class B Principal Deficiency Sub Ledger would have a debit balance equal to or greater than 20% of the then aggregate Principal Amount Outstanding of the Class B Notes or, as the case may be, the Class C Principal Deficiency Sub Ledger would have a debit balance equal to or greater than 20% of the then aggregate Principal Amount Outstanding of the Class C Notes, respectively.

Application of Moneys Released from the General Reserve Fund

If the General Reserve Required Amount is reduced or cancelled at any time (see "*Credit Structure — General Reserve Fund*" for a description of when the General Reserve Required Amount may be reduced), then the moneys released shall be applied to repay Tranche C of the Subordinated Loan only and shall not form part of the Available Revenue Receipts. For the avoidance of doubt, once Tranche C of the Subordinated Loan has been repaid in full, any amounts released will form part of Available Revenue Receipts.

Application of Available Revenue Receipts prior to the Service of a Note Acceleration Notice on the Issuer

Except for (i) any termination payment payable to the Swap Provider, which shall be payable when due pursuant to the Swap Agreement to the extent such termination payment is paid using any Replacement Swap Premium, (ii) any Excess Swap Collateral required to be returned to the Swap Provider, which shall be returned directly to the Swap Provider when due pursuant to the Swap Agreement and (iii) prior to the designation of an early termination date under the Swap Agreement and the resulting application of the collateral by way of netting or set-off, an amount equal to the value of all collateral (other than Excess Swap Collateral provided by the Swap Provider, as applicable, to the Issuer pursuant to the Swap Agreement and any interest or distributions in respect thereof standing to the credit of the Swap Collateral Account which shall be returned to the Swap Provider when due under the Swap Agreement and (iv) an amount equal to the Standby Loan, if applicable, standing to the credit of the Standby Account (except to the extent to be applied towards a deemed Liquidity Loan on an Interest Payment Date or in repayment of the Standby Loan in accordance with the Liquidity Facility Agreement) which shall be returned to the Liquidity Facility Provider directly, on each Interest Payment Date prior to the service of a Note Acceleration Notice on the Issuer, the Cash Manager, on behalf of the Issuer, shall apply the Available Revenue Receipts together with any amounts referred to in paragraph (f) of the definition of Available Principal Receipts 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 **Pre-Acceleration Revenue Priority of Payments**):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any costs, charges, liabilities, expenses and all other amounts then due or to become due to the Note Trustee or any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) value added tax (VAT) thereon as provided therein; and

- (ii) any costs, charges, liabilities, expenses and all other amounts then due or to become due to the Security Trustee or any Appointee under the provisions of the Deed of Charge and the other Transaction Documents together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agents and any costs, charges, liabilities and expenses then due or to become due and payable in the immediately succeeding Interest Period to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period and any amounts required to pay or discharge any liability of the Issuer for corporation tax on any income or chargeable gain of the Issuer;
 - (iii) any amounts then due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses then due or to become due and payable to the Corporate Services Provider in the immediately succeeding Interest Period under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein; and
 - (iv) any amounts then due and payable to the Secretarial Services Provider and any costs, charges, liabilities and expenses then due or to become due and payable to the Secretarial Services Provider in the immediately succeeding Interest Period under the provisions of the Secretarial Services Agreement, together with (if payable) VAT thereon as provided therein;
- (c) *third*, to pay amounts due to the Liquidity Facility Provider under the Liquidity Facility Agreement (except for Subordinated Liquidity Amounts and principal amounts outstanding under the Liquidity Facility Agreement);
- (d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any amounts due and payable to the Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Administrator in the immediately succeeding Interest Period under the provisions of the Administration Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein; and
 - (iii) any amounts then due and payable to the Account Bank and any costs, charges, liabilities and expenses then due or to become due and payable to the Account Bank in the immediately succeeding Interest Period under the provisions of the Bank Account Agreement, together with (if payable) VAT thereon as provided therein;

- (e) *fifth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof:
 - (i) amounts due to the Swap Provider in respect of the Swap Agreement (including any termination payment due and payable by the Issuer but excluding any related Swap Excluded Termination Amount and only to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium);
 - (ii) interest due and payable on the Class A1 Notes;
 - (iii) interest due and payable on the Class A2 Notes;
 - (iv) interest due and payable on the Class A3 Notes; and
 - (v) interest due and payable on the Class A4 Notes;
- (f) *sixth*, to make provision for a credit to the Class A Principal Deficiency Sub Ledger in an amount sufficient to eliminate any debit thereon;
- (g) *seventh*, to pay interest due and payable on the Class B1 Notes;
- (h) *eighth*, to make provision for a credit to the Class B Principal Deficiency Sub Ledger in an amount sufficient to eliminate any debit thereon;
- (i) *ninth*, to pay interest due and payable on the Class C1 Notes;
- (j) *tenth*, to make provision for a credit to the Class C Principal Deficiency Sub Ledger in an amount sufficient to eliminate any debit thereon;
- (k) *eleventh*, to credit the General Reserve Ledger up to the General Reserve Required Amount;
- (l) *twelfth*, to pay the Swap Provider in respect of a Swap Excluded Termination Amount (to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium);
- (m) *thirteenth*, to pay the Issuer an amount equal to 0.01% of the Available Revenue Receipts in respect of the Interest Payment Date, to be retained by the Issuer as profit in respect of the business of the Issuer;
- (n) *fourteenth*, to pay any Subordinated Liquidity Facility Amounts;
- (o) *fifteenth*, to pay all amounts of interest due or accrued (if any) but unpaid and any capitalised interest due to the Subordinated Loan Provider under the Subordinated Loan Agreement;
- (p) *sixteenth*, to pay the principal amounts outstanding to the Subordinated Loan Provider under the Subordinated Loan Agreement;
- (q) *seventeenth*, to pay any Transfer Costs which the Seller has failed to pay;
- (r) *eighteenth*, to pay any deferred consideration due to the Seller pursuant to the terms of the Mortgage Sale Agreement (the **Deferred Consideration**); and
- (s) *nineteenth*, the excess (if any) to the Issuer.

As used in this Information Memorandum:

Appointee means any attorney, manager, agent, delegate, nominee, Receiver, custodian or other person properly appointed by the Note Trustee under the Trust Deed or the Security Trustee (as applicable) to discharge any of its functions;

Subordinated Liquidity Facility Amounts means all amounts payable under, or in any way in connection with, this Agreement, other than:

- (a) principal and interest in respect of a Loan (except any Loan the subject of a CCA Shortfall), except that part of the interest (in each case, for the relevant Interest Period):
 - (i) on a Loan which represents Mandatory Cost in excess of 0.20 per cent. per annum on the maximum amount then available to be drawn under this Agreement; and
 - (ii) on a Standby Loan which is in excess of an amount equal to the interest actually earned on the Standby Account plus the Commitment Fee that would have been due on the undrawn portion of the Commitment had that Standby Loan not been utilised; and
- (b) the Commitment Fee.

Replacement Swap Premium means an amount received by the Issuer from a replacement swap provider upon entry by the Issuer into an agreement with such replacement swap provider to replace the Swap Provider which shall be paid directly by the Issuer to the Swap Provider;

Swap Excluded Termination Amount means, in relation to the Swap Agreement, the amount of any termination payment due and payable to the Swap Provider as a result of a Swap Provider Default or Swap Provider Downgrade Event;

Swap Provider Default means the occurrence of an Event of Default (as defined in the Swap Agreement) where the Swap Provider is the Defaulting Party (as defined in the Swap Agreement); and

Swap Provider Downgrade Event means the occurrence of an Additional Termination Event (as defined in the Swap Agreement) following the failure by the Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the Swap Agreement.

Definition of Principal Receipts

Principal Receipts means payments received by the Issuer directly or from the Seller representing:

- (a) principal repayments under the Loans (excluding accrued interest, arrears of interest and capitalised arrears of interest);
- (b) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Mortgaged Property);
- (c) any payment pursuant to an insurance policy assigned to the Issuer (in respect of which the Issuer has a beneficial interest) in respect of a Mortgaged Property in connection with a Loan in the Portfolio; and
- (d) the proceeds of the repurchase of any Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (excluding amounts attributable to item (a) of the Available Revenue Receipts).

Definition of Available Principal Receipts

Available Principal Receipts means for each Interest Payment Date an amount equal to the aggregate of:

- (a) all Principal Receipts received by the Issuer during the immediately preceding Collection Period (less an amount equal to the aggregate of all Further Advances Purchase Prices and Flexible Drawings Purchase Prices payable in such Collection Period but not exceeding such Principal Receipts) and on such Interest Payment Date in respect of a repurchase of Loans subject to Flexible Drawings and/or Further Advances in the preceding Collection Period and their Related Security to the extent required to eliminate a Liquidity Facility Shortfall and/or a Further Advance Shortfall respectively;
 - (b) if established, all amounts standing to the credit of the Liquidity Reserve Fund (as recorded on the Liquidity Reserve Ledger) on the immediately preceding Collection Period End Date;
 - (c) the amounts (if any) to be credited to the Principal Deficiency Ledger pursuant to items (f), (h) and (j) in the Pre-Acceleration Revenue Priority of Payments on such Interest Payment Date;
 - (d) (in respect of the first Interest Period only) an amount equal to the Principal Receipts in respect of Loans comprising the Provisional Portfolio during the period from and including 7 October 2007 to (and excluding) the Closing Date transferred from the Seller Collection Account into the GIC Account less the Purchase Price Adjustment; and
 - (e) (in the case of any redemption of some or all of the Notes on that Interest Payment Date pursuant to Condition 7.3 (Optional Redemption for Reasons other than Taxation Reasons) of the Notes) all sums received by the Issuer on that Interest Payment Date as a result of the Seller's option to repurchase Loans in a principal amount equal to the Notes to be redeemed;
- less
- (f) the amount of Principal Receipts received by the Issuer during the immediately preceding Collection Period or amounts standing to the credit of the Liquidity Reserve Fund which are to be applied:
 - (i) first, towards the Payment Holiday Amount in respect of the immediately preceding Collection Period; and
 - (ii) second, to cover Income Deficits on such Interest Payment Date.

The Issuer shall pay or provide for amounts due under the Pre-Acceleration Revenue Priority of Payments before paying amounts due under the Pre-Acceleration Sequential Principal Priority of Payments or the Pre-Acceleration Pro-Rata Principal Priority of Payments.

Application of Available Principal Receipts prior to the Occurrence of a Pro-Rata Trigger Event

Prior to the occurrence of a Pro-Rata Trigger Event or the service of a Note Acceleration Notice on the Issuer, the Cash Manager, on behalf of the Issuer, is required pursuant to the terms of the Cash Management Agreement to apply Available Principal Receipts on each Interest Payment Date in the following order of priority (the **Pre-Acceleration Sequential Principal Priority of Payments**):

- (a) *first*, if the Liquidity Reserve Fund is required to be established, and the balance of the Liquidity Reserve Fund is less than the Liquidity Reserve Required Amount, towards a credit to the Liquidity Reserve Fund up to the Liquidity Reserve Required Amount;

- (b) *second*, to repay the Liquidity Facility Provider principal amounts outstanding under the Liquidity Facility Agreement (except to the extent comprising Subordinated Liquidity Facility Amounts);
- (c) *third*, towards repayment of any principal amounts outstanding on the Class A1 Notes;
- (d) *fourth*, towards repayment of any principal amounts outstanding on the Class A2 Notes;
- (e) *fifth*, towards repayment of any principal amounts outstanding on the Class A3 Notes;
- (f) *sixth*, towards repayment of any principal amounts outstanding on the Class A4 Notes;
- (g) *seventh*, towards repayment of any principal amounts outstanding on the Class B1 Notes;
- (h) *eighth*, towards payment of any principal amounts outstanding on the Class C1 Notes; and
- (i) *ninth*, (following redemption in full of the Notes) any excess to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments as if that excess was an Available Revenue Receipt.

Application of Available Principal Receipts after the Occurrence of a Pro-Rata Trigger Event but prior to Service of a Note Acceleration Notice on the Issuer

On or following the occurrence of a Pro-Rata Trigger Event but prior to the service of a Note Acceleration Notice on the Issuer, the Cash Manager, on behalf of the Issuer, is required pursuant to the terms of the Cash Management Agreement to apply Available Principal Receipts (less the amount of the Available Principal Receipts to be applied to pay item (a) of the Pre-Acceleration Sequential Principal Priority of Payments) on each Interest Payment Date to repay the Notes of each class on a *pro rata* basis (the **Pre-Acceleration Pro-Rata Principal Priority of Payments** and together with the Pre-Acceleration Sequential Principal Priority of Payments, the **Pre-Acceleration Principal Priority of Payments**).

A Pro-Rata Trigger Event will occur if on any Collection Period End Date, X is greater than or equal to two times Y where:

- X = the Principal Amount Outstanding of the Class A Notes as at the Closing Date divided by the aggregate Principal Amount Outstanding of the Class B Notes and the Class C Notes as at the Closing Date; and
- Y = the Principal Amount Outstanding of the Class A Notes as at that Collection Period End Date divided by the aggregate Principal Amount Outstanding of the Class B Notes and the Class C Notes as at that Collection Period End Date,

provided that none of the following events has occurred and is subsisting as at that Collection Period End Date:

- (a) the aggregate current balance of Loans in respect of which the aggregate amount in arrears is more than 3 times the monthly payment then due is less than 5 per cent. of the aggregate current balance of all the Loans in the Portfolio;
- (b) the balance of the General Reserve Fund is less than the General Reserve Required Amount;
- (c) the balance of the Liquidity Reserve Fund (if established) is less than the Liquidity Reserve Required Amount;
- (d) the aggregate Principal Amount Outstanding of the Notes is less than 10% of the aggregate Principal Amount Outstanding of the Notes as at the Closing Date; or

- (e) there is a debit balance on any Principal Deficiency Sub Ledger which will not be reduced to nil on the immediately following Interest Payment Date.

The occurrence of a Pro-Rata Trigger Event will be tested by the Cash Manager on each Calculation Date in respect of the immediately preceding Collection Period End Date.

If any of the events described in paragraphs (a), (b), (c), (d) or (e) occurs, then the Pre-Acceleration Pro-Rata Principal Priority of Payments shall cease on the immediately following Interest Payment Date and Available Principal Receipts shall be applied thereafter in accordance with the Pre-Acceleration Sequential Principal Priority of Payments.

In order to effect the *pro rata* application of the Available Principal Receipts, the Cash Manager shall calculate the *pro rata* share of each class of Notes of those Available Principal Receipts. This shall be determined by dividing the aggregate Principal Amount Outstanding of the relevant class of Notes (e.g. the Class A Notes) by the aggregate Principal Amount Outstanding of all of the Notes.

Any Available Principal Receipts allocated to repay the Class A Notes shall be applied first to repay the Class A1 Notes, then to repay the Class A2 Notes, then to repay the Class A3 Notes and then to repay the Class A4 Notes. All Notes shall be repaid from their *pro rata* share of the Available Principal Receipts.

Distribution of Available Principal Receipts and Available Revenue Receipts Following the Service of a Note Acceleration Notice on the Issuer

Following the service of a Note Acceleration Notice (which has not been withdrawn) on the Issuer, the Cash Manager or, if the security has also been enforced, the Security Trustee (or any Receiver) will apply amounts (other than amounts representing (a) any Excess Swap Collateral required to be returned to the Swap Provider, which shall be returned directly to the Swap Provider when due under the Swap Agreement, (b) prior to the designation of an early termination date under the Swap Agreement and the resulting application of the collateral by way of netting or set off, an amount equal to the value of all collateral (other than Excess Swap Collateral) provided by the Swap Provider, as applicable, to the Issuer pursuant to the Swap Agreement and any interest or distributions in respect thereof standing to the credit of the Swap Collateral Account which shall be returned to the Swap Provider when due under the Swap Agreement and (c) the amounts, if applicable, standing to the credit of the Liquidity Facility Stand-by Account which are payable to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement, in each case, which amounts shall have been certified in advance to the Security Trustee by the Swap Provider and/or the Liquidity Facility Provider, as the case may be) received or recovered following the service of a Note Acceleration Notice on the Issuer (including, for the avoidance of doubt, on enforcement of the Security) in the following order of priority (and, in each case, only if and to the extent that payments or provisions of a higher order of priority have been made in full) (the **Post-Acceleration Priority of Payments** and, together with the Pre-Acceleration Revenue Priority of Payments, the Pre-Acceleration Sequential Principal Priority of Payments and the Pre-Acceleration Pro-Rata Principal Priority of Payments, the **Priority of Payments**):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any costs, charges, liabilities, expenses and all other amounts then due to the Note Trustee or any Appointee under the provisions of the Trust Deed and the other Transaction Documents, together with (if payable) VAT thereon as provided therein; and
 - (ii) any costs, charges, liabilities, expenses and all other amounts then due to the Security Trustee, any Receiver appointed by the Security Trustee or any Appointee under the provisions of the Deed of Charge and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;

- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agents and any costs, charges, liabilities and expenses then due and payable to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts then due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses then due and payable to the Corporate Services Provider under the provisions of the Corporate Services Agreement together with (if payable) VAT thereon as provided therein; and
 - (iii) any amounts then due and payable to the Secretarial Services Provider and any costs, charges, liabilities and expenses then due and payable to the Secretarial Services Provider under the provisions of the Secretarial Services Agreement together with (if payable) VAT thereon as provided therein;
- (c) *third*, to pay amounts due to the Liquidity Facility Provider under the Liquidity Facility Agreement (except for Subordinated Liquidity Amounts);
- (d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any amounts due and payable to the Administrator and any costs, charges, liabilities and expenses then due to the Administrator under the provisions of the Administration Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein; and
 - (iii) any amounts then due and payable to the Account Bank and any costs, charges, liabilities and expenses then due and payable to the Account Bank under the provisions of the Bank Account Agreement, together with (if payable) VAT thereon as provided therein;
- (e) *fifth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof:
 - (i) amounts due to the Swap Provider in respect of the Swap Agreement (including any termination payment due and payable by the Issuer but excluding any related Swap Excluded Termination Amount);
 - (ii) interest and principal due and payable on the Class A1 Notes;
 - (iii) interest and principal due and payable on the Class A2 Notes;
 - (iv) interest and principal due and payable on the Class A3 Notes;
 - (v) interest and principal due and payable on the Class A4 Notes;
- (f) *sixth*, to pay interest and principal due and payable on the Class B1 Notes;
- (g) *seventh*, to pay interest and principal due and payable on the Class C1 Notes;

- (h) *eighth*, to pay the Swap Provider in respect of a Swap Excluded Termination Amount (to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium);
- (i) *ninth*, to pay any Subordinated Liquidity Facility Amounts;
- (j) *tenth*, to pay *pro rata* and *pari passu* all amounts of interest due or accrued (if any) but unpaid and any capitalised interest and amounts of principal due to the Subordinated Loan Provider under the Subordinated Loan Agreement;
- (k) *eleventh*, to pay any Deferred Consideration; and
- (l) *twelfth*, the excess (if any) to the Issuer.

DESCRIPTION OF THE NOTES

General

Each class of Notes will, on the Closing Date, be represented by a Global Note of the relevant sub-class of Notes. All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes.

The Global Notes will be deposited on or about the Closing Date with Citibank, N.A., London branch, as common depository for both Euroclear and Clearstream, Luxembourg (the **Common Depository**).

The Global Notes will be registered in the name of Citivic Nominees Limited, as the nominee for the Common Depository for both Euroclear and Clearstream, Luxembourg. The Issuer will procure the Registrar to maintain a register in which it will register the nominee for Citibank, N.A. as the owner of the Global Notes.

Upon confirmation by the Common Depository that it has custody of the Global Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will record Book-Entry Interests representing beneficial interests in the Global Notes attributable thereto.

Book-Entry Interests in respect of Global Notes will be recorded in denominations of £50,000 and integral multiples of £1,000 in excess thereof (an **Authorised Denomination**). Ownership of Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream, Luxembourg (**Participants**) or persons that hold interests in the Book-Entry Interests through Participants (**Indirect Participants**), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants shall also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as a nominee for Citibank, N.A. is the registered holder of the Global Notes underlying the Book-Entry Interests, the nominee for Citibank, N.A. will be considered the sole Noteholder of the Global Notes for all purposes under the Trust Deed. Except as set forth below under "*Description of the Notes — Issuance of Definitive Notes*", below, Participants or Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Notes under the Trust Deed. See "*Description of the Notes — Action in Respect of the Global Notes and the Book-Entry Interests*", below.

Unlike legal owners or holders of the Notes, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer or consents or requests by the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from, Euroclear or Clearstream, Luxembourg (as the case may be) and, if applicable, their Participants. There can be no assurance that procedures implemented for the

granting of such proxies will be sufficient to enable holders of Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default under the Global Notes, holders of Book-Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg unless and until Definitive Notes are issued in accordance with the Conditions. There can be no assurance that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

In the case of the Global Notes, unless and until Book-Entry Interests are exchanged for Definitive Notes, the Global Notes held by the Common Depository may not be transferred except as a whole by the Common Depository to a successor of the Common Depository.

Purchasers of Book-Entry Interests in a Global Note will hold Book-Entry Interests in the Global Notes relating thereto. Investors may hold their Book-Entry Interests in respect of a Global Note directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set forth under "*Description of the Notes - Transfers*", below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems.

Payments on Global Notes

Payment of principal and interest on, and any other amount due in respect of, the Global Notes will be made in Sterling subject to as provided under "*Description of the Notes - Denomination of Payments*" below by or to the order of Citibank, N.A., London branch (the **Principal Paying Agent**) on behalf of the Issuer to the Common Depository or its nominee as the registered holder thereof with respect to the Global Notes. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for its share of any amounts paid by or on behalf of the Issuer to the Common Depository or its nominee in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Paying Agents nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the Common Depository, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or of Clearstream, Luxembourg. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Note Trustee or the Security Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

Information Regarding Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg have advised the Issuer as follows:

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if any of the Issuer, the Note Trustee or the Security Trustee requests any action of owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed or the Deed of Charge, Euroclear or Clearstream, Luxembourg, as the case may be, would authorise the Participants owning the relevant Book-Entry Interests to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

Redemption

In the event that any Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to the nominee of the Common Depository and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Principal Paying Agent for cancellation. Appropriate entries will be made in the Register. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Global Note (or portion thereof) relating thereto. For any redemptions of a Global Note in part, selection of the relevant Book-Entry Interest relating thereto to be redeemed will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such basis as Euroclear or Clearstream, Luxembourg, deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

Cancellation

Cancellation of any Note represented by a Global Note and required by the Conditions to be cancelled following its redemption will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant schedule thereto and the corresponding entry on the Register.

Transfers

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants. See "*Description of the Notes — General*" above.

Issuance of Definitive Notes

Holders of Book-Entry Interests in a Global Note will be entitled to receive Definitive Notes in registered form (**Registered Definitive Notes**) in exchange for their respective holdings of Book-Entry Interests if (a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business and no alternative clearing system satisfactory to the Note Trustee is available or (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form. Any Registered Definitive Notes issued in exchange for Book-Entry Interests in a Global Note will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Registered Definitive Notes issued in exchange for Book-Entry Interests in a Global Note will not be entitled to exchange such Registered Definitive Note for Book-Entry Interests in a Global Note. Any Notes issued in definitive form will be issued in registered form only. No transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Note or, as the case may be, the due date for redemption. Definitive Notes will not be issued in a denomination that is not an integral multiple of the minimum authorised denomination or for any amount in excess thereof, in integral multiples of £1,000 up to and including £99,000 (See "*Risk Factors – Denominations*" above).

Action in Respect of the Global Notes and the Book-Entry Interests

Not later than 10 days after receipt by the Issuer of any notices in respect of the Global Notes or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Global Notes, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Notes and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Global Notes in accordance with any instructions set forth in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under "*Description of the Notes — General*", above, with respect to soliciting instructions from their respective Participants. The Registrar will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Notes.

Reports

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, the Global Notes or the Book-Entry Interests. In addition, notices regarding the Notes will be published in a leading newspaper having a general circulation in London (which if and so long as the Notes are listed on the London Stock Exchange and the rules of such Stock Exchange shall so require, is expected to be the *Financial Times*); 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, the Bloomberg screen, or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee, publication in the *Financial Times* shall not be required with respect to such information so long as the rules of the London Stock Exchange allow. If, alternatively, the Notes are listed

on a recognised stock exchange outside the United Kingdom, the relevant requirements will apply accordingly. See also Condition 15 of the Notes.

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 (as defined below).*

1. GENERAL

The £2,695,420,000 class A1 asset backed floating rate Notes due 12 August 2049 (the **Class A1 Notes**), the £1,555,050,000 class A2 asset backed floating rate Notes due 12 August 2049 (the **Class A2 Notes**), the £1,036,700,000 class A3 asset backed floating rate Notes due 12 August 2049 (the **Class A3 Notes**), the £4,250,470,000 class A4 asset backed floating rate Notes due 12 August 2049 (the **Class A4 Notes** and, together with the Class A1 Notes, the Class A2 Notes and the Class A3 Notes, the **Class A Notes**), the £414,680,000 class B asset backed floating rate Notes due 12 August 2049 (the **Class B1 Notes** or the **Class B Notes**), and the £414,680,000 class C asset backed floating rate Notes due 12 August 2049 (the **Class C1 Notes** or the **Class C Notes** and, the Class C Notes together with the Class A Notes and the Class B Notes, the **Notes**) in each case of Bracken Securities plc (the **Issuer**) are constituted by a trust deed (the **Trust Deed**) dated on or about 11 October 2007 (the **Closing Date**) and made between the Issuer and Citicorp Trustee Company Limited as trustee for the Noteholders (in such capacity, the **Note Trustee**). Any reference in these terms and conditions (the **Conditions**) to a **class** of Notes or of Noteholders shall be a reference to each class of Notes of the Class A Notes, the Class B Notes or the Class C Notes, as the case may be, or to the respective holders thereof.

The security for the Notes is constituted by a deed of charge and assignment (the **Deed of Charge**) dated the Closing Date and made between, among others, the Issuer and Citicorp Trustee Company Limited as trustee for the secured creditors (in such capacity, the **Security Trustee**).

Pursuant to an agency agreement (the **Agency Agreement**) dated on or about the Closing Date and made between the Issuer, the Note Trustee, Citibank, N.A. acting through its London branch as principal paying agent (in such capacity, the **Principal Paying Agent**) and, together with any further or other paying agents for the time being appointed under the Agency Agreement, the **Paying Agents**), Citibank, N.A. acting through its London branch as registrar (in such capacity, the **Registrar**) and Citibank, N.A., acting through its London branch as agent bank (in such capacity, the **Agent Bank**), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Agency Agreement and the Master Definitions and Construction Schedule (the **Master Definitions and Construction Schedule**) entered into by, *inter alios*, the Issuer and the Security Trustee on or about the Closing Date and the other Transaction Documents (as defined therein).

Copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection during normal business hours at the specified office for the time being of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above. These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

2. FORM, DENOMINATION AND TITLE

2.1 Form and Denomination

Each class of Notes initially offered and sold outside the United States to non-US persons pursuant to Regulation S (**Reg S**) under the United States Securities Act of 1933, as amended (the **Securities Act**), will initially be represented by a separate global note in registered form for each such class (each a **Global Note**) and together, the **Global Notes**, and which, in aggregate, will represent the aggregate Principal Amount Outstanding of the Notes.

For so long as any Notes are represented by a Global Note, transfers and exchanges of beneficial interests in Global Notes and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank S.A./N.V. (**Euroclear**) or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), as appropriate.

For so long as the Notes are represented by a Global Note and Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradeable only in minimal nominal amounts of £50,000 and integral multiples of £1,000 thereafter.

A Global Note will be exchanged for Notes of the relevant class or class in definitive registered form (such exchanged Global Notes, the **Definitive Notes**) only if any of the following applies:

- (a) in respect of the Global Notes, both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business and no alternative clearing system satisfactory to the Note Trustee is available; or
- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of the Notes which would not be required were the Notes in definitive registered form.

The aggregate principal amount of the Definitive Notes of each class or class shall be equal to the Principal Amount Outstanding at the date on which notice of exchange is given of the Global Note of the corresponding class or class, subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Trust Deed and the relevant Global Note.

Definitive Notes 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.

The minimum denominations of the Notes in global and (if issued) definitive form will be as follows:

- (a) Class A1 Notes, £50,000;
- (b) Class A2 Notes, £50,000;
- (c) Class A3 Notes, £50,000;
- (d) Class A4 Notes, £50,000;

- (e) Class B1 Notes, £50,000; and
- (f) Class C1 Notes, £50,000.

and for so long as Euroclear and Clearstream, Luxembourg so permit, any amount in excess thereof in integral multiples of £1,000, and in such other denominations as the Note Trustee shall determine (which must be higher than £50,000) and notify to the relevant Noteholders. Notes in definitive form, if issued, will be printed and issued in minimum denominations of £50,000 and any amount in excess thereof in integral multiples of £1,000 up to and including £99,000. No Definitive Notes will be issued with a denomination above £99,000.

References to **Notes** in these Conditions shall include the Global Notes and the Definitive Notes.

2.2 Title

Title to the Global Notes shall pass by and upon registration in the register (the **Register**) which the Issuer shall procure to be kept by the Registrar. The registered holder of any Global Note may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Note regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Title to a Definitive Note shall only pass by and upon registration in the Register. Such Definitive Notes may be transferred in whole (but not in part) upon the surrender of the relevant Definitive Note, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. All transfers of such Definitive Notes are subject to any restrictions on transfer set forth on such Definitive Notes and the detailed regulations concerning transfers in the Agency Agreement.

Each new Definitive Note to be issued upon transfer of such Definitive Note will, within five Business Days of receipt and surrender of such Definitive Note (duly completed and executed) for transfer, be available for delivery at the specified office of the Registrar or be mailed at the risk of the transferee entitled to such Definitive Note to such address as may be specified in the relevant form of transfer.

Registration of a Definitive Note on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

The Notes are not issuable in bearer form.

3. STATUS AND RELATIONSHIP BETWEEN THE NOTES AND SECURITY

3.1 Status and relationship between the Notes

- (a) The Class A Notes constitute direct, secured and unconditional obligations of the Issuer. In respect of interest due and payable on the Class A Notes, the Class A Notes rank *pari passu* without preference or priority amongst themselves and in respect of principal amounts due on the Class A Notes, the Class A1 Notes rank senior to the Class A2 Notes, the Class A3 Notes and the Class A4 Notes prior to service of a Note Acceleration Notice as provided in these Conditions and the Transaction Documents, and the Class A2 Notes rank senior to the Class A3 Notes and the Class A4 Notes prior to the service of a Note Acceleration Notice as provided in these Conditions and the Transaction Documents, and the Class A3 Notes rank senior to the Class A4 Notes as provided in these Conditions and the Transaction Documents.

- (b) The Class B Notes constitute direct, secured and, subject as provided in Condition 16 (Subordination By Deferral), unconditional obligations of the Issuer. The Class B Notes rank *pari passu* without preference or priority amongst themselves but junior to the Class A Notes as provided in these Conditions and the Transaction Documents.
- (c) The Class C Notes constitute direct, secured and, subject as provided in Condition 16 (Subordination By Deferral), unconditional obligations of the Issuer. The Class C Notes rank *pari passu* without preference or priority amongst themselves but junior to the Class A Notes and the Class B Notes as provided in these Conditions and the Transaction Documents.
- (d) The Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise), but requiring the Note Trustee in any such case to have regard only to:
 - (i) the interests of the Class A Noteholders if, in the Note Trustee's opinion, there is a conflict between the interests of: (A) the Class A Noteholders; and (B) the Class B Noteholders and/or the Class C Noteholders; or
 - (ii) subject to paragraph (i) above, the interests of the Class B Noteholders if, in the Note Trustee's opinion, there is a conflict between the interests of: (A) the Class B Noteholders; and (B) the Class C Noteholders.

The Security Trustee shall also have regard to the interests of the other Secured Creditors (provided that in the event of any conflict between the interests of Noteholders and the other Secured Creditors, the interests of the Noteholders will prevail).

For so long as any Notes are outstanding, in having regard to the interests of the Noteholders, the Security Trustee shall be entitled to rely solely on a written confirmation from the Note Trustee as to whether, in the opinion of the Note Trustee, any matter, action or omission is or is not in the interests of or is or is not prejudicial or materially prejudicial to the interests of, the Noteholders. The Note Trustee shall have sole responsibility for resolving conflicts of interest as between Noteholders, subject to and in accordance with the provisions of the Trust Deed and the Conditions.

- (e) The Trust Deed and the Deed of Charge contain provisions:
 - (i) limiting the powers of the Class B Noteholders and/or the Class C Noteholders to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the Class A Noteholders; and
 - (ii) limiting the powers of the Class C Noteholders to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the Class B Noteholders.

Except in certain circumstances set out in the Trust Deed, there is no such limitation on the powers of (a) the Class A Noteholders, the exercise of which will be binding on the Class B Noteholders and the Class C Noteholders; and (b) the Class B Noteholders, the exercise of which will be binding on the Class C Noteholders.

3.2 Security

- (a) The security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee, on trust for the Noteholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.
- (b) The Noteholders and the other Secured Creditors will share in the benefit of the security constituted by or pursuant to the Deed of Charge, upon and subject to the terms and conditions of the Deed of Charge.

4. COVENANTS

Save with the prior written consent of the Note Trustee or unless otherwise permitted under any of the Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:

- (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking;
- (b) **Restrictions on activities:** (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities of which the Transaction Documents provide or envisage that the Issuer will engage or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;
- (c) **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;
- (d) **Equitable Interest:** permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (e) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders or issue any further shares;
- (f) **Indebtedness:** incur any financial indebtedness or give any guarantee in respect of any financial indebtedness or of any other obligation of any person;
- (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) **No modification or waiver:** permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;
- (i) **Bank accounts:** have an interest in any bank account other than the Bank Accounts, unless such account or interest therein is charged to the Security Trustee on terms acceptable to the Security Trustee; or

- (j) **US activities:** engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles.

5. INTEREST

5.1 Interest Accrual

Each Note bears interest on its Principal Amount Outstanding from (and including) the Closing Date. Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest from and including the due date for redemption unless, upon due presentation in accordance with Condition 6 (Payments), payment of the principal in respect of the Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

5.2 Interest Payment Dates

Interest on the Notes is payable quarterly in arrear on the 12th day of February, May, August and November in each year (or, if such day is not a Business Day, the next succeeding Business Day) (each such day an **Interest Payment Date**).

The first Interest Payment Date will be the Interest Payment Date falling on 12th February 2008.

In these Conditions, **Interest Period** shall mean in respect of interest payments made in respect of the Notes, the period from (and including) an Interest Payment Date (or in respect of the first Interest Period, the Closing Date) to (but excluding) the next following (or first) Interest Payment Date.

5.3 Rate of Interest

The rate of interest payable from time to time in respect of each class of the Notes (each a **Rate of Interest** and together the **Rates of Interest**) will be determined on the basis of the following provisions:

- (a) In respect of the Notes:
- (i) the rate of interest payable shall be a floating rate of interest calculated in accordance with paragraphs (ii), (iii) and (iv) below;
 - (ii) on the initial Interest Determination Date (as defined below), the Agent Bank will determine the Initial Relevant Screen Rate in respect of each class of the 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 to provide the Agent Bank with its offered quotation to leading banks for four-month and five-month Sterling deposits of £10,000,000 in the London interbank market as at or about 11.00 a.m. (London time) on such initial 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 in respect of the Notes, or, if the Initial Relevant Screen Rate is unavailable, the linear interpolation of the arithmetic mean of such offered quotations for four-month and five-month Sterling deposits (rounded upwards, if necessary, to five decimal places);

- (iii) on each subsequent Interest Determination Date in the case of the Notes, the Agent Bank will determine the Relevant Screen Rate in respect of the 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 Sterling deposits of £10,000,000 in the London interbank market 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 three-month Sterling deposits (rounded upwards, if necessary, to five decimal places); and
- (iv) if, on any Interest Determination Date, the Relevant Screen Rate is unavailable and only two or three 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 subparagraphs (ii) and (iii) 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 provides 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 subparagraph (ii) or (iii), 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.

- (b) In these Conditions (except where otherwise defined), the expression:
 - (i) **Business Day** means a day (other than a Saturday or a Sunday or public holiday) on which banks are generally open for business in London;
 - (ii) **Initial Relevant Screen Rate** means in respect of the Notes, the linear interpolation of the arithmetic mean of the offered quotations to leading banks for four-month Sterling deposits and the arithmetic mean of the offered quotations to leading banks for five-month Sterling deposits (in each case) (rounded upwards, if necessary, to five decimal places), displayed on the Reuters Screen page LIBOR01 (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;

- (iii) **Relevant Margin** means in respect of each class of the Notes the following per cent. per annum:

Class	Up to and including the interest period ending in February 2013	Thereafter
Class A1 Notes	0.20	0.40
Class A2 Notes	0.25	0.50
Class A3 Notes	0.30	0.60
Class A4 Notes	0.35	0.70
Class B1 Notes	0.90	1.80
Class C1 Notes	1.50	2.50

- (iv) **Relevant Screen Rate** means:

- (A) in respect of the first Interest Period, the Initial Relevant Screen Rate, if any; and
- (B) in respect of subsequent Interest Periods, the arithmetic mean of offered quotations for three-month Sterling deposits in the London interbank market displayed on the Reuters Screen page LIBOR01;

- (v) **Reference Banks** means the principal London office of each of five major banks engaged in the London interbank market, in each case selected by the Agent Bank with the approval of the Issuer, provided that, once a Reference Bank has been selected by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such; and

- (vi) **Interest Determination Date** means the first day of the Interest Period for which the rate will apply.

5.4 **Determination of Rate of Interest and Interest Amounts**

The Agent Bank shall, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date but in no event later than the third Business Day thereafter, determine the respective amounts (the **Interest Amounts**) payable in respect of interest on the Principal Amount Outstanding of each class of the Notes for the relevant Interest Period. The Interest Amounts shall be determined by applying the relevant Rate of Interest to such Principal Amount Outstanding, multiplying the sum by the actual number of days in the Interest Period concerned divided by 365 and rounding the resulting figure downwards to the nearest penny.

5.5 **Publication of Rate of Interest and Interest Amounts**

The Agent Bank shall cause the Rates of Interest and the Interest Amounts for each Interest Period and each Interest Payment Date to be notified to the Issuer, the Cash Manager, the Note Trustee, the Registrar, and the Paying Agents (as applicable) and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 15 (Notice to Noteholders) as soon as possible after their determination and in no event later than the second Business Day thereafter. The Interest Amounts and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

5.6 Determination by the Note Trustee

The Note Trustee may, without liability therefor, if the Agent Bank defaults at any time in its obligation to determine the Rates of Interest and Interest Amounts in accordance with the above provisions, determine the Rates of Interest and Interest Amounts, the former at such rates as, in its absolute discretion (having such regard as it shall think fit to the procedure described above, it shall deem fair and reasonable in all the circumstances and the latter in the manner provided in Condition 5.4 (Determination of Rate of Interest and Interest Amounts)) (or, in each case, the Note Trustee may, at the expense of the Issuer, employ an expert to do so) and any such determination shall be deemed to be determinations made by the Agent Bank.

5.7 Notifications, etc. to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Reference Banks (or any of them), the Agent Bank, the Cash Manager or the Note Trustee, will (in the absence of wilful default, gross negligence, bad faith or manifest error) be binding on the Issuer, the Cash Manager, the Note Trustee, the Agent Bank, the Registrar, the Paying Agents and all Noteholders and (in the absence of wilful default, gross negligence, bad faith or manifest error) no liability to the Issuer or the Noteholders shall attach to the Reference Banks (or any of them), the Cash Manager, the Agent Bank, the Registrar, or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition 5.

5.8 Agent Bank

The Issuer shall procure that, so long as any of the Notes remains outstanding, there is at all times an Agent Bank for the purposes of the Notes and the Issuer may, subject to the prior written approval of the Note Trustee, terminate the appointment of the Agent Bank. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Agent Bank or failing duly to determine the Rates of Interest and the Interest Amounts for any Interest Period, the Issuer shall, subject to the prior written approval of the Note Trustee, appoint another major bank engaged in the relevant interbank market to act in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed.

6. PAYMENTS

6.1 Payment of Interest and Principal

Payments of principal and interest shall be made in respect of the Global Notes by transfer to a Sterling account maintained by the payee with a bank in London and (in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Global Notes at the specified office of any Paying Agent.

Payments of principal and interest shall be made in respect of the Definitive Notes by Sterling cheque; or upon application by the relevant 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 a Sterling account maintained by the payee with a bank in London and (in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Definitive Notes at the specified office of any Paying Agent.

6.2 Laws and Regulations

Payments of principal and interest in respect of the Notes are subject, in all cases, to any fiscal or other laws and regulations applicable thereto. Noteholders will not be charged commissions or expenses on payments.

6.3 Payment of Interest following a Failure to pay Principal

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 5.1 (Interest Accrual) will be paid, in respect of a Global Note, as described in Condition 6.1 (Payment of Interest and Principal) above and, in respect of any Definitive Note, in accordance with this Condition 6.

6.4 Change of Paying Agents

The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent and the Registrar and to appoint additional or other Agents provided that:

- (a) there will at all times be a person appointed to perform the obligations of the Principal Paying Agent with a specified office in London and a Registrar; and
- (b) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a member state of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Except where otherwise provided in the Trust Deed, the Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents or the Registrar or their specified offices to be given in accordance with Condition 15 (Notice to Noteholders) and will notify the Rating Agencies of such change or addition.

6.5 No Payment on non-Business Day

If the date for payment of any amount in respect of a Note is not a Business Day, Noteholders shall not be entitled to payment until the next following Business Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. In this Condition 6.5, the expression **Business Day** means a day (other than a Saturday or a Sunday or a public holiday) on which banks are generally open for business in London.

6.6 Partial Payment

If a Paying Agent makes a partial payment in respect of any Note, the Registrar will, in respect of the relevant Note, annotate the register of noteholders, indicating the amount and date of such payment.

6.7 Payment of Interest

If interest is not paid in respect of a Note of any class on the date when due and payable (other than because the due date is not a Business Day (as defined in Condition 6.5 (No Payment on non-Business Day)) or by reason of non-compliance with Condition 6.1 (Payment of Interest and Principal), then such unpaid interest shall itself bear interest at the Rate of Interest applicable from time to time to such Note until such interest and interest thereon are available for payment and notice thereof has been duly given in accordance with Condition 15 (Notice to Noteholders).

7. REDEMPTION

7.1 Redemption at Maturity

Unless previously redeemed in full or purchased and cancelled as provided below, the Issuer will redeem the Notes at their respective Principal Amounts Outstanding on the Interest Payment Date falling on 12 August 2049.

7.2 Mandatory Redemption

- (a) Each Note shall, subject to Condition 7.3 (Optional Redemption for Reasons other than Taxation Reasons) and 7.4 (Optional Redemption for Taxation Reasons) be repaid on each Interest Payment Date from the Available Principal Receipts, after payment, or provision for, amounts ranking in priority to the relevant Note in accordance with the terms of the Cash Management Agreement or the Deed of Charge (as applicable). It is not intended to maintain surplus Available Principal Receipts, other than amounts credited to the General Reserve Fund and the Liquidity Reserve Fund (if established) in the Issuer.
- (b) Subject to the terms of the Deed of Charge, prior to the occurrence of a Pro-Rata Trigger Event and service of a Note Acceleration Notice on the Issuer, Available Principal Receipts will be applied to repay the Notes sequentially in the following order of priority:
- (i) *first*, in or towards repayment *pro rata* and *pari passu* of the Class A1 Notes;
 - (ii) *second*, in or towards repayment *pro rata* and *pari passu* of the Class A2 Notes;
 - (iii) *third*, in or towards repayment *pro rata* and *pari passu* of the Class A3 Notes;
 - (iv) *fourth*, in or towards repayment *pro rata* and *pari passu* of the Class A4 Notes;
 - (v) *fifth*, in or towards repayment *pro rata* and *pari passu* of the Class B Notes; and
 - (vi) *sixth*, in or towards repayment *pro rata* and *pari passu* of the Class C Notes.
- (c) Subject to the terms of the Deed of Charge, on or following the occurrence of a Pro-Rata Trigger Event but prior to the service of a Note Acceleration Notice on the Issuer and provided that the circumstances giving rise to a Pro-Rata Trigger Event continue to exist, Available Principal Receipts will be allocated and applied to repay the Class A Notes, the Class B Notes and the Class C Notes on a pro-rata basis at the then Principal Amount Outstanding. Any *pro rata* amount allocated to repay the Class A Notes shall be applied firstly towards repayment (on a *pro rata* and *pari passu* basis) of the Class A1 Notes, then towards repayment (on a *pro rata* and *pari passu* basis) of the Class A2 Notes, then towards repayment (on a *pro rata* and *pari passu* basis) of the Class A3 Notes and then towards repayment (on a *pro rata* and *pari passu* basis) of the Class A4 Notes.
- (d) If the circumstances giving rise to the occurrence of a Pro-Rata Trigger Event cease to exist, then Available Principal Receipts will be applied on the following Interest Payment Date to repay the Notes as described in paragraph (b) above.

7.3 Optional Redemption for Reasons other than Taxation Reasons

- (a) On giving not more than 60 nor less than 30 days' notice to the Noteholders in accordance with Condition 15 (Notice to Noteholders), the Note Trustee and the Swap Provider, and provided that:

- (i) on or prior to the Interest Payment Date on which such notice expires, no Note Acceleration Notice has been served; and
- (ii) the Issuer has, immediately prior to giving such notice, certified to the Note Trustee that it will have the necessary funds to pay all principal and interest due in respect of the Notes to be redeemed on the relevant Interest Payment Date and to discharge all other amounts (excluding the principal sums payable in respect of the Notes which will not be redeemed on such Interest Payment Date) required to be paid in priority to or *pari passu* with the Notes to be redeemed on such Interest Payment Date,

the Issuer may redeem on any Interest Payment Date some or all of the Notes provided that, prior to the occurrence of a Pro-Rata Trigger Event, Available Principal Receipts will be applied to repay the Notes sequentially in the following order of priority:

- (i) *first*, in or towards repayment *pro rata* and *pari passu* of the Class A1 Notes;
 - (ii) *second*, in or towards repayment *pro rata* and *pari passu* of the Class A2 Notes;
 - (iii) *third*, in or toward repayment *pro rata* and *pari passu* of the Class A3 Notes;
 - (iv) *fourth*, in or towards repayment *pro rata* and *pari passu* of the Class A4 Notes;
 - (v) *fifth*, in or towards repayment *pro rata* and *pari passu* of the Class B Notes; and
 - (vi) *sixth*, in or towards repayment *pro rata* and *pari passu* of the Class C Notes.
- (b) On or following the occurrence of a Pro-Rata Trigger Event but prior to the service of a Note Acceleration Notice on the Issuer and provided that the circumstances giving rise to a Pro-Rata Trigger Event continue to exist, Available Principal Receipts will be allocated and applied to redeem the Class A Notes, the Class B Notes and the Class C Notes on a pro-rata basis at the then Principal Amount Outstanding. Any *pro rata* amount allocated to repay the Class A Notes shall be applied firstly towards repayment (on a *pro rata* and *pari passu* basis) of the Class A1 Notes, then towards repayment (on a *pro rata* and *pari passu* basis) of the Class A2 Notes, then towards repayment (on a *pro rata* and *pari passu* basis) of the Class A3 Notes and then towards repayment (on a *pro rata* and *pari passu* basis) of the Class A4 Notes.
- (c) If the circumstances giving rise to the occurrence of a Pro-Rata Trigger Event cease to exist, then Available Principal Receipts will be applied on the following Interest Payment Date to repay the Notes as described in paragraph (a) above.
- (d) Any Note redeemed pursuant to Condition 7.3 will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to but excluding the date of redemption.

7.4 Optional Redemption for Taxation Reasons

If:

- (a) by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on the next Interest Payment Date, the Issuer or the Paying Agents would be required to deduct or withhold from any payment of principal or interest on any class of the Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of Notes of such class)

any amount for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein; or

- (b) by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on the next Interest Payment Date, the Issuer or the Swap Provider would be required to deduct or withhold from any payment under the Swap Agreement any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature,

then, in the case of (a) above, the Issuer shall, if the same would avoid the effect of such relevant event described in (a) above, appoint a Paying Agent in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes or, in the case of (b) above, if the same would avoid the effect of such relevant event described in (b) above, use its reasonable endeavours to ensure that the Swap Agreement is replaced by a swap agreement with a different swap provider (whether by assignment, novation or otherwise) or transferred to a different branch of the Swap Provider, provided in the case of (a) and (b) that the Note Trustee is satisfied that (i) such action will not be materially prejudicial to the Noteholders (and in making such determination, the Note Trustee may rely, without further investigation or inquiry, on any confirmation from Fitch that the then current ratings of the Notes would not be adversely affected by such action) (and, for the avoidance of doubt, Moody's will not be required to provide such confirmation) and (ii) the Security Trustee is satisfied that the position of the Secured Creditors will not thereby be adversely affected.

If the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that one or more of the events described in subparagraph (a) or (b) above is continuing and that the appointment of a Paying Agent, substitution, replacement or transfer of the Swap Agreement as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment, substitution or replacement, then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 30 days' notice to the Note Trustee, the Swap Provider and Noteholders in accordance with Condition 15 (Notice to Noteholders) redeem all (but not some only) of the Notes on the next following Interest Payment Date at their respective Principal Amount Outstanding together with any interest accrued (and unpaid) thereon up to (but excluding) the date of redemption provided that (in either case), prior to giving any such notice, the Issuer shall have provided to the Note Trustee (a) a certificate signed by two directors of the Issuer stating that one or more of the circumstances referred to in subparagraph (a) or (b) above prevail(s) and setting out details of such circumstances and (b) an opinion in form and substance satisfactory to the Note Trustee of independent legal advisers of recognised standing to the effect that the Issuer, the Paying Agents or the Swap Provider, (as the case may be) has or will become obliged to deduct or withhold amounts as a result of such change or amendment. The Note Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstance set out in the paragraph immediately above, in which event they shall be conclusive and binding on the Noteholders.

The Issuer may only redeem the Notes as described above if the Issuer has certified to the Note Trustee that it will have the necessary funds, not subject to the interest of any other person, required to redeem the Notes as aforesaid and any amounts required under the Pre-Acceleration Revenue Priority of Payments to be paid in priority to or *pari passu* with the Notes outstanding in accordance with the terms and conditions thereof.

7.5 Principal Amount Outstanding

The **Principal Amount Outstanding** of the Notes on any date shall be their original principal amount of:

- (a) in respect of Class A1 Notes, £2,695,420,000;
- (b) in respect of Class A2 Notes, £1,555,050,000;
- (c) in respect of Class A3 Notes, £1,036,700,000;
- (d) in respect of Class A4 Notes, £4,250,470,000;
- (e) in respect of Class B Notes, £414,680,000; and
- (f) in respect of Class C Notes, £414,680,000,

less the aggregate amount of all principal payments in respect of such Notes which have been made since the Closing Date.

7.6 Notice of Redemption

Any such notice as is referred to in Condition 7.3 (Optional Redemption for Reasons other than Taxation Reasons) and Condition 7.4 (Optional Redemption for Taxation Reasons) above shall be irrevocable and, upon the expiry of such notice, the Issuer shall be bound to redeem the relevant Notes at the applicable amounts specified above. Any certificate or legal opinion given by or on behalf of the Issuer pursuant to Condition 7.3 (Optional Redemption for Reasons other than Taxation Reasons) or Condition 7.4 (Optional Redemption for Taxation Reasons) may be relied on by the Note Trustee without further investigation and shall be conclusive and binding on the Noteholders.

7.7 No Purchase by the Issuer

The Issuer will not be permitted to purchase any of the Notes.

7.8 Cancellation

All Notes redeemed in full will be cancelled upon redemption and may not be resold or re-issued.

8. TAXATION

8.1 All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**), unless the withholding or deduction of the Taxes is required by applicable law. In that event, the Issuer or, as the case may be, the relevant Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Paying Agent nor any other person shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

8.2 For so long as a Note is not a "quoted Eurobond" for the purposes of section 987 of the Income Tax Act 2007, a Noteholder or the person beneficially entitled to interest payable in respect of a Note shall (by completing and delivering a certificate in the form set out in Schedule 3 to the Agency Agreement):

- (a) represent and warrant to the Issuer and the Principal Paying Agent that the person beneficially entitled to interest payable in respect of the Notes is a company within the charge to United Kingdom corporation tax as regards any payment of interest under the Notes unless and until such time as it notifies each of the Issuer and the Principal Paying Agent in writing that this is not the case; and
- (b) (at any time following the Closing Date that a standard process becomes available by which certification can be made through the clearing systems or any of them as to whether the person beneficially entitled to interest payable in respect of the Notes is a company within the charge to United Kingdom corporation tax as regards any payment of interest under the Notes) undertake to the Issuer and the Principal Paying Agent to provide such certification using such process;
- (c) agree to indemnify the Issuer and the Principal Paying Agent for any loss or liability, costs and expenses (including stamp duties) which the Issuer or the Principal Paying Agent respectively determines will be or has been suffered by the Issuer or the Principal Paying Agent respectively to the extent that it is in breach of the representation and warranty referred to in paragraph (a) above or the undertakings referred to in paragraph (b) above;
- (d) acknowledge that as at the Closing Date no Paying Agent offers a refund service in respect of sums withheld or deducted in respect of the payments made by it on behalf of the Issuer in respect of the Notes including, without limitation, in the event that the obligations set out in paragraphs (a) to (c) above or (e) are not fully complied with by a Noteholder; and
- (e) acknowledge that each of the representations, warranties, undertakings, agreements and information given by it to the Issuer and the Principal Paying Agent is given in full knowledge that the Principal Paying Agent shall rely on the same for the purposes of making determinations as to its obligation to make withholding under applicable UK tax law and accordingly shall irrevocably confirm to the Issuer and the Principal Paying Agent that it has taken all necessary steps to give each such representation, warranty, undertaking, agreement and information and intends that the Principal Paying Agent rely on the same for such purpose.

8.3 In the absence of either (a)(i) receipt from a Noteholder of a completed form as set out in Schedule 3 of the Agency Agreement and (ii) confirmation from the relevant clearing system through which such Noteholder is holding its Notes no later than the Record Date preceding an Interest Payment Date that such Noteholder is an accountholder with the relevant clearing system in respect of a corresponding principal amount of the Notes or (b) (at any time following the Closing Date that a standard process becomes available by which certification can be made through the clearing systems or any of them as to whether the person beneficially entitled to interest payable in respect of the Notes is a company within the charge to United Kingdom corporation tax as regards any payment of interest under the Notes) certification by a Noteholder using such process, the Principal Paying Agent shall be entitled to assume that:

- (a) such Noteholder (and any other person on whose behalf it holds the Notes) is not beneficially entitled to interest payable in respect of the Notes and is not a company within the charge to United Kingdom corporation tax as regards any payment of interest under the Notes; and
- (b) that a withholding or deduction for or on account of tax is required in respect of payments by or on behalf of the Issuer in respect of the Notes pursuant to Condition 8.1.

9. PRESCRIPTION

Claims in respect of principal and interest on the Notes will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the relevant payment.

In this Condition 9, the **Relevant Date**, in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the moneys payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such moneys having been received, notice to that effect is duly given to the relevant Noteholders in accordance with Condition 15 (Notice to Noteholders).

10. EVENTS OF DEFAULT

10.1 Class A Notes

The Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25% in aggregate Principal Amount Outstanding of the Class A1 Notes and/or the Class A2 Notes and/or the Class A3 Notes and/or the Class A4 Notes then outstanding or if so directed by an Extraordinary Resolution of the Class A1 Noteholders and/or the Class A2 Noteholders and/or the Class A3 Noteholders and/or the Class A4 Noteholders shall (subject, in each case, to being indemnified and/or secured to its satisfaction), (but, in the case of the happening of any of the events described in sub-paragraphs (b), (d), (e) and (f) below, only if the Note Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class A1 Noteholders and/or the Class A2 Noteholders and/or the Class A3 Noteholders and/or the Class A4 Noteholders) give notice (a **Class A Note Acceleration Notice**) to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed, in any of the following events (each, an **Event of Default**):

- (a) if default is made in the payment of any principal or interest due in respect of the Class A Notes or any of them and the default continues for a period of three days in the case of principal or five days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or any Transaction Document to which it is a party and (except in any case where the Note Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Note Trustee may permit) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolutions of the Noteholders; or
- (d) if the Issuer ceases or threatens to cease to carry on the whole or in the opinion of the Trustee a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolutions of the Noteholders, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or

- (e) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) or an administration order is granted or the appointment of an administrator takes effect or an administrative or other receiver, manager or other similar official is appointed, in relation to the Issuer or in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or any part of the undertaking or assets of the Issuer, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer and (ii) in the case of any such possession or any such last-mentioned process, unless initiated by the Issuer, is not discharged or otherwise ceases to apply within 14 days; or
- (f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

10.2 Class B Notes

This Condition 10.2 shall not apply as long as any Class A Note is outstanding. Subject thereto, for so long as any Class B Note is outstanding, the Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25% in aggregate Principal Amount Outstanding of the Class B Notes then outstanding or if so directed by an Extraordinary Resolution of the Class B Noteholders shall (subject, in each case, to being indemnified and/or secured to its satisfaction), (but, in the case of the happening of any of the events referred to in sub-paragraph (b) below (other than any Event of Default referred to in Condition 10.1(c)), only if the Note Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class B Noteholders) give notice (a **Class B Note Acceleration Notice**) to the Issuer in any of the following events (each, an **Event of Default**):

- (a) if default is made in the payment of any principal or interest (other than interest deferred in accordance with Condition 16) due in respect of the Class B Notes and the default continues for a period of three days in the case of principal or five days in the case of interest; or
- (b) if any of the Events of Default referred to in Condition 10.1(b) to (f) occurs.

10.3 Class C Notes

This Condition 10.3 shall not apply as long as any Class A Note or Class B Note is outstanding. Subject thereto, for so long as any Class C Note is outstanding, the Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25% in aggregate Principal Amount Outstanding of the Class C Notes then outstanding or if so directed by an Extraordinary Resolution of the Class C Noteholders shall (subject, in each case, to being indemnified and/or secured to its satisfaction), (but, in the case of the happening of any of the events described in subparagraph (b) below (other than any Event of Default referred to in Condition 10.1(c)), only if the Note Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class C Noteholders) give notice (a **Class C Note Acceleration Notice**) to the Issuer in any of the following events (each, an **Event of Default**):

- (a) if default is made in the payment of any principal or interest (other than interest deferred in accordance with Condition 16) due in respect of the Class C Notes and the default continues for a period of three days in the case of principal or five days in the case of interest; or
- (b) if any of the Events of Default referred to in Condition 10.1(b) to (f) occurs.

10.4 General

Upon the service of a Class A Note Acceleration Notice, a Class B Note Acceleration Notice or a Class C Note Acceleration Notice (each, a **Note Acceleration Notice**) by the Note Trustee in accordance with Condition 10.1 (Class A Notes), 10.2 (Class B Notes) or 10.3 (Class C Notes), above, all the Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed.

11. ENFORCEMENT

Each of the Note Trustee and the Security Trustee may, at any time, at its discretion and without notice, take such proceedings against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes or the Trust Deed (including these Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) any of the other Transaction Documents to which it is a party and at any time after the service of a Note Acceleration Notice, the Security Trustee may, if so instructed by the Note Trustee; take such steps as it may think fit to enforce the Security, but neither of them shall be bound to take any such proceedings or steps unless:

- (a) in the case of the Note Trustee, (subject in all cases to restrictions contained in the Trust Deed to protect the interests of any higher ranking class or classes of Noteholders) it shall have been so directed by an Extraordinary Resolution of the Class A Noteholders, the Class B Noteholders or the Class C Noteholders or so directed in writing by the holders of at least 25% in aggregate Principal Amount Outstanding of the Class A Notes, the Class B Notes or the Class C Notes then outstanding, or in the case of the Security Trustee if so instructed by the Note Trustee;
- (b) in all cases, it shall have been indemnified and/or secured to its satisfaction.

No Noteholder shall be entitled to proceed directly against the Issuer or any other party to any of the Transaction Documents unless the Note Trustee or, as the case may be, the Security Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing. In addition, no Class B Noteholder or Class C Noteholder will be entitled to take proceedings for the winding up or administration of the Issuer unless:

- (i) there are no outstanding Notes of a class with higher priority; or
- (ii) if Notes of a class with higher priority are outstanding, there is a consent of Noteholders of at least 25% in aggregate Principal Amount Outstanding of a class or classes of Notes then outstanding with higher priority.

Amounts available for distribution after enforcement of the Security shall be distributed in accordance with the terms of the Deed of Charge.

If, upon the Security having been enforced and realised and the Security Trustee determines that, after payment of all other claims ranking in priority to the Class A Notes, the Class B Notes and the

Class C Notes (as the case may be) under the Deed of Charge, the remaining proceeds of such enforcement are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of the Class A Notes, the Class B Notes and the Class C Notes (as the case may be) and all other claims ranking *pari passu* therewith, then the Class A Noteholders and/or the Class B Noteholders and/or the Class C Noteholders (as the case may be) shall be forthwith paid their respective shares of such remaining proceeds (as determined in accordance with the provisions of the Deed of Charge). On the date of such payment (the **Option Exercise Date**), the Registrar will, at the request of the Post-Enforcement Call Option Holder, on the Register, transfer all (but not some only) of the Class A Notes and/or the Class B Notes and/or the Class C Notes (as the case may be) to the Post-Enforcement Call Option Holder for a nominal amount only pursuant to the option granted to it by the Note Trustee (as agent for the Noteholders without any personal liability on the part of the Note Trustee) pursuant to the Post-Enforcement Call Option Agreement. Immediately upon such transfer, no such former Class A Noteholder, Class B Noteholder or Class C Noteholder shall have any further interest in the Class A Notes, the Class B Notes or the Class C Notes (as the case may be). Each of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders acknowledges that the Note Trustee has the authority and the power to bind the Noteholders in accordance with the terms and conditions set out in the Post-Enforcement Call Option Agreement and each Class A Noteholder, Class B Noteholder or Class C Noteholder (as the case may be), by subscribing for or purchasing the Class A Notes, the Class B Notes or the Class C Notes (as the case may be), agrees to be so bound.

12. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

- 12.1** The Trust Deed contains provisions for convening meetings of the Noteholders of each class and, in certain cases, more than one class 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 Transaction Documents.
- 12.2** An Extraordinary Resolution passed at any meeting of the Class A Noteholders shall be binding on the Class B Noteholders and the Class C Noteholders irrespective of the effect upon them, except that an Extraordinary Resolution to sanction a Basic Terms Modification will not take effect unless the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class B Noteholders and the Class C Noteholders or it shall have been sanctioned by Extraordinary Resolutions of the Class B Noteholders and the Class C Noteholders.
- 12.3** An Extraordinary Resolution (other than an Extraordinary Resolution referred to in Condition 12.2 immediately above) passed at any meeting of the Class B Noteholders shall not be effective for any purpose unless the Class A Notes are no longer outstanding, or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders or it is sanctioned by an Extraordinary Resolution of the Class A Noteholders, but subject also to Condition 12.4 immediately below.
- 12.4** An Extraordinary Resolution passed at any meeting of the Class B Noteholders shall be binding on the Class C Noteholders irrespective of the effect upon them, except that an Extraordinary Resolution to sanction a Basic Terms Modification will not take effect unless the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class C Noteholders or it shall have been sanctioned by an Extraordinary Resolution of the Class C Noteholders.
- 12.5** An Extraordinary Resolution (other than an Extraordinary Resolution referred to in Condition 12.2 or 12.4 above) passed at any meeting of the Class C Noteholders shall not be effective for any purpose unless:

- (a) the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders or it is sanctioned by an Extraordinary Resolution of the Class A Noteholders; and
- (b) the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class B Noteholders or it is sanctioned by an Extraordinary Resolution of the Class B Noteholders; or
- (c) the Class A Notes and the Class B Notes are no longer outstanding.

12.6 Subject as provided below, the quorum at any meeting of Noteholders of any class for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 50% of the aggregate Principal Amount Outstanding of such class of Notes, or, at any adjourned meeting, one or more persons being or representing a Noteholder of the relevant class, whatever the aggregate Principal Amount Outstanding of the Notes of such class held or represented by it or them.

For the purposes of, inter alia, any Noteholder meetings, **outstanding** means, in relation to the Notes all the Notes issued from time to time other than:

- (a) those Notes which have been redeemed in full pursuant to the Conditions;
- (b) those Notes in respect of which the date for redemption in accordance with the Conditions has occurred and the redemption moneys (including interest payable thereon) have been duly paid to the Note Trustee or to the Principal Paying Agent or the Registrar, as applicable, in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the relevant Noteholders in accordance with the Conditions) and remain available for payment against presentation of the relevant Notes;
- (c) those Notes which have been purchased and cancelled in accordance with the Conditions;
- (d) those Notes which have become void under **Condition 9** (Prescription) with respect to the Notes;
- (e) those mutilated or defaced Notes which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to **Condition 14** (Replacement of Notes) with respect to the Notes;
- (f) (for the purpose only of ascertaining the Principal Amount Outstanding of the Notes outstanding and without prejudice to the status for any other purpose of the relevant instrument) those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to **Condition 14** (Replacement of Notes) with respect to the Notes; and
- (g) any Global Note to the extent that it shall have been exchanged for another Global Note in respect of the Notes of the relevant class or for the Notes of the relevant class in definitive form pursuant to its provisions;

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of the Noteholders of any class or classes, an Extraordinary Resolution in writing or an Ordinary Resolution in writing as envisaged by **paragraph 1** of **Schedule 4** of the Trust Deed and any direction or request by the holders of Notes of any class or classes;

- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of **Clause 10.1** and **Schedule 4** of the Trust Deed, **Conditions 10** (Events of Default) and **11** (Enforcement) with respect to the Notes;
- (iii) any right, discretion, power or authority (whether contained in these presents, any other Transaction Document or vested by operation of law) which the Security Trustee and the Note Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the Noteholders or any class or classes thereof; and
- (iv) the determination by the Security Trustee and the Note Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the Noteholders or any class or classes thereof,

those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, any holding company of the Issuer or any other Subsidiary of any such holding company, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding.

- 12.7** The quorum at any meeting of Noteholders of any class for passing an Extraordinary Resolution to sanction a modification of the date of maturity of any Notes or which would have the effect of postponing any day for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of such Notes, altering the currency of payment or altering the quorum or majority required in relation to this exception (each, a **Basic Terms Modification**) shall be one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, not less than one-quarter of the aggregate Principal Amount Outstanding of the Notes of such class.

The Trust Deed provides that:

- (a) a resolution which, in the opinion of the Note Trustee affects the interests of the holders of one class only of the Class A Notes or, in the case of an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice under Condition 10, the Class A1 Notes and/or the Class A2 Notes and/or the Class A3 Notes and/or, as the case may be, the Class A4 Notes, shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Class A Notes or, in the case of an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice under Condition 10, the Class A1 Notes and/or the Class A2 Notes and/or the Class A3 Notes and/or, as the case may be, the Class A4 Notes of that class;
- (b) a resolution which, in the opinion of the Note Trustee affects the interests of the holders of more than one class of the Class A Notes or, in the case of an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice under Condition 10, the Class A1 Notes and/or the Class A2 Notes and/or the Class A3 Notes and/or, as the case may be, the Class A4 Notes, but does not give rise to a conflict of interest between the holders of any classes of the Class A Notes or, in the case of an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice under Condition 10, the Class A1 Notes and/or the Class A2 Notes and/or the Class A3 Notes and/or, as the case may be, the Class A4 Notes, so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of the Class A Notes or, in the case of an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice under Condition 10, the Class A1 Notes and/or the Class A2 Notes and/or the Class A3 Notes and/or, as the case may be, the Class A4 Notes of all classes so affected; and

- (c) a resolution which, in the opinion of the Note Trustee affects the interests of the holders of more than one class of the Class A Notes or, in the case of an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice under Condition 10, the Class A1 Notes and/or the Class A2 Notes and/or the Class A3 Notes and/or, as the case may be, the Class A4 Notes, and gives or may give rise to a conflict of interest between the holders of one class of the Class A Notes or, in the case of an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice under Condition 10, the Class A1 Notes and/or the Class A2 Notes and/or the Class A3 Notes and/or, as the case may be, the Class A4 Notes, so affected and the holders of another class of the Class A Notes or, in the case of an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice under Condition 10, the Class A1 Notes and/or the Class A2 Notes and/or the Class A3 Notes and/or, as the case may be, the Class A4 Notes, so affected shall be deemed to have been duly passed only if in lieu of being passed at a single meeting of the holders of the Class A Notes or, in the case of an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice under Condition 10, the Class A1 Notes and/or the Class A2 Notes and/or the Class A3 Notes and/or, as the case may be, the Class A4 Notes, of all classes it shall be duly passed at separate meetings of the holders of each class of the Class A Notes or, in the case of an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice under Condition 10, the Class A1 Notes and/or the Class A2 Notes and/or the Class A3 Notes and/or, as the case may be, the Class A4 Notes so affected.

The Trust Deed contains similar provisions in relation to resolutions of the Class B Noteholders and the Class C Noteholders and in relation to directions in writing from the Class A Noteholders, the Class A1 Noteholders, the Class A2 Noteholders, the Class A3 Noteholders, the Class A4 Noteholders, the Class B Noteholders and the Class C Noteholders upon which the Note Trustee is bound to act.

12.8 The Note Trustee may agree, without the consent of the Noteholders:

- (a) to any modification (other than a Basic Terms Modification), or to any waiver or authorisation of any breach or proposed breach, of these Conditions or any of the Transaction Documents which, in the opinion of the Note Trustee is not materially prejudicial to the interests of the Noteholders; or
- (b) to any modification which, in the opinion of the Note Trustee is of a formal, minor or technical nature or to correct a manifest error.

12.9 The Security Trustee may without the consent or sanction of the Secured Creditors (except, where they are party to the relevant Transaction Document the subject of such modification, where the consent of such party will be required), but with the written consent of the Swap Provider, concur with any person in making or giving its consent to any modification (except a Basic Terms Modification) or to any waiver or authorisation of any breach or proposed breach to any Transaction Document only if so directed by (a) the Note Trustee so long as there are any Notes outstanding or (b) all the Secured Creditors, if there are no Notes outstanding.

12.10 The Note Trustee may also, without the consent of the Noteholders, if it is of the opinion that such determination will not be materially prejudicial to the interests of the Noteholders, determine that an Event of Default shall not, or shall not subject to specified conditions, be treated as such.

12.11 Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Note Trustee or, as the case may be, the Security Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 15 (Notice to Noteholders).

- 12.12** In connection with any such substitution of principal debtor referred to in Condition 7.4 (Optional Redemption for Taxation Reasons), the Note Trustee and the Security Trustee may also agree, without the consent of the Noteholders, to a change of the laws governing the Notes, these Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee be materially prejudicial to the interests of the Noteholders.
- 12.13** In exercising any of its discretions under the Transaction Documents, the Note Trustee may, have regard to whether any Rating Agency has confirmed to itself, the Issuer or any other party to the Transaction Documents that any such proposed action will not result in the withdrawal or reduction of, or entail any other adverse action with respect to, the then current rating of the Notes whether or not any such confirmation is addressed to, or provides that it may be relied on by, the Note Trustee and irrespective of the method by which such confirmation is conveyed.
- 12.14** Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents (including, without limitation, in relation to any modification, waiver, authorisation, determination, substitution or change of laws as referred to above), the Note Trustee is required to have regard to the interests of the Noteholders of any class, it shall have regard to the general interests of the Noteholders of such class as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Note Trustee or, as the case may be, the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim from the Issuer, the Note Trustee or the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.

13. INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Security Trustee, enforcing the Security unless indemnified and/or secured to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual Noteholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

14. REPLACEMENT OF NOTES

If any Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Registrar. Replacement of any mutilated, defaced, lost, stolen or destroyed Note will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Note must be surrendered before a new one will be issued.

15. NOTICE TO NOTEHOLDERS

15.1 Publication of Notice

Any notice to Noteholders shall be validly given if published in the Financial Times, or, if such newspaper shall cease to be published or, if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom, provided that if, at any time, the Issuer procures that the information concerned in such notice shall appear on a page of the Reuters screen, or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders (in each case a **Relevant Screen**), publication in the newspaper set out above or such other newspaper or newspapers shall not be required with respect to such information. Any such notice 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 Relevant Screen on which) publication is required.

In addition, notices to Noteholders will be sent to them by first class post (or its equivalent) or (if posted to an address outside the United Kingdom) by airmail at the respective addresses on the Register. Any such notice will be deemed to have been given on the fourth day after the date of posting.

Whilst the Notes are represented by Global Notes, notices to Noteholders will be valid if published as described above, or, at the option of the Issuer, if delivered to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.

15.2 Note Trustee's Discretion to Select Alternative Method

The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or category of them if, in its sole opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchanges, competent listing authorities and/or quotation systems on or by which the Notes are then listed, quoted and/or traded and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

16. SUBORDINATION BY DEFERRAL

16.1 Interest

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (which shall, for the purposes of this Condition 16.1 and accrued interest thereon) payable in respect of the Class B Notes and/or the Class C Notes after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then:

- (a) the Issuer shall be entitled (unless there are no Class A Notes then outstanding) to defer to the next Interest Payment Date the payment of interest in respect of the Class B Notes:
 - (i) if it then defers to the next Interest Payment Date all payments of interest then due (but for the provisions of this Condition 16) in respect of the Class C Notes; and

- (ii) to the extent only of any insufficiency of funds (only after having paid or provided for all amounts specified as having a higher priority in the Pre-Acceleration Revenue Priority of Payments than interest payable in respect of the Class B Notes); and
- (b) the Issuer shall be entitled (unless there are then no Class A Notes and Class B Notes outstanding) to defer, to the next Interest Payment Date, the payment of interest in respect of the Class C Notes, only to the extent of any insufficiency of funds after having paid or provided for all amounts specified as having a higher priority in the Pre-Acceleration Revenue Priority of Payments than interest payable in respect of the Class C Notes.

16.2 General

Any amounts of interest in respect of the Class B Notes or the Class C Notes otherwise payable under these Conditions which are not paid by virtue of this Condition 16 shall accrue interest at the same rate and on the same basis as interest in respect of the corresponding class of Notes and together with such accrued interest thereon, shall in any event become payable on the next Interest Payment Date (unless and to the extent that Condition 16.1 applies) or on such earlier date as the Class B Notes or the Class C Notes, as the case may be, become due and repayable in full in accordance with these Conditions.

16.3 Notification

As soon as practicable after becoming aware that any part of a payment of interest on the Class B Notes or the Class C Notes, as the case may be, will be deferred or that a payment previously deferred will be made in accordance with this Condition 16, the Issuer will give notice thereof to the Class B Noteholders or the Class C Noteholders, as the case may be, in accordance with Condition 15 (Notice to Noteholders). Any deferral of interest in accordance with this Condition 16 will not constitute an Event of Default. The provisions of this Condition 16 shall cease to apply on the Final Maturity Date, at which time all deferred interest and accrued interest thereon shall become due and payable.

17. FURTHER NOTES, REPLACEMENT NOTES AND NEW NOTES

17.1 Further Notes

The Issuer may, without the consent of the Noteholders, raise further funds, from time to time, on any date by the creation and issue of further notes (**Further Notes**) carrying the same terms and conditions in all respects (or in all respects except for the first Interest Period) as, and so that the same shall be consolidated and form a single class and rank *pari passu* with any class of the Notes provided that:

- (a) the aggregate principal amount of all Further Notes to be issued on such date is not less than £5,000,000;
- (b) any Further Notes are assigned the same ratings as are then applicable to the class of Notes with which they are to be consolidated and form a single class;
- (c) the ratings of each class of Notes at that time outstanding are not downgraded, withdrawn or qualified as a result of such issue of Further Notes and none of such ratings is lower than it was upon the date of issue of any of the Notes;
- (d) New Loans in an amount equal to the aggregate principal amount of such Further Notes will be sold by the Seller to the Issuer pursuant to the provisions of the Mortgage Sale Agreement; and

- (e) (if the Notes have been listed admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market and listed on the official list of the UK Listing Authority) application will be made, in respect of the Further Notes, for such notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market and listed on the official list of the UK Listing Authority or, if the Notes then issued are no longer admitted to trading on that exchange or were admitted to trading on another exchange, such exchange, if any, on which the Notes then issued are then admitted to trading.

17.2 Replacement Notes

The Issuer may, without the consent of the Noteholders, issue one or more classes of Replacement Notes to replace one or more classes of the Notes, each class of which shall have the same terms and conditions in all respects as the class of Notes which it replaces (except for the rate of interest applicable to such Replacement Notes which, if not the same, must be lower than the rate of interest applicable to the class of Notes being replaced and which may on issue be in an aggregate principal amount which is different from the aggregate Principal Amount Outstanding of the class of Notes which it replaces, provided that the class or classes of Notes to be replaced are redeemed in full in accordance with **Condition 7.3 (Optional Redemption** for Reasons other than Taxation Reasons) and the conditions to the issue of Further Notes as set out in **Condition 17.1(a), (c), (d) and (e)** are satisfied, *mutatis mutandis*, in respect of such issue of Replacement Notes.

17.3 New Notes

The Issuer may, without the consent of the Noteholders, raise further funds, from time to time and on any date, by the creation and issue of new notes (**New Notes**) which may rank *pari passu* with the Class A Notes, Class B Notes or Class C Notes or after the Class A Notes but ahead of the Class B Notes or after the Class B Notes but ahead of the Class C Notes or after the Class C Notes and which may have terms and conditions which differ from the Notes and which do not form a single series with the Class A Notes, the Class B Notes or the Class C Notes provided that the conditions to the issue of Further Notes as set out in **Condition 17.1(a), (c), (d) and (e)** are satisfied, *mutatis mutandis*, in respect of such issue of New Notes.

17.4 Supplemental trust deeds and security

Any such Further Notes, Replacement Notes or New Notes will be constituted by a further deed or deeds supplemental to the Trust Deed and have the benefit of the security constituted by the Deed of Charge. Any of the Transaction Documents may be amended as provided in **Condition 2.1(f) (Status and relationship between the Notes)** or otherwise, and further Transaction Documents may be entered into, in connection with the issue of such Further Notes, Replacement Notes or New Notes and the claims of any of the parties to any amended Transaction Document or any further Transaction Document may rank ahead of, *pari passu* with, or behind, any class or classes of the Notes, provided, in each case, that the condition set out in **Condition 17.1(c)** is satisfied, *mutatis mutandis*.

18. GOVERNING LAW

The Trust Deed, the Deed of Charge, the Notes and these Conditions (other than certain documents to be granted pursuant to the Deed of Charge, which will be governed by Scots law) are governed by, and shall be construed in accordance with, English law, unless specifically stated to the contrary (provided that any terms of the Deed of Charge which are particular to Northern Irish law shall be construed in accordance with the laws of Northern Ireland).

19. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes or these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. DEFINITIONS

Unless otherwise defined in these Conditions or unless the context otherwise requires, in these Conditions the following words shall have the following meanings and any other capitalised terms used in these Conditions shall have the meanings ascribed to them in the Master Definitions and Construction Schedule:

Agency Agreement has the meaning given to it in the preamble to these Conditions;

Available Principal Receipts means for each Interest Payment Date an amount equal to the aggregate of:

- (a) all Principal Receipts received by the Issuer during the immediately preceding Collection Period (less an amount equal to the aggregate of all Further Advances Purchase Prices and the Flexible Drawings Purchase Prices payable in such Collection Period but not exceeding such Principal Receipts) and on such Interest Payment Date in respect of a repurchase of Loans subject to Flexible Drawings and/or Further Advances in the preceding Collection Period and their Related Security to the extent required to eliminate a Liquidity Facility Shortfall and/or a Further Advance Shortfall respectively;
 - (b) if established, all amounts standing to the credit of the Liquidity Reserve Fund (as recorded on the Liquidity Reserve Ledger) on the immediately preceding Collection Period End Date;
 - (c) the amounts (if any) to be credited to the Principal Deficiency Ledger pursuant to items (f), (h) and (j) in the Pre-Acceleration Revenue Priority of Payments on such Interest Payment Date;
 - (d) (in respect of the first Interest Period only) an amount equal to the Principal Receipts in respect of Loans comprising the Provisional Portfolio during the period from and including 7 October 2007 to (and excluding) the Closing Date transferred from the Seller Collection Account into the GIC Account less the Purchase Price Adjustment; and
 - (e) (in the case of any redemption of some or all of the Notes on that Interest Payment Date pursuant to Condition 7.3 (Optional Redemption for Reasons other than Taxation Reasons) of the Notes) all sums received by the Issuer on that Interest Payment Date as a result of the Seller's option to repurchase Loans in a principal amount equal to the Notes to be redeemed;
- less
- (f) the amount of Principal Receipts received by the Issuer during the immediately preceding Collection Period or amounts standing to the credit of the Liquidity Reserve Fund to be applied:
 - (i) first, towards the Payment Holiday Amount in respect of the immediately preceding Collection Period; and
 - (ii) second, to cover Income Deficits on such Interest Payment Date.

Final Maturity Date means in respect of each class of Notes, the Interest Payment Date falling in the following months:

Class	Interest Payment Date Falling on
Class A1 Notes	12 August 2049
Class A2 Notes	12 August 2049
Class A3 Notes	12 August 2049
Class A4 Notes	12 August 2049
Class B1 Notes	12 August 2049
Class C1 Notes	12 August 2049

Noteholders means the registered holders for the time being of the Notes, or if preceded by a particular class designation of Notes, the registered holders for the time being of such class of Notes;

Paying Agents means the Principal Paying Agent and any further or other paying agents for the time being appointed under the Agency Agreement;

Principal Paying Agent has the meaning given to it in the preamble to these Conditions;

A **Pro-Rata Trigger Event** occurs if on any Collection Period End Date, X is greater than or equal to two times Y where:

X = the Principal Amount Outstanding (as defined above) of the Class A Notes as at the Closing Date divided by the aggregate Principal Amount Outstanding of the Class B Notes and the Class C Notes as at the Closing Date; and

Y = the Principal Amount Outstanding of the Class A Notes as at that Collection Period End Date divided by the aggregate Principal Amount Outstanding of the Class B Notes and the Class C Notes as at that Collection Period End Date,

provided that none of the following events has occurred and is subsisting as at that Collection Period End Date:

- (a) the aggregate current balance of Loans in respect of which the aggregate amount in arrears is more than 3 times the monthly payment then due is less than 5 per cent. of the aggregate current balance of all the Loans in the Portfolio;
- (b) the balance of the General Reserve Fund is less than the General Reserve Required Amount;
- (c) the balance of the Liquidity Reserve Fund (if established) is less than the Liquidity Reserve Required Amount;
- (d) the aggregate Principal Amount Outstanding of the Notes is less than 10% of the aggregate Principal Amount Outstanding of the Notes as at the Closing Date; or
- (e) there is a debit balance on any Principal Deficiency Sub Ledger which will not be reduced to nil on the immediately following Interest Payment Date.

Rating Agencies means Moody's Investors Service Limited and Fitch Ratings Ltd;

Record Date means with respect to any Interest Payment Date, the fifteenth day prior to such Interest Payment Date;

Subordinated Loan means the subordinated loan that the Subordinated Loan Provider has made available to the Issuer on the Closing Date pursuant to the Subordinated Loan Agreement;

Subordinated Loan Agreement means the agreement entered into on the Closing Date between the Issuer, the Subordinated Loan Provider and the Security Trustee relating to the provision of the Subordinated Loan to the Issuer (as the same may be amended and/or supplemented from time to time);

Subordinated Loan Provider means A&L in its capacity as provider of the Subordinated Loan;

Subsidiary means a subsidiary as defined in section 736 of the Companies Act 1985;

Swap Agreement means the ISDA master agreement, schedule, credit support annex and confirmations (as amended or supplemented from time to time) relating to the Interest Rate Swaps to be entered into on or before the Closing Date between the Issuer, the Swap Provider and the Security Trustee;

Swap Provider means A&L in its capacity as interest rate swap provider under the Swap Agreement;

Swaps means the interest rate swaps which enable the Issuer to hedge the possible variance between the interest rates payable on the Loans in the Portfolio and Three-Month Sterling LIBOR; and

Transaction Documents means the Administration Agreement, the Agency Agreement, the Bank Account Agreement, the Cash Management Agreement, the Corporate Services Agreement, the Deed of Charge, the Issuer Power of Attorney, the Liquidity Facility Agreement, the Master Definitions and Construction Schedule, the Mortgage Sale Agreement, the Nominee Declaration of Trust, the Note Purchase Agreement, the PECO Declaration of Trust, the Post-Enforcement Call Option Agreement, the Secretarial Services Agreement, the Seller Collection Account Declaration of Trust, the Seller Power of Attorney, the Share Trustee Declaration of Trust, the Subordinated Loan Agreement, the Swap Agreement, the Trust Deed and such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes.

USE OF PROCEEDS

The gross proceeds of the Notes to be received by the Issuer will principally be set off against the Initial Consideration payable by the Issuer for the Initial Portfolio to be acquired from the Seller on the Closing Date.

FEES

The following table sets out the on-going fees to be paid by the Issuer to the transaction parties.

<u>Type of Fee</u>	<u>Amount of Fee</u>	<u>Priority in Cashflow</u>	<u>Frequency</u>
Administration Fee	0.08% each year (inclusive of VAT) on the aggregate current balance of the Portfolio as at the opening of business on the first day of the preceding Collection Period	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Cash management fee	0.01% each year (inclusive of VAT) on the aggregate current balance of the Portfolio as at the opening of business on the first day of the preceding Collection Period	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Secretarial Services fee	£750 each year (inclusive of VAT)	Ahead of all outstanding Notes	Annually in arrear on the Interest Payment Date in November
Other fees and expenses of the Issuer	estimated at £5,000 each year (exclusive of VAT)	Ahead of all outstanding Notes	Semi-annually in advance on each Interest Payment Date

VAT is currently chargeable at 17.5%

RATINGS

The Notes are expected, on issue, to be assigned the following ratings by Moody's and Fitch. A security 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 judgment, circumstances (including, without limitation, a reduction in the credit rating of a Swap Provider and/or the Account Bank in the future) so warrant.

Class of Notes	Moody's	Fitch
Class A Notes	Aaa	AAA
Class B Notes	Aa3	AA
Class C Notes	Baa2	BBB

THE ISSUER

Introduction

The Issuer was incorporated in England and Wales on 26 September 2007 (registered number 06382146) as a public limited company under the Companies Act 1985 (as amended). The registered office of the Issuer is c/o 35 Great St. Helen's, London EC3A 6AP. The telephone number of the Issuer's registered office is +44 (0) 207 398 6300. The authorised share capital of the Issuer comprises 50,000 ordinary shares of £1 each. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, 49,999 shares of £1 each, partly-paid up in cash of 25p each and 1 fully paid shares of £1 each all of which are beneficially owned by Holdings (see "*Holdings*" below).

The Issuer has no subsidiaries. The Seller does not own directly or indirectly any of the share capital of Holdings or the Issuer.

The principal objects of the Issuer are set out in clause 4 of its Memorandum of Association and are to, *inter alia*, carry on business as a general commercial company. The Issuer was established solely for the purpose of issuing the Notes. The activities of the Issuer will be restricted by its Memorandum and Articles of Association and the Transaction Documents and will be limited to the issues of the Notes, the exercise of related rights and powers, and other activities referred to herein or reasonably incidental thereto.

Under the Companies Act 1985, the Issuer's governing documents, including its principal objects, may be altered by a special resolution of shareholders.

In accordance with the Corporate Services Agreement, the Corporate Services Provider will provide to the Issuer's directors, a registered and administrative office, the arrangement of meetings of directors and shareholders and procure the service of a company secretary. No other remuneration is paid by the Issuer to or in respect of any director or officer of the Issuer for acting as such.

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 Information Memorandum to which it is or will be a party and other matters which are incidental or ancillary to the foregoing. The Issuer, as necessary, intends to make a notification under the Data Protection Act 1998 and intends to apply for a consumer credit licence under the CCA. As at 11 October 2007, no statutory accounts have been prepared or delivered to the Registrar of Companies on behalf of the Issuer. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2008.

There is no intention to accumulate surpluses in the Issuer (other than amounts standing to the credit of the Reserve Funds).

Directors

The directors of the Issuer and their respective business addresses and occupations are:

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
Ian John Hares	Carlton Park, Narborough, Leicester, LE19 0AL	Group Treasurer, A&L
Christopher Robert Annis (alternate to Ian John Hares)	Carlton Park, Narborough, Leicester, LE19 0AL	Head of Treasury Documentation, A&L

Name	Business Address	Business Occupation
SFM Directors Limited	35 Great St. Helen's, London EC3A 6AP	Director of special purpose companies
SFM Directors (No. 2) Limited	35 Great St. Helen's, London EC3A 6AP	Director of special purpose companies

The directors of SFM Directors Limited and SFM Directors (No. 2) Limited and their respective business address and principal activities or business occupations are:

Name	Function	Principal Activities
Jonathan Eden Keighley	35 Great St. Helen's, London EC3A 6AP	Company Director
James Garner Smith Macdonald	35 Great St. Helen's, London EC3A 6AP	Company Director
Robert William Berry	35 Great St. Helen's, London EC3A 6AP	Company Director
Cane Valentine Pickersgill	35 Great St. Helen's, London EC3A 6AP	Alternate Director to Jonathan Eden Keighley, James Garner Smith Macdonald and Robert Berry
JP Nowacki	35 Great St. Helen's, London EC3A 6AP	Alternate Director to Jonathan Eden Keighley, James Garner Smith Macdonald and Robert Berry
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Alternate Director to Jonathan Eden Keighley, James Garner Smith Macdonald and Robert Berry
Helena Whittaker	35 Great St. Helen's, London EC3A 6AP	Alternate Director to Jonathan Eden Keighley, James Garner Smith Macdonald and Robert Berry
Annika Goodwille	35 Great St. Helen's, London EC3A 6AP	Alternate Director to Jonathan Eden Keighley, James Garner Smith Macdonald and Robert Berry

The business addresses for each of the directors of Structured Finance Management Limited is 35 Great St. Helen's, London EC3A 6AP.

The company secretary of the Issuer is Richard Allen Hawker whose registered office is at Carlton Park, Narborough, Leicester LE19 0AL.

The Issuer has no loan capital, borrowings or material contingent liabilities (including guarantees) as at 11 October 2007.

Capitalisation Statement

The following table shows the capitalisation of the Issuer as at 11 October 2007:

	As at 11 October 2007 £
	<hr/>
Authorised share capital	
Ordinary shares of £1 each	50,000.00
Issued share capital	
50,000 ordinary shares 49,999 paid up to 25 pence and 1 fully paid shares of £1 each	12,500.75

HOLDINGS

Introduction

Holdings was incorporated in England and Wales on 26 September 2007 (registered number 06382115) as a private limited company under the Companies Act 1985 (as amended). The registered office of Holdings is c/o 35 Great St. Helen's, London EC3A 6AP. The authorised share capital of Holdings comprises 100 ordinary shares of £1 each. The issued share capital of Holdings comprises 1 ordinary share of £1. SFM Corporate Services Limited (the **Share Trustee**) holds the entire beneficial interest in the issued share under a discretionary trust for charitable purposes. Holdings holds the entire beneficial interest in the issued share capital of the Issuer and PECOH.

The principal objects of Holdings are set out in clause 3 of its Memorandum of Association and are, *inter alia*, to carry on business as a general commercial company.

Holdings has not engaged since its incorporation in any material activities other than those activities incidental to the authorisation and implementation of the Transaction Documents referred to in this Information Memorandum to which it is or will be a party and other matters which are incidental or ancillary to the foregoing.

Directors

The directors of Holdings and their respective business addresses and occupations are:

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
Ian John Hares	Carlton Park, Narborough, Leicester, LE19 0AL	Group Treasurer, A&L
Christopher Robert Annis (alternate to Ian John Hares)	Carlton Park, Narborough, Leicester, LE19 0AL	Head of Treasury Documentation, A&L
SFM Directors Limited	35 Great St. Helen's, London EC3A 6AP	Director of special purpose companies
SFM Directors (No. 2) Limited	35 Great St. Helen's, London EC3A 6AP	Director of special purpose companies

The directors of Structured Finance Management Limited and their respective occupations are:

<u>Name</u>	<u>Function</u>	<u>Principal Activities</u>
Jonathan Eden Keighley	35 Great St. Helen's, London EC3A 6AP	Company Director
James Garner Smith Macdonald	35 Great St. Helen's, London EC3A 6AP	Company Director
Robert William Berry	35 Great St. Helen's, London EC3A 6AP	Company Director
Cane Valentine Pickersgill	35 Great St. Helen's, London EC3A 6AP	Alternate Director to Jonathan Eden Keighley, James Garner Smith Macdonald and Robert Berry

Name	Function	Principal Activities
JP Nowacki	35 Great St. Helen's, London EC3A 6AP	Alternate Director to Jonathan Eden Keighley, James Garner Smith Macdonald and Robert Berry
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Alternate Director to Jonathan Eden Keighley, James Garner Smith Macdonald and Robert Berry
Helena Whittaker	35 Great St. Helen's, London EC3A 6AP	Alternate Director to Jonathan Eden Keighley, James Garner Smith Macdonald and Robert Berry
Annika Goodwille	35 Great St. Helen's, London EC3A 6AP	Alternate Director to Jonathan Eden Keighley, James Garner Smith Macdonald and Robert Berry

The company secretary of Holdings is Richard Allen Hawker whose registered office is at Carlton Park, Narborough Leicester, LE19 0AL.

The accounting reference date of Holdings is 31 December.

Holdings has no employees.

THE POST-ENFORCEMENT CALL OPTION HOLDER

Introduction

The Post-Enforcement Call Option Holder was incorporated in England and Wales on 26 September 2007 (registered number 06382152) as a private limited company under the Companies Act 1985 (as amended). The registered office of the Post-Enforcement Call Option Holder is c/o 35 Great St. Helen's, London EC3A 6AP.

The authorised share capital of the Post-Enforcement Call Option Holder comprises 100 ordinary shares of £1 each. The issued share capital of the Post-Enforcement Call Option Holder comprises 1 ordinary share of £1. Holdings holds the entire beneficial interest in the issued share capital of the Post-Enforcement Call Option Holder. The Post-Enforcement Call Option Holder has no subsidiaries. The Seller does not own directly or indirectly any of the share capital of the Post-Enforcement Call Option Holder. The principal objects of the Post-Enforcement Call Option Holder are set out in clause 3 of its Memorandum of Association and are, *inter alia*, to carry on business as a general commercial company. The Post-Enforcement Call Option Holder has not engaged since its incorporation in any material activities other than those activities incidental to the authorising and implementation of the Transaction Documents referred to in this Information Memorandum 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 Post-Enforcement Call Option Holder and their respective business addresses and occupations are:

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
Ian John Hares	Carlton Park, Narborough, Leicester, LE19 0AL	Group Treasurer, A&L
Christopher Robert Annis (alternate to Ian John Hares)	Carlton Park, Narborough, Leicester, LE19 0AL	Head of Treasury Documentation, A&L
SFM Directors Limited	35 Great St. Helen's, London EC3A 6AP	Director of special purpose companies
SFM Directors (No. 2) Limited	35 Great St. Helen's, London EC3A 6AP	Director of special purpose companies

The company secretary of the Post-Enforcement Call Option Holder is Richard Allen Hawker whose registered office is at Carlton Park, Narborough, Leicester, LE19 0AL.

The accounting reference date of the Post-Enforcement Call Option Holder is 31 December.

The Post-Enforcement Call Option Holder has no employees.

ALLIANCE & LEICESTER PLC

General

Alliance & Leicester plc (**A&L**) will perform the following roles in connection with the issuance of the Notes:

- Seller;
- Administrator;
- Cash Manager;
- Swap Provider;
- Subordinated Loan Provider;
- Account Bank; and
- Note Purchaser.

A&L is the only Seller of the Loans to the Issuer and is the Administrator of all the Loans.

History and development

A&L is a public limited company incorporated and registered in England and Wales under the Companies Act 1985. A&L and its subsidiaries (together, the **Group**) is one of the UK's major financial services organisations, offering a broad range of financial services to private and commercial clients.

A&L was originally a building society (a mutual form of organisation existing under English law which engages primarily in residential mortgage lending and deposit taking) prior to its conversion to a public limited company. A&L was incorporated as a public limited company on 10 October 1996 (with registration number 03263713) and the conversion became effective as of 21 April 1997.

A&L is an authorised bank operating within the UK and the Isle of Man, and supervised by the Financial Services Authority and the Financial Supervision Commission, respectively. Shares in A&L have been listed on the London Stock Exchange since 1997 and are owned by both retail and institutional investors.

The registered office of A&L is at Carlton Park, Narborough, Leicester, LE19 0AL, United Kingdom (telephone number +44 (0)116 201 1000).

As at 31 December 2006, A&L and its subsidiaries had total assets of approximately £68.6 billion and employed approximately 8,300 employees. At the date of this Information Memorandum, A&L has a long-term rating of “A+” by Standard & Poor's, “Aa3” by Moody's and “AA-” by Fitch.

Principal activities

The principal activities of the Group are the provision of a comprehensive range of personal financial services in addition to a wide range of banking and financial services to business and public sector customers.

The Group's business comprises two main business units. Retail Banking provides personal savings and residential mortgage lending, current accounts and unsecured personal finance. Retail Banking also provides credit cards through MBNA, life assurance and long-term investment products through Legal & General, and

general insurance products supplied by a range of providers, primarily Zurich Insurance. Commercial Banking provides banking services to commercial customers, including cash and cheque handling for retailers and other corporates, commercial lending, business banking and treasury services. These business units are supported by central group functions including finance, IT, human resources, communications and legal.

The principal markets in which A&L operates are as follows:

Residential mortgage lending

A&L's residential mortgage assets are spread geographically throughout the UK. Residential mortgage lending is focused primarily on customers who wish to purchase their primary residence. Arrears at the end of December 2006 totalled less than £7.9 million. The indexed loan to value ratio at the end of 2006 was 46 per cent.

At the end of December 2006, A&L had £38 billion of advances secured on residential property which represents around 55 per cent. of its total assets. At the end of 2006, A&L's market share of UK mortgage balances was 3.5 per cent.

Figures relating to residential mortgage lending market shares have been calculated based on market data extracted from the Bank of England's publication, *Monetary & Financial Statistics*. A&L confirms that such information has been accurately reproduced and that, so far as A&L is aware, and is able to ascertain from information published by the Bank of England, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Group structure

The principal operating subsidiary undertakings of A&L at 31 December 2006 are listed below. These subsidiary undertakings are incorporated and all operate in the United Kingdom, except Alliance & Leicester International Limited which operates in the Isle of Man.

<i>Directly held subsidiary undertakings</i>	<i>Sector</i>
Alliance & Leicester Commercial Bank plc	Banking
Alliance & Leicester Personal Finance Limited	Unsecured lending
Indirectly held subsidiary undertakings	
Alliance & Leicester Commercial Finance plc	Asset leasing
Alliance & Leicester International Limited	Offshore deposit taking

All subsidiary undertakings are limited by ordinary shares and are unlisted.

A&L holds a 100 per cent. interest in the ordinary share capital and the voting rights of all its subsidiary undertakings.

A&L is, directly or indirectly, the holding company of all subsidiary undertakings in the Group, and operates as a bank authorised under the Financial Services and Markets Act 2000. It is accordingly dependent on the income from its own operations, and from the performance and dividends of its principal operating subsidiary undertakings listed above.

Subsidiaries of A&L

A&L currently has the following two principal directly held subsidiaries:

Alliance & Leicester Commercial Bank plc

Alliance & Leicester Commercial Bank plc is a public limited company incorporated in England and Wales on 19 September 1985 with registered number 01950000. Its core business is the provision of banking services to corporate customers. Alliance & Leicester Commercial Bank plc has three core product lines: business banking, which provides banking services for small and medium sized businesses; commercial lending, which provides loans and leasing facilities to companies; and money transmission, which provides a range of facilities including bill payment, cheque processing, cash handling and cash sales products.

Alliance & Leicester Personal Finance Limited

Alliance & Leicester Personal Finance Limited is a private limited company incorporated in England and Wales on 29 March 1990 with registered number 02486611. Its core business is the provision of unsecured Loans for personal customers.

Recent developments

With effect from 30 March 2007 all the assets and liabilities of Alliance & Leicester Commercial Bank plc were transferred to A&L pursuant to the Alliance & Leicester plc (Group Reorganisation) Act 2000.

THE NOTE TRUSTEE/SECURITY TRUSTEE

Citicorp Trustee Company Limited will be appointed pursuant to the Trust Deed as Note Trustee for the Noteholders. It will also be appointed pursuant to the Deed of Charge as Security Trustee for the Secured Creditors.

Citicorp Trustee Company Limited's principal place of business is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

Citicorp Trustee Company Limited will not be responsible for (a) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and Citicorp Trustee Company Limited will be entitled to assume, until it has written notice to the contrary, that all such persons are properly performing their duties thereunder or (b) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents. Citicorp Trustee Company Limited will not be liable to any Noteholder or other Secured Creditor for any failure to make or to cause to be made on its behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the charged property and has no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

THE CORPORATE SERVICES PROVIDER

Structured Finance Management Limited (registered number 03853947), having a place of business at 35 Great St. Helen's London EC3A 6AP will be appointed to provide corporate services to the Issuer, Holdings and the Post-Enforcement Call Option Holder pursuant to the Corporate Services Agreement.

The Corporate Services Provider will be entitled to terminate its respective appointment under the Corporate Services Agreement on 30 days' written notice to the Issuer or the Post-Enforcement Call Option Holder, respectively, the Security Trustee and each other party to the Corporate Services Agreement, provided that a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

The Security Trustee can terminate the appointment of the Corporate Services Provider on 30 days' written notice so long as a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

In addition, the appointment of the Corporate Services Provider may be terminated immediately upon notice in writing given by the Security Trustee, if the Corporate Services Provider breaches its obligations under the terms of the Corporate Services Agreement and/or certain insolvency related events occur in relation to the Corporate Services Provider.

THE LOANS

Introduction

The housing market in the UK primarily consists of owner-occupied housing. The remainder of dwellings are in some form of public, private landlord or social ownership. The mortgage market, in which loans are provided for the purchase of a property and secured on that property, is the primary source of household borrowings in the UK.

The following is a description of some of the characteristics of the loans currently or previously offered by the Seller and includes details of loan types, the underwriting process, Lending Criteria and selected statistical information. Each Loan in the Portfolio incorporates one or more of the features referred to in this section.

Characteristics of the Loans

Repayment terms

Loans are typically repayable on one of the following bases:

Repayment: the borrower makes monthly payments of both interest and principal so that, when the loan matures, the full amount of the principal of the loan will have been repaid (**Repayment Loan**); or

Interest-only: the borrower makes monthly payments of interest but not of principal, so that, when the loan matures, the entire principal amount of the loan is still outstanding and is repayable in one lump sum (**Interest Only Loan**); or

Combination repayment and interest-only: the borrower effects a separation of the repayable amounts into two portions, one in respect of which it will only pay interest until the date of the loan's maturity (the **Interest-Only Portion**) and the other in respect of which the borrower will make payments incorporating both interest and principal components (**Combination Repayment and Interest-Only Loan**). When the loan matures, the principal amount of the Interest-Only Portion of the loan is still outstanding and is repayable in one lump sum.

In each case, the required monthly payment may alter from month to month for various reasons, including changes in interest rates and the ability to make overpayments of £500 or more, see below. The ability to make underpayments and take payment holidays applies to Flexible Loans only.

For Interest-Only Loans and for the Interest-Only Portion of Combination Repayment and Interest-Only Loans, because the principal is repaid in a lump sum at the maturity of the loan, the Seller requests but does not verify that the borrower has some repayment mechanism (such as an investment plan or a pension plan) in place to ensure that funds will be available to repay the principal at the end of the term.

Interest payments and interest rate setting

The Seller offers a range of interest rates on each of the following products:

- **Variable Rate Loans:** loans subject to the Seller's standard Variable Rate (the **Variable Rate**) for the life of the loan. The Variable Rate is set by the Seller by reference to the general level of interest rates and competitive rates in the UK mortgage market.
- **Discounted Rate Loans:** loans which allow the borrower for a specified period of time (the **Discounted Rate Period**), which is usually between one and five years, to pay interest at a specified

discount to the Variable Rate (the **Discounted Rate**). An early repayment charge may be payable in respect of some of these Loans (but not all) for a set period of time, which generally corresponds with the term of the Discounted Rate Period.

- **Fixed Rate Loans:** loans subject to a fixed rate of interest (the **Fixed Rate**) for a specified period of time (the **Fixed Rate Period**), which is usually for a period of either two, three or five years. At the expiration of the Fixed Rate Period these Fixed Rate Loans generally convert to Variable Rate Loans or Base Rate Loans (as described below). An early repayment charge may be payable in respect of some of these loans (but not all) for a set period of time, which generally corresponds with the term of the Fixed Rate Period.
- **Base Rate Loans:** loans subject to a variable rate of interest (the **Base Rate-Linked Rate**) that is a margin (expressed as a percentage figure) above and/or equal to and/or below the Bank of England Base Rate (the **Base Rate**) for a set period as specified in the offer (the **Premium Rate Period**). During the applicable Premium Rate Period, or for a certain period within the Premium Rate Period, an early repayment charge may be payable in respect of some (but not all) of these loans. At the expiration of any applicable Premium Rate Period, Base Rate Loans will (unless a Base Rate-Linked Rate applies for the term of the loan) convert to a Variable Rate Loan. The Base Rate-Linked Rate may differ for each product type. The percentage amount of the relevant margin to be charged under or over the Base Rate is set by the Seller at the commencement of the loan and is dependent on the product type and the LTV. This percentage margin, which is fixed, is specified in the borrower's offer of advance.

No capped rate loans will form part of the portfolio as at the initial closing date.

All interest rates depend on the product type and the LTV ratio. Under the 2002 and 2004 mortgage conditions, interest may be calculated and charged on a daily, monthly or yearly basis depending upon the borrower's mortgage product. Under the 1993 and 1997 mortgage conditions, interest is calculated and charged on a yearly basis. Under the 1998 mortgage conditions, interest is calculated and charged on a monthly basis. Where interest is calculated on a daily basis, in every month interest is charged each day on the capital and on any unpaid interest or expenses outstanding as at the end of the previous day, excluding interest charged in that month. Where interest is calculated on a monthly basis, in every month interest is charged for the month on the capital and on any unpaid interest or expenses outstanding as at the end of the previous month. Where interest is charged on a yearly basis, in every year interest is charged for the year on the capital and on any unpaid interest or expenses outstanding as at the end of the previous year. Payments of interest in respect of all loans are payable either monthly in arrears or in advance or monthly partially in advance and partially in arrears, depending upon a borrower's interest payment date. Monthly payments due by borrowers are paid normally (although not always) by direct debit and are due on the first day of each month unless (under the 2002 and 2004 mortgage conditions only) the borrower has chosen a different monthly instalment date. The Seller may give a borrower notice at any time that a different instalment date will apply.

The Variable Rate for existing and/or new borrowers as at 22 September 2007 was 7.89 per cent. If the Variable Rate changes and that change affects the interest rate applicable to a borrower's mortgage, the Seller is obliged to give the borrower written notice of the change. Notice will be given to borrowers prior to any changed monthly instalment becoming due. The actual gross rate of interest that the Seller charges for Variable Rate Loans, Discounted Rate Loans linked to the Variable Rate or Fixed Rate Loans upon conversion from a Fixed Rate to the Variable Rate may be changed for various reasons, which include:

- to reflect a change in the rates of interest paid to customers with savings accounts with the Seller;
- to reflect a change in the cost of other funds used by the Seller in its mortgage lending business;
- to reflect a change in the Base Rate;

- to make sure the Seller's business is run in a prudent manner;
- to allow the Seller to raise additional funds to improve its services or facilities, to promote the growth of its business or to invest in new technology;
- to reflect changes in the law or recommendations by a court or by an ombudsman or regulatory requirements or guidance;
- to reflect a merger of its business; and
- to reflect a transfer of its business.

Under the 1997 and 1998 mortgage conditions and under the offers of advance sent out to borrowers with mortgages subject to the 1993 mortgage conditions, the Variable Rate may also be changed for any "other valid reason".

Under the 1997, 1998, 2002 and 2004 mortgage conditions, if a borrower's interest rate is increased as a result of a change to the Variable Rate, the borrower may repay the loan without paying interest at the increased rate and without paying any early repayment charge which would otherwise be due under the terms of the loan, if the Seller receives notice from the borrower of that borrower's intention to repay within one month after the increase takes effect and the repayment is made within three months after the increase takes effect. Under the 1993 mortgage conditions, if a borrower's interest rate is increased and if that borrower gives notice within one month of the date upon which that increase is to take effect, the borrower can redeem the mortgage without paying the additional interest resulting from the increase (provided such redemption is effected within three months of the increase date).

Where a borrower's interest rate is set by reference to a margin (a **Differential Rate**), which will generally be a margin below the Variable Rate in relation to Discounted Rate Loans, under the 1997, 1998, 2002 and 2004 mortgage conditions the Seller may change or disapply the Differential Rate where this is agreed with the relevant borrower or where this reflects a change in the way the mortgaged property is used or occupied. The Differential Rate will only be changed without a borrower's agreement if the change in the way in which a mortgaged property is used affects the Seller's assessment of how likely the borrower is to carry out its obligations under the mortgage. Under the 1997 and 1998 mortgage conditions, the Seller may also change the Differential Rate for any "other valid reason". If a borrower's interest rate is increased as a result of a change to the Differential Rate, the borrower may repay the loan without paying interest at the increased rate and without paying any early repayment charge which would otherwise be due under the terms of the loan, if the Seller receives notice from the borrower of that borrower's intention to repay within one month after the increase takes effect and the repayment is made within three months after the increase takes effect.

Loans may combine one or more of the features listed in this section and these will be specified in the offer of advance in relation to a loan or by the Seller from time to time. Other customer incentives may be offered with the product including cashback, free valuations and payment of legal fees. Additional features in relation to a loan may include a flexible payment facility whereby the borrower may make overpayments and then use the accumulated overpayments to make underpayments, take payment holidays and make cash withdrawals (together, the **Flexible Features**). See "*The Loans – Flexible payments*" below. Borrowers who do not have the benefit of the flexible features are also able to make overpayments in addition to their usual monthly payment but early repayment charges may be payable. See "*Flexible payments*" below.

Portability

Certain mortgage products incorporate a portability facility, which allows the borrower to transfer the loan balance at the same interest rate and subject to all the existing terms and conditions to a new property. A loan is only portable during any applicable Discounted Rate Period, Fixed Rate Period or Premium Rate Period. Variable Rate Loans are not portable.

In the event that the portability facility in respect of any Loan is exercised, the Seller will be required to repurchase such Loan. See "*Summary Of The Key Transaction Documents – Mortgage Sale Agreement – Repurchase by the Seller*".

Early repayment

This term is used to describe instances when the borrower pays back either all or part of the loan (in an amount exceeding their normal monthly payments) before the maturity date of the loan. When a loan is redeemed in full or in part in this way, an early repayment charge may be payable (**Early Repayment Charge**). Early Repayment Charges are usually (but not exclusively) payable during a Fixed Rate Period or Discounted Rate Period or the early years of the Premium Rate Period depending upon the concessionary rate offered.

Capital repayments may be made, in whole or in part, at any time during the term of a loan. The borrower is obliged to pay any applicable Early Repayment Charge in relation to such capital repayment, as specified in the relevant offer of advance (other than where the capital repayment is an overpayment being made in relation to a mortgage to which flexible features apply: see – "*Flexible payments*" below). In relation to certain products without Flexible Features, the Seller permits borrowers to repay up to 10 per cent. of the amount outstanding on a mortgage in addition to scheduled repayments in any one year without having to pay any applicable Early Repayment Charge. To benefit from this, the borrower must make the capital repayment during January and the capital repayment must be £500 or more above that borrower's normal monthly payment. A repayment of the entire outstanding balance of all loans secured by a customer's mortgage discharges the mortgage. Any prepayment in full must be made together with all accrued interest, any amounts in arrears, any unpaid expenses and any applicable Early Repayment Charge(s). In addition, a "redemption administration charge" of £295 is currently payable where a borrower prepays in full (except in relation to mortgages which were taken out before August 2004 and not subsequently re-executed or revised, in which case the charge is £195).

If interest is paid at either a Fixed Rate, a Base Rate-Linked Rate or a Discounted Rate, an Early Repayment Charge may be charged on the amount repaid at the rate which applies during the Early Repayment Charge period (which is normally the Discounted Rate Period, Fixed Rate Period or Premium Rate Period as the case may be) stated in the conditions of the loan.

Flexible payments

The 2002 and 2004 mortgage conditions incorporate the concept of "flexible mortgage provisions", which are available for certain products in the Portfolio through a running account credit facility (the **Flexible Facility**). A borrower's offer of advance states whether the flexible mortgage provisions are applicable to a borrower's loan. A loan to which the flexible mortgage provisions apply is referred to as a **Flexible Loan**.

In relation to loans subject to the 1998 mortgage conditions, flexible mortgage provisions are incorporated in the "additional special conditions" applicable to the loan. The additional special conditions are issued to borrowers with the offer of advance and form part of the offer document.

In relation to customers who have the benefit of flexible mortgage provisions pursuant to the 1998 and 2002 mortgage conditions, each customer will have signed a running account credit agreement regulated by the CCA.

The Flexible Facility enables borrowers to make overpayments or underpayments, take payment holidays or make cash withdrawals in certain circumstances. A borrower may make overpayments throughout the life of the loan and may make underpayments, take payment holidays or make cash withdrawals provided that there is credit available on the Flexible Facility. A borrower accumulates credit on the Flexible Facility by making overpayments. Where the available credit on the Flexible Facility is reduced to zero via underpayments, cash

withdrawals or payment holidays or because no overpayments have been made, a borrower may not make underpayments, take payment holidays or make cash withdrawals.

There is no limit to the number of times the Flexible Facility can be exercised provided that there is available credit on the Flexible Facility.

Flexible features comprise the following:

- **overpayments** – These are paid in addition to scheduled monthly repayments without the borrower having to pay an Early Repayment Charge, except in respect of an overpayment which has the effect of redeeming the borrower's mortgage. There is no minimum or maximum level of overpayment. Borrowers can overpay for as long and as regularly as they like.
- **underpayments** – The borrower may pay less each month by an amount agreed between the borrower and the Seller. The borrower must agree in advance how many underpayments the borrower will make and the borrower may not make underpayments when the accrued overpayments have depleted.
- **payment holidays** – Accrued overpayments can be used to take payment holidays during which the borrower may suspend mortgage payments without penalty for a period agreed between the borrower and the Seller (each such payment holiday taken in respect of any Loan, a **Payment Holiday**). The borrower may not take a payment holiday when the accrued overpayments have been depleted.
- **cash withdrawals** – All or part of the accrued overpayments can be taken out in cash. The minimum cash withdrawal that can be made is £500 (each such withdrawal, a **Flexible Drawing**).

Borrowers are entitled to make overpayments even where the flexible mortgage provisions do not apply to their mortgage, although any applicable Early Repayment Charge may be payable in relation to such overpayments; see – "*Early Repayment*". Only borrowers with the benefit of the flexible mortgage provisions have the ability to make underpayments or cash withdrawals or take payment holidays.

Any overpayments which are less than £500 are deducted from the current balance at the end of the month in which the overpayment is made in the case of products for which interest is calculated on a monthly basis or at the end of the year in the case of products for which interest is calculated on a yearly basis. Any overpayments (whether or not the flexible mortgage provisions apply) which are £500 or more are deducted from the current balance immediately. Where the flexible mortgage provisions apply and the overpayment is £500 or more, the borrower can opt to reduce the monthly payment or else the term of the relevant loan is reduced accordingly. The change in the monthly payment will be notified to the borrower a reasonable time in advance of when the monthly payment is due. In respect of Flexible Loans only, underpayments and cash withdrawals can only be made and payment holidays can only be taken to the limit of previous overpayments by the borrower.

The current balance is increased following any underpayment, cash withdrawal or payment holiday, and interest is charged on such increased current balance in accordance with the mortgage conditions.

The administration of the Flexible Facility is undertaken by the Seller.

Product Switches

From time to time a Borrower may request, or the Seller or the Administrator (on behalf of the Seller) may offer, in limited circumstances, a variation in the financial terms and conditions applicable to the Borrower's Loan. In addition, in order to promote the retention of borrowers, the Seller may periodically contact certain borrowers in respect of the Seller's total portfolio of outstanding mortgage loans in order to encourage a

borrower to review the Seller's other mortgage products and to discuss moving that borrower to an alternative mortgage product. Any such variation (subject to certain exceptions) is called a **Product Switch**.

A Loan which is subject to a Product Switch may remain in the Portfolio subject to the terms contained in the Mortgage Sale Agreement. See "*Summary of the Key Transaction Documents — Mortgage Sale Agreement — Product Switches and Further Advances*" above.

If a Borrower wishes to make a Product Switch after the Closing Date, then the Seller will be required to repurchase the Loan or Loans under the relevant Mortgage Account and its or their Related Security from the Issuer. See *Summary of the transaction documents – The mortgage sale agreement – Product Switches and Further Advances*” and “*Risk factors – Product Switches and Further Advances*” above.

Origination of the Loans

The Seller currently derives its mortgage-lending business through its branch network throughout the United Kingdom, through intermediaries, through its internet website and through telephone sales.

Under the Seller's policy, it can provide many customers with an agreement in principle to lend almost immediately upon application.

The Seller has been authorised and regulated by the FSA for mortgage business since 31 October 2004 and is therefore subject to MCOB. The Seller is also subject to the compulsory jurisdiction of the Financial Ombudsman Service, which is a statutory scheme under the FSMA. Prior to 31 October 2004, the Seller subscribed to the CML Code from its inception in 1997. The CML Code was a voluntary code of good practice and was independently monitored by the Mortgage Code Compliance Board.

Underwriting

Applicants are credit scored to establish which applications can be approved, declined or referred for manual assessment by an underwriter. See – "*Credit scorecard*" below.

Pre-completion processing and certification of data together with an automated credit search is the first stage of the process. Cases that meet specified criteria, for example high value, are also manually underwritten.

To gain the authority to approve loans, each underwriter must first undertake training conducted by the Seller. Underwriters then undergo a periodic assessment of their work. The Seller has established various levels of authority for its underwriters who approve loan applications. The levels are differentiated by, among other things, the ratio of the loan amount to the value of the mortgaged property and the size of the loan applied for. An underwriter wishing to move to the next level of authority must undertake further training. The Seller's lending policy sets out the discretion available to underwriters where a proposal is made to lend outside the Seller's standard policy. Requests outside the scope of such discretion are escalated to the Director of Credit & Risk for approval.

Credit Operations carry out a quality check of a portion of the underwriters' decisions on a monthly basis to ensure adherence to the Seller's lending policy and procedures. All underwriting decisions are monitored for bad debt and further quality checking where an individual's bad debt performance warrants investigation. All loans underwritten are subject to the Seller's underwriting policies, lending criteria and internal procedures for compliance with government regulations, such as those concerning money laundering.

Lending criteria

Each Initial Loan as at the Closing Date will be originated according to the Seller's lending criteria applicable at the time the loan was offered (the **Lending Criteria**) which included some or all of the criteria set out in

this section. The geographical location of a mortgaged property (i.e. England, Wales, Scotland or Northern Ireland) has no impact upon the Lending Criteria and the Lender's current credit scoring tests.

The Seller may exercise discretion within its Lending Criteria in applying those factors that are used to determine the maximum amount of the loan(s). The Seller may take the following into account when exercising discretion: credit history, LTV ratio, affordability, residency, residential history, employment history and nature of income. Some of the factors currently used in making a lending decision are outlined below.

(a) *Type of property*

Mortgaged properties may be freehold, leasehold, commonhold or (in Scotland) heritable. Leases must have an unexpired term of at least 50 years at the commencement of the loan and at least 30 years (or, from 28 March 2006, at least 35 years) remaining on the maturity of the loan.

The mortgaged property must be used for residential purposes, however, a mortgaged property may be used, in limited circumstances, partially for business purposes provided that no more than 60 per cent. of the mortgaged property is used for such business purposes, that no items are held for storage in connection with the business usage, no structural alterations have been made to accommodate the business and, from 31 October 2004, at least 40 per cent. of the mortgaged property is occupied by the borrower or the borrower's spouse, common-law partner, same sex partner, parent(s), grandparent(s), sibling(s), children or grandchildren. Any business use other than clerical is unlikely to be considered acceptable. A mortgaged property must be marketable, habitable and insurable.

A mortgaged property must be owner-occupied or may be occupied by the borrower's spouse, common-law partner, same sex partner, parent(s), grandparent(s), sibling(s), children or grandchildren. The Seller does not lend on buy-to-let properties (although the Seller may provide consent during the life, but not at the start, of the mortgage for the mortgaged property to be let for a specified period). Mortgaged properties must be situated in England, Wales, Scotland and Northern Ireland.

The following are examples (non-exhaustive) of the types of properties considered by the Seller to be unacceptable security: freehold flats, flats in ex-local authority buildings of more than five storeys or mobile homes.

(b) *Term of the Loan*

There is no minimum term for loans, although where an Early Repayment Charge applies, the term cannot be less than the period during which the Early Repayment Charge is payable. The maximum term for endowment linked mortgages or mortgages repaid on a repayment basis is 40 years and, subject to this, the maximum term for pension backed mortgages is 50 years.

(c) *Age of applicant*

All borrowers must be aged 18 or over. The current maximum age limit is 75 at the maturity of the loan. If the term of the loan extends past an applicant's normal retirement age, the applicant must confirm that he or she will have adequate income to maintain repayments beyond his or her retirement.

(d) *LTV*

The maximum loan available (excluding any high percentage loan fee) is based on the lower of the current value or purchase price of the mortgaged property. The maximum LTV for Loans of up to £250,000 is 95 per cent. The maximum LTV for Loans of up to £500,000 is 90 per cent. The

maximum LTV for Loans of up to £1,000,000 is 85 per cent. The maximum LTV for Loans of above £1,000,000 is negotiable. Existing Alliance & Leicester mortgagors are considered for Loans of over 95 per cent. LTV where essential repairs are required. The maximum LTV in this situation is 100 per cent. and the loan must be agreed by a senior underwriter. A revaluation must be carried out before the offer is issued to establish that the repairs are essential and will restore the property value after they have been completed. Where the loan is advanced for the purchase of a second/holiday home, or a home for a dependent relative, the maximum LTV is 85 per cent. (or 75 per cent. where the purchase price or valuation is greater than £500,000).

(e) *Mortgage indemnity guarantee (MIG) policies*

Since 1996, the Seller has not required cover under MIG policies for any Loans.

Income verifications

The Seller accepts the following original documents by way of income verification in relation to “employed” applicants:

- existing Alliance & Leicester borrowers and new borrowers with an LTV less than or equal to 75 per cent.: latest monthly or four weeks' payslips or latest year's accounts where self-employed;
- new borrowers with an LTV greater than 75 per cent.: latest three months' payslips or last three years' accounts if self employed;
- loans over £500,000: latest three months' payslips or last three years' accounts if self-employed.

The Seller includes in its calculations, in relation to employed applicants, the employee's basic salary, pension or permanent disability allowance together with 100 per cent. of any mortgage subsidy received, guaranteed overtime, bonuses and commission, car and large town allowances and working/family tax credits. The Seller accepts 50 per cent. of any regular but not guaranteed overtime, bonuses and commission. The figures used as allowable income for self-employed applicants are as follows:

- LTV less than or equal to 75 per cent. and where the loan is less than or equal to £500,000: latest year's net profit attributable to the applicant;
- existing Alliance & Leicester borrowers regardless of LTV or loan amount: latest year's net profit attributable to the applicant; and
- LTV above 75 per cent. or where the loan is greater than £500,000: an average of the last three years' net profit attributable to the applicant. Two years' full accounts and a projection verified by a qualified accountant sufficing for the third year may be acceptable where the applicant has been self-employed for less than three years. Draft accounts are acceptable only if verified by a qualified accountant and the applicant has been self-employed for over three years.

A maximum of four applicants may apply for a loan and a maximum of two incomes can be used.

Positive proof of the borrower's identity and address is established in line with money laundering regulations.

Currently, the Seller does not accept third party guarantees.

For low risk applications, income is verified at the point of sale and a percentage is audited by a central processing unit for accuracy (fast-tracking). Low risk applications are defined as below £500,000 and 75 per cent. LTV where the applicant is employed and either remortgaging or a next-time buyer. There are some fast-tracked loans in the Initial Provisional Portfolio.

Credit history

Applications where an adverse credit history exists (i.e. bankruptcy, county court judgment (or the Scottish equivalent) or outstanding defaults registered with a credit reference agency) are unacceptable, unless the bankruptcy has been discharged for more than three years or the county court judgment has been satisfied for more than three years. There are limited circumstances where exceptions to these rules may be made, for example where the underwriter is satisfied that the outstanding default did not represent a deliberate breach of a financial contract.

Credit scorecard

The Seller uses certain criteria described in this section and various other criteria to produce an overall score for the application that reflects a statistical analysis of the risk of advancing the loan. The lending policies and processes are determined centrally to ensure consistency in the management and monitoring of credit risk exposure. Credit scoring applies statistical analysis to publicly available data and customer-provided data to assess the likelihood of an account going into arrears. All loan applications are subject to credit scoring.

(a) *Eligibility*

UK residents – British citizens normally resident in the UK are eligible to apply for all loan products. Applicants entitled to claim diplomatic immunity are unacceptable. Applications from non-British citizens are only acceptable where the applicant can prove a right to live and work in the United Kingdom. Applications from foreign nationals without an indefinite right to stay in the United Kingdom are usually unacceptable.

Non-residents – Applications from expatriates are unacceptable.

(b) *Employment*

Employed applicants – Employed applicants must have been in their present employment for a minimum of three months. The Seller will accept contracted staff provided that they have been employed as a contractor for a minimum of three months and have been in employment for the last 12 months. There is no minimum length of time that should be left to run on a temporary contract. Contractors are treated as self-employed for the assessment and verification of income if they are classed as self-employed for tax purposes; otherwise they are treated as employed applicants.

Self-employed applicants – See "*Income Verifications*" above. An individual will be deemed to be self-employed when his or her shareholding is more than ten per cent. of the total share capital of the applicant's employer or the applicant is in a partnership. Sole traders will be deemed to be self-employed.

Insurance policies

(a) *Insurance on the property*

A borrower is required to insure the mortgaged property with buildings insurance for the duration of the loan. The insurance may have been purchased through the Seller or, alternatively, the borrower or landlord (in the case of a leasehold property) may arrange for the buildings insurance independently. The building must be insured for its full reinstatement value, i.e. the cost to rebuild as new, including site clearance, debris removal, cost to comply with the latest building regulations and architects and surveyors fees. The borrower must ensure that the buildings insurance payments are kept up to date.

Under the 1997, 1998, 2002 and 2004 mortgage conditions, if the borrower does not insure the mortgaged property, or insures the mortgaged property but violates a provision of the mortgage terms which relates to insurance, the Seller, upon becoming aware of the same, is entitled to insure the mortgaged property itself for its own benefit, in which case the Seller may determine who the insurer will be, what will be covered by the policy, the amount of the sum insured and any excess. Under the 1993 mortgage conditions, the Seller may itself insure the mortgaged property or, at the Seller's option, require the borrower to insure the property. Under each set of mortgage conditions the borrower will be responsible for the payment of insurance premiums and the Seller retains the right to settle all insurance claims which concern the mortgaged property without the borrower's consent.

(b) *Alliance & Leicester arranged buildings insurance*

Where a borrower purchases buildings insurance through the Seller, the borrower will be responsible for paying the premiums for that insurance to the insurer by the payment method acceptable to the relevant insurer.

Where the Seller has had to insure a mortgaged property as a result of a borrower's inability to do so, the borrower must repay the premium in relation to this insurance as soon as payment of this premium is requested by the Seller. Except for the loans originated under the 1997 and 1998 mortgage conditions, interest is chargeable on the premium at the applicable interest rate in relation to the relevant mortgage. Under each of the mortgage conditions the premium may be paid by the borrower in monthly instalments.

(c) *Borrower-arranged buildings insurance*

A borrower is required to arrange for the mortgaged property to be insured by a third party if the borrower did not arrange for the Seller to insure the mortgaged property on its behalf. The mortgaged property must be insured under a comprehensive policy and for an amount not less than the full cost of rebuilding the mortgaged property, including all professional fees, debris removal and the cost of meeting planning and local authority requirements.

Under the 2004 mortgage conditions for both England & Wales and Northern Ireland, the policy must include the Seller's interest noted on the policy or be in the joint names of the borrower and the Seller. The 1997, 1998 and 2002 mortgage conditions for both England & Wales and Northern Ireland, require the policy to be in the joint names of the borrower and the Seller. Under the 1997, 1998, 2002 and 2004 mortgage conditions, if the mortgaged property is leasehold and the lease provides for the landlord to insure, the borrower must arrange for the Seller's interest to be noted on the landlord's policy. The mortgage conditions for Scotland all require that the Seller's interest is noted on the policy. In all cases, the borrower must inform the Seller of any event which might give rise to a claim under the policy.

(d) *Title insurance*

Since 21 October 1999, the Seller has offered a service (the **Mortgage Transfer Service**) which allows remortgages of properties to be completed under an expedited procedure. The Mortgage Transfer Service takes care of the legal administration involved in a remortgage and, rather than following the traditional conveyancing practice, to protect its interests the Seller takes out a policy of title insurance in relation to each relevant property. The process differs from the traditional conveyancing procedures in that there is no in-depth investigation of title or searches carried out. If defects in a title become evident during any later repossession of a property, the Seller is able to claim against the title insurance policy. The title insurance used by the Seller for the Mortgage Transfer Service is provided by First Title Insurance plc (**First Title**), a company which provides this type of title insurance and whose address is Walkden House, 3-10 Melton Street, London NW1

2EB. Amongst other things, the First Title policy provides protection (a) that there is good and marketable title to the property; (b) that the property was built, and (if relevant) modified or extended since, in compliance with all necessary planning and building regulation approvals; (c) against adverse information which would be discovered from Local Authority searches; and (d) against costs or legal expenses necessary to defend the title. After an agent of First Title, as applicable, checks ownership of the relevant property, First Title provides a certificate of insurance to the Seller. The agent then arranges execution of the relevant documents, requests the funds from the Seller and, upon receipt, disburses such funds under the Seller's instructions and completes the transaction. The Mortgage Transfer Service is not available for mortgage applications on unencumbered properties, purchases of second homes where the mortgagor will not reside at the property address, cases where there is any element of shared ownership or right-to-buy cases within 18 months of the original purchase or within the discount period.

Some loans may have the benefit of defective title indemnity insurance, restrictive covenant indemnity insurance or other similar types of indemnity insurance.

CHARACTERISTICS OF THE PORTFOLIO

The statistical and other information contained in this section has been compiled by reference to the initial provisional portfolio of loans of £10,481,093,988 billion (the **Initial Provisional Portfolio**) as at 23 September 2007 (the **Cut-off Date**). The target balance of the provisional portfolio of £10,367,133,948 billion (the **Provisional Portfolio**) has been determined on 7 October 2007 by the Seller.

Except as otherwise indicated, these tables have been prepared using the current balance as at the Cut-off Date. Columns may not add up to the total due to rounding.

As of the Cut-off Date, the Initial Provisional Portfolio had the following characteristics:

Aggregate Loan Balance (£)	10,481,093,988
No. of Loans	106,062
Largest Loan (£)	733,400
Smallest Loan (£)	1,000
Average Loan Balance (£)	98,820
Weighted Average Current LTV (%)	66
Weighted Average Indexed LTV (%)	55
Weighted Average Seasoning (months)	29
Weighted Average Remaining Term (years)	21

Outstanding balances as at the Cut-off Date

The following table shows the range of outstanding mortgage account balances (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees) as at the Cut-off Date.

Range of outstanding balances as at the Cut-off Date (£)	Aggregate Outstanding balance as at the Cut-off Date (£)	% of total	Number of Mortgage accounts	% of total
0 to < 50,000	804,673,243	7.68%	25,434	23.98%
>= 50000 to < 100,000	2,775,982,550	26.49%	37,330	35.20%
>= 100000 to < 150,000	3,031,415,738	28.92%	24,817	23.40%
>= 150000 to < 200,000	1,875,767,609	17.90%	10,947	10.32%
>= 200000 to < 250,000	988,119,633	9.43%	4,475	4.22%
>= 250000 to < 300,000	408,730,168	3.90%	1,505	1.42%
>= 300000 to < 350,000	221,323,500	2.11%	689	0.65%
>= 350000 to < 400,000	139,114,943	1.33%	374	0.35%
>= 400000 to < 450,000	91,466,943	0.87%	217	0.20%
>= 450000 to < 500,000	55,165,478	0.53%	117	0.11%
>= 500000 to < 550,000	39,524,740	0.38%	76	0.07%
>= 550000 to < 600,000	21,803,497	0.21%	38	0.04%
>= 600000 to < 650,000	13,521,809	0.13%	22	0.02%
>= 650000 to < 700,000	7,365,907	0.07%	11	0.01%
>= 700000 to < 750,000	7,118,231	0.07%	10	0.01%
Total	10,481,093,988	100.00%	106,062	100.00%

The maximum, minimum and average outstanding balances of the mortgage accounts as at the Cut-off Date were £733,400 , £1,000 and £98,820 , respectively.

Cut-off Date LTV ratios

The following table shows the range of LTV ratios, which express the outstanding balance of the aggregate of loans in a mortgage account (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees) as at the Cut-off Date divided by the value of the property securing the loans in that mortgage account as at the date of the initial loan origination or the most recent valuation thereof. No revaluation of the property securing the Loans has been done for the purposes of the issuance of the Notes by the Issuer.

Range of LTV ratios as at the Cut-off Date	Aggregate outstanding balance as at the Cut-off Date (£)	% of total	Number of Mortgage accounts	% of total
0% to < 5%	5,697,721	0.05%	900	0.85%
>= 5% to < 10%	27,042,995	0.26%	1,514	1.43%
>= 10% to < 15%	65,233,921	0.62%	2,282	2.15%
>= 15% to < 20%	114,085,280	1.09%	3,020	2.85%
>= 20% to < 25%	168,886,933	1.61%	3,581	3.38%
>= 25% to < 30%	241,774,912	2.31%	4,300	4.05%
>= 30% to < 35%	312,333,912	2.98%	4,943	4.66%
>= 35% to < 40%	415,036,400	3.96%	5,746	5.42%
>= 40% to < 45%	499,898,194	4.77%	6,135	5.78%
>= 45% to < 50%	573,010,260	5.47%	6,513	6.14%
>= 50% to < 55%	681,053,485	6.50%	7,064	6.66%
>= 55% to < 60%	750,900,013	7.16%	7,208	6.80%
>= 60% to < 65%	791,664,129	7.55%	7,174	6.76%
>= 65% to < 70%	867,232,904	8.27%	7,461	7.03%
>= 70% to < 75%	968,076,851	9.24%	7,711	7.27%
>= 75% to < 80%	877,220,755	8.37%	6,992	6.59%
>= 80% to < 85%	949,298,147	9.06%	7,265	6.85%
>= 85% to < 90%	1,298,141,763	12.39%	9,505	8.96%
>= 90% to < 95%	599,110,080	5.72%	4,564	4.30%
>= 95% to < 100%	274,908,952	2.62%	2,178	2.05%
>= 100% to < 105%	486,383	0.00%	6	0.01%
Total	10,481,093,988	100.00%	106,062	100.00%

The maximum, minimum and weighted average LTV ratio of the mortgage accounts (including any capitalised high LTV fees, capitalised booking fees and valuation fees) at the Cut-off Date were 104%, 15% and 66%, respectively.

Cut-off date indexed LTV ratios

The following table shows the range of LTV ratios, which express the outstanding balance of the aggregate of loans in a mortgage account (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees) as at the Cut-off Date divided by the most recent indexed valuation of the property securing the loans in that mortgage account.

Range of LTV ratios as at the cut-off date	Aggregate outstanding balance as at the Cut-off Date (£)	% of total	Number of Mortgage accounts	% of total
0% to < 5%	19,172,788	0.18%	1,969	1.86%
>= 5% to < 10%	84,765,717	0.81%	3,350	3.16%
>= 10% to < 15%	179,584,697	1.71%	4,795	4.52%
>= 15% to < 20%	294,324,798	2.81%	5,980	5.64%
>= 20% to < 25%	416,491,605	3.97%	6,936	6.54%
>= 25% to < 30%	520,959,121	4.97%	7,574	7.14%
>= 30% to < 35%	613,619,302	5.85%	7,877	7.43%
>= 35% to < 40%	692,706,422	6.61%	7,738	7.30%
>= 40% to < 45%	712,896,187	6.80%	7,153	6.74%
>= 45% to < 50%	753,175,832	7.19%	6,818	6.43%
>= 50% to < 55%	755,863,341	7.21%	6,464	6.09%
>= 55% to < 60%	772,067,604	7.37%	6,023	5.68%
>= 60% to < 65%	843,798,916	8.05%	6,284	5.92%
>= 65% to < 70%	826,395,918	7.88%	5,848	5.51%
>= 70% to < 75%	875,866,144	8.36%	6,078	5.73%
>= 75% to < 80%	919,789,383	8.78%	6,342	5.98%
>= 80% to < 85%	707,703,104	6.75%	5,175	4.88%
>= 85% to < 90%	369,653,170	3.53%	2,790	2.63%
>= 90% to < 95%	121,971,598	1.16%	866	0.82%
>= 95% to < 100%	288,340	0.00%	2	0.00%
Total	10,481,093,988	100.00%	106,062	100.00%

The maximum, minimum and weighted average LTV ratio as at the Cut-off Date of the mortgage accounts (including any capitalised high LTV fees, capitalised high LTV fees, insurance fees, valuation fees and booking fees) were 95%, 12% and 55%, respectively.

Geographical distribution

The following table shows the distribution of properties securing the loans throughout England and Wales, Scotland and Northern Ireland as at the Cut-off Date. No such properties are situated outside England and Wales, Scotland and Northern Ireland.

Regions	Aggregate outstanding balance as at the Cut-off Date (£)	% of total	Number of Mortgage accounts	% of total
East Anglia	368,653,583	3.52%	3,966	3.74%
East Midlands	758,998,646	7.24%	8,968	8.46%
Greater London	948,344,897	9.05%	5,525	5.21%
Northern Ireland	631,204,954	6.02%	7,975	7.52%
Northern England	369,314,385	3.52%	4,422	4.17%
North West	902,160,478	8.61%	10,284	9.70%
Scotland	1,011,187,402	9.65%	13,148	12.40%
South East	2,804,609,351	26.76%	21,970	20.71%
South West	876,064,055	8.36%	8,795	8.29%
Wales	409,856,501	3.91%	5,084	4.79%
West Midlands	671,011,985	6.40%	7,224	6.81%
Yorkshire & Humberside	729,687,751	6.96%	8,701	8.20%
Total	10,481,093,988	100.00%	106,062	100.00%

Seasoning of Loans

The following table shows the number of months since the date of origination of the initial loan in a mortgage account.

Age of loans in months as at the Cut-off Date	Aggregate outstanding balance as at the Cut-off Date (£)	% of total	Number of mortgage accounts	% of total
0 to < 6	1,022,130,312	9.75%	7,733	7.29%
>= 6 to < 12	2,087,000,642	19.91%	16,520	15.58%
>= 12 to < 18	1,504,442,747	14.35%	12,328	11.62%
>= 18 to < 24	1,734,332,947	16.55%	15,205	14.34%
>= 24 to < 30	817,597,036	7.80%	8,146	7.68%
>= 30 to < 36	329,912,613	3.15%	3,655	3.45%
>= 36 to < 42	603,504,472	5.76%	7,193	6.78%
>= 42 to < 48	546,581,591	5.21%	6,991	6.59%
>= 48 to < 54	345,566,739	3.30%	4,488	4.23%
>= 54 to < 60	212,601,873	2.03%	2,767	2.61%
>= 60 to < 66	190,897,149	1.82%	2,436	2.30%
>= 66 to < 72	227,322,759	2.17%	3,061	2.89%
>= 72 to < 78	190,769,972	1.82%	2,969	2.80%
>= 78 to < 84	43,411,699	0.41%	779	0.73%
>= 84 to < 90	130,789,209	1.25%	2,153	2.03%
>= 90 to < 96	25,151,396	0.24%	408	0.38%
>= 96 to < 102	84,460,535	0.81%	1,480	1.40%
>= 102 to < 108	94,124,868	0.90%	1,648	1.55%
>= 108 to < 114	74,453,348	0.71%	1,346	1.27%
>= 114 to < 120	41,793,484	0.40%	735	0.69%
>= 120 to < 126	8,226,353	0.08%	176	0.17%
>= 126 to < 132	23,978,147	0.23%	526	0.50%
>= 132 to < 150	79,757,053	0.76%	1,737	1.64%
>= 150 to < 204	54,693,494	0.52%	1,230	1.16%
>= 204 to < 252	262,219	0.00%	13	0.01%
>= 252	7,331,333	0.07%	339	0.32%
Total	10,481,093,988	100.00%	106,062	100.00%

The maximum, minimum and weighted average seasoning of loans in mortgage accounts as at the Cut-off Date was 538, 3 and 29 months, respectively.

Years to maturity of Loans

The following table shows the number of remaining years of the term of the loan in a mortgage account as at the Cut-off Date.

Years to maturity	Aggregate outstanding balance as at the Cut-off Date (£)	% of total	Number of mortgage accounts	% of total
0 to < 5	171,890,600	1.64%	4,510	4.25%
>= 5 to < 10	680,522,595	6.49%	12,371	11.66%
>= 10 to < 15	1,226,585,589	11.70%	16,654	15.70%
>= 15 to < 20	2,220,202,696	21.18%	23,307	21.97%
>= 20 to < 25	4,386,178,734	41.85%	35,251	33.24%
>= 25 to < 30	1,101,568,732	10.51%	8,612	8.12%
>= 30 to < 35	486,295,589	4.64%	3,786	3.57%
>= 35 to < 40	207,849,453	1.98%	1,571	1.48%
Total	10,481,093,988	100.00%	106,062	100.00%

The maximum, minimum and weighted average remaining term of the loans in mortgage accounts in the expected portfolio as at the Cut-off Date was 40, 1 and 21 years, respectively.

Purpose of loan

The following table shows whether the purpose of the loan on origination was to finance the purchase of a new property or to remortgage a property already owned by the borrower. The figures in these tables have been calculated on the basis of loan product holdings rather than mortgage accounts. A mortgage account may have more than one active loan product.

Use of proceeds	Aggregate outstanding balance as at the Cut-off Date (£)	% of total	Number of mortgage accounts	% of total
Purchase	6,683,579,230	63.77%	68,453	48.48%
Remortgage (existing loan)	2,012,319,070	19.20%	29,059	20.58%
Remortgage (capital raising)	1,784,827,124	17.03%	43,674	30.93%
Other	368,564	0.00%	6	0.00%
Total	10,481,093,988	100.00%	141,192	100.00%

As at the Cut-off Date, the average balance of loans used to finance the purchase of a new property was £97,637 and the average balance of loans used to remortgage a property already owned by the borrower was £52,207.

Property type

The following table shows the types of properties to which the mortgage accounts relate.

Property type	Aggregate outstanding balance as at the Cut-off Date (£)	% of total	Number of mortgage accounts	% of total
Converted Flat	438,445,201	4.18%	3,307	3.12%
Council Bungalow	1,330,792	0.01%	13	0.01%
Council Flat	6,184,393	0.06%	78	0.07%
Council House	31,279,720	0.30%	483	0.46%
Council Maisonette	1,395,138	0.01%	14	0.01%
Detached Bungalow	427,688,604	4.08%	5,240	4.94%
Detached House	2,884,574,853	27.52%	24,701	23.29%
Maisonette	186,936,018	1.78%	1,620	1.53%
Other Residential Property	2,890,457	0.03%	91	0.09%
Purpose Built Flat	843,647,612	8.05%	8,329	7.85%
Semi-Detached Bungalow	157,698,039	1.50%	2,197	2.07%
Semi-Detached House	2,849,554,213	27.19%	31,288	29.50%
Terraced Bungalow	16,681,935	0.16%	245	0.23%
Terraced House	2,632,787,015	25.12%	28,456	26.83%
Total	10,481,093,988	100.00%	106,062	100.00%

Repayment terms

The following table shows the repayment terms for the loans in the Initial Provisional Portfolio as at the Cut-off Date. The figures in these tables have been calculated on the basis of loan product holdings rather than mortgage accounts. A mortgage account may have more than one active loan product.

Repayment terms	Aggregate outstanding balance as at the Cut-off Date (£)	% of total	Number of mortgage accounts	% of total
Interest Only	1,520,592	0.01%	23	0.02%
Combination Repayment & Interest Only	3,854,541,177	36.78%	43,546	30.84%
Repayment	6,625,032,219	63.21%	97,623	69.14%
Total	10,481,093,988	100.00%	141,192	100.00%

Rate type

The following table shows the distribution of rate types as at the Cut-off Date. The figures in these tables have been calculated on the basis of loan product holdings rather than mortgage accounts. A mortgage account may have more than one active loan product.

Type of rate	Aggregate outstanding balance as at the Cut-off Date (£)	% of total	Number of mortgage accounts	% of total
Base rate loans	2,630,892,765	25.10%	35,227	24.95%
Discount loans	894,009,709	8.53%	14,605	10.34%
Fixed rate loans	6,479,795,844	61.82%	71,107	50.36%
Variable rate loans	476,395,670	4.55%	20,253	14.34%
Total	10,481,093,988	100.00%	141,192	100.00%

Payment methods

The following table shows the payment methods for the mortgage accounts as at the Cut-off Date.

Payment method	Aggregate outstanding balance as at the Cut-off Date (£)	% of total	Number of Mortgage Accounts	% of total
Direct debit	10,440,410,142	99.61%	105,239	99.22%
Cheque/Cash/Other	40,683,846	0.39%	823	0.78%
Totals	10,481,093,988	100.00%	106,062	100.00%

Distribution of Fixed Rate Loans

As at the Cut-off Date, approximately 71,107 of the loans in the expected portfolio were Fixed Rate Loans. The following tables show the distribution of Fixed Rate Loans by their Fixed Rate as at such date, and the year in which the loans cease to bear a Fixed Rate and instead bear a floating rate of interest. The figures in these tables have been calculated on the basis of loan product holdings rather than mortgage accounts. A mortgage account may have more than one active loan product.

Fixed Rate Loans remain at the relevant Fixed Rate for a period of time as specified in the Mortgage Conditions, after which they move to a Variable Rate or some other rate as specified in the Mortgage Condition.

Fixed rate	Aggregate outstanding balance as at the Cut-off Date (£)	% of total	Number of mortgage accounts	% of total
>= 2% to < 4%	28,652,433	0.44%	429	0.60%
>= 4% to < 5%	4,688,261,127	72.35%	47,977	67.47%
>= 5% to < 6%	1,726,152,130	26.64%	21,855	30.74%
>= 6% to < 7%	36,730,154	0.57%	846	1.19%
Total	6,479,795,844	100.00%	71,107	100.00%

Year in which current fixed rate period ends	Aggregate outstanding balance as at the Cut-off Date (£)	% of total	Number of mortgage accounts	% of total
2007	453,808,284	7.00%	5,540	7.79%
2008	2,517,303,496	38.85%	26,215	36.87%
2009	1,857,475,352	28.67%	19,624	27.60%
2010	710,116,778	10.96%	8,479	11.92%
2011	687,312,660	10.61%	7,503	10.55%
2012	253,779,273	3.92%	3,746	5.27%
Total	6,479,795,844	100.00%	71,107	100.00%

Employment status

The following table shows the employment status of the borrowers of the loans in the Initial Provisional Portfolio.

Status	Aggregate outstanding balance as at the Cut-off Date (£)	% of total	Number of mortgage accounts	% of total
Employed	9,718,250,476	92.72%	99,007	93.35%
Self Employed	762,843,512	7.28%	7,055	6.65%
Total	10,481,093,988	100.00%	106,062	100.00%

First time buyer

The following table shows the split between the borrowers of the loans in the Initial Provisional Portfolio who are first time buyers and non-first time buyers as at the Cut-off Date.

Status	Aggregate outstanding balance as at the Cut-off Date (£)	% of total	Number of mortgage accounts	% of total
First time buyer	2,040,338,051	19.47%	17,705	16.69%
Non-first time buyer	8,440,755,937	80.53%	88,357	83.31%
Total	10,481,093,988	100.00%	106,062	100.00%

CHARACTERISTICS OF THE ALLIANCE & LEICESTER MORTGAGE BOOK

The following table summarises loans in arrears and repossession experience for loans serviced by A&L (with the exception of any loans originated before 1991). All of the loans in the table were originated by A&L, but not all of the loans form part of the Initial Provisional Portfolio. A&L services all of the loans it originates.

A&L identifies a loan as being in arrears where an amount equal to or greater than a full month's contractual payment is past its due date. A&L does not define a loan as defaulted at any particular delinquency level, but rather at the time it takes the related property into possession. A&L does not charge off a loan as uncollectible until it disposes of the property relating to that loan following default. The percentage of loans by total outstanding loan balance which were in arrears by more than 90 days was: 0.32% of the book as at 31 December 2006 (compared with 31 December 2005: 0.28%; 31 December 2004: 0.26%; 31 December 2003: 0.28%; 31 December 2002: 0.43%).

	31 December 2002	31 December 2003	31 December 2004	31 December 2005	31 December 2006
Outstanding balance (millions).....	£21,298.4	£23,227.6	£26,436.7	£31,643.3	£36,769.4
Number of loans outstanding (thousands)	348.0	355.0	380.0	408.1	422.1
Outstanding balance of loans in arrears (millions)					
2 – 3 payments in arrears.....	£205.3	£149.7	£158.5	£186.5	£186.8
4 – 5 payments in arrears.....	£45.7	£34.0	£34.5	£51.8	£55.0
6 – 7 payments in arrears.....	£18.9	£13.1	£17.9	£18.7	£25.2
8 – 9 payments in arrears.....	£10.0	£7.3	£7.1	£7.7	£11.5
10 – 11 payments in arrears.....	£5.7	£2.9	£2.9	£3.2	£7.7
12 or more payments in arrears	£10.9	£7.0	£5.8	£8.6	£14.5
Total outstanding balance of loans in arrears (millions)	<u>£296.5</u>	<u>£214.0</u>	<u>£226.7</u>	<u>£276.5</u>	<u>£300.6</u>
Total outstanding balance of loans in arrears as % of the outstanding balance..	<u>1.4%</u>	<u>0.9%</u>	<u>0.9%</u>	<u>0.9%</u>	<u>0.8%</u>
Outstanding balance of loans relating to properties in possession (millions)	<u>£2.3</u>	<u>£3.0</u>	<u>£1.6</u>	<u>£2.2</u>	<u>£3.2</u>
Outstanding balance at sale of loans relating to properties sold during the year (millions) ⁽¹⁾	<u>£8.7</u>	<u>£5.6</u>	<u>£3.6</u>	<u>£4.4</u>	<u>£5.2</u>
Net loss on sales of all repossessed properties (millions) ⁽²⁾	<u>£2.4</u>	<u>£1.4</u>	<u>£0.5</u>	<u>£0.2</u>	<u>£0.2</u>
Ratio of aggregate net losses to average aggregate outstanding balance of loans ⁽³⁾	<u>0.0113%</u>	<u>0.0058%</u>	<u>0.0019%</u>	<u>0.0008%</u>	<u>0.0006</u>
Average net loss on all properties sold (thousands)	<u>£11.3</u>	<u>£11.0</u>	<u>£6.2</u>	<u>£3.2</u>	<u>£2.8</u>

	31	31	31	31	31
	December	December	December	December	December
	2002	2003	2004	2005	2006
Number of Loans outstanding in arrears (thousands)					
2 – 3 payments in arrears	4.3	3.0	3.1	3.3	3.0
4 – 5 payments in arrears	1.0	0.7	0.7	0.9	0.8
6 – 7 payments in arrears	0.4	0.3	0.3	0.3	0.3
8 – 9 payments in arrears	0.2	0.2	0.1	0.1	0.2
10 – 11 payments in arrears	0.1	0.1	0.1	0.1	0.1
12 or more payments in arrears	0.2	0.2	0.1	0.2	0.2
Total number of loans outstanding in arrears	6.2	4.4	4.5	4.8	4.5
Total number of loans outstanding in arrears as % of the number of loans outstanding	1.8%	1.2%	1.2%	1.2%	1.1%
Number of properties in possession.....	0.1	0.1	0.0	0.0	0.0
Number of properties sold during the year	0.21	0.12	0.08	0.08	0.08

- (1) Properties sold may relate to properties taken into possession in prior periods.
- (2) Net loss is net of recoveries in the current period on properties sold in prior periods.
- (3) Average of opening and closing balances for the period.

There can be no assurance that the arrears experience with respect to the loans will correspond to the experience of A&L's originated loan portfolio as set forth in the foregoing table. The statistics in the preceding table represent only the arrears experience for the periods presented, whereas the arrears experience on the loans depends on results obtained over the life of the. The foregoing statistics include loans with a variety of payment and other characteristics that may not correspond to those of the loans. Moreover, if the property market experiences an overall decline in property values so that the value of the properties in the portfolio falls below the principal balances of the loans comprising the overall pool, the actual rates of arrears could be significantly higher than those previously experienced by the Administrator. In addition, other adverse economic conditions, whether or not they affect property values, may nonetheless affect the timely payment by borrowers of principal and interest and, accordingly, the rates of arrears and losses with respect to the loans. Noteholders should observe that the United Kingdom experienced relatively low and stable interest rates during the periods covered in the preceding table. If interest rates were to rise, it is likely that the rate of arrears would rise.

A&L's level of mortgage arrears has reduced since the recession in the United Kingdom in the early 1990s.

House price inflation has indirectly contributed to the improved arrears situation by enabling borrowers to sell at a profit if they encounter financial hardship. In the late 1980s house prices rose substantially faster than inflation as housing turnover increased to record levels. This was at a time when the economy grew rapidly, which led to falling unemployment and relatively high rates of real income growth. These fed into higher demand for housing, and house prices rose rapidly. Demand was further increased by changes in taxation legislation with regard to tax relief on mortgage payments in 1988. When monetary policy was subsequently tightened (in terms of both "locking in" sterling to the European Exchange Rate Mechanism and higher interest rates), the pace of economic activity first slowed and then turned into recession. Rising unemployment combined with high interest rates led to a fall in housing demand and increased default rates and repossessions. The ability of borrowers to refinance was limited as house prices began to fall and many were in a position of negative equity (borrowings greater than the resale value of the property) in relation to their mortgages.

A&L regularly reviews its lending policies in the light of prevailing market conditions and reviews actions so as to mitigate possible problems. The performance of A&L's new business and the arrears profiles are continuously monitored in monthly reports.

CHARACTERISTICS OF THE UNITED KINGDOM RESIDENTIAL MORTGAGE MARKET

The UK housing market is primarily one of owner-occupied housing, with the remainder in some form of public, private landlord or social ownership. The mortgage market, whereby loans are provided for the purchase of a property and secured on that property, is the primary source of household borrowings in the United Kingdom.

Set out in the following tables are certain characteristics of the United Kingdom mortgage market.

Industry CPR Rates

In the following tables, quarterly industry constant repayment rate (**industry CPR**) data was calculated by dividing the amount of scheduled and unscheduled repayments of mortgages made by building societies in a quarter by the quarterly balance of mortgages outstanding for building societies in the United Kingdom. These quarterly repayment rates were then annualised using standard methodology.

<u>Quarter</u>	Industry CPR rate for the quarter (%)	12-month rolling average (%)	<u>Quarter</u>	Industry CPR rate for the quarter (%)	12-month rolling average (%)
March 1993	8.53	8.84	June 1993	10.01	9.06
September 1993	10.68	9.30	December 1993	10.03	9.81
March 1994	9.00	9.93	June 1994	10.52	10.06
September 1994	11.10	10.16	December 1994	10.72	10.33
March 1995	9.15	10.37	June 1995	10.51	10.37
September 1995	11.76	10.53	December 1995	11.61	10.76
March 1996	10.14	11.00	June 1996	11.32	11.21
September 1996	13.20	11.57	December 1996	12.58	11.81
March 1997	9.75	11.71	June 1997	15.05	12.65
September 1997	12.18	12.39	December 1997	11.17	12.04
March 1998	10.16	12.14	June 1998	12.05	11.39
September 1998	13.79	11.79	December 1998	13.44	12.36
March 1999	11.14	12.61	June 1999	14.39	13.19
September 1999	15.59	13.64	December 1999	14.94	14.02
March 2000	13.82	14.69	June 2000	13.87	14.55
September 2000	14.88	14.38	December 2000	15.56	14.53
March 2001	15.46	14.94	June 2001	17.35	15.81
September 2001	19.12	16.87	December 2001	19.00	17.73
March 2002	18.68	18.54	June 2002	19.88	19.17
September 2002	22.40	19.99	December 2002	22.16	20.78
March 2003	19.51	20.99	June 2003	20.18	21.06
September 2003	21.66	20.88	December 2003	21.33	20.67
March 2004	19.90	20.77	June 2004	21.42	21.08
September 2004	21.41	21.01	December 2004	18.72	20.36

Quarter	Industry CPR rate for the quarter (%)	12-month rolling average (%)	Quarter	Industry CPR rate for the quarter (%)	12-month rolling average (%)
March 2005	17.76	19.83	June 2005	17.75	18.91
September 2005	20.24	18.62	December 2005	20.36	19.03
March 2006	19.65	19.50	June 2006	19.38	19.90
September 2006	21.25	20.16	December 2006	21.07	20.34
March 2007	19.57	20.32	June 2007	19.25	20.29

Source of repayment and outstanding mortgage information: Council of Mortgage Lenders and Bank of England

You should note that the CPR table above presents the historical CPR experience only of building societies in the United Kingdom. During the late 1990s, a number of former building societies (including the Seller) converted stock to form UK banks and the CPR experience of these banks is therefore not included in the foregoing building society CPR data.

Repossession Rate

The table below sets out the repossession rate of residential properties in the United Kingdom since 1985.

Year	Repossessions (%)	Year	Repossessions (%)	Year	Repossessions (%)
1985	0.25	1992	0.69	1999	0.27
1986	0.30	1993	0.58	2000	0.20
1987	0.32	1994	0.47	2001	0.16
1988	0.22	1995	0.47	2002	0.11
1989	0.17	1996	0.40	2003	0.07
1990	0.47	1997	0.31	2004	0.07
1991	0.77	1998	0.31	2005	0.13
				2006	0.19

Source: Council of Mortgage Lenders

House Price to Earnings Ratio

The following table shows the ratio for each year of the average annual value of houses compared to the average annual salary in the United Kingdom. The average annual earnings figures are constructed using the CML's new earnings survey figures referring to weekly earnings in April of each year for those male employees whose earnings were not affected by their absence from work. While this is a good indication of house affordability, it does not take into account the fact that the majority of households have more than one income to support a mortgage loan.

Year	House Price to Earnings Ratio	Year	House Price to Earnings Ratio
1994	3.59	2000	4.65
1995	3.53	2001	4.73
1996	3.57	2002	5.33
1997	3.79	2003	5.90
1998	4.04	2004	6.29
1999	4.28	2005	6.43
		2006	6.47

Source: Council of Mortgage Lenders

House Price Index

UK residential property prices, as measured by the Nationwide House Price Index and Halifax House Price Index (collectively the **Housing Indices**), have generally followed the UK Retail Price Index over an extended period. (Nationwide is a UK building society and Halifax is a UK bank.)

The UK housing market has been through various economic cycles in the recent past, with large year-to-year increases in the Housing Indices occurring in the late 1980s and large decreases occurring in the early 1990s.

Quarter	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
	Index	% Annual Change	Index	% Annual Change	Index	% Annual Change
March 1985	92.0	5.4	66.2	11.2	113.5	8.6
June 1985	95.1	6.7	68.2	10.3	115.4	8.5
September 1985	95.4	6.1	69.2	10.5	116.8	7.5
December 1985	95.9	5.4	70.7	8.5	120.6	8.3
March 1986	96.5	4.8	71.1	7.1	124.0	8.8
June 1986	97.8	2.7	73.8	8.0	128.1	10.4
September 1986	97.9	2.6	76.3	9.7	132.2	12.4
December 1986	99.1	3.4	79.0	11.1	136.8	12.6
March 1987	100.3	3.9	81.6	13.7	142.3	13.8
June 1987	101.9	4.1	85.8	15.0	146.7	13.6
September 1987	102.1	4.2	88.6	15.0	151.5	13.6
December 1987	103.2	4.0	88.5	11.4	158.0	14.4
March 1988	103.7	3.3	90.0	9.8	167.0	16.0
June 1988	106.2	4.1	97.6	13.0	179.4	20.1
September 1988	107.7	5.3	108.4	20.1	197.4	26.5
December 1988	109.9	6.3	114.2	25.5	211.8	29.3
March 1989	111.7	7.4	118.8	27.8	220.7	27.9
June 1989	114.9	7.9	124.2	24.1	226.1	23.1
September 1989	116.0	7.4	125.2	14.4	225.5	13.3

Quarter	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
	Index	% Annual Change	Index	% Annual Change	Index	% Annual Change
December 1989	118.3	7.4	122.7	7.2	222.5	4.9
March 1990	120.4	7.5	118.9	0.1	223.7	1.4
June 1990	126.0	9.2	117.7	(5.4)	223.3	(1.2)
September 1990	128.1	9.9	114.2	(9.2)	222.7	(1.2)
December 1990	130.1	9.5	109.6	(11.3)	223.0	0.2
March 1991	130.8	8.3	108.8	(8.8)	223.1	(0.3)
June 1991	133.6	5.9	110.6	(6.2)	221.9	(0.6)
September 1991	134.2	4.7	109.5	(4.2)	219.5	(1.4)
December 1991	135.5	4.1	107.0	(2.4)	217.7	(2.4)
March 1992	136.2	4.0	104.1	(4.4)	213.2	(4.5)
June 1992	139.1	4.0	105.1	(5.1)	208.8	(6.1)
September 1992	139.0	3.5	104.2	(5.0)	206.9	(5.9)
December 1992	139.6	3.0	100.1	(6.7)	199.5	(8.7)
March 1993	138.7	1.8	100.0	(4.0)	199.6	(6.6)
June 1993	140.9	1.3	103.6	(1.4)	201.7	(3.5)
September 1993	141.3	1.6	103.2	(1.0)	202.6	(2.1)
December 1993	141.8	1.6	101.8	1.7	203.5	2.0
March 1994	142.0	2.4	102.4	2.4	204.6	2.5
June 1994	144.5	2.5	102.5	(1.1)	202.9	0.6
September 1994	144.6	2.3	103.2	0.0	202.7	0.0
December 1994	145.5	2.6	104.0	2.1	201.9	(0.8)
March 1995	146.8	3.3	101.9	(0.5)	201.8	(1.4)
June 1995	149.5	3.4	103.0	0.5	199.3	(1.8)
September 1995	149.9	3.6	102.4	(0.8)	197.8	(2.4)
December 1995	150.1	3.1	101.6	(2.3)	199.2	(1.3)
March 1996	150.9	2.8	102.5	0.6	202.1	0.1
June 1996	152.8	2.2	105.8	2.7	206.7	3.6
September 1996	153.1	2.1	107.7	5.1	208.8	5.4
December 1996	154.0	2.6	110.1	8.0	213.9	7.1
March 1997	154.9	2.6	111.3	8.3	216.7	7.0
June 1997	156.9	2.6	116.5	9.6	220.2	6.3
September 1997	158.4	3.4	121.2	11.8	222.6	6.4
December 1997	159.7	3.6	123.3	11.4	225.4	5.2
March 1998	160.2	3.4	125.5	12.0	228.4	5.3
June 1998	163.2	3.9	130.1	11.0	232.1	5.3
September 1998	163.7	3.3	132.4	8.8	234.8	5.3
December 1998	164.4	2.9	132.3	7.0	237.2	5.1

Quarter	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
	Index	% Annual Change	Index	% Annual Change	Index	% Annual Change
March 1999	163.7	2.2	134.6	7.0	238.6	4.4
June 1999	165.5	1.4	139.7	7.1	245.5	5.6
September 1999	165.6	1.2	144.4	8.6	255.5	8.4
December 1999	166.8	1.4	148.9	11.8	264.1	10.7
March 2000	167.5	2.3	155.0	14.1	273.1	13.5
June 2000	170.6	3.0	162.0	14.8	272.8	10.5
September 2000	170.9	3.2	161.5	11.2	275.9	7.7
December 2000	172.0	3.1	162.8	9.0	278.6	5.3
March 2001	171.8	2.5	167.5	7.8	281.7	3.1
June 2001	173.9	1.9	174.8	7.6	293.2	7.2
September 2001	174.0	1.8	181.6	11.8	302.4	9.2
December 2001	173.8	1.0	184.6	12.5	311.8	11.3
March 2002	173.9	1.2	190.2	12.7	327.3	15.0
June 2002	176.0	1.2	206.5	16.6	343.7	15.9
September 2002	176.6	1.5	221.1	19.7	366.1	19.1
December 2002	178.2	2.5	231.3	22.6	392.1	22.9
March 2003	179.2	3.0	239.3	22.9	403.8	21.0
June 2003	181.3	3.0	250.1	19.2	419.0	19.8
September 2003	181.8	2.9	258.9	15.8	434.5	17.1
December 2003	182.9	2.6	267.1	14.4	455.3	14.9
March 2004	183.8	2.5	277.3	14.8	480.3	17.3
June 2004	186.3	2.7	296.2	16.9	508.4	19.3
September 2004	187.4	3.0	306.2	16.8	522.0	18.3
December 2004	189.2	3.4	304.1	13.0	523.5	14.0
March 2005	189.7	3.2	304.8	9.4	526.9	9.3
June 2005	191.9	3.0	314.2	5.9	526.8	3.6
September 2005	192.6	2.7	314.4	2.7	537.7	3.0
December 2005	193.7	2.4	314.0	3.2	550.3	5.0
March 2006	194.2	2.3	319.8	4.8	560.4	6.2
June 2006	197.6	2.9	329.2	4.7	574.9	8.7
September 2006	199.3	3.4	336.1	6.6	581.7	7.9
December 2006	201.4	3.9	343.2	8.9	605.5	9.6
March 2007	203.0	4.4	350.2	9.1	623.5	10.7
June 2007	206.3	4.3	362.7	9.7	637.8	10.4

Source: Office for National Statistics, Nationwide Building Society and Halifax, respectively.

The percentage annual change in the table above is calculated in accordance with the following formula:

$\text{LN}(x/y)$ where x is equal to the current quarter's index value and y is equal to the index value of the previous year's corresponding quarter.

All information contained in this Information Memorandum in respect of the Nationwide House Price Index has been reproduced from information published by Nationwide Building Society. All information contained in this Information Memorandum in respect of the Halifax House Price Index has been reproduced from information published by HBOS plc. The Issuer confirms that all information in this Information Memorandum in respect of the Nationwide House Price Index and the Halifax House Price Index has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by Nationwide Building Society and HBOS plc, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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LOAN ADMINISTRATION

The Administrator

Under the Administration Agreement, A&L has been appointed as the Administrator of the Loans.

This section describes the Administrator's administration procedures based on the current A&L Mortgage Servicing Policy. The Administrator will administer the Loans and their Related Security in the Portfolio in accordance with its policies applicable from time to time, but subject to the terms of the Administration Agreement. For a description of the Administrator's obligations under the Administration Agreement, see "*Summary of the Key Transaction Documents — The Administration Agreement*".

Administration Procedures

Administration procedures include responding to customer enquiries, monitoring compliance with the Mortgage Terms, servicing the loan features and facilities applicable to the Loans and management of amounts in arrears.

Payment of Principal and Interest

Pursuant to the terms and conditions of the Loans, Borrowers must pay the monthly payments required under the Mortgage Terms on or before each monthly instalment due date within the month they are due. Interest accrues in accordance with the mortgage terms of each Loan and is collected from Borrowers monthly.

In the case of Variable Rate Loans, A&L, acting as Administrator, sets the Variable Rate and the margin applicable to any Variable Rate Loan and any Discounted Rate applicable to any Discounted Rate Loan on behalf of the Issuer and the beneficiaries, except in the limited circumstances set out in the Administration Agreement. In the case of some Loans that are not payable at the Variable Rate, for example Fixed Rate Loans, the Borrower will continue to pay interest at the relevant Fixed Rate until the relevant period ends in accordance with the Borrower's Mortgage Conditions. After that period ends interest will be payable at the Variable Rate or a Base Rate-Linked Rate.

The Administrator will take all steps necessary under the Mortgage Terms to notify Borrowers of any change in the interest rates applicable to the Loans, whether due to a change in the Variable Rate or any Discounted Rate or as a consequence of any provisions of those terms.

Arrears and default procedures

The Administrator will regularly provide the Issuer and the beneficiaries with written details of Loans that are in arrears. For operational purposes, a Loan is identified as being "in arrears" when one or more monthly payments in respect of a Mortgage Account is overdue and the total arrears across all sub-accounts is more than £150. In general, the Administrator attempts to collect all payments due under or in connection with the Loans, having regard to the circumstances of the Borrower in each case. A&L uses a case control cycle featuring three stages: collection, negotiation and recovery.

A&L's system tracks arrears and advances and calculates when an amount is in arrears. When arrears are first reported and are less than 2.5 months overdue, the borrower is contacted and asked for payment of the arrears. Until an account reaches 2.5 months in arrears, this is largely an automatic process in which the borrower is contacted through a series of letters and telephone calls.

Where considered appropriate, the Administrator may enter into arrangements with the Borrower regarding the arrears, including:

- arrangements to make each monthly payment as it falls due plus an additional amount to pay the arrears over a period of time;
- arrangements to pay only a portion of each monthly payment as it falls due; and
- a deferment for an agreed period of time of all payments, including interest and principal or parts of any of them. Any arrangements may be varied from time to time at the discretion of the Administrator, the primary aim being to rehabilitate the Borrower and recover amounts in arrears.

Once the arrears are equivalent to more than 2.5 months overdue, the collection process progresses towards litigation. The late stage process will also involve contact by letter and telephone and may also include counsellors hired to meet with the Borrower at the mortgaged property and assess the arrears arrangements.

Legal proceedings usually commence when the arrears become two to three months overdue. Once legal proceedings have commenced, the Administrator or the Administrator's solicitor may send further letters to the Borrower encouraging the Borrower to enter into discussions to pay the arrears, and may still enter into an arrangement with a Borrower at any time prior to a court hearing. If a court order is made for payment and the Borrower subsequently defaults in making the payment, then the Administrator may take action as it considers appropriate, including entering into a further arrangement with the Borrower. If the Administrator applies to the court for a warrant for possession, the court has discretion as to whether it will grant the order.

After possession, the Administrator may take action as it considers appropriate, including to:

- secure, maintain or protect the Mortgaged Property and put it into a suitable condition for sale;
- create (other than in Scotland) any estate or interest on the Mortgaged Property, including a leasehold; and
- dispose of the Mortgaged Property (in whole or in part) or of any interest in the mortgaged property, by auction, private sale or otherwise, for a price it considers appropriate.

The Administrator has discretion as to the timing of any of these actions, including whether to postpone the action for any period of time. The Administrator may also carry out works on the property as it considers appropriate to maintain the market value of the Mortgaged Property.

The Administrator has discretion to deviate from these procedures. In particular, the Administrator may deviate from these procedures where a borrower suffers from a mental or physical infirmity, is deceased or where the borrower is otherwise prevented from making payment due to causes beyond the Borrower's control. This is the case for both sole and joint Borrowers.

It should also be noted that the Administrator's ability to exercise its power of sale in respect of the Mortgaged Property is dependent upon mandatory legal restrictions as to notice requirements. In addition, there may be factors outside the control of the Administrator, such as whether the Borrower contests the sale and/or the market conditions at the time of sale, that may affect the length of time between the decision of the Administrator to exercise its power of sale and final completion of the sale.

It should also be noted in relation to Scottish Mortgages that the Mortgage Rights (Scotland) Act 2001 confers upon the court a discretion (upon application by a borrower or other specified persons) to suspend the exercise of the lender's statutory enforcement remedies for such period and to such extent as the court considers reasonable, having regard, among other factors, to the nature of the default, the applicant's ability to remedy it and the availability of alternative accommodation.

The net proceeds of sale of the Mortgaged Property are applied against the sums owed by the Borrower to the extent necessary to discharge the Mortgage including any accumulated fees, expenses of the

Administrator and interest. Where the funds arising from application of these default procedures are insufficient to pay all amounts owing in respect of a Loan, the funds are applied first in paying interest and costs, and second in paying principal. The Administrator may then institute recovery proceedings against the Borrower. If, after the sale of the Mortgaged Property and redemption of the Loan, there are remaining funds, those funds will be distributed by the acting solicitor to the next entitled parties.

These arrears and security enforcement procedures may change over time as a result of a change in A&L's or the Administrator's business practices or of legislative and regulatory changes.

Collections

Payments by Borrowers in respect of amounts due under the Loans will be made into a non-interest bearing collection account held by the Seller (the **Seller Collection Account**) at the Seller Collection Account Bank. Amounts credited to the Seller Collection Account from (and including) the Closing Date that relate to the Loans will be identified on a daily basis (each such aggregate daily amount, a **Daily Loan Amount**) and the Seller will transfer an amount equal to the Daily Loan Amount into the GIC Account on the next Business Day after that Daily Loan Amount is received in the Seller Collection Account. The Seller will declare a trust in favour of the Issuer over all its interest in the amounts standing to the credit of the Seller Collection Account to the extent that such amounts are referable to the interest in the Loans (the **Seller Collection Account Amounts**).

Borrowers are required to make payments by direct debit or cheque unless otherwise agreed. However, direct debits may be returned unpaid up to three Business Days after the due date for payment and, under the Direct Debit Indemnity Scheme, a borrower may make a claim at any time to his or her bank for a refund of direct debit payments. Similarly, cheques may be returned unpaid by the borrower's bank.

In each case, the Administrator is permitted to reclaim from the GIC Account the corresponding amounts previously credited. In these circumstances, the usual arrears procedures described in — *Arrears and default procedures* will be taken.

EXPECTED AVERAGE LIVES OF THE NOTES

The average lives of the Notes cannot be stated, as the actual rate of repayment of the Loans and redemption of the Mortgages and a number of other relevant factors are unknown. However, calculations of the possible average lives of the Notes can be made based on certain assumptions. For example, based on the assumptions that:

- (a) the Issuer exercises its option to redeem the Notes on the Interest Payment Date falling in February 2013;
- (b) the Loans are subject to a constant annual rate of repayment (inclusive of scheduled and unscheduled principal redemptions) of between 5% and 30% per annum as shown on the table below;
- (c) the assets of the Issuer are not sold by the Security Trustee except as may be necessary to enable the Issuer to realise sufficient funds to exercise its option to redeem the Notes;
- (d) no event occurs that would cause any payments on the Notes to be deferred;
- (e) no Borrowers are offered and accept Product Switches or Further Advances by the Seller or any of its subsidiaries and the Seller is not required to repurchase any Loan (including due to any Flexible Drawing, or any Product Switch or any Further Advance thereon since the Closing Date) in accordance with the Mortgage Sale Agreement;
- (f) there is no Flexible Drawing under any Flexible Loan;
- (g) the Security is not enforced;
- (h) the Mortgages continue to be fully performing;
- (i) the Mortgages are not subject to any defaults or losses, and no Loan falls into arrears;
- (j) no interest or fees are paid from Principal Receipts;
- (k) the Seller is not in breach of the terms of the Mortgage Sale Agreement;
- (l) the long term, unsecured, unsubordinated and unguaranteed debt obligations of the Seller continue to be rated at least "Aa3" by Moody's and "AA-" by Fitch; and
- (m) the Notes are issued on 11 October 2007.

	Possible Average Life of Class A1 Notes (years)	Possible Average Life of Class A2 Notes (years)	Possible Average Life of Class A3 Notes (years)	Possible Average Life of Class A4 Notes (years)	Possible Average Life of Class B1 Notes (years)	Possible Average Life of Class C1 Notes (years)
5%	2.88	5.33	5.33	5.33	5.33	5.33
10%	1.49	4.02	5.32	5.33	5.33	5.33
15%	1.02	2.65	3.95	5.29	5.19	5.19
20%	0.78	1.96	2.91	4.97	4.80	4.80
25%	0.64	1.55	2.28	4.51	4.42	4.42
30%	0.55	1.28	1.86	4.06	3.92	3.92

Assumption (a) reflects the current intention of the Issuer but no assurance can be given that such assumption will occur as described.

Assumption (b) is stated as an average annualised repayment rate as the repayment rate for one Interest Period may be substantially different from that for another. The constant repayment rates shown above are purely illustrative and do not represent the full range of possibilities for constant repayment rates.

Assumptions (b) to (l) (inclusive) relate to circumstances which are not predictable.

The average lives of the Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the assumptions and estimates above will prove in any way to be realistic. They must therefore be viewed with considerable caution. For more information in relation to the risks involved in the use of the average lives estimated above, see "*Risk Factors — Considerations relating to yield, prepayments and mandatory redemptions*", above.

UNITED KINGDOM TAXATION

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating only to United Kingdom withholding tax treatment of payments of principal and interest in respect of Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Payment of Interest on the Notes

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. Securities will be treated as listed on a recognised stock exchange if either:

- (a) in the case of securities listed on the London Stock Exchange, they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and are admitted to trading on the London Stock Exchange; or
- (b) in the case of securities listed on a recognised stock exchange outside the United Kingdom, they are officially listed in the relevant country in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on that exchange.

Provided, therefore, that the Notes are and remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; provided that HM Revenue & Customs has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the savings rate (currently 20%). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HM Revenue & Customs can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Noteholders may wish to note that, in certain circumstances, HM Revenue & Customs has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder. Any information obtained may, in certain circumstances, be exchanged by HM Revenue and Customs with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they

elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

PURCHASE AND SALE

A&L (in such capacity, the **Note Purchaser**) has agreed with the Issuer (subject to certain conditions) to purchase (a) the Class A1 Notes at the issue price of 100% of the aggregate principal amount of the Class A1 Notes, (b) the Class A2 Notes at the issue price of 100% of the aggregate principal amount of the Class A2 Notes, (c) the Class A3 Notes at the issue price of 100% of the aggregate principal amount of the Class A3 Notes, (d) the Class A4 Notes at the issue price of 100% of the aggregate principal amount of the Class A4 Notes, (e) the Class B Notes at the issue price of 100% of the aggregate principal amount of the Class B1 Notes and (f) the Class C Notes at the issue price of 100% of the aggregate principal amount of the Class C1 Notes.

The Issuer and the Note Purchaser have agreed that the Note Purchaser will set off the purchase price due from it to the Issuer on the Closing Date, against the consideration due from the Issuer to it under the Mortgage Sale Agreement on the Closing Date.

The Issuer has also agreed to reimburse the Note Purchaser certain fees and expenses in connection with the issue of the Notes.

The Note Purchase Agreement is subject to a number of conditions and may be terminated by the Note Purchaser in certain circumstances prior to the time payment for the Notes to the Issuer is due under the Note Purchase Agreement.

No action has been taken by the Issuer or the Note Purchaser which would or is intended to permit a public offering of the Notes, or possession or distribution of this Information Memorandum or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

The Note Purchaser has undertaken not to offer or sell, directly or indirectly, Notes, or to distribute or publish this Information Memorandum or any other material relating to the Notes, in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations.

This Information Memorandum does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

United States

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or 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 applicable state securities laws. Accordingly, the Notes are being offered and sold outside the United States to persons other than U.S. persons (as defined in and pursuant to Regulation S under the Securities Act).

The Note Purchaser has agreed that, except as permitted by the Note Purchase Agreement, it will not offer or sell 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 or other dealer (if any) 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.

United Kingdom

The Note Purchaser has represented, warranted and agreed with the Issuer, *inter alia*, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

For so long as a Note is not a "quoted Eurobond" for the purpose of section 987 of the Income Tax Act 2007, a Noteholder or the person beneficially entitled to interest payable in respect of a Note shall (by completing and delivering a certificate in the form set out in Schedule 3 to the Agency Agreement):

- (a) represent and warrant to the Issuer and the Principal Paying Agent that the person beneficially entitled to interest payable in respect of the Notes is a company within the charge to United Kingdom corporation tax as regards any payment of interest under the Notes unless and until such time as it notifies each of the Issuer and the Principal Paying Agent in writing that this is not the case;
- (b) (at any time following the Closing Date that a standard process becomes available by which certification can be made through the clearing systems or any of them as to whether the person beneficially entitled to interest payable in respect of the Notes is a company within the charge to United Kingdom corporation tax as regards any payment of interest under the Notes) undertake to the Issuer and the Principal Paying Agent to provide such certification using such process;
- (c) agree to indemnify the Issuer and the Principal Paying Agent for any loss or liability, costs and expenses (including stamp duties) which the Issuer or the Principal Paying Agent and respectively determines will be or has been suffered by the Issuer or the Principal Paying Agent respectively to the extent that it is in breach of the representation and warranty referred to in paragraph (a) above or the undertakings referred to in paragraph (b) above;
- (d) acknowledges that at as the Closing Date no Paying Agent offers a refund service in respect of sums withheld or deducted in respect of the payments made by it on behalf of the Issuer in respect of the Notes including, without limitation, in the event that the obligations set out in paragraphs (a) to (c) above or (e) below are not fully complied with by a Noteholder; and
- (e) acknowledge that each of the representations, warranties, undertakings, agreements and information given by it to the Issuer and the Principal Paying Agent is given in full knowledge that the Principal Paying Agent shall rely on the same for the purposes of making determinations as to its obligation to make withholding under applicable UK tax law and accordingly shall irrevocably confirm to the Issuer and the Principal Paying Agent that it has taken all necessary steps to give each such representation, warranty, undertaking, agreement and information and intends that the Principal Paying Agent rely on the same for such purpose.

In the absence of either (a)(i) receipt from a Noteholder of a completed form as set out in Schedule 3 of the Agency Agreement and (ii) confirmation from the relevant Clearing System through which such Noteholder is holding its Notes no later than the Record Date preceding an Interest Payment Date that such Noteholder is an accountholder with the relevant clearing system in respect of a corresponding principal amount of the Notes or (b) (at any time following the Closing Date that a standard process becomes available by which certification can be made through the clearing systems or any of them as to whether the person beneficially entitled to interest payable in respect of the Notes is a company within the charge to United Kingdom

corporation tax as regards any payment of interest under the Notes) certification by a Noteholder using such process, the Principal Paying Agent shall be entitled to assume that:

- (a) such Noteholder (and any other person on whose behalf it holds the Notes) is not beneficially entitled to interest payable in respect of the Notes and is not a company within the charge to United Kingdom corporation tax as regards any payment of interest under the Notes; and
- (b) that a withholding or deduction for or on account of tax is required in respect of payments by or on behalf of the Issuer in respect of the Notes pursuant to Condition 8.1.

General

Reference should be made to the Note Purchase Agreement for a complete description of the restrictions on offers and sales of the Notes and on distribution of documents. Attention is also drawn to the inside cover of this Information Memorandum.

GENERAL INFORMATION

1. The admission of the Notes to the Official List and the admission of the Notes to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market (being a regulated market) or, alternatively, on a recognised stock exchange outside the United Kingdom may be applied for after issue of the Global Notes.
2. None of the Issuer, Holdings or the Post-Enforcement Call Option Holder is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer, Holdings or the Post-Enforcement Call Option Holder (respectively) is aware), since 26 September 2007 (being the date of incorporation of the Issuer, Holdings and the Post-Enforcement Call Option Holder) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer, Holdings or the Post-Enforcement Call Option Holder (as the case may be).
3. No statutory or non-statutory accounts within the meaning of Section 240(5) of the Companies Act 1985 in respect of any financial year of the Issuer have been prepared. If and after the Notes are admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent in London. Alternatively, if the Notes are admitted to trading on a recognised stock exchange (for the purposes of Section 1005 of the Income Tax Act 2007) outside the United Kingdom, the relevant requirements will apply accordingly. The Issuer does not publish interim accounts.
4. In the event that and for so long as the Notes are admitted to the Official List and to trading on The London Stock Exchange's Gilt Edged and Fixed Interest Market, the Issuer shall maintain a Paying Agent in the United Kingdom. Alternatively, if the Notes are admitted to trading on a recognised stock exchange outside the United Kingdom, the relevant requirements will apply accordingly.
5. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.
6. Since 26 September 2007 (being the date of incorporation of the Issuer, Holdings and the Post-Enforcement Call Option Holder), there has been (a) no material adverse change in the financial position or prospects of the Issuer, Holdings or the Post-Enforcement Call Option Holder and (b) no significant change in the financial or trading position of the Issuer, Holdings or the Post-Enforcement Call Option Holder.
7. The issue of the Notes was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 9 October 2007.
8. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISIN and Common Codes:

Class of Notes	ISIN	Common Code
Class A1	XS0325265600	032526560
Class A2	XS0325266087	032526608
Class A3	XS0325266327	032526632
Class A4	XS0325266913	032526691
Class B1	XS0325267309	032526730
Class C1	XS0325268299	032526829

9. Copies of the following documents may be inspected at the offices of Allen & Overy LLP during usual business hours, on any weekday (public holidays excepted):
- (a) the Memorandum and Articles of Association of each of the Issuer, Holdings and the Post-Enforcement Call Option Holder;
 - (b) in the event that and for so long as the Notes are listed on the London Stock Exchange's Gilt Edged and Fixed Interest Market or another recognised stock exchange outside the United Kingdom:
 - (i) the Administration Agreement;
 - (ii) the Agency Agreement;
 - (iii) the Bank Account Agreement;
 - (iv) the Cash Management Agreement;
 - (v) the Corporate Services Agreement;
 - (vi) the Deed of Charge;
 - (vii) the Issuer Power of Attorney;
 - (viii) the Liquidity Facility Agreement;
 - (ix) the Master Definitions and Construction Schedule;
 - (x) the Mortgage Sale Agreement;
 - (xi) the Nominee Declaration of Trust;
 - (xii) the Note Purchase Agreement;
 - (xiii) the Post-Enforcement Call Option Agreement;
 - (xiv) the Secretarial Services Agreement;
 - (xv) the Seller Collection Account Declaration of Trust;
 - (xvi) the Seller Power of Attorney;
 - (xvii) the Share Trustee Declaration of Trust;
 - (xviii) the Subordinated Loan Agreement;
 - (xix) the Swap Agreement; and
 - (xx) the Trust Deed.
10. The Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Loans.
11. The Issuer confirms that the assets backing the issue of the Notes, taken together with the other arrangements to be entered into by the Issuer on the Closing Date (including those described in

"*Credit Structure*" above), have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. However, investors are advised that this confirmation is based on the information available to the Issuer at the date of this Information Memorandum and may be affected by the future performance of such assets backing the issue of the Notes. Consequently investors are advised to review carefully any disclosure in the Information Memorandum together with any amendments or supplements thereto.

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