

Offering Circular

Bavarian Sky S.A., Compartment 1

(a public company incorporated with limited liability as a "société anonyme" under the laws of Luxembourg with registered number B 127 982)

€752,000,000 Class A Compartment 1 Floating Rate Notes due 2015, issue price: 100%
€48,000,000 Class B Compartment 1 Floating Rate Notes due 2015, issue price: 100%

Bavarian Sky S.A. (the "**Issuer**") is registered with the Luxembourg Register Trade and Companies (*Registre de Commerce et des Sociétés Luxembourg*) under registered number B 127 982. The Issuer has elected in its Articles of Incorporation (*Statuts*) to be governed by the Luxembourg law of 22 March 2004 on securitisation ("**Luxembourg Securitisation Law**"). The exclusive purpose of the Issuer is to enter into one or more securitisation transactions, each via a separate compartment ("**Compartment**") within the meaning of the Luxembourg Securitisation Law (see "THE ISSUER"). The Compartment 1 Notes (as defined below) will be funding the first securitisation transaction ("**Transaction 1**") of the Issuer acting in respect of its first Compartment ("**Compartment 1**") as described further herein. All documents relating to Transaction 1, as more specifically described herein, are referred to as the "**Transaction 1 Documents**".

The Class A Compartment 1 Notes and the Class B Compartment 1 Notes (each such class, a "**Class**", and both Classes collectively, the "**Compartment 1 Notes**" or "**Notes**") of the Issuer are backed by a portfolio of auto lease receivables (the "**Purchased Lease Receivables**") secured by certain leased vehicles (the "**Leased Vehicles**") and certain other collateral more specifically described herein (the Leased Vehicles, the other collateral and the proceeds therefrom, the "**Lease Collateral**"). The obligations of the Issuer under the Compartment 1 Notes will be secured by first-ranking security interests granted to Deutsche Trustee Company Limited (the "**Trustee**") acting in a fiduciary capacity for, *inter alia*, the Compartment 1 Noteholders pursuant to a trust agreement (the "**Trust Agreement**") entered into between, *inter alios*, the Trustee and the Issuer. Although all Classes will share in the same security, upon enforcement the Class A Compartment 1 Notes will rank senior to the Class B Compartment 1 Notes, see "POST-ENFORCEMENT PRIORITY OF PAYMENTS". The Issuer will apply the net proceeds from the issue of the Compartment 1 Notes to purchase on the Initial Purchase Date (being identical with the Issue Date, as defined below) the Initial Purchased Lease Receivables secured by the Lease Collateral. Certain characteristics of the Initial Purchased Lease Receivables and the Lease Collateral are described in "DESCRIPTION OF THE PURCHASED LEASE RECEIVABLES AND OF THE LEASE COLLATERAL" and in "PURCHASED LEASE RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA".

Application has been made to the Commission de surveillance du secteur financier (the "**CSSF**") of Luxembourg in its capacity as competent authority (the "**Competent Authority**") under the Luxembourg act relating to prospectuses for securities (*loi relative aux Prospectus pour valeurs mobilières*) issued on or after 1 July 2005 for the approval of the Offering Circular. Application will also be made to the Luxembourg Stock Exchange for the Compartment 1 Notes to be listed on the official list of the Luxembourg Stock Exchange on 17 July 2007 (the "**Issue Date**") and admitted to trading on the Luxembourg Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market is a regulated market for the purpose of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC. This Offering Circular constitutes a prospectus for the purpose of article 5 of Directive 2003/71/EC.

Société Générale, London Branch and WestLB AG (the "**Joint Lead Managers**") will subscribe and Bayerische Landesbank and Fortis Bank NV-SA (the "**Managers**") will procure to subscribe the Compartment 1 Notes on the Issue Date and will offer the Compartment 1 Notes, from time to time, in negotiated transactions or otherwise, at varying prices to be determined at the time of sale.

In connection with the issue and distribution of the Compartment 1 Notes, WestLB AG (in such capacity, the "**Stabilising Manager**") (or any Person acting for the Stabilising Manager) may over-allot the Compartment 1 Notes (provided that the aggregate principal amount of the Compartment 1 Notes allotted does not exceed 105% of the aggregate principal amount of the relevant Class) or effect transactions with a view to supporting the market price of the Compartment 1 Notes at a higher level than that which might otherwise prevail. However, there may be no obligation on the Stabilising Manager to do this. Such stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Compartment 1 Notes is made and if begins may be ended at any time but it must end no later than the earlier of thirty (30) calendar days after the Issuer has received the proceeds of the Compartment 1 Notes and sixty (60) calendar days after the date of allotment of the Compartment 1 Notes. Such stabilising shall be in compliance with all relevant laws and regulations.

For a discussion of certain significant factors affecting investments in the Compartment 1 Notes, see "RISK FACTORS".

For reference to the definitions of capitalised terms appearing in this Offering Circular, see "MASTER DEFINITIONS SCHEDULE".

Bookrunner
WestLB AG

Arranger
WestLB AG

Joint Lead Managers
Societe Generale Corporate & Investment Banking **WestLB AG**

Managers
Bayerische Landesbank **Fortis Bank NV-SA**

The date of this Offering Circular is 9 July 2007

The Compartment 1 Notes will be governed by the laws of Germany.

Both the Class A Compartment 1 Notes and the Class B Compartment 1 Notes will be initially represented by a temporary global note in bearer form (each, a "**Temporary Global Note**") and in new global note ("**NGN**") form without coupons or talons attached. Each Temporary Global Note will be exchangeable, as described herein (see "TERMS AND CONDITIONS OF THE COMPARTMENT 1 NOTES — Condition 2(c) (*Form and Denomination*)") for a permanent global note in bearer form (each a "**Permanent Global Note**", and together with the Temporary Global Notes, the "**Global Notes**" and each, a "**Global Note**") without coupons or talons attached. Each Global Note is recorded in the records of Clearstream Luxembourg and Euroclear. Each Temporary Global Note will be exchangeable not earlier than forty (40) calendar days and not later than one hundred and eighty (180) calendar days after the Issue Date, upon certification of non-U.S. beneficial ownership, for interest in a Permanent Global Note. The Global Notes will be deposited with a Common Safekeeper appointed by the operator of Clearstream Luxembourg and Euroclear on or before the Issue Date. The Common Safekeeper will hold the Global Notes in custody for Clearstream Luxembourg and Euroclear. The Compartment 1 Notes represented by Global Notes may be transferred in book-entry form only. The Compartment 1 Notes will be issued in denomination of EUR 50,000. The Global Notes will not be exchangeable for definitive notes. See "TERMS AND CONDITIONS OF THE COMPARTMENT 1 NOTES — Condition 2(c) (*Form and Denomination*)".

The Compartment 1 Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Compartment 1 Notes are intended upon issue to be deposited with one of the ICSDs as Common Safekeeper and does not necessarily mean that the Compartment 1 Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

THE COMPARTMENT 1 NOTES REPRESENT OBLIGATIONS OF THE ISSUER ONLY AND DO NOT REPRESENT AN INTEREST IN OR OBLIGATION OF THE JOINT LEAD MANAGERS, THE ARRANGER, THE MANAGERS, THE SELLER, THE SERVICER (IF DIFFERENT), THE SWAP COUNTERPARTY, THE TRUSTEE, THE DATA TRUSTEE, THE ISSUER ACCOUNT BANK, THE PRINCIPAL PAYING AGENT, THE CALCULATION AGENT, THE LUXEMBOURG PAYING AGENT, THE CORPORATE ADMINISTRATOR OR ANY OF THEIR RESPECTIVE AFFILIATES OR ANY OTHER PARTY (OTHER THAN THE ISSUER) TO THE TRANSACTION 1 DOCUMENTS. IT SHOULD BE NOTED FURTHER THAT THE COMPARTMENT 1 NOTES WILL ONLY BE CAPABLE OF BEING SATISFIED AND DISCHARGED FROM THE ASSETS OF COMPARTMENT 1 OF THE ISSUER AND NOT FROM ANY OTHER COMPARTMENT OF THE ISSUER OR FROM ANY OTHER ASSETS OF THE ISSUER. NEITHER THE COMPARTMENT 1 NOTES NOR THE UNDERLYING PURCHASED LEASE RECEIVABLES WILL BE INSURED OR GUARANTEED BY ANY GOVERNMENTAL AUTHORITY OR BY THE JOINT LEAD MANAGERS, THE ARRANGER, THE MANAGERS, THE SELLER, THE SERVICER (IF DIFFERENT), THE CALCULATION AGENT, THE SWAP COUNTERPARTY, THE TRUSTEE, THE DATA TRUSTEE, THE ISSUER ACCOUNT BANK, THE PRINCIPAL PAYING AGENT, THE LUXEMBOURG PAYING AGENT, THE CORPORATE ADMINISTRATOR OR ANY OF THEIR RESPECTIVE AFFILIATES OR ANY OTHER PARTY (OTHER THAN THE ISSUER) TO THE TRANSACTION 1 DOCUMENTS OR BY ANY OTHER PERSON OR ENTITY EXCEPT AS DESCRIBED HEREIN.

Class	Principal amount	Interest Rate	Issue Price	Expected Ratings (Fitch/Moody's/ S&P)	Legal Final Maturity Date	ISIN Code	Common Code
A	752,000,000	1-Month-EURIBOR + 0.08%	100%	AAA/Aaa/AAA	the Payment Date falling in August 2015	XS0307232792	030723279
B	48,000,000	1-Month-EURIBOR + 0.18%	100%	A/A1/A	the Payment Date falling in August 2015	XS0307232875	030723287

Interest on the Compartment 1 Notes will accrue on the Outstanding Notes Balance of each Compartment 1 Note at a per annum rate equal to the sum of the European Interbank Offered Rate (EURIBOR) for one month and a margin of 0.08% in the case of the Class A Compartment 1 Notes, and 0.18% in the case of the Class B Compartment 1 Notes. Interest will be payable in euros by reference to successive interest accrual periods (each, an "**Interest Period**") monthly in arrear on the 15th day of each calendar month, unless such date is not a Business Day, in which case the payment date shall be the next succeeding Business Day (each, a "**Payment Date**"). The first payment date will be 16 August 2007. "**Business Day**" means any day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in London, Düsseldorf, Munich, Frankfurt am Main and Luxembourg and which is a TARGET Settlement Day in relation to the payment of a sum denominated in euros. See "TERMS AND CONDITIONS OF THE COMPARTMENT 1 NOTES — Condition 7 (*Payment of Interest and Principal*)".

If any withholding or deduction for or on account of taxes should at any time be required by law or its interpretation in respect of payment of interest or principal in respect of the Compartment 1 Notes, payments under the Compartment 1 Notes will be made subject to such withholding or deduction. The Compartment 1 Notes will not provide for any gross-up or other payments in the event that payments under the Compartment 1 Notes become subject to any such withholding or deduction on account of taxes. See "TERMS AND CONDITIONS OF THE COMPARTMENT 1 NOTES — Condition 12 (*Taxation*)".

Amortisation of the Compartment 1 Notes will commence on the first Payment Date falling after the expiration of the Revolving Period which period starts on the Issue Date and, ends on but excluding the earlier of (i) the Payment Date falling in July 2009 and (ii) the date on which an Early Amortisation Event has occurred. During the Revolving Period, the Seller may, at its option, offer to sell to the Issuer, on any Payment Date, from time to time, the Additional Purchased Lease Receivables. See "TERMS AND CONDITIONS OF THE COMPARTMENT 1 NOTES— Condition 8 (*Replenishment and Redemption*)".

The Compartment 1 Notes will mature on the Payment Date falling in August 2015 (the "**Legal Final Maturity Date**"), unless previously redeemed in full. The Compartment 1 Notes will be subject to partial redemption, early redemption and/or optional redemption before the Legal Final Maturity Date in specific circumstances and subject to certain conditions. See "TERMS AND CONDITIONS OF THE COMPARTMENT 1 NOTES — Condition 8 (*Replenishment and Redemption*)".

The Class A Compartment 1 Notes and the Class B Compartment 1 Notes are expected, on the Issue Date, to be rated by Fitch Ratings Limited ("**Fitch**"), Moody's Investors Service Limited

("Moody's") and Standard and Poor's, a division of the McGraw-Hill Companies, Inc. ("S&P" and together with Moody's and Fitch, the "Rating Agencies"). It is a condition to the issue of the Compartment 1 Notes that the Compartment 1 Notes are assigned the ratings indicated in the above table.

The Rating Agencies' rating of any Class of the Compartment 1 Notes addresses the likelihood that the holders of the Compartment 1 Notes (each, a "Compartment 1 Noteholder" or "Noteholder") of such Class will receive all payments to which they are entitled, as described herein. The Moody's ratings address the expected loss posed to investors until the Legal Final Maturity Date. Moody's believes that the structure allows for the ultimate payment of principal and the timely payment of interest. The rating of "AAA" is the highest rating that Fitch assigns to long-term debt. "Aaa" is the highest rating that Moody's assigns to long-term debt and the rating of "AAA" is the highest rating that S&P assigns to long-term debt. Each rating takes into consideration the characteristics of the Purchased Lease Receivables, the Lease Collateral and the structural, legal, tax and Issuer-related aspects associated with the Compartment 1 Notes.

However, the ratings assigned to the Compartment 1 Notes do not represent any assessment of the likelihood or level of principal prepayments. The ratings do not address the possibility that the Compartment 1 Noteholders might suffer a lower than expected yield due to prepayments or early amortisation or may fail to recoup their initial investments. Prepayments may for example occur in the event of a clean-up call (see "TRANSACTION OVERVIEW" — "TRANSACTION 1" — "Early Redemption" — "Clean-Up Call Option" and "TERMS AND CONDITIONS OF THE COMPARTMENT 1 NOTES — Condition 8.4 (*Clean Up Call*)"), or in the event that the Seller breached the Eligibility Criteria and/or the Seller Warranties (see "TERMS AND CONDITIONS OF THE COMPARTMENT 1 NOTES — Condition 8.2 (*Amortisation — Pre-Enforcement*)").

The ratings assigned to the Compartment 1 Notes should be evaluated independently against similar ratings of other types of securities. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal by the Rating Agencies at any time.

The Issuer has not requested a rating of the Compartment 1 Notes by any rating agency other than the Rating Agencies. There can be no assurance as to whether any other rating agency will rate the Compartment 1 Notes or, if it does, what rating would be assigned by such other rating agency. The rating assigned to the Compartment 1 Notes by such other rating agency could be lower than the respective ratings assigned by the Rating Agencies.

This Offering Circular constitutes a prospectus for the purposes of article 5 of the Prospectus Directive (Directive 2003/71/EC on the Prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC).

The Issuer accepts responsibility for the information contained in this Offering Circular except for the information provided by the other Transaction 1 Parties as stated below:

- (i) each of the Seller and the Servicer is only responsible for the information in this Offering Circular relating to the Purchased Lease Receivables, the Lease Collateral, the disclosure of servicing related risk factors, risk factors relating to the Purchased Lease Receivables, the information contained in "EXPECTED MATURITY AND AVERAGE LIFE OF NOTES AND ASSUMPTIONS" on page 108 *et seq*, "PURCHASED LEASE RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA" on page 113 *et seq*, "CREDIT AND COLLECTION POLICY" on page 125 *et seq* and "THE SELLER AND SERVICER" on page 133 *et seq*;
- (ii) the Head Lessor is only responsible for the information in this Offering Circular contained in "THE HEAD LESSOR" on page 135;
- (iii) the Swap Counterparty is only responsible for the information in this Offering Circular contained in "THE SWAP COUNTERPARTY" on page 136;
- (iv) the Trustee is only responsible for the information in this Offering Circular contained in "THE TRUSTEE" on page 137;
- (v) each of the Issuer Account Bank and the Principal Paying Agent is only responsible for the information in this Offering Circular contained in " THE PRINCIPAL PAYING AGENT AND THE ISSUER ACCOUNT BANK" on page 140 *et seq*;
- (vi) the Calculation Agent is only responsible for the information in this Offering Circular contained in "THE CALCULATION AGENT" on page 139 *et seq*; and
- (vii) the Corporate Administrator is only responsible for the information in this Offering Circular contained in "THE CORPORATE ADMINISTRATOR" on page 142.

The Issuer hereby declares that, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), all information contained herein for which the Issuer is responsible is in accordance with the facts and does not omit anything likely to affect the importance of such information.

The Seller and the Servicer hereby declare that, to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), all information contained herein for which the Seller and the Servicer are responsible is in accordance with the facts and does not omit anything likely to affect the importance of such information.

The Head Lessor hereby declares that, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), all information contained herein for which the Head Lessor is responsible is in accordance with the facts and does not omit anything likely to affect the importance of such information.

The Swap Counterparty hereby declares that, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), all information contained herein for which the Swap Counterparty is responsible is in accordance with the facts and does not omit anything likely to affect the importance of such information.

The Trustee hereby declares that, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), all information contained herein for which the Trustee is responsible is in accordance with the facts and does not omit anything likely to affect the importance of such information.

Each of the Issuer Account Bank and the Principal Paying Agent hereby declares that, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), all information contained herein for which the Issuer Account Bank or the Principal Paying Agent is responsible is in accordance with the facts and does not omit anything likely to affect the importance of such information.

The Calculation Agent hereby declares that, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), all information contained herein for which the Calculation Agent is responsible is in accordance with the facts and does not omit anything likely to affect the importance of such information.

The Corporate Administrator hereby declares that, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), all information contained herein for which the Corporate Administrator is responsible is in accordance with the facts and does not omit anything likely to affect the importance of such information.

No person has been authorised to give any information or to make any representations, other than those contained in this Offering Circular, in connection with the issue and sale of the Compartment 1 Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Seller, the Servicer (if different), the Data Trustee and the Trustee (all as defined below) or by the financial institutions shown on the cover page (the "Arranger", the "Joint Lead Managers" and the "Managers") or by any other party mentioned herein.

The Compartment 1 Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"). The Compartment 1 Notes are being offered outside the United States by the Joint Lead Managers and the Managers in accordance with Regulation S under the Securities Act ("Regulation S"), and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Compartment 1 Notes will be issued in bearer form and are subject to certain United States tax law requirements.

Neither the delivery of this Offering Circular nor any offering, sale or delivery of any Compartment 1 Notes shall, under any circumstances, create any implication (i) that the information in this Offering Circular is correct as of any time subsequent to the date hereof, or (ii) that there has been no adverse change in the financial situation of the Issuer or with respect to the Seller and the Head Lessor since the date of this Offering Circular or the balance sheet date of the most recent financial statements which are deemed to be incorporated into this Offering Circular or (iii) that any other information supplied in connection with the issue of the Compartment 1 Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

No action has been taken by the Issuer, the Joint Lead Managers or the Managers other than as set out in this Offering Circular that would permit a public offering of the Compartment 1 Notes, or possession or distribution of this Offering Circular or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, no Compartment 1 Notes may be offered or sold, directly or indirectly, and neither this Offering Circular (nor any part hereof) nor any information memorandum, offering circular, form of application, advertisement or other offering materials may be issued, distributed or published in any country or jurisdiction except in

compliance with applicable laws, orders, rules and regulations, and the Issuer, the Joint Lead Managers and the Managers have represented that all offers and sales by them have been made on such terms.

This Offering Circular may only be used for the purposes for which it has been published. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of any offer to buy any of the securities offered hereby in any circumstances in which such offer or solicitation is unlawful. The distribution of this Offering Circular (or of any part thereof) and the offering and sale of the Compartment 1 Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular (or any part thereof) may come, are required by the Issuer, the Joint Lead Managers and the Managers to inform themselves about and to observe any such restrictions. This Offering Circular does not constitute, and may not be used for, or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. For a further description of certain restrictions on offerings and sales of the Compartment 1 Notes and distribution of this Offering Circular (or of any part thereof), see "SUBSCRIPTION AND SALE".

An investment in these Compartment 1 Notes is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any Losses which may result from such investment.

It should be remembered that the price of securities and the income deriving from them may decrease.

This Offering Circular may be distributed and its contents disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular, the prospective investors agree to these restrictions.

The Issuer has submitted this Offering Circular confidentially to a limited number of institutional investors so that they can consider a purchase of the Compartment 1 Notes. The Issuer has not authorised its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part.

*Prospective investors of the Compartment 1 Notes should conduct such independent investigation and analysis as they deem appropriate to evaluate the merits and risks of an investment in the Compartment 1 Notes. **If you are in doubt about the contents of this Offering Circular, you should consult your stockbroker, bank manager, legal adviser, accountant or other financial adviser.** None of the Joint Lead Managers, the Managers or the Arranger makes any representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained herein or in any further information, notice or other document which may at any time be supplied by the Issuer in connection with the Compartment 1 Notes and accept any responsibility or liability therefor. None of the Joint Lead Managers, the Managers or the Arranger undertakes to review the financial condition or affairs of the Issuer nor to advise any investor or potential investor in the Compartment 1 Notes of any information coming to the attention of any of the Joint Lead Managers, the Managers or the Arranger.*

In connection with the issue and distribution of the Compartment 1 Notes, WestLB AG (in such capacity, the "Stabilising Manager") (or any Person acting for the Stabilising Manager) may over-allot the Compartment 1 Notes (provided that the aggregate principal amount of the Compartment 1 Notes allotted does not exceed 105% of the aggregate principal amount of the relevant Class) or effect transactions with a view to

supporting the market price of the Compartment 1 Notes at a higher level than that which might otherwise prevail. However, there may be no obligation on the Stabilising Manager to do this. Such stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Compartment 1 Notes is made and if begins may be ended at any time but it must end no later than the earlier of thirty (30) calendar days after the Issuer has received the proceeds of the Compartment 1 Notes and sixty (60) calendar days after the date of allotment of the Compartment 1 Notes. Such stabilising shall be in compliance with all relevant laws and regulations.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "€" and "euros" are to the lawful currency of the Member States of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March, 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February, 1992), as amended by the Treaty of Amsterdam (signed in Amsterdam on 2 November, 1997), as amended by the Treaty of Nice (signed in Nice on 26 February, 2001).

TABLE OF CONTENTS

TRANSACTION OVERVIEW	13
INTRODUCTION INTO STRUCTURE AND PRINCIPAL PARTIES	13
STRUCTURE DIAGRAM	15
PARTIES TO TRANSACTION 1	16
SUMMARY TRANSACTION 1	20
RISK FACTORS	37
FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE COMPARTMENT 1 NOTES	37
Risks related to the Purchased Lease Receivables	38
<i>Non-existence of Purchased Lease Receivables</i>	38
<i>Risk of Losses on the Purchased Lease Receivables</i>	38
<i>Risk of "re-characterisation" of a sale as loan secured by lease receivables</i>	38
<i>Historical and other information</i>	39
<i>Reliance on Seller Warranties and Eligibility Criteria</i>	39
<i>Reliance on Credit and Collection Policy</i>	39
<i>No independent investigation and limited information</i>	40
<i>Notice of Assignment; Defences of the Lessees</i>	40
Risks related to the parties to Transaction 1	41
<i>Replacement of the Servicer</i>	41
<i>Creditworthiness of Parties to the Transaction 1 Documents, in particular, the Servicer</i>	41
<i>Commingling risk and risk of Servicer Shortfalls</i>	41
<i>Conflicts of Interest</i>	42
Legal risks	42
<i>Federal Data Protection Act (Bundesdatenschutzgesetz)</i>	44
<i>German consumer credit legislation</i>	44
<i>Non-petition and limited recourse clauses</i>	45
<i>Change of law</i>	45
<i>Assignability of Purchased Lease Receivables</i>	45
<i>Termination for good cause</i>	46
Tax risks	46
<i>German taxation</i>	46
<i>Luxembourg Taxation</i>	48
<i>EU Savings Directive</i>	49
<i>No Gross-Up for Taxes</i>	49
Structural and other credit risks	50
<i>Liability under the Compartment 1 Notes</i>	50
<i>Limited resources of the Issuer</i>	50
<i>Subordination</i>	51
<i>Ratings of the Compartment 1 Notes</i>	51
<i>Sharing of proceeds with other Secured Parties</i>	52
FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISK ASSOCIATED WITH THE COMPARTMENT 1 NOTES	52
<i>Absence of secondary market liquidity and market value of Compartment 1 Notes</i>	52
<i>Interest rate risk</i>	53
<i>Interest Rate Hedging</i>	53
CREDIT STRUCTURE AND FLOW OF FUNDS	55
Lease Instalments of the Purchased Lease Receivables	55
Collection Arrangements	55
Available Distribution Amount	55
Bank account used for Transaction 1	56
Pre-Enforcement Priority of Payments	56
Interest rate hedging	57
Credit Enhancement	57
Sequential amortisation	58
TERMS AND CONDITIONS OF THE COMPARTMENT 1 NOTES	59
1. Appendixes	59
2. Form and denomination	59

3.	Status and priority	61
4.	Provision of Security; Limited Payment Obligation; Issuer Event of Default	61
5.	General Covenants of the Issuer.....	63
6.	Payments on the Compartment 1 Notes	63
7.	Payment of interest and principal.....	65
8.	Replenishment and Redemption.....	68
9.	Payment of interest and redemption after the occurrence of an Enforcement Event.....	70
10.	Notifications.....	71
11.	Agents; Determinations Binding.....	71
12.	Taxation	72
13.	Substitution of the Issuer.....	72
14.	Form of Notices	73
15.	Miscellaneous.....	74
	MATERIAL TERMS OF THE TRUST AGREEMENT	75
1.	Definitions, Interpretations and Common Terms.....	75
2.	Rights and Obligations of the Trustee, Binding Effect of Conditions.....	76
3.	General Covenants of the Trustee	78
4.	Compartment 1 Security Held On Trust.....	78
5.	Covenant To Pay	78
6.	Parallel Debt	79
7.	Appointment As Trustee.....	80
8.	Creation of Compartment 1 Security.....	80
9.	Security Purpose.....	83
10.	Representations and Warranties	84
11.	Administration of Security	84
12.	Collections.....	84
13.	Replenishment fund.....	85
14.	Further Assurance and Powers of Attorney.....	85
15.	When Compartment 1 Security Becomes Enforceable and the Respective Procedure	85
16.	Realisation of the Leased Vehicles.....	86
17.	Conflicts of Interest	87
18.	Application of Payments	89
19.	Release of Compartment 1 Security	89
20.	Covenants by the Issuer.....	89
21.	Resignation and Substitution of the Trustee.....	89
22.	Fees, Indemnities and Indirect Taxes	91
23.	Miscellaneous	92
	Schedule I: Pre-Enforcement Priority of Payments	94
	Schedule II: Post-Enforcement Priority of Payments.....	96
	SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS.....	97
1.	Lease Receivables Purchase Agreement	97
2.	Servicing Agreement.....	100
3.	Subordinated Loan Agreement.....	104
4.	Data Trust Agreement	105
5.	Swap Agreement	105
6.	Calculation Agency Agreement	106
7.	Agency Agreement.....	107
8.	Subscription Agreement.....	107
9.	Corporate Administration Agreement.....	107
	EXPECTED MATURITY AND AVERAGE LIFE OF NOTES AND ASSUMPTIONS	108
	DESCRIPTION OF THE PURCHASED LEASE RECEIVABLES AND OF THE LEASE	
	COLLATERAL.....	110

PURCHASED LEASE RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA	113
CREDIT AND COLLECTION POLICY	125
THE ISSUER	129
1. General	129
2. Corporate purpose of the Issuer	129
3. Compartments	129
4. Business activity	130
5. Corporate Administration and Management	130
6. Capital and Shares, shareholders.....	130
7. Capitalisation	131
8. Indebtedness.....	131
9. Holding Structure.....	131
10. Subsidiaries	131
11. Name of the Issuer's financial auditors.....	131
12. Main Process for Director's Meetings and Decisions	131
13. Financial Statements	132
14. Inspection of Documents.....	132
THE SELLER AND SERVICER.....	133
THE HEAD LESSOR	135
THE SWAP COUNTERPARTY	136
THE TRUSTEE.....	137
THE ISSUER ACCOUNT-C1	138
THE CALCULATION AGENT	139
THE PRINCIPAL PAYING AGENT AND THE ISSUER ACCOUNT BANK	140
THE CORPORATE ADMINISTRATOR	142
TAXATION	143
1. General.....	143
2. German Taxation.....	143
3. Luxembourg Taxation.....	145
SUBSCRIPTION AND SALE	148
1. Subscription of the Compartment 1 Notes	148
2. Selling Restrictions	148
USE OF PROCEEDS.....	151
GENERAL INFORMATION	152
1. Subject of this Offering Circular.....	152
2. Authorisation.....	152
3. Litigation	152
4. Payment Information.....	152
5. Material Change.....	152
6. Miscellaneous.....	152
7. Luxembourg Listing.....	152
8. ICSDs	153
9. Clearing Codes.....	153
MASTER DEFINITIONS SCHEDULE	154
1. DEFINITIONS	154
2. PRINCIPLES OF INTERPRETATION AND CONSTRUCTION	178

TRANSACTION OVERVIEW

This section "Transaction Overview" must be read as an introduction to this Offering Circular and any decision to invest in any Compartment 1 Notes should be based on a consideration of this Offering Circular as a whole.

The following "Transaction Overview" is qualified in its entirety by the remainder of this Offering Circular.

INTRODUCTION INTO STRUCTURE AND PRINCIPAL PARTIES

On the Initial Purchase Date, the Seller will sell to the Issuer, against payment of the Initial Purchase Price (EUR 799,999,193.39), all of its rights, titles and claims, to receive lease instalments (the "**Lease Instalments**") (excluding any portion relating to VAT, relating to residual values or relating to the provision of services) in respect of an initial portfolio of auto lease receivables (the "**Initial Purchased Lease Receivables**") against customers in Germany. On each Additional Purchase Date, the Seller will sell to the Issuer, against payment of the Additional Purchase Price, all of its rights, titles and claims, to receive Lease Instalments (excluding any portion relating to VAT, relating to residual values or relating to the provision of services) in respect of an additional portfolio of auto lease receivables (the "**Additional Purchased Lease Receivables**") against customers in Germany. The Initial Purchased Lease Receivables and the Additional Purchased Lease Receivables are together referred to as "Purchased Lease Receivables". BMW Vertriebs GmbH (the "**Head Lessor**") will transfer to the Issuer its title to the Leased Vehicles and pledge its claims under the lease agreements entered into between the Head Lessor and the Seller (the "**Head Lease Agreements**") to the Issuer as part of the Lease Collateral (as defined below) for the Purchased Lease Receivables which will be selected according to the eligibility criteria (the "**Eligibility Criteria**") set out in "DESCRIPTION OF THE PURCHASED LEASE RECEIVABLES AND OF THE LEASE COLLATERAL".

The Lease Collateral granted to the Issuer consists of (i) title to the Leased Vehicles, (ii) any claims under the Head Lease Agreements, (iii) insurance proceeds against the relevant insurance companies in respect of the Leased Vehicles pertaining to the Purchased Lease Receivables administrated by the Seller in accordance with its Credit and Collection Policy, (iv) any claims of the Seller to damages and excess mileage in accordance with its Credit and Collection Policy upon the insolvency of a Lessee, and (v) any other security interests related to the Purchased Lease Receivables under the relevant lease agreements entered into between the relevant Lessee and the Seller (the "**Sub Lease Agreements**"). The title to the Leased Vehicles has been transferred and any claims against the Seller under the Head Lease Agreements have been pledged by the Head Lessor separately as security to the Issuer. Pursuant to the Servicing Agreement, the Servicer will be obligated to enforce the Lease Collateral as aforesaid upon a Purchased Lease Receivable becoming a Defaulted Lease Receivable in accordance with the Credit and Collection Policy and the relevant Sub Lease Agreement. The Issuer shall be entitled to receive the Pro Rata Share of the enforcement proceeds relating to such Leased Vehicle which relates to the relevant Defaulted Lease Receivable. The Issuer will create security over substantially all of its assets, rights, claims and interests in respect of Compartment 1 (together the "**Compartment 1 Security**", as more specifically defined in "MASTER DEFINITIONS SCHEDULE"), comprising primarily the Purchased Lease Receivables, the Lease Collateral and other claims of the Issuer under the Transaction 1 Documents for the benefit of the Trustee who in turn will hold the Compartment 1 Security for the benefit of the Compartment 1 Noteholders and the other Secured Parties.

The Issuer is a company registered in Luxembourg as a *société anonyme* (S.A.) and is wholly owned by a Dutch Stichting (the "**Foundation**"). The Issuer is a securitisation company within the meaning of and governed by the Luxembourg Securitisation Law. Under the Luxembourg Securitisation Law, the assets, liabilities and obligations of the Issuer are segregated into separate Compartments. The assets of each Compartment are by operation of the Luxembourg

Securitisation Law only available to satisfy the liabilities and obligations of the Issuer which are incurred in relation to that Compartment. The liabilities and obligations of the Issuer incurred or arising in connection with the Compartment 1 Notes and the Transaction 1 Documents and all matters connected therewith will only be satisfied or discharged against the assets of Compartment 1. At the Issue Date, Compartment 1 (save for any amounts credited to the Issuer Share Capital Account) will comprise all of the assets of the Issuer. The assets of Compartment 1 will be exclusively available to satisfy the rights of the Compartment 1 Noteholders, other Secured Parties and the other creditors of the Issuer in respect of Transaction 1 and all matters connected therewith and no other creditors (unless related to Transaction 1) of the Issuer will have recourse against the assets of Compartment 1 of the Issuer. For so long as the Compartment 1 Notes remain outstanding, the Issuer will not be permitted to issue further securities in respect of any other Compartment of the Issuer, or to enter into related transaction documents, unless the requirements contained in Clause 23.2 (*New securitisations and further securities requiring consent*) of the Trust Agreement have been satisfied. These are: (a) one or more reputable law firm(s) (as appropriate) shall have, in one or more legal opinion(s) satisfactory to the Issuer, confirmed to the Issuer that as a result of the issuance of the securities or the entrance into any other transaction documents related therewith, the Issuer shall not incur any payment or other obligations in respect of its Compartment 1 or in respect of any other pre-existing Compartment, (b) based on such legal opinion, S&P confirms to the Issuer that as a result of the issuance of the securities or entrance into any other transaction documents related therewith, the Issuer shall not incur any payment or other obligations in respect of its Compartment 1 or in respect of any other pre-existing Compartment, and (c) based, *inter alia*, on such legal opinion and confirmation from the Rating Agency, the board of directors of the Issuer shall have approved the issuance of the securities and the entrance into related transaction documents. In case of any further securitisation transactions of the Issuer, the transactions shall not be cross-collateralised or cross-defaulted.

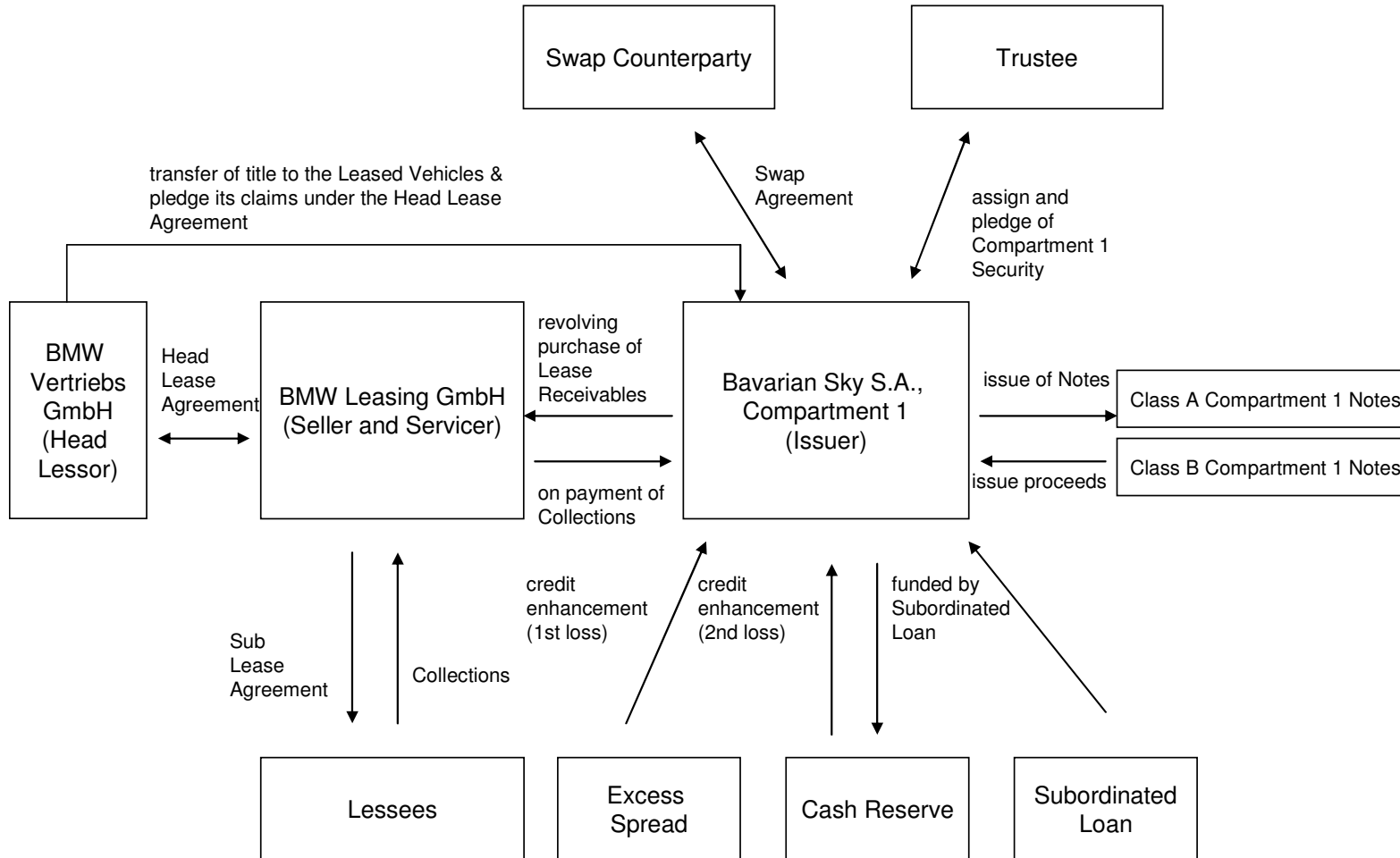
The Class A Compartment 1 Notes are expected, on the Issue Date, to be rated AAA by Fitch, Aaa by Moody's and AAA by S&P; the Class B Compartment 1 Notes are expected, on the Issue Date to be rated A by Fitch, A1 by Moody's and A by S&P.

The Issuer will enter into an Interest Rate Swap with the Swap Counterparty which will enable the Issuer to exchange a fixed interest rate into EURIBOR. The Swap Counterparty and its successor, as the case may be, must be an Eligible Swap Counterparty.

The Seller in its capacity as Servicer will service, collect and administer the Purchased Lease Receivables and the Lease Collateral on behalf of the Issuer pursuant to a servicing agreement (the "**Servicing Agreement**"). It will do so using the same degree of care and diligence as it would have used if the Purchased Lease Receivables and the Lease Collateral were its property.

STRUCTURE DIAGRAM

This structure diagram of Transaction 1 is qualified in its entirety by reference to the more detailed information appearing elsewhere in this Offering Circular.



PARTIES TO TRANSACTION 1

Issuer

The Issuer is a securitisation company within the meaning of the Luxembourg Securitisation Law. The Issuer has been established to operate as a multi-issuance, multi-seller securitisation conduit for the purposes of, on an on-going basis, purchasing assets, directly or via intermediary purchasing entities, from several selling entities, or assuming the credit risk in respect of assets in any other way, and funding such purchases or risk assumptions in particular in the structured finance markets (see "THE ISSUER" – Corporate purpose of the Issuer). Each such securitisation transaction can be structured as a singular or as a revolving purchase of assets (or other assumption of credit risk) and shall be separate from all other securitisations entered into by the Issuer. To that end, the Issuer shall ensure that each such securitisation shall be entered into in respect of a separate Compartment (see below).

Under the Luxembourg Securitisation Law, the Issuer can segregate the assets, liabilities and obligations into separate compartments (each a "**Compartment**"). The assets of each Compartment are by operation of the Luxembourg Securitisation Law only available to satisfy the liabilities and obligations of the Issuer which are incurred in relation to that Compartment. The liabilities and obligations of the Issuer incurred or arising in connection with the Compartment 1 Notes and the other Transaction 1 Documents, and all matters connected therewith will only be satisfied or discharged against the assets of Compartment 1. At the Issue Date, Compartment 1 (save for any amounts credited to the Issuer Share Capital Account) will comprise all of the assets of the Issuer. The assets of Compartment 1 will be exclusively available to satisfy the rights of the Compartment 1 Noteholders, other Secured Parties and the other creditors of the Issuer in respect of the other Transaction 1 Documents and all matters connected therewith, and no other creditors (unless related to Transaction 1) of the Issuer will have any recourse against the assets of Compartment 1 of the Issuer. For so long as the Compartment 1 Notes remain outstanding, the Issuer will not be permitted to issue further securities in respect of any other Compartment of the Issuer, or to enter into related transaction documents, unless the requirements contained in Clause 23.2 (*New securitisations and further securities requiring consent*) of the Trust Agreement have been satisfied. These are: (a) one or more reputable law firm(s) (as appropriate) shall have, in one or more legal opinion(s) satisfactory to the Issuer, confirmed to the Issuer that as a result of the issuance of the securities or the entrance into any other transaction documents related therewith, the Issuer shall not incur any payment or other obligations in respect of its Compartment 1 or in respect of any other pre-existing Compartment, (b) based on such legal opinion, S&P confirms to the Issuer that as a result of the issuance of the securities or entrance into any other transaction documents related therewith, the Issuer shall not incur any payment or other obligations in respect of its Compartment 1 or in respect of any

other pre-existing Compartment, and (c) based, *inter alia*, on such legal opinion and confirmation from the Rating Agency, the board of directors of the Issuer shall have approved the issuance of the securities and the entrance into related transaction documents. In case of any further securitisation transactions of the Issuer, the transactions shall not be cross-collateralised or cross-defaulted. See "THE ISSUER".

Foundation	Stichting Andesien, a Dutch foundation (<i>stichting</i>) established under the laws of The Netherlands whose statutory seat is in Amsterdam and whose registered office is at Amsteldijk 166, 1079LH Amsterdam, The Netherlands (the " Foundation "). The Foundation owns all of the issued shares of the Issuer. The Foundation does not have shareholders.
Compartment 1	The first Compartment of the Issuer relating to the Compartment 1 Notes issued on 17 July 2007.
Seller	BMW Leasing GmbH is a wholly-owned subsidiary of Bayerische Motoren Werke Aktiengesellschaft ("BMW AG"), acting through its office at Heidemannstrasse 164 80939 Munich, Germany. See "THE SELLER AND SERVICER".
Head Lessor	BMW Vertriebs GmbH, a wholly-owned subsidiary of BMW Leasing GmbH, acting through its office at Heidemannstrasse 164, 80939 Munich, Germany. See "THE HEAD LESSOR".
Lessee	In respect of a Lease Receivable, a Person (including consumers and businesses) to whom the Seller has leased Leased Vehicles, which are owned by the Head Lessor and which are leased to the Seller under the relevant Head Lease Agreement, on the terms of the relevant Sub Lease Agreement.
Servicer	The Seller, in its capacity as Servicer. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Servicing Agreement". See also "THE SELLER AND SERVICER".
Swap Counterparty	WestLB AG, acting through its office at Herzogstr. 15, 40217 Düsseldorf, Germany. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Swap Agreement". See also "THE SWAP COUNTERPARTY".
Trustee	Deutsche Trustee Company Limited, acting through its principal office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom. See "MATERIAL TERMS OF THE TRUST AGREEMENT". See also "THE TRUSTEE".
Secured Parties	The Compartment 1 Noteholders, the Trustee, the Seller, the Servicer (if different), the Subordinated Lender, the Joint Lead Managers, the Arranger, the Managers, the Swap Counterparty, the Principal Paying Agent, the Luxembourg

Paying Agent, the Calculation Agent, the Issuer Account Bank, the Data Trustee and the Corporate Administrator.

Joint Lead Managers	Société Générale, London Branch, acting through its office at SG House, 41 Tower Hill, London EC 3N 4SG, United Kingdom; and WestLB AG, acting through its office at Herzogstrasse 15, 40217 Düsseldorf, Germany. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Subscription Agreement".
Managers	Bayerische Landesbank, acting through its office at Brienner Strasse 18, 80333 Munich, Germany; and Fortis Bank NV-SA, acting through its office at Warandeborg 3, 1000 Brussels, Belgium. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Subscription Agreement".
Subordinated Lender	BMW Finance N.V., acting through its office at Einsteinlaan 5, 2289 CC Rijswijk, The Netherlands. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Subordinated Loan Agreement".
Issuer Account Bank	Deutsche Bank AG, London Branch, acting through its principal office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom. See "THE PRINCIPAL PAYING AGENT AND THE ISSUER ACCOUNT BANK".
Data Trustee	BMW Bank GmbH, acting through its office at Heidemannstrasse 164, 80939 Munich, Germany. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Data Trust Agreement".
Calculation Agent	WestLB AG, acting through its office at Herzogstrasse 15, 40217 Düsseldorf, Germany. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Calculation Agency Agreement". See also "THE CALCULATION AGENT".
Principal Paying Agent	Deutsche Bank AG, London Branch, acting through its principal office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Agency Agreement". See also "THE PRINCIPAL PAYING AGENT".
Luxembourg Paying Agent	Deutsche Bank Luxembourg S.A., acting through its office at 2 Boulevard Konrad Adenauer, 1115-Luxembourg.
Luxembourg Listing Agent	Deutsche Bank Luxembourg S.A., acting through its office at 2 Boulevard Konrad Adenauer, 1115-Luxembourg.
Corporate Administrator	Structured Finance Management (Luxembourg) S.A., acting through its office at 7 Val Sainte-Croix, L-1371 Luxembourg. See "SUMMARY OF THE OTHER PRINCIPAL

DOCUMENTS — Corporate Administration Agreement". See also "THE CORPORATE ADMINISTRATOR".

Rating Agencies

Fitch, Moody's and S&P.

SUMMARY TRANSACTION 1

Overview

On the Initial Purchase Date, the Seller will sell and assign to the Issuer (the Issuer acting in respect of its Compartment 1), against payment of the Initial Purchase Price (EUR 799,999,193.39), all of its rights, titles and claims, to receive Collections in respect of the Initial Purchased Lease Receivables. On each Additional Purchase Date, the Seller will sell and assign to the Issuer (the Issuer acting in respect of its Compartment 1), against payment of the Additional Purchase Price, all its rights, titles and claims, to receive Collections in respect of the Additional Purchased Lease Receivables. The Head Lessor will transfer to the Issuer the title to the Leased Vehicles as collateral for the Purchased Lease Receivables which will be selected according to the Eligibility Criteria. See "Eligibility Criteria". The Eligibility Criteria are to be fulfilled as of the relevant Cut-Off Date, and certain representations and warranties of the Seller in respect of the Purchased Lease Receivables (the "**Seller Warranties**") are to be fulfilled as of the relevant Purchase Date.

The Issuer is a company registered in Luxembourg as a *société anonyme* (S.A.) and which is wholly owned by the Foundation. The Issuer will enter into all Transaction 1 Documents by acting in respect of its Compartment 1.

The related Lease Collateral will consist, *inter alia*, of (i) title to the Leased Vehicles, (ii) any claims under the Head Lease Agreements, (iii) insurance proceeds against the relevant insurance companies in respect of the Leased Vehicles pertaining to the Purchased Lease Receivables administrated by the Seller in accordance with its Credit and Collection Policy, (iv) any claims of the Seller to damages and excess mileage in accordance with its Credit and Collection Policy upon the insolvency of a Lessee, and (v) any other security interests related to the Purchased Lease Receivables under the relevant Sub Lease Agreements. The title to the Leased Vehicles has been transferred and any claims against the Seller under the Head Lease Agreements have been pledged by the Head Lessor separately as security to the Issuer. Pursuant to the Servicing Agreement, the Servicer will be obligated to enforce the Lease Collateral as aforesaid upon a Purchased Lease Receivable becoming a Defaulted Lease Receivable in accordance with the Credit and Collection Policy and the relevant Sub Lease Agreement. The Issuer shall be entitled to receive a Pro Rata Share of the enforcement proceeds relating to such Leased Vehicle which relates to the relevant Defaulted Lease Receivable. The Issuer will create the Compartment 1 Security for the benefit of the Trustee who in turn will hold the Compartment 1 Security for the benefit of the Compartment 1 Noteholders and the other Secured Parties under the Trust Agreement and the Deed of Charge and Assignment securing their respective payment claims backed by the assets of Compartment 1.

On the Issue Date, each Class backed by the Purchased Lease Receivables will be issued to investors, be listed and carry three

ratings from the Rating Agencies. The most senior Class should be rated AAA by Fitch, Aaa by Moody's and AAA by S&P.

The Issuer will (acting in respect of its Compartment 1) enter into an interest rate swap with the Swap Counterparty (the "**Interest Rate Swap**") which will enable the Issuer to exchange a fixed interest rate into EURIBOR. The Swap Counterparty and its successor, as the case may be, must be an Eligible Swap Counterparty.

The Compartment 1 Notes have the benefit of credit enhancement through (i) the Excess Spread, (ii) the Cash Reserve and (iii) subordination as to payment of the Class B Compartment 1 Notes to the Class A Compartment 1 Notes. The Cash Reserve will be funded, as of the Issue Date, with EUR 18,800,000 being the nominal amount the Issuer will raise through the Subordinated Loan. See "CREDIT STRUCTURE AND FLOW OF FUNDS — Credit Enhancement".

Under the Servicing Agreement, the Servicer will, on behalf of the Issuer, conduct the servicing of the Purchased Lease Receivables and the Lease Collateral on the basis of its Credit and Collection Policy and will apply the same degree of care and diligence as it would have used if the Purchased Lease Receivables and the Lease Collateral were its property.

Initial Purchase Price	The Aggregate Discounted Lease Balance of the Initial Purchased Lease Receivables as of the Initial Cut-Off Date (EUR 799,999,193.39).
Additional Purchase Price	The Aggregate Discounted Lease Balance of the relevant Additional Purchased Lease Receivables as of the relevant Additional Cut-Off Date.
Initial Cut-Off Date	29 June 2007.
Additional Cut-Off Date	Any Cut-Off Date falling in the Revolving Period shall be an Additional Cut-Off Date.
Issue Date/Initial Purchase Date	17 July 2007.
Compartment 1 Notes	The Class A Compartment 1 Notes and the Class B Compartment 1 Notes will be backed by the Purchased Lease Receivables and the Lease Collateral. See "TERMS AND CONDITIONS OF THE COMPARTMENT 1 NOTES".
Class A Compartment 1 Notes	The EUR 752,000,000 class A Compartment 1 floating rate notes due August 2015, consisting of 15,040 notes, each in the nominal amount of EUR 50,000 (the " Class A Compartment 1 Notes "). The Class A Compartment 1 Notes rank senior to the Class B Compartment 1 Notes and to the Subordinated Loan.

Class B Compartment 1 Notes

The EUR 48,000,000, class B Compartment 1 floating rate notes due August 2015, consisting of 960 notes, each in the nominal amount of EUR 50,000 (the "**Class B Compartment 1 Notes**"). The Class B Compartment 1 Notes rank senior to the Subordinated Loan.

Use of Proceeds

The aggregate net proceeds from the issue of the Compartment 1 Notes amounting to approximately EUR 800,000,000 will be used by the Issuer to purchase, on the Initial Purchase Date, Eligible Lease Receivables secured by Lease Collateral, and residual amounts, if any, will be deposited to the Issuer Account-C1 with the Issuer Account Bank and will be earning interests.

Trust Agreement

The Issuer has entered into a trust agreement (the "**Trust Agreement**") with, *inter alios*, the Trustee under which the Issuer has appointed the Trustee to act as trustee for the Compartment 1 Noteholders and the other Secured Parties and the Issuer has separately undertaken to the Trustee to duly make all payments owed to the Compartment 1 Noteholders and the other Secured Parties (the "**Trustee Claim**").

Form and Denomination

Each Class of Compartment 1 Notes will initially be represented by a Temporary Global Note of the relevant Class in bearer New Global Note form, without coupons or talons attached. Interests in a Temporary Global Note will be exchangeable for interests in a Permanent Global Note. Each Permanent Global Note will be in bearer form without coupons or talons attached, will be issued not earlier than forty (40) days after the later of the commencement of the offering and the Issue Date provided certification of non-US beneficial ownership by the Compartment 1 Noteholders has been received. The Global Notes will be deposited with the Common Safekeeper for Clearstream Luxembourg and Euroclear. The Compartment 1 Notes (while represented by Global Notes) will be transferred in book-entry form only. The Compartment 1 Notes will be issued in denominations of EUR 50,000. The Global Notes representing the Compartment 1 Notes will not be exchangeable for definitive notes. The Compartment 1 Notes are intended to be held in a manner which will allow Eurosystem eligibility. See "TERM AND CONDITIONS OF THE COMPARTMENT 1 NOTES — Condition 2 (*Form and Denomination*)".

Status of the Compartment 1 Notes

The Compartment 1 Notes are issued (*begeben*) pursuant to the terms of a subscription agreement (the "**Subscription Agreement**") dated on or before the Closing Date between the Issuer (acting in respect of its Compartment 1), the Seller, the Joint Lead Managers, the Managers and the Trustee. The Compartment 1 Notes are secured by the Compartment 1 Security pursuant to the Trust Agreement. In point of security and as to the payment of both interest and principal, the Class A Compartment 1 Notes rank

in priority to the Class B Compartment 1 Notes, whereas prior to the occurrence of an Enforcement Event and after the termination of the Revolving Period, principal on the Class A Compartment 1 Notes and the Class B Compartment 1 Notes shall be redeemed, on each Payment Date, on a *sequential* basis across the two Classes of Compartment 1 Notes. See "CREDIT STRUCTURE AND FLOW OF FUNDS — Sequential amortisation". The Trustee shall have regard to the interests of the Secured Parties in the respective order pursuant to the Post-Enforcement Priority of Payments as regards the exercise and performance of all powers, trusts, authorities, duties and discretions of the Trustee in respect of the Trust Property under the Trust Agreement or under any other documents the rights or benefits in which are comprised in the Trust Property (except where expressly provided otherwise).

The Compartment 1 Notes are direct, secured and unconditional obligations of the Issuer in relation to its Compartment 1 only. See "RISK FACTORS — Liability under the Compartment 1 Notes".

Payment Date

In respect of the first Payment Date, 16 August 2007 and thereafter the 15th of each calendar month, provided that if any such day is not a Business Day, the relevant Payment Date will fall on the next following Business Day. Any reference to a Payment Date relating to a given Monthly Period shall be a reference to the Payment Date falling within the calendar month following such Monthly Period.

Legal Final Maturity Date

The Payment Date falling on August 2015.

Presentation Period

The presentation period for the Global Notes shall end five (5) years after the Legal Final Maturity Date.

**Interest on the
Compartment 1 Notes**

The interest rate applicable to the Compartment 1 Notes for each Interest Period shall be:

- (a) in the case of the Class A Compartment 1 Notes, EURIBOR plus 0.08% per annum; and
- (b) in the case of the Class B Compartment 1 Notes, EURIBOR plus 0.18% per annum;

EURIBOR shall be determined by the Principal Paying Agent by using the reference rate for 1-Month-EURIBOR. Interest is payable in euros on each Payment Date for each Interest Period in arrear on the respective Outstanding Note Balance. Each Interest Period begins on (and includes) a Payment Date (or, in the case of the first Interest Period, the Issue Date) and ends on (but excludes) the next Payment Date.

Interest payments will be made subject to withholding or deduction tax (if any) required by law or its interpretation as applicable to the Compartment 1 Notes without the Issuer or any

Paying Agent being obliged to pay additional amounts as a consequence of any such withholding or deduction.

Collections

"**Collections**" means any amounts, proceeds or financial benefits, received on or in connection with the Purchased Lease Receivables and Lease Collateral, in fulfilment of the financial obligations of a Lessee. The Collections shall include, *inter alia*:

- (a) all collections of the Lease Instalments under the Outstanding Lease Receivables that have been paid by the Lessees during the relevant Monthly Period;
- (b) the Deemed Collections, if any, paid in the relevant Monthly Period; and
- (c) any recovery proceeds received by means of realisation of the Leased Vehicles or other related security in accordance with the Credit and Collection Policy during the relevant Monthly Period.

Monthly Period

With respect to the first Monthly Period, the period commencing on (and including) the Initial Cut-Off Date and ending on (and including) the last day of July 2007 and with respect to each following Monthly Period each calendar month thereafter.

Revolving Period

The Revolving Period commences on the Issue Date and ends on but excluding the earlier of (i) the payment Date falling in July 2009 and (ii) the day on which an Early Amortisation Event has occurred.

Deemed Collections

Pursuant to the provisions of the Lease Receivables Purchase Agreement, the Seller will be obligated to pay Deemed Collections if one of the following events occurs:

- (a) any Lease Receivables Representation and Warranty of the Seller proves to be incorrect in respect of such Purchased Lease Receivable as of the Closing Date or the relevant Additional Purchase Date unless such non-compliance is fully remedied by the Seller to the satisfaction of the Trustee; or
- (b) a Purchased Lease Receivable proves to be in breach of the Eligibility Criteria as of the relevant Cut-Off Date unless such non-compliance is fully remedied by the Seller to the satisfaction of the Trustee; or
- (c) a Purchased Lease Receivable remains unpaid solely as a result of a breach of the Servicer's obligations under the Servicing Agreement and the Credit and Collection Policy (for as long as the Seller and the Servicer are identical); or
- (d) the Clean-Up Call Option is rightfully exercised as of the Clean-Up Call Settlement Date; or

- (e) a Purchased Lease Receivable is reduced or affected due to any modification or amendment to the relevant Lease Agreement,

provided that for the avoidance of doubt, no Deemed Collection shall be payable in respect of Eligible Lease Receivables if the Lessee fails to make due payments solely as a result of its insolvency (*Delkredererisiko*).

The sum to be paid by the Seller to the Issuer (the "**Deemed Collections**") shall equal the then outstanding Discounted Lease Balance of the affected Purchased Lease Receivable or, in the case of a clean-up call, the then Aggregate Discounted Lease Balance. (The Deemed Collections will be collected by the Servicer from the Seller, if the Servicer and the Seller are not the same Person.)

Clean-Up Call Option

As of any Payment Date on which the Aggregate Discounted Lease Balance is less than 10% of the Aggregate Discounted Lease Balance at the last Purchase Date, the Seller will (provided that on the relevant Payment Date no Enforcement Event has occurred) have the option under the Lease Receivables Purchase Agreement (the "**Clean-Up Call Option**") to Acquire all outstanding Purchased Lease Receivables (together with any related Lease Collateral) against payment of Deemed Collections (being the then Aggregate Discounted Lease Balance of the remaining Purchased Lease Receivables) on the Clean-Up Call Settlement Date if the Clean-Up Call Conditions are satisfied.

"**Clean-Up Call Conditions**" means (i) the Deemed Collections (distributable as a result of the Clean-Up Call Option being rightfully exercised) should, together with funds credited to the Cash Reserve and the Replenishment Fund, be at least equal to the sum of (x) the Aggregate Outstanding Notes Balance of all Compartment 1 Notes outstanding plus (y) accrued interest thereon plus (z) all claims of any creditors of the Issuer in respect of Compartment 1 ranking prior to the claims of the Compartment 1 Noteholders according to the Applicable Priority of Payments; (ii) the Seller shall have notified the Issuer and the Trustee of its intention to exercise the Clean-Up Call Option at least one month prior to the contemplated settlement date of the Clean-Up Call Option which shall be a Payment Date (the "**Clean-Up Call Settlement Date**"); and (iii) the Deemed Collections payable by the Seller shall be equal to the current value (*aktueller Wert*) of all Purchased Lease Receivables affected by the clean up call.

Available Distribution Amount

"**Available Distribution Amount**" means, with respect to any Cut-Off Date and the Monthly Period ending on such Cut-Off Date, an amount calculated by the Servicer pursuant to the Servicing Agreement as of such Cut-Off Date and notified to the Issuer, the Corporate Administrator, the Trustee, the Calculation Agent and the Principal Paying Agent no later than on the 6th Business Day after such Cut-Off Date preceding each Payment Date, as the sum of:

- (a) the amounts standing to the credit of the Cash Reserve as of such Cut-Off Date;
- (b) the amounts standing to the credit of the Replenishment Fund as of such Cut-Off Date;
- (c) any Collections received by the Servicer during the Monthly Period ending on such Cut-Off Date;
- (d) any Swap Net Cashflow payable by the Swap Counterparty to the Issuer immediately following such Cut-Off Date;
- (e) any Tax Payment made by the Seller and/or Servicer to the Issuer in accordance with the Lease Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period;
- (f) any interest earned (if any) on the Issuer Account-C1 during such Monthly Period; and
- (g) any proceeds received from the realisation of Leased Vehicles which include proceeds relating to the residual value portion of the Lease Vehicles in accordance with the Lease Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period, if and to the extent that the Servicer has, as of the relevant Payment Date, failed to transfer to the Issuer any Collections or indemnity payments in relation to the commingling risk in relation to the Seller, other servicing risk exposures and the trade tax and VAT risk exposure, received by or payable by the Servicer or the Seller during, or with respect to, the Monthly Period ending as of such Cut-Off Date or any previous Monthly Periods, and only to the extent necessary for the fulfilment on the relevant Payment Date of the payment obligations of the Issuer (but excluding any fees and other amounts due to the Servicer under item *third* of the Pre-Enforcement Priority of Payments so long as no substitute Servicer is appointed in accordance with the Servicing Agreement).

Priority of Payments

The Issuer and/or the Trustee will make payments to the Compartment 1 Noteholders and other third parties on the basis of two different priorities of payments: (i) prior to the occurrence of an Enforcement Event, the Issuer will pay, *inter alia*, taxation and administration expenses, Swap Net Cashflow payable to the Swap Counterparty and interest and principal on the Compartment 1 Notes in accordance with the Pre-Enforcement Priority of Payments (see "PRE-ENFORCEMENT PRIORITY OF PAYMENTS") and (ii) subsequent to the occurrence of an Enforcement Event, the Trustee will, on behalf of the Issuer, make all distributions of Available Post-Enforcement Funds (or procure that all such distributions be made) in accordance with the Post-

Enforcement Priority of Payments (see "POST-ENFORCEMENT PRIORITY OF PAYMENTS").

Pre-Enforcement Priority of Payments

On each Payment Date, the Available Distribution Amount as of the Cut-Off Date immediately preceding such Payment Date shall be allocated in the following manner and priority:

- (a) *first*, amounts payable by the Issuer in respect of taxes under any applicable law (if any);
- (b) *second*, all fees, costs, expenses, other remuneration, indemnity payments and other amounts payable to the Trustee under the Trust Agreement;
- (c) *third*, on a *pari passu* basis, amounts payable to (i) the Data Trustee under the Data Trust Agreement, (ii) the Rating Agencies in respect of the monitoring fees, (iii) the Servicer under the Servicing Agreement, (iv) the Corporate Administrator under the Corporate Administration Agreement, (v) the Calculation Agent under the Calculation Agency Agreement, the Paying Agents under the Agency Agreement, and the Issuer Account Bank under the Bank Account Agreement, (vi) listing fees, costs and expenses, (vii) auditor fees and (viii) any fees reasonably required (in the opinion of the Corporate Administrator) for the filing of annual tax returns or exempt company status fees;
- (d) *fourth*, (i) Swap Net Cashflow payable by the Issuer to the Swap Counterparty and (ii) swap termination payments due to the Swap Counterparty under the Swap Agreement except in circumstances where the Swap Counterparty is the defaulting party (as defined in the Swap Agreement) or where there has been a termination of the Interest Rate Swap due to a termination event with the Swap Counterparty being the affected party (as defined in the Swap Agreement);
- (e) *fifth*, on a *pari passu* basis, accrued and unpaid interest (including overdue interest) payable to the Class A Compartment 1 Noteholders;
- (f) *sixth*, on a *pari passu* basis, accrued and unpaid interest (including overdue interest) payable to the Class B Compartment 1 Noteholders;
- (g) *seventh*, to the Cash Reserve, until the Cash Reserve is equal to the Required Cash Reserve;
- (h) *eighth*, during the Revolving Period, to the Replenishment Fund an aggregate amount equal to the Replenishment Available Amount;

- (i) *ninth*, on a *pari passu* basis, after the expiration of the Revolving Period, to the Class A Compartment 1 Noteholders in respect of principal until the Class A Compartment 1 Notes are redeemed in full;
- (j) *tenth*, on a *pari passu* basis, after the expiration of the Revolving Period, to the Class B Compartment 1 Noteholders in respect of principal until the Class B Compartment 1 Notes are redeemed in full;
- (k) *eleventh*, any amount due to the Swap Counterparty under the Swap Agreement upon the termination of the Swap Agreement where the Swap Counterparty is the defaulting party or the affected party (as such terms are defined in the Swap Agreement) and any other amount payable to the Swap Counterparty under the Interest Rate Swap;
- (l) *twelfth*, accrued and unpaid interest payable to the Subordinated Lender under the Subordinated Loan Agreement;
- (m) *thirteenth*, principal payable to the Subordinated Lender under the Subordinated Loan until the Subordinated Loan has been redeemed in full; and
- (n) *fourteenth*, to pay all remaining excess to the Seller.

Amortisation Methods

The amortisation of the Compartment 1 Notes starts as soon as the Revolving Period ends. Unless on the relevant Payment Date an Enforcement Event has occurred, the Available Distribution Amount for that Payment Date shall be applied to redeem the Class A Compartment 1 Notes and the Class B Compartment 1 Notes on a *sequential* basis so that the Available Distribution Amount applied to redeem principal first in respect of the Class A Compartment 1 Notes, then in respect of the Class B Compartment 1 Notes as described further herein.

See "CREDIT STRUCTURE AND FLOW OF FUNDS — Sequential amortisation" and "TERMS AND CONDITIONS OF THE COMPARTMENT 1 NOTES — Condition 8.2 (*Amortisation — Pre-Enforcement*)".

If at any time an Enforcement Event has occurred, Available Post-Enforcement Funds shall be applied for the redemption of the Compartment 1 Notes on a sequential basis as set forth in and subject to the Post-Enforcement Priority of Payments. See "POST-ENFORCEMENT PRIORITY OF PAYMENTS".

Early Amortisation Event

The occurrence of any of the following event during the Revolving Period shall constitute an Early Amortisation Event:

- (a) as of any Cut-Off Date, the Cumulative Net Loss Ratio exceeds (i) 0.9% for any Payment Date falling in before or

during December 2007; (ii) 1.3% for any Payment Date falling between January 2008 to June 2008; (iii) 1.9% for any Payment Date falling between July 2008 to December 2008; and (iv) 2.5% for any Payment Date falling between January 2009 to June 2009;

- (b) the occurrence of an Enforcement Event;
- (c) on two consecutive Cut-Off Dates, the amount deposited in the Replenishment Fund exceeds 10% of the Aggregate Discounted Lease Balance;
- (d) if after application of the Available Distribution Amount in accordance with the Pre-Enforcement Priority of Payments on the Reporting Date of the immediately following Payment Date, the Replenishment Fund under item *eighth* would be lower than the Replenishment Available Amount;
- (e) the Swap Agreement has been terminated;
- (f) the occurrence of a Servicer Termination Event; or
- (g) an Insolvency Event has occurred to the Seller or Servicer;

provided however in the case of (a) and (c) above, no Early Amortisation Event shall be deemed to have occurred if, by the Payment Date immediately following the date as of which the relevant Early Amortisation Event occurred, the occurrence of such relevant Early Amortisation Event will not result in a downgrading or withdrawal of the ratings assigned to any of the Compartment 1 Notes.

Early Redemption

The actual amortisation of the Compartment 1 Notes may differ from the expected amortisation of the Compartment 1 Notes, especially a faster amortisation may occur (but not limited to) if one of the following events occurs:

- (a) during the Revolving Period, an Early Amortisation Event occurs;
- (b) following the Revolving Period, in the event of a breach of the Eligibility Criteria or the Seller Warranties, the Seller is required to pay the Issuer certain Deemed Collections (at the then current Discounted Lease Balance of the affected Purchased Lease Receivables) which, when received by the Issuer, the Issuer has to use to redeem the Compartment 1 Notes prematurely in accordance with and subject to the applicable amortisation method (see above "Amortisation Methods"); and
- (c) if the Seller, provided that no Enforcement Event has occurred, rightfully exercised the Clean-Up Call Option. (See "Deemed Collections" and "Clean-Up Call Option" above

and "TERMS AND CONDITIONS OF THE COMPARTMENT 1 NOTES — Condition 8.4 (*Clean Up Call*) " and "SUMMARY OF THE OTHER TRANSACTION 1 DOCUMENTS — Lease Receivables Purchase Agreement").

Furthermore, the Issuer shall in the circumstances described in Condition 8.5 (*Optional Tax Redemption*) be entitled to redeem the Compartment 1 Notes early for tax reasons. For the purposes of the Swap Agreement, any early redemption described in this paragraph "Early Redemption" shall constitute a (partial) no cost termination event with no termination payments being payable by either party.

Final Redemption

On the Legal Final Maturity Date the Issuer shall, subject to the Applicable Priority of Payments, redeem the then Aggregate Outstanding Notes Balance of the Compartment 1 Notes and pay interest accrued thereon.

Limited Recourse

The Compartment 1 Notes will be limited recourse obligations of the Issuer. If in accordance with the Applicable Priority of Payments available funds are not sufficient, after payment of all other claims ranking in priority to the relevant Compartment 1 Notes, to cover all payments due in respect of such Compartment 1 Notes, the available funds shall be applied in accordance with the Applicable Priority of Payments and no other assets of the Issuer will be available for payment of any shortfall. After the enforcement of all the Compartment 1 Security and the distribution of all Available Post-Enforcement Funds, claims in respect of any remaining shortfall will be extinguished.

Subordinated Loan

The Subordinated Lender will grant the Subordinated Loan in a total amount of EUR 18,800,000 to the Issuer under the Subordinated Loan Agreement entered into by, *inter alios*, the Issuer (acting through its Compartment 1), the Subordinated Lender and the Trustee. The Issuer will use the Subordinated Loan to fund the Cash Reserve 18,800,000 as of the Issue Date.

Credit Enhancement

The Compartment 1 Notes have the benefit of credit enhancement provided through (i) the Excess Spread, (ii) the Cash Reserve and (iii) subordination as to payment of the Class B Compartment 1 Notes to the Class A Compartment 1 Notes. See "CREDIT STRUCTURE AND FLOW OF FUNDS — Credit Enhancement".

Issuer Account-C1

For the purpose of Transaction 1, the Issuer will (acting in respect of its Compartment 1) be opening and maintaining the Issuer Account-C1. The Joint Lead Managers and the Managers will pay on the Issue Date the proceeds of the issue to the Issuer Account-C1, and from which the Issuer will pay the Initial Purchase Price (EUR 799,999,193.39) on the Initial Purchase Date to the Seller (see "The Transaction 1 Account"). The Issuer shall, during the life of Transaction 1, maintain the

Issuer Account-C1 with a bank or financial institution that is an Eligible Bank.

Ledgers

The Issuer will be keeping two (2) ledgers relating to the Issuer Account-C1, one in respect of the Cash Reserve, and one in respect of the Replenishment Fund.

Swap Collateral

In the event that the Swap Counterparty should post any collateral to the Issuer in connection with the Swap Agreement, the Issuer shall hold such collateral in a separate swap collateral account which shall bear interest and shall be segregated from the Issuer Account-C1 and from the general cash flow of the Issuer. Collateral deposited in such swap collateral account shall not constitute Collections and shall be monitored on a separate ledger. They shall secure solely the payment obligations of the Swap Counterparty to the Issuer under the Swap Agreement and shall not secure any obligations of the Issuer.

Purchased Lease Receivables and Lease Collateral

The Purchased Lease Receivables and the related Lease Collateral (as described below) will support the payments in respect of the Class A Compartment 1 Notes and the Class B Compartment 1 Notes and the Subordinated Loan.

Purchased Lease Receivables

Under the Lease Receivables Purchase Agreement, the Issuer will, on the Initial Purchase Date purchase from the Seller certain auto lease receivables (without the relevant portion relating to VAT, relating to residual values or relating to the provision of services) originated by the Seller as Sub Lessor, each pursuant to the terms of the relevant Sub Lease Agreement (the "**Initial Purchased Lease Receivables**"). Under the Lease Receivables Purchase Agreement, the Issuer will, on the relevant Additional Purchase Date purchase from the Seller additional auto lease receivables (without the relevant portion relating to VAT, relating to residual values or relating to the provision of services) originated by the Seller as Sub Lessor, each pursuant to the terms of the relevant Sub Lease Agreement (the "**Additional Purchased Lease Receivables**"). The Initial Purchased Lease Receivables and the Additional Purchased Receivables are together referred to as the "Purchased Lease Receivables". The Purchased Lease Receivables are owed by the respective Lessee (together, the "**Lessees**"). The Purchased Lease Receivables are euro denominated as set forth in the relevant Sub Lease Agreements. Collections under each Purchased Lease Receivable will be payable on a monthly instalment basis. If a Purchased Lease Receivable should partially or totally fail to conform as of the relevant Cut-Off Date with any Eligibility Criterion and/or as of the relevant Purchase Date with any Seller Warranty, the Seller shall be obliged to pay Deemed Collections in respect thereof. (See "Deemed Collections" above.)

Pursuant to the Servicing Agreement, the Servicer shall be authorised to modify only in accordance with the Credit and Collection Policy (applicable as of the date of such modification) the terms of a Purchased Lease Receivable.

Lease Collateral

The Lease Collateral includes the following items: (i) title to the Leased Vehicles, (ii) any claims under the Head Lease Agreements, (iii) insurance proceeds against the relevant insurance companies in respect of the Leased Vehicles pertaining to the Purchased Lease Receivables administered by the Seller in accordance with its Credit and Collection Policy, (iv) any claims of the Seller to damages and excess mileage in accordance with its Credit and Collection Policy upon the insolvency of a Lessee, and (v) any other security interests related to the Purchased Lease Receivables under the relevant Sub Lease Agreements. Pursuant to the Servicing Agreement, the Servicer will be obligated to enforce the Lease Collateral as aforesaid upon a Purchased Lease Receivable becoming a Defaulted Lease Receivable in accordance with the Credit and Collection Policy and the relevant Sub Lease Agreement. The Issuer shall be entitled to receive a Pro Rata Share of the enforcement proceeds relating to such Leased Vehicle which relates to the relevant Defaulted Lease Receivable.

Subject to the condition precedent of fulfillment of the Secured Obligations as of each relevant Payment Date, the Issuer has re-transferred such Lease Collateral to the Seller and the Head Lessor in respect of the Leased Vehicles upon full and final satisfaction of the Seller's obligations in respect of the relevant Purchased Lease Receivables.

Servicing Agreement

Under the Servicing Agreement, the Servicer has agreed (i) to administer the Purchased Lease Receivables and the Lease Collateral and in particular to collect the Purchased Lease Receivables in accordance with its Credit and Collection Policy, (ii) to enforce the Lease Collateral upon a Purchased Lease Receivable becoming a Defaulted Lease Receivable in accordance with the Credit and Collection Policy, (iii) to release, on behalf of the Issuer, Lease Collateral in accordance with its Credit and Collection Policy (as further discussed in "Lease Collateral" above), and (iv) to perform other tasks incidental to the above.

Pursuant to the provisions of the Servicing Agreement, if a Lessee Notification Event occurs, the Servicer shall promptly deliver a Lessee Notification Event Notice and, if the Servicer fails to deliver such Lessee Notification Event Notice within five (5) Business Days after the Lessee Notification Event, the Issuer shall have the right to deliver or to instruct a successor Servicer or an agent (such agent being a bank or credit institution with a banking license in Germany) that is compatible with the Secrecy Rules to deliver on its behalf the Lessee Notification Event Notice provided that, subject always to the Secrecy Rules and in accordance with the terms of the Data Trust Agreement, the Data Trustee shall at the request of the Issuer, Servicer or Trustee have to despatch the Portfolio Information to the Trustee or any successor Servicer

(succeeding in the event of termination of the appointment of the existing Servicer). The Data Trustee shall fully co-operate with the Issuer and the Trustee and any of the Issuer's and the Trustee's agents and shall in particular use its best endeavours to ensure that the Portfolio Information is duly and swiftly delivered to the successor Servicer or the agent as set out in the Servicing Agreement. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS" – "Servicing Agreement" and "Data Trust Agreement".

Data Trust Agreement

Pursuant to the terms of the Data Trust Agreement, the Seller will deliver to the Data Trustee the Portfolio Information relating to the Anonymised Portfolio Information received by the Issuer from the Seller under the Lease Receivable Purchase Agreements. The Data Trust Agreement has been structured to comply with the Secrecy Rules. Pursuant to the Data Trust Agreement, the Data Trustee will keep the Portfolio Information in safe custody and will protect it against unauthorised access by third parties.

If a Servicer Termination Event has occurred, pursuant to the Data Trust Agreement the Data Trustee will fully co-operate with the retiring Servicer, the Issuer, any successor Servicer appointed by the Issuer and with agents (such agent being a bank or credit institution with a banking license in Germany) of the Issuer that are compatible with the Secrecy Rules and use its best endeavours to ensure that all information necessary to permit timely Collections from the Lessees, in particular the Portfolio Information, is at the request of the Issuer duly and swiftly transferred to either the Trustee or the successor Servicer.

Taxation

All payments of principal of, and interest on the Compartment 1 Notes will be made free and clear of, and without any withholding or deduction for, or on account of, tax (if any) applicable to the Compartment 1 Notes under any applicable jurisdiction, unless such withholding or deduction is required by law or its interpretation. If any such withholding or deduction is imposed, the Issuer will not be obligated to pay any additional or further amounts as a result thereof. See "TAXATION".

Compartment 1 Security

The Compartment 1 Security shall comprise, *inter alia*, the Purchased Lease Receivables, the related Lease Collateral, the Issuer's claims against the Swap Counterparty under the Swap Agreement, any claims the Issuer might have against the Seller under the Lease Receivables Purchase Agreement and the Issuer's interests in the Issuer Account-C1. The Compartment 1 Security has been charged to the Trustee under the Trust Agreement (save for the Issuer's claims against the Swap Counterparty under the Swap Agreement which have been charged to the Trustee under the Deed of Charge and Assignment). The Trustee will hold the Compartment 1 Security for itself and for the Compartment 1 Noteholders and the other Secured Parties as beneficiaries.

Funding of the Issuer

The Issuer will fund the purchase of the Initial Purchased Lease

Receivables from the Seller by utilising the net proceeds of the issue of the Compartment 1 Notes for the payment of the Initial Purchase Price (EUR 799,999,193.39). To raise the Cash Reserve, the Issuer will obtain funding under the Subordinated Loan from the Subordinated Lender.

Cash Reserve

On the Issue Date, the Issuer will credit an amount of EUR 18,800,000 into the Cash Reserve which will be held and maintained in a separate ledger to the Issuer Account-C1 by the Issuer Account Bank. The Cash Reserve, as part of the Available Distribution Amount or the Available Post-Enforcement Funds (as the case may be), will provide limited protection against shortfalls in the amounts required to pay the Interest Amount, the Principal Amount and other payment obligations of the Issuer on the Compartment 1 Notes in accordance with the Applicable Priority of Payments. See "CREDIT STRUCTURE AND FLOW OF FUNDS – Cash Reserve", "PRE-ENFORCEMENT PRIORITY OF PAYMENTS" and "POST-ENFORCEMENT PRIORITY OF PAYMENTS".

Prior to the occurrence of an Enforcement Event, on each Payment Date, the Cash Reserve will be replenished up to the Required Cash Reserve in accordance with item *seventh* of the Pre-Enforcement Priority of Payments. "CREDIT STRUCTURE AND FLOW OF FUNDS – Pre-Enforcement Priority of Payments".

Required Cash Reserve

The Required Cash Reserve shall be (i) the lower of (x) 2.35% of the Initial Notes Balance, and (y) the Aggregate Outstanding Notes Balance or (ii) zero after the Aggregate Discounted Lease Balance has been reduced to zero.

Replenishment Fund

On each Payment Date during the Revolving Period, the Replenishment Available Amount will be credited to the Replenishment Fund in accordance with item *eighth* of the Pre-Enforcement Priority of Payments. The amount standing to the credit of the Replenishment Fund is available to purchase the Additional Lease Receivables. To the extent the Replenishment Available Amount exceeds the Additional Purchase Price for the Additional Lease Receivables at the relevant Payment Date, it will be deposited until the following Payment Date and form part of the Available Distribution Amount on such Payment Date.

Swap Agreement

As the Purchased Lease Receivables have been purchased at their net present value using a fixed interest rate (the "**Discount Rate**"), but the Class A Compartment 1 Notes and the Class B Compartment 1 Notes will bear interest at a floating rate calculated by reference to EURIBOR, it will be necessary for the Issuer to effect on each Payment Date an exchange of the swap fixed interest rate for EURIBOR on the Swap Notional Amount. To that end, the Issuer has entered into a Swap Agreement with the Swap Counterparty (the "**Swap Agreement**"). The Swap Agreement shall terminate on the Swap Termination Date (unless terminated previously by reason of the occurrence of an event of default or termination event). If the Swap Counterparty ceases to be an

Eligible Swap Counterparty, the Swap Counterparty shall use its reasonable endeavours to (A) post eligible collateral in accordance with the terms of the Swap Agreement, or (B) transfer as soon as practicable following such down-grade, at its own costs, all the Swap Counterparty's rights and obligations under the Swap Agreement to another Eligible Swap Counterparty in accordance with the terms of the Swap Agreement or (C) take other remedial action in accordance with the terms of the Swap Agreement, provided that if the Swap Counterparty fails to do so, the Issuer shall be entitled to terminate the Swap Agreement. See "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS —Swap Agreement".

Corporate Administration Agreement

Pursuant to the Corporate Administration Agreement, the Corporate Administrator shall perform (in respect of Compartment 1) certain corporate and administrative services to the Issuer and Luxembourg International Consulting S.A. shall be instructed by the Corporate Administrator to provide certain Luxembourg domiciliation functions to the Issuer.

Transaction 1 Documents

The Conditions, the Trust Agreement, the Subscription Agreement, the Agency Agreement, the Bank Account Agreement, the Calculation Agency Agreement, the Lease Receivables Purchase Agreement, the Servicing Agreement, the Data Trust Agreement, the Issuer-ICSDs Agreement and the Subordinated Loan Agreement will be governed by and construed in accordance with the laws of Germany. The Swap Agreement and the Deed of Charge and Assignment (charging the Issuer's claims under the Swap Agreement for the benefit of the Trustee) will be governed by and construed in accordance with English law. The Corporate Administration Agreement will be governed by and construed in accordance with the laws of Luxembourg. All Transaction 1 Documents (save for the Corporate Administration Agreement) relate to Compartment 1 only.

Applicable Law

The Compartment 1 Notes are governed by and are to be construed in accordance with the laws of Germany.

Tax Status of the Compartment 1 Notes

See "TAXATION".

Selling Restrictions

See "SUBSCRIPTION AND SALE".

Listing and Admission to Trading

Application will be made to list the Compartment 1 Notes on the official list of the Luxembourg Stock Exchange and to admit them to trading on the Luxembourg Stock Exchange.

ICSDs

Clearstream Luxembourg and Euroclear (see "GENERAL INFORMATION" — ICSDs).

Ratings

Class A: AAA/Aaa/AAA by Fitch/Moody's/S&P.

Class B: A/A1/A by Fitch/Moody's/S&P.

Risk factors

Prospective investors in the Compartment 1 Notes should consider, among other things, certain risk factors in connection with the purchase of the Compartment 1 Notes. Such risk factors as described below may influence the ability of the Issuer to pay interest, principal or other amounts on or in connection with any Compartment 1 Notes. The risks in connection with the investment in the Compartment 1 Notes include, *inter alia*, risks relating to the assets and the Transaction 1 Documents, risks relating to the Compartment 1 Notes and risks relating to the Issuer. These risk factors represent the principal risks inherent in investing in the Compartment 1 Notes only and shall not be deemed as exhaustive.

RISK FACTORS

THE PURCHASE OF CERTAIN COMPARTMENT 1 NOTES MAY INVOLVE SUBSTANTIAL RISKS AND BE SUITABLE ONLY FOR INVESTORS WHO HAVE THE KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS NECESSARY TO ENABLE THEM TO EVALUATE THE RISKS AND THE MERITS OF AN INVESTMENT IN THE COMPARTMENT 1 NOTES. PRIOR TO MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS SHOULD CONSIDER CAREFULLY IN LIGHT OF THEIR OWN FINANCIAL CIRCUMSTANCES AND INVESTMENT OBJECTIVES ALL THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR AND IN PARTICULAR, THE CONSIDERATIONS SET FORTH BELOW. PROSPECTIVE INVESTORS SHOULD MAKE SUCH INQUIRIES AS THEY DEEM NECESSARY WITHOUT RELYING ON THE ISSUER OR THE ARRANGER OR ANY JOINT LEAD MANAGERS OR ANY MANAGERS OR ANY OTHER PARTY REFERRED TO HEREIN.

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Compartment 1 Notes, These factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

The Compartment 1 Notes will be solely contractual obligations of the Issuer. The Compartment 1 Notes will not be obligations or responsibilities of, or guaranteed by, any of the Seller, the Servicer (if different), any substitute Servicer, the Trustee, the Swap Counterparty, the Data Trustee, the Principal Paying Agent, the Calculation Agent, the Manager, the Joint Lead Managers, the Arranger, the Issuer Account Bank, the Luxembourg Paying Agent, the Common Safekeeper, or any of their respective Affiliates or any Affiliate of the Issuer or any other party (other than the Issuer) to the Transaction 1 Documents or any other third Person or entity other than the Issuer. Furthermore, no Person other than the Issuer will accept any liability whatsoever to Compartment 1 Noteholders in respect of any failure by the Issuer to pay any amount due under the Compartment 1 Notes.

In addition, factors which are material for the purpose of assessing the market risks associated with Compartment 1 Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Compartment 1 Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Compartment 1 Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Compartment 1 Notes are exhaustive. Additional risks and uncertainties not presently known to the Issuer or that the Issuer currently believes to be immaterial could also have a material impact on the Issuer's financial strength in relation to Compartment 1.

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE COMPARTMENT 1 NOTES

Various factors that may affect the Issuer's ability to fulfil its obligations under the Compartment 1 Notes are categorised below as either (i) risks related to the Purchased Lease Receivables, (ii) risks relating to the parties to Transaction 1, (iii) legal risks, (iv) tax risks and (v) structural and other credit risks. Several risks may fall into more than one of these five categories and investors should therefore not conclude from the fact that a risk factor is discussed under a specific category that such risk factor could not also be discussed under one or more other categories.

Risks related to the Purchased Lease Receivables

Non-existence of Purchased Lease Receivables

The Issuer is entitled to demand payment of Deemed Collections from the Seller, but from no other Person, if Purchased Lease Receivables do not exist or cease to exist (*Bestands- und Veritätshaftung*) in accordance with the Lease Receivables Purchase Agreement. If a Lease Agreement relating to a Purchased Lease Receivable proves not to have been legally valid as of the relevant Cut-Off Date, the Seller will, pursuant to the Lease Receivables Purchase Agreement, pay to the Issuer Deemed Collections in an amount equal to the then Discounted Lease Balance of such Purchased Lease Receivable (or the affected portion thereof).

Risk of Losses on the Purchased Lease Receivables

Losses on the Purchased Lease Receivables may result in Losses for the Compartment 1 Noteholders.

The risk to the Class A Compartment 1 Noteholders that they will not receive the amount due to them under the Class A Compartment 1 Notes is mitigated (i) by the Excess Spread, (ii) by the amount of funds in the Cash Reserve which is funded by the Subordinated Loan granted by the Subordinated Lender at the Issue Date, and (iii) by the subordination of the principal payments of the holders of the Class B Compartment 1 Notes and the Subordinated Lender to the holders of the Class A Compartment 1 Notes.

There is no assurance that the Class A Compartment 1 Noteholders will receive for each Class A Compartment 1 Note the total principal amount of EUR 50,000 plus interest of EURIBOR plus 0.08%.

The risk to the Class B Compartment 1 Noteholders that they will not receive the amount due to them under the Class B Compartment 1 Notes as stated on the cover page of this Offering Circular is mitigated (i) by the Excess Spread, (ii) by the amount of funds in the Cash Reserve which is funded by the Subordinated Loan granted by the Subordinated Lender, and (iii) by the subordination of the payments of the Subordinated Lender to the holders of the Class B Compartment 1 Notes..

There is no assurance that the Class B Compartment 1 Noteholders will receive for each Class B Compartment 1 Note the total principal amount of EUR 50,000 plus interest of EURIBOR plus 0.18%.

Risk of "re-characterisation" of a sale as loan secured by lease receivables

The transaction is structured to qualify under German law as an effective (true) sale of the Lease Receivables under the Lease Receivables Purchase Agreement from the Seller to the Issuer and not as a secured loan. In particular, the Subordinated Loan is not provided by the Seller but from a different BMW Group entity. However, there are no statutory or case law based tests as to when a securitisation transaction qualifies as an effective sale or as a secured loan. Therefore, there is a theoretical risk that a court might "re-characterise" the sale of Lease Receivables under the Lease Receivables Purchase Agreement into a secured loan. In such case, sections 166 and 51 no. 1 of the German Insolvency Act (*Insolvenzordnung*) would apply, in the context of which the assignment of the Lease Receivables would be considered as having been made for security purposes only. In this case, the Issuer would have no right to segregation (*Aussonderung*) in respect of the Purchased Lease Receivables but would be entitled to separation (*Absonderung*) only with the following consequences:

In the event of a "re-characterisation" of the sale into a secured loan, the Issuer would be barred from collecting the Purchased Lease Receivables and from enforcing the Lease Collateral. In other words, an insolvency administrator of the Seller as transferor of the Purchased Lease Receivables which have been assigned for security purposes is authorised by German law to enforce the assigned Purchased Lease Receivables on behalf of the assignor (i.e. the insolvent Seller) and the Issuer is barred from enforcing the Purchased Lease Receivables itself or through an agent. The insolvency administrator is obligated to transfer the proceeds from such realisation of the financed object to the Issuer. The insolvency administrator may, however, deduct from the enforcement proceeds fees which may amount to up to 4% plus up to 5% (in certain cases more than 5%) of the enforcement proceeds and value added tax, if applicable.

Accordingly, the Issuer may have to share in the costs of any Insolvency Proceedings of the Seller in Germany, reducing the amount of money available upon collection of the Purchased Lease Receivables and enforcement of the Lease Collateral to repay the Compartment 1 Notes, if the sale and assignment of the Purchased Lease Receivables by the Seller to the Issuer were regarded as a secured loan rather than a sale of lease receivables.

The Issuer has been advised, however, that the transfer of the Purchased Lease Receivables would in all likelihood be construed such that the risk of the insolvency of the Lessees lies with the Issuer (i.e. as a "true sale") and that, therefore, the Issuer would have the right to segregation (*Aussonderungsrecht*) of the Purchased Lease Receivables from the estate of the Seller in the event of the Seller's insolvency and that, consequently, the cost sharing provisions described above would generally not apply with respect thereto.

Historical and other information

The historical information set out in particular in "PURCHASED LEASE RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA" is based on the historical experience and present procedures of the Seller. None of the Issuer, the Subordinated Lender, the Corporate Administrator, the Swap Counterparty, the Arranger, the Joint Lead Managers, the Managers, the Trustee, the Paying Agents, nor the Calculation Agent has undertaken or will undertake any investigation or review of, or search to verify, the historical information. There can be no assurances as to the future performance of the Purchased Lease Receivables.

Reliance on Seller Warranties and Eligibility Criteria

If the Seller Warranties given by the Seller in the Lease Receivables Purchase Agreement in respect of each Purchased Lease Receivable are, in whole or in part, incorrect or if the Seller has breached the Eligibility Criteria, this shall constitute a breach of contract under the Lease Receivables Purchase Agreement and the Issuer will have contractual remedies against the Seller. In the case of any related misrepresentation or breach of any Eligibility Criterion, the Seller will be required to pay Deemed Collections to the Issuer (see the definition of Deemed Collections in "MASTER DEFINITIONS SCHEDULE — Deemed Collections". Consequently, in the event that any such representation or warranty is breached, the Issuer is exposed to the credit risk of the Seller. Should the Seller's credit quality deteriorate, this could, in conjunction with afore-said breach of contract, undermine the Issuer's ability to make payments on the Compartment 1 Notes.

Reliance on Credit and Collection Policy

The Servicer will carry out the administration, collection and enforcement of the Purchased Lease Receivables in accordance with the Servicer's Credit and Collection Policy. Accordingly, the Compartment 1 Noteholders are relying on the business judgment and practices of the Servicer as to the liquidation of the Purchased Lease Receivables against the Lessees and with respect to enforcement of the related Lease Collateral. See "SUMMARY OF THE OTHER PRINCIPAL

TRANSACTION DOCUMENTS — Servicing Agreement" and "CREDIT AND COLLECTION POLICY".

No independent investigation and limited information

None of the Joint Lead Managers, the Arranger, the Managers, the Trustee, the Issuer or any other Person referred to herein (other than the Seller but only as explicitly described herein) has undertaken or will undertake any investigations, searches or other actions to verify any details in respect of the Purchased Lease Receivables or the Lease Agreements or to establish the creditworthiness of any Lessee. Each of the afore-mentioned Persons will rely solely on the accuracy of the representations and warranties and the financial information given by the Seller to the Issuer in the Lease Receivables Purchase Agreement in respect of, *inter alia*, the Purchased Lease Receivables, the Lessees, the Lease Agreements underlying the Purchased Lease Receivables and the Leased Vehicles. The benefit of the representations and warranties given to the Issuer will be transferred by the Issuer to the Trustee for the benefit of the Secured Parties under the Trust Agreement.

The Seller is under no obligation and will not provide the Joint Lead Managers, the Managers, the Arranger, the Trustee or the Issuer with the names or the identities of the Lessees and copies of the relevant Lease Agreements and legal documents in respect of the relevant Lease Agreement. The Joint Lead Managers, the Managers and the Issuer will only be supplied with financial information in relation to the Purchased Lease Receivables and the underlying Lease Agreements. Furthermore, none of the Joint Lead Managers, the Arranger, the Managers, the Trustee or the Issuer will have any right to inspect the Records of the Seller, however, pursuant to the terms of the Data Trust Agreement, the Issuer and the Trustee may at any time, if any of them has reasonable grounds, demand from the Data Trustee the Records of the Seller provided that the Data Trustee may not disclose to the Issuer or the Trustee the names or the identities of the Lessees and copies of the relevant Lease Agreements and legal documents in respect of the relevant Lease Agreement.

The primary remedy of the Trustee and the Issuer for breaches of any Eligibility Criteria as of the relevant Cut-Off Date or Seller Warranties as of the relevant Purchase Date (as applicable) will be to require the Seller to pay Deemed Collections in an amount equal to the Discounted Lease Balance of such Purchased Lease Receivables (or the affected portion thereof) on the date of payment of the Deemed Collections.

Notice of Assignment; Defences of the Lessees

The assignment of the Purchased Lease Receivables and the assignment and transfer of the Lease Collateral is in principle "silent" (i.e. without notification to the Lessees) and may only be disclosed to the relevant Lessees in accordance with the Servicing Agreement or where the Seller agrees to such disclosure otherwise. Until the relevant Lessees have been notified of the assignment of the relevant Purchased Lease Receivables, they may pay with discharging effect to the Seller or enter into any other transaction with regard to such Purchased Lease Receivables with the Seller which will have binding effect on the Issuer and the Trustee. Each Lessee may further raise defences against the Issuer and the Trustee arising from its relationship with the Seller which are existing or contingent (*begründet*) at the time of the assignment of the Purchased Lease Receivables.

With respect to a Purchased Lease Receivable assigned by the Seller to the Issuer in fulfilment of the Lease Receivables Purchase Agreement, the Issuer's claim to payment may further to possible defences and objections resulting from consumer credit legislation (as described in detail later under the section "German consumer credit legislation") be subject to defences and set-off rights of the Lessees of such Purchased Lease Receivable; provided such rights (i) were in existence and

due at the time of the assignment of such Purchased Lease Receivable (section 404 of the German Civil Code) or (ii) were acquired by the Lessee after such assignment without such Lessee having knowledge of the assignment at the time of acquiring the right or at the time when the right falls due (in cases where the right's maturity falls beyond the maturity of the respective right under the Purchased Lease Receivable) (section 406 of the German Civil Code).

Furthermore, each Lessee is entitled to set-off against the Issuer and the Trustee the claims the Lessee has, if any, against the Seller unless such Lessee has knowledge of the assignment upon acquiring such claims or such claims become due only after the Lessee acquires such knowledge and after the relevant Purchased Lease Receivables themselves become due. Afore-described risks are mitigated because, as of the relevant Cut-Off Date, the Seller represents and warrants to the Issuer that it is not aware that any Lessee has asserted any lien, right of rescission, counterclaim, set-off, right to contest or defence against the Seller in relation to any Lease Agreement.

In the case of any misrepresentation of the Seller, Compartment 1 Noteholders may become exposed to the credit quality of the Seller. See "Reliance on Seller Warranties and the Eligibility Criteria" below.

Risks related to the parties to Transaction 1

Replacement of the Servicer

If the appointment of the Servicer is terminated, the Issuer has the right to appoint a successor Servicer pursuant to the Servicing Agreement. There is no assurance that an appropriate successor Servicer can be found and hired in the required time span as set forth in the Servicing Agreement and that this does not have a negative impact on the amount and the timing of the Collections made.

Creditworthiness of Parties to the Transaction 1 Documents, in particular, the Servicer

The ability of the Issuer to meet its obligations under the Compartment 1 Notes will be dependent, in whole or in part, on the performance of the duties by each party to the Transaction 1 Documents.

No assurance can be given that the creditworthiness of the parties to the Transaction 1 Documents, in particular, the Servicer, the Swap Counterparty and the Issuer Account Bank will not deteriorate in the future. This may affect the performance of their respective obligations under the respective Transaction 1 Documents. In particular, it may affect the administration, collection and enforcement of the Purchased Lease Receivables by the Servicer in accordance with the Servicing Agreement.

However, the credit risk mentioned before is mitigated by certain credit sensitive triggers. For example, it shall constitute a Servicer Termination Event if, *inter alia*, with respect to the Servicer or the Seller, an Insolvency Event occurs or the Servicer fails to perform a material obligation which is not remedied within twenty (20) Business Days of notice from the Issuer or the Trustee. The Swap Counterparty has to be an Eligible Swap Counterparty. The Issuer Account Bank has to be an Eligible Bank.

Commingling risk and risk of Servicer Shortfalls

During the life of Transaction 1, the Seller in its capacity as the Servicer is entitled to commingle any Collections from the Purchased Lease Receivables, including proceeds from the disposition of any Leased Vehicle with its own funds during each Monthly Period and will be required to make

a single deposit to the Issuer Account-C1 on each Payment Date. Commingled funds may be used or invested by the Seller at its own risk and for its own benefit until the relevant Payment Date.

Upon the occurrence of an Insolvency Event to the Seller or the Servicer or a Servicer Termination Event, commingling risks and risks of Servicer Shortfalls may occur. For covering the outlined potential commingling risks and risks of Servicer Shortfalls, the Seller in its capacity as the Servicer has undertaken to indemnify the Issuer against any liabilities, costs, claims and expenses resulting from its failure to pay the Issuer any Collections in accordance with the Servicing Agreement, except those penalties and interest surcharges that are due to the gross negligence or wilful default of the Issuer and to provide collateral by using the proceeds received from the realisation of Leased Vehicles which include proceeds relating to the residual value portion of the Lease Vehicles if the Seller in its capacity as the Servicer fails to on-pay any Collections to the Issuer in accordance with the Servicing Agreement.

Conflicts of Interest

In connection with Transaction 1, the Seller will also act as Servicer and the Issuer Account Bank will also act as the Principal Paying Agent. These parties will have only those duties and responsibilities assumed under the Transaction 1 Documents, and will not, by virtue of their or any of their Affiliates acting in any other capacity, be deemed to have any other duties or responsibilities or be deemed to be held to a standard of care other than those under each Transaction 1 Document to which they are a party. All Transaction 1 Parties (other than the Issuer) may enter into other business dealings with each other or Bavarian Sky S.A. (in respect of Compartments other than Compartment 1) from which they may derive revenues and profits without any duty to account therefore in connection with Transaction 1.

The Servicer may hold or service claims (for third parties) against the Lessees other than the Purchased Lease Receivables.

The wider interests or obligations of the afore-mentioned parties may therefore conflict with the interests of the Compartment 1 Noteholders.

The afore-mentioned parties may engage in commercial relations, in particular, be lender, provide general banking, investment and other financial services to the Lessees, the Seller, the Servicer, the Issuer (in respect of Compartments other than Compartment 1) and other parties to Transaction 1. The Corporate Administrator may provide corporate, administrative or other services to other entities.

In such relations, the afore-mentioned parties are not obliged to take into account the interests of the Compartment 1 Noteholders. Accordingly, because of these other relations, potential conflicts of interest may arise in respect of Transaction 1.

Legal risks

The transaction relies on the interpretation of section 108 para. 1 sentence 2 of the German Insolvency Code (*Insolvenzordnung*) that, both the Head Lease Agreements and the Sub Lease Agreements will not be subject to an election right of the relevant insolvency administrators appointed in case of the insolvency of either the Seller or the Head Lessor. The Issuer believes that section 108 para 1 sentence 2 of the German Insolvency Code (*Insolvenzordnung*) which excludes the insolvency administrator's termination right would not only apply to the Head Lease Agreements. The Issuer is of the view that section 108 para 1 sentence 2 of the German Insolvency Code (*Insolvenzordnung*) is to be interpreted as to apply also to so-called two tier lease structures (*Doppelstockleasingstrukturen*). Although there is no specific case law on this point, the Issuer believes that there is a substantial body of legal writing that supports its legal position

in the event of Insolvency Proceedings opened with respect to the Seller or the Head Lessor. At least in respect of structures where the head lessor and the sub lessor can be considered to form one economic unit, e.g. because they are affiliated companies and have entered into profit and loss transfer agreements (*Gewinnabführungsverträge*), as it is the case between the Head Lessor and the Seller, a majority view of legal scholars seems to support a wider interpretation in favor of the application of section 108 para 1 sentence 2 of the German Insolvency Code (*Insolvenzordnung*). The German legislator, pursuant to the published parliamentary documents, when adopting the Insolvency Code intended to enable lessors to refinance the acquisition of lease objects by entering into financing agreements pursuant to which the lessor grants a security interest over the lease objects and permits the financier to rely on the continuation of the lease agreements even in case the lessor becomes insolvent. The intended purpose of section 108 para 1 sentence 2 of the German Insolvency Code (*Insolvenzordnung*) thus seems to permit a wider interpretation in favor of its application. Although, generally, exceptions to general rules such as the election right of the insolvency administrator, are to be interpreted narrowly.

In the absence of specific judicial authority on this point, there can be no assurance that the competent Insolvency Court presiding over any Insolvency Proceedings with respect to either the Seller or the Head Lessor would affirm such legal position of the Issuer. If such court were to find that the insolvency administrator of the Seller would be entitled to terminate the relevant Sub Lease Agreements pursuant to section 103 German Insolvency Code (*Insolvenzordnung*), the assignment of the Purchased Lease Receivables may be invalid. The Issuer, however, believes that in such case, the Seller's insolvency administrator would be obliged to elect the continuation of the Sub Lease Agreements since he may not freely exercise his discretion but has to opt for the most favorable result for the respective secured and unsecured creditors. The insolvency administrator is obliged to exercise such discretion in respect of his right to continue the Sub Lease Agreement with a view to increasing the value of the insolvency estate on the basis of an economic evaluation of the contractual relations concerned. Since by continuing the Sub Lease Agreements he may avoid damage claims against the insolvency estate and a foreclosure by the Purchaser on the Lease Vehicles, the Issuer is of the view that the insolvency administrator is likely to opt for a continuation of the Sub Lease Agreements. As a result, he would also have to opt for a continuation of the relevant Head Lease Agreements. Consequently, the Seller's insolvency administrator would have to make payments under the pledged claims of the Head Lessor under the Head Lease Agreements to the Issuer and hence, the Issuer believes that it would be entitled to sufficient proceeds from the insolvency estate to satisfy the claims of the Compartment 1 Noteholders.

If the Seller's insolvency administrator would nonetheless terminate the Sub-Lease Agreements, the Issuer believes that it would be entitled to enforce the security title to all relevant Leased Vehicles in relation to which the Head Lessor (if insolvent) does not have direct possession (*direkter Besitz*). Pursuant to two recent decisions of the German Supreme Court, it appears that the court holds that an insolvency administrator having constructive possession was entitled to enforce the Leased Vehicle provided the lessees having actual possession intend to exercise such possession (*Besitzwille*) for the benefit of the lessor. The Issuer believes that pursuant to the aforementioned recent case law, the Head Lessor's insolvency administrator would not be entitled to enforce the Lease Vehicles since the Head Lessor has assigned its possessory claims against the Seller to the Purchaser, has notified the Seller of such assignment and has instructed the Seller to pass its constructive possession (*Besitzmittlungswille*) in respect of the Lease Vehicles to the Issuer. Further, the Lessees are not likely to be aware of the double tier lease structure and therefore are unlikely to intend to possess the Lease Vehicles for the Head Lessor. The Issuer therefore believes that only in case the Head Lessor has become insolvent and the insolvency administrator has direct possession with respect to the Leased Vehicles, the insolvency administrator would be entitled to enforce the security to the Leased Vehicles and would be entitled to deduct a 9% haircut from the enforcement proceeds. However, in the absence of specific judicial authority on this point, there can be no assurance that the competent Insolvency

Court presiding over any Insolvency Proceedings with respect to either the Seller or the Head Lessor would affirm such legal position of the Issuer.

Federal Data Protection Act (Bundesdatenschutzgesetz)

According to the German Federal Data Protection Act, a transfer of a customer's personal data is permitted if (a) the relevant customer has consented to such transfer or (b) such transfer is permitted by law, or (c) such transfer is (i) necessary in order to maintain the legitimate interests of the person storing the data and (ii) there is no reason to believe that the legitimate interests of the customer to prevent the processing and use of data should prevail over such other storer's interests. The Issuer is of the view that the transfer of the Lessees' personal data in connection with the assignment of the rights under the Purchased Lease Receivables relating to the Lease Collateral is in compliance with (c) above and is necessary to maintain the legitimate interests of the Seller, the Issuer and the Trustee. In addition, the Issuer is of the view that the protection mechanisms provided for in the Data Trust Agreement and the Lease Receivables Purchase Agreement take into account the legitimate interests of the Lessees to prevent the processing and use of data by any of the Seller, the Issuer and the Trustee.

German consumer credit legislation

The Sub Lease Agreements are structured to qualify as operating lease agreements and not as financial leases so that section 500 of the German Civil Code containing special provisions for consumer financing should not apply. However, in case a court would re-characterise the Sub Lease Agreements (e.g. in case the relevant consumer assumes an open residual value risk in respect of the relevant Lease Vehicle) as financial leases, such re-characterisation would have, among others, the following consequences in case the lessor is a consumer within the meaning of the German Civil Code:

In case a Sub Lease Agreement with a consumer is not executed in written form such Sub Lease Agreement would be ineffective with the consequence that the consumer could refuse to perform its obligations under the Sub Lease Agreement or, if the vehicle is already delivered, return such vehicle and discontinue the lease payments. For a period of two weeks commencing with a notice being delivered to the consumer informing the consumer of such possibility, the consumer would have the right to cancel the Sub Lease Agreement. With respect to certain types of defences and objections, the consumer could raise such objections and defences against payment obligations under the Sub Lease Agreement even if explicitly excluded in the Sub Lease Agreement. In case of a consumer defaults with respect to its payment obligations under a Sub Lease Agreement, there are special conditions for the acceleration of the Lease Receivable of such Sub Lease Agreement. Any objections or defences arising from defects with respect to the financed vehicle (*Mängel*) entitle the consumer to also raise such objections or defences with respect to its payment obligations under the Sub Lease Agreement.

However, it is an Eligibility Criterion for all Purchased Lease Receivables that they are valid and enforceable and not subject to any right of revocation, set-off or counter-claim, warranty claims of the Lessees or any other right of objection, in addition the portions relating to the VAT, the residual value and the provision of services are not sold to the Issuer under the Lease Receivables Purchase Agreement, see "DESCRIPTION OF THE PURCHASED LEASE RECEIVABLES AND OF THE LEASE COLLATERAL — Eligibility Criteria". In the event that a Purchased Lease Receivable does not meet the Eligibility Criteria, the Seller will be required to pay to the Issuer Deemed Collections in the amount of the Discounted Lease Balance of such Purchased Lease Receivable (or the affected portion thereof). See "MASTER DEFINITIONS SCHEDULE — Deemed Collections".

Non-petition and limited recourse clauses

Non-petition, exclusion of liability and limited recourse clauses may in certain circumstances be held invalid under German law. Liability arising out of wilful misconduct and/or, under certain circumstances, gross negligence or, insofar as material obligations and duties are concerned, other negligent breaches of duty cannot validly be excluded or limited in advance. In addition, where the relevant limited recourse, exclusion of liability and non-petition clause is directly contrary to the purpose of the contract, the relevant clauses could, in such circumstances, be declared void. Furthermore, in relation to the procedural rights of the parties, a general prohibition for one of the parties to sue the other party might be held to contravene *bonos mores (sittenwidrig)* and might therefore be declared void. In principle, non-petition, exclusion of liability and limited recourse clauses must not be the result of disparity of bargaining power or economic resources of the parties.

The Issuer has been advised by a reputable law firm that a disparity of bargaining power does not apply in securitisation transactions in which all parties involved are corporate entities with sufficient economic and intellectual resources and that the non-petition clauses reinforce the intended transactional mechanics of Transaction 1 and the intended allocation of risk. The relevant limited recourse, exclusion of liability and non-petition clauses are in the interest of all parties to the agreements containing limited recourse, exclusion of liability and non-petition clauses and do not lead to an imbalance of benefits as between the parties which would be required for holding such clauses null and void. Furthermore, the Luxembourg Securitisation Law explicitly states, for the purposes of Luxembourg law, that non-petition clauses shall be legal, valid, binding and enforceable to the extent the relevant Issuer has elected to be governed by the Luxembourg Securitisation Law, while the limited recourse clauses will be effective by operation of the Luxembourg Securitisation Law.

Change of law

The underlying Sub Lease Agreements, the Trust Agreement, the Lease Receivables Purchase Agreement and the other Transaction 1 Documents and the issue of the Compartment 1 Notes, as well as the ratings which are to be assigned to the Compartment 1 Notes are based on the law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible change of law or its interpretation or administrative practice after the date of this Offering Circular.

Assignability of Purchased Lease Receivables

As a general rule under German law, receivables are assignable unless their assignment is excluded either by agreement or by the nature of the receivables to be assigned. Under section 354a of the German Commercial Code (*Handelsgesetzbuch*), however, the assignment of claims for the payment of money arising under leases that constitute business transactions (*Handelsgeschäft*) for both parties (including the lessee) within the meaning of the German Commercial Code will be valid notwithstanding an agreement prohibiting such assignment. There is no published court precedent of the German Federal Court of Justice (*Bundesgerichtshof*) or any German Court of Appeals (*Oberlandesgericht*) confirming that receivables arising out of lease agreements or other rental agreements would not be assignable either generally or in a refinancing transaction or an asset-backed securitisation.

Pursuant to the Lease Receivables Purchase Agreement, the Seller will warrant to the Issuer that the Lease Agreements under which the Purchased Lease Receivables have been originated are based on certain standard forms. These standard forms do not specifically prevent the Seller from transferring its rights under the relevant Lease Agreement to a third party for refinancing purposes. Pursuant to the Lease Receivables Purchase Agreement, the Seller will represent and

warrant to the Issuer that the provisions of the Lease Agreements are valid. The Seller will also warrant to the Issuer in the Lease Receivables Purchase Agreement that the assignment of the Purchased Lease Receivables to the Issuer is not prohibited and is valid.

Termination for good cause

As a general principal of German law, a contract may always be terminated for good cause (*aus wichtigem Grund*) and such right may not be totally excluded nor may it be made subject to unreasonable restrictions or the consent from a third party. This may also have an impact on several limitations of the right of the parties to the Transaction I Documents to terminate for good cause.

Tax risks

German taxation

The following should be read in conjunction with "TAXATION — German Taxation".

Income tax

Investors should be aware that with respect to the Issuer's liability for income tax there is no assurance that the German tax authorities will treat the Issuer as having its place of effective management and control ("*Geschäftsleitung*") outside Germany. In contrast, German tax authorities may treat the Issuer as having its place of management and control ("*Geschäftsleitung*") in Germany. As a consequence, the Issuer would be subject to German resident taxation with its worldwide income, unless certain branch income is tax-exempt according to the provision of any applicable tax treaty. A foreign corporation has its effective place of management and control in Germany if the substantial decisions of the day-to-day business are made in Germany. Such decisions are related to all functions performed by the Issuer in Germany in contrast to the decisions related to functions performed outside of Germany. The functions performed by the Servicer in Germany involve decisions to be made in relation to the management of the Purchased Lease Receivables and in particular in relation to the collection of such receivables. Consequently, the functions performed by the Servicer in Germany on behalf of the Issuer must not be of relative economic significance in comparison to functions performed in Luxembourg and elsewhere, either by the Issuer itself or Persons acting on its behalf as the Corporate Administrator. Such assessment cannot be made with scientific accuracy and involves a judgment with which reasonable people may disagree. There are good and valid reasons to treat the Issuer as not being managed and controlled in Germany, but if the Issuer were treated as so managed and controlled, against its expectation, the Issuer's corporate income tax base would have to be determined on an accrual basis. As a result, business expenditure incurred by the Issuer would be deductible when it arises such that the Issuer's taxable income would be expected to be close to zero or relatively low. This means that, in the worst case, losses for the Compartment I Noteholders due to "tax leakage" would be relatively low.

Even if the Issuer does not have its place of effective management and control in Germany, the German tax authorities may treat the Issuer as maintaining a permanent establishment or having a permanent representative in Germany. The Issuer does not maintain any business premises or office facilities in Germany, thus it cannot be expected that the Issuer has a permanent establishment in Germany. In addition, the Issuer qualifies for protection under the Double Taxation Treaty of August 23, 1958 (in its updated version of June 15, 1973) between Luxembourg and Germany Treaty which overrules German domestic law with respect to the determination of a permanent establishment in Germany. The German Ministry of Finance has expressed its view that the mere collection activity carried out by the Seller on behalf of the Issuer does not result in the Issuer having a permanent establishment (*Betriebsstätte*) in Germany (see

Finanznachrichten 22/2001 as of 19 September 2001, p.5). However, it cannot be excluded that the German tax authorities will treat the Servicer as being a permanent representative of the Issuer in Germany. In the latter case, all income attributable to the functions rendered by the Servicer is subject to German taxation.

Trade tax

The Issuer is subject to German trade tax if its effective place of management and control is in Germany or the Issuer has a permanent establishment or a permanent representative in Germany.

As outlined above, there are good and valid reasons to treat the Issuer as not being managed and controlled in Germany. However, it cannot be excluded that the German tax authorities treat the Issuer as being effectively managed and controlled from within Germany. In this case, trade tax will, in principle, be levied on business profits derived by the Issuer. In that case, pursuant to section 8 no. 1 of the German Trade Tax Act (*GewStG — Gewerbesteuer*) only half of the interest payable on long-term indebtedness would generally be deductible from the trade tax base. The German lower house of parliament has passed a new tax bill introducing new provisions on the add-back of interest payments for trade tax purposes. Under the new rules an add-back will only occur on one quarter of the interest payments but will not be limited to long-term indebtedness but rather cover all kinds of interest payments. The new legislation will be applicable as of 2008.

As outlined for corporate tax purposes, in case the Issuer does not have its effective place of management and control in Germany, it is also unlikely to expect that the Issuer has a permanent establishment for trade tax purposes in Germany as the Issuer neither maintains any business premises or office facility in Germany nor has it an own right to dispose of the business premises of the Servicer.

For covering the outlined potential German trade tax risk, the Seller has undertaken to indemnify the Issuer against any liabilities, costs, claims and expenses resulting from such trade tax claims, except those penalties and interest surcharges that are due to the gross negligence or wilful default of the Issuer and to provide collateral by using the proceeds received from the realisation of Leased Vehicles which include proceeds relating to the residual value portion of the Lease Vehicles if the Seller fails to indemnify the Issuer against any liabilities, costs, claims and expenses resulting from such trade tax claims.

German VAT

Pursuant to section 13c of the German VAT Act (*Umsatzsteuergesetz – UStG*) the Issuer may incur a secondary liability for German VAT payable by the Seller in relation to the Purchased Lease Receivables.

The Issuer believes that it will be able to pay such secondary liability because the Issuer will, after a Lessee Notification Event has occurred, collect the gross amount of all Purchased Lease Receivables, including the German VAT portion although the Seller has only sold and the Notes have only financed the net amount of the Purchased Lease Receivable, excluding such German VAT portion. It has been explicitly agreed between the Issuer and the Seller that the Issuer can use the collected German VAT portion to make payments with respect to a secondary liability.

However, it cannot be excluded that the Issuer may become liable pursuant to § 13c of the German VAT Act, regardless whether the VAT self assessment has been correctly issued or not. Any amounts paid by the Issuer to the German tax authorities with respect to such a liability of the Issuer for German value added tax will reduce the amounts available for payments under the Notes.

For covering the outlined potential German VAT risk, the Seller has undertaken to indemnify the Issuer against any liabilities, costs, claims and expenses resulting from such VAT claims pursuant to section 13c of the German Value Added Tax Law (*Umsatzsteuergesetz*) or equivalent laws, except those penalties and interest surcharges that are due to the gross negligence or wilful default of the Issuer and to provide collateral by using the proceeds received from the realisation of Leased Vehicles which include proceeds relating to the residual value portion of the Lease Vehicles if the Seller fails to pay any VAT due and payable, and fails to indemnify the Issuer against any liabilities, costs, claims and expenses resulting therefore from.

Luxembourg Taxation

Payments under the Compartment 1 Notes will only be made after any mandatory requirements for withholding or deductions on account of tax have been met. The Issuer will not be required to pay additional amounts in respect of any such withholding or other deduction for or on account of any present or future taxes, duties or charges of whatever nature. See "TERMS AND CONDITIONS OF THE COMPARTMENT 1 NOTES — Condition 12 (*Taxation*)". In such event, subject to certain conditions, the Issuer will be entitled (but will have no obligation) to redeem the Compartment 1 Notes in whole but not in part at their then Outstanding Notes Balance. See "TERMS AND CONDITIONS OF THE COMPARTMENT 1 NOTES — Condition 8.5 (*Optional Tax Redemption*)".

The Issuer has been advised that under the existing laws of Luxembourg:

- (a) all payments of interest and principal by the Issuer under the Compartment 1 Notes can be made free of withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or tax authority thereof or therein, provided that Interest paid to the Compartment 1 Noteholders who are individuals resident in an EU Member State may be subject to withholding as explained below in "EU Savings Directive";
- (b) a holder of a Compartment 1 Note who derives income from a Compartment 1 Note or who realises a gain on the disposal or redemption of a Compartment 1 Note will not be subject to Luxembourg taxation on income or capital gains unless:
 - (i) the holder is, or is deemed to be, a resident of Luxembourg for the purpose of the relevant provisions; or
 - (ii) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg;
- (c) Luxembourg net worth tax will not be levied on a holder of a Compartment 1 Note unless:
 - (i) the holder is, or is deemed to be, resident in Luxembourg for the purpose of the relevant provisions; or
 - (ii) such Compartment 1 Note is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg;
- (d) Luxembourg gift or inheritance taxes will not be levied on the occasion of the transfer of a Compartment 1 Note by way of gift by, or on the death of, a holder unless:

- (i) the holder is, or is deemed to be, resident of Luxembourg for the purpose of the relevant provisions at the time of the transfer; or
 - (ii) the gift is registered in Luxembourg;
- (e) there is no Luxembourg registration tax, capital tax, stamp duty or any other similar tax or duty payable in Luxembourg in respect of or in connection with the issue of the Compartment 1 Notes or in respect of the payment of principal or interest under the Compartment 1 Notes or the transfer of the Compartment 1 Notes. If any documents in respect of the Compartment 1 Notes are required to be registered in Luxembourg, they will be subject to a fixed registration duty;
- (f) there is no Luxembourg value added tax payable in respect of payments in consideration for the issue of the Compartment 1 Notes or in respect of the payment of interest or principal under the Compartment 1 Notes or the transfer of a Compartment 1 Note; and
- (g) a holder of a Compartment 1 Note will not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of a Compartment 1 Note or the execution, performance, delivery and/or enforcement of the Compartment 1 Note.

EU Savings Directive

On 3 June 2003, the Council of the European Union adopted Council Directive 2003/48/EC regarding the taxation of savings income (the "**Savings Directive**"). The directive is applied by Member States since 1st July 2005.

According to the Savings Directive, Member States will be required to provide to the tax authorities of other Member States details of payments of interest or other similar income paid by a paying agent within its jurisdiction to an individual resident in another Member State (the "**Disclosure of Information Method**").

However, throughout a transitional period, certain Member States (Luxembourg, Belgium and Austria), as well as certain non Member States, which have signed an agreement with Member States (Switzerland, Liechtenstein, San Marino, Monaco and Andorra) to apply similar measures to those included in the Savings Directive, will withhold an amount on interest payments instead of using the Disclosure of Information Method, except if the beneficiaries of the interest payments opt for the Disclosure of Information Method.

The rate of such withholding tax would be 15 percent for the first three years of the transitional period, this rate being increased to 20 percent for the subsequent 3 years and to 35 percent thereafter. Such transitional period will end if and when the European Community enters into agreements on exchange of information upon request with several jurisdictions (Switzerland, Liechtenstein, San Marino, Monaco and Andorra) and when the Council of the European Union agrees by unanimity that the United States is committed to use the Disclosures of Information Method.

The attention of prospective Compartment 1 Noteholders is drawn to Condition 12 of the Compartment 1 Notes (*Taxation*). According to Condition 11 (*Agents; Determinations Binding*) of the Compartment 1 Notes, the Issuer undertakes to maintain a principal paying agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

No Gross-Up for Taxes

If required by law, any payments under the Notes will only be made after deduction of any applicable withholding taxes and other deductions.

Neither the Issuer nor any Paying Agent will be required to pay additional amounts in respect of any withholding or other deduction for or on account of any present or future taxes or other duties of whatever nature.

Structural and other credit risks

Liability under the Compartment 1 Notes

The Compartment 1 Notes will be contractual obligations of the Issuer solely in respect of Compartment 1 of the Issuer. The Compartment 1 Notes will not be obligations or responsibilities of, or guaranteed by, any of the Seller, the Servicer (if different), the Trustee, the Luxembourg Paying Agent, the Swap Counterparty, the Data Trustee, the Principal Paying Agent, the Calculation Agent, the Joint Lead Managers, the Arranger, the Managers, the Common Safekeeper, or any of their respective Affiliates or any Affiliate of the Issuer or any other party to the Transaction 1 Documents (other than the Issuer solely in respect of its Compartment 1) or any other third person or entity other than the Issuer. Furthermore, no person other than the Issuer solely in respect of Compartment 1 of the Issuer will accept any liability whatsoever to the Compartment 1 Noteholders in respect of any failure by the Issuer to pay any amount due under the Compartment 1 Notes. The Issuer will not be liable whatsoever to the Compartment 1 Noteholders in respect of any of its Compartments (or assets relating to such Compartments) other than Compartment 1.

All payment obligations of the Issuer under the Compartment 1 Notes constitute exclusively obligations to pay out the Available Distribution Amount or the Available Post-Enforcement Funds in accordance with the Applicable Priority of Payments. If, following enforcement of the Compartment 1 Security, the Available Post-Enforcement Funds prove ultimately insufficient, after payment of all claims ranking in priority to amounts due under the Compartment 1 Notes, to pay in full all principal and interest and other amounts whatsoever due in respect of the Compartment 1 Notes, any shortfall arising will be extinguished and the Compartment 1 Noteholders will neither have any further claim against the Issuer in respect of any such amounts nor have recourse to any other person for the Loss sustained. The enforcement of the Compartment 1 Security by the Trustee is the only remedy available to the Compartment 1 Noteholders for the purpose of recovering amounts payable in respect of the Compartment 1 Notes. Such assets and the Available Post-Enforcement Funds will be deemed to be "ultimately insufficient" at such time as no further assets are available and no further proceeds can be realised therefrom to satisfy any outstanding claim of the Compartment 1 Noteholders, and neither assets nor proceeds will be so available thereafter.

Limited resources of the Issuer

The Issuer is a special purpose entity organised under and governed by the Luxembourg Securitisation Law and, in respect of Compartment 1, with no business operations other than the issue of the Compartment 1 Notes, the financing of the purchase of the Purchased Lease Receivables secured by related Lease Collateral and the entrance into related Transaction 1 Documents. Assets and proceeds of the Issuer in respect of Compartments other than Compartment 1 will not be available for payments under the Compartment 1 Notes. Therefore, the ability of the Issuer to meet its obligations under the Compartment 1 Notes will depend, *inter alia*, upon receipt of:

- (a) the amounts standing to the credit of the Cash Reserve as of such Cut-Off Date;
- (b) the amounts standing to the credit of the Replenishment Fund as of such Cut-Off Date;
- (c) any Collections received by the Servicer during the Monthly Period ending on such Cut-

Off Date;

- (d) any Swap Net Cashflow payable by the Swap Counterparty to the Issuer immediately following such Cut-Off Date;
- (e) any Tax Payment made by the Seller and/or Servicer to the Issuer in accordance with the Lease Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period;
- (f) any interest earned (if any) on the Issuer Account-C1 during such Monthly Period; and
- (g) any proceeds received from the realisation of Leased Vehicles which include proceeds relating to the residual value portion of the Lease Vehicles in accordance with the Lease Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period, if and to the extent that the Servicer has, as of the relevant Payment Date, failed to transfer to the Issuer any Collections or indemnity payments in relation to the commingling risk in relation to the Seller, other servicing risk exposures and the trade tax and VAT risk exposure, received by or payable by the Servicer or the Seller during, or with respect to, the Monthly Period ending as of such Cut-Off Date or any previous Monthly Periods, and only to the extent necessary for the fulfilment on the relevant Payment Date of the payment obligations of the Issuer (but excluding any fees and other amounts due to the Servicer under item *third* of the Pre-Enforcement Priority of Payments so long as no substitute Servicer is appointed in accordance with the Servicing Agreement).

Other than the foregoing, the Issuer will have no other funds available to meet its obligations under the Compartment 1 Notes.

Subordination

Prior to the occurrence of an Enforcement Event, the Class B Compartment 1 Notes bear a greater risk than the Class A Compartment 1 Notes because payment of principal on the Class B Compartment 1 Notes is subordinated to the payment of principal on the Class A Compartment 1 Notes in accordance with the Pre-Enforcement Priority of Payments, as further described in this Offering Circular.

Upon the occurrence of an Enforcement Event, the Class B Compartment 1 Notes bear a greater risk than the Class A Compartment 1 Notes because payment of principal and interest on the Class B Compartment 1 Notes is subordinated to the payment of principal and interest on the Class A Compartment 1 Notes in accordance with the Post-Enforcement Priority of Payments, as further described in this Offering Circular.

See "CREDIT STRUCTURE AND FLOW OF FUNDS – Sequential amortisation", "PRE-ENFORCEMENT PRIORITY OF PAYMENTS"; and "POST-ENFORCEMENT PRIORITY OF PAYMENTS".

Ratings of the Compartment 1 Notes

The ratings assigned to the Compartment 1 Notes by the Rating Agencies take into consideration the structural and legal aspects associated with the Compartment 1 Notes and the underlying Purchased Lease Receivables, the credit quality of the Purchased Lease Receivables and the related Lease Collateral, the extent to which the Lessees' payments under the Purchased Lease Receivables are adequate to make the payments required under the Compartment 1 Notes as well as other relevant features of the structure, including, *inter alia*, the credit quality of the Swap Counterparty, the Issuer Account Bank, the Seller and the Servicer (if different). Each Rating

Agency's rating reflects only the view of that Rating Agency. Each rating assigned to the Compartment 1 Notes addresses the likelihood of full and timely payment to the Compartment 1 Noteholders of all payments of interest on the Compartment 1 Notes on each Payment Date and the ultimate payment of principal on the Legal Final Maturity Date of the Compartment 1 Notes. The Moody's ratings address the expected loss posed to investors until the Legal Final Maturity Date. Moody's believes that the structure allows for the ultimate payment of principal and the timely payment of interest. Rating organisations other than the Rating Agencies may seek to rate the Compartment 1 Notes and, if such "shadow ratings" or "unsolicited ratings" are lower than the comparable ratings assigned to the Compartment 1 Notes by the Rating Agencies, such shadow or unsolicited ratings could have an adverse effect on the value of the Compartment 1 Notes. Future events, including events affecting the Swap Counterparty, the Issuer Account Bank, the Seller and the Servicer (if different) could also have an adverse effect on the ratings of the Compartment 1 Notes. Such risk however is partly mitigated, as each of the Swap Counterparty and the Issuer Account Bank is obliged to transfer its obligations to another eligible third party with the required ratings if it ceases to be an Eligible Swap Counterparty or an Eligible Bank (as the case may be) which will have an adverse effect on the ratings of the Compartment 1 Notes.

A rating in respect of certain securities is not a recommendation to buy, sell or hold such securities and may be subject to revision or withdrawal at any time by the relevant rating organisation. The ratings assigned to the Compartment 1 Notes should be evaluated independently from similar ratings on other types of securities. There is no assurance that the ratings of the Compartment 1 Notes will continue for any period of time or that they will not be lowered, reviewed, suspended or withdrawn by the Rating Agencies. In the event that the ratings initially assigned to the Compartment 1 Notes by the Rating Agencies are subsequently withdrawn or lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement to the Compartment 1 Notes.

Sharing of proceeds with other Secured Parties

The proceeds of collection and enforcement of the Compartment 1 Security created by the Issuer in favour of the Trustee will be distributed in accordance with the Applicable Priority of Payments to satisfy claims of all Secured Parties thereunder. If the proceeds are not sufficient to satisfy all obligations of the Issuer certain parties that rank more junior in the Applicable Priority of Payments will suffer a Loss. See "PRE-ENFORCEMENT PRIORITY OF PAYMENTS" and "POST-ENFORCEMENT PRIORITY OF PAYMENTS".

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISK ASSOCIATED WITH THE COMPARTMENT 1 NOTES

Absence of secondary market liquidity and market value of Compartment 1 Notes

Although application will be made to list the Compartment 1 Notes on the Luxembourg Stock Exchange, there is currently no secondary market for the Compartment 1 Notes. There can be no assurance that there will be bids and offers and that a liquid secondary market for the Compartment 1 Notes will develop or that a market will develop for all Classes of Compartment 1 Notes or, if it develops, that it provides sufficient liquidity to absorb any bids, or that it will continue for the whole life of the Compartment 1 Notes. In addition, the market value of the Compartment 1 Notes may fluctuate with changes in market conditions. Consequently, any sale of Compartment 1 Notes by Compartment 1 Noteholders in any secondary market transaction may be at a discount to the original purchase price of such Compartment 1 Notes. Accordingly, investors should be prepared to remain invested in the Compartment 1 Notes until the Legal Final Maturity Date.

Interest rate risk

The calculation of the Purchase Prices for the Purchased Lease Receivables is made on the basis of a fixed interest rate to determine the net present value by discounting the Purchased Lease Receivables with the Discount Rate. However, payments of interest on the Compartment 1 Notes are calculated on the basis of EURIBOR. To ensure that the Issuer will not be exposed to interest rate risk, the Issuer and the Swap Counterparty will have entered into the Swap Agreement under which the Issuer will owe payments by reference to a fixed rate and the Swap Counterparty will owe payments by reference to EURIBOR, in each case calculated with respect to the Swap Notional Amount which is equal to the Outstanding Notes Balance on the immediately preceding Payment Date. Payments under the Swap Agreement will be made on a net basis.

A default by the Swap Counterparty on its obligations under the Swap may lead to the Issuer not having sufficient funds to meet its obligations to pay interest on the Compartment 1 Notes.

Interest Rate Hedging

If the Swap Counterparty defaults in respect of its obligations under the Swap Agreement which results in a termination of the relevant Swap Agreement, the Issuer will be obligated to enter into a replacement arrangement with another Eligible Swap Counterparty or to take other appropriate steps as defined in the Swap Agreement. Any failure to enter into such a replacement arrangement or to take other appropriate action may result in the Issuer becoming exposed to substantial interest rate risk and a downgrading of the rating of the Compartment 1 Notes. See "SUMMARY OF THE OTHER TRANSACTION DOCUMENTS — Swap Agreement".

During periods in which floating rates interests payable by the Swap Counterparty under the Swap Agreement are less than the fixed rates interests payable by the Issuer under such Swap Agreement, the Issuer will be obliged under such Swap Agreement to make a net payment to such Swap Counterparty. The Swap Counterparty's claims for payment (including certain termination payments required to be made by the Issuer upon a termination of a Swap Agreement) under the Swap Agreements will rank higher in priority than all payments on the Compartment 1 Notes. If a payment under a Swap Agreement is due to a Swap Counterparty on a Payment Date, the Available Distribution Amount may be insufficient to make the required payments to the Swap Counterparty and to the Compartment 1 Noteholders, so that the Compartment 1 Noteholders may experience delays and/or reductions in the interest and principal payments on the Compartment 1 Notes.

The Swap Counterparty may terminate the Swap Agreement if the Issuer becomes insolvent, if the Issuer fails to make a payment under the Swap Agreement when due and such failure is not remedied within three Business Days after notice of such failure being given, if performance of the Swap Agreement becomes illegal, or if a Enforcement Event occurs under the Trust Agreement. The Issuer may terminate a Swap Agreement if, among other things, the Swap Counterparty becomes insolvent, the Swap Counterparty fails to make a payment under the Swap Agreement when due and such failure is not remedied within three Business Days after the notice of such failure being given, performance of the Swap Agreement becomes illegal or payments to the Issuer are reduced or payments from the Issuer are increased due to tax for a period of time.

The Issuer is exposed to the risk that a Swap Counterparty may become insolvent. In the event that a Swap Counterparty suffers a rating downgrade, the Issuer may terminate the related Swap Agreement if the Swap Counterparty fails, within a set period of time, to take certain actions intended to mitigate the effects of such downgrade. Such actions could include the Swap Counterparty collateralising its obligations as a referenced amount, transferring its obligations to a replacement Swap Counterparty or procuring a guaranty. However in the event a Swap Counterparty is downgraded there can be no assurance that a guarantor or replacement Swap

Counterparty will be found or that the amount of collateral will be sufficient to meet the Swap Counterparty's obligations.

In the event that a Swap Agreement is terminated by either party, then, depending on the market value of the swap, a termination payment may be due to the Issuer or to the Swap Counterparty. Any such termination payment could be substantial. Under certain circumstances, termination payments required to be made by the Issuer to a Swap Counterparty will rank higher in priority than all payments on the Compartment 1 Notes. In such an event, the Available Distribution Amount may be insufficient to make the required payments on the Compartment 1 Notes and the Compartment 1 Noteholders may experience delays and/or reductions in the interest and principal payments on the Compartment 1 Notes.

In the event that a Swap Agreement is terminated by either party or a Swap Counterparty becomes insolvent, the Issuer may not be able to enter into a Swap Agreement with a replacement Swap Counterparty immediately or at a later date. If a replacement Swap Counterparty cannot be contracted, the amount available to pay principal of and interest on the Compartment 1 Notes will be reduced if the floating rates on Compartment 1 Notes exceed the fixed rate the Issuer would have been required to pay the Swap Counterparty under the terminated Swap Agreement. Under these circumstances the Available Distribution Amount may be insufficient to make the required payments on the Compartment 1 Notes and the Compartment 1 Noteholders may experience delays and/or reductions in the interest and principal payments on the Compartment 1 Notes.

THE ISSUER BELIEVES THAT THE RISKS DESCRIBED ABOVE ARE THE PRINCIPAL RISKS FOR THE COMPARTMENT 1 NOTEHOLDERS, BUT THE INABILITY OF THE ISSUER TO PAY INTEREST AND PRINCIPAL ON THE COMPARTMENT 1 NOTES MAY OCCUR FOR OTHER REASONS AND THE ISSUER DOES NOT REPRESENT THAT THE ABOVE STATEMENTS REGARDING THE RISK OF HOLDING THE COMPARTMENT 1 NOTES ARE EXHAUSTIVE. ALTHOUGH THE ISSUER BELIEVES THAT THE VARIOUS STRUCTURAL ELEMENTS DESCRIBED IN THIS OFFERING CIRCULAR MITIGATE SOME OF THESE RISKS FOR THE COMPARTMENT 1 NOTEHOLDERS, THERE CAN BE NO ASSURANCE THAT THESE MEASURES WILL BE SUFFICIENT TO ENSURE FULL PAYMENTS TO THE COMPARTMENT 1 NOTEHOLDERS OF INTEREST AND PRINCIPAL ON A TIMELY BASIS OR AT ALL.

CREDIT STRUCTURE AND FLOW OF FUNDS

Lease Instalments of the Purchased Lease Receivables

The Purchased Lease Receivables shall not include any amounts owed under or in connection with the Sub Lease Agreements other than the Lease Instalments. The Purchased Lease Receivables shall not include the portions relating to the VAT, the residual value and the provision of services. The Lease Instalments in respect of each Purchased Lease Receivable will be payable on a monthly basis. See "DESCRIPTION OF THE PURCHASED LEASE RECEIVABLES AND OF THE PURCHASED LEASE RECEIVABLES".

Collection Arrangements

Payments by the Lessees of Lease Instalments under the Purchased Lease Receivables are scheduled to become due and payable on a monthly basis. Prior to a Servicer Termination Event, all Collections received from the Lessees in a Monthly Period will be on-paid by the Servicer to the Issuer Account-C1 maintained by the Issuer with the Issuer Account Bank no later than on the Payment Date relating to the relevant Monthly Period, provided however that the Servicer shall have the set-off right to deduct, during the Revolving Period, part or all of the Collections up to an amount equal to the Additional Purchase Price due to the replenishment of the Purchased Lease Receivables in accordance with the Pre-Enforcement Priority of Payment, see "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Servicing Agreement", and "THE ISSUER ACCOUNT-C1".

The Servicer will identify all amounts paid into the Issuer Account-C1 by crediting such amounts to ledgers established for such purposes. Ledgers will be maintained to record amounts held in the Issuer Account-C1 in respect of (i) the balance of the Cash Reserve and (ii) the balance of the Replenishment Fund.

Available Distribution Amount

The Available Distribution Amount will be calculated as at each Cut-Off Date with respect to the Monthly Period ending on such Cut-Off Date for the purposes of determining the amounts payable in accordance with the Pre-Enforcement Priority of Payments. The Available Distribution Amount consist of, *inter alia*, (i) the amounts standing to the credit of the Cash Reserve as of such Cut-Off Date, (ii) the Collections received from the Servicer, (iii) net interest earnings on the Issuer Account-C1, (iv) the Swap Net Cash flow paid by the Swap Counterparty, and (v) any proceeds received from the realisation of Leased Vehicles which include proceeds relating to the residual value portion of the Lease Vehicles in accordance with the Lease Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period, if and to the extent that the Servicer has, as of the relevant Payment Date, failed to transfer to the Issuer any Collections or indemnity payments in relation to the commingling risk in relation to the Seller, other servicing risk exposures and the trade tax and VAT risk exposure, received by or payable by the Servicer or the Seller during, or with respect to, the Monthly Period ending as of such Cut-Off Date or any previous Monthly Periods, and only to the extent necessary for the fulfilment on the relevant Payment Date of the payment obligations of the Issuer (but excluding any fees and other amounts due to the Servicer under item *third* of the Pre-Enforcement Priority of Payments so long as no substitute Servicer is appointed in accordance with the Servicing Agreement). See "MASTER DEFINITIONS SCHEDULE — Available Distribution Amount".

The amounts to be applied under the Pre-Enforcement Priority of Payments will vary during the life of Transaction 1 as a result of possible variations in the amounts of the Collections and certain costs and expenses of the Issuer. The amount of the Collections received by the Issuer under the Lease Receivables Purchase Agreement will vary during the life of the Compartment 1 Notes as a result of the level of delinquencies, prepayments, defaults and terminations in respect of the Purchased Lease Receivables. The effect of such variations could lead to drawing from and replenishment of the Cash Reserve and influence the replenishment of the Replenishment Fund.

As a result, if amounts deposited into the Replenishment Fund are lower than the Replenishment Available Amount, an Early Amortisation Event will occur.

Bank account used for Transaction 1

No later than the Issue Date, the Issuer will have established the Issuer Account-C1 with the Issuer Account Bank which must be an Eligible Bank.

The Cash Reserve as of the Issue Date will be EUR 18,800,000 as such amount will be funded by the Subordinated Loan under the Subordinated Loan Agreement and credited to the Cash Reserve by the Issuer. Prior to the occurrence of an Enforcement Event, the Cash Reserve will be replenished up to the Required Cash Reserve in accordance with item *seventh* of the Pre-Enforcement Priority of Payments. During the life of the Transaction 1, the Cash Reserve, as part of the Available Distribution Amount shall be used to cover any shortfalls in the amounts payable (i) under steps *first* through *six* prior to the Aggregate Discounted Lease Balance has been reduced to zero, or (ii) under steps *first* through *thirteenth* after the Aggregate Discounted Lease Balance has been reduced to zero in accordance with the Pre-Enforcement Priority of Payments. After the occurrence of an Enforcement Event, the Cash Reserve will, together with all other Available Post-Enforcement Funds, be available to make payments in accordance with the Post-Enforcement Priority of Payments.

No principal payment is payable under the Compartment 1 Notes during the Revolving Period. Instead, on each Payment Date during the Revolving Period, the amount of difference between the Aggregate Outstanding Notes Balance and the Aggregate Discounted Lease Balance as of the Cut-Off Date immediately preceding such Payment Date will be deposited to the Replenishment Fund held with the Issuer Account Bank as the Replenishment Available Amount. During the life of Transaction 1, the Replenishment Available Amount will serve for the Issuer to purchase the Additional Lease Receivables only.

If at any time the Issuer Account Bank ceases to be an Eligible Bank, the Issuer Account Bank shall, within thirty (30) calendar days after becoming ineligible, at its own costs, use commercially reasonable efforts to (i) replace itself with an Eligible Bank, or (ii) find an irrevocable and unconditional guarantor with an unsecured and unsubordinated short-term rating of at least (x) A-1 from S&P or, if such entity is not the subject of an S&P's short term rating, with long-term rating of at least A+ from S&P; (y) P-1 (or its equivalent) from Moody's and (z) F1 (or its equivalent) from Fitch, and for the avoidance of doubt, the guarantee provided by such guarantor shall be satisfactory to the Rating Agencies.

Pre-Enforcement Priority of Payments

On each Payment Date, the Available Distribution Amount will be available for payments to the Compartment 1 Noteholders in accordance with, and subject to, the Pre-Enforcement Priority of Payments. See "PRE-ENFORCEMENT PRIORITY OF PAYMENTS". The cash flow pursuant to the Pre-Enforcement Priority of Payments will vary during the life of Transaction 1 as a result of, *inter alia*, the Revolving Period and possible variations in the amount of Collections received by the Issuer during the Monthly Period immediately preceding the relevant Payment Date, the Cash Reserve for that Monthly Period, the Swap Net Cashflow paid by/to the Swap Counterparty and certain costs and expenses of the Issuer relating to Compartment 1. The amount of Collections received by the Issuer under the Lease Receivables Purchase Agreement will vary during the life of the Compartment 1 Notes as a result of the amount of delinquencies, defaults, and terminations in respect of the Purchased Lease Receivables. The effect of such variations could lead to drawing from and replenishment of the Cash Reserve and influence the replenishment of the Replenishment Fund. As a result, if amounts deposited into the Replenishment Fund are lower than the Replenishment Available Amount, an Early Amortisation Event will occur.

Interest rate hedging

The Purchased Lease Receivables are discounted to their net present value by using the Discount Rate. The interest rate payable by the Issuer with respect to the Compartment 1 Notes is calculated as the sum of EURIBOR and the margins as set out in Condition 7.3 (*Interest Rate*).

The calculation of the Purchase Prices for the Purchased Lease Receivables is made on the basis of a fixed interest rate to determine the net present value by discounting the Purchased Lease Receivables with the Discount Rate. However, payments of interest on the Compartment 1 Notes are calculated on the basis of EURIBOR. To ensure that the Issuer will not be exposed to interest rate risk, the Issuer and the Swap Counterparty will have entered into the Swap Agreement under which the Issuer will owe payments by reference to a fixed rate and the Swap Counterparty will owe payments by reference to EURIBOR, in each case calculated with respect to the Swap Notional Amount.

The Issuer has hedged afore-described fixed-to-floating interest rate exposure by entering into an Interest Rate Swap with the Swap Counterparty. Under the Interest Rate Swap, on each Payment Date the Issuer will pay the Swap Counterparty a fixed rate applied to the Swap Notional Amount and the Swap Counterparty will pay a floating rate equal to EURIBOR as determined by the ISDA Calculation Agent applied to the same Swap Notional Amount which is equal to the Outstanding Notes Balance on the immediately preceding Payment Date. Payments under the interest rate swap will be made on a net basis. See "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Swap Agreement".

Pursuant to the Swap Agreement, if a Swap Counterparty ceases to be an Eligible Swap Counterparty, then the affected Swap Counterparty will be obliged to mitigate the resulting credit risk, unless this would not, according to explicit confirmation either by fax, email, or telephone from the Rating Agencies, result in the then current rating of the Compartment 1 Notes being downgraded, for the Compartment 1 Noteholders by, *inter alia*, posting eligible collateral, transferring all its rights and obligations to a replacement third party that is an Eligible Swap Counterparty or taking other agreed remedial action. See "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Swap Agreement" and "THE SWAP COUNTERPARTY".

Credit Enhancement

The Compartment 1 Notes have the benefit of credit enhancement provided through (i) the Excess Spread, (ii) the Cash Reserve and (iii) subordination as to payment of the Class B Compartment 1 Notes to the Class A Compartment 1 Notes.

Excess Spread

The difference between the Discount Rate, and the sum of the weighted average of the margins for the Compartment 1 Notes and the Subordinated Loan, the Swap Fixed Interest Rate and senior expenses (the "**Excess Spread**") will provide the first loss protection to the Compartment 1 Notes.

Subordinated Loan and Cash Reserve

The Subordinated Lender will have made available to the Issuer, on or prior to the Issue Date, the Subordinated Loan in the principal amount of EUR 18,800,000 which will, no later than the Issue Date, be credited to the Cash Reserve by the Issuer. The payment obligations of the Issuer under the Subordinated Loan are subordinated to the payment obligations of the Issuer under the Compartment 1 Notes. The Subordinated Loan will amortise in accordance with the Applicable Priority of Payments.

The Cash Reserve, as part of the Available Distribution Amount will be available to satisfy, on the relevant Cut-Off Date immediately preceding any Payment Date, all claims (i) under steps *first* through *six* prior to the Aggregate Discounted Lease Balance has been reduced to zero, or (ii) under steps *first* through *thirteenth* after the Aggregate Discounted Lease Balance has been reduced to zero in accordance with the Pre-Enforcement Priority of Payments, including payments to the Subordinated Lender in the order of priority, see "PRE-ENFORCEMENT PRIORITY OF PAYMENTS".

Prior to the occurrence of an Enforcement Event, the Cash Reserve will be replenished on each Payment Date up to the Required Cash Reserve in accordance with item *seventh* of the Pre-Enforcement Priority of Payments, see "PRE-ENFORCEMENT PRIORITY OF PAYMENTS".

Upon the occurrence of an Enforcement Event, the Cash Reserve will, together with all other Available Post-Enforcement Funds, be available to make payments in accordance with the Post-Enforcement Priority of Payments.

After all amounts due and payable in respect of the Compartment 1 Notes and the Subordinated Loan have been fully paid, all remaining amount standing to the credit of the Cash Reserve will be released to BMW Leasing GmbH.

Subordination

The Compartment 1 Class A Noteholders benefit from subordination, both as to the payment of interest and principal, upon enforcement of the Compartment 1 Security, of the Class B Compartment 1 Notes (provided that, prior to the occurrence of an Enforcement Event, principal payments to the holders of the Class A Compartment 1 Notes and the Class B Compartment 1 Notes are paid on a sequential basis).

Sequential amortisation

After the Revolving Period ends, unless on the relevant Payment Date an Enforcement Event has occurred, the Available Distribution Amount shall be applied to redeem the Class A Compartment 1 Notes and the Class B Compartment 1 Notes on a sequential basis. As a result, during the life of Transaction 1, the credit enhancement to the Compartment 1 Notes will increase steadily, because the Excess Spread is available to the Issuer to fulfill the Issuer's payment obligations under the Compartment 1 Notes. See "TERMS AND CONDITIONS OF THE COMPARTMENT 1 NOTES — Condition 8.2 (*Amortisation-Pre-Enforcement*)".

If at any time an Enforcement Event has occurred, the Available Post-Enforcement Funds shall be applied for the redemption of the Compartment 1 Notes on a sequential basis as set forth in and subject to the Post-Enforcement Priority of Payments. See "POST-ENFORCEMENT PRIORITY OF PAYMENTS".

TERMS AND CONDITIONS OF THE COMPARTMENT 1 NOTES

The terms and conditions of the Compartment 1 Notes (the "**Conditions**") are set out below. Appendix A to the Conditions sets out the "MASTER DEFINITIONS SCHEDULE" (see page 154 *et seq.*), Appendix B to the Conditions sets out the "MATERIAL TERMS OF THE TRUST AGREEMENT, including its Schedules I and II" (see page 75 *et seq.*), Appendix C to the Conditions sets out the "DESCRIPTION OF THE PURCHASED LEASE RECEIVABLES AND OF THE LEASE COLLATERAL — Eligibility Criteria and Seller Warranties" (see page 110 *et seq.*) and Appendix D to the Conditions sets out the "CREDIT AND COLLECTION POLICY" (see page 125 *et seq.*).

1. **Appendixes**

Appendix A, Appendix B, Appendix C and Appendix D to the Conditions (as attached hereto) are the integral parts of the Conditions and form integral parts thereof.

2. **Form and denomination**

(a) On the Issue Date, Bavarian Sky S.A. (the "**Issuer**") will issue (*begeben*), acting in respect of its Compartment 1, the following classes of floating rate amortising Compartment 1 Notes in bearer form (*Inhaberschuldverschreibungen*) (each, a "**Class**" and collectively, the "**Compartment 1 Notes**") pursuant to these Conditions:

- (i) The class A Compartment 1 notes due August 2015 (the "**Class A Compartment 1 Notes**") which are issued in an initial aggregate principal amount of EUR 752,000,000 and divided into 15,040 Compartment 1 Notes, each having a principal amount of EUR 50,000; and
- (ii) The class B Compartment 1 notes due August 2015 (the "**Class B Compartment 1 Notes**") which are issued in the aggregate principal amount of EUR 48,000,000 and divided into 960 Compartment 1 Notes, each having a principal amount of EUR 50,000.

The holders of the Compartment 1 Notes are referred to as the "**Compartment 1 Noteholders**".

- (b) Each Class of Compartment 1 Notes shall be initially represented by a temporary global bearer note (each a "**Temporary Global Note**") without coupons or talons attached. The Temporary Global Notes shall be exchangeable, as provided in paragraph (c) below, for permanent global bearer notes which are recorded in the records of the ICSDs (the "**Permanent Global Notes**") without coupons or talons attached representing each such Class. Each Permanent Global Note and each Temporary Global Note is also referred to herein as a "**Global Note**" and, together, as "**Global Notes**". Each Global Note will be deposited with an entity appointed as common safekeeper (the "**Common Safekeeper**") by the ICSDs for the operator of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream Luxembourg**"), Euroclear and Clearstream Luxembourg are together referred to as ICSDs.
- (c) The Temporary Global Notes shall be exchanged for the Permanent Global Notes on a date (the "**Exchange Date**") not earlier than forty (40) calendar days and not later than one hundred and eighty (180) calendar days after the later of the commencement of the offering and the Issue Date upon delivery by the relevant participants to the ICSDs, as relevant, and by an ICSD to the Principal Paying Agent, of certificates in the form which forms part of the Temporary Global Notes and are available from the Principal Paying Agent for such purpose, to the effect that the beneficial owner or owners of the Compartment 1 Notes represented by the relevant Temporary Global Note is not a U.S.

person or are not U.S. persons other than certain financial institutions or certain persons holding through such financial institutions. Each Permanent Global Note delivered in exchange for the relevant Temporary Global Note shall be delivered only outside of the United States. The Compartment 1 Notes represented by Global Notes may be transferred in book-entry form only. The Global Notes will not be exchangeable for definitive notes.

"**United States**" means, for the purposes of this Condition 2(c), the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands). Any exchange of a Temporary Global Note pursuant to this Condition 2(c) shall be made free of charge to the Compartment 1 Noteholders.

- (d) Payments of interest or principal on the Compartment 1 Notes represented by a Temporary Global Note shall be made only after delivery by the relevant participants to the ICSDs, as relevant, and by an ICSD to the Principal Paying Agent of the certifications described in paragraph (c) above.
- (e) Each Global Note shall be manually signed by or on behalf of the Issuer and shall be authenticated by the Principal Paying Agent and effectuated by the Common Safekeeper.
- (f) The nominal amount of the Compartment 1 Notes represented by the Global Notes shall be the aggregate amount from time to time entered in the records of both ICSDs. Absent errors, the records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect the amount of such customer's interest in the Compartment 1 Notes) shall be conclusive evidence of the nominal amount of Compartment 1 Notes represented by the Global Notes and, for these purposes, a statement issued by an ICSD stating the nominal amount of Compartment 1 Notes so represented at any time shall be conclusive evidence of the records of the relevant ICSD at that time.

On any redemption or payment of an instalment or interest being made in respect of, or purchase and cancellation of, any of the Compartment 1 Notes represented by the Global Notes, the Issuer shall procure that details of any redemption, payment or purchase and cancellation (as the case may be) in respect of the Global Notes shall be entered *pro rata* in the records of the ICSDs and, upon any such entry being made, the nominal amount of the Compartment 1 Notes recorded in the records of the ICSDs and represented by the Global Notes shall be reduced by the aggregate nominal amount of the Compartment 1 Notes so redeemed or purchased and cancelled or by the aggregate amount of such instalments so paid.

- (g) Copies of the Global Notes are available free of charge at the main offices of the Issuer and, as long as the Compartment 1 Notes are listed on the Luxembourg Stock Exchange, from the Luxembourg Paying Agent in electronic format only (as defined in Condition 11(a) (*Agents; Determinations Binding*)).
- (h) Capitalised terms not defined but used herein shall have the same meanings herein as in Appendix A, Appendix B, Appendix C or Appendix D to these Conditions ("**Appendix A**", "**Appendix B**" and "**Appendix C**", and "**Appendix D**" respectively) each of which constitutes an integral part of these Conditions.
- (i) The Compartment 1 Notes are subject to the provisions of a trust agreement relating to Compartment 1 (the "**Trust Agreement**") between the Issuer (acting in respect of its Compartment 1), the Principal Paying Agent, the Luxembourg Paying Agent, the Swap Counterparty, the Arranger, the Joint Lead Managers, the Managers, the Data Trustee, the

Calculation Agent, the Issuer Account Bank, the Corporate Administrator, the Seller, the Servicer, the Subordinated Lender and the Trustee dated on or before the Closing Date. The main provisions of the Trust Agreement (including its Schedules I and II) are set out in Appendix B to these Conditions. Capitalised terms defined in the Trust Agreement shall have the same meanings when used herein.

3. Status and priority

- (a) The Compartment 1 Notes constitute direct, secured and (subject to Condition 4.2 (*Limited recourse, non-petition*)) unconditional obligations of the Issuer in respect of its Compartment 1.
- (b) The obligations of the Issuer under the Class A Compartment 1 Notes rank *pari passu* amongst themselves without any preference among themselves in respect of priority of payments or point in security. With respect to the other obligations of the Issuer, the obligations of the Issuer under the Class A Compartment 1 Notes rank in accordance with the Applicable Priority of Payments as set out in Conditions 7.5 (*Pre-Enforcement Priority of Payments*), Condition 8.2 (*Amortisation-Pre-Enforcement*) and Condition 9 (*Payment of Interest and Redemption after the occurrence of an Enforcement Event*). The obligations of the Issuer under the Class B Compartment 1 Notes rank *pari passu* amongst themselves without any preference amongst themselves in respect of priority of payments or point in security. With respect to the other obligations of the Issuer, the obligations of the Issuer under the Class B Compartment 1 Notes rank in accordance with the Applicable Priority of Payments as set out in Conditions 7.5 (*Pre-Enforcement Priority of Payments*), Condition 8.2 (*Amortisation — Pre-Enforcement*) and Condition 9 (*Payment of interest and redemption after the occurrence of an Enforcement Event*).

4. Provision of Security; Limited Payment Obligation; Issuer Event of Default

4.1 *Compartment 1 Security*

Pursuant to the provisions of the Trust Agreement, the Issuer has charged to the Trustee all its rights, claims and interests in the Purchased Lease Receivables and the Lease Collateral (that was transferred by the Seller and the Head Lessor to it under the Lease Receivables Purchase Agreement), all of its rights, claims and interests arising under certain Transaction 1 Documents to which the Issuer is a party and certain other rights specified in the Trust Agreement (such collateral as created pursuant to Clause 8 (*Creation of Compartment 1 Security*) of the Trust Agreement, the "**Compartment 1 Security**") as security for the Issuer's obligations under the Compartment 1 Notes and the obligations owed by the Issuer to the other Secured Parties.

4.2 *Limited recourse, non-petition*

- (a) All payments of principal, interest or any other amount to be made by the Issuer in respect of each Class of Compartment 1 Notes will be payable only from, and to the extent of, the sums paid to, or recovered by or on behalf of, the Issuer or the Trustee in respect of the Compartment 1 Security. If the proceeds of the Compartment 1 Security are not sufficient to pay any amounts due in respect of the relevant Class, no other assets of the Issuer, in particular no assets relating to another Compartment will be available to meet such insufficiency. The Compartment 1 Noteholders of such Class will rely solely on such sums and the rights of the Issuer in respect of the Compartment 1 Security for payments to be made by the Issuer in respect of such Compartment 1 Notes. The obligations of the Issuer to make payments in respect of the Compartment 1 Notes will be limited to such sums (in the case of the holders) following realisation of the Compartment 1 Security and the Trustee and such Compartment 1 Noteholders will have no further recourse to the Issuer in respect thereof.

(b) *Extinguishment of Claims*

Having realised the Compartment 1 Security and distributed all Available Post-Enforcement Funds in accordance with the Post-Enforcement Priority of Payments, neither the Trustee nor the Compartment 1 Noteholders may take any further steps against the Issuer to recover any sum still unpaid and any remaining obligations to pay such amount shall be extinguished.

(c) *Non-petition*

Neither the Compartment 1 Noteholders nor the Trustee may, until the expiry of one year and one day after the payment of all sums outstanding and owing under the latest maturing relevant Compartment 1 Notes take any corporate action or other steps or legal proceedings for the winding-up, dissolution or reorganisation of, or the institution of Insolvency Proceedings against, the Issuer or (in the case of the Compartment 1 Noteholders only) for the appointment of a receiver, administrator, liquidator or similar officer of the Issuer in respect of any or all of its revenues and assets provided that the Trustee may prove or lodge a claim in the event of a liquidation of the Issuer initiated by another party.

4.3 *Enforcement of payment obligations*

The Trustee shall enforce the Compartment 1 Security upon the occurrence of an Enforcement Event on the conditions and in accordance with the terms of the Trust Agreement, in particular Clause 15.2 (*Procedure*) of the Trust Agreement.

4.4 *Enforcement Event and Issuer Event of Default*

"Enforcement Event" means the event that an Issuer Event of Default has occurred and the Trustee has served an Enforcement Notice upon the Issuer.

An **"Issuer Event of Default"** means in respect of the Compartment 1 Notes any of the following events:

- (a) subject to the availability of funds in accordance with the Applicable Priorities of Payment, a default occurs in the payment of Interest on any Payment Date (and such default is not remedied within two (2) Business Days of its occurrence) or the payment of Principal on the Legal Final Maturity Date (and such default is not remedied within two (2) Business Days of its occurrence) in respect of any of the Class A Compartment 1 Notes or the Class B Compartment 1 Notes (but not in respect of the Subordinated Loan Agreement);
- (b) the Issuer fails to perform or observe any of its other obligations under the Conditions or the Transaction 1 Documents (other than the Subordinated Loan Agreement) and, in each such case (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy when no notice will be required) such failure is continuing for a period of thirty (30) days following the service by the Trustee on the Issuer of a notice requiring the same to be remedied;
- (c) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Class A Compartment 1 Notes, the Class B Compartment 1 Notes, or any Transaction 1 Document (other than the Subordinated Loan Agreement); or
- (d) with respect to the Issuer an Insolvency Event has occurred.

5. General Covenants of the Issuer

5.1. Restrictions on activities

For so long as the Compartment 1 Notes remain outstanding, the Issuer will not be permitted to issue further securities in respect of any Compartment of the Issuer, or to enter into related transaction documents, unless the requirements contained in Clause 23.2 (*New securitisations and further securities requiring consent*) of the Trust Agreement have been satisfied. These are: (a) one or more reputable law firm(s) (as appropriate) shall have, in one or more legal opinion(s) satisfactory to the Issuer, confirmed to the Issuer that as a result of the issuance of the securities or the entrance into any other transaction documents related therewith, the Issuer shall not incur any payment or other obligations in respect of its Compartment 1 or in respect of any other pre-existing Compartment, (b) based on such legal opinion, S&P confirms to the Issuer that as a result of the issuance of the securities or entrance into any other transaction documents related therewith, the Issuer shall not incur any payment or other obligations in respect of its Compartment 1 or in respect of any other pre-existing Compartment, and (c) based, *inter alia*, on such legal opinion and confirmation from the Rating Agency, the board of directors of the Issuer shall have approved the issuance of the securities and the entrance into related transaction documents. In case of any further securitisation transactions of the Issuer, the transactions shall not be cross-collateralised or cross-defaulted.

5.2 Appointment of Trustee

As long as any Compartment 1 Notes are outstanding, the Issuer shall ensure that a trustee is appointed at all times who undertakes to perform substantially the same functions and obligations as the Trustee pursuant to the Trust Agreement.

6. Payments on the Compartment 1 Notes

6.1 Payment Dates

Payments of interest and, in accordance with the provisions herein, principal in respect of the Compartment 1 Notes to the Compartment 1 Noteholders shall become due and payable monthly on each 15th day of each calendar month provided that if such day is not a Business Day, the next following Business Day (each such day, a "**Payment Date**"). "**Business Day**" means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in London, Luxembourg, Munich, Frankfurt am Main and Düsseldorf, and which is a TARGET Settlement Day in relation to the payment of a sum in euros or in cents.

6.2 Outstanding Notes Balance

Payments of principal and interest on each Compartment 1 Note as of any Payment Date shall be calculated on the basis of the Outstanding Notes Balance of such Compartment 1 Note. The "**Outstanding Notes Balance**" of any Compartment 1 Note as of any Payment Date shall equal the initial principal amount ("**Initial Note Principal Amount**") of EUR 50,000 as reduced by the aggregate amount of payments of principal made in accordance with the Applicable Priority of Payments prior to such Payment Date on such Compartment 1 Note. The Initial Note Principal Amount of all Class A Compartment 1 Notes is EUR 752,000,000, and of all the Class B Compartment 1 Notes EUR 48,000,000. "**Class A Outstanding Notes Balance**" means, as of any Payment Date, the sum of the Outstanding Notes Balances of all Class A Compartment 1 Notes, and "**Class B Outstanding Notes Balance**" means, as of any Payment Date, the sum of the Outstanding Notes Balances of all Class B Compartment 1 Notes. The aggregation amount of the Class

A Outstanding Notes Balance, and the Class B Outstanding Notes Balance is referred to herein as the "**Aggregate Outstanding Notes Balance**".

6.3 *Payments and discharge*

- (a) Payments of principal and interest in respect of the Compartment 1 Notes shall be made from the Available Distribution Amount by the Issuer, through the Principal Paying Agent, on each Payment Date to, or to the order of, the ICSDs, as relevant, for credit to the relevant participants in the ICSDs for subsequent transfer to the Compartment 1 Noteholders.

The "**Available Distribution Amount**" means, with respect to any Cut-Off Date and the Monthly Period ending on such Cut-Off Date, an amount calculated by the Servicer pursuant to the Servicing Agreement as of such Cut-Off Date and notified to the Issuer, the Corporate Administrator, the Trustee, the Calculation Agent and the Principal Paying Agent no later than on the 6th Business Day after such Cut-Off Date preceding each Payment Date, as the sum of:

- (i) the amounts standing to the credit of the Cash Reserve as of such Cut-Off Date;
 - (ii) the amounts standing to the credit of the Replenishment Fund as of such Cut-Off Date;
 - (iii) any Collections received by the Servicer during the Monthly Period ending on such Cut-Off Date;
 - (iv) any Swap Net Cashflow payable by the Swap Counterparty to the Issuer immediately following such Cut-Off Date;
 - (v) any Tax Payment made by the Seller and/or Servicer to the Issuer in accordance with the Lease Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period;
 - (vi) any interest earned (if any) on the Issuer Account-C1 during such Monthly Period; and
 - (vii) any proceeds received from the realisation of Leased Vehicles which include proceeds relating to the residual value portion of the Lease Vehicles in accordance with the Lease Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period, if and to the extent that the Servicer has, as of the relevant Payment Date, failed to transfer to the Issuer any Collections or indemnity payments in relation to the commingling risk in relation to the Seller, other servicing risk exposures and the trade tax and VAT risk exposure, received by or payable by the Servicer or the Seller during, or with respect to, the Monthly Period ending as of such Cut-Off Date or any previous Monthly Periods, and only to the extent necessary for the fulfilment on the relevant Payment Date of the payment obligations of the Issuer (but excluding any fees and other amounts due to the Servicer under item *third* of the Pre-Enforcement Priority of Payments so long as no substitute Servicer is appointed in accordance with the Servicing Agreement).
- (b) Payments in respect of interest on any Compartment 1 Note represented by a Temporary Global Note shall be made to, or to the order of, the ICSDs, as relevant, for credit to the relevant participants in the ICSDs for subsequent transfer to the relevant Compartment 1

Noteholders upon due certification as provided in Condition 2(c) (*Form and Denomination*).

- (c) All payments made by the Issuer to, or to the order of, the ICSDs, as relevant, shall discharge the liability of the Issuer under the relevant Compartment 1 Notes to the extent of the sums so paid. Any failure to make the entries in the records of the ICSDs referred to in Condition 6.2 (*Outstanding Notes Balance*) shall not affect the discharge referred to in the preceding sentence.

7. Payment of interest and principal

7.1 Interest calculation

- (a) Subject to the limitations set forth in Condition 4.2 (*limited recourse, non-petition*) and subject to Condition 7.5 (*Pre-Enforcement Priority of Payments*), each Compartment 1 Note shall bear interest on its Outstanding Notes Balance from the Issue Date until the close of the day preceding the day on which such Compartment 1 Note has been redeemed in full.
- (b) The amount of interest payable by the Issuer in respect of a Compartment 1 Note on a Payment Date (the "**Interest Amount**") shall be calculated by the Calculation Agent by applying the relevant Interest Rate (Condition 7.3 (*Interest Rate*)) for the relevant Interest Period (Condition 7.2 (*Interest Period*)), to the Outstanding Notes Balance during the relevant Interest Period prior to the relevant Note Interest Determination Date and multiplying the result by the actual number of days in the relevant Interest Period divided by 360 and rounding the result to the nearest EUR 0.01 (with EUR 0.005 being rounded upwards).

7.2 Interest Period

"**Interest Period**" means, in respect of the first Payment Date, the period commencing on (and including) the Issue Date and ending on (but excluding) the first Payment Date and in respect of any subsequent Payment Date, the period commencing on (and including) the previous Payment Date and ending on (but excluding) the relevant Payment Date provided that the last Interest Period shall end on (but exclude) the Legal Final Maturity Date or, if earlier, the date on which all Compartment 1 Notes are redeemed in full.

7.3 Interest Rate

- (a) The applicable rate of interest payable on the Compartment 1 Notes for each Interest Period (each, an "**Interest Rate**") shall be:
 - (i) in the case of the Class A Compartment 1 Notes, EURIBOR plus 0.08% per annum,
 - (ii) in the case of the Class B Compartment 1 Notes, EURIBOR plus 0.18% per annum.
- (b) "**EURIBOR**" means the rate determined by the Principal Paying Agent for deposits in euros for a period of one (1) month which appears on Reuters 3000 page EURIBOR 01 (or such other page as may replace such page on that service for the purpose of displaying inter-bank offered rate quotations of major banks) as of 11:00 a.m. (CET) on the second Business Day immediately preceding the first day of such Interest Period (each, a "**Note Interest Determination Date**"). If Reuters 3000 page EURIBOR 01 is not available or if no such quotation appears thereon, in each case as at such time, the Principal Paying Agent shall determine EURIBOR on the basis of such other screen rate the Principal

Paying Agent shall determine in good faith. If no such screen rate is available, the Principal Paying Agent shall request the principal Euro-zone office of the Reference Banks selected by it to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for one month deposits in euros at approximately 11:00 a.m. (CET) on the relevant Note Interest Determination Date to prime banks in the Euro-zone inter-bank market for the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time. If two or more of the selected Reference Banks provide the Principal Paying Agent with such offered quotations, EURIBOR for such Interest Period shall be the arithmetic mean of such offered quotations (rounded if necessary to the nearest one thousandth of a percentage point, with 0.000005 being rounded upwards). If on the relevant Note Interest Determination Date less than two of the selected Reference Banks provide the Principal Paying Agent with such offered quotations, EURIBOR for such Interest Period shall be the rate per annum which the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the nearest one thousandth of a percentage point, with 0.000005 being rounded upwards) of the rates communicated to (and at the request of) the Principal Paying Agent by major banks in the Euro-zone, selected by the Principal Paying Agent, at approximately 11:00 a.m. (CET) on such Note Interest Determination Date for loans in euros to leading European banks for such Interest Period and in an amount that is representative for a single transaction in that market at that time. "**Reference Banks**" means four major banks in the Euro-zone inter-bank market selected by the Principal Paying Agent from time to time. "**Euro-zone**" means the region comprising member states of the European Union that have adopted the single currency, the euro, in accordance with the EC Treaty. "**EC Treaty**" means the Treaty establishing the European Community (signed in Rome on 25 March, 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February, 1992), as amended by the Treaty of Amsterdam (signed in Amsterdam on 2 November, 1997), as amended by the Treaty of Nice (signed in Nice on 26 February, 2001).

In the event that the Principal Paying Agent is on any Note Interest Determination Date required but unable to determine EURIBOR for the relevant Interest Period in accordance with the above, EURIBOR for such Interest Period shall be EURIBOR as determined on the previous Note Interest Determination Date.

7.4 Notifications

The Principal Paying Agent shall, as soon as practicable on or after each Note Interest Determination Date, determine and notify the relevant Interest Periods, Applicable Interest Rate, Interest Amount, Principal Amount and Payment Date with respect to each Class of Compartment 1 Notes (i) to the Issuer, the Servicer, the Corporate Administrator, the Calculation Agent, the Luxembourg Paying Agent and the Trustee; and (ii) as long as any Compartment 1 Notes are listed on the Luxembourg Stock Exchange, to the Luxembourg Stock Exchange. In the event that such notification is required to be given to the Luxembourg Stock Exchange, this notification shall be given no later than the close of the first Business Day following the relevant Note Interest Determination Date.

7.5 Pre-Enforcement Priority of Payments

The payment of the relevant Interest Amounts and Principal Amounts on each Payment Date to the Class A Compartment 1 Noteholders and the Class B Compartment 1 Noteholders shall, prior to the occurrence of an Enforcement Event, be subject to the Pre-Enforcement Priority of Payments. (After the occurrence of an Enforcement Event, the payment of the relevant Interest Amounts and Principal Amounts will be subject to the Post-Enforcement Priority of Payments as set out in Condition 9 (*Payment of interest and*

redemption after the occurrence of an Enforcement Event). Pursuant to the Pre-Enforcement Priority of Payments, on each Payment Date, the Available Distribution Amount as of the Cut-Off Date immediately preceding such Payment Date shall be allocated in the following manner and priority:

- (a) *first*, amounts payable by the Issuer in respect of taxes under any applicable law (if any);
- (b) *second*, all fees, costs, expenses, other amounts payable to the Trustee under the Trust Agreement;
- (c) *third*, on a *pari passu* basis, amounts payable to (i) the Data Trustee under the Data Trust Agreement, (ii) the Rating Agencies in respect of the monitoring fees, (iii) the Servicer under the Servicing Agreement, (iv) the Corporate Administrator under the Corporate Administration Agreement, (v) the Calculation Agent under the Calculation Agency Agreement and the Paying Agents under the Agency Agreement, and the Issuer Account Bank under the Bank Account Agreement, (vi) listing costs, (vii) auditor fees and (viii) any fees reasonably required (in the opinion of the Corporate Administrator) for the filing of annual tax returns or exempt company status fees;
- (d) *fourth*, (i) Swap Net Cashflow payable by the Issuer to the Swap Counterparty and (ii) swap termination payments due to the Swap Counterparty under the Swap Agreement except in circumstances where the Swap Counterparty is the defaulting party (as defined in the Swap Agreement) or where there has been a termination of the Interest Rate Swap due to a termination event with the Swap Counterparty being the affected party (as defined in the Swap Agreement);
- (e) *fifth*, on a *pari passu* basis, accrued and unpaid interest (including overdue interest) payable to the Class A Compartment 1 Noteholders;
- (f) *sixth*, on a *pari passu* basis, accrued and unpaid interest (including overdue interest) payable to the Class B Compartment 1 Noteholders;
- (g) *seventh*, to the Cash Reserve, until the Cash Reserve is equal to the Required Cash Reserve;
- (h) *eighth*, during the Revolving Period, to the Replenishment Fund an aggregate amount equal to the Replenishment Available Amount;
- (i) *ninth*, on a *pari passu* basis, after the expiration of the Revolving Period, to the Class A Compartment 1 Noteholders in respect of principal until the Class A Compartment 1 Notes are redeemed in full;
- (j) *tenth*, on a *pari passu* basis, after the expiration of the Revolving Period, to the Class B Compartment 1 Noteholders in respect of principal until the Class B Compartment 1 Notes are redeemed in full;
- (k) *eleventh*, any amount due to the Swap Counterparty under the Swap Agreement upon the termination of the Swap Agreement where the Swap Counterparty is the defaulting party or the affected party (as such terms are defined in the Swap Agreement) and any other amount payable to the Swap Counterparty under the Interest Rate Swap;
- (l) *twelfth*, accrued and unpaid interest payable to the Subordinated Lender under the Subordinated Loan Agreement;

(m) *thirteenth*, principal payable to the Subordinated Lender under the Subordinated Loan until the Subordinated Loan has been redeemed in full; and

(n) *fourteenth*, to pay all remaining excess to the Seller.

8. Replenishment and Redemption

8.1 Replenishment

No payments of principal in respect of the Compartment 1 Notes shall become due and payable to the Compartment 1 Noteholders during the Revolving Period. On each Payment Date during the Revolving Period, the Seller may, at its own discretion, offer to sell and assign to the Issuer the Additional Lease Receivables in accordance with the provisions of the Lease Receivables Purchase Agreement for an Additional Purchase Price equal to the Aggregate Discounted Lease Balance as of the Additional Cut-Off Date provided that (i) in respect of each Additional Lease Receivable the Eligibility Criteria are satisfied, (ii) each Additional Lease Receivable and the related Lease Collateral are assigned and transferred in accordance with the Lease Receivables Purchase Agreement and Data Trust Agreement. The Issuer shall be obligated to purchase and Acquire the Additional Lease Receivables only to the extent that the obligation to pay the Additional Purchase Price for the Additional Lease Receivables offered to the Issuer by the Seller on any Additional Purchase Date can be satisfied by the Issuer by applying the Available Distribution Amount as of the Additional Cut-Off Date immediately preceding the relevant Additional Purchase Date in accordance with the Pre-Enforcement Priority of Payments.

8.2 Amortisation — Pre-Enforcement

After the expiration of the Revolving Period and prior to the occurrence of an Enforcement Event, subject to the limitations set forth in Condition 4.2 (*Limited recourse, non-petition*) and the Pre-Enforcement Priority of Payments set forth in Condition 7.5 (*Pre-Enforcement Priority of Payments*), on each Payment Date, the Available Distribution Amount for the relevant Payment Date shall be applied towards the redemption of the Compartment 1 Notes in the following manner and priority:

- (i) to the Class A Compartment 1 Noteholders in respect of principal until the Class A Compartment 1 Notes are redeemed in full; and
- (ii) to the Class B Compartment 1 Noteholders in respect of principal until the Class B Compartment 1 Notes are redeemed in full.

8.3 Final Redemption

On the Payment Date falling on August 2015 (the "**Legal Final Maturity Date**"), each Class A Compartment 1 Note shall, unless previously redeemed, be redeemed in full at the then Outstanding Notes Balance and, after all the Class A Compartment 1 Notes have been redeemed in full, each Class B Compartment 1 Note shall, unless previously redeemed, be redeemed in full at the then Outstanding Notes Balance.

8.4 Clean Up Call

- (a) As of any Payment Date on which the Aggregate Discounted Lease Balance is less than 10% of the Aggregate Discounted Lease Balance at the last Purchase Date, the Seller will (provided that on the relevant Payment Date no Enforcement Event has occurred) have the option under the Lease Receivables Purchase Agreement (the "**Clean-Up Call Option**") to Acquire all outstanding Purchased Lease Receivables (together with any related Lease

Collateral) against payment of Deemed Collections on the Clean-Up Call Settlement Date (see below), subject to the following requirements (the "**Clean-Up Call Conditions**"):

- (i) the Deemed Collections (distributable as a result of the Clean-Up Call Option being rightfully exercised) should, together with funds credited to the Cash Reserve and the Replenishment Fund, be at least equal to the sum of (x) the Aggregate Outstanding Notes Balance of all Compartment 1 Notes outstanding plus (y) accrued interest thereon plus (z) all claims of any creditors of the Issuer in respect of Compartment 1 ranking prior to the claims of the Compartment 1 Noteholders according to the Applicable Priority of Payments;
 - (ii) the Seller shall have notified the Issuer and the Trustee of its intention to exercise the Clean-Up Call Option at least one month prior to the contemplated settlement date of the Clean-Up Call Option which shall be a Payment Date (the "**Clean-Up Call Settlement Date**"); and
 - (iii) the Deemed Collections payable by the Seller shall be equal to the current value (*aktueller Wert*) of all Purchased Lease Receivables affected by the clean up call.
- (b) Upon payment in full of the amounts specified in Condition 8.4(a)(i) to, or for the order of, the Compartment 1 Noteholders, no Compartment 1 Noteholders shall be entitled to receive any further payments of interest or principal.

8.5 *Optional Tax Redemption*

If the Issuer is or becomes at any time required by law to deduct or withhold in respect of any payment under the Compartment 1 Notes current or future taxes, levies or governmental charges, regardless of their nature, which are imposed under any applicable system of law or in any country which claims fiscal jurisdiction by, or for the account of, any political subdivision thereof or Governmental Authorities therein authorised to levy taxes, the Issuer shall determine within twenty (20) calendar days of such change in law being enacted whether it would be practicable to arrange for the substitution of the Issuer in accordance with Condition 13 (*Substitution of the Issuer*) or to change its tax residence to another jurisdiction approved by the Trustee. The Trustee shall not give such approval unless the Rating Agencies have confirmed in writing that such substitution or change of the tax residence of the Issuer would not negatively affect or result in a downgrading or withdrawal of the current rating of any Compartment 1 Note. If the Issuer determines that any of such measures would be practicable, it shall effect such substitution in accordance with Condition 13 (*Substitution of the Issuer*) or (as relevant) such change of tax residence within sixty (60) calendar days from such determination. If, however, it determines within twenty (20) calendar days of such circumstance occurring that none of such measures would be practicable or if, having determined that any of such measures would be practicable, it is unable so to avoid such deduction or withholding within such further period of sixty (60) calendar days, then the Issuer shall be entitled at its option (but shall have no obligation) to redeem all (but not some only) of the Compartment 1 Notes, upon not more than sixty (60) calendar days' nor less than thirty (30) calendar days' notice of redemption given to the Trustee, to the Principal Paying Agent and, in accordance with Condition 14 (*Form of Notices*), to the Compartment 1 Noteholders at their then Aggregate Outstanding Notes Balance, together with accrued interest (if any) to the date (which must be a Payment Date) fixed for redemption. Any such notice shall be irrevocable, must specify the Payment Date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem. For the avoidance of doubt, the Issuer shall be entitled to sell all remaining Purchased Lease Receivables in the open market, with a right of first refusal for the Seller,

provided such sale generates enough cash proceeds required (i) to redeem all outstanding Compartment 1 Notes as set forth in the immediately preceding sentence and (ii) to pay all amounts to the Issuers creditors in respect of Compartment 1 ranking prior to the Compartment 1 Noteholders in the Applicable Priority of Payments.

9. Payment of interest and redemption after the occurrence of an Enforcement Event

After the occurrence of an Enforcement Event, the Trustee shall distribute Available Post-Enforcement Funds (and the Issuer will tolerate such distribution) in the following manner and priority:

- (a) *first*, amounts payable by the Issuer in respect of taxes (if any);
- (b) *second*, all fees, costs, expenses, other remuneration, indemnity payments and other amounts payable by the Issuer to the Trustee under the Trust Agreement;
- (c) *third*, on a *pari passu* basis, amounts payable by the Issuer to (i) the Data Trustee under the Data Trust Agreement, (ii) the Rating Agencies in respect of the monitoring fees, (iii) the Servicer under the Servicing Agreement, (iv) the Corporate Administrator under the Corporate Administration Agreement, (v) the Calculation Agent under the Calculation Agency Agreement, the Paying Agents under the Agency Agreement, and the Issuer Account Bank under the Bank Account Agreement, (vi) listing fees, costs and expenses, (vii) auditor fees and (viii) any fees reasonably required for the filing of annual tax returns or exempt company status fees;
- (d) *fourth*, (i) Swap Net Cashflow payable by the Issuer to the Swap Counterparty and (ii) swap termination payments due to the Swap Counterparty under the Swap Agreement except in circumstances where the Swap Counterparty is the defaulting party (as defined in the Swap Agreement) or where there has been a termination of the Interest Rate Swap due to a termination event with the Swap Counterparty being the affected party (as defined in the Swap Agreement);
- (e) *fifth*, on a *pari passu* basis, accrued and unpaid interest (including overdue interest) payable by the Issuer to the Class A Compartment 1 Noteholders in respect of interest;
- (f) *sixth*, on a *pari passu* basis, amounts payable by the Issuer to the Class A Compartment 1 Noteholders in respect of principal until the Class A Compartment 1 Notes are redeemed in full;
- (g) *seventh*, on a *pari passu* basis, accrued and unpaid interest (including overdue interest) payable by the Issuer to the Class B Compartment 1 Noteholders in respect of interest;
- (h) *eighth*, on a *pari passu* basis, amounts payable by the Issuer to the Class B Compartment 1 Noteholders in respect of principal until the Class B Compartment 1 Notes are redeemed in full;
- (i) *ninth*, any amount due to the Swap Counterparty under the Swap Agreement upon the termination of the Swap Agreement where the Swap Counterparty is the defaulting party or the affected party (as such terms are defined in the Swap Agreement) and any other amount payable to the Swap Counterparty under the Interest Rate Swap;
- (j) *tenth*, accrued and unpaid interest payable to the Subordinated Lender under the Subordinated Loan Agreement;

(k) *eleventh*, as from the date on which all Compartment 1 Notes are redeemed in full, principal payable to the Subordinated Lender under the Subordinated Loan Agreement;

(l) *twelfth*, to pay all remaining excess to the Seller.

10. Notifications

With respect to each Payment Date, on the Note Interest Determination Date preceding such Payment Date, the Principal Paying Agent (as specified below) shall notify the Issuer, the Corporate Administrator, the Calculation Agent, the Luxembourg Paying Agent, the Swap Counterparty, the Trustee and, on behalf of the Issuer, by means of notification in accordance with Condition 14 (*Form of Notices*), the Compartment 1 Noteholders, and for so long as any of the Compartment 1 Notes are listed on the Luxembourg Stock Exchange, the Luxembourg Stock Exchange, as follows:

- (i) in respect of the Interest Rate for the Interest Period commencing on that Payment Date pursuant to Condition 7.3 (*Interest Rate*);
- (ii) in respect of the amount of principal payable in respect of each Class A Compartment 1 Note and each Class B Compartment 1 Note pursuant to Condition 8 (*Replenishment and Redemption*) and the Interest Amount pursuant to Condition 7.1 (*Interest Calculation*) to be paid on such Payment Date;
- (iii) in respect of the Outstanding Notes Balance of each Class A Compartment 1 Note and each Class B Compartment 1 Note and the Class A Outstanding Notes Balance and the Class B Outstanding Notes Balance as from such Payment Date and the amount of the Servicer Shortfalls for such Payment Date, if any;
- (iv) in the event of the final payment in respect of the Compartment 1 Notes pursuant to Condition 8.3 (*Final Redemption*), about the fact that such is the final payment; and
- (v) in the event of the payment of interest and redemption after the occurrence of an Enforcement Event, in respect of the amounts of interest and principal paid in accordance with Condition 9 (*Payment of Interest and Redemption after the occurrence of an Enforcement Event*).

11. Agents; Determinations Binding

- (a) The Issuer has appointed Deutsche Bank AG, London Branch as principal paying agent (the "**Principal Paying Agent**"), WestLB AG as calculation agent (the "**Calculation Agent**") and Deutsche Bank Luxembourg S.A. as Luxembourg paying agent (the "**Luxembourg Paying Agent**").
- (b) The Issuer shall procure that for so long as any Compartment 1 Notes are outstanding there shall always be a principal paying agent to perform the functions assigned to the Principal Paying Agent in the Agency Agreement. The Issuer may at any time, by giving not less than thirty (30) calendar days' notice by publication in accordance with Condition 14 (*Form of Notices*), replace the Principal Paying Agent by one or more other banks or other financial institutions that are Eligible Counterparties and which assume such functions, provided that for so long as the Compartment 1 Notes are listed on the Luxembourg Stock Exchange there shall always be a Luxembourg Paying Agent being appointed. The Principal Paying Agent and the Luxembourg Paying Agent shall act solely as agents for the Issuer and shall not have any agency, fiduciary or trustee relationship with the Compartment 1 Noteholders.

- (c) All calculations and determinations made by the Calculation Agent or the Principal Paying Agent (as applicable) for the purposes of these Conditions shall, in the absence of manifest error, be final and binding.

12. Taxation

Payments shall only be made by the Issuer after the deduction and withholding of current or future taxes, levies or governmental charges, regardless of their nature, which are imposed, levied or collected (collectively, "taxes") under any applicable system of law or in any country which claims fiscal jurisdiction by, or for the account of, any political subdivision thereof or government agency therein authorised to levy taxes, to the extent that such deduction or withholding is required by law or its interpretation. The Issuer shall account for the deducted or withheld taxes with the competent government agencies and shall, upon request of a Compartment 1 Noteholder, provide proof thereof. The Issuer is not obliged to pay any additional amounts as compensation for taxes deducted or withheld in accordance with this Condition 12 (*Taxation*).

13. Substitution of the Issuer

- (a) If, in the determination of the Issuer with the consent of the Trustee (who may rely on one or more legal opinions from reputable law firms), as a result of any enactment of or supplement or amendment to, or change in, the laws of any relevant jurisdiction or as a result of an official communication of previously not existing or not publicly available official interpretation, or a change in the official interpretation, implementation or application of such laws that becomes effective on or after the Issue Date:

- (i) any of the Issuer, the Seller, the Servicer, the Paying Agents, the Calculation Agent or the Swap Counterparty would, for reasons beyond its control, and after taking reasonable measures (such measures not involving any material additional payment or other expenses), be materially restricted from performing any of its obligations under the Compartment 1 Notes or the other Transaction 1 Documents to which it is a party; or
- (ii) any of the Issuer, the Seller, the Servicer or the Swap Counterparty would, for reasons beyond its control, and after taking reasonable measures (such measures not involving any material additional payment or other expenses), (x) be required to make any tax withholding or deduction in respect of any payments on the Compartment 1 Notes and/or the other Transaction 1 Documents to which it is a party or (y) would not be entitled to relief for tax purposes for any amount which it is obliged to pay, or would be treated as receiving for tax purposes an amount which it is not entitled to receive, in each case under the Compartment 1 Notes or the other Transaction 1 Documents;

then the Issuer shall inform the Trustee accordingly and the Issuer shall, in order to avoid the relevant event described in paragraph (i) or (ii) above, use their reasonable endeavours to arrange the substitution of the Issuer (in respect of Compartment 1), as soon as practicable, with a company incorporated in another jurisdiction in accordance with Condition 13(b) or to effect any other measure suitable to avoid the relevant event described in paragraph (i) or (ii) above.

- (b) The Issuer (in respect of Compartment 1) is entitled to substitute in its place another company (the "**New Issuer**") as debtor for all obligations arising under and in connection with the Compartment 1 Notes only subject to the provisions of Condition 13(a) and the following conditions:

- (i) the New Issuer assumes all rights and duties of the Issuer (in respect of Compartment 1) under or pursuant to the Compartment 1 Notes and the Transaction 1 Documents by means of an agreement with the Issuer and/or the other parties to the Transaction 1 Documents, and that the Compartment 1 Security created in accordance with Condition 4.1 (*Compartment 1 Security*) is held by the Trustee for the purpose of securing the obligations of the New Issuer upon the Issuer's substitution;
- (ii) no additional expenses or taxes or legal disadvantages of any kind arise for the Compartment 1 Noteholders from such assumption of debt and the Issuer has obtained a tax opinion to this effect from a reputable firm of lawyers or accountants in the relevant jurisdiction which can be examined at the offices of the Issuer;
- (iii) the New Issuer provides proof satisfactory to the Trustee that it has obtained all of the necessary governmental and other necessary approvals in the jurisdiction in which it has its registered address and that it is permitted to fulfil all of the obligations arising under or in connection with the Compartment 1 Notes without discrimination against the Compartment 1 Noteholders in their entirety and the Trustee relying on legal advice has consented to the proposed substitution (provided that the Trustee may not unreasonably withhold or delay its consent);
- (iv) the Issuer (in respect of Compartment 1) and the New Issuer enter into such agreements and execute such documents necessary for the effectiveness of the substitution; and
- (v) each Rating Agency has been notified of such substitution and has confirmed in writing that such substitution will not negatively affect or result in a downgrading or withdrawal of the current rating of any Compartment 1 Note.

Upon fulfilment of the aforementioned conditions, the New Issuer shall in every respect substitute the Issuer (in respect of Compartment 1) and the Issuer (in respect of Compartment 1) shall, *vis-à-vis* the Compartment 1 Noteholders, be released from all obligations relating to the function of issuer under or in connection with the Compartment 1 Notes.

- (c) Notice of such substitution of the Issuer (in respect of Compartment 1) shall be given in accordance with Condition 14 (*Form of Notices*).
- (d) In the event of such substitution of the Issuer, each reference to the Issuer (in respect of Compartment 1) in these Conditions shall be deemed to be a reference to the New Issuer.

14. Form of Notices

All notices to the Compartment 1 Noteholders hereunder, and in particular the notifications mentioned in Condition 10 (*Notifications*) shall be (i) published in the *D'Wort* or on the website of the Luxembourg Stock Exchange (www.bourse.lu) (or such other publication required by the rules of the Luxembourg Stock Exchange) if and to the extent a publication in such form is required by the rules of the Luxembourg Stock Exchange and (ii) delivered to the ICSDs for communication by them to the Compartment 1 Noteholders. Any notice referred to under (i) above shall be deemed to have been given to all Compartment 1 Noteholders on the date of such publication in the *D'Wort* or on the website of the Luxembourg Stock Exchange (www.bourse.lu) (or such other publication required by the rules of the Luxembourg Stock Exchange). Any notice referred to under

(ii) above shall be deemed to have been given to all Compartment 1 Noteholders on the seventh calendar day after the day on which such notice was delivered to the ICSDs.

15. Miscellaneous

15.1 Presentation Period

The presentation period for the Global Notes shall end five (5) years after the Legal Final Maturity Date in accordance with section 801 (1), first sentence of the Civil Code.

15.2 Replacement of Global Notes

If any of the Global Notes is lost, stolen, damaged or destroyed, it may be replaced by the Issuer upon payment by the claimant of the costs arising in connection therewith. As a condition of replacement, the Issuer may require the fulfilment of certain conditions, the provision of proof regarding the existence of indemnification and/or the provision of adequate collateral. In the event of any of the Global Notes being damaged, such Global Note shall be surrendered before a replacement is issued. If any Global Note is lost or destroyed, the foregoing shall not limit any right to file a petition for the annulment of such Global Note pursuant to the provisions of the laws of Germany.

15.3 Governing Law

The form and content of the Compartment 1 Notes and all of the rights and obligations of the Compartment 1 Noteholders and the Issuer under the Compartment 1 Notes shall be governed in all respects by the laws of Germany.

15.4 Jurisdiction

The non-exclusive place of jurisdiction for any action or other legal proceedings arising out of or in connection with the Compartment 1 Notes shall be the District Court (*Landgericht*) in Munich. The Issuer hereby submits to the jurisdiction of such court. The German courts shall have exclusive jurisdiction over the annulment of the Global Notes in the event of their Loss or destruction.

MATERIAL TERMS OF THE TRUST AGREEMENT

The following is the text of the material terms of the Trust Agreement, including its Schedules I, and II. The text is attached as Appendix B to the Conditions and constitutes an integral part of the Conditions – in case of any overlap or inconsistency in the definitions of a term or expression in the Trust Agreement and elsewhere in the Offering Circular, the definitions and expressions in the Trust Agreement will prevail. For the purpose of this Offering Circular, Schedule III which contains a form of the Deed of Charge and Assignment and Schedule IV which contains a form of accession, have been omitted.

The descriptions in this section refer to certain material terms of the Trust Agreement. These descriptions do not purport to be complete and are subject to, and are qualified in their entirety by, the detailed provisions of the Trust Agreement.

The Trust Agreement is made on or before the Closing Date between Bavarian Sky S.A. as the Issuer acting in respect of Compartment 1, Deutsche Trustee Company Limited as the Trustee, BMW Leasing GmbH as the Seller and the Servicer, BMW Finance N.V. as the Subordinated Lender, WestLB AG as the Arranger, Société Générale, London Branch and WestLB AG as the Joint Lead Managers, Bayerische Landesbank and Fortis Bank NV-SA as the Managers, WestLB AG as the Swap Counterparty, Deutsche Bank AG, London Branch as the Principal Paying Agent and the Issuer Account Bank, WestLB AG as the Calculation Agent, BMW Bank GmbH as the Data Trustee, Deutsche Bank Luxembourg S.A. as the Luxembourg Paying Agent and Structured Finance Management (Luxembourg) S.A. as the Corporate Administrator.

1. DEFINITIONS, INTERPRETATIONS AND COMMON TERMS

1.1 Definitions

- (a) Unless otherwise defined herein or the context requires otherwise, capitalised terms used in this Agreement have the meanings ascribed to them in Clause 1 of the Master Definitions Schedule (the "**Master Definitions Schedule**") set out in Schedule 1 of the Incorporated Terms Memorandum (the "**Incorporated Terms Memorandum**") which is dated on or about the date of this Agreement and signed for the purpose of identification by each of the Transaction 1 Parties. The terms of the Master Definitions Schedule are hereby expressly incorporated into this Agreement by reference.
- (b) In the event of any conflict between the Master Definitions Schedule and this Agreement, this Agreement shall prevail.

1.2 Interpretations

Terms in this Agreement, except where otherwise stated or where the context otherwise requires, shall be interpreted in the same way as set forth in Clause 2 of the Master Definitions Schedule.

1.3 Common Terms

(a) Incorporation of Common Terms

Except as provided below, the Common Terms apply to this Agreement and shall be binding on the parties to this Agreement as if set out in full in this Agreement.

(b) Common Terms and Applicable Priority of Payments

If there is any conflict between the provisions of the Common Terms and the provisions of this Agreement, the provisions of this Agreement shall prevail, subject always to compliance with Paragraph 6 (*Non-Petition and Limited Recourse*) of the Common Terms. Nothing in the Agreement shall be construed as to prevail over or otherwise alter the Applicable Priority of Payments.

(c) **Governing Law and Jurisdiction**

This Agreement and all matters arising from or connected with it shall be governed by German law in accordance with Paragraph 25 (*Governing Law*) of the Common Terms. Paragraph 26 (*Jurisdiction*) of the Common Terms applies to this Agreement as if set out in full in this Agreement.

2. RIGHTS AND OBLIGATIONS OF THE TRUSTEE, BINDING EFFECT OF CONDITIONS

- 2.1 This Agreement sets out, *inter alia*, the rights and obligations of the Trustee to the Secured Parties and the legal relationship between the Issuer and the Trustee.
- 2.2 The Trustee shall exercise its rights and perform its obligations under this Agreement, the Conditions and the other Transaction 1 Documents to which it is a party as trustee for the benefit of the Secured Parties subject to Clauses 2.3 and 2.4.
- 2.3 Notwithstanding the fact that a Compartment 1 Noteholder may not be a party to this Agreement, the Trustee agrees (i) that each Compartment 1 Noteholder may demand performance by the Trustee of its obligations hereunder and (ii), to give effect to sub-clause (i), that this Agreement shall, in respect of each Compartment 1 Noteholder, be construed as an agreement for the unrestricted benefit of third parties (*echter Vertrag zugunsten Dritter*), provided that each Compartment 1 Noteholder may claim performance by the Trustee only if a period of 10 (ten) Business Days has elapsed after the occurrence of an Enforcement Event and the Trustee has not exercised its discretion where applicable and has not performed any of its obligations as set out herein.
- 2.4 All parties hereto agree to be bound by, and concur that their rights are subject to, the Conditions.
- 2.5 The Trustee shall have only those duties, obligations and responsibilities expressly specified in this Agreement and shall not have any implied duties, obligations and responsibilities.
- 2.6 If the Trustee is to grant its consent pursuant to the terms hereof or any of the Transaction 1 Documents, the Trustee may grant or withhold its consent or approval at its sole professional judgment taking into account what the Trustee believes to be the interests of the Secured Parties subject to Clause 15 (*Conflicts of interest*). The Trustee may decide to give its consent subject to the prior confirmation of the Rating Agencies that such action would not result in a downgrading or withdrawal of the rating of any Compartment 1 Note.
- 2.7 In respect of all the powers, authorities and discretions vested in the Trustee by or pursuant to any Transaction 1 Document (including this Agreement) to which the Trustee is a party or conferred upon it by operation of law, (i) the Trustee shall (save as otherwise expressly provided herein) have discretion as to the exercise or non-exercise thereof and shall have full power to determine all questions and doubts arising in relation thereto and (ii) every exercise or non-exercise or determination (whether made upon a question

actually raised or implied in the acts or proceedings of the Trustee) relating thereto by the Trustee shall be conclusive and shall bind the Trustee and the Secured Parties and (iii) provided it shall not have acted in violation of its standard of care as set out in Paragraph 14 (*Standard of Care*) of the Common Terms, the Trustee shall not be responsible for any loss, costs, damages, expenses or inconvenience that may result from the exercise or non-exercise thereof or the determination in relation thereto.

- 2.8 No provision of this Agreement shall require the Trustee to do anything which may be illegal or contrary to applicable law or regulation.
- 2.9 Save for any breach of its own obligations under the Transaction 1 Documents, the Trustee needs not expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of any of its rights or powers or otherwise in connection with any Transaction 1 Document (including, without limitation, forming any opinion or employing any legal, financial or other adviser), if it determines in its reasonable discretion that repayment of such funds or adequate indemnity against such risk or liability is not assured to it.
- 2.10 The Trustee shall not be responsible or liable to any person for (i) the nature, status, creditworthiness or solvency of the Issuer or any other person or entity who has at any time provided any security or support whether by way of guarantee, charge or otherwise in respect of any advance made to the Issuer; (ii) save as set forth in Clause 3.2 (*General covenants of the Trustee*), any action or failure to act, or the performance or observance of any provision of any Transaction 1 Document or any document entered into in connection therewith, by the Issuer or any other party to such documents; (iii) any statements, warranties or representations of any party (other than those relating to or provided by it) contained in any Transaction 1 Document or document entered into in connection therewith (and may, absent actual knowledge to the contrary) rely on the accuracy and correctness thereof; (iv) the genuineness, validity, effectiveness, fairness or suitability of any Transaction 1 Document or any other documents entered into in connection therewith or any other document or any obligation or rights created or purported to be created thereby or pursuant thereto or any security or the priority thereof constituted or purported to be constituted thereby or pursuant thereto; and (v) any invalidity of any provision of such documents or the unenforceability thereof; and (without prejudice to the generality of the foregoing) the Trustee shall not have any responsibility for or have any duty to make any investigation in respect of any of the foregoing.
- 2.11 Unless otherwise provided herein specifically, the Trustee shall be under no obligation to monitor or supervise the functions of any Person in respect of the Compartment 1 Notes, any of the Transaction 1 Documents or any other agreement or document relating to the transactions herein or therein contemplated and shall be entitled, in the absence of actual knowledge of a breach of obligation, to assume that each such Person is properly performing and complying with its obligations.
- 2.12 The Trustee may delegate some but not substantially all of its rights, authorities, powers and performance of its obligations under this Agreement and/or any other Transaction 1 Document if (i) the Trustee in its professional judgment considers such delegation to be in the interests of the Secured Parties and (ii) such delegate is a reputable service provider in its respective field. The Trustee shall not thereby be released or discharged from and shall remain responsible for the performance of such obligations. The performance or non-performance and the manner of performance of any sub-contractor or delegate of any such delegated obligations shall not affect the Trustee's obligations. The Trustee shall remain liable for the due selection and, provided there are reasonable grounds, for the revisiting of the appointment of such delegate or sub-contractor.

- 2.13 No Trustee and no director or officer of any corporation which is a Trustee hereof shall by reason of the fiduciary position of such Trustee be in any way precluded from making any contracts or entering into any transactions in the ordinary course of business with the Issuer or any person or body corporate directly or indirectly associated with the Issuer, or from accepting the trusteeship of any other securities of the Issuer or any person or body corporate directly or indirectly associated with the Issuer, and neither the Trustee nor any such director or officer shall be accountable to the Issuer or any Secured Party for any profit, fees, commissions, interest, discounts or share of brokerage earned, arising or resulting from any such contracts or actions and the Trustee and any such director or officer shall be at liberty to retain the same for its or his own benefit.
- 2.14 The Trustee and any entity associated with the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

3. GENERAL COVENANTS OF THE TRUSTEE

The Trustee undertakes to the Issuer for the benefit of the Compartment 1 Noteholders and the other Secured Parties that it shall exercise and perform all discretions, powers and authorities vested in it under or in connection with this Agreement giving sole regard to the best interest of the Compartment 1 Noteholders and the other Secured Parties and to direct any conflict between the interests of the various classes of Secured Parties in compliance with Clause 15 (*Conflicts of interest*) and the other provisions hereof.

4. COMPARTMENT 1 SECURITY HELD ON TRUST

The Trustee shall hold the Compartment 1 Security (Clause 8 (*Creation of Compartment 1 Security*)) as a security trustee (Clause 7 (*Appointment as Trustee*)) for security purposes (Clause 9 (*Security Purpose*)) and on trust for the Issuer as security for the payment of the Secured Obligations. The Trustee shall segregate the Compartment 1 Security from its other assets in the manner of a professional security trustee (*Sicherheitentreuhänder*) giving due regard to its duties owed to the Secured Parties under this Agreement.

5. COVENANT TO PAY

5.1 Payment to Noteholders and other Secured Parties

The Issuer covenants with the Trustee that, subject as provided in the relevant Transaction 1 Documents and this Agreement, it will:

- (a) as and when any sum becomes due and payable by the Issuer to the Compartment 1 Noteholders in respect of the Class A Compartment 1 Notes and/or the Class B Compartment 1 Notes, whether by way of principal, interest or otherwise, until all such payments (after as well as before any judgment or other order of any court of competent jurisdiction) are duly made, unconditionally pay or procure to be paid to or to the order of the Compartment 1 Noteholders such sum on the dates and in the amounts specified in the Conditions; and
- (b) as and when any sum falls due and payable by the Issuer to any Secured Party (other than the Compartment 1 Noteholders) in respect of any relevant Transaction 1 Document owing by the Issuer pursuant to the terms of the relevant Transaction 1 Document and any other document, instrument or agreement relating thereto, until all such payments (after as well as before any judgment or other order of any court of competent jurisdiction) are duly paid unconditionally pay or procure to be paid to or to the order of the relevant Secured

Party such sum in such currency and manner as is specified in the relevant Transaction 1 Document subject to the Applicable Priority of Payments.

5.2 **Covenant to pay held on trust**

The Trustee shall, subject to the other provisions hereof, hold the benefit of the covenant to pay pursuant to Clause 5.1 (a) and (b) on trust for itself, the Compartment 1 Noteholders and the other Secured Parties.

5.3 At any time after any Issuer Event of Default in relation to the Compartment 1 Notes has occurred which has not been waived by the Trustee or remedied to its satisfaction, the Trustee may:

- (a) by notice in writing to the Issuer, the Paying Agents and the Calculation Agent and until notified by the Trustee to the contrary, require any of them in relation to the Compartment 1 Notes:
 - (i) to act thereafter as agents of the Trustee under the provisions of this Agreement *mutatis mutandis* on the terms provided in the Agency Agreement and the Calculation Agency Agreement (with consequential amendments as necessary and save that the Trustee's liability under any provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Paying Agents and the Calculation Agent shall be limited to amounts for the time being held by the Trustee on the trusts of this Agreement in relation to the Compartment 1 Notes on the terms of this Agreement and available to the Trustee for such purpose) and thereafter to hold all Compartment 1 Notes and all sums, documents and records held by them in respect of the Compartment 1 Notes on behalf of the Trustee; and/or
 - (ii) to deliver up all Compartment 1 Notes and all sums, documents and records held by them in respect of the Compartment 1 Notes to the Trustee or as the Trustee shall direct in such notice provided that such notice shall be deemed not to apply to any document or record which the relevant Paying Agent is obliged not to release by any law or regulation; and
- (b) by notice in writing to the Issuer require the Issuer to make all subsequent payments in respect of Compartment 1 Notes to or to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn.

6. **PARALLEL DEBT**

6.1 **Trustee joint and several creditor**

In respect of the covenant to pay set forth in Clause 5.1 (a) and (b), the Trustee shall be a joint and several creditor (together with any other relevant Secured Party) in respect of the Secured Obligations. Accordingly, the Trustee will have an independent right ("**Trustee Claim**") to demand performance by the Issuer of the Secured Obligations. Any discharge of the Secured Obligations to the Trustee or any other relevant Secured Party shall, to the same extent, discharge the corresponding obligations owing to the other.

6.2 **Separate enforcement**

The Trustee Claim may be enforced separately from the Secured Party's claim in respect of the same payment obligation of the Issuer.

7. APPOINTMENT AS TRUSTEE

- 7.1 The Issuer hereby appoints the Trustee as security trustee (*Sicherheitentreuhänder*) of the Compartment 1 Security and of all of the covenants, (including the covenant to pay set forth in Clause 5.1 (*Payment to Noteholders and other Secured Parties*)) undertakings, mortgages, charges, assignments and other security interests made or given under, or in connection with, this Agreement by the Issuer or any guarantor of a Transaction 1 Party for the benefit of the Secured Parties in respect of the Secured Obligations owed to each of them respectively by the Issuer (the "**Trust Property**").
- 7.2 The Secured Parties (other than the Compartment 1 Noteholders) hereby acknowledge the Trustee as their security trustee (*Sicherheitentreuhänder*) and they instruct the Trustee to hold the Trust Property on trust for itself and the other Secured Parties (including the Compartment 1 Noteholders) on the terms and conditions of this Agreement.

8. CREATION OF COMPARTMENT 1 SECURITY

The parties hereto agree that the Issuer shall create Adverse Claims in favour of the Trustee and for the benefit of the Trustee, the Compartment 1 Noteholders and the other Secured Parties as set out in the following Clauses 8.1 (*Transfer for security purposes of Assigned Assets*), Clause 8.2 (*Pledges*) and Clause 8.3 (*English law Deed of Charge and Assignment*).

8.1 Transfer for security purposes of Assigned Assets

(a) Assignment and transfer

The Issuer hereby assigns and transfers for security purposes (*Sicherungsabtretung und Sicherungsübereignung*) the following rights and claims (including any contingent rights (*Anwartschaftsrechte*) to such rights and claims) (together, the "**Assigned Assets**") to the Trustee, for the security purposes set out in Clause 0 (*Security Purpose*):

- (i) all Purchased Lease Receivables together with any related Lease Collateral as transferred by the Seller to the Issuer pursuant to Clause 2.6 of the Lease Receivables Purchase Agreement and all rights, claims and interests relating thereto;
- (ii) all title (*Sicherungseigentum*) to the Leased Vehicles relating to the Purchased Lease Receivables which are identified by the relevant vehicle identification numbers delivered by the Issuer for identification purposes to the Trustee on or about the date of this Agreement;
- (iii) all rights, claims and interests which the Issuer is now or may hereafter become entitled to from or in relation to the Head Lessor, the Seller or the Servicer and/or any other party pursuant to or in respect of the Lease Receivables Purchase Agreement or the Servicing Agreement, including all rights of the Issuer relating to any additional security;
- (iv) all present and future rights, claims and interests which the Issuer is now or may hereafter become entitled to from or in relation to the Subordinated Lender and/or any other party pursuant to or in respect of the Subordinated Loan Agreement;
- (v) all present and future rights, claims and interests which the Issuer is now or may hereafter become entitled to from or in relation to any of the Joint Lead Managers and/or any other party pursuant to or in respect of the Subscription Agreement;

- (vi) all present and future rights, claims and interests which the Issuer is now or may hereafter become entitled to from or in relation to the Paying Agents, the Calculation Agent, and/or any other party pursuant to or in respect of the Agency Agreement;
- (vii) all present and future rights, claims and interests which the Issuer is now or may hereafter become entitled to from or in relation to the Issuer Account Bank and the Issuer Account and/or any other party pursuant to or in respect of the Bank Account Agreement; and
- (viii) all present and future rights, claims and interests which the Issuer is now or may hereafter become entitled to from or in relation to the Data Trustee and/or any other party pursuant to or in respect of the Data Trust Agreement.

Each case (i) to (viii) above includes any and all related non-ancillary (*selbständige*) and ancillary (*unselbständige*) rights to determine unilaterally legal relationships (*Gestaltungsrechte*), including any termination rights (*Kündigungsrechte*).

The Issuer hereby covenants in favour of the Trustee that it will assign and/or transfer to the Trustee any future assets received by the Issuer as security for any of the foregoing or otherwise in connection with the Transaction 1 Documents, in particular such assets which the Issuer receives from any of its counterparties in relation to any of the Transaction 1 Documents as security for the obligations of such counterparty towards the Issuer. The Issuer will perform such covenant in accordance with the provisions of this Agreement.

The delivery of the Leased Vehicles (including any subsequently inserted parts and other moveable Lease Collateral (including any vehicle certificate (*Zulassungsbescheinigung Teil II* or *KFZ Brief*, as applicable)) shall be replaced by the Issuer assigning (*abtreten*) his restitution claim (*Herausgabeanspruch*) against the Seller to the Trustee. The Trustee accepts such assignment.

Where third parties obtain, or have obtained, possession of the Leased Vehicles or of other moveable Lease Collateral (including any vehicle certificate (*Zulassungsbescheinigung Teil II* or *KFZ Brief*, as applicable)), the Issuer hereby assigns as part of the Lease Collateral all related existing or future restitution claims (*Herausgabeansprüche*) to the Trustee.

- (b) The Trustee hereby accepts the assignment and the transfer of the Assigned Assets and any security related thereto and the covenants of the Issuer hereunder. The Trustee now retransfers, under the condition precedent of the full and final fulfillment of the Secured Obligations and full and final discharge of the Trustee Claims, title (*Sicherungseigentum*) to the relevant Leased Vehicles to the Issuer. The Issuer accepts such retransfer.
- (c) The existing Assigned Assets shall pass to the Trustee on the Issue Date, and any future Assigned Assets shall directly pass to the Trustee at the date on which such Assigned Assets arise, and in each case at the earliest at the time at which the Issuer has acquired the rights and claims of which the relevant Assigned Assets consists.

The Issuer undertakes to assign and transfer to the Trustee, on the terms and conditions and for the purposes set out herein, any rights and claims under any future Transaction 1 Document or further agreement relating to Transaction 1 upon execution of any such documents.

- (d) To the extent that title to the Assigned Assets cannot be transferred by sole agreement between the Issuer and the Trustee as contemplated by the foregoing sub-clauses (a) to (c), the Issuer and the Trustee agree that:
- (i) with respect to the Leased Vehicles, the delivery (*Übergabe*) necessary to effect the transfer of title for security purposes with regard to the Leased Vehicles and any vehicle certificates (*Zulassungsbescheinigung Teil II* or *KFZ Brief*, as applicable) and any other moveable Lease Collateral with regard to any subsequently inserted parts thereof or with regard to any subsequently arising co-ownership interest, is hereby substituted by the agreement between the Issuer and the Trustee that the Issuer hereby assigns to the Trustee all claims, present and future, to request transfer of possession (*Abtretung aller Herausgabeansprüche* – section 931 of the Civil Code) against any third party (including the Head Lessor, the Seller, the Servicer and any Lessee) which is in the direct possession (*unmittelbarer Besitz*) or indirect possession (*mittelbarer Besitz*) of the Leased Vehicles (and any car or vehicle certificates (*Zulassungsbescheinigung Teil II* or *KFZ Brief*, as applicable) with respect thereto) or other moveable Lease Collateral. In addition to the foregoing it is hereby agreed between the Issuer and the Trustee that, in the event that (but only in the event that) the related Leased Vehicle or other moveable Lease Collateral are in the Issuer's direct possession (*unmittelbarer Besitz*), the Issuer shall hold possession on behalf of the Trustee and shall grant the Trustee indirect possession (*mittelbarer Besitz*) of the related Leased Vehicle and other moveable Lease Collateral by keeping it with due care free of charge (*als unentgeltlicher Verwahrer*) for the Trustee until the related Leased Vehicle or other moveable Lease Collateral is released or replaced in accordance with the Transaction 1 Documents;
 - (ii) any notice to be given in order to effect transfer of title in the Assigned Assets shall immediately be given by the Issuer in such form as the Trustee requires and the Issuer hereby agrees that if it fails to give such immediate notice, the Trustee is hereby irrevocably authorised to give such notice on behalf of the Issuer;
 - (iii) any other thing to be done, form to be filed or registration to be made to perfect a first priority security interest in the Assigned Assets for the benefit of the Trustee in favour of the Secured Parties shall be immediately done, filed or made by the Issuer at its own costs; and
 - (iv) the Issuer shall procure that the Seller and/or the Head Lessor provides the Data Trustee with any and all necessary details in order to identify the Leased Vehicles (title to which has been transferred hereunder from the Issuer to the Trustee as contemplated herein) no later than the date on which these Assigned Assets become effective including the vehicle identification number (*Fahrgestellnummern*) of each Leased Vehicle title to which it has acquired under or pursuant to Clause 2 (*Offer for Lease Receivables*) of the Lease Receivables Purchase Agreement.

The Trustee hereby accepts each of the fore-going assignments and transfers.

(e) **Acknowledgement of assignment**

All parties to this Agreement hereby acknowledge that the rights and claims of the Issuer which constitute the Assigned Assets or the English Law Charged Assets and which have arisen under contracts and agreements between the Issuer and the parties hereto and which are owed by such parties, are assigned to the Trustee and that the Issuer is entitled to

continue to exercise and collect such rights and claims only in accordance with Clause 12 (*Collection*) and the other provisions hereof or of the Deed of Charge and Assignment and subject to the restrictions contained in this Agreement. Upon notification to any party hereto by the Trustee in respect of the occurrence of an Enforcement Event, the Trustee shall be entitled to exercise the rights of the Issuer under the Transaction 1 Document referred to in this Clause 8.1 (*Transfer for security purposes of Assigned Assets*), including, without limitation, the right to give instructions to each such party pursuant to the relevant Transaction 1 Document and each party hereto agrees to be bound by such instructions of the Trustee given pursuant to the relevant Transaction 1 Document to which such party is a party.

8.2 Pledges

- (a) The Issuer hereby pledges (*Verpfändung*) to the Trustee all its present and future claims against the Trustee arising under or in connection with this Agreement. The Issuer hereby gives notice to the Trustee of such pledge and the Trustee hereby confirms receipt of such notice. The Trustee is under no obligation to enforce any claims of the Issuer against it pledged to the Trustee pursuant to this Clause 8.2 (*Pledges*).
- (b) The Issuer hereby pledges (*Verpfändung*) to the Trustee all its present and future claims against the Issuer Account Bank under or in connection with the Bank Account Agreement, in particular claims in respect of the repayment of moneys standing to the credit of the Issuer Account-C1. The Issuer hereby gives notice to the Issuer Account Bank of such pledge and the Issuer Account Bank hereby confirms receipt of such notice.

8.3 English law Deed of Charge and Assignment

The Issuer and the Trustee agree that the Issuer shall (by way of the Deed of Charge and Assignment) under English law assign by way of security all of the Issuer's present and future rights, title and interests under or in connection with the English law governed Swap Agreement and all proceeds thereof (the "**English Law Charged Assets**"). However, any cash or other collateral provided by the Swap Counterparty to the Issuer under the Swap Agreement shall secure solely the payment obligations of the Swap Counterparty to the Issuer under the Swap Agreement and shall not secure any obligations of the Issuer. The English Law Charged Assets shall secure the Secured Obligations for the benefit of the Secured Parties and shall be made pursuant to the English law governed Deed of Charge and Assignment being substantially in the form of the deed of charge and assignment set out in Schedule III hereto. The Trustee will hold the English Law Charged Assets and all rights resulting from the Deed of Charge and Assignment in its own right for the purpose of securing the Trustee Claim and as German law security Trustee (*Sicherungstreuhänder*) on behalf of the Secured Parties in respect of the Secured Obligations.

9. SECURITY PURPOSE

The Adverse Claims created pursuant to Clause 8 (*Creation of Compartment 1 Security*), the other provisions hereof and the Deed of Charge and Assignment (the "**Compartment 1 Security**") shall serve as security for the Secured Obligations and the Trustee Claim. The Compartment 1 Security shall be enforced, collected and distributed pursuant to the provisions of this Agreement.

10. REPRESENTATIONS AND WARRANTIES

10.1 Representations and warranties of the Issuer

The Issuer gives certain representations and warranties to the Trustee, also for the benefit of the other Secured Parties, on the terms set out in the Issuer's Representations and Warranties.

10.2 Representations and warranties of the Trustee

The Trustee hereby represents and warrants to the other parties as follows:

It is a company duly organised and registered under the laws of England and Wales and has full corporate power and authority to execute, deliver and perform this Agreement and the obligations expressly imposed upon it hereunder and has taken all necessary corporate action to authorise this Agreement on the terms and conditions hereof, the execution, delivery and performance of this Agreement on the terms and conditions hereof, and all obligations required hereunder. No consent of any other person including, without limitation, its shareholders or stockholders and creditors, and no licence, permit, approval or authorisation of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority is required by it in connection with this Agreement or the execution, delivery, performance, validity or enforceability of this Agreement and the performance of the obligations expressly imposed upon it hereunder.

11. ADMINISTRATION OF SECURITY

11.1 With respect to the Compartment 1 Security, the Trustee shall, in relation to the Issuer and the Secured Parties, have the rights and obligations of a party taking security (*Sicherungsnehmer*). The Trustee is obligated to release the Compartment 1 Security after the Issuer has fully and finally discharged all of the Secured Obligations (Clause 19 (*Release of Compartment 1 Security*)).

11.2 The Trustee shall not release the Compartment 1 Security or dispose of the Assigned Assets except as expressly provided herein. The Trustee shall be entitled to assign and transfer the Compartment 1 Security in the event that the Trustee is replaced with a successor Trustee pursuant to Clause 21 (*Resignation and Substitution of the Trustee*).

11.3 Subject to Clause 12 (*Collections*) and in accordance with the Servicing Agreement and the Lease Receivables Purchase Agreement, the Servicer is entitled to realise the Leased Vehicles on behalf of the Trustee.

12. COLLECTIONS

12.1 For so long as no Enforcement Event has occurred the Issuer shall be authorised (*ermächtigt*) to collect or, have collected, in the ordinary course of business or otherwise exercise or deal with the Assigned Assets (including, for the avoidance of doubt, to enforce related Lease Collateral).

12.2 The Trustee hereby consents, for so long as no notice in respect of the occurrence of a Servicer Termination Event has been delivered to the Servicer by the Issuer and the Trustee has not been notified of the delivery of such notice, to the release or replacement by the Servicer of any related Lease Collateral pursuant to the terms of the Servicing Agreement.

13. REPLENISHMENT FUND

- 13.1 No later than the Issue Date, the Issuer will establish the Issuer Account-C1 with the Issuer Account Bank. During the Revolving Period, the Replenishment Available Amount credited to the Replenishment Fund held as a separate ledger shall be used by the Issuer at the Seller's discretion for the purchase of the Additional Lease Receivables from the Seller in accordance with the terms and provisions of the Lease Receivables Purchase Agreement. Upon the occurrence of an Early Amortisation Event, the ledger of the Replenishment Fund shall be closed and any amounts standing to the credit of the Replenishment Fund shall be applied on the subsequent Payment Date in accordance with the Applicable Priority of Payments.

14. FURTHER ASSURANCE AND POWERS OF ATTORNEY

- 14.1 The Issuer shall from time to time execute and do all such things as the Trustee may require for perfecting or protecting the security created or intended to be created pursuant to the Security Documents, and at any time after the Compartment 1 Security becomes enforceable, the Issuer shall execute and do all such things as the Trustee may require in respect of the facilitation of the enforcement, in whole or in part, of the Compartment 1 Security and the exercise of all powers, authorities and discretionary rights vested in the Trustee, including, without limitation, to make available to the Trustee copies of all notices to be given in accordance with the Conditions, to notify the Trustee of all amendments to the Transaction 1 Documents and to make available to the Trustee, upon the reasonable request of the Trustee, such information required by the Trustee to perform its obligations under this Agreement.
- 14.2 The Issuer hereby irrevocably appoints the Trustee as its agent and empowers the Trustee to do all such acts and things, to make all necessary statements or declarations and execute all relevant documents, which the Issuer ought to do, make or execute under or in connection with this Agreement or generally to give full effect to this Agreement and the Transaction 1 Documents. The Issuer hereby ratifies and agrees to ratify and approve whatever the Trustee as its agent shall do or purport to do in the exercise or purported exercise of the powers created pursuant to this Clause 14 (*Further Assurance and Power of Attorney*).
- 14.3 All parties hereto undertake to provide all information to the Trustee that it shall require to exercise the powers contemplated by Clause 14.1 (*Further Assurance and Power of Attorney*) or to carry out the Trustee's obligations under or in connection herewith. The Trustee (and its sub-agents) shall be exempted from the restrictions of section 181 of the Civil Code and any other restrictions under any other applicable law and shall be entitled to release any sub-agent from any such restriction.

15. WHEN COMPARTMENT 1 SECURITY BECOMES ENFORCEABLE AND THE RESPECTIVE PROCEDURE

15.1 When Compartment 1 Security becomes enforceable

The Compartment 1 Security shall become enforceable, in whole or in part, upon the occurrence of an Enforcement Event.

The Trustee shall be entitled to assume in the absence of notice provided to it by another party, that no Enforcement Event has occurred and is continuing.

15.2 Procedure

- (a) Upon the occurrence of an Issuer Event of Default, the Trustee shall as soon as reasonably practicable notify the Issuer, each of the other Secured Parties and the Rating Agencies ("**Enforcement Notice**"). The Trustee shall not be obliged to deliver an Enforcement Notice unless:
 - (i) in the case of the occurrence of any of the events mentioned in lit. (b) of the definition of Issuer Event of Default, the Trustee is of the opinion that the happening of such event is materially prejudicial to the interests of the Noteholders; and
 - (ii) it shall have been indemnified and/or secured to its satisfaction against all liabilities to which it may thereby become liable or which it may incur by so doing.
- (b) Subject to its being indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages, expenses (including reasonable legal costs and expenses) which it may incur by so doing, the Trustee shall, after the Compartment 1 Security has become enforceable and without further notice to any party hereto, enforce the Compartment 1 Security, or any part of it, and shall incur no liability to any party for so doing.
- (c) The Trustee shall at all times do all such things as are reasonably necessary in order that it can comply with all provisions of this Agreement or the Deed of Charge and Assignment and with all applicable laws relating to the discharge of its functions.
- (d) Each of the parties to this Agreement agrees and acknowledges and, by executing a Form of Accession, each New Secured Party agrees and acknowledges, that in the event of the enforcement of the Compartment 1 Security or the appointment of a Receiver, the Trustee shall not be obliged to indemnify out of its own money any such Receiver for any of its costs, charges, liabilities or expenses or to advance, in whatever form, any moneys to such Receiver or any other Person arising out of or in connection with such enforcement or to carry on or to require any Receiver to carry on any business carried on from time to time in connection with the Compartment 1 Security.
- (e) No person dealing with the Trustee or with any Receiver of the Compartment 1 Security or any part thereof appointed by the Trustee shall be concerned to enquire whether the Secured Obligations remain outstanding or any event has happened upon which any of the powers, authorities and discretion conferred by or pursuant to this Agreement or in connection therewith in relation to such property or any part thereof are or may be exercisable by the Trustee or by any such Receiver or otherwise as to the propriety, validity or regularity of acts purporting or intending to be in exercise of any such powers.
- (f) Neither the Trustee nor any Receiver shall be liable in respect of any Loss or damage which arises out of the exercise, or the failure to exercise any of their respective powers under any Transaction 1 Document, unless such Loss or damage is caused by its own gross negligence, bad faith or wilful default.

16. REALISATION OF THE LEASED VEHICLES

The Leased Vehicles the title of which has been transferred for security purposes (*Sicherungseigentum*) to the Trustee will be realised by the Trustee or by agents of the Trustee (including BMW Leasing GmbH) as follows:

- 16.1 Proceeds which BMW Leasing GmbH or the Trustee has received from the realisation of Leased Vehicles including proceeds relating to the residual value portion of the Lease Vehicles shall be allocated as follows:
- (a) the proceeds shall be divided proportionally between the Issuer and the Head Lessor. The Issuer is entitled to receive a Pro Rata Share of the enforcement proceeds from the realisation of the Leased Vehicles in relation to the Purchased Lease Receivables. Such a Pro Rata Share shall be a rate calculated as the sum of the discounted present value of the Purchased Lease Receivables outstanding divided by the sum of the discounted present value of the Purchased Lease Receivables outstanding plus the present value of the agreed residual value of the relevant Leased Vehicle; provided that
 - (b) the proceeds attributable to the Head Lessor shall firstly be used:
 - (i) if an Insolvency Event occurs with respect to the Seller or Servicer (as long as being identical to the Seller), to pay the Servicing Fee after such Insolvency Event has occurred with respect to the Seller or Servicer; and
 - (ii) if claims of the Issuer against the Seller result from a breach of its obligations under the Lease Receivables Purchase Agreement, in particular as set forth in Clause 6 (*Payments to the Issuer*), Clause 8 (*Representations and warranties*), Clause 9 (*Covenants*) and Clause 16 (*Tax and increased costs*) of the Lease Receivables Purchase Agreement or the obligation to credit the Collections or the required reserves to the Issuer Account-C1 as provided for in the Servicing Agreement, to fully satisfy such claims.
- 16.2 If and to the extent that the Head Lessor and the Issuer are entitled to participate in the realisation proceeds in accordance with Clause 16.1 above, each of the Head Lessor and the Issuer shall have a direct and independent claim to receive payments against the Trustee.
- 16.3 For the avoidance of doubt, BMW Leasing GmbH is entitled to receive all payments on the Purchased Lease Receivables it collects after the day on which the Servicer has finally written off the relevant Sub Lease Agreements pertaining to such Purchase Lease Receivables in accordance with its customary practice as applicable from time to time.

17. CONFLICTS OF INTEREST

17.1 Interests of Secured Parties

Subject to the other provisions of this Clause 17 (*Conflicts of Interest*), the Trustee shall have regard to the interests of the Secured Parties in the respective order pursuant to the Post-Enforcement Priority of Payments as regards the exercise and performance of all powers, trusts, authorities, duties and discretions of the Trustee in respect of the Trust Property under this Agreement or under any other documents the rights or benefits in which are comprised in the Trust Property (except where expressly provided otherwise).

17.2 Exoneration of Trustee

Each of the Secured Parties hereby acknowledges and concurs with Clauses 17.1 (*Interests of Secured Parties*) and each of them agrees that it shall have no claim against the Trustee for acting in accordance with the provisions of such clauses.

17.3 **Reliance by Trustee**

- (a) Without prejudice to any other right conferred upon the Trustee, whenever the Trustee is required to or desires to determine the interests of any of the Secured Parties or in connection with the performance of its duties under this Agreement and/or the other Transaction 1 Documents to which it is a party, the Trustee may in its professional judgment seek the advice, and/or rely upon such advice and any written opinion, of a reputable and independent investment bank and/or legal advisers and/or other expert (such advice to be at the reasonably incurred cost of the Issuer). Any such opinion, advice, certificate or information may be sent or obtained by letter, telex or fax and the Trustee shall not be liable for acting on any opinion, advice, certificate or information purporting to be so conveyed although the same may contain some error or may not be authentic. The Trustee shall not be liable for any wilful misconduct or negligence of such persons. If the Trustee is unable within a reasonable time to obtain such advice or opinions, the Trustee may employ such other method as it considers fit for so determining and shall not (save in the case of wilful default, bad faith or gross negligence) be liable to the Secured Parties, the Issuer or any of them for such determination or for the consequences thereof. The reference in this Clause 17.3 (*Reliance by Trustee*) to the opinion of an independent investment bank shall be construed as a reference to the opinion of such investment bank and/or the opinion of such other advisers as such investment bank shall recommend be consulted.
- (b) The Trustee may call for and shall be at liberty to accept a certificate duly signed by any two directors of the Issuer which are authorised to sign on behalf of the Issuer pursuant to a list of authorised signatories to be delivered to the Trustee from time to time as sufficient evidence of any fact or matter or the expediency of any transaction or thing, save for manifest errors, and to treat such a certificate to the effect that any particular dealing or transaction or step or thing is, in the opinion of the persons so certifying, expedient or proper as sufficient evidence that it is expedient or proper, and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any loss or liability that may be caused by acting on any such certificate. Save for manifest errors, the Trustee may rely and shall not be liable or responsible for the existence, accuracy or sufficiency of any opinions (other than legal opinions on which accuracy or sufficiency the Trustee may rely without limitation), searches, reports, certificates, valuations or investigations delivered or obtained or required to be delivered or obtained at any time in connection with the Transaction 1 Documents.
- (c) The Trustee shall not be responsible for acting upon any resolution purporting to have been passed at any meeting of the Compartment 1 Noteholders in respect of which minutes have been made and signed even though it may subsequently be found that there was some defect in the constitution of the meeting or the passing of the resolution or that for any reason the resolution was not valid or binding upon the Compartment 1 Noteholders.
- (d) The Trustee may call for and shall be at liberty to accept and place full reliance on (and shall not be liable to the Issuer or any Compartment 1 Noteholder, by reason only of having accepted as valid or not having rejected) an original certificate or letter of confirmation purporting to be signed on behalf of Clearstream Luxembourg or Euroclear to the effect that at any particular time or throughout any particular period any particular person is, was or will be shown in its records as having a particular principal amount of Notes credited to his securities account. The Trustee shall rely on the records of Euroclear and Clearstream Luxembourg in relation to any determination of the Principal Amount outstanding of each Global Note.

18. APPLICATION OF PAYMENTS

18.1 Pre-Enforcement Priority of Payments

Each of the Secured Parties acknowledges and agrees that, prior to the service of an Enforcement Notice, all moneys of the Issuer shall be applied in accordance with the Pre-Enforcement Priority of Payments.

18.2 Post-Enforcement Priority of Payments

Each of the Secured Parties hereby agrees, and the Issuer concurs, that from the date upon which the Trustee serves an Enforcement Notice on the Issuer:

- (a) the Issuer may not make any withdrawal from the Issuer Account-C1;
- (b) unless with the express consent from the Trustee, the Issuer shall refrain from exercising any rights in relation to the Compartment 1 Security; and
- (c) the Trustee may withdraw moneys from the Issuer Account-C1 and apply such moneys in or towards payment of the Secured Obligations in accordance with the Post-Enforcement Priority of Payments.

19. RELEASE OF COMPARTMENT 1 SECURITY

Upon the Trustee being satisfied that the Secured Obligations and the Trustee Claim have been fully and finally discharged (the Trustee being, for this purpose, entitled to rely, in its absolute discretion, on any statement of payment, discharge or satisfaction certified by one or more directors or officers of the Issuer) the Trustee shall, at the request and the expense of the Issuer, do all such acts and things and execute all such documents as may be necessary to release the Compartment 1 Security and the Trustee shall to the extent applicable assign and re-transfer all Assigned Assets to the Issuer or to the order of the Issuer or to the Head Lessor.

20. COVENANTS BY THE ISSUER

The Issuer covenants with the Trustee on the terms of the Issuer Covenants.

21. RESIGNATION AND SUBSTITUTION OF THE TRUSTEE

21.1 Trustee terminating trusteeship and appointment of new Trustee

The Trustee may for good cause (*wichtiger Grund*) only resign from its office as Trustee hereunder at any time giving two (2) months' prior written notice provided that, for so long as Secured Obligations remain outstanding, on or prior to the last Business Day of such notice period (i) a reputable accounting firm or financial institution which is experienced in the business of trusteeship relating to the securitisation of receivables originated in Germany has been duly appointed by the Issuer as successor Trustee, (ii) such successor Trustee mentioned in sub-clause (i) holds all required licenses and authorisations, (iii) the Rating Agencies have confirmed that the appointment of the new Trustee shall not cause their respective rating of the Compartment 1 Notes to be reduced or withdrawn and (iv) such successor Trustee assumes the benefit of the Transaction 1 Documents and the rights, powers and obligations of the outgoing Trustee under the Transaction 1 Documents, as more specifically set out in Clause 21.3 (*Transfer of Compartment 1 Security, rights and interests*) and Clause 21.4 (*Assumption of obligation*). The Trustee shall promptly notify in advance and in writing the Issuer and the Rating

Agencies of its intention of resignation. The Issuer shall, upon receipt of the written notice of resignation referred to in the first sentence of this Clause 21.1, promptly appoint an Eligible Counterparty as successor Trustee. The Trustee shall have the right (but no obligation) to nominate a successor Trustee for appointment by the Issuer. The Issuer shall have the right to veto any nomination of a successor Trustee by the resigning Trustee if such successor Trustee is not an Eligible Counterparty or if any other Eligible Counterparty has been appointed by the Issuer to be the successor Trustee and has accepted such appointment. In the event of any urgency, the Trustee shall be entitled to appoint a successor Trustee acceptable to the Rating Agencies under terms substantially similar to the terms of this Agreement if the Issuer fails to do so within a reasonable period of time.

21.2 Issuer terminating trusteeship and appointing new Trustee

The Issuer shall be authorised and obligated to terminate the appointment of the Trustee and appoint a successor Trustee in accordance with, *mutatis mutandis*, the provisions of Clause 21.1 (*Trustee terminating trusteeship and appointment of new Trustee*) and 21.2 (*Issuer terminating trusteeship and appointing new Trustee*) if with respect to the Trustee an Insolvency Event occurs.

21.3 Transfer of Compartment 1 Security, rights and interests

In the event of a substitution of an existing Trustee with a new Trustee, as contemplated by Clause 21.1 (*Trustee terminating trusteeship and appointment of new Trustee*) or Clause 21.2 (*Issuer terminating trusteeship and appointing new Trustee*) the existing Trustee shall forthwith (by way of novation or otherwise) transfer the Compartment 1 Security together with any other rights it holds under any Transaction 1 Document including, for the avoidance of doubt, its Trustee Claim pursuant to Clause 6.1 (*Trustee joint and several Creditor*) or grant analogous security interests to the new Trustee. Without prejudice to the obligation of the Trustee set out in the immediately preceding sentence, the Trustee hereby irrevocably grants power of attorney to the Issuer to transfer all the rights, Compartment 1 security and interests mentioned in such preceding sentence on behalf of the Trustee to the new Trustee and for that purpose the Issuer (and its sub-agents) shall be exempted from the restrictions of section 181 of the Civil Code and any similar restrictions under any other applicable laws.

21.4 Assumption of obligations

In the event of a substitution of an existing Trustee with a new Trustee, as contemplated by Clause 21.1 (*Trustee terminating trusteeship and appointment of new Trustee*) or Clause 21.2 (*Issuer terminating trusteeship and appointing new Trustee*), the existing Trustee shall (by way of novation or otherwise) procure that the new Trustee assumes all the obligations of the existing Trustee hereunder on terms substantially similar to the terms of this Agreement and under any other Transaction 1 Documents.

21.5 Costs

The costs incurred in connection with a substitution of the Trustee for good cause as contemplated by Clause 21 (*Resignation and substitution of the Trustee*) shall be borne by the Issuer provided however that nothing herein shall prejudice or limit the Issuer's claims against the Trustee arising by operation of general law of obligations (*Schuldrecht*) or tort (*unerlaubte Handlungen*). The resigning Trustee shall reimburse to the Issuer any fees paid by the Issuer for periods after the date on which the substitution of the Trustee is taking effect.

21.6 **Accounting**

The existing Trustee shall be obliged, on its departure, to account to the new Trustee for its activities in respect of this Agreement and all other Transaction 1 Documents.

22. **FEES, INDEMNITIES AND INDIRECT TAXES**

22.1 **Trustee's Fee**

The Issuer shall pay the Trustee a standard fee as separately agreed between them in a fee letter dated on or about the Issue Date. In the event of the Compartment 1 Security becoming enforceable or in the event of the Trustee finding it, in its professional judgment and after good faith consultation with the Seller, expedient or being required to undertake any duties which the Trustee determines to be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under this Agreement, the Issuer shall pay such additional remuneration as shall be agreed between the Trustee and the Issuer and the Trustee shall be responsible to promptly inform the Rating Agencies of any change of the Trustee's fees. In the event of the Trustee and the Issuer failing to agree upon such increased or additional remuneration, such matters shall be determined by an independent investment bank (acting as an expert and not as an arbitrator) selected by the Trustee and approved by the Issuer or, failing such approval, nominated by the Corporate Administrator, the expenses involved in such nomination and the fees of such investment bank being for the account of the Issuer, and the decision of any such investment bank shall be final and binding on the Issuer and the Trustee.

22.2 **No entitlement to remuneration**

The Trustee shall not be entitled to remuneration in respect of any period after the date on which all the Secured Obligations have been paid or discharged and the Assigned Assets shall have been released and re-assigned and retransferred to the Issuer or to the order of the Issuer or to the Head Lessor.

22.3 **Indemnity**

- (a) The Issuer covenants with and undertakes fully to indemnify the Trustee in respect of all proceedings (including without limitation claims and liabilities in respect of taxes other than on its own overall net income), claims and demands and all Losses, interest, fees, actions, penalties, costs damages, charges, expenses (including reasonable legal costs and expenses) and liabilities which it (or any of its employees, directors or officers, attorneys, agents, delegates or other Persons appointed by it, including but not limited to any Receiver, to whom any trust power authority or discretion may be delegated by it in the execution or purported execution of the trusts, rights, remedies, powers, authorities or discretions vested in it by or pursuant to any of the Transaction 1 Documents to which the Trustee is a party or other documents which constitute part of the Charged Assets) may suffer or to which it may become liable or which may be suffered or incurred by it (or any such Person as aforesaid) in respect of any matter or thing done or omitted in any way relating to any of the Transaction 1 Documents to which the Trustee is a party or any documents which constitute part of the Assigned Assets or in consequence of any payment in respect of the Secured Obligations (whether made by the Issuer or another Person) being declared void for any reason whatsoever, save where such proceedings, claims demands, Losses, interest, fees, actions, penalties, costs, charges, expenses or liabilities arise as a result of the gross negligence, wilful default, or bad faith by the Person claiming to be entitled to be indemnified. To the extent this Clause 22.3 (*Indemnity*) confers rights

on a third party, the Trustee shall hold the benefit of the clause for that third party (*Vertrag zugunsten Dritter*).

- (b) The Issuer covenants with and undertakes to each of the Trustee, the other Secured Parties and each Receiver to pay the amounts payable under this Clause 22 (*Fees, indemnities and indirect taxes*) and all other amounts from time to time payable to such parties pursuant to this Agreement on demand or, in the case of the remuneration or fees payable to the Trustee under this Agreement, on the next Payment Date.
- (c) The indemnities in this Agreement constitute separate and independent obligations from the other obligations in this Agreement, shall give rise to separate and independent causes of action, shall apply irrespective of any indulgence granted by the Trustee or any Compartment 1 Noteholder and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under this Agreement or in respect of the Compartment 1 Notes or any other judgment or order.

22.4 Indirect taxes

The Issuer shall in addition pay to the Trustee (if so required) an amount equal to the amount of any value added tax or similar indirect taxes charged in respect of payments due to it under this Clause 22 (*Fees, indemnities and indirect taxes*).

The Trustee shall not be bound to take any action under or in connection with this Agreement or any other Transaction 1 Document or any document executed pursuant to any of them including, without limitation, forming any opinion or employing any agent, unless in all cases, it is fully indemnified (including under the Applicable Priority of Payments), and is reasonably satisfied that the Issuer will be able to honour any indemnity in accordance with the Applicable Priority of Payments, against all liabilities, proceedings, claims and demands to which it may be or become liable and all costs, charges and expenses which may be reasonably incurred by it in connection with them.

The Issuer shall bear all stamp duties, transfer taxes and other similar taxes, duties or charges or charge which are imposed in connection with (i) the creation of, holding of, or enforcement of the Compartment 1 Security, and (ii) any action taken by the trustee pursuant to the terms and conditions of the Notes or the other Transaction 1 Documents.

23. MISCELLANEOUS

23.1 Ringfencing and further securities/transactions

All parties hereto agree that each Transaction 1 Document (other than the Corporate Administration Agreement) shall incur obligations and liabilities in respect of Compartment 1 of the Issuer only and that the Transaction 1 Documents shall not, at present or in the future, create any obligations or liabilities in respect of the Issuer generally or in respect of any Compartment of the Issuer other than Compartment 1. All parties hereto further agree that the immediately preceding sentence shall be an integral part of all Transaction 1 Documents and that, in the event of any conflict between any provision of any Transaction 1 Documents and the immediately preceding sentence, the immediately preceding sentence shall prevail.

23.2 New securitisations and further securities requiring consent

The Issuer shall not enter any further securitisation transactions and shall not issue any further securities unless (a) one or more reputable law firm(s) (as appropriate) shall have, in one or more legal opinion(s) satisfactory to the Issuer, confirmed to the Issuer that as a

result of the issuance of the securities or the entrance into any other transaction documents related therewith, the Issuer shall not incur any payment or other obligations in respect of its Compartment 1 or in respect of any other pre-existing Compartment, (b) based on such legal opinion, S&P confirms to the Issuer that as a result of the issuance of the securities or entrance into any other transaction documents related therewith, the Issuer shall not incur any payment or other obligations in respect of its Compartment 1 or in respect of any other pre-existing Compartment, and (c) based, *inter alia*, on such legal opinion and confirmation from the Rating Agency, the board of directors of the Issuer shall have approved the issuance of the securities and the entrance into related transaction documents. In case of any further securitisation transactions of the Issuer, the transactions shall not be cross-collateralised or cross-defaulted.

23.3 **Global condition precedent**

All parties hereto agree that it shall constitute a global condition precedent in respect of each individual Transaction 1 Document that all Transaction 1 Documents have, no later than the Issue Date, been executed and delivered by each of the relevant parties thereto. Each party to Transaction 1 acknowledges that all other parties to Transaction 1 are entering into Transaction 1 in reliance upon all Transaction 1 Documents being validly entered into by all relevant parties to such documents.

23.4 **Duty to appoint process agent**

All Relevant German Transaction 1 Parties that are not resident in Germany have the duty to appoint a German process agent upon request within five (5) Business Days and all parties to the English Transaction 1 Documents that are not resident in England shall appoint an English process agent upon request within five (5) Business Days.

IN WITNESS WHEREOF, this Agreement is duly executed and delivered on the date and the year first above written.

Schedule I: Pre-Enforcement Priority of Payments

On each Payment Date the Available Distribution Amount as of the Cut-Off Date immediately preceding such Payment Date shall be allocated in the following manner and priority:

- (a) *first*, amounts payable by the Issuer in respect of taxes under any applicable law (if any);
- (b) *second*, all fees, costs, expenses, other remuneration, indemnity payments and other amounts payable to the Trustee under the Trust Agreement;
- (c) *third*, on a *pari passu* basis, amounts payable to (i) the Data Trustee under the Data Trust Agreement, (ii) the Rating Agencies in respect of the monitoring fees, (iii) the Servicer under the Servicing Agreement, (iv) the Corporate Administrator under the Corporate Administration Agreement, (v) the Calculation Agent under the Calculation Agency Agreement, the Paying Agents under the Agency Agreement, and the Issuer Account Bank under the Bank Account Agreement, (vi) listing fees, costs and expenses, (vii) auditor fees and (viii) any fees reasonably required (in the opinion of the Corporate Administrator) for the filing of annual tax returns or exempt company status fees;
- (d) *fourth*, (i) Swap Net Cashflow payable by the Issuer to the Swap Counterparty and (ii) swap termination payments due to the Swap Counterparty under the Swap Agreement except in circumstances where the Swap Counterparty is the defaulting party (as defined in the Swap Agreement) or where there has been a termination of the Interest Rate Swap due to a termination event with the Swap Counterparty being the affected party (as defined in the Swap Agreement);
- (e) *fifth*, on a *pari passu* basis, accrued and unpaid interest (including overdue interest) payable to the Class A Compartment 1 Noteholders;
- (f) *sixth*, on a *pari passu* basis, accrued and unpaid interest (including overdue interest) payable to the Class B Compartment 1 Noteholders;
- (g) *seventh*, to the Cash Reserve, until the Cash Reserve is equal to the Required Cash Reserve;
- (h) *eighth*, during the Revolving Period, to the Replenishment Fund an aggregate amount equal to the Replenishment Available Amount;
- (i) *ninth*, on a *pari passu* basis, after the expiration of the Revolving Period, to the Class A Compartment 1 Noteholders in respect of principal until the Class A Compartment 1 Notes are redeemed in full;
- (j) *tenth*, on a *pari passu* basis, after the expiration of the Revolving Period, to the Class B Compartment 1 Noteholders in respect of principal until the Class B Compartment 1 Notes are redeemed in full;
- (k) *eleventh*, any amount due to the Swap Counterparty under the Swap Agreement upon the termination of the Swap Agreement where the Swap Counterparty is the defaulting party or the affected party (as such terms are defined in the Swap Agreement) and any other amount payable to the Swap Counterparty under the Interest Rate Swap;
- (l) *twelfth*, accrued and unpaid interest payable to the Subordinated Lender under the Subordinated Loan Agreement;
- (m) *thirteenth*, principal payable to the Subordinated Lender under the Subordinated Loan until the Subordinated Loan has been redeemed in full; and

(n) *fourteenth*, to pay all remaining excess to the Seller.

Schedule II: Post-Enforcement Priority of Payments

After the occurrence of an Enforcement Event, the Trustee shall distribute Available Post-Enforcement Funds (and the Issuer will tolerate such distribution) in the following manner and priority:

- (a) *first*, amounts payable by the Issuer in respect of taxes (if any);
- (b) *second*, all fees, costs, expenses, other remuneration, indemnity payments and other amounts payable by the Issuer to the Trustee under the Trust Agreement (other than Trustee Claims);
- (c) *third*, on a *pari passu* basis, amounts payable by the Issuer to (i) the Data Trustee under the Data Trust Agreement, (ii) the Rating Agencies in respect of the monitoring fees, (iii) the Servicer under the Servicing Agreement, (iv) the Corporate Administrator under the Corporate Administration Agreement, (v) the Calculation Agent under the Calculation Agency Agreement, the Paying Agents under the Agency Agreement, and the Issuer Account Bank under the Bank Account Agreement, (vi) listing fees, costs and expenses, (vii) auditor fees and (viii) any fees reasonably required for the filing of annual tax returns or exempt company status fees;
- (d) *fourth*, (i) Swap Net Cashflow payable by the Issuer to the Swap Counterparty and (ii) swap termination payments due to the Swap Counterparty under the Swap Agreement except in circumstances where the Swap Counterparty is the defaulting party (as defined in the Swap Agreement) or where there has been a termination of the Interest Rate Swap due to a termination event with the Swap Counterparty being the affected party (as defined in the Swap Agreement);
- (e) *fifth*, on a *pari passu* basis, accrued and unpaid interest (including overdue interest) payable by the Issuer to the Class A Compartment 1 Noteholders in respect of interest;
- (f) *sixth*, on a *pari passu* basis, amounts payable by the Issuer to the Class A Compartment 1 Noteholders in respect of principal until the Class A Compartment 1 Notes are redeemed in full;
- (g) *seventh*, on a *pari passu* basis, accrued and unpaid interest (including overdue interest) payable by the Issuer to the Class B Compartment 1 Noteholders in respect of interest;
- (h) *eighth*, on a *pari passu* basis, amounts payable by the Issuer to the Class B Compartment 1 Noteholders in respect of principal until the Class B Compartment 1 Notes are redeemed in full;
- (i) *ninth*, any amount due to the Swap Counterparty under the Swap Agreement upon the termination of the Swap Agreement where the Swap Counterparty is the defaulting party or the affected party (as such terms are defined in the Swap Agreement) and any other amount payable to the Swap Counterparty under the Interest Rate Swap;
- (j) *tenth*, accrued and unpaid interest payable to the Subordinated Lender under the Subordinated Loan Agreement;
- (k) *eleventh*, as from the date on which all Compartment 1 Notes are redeemed in full, principal payable to the Subordinated Lender under the Subordinated Loan Agreement;
- (l) *twelfth*, to pay all remaining excess to the Seller.

SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS

1. Lease Receivables Purchase Agreement

Pursuant to the Lease Receivables Purchase Agreement the Issuer will purchase the Purchased Lease Receivables from the Seller on or prior to the Purchase Date. The purchase of the Purchased Lease Receivables will be carried out in accordance with the Eligibility Criteria.

Pursuant to the Lease Receivables Purchase Agreement, the Seller represents to the Issuer that each Purchased Lease Receivable and the related Lease Collateral complies, as of the relevant Cut-Off Date, with the Eligibility Criteria and, as of the relevant Purchase Date, with the Seller Warranties set out in "DESCRIPTION OF THE PURCHASED LEASE RECEIVABLES AND OF THE LEASE COLLATERAL" herein.

The Offer by the Seller for the purchase of Lease Receivables under the Lease Receivables Purchase Agreement contains certain relevant information for the purpose of identification of the Purchased Lease Receivables. In the Offer, the Seller represents that certain representations and warranties with respect to the relevant Lease Receivable are true and correct as of the relevant Purchase Date (Seller Warranties). See "DESCRIPTION OF THE PURCHASED LEASE RECEIVABLES AND OF THE LEASE COLLATERAL — Seller Warranties".

Upon acceptance, the Issuer Acquires in respect of the relevant Lease Receivables unrestricted title as from the relevant Cut-Off Date immediately preceding the date of such Offer, other than any Lease Receivables which have become due prior to or on such Cut-Off Date together with all of the Seller's rights, title and interest in the related Lease Collateral in accordance with the Lease Receivables Purchase Agreement. As a result, the Issuer obtains the full economic ownership in the Purchased Lease Receivables (excluding any portion relating to VAT, residual values and the provision of services), and is free to transfer or otherwise dispose over (*verfügen*) the Purchased Lease Receivables, subject only to the contractual restrictions provided in the relevant Sub Lease Agreement.

If for any reason title to any Purchased Lease Receivable is not transferred to the Issuer, the Seller, upon receipt of the relevant Purchase Price and without undue delay, is obliged to take all action necessary to perfect the transfer of title. All Losses, costs and expenses which the Issuer incurred or will incur by taking additional measures due to the Purchased Lease Receivables or the related Lease Collateral not being sold or transferred will be borne by the Seller.

Each sale and assignment of the Purchased Lease Receivables pursuant to the Lease Receivables Purchase Agreement constitutes a sale without recourse (*regressloser Verkauf wegen Bonitätsrisiken*). This means that the Seller will not bear the risk of the inability of any Lessee to pay the relevant Purchased Lease Receivables. However, in the event of any breach of the Eligibility Criteria as of the relevant Cut-Off Date and/or Seller Warranties as of the relevant Purchase Date, the Seller owes the payment of Deemed Collections regardless of the respective Lessee's credit strength.

Pursuant to the Lease Receivables Purchase Agreement, the delivery of the Leased Vehicles (including any subsequently inserted parts and other moveable Lease Collateral (including any vehicle certificate (*Zulassungsbescheinigung Teil II* or *KFZ Brief*, as applicable)) shall be replaced by the Head Lessor assigning (*abtreten*) his restitution claim (*Herausgabeanspruch*) against the Seller to the Issuer. The Head Lessor instructs the Seller to exercise its constructive possession (*Ausüben des Besitzmittlungswillens*) in respect of the Leased Vehicles on behalf of the Issuer. The Seller accepts, and covenants to comply with, such instruction.

Where third parties obtain, or have obtained, possession of the Leased Vehicles or of other moveable Lease Collateral (including any vehicle certificate (*Zulassungsbescheinigung Teil II* or

KFZ Brief, as applicable)), the Seller assigns as part of the Lease Collateral all related existing or future restitution claims (*Herausgabeansprüche*) to the Issuer.

The sale and assignment of the Purchased Lease Receivables pursuant to the Lease Receivables Purchase Agreement constitutes a sale without recourse (*regressloser Verkauf wegen Bonitätsrisiken*). This means that the Seller will no longer have the risk of the inability of any Lessee to pay the relevant Purchased Lease Receivable.

Replenishment

Within the Revolving Period, the Seller, at its own discretion, may offer to the Issuer to purchase the Additional Lease Receivables (excluding the portion relating to the VAT, residual values and the provision of services) at the Additional Purchase Price provided that (i) in respect of each Additional Lease Receivable the Eligibility Criteria are satisfied; (ii) each Additional Lease Receivable and the related Lease Collateral are assigned and transferred in accordance with the relevant Additional Lease Receivables Purchase Agreement and Data Trust Agreement. The Issuer shall be obligated to purchase and Acquire the Additional Lease Receivables only to the extent that the obligation to pay the Additional Purchase Price for the Additional Lease Receivables offered to the Issuer by the Seller on any Additional Purchase Date can be satisfied by the Issuer by applying the Available Distribution Amount as of the Additional Cut-Off Date immediately preceding the relevant Additional Purchase Date in accordance with the Pre-Enforcement Priority of Payments.

Deemed Collections

If certain events (see the definition of Deemed Collections in "MASTER DEFINITIONS SCHEDULE — Deemed Collections") occur with respect to a Purchased Lease Receivable, the Seller will be deemed to have received a Deemed Collection. To this end, the Seller has undertaken to pay Deemed Collections in the amount of the Aggregate Discounted Lease Balance of the affected Purchased Lease Receivable to the Issuer. Upon receipt thereof, such Purchased Lease Receivable and the relevant Lease Collateral (unless it is extinguished) will be automatically re-assigned to the Seller or the Head Lessor respectively, by the Issuer on the next succeeding Payment Date on a non-recourse or guarantee basis on the part of the Issuer. The costs of such assignment will be borne solely by the Seller.

All Deemed Collections will be held by the Seller on trust in the name and for the account of the Issuer until payment is made to the Issuer Account-C1 on the next following Payment Date.

Use of Lease Collateral

The Issuer has agreed to make use of any Lease Collateral only in accordance with the provisions governing such Lease Collateral and the related Sub Lease Agreements.

The Seller will, at its own cost, keep the Lease Collateral free of, or release such from any interference or security rights of third parties and undertake all steps necessary to protect the interest of the Issuer in the Leased Vehicles.

Taxes and Increased Costs

All payments to be made by the Seller to the Issuer pursuant to the Lease Receivables Purchase Agreement will be made free and clear of and without deduction for or on account of any tax. The Seller will reimburse the Issuer for any deductions or retentions which may be made on account of any tax. The Seller will have the opportunity and authorisation to raise defences against the relevant payment at the Seller's own costs.

Where the Issuer has received a credit against a relief or remission for, or repayment of, any tax, then if and to the extent that the Issuer determines that such credit, relief, remission or repayment is in respect of the deduction or withholding giving rise to such additional payment or with reference to the liability, expense or Loss which caused such additional payments, the Issuer will, to the extent that it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to the Seller such amount as the Issuer will have concluded to be attributable to such deduction or withholding or, as the case may be, such liability, expense or Loss, provided that the Issuer will not be obliged to make any such payment until it is, in its sole opinion, satisfied that its tax affairs for its tax year in respect of which such credit, relief, remission or repayment was obtained have been finally settled.

Insurance and Leased Vehicles

If the Seller or the Servicer receives any proceeds from property insurances (*Kaskoversicherungen*) or claims from third parties which have damaged any Leased Vehicles as well as claims against the insurer of such third parties which form part of the Lease Collateral, such proceeds will be used to repair such damaged Leased Vehicles. If the relevant damaged Leased Vehicle cannot be repaired, a Pro Rata Share of such proceeds will be applied (in respect of the calculated residual value of the relevant Leased Vehicle) in repayment of the relevant Purchased Lease Receivables.

Notification of Assignment

The Lessees and other relevant debtors will only be notified by the Servicer in respect of the assignment of the Purchased Lease Receivables and related Lease Collateral upon request by the Issuer following the occurrence of a Lessee Notification Event. Should the Servicer fail to notify the Lessees within five (5) Business Days of such request, the Issuer may notify the Lessees of the assignment of the Purchased Lease Receivables and the related Lease Collateral itself. Without prejudice to the foregoing, under the Servicing Agreement the Issuer is entitled to notify by itself, through the successor Servicer or any other agent, or require the Servicer to notify the Lessees, of the assignment if a Lessee Notification Event has occurred.

In addition, at any time after a Lessee Notification Event has occurred or whenever it is necessary to protect the justified interests of the Issuer, the Seller, upon request of the Issuer, will inform any relevant insurance company of the assignment of any insurance claims and procure the issuance of a security certificate (*Sicherungsschein*) in the Issuer's name. The Issuer is authorised to notify the relevant insurance company of the assignment on behalf of the Seller. Prior to notification, the Lessees will continue to make all payments to the account of the Seller as provided in the relevant Sub Lease Agreement between each Lessee and the Seller and each Lessee will obtain a valid discharge of its payment obligation.

Instalment of new parts or replacement parts in Leased Vehicles

If, after transfer of title to any Leased Vehicle to the Issuer, any new parts or any new replacement parts are installed into such Leased Vehicle and the Head Lessor acquires title to or a co-ownership interest in such parts, the Head Lessor will transfer such title or co-ownership interest by way of security to the Issuer and the Issuer will not be obliged to make any further payments in respect of such parts.

Clean Up Call Option

In the circumstances described in Condition 8.4, the Seller may exercise the Clean-Up Call Option.

2. Servicing Agreement

Pursuant to the Servicing Agreement between the Servicer, the Trustee and the Issuer, the Servicer has the right and obligation to administer the Purchased Lease Receivables and the related Lease Collateral, collect and, if necessary, enforce the Purchased Lease Receivables and enforce the related Lease Collateral and pay all proceeds to the Issuer.

Obligation of the Servicer

The Servicer shall act as agent (*Beauftragter*) of the Issuer under the Servicing Agreement. The duties of the Servicer include the assumption of servicing, collection, administrative and enforcement tasks and specific duties set out in the Servicing Agreement (the "**Services**").

Under the Servicing Agreement, the Servicer will, *inter alia*:

- (a) collect any and all amounts payable, from time to time, by the Lessees under or in relation to the Sub Lease Agreements as and when they fall due;
- (b) identify the Collections and identify the amount of such Collections;
- (c) give, on the relevant Payment Date, directions to its relevant bank from time to time as the case may be with respect to the on-payment of Collections (including Deemed Collections);
- (d) endeavour to seek Recoveries due from Lessees in accordance with the Credit and Collection Policy and in particular (but without prejudice to the generality of the foregoing) exercise all enforcement measures concerning amounts due from the Lessees in accordance with the Lease Receivables Purchase Agreement. This might include, for the avoidance of doubt, the right to sell Defaulted Lease Receivables in accordance with the Credit and Collection Policy. The Issuer shall reimburse BMW Leasing GmbH the Pro Rata Share of any costs resulting from such endeavour or exercise in respect of the enforcement. In addition, the Servicer is hereby authorised to sue any Lessee in any competent court of Germany or of any other competent jurisdiction in the Servicer's own name and for the benefit of the Issuer (*gewillkürte Prozeßstandschaft*), the Issuer being obliged where necessary (i) to assist the Servicer in exercising all rights and remedies under and in connection with the relevant Purchased Lease Receivables, (ii) to furnish the Servicer with all necessary authorisations, consents or confirmations in such form and to an extent as required. For the purposes of (i) and (ii), the Issuer shall release the Servicer from the restrictions set forth in section 181 of the Civil Code;
- (e) keep Records in relation to the Purchased Lease Receivables which can be segregated from all other Records of the Servicer relating to other receivables made or serviced by such Servicer otherwise;
- (f) keep Records for all taxation purposes;
- (g) hold, subject to the Secrecy Rules and the provisions of the Data Trust Agreement, all Records relating to the Purchased Lease Receivables in its possession in trust (*treuhänderisch*) for, and to the order of, the Issuer and co-operate with the Data Trustee, the Trustee or any other party to Transaction 1 to the extent required under or in connection with the collection or servicing of the Purchased Lease Receivables;
- (h) release on behalf of the Issuer any Lease Collateral in accordance with its Credit and Collection Policy;

- (i) enforce the Lease Collateral upon a Purchased Lease Receivables becoming a Defaulted Lease Receivable in accordance with the Credit and Collection Policy and apply the enforcement proceeds to the relevant secured obligations, and insofar as such enforcement proceeds are applied to Purchased Lease Receivables and constitute Collections, pay such Collections to the Issuer into the Issuer Account-C1 on the same date as the on-payment of the Collections; For the purposes of the foregoing, the Issuer is entitled to receive the Pro Rata Share of such enforcement proceeds as described in "Realisation of Leased Vehicles" below;
- (j) realise the insurance proceeds, in accordance with the respective insurance policies relating to the Leased Vehicle pertaining to the Purchased Lease Receivables administrated by the Seller in accordance with the Credit and Collection Policy, from the respective insurance companies. For the avoidance of doubt, the Servicer is not required to monitor the compliance by a Lessee with the insurance provisions and is not liable for any failure by a Lessee to comply with such provisions;
- (k) make available Monthly Reports on each Reporting Date to the Issuer with a copy to the Corporate Administrator, the Calculation Agent, the Principal Paying Agent, the Subordinated Lender and the Trustee and, if required, rectify such Monthly Reports, provided that in any event the Secrecy Rules and the provisions of the Data Trust Agreement shall be observed;
- (l) assist the Issuer's auditors and provide, subject to the Secrecy Rules and the provisions of the Data Trust Agreement, information to them upon request;
- (m) promptly notify all Lessees following the occurrence of an Lessee Notification Event ("**Lessee Notification Event Notice**"), or, if the Servicer fails to deliver such Lessee Notification Event Notice within five (5) Business Days after the Lessee Notification Event, the Issuer and the Trustee shall have the right to deliver or to instruct a successor Servicer or an agent that is compatible with the Secrecy Rules to deliver on its behalf the Lessee Notification Event Notice; and
- (n) on or about each Payment Date update the Portfolio Information as described in the Lease Receivables Purchase Agreement and send the updated Portfolio Information to the Data Trustee,

whereas for the purposes of above-mentioned Services, "**Pro Rata Share**" shall be a rate calculated as the sum of the discounted present value of the Purchased Lease Receivable outstanding divided by the sum of the discounted present value of the Purchased Lease Receivable outstanding plus the present value of the agreed residual value of the relevant Leased Vehicle.

The Servicer will administer the Purchased Lease Receivables in accordance with its respective standard procedures, set out in its Credit and Collection Policy for the administration and enforcement of its own consumer loans and related collateral, subject to the provisions of the Servicing Agreement and the Lease Receivable Purchase Agreement. In the administration and servicing of the Purchased Lease Receivables, the Servicer will exercise the due care and diligence of a prudent business person (*Sorgfalt eines ordentlichen Kaufmannes*) as if it was administering receivables on its own behalf. The Servicer will ensure that it has all required licences, approvals, authorisations and consents which are necessary or desirable for the performance of its duties under the Servicing Agreement.

Pursuant to the Servicing Agreement, the Servicer shall be authorised to modify the terms of a Purchased Lease Receivable provided that the Servicer may not extend the maturity date of a Purchased Lease Receivable beyond the latest maturity date permitted in the Credit and Collection

Policy, and provided further that the Servicer shall pay the Deemed Collections in respect of such Purchased Lease Receivable.

Use of Third Parties

The Servicer may delegate and sub-contract its duties in connection with the servicing or enforcement of the Purchased Lease Receivables and/or foreclosure on the related Lease Collateral, provided that such third party has all licences required for the performance of the servicing delegated to it, in particular any licences required under the Act on Rendering Legal Advice (*Rechtsberatungsgesetz*) or the Act on Rendering Legal Services (*Rechtsdienstleistungsgesetz*) contemplated to replace the Act on Rendering Legal Advice. The Servicer is, however, not entitled to delegate or sub-contract any duties other than in connection with the servicing or enforcement of the Purchased Lease Receivables under the Servicing Agreement unless it has first obtained written confirmation from both the Issuer and the Trustee. The Trustee may decide to give its consent subject to prior confirmation of the Rating Agencies that such action would not result in a downgrade or withdrawal of the current rating of any Compartment 1 Note. Prior written consent from the Issuer and the Trustee is not required in cases of urgency where otherwise Collections would be at risk and where such requirement would negatively impact the Secured Parties.

Servicing Fee and Reimbursement of Enforcement Expenses

As consideration for the performance of the Services pursuant to the Servicing Agreement, the Servicer is entitled to a fee as agreed between the Issuer and the Servicer in a separate side letter to the extent that BMW Leasing GmbH ceases to be the Servicer for Transaction 1. The fee will be paid by the Issuer in monthly instalments on each Payment Date with respect to the immediately preceding Monthly Period in arrears.

The fee will cover any tax including value added tax (if applicable) and all costs, expenses and other disbursements reasonably incurred in connection with the enforcement and servicing of the Outstanding Lease Receivables and related Lease Collateral as well as the rights and remedies of the Issuer (excluding, for the avoidance of doubt, Defaulted Lease Receivables) and the other Services.

Cash Collection Arrangements

Under the terms of the Servicing Agreement, the Collections received by the Servicer in respect of a Monthly Period will be transferred on the Payment Date related to such Monthly Period into the Issuer Account-C1 or as otherwise directed by the Issuer or the Trustee. Until such transfer, the Servicer will hold the Collections and any other amount received on trust (*treuhänderisch*) for the Issuer. All payments will be made free of all bank charges and costs as well as any tax for the recipient thereof.

Information and Regular Reporting

The Servicer will use all reasonable endeavours to safely maintain records in relation to each Purchased Lease Receivable in computer readable form. The Servicer will notify the Issuer, the Calculation Agent, the Principal Paying Agent, the Trustee and the Rating Agencies of its intention to adversely change its administrative or operating procedures relating to the keeping and maintaining of records. Any such adverse change requires, prior to its implementation, the prior written consent of the Issuer and the prior written confirmation of the Rating Agencies that such change shall not cause their respective rating of the Compartment 1 Notes to be reduced or withdrawn. For this purpose, "adverse change" means a material change to the respective

administrative or operative procedures that has, or could have, a negative impact on the collectability or enforceability of the Purchased Lease Receivables.

The Servicing Agreement requires the Servicer to furnish on each Reporting Date the Monthly Reports to the Issuer, with a copy to the Corporate Administrator, the Calculation Agent, the Principal Paying Agent, the Subordinated Lender and the Trustee provided that in any event the Secrecy Rules shall be observed.

Termination of Sub Lease Agreements and Enforcement

If a Lessee defaults on a Purchased Lease Receivable, the Servicer will proceed in accordance with the Credit and Collection Policy. The Servicer will abide by the enforcement and realisation procedures as set out in the Lease Receivables Purchase Agreement and the Servicing Agreement in conjunction with the Credit and Collection Policy. If the related Lease Collateral is to be enforced, the Servicer will take such measures as (within the limits of the Credit and Collection Policy) it deems necessary in its professional discretion to realise the related Lease Collateral.

The Servicer will pay the portion of the enforcement proceeds to the Issuer which have been or are to be applied to the Purchased Lease Receivables or to which the Issuer is otherwise entitled in accordance with the Servicing Agreement.

Termination of appointment of the Servicer

Under the Servicing Agreement, the Issuer shall at any time after the occurrence of a Servicer Termination Event terminate the appointment of the Servicer and appoint a successor Servicer.

According to the Servicing Agreement, the appointment of the Servicer is, *inter alia*, automatically terminated in the event that in respect of the Servicer an Insolvency Event has occurred and an Insolvency Event in respect of the Servicer shall constitute a Lessee Notification Event.

Pursuant to the provisions of the Servicing Agreement, if a Lessee Notification Event occurs, the Servicer shall promptly deliver a Lessee Notification Event Notice. If the Servicer fails to deliver such Lessee Notification Event Notice within five (5) Business Days after the Lessee Notification Event, the Issuer shall have the right to deliver or to instruct a successor Servicer or an agent (such agent being a bank or credit institution with a banking license in Germany) that is compatible with the Secrecy Rules to deliver on its behalf the Lessee Notification Event Notice provided that, subject always to the Secrecy Rules and in accordance with the terms of the Data Trust Agreement, the Data Trustee shall have to, *inter alia*, at the request of the Issuer despatch the Portfolio Information to the Trustee or any successor Servicer. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS" – "Data Trust Agreement".

The Servicer is only entitled to resign as Servicer under the Servicing Agreement for good cause (*aus wichtigem Grund*).

The outgoing Servicer and the Issuer will execute such documents and take such actions as the Issuer may require for the purpose of transferring to the successor or replacement Servicer the rights and obligations of the outgoing Servicer, assumption by any successor or replacement Servicer of the specific obligations of successor or replacement Servicers under the Servicing Agreement and releasing the outgoing Servicer from its future obligations under the Servicing Agreement. Upon termination of the Servicing Agreement with respect to the Servicer and the appointment of a successor or a replacement Servicer, the Servicer will transfer to the successor Servicer or any other successor or replacement Servicer all Records and any and all related material, documentation and information.

Any termination of the appointment of the Servicer or of a successor or replacement Servicer will be notified by the Issuer (acting through the Corporate Administrator) to the Rating Agencies, the Trustee, the Joint Lead Managers, the Manager, the Principal Paying Agent, the Data Trustee, the Issuer Account Bank and the Calculation Agent.

Realisation of Lease Vehicles

Notwithstanding the transfer/assignment of Lease Collateral pursuant to Clause 2 (*Offer for Lease Receivables*) of the Lease Receivables Purchase Agreement, the Servicer, subject to revocation by the Trustee, is entitled and obligated to realise the Lease Collateral for and on behalf of the Trustee and the Head Lessor in accordance with the terms and conditions of the Lease Receivables Purchase Agreement, the Trust Agreement and the Servicing Agreement.

Proceeds which BMW Leasing GmbH or the Trustee has received from the realisation of Leased Vehicles including proceeds relating to the residual value portion of the Lease Vehicles shall be allocated as follows:

- (a) the proceeds shall be divided proportionally between the Issuer and the Head Lessor. The Issuer is entitled to receive a Pro Rata Share of the enforcement proceeds from the realisation of the Leased Vehicles in relation to the Purchased Lease Receivables. Such a Pro Rata Share shall be a rate calculated as the sum of the discounted present value of the Purchased Lease Receivables outstanding divided by the sum of the discounted present value of the Purchased Lease Receivables outstanding plus the present value of the agreed residual value of the relevant Leased Vehicle; provided that
- (b) the proceeds attributable to the Head Lessor shall firstly be used:
 - (i) if an Insolvency Event occurs with respect to the Seller or Servicer (as long as being identical to the Seller), to pay the Servicing Fee after such Insolvency Event has occurred with respect to the Seller or Servicer; and
 - (ii) if claims of the Issuer against the Seller result from a breach of its obligations under the Lease Receivables Purchase Agreement, in particular as set forth in Clause 6 (*Payments to the Issuer*), Clause 8 (*Representations and warranties*), Clause 9 (*Covenants*) and Clause 16 (*Tax and increased costs*) of the Lease Receivables Purchase Agreement or the obligation to credit the Collections or the required reserves to the Issuer Account-C1 as provided for in the Servicing Agreement, to fully satisfy such claims.

For the avoidance of doubt, BMW Leasing GmbH is entitled to receive all payments on the Purchased Lease Receivables it collects after the day on which the Servicer has finally written off the relevant Sub Lease Agreements pertaining to such Purchase Lease Receivables in accordance with its customary practice as applicable from time to time.

3. Subordinated Loan Agreement

Pursuant to the Subordinated Loan Agreement, a committed subordinated term loan will be made available to the Issuer by the Subordinated Lender. Pursuant to the terms of the Subordinated Loan Agreement, the Issuer will have to draw an amount of EUR 18,800,000 on or before the Issue Date, of which the Issuer will credit an amount of EUR 18,800,000 to the Cash Reserve.

The Subordinated Loan may only be repaid in accordance with the Applicable Priority of Payments.

All payments of principal and interest payable by the Issuer to the Subordinated Lender will be made free and clear of, and without any withholding or deduction for or, on account of, tax (if any) applicable to the Subordinated Loan under any applicable jurisdiction, unless

such withholding or deduction is required by law. If any such withholding or deduction is imposed, the Issuer will not be obliged to pay any additional or further amounts as a result thereof.

The Subordinated Loan will constitute limited recourse obligations of the Issuer in respect of its Compartment 1. The Subordinated Lender will also agree under the Subordinated Loan Agreement not to take any corporate action or any legal proceedings regarding some or all of the Issuer's revenues or assets, and not to have any right to take any steps for the purpose of obtaining payment of any amounts payable to it under the Subordinated Loan Agreement by the Issuer. All of the Issuer's obligations to the Subordinated Lender will be subordinated to the Issuer's obligations in respect of the Compartment 1 Notes. The claims of the Subordinated Lender will be secured by the Compartment 1 Security, subject to the Applicable Priority of Payments. If the net proceeds, resulting from the Compartment 1 Security becoming enforceable in accordance with the Trust Agreement, are not sufficient to pay all Secured Parties, payments of all other claims ranking in priority to the Subordinated Loan will be made first in accordance with the Post-Enforcement Priority of Payments specified in Schedule II to the Trust Agreement and no other assets of the Issuer will be available for payment of any shortfall to the Subordinated Lender. Claims in respect of any such remaining shortfall will be extinguished.

4. Data Trust Agreement

Pursuant to the terms of the Data Trust Agreement, the Seller will deliver to the Data Trustee the Portfolio Information in respect of the Purchased Lease Receivables. The Data Trust Agreement has been structured to comply with the Secrecy Rules. Pursuant to the Data Trust Agreement, the Data Trustee will keep the Portfolio Information in safe custody and will protect it against unauthorised access by third parties.

If a Servicer Termination Event has occurred, pursuant to the Data Trust Agreement the Data Trustee will fully co-operate with the Trustee and the Issuer, any successor Servicer appointed by the Issuer and with agents (such agent being a bank or credit institution with a banking license in Germany) of the Issuer that are compatible with the Secrecy Rules. In this event the Data Trustee will also use its best endeavours to ensure, subject always to the Secrecy Rules, that all information necessary to permit timely Collections from the Lessees, especially the Portfolio Information, is at the request of the Issuer duly and swiftly transferred either to the Trustee or the successor Servicer.

5. Swap Agreement

The Issuer will, on or about the Closing Date, enter into a Swap Agreement with the Swap Counterparty. Under the Swap Agreement, the Issuer will hedge its interest rate exposure resulting from a fixed rate under the Purchased Lease Receivables (resulting from the net present value calculation based on the Discount Rate) and floating rate interest obligations under the Compartment 1 Notes. Under the Swap Agreement, on each Payment Date the Issuer will owe the Swap Fixed Interest Rate applied to the Swap Notional Amount and the Swap Counterparty will pay the Swap Floating Interest Rate equal to EURIBOR per annum as determined by the Calculation Agent in respect of the Interest Period immediately preceding such Payment Date, applied to the Swap Notional Amount. Payments under the Swap Agreement will be made on a net basis by the Issuer or the Swap Counterparty depending on which party will, from time to time, owe the higher amount (the "Swap Net Cashflow"). In the absence of defaults or termination events under the Swap Agreement, the interest rate hedge will remain in full force until the Swap Termination Date being the earlier of (i) the Legal Final Maturity Date and (ii) the date of full repayment of all Compartment 1 Notes.

Pursuant to the Swap Agreement, if the Swap Counterparty ceases to be an Eligible Swap Counterparty, the Swap Counterparty shall use its best endeavours to, as soon as reasonably practicable after such down-grading, and at its own cost, (i) subject to the then applicable criteria

of Fitch, Moody's and S&P, to provide eligible collateral in the form and substance in accordance with the Swap Agreement; or (ii) transfer all its rights and obligations to a replacement third party that is an Eligible Swap Counterparty and is domiciled in the same jurisdiction as the outgoing Swap Counterparty or the Issuer; or (iii) procure another person that has the required ratings to irrevocably and unconditionally guarantee the obligations of the Swap Counterparty under the Swap Agreement.

In the event that the Swap Counterparty shall post cash collateral to the Issuer, the Issuer undertakes to the Swap Counterparty to open and maintain a separate collateral account in which the Issuer will hold such cash collateral received from the Swap Counterparty pursuant to the "mark-to-market collateral arrangement" mentioned in the last paragraph item (i) above. The Swap collateral account shall be interest bearing and segregated from the Issuer Account-C1 and the general cash flow of the Issuer. Moneys standing to the credit of the Swap collateral account shall not constitute Collections. Furthermore, the Issuer undertakes to the Swap Counterparty to maintain a specific ledger in respect of the cash collateral and such cash collateral shall secure solely the payment obligations of the Swap Counterparty to the Issuer under the Swap Agreement and shall not secure any obligations of the Issuer.

The Swap Agreement is governed by English law.

6. Calculation Agency Agreement

Pursuant to the Calculation Agency Agreement, WestLB AG as the Calculation Agent is appointed by the Issuer and will act as agent of the Issuer to make certain calculations in respect of the Compartment 1 Notes.

On behalf of the Issuer, the Monthly Investor Reports and the post-issuance transaction information will be made available through the Calculation Agent's website (which is located at www.westlbmarkets.net). The Monthly Investor Reports shall be based upon information provided in the Monthly Reports by the Servicer in accordance with the Servicing Agreement.

For the avoidance of doubt, the afore-mentioned website is not a part of this Offering Circular.

The obligations of the Calculation Agent under the Calculation Agency Agreement shall terminate upon at least thirty (30) Business Days' written notice of termination from the Issuer or the Servicer to the Calculation Agent provided that no such notice shall be effective to terminate this Agreement unless the Rating Agencies have provided prior written confirmation to the Calculation Agent and the Issuer that the termination of the obligations of the Calculation Agent hereunder shall not cause their respective rating of the Compartment 1 Notes to be reduced or withdrawn and provided further that the Calculation Agent may only terminate this Agreement for good cause (*aus wichtigem Grund*).

Pursuant to the Calculation Agency Agreement, upon the termination of the Calculation Agent pursuant to the preceding paragraph, the Issuer shall have the right to appoint a successor Calculation Agent, provided that until a successor Calculation Agent has agreed in writing to perform obligations substantially similar to those of the Calculation Agent hereunder, the outgoing Calculation Agent shall continue to act as the Calculation Agent. The Calculation Agent shall have the right to nominate a successor for appointment by the Issuer. In the event of any urgency, the Calculation Agent shall be entitled to appoint a successor Calculation Agent acceptable to the Issuer under terms substantially similar to the terms of the Calculation Agency Agreement if the Issuer fails to appoint a successor Calculation Agent within a reasonable period of time.

7. Agency Agreement

Pursuant to the Agency Agreement, *inter alios* the Principal Paying Agent, the Luxembourg Paying Agent, and the Calculation Agent are appointed by the Issuer and will act as agent of the Issuer to make certain calculations, determinations and to effect payments in respect of the Compartment 1 Notes.

The Principal Paying Agent will be initiating all payments required to be made by the Issuer in respect of the Pre-Enforcement Application of Payments.

The functions, rights and duties of the Principal Paying Agent and the Calculation Agent are set out in the Conditions. See "TERMS AND CONDITIONS OF THE COMPARTMENT 1 NOTES".

8. Subscription Agreement

The Issuer, the Seller, the Trustee, the Managers and the Joint Lead Managers have entered into a Subscription Agreement under which the Joint Lead Managers have agreed to subscribe and pay for the Compartment 1 Notes, subject to certain conditions. The Joint Lead Managers and the Managers are the beneficiary of certain representations, warranties and undertakings of indemnification from the Seller and the Issuer. See "SUBSCRIPTION AND SALE".

9. Corporate Administration Agreement

Pursuant to a Corporate Administration Agreement (i) the Corporate Administrator provides the Issuer with certain corporate and administrative functions in respect of Compartment 1 and (ii) Luxembourg International Consulting S.A. shall be instructed by the Corporate Administrator to provide certain Luxembourg domiciliation functions to the Issuer. Such services to the Issuer include, *inter alia*, providing directors of the Issuer, keeping the corporate records, convening director's meetings, providing registered office facilities and suitable office accommodation, preparing and filing all statutory and annual returns, preparing the financial statements and performing certain other corporate administrative services against payment of a fee.

The claims of the Issuer under the Corporate Administration Agreement have been transferred to the Trustee for security purposes pursuant to the Trust Agreement. The Corporate Administration Agreement is governed by the laws of Luxembourg.

EXPECTED MATURITY AND AVERAGE LIFE OF NOTES AND ASSUMPTIONS

Weighted average life of the Compartment 1 Notes refers to the average amount of time that will elapse (on a 30/360 basis) from the date of issuance of a Compartment 1 Note to the date of distribution of amounts to the Compartment 1 Noteholders distributed in reduction of principal of such Compartment 1 Note. The weighted average life of the Compartment 1 Notes will be influenced by, amongst other things, the rate at which the Purchased Lease Receivables are paid, which may be in the form of scheduled amortisation, prepayments or delinquencies, and also by losses.

The following table is prepared on the basis of certain assumptions, as described below, regarding the weighted average characteristics of the Purchased Lease Receivables and the performance thereof.

The table assumes, among other things, that if:

- (a) the Portfolio is subject to a constant annual rate of prepayment as set out under "CPR";
- (b) no early amortisation event occurs;
- (c) no Purchased Lease Receivables are repurchased by the Seller;
- (d) the Compartment 1 Notes are purchased on the Issue Date of 17 July 2007;
- (e) the Clean-Up Call is exercised;
- (f) the cumulative default rate is 2.1%;
- (g) the Discount Rate is assumed to be 7.5 per cent. and the Monthly Payments are discounted back to the assumed Cut-Off Date of 29 June 2007;
- (h) third party expenses are assumed to be 0.05 per cent.; and
- (i) the fixed rates under the Swap Agreement plus the weighted margin on the Class A Notes, Class B Notes and the Subordinated Loan is assumed to be 4.75 per cent.

The approximate average life of the Compartment 1 Notes, at various assumed rates of prepayment of the Purchased Lease Receivables, would be as follows:

CPR in %	Class A Notes			Class B Notes		
	WAL* in Years	First Principal Payment	Expected Maturity	WAL* in Years	First Principal Payment	Expected Maturity
0	2.87	Jul 2009	Oct-11	4.25	Oct-11	Oct-11
8	2.83	Jul 2009	Sep-11	4.17	Sep-11	Sep-11
15	2.79	Jul 2009	Aug-11	4.08	Aug-11	Aug-11
20	2.76	Jul 2009	Jul-11	4.00	Jul-11	Jul-11

* WAL = Weighted Average Life

The exact average life of the Class A Compartment 1 Notes and of the Class B Compartment 1 Notes cannot be predicted as the actual rate at which the Purchased Lease Receivables will be repaid and a number of other relevant factors are unknown.

The average life of the Class A Compartment 1 Notes and of the Class B Compartment 1 Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the assumptions and the estimates above will prove in any way to be realistic and they must therefore be viewed with considerable caution.

Assumed Amortisation of the Notes

This amortisation scenario is based on the assumptions listed under "Weighted Average Lives of the Notes" above and a CPR of 8 percent:

Period	Payment Date falling in	Aggregate Discounted Lease Balance (EUR)	Class A Outstanding Notes Balance (EUR)	Class B Outstanding Notes Balance (EUR)	Amortisation of Class A Notes (EUR)	Amortisation of Class B Notes (EUR)
0	Jul-07	800,000,000.00	752,000,000.00	48,000,000.00		
1	Aug-07	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
2	Sep-07	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
3	Oct-07	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
4	Nov-07	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
5	Dec-07	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
6	Jan-08	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
7	Feb-08	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
8	Mar-08	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
9	Apr-08	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
10	May-08	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
11	Jun-08	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
12	Jul-08	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
13	Aug-08	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
14	Sep-08	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
15	Oct-08	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
16	Nov-08	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
17	Dec-08	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
18	Jan-09	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
19	Feb-09	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
20	Mar-09	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
21	Apr-09	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
22	May-09	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
23	Jun-09	800,000,000.00	752,000,000.00	48,000,000.00	0.00	0.00
24	Jul-09	754,100,805.02	705,094,293.14	48,000,000.00	46,905,706.86	0.00
25	Aug-09	709,228,426.95	659,556,444.16	48,000,000.00	45,537,848.98	0.00
26	Sep-09	665,549,447.85	615,168,471.33	48,000,000.00	44,387,972.83	0.00
27	Oct-09	623,145,848.51	572,135,990.87	48,000,000.00	43,032,480.46	0.00
28	Nov-09	582,123,266.14	530,571,769.13	48,000,000.00	41,564,221.74	0.00
29	Dec-09	542,801,771.93	490,824,360.04	48,000,000.00	39,747,409.09	0.00
30	Jan-10	505,708,827.95	453,280,690.40	48,000,000.00	37,543,669.64	0.00
31	Feb-10	470,039,366.79	417,107,537.36	48,000,000.00	36,173,153.04	0.00
32	Mar-10	435,943,680.83	382,582,688.26	48,000,000.00	34,524,849.10	0.00
33	Apr-10	403,954,777.23	350,241,516.28	48,000,000.00	32,341,171.98	0.00
34	May-10	373,816,627.27	319,862,179.57	48,000,000.00	30,379,336.71	0.00
35	Jun-10	345,240,767.50	290,938,837.15	48,000,000.00	28,923,342.42	0.00
36	Jul-10	317,450,195.30	262,753,289.59	48,000,000.00	28,185,547.56	0.00
37	Aug-10	290,920,435.41	235,734,916.53	48,000,000.00	27,018,373.06	0.00
38	Sep-10	265,650,691.38	209,999,613.61	48,000,000.00	25,735,302.92	0.00
39	Oct-10	241,597,574.97	185,546,189.52	48,000,000.00	24,453,424.09	0.00
40	Nov-10	218,834,718.02	162,401,782.65	48,000,000.00	23,144,406.87	0.00
41	Dec-10	197,347,109.78	140,609,497.11	48,000,000.00	21,792,285.54	0.00
42	Jan-11	177,154,042.89	120,120,895.99	48,000,000.00	20,488,601.12	0.00
43	Feb-11	158,226,479.32	100,948,509.50	48,000,000.00	19,172,386.49	0.00
44	Mar-11	140,608,884.63	83,062,681.65	48,000,000.00	17,885,827.85	0.00
45	Apr-11	124,286,779.91	66,441,809.84	48,000,000.00	16,620,871.81	0.00
46	May-11	109,250,646.87	51,043,933.21	48,000,000.00	15,397,876.63	0.00
47	Jun-11	95,358,690.88	36,834,504.09	48,000,000.00	14,209,429.12	0.00
48	Jul-11	82,500,470.84	23,711,968.68	48,000,000.00	13,122,535.41	0.00
49	Aug-11	70,714,225.77	11,719,300.58	48,000,000.00	11,992,668.10	0.00
50	Sep-11	59,991,234.42	0.00	0.00	11,719,300.58	48,000,000.00

* This amortisation scenario is based on the assumptions listed under "Weighted Average Lives of the Notes" above and a CPR of 8 percent:

DESCRIPTION OF THE PURCHASED LEASE RECEIVABLES AND OF THE LEASE COLLATERAL

The following is a description of the Purchased Lease Receivables and the Lease Collateral containing the Eligibility Criteria and the Seller Warranties. The text will be attached as Appendix C to the Conditions and constitutes an integral part of the Conditions – in case of any inconsistency in this description of the Purchased Lease Receivables and of the Lease Collateral and elsewhere in the Offering Circular, this Description of the Purchased Lease Receivables and of the Lease Collateral will prevail.

The Purchased Lease Receivables are not actively managed, and the Purchased Lease Receivables may not be replenished or replaced.

1. Eligibility Criteria

"**Eligibility Criteria**" means, in respect of any Lease Receivable that is the subject of an Offer, relevant:

- 1.1 that the Sub Lease Agreements are legally valid and assignable;
- 1.2 that the Lease Receivables have monthly instalment payments;
- 1.3 that the Leased Vehicles under the Lease Agreements are existing;
- 1.4 that the Lease Receivables are free from rights of third parties;
- 1.5 that the Lease Receivables may be segregated and identified at any time for purposes of ownership and related Lease Collateral;
- 1.6 that none of the Lessees is an Affiliate of BMW AG;
- 1.7 that all Lease Receivables are governed by the laws of Germany;
- 1.8 that on the relevant Cut-Off Date at least one lease instalment has been paid in respect of each of the Lease Agreements;
- 1.9 that the Lease Receivables are denominated in an amount payable in EUR;
- 1.10 that the Sub Lease Agreements have been entered into exclusively with Lessees which, if they are corporate entities have their registered office or, if they are individuals have their place of residence in Germany;
- 1.11 that the Sub Lease Agreement does not contain the right to cancel the relevant Sub Lease Agreement or to prepay the Lease Instalments;
- 1.12 that the total amount of Purchased Lease Receivables assigned hereunder resulting from Sub Lease Agreements with one and the same Lessee will not exceed EUR 1,500,000 in respect of any single Lessee;
- 1.13 that the Lease Receivable is not overdue or in default on the relevant Cut-Off Date;
- 1.14 that the Purchased Lease Receivables are free of defences, whether preematory or otherwise (*Einwendungen oder Einreden*) for the agreed term of the Lease Agreements as well as free from rights of any third party and that the Lessees in particular have no set-off claims;

- 1.15 that the status and enforceability of the Purchased Lease Receivables is not impaired due to warranty claims or any other rights (including claims which may be set-off) of the Lessee (even if the Issuer knew or could have known of the existence of such defences or rights on the relevant Cut-Off Date);
- 1.16 that the remaining term of the contract as of the relevant Cut-Off Date is not more than 60 months;
- 1.17 in case of Lease Receivables relating to consumers, all applicable form requirements and notifications are complied with;
- 1.18 the Lease Receivables to be purchased on the relevant Purchase Date together with all Purchased Lease Receivables shall meet the following conditions:
 - (a) the aggregate amount of the Lease Receivables to be purchased and together with all Purchased Lease Receivables relating to the Leased Vehicles which are New Vehicles does not fall below 82% of the Aggregate Discounted Lease Balance; "New Vehicles" include, for the avoidance of doubt, demonstration cars;
 - (b) the aggregate amount of the Lease Receivables to be purchased and together with all Purchased Lease Receivables relating to the Leased Vehicles which are leased by the business Lessees is at least 70% of the Aggregate Discounted Lease Balance;
 - (c) the aggregate amount of the Lease Receivables to be purchased and together with all Purchased Lease Receivables relating to the Leased Vehicles with non-BMW brands (*Fremdmarken*) does not exceed 13% of the Aggregate Discounted Lease Balance;
 - (d) the aggregate amount of the Lease Receivables to be purchased and together with all Purchased Lease Receivables with the remaining term of (i) 36 or more months does not exceed 30% of the Aggregate Discounted Lease Balance; (ii) 42 or more months does not exceed 28% of the Aggregate Discounted Lease Balance; (iii) 48-53 (including) months does not exceed 17% of the Aggregate Discounted Lease Balance; and (iv) 54 months or more months does not exceed 12% of the Aggregate Discounted Lease Balance.

These "Eligibility Criteria" are relevant as of the relevant Cut-Off Date.

2. Seller Warranties

As of the Closing Date and the relevant Additional Purchase Date, the Seller represents and warrants the following:

- 2.1 that all Purchased Lease Receivables are eligible in accordance with the Eligibility Criteria on the relevant Cut-Off Date;
- 2.2 that terminations of the Sub Lease Agreements have not occurred and are not pending;
- 2.3 that the acquisition of the Leased Vehicles by the Head Lessor is financed in compliance with the requirements of section 108 subsection 1 sentence 2 of the German Insolvency Code (*Insolvenzordnung*).

PURCHASED LEASE RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA

The portfolio information presented in this Offering Circular is based on the pool as of 31st of May 2007.

1. Purchased Lease Receivables characteristics

(1) original aggregate lease balance.*

group in EUR	original aggregate lease balance in EUR	original aggregate lease balance in percent of total	number of contracts	number of contracts in percent of total
0 - 5,000	4,447,898.96	0.37%	1,171	1.53%
5,000 - 10,000	129,703,257.36	10.81%	18,777	24.52%
10,000 - 15,000	188,397,758.73	15.70%	17,148	22.39%
15,000 - 20,000	208,825,689.15	17.40%	13,495	17.62%
20,000 - 25,000	208,356,634.27	17.36%	10,497	13.71%
25,000 - 30,000	168,120,135.44	14.01%	6,949	9.07%
30,000 - 35,000	110,686,569.52	9.22%	3,885	5.07%
35,000 - 40,000	67,763,429.64	5.65%	2,063	2.69%
40,000 - 45,000	40,342,936.93	3.36%	1,083	1.41%
45,000 - 50,000	26,075,820.24	2.17%	627	0.82%
50,000 - 55,000	15,440,902.64	1.29%	336	0.44%
55,000 - 60,000	9,309,042.08	0.78%	184	0.24%
> 60,000	22,834,620.63	1.90%	361	0.47%
total	1,200,304,695.59	100.00%	76,576	100.00%
statistics	in EUR	average amount :	15,674.69	

* based on 7.50% discount rate

(2) current Aggregate Discounted Lease Balance*

group in EUR	current Aggregate Discounted Lease Balance in EUR	current Aggregate Discounted Lease Balance in percent of total	number of contracts	number of contracts in percent of total
0 - 5,000	60,772,876.39	7.60%	17,549	22.92%
5,000 - 10,000	198,808,581.18	24.85%	27,361	35.73%
10,000 - 15,000	186,001,018.81	23.25%	15,161	19.80%
15,000 - 20,000	149,058,740.10	18.63%	8,639	11.28%
20,000 - 25,000	99,790,680.59	12.47%	4,498	5.87%
25,000 - 30,000	50,773,344.51	6.35%	1,876	2.45%
30,000 - 35,000	26,921,228.19	3.37%	837	1.09%
35,000 - 40,000	12,435,664.69	1.55%	335	0.44%
40,000 - 45,000	6,992,205.71	0.87%	166	0.22%
45,000 - 50,000	3,250,301.87	0.41%	69	0.09%
50,000 - 55,000	2,038,946.67	0.25%	39	0.05%
55,000 - 60,000	1,426,948.58	0.18%	25	0.03%
> 60,000	1,728,656.10	0.22%	21	0.03%
total	799,999,193.39	100.00%	76,576	100.00%
statistics	in EUR	average amount	10,447.13	

* based on 7.50% discount rate

(3) original term

in months	current Aggregate Discounted Lease Balance in EUR	current Aggregate Discounted Lease Balance in percent of total	number of contracts	number of contracts in percent of total
1	-	0.00%	0	0.00%
2	-	0.00%	0	0.00%
3	-	0.00%	0	0.00%
4	-	0.00%	0	0.00%
5	-	0.00%	0	0.00%
6	-	0.00%	0	0.00%
7	-	0.00%	0	0.00%
8	-	0.00%	0	0.00%
9	-	0.00%	0	0.00%
10	-	0.00%	0	0.00%
11	19,254.57	0.00%	7	0.01%
12	479,358.40	0.06%	100	0.13%
13	69,200.32	0.01%	15	0.02%
14	80,627.98	0.01%	19	0.02%
15	69,841.42	0.01%	19	0.02%
16	119,787.88	0.01%	28	0.04%
17	113,046.37	0.01%	19	0.02%
18	1,322,325.26	0.17%	197	0.26%
19	116,291.70	0.01%	22	0.03%
20	110,006.82	0.01%	22	0.03%
21	172,919.64	0.02%	27	0.04%
22	292,509.40	0.04%	48	0.06%
23	197,905.31	0.02%	33	0.04%
24	35,375,669.29	4.42%	5,428	7.09%
25	324,993.33	0.04%	41	0.05%
26	216,669.36	0.03%	32	0.04%
27	305,114.97	0.04%	36	0.05%
28	347,508.88	0.04%	40	0.05%
29	293,242.11	0.04%	33	0.04%
30	8,255,848.88	1.03%	753	0.98%
31	319,883.33	0.04%	35	0.05%
32	242,503.91	0.03%	26	0.03%
33	333,790.14	0.04%	32	0.04%
34	252,166.36	0.03%	23	0.03%
35	215,420.33	0.03%	19	0.02%
36	612,294,691.97	76.54%	59,832	78.13%
37	62,996.82	0.01%	8	0.01%
38	61,086.21	0.01%	6	0.01%
39	35,968.61	0.00%	4	0.01%
40	86,208.24	0.01%	9	0.01%
41	24,116.79	0.00%	3	0.00%
42	13,270,089.78	1.66%	934	1.22%
43	55,026.46	0.01%	4	0.01%
44	46,617.89	0.01%	4	0.01%
45	45,321.85	0.01%	3	0.00%
46	87,308.45	0.01%	6	0.01%
47	69,643.47	0.01%	4	0.01%
48	87,911,417.84	10.99%	6,349	8.29%
49	20,387.79	0.00%	1	0.00%
50	29,077.26	0.00%	2	0.00%
51	-	0.00%	0	0.00%
52	29,675.99	0.00%	2	0.00%
53	-	0.00%	0	0.00%
>= 54	36,223,672.01	4.53%	2,351	3.07%
total	799,999,193.39	100.00%	76,576	100.00%

WA original term	37.56
------------------	-------

(4) seasoning

in months	current Aggregate Discounted Lease Balance in EUR	current Aggregate Discounted Lease Balance in percent of total	number of contracts	number of contracts in percent of total
1	10,198,043.88	1.27%	683	0.89%
2	88,356,526.86	11.04%	5,662	7.39%
3	72,535,647.17	9.07%	5,154	6.73%
4	51,426,284.90	6.43%	4,099	5.35%
5	45,584,433.68	5.70%	3,654	4.77%
6	56,824,321.79	7.10%	4,236	5.53%
7	49,281,981.02	6.16%	3,808	4.97%
8	40,935,135.11	5.12%	3,225	4.21%
9	32,037,715.41	4.00%	2,744	3.58%
10	23,387,488.93	2.92%	2,218	2.90%
11	28,921,508.60	3.62%	2,753	3.60%
12	31,076,268.14	3.88%	2,959	3.86%
13	32,218,152.91	4.03%	3,109	4.06%
14	29,145,985.06	3.64%	2,989	3.90%
15	29,546,012.68	3.69%	3,279	4.28%
16	20,791,411.24	2.60%	2,396	3.13%
17	18,634,032.58	2.33%	2,328	3.04%
18	19,065,645.40	2.38%	2,313	3.02%
19	20,052,544.28	2.51%	2,406	3.14%
20	15,907,874.50	1.99%	2,027	2.65%
21	12,086,551.76	1.51%	1,657	2.16%
22	9,712,890.38	1.21%	1,459	1.91%
23	10,208,332.43	1.28%	1,601	2.09%
24	11,540,489.99	1.44%	1,886	2.46%
25	11,245,403.24	1.41%	2,019	2.64%
26	8,988,436.96	1.12%	1,784	2.33%
27	9,295,544.01	1.16%	1,917	2.50%
28	5,281,784.21	0.66%	1,202	1.57%
29	438,931.06	0.05%	126	0.16%
30	150,048.38	0.02%	34	0.04%
31	629,041.18	0.08%	81	0.11%
32	601,441.20	0.08%	78	0.10%
33	490,414.93	0.06%	71	0.09%
34	522,390.30	0.07%	82	0.11%
35	615,952.82	0.08%	98	0.13%
36	592,892.40	0.07%	85	0.11%
37	431,541.66	0.05%	78	0.10%
38	358,678.34	0.04%	68	0.09%
39	369,220.61	0.05%	69	0.09%
40	240,185.17	0.03%	58	0.08%
41	163,650.56	0.02%	43	0.06%
42	78,798.51	0.01%	29	0.04%
43	16,321.24	0.00%	4	0.01%
44	5,953.55	0.00%	2	0.00%
45	-	0.00%	0	0.00%
46	4,314.13	0.00%	1	0.00%
47	-	0.00%	0	0.00%
48	2,970.23	0.00%	2	0.00%
49	-	0.00%	0	0.00%
50	-	0.00%	0	0.00%
51	-	0.00%	0	0.00%
52	-	0.00%	0	0.00%
53	-	0.00%	0	0.00%
>= 54	-	0.00%	0	0.00%
total	799,999,193.39	100.00%	76,576	100.00%

WA seasoning term	10.13
-------------------	-------

(5) remaining term

in months	current Aggregate Discounted Lease Balance in EUR	current Aggregate Discounted Lease Balance in percent of total	number of contracts	number of contracts in percent of total
6	582,823.36	0.07%	229	0.30%
7	1,355,098.70	0.17%	513	0.67%
8	4,705,767.14	0.59%	1,341	1.75%
9	9,090,879.53	1.14%	2,252	2.94%
10	8,816,383.27	1.10%	1,984	2.59%
11	10,029,804.24	1.25%	2,071	2.70%
12	11,989,105.94	1.50%	2,208	2.88%
13	9,853,116.62	1.23%	1,706	2.23%
14	9,623,478.51	1.20%	1,619	2.11%
15	12,677,509.04	1.58%	1,895	2.47%
16	15,710,687.17	1.96%	2,140	2.79%
17	19,782,264.18	2.47%	2,558	3.34%
18	19,018,329.51	2.38%	2,359	3.08%
19	17,893,942.46	2.24%	2,130	2.78%
20	21,254,301.55	2.66%	2,448	3.20%
21	31,166,830.27	3.90%	3,420	4.47%
22	29,962,987.69	3.75%	2,994	3.91%
23	29,070,904.31	3.63%	2,804	3.66%
24	28,251,490.40	3.53%	2,632	3.44%
25	23,387,195.23	2.92%	2,208	2.88%
26	21,202,165.64	2.65%	1,974	2.58%
27	27,092,153.68	3.39%	2,322	3.03%
28	34,352,558.22	4.29%	2,672	3.49%
29	42,738,617.73	5.34%	3,271	4.27%
30	46,181,428.13	5.77%	3,426	4.47%
31	37,772,356.39	4.72%	3,012	3.93%
32	42,540,035.96	5.32%	3,398	4.44%
33	61,380,328.03	7.67%	4,389	5.73%
34	70,093,479.88	8.76%	4,597	6.00%
35	16,677,842.13	2.08%	1,130	1.48%
36	5,073,355.23	0.63%	328	0.43%
37	4,441,770.40	0.56%	305	0.40%
38	3,955,074.56	0.49%	277	0.36%
39	5,715,973.28	0.71%	336	0.44%
40	7,271,362.23	0.91%	427	0.56%
41	7,064,784.27	0.88%	434	0.57%
42	6,976,156.88	0.87%	424	0.55%
43	5,075,006.38	0.63%	312	0.41%
44	5,436,585.85	0.68%	302	0.39%
45	7,673,651.22	0.96%	395	0.52%
46	11,243,165.52	1.41%	542	0.71%
47	3,655,980.58	0.46%	178	0.23%
48	2,373,999.15	0.30%	123	0.16%
49	1,825,258.31	0.23%	102	0.13%
50	2,113,560.16	0.26%	104	0.14%
51	2,375,651.13	0.30%	121	0.16%
52	2,890,310.99	0.36%	135	0.18%
53	583,682.34	0.07%	29	0.04%
>= 54	-	0.00%	0	0.00%
total	799,999,193.39	100.00%	76,576	100.00%

WA remaining term	27.43
-------------------	-------

(6) leased vehicles

car modell	current Aggregate Discounted Lease Balance in EUR	current Aggregate Discounted Lease Balance in percent of total	number of contracts	number of contracts in percent of total
BMW - 1 series	88,537,800.26	11.07%	15,230	19.89%
BMW - 3 series	190,878,054.73	23.86%	19,167	25.03%
BMW - 5 series	227,971,764.68	28.50%	17,878	23.35%
BMW - 6 series	21,562,550.34	2.70%	923	1.21%
BMW - 7 series	70,515,326.77	8.81%	3,743	4.89%
Mini	32,845,048.04	4.11%	5,532	7.22%
X - model	133,264,693.99	16.66%	10,136	13.24%
Z - model	19,732,657.60	2.47%	2,198	2.87%
others (incl. Motorcycles)	14,691,296.98	1.84%	1,769	2.31%
total	799,999,193.39	100.00%	76,576	100.00%

(7) new- / used vehicles

car type	current Aggregate Discounted Lease Balance in EUR	current Aggregate Discounted Lease Balance in percent of total	number of contracts	number of contracts in percent of total
new cars*	711,764,729.26	88.97%	66,987	87.48%
used cars	88,234,464.13	11.03%	9,589	12.52%
total	799,999,193.39	100.00%	76,576	100.00%

* include, for the avoidance of doubt, demonstration cars

(8) customer group

customer group	current Aggregate Discounted Lease Balance in EUR	current Aggregate Discounted Lease Balance in percent of total	number of contracts	number of contracts in percent of total
private individual	134,544,555.36	16.82%	19,193	25.06%
commercial	665,454,638.03	83.18%	57,383	74.94%
total	799,999,193.39	100.00%	76,576	100.00%

(9) concentration by lessee

No	current Aggregate Discounted Lease Balance in EUR	current Aggregate Discounted Lease Balance in percent of total	number of contracts	number of contracts in percent of total
1	904,486.90	0.11%	129	0.17%
2	811,586.33	0.10%	77	0.10%
3	336,482.14	0.04%	5	0.01%
4	330,623.54	0.04%	48	0.06%
5	318,910.15	0.04%	17	0.02%
6	297,823.57	0.04%	23	0.03%
7	283,430.75	0.04%	3	0.00%
8	239,724.27	0.03%	19	0.02%
9	237,158.02	0.03%	58	0.08%
10	231,451.83	0.03%	14	0.02%
11	219,560.24	0.03%	17	0.02%
12	197,703.95	0.02%	11	0.01%
13	186,382.66	0.02%	12	0.02%
14	181,062.10	0.02%	20	0.03%
15	177,370.56	0.02%	15	0.02%
16	174,760.38	0.02%	5	0.01%
17	173,632.76	0.02%	11	0.01%
18	166,709.68	0.02%	4	0.01%
19	166,274.23	0.02%	11	0.01%
20	158,244.69	0.02%	8	0.01%
total	5,793,378.75	0.72%	507	

(10) geographical distribution of lessees

sales teams	current Aggregate Discounted Lease Balance in EUR	current Aggregate Discounted Lease Balance in percent of total	number of contracts	number of contracts in percent of total
south	115,240,705.92	14.41%	10,790	14.09%
middle / south	103,098,561.94	12.89%	9,871	12.89%
middle / north	56,924,593.03	7.12%	5,565	7.27%
south / west	90,372,926.52	11.30%	8,647	11.29%
west	94,923,399.63	11.87%	8,970	11.71%
north	105,938,310.90	13.24%	9,920	12.95%
north / west	87,220,431.90	10.90%	8,264	10.79%
east	71,966,156.42	9.00%	7,291	9.52%
others	74,314,107.13	9.29%	7,258	9.48%
total	799,999,193.39	100.00%	76,576	100.00%

Rundown Schedule

This amortisation scenario of the Initial Purchased Receivables is based on the assumptions listed under "Weighted Average Lives of the Notes" above, on a CPR of 0%, losses of 0% and does not take into consideration the replenishment period.

The amortisation of the Purchased Lease Receivables is subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the assumptions and the estimates above will prove in any way to be realistic and they must therefore be viewed with considerable caution.

(11) assumed amortisation of the initial Aggregate Discounted Lease Balance

Period	Payment Date falling in	assumed Aggregate Discounted Lease Balance in EUR	redemption in EUR
0		799,999,193.39	
1	Jul-07	768,296,666.61	31,702,526.78
2	Aug-07	736,222,725.82	32,073,940.79
3	Sep-07	703,481,502.49	32,741,223.33
4	Oct-07	671,282,081.85	32,199,420.64
5	Nov-07	638,441,742.36	32,840,339.49
6	Dec-07	605,529,242.91	32,912,499.45
7	Jan-08	572,610,414.39	32,918,828.52
8	Feb-08	539,561,180.40	33,049,233.99
9	Mar-08	507,558,109.63	32,003,070.77
10	Apr-08	476,286,309.01	31,271,800.62
11	May-08	445,710,271.75	30,576,037.26
12	Jun-08	416,173,809.37	29,536,462.38
13	Jul-08	387,375,462.01	28,798,347.36
14	Aug-08	358,908,080.29	28,467,381.72
15	Sep-08	331,449,205.47	27,458,874.82
16	Oct-08	304,731,400.69	26,717,804.78
17	Nov-08	278,625,344.83	26,106,055.86
18	Dec-08	254,102,265.03	24,523,079.80
19	Jan-09	230,184,717.54	23,917,547.49
20	Feb-09	207,082,518.50	23,102,199.04
21	Mar-09	185,613,112.70	21,469,405.80
22	Apr-09	165,421,076.96	20,192,035.74
23	May-09	146,433,984.05	18,987,092.91
24	Jun-09	128,859,747.57	17,574,236.48
25	Jul-09	112,315,007.11	16,544,740.46
26	Aug-09	96,550,698.89	15,764,308.22
27	Sep-09	81,781,152.91	14,769,545.98
28	Oct-09	68,114,088.54	13,667,064.37
29	Nov-09	55,757,985.19	12,356,103.35
30	Dec-09	45,456,129.37	10,301,855.82
31	Jan-10	36,091,530.49	9,364,598.88
32	Feb-10	28,028,419.70	8,063,110.79
33	Mar-10	22,208,659.65	5,819,760.05
34	Apr-10	18,485,992.18	3,722,667.47
35	May-10	16,193,990.91	2,292,001.27
36	Jun-10	14,057,284.48	2,136,706.43
37	Jul-10	12,042,422.15	2,014,862.33
38	Aug-10	10,154,191.69	1,888,230.46
39	Sep-10	8,405,441.05	1,748,750.64
40	Oct-10	6,821,463.29	1,583,977.76
41	Nov-10	5,438,851.03	1,382,612.26
42	Dec-10	4,263,878.41	1,174,972.62
43	Jan-11	3,217,905.70	1,045,972.71
44	Feb-11	2,300,856.90	917,048.80
45	Mar-11	1,573,876.38	726,980.52
46	Apr-11	1,048,358.37	525,518.01
47	May-11	742,074.01	306,284.36
48	Jun-11	504,203.48	237,870.53
49	Jul-11	300,122.83	204,080.65
50	Aug-11	140,226.47	159,896.36
51	Sep-11	41,687.33	98,539.14
52	Oct-11	-	41,687.33

2. Historical performance data

The historical performance data set out hereafter relate to the portfolio of auto lease receivables granted by the Seller.

(1) Static analysis gross losses

For a generation of lease receivables (being all receivables originated in the same quarter), the cumulative gross losses (i.e. before realisation of the Leased Vehicles) in respect of a month are calculated on single contract data based on the following assumptions:

- Considering off all terminated contracts out of new business originated from January 2000 onwards, Calculations are based on the final invoice date;
- Number of overdue instalments before termination = 2 (commercial Lessees) = 4 (private Lessees);
- Number of overdue instalments between termination and net loss (default) = 4;
- PV of instalments between time of contract's final invoice and expiration of the contract (discount rate 8.00%); and
- Gross loss = ((b) + (c))* monthly instalment in EUR + (d).

Quarter New Business	cumulative gross losses in % / months after origination																					
	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	63	66
Q1 2000	0.03%	0.44%	0.98%	1.52%	2.22%	2.90%	3.47%	3.90%	4.28%	4.52%	4.76%	4.89%	4.97%	5.03%	5.09%	5.11%	5.13%	5.14%	5.14%	5.14%	5.14%	5.14%
Q2 2000	0.02%	0.30%	0.76%	1.45%	2.12%	2.68%	3.18%	3.63%	4.02%	4.36%	4.59%	4.80%	4.88%	4.93%	4.96%	4.98%	4.99%	5.00%	5.00%	5.00%	5.00%	5.02%
Q3 2000	0.06%	0.44%	1.18%	1.95%	2.73%	3.47%	4.13%	4.59%	4.96%	5.29%	5.53%	5.74%	5.83%	5.87%	5.91%	5.93%	5.94%	5.94%	5.96%	5.96%	5.96%	5.96%
Q4 2000	0.04%	0.37%	1.04%	1.67%	2.36%	3.09%	3.60%	4.05%	4.43%	4.81%	5.04%	5.20%	5.30%	5.34%	5.37%	5.39%	5.40%	5.40%	5.40%	5.40%	5.41%	5.41%
Q1 2001	0.06%	0.36%	1.05%	1.71%	2.42%	3.03%	3.67%	4.06%	4.57%	4.92%	5.11%	5.26%	5.34%	5.37%	5.43%	5.45%	5.46%	5.46%	5.46%	5.47%	5.48%	5.48%
Q2 2001	0.02%	0.34%	0.98%	1.73%	2.36%	2.97%	3.65%	4.27%	4.62%	4.91%	5.14%	5.30%	5.44%	5.50%	5.54%	5.55%	5.57%	5.58%	5.58%	5.58%	5.58%	5.58%
Q3 2001	0.00%	0.42%	1.20%	1.94%	2.80%	3.42%	4.27%	4.79%	5.28%	5.56%	5.83%	6.01%	6.11%	6.17%	6.20%	6.22%	6.23%	6.24%	6.24%	6.25%	6.25%	6.25%
Q4 2001	0.04%	0.38%	0.88%	1.46%	2.07%	2.79%	3.28%	3.71%	4.04%	4.32%	4.52%	4.72%	4.81%	4.90%	4.95%	4.97%	4.99%	4.99%	4.99%	4.99%	4.99%	4.99%
Q1 2002	0.00%	0.36%	1.08%	1.70%	2.33%	2.94%	3.50%	3.80%	4.20%	4.52%	4.66%	4.84%	4.95%	5.00%	5.03%	5.04%	5.05%	5.06%	5.06%	5.07%	5.07%	5.07%
Q2 2002	0.04%	0.48%	0.94%	1.66%	2.39%	3.06%	3.45%	3.92%	4.23%	4.52%	4.78%	4.95%	5.00%	5.05%	5.09%	5.13%	5.13%	5.13%	5.13%	5.13%	5.14%	5.14%
Q3 2002	0.09%	0.46%	1.18%	2.06%	2.92%	3.44%	4.02%	4.46%	4.85%	5.11%	5.29%	5.44%	5.51%	5.59%	5.62%	5.64%	5.65%	5.65%	5.65%	5.65%	5.65%	5.65%
Q4 2002	0.04%	0.42%	1.16%	2.03%	2.72%	3.44%	4.00%	4.48%	4.89%	5.19%	5.35%	5.49%	5.56%	5.59%	5.59%	5.61%	5.61%	5.61%	5.62%	5.62%	5.62%	5.62%
Q1 2003	0.09%	0.60%	1.24%	1.83%	2.65%	3.35%	4.00%	4.47%	4.84%	5.21%	5.36%	5.51%	5.59%	5.64%	5.68%	5.69%	5.70%	5.70%	5.70%	5.70%	5.70%	5.70%
Q2 2003	0.00%	0.43%	1.03%	1.83%	2.42%	3.11%	3.61%	4.06%	4.44%	4.67%	4.87%	4.97%	5.06%	5.14%	5.18%	5.19%	5.19%	5.19%	5.19%	5.19%	5.19%	5.19%
Q3 2003	0.00%	0.54%	1.29%	2.13%	2.92%	3.52%	4.15%	4.67%	5.08%	5.37%	5.58%	5.72%	5.78%	5.86%	5.86%	5.86%	5.86%	5.86%	5.86%	5.86%	5.86%	5.86%
Q4 2003	0.08%	0.41%	1.07%	1.67%	2.20%	2.72%	3.26%	3.86%	4.16%	4.41%	4.62%	4.76%	4.82%	4.86%	4.86%	4.86%	4.86%	4.86%	4.86%	4.86%	4.86%	4.86%
Q1 2004	0.01%	0.36%	0.94%	1.65%	2.27%	2.84%	3.23%	3.54%	3.84%	4.03%	4.18%	4.30%	4.38%	4.38%	4.38%	4.38%	4.38%	4.38%	4.38%	4.38%	4.38%	4.38%
Q2 2004	0.01%	0.19%	0.65%	1.19%	1.80%	2.24%	2.64%	2.92%	3.14%	3.38%	3.54%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%
Q3 2004	0.09%	0.44%	1.06%	1.72%	2.32%	2.77%	3.26%	3.60%	3.86%	4.09%	4.24%	4.24%	4.24%	4.24%	4.24%	4.24%	4.24%	4.24%	4.24%	4.24%	4.24%	4.24%
Q4 2004	0.05%	0.27%	0.72%	1.29%	1.74%	2.19%	2.53%	2.86%	3.06%	3.24%	3.24%	3.24%	3.24%	3.24%	3.24%	3.24%	3.24%	3.24%	3.24%	3.24%	3.24%	3.24%
Q1 2005	0.04%	0.31%	0.86%	1.38%	1.83%	2.36%	2.81%	3.01%	3.18%	3.18%	3.18%	3.18%	3.18%	3.18%	3.18%	3.18%	3.18%	3.18%	3.18%	3.18%	3.18%	3.18%
Q2 2005	0.01%	0.27%	0.72%	1.18%	1.54%	1.88%	2.17%	2.39%	2.39%	2.39%	2.39%	2.39%	2.39%	2.39%	2.39%	2.39%	2.39%	2.39%	2.39%	2.39%	2.39%	2.39%
Q3 2005	0.04%	0.26%	0.75%	1.20%	1.65%	1.98%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%
Q4 2005	0.03%	0.22%	0.59%	0.92%	1.26%	1.56%	1.56%	1.56%	1.56%	1.56%	1.56%	1.56%	1.56%	1.56%	1.56%	1.56%	1.56%	1.56%	1.56%	1.56%	1.56%	1.56%
Q1 2006	0.04%	0.17%	0.64%	0.92%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
Q2 2006	0.01%	0.15%	0.43%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
Q3 2006	0.02%	0.22%	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%
Q4 2006	0.05%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%

(2) Static analysis net losses

For a generation of lease receivables (being all receivables originated in the same quarter), the cumulative net losses (i.e. after realisation of the Leased Vehicles) in respect of a month are calculated on single contract data based on the following assumptions:

- (a) Considering off all terminated contracts out of new business originated from January 2000 onwards, Calculations are based on the final invoice date;
- (b) Number of overdue instalments before termination = 2 (commercial Lessees) = 4 (private Lessees);
- (c) Number of overdue instalments between termination and net loss (default) = 4;
- (d) PV of instalments between time of contract's final invoice and expiration of the contract (discount rate 8.00%);
- (e) Gross loss = ((b) + (c))* monthly instalment in EUR + (d); and
- (f) Net loss = gross loss ./ pro rata share of realisation of car.

Quarter New Business	cumulative net losses in % / months after origination																					
	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	63	66
Q1 2000	0.01%	0.17%	0.39%	0.61%	0.90%	1.19%	1.44%	1.62%	1.80%	1.89%	1.99%	2.03%	2.07%	2.10%	2.13%	2.14%	2.16%	2.16%	2.16%	2.16%	2.16%	2.16%
Q2 2000	0.01%	0.11%	0.28%	0.57%	0.85%	1.07%	1.28%	1.46%	1.62%	1.75%	1.84%	1.94%	1.97%	2.00%	2.01%	2.03%	2.03%	2.03%	2.04%	2.04%	2.04%	2.05%
Q3 2000	0.02%	0.16%	0.45%	0.78%	1.11%	1.43%	1.71%	1.88%	2.02%	2.15%	2.25%	2.33%	2.37%	2.39%	2.41%	2.42%	2.42%	2.42%	2.44%	2.44%	2.44%	2.44%
Q4 2000	0.02%	0.15%	0.44%	0.71%	1.00%	1.29%	1.50%	1.67%	1.82%	2.00%	2.09%	2.15%	2.20%	2.22%	2.24%	2.25%	2.25%	2.26%	2.26%	2.26%	2.27%	2.27%
Q1 2001	0.03%	0.14%	0.41%	0.67%	0.96%	1.19%	1.45%	1.61%	1.82%	1.96%	2.04%	2.12%	2.15%	2.17%	2.20%	2.21%	2.22%	2.22%	2.22%	2.22%	2.23%	2.23%
Q2 2001	0.01%	0.13%	0.40%	0.73%	0.99%	1.22%	1.50%	1.76%	1.91%	2.04%	2.14%	2.21%	2.28%	2.31%	2.32%	2.33%	2.34%	2.35%	2.35%	2.35%	2.35%	2.35%
Q3 2001	0.00%	0.18%	0.49%	0.78%	1.12%	1.39%	1.76%	1.97%	2.16%	2.28%	2.40%	2.47%	2.52%	2.54%	2.56%	2.57%	2.58%	2.59%	2.59%	2.60%	2.60%	2.60%
Q4 2001	0.02%	0.14%	0.34%	0.56%	0.80%	1.11%	1.30%	1.48%	1.66%	1.79%	1.88%	1.96%	2.01%	2.04%	2.06%	2.08%	2.09%	2.09%	2.09%	2.09%	2.09%	2.09%
Q1 2002	0.00%	0.15%	0.42%	0.70%	0.96%	1.20%	1.43%	1.56%	1.73%	1.87%	1.94%	2.02%	2.08%	2.11%	2.12%	2.13%	2.13%	2.14%	2.14%	2.14%	2.15%	2.15%
Q2 2002	0.01%	0.21%	0.40%	0.72%	1.00%	1.25%	1.43%	1.64%	1.76%	1.91%	2.03%	2.11%	2.13%	2.16%	2.18%	2.20%	2.20%	2.20%	2.21%	2.21%	2.21%	2.21%
Q3 2002	0.04%	0.18%	0.45%	0.80%	1.17%	1.41%	1.69%	1.87%	2.05%	2.17%	2.26%	2.33%	2.36%	2.40%	2.41%	2.42%	2.42%	2.43%	2.43%	2.43%	2.43%	2.43%
Q4 2002	0.01%	0.16%	0.43%	0.84%	1.18%	1.53%	1.78%	1.99%	2.19%	2.33%	2.40%	2.47%	2.50%	2.51%	2.52%	2.52%	2.53%	2.53%	2.53%	2.53%	2.53%	2.53%
Q1 2003	0.03%	0.22%	0.50%	0.78%	1.20%	1.54%	1.82%	2.06%	2.23%	2.42%	2.49%	2.56%	2.61%	2.64%	2.66%	2.67%	2.67%	2.67%	2.67%	2.67%	2.67%	2.67%
Q2 2003	0.00%	0.17%	0.44%	0.80%	1.06%	1.37%	1.59%	1.81%	2.00%	2.11%	2.19%	2.24%	2.29%	2.33%	2.35%	2.35%	2.35%	2.35%	2.35%	2.35%	2.35%	2.35%
Q3 2003	0.00%	0.24%	0.55%	0.93%	1.31%	1.60%	1.93%	2.17%	2.37%	2.51%	2.61%	2.68%	2.71%	2.76%	2.77%	2.77%	2.77%	2.77%	2.77%	2.77%	2.77%	2.77%
Q4 2003	0.04%	0.17%	0.47%	0.75%	1.00%	1.28%	1.61%	1.82%	1.96%	2.08%	2.19%	2.26%	2.30%	2.32%	2.32%	2.32%	2.32%	2.32%	2.32%	2.32%	2.32%	2.32%
Q1 2004	0.00%	0.15%	0.39%	0.70%	1.02%	1.33%	1.50%	1.64%	1.77%	1.87%	1.94%	2.00%	2.05%	2.05%	2.05%	2.05%	2.05%	2.05%	2.05%	2.05%	2.05%	2.05%
Q2 2004	0.01%	0.08%	0.29%	0.54%	0.84%	1.03%	1.21%	1.35%	1.45%	1.57%	1.65%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%
Q3 2004	0.04%	0.20%	0.48%	0.79%	1.09%	1.30%	1.55%	1.73%	1.86%	1.96%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%
Q4 2004	0.02%	0.11%	0.29%	0.55%	0.76%	0.97%	1.13%	1.27%	1.36%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%
Q1 2005	0.02%	0.13%	0.37%	0.59%	0.79%	1.03%	1.25%	1.34%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%
Q2 2005	0.00%	0.10%	0.29%	0.48%	0.64%	0.78%	0.91%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%
Q3 2005	0.01%	0.10%	0.29%	0.49%	0.69%	0.83%	0.92%	0.92%	0.92%	0.92%	0.92%	0.92%	0.92%	0.92%	0.92%	0.92%	0.92%	0.92%	0.92%	0.92%	0.92%	0.92%
Q4 2005	0.01%	0.08%	0.22%	0.37%	0.50%	0.61%	0.61%	0.61%	0.61%	0.61%	0.61%	0.61%	0.61%	0.61%	0.61%	0.61%	0.61%	0.61%	0.61%	0.61%	0.61%	0.61%
Q1 2006	0.01%	0.05%	0.24%	0.33%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%
Q2 2006	0.01%	0.06%	0.18%	0.29%	0.29%	0.29%	0.29%	0.29%	0.29%	0.29%	0.29%	0.29%	0.29%	0.29%	0.29%	0.29%	0.29%	0.29%	0.29%	0.29%	0.29%	0.29%
Q3 2006	0.01%	0.07%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%
Q4 2006	0.02%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%

(3) Write offs

For a generation of lease receivables (being all receivables originated during the same quarter), the write offs (i.e. after realisation of the Leased Vehicles and late recoveries) in respect of a month are provided based on write off figures as the ratio of:

- (a) Cumulative write offs as of the relevant date; and
- (b) New business volume as of the corresponding quarter.

Quarter New Business	cumulative write offs in % / months after origination																										
	10	13	16	19	22	25	28	31	34	37	40	43	46	49	52	55	58	61	64	67	70	73	76	79	82	85	
Q1 2000																									1.90%	1.92%	1.93%
Q2 2000																								1.73%	1.75%	1.76%	1.78%
Q3 2000																								1.85%	1.87%	1.88%	1.90%
Q4 2000																								1.71%	1.73%	1.75%	1.77%
Q1 2001																					1.66%	1.67%	1.68%	1.70%			
Q2 2001																				1.73%	1.75%	1.80%	1.81%				
Q3 2001																			1.75%	1.79%	1.81%	1.85%					
Q4 2001																			1.41%	1.41%	1.47%	1.49%					
Q1 2002																1.44%	1.47%	1.50%	1.52%								
Q2 2002															1.43%	1.48%	1.52%	1.57%									
Q3 2002														1.58%	1.61%	1.69%	1.74%										
Q4 2002													1.58%	1.61%	1.67%	1.73%											
Q1 2003												1.66%	1.72%	1.81%	1.86%												
Q2 2003											1.36%	1.44%	1.53%	1.58%													
Q3 2003										1.52%	1.63%	1.73%	1.86%														
Q4 2003									1.09%	1.20%	1.31%	1.40%															
Q1 2004								0.84%	0.91%	0.99%	1.07%																
Q2 2004							0.59%	0.68%	0.76%	0.85%																	
Q3 2004					0.67%	0.77%	0.87%	0.95%																			
Q4 2004				0.40%	0.46%	0.53%	0.59%																				
Q1 2005				0.28%	0.34%	0.48%	0.55%																				
Q2 2005			0.14%	0.19%	0.26%	0.34%																					
Q3 2005		0.08%	0.13%	0.19%	0.26%																						
Q4 2005	0.04%	0.07%	0.10%	0.14%																							

(4) Delinquencies

At a given month, the Delinquency Ratio is calculated as the ratio of:

- (a) the delinquent lease receivables (all overdue and future due instalments and the residual value); and
- (b) total aggregate lease balance (instalments and residual value).

year	2002			2003			2004		
	31-60	61-90	91-120	31-60	61-90	91-120	31-60	61-90	91-120
January				0.36%	0.15%	0.07%	0.43%	0.26%	0.10%
February				0.40%	0.15%	0.09%	0.42%	0.19%	0.08%
March				0.40%	0.16%	0.08%	0.32%	0.17%	0.07%
April				0.34%	0.17%	0.07%	0.42%	0.14%	0.08%
May				0.40%	0.13%	0.09%	0.42%	0.15%	0.08%
June				0.37%	0.16%	0.06%	0.38%	0.15%	0.06%
July				0.37%	0.12%	0.06%	0.35%	0.14%	0.06%
August	0.37%	0.19%	0.07%	0.38%	0.20%	0.05%	0.34%	0.20%	0.08%
September	0.42%	0.15%	0.09%	0.37%	0.17%	0.09%	0.35%	0.13%	0.07%
October	0.35%	0.13%	0.08%	0.40%	0.13%	0.09%	0.37%	0.14%	0.07%
November	0.50%	0.15%	0.06%	0.43%	0.16%	0.07%	0.34%	0.14%	0.07%
December	0.45%	0.16%	0.10%	0.64%	0.21%	0.12%	0.41%	0.13%	0.08%
Average	0.42%	0.16%	0.08%	0.41%	0.16%	0.08%	0.38%	0.16%	0.08%

year	2005			2006			2007		
	31-60	61-90	91-120	31-60	61-90	91-120	31-60	61-90	91-120
January	0.27%	0.19%	0.07%	0.34%	0.13%	0.06%	0.42%	0.14%	0.08%
February	0.43%	0.12%	0.06%	0.40%	0.13%	0.07%	0.43%	0.17%	0.07%
March	0.37%	0.17%	0.05%	0.34%	0.16%	0.06%	0.27%	0.19%	0.08%
April	0.39%	0.15%	0.07%	0.33%	0.13%	0.10%	0.27%	0.11%	0.10%
May	0.40%	0.14%	0.10%	0.37%	0.14%	0.07%	0.30%	0.10%	0.05%
June	0.34%	0.18%	0.10%	0.31%	0.14%	0.06%			
July	0.36%	0.14%	0.09%	0.26%	0.12%	0.05%			
August	0.44%	0.19%	0.09%	0.25%	0.11%	0.06%			
September	0.36%	0.14%	0.07%	0.26%	0.10%	0.05%			
October	0.36%	0.13%	0.07%	0.30%	0.13%	0.05%			
November	0.36%	0.13%	0.06%	0.31%	0.11%	0.07%			
December	0.54%	0.17%	0.07%	0.46%	0.17%	0.06%			
Average	0.39%	0.15%	0.07%	0.33%	0.13%	0.06%	0.34%	0.14%	0.08%

(5) Annualised prepayments

At a given month, the annualised prepayment rate is calculated by multiplying the monthly prepayment rate by 12. The monthly prepayment rate is calculated as the ratio of:

- (a) the aggregate lease balance of all lease receivables prepaid during the respective month (i.e. damage, theft, conversion, continuance, amicably); and
- (b) the aggregate lease balance.

Annualised Prepayments	2002	2003	2004
January	9.43%	11.71%	10.27%
February	8.64%	8.74%	7.85%
March	9.64%	9.88%	9.92%
April	10.61%	10.48%	9.26%
May	10.47%	10.12%	8.82%
June	9.85%	9.22%	10.04%
July	12.11%	10.60%	9.87%
August	9.86%	8.34%	8.85%
September	9.47%	9.02%	8.55%
October	12.15%	9.70%	9.36%
November	10.68%	9.19%	8.73%
December	9.81%	8.91%	7.90%

Annualised Prepayments	2005	2006	2007
January	7.66%	5.31%	4.88%
February	4.73%	3.62%	3.29%
March	6.25%	4.62%	4.01%
April	6.65%	3.95%	3.29%
May	5.86%	4.76%	4.12%
June	6.61%	3.74%	
July	5.48%	4.40%	
August	4.93%	3.55%	
September	4.48%	3.58%	
October	4.67%	4.15%	
November	4.96%	4.65%	
December	4.82%	4.81%	

3. Inferential statement of the Issuer

The Issuer states herewith that the securitised assets backing the issue have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Compartment 1 Notes. However this is not a guarantee given by the Issuer and the Issuer as a special purpose entity has only limited resources available as described under the "RISK FACTORS – Factors that may affect the Issuer's ability to fulfil its obligations under the Compartment 1 Notes – Structural and other credit risks – Limited resources of the Issuer".

CREDIT AND COLLECTION POLICY

The following is a description of the Credit and Collection Policy. The text will be attached as Appendix D to the Conditions.

Under the Servicing Agreement, the Purchased Lease Receivables are to be administered together with all other lease receivables of BMW Leasing GmbH ("BMW") according to BMW's normal business procedures. The Lessees will not be notified of the fact that the receivables from their Lease Contracts have been assigned to the Issuer, except under special circumstances.

The normal business procedures of BMW Leasing GmbH currently include the following:

Description of Rating System & Risk Management

All credit applications in the leasing business are subject to various integrity and plausibility checks as well as sophisticated rating procedures within standardised credit processes. The rating system has been in use at BMW for over 10 years and is continuously being enhanced with regard to an accurate assessment of the customer's financial strength and to the ability to predict potential defaults. An automated system combines external information provided by the applicant, credit agencies and other sources as well as internal data on previous credit performances via optimized statistical models and algorithms, which differ by customer types. The result is a rating figure reflecting the applicant's credit worthiness.

Based upon the rating a probability of default is assigned to the potential obligor, which along with the expected recovery rate given default (depending on the vehicle type leased) determines the expected loss. Both probabilities of default, as well as recovery rates, are derived from historical default experiences at BMW Bank GmbH.

Rating and expected loss provide the basis for the credit decision (i.e. responsible and competent authorities as well as approval / rejection of the application) and for the collateral to be provided by the obligor, which is continuously monitored with respect to its recoverability. The expected value of the leased vehicle at maturity as part of the contract terms is determined based upon public market value forecasts and internal recovery rates. It is subject to ongoing assessments and monitoring during the entire contract period to identify potential losses in the remarketing process at an early stage.

Several methods are used to measure and manage the risks of the existing leasing portfolio of BMW Bank GmbH. For example, a Value at Risk indicating the maximum loss within the portfolio at a specific probability over a certain period of time is calculated on a regular basis. It is monitored within a limit system, which reflects the risk taking capacity of the bank in terms of capital available as well as business and risk strategies. Ratings and risk parameters also play an essential role in the provisioning for bad loans. The board is involved in the entire risk management process and bases its decisions upon the risk relevant information provided.

The whole rating and risk management system was assessed and approved by German banking supervision in 2006 for the purpose of determining regulatory capital by means of internal ratings according to Basel II.

Termination of Lease Contracts

Generally the Lessee of a commercial or private lease contract is bound to the application for four weeks. The lease contract is concluded, if the Sub Lessor confirms in writing the application or delivering the vehicles at this time.

Additional to the termination above, the Lessees of non-commercial lease contracts have a cancellation right. The private Lessees are entitled to exercise the cancellation right within two weeks after receipt a written notice informing him of such cancellation right by sending a letter, fax or e-mail message to BMWL without giving any reasons (right of withdrawal –*Widerrufsrecht*).

Each party to a lease contract can terminate the contract without observing any notice period, in particular the Sub Lessor, but not limited to:

- if the other party is unable to pay or engaged in debt composition proceedings; when its cheques are not covered or its bills of exchange not honoured;
- if the other party has made untrue statements in connection with the Lease Contract or has failed to state relevant facts and the Sub Lessor cannot, therefore, be reasonably expected to continue to honour the contract; and
- if the other party does not stop committing serious breaches of the contract in spite of written requests to this effect or if it fails to remedy immediately any effects of such breaches of contract;

in particular the Lessee, but not limited to:

- if the vehicle has been stolen or has been destroyed and the cost of repairing exceeds 60 per cent of the replacement cost of the vehicle. The termination is possible within three weeks to the end of a contract month; and
- if the Lessee dies. In these cases the heirs are entitled to terminate the contract to the end of a contract month.

Collections/recovery

The first payment is due when the Leased Vehicle is licensed and registered on the Lessee's name; all subsequent payments are due on the first of the month in advance for the month. The number of payments corresponds to the leasing period in months.

The leasing application includes a clause authorising BMWL to debit the payments as they become due, directly on the Lessee's bank account. In 2006, approximately 96% of the Lessees made use of the direct debit system offered by BMWL. This procedure should ensure that BMWL receives amounts due promptly. The customers who do not authorise direct debiting give standing payment orders to their banks or write individual bank remittances.

The monthly instalments are generally billed value dated first working day of each month. BMWL transmits the required information via BMW Bank GmbH (account holder for BMWL) to Deutsche Bundesbank, which in turn communicates/clears with the Lessee's banks. BMWL receives the total amount of the instalments paid by direct debit on the first working day of the current month on its bank accounts.

In case the direct debiting orders of BMWL are not honoured, the banks immediately debit the respective account of BMWL accordingly. Therefore, the overdue payments for any given month are typically known on the day after the debit (10 days in case of standing orders/bank remittances) and reminder notices are sent out immediately. In 2006, 3.4% of the direct debit payments were not honoured. In 78% of the cases this was due to insufficient funds. In 22% this was due to objections, closing of accounts or incorrect account data.

The process to handle the reminders is fully automated supported by respective IT systems. The employees of the collections/recovery department of BMWL are authorised to grant justifiable payment extensions in exceptional cases within this period. Those extensions are closely monitored and reviewed.

As soon as BMWL categorises a payment overdue (no matter which payment method applies) a first reminder will be sent out. If the Lessee does still not pay, a second reminder letter is generally sent out after another two weeks. The entire dunning process is supported by outbound telephone campaigns to customers handled through BMWL and its service providers.

Further reminders will be sent out every two weeks to the customer (advising that collection agencies/lawyers will be mandated and corresponding cost will be debited to customers account in case of further non-payment) until conditions are met which enable BMWL to terminate Lease Contracts. Following conditions have to be met:

- Customer type – commercial Lessees:
two leasing instalments are overdue.
- Customer type – private individuals:
two instalments or more representing in the aggregate at least 10% of the total value of the Lease Contract (5% when the term of the Lease Contract exceeds three years) are overdue (consumer protection law requirements).

In both cases BMWL sends a letter threatening contract termination by registered mail prior to the termination itself setting a final two-week (commercial) or three-week (private) deadline for payment. If BMWL will not receive respective payments the contract will be terminated. In addition, the dealer who mediated the contract will be informed about the termination. The Lessee is requested to return the vehicle to the dealer who mediated the lease contract. If the customer fully pays the amount owed, negotiations regarding continuation of the lease contract will take place.

If the Lessee does not voluntarily return the vehicle BMWL mandates collection agencies (e.g. Nürnberger Inkasso) for further collection and recovery activities. Within 5 days the collection agency sends a final reminder in its own name to the Lessee requesting again the return of the car voluntarily or alternatively payment of the complete overdue amount. If all respective appropriate means of the collection agencies are unsuccessful after two weeks, external service providers are mandated by the collection agencies to secure the vehicles (repossession agencies). The leading companies in this area operate with a high level of reliability and trust with a view to protection of BMWL's interests.

In case of a successful repossession or if the Lessee returns the cars voluntarily BMWL's service provider DEKRA issues an expertise opinion regarding the current status and dealer purchase price (*Händler-Einkaufspreis*) of the car.

In both cases (voluntarily/not voluntarily return) the Lessee has the right to name a commercial purchaser within 21 days to make a binding offer (at a higher price than the dealer purchase price (*Händler-Einkaufspreis*)) for the car. It is BMWL's decision to accept this customer/offer. Usually, the

collection agencies sell the cars at the dealer purchase price (*Händler-Einkaufspreis*) to the dealer who mediated the lease contract. Should BMWL decide not to sell the cars to the purchaser proposed by the customer even though the offer was at a higher price than the dealer purchase price (*Händler-Einkaufspreis*), the extra earnings over the dealer purchase price (*Händler-Einkaufspreis*) have to be credited to the customers account.

If collection agencies were mandated to handle collection activities, a final closing statement for the contract (EAB) will be issued by them. In case the Lessee returned the car voluntary without prior involvement of collections agencies, BMWL handles the closing statements. Remaining balances have to be paid by customers within two weeks. If the customer fails to settle the closing balance again collections agencies will be mandated (unless already done) to apply for a court order to pay (*Mahnbescheid*). Further collection actions could result in a court proceeding and a possible enforcement order handled by BMW Group approved lawyers (*RAs Fetzer*) who are also responsible for long term supervision.

THE ISSUER

1. General

The Issuer, Bavarian Sky S.A., a company with limited liability (*société anonyme*), was incorporated as a special purpose vehicle for the purpose of issuing asset backed securities under the laws of Luxembourg on 26 April 2007, for an unlimited period and with registered office at 7 Val Ste Croix, L-1371 Luxembourg (telephone: + 352 22 11 90). The Issuer is registered with the Luxembourg Commercial Register under registered number B 127 982 on 29 May 2007.

The Issuer has elected in its Articles of Incorporation to be governed by the Luxembourg Securitisation Law.

2. Corporate purpose of the Issuer

The Issuer shall have as its business purpose the securitisation (within the meaning of the Luxembourg Securitisation Law which shall apply to the Issuer) of receivables (the "Permitted Assets"). The Issuer may enter into any agreement and perform any action necessary or useful for the purposes of securitising Permitted Assets, provided that it is consistent with the Luxembourg Securitisation Law.

3. Compartments

The board of directors of the Issuer may create one or more Compartments within the Issuer. Each Compartment shall, unless otherwise provided for in the resolution of the board of directors creating such Compartment, correspond to a distinct part of the assets and liabilities of the Issuer. The resolution of the board of directors creating one or more Compartments within the Issuer, as well as any subsequent amendments thereto, shall be binding as of the date of such resolution against any third party.

As between shareholder and creditors of the Issuer, each Compartment of the Issuer shall be treated as a separate entity. Rights of shareholders and creditors of the Issuer that (i) have, when coming into existence, been designed as relating to a Compartment or (ii) have arisen in connection with the creation, the operation or the liquidation of a Compartment are, except if otherwise provided for in the resolution of the board of directors creating the relevant Compartment, strictly limited to the assets of that Compartment and such assets shall be exclusively available to satisfy such shareholders and creditors. Creditors and shareholders of the Issuer whose rights are designated as relating to a specific Compartment of the Issuer shall (subject to mandatory law) have no rights to the assets of any other Compartment.

Unless otherwise provided for in the resolution of the board of directors of the Issuer creating such Compartment, no resolution of the board of directors of the Issuer may be taken to amend the resolution creating such Compartment or take any other decision directly affecting the rights of the shareholders or creditors whose rights relate to such Compartment without the prior approval of the shareholders and creditors whose rights relate to such Compartment. Any decision of the board of directors taken in breach of this provision shall be void.

The liabilities and obligations of the Issuer incurred or arising in connection with the Compartment 1 Notes and the other Transaction 1 Documents and all matters connected therewith will only be satisfied or discharged against the assets of Compartment 1. At the Issue Date Compartment 1 will comprise all of the assets of the Issuer. The assets of Compartment 1 will be exclusively available to satisfy the rights of the Compartment 1 Noteholders and the other creditors of the Issuer in respect of the Compartment 1 Notes, the other Transaction 1 Documents and all matters connected therewith, as provided therein, and (subject to mandatory law) no other creditors of the Issuer will have any recourse against the assets of Compartment 1 of the Issuer.

For so long as the Compartment 1 Notes remain outstanding, the Issuer will not be permitted to issue further securities in respect of any Compartment of the Issuer, or to enter into related transaction documents, unless the requirements contained in Clause 23.2 (*New securitisations and further securities requiring consent*) of the Trust Agreement have been satisfied. These are: (a) one or more reputable law firm(s) (as appropriate) shall have, in one or more legal opinion(s) satisfactory to the Issuer, confirmed to the Issuer that as a result of the issuance of the securities or the entrance into any other transaction documents related therewith, the Issuer shall not incur any payment or other obligations in respect of its Compartment 1 or in respect of any other pre-existing Compartment, (b) based on such legal opinion, S&P confirms to the Issuer that as a result of the issuance of the securities or entrance into any other transaction documents related therewith, the Issuer shall not incur any payment or other obligations in respect of its Compartment 1 or in respect of any other pre-existing Compartment, and (c) based, *inter alia*, on such legal opinion and confirmation from the Rating Agency, the board of directors of the Issuer shall have approved the issuance of the securities and the entrance into related transaction documents. In case of any further securitisation transactions of the Issuer, the transactions shall not be cross-collateralised or cross-defaulted.

4. Business activity

The Issuer has not previously carried on any business or activities other than those incidental to its incorporation, other than in respect of its Compartment 1 and other than entering into certain transactions prior to the Issue Date with respect to the securitisation transaction contemplated herein.

In respect of Compartment 1, the Issuer's principal activities will be the issue of the Compartment 1 Notes, the granting of Compartment 1 Security, the entering into the Subordinated Loan Agreement, the entering into the Swap Agreement and the entering into all other Transaction 1 Documents to which it is a party and the establishment of the Issuer Account-C1 and the exercise of related rights and powers and other activities reasonably incidental thereto.

In respect of Compartments other than Compartment 1, the Issuer's principal activities will be the operation as a multi-issuance securitisation conduit for the purposes of, on an on-going basis, purchasing assets, directly or via intermediary purchasing entities, from several selling entities, or assuming the credit risk in respect of assets in any other way, and funding such purchases or risk assumptions in particular in the asset-backed markets. Each such securitisation transaction can be structured as a singular or as a revolving purchase of assets (or other assumption of credit risk) and shall be separate from all other securitisations entered into by the Issuer. To that end, each securitisation carried out by the Issuer shall be allocated to a separate Compartment.

5. Corporate Administration and Management

The Directors and Managers of the Issuer are:

- Alexis Kamarowsky, director, 7 Val Ste Croix, L-1371 Luxembourg, born on 10 April 1947;
- Federigo Cannizzaro di Belmontino, director, 7 Val Ste Croix, L-1371 Luxembourg, born on 12 September 1964;
- Jean-Marc Debaty, director, 7 Val Ste Croix, L-1371 Luxembourg, born on 11 March 1966.

6. Capital and Shares, shareholders

The subscribed capital of the Issuer is set at EUR 31,000 divided into 3,100 shares fully paid up, registered shares with a par value of EUR 10 each.

The shareholder of the Issuer, who has an influence on the Issuer and controls the Issuer, is the Foundation.

7. Capitalisation

The unaudited capitalisation of the Issuer as at the date of this Offering Circular, adjusted for the issue of the Compartment 1 Notes on the Issue Date, is as follows:

Share Capital

Authorised, issued and fully paid up: EUR 31,000

8. Indebtedness

The Issuer has no material indebtedness, contingent liabilities and/or guarantees as at the date of the Offering Circular, other than that which the Issuer has incurred or shall incur in relation to Compartment 1 and the transactions contemplated in the Offering Circular.

9. Holding Structure

(a) Stichting Andesien, prenamed 3,100 shares

Total **3,100 shares**

10. Subsidiaries

The Issuer has no subsidiaries or Affiliates.

11. Name of the Issuer's financial auditors

KPMG Audit S.à r.l

Société à Responsabilité Limitée

31, allée Scheffer

L-2520 Luxembourg

Tel.: +352 22 51 511

Fax : +352 22 51 71

KPMG Audit S.à r.l is a member of the Institut des Réviseurs d' Entreprises.

12. Main Process for Director's Meetings and Decisions

The Issuer is managed by a Board of Directors comprising at least three (3) members, whether shareholders or not, who are appointed for a period not exceeding six years by the general meeting of shareholders which may at any time remove them.

The number of directors, their term and their remuneration are fixed by the general meeting of the shareholders.

The Board of Directors must elect from among its members a chairman.

The Board of Directors convenes upon call by the chairman, as often as the interest of the Issuer so requires. It must be convened each time two directors so request.

Directors may participate in a meeting of the Board of Directors by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear and speak to each other, and such participation in a meeting will constitute presence in person at the meeting, provided that all actions approved by the Directors at any such meeting will be reproduced in writing in the form of resolutions.

Resolutions signed by all members of the Board of Directors will be as valid and effectual as if passed at a meeting duly convened and held. Such signatures may appear on a single document or multiple copies of an identical resolution and may be evidenced by letter, fax, email or similar communication.

The Board of Directors is vested with the powers to perform all acts of administration and disposition in compliance with the corporate objects of the Issuer.

The Board of Directors can create one or several separate compartments, in accordance with article 5 of the present articles of association.

13. Financial Statements

Audited financial statements will be published by the Issuer on an annual basis.

The business year of Bavarian Sky S.A. extends from 1 January to 31 December. The first business year began on 26 April 2007 and will end on 31 December 2007 so that the first annual general meeting of the shareholder will be held in 2008. As the Issuer is in its first year of business and the Issuer has not commenced operations since its incorporation, no annual accounts have yet been prepared or published.

14. Inspection of Documents

For the life of the Compartment 1 Notes, the following documents (or copies thereof)

- (a) the Articles of Incorporation of the Issuer;
- (b) the resolution of the board of directors of the Issuer approving the issue of the Compartment 1 Notes and the creation of Compartment 1;
- (c) the Offering Circular and all the Transaction 1 Documents referred in this Offering Circular; and
- (d) the historical financial information (if any) of the Issuer;

may be inspected at the Issuer's office at 7 Val Ste Croix L-1371 Luxembourg.

The Compartment 1 Notes will be obligations of the Issuer acting in respect of its Compartment 1 only and will not be guaranteed by, or be the responsibility of BMW Leasing GmbH, BMW Vertriebs GmbH, BMW AG or any other person or entity. It should be noted, in particular, that the Compartment 1 Notes will not be obligations of, and will not be guaranteed by the Issuer (in respect of Compartments other than Compartment 1), the Seller, the Servicer (if different), the Trustee, the Arranger, the Joint Lead Managers, the Managers or any of their respective Affiliates, the Subordinated Lender, the Issuer Account Bank, the Principal Paying Agent, the Calculation Agent, the Issuer Account Bank, the Luxembourg Paying Agent, the Swap Counterparty, the Corporate Administrator or the Foundation.

THE SELLER AND SERVICER

Auto Lease Business in Germany

In 2006, GDP growth of the German economy increased to 2.7% from 0.9% in the previous year. Due to an ongoing strong export performance and a revival of domestic demand the economic upswing continued in spite of the revaluation of the Euro and a strong increase in energy and raw material prices. However, the growth rate of private consumption remained moderate despite a reduction in the average unemployment rate from 13.0% in 2005 to 9.6% in 2006. In 2007 higher inflation and interest rates are to be expected. Prospects for a continuation of the upswing in 2007 are nevertheless good, though the growth in the first half of the year will be dampened due to a higher value added tax and a decrease in external demand growth.

In 2006, a total of 3.99 million vehicles (2005:3.83 million/+4.1%) were registered in Germany. The number of newly registered passenger cars increased by 3.8% to 3.47 million vehicles (3.34 million). Total automobile production in the first three quarters of 2006 reached 4.37 million vehicles, up 1.7% versus the previous year (4.30 million). The BMW Group increased its deliveries by 3.5% to 1.37 million passenger cars in 2006 and remained the leading premium automobile manufacturer in Germany.

Incorporation, Registered Office and Purpose

BMW Leasing GmbH ("BMW") is Seller of the Lease Receivables and Servicer under the Servicing Agreement. BMW was established in 1973 and has its registered office at Heidemannstrasse 164, 80939 Munich, Germany. Its registered share capital of DM 30 million (EUR 15,338,756.44) is held by BMW AG, Heidemannstrasse 164, 80939 Munich, Germany.

BMW has entered into an agency and service agreement with BMW Bank GmbH which commissions and authorises BMW Bank GmbH to assume various tasks for and on behalf of BMW including the

- initiation, conclusion and completion of leasing agreements;
- procurement of the funds required for the leasing business.

The objectives of BMW are to lease motor vehicles in Germany, especially from the BMW, MINI and Rolls-Royce passenger cars and the BMW motorcycles brands.

In particular, BMW offers:

- leasing of new BMW, MINI and, Rolls Royce;
- service-leasing to commercial and non-commercial customers; and
- leasing of used vehicles of all makes.

The business purposes of BMW vis-à-vis customers and dealers are largely determined by its membership in the BMW Group. BMW co-operates closely with the approximately 990 dealerships of the BMW Group in Germany. As a result of the partnership, a dealer can offer the customer complete, competent, personal service at one stop and from a single source, including the financing.

The co-operation between the manufacturer and the dealer-partner respectively is established by a dealer agreement. Under this agreement the dealer-partner is given the responsibility for marketing the products and services of the BMW Group and to service the trade-marked-products of the BMW Group.

BMW in turn enters into agency agreements with the dealer-partners pursuant to which these procure leasing business for BMW against commissions. Under the agreements, BMW buys the vehicles from the dealer, finances and administers the vehicles and assumes the credit risk.

Each dealer-partner is trained in leasing business. The dealer-partner is the local contact person and available to the Lessee during the whole life of the leasing contract.

Internal Audit

The internal audit department of BMW Bank GmbH audits BMW. Its controlling procedures include audits of customer and dealer receivables with respect to their amounts and their punctual payment. The internal audit department of the BMW Bank GmbH occasionally also carries out audits. Under German law the annual financial statements of a company must be audited by an independent audit company.

Auditors

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungs-gesellschaft Ganghoferstrasse 29, 80339, München, KPMG audits the annual financial statements of BMW Leasing GmbH. KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft is a member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*).

THE HEAD LESSOR

Introduction

BMW Vertriebs GmbH ("BMWV") is the Head Lessor of the Lease Receivables. BMWV was established in 1989 and has its registered office at Heidemannstrasse 164, 80939 Munich, Germany. Its registered share capital of DM 50 million (EUR 25,564,594.06) is held by BMW Leasing GmbH.

BMWV has entered in a profit and loss transfer agreement with its parent company, BMW Leasing GmbH.

In addition, BMWV has entered into an agency and service agreement with BMW Bank GmbH which commissions and authorises BMW Bank GmbH to assume various tasks for and on behalf of BMWV including the:

- (i) initiation, conclusion and completion of leasing agreements; and
- (ii) procurement of the funds required for the leasing business.

Currently, the only objective of BMWV is the internal refinancing of BMW Leasing GmbH, acting as the Head Lessor in the sale and lease back agreement between BMWV and BMW Leasing GmbH.

Auditors

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungs-gesellschaft Ganghoferstrasse 29, 80339, München, KPMG audits the annual financial statements of BMW Leasing GmbH. KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft is a member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*).

THE SWAP COUNTERPARTY

For the purposes of Transaction 1, the Issuer has appointed WestLB AG as Swap Counterparty.

WestLB AG is a European commercial bank based in the German federal state of Northrhine-Westphalia (NRW) and is domiciled in Düsseldorf and Münster. Pursuant to the "Gesetz zur Neuregelung der Rechtsverhältnisse der öffentlich-rechtlichen Kreditinstitute in Nordrhein-Westfalen" dated 2nd July, 2002, which became effective on 1st August, 2002, the public legal form of the former Westdeutsche Landesbank Girozentrale was changed into a joint stock company and WestLB AG resulted.

As a European commercial bank based in NRW, Germany, WestLB AG provides commercial and investment banking services regionally, nationally and internationally to public, corporate and bank customers. As at 31st December, 2006, the WestLB AG Group had total assets of approximately EUR 285.3 billion and shareholders' equity of EUR 6.8 billion. WestLB AG also performs the functions of a municipal bank for the State of North Rhine-Westphalia and for the State of Brandenburg and acts as the central bank of the Sparkassen (savings banks) in the States of North Rhine-Westphalia and Brandenburg. It conducts a comprehensive range of wholesale banking business and has the power to issue bonds and notes and, upon implementation into law of the Pfandbriefgesetz, mortgage and public sector covered bonds (*Pfandbriefe*). In addition, WestLB AG acts as the clearing and depository bank for the savings banks in the States of North Rhine-Westphalia and Brandenburg. Internationally, the WestLB AG Group operates through an extensive network of banking subsidiaries, branches and representative offices to provide a range of financial services to its clients.

The ownership structure of WestLB AG as from 8th February, 2007 is as follows:

- NRW.BANK 31.175 per cent.
- Savings Banks and Giro Association of Westphalia-Lippe 25.154 per cent.
- Savings Banks and Giro Association of Rhineland 25.154 per cent.
- Landschaftsverband Rheinland 0.524 per cent.
- Landschaftsverband Westfalen-Lippe 0.524 per cent.
- Federal State of North Rhine-Westphalia 17.469 per cent.

As at the date hereof WestLB AG has (in the case of unsubordinated notes issued by it) a rating of A1 from Moody's Investors Service Limited (Moody's), A- from Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. (Standard & Poor's) and A (high) from Dominion Bond Rating Service (DBRS), and (in the case of subordinated notes issued by it) a rating of A2 from Moody's, BBB+ from Standard & Poor's and A (middle) from DBRS.

The information in the preceding 6 paragraphs has been provided by WestLB AG for use in this Offering Circular and WestLB AG is solely responsible for the accuracy of the preceding 6 paragraphs. Except for the foregoing 6 paragraphs, WestLB AG, in its capacity as Swap Counterparty has not been involved in the preparation of and does not accept responsibility for, this Offering Circular.

To the best knowledge and belief of the Issuer, the above information about the Swap Counterparty has been accurately reproduced. The Issuer is able to ascertain from such information published by the Swap Counterparty that no facts have been omitted which would render the reproduced information inaccurate or misleading.

THE TRUSTEE

For the purposes of Transaction 1, the Issuer has appointed Deutsche Trustee Company Limited as Trustee.

Deutsche Trustee Company Limited ("**DTCL**") is an English investment management firm registered under company number 338230 and regulated by the Financial Services Authority. DTCL is a trust corporation and acts as trustee for eurobond issues, other forms of complex financing structures and loan capital issues and as agent for the service of process. DTCL has an authorized share capital of £5,150,000 and is wholly owned by its ultimate parent Deutsche Bank AG.

The information in the preceding paragraph has been provided by Deutsche Trustee Company Limited for use in this Offering Circular and Deutsche Trustee Company Limited is solely responsible for the accuracy of the preceding paragraph. Except for the foregoing paragraph, Deutsche Trustee Company Limited, in its capacity as Trustee has not been involved in the preparation of and does not accept responsibility for, this Offering Circular.

To the best knowledge and belief of the Issuer, the above information about the Trustee has been accurately reproduced. The Issuer is able to ascertain from such information published by the Trustee that no facts have been omitted which would render the reproduced information inaccurate or misleading.

THE ISSUER ACCOUNT-C1

For the purposes of Transaction 1, no later than the Issue Date the Issuer shall (acting in respect of its Compartment 1) have opened the Issuer Account-C1.

No later than the Issue Date the Joint Lead Managers and the Managers shall have paid the gross proceeds of the issue into the Issuer Account-C1, from which, *inter alia*, the Issuer will pay the Initial Purchase Price (EUR 799,999,193.39) on the Initial Purchase Date, and into which, on each Payment Date, the Servicer will on-pay Collections of the Lease Instalments (including Deemed Collections) and the Swap Counterparty will pay the Swap Net Cashflow to the Seller. The Issuer will use the Issuer Account-C1 as the basis for making, on each Payment Date, Transaction 1-related payments on account of expenses and moneys owed to Compartment 1 Noteholders and the other Secured Parties, including Swap Net Cashflow paid by the Issuer to the Swap Counterparty.

No later than the Issue Date, the Cash Reserve of EUR 18,800,000 will be credited to the Cash Reserve by the Issuer which amount the Issuer will have borrowed under the Subordinated Loan from the Subordinated Lender. See "CREDIT STRUCTURE AND FLOW OF FUNDS — Subordinated Loan". The Cash Reserve will be available to support payments under the Pre-Enforcement Priority of Payments or Post-Enforcement Priority of Payments.

No later than the Issue Date, the Replenishment Fund will be established and moneys will be credited to the Issuer Account-C1 in accordance with the Pre-Enforcement Priority of Payments.

THE CALCULATION AGENT

For the purposes of Transaction 1, WestLB AG will act as Calculation Agent of the Issuer. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Calculation Agency Agreement" and "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Agency Agreement".

WestLB AG is a European commercial bank based in the German federal state of Northrhine-Westphalia (NRW) and is domiciled in Düsseldorf and Münster. Pursuant to the "Gesetz zur Neuregelung der Rechtsverhältnisse der öffentlich-rechtlichen Kreditinstitute in Nordrhein-Westfalen" dated 2nd July, 2002, which became effective on 1st August, 2002, the public legal form of the former Westdeutsche Landesbank Girozentrale was changed into a joint stock company and WestLB AG resulted.

As a European commercial bank based in NRW, Germany, WestLB AG provides commercial and investment banking services regionally, nationally and internationally to public, corporate and bank customers. As at 31st December, 2006, the WestLB AG Group had total assets of approximately EUR 285.3 billion and shareholders' equity of EUR 6.8 billion. WestLB AG also performs the functions of a municipal bank for the State of North Rhine-Westphalia and for the State of Brandenburg and acts as the central bank of the Sparkassen (savings banks) in the States of North Rhine-Westphalia and Brandenburg. It conducts a comprehensive range of wholesale banking business and has the power to issue bonds and notes and, upon implementation into law of the Pfandbriefgesetz, mortgage and public sector covered bonds (*Pfandbriefe*). In addition, WestLB AG acts as the clearing and depository bank for the savings banks in the States of North Rhine-Westphalia and Brandenburg. Internationally, the WestLB AG Group operates through an extensive network of banking subsidiaries, branches and representative offices to provide a range of financial services to its clients.

The ownership structure of WestLB AG as from 8th February, 2007 is as follows:

- NRW.BANK 31.175 per cent.
- Savings Banks and Giro Association of Westphalia-Lippe 25.154 per cent.
- Savings Banks and Giro Association of Rhineland 25.154 per cent.
- Landschaftsverband Rheinland 0.524 per cent.
- Landschaftsverband Westfalen-Lippe 0.524 per cent.
- Federal State of North Rhine-Westphalia 17.469 per cent.

As at the date hereof WestLB AG has (in the case of unsubordinated notes issued by it) a rating of A1 from Moody's Investors Service Limited (Moody's), A- from Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. (Standard & Poor's) and A (high) from Dominion Bond Rating Service (DBRS), and (in the case of subordinated notes issued by it) a rating of A2 from Moody's, BBB+ from Standard & Poor's and A (middle) from DBRS.

The information in the preceding 6 paragraphs has been provided by WestLB AG for use in this Offering Circular and WestLB AG is solely responsible for the accuracy of the preceding 6 paragraphs. Except for the foregoing 6 paragraphs, WestLB AG, in its capacity as Calculation Agent has not been involved in the preparation of and does not accept responsibility for, this Offering Circular.

To the best knowledge and belief of the Issuer, the above information about the Calculation Agent has been accurately reproduced. The Issuer is able to ascertain from such information published by the Calculation Agent that no facts have been omitted which would render the reproduced information inaccurate or misleading.

THE PRINCIPAL PAYING AGENT AND THE ISSUER ACCOUNT BANK

For the purposes of Transaction 1, Deutsche Bank AG, London Branch will act as Principal Paying Agent and the Issuer Account Bank. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Agency Agreement".

Deutsche Bank Aktiengesellschaft ("**Deutsche Bank**" or the "**Bank**") originated from the reunification of Norddeutsche Bank Aktiengesellschaft, Hamburg, Rheinisch-Westfälische Bank Aktiengesellschaft, Duesseldorf and Süddeutsche Bank Aktiengesellschaft, Munich; pursuant to the Law on the Regional Scope of Credit Institutions, these had been disincorporated in 1952 from Deutsche Bank which was founded in 1870. The merger and the name were entered in the Commercial Register of the District Court Frankfurt am Main on 2 May 1957. Deutsche Bank is a banking institution and a stock corporation incorporated under the laws of Germany under registration number HRB 30 000. The Bank has its registered office in Frankfurt am Main. It maintains its head office at Taunusanlage 12, 60325 Frankfurt am Main and branch offices in Germany and abroad including London, New York, Sydney, Tokyo and an Asia-Pacific Head Office in Singapore which serve as hubs for its operations in the respective regions.

The Bank is the parent company of a group consisting of banks, capital market companies, fund management companies, a real estate finance company, instalment financing companies, research and consultancy companies and other domestic and foreign companies (the "**Deutsche Bank Group**").

"**Deutsche Bank AG, London Branch**" is the London branch of Deutsche Bank AG. On 12 January 1973, Deutsche Bank AG filed in the United Kingdom the documents required pursuant to section 407 of the Companies Act 1947 to establish a place of business within Great Britain. On 14 January 1993, Deutsche Bank registered under Schedule 12A to the Companies Act 1985 as having established a branch (Registration No. BR000005) in England and Wales. Deutsche Bank AG, London Branch is an authorized person for the purposes of section 19 of the Financial Services and Markets Act 2000. In the United Kingdom, it conducts wholesale banking business and through its Private Wealth Management division, it provides holistic wealth management advice and integrated financial solutions for wealthy individuals, their families and selected institutions.

As of 31 March 2007, Deutsche Bank's issued share capital amounted to Euro 1,345,160,819.20 consisting of 525,453,445 ordinary shares without par value. The shares are fully paid up and in registered form. The shares are listed for trading and official quotation on all German Stock Exchanges. They are also listed on the New York Stock Exchange.

The consolidated financial statements for fiscal years stating 1 January 2007 are prepared in compliance with International Financial Reporting Standards (IFRS). As of 31 March 2007, Deutsche Bank Group had total assets of EUR 1,747,031 million, total liabilities of EUR 1,710,177 million and total equity of EUR 36,854 million on the basis of IFRS (unaudited).

Deutsche Bank's long-term senior debt has been assigned a rating of AA- (outlook positive) by Standard & Poor's, Aa1 (outlook stable) by Moody's Investors Services and AA- (outlook stable) by Fitch Ratings.

The information in the preceding 6 paragraphs has been provided by Deutsche Bank AG, London Branch for use in this Offering Circular and Deutsche Bank AG, London Branch is solely responsible for the accuracy of the preceding paragraph. Except for the foregoing 6 paragraphs, Deutsche Bank AG, London Branch, in its capacity as the Principal Paying Agent and the Issuer Account Bank has not been involved in the preparation of and does not accept responsibility for, this Offering Circular.

To the best knowledge and belief of the Issuer, the above information about the Principal Paying Agent and the Issuer Account Bank has been accurately reproduced. The Issuer is able to ascertain from such information published by the Principal Paying Agent and the Issuer Account Bank that no facts have been omitted which would render the reproduced information inaccurate or misleading.

THE CORPORATE ADMINISTRATOR

For the purposes of Transaction 1, Structured Finance Management (Luxembourg) S.A., having its registered office at 7 Val Sainte-Croix, L-1371 Luxembourg, will act as Corporate Administrator of the Issuer. See "SUMMARY OF THE OTHER PRINCIPAL DOCUMENTS — Corporate Administration Agreement".

Structured Finance Management (Luxembourg) S.A. ("SFMLux") provides nominee (or corporate) directors and a full range of corporate administrative services in Luxembourg for SPVs created for international securitisations, CDOs and structured finance transactions. SFMLux is 50% owned by SFM Holdings Limited and 50% by Luxembourg International Consulting S.A. ("Interconsult").

SFMLux combines the international structured finance expertise and contacts of SFM with the Luxembourg-based corporate administrative expertise of Interconsult.

Board

Alexis Kamarowsky, Managing Director, Interconsult
Federigo Cannizzaro di Belmontino, Deputy Managing Director, Interconsult
Jonathan E. Keighley, Managing Director, SFM
James G. S. Macdonald, Director, SFM

Administration

Jean-Marc Debaty, SPV Director
Danielle Caviglia, Corporate & Legal Department
Giovanna Carles, Corporate & Legal Assistant
Reeba Nachtegale, Group Manager, Accounting & Tax
Christelle Mazzalini, Accounting & Tax

SFMLux draws on the full resources of the corporate administration, compliance procedures and personnel of Interconsult. Interconsult has a business licence as Domiciliation Agent ("*Domiciliataire de Sociétés*") and is supervised by the Commission de Surveillance du Secteur Financier ("C.S.S.F.").

The information in the preceding 5 paragraphs has been provided by Structured Finance Management (Luxembourg) S.A. for use in this Offering Circular and Structured Finance Management (Luxembourg) S.A. is solely responsible for the accuracy of the preceding 5 paragraphs. Except for the foregoing 5 paragraphs, Structured Finance Management (Luxembourg) S.A., in its capacity as Corporate Administrator has not been involved in the preparation of and does not accept responsibility for, this Offering Circular.

To the best knowledge and belief of the Issuer, the above information about the Corporate Administrator has been accurately reproduced. The Issuer is able to ascertain from such information published by the Corporate Administrator that no facts have been omitted which would render the reproduced information inaccurate or misleading.

TAXATION

1. General

The following information summarises certain aspects of the tax law in force, and the related practice applied in Germany and Luxembourg at the date of this Offering Circular. The tax related information contained in this Offering Circular is not intended as tax advice and does not purport to describe all of the tax considerations that may be relevant to a prospective investor in the Compartment 1 Notes. Prospective investors are advised to consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Compartment 1 Notes and the receipt of interest and distributions with respect to such Compartment 1 Notes under the laws of the jurisdictions in which they may be liable to taxation. Prospective investors should be aware that tax law and its practice and interpretation may change.

2. German Taxation

Taxation in Germany

This section should be read in conjunction with "RISK FACTORS — German taxation".

Residents

Payments of interest on the Compartment 1 Notes, including interest having accrued up to the sale of a Compartment 1 Note and credited separately ("**Accrued Interest**"), to persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany (the "**Tax Residents**") are subject to German personal or corporate income tax (plus solidarity surcharge (*Solidaritätszuschlag*) at a rate of 5.5% thereon). Such interest is also subject to trade tax (*Gewerbesteuer*) if the Compartment 1 Notes form part of the property of a German trade or business. Accrued Interest paid upon the acquisition of a Note may give rise to negative income if the Compartment 1 Note is held as a non-business asset.

If upon maturity of a Compartment 1 Note the initial holder of the Compartment 1 Note is deemed to receive, in addition to the current interest, taxable investment income in an amount equal to the difference between the issue price of the Compartment 1 Note and the redemption amount (the "**Original Issue Discount**"), such Original Issue Discount will be treated as interest, however, in the case of Compartment 1 Notes held as non-business assets, this can only apply if the Original Issue Discount exceeds certain thresholds.

If a Compartment 1 Note can be classified as a financial innovation (*Finanzinnovation*) under German tax law, such as in the case of a deeply discounted note, and if such Compartment 1 Note is purchased or disposed of while outstanding, or redeemed at maturity, the Original Issue Discount (provided the holder of the Compartment 1 Note gives proof of the applicable yield to maturity) to the extent attributable to the period over which a holder of a Compartment 1 Note has held such Compartment 1 Note minus interest, including Accrued Interest, already taken into account, or, alternatively, the difference between the proceeds from the disposition, assignment or redemption and the purchase price is subject to personal or corporate income tax in the year of the disposition, assignment or maturity of the Compartment 1 Note, unless the Compartment 1 Note forms part of the property of a German trade or business, in which case each year the part of the Original Issue Discount attributable to such year as well as interest accrued, must be taken into account proportionately as interest income and may also be subject to trade tax.

Capital gains from the disposition of Compartment 1 Notes, other than income from the Original Issue Discount exceeding certain thresholds as defined above, are only taxable to a German tax-resident individual if the Compartment 1 Notes are disposed of within one year after their purchase or form part of the property of a German trade or business, in which case the capital gains may also be subject to

trade tax. Capital gains derived by German-resident corporate holders of Compartment 1 Notes will be subject to corporate income tax (plus solidarity surcharge at a rate of 5.5% thereon) and trade tax.

Where the Compartment 1 Notes are kept in a custodial account which the holder of the Compartment 1 Notes maintains with a German branch of a German or non-German financial institution or financial services institution (the "**Disbursing Agent**"), such Agent is generally required to withhold tax at a rate of 30% (*Zinsabschlag*) (plus solidarity surcharge thereon at a rate of 5.5%), resulting in a total tax charge of 31.65%, of the gross amount of interest, including Accrued Interest, paid. Where a Compartment 1 Note constituting a financial innovation is kept in a custodial account maintained with a Disbursing Agent, such Disbursing Agent is generally required to withhold tax at a rate of 30% (plus solidarity tax thereon at a rate of 5.5%) from interest paid, including Accrued Interest, and from 30% of the amounts paid in partial or final redemption of the Compartment 1 Notes or the proceeds from the disposition or assignment of the Compartment 1 Notes, or, where such institution has since acquiring or selling the Compartment 1 Notes held such Compartment 1 Notes in custody, of the excess of the redemption amount or proceeds from the disposition or assignment over the purchase price for the Compartment 1 Notes.

In computing the tax to be withheld the Disbursing Agent may deduct from the basis of the withholding tax any Accrued Interest paid by the holder of a Compartment 1 Note to the Disbursing Agent during the same calendar year. In general, no withholding tax will be levied if the holder of any Compartment 1 Note is an individual (i) whose Compartment 1 Note does not form part of the property of a German trade or business nor gives rise to income from the letting and leasing of property, and (ii) who filed a withholding exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent but only to the extent the interest income derived from the Compartment 1 Note, together with other investment income, does not exceed the maximum exemption amount shown on the withholding exemption certificate. Similarly, no withholding tax will be deducted if the holder of the Compartment 1 Note has submitted to a Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the relevant local tax office.

Withholding tax and solidarity surcharge thereon are credited as prepayments against the German personal or corporate income tax and the solidarity surcharge liability of the German resident. Amounts withheld without any sufficient reason for such withholding will entitle the holder of a Compartment 1 Note to the payment of a refund, based on an assessment to tax.

Nonresidents

Interest, including Accrued Interest and Original Issue Discount, and capital gains are not subject to German taxation, unless (i) the Compartment 1 Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder of a Compartment 1 Note or (ii) the interest income otherwise constitutes German-source income (such as income from the letting and leasing of certain German-*situs* property). In the latter case a tax regime similar to that explained above in "— German taxation — Residents" applies; capital gains from the disposal of Compartment 1 Notes are, however, only taxable in the case of (i).

Nonresidents of Germany are, in general, exempt from German withholding tax on interest and solidarity surcharge thereon. However, where interest is subject to German taxation as set forth in the preceding paragraph and the Compartment 1 Notes are held in a custodial account with a Disbursing Agent, withholding tax is levied as explained above in "— German taxation — Residents".

Inheritance or Gift Tax

No inheritance or gift taxes will arise with respect to any Compartment 1 Note under the laws of Germany, if, in the case of inheritance tax, neither the descendant nor the beneficiary, or, in the case of

gift tax, neither the donor nor the donee, is a resident of Germany and such Compartment 1 Note is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions to this rule apply to certain German expatriates.

Other Taxes

No stamp, issue, registration or similar taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Compartment 1 Notes. Currently, net wealth tax is not levied in Germany.

German Taxation of the Issuer

German Income Tax

The Issuer will derive income from carrying out certain business activities. Such income and gains, if any, should therefore be properly characterised as business profits (*Einkünfte aus Gewerbebetrieb*). Business profits derived by the Issuer will only be subject to German corporate income tax if the Issuer has its place of effective management and control in Germany or if the Issuer maintains a permanent establishment (*Betriebsstätte*) for its business in Germany or if the business profits are characterised as another category of income that constitutes German-source income. Subject to the detailed discussion set out in "RISK FACTORS — German taxation", there are good and valid reasons for not expecting that the German tax authorities will be treating the Issuer as maintaining a German permanent establishment by reason of having its place of effective management and control in Germany.

Trade Tax

Business profits derived by the Issuer will only be subject to German trade tax if the Issuer maintains a permanent establishment (*Betriebsstätte*) in Germany and to the extent that any net income derived by the Issuer is attributable to such permanent establishment. Subject to the detailed discussion set out in "RISK FACTORS – German taxation", there are good and valid reasons for not expecting that the German tax authorities will be treating the Issuer as maintaining a German permanent establishment by reason of having its place of effective management and control in Germany. In addition, any potential trade tax risk is mitigated by the proceeds received from the realisation of Leased Vehicles in accordance with the Lease Receivables Purchase Agreement, the Servicing Agreement and the Trust Agreement.

3. Luxembourg Taxation

By a law of June 21, 2005 (the "Savings Law"), Luxembourg has implemented a directive adopted on June 3, 2003 (the "Savings Directive") by the Council of Economic and Finance Ministers of the European Union (the "EU") regarding the taxation of savings income. In essence, under the Savings Law, which is in effect as of July 1, 2005, Luxembourg will levy a withholding tax on payments of interest or other similar income paid by an economic operator (paying agent within the meaning of the Savings Directive within its jurisdiction to or for an individual resident as well, in some cases, to specific forms of organisations such as partnerships (not being legal persons and not being themselves subject to business transaction, the so-called "residual activities") in another EU member state or in certain dependent or associated territories unless such individual agrees to an exchange of information regarding the interest or similar income it received between the tax authorities of Luxembourg and the relevant EU member state. The rate of the withholding tax is equal to 15% as from July 1, 2005, 20% as from July 1, 2008 and 35% as from July 1, 2011.

As of July 1, 2006, interest paid to an individual resident in Luxembourg may under certain circumstances be subject to a 10% withholding tax, which is a final flat tax.

Payments under the Compartment 1 Notes will only be made after deduction or withholding of any mandatory withholding or deductions on account of tax. The Issuer will not be required to pay additional amounts in respect of any such withholding or other deduction for or on account of any present or future taxes, duties or charges of whatever nature. See "TERMS AND CONDITIONS OF THE COMPARTMENT 1 NOTES — Condition 12 (*Taxation*)". In such event, subject to certain conditions, the Issuer will be entitled (but will have no obligation) to redeem the Compartment 1 Notes in whole but not in part at their then Outstanding Notes Balance. See "TERMS AND CONDITIONS OF THE COMPARTMENT 1 NOTES — Condition 8.4 (*Optional Taxation Redemption*)".

The Issuer has been advised that under the existing laws of Luxembourg:

- (a) all payments of Interest Amounts and Principal Amounts by the Issuer under the Compartment 1 Notes can be made free of withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or tax authority thereof or therein, subject to what is stated above regarding the withholding tax on interest;
- (b) a holder of a Compartment 1 Note who derives income from a Compartment 1 Note or who realises a gain on the disposal or redemption of a Compartment 1 Note will not be subject to Luxembourg taxation on income or capital gains unless:
 - (i) the holder is, or is deemed to be, resident of Luxembourg for the purpose of the relevant provisions; or
 - (ii) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg;
- (c) Luxembourg net worth tax will not be levied on a holder of a Compartment 1 Note unless:
 - (i) the holder is, or is deemed to be, a resident in Luxembourg for the purpose of the relevant provisions; or
 - (ii) such Compartment 1 Note is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg;
- (d) Luxembourg gift or inheritance taxes will not be levied on the occasion of the transfer of a Compartment 1 Note by way of gift by, or on the death of, a holder unless:
 - (i) the holder is, or is deemed to be, resident of Luxembourg for the purpose of the relevant provisions at the time of the transfer; or
 - (ii) the gift is registered in Luxembourg;
- (e) there is no Luxembourg registration tax, capital tax, stamp duty or any other similar tax or duty payable in Luxembourg in respect of or in connection with the issue of the Compartment 1 Notes or in respect of the payment of Principal Amounts or Interest Amounts under the Compartment 1 Notes or the transfer of the Compartment 1 Notes. If any documents in respect of the Compartment 1 Notes are required to be registered in Luxembourg, they will be subject to a fixed registration duty;

- (f) there is no Luxembourg value added tax payable in respect of payments in consideration for the issue of the Compartment 1 Notes or in respect of the payment of Principal Amounts or Interest Amounts under the Compartment 1 Notes or the transfer of a Compartment 1 Note; and
- (g) a holder of a Compartment 1 Note will not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of a Compartment 1 Note or the execution, performance, delivery and/or enforcement of the Compartment 1 Note.

SUBSCRIPTION AND SALE

1. Subscription of the Compartment 1 Notes

The Joint Lead Managers, the Managers, the Issuer and the Seller are parties to the Subscription Agreement. Pursuant to the Subscription Agreement, each of the Joint Lead Managers and the Managers has agreed, subject to certain conditions, to subscribe, or to procure subscriptions, for the Compartment 1 Notes. The Seller has agreed to pay each of the Joint Lead Managers and the Managers a combined management, underwriting and placement commission on the Class A Compartment 1 Notes and the Class B Compartment 1 Notes and other fees, if any, as agreed between the parties to the Subscription Agreement. The Seller has agreed to reimburse each of the Joint Lead Managers and the Managers for certain of its expenses in connection with the issue of the Compartment 1 Notes. Pursuant to the Subscription Agreement, the Seller and the Issuer have agreed to indemnify each of the Joint Lead Managers and the Managers, as more specifically described in the Subscription Agreement, for and against certain Losses and liabilities in connection with certain representations in respect of, *inter alia*, the accurateness of certain information contained in this Offering Circular.

In the Subscription Agreement, the Issuer has made certain representations and warranties in respect of its legal and financial matters.

The Subscription Agreement entitles each of the Joint Lead Managers and the Managers to terminate its obligations thereunder in certain circumstances prior to payment of the purchase price of the Compartment 1 Notes. The Issuer has agreed to indemnify each of the Joint Lead Managers and the Managers against certain liabilities in connection with the offer and sale of the Compartment 1 Notes.

2. Selling Restrictions

General

All applicable laws and regulations must be observed in any jurisdiction in which Compartment 1 Notes may be offered, sold or delivered. Each of the Joint Lead Managers and the Managers has agreed that it will not offer, sell or deliver any of the Compartment 1 Notes, directly or indirectly, or distribute this Offering Circular or any other offering material relating to the Compartment 1 Notes, in or from any jurisdiction except under circumstances that will result in compliance with the applicable laws and regulations thereof and that will not to its best knowledge and belief impose any obligations on the Issuer except as set out in the Subscription Agreement.

United States of America and its Territories

- (1) The Compartment 1 Notes have not been and will not be registered under the Securities Act and may not be offered, or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act. Each of the Joint Lead Managers and the Managers has represented and agreed that it has offered and sold the Compartment 1 Notes, and will offer and sell the Compartment 1 Notes (i) as part of its distribution at any time or (ii) otherwise until forty (40) calendar days after the completion of the distribution of all the Compartment 1 Notes only in accordance with Rule 903 of Regulation S under the Securities Act. Neither the Joint Lead Managers, the Managers, their respective Affiliates nor any persons acting on their behalf have engaged or will engage in any directed selling efforts with respect to the Compartment 1 Notes, and each of them has complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act. At or prior to confirmation of sale of Compartment 1 Notes, the Joint Lead Managers and the Managers will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Compartment 1 Notes from them during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until forty (40) calendar days after the completion of the distribution of the Securities as determined and certified by the Joint Lead Managers and the Managers except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them in Regulation S under the Securities Act".

Terms used in this clause have the meaning given to them in Regulation S under the Securities Act.

- (2) Further, each of the Joint Lead Managers and the Managers has represented and agreed that:
- (a) except to the extent permitted under U.S. Treas. Reg. section 1.163-5 (c)(2)(i)(D) (the "**TEFRA D Rules**"), (i) it has not offered or sold, and during the restricted period will not offer or sell, directly or indirectly, Compartment 1 Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered and will not deliver, directly or indirectly, within the United States or its possessions definitive Compartment 1 Notes in bearer form that are sold during the restricted period;
 - (b) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Compartment 1 Notes in bearer form are aware that such Compartment 1 Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;
 - (c) if it was considered a United States person, that it is acquiring the Compartment 1 Notes for purposes of resale in connection with their original issuance and agrees that if it retains Compartment 1 Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. section 1.63-5 (c)(2)(i)(D)(6); and
 - (d) with respect to each Affiliate that acquires from it Compartment 1 Notes in bearer form for the purpose of offering or selling such Compartment 1 Notes during the restricted period that it will either (i) repeat and confirm the representations and agreements contained in sub-clauses (a), (b) and (c); or (ii) obtain from such Affiliate for the benefit of the Issuer the representations and agreements contained in sub-clauses (a), (b) and (c).

Terms used in this Clause (2) have the meanings given to them by the U.S. Internal Revenue Code and regulations there under, including the TEFRA D Rules.

United Kingdom

Each of the Joint Lead Managers and the Managers has represented and agreed that:

- (a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Compartment 1 Notes other than to Persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the

purposes of their businesses where the issue of the Compartment 1 Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

- (b) 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 Compartment 1 Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Compartment 1 Notes in, from or otherwise involving the United Kingdom.

Germany

The Compartment 1 Notes are subject to the restrictions provided in the German Securities Prospectus Act (*Wertpapier-Prospektgesetz*) or other laws of Germany governing the issue, offering and sale of securities. Each of the Joint Lead Managers and the Managers has confirmed and agreed that no German securities prospectus (*Wertpapier-Prospekt*) within the meaning of the German Securities Prospectus Act has been or will be filed with the Federal Authority for the Supervision of Financial Services (*Bundesanstalt für Finanzdienstleistungsaufsicht*) in connection with the offering of the Compartment 1 Notes, nor has such a prospectus been or will be published with respect to such Compartment 1 Notes. Consequently the Compartment 1 Notes will not be offered to the public in Germany except under an exemption from the requirements under German law to file and publish a securities prospectus.

USE OF PROCEEDS

The aggregate proceeds from the Compartment 1 Notes amounting to approximately EUR 800,000,000 will be used to purchase, on the Purchase Date, Eligible Lease Receivables secured by the Lease Collateral from the Seller and residual amounts, if any, will be deposited to the Issuer Account-C1 with the Issuer Account Bank and will be earning interests.

GENERAL INFORMATION

1. Subject of this Offering Circular

This Offering Circular relates to approximately EUR 800,000,000 aggregate principal amount of the Compartment 1 Notes issued by Bavarian Sky S.A., 7 Val Ste Croix, L-1371 Luxembourg.

2. Authorisation

The issue of the Compartment 1 Notes was authorised by a resolution of the board of directors of the Issuer passed on 5 July 2007.

3. Litigation

Neither the Issuer is, or has been since its incorporation, nor the Seller is, or has during the period covering at least the previous 12 months has been, engaged in any litigation or arbitration proceedings which may have or have had during such period a significant effect on their respective financial position or profitability, and, as far as the Issuer and the Seller are aware, no such litigation or arbitration proceedings are pending or threatened, respectively.

4. Payment Information

In connection with the Compartment 1 Notes, the Issuer will inform the Luxembourg Stock Exchange of the Interest Amounts, the Interest Periods and the Interest Rates and, if relevant, the payments of Principal Amounts on each Class of Compartment 1 Notes, in each case in the manner described in the Conditions.

Payments and transfers of the Compartment 1 Notes will be settled through the ICSDs, as described herein. The Compartment 1 Notes have been accepted for clearing by the ICSDs.

All notices regarding the Compartment 1 Notes will either be published in a leading daily newspaper with general circulation in Luxembourg designated by the Luxembourg Stock Exchange (which is expected to be the *D'Wort* or on the website of the Luxembourg Stock Exchange) or by delivery to the ICSDs.

5. Material Change

Save as disclosed in this Offering Circular, there has been no material adverse change in the financial position or prospects of the Issuer since its incorporation.

6. Miscellaneous

No statutory or non-statutory accounts in respect of any fiscal year of the Issuer have been prepared other than as contained in this Offering Circular. The Issuer will not publish interim accounts. The fiscal year in respect of the Issuer is the calendar year.

7. Luxembourg Listing

Application has been made for the Compartment 1 Notes to be listed to the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange. The Issuer has appointed Deutsche Bank Luxembourg S.A. as the Luxembourg listing agent and as its initial Luxembourg intermediary. The total estimated listing expenses are EUR 10,520.

Copies of the following documents may also be inspected during customary Business Hours at the specified offices of the Principal Paying Agent and, as long as any Compartment 1 Notes are listed on the Luxembourg Stock Exchange, at the specified offices of the Luxembourg Paying Agent:

- (a) the Articles of Incorporation of Bavarian Sky S.A.;

- (b) the resolutions of the board of directors of Bavarian Sky S.A. creating Compartment 1 and approving the issue of the Compartment 1 Notes;
- (c) the future annual financial statements of the Bavarian Sky S.A. (interim financial statements will not be prepared);
- (d) the Monthly Investor Reports;
- (e) the Trust Agreement;
- (f) all notices given to the Compartment 1 Noteholders pursuant to the Conditions; and
- (g) this Offering Circular and all Transaction 1 Documents referred to in this Offering Circular.

8. ICSDs

Euroclear Bank S.A./N.V.
 1 Boulevard du Roi Albert II
 1210 Brussels
 Belgium

Clearstream Banking, société anonyme, Luxembourg
 42 Avenue JF Kennedy
 L-1885 Luxembourg

9. Clearing Codes

Class A

Compartment 1 Notes

ISIN: XS0307232792
 Common Code: 030723279
 WKN: A0NX55

Class B

Compartment 1 Notes

ISIN: XS0307232875
 Common Code: 030723287
 WKN: A0NX56

MASTER DEFINITIONS SCHEDULE

The following is the text of the Master Definitions Schedule. The text will be attached as Appendix A to the Conditions and constitutes an integral part of the Conditions – in case of any overlap or inconsistency in the definitions of a term or expression in the Master Definitions Schedule and elsewhere in the Offering Circular, the definitions of the Master Definitions Schedule will prevail.

1. DEFINITIONS

The Transaction 1 Parties agree that, except where expressly stated to the contrary or where the context otherwise requires, the definitions set out below shall apply to terms or expressions referred to but not otherwise defined in each Transaction 1 Document.

"Account Details" means the details of the Issuer Account-C1 set out in Schedule 11 of the Incorporated Terms Memorandum.

"Accrued Interest" means the interest which has accrued up to the sale of a Compartment 1 Note.

"Acquire", "Acquired", "Acquiring" or "Acquisition" when used in respect of any asset, relates to an asset that has been, is being, or will be, purchased, acquired or assumed, as the case may be.

"Additional Cut-Off Date" means any Cut-Off Date falling in the Revolving Period.

"Additional Lease Receivables" means the additional Lease Receivables to be purchased by the Issuer on the Additional Purchase Date in accordance with the Additional Lease Receivables Purchase Agreement.

"Additional Purchase Date" means the Payment Date on which the Additional Lease Receivables are purchased by the Issuer during the Revolving Period.

"Additional Purchase Price" means the Aggregate Discounted Lease Balance of the relevant Additional Purchased Lease Receivables as of the respective Additional Cut-Off Date.

"Additional Purchased Lease Receivables" means any additional Lease Receivables purchased by the Issuer from the Seller during the Revolving Period on each Additional Purchase Date.

"Additional Lease Receivables Purchase Agreement" means any additional lease Receivables Purchase Agreement to be entered into between, *inter alia*, the Issuer and the Seller during the Revolving Period on an Additional Purchase Date governed by the Lease Receivables Purchase Agreement.

"Adverse Claim" means any mortgage, charge, pledge, hypothecation, lien, floating charge or other security interest or encumbrance or other right or claim under the laws of any jurisdiction, of or on any Person's assets or properties in favour of any other Person.

"Affiliate" means, in relation to any Person, any entity controlled, directly or indirectly by the Person, any entity that controls, directly or indirectly the Person or any entity directly or indirectly under common control with such Person (for this purpose, "control" of any entity of Person means ownership of a majority of the voting power of the entity or Person).

"Agency Agreement" means the agency agreement between the Paying Agents, the Calculation Agent, the Issuer, the Servicer and the Trustee dated the Signing Date.

"**Aggregate Discounted Lease Balance**" means, in respect of all Purchased Lease Receivables held by the Issuer at any time, the aggregate of the outstanding Discounted Lease Balances of such Purchased Lease Receivables less the amount of Defaulted Lease Receivables.

"**Aggregate Outstanding Notes Balance**" means the aggregation of the Class A Outstanding Notes Balance and the Class B Outstanding Notes Balance as of any Payment Date.

"**Anonymised Portfolio Information**" means the anonymised portfolio information in the Offer that is (to be) sent by the Seller to the Issuer on each Purchase Date and that does not contain any personal data such as the names and addresses of the relevant Lessees, but only the data such as the relevant Lessee number which the Issuer needs, *inter alia*, for certain risk management and identification purposes in respect of the Purchased Lease Receivables. The data constituting the Anonymised Portfolio Information is specified in Appendix 7 of the Lease Receivables Purchase Agreement.

"**Applicable Insolvency Law**" means any applicable bankruptcy, insolvency or other similar law affecting creditor's rights now or hereafter in effect in any jurisdiction.

"**Applicable Priority of Payments**" means, as applicable, either, prior to the occurrence of an Enforcement Event, the Pre-Enforcement Priority of Payments in respect of principal and interest, or, after the occurrence of an Enforcement Event, the Post-Enforcement Priority of Payments in respect of principal and interest.

"**Arranger**" means WestLB AG.

"**Articles of Incorporation**" means the *Statuts* of the Issuer under Luxembourg law.

"**Assigned Assets**" has the meaning assigned to it in Clause 8.1 of the Trust Agreement.

"**Available C1 Assets**" means all rights, claims, interest, and other assets owned by the Issuer in respect of Compartment 1.

"**Available Distribution Amount**" means, with respect to any Cut-Off Date and the Monthly Period ending on such Cut-Off Date, an amount calculated by the Servicer pursuant to the Servicing Agreement as of such Cut-Off Date and notified to the Issuer, the Corporate Administrator, the Trustee, the Calculation Agent and the Principal Paying Agent no later than on the 6th Business Day after such Cut-Off Date preceding each Payment Date, as the sum of:

- (a) the amounts standing to the credit of the Cash Reserve as of such Cut-Off Date;
- (b) the amounts standing to the credit of the Replenishment Fund as of such Cut-Off Date;
- (c) any Collections received by the Servicer during the Monthly Period ending on such Cut-Off Date;
- (d) any Swap Net Cashflow payable by the Swap Counterparty to the Issuer immediately following such Cut-Off Date;
- (e) any Tax Payment made by the Seller and/or Servicer to the Issuer in accordance with the Lease Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period;
- (f) any interest earned (if any) on the Issuer Account-C1 during such Monthly Period; and
- (g) any proceeds received from the realisation of Leased Vehicles which include proceeds relating

to the residual value portion of the Lease Vehicles in accordance with the Lease Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period, if and to the extent that the Servicer has, as of the relevant Payment Date, failed to transfer to the Issuer any Collections or indemnity payments in relation to the commingling risk in relation to the Seller, other servicing risk exposures and the trade tax and VAT risk exposure, received by or payable by the Servicer or the Seller during, or with respect to, the Monthly Period ending as of such Cut-Off Date or any previous Monthly Periods, and only to the extent necessary for the fulfilment on the relevant Payment Date of the payment obligations of the Issuer (but excluding any fees and other amounts due to the Servicer under item *third* of the Pre-Enforcement Priority of Payments so long as no substitute Servicer is appointed in accordance with the Servicing Agreement).

"Available Post-Enforcement Funds" means, from time to time, all moneys standing to the credit of the Issuer Account-C1 including, for the avoidance of doubt, any enforcement proceeds in respect of the Compartment 1 Security credited to the Issuer Account-C1 and/or to any account of the Trustee or Receiver following an Enforcement Event, excluding, for the avoidance of doubt, the proceeds received from the realisation of the Lease Vehicles which will be used to cover the potential tax risk exposure, the potential commingling risk exposure and the potential servicing risk exposure upon the Servicer Termination Event in connection with Transaction 1 only.

"Bank Account Agreement" means the bank account agreement between the Issuer, the Issuer Account Bank and the Trustee governing the Issuer Account-C1 dated the Signing Date.

"BMW AG" means Bayerische Motoren Werke Aktiengesellschaft.

"BMWL" means BMW Leasing GmbH.

"BMWV" means BMW Vertriebs GmbH.

"Bookrunner" means WestLB AG.

"Business Day" means a day (other than a Saturday, a Sunday or any public holiday) on which banks and foreign exchange markets are open for business in London, Luxembourg, Munich, Frankfurt am Main and Düsseldorf, and which is a TARGET Settlement Day in relation to the payment of a sum denominated in Euros.

"Business Hours" means the period from 9 a.m. to 5 p.m. CET on any Business Day.

"Calculation Agency Agreement" means the calculation agency agreement between the Issuer, the Calculation Agent and the Trustee dated the Signing Date.

"Calculation Agent" means WestLB AG.

"Calculation Agent Representations and Warranties" means the Calculation Agent representations and warranties set out in Schedule 9 hereto.

"Calculation Check" has the meaning as defined in Clause 5.1 of the Calculation Agency Agreement.

"Calculation Check Notice" means the written notice issued by the Calculation Agent to the Issuer and the Servicer after conducting the Calculation Check.

"Cash Reserve" means the cash reserve of the Issuer held as a separate ledger in respect of Compartment 1 and for the purposes of Transaction 1 with the Issuer Account Bank.

"CET" means Central European time.

"**Charged Assets**" means the whole of the right, title, benefit and interest of the Issuer in such undertaking, property, assets and rights whatsoever and wheresoever situated, present and future, as are subject to the Compartment 1 Security including the Assigned Assets.

"**Civil Code**" means the civil code (*Bürgerliches Gesetzbuch*) of Germany, as amended or restated from time to time.

"**Class**" means any of the Class A Compartment 1 Notes and the Class B Compartment 1 Notes.

"**Class A Compartment 1 Noteholders**" means the holders of the Class A Compartment 1 Notes.

"**Class A Compartment 1 Notes**" means the class A notes issued by the Issuer on the Issue Date with a total nominal amount of EUR 752,000,000, consisting of 15,040 individual Class A Notes, each in the nominal amount of EUR 50,000 and ranking senior to the Class B Notes and the Subordinated Loan.

"**Class A Initial Notes Balance**" means 752,000,000 as of the Issue Date.

"**Class A Noteholders**" means the Class A Compartment 1 Noteholders.

"**Class A Notes**" means the Class A Compartment 1 Notes.

"**Class A Outstanding Notes Balance**" means, as of any Payment Date, the sum of the Outstanding Notes Balances of all Class A Compartment 1 Notes.

"**Class B Compartment 1 Noteholders**" means the holders of the Class B Compartment 1 Notes.

"**Class B Compartment 1 Notes**" means the class B notes issued by the Issuer on the Issue Date with a total nominal amount of EUR 48,000,000, consisting of 960 individual Class B Notes, each in the nominal amount of EUR 50,000 and ranking junior to the Class A Notes.

"**Class B Initial Notes Balance**" means 48,000,000 as of the Issue Date.

"**Class B Noteholders**" means the Class B Compartment 1 Noteholders.

"**Class B Notes**" means the Class B Compartment 1 Notes.

"**Class B Outstanding Notes Balance**" means, as of any Payment Date, the sum of the Outstanding Notes Balances of all Class B Compartment 1 Notes.

"**Clean-Up Call Conditions**" means as of any Payment Date on which the Aggregate Discounted Lease Balance is less than ten (10)% of the Aggregate Discounted Lease Balance at the last Purchase Date (and provided that on the relevant Payment Date, no Enforcement Event has occurred), the Seller will have the option under the Lease Receivables Purchase Agreement to Acquire all outstanding Purchased Lease Receivables (together with any related Lease Collateral) against payment of Deemed Collections on the Clean-Up Call Settlement Date, subject to the following requirements:

- (a) the Deemed Collections (distributable as a result of the Clean-Up Call Option being rightfully exercised) should, together with funds credited to the Cash Reserve and the Replenishment Fund, be at least equal to the sum of (x) the Aggregate Outstanding Notes Balance of the Compartment 1 Notes outstanding plus (y) accrued interest thereon plus (z) all claims of any creditors of the Issuer in respect of Compartment 1 ranking senior to the claims of the Compartment 1 Noteholders according to the Applicable Priority of Payments;

- (b) the Seller shall have notified the Issuer and the Trustee of its intention to exercise the Clean-Up Call Option at least one month prior to the contemplated Clean-Up Call Settlement Date which shall be a Payment Date; and
- (c) the Deemed Collections payable by the Seller shall be equal to the current value of all Purchased Lease Receivables affected by the clean up call.

"**Clean-Up Call Date**" means the date on which the Seller exercises the Clean-Up Call Option.

"**Clean-Up Call Settlement Date**" means, provided that the Clean-Up Call Conditions are satisfied and the Seller exercises the Clean-Up Call Option at least one month prior to the next following Payment Date, such next following Payment Date.

"**Clean-Up Call Option**" means the Seller's right to exercise a clean-up call more specifically described in Condition 8.4 (a).

"**Clearstream Luxembourg**" means the Clearstream clearance system for internationally traded securities operated by Clearstream Banking, *société anonyme*, and any successor thereto.

"**Closing Date**" means 17 July 2007.

"**Collections**" means any amounts, proceeds or financial benefits, received on or in connection with the Purchased Lease Receivables and Lease Collateral, in fulfilment of the financial obligations of a Lessee. The Collections shall include, *inter alia*:

- (a) all collections of the Lease Instalments under the Outstanding Lease Receivables that have been paid by the Lessees during the relevant Monthly Period;
- (b) the Deemed Collections, if any, paid in the relevant Monthly Period; and
- (c) any recovery proceeds received by means of realisation of the Leased Vehicles or other related security in accordance with the Credit and Collection Policy during the relevant Monthly Period.

"**Common Safekeeper**" or "**CSK**" means the entity appointed by the ICDSs to provide safekeeping for the Notes in NGN form.

"**Common Services Provider**" or "**CSP**" means the entity appointed by the ICDSs to provide asset servicing for the Notes in NGN form.

"**Common Terms**" means the provisions set out in Schedule 2 of this Incorporated Terms Memorandum.

"**Compartment**" means a compartment of the Issuer within the meaning of the Luxembourg Securitisation Law.

"**Compartment 1**" means the first Compartment of the Issuer designated for the purposes of Transaction 1 and named 'Compartment 1'.

"**Compartment 1 Debt**" means any and all debts, indebtedness, liabilities and obligations incurred by the Issuer in respect of Compartment 1.

"**Compartment 1 Noteholders**" or "**Noteholders**" means collectively the Class A Compartment 1 Noteholders and the Class B Compartment 1 Noteholders.

"**Compartment 1 Notes**" means collectively the Class A Compartment 1 Notes and the Class B Compartment 1 Notes.

"**Compartment 1 Security**" means all the Adverse Claims from time to time created by the Issuer in favour of the Trustee (and also for the benefit of the Secured Parties) pursuant to Clause 8 and the other provisions of the Trust Agreement and/or the Deed of Charge and Assignment.

"**Competent Authority**" means the CSSF.

"**Conditions**" means the terms and conditions of the Compartment 1 Notes (which terms and conditions are set out in the Offering Circular).

"**Conditions Precedent**" means the conditions precedent to the compliant delivery of the Offer set out in Appendix 1 and Appendix 2 to the Lease Receivables Purchase Agreement.

"**Contract Payment Rights**" means all the rights of the Issuer deriving from the Purchased Lease Receivables and the Transaction 1 Documents, including, without limitation, the right to receive payments.

"**Corporate Administration Agreement**" means the corporate administration agreement (relating to all Compartments of the Issuer) entered into by the Issuer and the Corporate Administrator on or prior to the Closing Date under which the Corporate Administrator is responsible for the day to day administrative activities of the Issuer, including providing secretarial, clerical, administrative and related services to the Issuer and maintaining the books and records of the Issuer in accordance with applicable laws and regulations of Luxembourg.

"**Corporate Administrator**" means Structured Finance Management (Luxembourg) S.A.

"**Credit and Collection Policy**" means the body of binding working instructions (*Richlinien* and *Arbeitsanweisungen*) created by the Seller to standardise its credit and collection management as consistently applied by the Seller from time to time.

"**CSSF**" means the Commission de surveillance du secteur financier of Luxembourg.

"**Cumulative Net Loss Ratio**" means, for any Payment Date, a ratio which shall be calculated as the sum of (i) the Defaulted Amount at the end of the preceding Monthly Period and (ii) the Defaulted Amount of previous Monthly Periods divided by the sum of (i) Initial Purchased Lease Receivables and (ii) the Additional Lease Receivables at the Cut-Off Date immediately preceding such Payment Date.

"**Cut-Off Date**" means every last day of a calendar month starting with the Initial Cut-Off Date and ending with the Legal Final Maturity Date.

"**Data Trust Agreement**" means the data trust agreement between the Seller, the Data Trustee, the Trustee and the Issuer dated the Signing Date.

"**Data Trustee**" means BMW Bank GmbH.

"**Day Count Fraction**" means in respect of an Interest Period, the actual number of days in such period divided by 360.

"**Deed of Charge and Assignment**" means the deed of charge and assignment between the Issuer and the Trustee dated the Signing Date.

"**Deemed Collection**" means the deemed Collection in respect of Purchased Lease Receivables which the Seller shall pay to the Issuer on a calendar day on which

- (a) any Lease Receivables Representation and Warranty of the Seller proves to be incorrect in respect of such Purchased Lease Receivable as of the Closing Date or as of the relevant Additional Purchase Date unless such non-compliance is fully remedied by the Seller to the satisfaction of the Trustee; or
- (b) a Purchased Lease Receivable proves to be in breach of the Eligibility Criteria as of the relevant Cut-Off Date unless such non-compliance is fully remedied by the Seller to the satisfaction of the Trustee; or
- (c) a Purchased Lease Receivable remains unpaid solely as a result of a breach of the Servicer's obligations under the Servicing Agreement and the Credit and Collection Policy (for as long as the Seller and the Servicer are identical); or
- (d) the Clean-Up Call Option is rightfully exercised as of the Clean-Up Call Settlement Date; or
- (e) a Purchased Lease Receivable is reduced or affected due to any modification or amendment to the relevant Lease Agreement,

provided that for the avoidance of doubt, no Deemed Collection shall be payable in respect of Eligible Lease Receivables if the Lessee fails to make due payments solely as a result of its insolvency (*Delkredererisiko*). Any such Deemed Collection shall be at an amount equal to the Aggregate Discounted Lease Balance(s) of the affected Purchased Lease Receivable(s).

"**Defaulted Amounts**" means for any Monthly Period, the outstanding Discounted Lease Balance including arrears of all Purchased Lease Receivables that became Defaulted Lease Receivables during such Monthly Period.

"**Defaulted Lease Receivable**" means any Purchased Lease Receivable, that is a Terminated Lease Receivable prior to the Cut-Off Date and upon the issuance of a final invoice (*Endabrechnung*) in accordance with the Credit and Collection Policy on or before such Cut-Off Date, the aggregate amount of the Defaulted Lease Receivables shall be calculated as follows:

$$OL + ADLB - PNV - OP$$

where:

- OL is the actual amount of overdue Lease Receivables at the relevant Cut-Off Date;
- ADLB is the Aggregate Discounted Lease Balance of all Defaulted Lease Receivables which are scheduled for payment on dates falling after the relevant Cut-Off Date;
- PNV are the Pro Rata Share of the net proceeds from the repossession and realisation of the Leased Vehicle upon the issuance of a final invoice (*Endabrechnung*) in accordance with the Credit and Collection Policy on or before the relevant Cut-Off Date, if applicable;
- OP is the Pro Rata Share of the other proceeds obtained upon the issuance of a final invoice (*Endabrechnung*) in accordance with the Credit and Collection Policy on or before the relevant Cut-Off Date, if any.

"Delinquent Lease Receivable" means of any Cut-Off Date, the Purchased Lease Receivable in an amount of at least one Lease Instalment is overdue for more than 30 calendar days, provided that such Purchased Lease Receivable has not yet become Defaulted Lease Receivable.

"Delinquency Ratio" means the ratio expressed as a percentage of Delinquent Lease Receivables divided by the Aggregate Discounted Lease Balance.

"Discount Rate" means the sum of (i) the Swap Fixed Interest Rate, plus (ii) 0.11% for the weighted average of margins for the Compartment 1 Notes and the Subordinated Loan, plus (iii) 0.05% for senior expenses, plus (iii) 2.7% for the Excess Spread.

"Discounted Lease Balance" means the Lease Receivables discounted by the Discounted Rate.

"Early Amortisation Event" means the occurrence of any of the following event during the Revolving Period:

- (a) as of any Cut-Off Date, the Cumulative Net Loss Ratio exceeds (i) 0.9% for any Payment Date falling in before or during December 2007; (ii) 1.3% for any Payment Date falling between January 2008 to June 2008; (iii) 1.9% for any Payment Date falling between July 2008 to December 2008; and (iv) 2.5% for any Payment Date falling between January 2009 to June 2009;
- (b) the occurrence of an Enforcement Event;
- (c) on two consecutive Cut-Off Dates, the amount deposited in the Replenishment Fund exceeds 10% of the Aggregate Discounted Lease Balance;
- (d) if after application of the Available Distribution Amount in accordance with the Pre-Enforcement Priority of Payments on the Reporting Date of the immediately following Payment Date, the Replenishment Fund under item *eight* would be lower than the Replenishment Available Amount;
- (e) the Swap Agreement has been terminated;
- (f) the occurrence of a Servicer Termination Event; or
- (g) an Insolvency Event has occurred to the Seller or Servicer;

provided however in the case of (a) and (c) above, no Early Amortisation Event shall be deemed to have occurred if, by the Payment Date immediately following the date as of which the relevant Early Amortisation Event occurred, the occurrence of such relevant Early Amortisation Event will not result in a downgrading or withdrawal of the ratings assigned to any of the Compartment 1 Notes.

"EC Treaty" means the Treaty establishing the European Community (signed in Rome on 25 March, 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February, 1992), as amended by the Treaty of Amsterdam (signed in Amsterdam on 2 November, 1997), as amended by the Treaty of Nice (signed in Nice on 26 February, 2001).

"Eligible Bank" means a bank incorporated in, or which is the branch of a bank incorporated in Germany that is an Eligible Counterparty. If at any time the Eligible Bank ceases to be an Eligible Bank, it shall, within thirty (30) calendar days after becoming ineligible, use commercially reasonable efforts to (i) replace itself with an Eligible Bank, or (ii) find an irrevocable and unconditional guarantor with an unsecured and unsubordinated short-term rating of at least (x) A-1 from S&P or, if such entity is not the subject of an S&P's short term rating, with long-term rating of at least A+ from S&P; (y) P-1 (or its

equivalent) from Moody's and (z) F1 (or its equivalent) from Fitch, and for the avoidance of doubt, the guarantee provided by such guarantor shall be satisfactory to the Rating Agencies.

"Eligible Counterparty" means an institution (i) whose short-term unsecured, unguaranteed and unsubordinated debt obligations are assigned a rating of at least P-1 (or its equivalent) by Moody's, and (ii) whose short-term unsecured, unguaranteed and unsubordinated debt obligations are assigned a rating of at least A-1 (or its equivalent) by S&P, or if such institution is not the subject of a S&P's short-term rating, whose long-term unsecured, unguaranteed and unsubordinated debt obligations are assigned a rating of at least A+ (or its equivalent) by S&P, and (iii) whose short-term unsecured, unguaranteed and unsubordinated debt obligations are assigned a rating of at least F1 (or its equivalent) by Fitch, and whose long-term unsecured, unguaranteed and unsubordinated debt obligations are assigned a rating of at least A (or its equivalent) by Fitch.

"Eligible Lease Receivable" means any Lease Receivable satisfying the Eligibility Criteria as of the relevant Cut-Off Date.

"Eligible Neutral Party" means a disinterested third party that is a reputable bank, financial institution, auditing firm or law firm which is not materially identical to or an Affiliate or Subsidiary of any of the Seller, the Issuer, the Subordinated Lender, the Arrangers or any Swap Counterparty and which has not and will not during the exercise of any office pursuant to the Trust Agreement or any other Transaction 1 Document have any rights or obligations under or in connection with Transaction 1, save to the extent appointed pursuant to the Trust Agreement, provided that an auditing firm other than a member firm of KPMG, PriceWaterhouseCoopers, Deloitte or Ernst & Young (or any successor thereof) shall only qualify as an Eligible Neutral Party if approved by the Rating Agencies and provided further that a bank or financial institution shall qualify as an Eligible Neutral Party only if the department it is acting through is engaged in asset-backed securities transactions.

"Eligible Servicer" means a German company having its seat in a Member State of the European Union or European Economic Area, being regulated in accordance with applicable EU directives and having, if required, Obtained Consent for the servicing of the Purchased Lease Receivables.

"Eligible Swap Counterparty" means an institution that satisfies the Moody's Swap Requirements, the Fitch Swap Requirements and the S&P Swap Requirements.

"Eligibility Criteria" means the eligibility criteria set out in the Appendix 1 to Schedule 3, Part 3 of this Incorporated Terms Memorandum and being relevant as of the relevant Cut-Off Date.

"Encumbrance" means any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, standard security, assignment by way of security or other security interest of any kind, but does not include liens arising in the ordinary course of trading by operation of law.

"Enforcement Event" means the event that (in the sole judgment of the Trustee) an Issuer Event of Default has occurred, and the Trustee has served an Enforcement Notice upon the Issuer.

"Enforcement Notice" means a notice delivered as soon as reasonably practicable by the Trustee on the Issuer, each of the other Secured Parties and the Rating Agencies upon the occurrence of an Issuer Event of Default stating that the Trustee commences with the enforcement of the Compartment 1 Security pursuant to the procedures set out in the relevant Security Documents.

"English Law Charged Assets" has the meaning given to such term in Clause 8.3 of the Trust Agreement.

"English Transaction 1 Document" means, the Deed of Charge and Assignment and the Swap Agreement which are governed by and shall be construed in accordance with the laws of England and Wales.

"EONIA" means Euro Overnight Index Average which is calculated by the European Central Bank and published by the European Banking Federation on page 247 of the TELERATE screen.

"EU Insolvency Regulation" means Council Regulation (EC) No. 1346/2000 of 29 May 2000.

"EUR" or **"Euro"** means the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the EC Treaty.

"EURIBOR" (Euro Interbank Offered Rate) means the rate determined by the Principal Paying Agent for deposits in euros for a period of one (1) month which appears on Reuters 3000 page EURIBOR 01 (or such other page as may replace such page on that service for the purpose of displaying inter-bank offered rate quotations of major banks) as of 11:00 a.m. (CET) on the second Business Day immediately preceding the first day of such Interest Period (each, a **"Note Interest Determination Date"**). If Reuters 3000 page EURIBOR 01 is not available or if no such quotation appears thereon, in each case as at such time, the Principal Paying Agent shall determine EURIBOR on the basis of such other screen rate the Principal Paying Agent shall determine in good faith. If no such screen rate is available, the Principal Paying Agent shall request the principal Euro-zone office of the Reference Banks selected by it to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for one month deposits in euros at approximately 11:00 a.m. (CET) on the relevant Note Interest Determination Date to prime banks in the Euro-zone inter-bank market for the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time. If two or more of the selected Reference Banks provide the Principal Paying Agent with such offered quotations, EURIBOR for such Interest Period shall be the arithmetic mean of such offered quotations (rounded if necessary to the nearest one thousandth of a percentage point, with 0.000005 being rounded upwards). If on the relevant Note Interest Determination Date less than two of the selected Reference Banks provide the Principal Paying Agent with such offered quotations, EURIBOR for such Interest Period shall be the rate per annum which the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the nearest one thousandth of a percentage point, with 0.000005 being rounded upwards) of the rates communicated to (and at the request of) the Principal Paying Agent by major banks in the Euro-zone, selected by the Principal Paying Agent, at approximately 11:00 a.m. (CET) on such Note Interest Determination Date for loans in euros to leading European banks for such Interest Period and in an amount that is representative for a single transaction in that market at that time.

"Euroclear" means Euroclear Bank S.A./N.V. as operator of the Euroclear System and any successor thereto.

"Euro-zone" means the region comprising member states of the European Union that have adopted the single currency, the euro, in accordance with the EC Treaty.

"Event of Default" means, in relation to any Security Document, any event of default howsoever described in such Security Document.

"Exchange Date" has the meaning ascribed to such term in Condition 2 (c).

"Excess Spread" means the difference between the Discount Rate and the sum of the weighted average of margin for the Compartment 1 Notes and the Subordinated Loan, the Swap Fixed Interest Rate and senior expenses.

"**Expert**" means an Eligible Neutral Party appointed as such pursuant to the terms of the Data Trust Agreement or the Calculation Agency Agreement.

"**Final Discharge Date**" means the date on which the Trustee notifies the Issuer and the Secured Parties that the Trustee is satisfied that all the Secured Obligations, actual or contingent, and/or all other moneys and other liabilities due or owing by the Issuer, actual or contingent, in relation to the Transaction have been paid or discharged in full.

"**Financial Services Authority**" or "**FSA**" means the United Kingdom Financial Services Authority.

"**Financial Statements**" means, in respect of any Person, audited financial statements of such Person for a specified period, including a balance sheet and profit and loss account (or other form of income statement), provided that in respect of the Issuer "Financial Statements" shall mean audited financial statements of the Issuer for a specified period, including a balance sheet and profit and loss account (or other form) of income statement applicable to the Issuer generally and including separate statements in respect of its Compartment 1.

"**Fitch**" means Fitch Ratings Limited, or any successor to its rating business.

"**Fitch Swap Requirements**" are satisfied by an institution (a) whose international long-term, unsecured and unsubordinated debt obligations are assigned a rating of at least A (or its equivalent) by Fitch and (b) whose international short-term unsecured and unsubordinated debt obligations are assigned a rating of at least F1 (or its equivalent) by Fitch.

"**Foundation**" means the Stichting Andesien, Dutch foundation (*stichting*) established under the laws of The Netherlands whose statutory seats are in Amsterdam and whose registered office is at Amsteldijk 166, 1079LH Amsterdam, The Netherlands.

"**Form of Accession**" means a form of accession as set out in Schedule IV to the Trust Agreement.

"**FSMA**" means the United Kingdom Financial Services and Markets Act 2000.

"**German Transaction 1 Documents**" means the Conditions, the Trust Agreement, the Subscription Agreement, the Agency Agreement, the Bank Account Agreement, the Calculation Agency Agreement, the Lease Receivables Purchase Agreement, the Servicing Agreement, the Data Trust Agreement and the Subordinated Loan Agreement which are governed by, and shall be construed in accordance with, the laws of Germany.

"**Germany**" means the Federal Republic of Germany.

"**Global Note**" means each of the Temporary Global Notes and the Permanent Global Notes.

"**Governmental Authority**" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any body or entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to a government, including, without limitation, any court, and any Person owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing, including, for the avoidance of doubt, the German financial regulator (*Bundesanstalt für Finanzdienstleistungsaufsicht*).

"**Head Lease Agreements**" means the lease agreements entered into between the Seller and the Head Lessor.

"**Head Lessor**" means BMW Vertriebs GmbH, a wholly-owned subsidiary of BMW Leasing GmbH.

"Incorporated Terms Memorandum" means the memorandum so named dated on or about the Closing Date and signed for the purpose of identification by each of the Transaction 1 Parties.

"Indemnified Amounts" has the meaning as defined in Clause 5.1 of the Lease Receivables Purchase Agreement.

"Indemnified Party" has the meaning ascribed to it in Paragraph 10.3 (*Indemnity Payments*) of the Common Terms.

"Indemnified Receivable" means a Defaulted Lease Receivable or portion thereof which has been paid or is due to be paid by a third party other than the Lessee directly to the Purchaser.

"Initial Cut-Off Date" means 29 June 2007.

"Initial Lease Balance" means with respect to any Lease Receivable, the initial outstanding balance of such Lease Receivable.

"Initial Lease Receivables" means the initial Lease Receivables to be purchased by the Issuer from the Seller on the Initial Purchase Date in accordance with the Lease Receivables Purchase Agreement.

"Initial Notes Balance" means either the Class A Initial Notes Balance or the Class B Initial Notes Balance.

"Initial Purchase Date" means the Issue Date.

"Initial Purchase Price" means the Aggregate Discounted Lease Balance of the Lease Receivables contained in the Offer made in relation to the Lease Receivables Purchase Agreement as of the Initial Cut-Off Date (EUR 799,999,193.39).

"Initial Purchased Lease Receivables" means the initial Lease Receivables purchased by the Issuer from the Seller in accordance with the Lease Receivables Purchase Agreement on the Closing Date.

"Insolvency Event" means, with respect to the Issuer (where the context requires, in respect of its Compartment 1) or any Transaction 1 Party, as the case may be, each of the following events: (i) the making of an assignment, conveyance, composition or marshalling of assets for the benefit of its creditors generally or any substantial portion of its creditors; (ii) the application for, seeking of, consents to, or acquiescence in, the official appointment of an insolvency receiver, custodian, trustee, liquidator or similar official for it or a substantial portion of its property; (iii) the initiation of any case, action or proceedings before any court or Governmental Authority against the Issuer or any Transaction 1 Party under any applicable liquidation, insolvency, composition, bankruptcy, receivership, dissolution, reorganisation, winding-up, relief of debtors or other similar laws and such proceedings are not being disputed in good faith with a reasonable prospect of discontinuing or discharging the same; (iv) the levy or enforcement of a distress or execution or other process upon or sued out against the whole or any substantial portion of the undertaking or assets of the Issuer or any Transaction 1 Party and such possession or process (as the case may be) shall not be discharged or otherwise shall not cease to apply within sixty (60) days; (v) initiation or consent to any case, action or proceedings in any court or Governmental Authority relating to the Issuer or any Transaction 1 Party under any applicable liquidation, insolvency, composition, bankruptcy, receivership, dissolution, reorganisation, winding-up, relief of debtors or other similar laws; (vi) an order is made against the Issuer or any Transaction 1 Party or an effective resolution is passed for its winding-up; and (vii) the Issuer or any Transaction 1 Party is deemed unable to pay its debts within the meaning of any liquidation, insolvency, composition, reorganisation or other similar laws in the jurisdiction of its incorporation or establishment (provided that, for the avoidance of doubt, any assignment, charge, pledge or lien made by the Issuer for the

benefit of a trustee under the relevant security documents pertaining to a securitisation transaction of the Issuer shall not constitute an Insolvency Event in respect of the Issuer).

"Insolvency Proceeding" means (a) any case, action or proceeding before any court or other Governmental Authority relating to bankruptcy, reorganisation, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors of a Person, or (b) any general assignment of assets for the benefit of creditors of a Person, composition, marshalling of assets for creditors of a Person, or other similar arrangement in respect of its creditors generally or any substantial portion of its creditors (which, for the avoidance of doubt, shall not include the distribution of the Issuer's cash in accordance with the Applicable Priority of Payments).

"Interest Amount" means the amount of interest payable by the Issuer on a Compartment 1 Note on a Payment Date accrued during the Interest Period relating to such Payment Date as further described in Condition 7.1(b).

"Interest Determination Date" means the second Business Day prior to the first day of the relevant Interest Period.

"Interest Period" means, in respect of the first Payment Date, the period commencing on (and including) the Issue Date and ending on (but excluding) the first Payment Date, and in respect of any subsequent Payment Date, the period commencing on (and including) the previous Payment Date and ending on (but excluding) the relevant Payment Date, provided that the last Interest Period shall end on (but exclude) the Legal Final Maturity Date or, if earlier, the date on which all Compartment 1 Notes are redeemed in full.

"Interest Rate" means in respect of the Compartment 1 Notes the applicable rate of interest as more specifically described in Condition 7.3 (a).

"Interest Rate Swap" means an interest rate swap transaction between the Issuer and the Swap Counterparty governed by the Swap Agreement.

"International Central Securities Depository" or **"ICSD"** means either of Clearstream Luxembourg or Euroclear, and **"ICSDs"** means both Clearstream Luxembourg and Euroclear collectively.

"Investor Reporting Date" means the third Business Day prior to the respective Payment Date.

"ISIN" means the international securities identification number pursuant to the ISO – 6166 Standard.

"ISDA Calculation Agent" means, for the purpose of the Swap Agreement, the Calculation Agent defined in Section 4.14 of the 2000 ISDA Definitions.

"ISO" means the International Organisation for Standardisation.

"Issue Date" means the Closing Date.

"Issuer" means Bavarian Sky S.A., acting, unless the context requires otherwise, solely in respect of its Compartment 1.

"Issuer Account Bank" means Deutsche Bank AG, London Branch.

"Issuer Account-C1" means the account held with the Issuer Account Bank in respect of the Compartment 1.

"Issuer Covenants" means the Issuer's covenants set out in Schedule 8 hereto.

"Issuer Event of Default" means in respect of the Compartment 1 Notes any of the following events:

- (a) subject to the availability of funds in accordance with the Applicable Priority of Payment, a default occurs in the payment of Interest on any Payment Date (and such default is not remedied within two (2) Business Days of its occurrence) or the payment of Principal on the Legal Final Maturity Date (and such default is not remedied within 2 Business Days of its occurrence) in respect of any of the Class A Compartment 1 Notes or the Class B Compartment 1 Notes (but not in respect of the Subordinated Loan Agreement);
- (b) the Issuer fails to perform or observe any of its other obligations under the Conditions or the Transaction 1 Documents (other than the Subordinated Loan Agreement) and, in each such case (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy when no notice will be required) such failure is continuing for a period of thirty (30) days following the service by the Trustee on the Issuer of a notice requiring the same to be remedied;
- (c) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Class A Compartment 1 Notes, the Class B Compartment 1 Notes, or any Transaction 1 Document (other than the Subordinated Loan Agreement); or
- (d) an Insolvency Event has occurred with respect to the Issuer.

"Issuer-ICSDs Agreement" means the Issuer-ICSDs agreement between the Issuer and the ICSDs before any Notes in NGN form will be accepted by the ICSDs.

"Issuer Representations and Warranties" means the Issuer's representations and warranties set out in Schedule 7 hereto.

"Issuer Share Capital Account" means the account with Credem International (Lux) S.A., in the name of the Issuer, with account no. 300282.

"Issuer Tax Event" means any of the following:

- (a) the Issuer is required by the laws of Luxembourg to withhold or deduct an amount in respect of any taxes from any payment of principal of, interest on, or any other amount payable in respect of the Notes (and such liability results in reduced payments under the Notes); or
- (b) the Issuer determines that income earned on any of the Issuer Account-C1 or any sum received or receivable by it pursuant to the Transaction 1 Documents is subject to deduction or withholding for or on account of any tax, duty, assessment or other governmental charge or is otherwise subject to taxation in Luxembourg or Germany, and the Issuer has not taken reasonable steps to mitigate the effects of such circumstances within a period of sixty (60) days, provided that the Issuer shall be under no obligation to take any such action if, in its reasonable opinion, it would thereby incur additional costs or expenses.

"Joint Lead Managers" means Société Générale, London Branch and WestLB AG.

"Lease Collateral" means (i) title to the Leased Vehicles, (ii) any claims under the Head Lease Agreements, (iii) insurance proceeds in respect of the Leased Vehicles pertaining to the Purchase Lease Receivables administered by the Seller in accordance with its Credit and Collection Policy, (iv) any claims of the Seller to damages and excess mileage in accordance with its Credit and Collection Policy upon the insolvency of a Lessee, and (v) any other security interests related to the Purchased Lease Receivables under the Sub Lease Agreements.

"Lease Identification Information" includes, with respect to a Purchased Lease Receivable, the Sub Lease Agreement Identifier and the Lessee Identifier.

"Lease Instalment" means any lease instalment due and payable by the Lessee in the future, but excluding any portion relating to VAT, relating to residual values or relating to the provision of services, under a Sub Lease Agreement.

"Lease Name and Contract Information" includes, with respect to a Purchased Lease Receivable, the name of the Lessee(s) and copies, in electronic form, of the relevant Sub Lease Agreements and legal documents in respect of the relevant Lease Collateral.

"Lease Receivable" means the sum of the outstanding Lease Instalments arising from the relevant Sub Lease Agreement (excluding any portion relating to VAT, relating to residual values or relating to the provision of services).

"Lease Receivables Purchase Agreement" means the lease receivables purchase agreement between the Seller, the Issuer and the Trustee dated the Signing Date including, where applicable, any Additional Lease Receivables Purchase Agreement.

"Lease Receivables Representation and Warranties of the Seller" means the representation and warranties set out in Schedule 3, Part 3 hereto.

"Leased Vehicle" means any passenger car or light commercial vehicle financed under a Sub Lease Agreement.

"Legal Final Maturity Date" means the Payment Date falling in August 2015.

"Lessee" means, in respect of a Lease Receivable, a Person (including consumers and businesses) to whom the Seller has leased one or more vehicles on the terms of the relevant Sub Lease Agreement(s).

"Lessee Identifier" means the lessee identification number allocated to the relevant Lessee by the Servicer.

"Lessee Notification" means such notification in substantially the same form as the one set out in Appendix 5 to the Lease Receivables Purchase Agreement.

"Lessee Notification Event" means any of the following:

- (a) an Insolvency Event has occurred with respect to the Seller or the Servicer;
- (b) a Servicer Termination Event occurs or the appointment of the Servicer is terminated pursuant to the Servicing Agreement;
- (c) the Seller or the Servicer fails to make any payment or deposit required by the terms of the relevant Transaction 1 Document within five (5) Business Days from the date such payment or deposit is required to be made;
- (d) the Seller or the Servicer fails to perform any of its material obligations under the Lease Receivables Purchase Agreement and/or the Servicing Agreement (other than a payment or deposit required), and such breach, if capable of remedy, is not remedied within twenty (20) Business Days of written notice from the Issuer or the Trustee; or
- (e) any representation or warranty in the Lease Receivables Purchase Agreement or in any other report provided by the Seller or the Servicer is materially false or incorrect, and such inaccuracy, if capable of remedy, is not remedied within twenty (20) Business Days of written

notice from the Issuer or the Trustee and has a Material Adverse Effect in relation to the Issuer.

"Lessee Notification Event Notice" means in respect of a Purchased Lease Receivable a notice sent to the relevant Lessees stating that such Purchased Lease Receivable and title for security purposes (*Sicherungseigentum*) to the Leased Vehicle have been assigned by the Seller to the Issuer pursuant to the Lease Receivables Purchase Agreement and instructing the Lessees to make payments to the Issuer Account-C1-Distribution Amount or any other account compliant with the Transaction 1 Document.

"Liabilities" means, in respect of any Person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings or other liabilities whatsoever, including reasonable legal fees and any Taxes and penalties incurred by that person, together with any VAT charged or chargeable in respect of any of the sums referred to in this definition.

"Loss" means, in respect of any Person, any loss, liability, cost, expense, claim, action, suit, judgment, and out-of-pocket costs and expenses (including, without limitation, fees and expenses of any professional adviser to such Person) which such Person may have incurred or which may be made against such Person and any reasonable costs of investigation and defence.

"Luxembourg" means the Grand Duchy of Luxembourg.

"Luxembourg Listing Agent" means Deutsche Bank Luxembourg S.A..

"Luxembourg Paying Agent" means Deutsche Bank Luxembourg S.A..

"Luxembourg Securitisation Law" means the Luxembourg law on securitisation of 22 March 2004.

"Luxembourg Stock Exchange" means société de la bourse de Luxembourg.

"Luxembourg Transaction 1 Document" means the Corporate Administration Agreement which is governed by, and shall be construed in accordance with, the laws of Luxembourg.

"Managers" means Bayerische Landesbank and Fortis Bank NV-SA.

"MAR" means the Market Conduct Sourcebook in the FSA's Handbook of rules and guidance.

"Master Definitions Schedule" means this Schedule 1 of this Incorporated Terms Memorandum.

"Material Adverse Effect" means in relation to any Person, any effect that results in, or could reasonably be expected to result in, the Insolvency Event of that Person or otherwise hinders or could reasonably be expected to hinder not only temporarily, the performance of that Person's obligations under any of the Transaction 1 Documents as and when due.

"Member State" means, as the context may require, a member state of the European Union or of the European Economic Area.

"Monthly Period" means, with respect to the first Monthly Period, the period commencing on (and including) the Initial Cut-Off Date and ending on (and including) the last day of July 2007 and with respect to each following Monthly Period each calendar month thereafter.

"Monthly Investor Report" means the report which contains key information the investor needs to analyse the development of the Purchased Lease Receivables, for instance defaults, delinquencies and performance, and which is made available by the Calculation Agent no later than the Investor Report Date.

"**Monthly Report**" means the report which contains key information the Calculation Agent needs to perform its calculations and which is sent each month by the Servicer to the Calculation Agent no later than six (6) Business Days following the respective Cut-Off Date.

"**Moody's**" means Moody's Investors Service Limited and any successor to the debt rating business thereof.

"**Moody's Swap Requirements**" are satisfied by an institution (a) if such institution is the subject of a Moody's short-term rating, whose short-term, unsecured and unsubordinated debt obligations are assigned a rating of at least P-1 (or its equivalent) by Moody's and whose long-term, unsecured and unsubordinated debt obligations are rated at least A2 (or its equivalent) by Moody's, or (b) if such institution is not the subject of a Moody's short-term rating, whose long-term, unsecured and unsubordinated debt obligations are rated at least A1 (or its equivalent) by Moody's.

"**New Global Note**" or "**NGN**" means a global note which refers to the books and records of the ICSDs to determine the total remaining indebtedness of the Issuer as determined from time to time.

"**New Issuer**" means any Person which succeeds the Issuer pursuant to Condition 13(b).

"**New Secured Party**" means any Person which accedes to the Trust Agreement as a Secured Party pursuant to a Form of Accession.

"**Noteholders**" means the Compartment 1 Noteholders.

"**Note Interest Determination Date**" means in respect of an Interest Period, the Second Business Day immediately preceding the first day of such Interest Period.

"**Notes**" means the Compartment 1 Notes.

"**Notice**" means any notice, notification, confirmation, request, approval, consent or other communication given or delivered by one Transaction 1 Party to one or more other Transaction 1 Parties under or in connection with any Transaction 1 Document.

"**Notice Details**" means the provisions set out in Schedule 10 (*Notice Details*) to this Incorporated Terms Memorandum.

"**Obtained Consent**" means in respect of any Transaction 1 Document and a particular Transaction 1 Party a consent such Transaction 1 Party has obtained from any Governmental Authority in respect of Transaction 1 or any relevant Transaction 1 Document.

"**Offer**" means an offer in written or electronic form meeting the requirements set out in the Lease Receivables Purchase Agreement. For the avoidance of doubt, the parties hereto intend to have one offer covered by the Lease Receivables Purchase Agreement and additional offers covered by the Lease Receivables Purchase Agreement during the Revolving Period. Any Offer delivered pursuant to the Lease Receivables Purchase Agreement shall contain:

- (a) the Aggregate Discounted Lease Balance (as of the relevant Cut-Off Date) of the Lease Receivables offered; and
- (b) a file containing the Anonymised Portfolio Information on a CD-Rom, consisting of the data listed in Appendix 7 of the Lease Receivables Purchase Agreement.

"**Offer Date**" means any third Business Days preceding any Payment Date falling within the Revolving Period.

"Offering Circular" means the prospectus dated on or about the Issue Date prepared in connection with the issue by the Issuer of the Compartment 1 Notes.

"1-Month-EURIBOR" means the EURIBOR for one month.

"Original Issue Discount" means the amount equal to the difference between the issue price of the Compartment 1 Notes and the redemption amount.

"Other Security Document" means any Security Document other than the Trust Agreement.

"Outstanding Notes Balance" means in respect of any Compartment 1 Note as of any Payment Date the Initial Notes Balance as reduced by the aggregate of payments of principal made in accordance with the Applicable Priority of Payments prior to such Payment Date on such Compartment 1 Note.

"Outstanding Lease Receivables" means a Purchased Lease Receivable that is neither a Defaulted Lease Receivable, nor a Purchased Lease Receivable being fully repaid.

"Paying Agents" means, collectively, the Principal Paying Agent and the Luxembourg Paying Agent.

"Paying Transaction 1 Party" means where any Transaction 1 Party is under an obligation created by a Transaction 1 Document to make a payment to another Transaction 1 Party the Transaction 1 Party who is to make such payment.

"Payment Date" means (in respect of the first Payment Date) 16 August 2007 and thereafter the 15th of each calendar month, provided that if any such day is not a Business Day, the relevant Payment Date will fall on the next following Business Day. Any reference to a Payment Date relating to a given Monthly Period shall be a reference to the Payment Date falling within the calendar month following such Monthly Period.

"Permanent Global Notes" means in respect of each Class of Compartment 1 Notes the permanent global bearer notes without coupons or talons attached representing each such Class as more specifically described in Condition 2(b).

"Permitted Encumbrance" means any Encumbrance permitted to be created in accordance with an orderly securitisation of the Issuer.

"Person" means an individual, partnership, corporation (including a business trust), unincorporated association, trust, joint stock company, limited liability company, joint venture or other entity, or a government or political subdivision, agency or instrumentality thereof.

"Portfolio Information" means a file of information sent by the Seller to the Data Trustee, including the names and addresses of the Lessees relating to the Anonymised Portfolio Information allowing the Data Trustee, in the circumstances specified in the Data Trust Agreement, to decrypt the Anonymised Portfolio Information. Such file is (to be) updated monthly (after each Monthly Period) by the Servicer as specified in the Servicing Agreement.

"Portfolio Management System" means the portfolio management system of the Servicer and any of the Servicer's successor system thereof or the system of a successor Servicer.

"Post-Enforcement Priority of Payments" means the priority of payments set out in Schedule II of the Trust Agreement.

"Pre-Enforcement Priority of Payments" means the priority of payments set out in Schedule I of the Trust Agreement.

"**Preliminary Offering Circular**" means the Offering Circular issued by the Issuer in preliminary form dated on or about 18 June 2007.

"**Principal Amount**" means the amount of principal payable by the Issuer on a Compartment 1 Note on a Payment Date.

"**Principal Paying Agent**" means Deutsche Bank AG, London Branch.

"**Proceedings**" means any legal proceedings relating to a dispute arising out of or in connection with any Transaction 1 Document (including a dispute regarding the existence, validity or termination of any Transaction 1 Document or the consequences of its nullity).

"**Pro Rata Share**" means a rate calculated as the sum of the discounted present value of the Purchased Lease Receivable outstanding divided by the sum of the discounted present value of the Purchased Lease Receivable outstanding plus the present value of the agreed residual value of the relevant Leased Vehicle.

"**Prospectus Directive**" means Directive 2003/71/EC and includes, where the context requires, Commission Regulation (EC) No. 809/2004 and any relevant implementing measure in each relevant Member State of the European Economic Area.

"**Public Offer**" means an "offer of securities to the public" as described in Article 2(1)(d) of the Prospectus Directive.

"**Purchase**" means the acquisition of a Lease Receivable pursuant to the Offer.

"**Purchase Date**" means the Initial Purchase Date and/or the Additional Purchase Date.

"**Purchased Lease Receivables**" means the Initial Purchased Lease Receivables and the Additional Purchased Lease Receivables collectively.

"**Purchaser**" means the Issuer in its capacity as purchaser of the Purchased Lease Receivables secured by the Lease Collateral.

"**Rating Agencies**" means Fitch, Moody's and S&P.

"**Receiver**" means any Person or Persons appointed (and any additional Person or Persons appointed or their relevant successors) as administrative receiver, receiver, manager, or receiver and manager of all or any of the Charged Assets by the Trustee hereunder or otherwise.

"**Receiving Transaction 1 Party**" means, where any Transaction 1 Party is under an obligation created by a Transaction 1 Document to make payment to another Transaction 1 Party, the Transaction 1 Party which is to receive such payment.

"**Records**" means, in respect of any Purchased Lease Receivable, all Sub Lease Agreements and Head Lease Agreements, invoices, receipts, correspondence, notes of dealings and other documents, books, books of account, registers, records and other information (especially computerised data, tapes, discs, punch cards, data processing software and related property and rights) maintained (and recreated in the event of destruction of the originals thereof) with respect to such Purchased Lease Receivable and the related Lessee to the extent relevant for the collection or servicing of the Purchased Lease Receivables.

"**Recoveries**" means all amounts received in respect of, or in connection with, any Purchased Lease Receivable by the Servicer after the date such Purchased Lease Receivable became a Defaulted Lease

Receivable (provided that such Defaulted Lease Receivable has not been totally written off) including, for the avoidance of doubt, Lease Instalments, damages, reminder fees, past due interest and any other payment, by or for the account of the relevant Lessee minus all out-of-pocket expenses paid to third parties and incurred by the Servicer in connection with the collection of Defaulted Lease Receivables or the enforcement of the related Lease Collateral.

"Reference Banks" means four major banks in the Euro-zone inter-bank market selected by the Principal Paying Agent from time to time.

"Regulatory Direction" means, in relation to any Person, a direction or requirement of any Governmental Authority with whose directions or requirements such Person is accustomed to comply, provided that such a direction or requirement does not contravene any Requirement of Law.

"Relevant German Transaction 1 Document" means in respect of a Transaction 1 Party each German Transaction 1 Document such Transaction 1 Party is to enter into or has entered into.

"Relevant German Transaction 1 Party" means in respect of a German Transaction 1 Document each Transaction 1 Party that is to enter into or has entered into such German Transaction 1 Document.

"Relevant Transaction 1 Document" means in respect of a Transaction 1 Party each German Transaction 1 Document, English Transaction 1 Document and Luxembourg Transaction 1 Documents such Transaction 1 Party is to enter into or has entered into.

"Relevant Transaction 1 Party" means in respect of a Relevant Transaction 1 Document each Transaction 1 Party that is to enter into or has entered into such Relevant Transaction 1 Document.

"Replenishment Available Amount" means, as of any Payment Date, the amount by which the Aggregate Outstanding Notes Balance exceeds the Aggregate Discounted Lease Balance as of the Cut-Off Date immediately preceding such Payment Date.

"Replenishment Fund" means the ledger for replenishment purpose under the Issuer Account-C1 during the Revolving Period.

"Reporting Date" means the sixth Business Day after the relevant Cut-Off Date.

"Required Cash Reserve" means (i) the lower of (x) 2.35% of the Initial Notes Balance, and (y) the Aggregate Outstanding Notes Balance or (ii) zero after the Aggregate Discounted Lease Balance has been reduced to zero.

"Requirement of Law" in respect of any Person shall mean:

- (a) any law, treaty, rule, requirement or regulation;
- (b) a notice by or an order of any court having jurisdiction;
- (c) a mandatory requirement of any regulatory authority having jurisdiction; or
- (d) a determination of an arbitrator or Governmental Authority.

"Revolving Period" means the period commencing on the Issue Date and ending on but excluding the earlier of (i) the payment Date falling in July 2009 and (ii) the day on which an Early Amortisation Event has occurred.

"**S&P**" means Standard & Poor's Rating Services, Inc., a division of the McGraw Hill Companies, or any successor to its rating business.

"**S&P Swap Requirements**" are satisfied by (a) (x) an entity, if such entity is the subject of an S&P's short-term rating, whose short-term, unsecured and unsubordinated debt obligations are assigned a rating of at least A-1 (or its equivalent) by S&P or (y) if such entity is not the subject of an S&P's short-term rating, whose long-term, unsecured and unsubordinated debt obligations are assigned a rating of at least A+ (or its equivalent) by S&P; (b) (x) a bank or a financial institution, if such institution is the subject of an S&P's short-term rating, whose short-term, unsecured and unsubordinated debt obligations are assigned a rating of at least A-2 (or its equivalent) by S&P or (y) if such entity is not the subject of an S&P's short-term rating, whose long-term, unsecured and unsubordinated debt obligations are assigned a rating of at least BBB+ (or its equivalent) by S&P provided that it agrees to collateralise 100% of the Swap Nominal Amount mark-to-market.

"**Savings Directive**" means Council Directive 2003/48/EC regarding the taxation of savings income, adopted by the Council of the European Union on 3 June 2003.

"**Secrecy Rules**" means, collectively, the rules of German banking secrecy (*Bankgeheimnis*), the provisions of the Federal Data Protection Act (*Bundesdatenschutzgesetz*), as such rules are binding the Relevant German Transaction 1 Party with respect to the Purchased Lease Receivables and the Lease Collateral from time to time.

"**Secured Obligations**" means all duties and liabilities (present and future, actual and contingent) of the Issuer which the Issuer has covenanted with the Trustee to pay to the Compartment 1 Noteholders and the other Secured Parties pursuant to Clause 5.1(a) and (b) of the Trust Agreement.

"**Secured Parties**" means the Compartment 1 Noteholders, the Trustee, the Seller, the Servicer (if different from the Seller), the Subordinated Lender, the Joint Lead Managers, the Managers, the Swap Counterparty, the Principal Paying Agent, the Luxembourg Paying Agent, the Calculation Agent, the Issuer Account Bank, the Data Trustee and the Corporate Administrator.

"**Securities Act**" means the U.S. Securities Act of 1933 as amended from time to time.

"**Security Documents**" means the Trust Agreement and the Deed of Charge and Assignment.

"**Security Period**" means the period beginning on the date of the Trust Agreement and ending on the date on which the Trustee is satisfied that all the Secured Obligations have been unconditionally and irrevocably paid and discharged in full.

"**Seller**" means BMW Leasing GmbH, a wholly-owned subsidiary of BMW AG.

"**Seller Account**" means the Seller's account set out in Schedule 11 hereto.

"**Seller Covenants**" means the Seller's covenants set out in Schedule 4 hereto.

"**Seller Representations and Warranties**" means the Seller's representations and warranties set out in Schedule 3 hereto.

"**Seller Tax Event**" means the Seller or the Servicer is required by the laws of Germany to withhold or deduct an amount in respect of any taxes from any amount payable by it to the Issuer under the Lease Receivables Purchase Agreement or the Servicing Agreement, and the Seller or the Servicer has not taken reasonable steps to mitigate the effects of such circumstances within a period of sixty (60) days, and such circumstances are subsisting.

"**Seller Warranties**" means the warranties given by the Seller in respect of the Purchased Lease Receivables set out in the Appendix 2 to Schedule 3, Part 3 of this Incorporated Terms Memorandum and being relevant as of the relevant Purchase Date.

"**Servicer**" means BMW Leasing GmbH unless the engagement of BMW Leasing GmbH as servicer of the Issuer in respect of Compartment 1 of the Issuer is terminated following the occurrence of a Servicer Termination Event in which case the Servicer shall mean the successor Servicer (if any).

"**Servicer Covenants**" means the Servicer's covenants set out in Schedule 6 hereto.

"**Servicer Representations and Warranties**" means the Servicer's representations and warranties set out in Schedule 5 hereto.

"**Servicer Shortfall**" means a shortfall in respect of on-payments of Collections due and payable by the Servicer to the Issuer pursuant to the terms of the Servicing Agreement.

"**Servicer Termination Event**" means:

- (a) an Insolvency Event has occurred with respect to the Seller or the Servicer;
- (b) the Seller or the Servicer fails to make any payment or deposit required by the terms of the Relevant Transaction 1 Document within four (4) Business Days of the date such payment or deposit is required to be made;
- (c) the Seller or the Servicer fails to perform any of its material obligations under the Lease Receivables Purchase Agreement and/or the Servicing Agreement (other than a payment or deposit required), and such breach, if capable of remedy, is not remedied within twenty (20) Business Days of written notice from the Issuer or the Trustee; and
- (d) any representation or warranty in the Lease Receivables Purchase Agreement or in the Servicing Agreement or in any report provided by the Seller or the Servicer is materially false or incorrect, and such inaccuracy, if capable of remedy, is not remedied within twenty (20) Business Days of written notice from the Issuer or the Trustee and has a Material Adverse Effect in relation to the Issuer.

"**Services**" means the services to be provided by the Servicer as set out in Clause 3 (*The Services*) of the Servicing Agreement.

"**Servicing Agreement**" means the servicing agreement between the Servicer, the Issuer and the Trustee dated the Signing Date.

"**Servicing Fee**" means, for any Monthly Period, a rate calculated as:

$$(1\% \times \text{the Aggregate Discounted Lease Balance}) \div 12$$

"**Signing Date**" means 9 July 2007.

"**Stock Exchange**" means the Luxembourg Stock Exchange or any other stock exchange on which the Compartment 1 Notes are listed, from time to time.

"**Sub Lease Agreement Identifier**" means the sub lease agreement identification number as allocated to the relevant Purchased Lease Receivable by the Servicer in the Portfolio Management System.

"**Sub Lease Agreement**" means each contractual framework, based on the standard business terms (*Allgemeine Geschäftsbedingungen*) or otherwise, which governs the Seller's relationship with the respective Lessee(s) with regard to the Lease Receivables.

"**Sub Lessor**" means the Seller.

"**Subordinated Lender**" means BMW Finance N.V..

"**Subordinated Loan**" means the EUR 18,800,000 loan received (or to be received at the latest on the Issue Date) by the Issuer under the Subordinated Loan Agreement.

"**Subordinated Loan Agreement**" means the subordinated loan agreement entered into by, *inter alios*, the Issuer (in relation to Compartment 1), the Subordinated Lender and the Trustee under which the Subordinated Lender will advance at the latest on the Issue Date (or has advanced) the Subordinated Loan to the Issuer.

"**Subscription Agreement**" means the subscription agreement between the Issuer in respect of Compartment 1, the Seller, the Joint Lead Managers, the Managers and the Trustee dated on or before the Closing Date.

"**Subsidiary**" means a corporation in relation to another corporation, if (x) the other corporation (aa) controls the composition of the board of directors of the first-mentioned corporation; (bb) controls more than half of the voting power of the first-mentioned corporation; (cc) holds more than half of the issued share capital of the first-mentioned corporation (excluding any part thereof which consists of preference shares); or (dd) possesses, directly or indirectly the power to direct or cause the direction of the management and policies of the first-mentioned corporation, whether through the ownership or voting of securities, by contract or otherwise; or, (y) the first-mentioned corporation is a Subsidiary of any corporation which is that other corporation's Subsidiary. For this purpose, the composition of a corporation's board of directors, *inter alia*, shall be deemed to be controlled by another corporation if that other corporation by the exercise of some power exercisable by it without the consent or concurrence of any other person can directly or indirectly appoint or influence the appointment of or remove all or a majority of the directors, and for the purposes of this provision that other corporation shall be deemed to have power to make such an appointment if a person cannot be appointed as a director without the exercise in his favour by that other corporation of such a power or a person's appointment as a director follows necessarily from his being a director or other office of that other corporation.

"**Swap Agreement**" means the Swap Agreement dated and executed on or about the Closing Date between the Issuer and the Swap Counterparty pursuant to the 1992 ISDA Master Agreement and a rating compliant Schedule (including the related Credit Support Annex) and Confirmation.

"**Swap Counterparty**" means WestLB AG.

"**Swap Fixed Interest Rate**" means 4.64% p.a..

"**Swap Floating Interest Rate**" means, with respect to each Payment Date, EURIBOR determined by the Principal Paying Agent (analogously to its determination of EURIBOR for the purposes of the Compartment 1 Notes for such Payment Date) two (2) Business Days before the inception of the Interest Period ending on such Payment Date.

"**Swap Incoming Cashflow**" means on any Payment Date, the product of:

- (a) the Swap Floating Interest Rate; and
- (b) the Swap Notional Amount; and

- (c) the actual number of calendar days of the Interest Period ending on such Payment Date divided by 360

payable by the Swap Counterparty to the Issuer under the Swap Agreement.

"Swap Net Cashflow" means the amount equal, on any Payment Date, to (i) the Swap Incoming Cashflow, minus (ii) the Swap Outgoing Cashflow.

"Swap Notional Amount" means the aggregate Outstanding Notes Balance on the immediately preceding Payment Date.

"Swap Outgoing Cashflow" means on any Payment Date, the product of:

- (a) the Swap Fixed Interest Rate; and
- (b) the Swap Notional Amount; and
- (c) the number of calendar days to be calculated on the basis of a year of 360 days with twelve thirty-day months

payable by the Issuer to the Swap Counterparty under the Swap Agreement.

"Swap Termination Date" means the earlier of (i) the Legal Final Maturity Date and (ii) the Final Discharge Date.

"TARGET Settlement Day" means a day on which the Trans-European Automated Real-time Cross-Settlement Express Transfer System is operating.

"Tax" shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same, but excluding taxes on net income) imposed or levied by or on behalf of any Tax Authority in Germany or Luxembourg and **"Taxes"**, **"taxation"**, **"taxable"** and comparable expressions shall be construed accordingly.

"Tax Authority" means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world.

"Tax Credit" means any credit received by a Transaction 1 Party from a Tax Authority in respect of any Tax paid by such Transaction 1 Party.

"Tax Deduction" means any deduction or withholding on account of Tax.

"Tax Payment" means any payment for or on account of Tax.

"Tax Residents" means persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany.

"Temporary Global Note" means in respect of each Class of Notes the temporary global bearer note without coupons or talons attached as more specifically described in Condition 2 (b).

"Terminated Lease Receivable" means as of any Cut-Off Date, the Aggregate Discounted Lease Balance of all Purchased Lease Receivables arising under the relevant terminated Sub Lease Agreements, provided that such Purchased Lease Receivables are not Defaulted Receivables.

"**Total Collections**" means, on each Payment Date, the Collections, including, for the avoidance of doubt, amounts treated as Collections.

"**Total Initial Notes Balance**" means the aggregation of the Class A Initial Notes Balance and the Class B Initial Notes Balance on the Issue Date.

"**Transaction 1**" has the meaning given to such term in the offering circular dated 9 July 2007 relating to the issue of the Compartment 1 Notes by the Issuer in respect of its Compartment 1.

"**Transaction 1 Debt**" means any and all debts, indebtedness, liabilities and obligations incurred by the Issuer in respect of the Transaction.

"**Transaction 1 Documents**" means the German Transaction 1 Documents, the Issuer-ICSDs Agreement, the English Transaction 1 Documents and the Luxembourg Transaction 1 Documents collectively.

"**Transaction 1 Party**" means any Person who is a party to a Transaction 1 Document and "**Transaction 1 Parties**" means some or all of them.

"**Trust Agreement**" means the trust agreement entered into by, *inter alios*, the Issuer in respect of the Transaction and the Trustee.

"**Trustee**" means Deutsche Trustee Company Limited.

"**Trustee Claim**" has the meaning assigned thereto in Clause 6.1 of the Trust Agreement.

"**Trust Property**" has the meaning assigned thereto in Clause 7.1 of the Trust Agreement.

"**UK**" or "**United Kingdom**" means the United Kingdom of Great Britain and Northern Ireland.

"**United States**" means, for the purpose of the Transaction, the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

"**USD**" means the lawful currency of the United States.

"**VAT**" means value added tax and any other tax of a similar fiscal nature (instead of or in addition to value added tax) whether imposed in Germany or elsewhere.

"**VAT Receiving Transaction 1 Party**" means the Transaction 1 Party to whom the supply referred to in Paragraph 22 (*Value Added Tax*) of the Common Terms is made.

"**VAT Supplying Transaction 1 Party**" means the Transaction 1 Party making the supply referred to in Paragraph 22 (*Value Added Tax*) of the Common Terms.

"**2000 ISDA Definitions**" means the definitions and provisions published by the International Swaps and Derivatives Association, Inc.

2. PRINCIPLES OF INTERPRETATION AND CONSTRUCTION

2.1. Knowledge

2.1.1 References in any Transaction 1 Document to the expressions "so far as the Seller is aware" or "to the best of the knowledge, information and belief of the Seller" or any similar expression in

respect of any matter shall be deemed to refer to the actual knowledge of senior officers of the Seller.

2.1.2 References in any Transaction 1 Document to the expressions "so far as the Servicer is aware" or "to the best of the knowledge, information and belief of the Servicer" or any similar expression in respect of any matter shall be deemed to refer to the actual knowledge of senior officers of the Servicer.

2.1.3 References in any Transaction 1 Document to the expressions "so far as the Issuer is aware" or "to the best of the knowledge, information and belief of the Issuer" or any similar expression in respect of any matter shall be deemed to refer to the actual knowledge of directors of the Issuer.

2.1.4 References in any Transaction 1 Document to the expressions "so far as the Trustee is aware" or "to the best of the knowledge, information and belief of the Trustee" or any similar expression in respect of any matter shall be deemed to refer to the actual knowledge of senior officers of the Trustee.

2.2. Interpretation

In any Transaction 1 Document, the following shall apply:

2.2.1 a document being in an "*agreed form*" means that the form of the document in question has been signed off or agreed by each of the proposed parties thereto;

2.2.2 any reference to an "*agreement*", "*deed*" or "*document*" shall be construed as a reference to such agreement, deed or document as the same may from time to time be amended, varied, novated, supplemented, replaced or otherwise modified;

2.2.3 in the computation of periods of time from a specified date to a later specified date, the word "*from*" means "*from and including*" and the words "*to*" and "*until*" each mean "*to but excluding*".

2.2.4 "*novation*" shall, for the purposes of the German Transaction 1 Documents, be construed as *Parteiwechsel*. "To novate" shall be interpreted accordingly;

2.2.5 "*periods*" of days shall be counted in calendar days unless Business Days are expressly prescribed;

2.2.6 any reference to any "*Person*" appearing in any of the Transaction 1 Documents shall include its successors and permitted assigns;

2.2.7 a reference to any person defined as a "*Transaction 1 Party*" or in any Transaction 1 Document or in the Conditions shall be construed so as to include its and any subsequent successors and permitted transferees in accordance with their respective interests;

2.2.8 unless specified otherwise, "*promptly*", "*immediately*", "*forthwith*" or any similar expression used in a German Transaction 1 Document shall mean without undue delay (*ohne schuldhaftes Zögern*); and

2.2.9 a "*successor*" of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Transaction 1 Document or to which, under such laws, such rights and obligations have been transferred.

2.3. **Statutes and Treaties**

Any reference to a statute or treaty shall be construed as a reference to such statute or treaty as the same may have been, or may from time to time be, amended or, in the case of a statute, re-enacted.

2.4. **Time**

Any reference in any Transaction 1 Document to a time of day shall, unless a contrary indication appears, be a reference to Central European time.

2.5. **Schedules**

Any Schedule of, or Appendix or Annex to, a Transaction 1 Document forms part of such Transaction 1 Document and shall have the same force and effect as if the provisions of such Schedule, Appendix or Annex were set out in the body of such Transaction 1 Document. Any reference to a Transaction 1 Document shall include any such Schedule, Appendix or Annex.

2.6. **Headings**

Section, Part, Schedule, Paragraph and Clause headings are for ease of reference only. They do not form part of any Transaction 1 Document and shall not affect such Transaction 1 Document's construction or interpretation.

2.7. **Sections**

Except as otherwise specified in a Transaction 1 Document, any reference in a Transaction 1 Document to:

- 2.7.1 a "*Section*" shall be construed as a reference to a Section of such Transaction 1 Document;
- 2.7.2 a "*Part*" shall be construed as a reference to a Part of such Transaction 1 Document;
- 2.7.3 a "*Schedule*", an "*Appendix*" or an "*Annex*" shall be construed as a reference to a Schedule, Appendix or Annex of such Transaction 1 Document;
- 2.7.4 a "*Clause*" shall be construed as a reference to a Clause of a Part or Section (as applicable) of such Transaction 1 Document; and
- 2.7.5 "*this Agreement*" shall be construed as a reference to such Transaction 1 Document together with any Schedules, Appendices or Annexes thereto.

2.8. **Number**

In any Transaction 1 Document, save where the context otherwise requires, words importing the singular number include the plural and vice versa.

REGISTERED OFFICE OF THE ISSUER

Bavarian Sky S.A.
7 Val Ste Croix
L-1371 Luxembourg
Luxembourg

THE SELLER and THE SERVICER

BMW Leasing GmbH
Heidemannstrasse 164
80939 Munich
Germany

THE JOINT LEAD MANAGERS

WestLB AG
Herzogstrasse 15
40217 Düsseldorf
Germany

Société Générale, London Branch

SG House
41 Tower Hill
London EC 3N 4SG
United Kingdom

THE TRUSTEE

Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

THE DATA TRUSTEE

BMW Bank GmbH
Heidemannstrasse 164
80939 Munich
Germany

THE CALCULATION AGENT,

WestLB AG
Herzogstrasse 15
40217 Düsseldorf
Germany

THE PRINCIPAL PAYING AGENT and THE ISSUER ACCOUNT BANK

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

**THE LUXEMBOURG PAYING AGENT and THE LUXEMBOURG LISTING
AGENT**

Deutsche Bank Luxembourg S.A.

2 Boulevard Konrad Adenauer
1115-Luxembourg
Luxembourg

AUDITORS TO THE ISSUER

KPMG Audit S.à r.l

Société à Responsabilité Limitée
31, allée Scheffer
L-2520 Luxembourg

LEGAL ADVISERS

Transaction Counsel

**BAKER & MCKENZIE PARTNERSCHAFT VON RECHTSANWÄLTEN,
WIRTSCHAFTSPRÜFERN, STEUERBERATERN
UND SOLICITORS**

Bethmannstrasse 50-54
60311 Frankfurt am Main
Germany

as to Luxembourg law

Bonn Schmitt Steichen

44, rue de la Vallée
L-2661 Luxembourg
Luxembourg

as to English law

Baker & McKenzie LLP

100 New Bridge Street
London EC4A 6JA
United Kingdom