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IMPORTANT NOTICE

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, "U.S. PERSONS" (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")). THE NOTES WILL BE OFFERED AND SOLD OUTSIDE THE UNITED STATES TO PERSONS WHO ARE NEITHER U.S. PERSONS NOR "U.S. RESIDENTS" (AS DETERMINED FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. THE ISSUER OF THE NOTES HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT. THE NOTES MAY NOT BE SUITABLE FOR ALL INVESTORS.

IMPORTANT: You must read the following before continuing. The following disclaimer applies to the attached prospectus following this page (the "Prospectus") and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the limitations contained in this 'Important Notice', including any modifications to them from time to time, each time you receive any information from Dresdner Bank AG London Branch or Commerzbank Aktiengesellschaft (together the "Joint Lead Managers") as a result of such access. You acknowledge that this electronic transmission and the delivery of the Prospectus is intended for only you as the addressee of the e-mail sent by the Joint Lead Managers and you agree you will not forward this electronic transmission or the Prospectus to any other person.

Under no circumstances shall the Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities described therein in any jurisdiction in which such offer, solicitation or sale would be unlawful and circulation of and access to this electronic transmission has been limited so that the Prospectus shall not constitute a public offer or a general solicitation. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

The Prospectus is personal to you and may not be forwarded or distributed to any other person and may not be reproduced in any manner whatsoever. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

The Prospectus is being sent at your request and by accepting the e-mail and accessing the Prospectus, you shall be deemed to have represented to the Joint Lead Managers that (1) you and any customers you represent are neither U.S. Persons nor U.S. Residents and the electronic mail address that you gave to the Joint Lead Managers and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia and (2) you consent to delivery of such Prospectus by electronic transmission.

In the European Economic Area, the communications contained in the Prospectus are only made to or directed at persons who are "Qualified Investors" within the meaning of Article 2(1)(e) of Directive 2003/71/EC (the "Prospectus Directive"). The communications contained in the Prospectus are only made to or directed at persons who may lawfully receive it under the laws of the jurisdiction in which they are located and/or any other applicable law ("Lawful Recipients"). If you are not a Lawful Recipient and have gained access to this electronic transmission, you will be unable to purchase any of the securities described in the Prospectus and you must return the Prospectus to us immediately. If you do not return the Prospectus to us then you are deemed to have confirmed that (i) you have received the Prospectus and have understood and accepted the terms of this Important Notice, (ii) you may lawfully receive the Prospectus in accordance with applicable laws and (iii) you will not pass the Prospectus on to anybody else.

The Prospectus has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently, neither the Issuer, the Joint Lead Managers nor any person who controls them nor any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

You are responsible for protecting against viruses and other destructive items. Your receipt of this electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

GLASTONBURY FINANCE 2007-1 P.L.C.

(a public limited company incorporated with limited liability under the laws of Ireland)

£4,000,000 Class X Floating Rate Instalment Notes due 2015
£205,000,000 Class A-1 Revolving Dual Currency Floating Rate Notes due 2047*
£33,000,000 Class A-2 Floating Rate Notes due 2047
£32,000,000 Class B Floating Rate Deferrable Notes due 2047
£31,000,000 Class C Floating Rate Deferrable Notes due 2047
£16,000,000 Class D Floating Rate Deferrable Notes due 2047
£10,000,000 Class E Floating Rate Deferrable Notes due 2047
£4,000,000 Class F Floating Rate Deferrable Notes due 2047
£19,000,000 Class G Subordinated Notes due 2047
Issue Price of the Notes: 100 per cent.

*Secured by a Portfolio of CMBS Securities
managed by Eurohypo Asset Management Limited*

*Fundings in respect of the Class A-1 Notes may be drawn in Euro or Sterling. The amount of £205,000,000 comprised in the Class A-1 Notes is the Class A-1 Commitment at the Closing Date (with commitments in Euro converted into Sterling at the Closing Exchange Rate).

Glastonbury Finance 2007-1 P.L.C., a public limited company incorporated with limited liability under the laws of Ireland (the "Issuer") will issue £4,000,000 Class X Floating Rate Instalment Notes due 2015 (the "Class X Notes"), £205,000,000 Class A-1 Revolving Dual Currency Floating Rate Notes due 2047 (the "Class A-1 Notes"), £33,000,000 Class A-2 Floating Rate Notes due 2047 (the "Class A-2 Notes" and, together with the Class A-1 Notes, the "Class A Notes"), £32,000,000 Class B Floating Rate Deferrable Notes due 2047 (the "Class B Notes"), £31,000,000 Class C Floating Rate Deferrable Notes due 2047 (the "Class C Notes"), £16,000,000 Class D Floating Rate Deferrable Notes due 2047 (the "Class D Notes"), £10,000,000 Class E Floating Rate Deferrable Notes due 2047 (the "Class E Notes"), £4,000,000 Class F Floating Rate Deferrable Notes due 2047 (the "Class F Notes") and £19,000,000 Class G Subordinated Notes due 2047 (the "Class G Subordinated Notes" and, together with the Class X Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes, the "Notes"). The Notes will be issued and secured pursuant to a trust deed (the "Trust Deed") dated 30 April 2007 between (*inter alios*) the Issuer and Deutsche Trustee Company Limited as trustee (the "Trustee"). The terms and conditions of the Notes (the "Conditions") are set out herein under "Conditions of the Notes". The Portfolio Collateral securing the Notes will be managed by Eurohypo Asset Management Limited (the "Collateral Manager").

The Notes have not been registered under the United States Securities Act of 1933, as amended (the "Securities Act") and will be offered only outside the United States in compliance with Regulation S under the Securities Act. The Notes may be sold in respect of each Class outside the United States to non U.S. Persons in reliance on Regulation S under the Securities Act and will (other than the Class A-1 Notes) be represented on issue by beneficial interests in one or more permanent Global Notes of such Class (each, a "Global Note" and together, the "Global Notes") in fully registered form, without interest coupons, which will be deposited on or about 30 April 2007 (the "Closing Date") with, and registered in the name of a nominee for, Deutsche Bank AG, London Branch as common depositary (the "Common Depositary") for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"). The Class A-1 Notes will be issued in definitive fully registered form and registered in the name of the holder (or a nominee thereof). Neither U.S. Persons (as defined in Regulation S under the Securities Act) nor U.S. residents (as determined for the purposes of the United States Investment Company Act of 1940, as amended ("Investment Company Act")) may hold an interest in a Global Note at any time.

It is a condition to the issuance of the Notes that the Class X Notes be rated "AAA" by Fitch Ratings Limited ("Fitch") and "AAA" by Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. ("S&P"), that the Class A-1 Notes be rated "AAA" by Fitch and "AAA" by S&P, that the Class A-2 Notes be rated "AAA" by Fitch and "AAA" by S&P, that the Class B Notes be rated at least "AA" by Fitch and at least "AA" by S&P, that the Class C Notes be rated at least "A" by Fitch and at least "A" by S&P, that the Class D Notes be rated at least "BBB" by Fitch and at least "BBB" by S&P, that the Class E Notes be rated at least "BB" by Fitch and at least "BB" by S&P and that the Class F Notes be rated at least "BB-" by Fitch and at least "BB-" by S&P. Such ratings will be obtained on or prior to the Closing Date. A rating has not been and will not be sought for the Class G Subordinated Notes. The ratings assigned to the Class X Notes, the Class A-1 Notes and the Class A-2 Notes by Fitch and S&P address the timely payment of interest and the ultimate payment of principal. The ratings assigned to the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes by Fitch and S&P address the ultimate payment of principal and interest. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the applicable Rating Agency.

Application will be made to the Irish Financial Services Regulatory Authority ("IFSRA"), as competent authority under Directive 2003/71/EC (the "Prospectus Directive"), for this Prospectus to be approved. Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. This document (once approved by IFSRA) will constitute a prospectus (the "Prospectus") with regard to the Issuer and the Notes for the purposes of the Prospectus Directive.

The Notes are limited recourse debt obligations of the Issuer, secured pursuant to the Trust Deed solely by various charges and assignments by way of security over the Collateral by the Issuer to the Trustee for itself and for the benefit of the other Secured Parties.

The Notes are offered by the Issuer through Dresdner Bank AG London Branch and Commerzbank Aktiengesellschaft (together, the "Joint Lead Managers"). Delivery of the Notes will be made on 30 April 2007 (the "Closing Date"), against payment in immediately available funds.

The Index of Defined Terms appears at the end of this Prospectus and contains a page reference to where each defined term can be found.

See "Risk Factors" below for a description of certain factors which should be considered by prospective investors in connection with an investment in the Notes offered hereby.

Joint Arrangers

DRESDNER KLEINWORT

EUROHYPO AG

Sole Bookrunner

DRESDNER KLEINWORT

Joint Lead Managers

DRESDNER KLEINWORT

COMMERZBANK

CORPORATES & MARKETS

The date of this Prospectus is 30 April 2007.

The information set out in the sections of this document describing clearing arrangements is subject to any change or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream, Luxembourg, in each case as currently in effect. The information in such sections concerning these clearing systems has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy of such information. Any purchaser wishing to use the facilities of any of the clearing systems should confirm the continued applicability of the rules, regulations and procedures of the relevant clearing system. The Issuer will not be responsible or liable for any aspect of the records relating to, or payments made on account of, Book-Entry Interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to such Book-Entry Interests.

CERTAIN SECURED ASSETS OF THE ISSUER ARE THE SOLE SOURCE OF PAYMENTS ON THE NOTES. THE NOTES DO NOT REPRESENT OBLIGATIONS OF, AND ARE NOT INSURED OR GUARANTEED BY, ANY OF THE JOINT LEAD MANAGERS, THE COLLATERAL MANAGER, THE COLLATERAL ADMINISTRATOR, THE AGENTS, ANY OF THE HEDGE COUNTERPARTIES, THE TRUSTEE OR ANY OF THEIR RESPECTIVE AFFILIATES AND ANY OTHER THIRD PARTIES.

Save for the information contained in the sections headed “*The Collateral Manager*” and “*The Collateral Administrator*”, the Issuer accepts responsibility for the information contained in this document and to the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information. The delivery of this document at any time does not imply that the information contained in this document is correct at any time subsequent to the date of this document.

The Collateral Manager accepts responsibility for the information contained in the section headed “*The Collateral Manager*”. To the best of the knowledge and belief of the Collateral Manager (who has taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information. Neither the Collateral Manager nor any of its Affiliates accepts any responsibility for the accuracy and completeness of any other information contained in this document.

The Collateral Administrator accepts responsibility for the information contained in the section headed “*The Collateral Administrator*”. To the best of the knowledge and belief of the Collateral Administrator (who has taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information. The Collateral Administrator does not accept any responsibility for the accuracy and completeness of any other information contained in this document.

Save for the sections described immediately above in respect of the Collateral Manager and the Collateral Administrator, none of the Joint Lead Managers, the Trustee, the Collateral Manager, the Collateral Administrator, any Hedge Counterparty and the Agents nor any of their respective Affiliates have separately verified the information contained in this document and accordingly none of the Joint Lead Managers, the Trustee, the Collateral Manager, the Collateral Administrator, the Agents and any Hedge Counterparty, nor any of their respective Affiliates makes any representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained in this document.

Neither this Prospectus nor any other information supplied in connection with any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Joint Lead Managers, the Collateral Manager, the Collateral Administrator, the Agents, the Hedge Counterparties or the Trustee or any of their respective Affiliates that any recipient of this Prospectus or any other information supplied in connection with any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer. Neither this Prospectus nor any other information supplied in connection with the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Joint Lead Managers, the Collateral Manager, the Collateral Administrator, the Agents, the Hedge Counterparties or the Trustee or any of their respective Affiliates to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same.

None of the Joint Lead Managers, the Trustee, the Collateral Manager, the Collateral Administrator, any Hedge Counterparty or the Agents or any of their respective Affiliates undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this document or to advise any investor or potential investor in the Notes of any information coming to the attention of the Joint Lead Managers, the Trustee, the Collateral Manager, the Collateral Administrator, any Hedge Counterparty or the Agents or any of their respective Affiliates which is not included in this document.

This Prospectus contains summaries believed to be accurate with respect to certain documents. The summaries do not purport to be complete and are qualified in their entirety by reference to such documents. Copies of documents referred to herein will be made available to Noteholders as set out in “*General Information*”.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Notes and does not constitute an offer to sell or a solicitation of an offer to buy any of the Notes to any person in any jurisdiction in which it is unlawful to make such an offer or solicitation to such person.

The distribution of this document and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of the Notes and the distribution and issue of this document and other documents, see “*Purchase and Sale*” below.

Each prospective offeree or purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this document, and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither the Issuer nor the Managers shall have any responsibility therefor. This document does not constitute, and may not be used for the purposes of, an offer or solicitation by any person 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 and no action is being taken to permit an offering of the Notes or the distribution of this document in any jurisdiction where such action is required.

In connection with the issue and sale of the Notes, no person is authorised to give any information or to make any representation not contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer or the Joint Lead Managers. The delivery of this document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Notes are offered subject to the terms described in this document. The Joint Lead Managers and certain of their respective related entities may acquire, for their own accounts, a portion of the Notes.

The Issuer and the Joint Lead Managers make no representation to any prospective investor or purchaser of the Notes regarding the legality of investment therein by such prospective investor or purchaser under applicable legal investment or similar laws or regulations. The contents of this document should not be construed as providing legal, business, accounting, regulatory, investment or tax advice. In making an investment decision, investors must rely on their own examination of the Issuer, the terms of the Notes and the offering thereof described herein, including the merits and risks involved and must not rely on any information provided by or statements made by the Joint Lead Managers, the Collateral Manager, the Collateral Administrator, the Agents, the Hedge Counterparties, the Trustee or any of their respective Affiliates. Each prospective investor should consult its own legal, business, accounting, regulatory, investment and tax advisors prior to making a decision to invest in the Notes. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

Unless otherwise specified, references to “£”, “GBP”, “Pounds”, “Pounds Sterling” or “Sterling” are references to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland and all references to “EUR”, “Euro” and “€” are to the single currency introduced in January 1999 pursuant to the Treaty establishing the European Community as amended.

STABILISATION NOTICE

IN CONNECTION WITH THE ISSUE OF THE NOTES, DRESDNER BANK AG LONDON BRANCH (THE “STABILISING AGENT”) (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING AGENT) MAY OVER-ALLOT THE NOTES (PROVIDED THAT THE AGGREGATE PRINCIPAL AMOUNT OF NOTES ALLOTTED DOES NOT EXCEED 105 PER CENT. OF THE AGGREGATE PRINCIPAL AMOUNT OF THE NOTES) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING AGENT (OR PERSONS ACTING ON BEHALF OF THE STABILISING AGENT) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE CLOSING DATE AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT SHALL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

The Notes were offered only to a limited number of investors that were willing and able to conduct an independent investigation of the characteristics of the Notes and risks of ownership of the Notes. It is expected that prospective investors will conduct an independent investigation of the risks posed by an investment in the Notes. The investors should contact the Joint Lead Managers should they have any questions about this offering or if they require additional information to verify the information contained in this document.

GENERAL NOTICE

EACH INVESTOR IN THE NOTES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN EACH JURISDICTION IN WHICH IT ACQUIRES, OFFERS OR SELLS SUCH NOTES OR POSSESSES OR DISTRIBUTES THIS PROSPECTUS AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED FOR THE INVESTMENT, OFFER OR SALE BY IT OF SUCH NOTES UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTIONS TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH INVESTMENTS, OFFERS OR SALES, AND NONE OF THE ISSUER OR THE JOINT LEAD MANAGERS, THE COLLATERAL MANAGER, THE COLLATERAL ADMINISTRATOR, THE TRUSTEE, ANY HEDGE COUNTERPARTY OR ANY AGENT (OR ANY OF THEIR AFFILIATES) SPECIFIED HEREIN SHALL HAVE ANY RESPONSIBILITY THEREFOR.

THE NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

NOTICE TO UNITED KINGDOM INVESTORS

The Notes may not be offered or sold to persons in the United Kingdom except to persons who are authorised and regulated by the Financial Services Authority or to persons who have professional experience in matters of investment within the meaning of Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”). This Prospectus and any other communication in connection with the offering and issuance of the Notes is intended for and directed at and may only be issued or passed on to a person authorised and regulated by the Financial Services Authority or to a person of a kind described in Articles 19 or 49(2) of the Order or a person to whom this Prospectus or any other such communication may otherwise lawfully be issued or passed on (all such persons together being referred to as “relevant persons”).

This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

FORWARD-LOOKING STATEMENTS

Any projections, forecasts and estimates contained herein are forward-looking statements and are based upon certain assumptions. Projections are necessarily speculative in nature, and some or all of the assumptions underlying the projections may not materialise or may vary significantly from actual results. Accordingly, projections are only an estimate. Actual results may vary from the projections and the variations may be material.

Some important factors that could cause the actual results to differ materially from those in any forward-looking statements include changes in interest rates, currency exchange rates, levels of defaults of the Portfolio Assets comprised in the Portfolio Collateral and levels of recoveries where defaults occur, market, financial or legal uncertainties and the timing of acquisition of any further Portfolio Assets amongst others. Consequently, the inclusion of projections herein should not be regarded as a representation by the Issuer, the Joint Lead Managers, the Collateral Manager, the Collateral Administrator, the Trustee, the Agents, the Hedge Counterparties or any of their respective Affiliates or any other person or entity of the results that will actually be achieved.

None of the Issuer, the Joint Lead Managers, the Collateral Manager, the Collateral Administrator, the Trustee, the Agents, the Hedge Counterparties or any of their respective Affiliates has any obligation to update or otherwise revise any projections, including any revisions to reflect changes in economic conditions or other circumstances arising after the date hereof or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.

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SUMMARY

This Summary of Terms does not include all relevant information relating to the Notes described herein, particularly with respect to the risks and special considerations involved with an investment in such Notes, and is qualified in its entirety by reference to the detailed information appearing elsewhere in this document. Prospective investors are advised to carefully read, and should rely solely on, the detailed information appearing elsewhere in this document relating to the Notes in making their investment decision.

The Parties

Issuer: Glastonbury Finance 2007-1 P.L.C., a public limited company incorporated with limited liability under the laws of Ireland having its registered office at 25-26 Windsor Place, Lower Pembroke Street, Dublin 2.

Collateral Manager: Eurohypo Asset Management Limited, acting through its office at Fourth Floor, 90 Long Acre, London WC2E 9RA.

Trustee: Deutsche Trustee Company Limited, acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, in its capacity as trustee under the Trust Deed.

Initial Currency

Hedge Counterparty: The Bank of New York, acting through its office at One Wall Street, 10th Floor, New York, NY 10286.

Initial Interest Rate

Hedge Counterparty, Initial Basis

Hedge Counterparty,

Initial Liquidity Swap

Counterparty: Dresdner Bank AG, London Branch, acting through its office at 30 Gresham Street, London EC2P 2XY.

**Collateral Administrator,
Account Bank, Principal Paying Agent,
Custodian, Agent Bank:**

Deutsche Bank AG, London Branch, acting through its branch in London at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

Irish Paying Agent: Deutsche International Corporate Services (Ireland) Limited, acting through its office at 5 Harbourmaster Place, IFSC, Dublin 1.

Registrar and Transfer Agent: Deutsche Bank Luxembourg S.A., acting through its office at 2 Boulevard Konrad Adenauer, L-1115 Luxembourg, Grand Duchy of Luxembourg.

Corporate Services Provider: Structured Finance Management (Ireland) Limited, acting through its office at 25-26 Windsor Place, Lower Pembroke Street, Dublin 2.

Listing Agent: NCB Stockbrokers Limited, acting through its office at 3 George's Dock, Dublin 1.

The Notes

Amount of Notes: £4,000,000 Class X Floating Rate Instalment Notes due 2015 (the "Class X Notes");

£205,000,000 Class A-1 Revolving Dual Currency Floating Rate Notes due 2047 (the "Class A-1 Notes");

£33,000,000 Class A-2 Floating Rate Notes due 2047 (the “**Class A-2 Notes**” and, together with the Class A-1 Notes, the “**Class A Notes**”);

£32,000,000 Class B Floating Rate Deferrable Notes due 2047 (the “**Class B Notes**” and, together with the Class A Notes, the “**Senior Notes**”);

£31,000,000 Class C Floating Rate Deferrable Notes due 2047 (the “**Class C Notes**”);

£16,000,000 Class D Floating Rate Deferrable Notes due 2047 (the “**Class D Notes**”);

£10,000,000 Class E Floating Rate Deferrable Notes due 2047 (the “**Class E Notes**”);

£4,000,000 Class F Floating Rate Deferrable Notes due 2047 (the “**Class F Notes**”); and

£19,000,000 Class G Subordinated Notes due 2047 (the “**Class G Subordinated Notes**”, and together with the Class X Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes, the “**Notes**”).

The Notes will be constituted by and will be issued pursuant to a trust deed (the “**Trust Deed**”) between, (*inter alios*), the Issuer and the Trustee dated 30 April 2007 (the “**Closing Date**”).

Subscription and Sale:..... The Notes will be offered to persons who are neither U.S. Persons nor U.S. Residents in an offshore transaction in reliance on Regulation S under the Securities Act.

Form of the Notes: The Notes of each Class (other than the Class A-1 Notes) will be initially represented by a global note in registered form of such Class (each a “**Global Note**” and together the “**Global Notes**”).

The Global Notes will be deposited on or about the Closing Date with a Common Depositary for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Notes will be shown on, and transfers thereof will only be effected through records maintained in book-entry form by Euroclear or Clearstream, Luxembourg and their respective participants.

The Class A-1 Notes will be issued in definitive fully registered certificated form and registered in the name of the holder (or a nominee thereof).

Except in the limited circumstances described in Condition 2(c) (*Issue of Notes in Definitive Form*), the Notes (other than the Class A-1 Notes) will not be available in definitive form.

Denominations of the Notes: The Notes (other than the Class A-1 Notes) will be issued in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof. The Class A-1 Notes will be issued in minimum denominations of £500,000 and integral multiples of £100,000 in excess thereof.

Status of Notes: The Notes will be limited recourse debt obligations of the Issuer, secured pursuant to the Trust Deed solely by various charges and assignments by way of security over the Collateral by the Issuer to the Trustee for itself and for the benefit of the Secured Parties.

<p>Limited Recourse:.....</p>	<p>If the net proceeds of realisation of the security constituted by the Trust Deed and the Euroclear Pledge Agreement upon enforcement thereof in accordance with Condition 11 (<i>Enforcement</i>) and the provisions of the Trust Deed and the Euroclear Pledge Agreement, are less than the aggregate amount payable in such circumstances by the Issuer in respect of the Notes and to the other Secured Parties (such negative amount being referred to herein as a “shortfall”), all of the obligations of the Issuer in respect of the Notes of each Class and its obligations to the other Secured Parties in such circumstances will be limited to such net proceeds which will be applied in accordance with the Post-Enforcement Priorities of Payment. In such circumstances the Issuer will not be obliged to pay, and the other assets (if any) of the Issuer will not be available for payment of, such shortfall which shall be suffered by the Secured Parties in accordance with the Post-Enforcement Priorities of Payment (applied in reverse order), the rights of the Secured Parties to receive any further amounts in respect of such obligations will be extinguished and will not thereafter revive and none of the Noteholders of each Class or the other Secured Parties may take any further action to recover such amounts.</p> <p>None of the Noteholders of any Class, or the other Secured Parties (nor any other person acting on behalf of any of them) shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any insolvency, reorganisation, arrangement, examinership, winding-up or liquidation proceedings or other proceedings under any applicable insolvency or similar law in connection with any obligations of the Issuer relating to the Notes of any Class, the Trust Deed or otherwise owed to the Secured Parties, save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer.</p> <p>Only the Trustee may pursue the remedies available under the Trust Deed to enforce the rights of the Noteholders under the Trust Deed and the Notes and no Noteholder or other Secured Party may proceed directly against the Issuer, or any of the Collateral.</p> <p>No personal liability shall attach to or be incurred by any shareholder, officer, agent, employee or director of the Issuer in its capacity as such under or by reason of any of the obligations, covenants or agreements of the Issuer contained in the Notes or the other Transaction Documents or implied from the Notes or the other Transaction Documents.</p> <p>See further Condition 4(c) (<i>Limited Recourse and Non-Petition</i>).</p>
<p>Use of Proceeds:.....</p>	<p>The net proceeds from the issuance of the Notes on the Closing Date are expected to be approximately £338,402,068. Such proceeds will be applied by the Issuer on the Closing Date:</p> <ul style="list-style-type: none"> (a) to fund the acquisition of the Initial Portfolio Collateral pursuant to each Initial Collateral Acquisition Agreement; (b) to fund the deposit in the Expense Reimbursement Account of approximately £4,000,000, which amounts standing to the credit of the Expense Reimbursement Account will be applied as specified in Condition 3(i)(C) (<i>Expense Reimbursement Account</i>);

- (c) to pay organisational, structuring, legal and offering fees and expenses related to the transaction, including the legal fees of the Collateral Manager, the Trustee, the Collateral Administrator and the Issuer; and
- (d) to pay the remainder into the Unused Proceeds Account pending acquisition of Portfolio Assets on or before the Effective Date.

See further “*Use of Proceeds*”.

Subordination: Subject to the Priorities of Payment, both prior to and following enforcement of the security over the Collateral payment of interest on each Class of Notes is subordinated to payment of interest on any more senior ranking Class of Notes Outstanding and payment of principal on each Class of Notes is subordinated to payment of principal on any more senior ranking Class of Notes Outstanding.

See further Condition 3(b) (*Relationship Among the Classes*).

Class A-1 Note Purchase Agreement: Each Class A-1 Noteholder has agreed that, subject to and in accordance with the terms of the Class A-1 Note Purchase Agreement, prior to the Class A-1 Commitment Termination Date, the Collateral Manager, acting on behalf of the Issuer, may request Fundings (each a “**Funding Request**”), repay such Fundings and then reborrow such amounts in each of the Available Currencies from the Class A-1 Noteholders, in each case, on a *pro rata* basis. Each Class A-1 Noteholder will make such Fundings available to the Issuer in an amount not in excess of such Noteholder’s Class A-1 Pro Rata Share of the Class A-1 Undrawn Commitment Amount on the terms and subject to the conditions set out in the Class A-1 Note Purchase Agreement.

On any Payment Date, the Issuer may, subject to certain conditions, require that any Fundings (or a portion thereof) outstanding in one Available Currency be redenominated in another Available Currency at the Spot Rate on such Payment Date. For all purposes, such redenomination will be treated as a repayment of the Funding (or the relevant portion thereof) which is being redenominated and the contemporaneous provision of a new Funding in an equal amount denominated in such other Available Currency.

The Class A-1 Notes are dual-currency obligations of the Issuer pursuant to which the Class A-1 Noteholders will receive interest and principal in the Available Currencies. The amount of interest and principal payable to a Class A-1 Noteholder in either Available Currency will depend on the amount of Funding made available under the Class A-1 Notes in such Available Currency, which amounts may be repaid or redenominated, in whole or in part, as provided in the Class A-1 Note Purchase Agreement.

The funded amounts in each Available Currency are intended broadly to reflect the mix of underlying assets in the Portfolio denominated in such Available Currency (taking into account the Issuer’s other liabilities in that Available Currency). Each holder of a Class A-1 Note shall be entitled to a *pro rata* share of the interest and principal payable with respect to the Class A-1 Notes in each Available Currency on each Payment Date.

The amount of Funding of the Class A-1 Notes in each Available Currency on the Closing Date will be allocated on 26 April 2007

(the "Pricing Date") as follows: €136,360,000 will be funded in Euro and £96,500,000 will be funded in Sterling.

The provision of any Funding by a Class A-1 Noteholder or the redenomination of any Funding (or any portion thereof) on any Funding Date or Payment Date, as the case may be, is subject to the receipt by the Class A-1 Noteholders of a duly completed Funding Request or redenomination request (as the case may be) and to the following further conditions being satisfied:

- (a) no Event of Default or Potential Event of Default has occurred which is continuing or would occur as a result of making the Funding or redenomination;
- (b) in the case of a Funding, the Class A-1 Commitment Test would be satisfied following the provision of such Funding;
- (c) in the case of a redenomination, the Class A-1 Commitment Test would be satisfied following such redenomination, or, if not satisfied prior to such redenomination, such test shall be no further from being satisfied following such redenomination;
- (d) in the case of a Funding, the proposed Funding Date is prior to the Class A-1 Commitment Termination Date;
- (e) the Class D Principal Coverage Test is satisfied; and
- (f) the Collateral Manager has confirmed to the Class A-1 Noteholders that, to the best of its knowledge, each Transaction Document is in full force and effect.

The interest falling due on the Class A-1 Notes will be payable on each Payment Date subject to and in accordance with the Conditions (see Condition 6 (*Interest and Commitment Fees*)). In addition to interest on Funded Amounts, Class A-1 Noteholders will be entitled to receive the Class A-1 Commitment Fee calculated by reference to the Class A-1 Undrawn Commitment Amount (see Condition 6(a)(iv) (*Commitment Fees Payable on Class A-1 Notes*)).

The Issuer may, on any Payment Date on or prior to the Class A-1 Commitment Termination Date, repay a Funding in whole or in part, provided that it has given the Registrar and the Class A-1 Noteholders (with a copy to the Collateral Administrator) not less than five calendar days' notice identifying and stating the amount and Available Currency of the Funding to be repaid and the date of such repayment.

In the event that a Currency Ratio Test is not satisfied on the Determination Date preceding any Payment Date up to (but excluding) the Class A-1 Commitment Termination Date, the Issuer, at the direction of the Collateral Manager acting in accordance with the terms of the Collateral Management Agreement, shall, on the relevant Payment Date, apply Principal Proceeds in repayment of one or more Fundings in respect of the Class A-1 Notes in an amount equal to the amount necessary to cause each of the Currency Ratio Tests to be met if recalculated following such repayment (but only if and to the extent that sufficient Principal Proceeds are then available in the relevant Available Currency to make such payments in the same Available Currency in which such Fundings are then outstanding).

In the event that the Class A-1 Commitment Test is not satisfied on the Determination Date preceding any Payment Date up to (but excluding) the Class A-1 Commitment Termination Date, the Issuer shall on the relevant Payment Date, apply Principal Proceeds in repayment of one or more Fundings in respect of the Class A-1 Notes in an amount equal to the amount necessary to cause the Class A-1 Commitment Test to be met if recalculated following such repayment (but only if and to the extent that sufficient Principal Proceeds are then available in the relevant Available Currency to make such payments in the same Available Currency in which such Fundings are then outstanding).

Any Fundings outstanding on the Class A-1 Commitment Termination Date shall be repaid, in whole or in part, on the earlier of the Maturity Date and a Redemption Date subject to and in accordance with the Conditions.

If any Class A-1 Noteholder (and, if such Class A-1 Noteholder has a Committed Liquidity Facility Provider, such Committed Liquidity Facility Provider) fails to satisfy the Required Ratings at any time prior to the Class A-1 Commitment Termination Date, then within 30 calendar days after the date on which such Class A-1 Noteholder (or, if such Class A-1 Noteholder has a Committed Liquidity Facility Provider, such Committed Liquidity Facility Provider) first fails to satisfy the Required Ratings, such Class A-1 Noteholder shall: (a) procure that a third party which is an eligible institution which satisfies the Required Ratings provides credit support on such terms such that Rating Agency Confirmation is received in respect thereof; or (b) transfer its Class A-1 Notes and Class A-1 Commitment to a transferee which satisfies the Required Ratings; or (c) enter into such other arrangements subject to Rating Agency Confirmation.

Interest Proceeds and

Principal Proceeds:

Interest Proceeds will comprise, *inter alia*, amounts received as interest on the Portfolio Collateral and Principal Proceeds will comprise, *inter alia*, principal repayments received on the Portfolio Collateral.

Priorities of Payment:

Interest Proceeds and Principal Proceeds, save in the case of any redemption of the Notes pursuant to Condition 7(c) (*Optional Redemption*) or Condition 7(e) (*Redemption upon the occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event*) or enforcement of the security over the Collateral in accordance with Condition 11 (*Enforcement*), will be applied in accordance with the Pre-Enforcement Priorities of Payment.

In the case of any redemption of the Notes pursuant to Condition 7(c) (*Optional Redemption*) or Condition 7(e) (*Redemption upon the occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event*) and following enforcement of the security over the Collateral in accordance with Condition 11 (*Enforcement*), Interest Proceeds and Principal Proceeds shall be applied in accordance with the Post-Enforcement Priorities of Payment.

See further Conditions 3(c) (*Priorities of Payment*) and 11 (*Enforcement*).

Interest Payments:..... Save as provided below in respect of the Class A-1 Notes, interest (and in respect of the Class A-1 Notes, the Class A-1 Commitment Fee) in respect of Notes of each Class will be payable quarterly in arrear on the 9th day of August, November, February and May in each year commencing in August 2007, and each Redemption Date, in each case, to the extent not a Business Day, adjusted in accordance with the Following Business Day Convention.

Prior to the Class A-1 Commitment Termination Date, interest in respect of any Funding made available under the Class A-1 Notes will accrue from each Funding Date and will be payable quarterly in arrear on each Payment Date that such Funding remains outstanding.

Coverage Tests:..... The Coverage Tests applicable to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes (being the “**Class A Principal Coverage Test**”; the “**Class A Interest Coverage Test**”; the “**Class B Principal Coverage Test**”; the “**Class B Interest Coverage Test**”; the “**Class C Principal Coverage Test**”; and the “**Class D Principal Coverage Test**” respectively) will be used to determine primarily whether interest may be paid on certain Classes of Notes and whether Principal Proceeds may be invested in Additional Portfolio Collateral or Substitute Portfolio Collateral or must instead be used, in certain cases, to repay principal on the Notes to the extent necessary to cause such Coverage Test to be met, each as provided in the Priorities of Payment.

The “**Class A Principal Coverage Test**” will be satisfied as at any Measurement Date, for so long as any of the Class A Notes remain Outstanding, if on any such date the Class A Principal Coverage Ratio is at least equal to 127.18 per cent.

The “**Class A Interest Coverage Test**” will be satisfied as at any Measurement Date, for so long as any of the Class A Notes remain Outstanding, if on any such date the Class A Interest Coverage Ratio is at least equal to 140 per cent.

The “**Class B Principal Coverage Test**” will be satisfied as at any Measurement Date, for so long as any of the Class B Notes remain Outstanding, if on any such date the Class B Principal Coverage Ratio is at least equal to 115.63 per cent.

The “**Class B Interest Coverage Test**” will be satisfied as at any Measurement Date, for so long as any of the Class B Notes remain Outstanding, if on any such date the Class B Interest Coverage Ratio is at least equal to 120 per cent.

The “**Class C Principal Coverage Test**” will be satisfied as at any Measurement Date, for so long as any of the Class C Notes remain Outstanding, if on any such date the Class C Principal Coverage Ratio is at least equal to 106.28 per cent.

The “**Class D Principal Coverage Test**” will be satisfied as at any Measurement Date, for so long as any of the Class D Notes remain Outstanding, if on any such date the Class D Principal Coverage Ratio is at least equal to 105.41 per cent.

Interest: Interest is payable on the Notes at the following rates:

Class X Notes: GBPLIBOR (as determined in accordance with Condition 6 (*Interest and Commitment Fees*)) plus 0.15 per cent. per annum (the “**Class X Floating Rate of Interest**”).

Class A-1 Notes: GBPLIBOR or EURIBOR (as determined in accordance with Condition 6 (*Interest and Commitment Fees*)) plus 0.24 per cent. per annum (the “**Class A-1 GBP Floating Rate of Interest**” and the “**Class A-1 EUR Floating Rate of Interest**” respectively).

Class A-2 Notes: GBPLIBOR (as determined in accordance with Condition 6 (*Interest and Commitment Fees*)) plus 0.24 per cent. per annum (the “**Class A-2 Floating Rate of Interest**”).

Class B Notes: GBPLIBOR (as determined in accordance with Condition 6 (*Interest and Commitment Fees*)) plus 0.42 per cent. per annum (the “**Class B Floating Rate of Interest**”).

Class C Notes: GBPLIBOR (as determined in accordance with Condition 6 (*Interest and Commitment Fees*)) plus 0.63 per cent. per annum (the “**Class C Floating Rate of Interest**”).

Class D Notes: GBPLIBOR (as determined in accordance with Condition 6 (*Interest and Commitment Fees*)) plus 1.15 per cent. per annum (the “**Class D Floating Rate of Interest**”).

Class E Notes: GBPLIBOR (as determined in accordance with Condition 6 (*Interest and Commitment Fees*)) plus 2.50 per cent. per annum (the “**Class E Floating Rate of Interest**”).

Class F Notes: GBPLIBOR (as determined in accordance with Condition 6 (*Interest and Commitment Fees*)) plus 3.50 per cent. per annum (the “**Class F Floating Rate of Interest**”).

Class G Subordinated Notes: Interest on the Class G Subordinated Notes is payable on an available funds basis on each Payment Date out of Interest Proceeds, subject to and in accordance with the Priorities of Payment.

See further Condition 6 (*Interest and Commitment Fees*).

Deferral of Interest: For so long as any of the Class X Notes, the Class A-1 Notes or the Class A-2 Notes remains Outstanding, the Issuer will only be obliged to pay any Interest Amount payable in respect of the Class B Notes in full on any Payment Date to the extent that there are Interest Proceeds or Principal Proceeds available for payment thereof in accordance with the Priorities of Payment. An amount of interest equal to any shortfall in payment of the Interest Amount that would otherwise be due and payable in respect of any such Class B Note on any Payment Date (each such amount being referred to as “**Class B Deferred Interest**”) will be deferred and will, with effect from and including such Payment Date, be added to the Principal Amount Outstanding of the Class B Notes and the principal amount of each such Note will be increased by the amount of its *pro rata* share of such Class B Deferred Interest, which will itself bear interest in accordance with the Conditions from such date.

For so long as any of the Class X Notes, the Class A-1 Notes, the Class A-2 Notes or the Class B Notes remains Outstanding, the Issuer will only be obliged to pay any Interest Amount payable in respect of the Class C Notes in full on any Payment Date to the extent that there are Interest Proceeds or Principal Proceeds available for payment thereof in accordance with the Priorities of Payment. An amount of interest equal to any shortfall in payment of the Interest Amount that would otherwise be due and payable in respect of any such Class C Note on any Payment Date (each such amount being referred to as "**Class C Deferred Interest**") will be deferred and will, with effect from and including such Payment Date, be added to the Principal Amount Outstanding of the Class C Notes and the principal amount of each such Note will be increased by the amount of its *pro rata* share of such Class C Deferred Interest, which will itself bear interest in accordance with the Conditions from such date.

For so long as any of the Class X Notes, the Class A-1 Notes, the Class A-2 Notes, the Class B Notes or the Class C Notes remains Outstanding, the Issuer will only be obliged to pay any Interest Amount payable in respect of the Class D Notes in full on any Payment Date to the extent that there are Interest Proceeds or Principal Proceeds available for payment thereof in accordance with the Priorities of Payment. An amount of interest equal to any shortfall in payment of the Interest Amount that would otherwise be due and payable in respect of any such Class D Note on any Payment Date (each such amount being referred to as "**Class D Deferred Interest**") will be deferred and will, with effect from and including such Payment Date, be added to the Principal Amount Outstanding of the Class D Notes and the principal amount of each such Note will be increased by the amount of its *pro rata* share of such Class D Deferred Interest, which will itself bear interest in accordance with the Conditions from such date.

For so long as any of the Class X Notes, the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes or the Class D Notes remains Outstanding, the Issuer will only be obliged to pay any Interest Amount payable in respect of the Class E Notes in full on any Payment Date to the extent that there are Interest Proceeds or Principal Proceeds available for payment thereof in accordance with the Priorities of Payment. An amount of interest equal to any shortfall in payment of the Interest Amount that would otherwise be due and payable in respect of any such Class E Note on any Payment Date (each such amount being referred to as "**Class E Deferred Interest**") will be deferred and will, with effect from and including such Payment Date, be added to the Principal Amount Outstanding of the Class E Notes and the principal amount of each such Note will be increased by the amount of its *pro rata* share of such Class E Deferred Interest, which will itself bear interest in accordance with the Conditions from such date.

For so long as any of the Class X Notes, the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes remains Outstanding, the Issuer will only be obliged to pay any Interest Amount payable in respect of the Class F Notes in full on any Payment Date to the extent that there are Interest Proceeds or Principal Proceeds available for payment thereof in accordance with the Priorities of Payment. An amount of interest equal to any shortfall in payment of the Interest Amount that would otherwise be due and payable in respect of any such Class F Note on any Payment Date (each such amount being

referred to as “**Class F Deferred Interest**”) will be deferred and will, with effect from and including such Payment Date, be added to the Principal Amount Outstanding of the Class F Notes and the principal amount of each such Note will be increased by the amount of its *pro rata* share of such Class F Deferred Interest, which will itself bear interest in accordance with the Conditions from such date.

See further Condition 6(c) (*Deferral of Interest*).

Principal Repayments:

Principal repayments on the Notes will be made on the following dates or in the following circumstances, each as described in further detail below:

- (a) in respect of each Class X Note, on each Payment Date to the extent of the relevant Scheduled Instalment;
- (b) on the Maturity Date;
- (c) subject to certain conditions and after the expiry of the Non-Call Period, at the request in writing of the Collateral Manager subject to the consent of, or at the direction of, prior to the occurrence of a Par Loss Event, the holders of at least 50.01 per cent. of the aggregate Principal Amount Outstanding of the Class G Subordinated Notes and, at any time thereafter, the holders of at least 50.01 per cent. of the aggregate Principal Amount Outstanding of the Controlling Class;
- (d) subject to certain conditions, at the request in writing of the Collateral Manager, subject to the consent of the holders of at least 50.01 per cent. of the aggregate Principal Amount Outstanding of the Controlling Class, if the aggregate Principal Amount Outstanding of all Notes is less than or equal to 30 per cent. of the aggregate Principal Amount Outstanding of all Notes on the Closing Date;
- (e) in the event that one or more of the Coverage Tests is not satisfied on any Measurement Date, to the extent necessary to cause the Coverage Tests to be met if recalculated following such redemption;
- (f) at the direction of the holders of at least 50.01 per cent. in aggregate Principal Amount Outstanding of any Class of Notes that, as a result of the occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event, have not received 100 per cent. of the aggregate amount of principal and interest otherwise payable to such Class on any Payment Date, as applicable;
- (g) if an Effective Date Rating Event has occurred, on each subsequent Payment Date until each of the Rating Agencies has confirmed the ratings of the Rated Notes assigned on the Closing Date;
- (h) in the event that Sale Proceeds, Scheduled Principal Proceeds or Unscheduled Principal Proceeds (the “**Specified Principal Proceeds**”) were deposited in the relevant Principal Collection Account pending investment in Portfolio Assets and such proceeds were not so invested by the ninetieth day following such deposit, on the Payment Date immediately following such

ninetieth day, to the extent of such Specified Principal Proceeds;

- (i) on the Payment Date falling on the last day of the Reinvestment Period and each Payment Date falling thereafter; and
- (j) in the case of the Class A-1 Notes prior to the Class A-1 Commitment Termination Date, (i) in the event that a Currency Ratio Test is not satisfied on any Determination Date, at the discretion of the Collateral Manager, to the extent necessary to cause each of the Currency Ratio Tests to be met if recalculated following such repayment (but only if and to the extent that sufficient Principal Proceeds are then available in the relevant Available Currency), (ii) in the event that the Class A-1 Commitment Test is not satisfied on any Determination Date, to the extent necessary to cause the Class A-1 Commitment Test to be met if recalculated following such repayment, (but only if and to the extent that sufficient Principal Proceeds are then available in the relevant Available Currency), and (iii) at the discretion of the Collateral Manager, to the extent permitted pursuant to the terms of the Class A-1 Note Purchase Agreement.

See further Condition 7 (*Redemption, Purchase and Cancellation*).

**Scheduled Instalments
on the Class X Notes:**

Save to the extent previously redeemed and cancelled, the Issuer will redeem the Class X Notes on each Payment Date by the payment, from Interest Proceeds or, in the event there are insufficient Interest Proceeds to make such payment, Principal Proceeds of an amount equal to the Scheduled Instalment for such Payment Date subject to and in accordance with the Priorities of Payment.

See further Condition 7(a) (*Scheduled Redemption of Class X Notes*).

Final Maturity:

Save to the extent previously redeemed and cancelled, the Notes of each Class will be redeemed on their Maturity Date being, in the case of the Notes of each Class (other than the Class X Notes), the Payment Date falling in May 2047 and, in the case of the Class X Notes, the Payment Date falling in May 2015.

See further Condition 7(b) (*Final Redemption*).

**Redemption at the Option of
the Collateral Manager:**

Subject to the provisions of Condition 7(c)(iii) (*Conditions to Certain Redemptions*), the Notes may be redeemed by the Issuer on any Payment Date after the expiry of the Non-Call Period, in whole but not in part, from the proceeds of liquidation or realisation of the Collateral, at the request in writing of the Collateral Manager subject to the consent of, or at the direction of, prior to the occurrence of a Par Loss Event, the holders of at least 50.01 per cent. of the aggregate Principal Amount Outstanding of the Class G Subordinated Notes and, at any time thereafter, the holders of at least 50.01 per cent. of the aggregate Principal Amount Outstanding of the Controlling Class (in each case, as evidenced by duly completed Redemption Notices) not less than 60 calendar days prior to the proposed Redemption Date.

See further Condition 7(c)(i) (*Redemption at the Option of the Collateral Manager*).

Clean-up Call Redemption: Subject to the provisions of Condition 7(c)(iii) (*Conditions to Certain Redemptions*), the Notes shall be redeemed by the Issuer, in whole but not in part, upon not more than 60 and not less than 30 days notice, on any Payment Date if the aggregate Principal Amount Outstanding of all Notes is less than or equal to 30 per cent. of the aggregate Principal Amount Outstanding of all Notes on the Closing Date, from the proceeds of liquidation or realisation of the Collateral, at the request in writing of the Collateral Manager subject to the consent of the holders of at least 50.01 per cent. of the aggregate Principal Amount Outstanding of the Controlling Class.

See further Condition 7(c)(ii) (*Clean-up Call Redemption*).

**Mandatory Redemption
Upon Breach of Coverage Tests:** In the event that any of the Coverage Tests is not satisfied on any Measurement Date, Interest Proceeds and in certain circumstances, Principal Proceeds, will be applied, subject to the relevant Priorities of Payment, on the next Payment Date to redeem the Notes, to the extent necessary to cause each such Coverage Test to be met if recalculated following such redemption.

See further Condition 7(d) (*Mandatory Redemption upon Breach of Coverage Tests*).

**Redemption upon the
occurrence of an
Administrative Expenses
Event, a Collateral Tax Event,
an Onshore Tax Event or a
Note Tax Event:** Subject to the provisions of Condition 7(c)(iii) (*Conditions to Certain Redemptions*) in the case of a redemption upon the occurrence of an Administrative Expenses Event, at the direction of the holders of at least 50.01 per cent. in aggregate Principal Amount Outstanding of any Class of Notes that, as a result of the occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event, has not received 100 per cent. of the aggregate amount of principal and interest otherwise payable to such Class on any Payment Date as applicable, the Notes will be redeemed by the Issuer, in accordance with the Priorities of Payment, in whole but not in part, from the proceeds of liquidation or realisation of the Collateral.

See further Condition 7(e) (*Redemption upon the occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event*).

**Mandatory Redemption upon Failure
to obtain a Rating Agency
Confirmation** In the event that the Issuer fails to obtain from each of the Rating Agencies confirmation in writing of the ratings of the Rated Notes assigned on the Closing Date within 20 Business Days after publication of the most recent Note Valuation Report immediately following the Effective Date, all amounts standing to the credit of the Unused Proceeds Account, all Interest Proceeds and, to the extent required, all other Principal Proceeds will be applied to redeem the Notes (other than the Class X Notes), subject to and in

accordance with the Priorities of Payment, until such confirmation is obtained.

See further Condition 7(f) (*Mandatory Redemption upon failure to obtain a Rating Agency Confirmation*).

Redemption upon Failure to Identify Additional Portfolio Collateral and Substitute Portfolio Collateral during the Reinvestment Period:

On the Payment Date immediately following the ninetieth day after any Sale Proceeds, Scheduled Principal Proceeds or Unscheduled Principal Proceeds (the "**Specified Principal Proceeds**") were deposited in the relevant Principal Collection Account pending investment in Portfolio Assets and such proceeds were not so invested by such ninetieth day, such Specified Principal Proceeds shall be applied, subject to and in accordance with the Priorities of Payments, to redeem the Notes (other than the Class X Notes) to the extent of such Specified Principal Proceeds.

See further Condition 7(g) (*Redemption upon failure to Identify Additional Portfolio Collateral and Substitute Portfolio Collateral during the Reinvestment Period*).

Repayment after the Reinvestment Period out of Principal Proceeds:

On the Payment Date falling on the last day of the Reinvestment Period and each Payment Date falling thereafter, Principal Proceeds shall be applied, subject to and in accordance with the Priorities of Payments, to redeem the Notes (other than the Class X Notes).

See further Condition 7(h) (*Redemption following Expiry of the Reinvestment Period*).

Redemption of the Class A-1 Notes:

In the event that a Currency Ratio Test is not satisfied on the Determination Date preceding any Payment Date up to (but excluding) the Class A-1 Commitment Termination Date, the Issuer, at the direction of the Collateral Manager acting in accordance with the terms of the Collateral Management Agreement, shall, on the relevant Payment Date, apply Principal Proceeds in repayment of one or more Fundings in respect of the Class A-1 Notes in an amount equal to the amount necessary to cause each of the Currency Ratio Tests to be met if recalculated following such repayment (but only if and to the extent that sufficient Principal Proceeds are then available in the relevant Available Currency to make such payments in the same Available Currency in which such Fundings are then outstanding).

In the event that the Class A-1 Commitment Test is not satisfied on the Determination Date preceding any Payment Date up to (but excluding) the Class A-1 Commitment Termination Date, the Issuer shall on the relevant Payment Date, apply Principal Proceeds in repayment of one or more Fundings in respect of the Class A-1 Notes in an amount equal to the amount necessary to cause the Class A-1 Commitment Test to be met if recalculated following such repayment (but only if and to the extent that sufficient Principal Proceeds are then available in the relevant Available Currency to make such payments in the same Available Currency in which such Fundings are then outstanding).

In addition, the Issuer may, on any Payment Date on or prior to the Class A-1 Commitment Termination Date, repay a Funding in whole or in part subject to and in accordance with the terms of the Class A-1 Note Purchase Agreement.

See further Condition 7(i) (*Redemption of the Class A-1 Notes*).

**Redemption Prices upon
Mandatory or Optional
Redemption:**

Class X Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes: 100 per cent. of the Principal Amount Outstanding and any accrued interest to the date of redemption for each such Class of Notes paid in accordance with the Priorities of Payment.

Class A-1 Notes: 100 per cent. of the Principal Amount Outstanding together with interest and any Class A-1 Commitment Fees accrued thereon to the date of redemption for such Class A-1 Notes.

Class G Subordinated Notes: In respect of each Class G Subordinated Note, its *pro rata* share (based on the proportion which the Principal Amount Outstanding of such Class G Subordinated Note bears to the aggregate Principal Amount Outstanding of all Class G Subordinated Notes immediately prior to such redemption) of the aggregate proceeds of liquidation of the Collateral or realisation of the security thereover in such circumstances remaining following application thereof in accordance with the Priorities of Payment set out in Condition 11(b) (*Enforcement*).

Non-Call Period:

The period from and including the Closing Date to but excluding the Payment Date falling in May 2010. Accordingly, the first Payment Date on which the Notes may be redeemed pursuant to Condition 7(c)(i) (*Redemption at the Option of the Collateral Manager*) is the Payment Date falling in August 2010.

**Consequences of Non-
Payment:**

Save (i) in the case of the payment of interest on the Class X Notes pursuant to Condition 3(c)(i)(F) (*Application of Interest Proceeds*), the payment of interest and Class A-1 Commitment Fees on the Class A-1 Notes pursuant to Condition 3(c)(i)(G) (*Application of Interest Proceeds*) and the payment of interest on the Class A-2 Notes pursuant to Condition 3(c)(i)(H) (*Application of Interest Proceeds*); or (ii) (following redemption and payment in full of the Class X Notes, the Class A-1 Notes and the Class A-2 Notes), payment of interest on the Class B Notes pursuant to Condition 3(c)(i)(J) (*Application of Interest Proceeds*) or (iii) (following redemption and payment in full of the Class B Notes), payment of interest on the Class C Notes pursuant to Condition 3(c)(i)(M) (*Application of Interest Proceeds*); or (iv) (following redemption and payment in full of the Class C Notes), payment of interest on the Class D Notes pursuant to Condition 3(c)(i)(Q) (*Application of Interest Proceeds*); or (v) (following redemption and payment in full of the Class D Notes), payment of interest on the Class E Notes pursuant to Condition 3(c)(i)(T) (*Application of Interest Proceeds*); or (vi) (following redemption and payment in full of the Class E Notes), payment of interest on the Class F Notes pursuant to Condition 3(c)(i)(V) (*Application of Interest Proceeds*); and save further in the case of the payment in full of the principal amount of any Class of Notes on any Redemption Date; failure on the part of

the Issuer to pay any of the amounts referred to in Conditions 3(c)(i) (*Application of Interest Proceeds*) and 3(c)(ii) (*Application of Principal Proceeds*) to the Noteholders or otherwise, by reason solely of the fact that there are insufficient funds standing to the credit of the Payment Accounts, shall not constitute an Event of Default pursuant to Condition 10(a)(i) (*Events of Default*).

See further Condition 3(d) (*Non-Payment of Amounts*).

Security for the Notes:..... Pursuant to the Trust Deed and the Euroclear Pledge Agreement, the obligations of the Issuer in respect of, *inter alia*, the Notes of each Class, the Trust Deed, the Agency Agreement, the Collateral Administration Agreement and the Collateral Management Agreement (together with the obligations owed by the Issuer to the other Secured Parties) are secured in favour of the Trustee for itself and for the benefit of the Secured Parties by security granted by the Issuer over the Collateral. See further Condition 4(a) (*Security*).

Withholding Tax:..... All payments made by the Issuer in respect of the Notes will be made without any deduction or withholding for or on account of any tax unless such deduction or withholding is required by applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If the Issuer is so required to deduct or withhold, then the Issuer will not be obliged to pay any additional amounts in respect of such withholding or deduction. Any such withholding or deduction shall not constitute an Event of Default under Condition 10(a) (*Events of Default*).

See further Condition 9 (*Taxation*).

Tax Status: See "*Tax Considerations*".

Listing and Trading: Application will be made to the Irish Financial Services Regulatory Authority ("**IFSR**A"), as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**"), for this Prospectus to be approved. Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. See "*General Information*". There is currently no market for the Notes and no assurance can be given that such market will develop. See "*Risk Factors—Relating to the Notes—Limited Liquidity of the Notes and Restrictions on Transfer*".

Ratings:..... It is a condition to the issuance of the Notes that the Class X Notes be rated "AAA" by Fitch and "AAA" by S&P, that the Class A-1 Notes be rated "AAA" by Fitch and "AAA" by S&P, that the Class A-2 Notes be rated "AAA" by Fitch and "AAA" by S&P, that the Class B Notes be rated at least "AA" by Fitch and at least "AA" by S&P, that the Class C Notes be rated at least "A" by Fitch and at least "A" by S&P, that the Class D Notes be rated at least "BBB" by Fitch and at least "BBB" by S&P, that the Class E Notes be rated at least "BB" by Fitch and at least "BB" by S&P and that the Class F Notes be rated at least "BB-" by Fitch and at least "BB-" by S&P. Such ratings will be obtained on the Closing Date. A rating has not been and will not be sought for the Class G Subordinated Notes. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the applicable Rating Agency. See "*Ratings of the Notes*".

The Collateral

Purchase of Portfolio Collateral:..... On the Closing Date the Issuer will enter into the Initial Collateral Acquisition Agreements and apply part of the net proceeds of the issue of the Notes to pay the purchase price for the Initial Portfolio Collateral to be acquired thereunder on the Closing Date.

During the Ramp-Up Period, the Collateral Manager, acting on behalf of the Issuer, shall use all commercially reasonable efforts to apply available cash standing to the credit of the Unused Proceeds Account in the acquisition of Original Portfolio Collateral, subject to the restrictions described below.

As described in more detail below under “*Management of Portfolio*” during the Reinvestment Period, Unscheduled Principal Proceeds and Scheduled Principal Proceeds will be reinvested in Portfolio Assets that meet the Eligibility Criteria if, after giving effect to such reinvestment, the Reinvestment Criteria described below are satisfied as of the date of the commitment to purchase such Substitute Portfolio Assets. Unscheduled Principal Proceeds and Scheduled Principal Proceeds will not be reinvested following the Reinvestment Period.

Management of Portfolio Collateral: The Collateral Manager will purchase, on behalf of the Issuer, Portfolio Assets which satisfy the Eligibility Criteria (including all Additional Portfolio Assets and Substitute Portfolio Assets) and will monitor the performance and credit quality of the Portfolio Assets on an ongoing basis.

Sale of Portfolio Assets: Subject to the terms of the Collateral Management Agreement, the Collateral Manager may, on behalf of the Issuer, sell:

- (a) *at any time:*
 - (i) any Credit Risk Portfolio Assets;
 - (ii) any Defaulted Portfolio Assets;
 - (iii) any Credit Improved Portfolio Assets; and
- (b) *during the period from the Effective Date to the end of the Reinvestment Period:*

any Portfolio Asset which is not a Credit Risk Portfolio Asset, a Credit Improved Portfolio Asset or a Defaulted Portfolio Asset, subject to the aggregate Principal Balance of any such Portfolio Assets sold (including the Principal Balance of the proposed Portfolio Assets to be sold) during any given year (for which purpose a year shall be the period from (and including) one anniversary of the Effective Date to (but excluding) the next anniversary of the Effective Date) does not exceed 15 per cent. of the aggregate Principal Balance of the Portfolio Collateral outstanding at the beginning of such year (excluding Defaulted Collateral) on the proposed date of the sale, subject, in each case to certain restrictions described under “*The Portfolio—Management of the Portfolio*”.

Ramp-up Period: The period from the Closing Date to and including the Effective Date.

Effective Date:	The earlier of (a) the second Payment Date after the Closing Date and (b) in the event that the Collateral Manager, acting on behalf of the Issuer, is able to purchase Portfolio Collateral with an Aggregate Principal Balance equal to the Required Portfolio Collateral Amount, the date the Collateral Manager declares that the Effective Date has occurred subject to certain requirements specified in the Collateral Management Agreement being satisfied including receipt by the Collateral Manager of (i) notification from the Collateral Administrator (following receipt of a request from the Collateral Manager) that the Collateral Quality Tests, the Portfolio Profile Tests and the Coverage Tests as calculated by the Collateral Administrator are satisfied, and (ii) Rating Agency Confirmation in respect of such declaration.
Reinvestment Period:	Subject to adjustment in accordance with the terms of the Collateral Management Agreement, the period from (and including) the Closing Date to (and including) the earlier of: (a) the Payment Date falling in May 2010 and (b) the date on which the Collateral Manager requests, or is directed by the requisite percentage of Noteholders of the requisite Class to request, that the Notes of each Class be redeemed in accordance with Condition 7(c) (<i>Optional Redemption</i>).
Collateral Management Fee:	As compensation for the performance of its obligations under the Collateral Management Agreement, the Collateral Manager is entitled to receive, subject to the relevant Priorities of Payment, the Collateral Management Fee. See further " <i>The Collateral Management Agreement</i> ".
Accounts:	For the purposes of the Notes, the Issuer, prior to the Closing Date, will establish with the Account Bank, the Principal Collection Accounts, the Interest Collection Accounts, the Expense Reimbursement Account, the Hedge Termination Accounts, any Counterparty Downgrade Collateral Accounts, the Payment Accounts and the Unused Proceeds Account. The Issuer will also open custody account with the Custodian in accordance with the Agency Agreement. See further Condition 3(i) (<i>Accounts</i>).
Eligible Investments:	Amounts (other than amounts representing collateral posted to a Counterparty Downgrade Collateral Account by any Hedge Counterparty to the extent that such amounts have not been released to the Issuer pursuant to the terms of the relevant Hedge Agreement) standing to the credit of the Accounts may from time to time be invested by the Collateral Administrator (acting on the written instructions of the Collateral Manager) on behalf of the Issuer in Eligible Investments.
Hedge Agreements:	It is anticipated that the Issuer will enter into certain Basis Hedge Agreements, Currency Hedge Agreements, Interest Rate Hedge Agreements and Liquidity Swap Agreements on the Closing Date. In addition, the Collateral Manager (on behalf of the Issuer) may at any time thereafter enter into additional or replacement Basis Hedge Agreements, Currency Hedge Agreements, Interest Rate Hedge Agreements and Liquidity Swap Agreements to protect the Issuer against various general market or specific interest rate and currency related risks.

Furthermore, the Collateral Management Agreement provides that, subject to certain limited exceptions, if on any Measurement Date (a) the Euro Currency Ratio Test is not satisfied, the Issuer shall: (i) enter into one or more Currency Hedge Transactions; (ii) reduce the notional principal amount of one or more existing Currency Hedge Transactions; (iii) prior to the Class A-1 Commitment Termination Date, repay a portion of the relevant Class A-1 Funding on the Payment Date following such Measurement Date; or (iv) redenominate a portion of the relevant Class A-1 Funding on the Payment Date following such Measurement Date, in each case, such that the Euro Currency Ratio Test is satisfied; (b) the Sterling Currency Ratio Test is not satisfied and the Euro Currency Ratio is greater than 101 per cent., the Issuer shall: (i) enter into one or more Currency Hedge Transactions; (ii) reduce the notional principal amount of one or more existing Currency Hedge Transactions; (iii) prior to the Class A-1 Commitment Termination Date, repay a portion of the relevant Class A-1 Funding on the Payment Date following such Measurement Date; or (iv) redenominate a portion of the relevant Class A-1 Funding on the Payment Date following such Measurement Date, in each case, to the extent that the Euro Currency Ratio will not be less than 100 per cent.

See further "*The Hedging Arrangements*".

Governing Law:

The Notes, the Trust Deed, the Class A-1 Note Purchase Agreement and each of the other Transaction Documents (other than the Corporate Services Agreement and the Euroclear Pledge Agreement) will be governed by, and construed in accordance with, English law. The Corporate Services Agreement will be governed by, and construed in accordance with, the laws of Ireland. The Euroclear Pledge Agreement will be governed by, and construed in accordance with, the laws of Belgium.

RISK FACTORS

An investment in the Notes involves certain risks (including risks related to the Portfolio Collateral securing the Notes). Prospective investors should carefully consider the following factors, in addition to the matters set forth elsewhere in this document prior to investing in any Class of Notes.

A. GENERAL

A1. General Investment Risk

It is intended that the Issuer will invest in Portfolio Assets with certain risk characteristics as described below and subject to the investment policies, restrictions and guidelines described in “*The Portfolio*”. There can be no assurance that the Issuer’s investments will be successful, that its investment objectives will be achieved, that the Noteholders will receive the full amounts payable at any time by the Issuer under the Notes or that they will receive any return on their investment in the Notes. Prospective investors are therefore advised to review this entire Prospectus carefully and should consider, among other things, the risk factors set out in this section before deciding whether to invest in the Notes. Except as is otherwise stated below, the risk factors set out in this Prospectus are generally applicable to all Classes of Notes, although the degree of risk associated with each Class of Notes will vary in accordance with the position of such Class of Notes in the Priorities of Payment (see Condition 3(c) (*Priorities of Payment*)). In particular, all payments in respect of the Class X Notes are generally higher in the Priorities of Payment than those of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes. None of the Joint Lead Managers, the Trustee, the Collateral Administrator or any Agent undertakes to review the financial condition or affairs of the Issuer or the Collateral Manager (or the financial condition of any issuer of any security comprising any part of the Portfolio Collateral) during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Joint Lead Managers, the Trustee, the Collateral Administrator or any Agent which is not included in this Prospectus.

A2. Suitability

Prospective investors in the Notes of any Class should ensure that they understand the nature of such Notes and the extent of their exposure to risk, that they have sufficient knowledge, experience and access to professional advisers to make their own legal, tax, accounting and financial evaluation of the merits and risks of investment in such Notes and that they consider the suitability of such Notes as an investment in light of their own circumstances and financial condition.

B. RELATING TO THE NOTES

B1. Limited Recourse Obligations

The Notes are limited recourse debt obligations of the Issuer, secured pursuant to the Trust Deed and the Euroclear Pledge Agreement solely by various charges and assignments by way of security over the Collateral by the Issuer to the Trustee for the benefit of the Secured Parties.

If the net proceeds of realisation of the security constituted by the Trust Deed and the Euroclear Pledge Agreement upon enforcement thereof in accordance with Condition 11 (*Enforcement*) and the provisions of the Trust Deed and the Euroclear Pledge Agreement, are less than the aggregate amount payable in such circumstances by the Issuer in respect of the Notes and to the other Secured Parties (such negative amount being referred to herein as a “**shortfall**”), all of the obligations of the Issuer in respect of the Notes of each Class and its obligations to the other Secured Parties in such circumstances will be limited to such net proceeds which shall be applied in accordance with the Post-Enforcement Priorities of Payment. In such circumstances the Issuer will not be obliged to pay, and the other assets (if any) of the Issuer will not be available for payment of, such shortfall which shall be suffered by the Secured Parties in accordance with the Post-Enforcement Priorities of Payment (applied in reverse order), the rights of the Secured Parties to receive any further amounts in respect of such obligations shall be extinguished and shall not thereafter revive and none of the Noteholders of any Class or the other Secured Parties may take any further action to recover such amounts.

None of the Noteholders of any Class, or the other Secured Parties (nor any other person acting on behalf of any of them) shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any insolvency, reorganisation, arrangement, examinership, winding-up or liquidation proceedings or

other proceedings under any applicable insolvency or similar law in connection with any obligations of the Issuer relating to the Notes of any Class, the Trust Deed or otherwise owed to the Secured Parties, save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer.

Pursuant to the terms of the Trust Deed on each Payment Date prior to enforcement of the security constituted under the terms of the Trust Deed and the Euroclear Pledge Agreement or redemption of the Notes in accordance with Condition 7(c) (*Optional Redemption*) or 7(e) (*Redemption upon the occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event*), the Issuer and the Secured Parties shall be bound by the Pre-Enforcement Priorities of Payment in respect of the application of Interest Proceeds and Principal Proceeds as set out in Conditions 3(c)(i) (*Application of Interest Proceeds*) and 3(c)(ii) (*Application of Principal Proceeds*).

Only the Trustee may pursue the remedies available under the Trust Deed to enforce the rights of the Noteholders under the Trust Deed and the Notes and no Noteholder or other Secured Party may proceed directly against the Issuer, or any of the Collateral.

B2. Limited Liquidity of the Notes and Restrictions on Transfer

Currently no market exists for the Notes. Whilst the Joint Lead Managers may from time to time make a market in any Class of Notes upon their respective issuance, they are under no obligation to do so. In addition, there can be no assurance that any secondary market will provide the holders of any Notes with liquidity of investment or will continue for the life of such Notes. Consequently, a purchaser must be prepared to hold such Notes for an indefinite period of time and potentially until their stated maturity. In addition, the Notes are subject to certain transfer restrictions which may further limit their liquidity. See "*Purchase and Sale*".

B3. Book-Entry Interests

Unless and until Definitive Notes are issued in exchange for the Global Notes, holders and beneficial owners of Book-Entry Interests will not be considered the legal owners or holders of Notes under the Trust Deed. After payment to the Principal Paying Agent, the Issuer will not have responsibility or liability for the payment of interest, principal or other amounts to the Common Depositary or to holders or beneficial owners of Book-Entry Interests. The Common Depositary or its nominee will be the sole legal Noteholder under the Trust Deed while the Notes are represented by the Global Notes. Accordingly, each person owning a Book-Entry Interest must rely on the relevant procedures of Euroclear and Clearstream, Luxembourg and, if such person is not a participant in such entities, on the procedures of the participant through which such person owns its interest, to exercise any right of a Noteholder under the Trust Deed.

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

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

Although Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of Book-Entry Interests among the account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any of their agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants or account holders of their respective obligations under the rules and procedures governing their operations.

Because transactions in the Global Notes will be effected only through Euroclear, Clearstream, Luxembourg, direct or indirect participants in the book-entry system of Euroclear or Clearstream, Luxembourg (“**Direct or Indirect Participants**”) and certain banks, the ability of a Noteholder to pledge such interest to persons or entities that do not participate in such systems, or otherwise to take actions in respect of such interests, may be limited due to the lack of physical security representing such interest.

B4. Subordination of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes; Conflicts of Interest between Noteholders

Payments of interest and Scheduled Instalments in respect of the Class X Notes will rank senior in right of payment to payments of interest in respect of each other Class of Notes. Payments of interest and Class A-1 Commitment Fees in respect of the Class A-1 Notes will rank senior in right of payment to payments of interest in respect of the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes but subordinated in right of payment to payments of interest and Scheduled Instalments in respect of the Class X Notes. Payments of interest in respect of the Class A-2 Notes will rank senior in right of payment to payments of interest in respect of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes but subordinated in right of payment to payments of interest and Class A-1 Commitment Fees in respect of the Class A-1 Notes and payments of interest and Scheduled Instalments in respect of the Class X Notes. Payments of interest in respect of the Class B Notes will rank senior in right of payment to payments of interest in respect of the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes, but subordinated in right of payment to payments of interest and Class A-1 Commitment Fees in respect of the Class A-1 Notes, payments of interest on the Class A-2 Notes and payments of interest and Scheduled Instalments in respect of the Class X Notes. Payments of interest in respect of the Class C Notes will rank senior in right of payment to payments of interest in respect of the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes, but subordinated in right of payment to payments of interest and Class A-1 Commitment Fees in respect of the Class A-1 Notes, payments of interest in respect of the Class A-2 Notes and the Class B Notes and payments of interest and Scheduled Instalments in respect of the Class X Notes. Payments of interest in respect of the Class D Notes will rank senior in right of payment to payments of interest in respect of the Class E Notes, the Class F Notes and the Class G Subordinated Notes but subordinated in right of payment to payments of interest and Class A-1 Commitment Fees in respect of the Class A-1 Notes, payments of interest in respect of the Class A-2 Notes, the Class B Notes and the Class C Notes and payments of interest and Scheduled Instalments in respect of the Class X Notes. Payments of interest in respect of the Class E Notes will rank senior in right of payment to payments of interest in respect of the Class F Notes and the Class G Subordinated Notes but subordinated in right of payment to payments of interest and Class A-1 Commitment Fees in respect of the Class A-1 Notes, payments of interest in respect of the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes and payments of interest and Scheduled Instalments in respect of the Class X Notes. Payments of interest in respect of the Class F Notes will rank senior in right of payment to payments of interest and Class A-1 Commitment Fees in respect of the Class A-1 Notes, payments of interest in respect of the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes and payments of interest and Scheduled Instalments in respect of the Class X Notes. Lastly, payments of interest in respect of the Class G Subordinated Notes will be subordinated in right of payment to payments of interest and Class A-1 Commitment Fees in respect of the Class A-1 Notes, payments of interest in respect of all other Classes of Notes and payments of Scheduled Instalments in respect of the Class X Notes.

Repayment of principal in respect of the Class A-1 Notes will rank senior in right of payment to the repayment of principal in respect of each other Class of Notes (subject as provided below in relation to the Class X Notes). Repayment of principal in respect of the Class A-2 Notes will rank senior in right of payment to the repayment of principal in respect of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes but subordinated in right of payment to the repayment of principal in respect of the Class A-1 Notes. Repayment of principal in respect of the Class B Notes will rank senior in right of payment to the repayment of principal in respect of the Class C Notes, the Class D Notes, the

Class E Notes, the Class F Notes and the Class G Subordinated Notes but subordinated in right of payment to the repayment of principal in respect of the Class A-1 Notes and the Class A-2 Notes. Repayment of principal in respect of the Class C Notes will rank senior in right of payment to the repayment of principal in respect of the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes but subordinated in right of payment to the repayment of principal in respect of the Class A-1 Notes, the Class A-2 Notes and the Class B Notes. Repayment of principal in respect of the Class D Notes will rank senior in right of payment to the repayment of principal in respect of the Class E Notes, the Class F Notes and the Class G Subordinated Notes but subordinated in right of payment to the repayment of principal in respect of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes and the Class C Notes. Repayment of principal in respect of the Class E Notes will rank senior in right of payment to the repayment of principal in respect of the Class F Notes and the Class G Subordinated Notes but subordinated in right of payment to the repayment of principal in respect of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes. Repayment of principal in respect of the Class F Notes will rank senior in right of payment to the repayment of principal in respect of the Class G Subordinated Notes but subordinated in right of payment to the repayment of principal in respect of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes. Lastly, repayment of principal in respect of the Class G Subordinated Notes will be subordinated in right of payment to the repayment of principal in respect of all other Classes of Notes.

Other than in the case of any redemption of the Notes pursuant to Condition 7(c) (*Optional Redemption*) or Condition 7(e) (*Redemption Upon the Occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event*) or following enforcement of the security over the Collateral in accordance with Condition 11 (*Enforcement*), repayment of principal in respect of the Class X Notes will be made only by the payment of Scheduled Instalments out of Interest Proceeds available for such purpose or, in the event there are insufficient Interest Proceeds, Principal Proceeds available for such purpose and such payment of Scheduled Instalments will rank senior in right of payment to the repayment of principal in respect of each other Class of Notes. In the case of any redemption of the Notes pursuant to Condition 7(c) (*Optional Redemption*) or Condition 7(e) (*Redemption Upon the Occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event*) and following enforcement of the security over the Collateral in accordance with Condition 11 (*Enforcement*), the Class X Notes shall be redeemed from Interest Proceeds and Principal Proceeds subject to and in accordance with the Post-Enforcement Priorities of Payment and will rank senior in right of payment to the repayment of principal in respect of each other Class of Notes.

On each Payment Date up to (but excluding) the Class A-1 Commitment Termination Date, Fundings in respect of the Class A-1 Notes may be repaid subject to and in accordance with the Class A-1 Note Purchase Agreement (including where there are Class X Notes outstanding) which may affect the priority of the Notes as referred to above.

To the extent that any losses are incurred by the Issuer in respect of any Collateral, such losses will be borne first by the Class G Noteholders; then by the Class F Noteholders; then by the Class E Noteholders; then by the Class D Noteholders; then by the Class C Noteholders; then by the Class B Noteholders; then by the Class A-2 Noteholders; then by the Class A-1 Noteholders; and finally by the Class X Noteholders.

In accordance with the applicable Priorities of Payment, subject to the satisfaction of the Coverage Tests, certain collections on the Portfolio Collateral will be used to pay certain amounts due with respect to the Notes and to make certain subordinate payments, including payment of certain administrative expenses of the Issuer. To the extent that any such distributions are made rather than retained as additional collateral for the Notes, the amounts so distributed will not be available to support payments of principal and interest subsequently payable in respect of the Notes.

The Trust Deed provides that in the event of any conflict of interest between the Class X Noteholders, the Class A-1 Noteholders, the Class A-2 Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders, the Class F Noteholders and the Class G Noteholders, subject as provided below, the interests of the Controlling Class will prevail. If in the sole discretion of the Trustee, the Controlling Class does not have an interest in the outcome of the conflict, the Trustee shall give priority to the interests of the Class A-2 Noteholders over the interests of the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders, the Class F Noteholders and the Class G Noteholders and to the interests of the Class B Noteholders over the interests of the Class C Noteholders, the Class D Noteholders, the Class E Noteholders, the Class F Noteholders and the Class G Noteholders and to the interests of the Class C Noteholders over the interests of the Class D Noteholders, the Class E Noteholders, the Class F Noteholders and the Class G Noteholders and to the interests of the Class D Noteholders over the interests of the Class E

Noteholders, the Class F Noteholders and the Class G Noteholders and to the interests of the Class E Noteholders over the interests of the Class F Noteholders and the Class G Noteholders and to the interests of the Class F Noteholders over the interests of the Class G Noteholders. In the event that the Trustee receives conflicting or inconsistent requests from two or more groups of holders of the Controlling Class (or another Class given priority), the Trustee will, subject as provided below, give priority to the group which holds the greater principal amount of the Notes Outstanding of such Class. The Trust Deed provides further that the Trustee will act upon the directions of the holders of the Controlling Class (or any other Class given priority) in such circumstances, and will not be obliged to consider the interests of the holders of any other Class of Notes. Where, in the opinion of the Trustee, a Basic Terms Modification gives rise or may give rise to a conflict between the interests of the Class X Noteholders and the Class A-1 Noteholders, the Trustee will require an Extraordinary Resolution to be passed by each of them before agreeing to effect the amendments contemplated by such Basic Terms Modification. The Trustee is not required to have regard to the interests of any of the other Secured Parties.

B5. Payments of Interest and Principal on the Notes

There can be no assurance that the distributions on the Portfolio and other Collateral charged and assigned by the Issuer to secure the Notes will be sufficient to enable the Issuer to make payments of interest and principal on the Notes after making payments which rank senior to such payments pursuant to the applicable Priorities of Payment. The Issuer's ability to make payments of interest and principal in respect of any Class of Notes will be constrained by the terms of any Notes ranking in priority thereto in accordance with the applicable Priorities of Payment, by the level of distributions received in respect of the Portfolio Collateral and, in certain circumstances, by any interest rate mismatch. To the extent that interest payments on the Class B Notes, on the Class C Notes, on the Class D Notes, on the Class E Notes and on the Class F Notes are not made on the relevant Payment Date, such unpaid interest amount will be added to the principal amount of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes as the case may be. Any failure to pay interest on the Class B Notes or the Class C Notes or the Class D Notes or the Class E Notes or the Class F Notes when due will not be an Event of Default in respect of such Notes so long as any Class X Notes, Class A-1 Notes and Class A-2 Notes, or, as the case may be, Class B Notes, or as the case may be, Class C Notes, or as the case may be, Class D Notes, or as the case may be, Class E Notes remain Outstanding. Any failure to pay interest on the Class G Subordinated Notes when due will never be an Event of Default.

B6. Prepayment Risk in case of failure of a Currency Ratio Test or the Class A-1 Commitment Test

In the event that a Currency Ratio Test is not satisfied on the Determination Date preceding any Payment Date up to (but excluding) the Class A-1 Commitment Termination Date, the Issuer, if directed to do so by the Collateral Manager acting in accordance with the terms of the Collateral Management Agreement, will, on the relevant Payment Date, be required to apply Principal Proceeds in repayment of one or more Fundings in respect of the Class A-1 Notes in an amount equal to the amount necessary to cause each of the Currency Ratio Tests to be met if recalculated following such repayment (but only if and to the extent that sufficient Principal Proceeds are then available in the relevant Available Currency to make such payments in the same Available Currency in which such Fundings are then outstanding).

In the event that the Class A-1 Commitment Test is not satisfied on the Determination Date preceding any Payment Date up to (but excluding) the Class A-1 Commitment Termination Date, the Issuer shall on the relevant Payment Date, apply Principal Proceeds in repayment of one or more Fundings in respect of the Class A-1 Notes in an amount equal to the amount necessary to cause the Class A-1 Commitment Test to be met if recalculated following such repayment (but only if and to the extent that sufficient Principal Proceeds are then available in the relevant Available Currency to make such payments in the same Available Currency in which such Fundings are then outstanding).

B7. Prepayment Risk in case of downgrade of the Portfolio Collateral

Any rating downgrade of the Portfolio Collateral might result in the Class A Principal Coverage Test or Class B Principal Coverage Test or the Class C Principal Coverage Test or the Class D Principal Coverage Test or the Class A Interest Coverage Test or the Class B Interest Coverage Test not being satisfied on any Measurement Date following the relevant downgrade. In this case, on the Payment Date following such Measurement Date, Interest Proceeds and, in certain circumstances, Principal Proceeds will be used, subject to the applicable Priorities of Payment, to the extent necessary and available, to redeem the Notes subject to and in accordance with the applicable Priorities of Payment, until each such relevant Coverage Test is satisfied if recalculated following such redemption.

B8. Credit Risk of Class A-1 Noteholders

Under the terms of the Class A-1 Note Purchase Agreement the Issuer (or the Collateral Manager on behalf of the Issuer) may, subject to certain conditions, at any time prior to the Class A-1 Commitment Termination Date, make one or more Funding Requests to the Class A-1 Noteholders. The Issuer will be exposed to credit risk in respect of each Class A-1 Noteholder with regard to any Funding required by the Issuer from such Noteholder. The Issuer will depend upon each Class A-1 Noteholder to perform its obligations under the applicable Class A-1 Note Purchase Agreement. If a Class A-1 Noteholder defaults or becomes unable to perform its obligations under the Class A-1 Note Purchase Agreement due to insolvency or otherwise, the Issuer may not receive payments to which it would otherwise be entitled which may affect the ability of the Issuer to invest in Additional Portfolio Assets or Substitute Portfolio Assets.

If any Class A-1 Noteholder (and, if such Class A-1 Noteholder has a Committed Liquidity Facility Provider, such Committed Liquidity Facility Provider) fails to satisfy the Required Ratings at any time prior to the Class A-1 Commitment Termination Date, then within 30 calendar days after the date on which such Class A-1 Noteholder (or, if such Class A-1 Noteholder has a Committed Liquidity Facility Provider, such Committed Liquidity Facility Provider) first fails to satisfy the Required Ratings, such Class A-1 Noteholder shall: (a) procure that a third party which is an eligible institution which satisfies the Required Ratings provides credit support on such terms such that Rating Agency Confirmation is received in respect thereof; or (b) transfer its Class A-1 Notes and Class A-1 Commitment to a transferee which satisfies the Required Ratings; or (c) enter into such other arrangements subject to Rating Agency Confirmation. However, there can be no assurance that the Class A-1 Noteholders will successfully take any such action, in which event the ratings of one or more Classes of Notes could be downgraded.

If, at any time, a Class A-1 Noteholder or a Guarantor fails to perform or satisfy any of its obligations in respect of its Class A-1 Pro Rata Share of the Class A-1 Commitment, the Collateral Manager, acting on behalf of the Issuer pursuant to the terms of the Trust Deed, may, but shall have no obligation to, direct that (i) such Class A-1 Noteholder's Committed Liquidity Facility Provider make each Funding from time to time requested by the Issuer (to the extent not timely made by the relevant Class A-1 Noteholder), or (ii) such Class A-1 Noteholder procure that such Class A-1 Noteholder's Class A-1 Pro Rata Share of the Class A-1 Commitment and/or the Principal Amount Outstanding of such Class A-1 Note be transferred to a transferee (acceptable to the Issuer and the Collateral Manager) at the expense of such Class A-1 Noteholder. There can be no assurance that any such transfer will occur in such circumstance, in which event the ratings of one or more Classes of Notes could be downgraded.

The entitlements of Noteholders in respect of the exercise of voting rights under the Conditions (including after the occurrence of an Event of Default) will be determined by reference to the Principal Amount Outstanding of the relevant Class of Notes held by the relevant Noteholders. In respect of any Class A-1 Note prior to the Class A-1 Commitment Termination Date, the Principal Amount Outstanding will be determined by reference to the Funded Amount in respect thereof together with such Class A-1 Note's proportionate share of the Class A-1 Undrawn Commitment Amount determined at the relevant Closing Exchange Rate.

B9. Dual-Currency Nature of Class A-1 Notes; Effect on other Classes of Notes

An investment in the Class A-1 Notes entails certain foreign exchange and interest rate risks not associated with an investment in the other Classes of Notes of the Issuer. The Class A-1 Notes are dual-currency obligations of the Issuer pursuant to which the holders of such Notes will receive interest and principal in Euro and/or Sterling. Each holder of a Class A-1 Note will be entitled to a *pro rata* share of the interest and principal payable in each Available Currency on each Payment Date. The principal amounts payable in such currencies in respect of the Class A-1 Notes are intended broadly to reflect the ratio of underlying assets in the Portfolio denominated, respectively, in such currencies (taking into account the Issuer's other liabilities in such currencies). However, there can be no assurance that (a) this mix of underlying assets will reflect the ratio of the GBP Funding to the EUR Funding comprising the Principal Amount Outstanding of the Class A-1 Notes and (b) any such mismatch between the currency of payments received in regard to the underlying assets and the amounts of Principal Amount Outstanding of the Class A-1 Notes due and owing on any Payment Date or Redemption Date will not have a material adverse impact on holders of the Class A-1 Notes and the other Noteholders. The Issuer will be required, pursuant to the Collateral Management Agreement, to enter into certain currency hedging arrangements in order to mitigate such risks. However, there can be no assurance that such currency risks will be eliminated. The Sterling Equivalent of the aggregate commitment balance of the Class A-1 Notes on the Pricing Date will be equal to £205,000,000 (determined at the Closing Exchange Rate). In addition, it should be noted that the Issuer is entitled to repay on any Payment Date on or prior to the Class A-

1 Commitment Termination Date, in whole or in part, any Funding under the Class A-1 Notes in any Available Currency subject to the Issuer having given not less than 5 calendar days' notice.

As specified above, following any Funding being made available under the Class A-1 Notes, the Sterling Equivalent of the Principal Amount Outstanding of the Class A-1 Notes may be less than the Sterling Equivalent of the aggregate commitment balance of the Class A-1 Notes on the applicable Funding Date. Conversely, following any Funding obtained by the Issuer, the Principal Amount Outstanding of the Class A-1 Notes may be greater than the Sterling Equivalent of the aggregate commitment balance of the Class A-1 Notes on the applicable Funding Date. This effective increase in the Principal Amount Outstanding of the Class A-1 Notes may affect the subordination of, and the returns on, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes.

Any decision by the Issuer (or the Collateral Manager acting on behalf of the Issuer) to make a Funding Request to the Class A-1 Noteholders or to repay a Funding in respect of the Class A-1 Notes will be based solely on the Collateral Manager broadly seeking to reflect the anticipated ratio of underlying assets denominated in the relevant Available Currency against the payment obligations of the Issuer in such Available Currency in respect of the Class A-1 Notes and the Issuer's other payment obligations in such Available Currency. Any such decision by the Collateral Manager (acting on behalf of the Issuer) will not take into account any impact which such Funding Request or repayment may have on the Principal Amount Outstanding of the Class A-1 Notes (nor the returns on any other Notes), the Sterling Equivalent of which may be reduced (or increased) as a result of such Funding Request or repayment. Accordingly, neither the Issuer nor the Collateral Manager will have any liability whatsoever to the holders of the Class A-1 Notes or the holders of any other Notes for any reduction or increase in the Sterling Equivalent of the Principal Amount Outstanding of the Class A-1 Notes and/or the returns thereon in connection with any Funding Request or repayment (or any decision not to undertake a Funding Request or repayment).

Prospective investors of the Class A-1 Notes should ensure that they understand the nature and risks associated with the dual-currency and revolving nature of the Class A-1 Notes, including without limitation the entitlement of the Issuer to repay any Funding thereunder on any Payment Date on or prior to the Class A-1 Commitment Termination Date subject to the Issuer having given not less than 5 calendar days' notice. Furthermore, prospective investors of the other Classes of Notes should ensure that they understand the nature and impact of the Class A-1 Notes on the Issuer's obligations under the other Classes of Notes.

C. RELATING TO THE COLLATERAL GENERALLY

The following description of the Portfolio Assets and the underlying documents and the risks related thereto is general in nature, and prospective purchasers of the Notes should review the descriptions and risk factors relating certain of the Portfolio Assets set forth in the related Disclosure Documents on the CD-ROM attached to this Prospectus and the information set forth in Schedule 1 (*The Initial Portfolio Collateral*). The Disclosure Documents were completed as of the date of the original offering of each of the Portfolio Assets and the information contained in such Disclosure Documents may now be outdated and less relevant to the Portfolio Assets.

C1. The Portfolio and the Collateral Manager

The decision by any prospective holder of Notes to invest in such Notes should be based, among other things, on the Eligibility Criteria which each Portfolio Asset is required to satisfy at the time of purchase or when the Collateral Manager, on behalf of the Issuer, enters into a binding commitment to purchase that Portfolio Asset, as disclosed in this Prospectus, and on the Portfolio Profile Tests, Collateral Quality Tests, Coverage Tests and Required Portfolio Collateral Amount that the Portfolio is required to satisfy as at the Effective Date and (save as described herein) thereafter. Investors in any of the Notes will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by the Collateral Manager (on behalf of the Issuer) and, accordingly, will be dependent upon the judgment and ability of the Collateral Manager in acquiring investments for purchase on behalf of the Issuer over time. No assurance can be given that the Collateral Manager, on behalf of the Issuer, will be successful in obtaining suitable investments or that, if such investments are made, the objectives of the Issuer will be achieved.

None of the Issuer, the Joint Lead Managers, the Trustee, the Collateral Administrator and the Agents have made any investigation into the Underlying Obligors in respect of the Portfolio Assets and prospective investors in the Notes may not rely on such parties having made any such investigations. The value of the Portfolio may

fluctuate from time to time (as a result of substitution or otherwise) and none of the Issuer, the Trustee, the Joint Lead Managers, the Collateral Manager, the Collateral Administrator, any Agent, the Corporate Services Provider, any Hedge Counterparty, any of their Affiliates or any other party is under any obligation to maintain the value of the Portfolio Assets at any particular level. None of the Issuer, the Trustee, the Joint Lead Managers, the Collateral Manager, the Collateral Administrator, any Agent, the Corporate Services Provider, any Hedge Counterparty, any of their Affiliates or any other party has any liability to the Noteholders as to the amount or value of, or any decrease in the value of, the Portfolio Asset from time to time.

C2. Nature of Collateral

As described herein, it is anticipated that the Issuer will have purchased Portfolio Collateral having an Aggregate Principal Balance of or around £350,000,000 by no later than the Effective Date. As described more fully below, the Portfolio Assets will be subject to credit, liquidity, interest rate and currency risks and some of the Portfolio Assets will be subject to timing risk with respect to payment of interest and principal. The Issuer will be permitted to acquire Portfolio Assets that are CMBS Securities. The Portfolio Assets generally will consist of subordinated tranches of debt. Although allocation of payments received from the related Underlying Obligor may vary from deal to deal, such payments generally are allocated *first* to pay interest and principal (or a *pro rata* share of principal) with respect to the related Senior Tranches and *then* to pay interest and principal with respect to the related subordinated Portfolio Asset. “**Senior Tranche**” means any securities or other debt obligations which are secured (directly or indirectly) on the same Underlying Loans or, as the case may be, Underlying Properties as the related Portfolio Asset. Any losses and expenses generally are borne *first* by the subordinated Portfolio Assets and *then* by the related Senior Tranches.

The amount and nature of the Collateral securing the Notes have been established with a view to withstand assumed deficiencies in payment occasioned by defaults in respect of the Portfolio Assets. See “*Ratings of the Notes*”. If the actual deficiencies exceed the assumed levels, however, payments on the Notes could be adversely affected. To the extent that a default occurs with respect to any Portfolio Asset securing the Notes, it is not likely that the Issuer will receive the full amount of principal and interest owing to it in respect of such Portfolio Asset. The market value of the Portfolio Assets generally will fluctuate with, among other things, the financial condition of the Underlying Obligors or tenants of the Underlying Properties, the remaining term to maturity of the Portfolio Assets, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry (in particular, the property industry in Europe) and changes in prevailing interest rates. None of the Issuer, the Joint Lead Managers, the Collateral Manager, any Agent, the Corporate Services Provider, the Collateral Administrator or the Trustee has any liability or obligation to the holders of Notes as to the amount or value of, or decrease in the value of, the Portfolio Assets from time to time. In the event that a Portfolio Asset becomes a Credit Risk Portfolio Asset, a Defaulted Portfolio Asset or a Credit Improved Portfolio Asset, the Collateral Manager may either sell or retain the affected asset. There can be no assurance as to the timing of the Collateral Manager’s sale (if any) of the affected asset, or if there will be any market for such asset or as to the rates of recovery on such asset.

Although the Issuer is permitted to invest in Portfolio Assets of Underlying Obligors located in a variety of European jurisdictions, the Issuer may find that, as a practical matter, these investment opportunities, or investments in obligations of Underlying Obligors that meet the various other tests and criteria with respect to any additional Portfolio Assets, are not available to it for various reasons. The ability to make such investments will depend on a number of factors beyond the control of the Issuer and the Collateral Manager, including the availability of assets that satisfy the Eligibility Criteria and other Portfolio related requirements in the primary and secondary markets, the condition of the financial markets, general economic conditions and international political events. If the Issuer is unable to purchase sufficient suitable investments (including Substitute Portfolio Assets in the event of the repayment of the Portfolio Assets) during the Ramp-Up Period, an Effective Date Rating Event may occur resulting in principal of all or a portion of the Notes being repaid. If the Coverage Tests are not satisfied on subsequent Measurement Dates, or if the Collateral Manager is unable to purchase Portfolio Assets under certain circumstances during the Reinvestment Period, principal of all or a portion of the Notes will be repaid.

There can be no assurance that such tests and requirements will be met. To the extent it is not possible to purchase such additional Portfolio Assets, the level of income receivable by the Issuer in respect of the Collateral and therefore its ability to meet its interest payment obligations under the Notes, together with the weighted average lives of the Notes, may be adversely affected. The ability of the Issuer to sell Portfolio Assets prior to maturity is subject to certain restrictions under the Collateral Management Agreement. None of the Issuer, the Trustee, the Collateral Administrator and the Agents has made any investigation into the Underlying Obligors in respect of the Portfolio Assets. Subject to the restrictions, and the standard of care, set forth in the

Collateral Management Agreement, the Collateral Manager will not be obliged to pursue any specific investment strategy or opportunity that may arise with respect to the Collateral or required to purchase on behalf of the Issuer any particular Portfolio Assets at any time.

Copies of the offering circulars for certain of the Portfolio Assets contained in the Initial Portfolio Collateral are contained in the CD ROM attached hereto for the purposes of information only. Prospective investors should note that such offering circulars may have been prepared some time ago and may not reflect the current status of such Portfolio Assets. Prospective investors should review these offering circulars and assess for themselves the risks inherent in such obligations. Further, the composition of the Portfolio will change over time, as Principal Proceeds (including Sale Proceeds) are invested in Substitute Portfolio Assets and Portfolio Assets are sold or otherwise disposed of. The Initial Portfolio Collateral described in such offering circulars, therefore, may not be indicative of the composition of the Portfolio over the term of the Notes though any Substitute Portfolio Assets and Additional Portfolio Assets must at the time of acquisition satisfy the Eligibility Criteria and, to the extent applicable, the Reinvestment Criteria. Except as otherwise provided herein, the numerical information in this Prospectus with respect to the Initial Portfolio Collateral is calculated as of 26 April 2007 (the "**Reference Date**"). In the event there are unscheduled principal payments on Portfolio Assets between the Reference Date and the Closing Date, the actual Principal Balance of the affected Portfolio Assets could differ significantly from those presented herein. Further information with respect to the Initial Portfolio Assets is available to be reviewed upon request made to the Collateral Manager, at Fourth Floor, 90 Long Acre, London WC2E 9RA.

The Issuer and the Collateral Manager will have no obligation to update the attached CD ROM or to make available offering circulars or servicer reports for Portfolio Assets acquired in the future.

C3. Exposure to Risks of Other Jurisdictions As a Result of Changes to the Composition of the Portfolio

As at the Closing Date the Issuer will acquire the Initial Portfolio Collateral, which relates to Underlying Properties located in a number of European jurisdictions. In addition, from time to time in connection with re-investment of the proceeds of sale of Portfolio Assets and Principal Proceeds during the Reinvestment Period, the Collateral Manager on behalf of the Issuer may acquire Additional Portfolio Assets or Substitute Portfolio Assets. Any such Additional Portfolio Assets or Substitute Portfolio Assets may relate to Underlying Property situated in countries other than those relevant to the Portfolio Assets included in the Initial Portfolio Collateral. The legal systems and market practice with respect to commercial properties in such countries may have substantially different characteristics and features to those described in the attached offering circulars for such Portfolio Assets. These differences may include:

- market terms for letting of the Underlying Property, such as their duration, the division of responsibility for expenses (such as insurance, capital expenditure and ongoing maintenance) between landlord and tenant, the frequency of rent reviews, the method of calculation of rent reviews and the rights of tenants to break and/or renew leases;
- statutory rights of tenants, the availability of set-off rights for tenants and Underlying Obligors and the compulsory purchase of Underlying Property as well as the ability to evict a tenant from an Underlying Property particularly in the event of it being the subject of any insolvency proceeding;
- limitations and restrictions on taking security, the range or rights and remedies available to secured creditors and the availability of security over certain types of assets (e.g. future unpaid rent and money in bank accounts);
- procedures for enforcement and duration of security (particularly in the event of insolvency of the grantor of security) and the exercise of remedies by lenders; and
- the possibility that under certain circumstances relating to insolvency, security interests may be avoided altogether.

These differences in law and market practice may differ substantially from those applicable to the Portfolio Assets included in the Initial Portfolio Collateral. There can be no assurance that changes to the composition of the Portfolio over time will not expose Noteholders to additional risks associated to the legal systems, lending or leasing practices of countries other than those associated with the Initial Portfolio Collateral identified herein and that the legal systems, lending or leasing practices of such countries will not be markedly different from

those associated with the Initial Portfolio Collateral identified herein. There can also be no assurance that any change in law will not be disadvantageous from the perspective of the Issuer.

C4. Defaults

A decrease in the market value of the Portfolio Assets would adversely affect the Sale Proceeds that could be obtained upon the sale of the CMBS Securities and could, ultimately, affect the ability of the Issuer to effect an optional redemption of the Notes or pay the principal of the Notes upon a liquidation of the Portfolio Assets following the occurrence of an Event of Default.

There is a risk of significant fluctuations in price of CMBS Securities at any given time. There can be no assurance that the conditions giving rise to such price fluctuations will not occur, subsist or become more acute following the Closing Date, which can impair the Collateral Manager's (on behalf of the Issuer) ability to acquire or dispose of Portfolio Assets. As a result, in periods of rising market prices, the Issuer may be unable to participate in price increases fully to the extent that it is either unable to dispose of Portfolio Assets whose prices have risen or to acquire Portfolio Assets whose prices are on the increase. A decrease in the market value of the Portfolio Assets would also adversely affect the Sale Proceeds that could be obtained upon the sale of the Portfolio Assets and could ultimately affect the ability of the Issuer to pay in full or redeem the Notes.

D. RELATING TO THE NATURE OF THE COLLATERAL

Portfolio Assets rely on payments related to Underlying Loans and as a result are dependent on the performance of Underlying Loans. In addition, the actual form of any Portfolio Assets and the documentation for such Portfolio Assets can also have impact upon its performance. The following is a general description of certain risks related to the Underlying Loans and the form of such Underlying Loans that might comprise, directly or indirectly, the Portfolio Assets.

D1. Risks Related to CMBS Securities

CMBS Securities will be affected by payments, defaults, delinquencies and losses on the Underlying Loans. These Underlying Loans generally are secured by the following income producing property types: office, retail, multifamily, hotels, industrial, leisure, healthcare and self storage properties. Because issuers of CMBS Securities have no significant assets other than the relevant Underlying Loans and because of the significant credit risks inherent in the underlying collateral, credit risk is a correspondingly important consideration with respect to the related CMBS Securities. Certain of the Underlying Loans related to CMBS Securities constituting part of the Portfolio Assets may be delinquent, in default or subject to enforcement proceedings or may be affected by such conditions in the future.

The structure of a CMBS Security and the terms of the investors' interest in the collateral can vary widely depending on the type of collateral, the desires of investors and the use of credit enhancements. Although the basic elements of all CMBS Securities are similar, individual transactions can differ in both structure and execution. Important determinants of the risk associated with issuing or holding the securities include the process by which principal and interest payments are allocated to investors, how credit losses and Issuer expenses affect the transaction and the return to investors, how prepayments affect yield and how losses and expenses are allocated among various classes of securities.

Holder of CMBS Securities bear various risks, including credit, market, structural, interest rate, currency, liquidity, operations risks and legal risks. Credit risk arises from (i) losses due to defaults by the Underlying Obligors and (ii) the related servicer's failure to perform its obligations under the servicing agreement and to achieve recovery of amounts unpaid. Market risk and structural risk arise from the cash flow characteristics of CMBS Securities and the market for similar CMBS Securities. The cash flow for CMBS Securities is determined by credit performance, the allocation of the resulting cash flow and the allocation of losses and expenses. For the holder of a CMBS Security, interest rate risk depends on the expected life or repricing of such CMBS Security. Also, the amount of interest due and payable on certain CMBS Securities comprising subordinated classes of notes may be reduced in the event of a reduction in the interest-bearing balances of the relevant Underlying Loans due to prepayments on or the repayment of such Underlying Loans. The Issuer, as holder of such CMBS Securities, will have no claim against the Underlying Obligor in respect of the Underlying Loans. CMBS Securities may be adversely affected by disproportionate principal payments, prepayments, defaults and other unscheduled payments on the Underlying Loans. Such payments may reduce the amount of interest available to pay interest amounts accrued on such CMBS Securities. In addition, currency risks arise where payments on the Underlying Loans are made in a different currency to payment on the CMBS Securities.

Liquidity risk can arise from increased perceived credit risk of delinquencies and losses on securitised pools of similar assets. Operations risk arises from the potential for misrepresentation of loan quality or terms, misrepresentation of the nature and current value of the assets and inadequate controls over disbursements and receipts. Legal risk can arise as a result of the procedures followed in connection with the origination or servicing of the Underlying Loans. Structural risks and related legal risks can arise from issues related to the characterisation of the transfer of such Underlying Loans to the issuer of CMBS Securities, the issuance of CMBS Securities and the tax status of such CMBS Securities and such issuer.

Certain of the Underlying Properties securing the pools of Underlying Loans related to CMBS Securities have a higher degree of geographic concentration in certain European countries. Any deterioration in the property market or economy in such countries may increase the rate of delinquency and default experience in Underlying Loans. As a result, realised losses may occur on the Underlying Loans in such pools. In addition, certain pools of Underlying Properties have a higher degree of concentration in certain types of Underlying Properties. Accordingly, such pools of Underlying Loans represent higher exposure to risks particular to certain types of Underlying Properties. Certain pools of Underlying Loans relating to CMBS Securities consist of a fewer number of Underlying Loans with outstanding balances that are larger than average. If a loan pool includes Underlying Loans with larger than average balances, any realised losses on such Underlying Loans could be more severe, relative to the size of the pool, than would be the case if the aggregate balance of the pool were distributed among a larger number of Underlying Loans. Certain Underlying Obligors or Affiliates thereof relating to certain of the Underlying Loans relating to CMBS Securities may have had a history of insolvency.

The ratings in respect of certain of the CMBS Securities comprising the Portfolio Assets may have been withdrawn, reduced or placed on credit watch since issuance. In addition, losses and/or appraisal reductions may be allocated to certain of such CMBS Securities and certain of the collateral or the assets underlying such collateral may be delinquent and/or may default from time to time.

D2. Subordination of CMBS Securities

CMBS Securities owned by the Issuer are likely to be subordinated to one or more other classes of securities of the same series ("**Senior CMBS Securities**") for purposes of, among other things, payment priorities and offsetting losses and other shortfalls with respect to the related underlying mortgage loans.

Realised losses and issuer expenses generally will be allocated to the most subordinated class of securities of the related issue. Accordingly, to the extent any CMBS Security is or becomes the most subordinated class of securities of the related series, any delinquency or default on any Underlying Loan may result in shortfalls, realised loss allocations or extensions of its weighted average life and will have a more immediate and disproportionate effect on the related CMBS Security than on the related Senior CMBS Securities. Further, even if a class is not the most subordinate class of securities, there can be no assurance that the subordination offered to such class will be sufficient on any date to offset all losses or expenses incurred by the issuer of such CMBS Securities.

Consequently, the right to receive payments of interest on any date on the classes of CMBS Securities owned by the Issuer will be subordinate to other more senior class of CMBS Securities and payments will be made only to the extent funds held by the Underlying Obligor are sufficient to make such on such date. CMBS Securities will generally be entitled to receive distributions of principal only when the aggregate principal balance of each of the corresponding Senior CMBS Securities has been reduced to zero or, in the alternative, after a disproportionate amount of principal distributions have been made to the holders of such Senior CMBS Securities for a specified period of time. The holders of classes of securities that are subordinate to the classes of CMBS Securities owned by the Issuer (sometimes called the "controlling class") will generally control the exercise of certain remedies in connection with such CMBS Securities. Such exercise of rights and certain remedies by a holder of subordinate classes may be in conflict with the interests of the more senior classes of CMBS Securities and only result in less favourable results for the CMBS Securities held by the Issuer. In addition, the Collateral Manager or its Affiliates may own classes of securities which are more senior or more subordinate than certain of the CMBS Securities held by the Issuer, which may result in certain conflicts of interest if the Collateral Manager is entitled to exercise such rights and remedies. See "*—Certain Conflicts of Interest —Conflicts of Interest Involving The Collateral Manager*".

D3. Available Funds Cap Risk

Although none of the CMBS Securities forming the Initial Portfolio Collateral contain a limitation on interest payable on such CMBS Securities (an “Available Funds Cap”), which has the effect of reducing interest due on such CMBS Security to the extent of any shortfall that is the result of any prepayments on the Underlying Loans, some CMBS Securities acquired after the Closing Date may be subject to such provisions. The maximum amount of CMBS Securities subject to an Available Funds Cap which the Issuer may acquire is limited to an amount equal to 15 per cent. of the CDO Principal Balance from time to time. The holder of such CMBS Securities (including the Issuer) will have no claim in respect of interest payments that have been foregone as a result of the application of any Available Funds Cap.

D4. Illiquidity of CMBS Securities; Certain Restrictions on Transfer

There is a limited trading market for the CMBS Securities, and in certain instances there may be effectively no trading market therefor. The illiquidity of certain CMBS Securities may restrict the Issuer’s ability to dispose of investments in a timely fashion and for an attractive price. The foregoing practical limitations are in addition to the limitations on selling CMBS Securities as described under “*The Portfolio*”. Illiquid CMBS Securities may trade at a discount from comparable, more liquid investments.

Subject to certain conditions discussed below, the Collateral Manager will at any time be permitted to sell (i) any Defaulted Portfolio Asset (ii) any Credit Risk Portfolio Asset and (iii) any Credit Improved Portfolio Asset. During the Reinvestment Period, the Collateral Manager will, subject to the conditions discussed below be permitted to sell certain additional Portfolio Assets.

The illiquidity of CMBS Securities as described above, may affect the amount and timing of receipt of proceeds from the sale of CMBS Securities in connection with any of the sales described in the preceding paragraph or in connection with the exercise of remedies following an Event of Default or in connection with an early redemption of the Notes as provided in Condition 7 (*Redemption, Purchase and Calculation*).

D5. Certain Risks Related to Commercial Mortgage Loans Generally

The Portfolio Assets will consist of CMBS Securities which will be secured by Underlying Loans.

The general risks relating to Underlying Loans include:

- (i) limited liquidity and secondary market support;
- (ii) the possibility that cash flows received by the Underlying Obligor may be insufficient to meet its debt service obligations;
- (iii) declining creditworthiness, limited additional assets and potential for insolvency of the Underlying Obligor of such Underlying Loan during periods of economic downturn;
- (iv) spread compression over the reference interest rate available for reinvestment during any period in which prepayments are received;
- (v) subordination to the prior claims of holders of related Senior CMBS Securities;
- (vi) an economic downturn could disrupt the market for Underlying Loans and adversely affect the value of outstanding Underlying Loans and the ability of the related Underlying Obligors to repay principal and any interest;
- (vii) Underlying Loans are subject to credit risk and may become non-performing for a variety of reasons; and
- (viii) non-performing Underlying Loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the principal of the Underlying Loan.

Specific risks relating to Underlying Loans include:

- (i) *Escrow; Limited Guarantees.* The originators of such Underlying Loans may require the related Underlying Obligor to escrow funds at closing in debt service reserve escrows or require principals of the related Underlying Obligor to provide certain guarantees with regard to payment obligations of such Underlying Obligor on the related Underlying Loan. Additionally, such Underlying Loans may have limited guarantees for the payment of interest in the event that the related debt service reserve escrows are exhausted. The Underlying Obligor under such Underlying Loans would not be able to meet current debt service payments without access to such accounts. There can be no assurance that there would be sufficient amounts to cover all required debt service payments or that the required criteria in the related Underlying Instruments would be satisfied for the release of such escrows in the periods assumed by the related originators. Similarly, there can be no assurance that a guarantor of an Underlying Obligor will be able or willing to fulfil its obligations on any guarantee it may have provided.
- (ii) *Rights Relating to Reserve Amounts.* In connection with the origination of certain of the Underlying Loans, the related originator may have required that reserves be established upon the closing of the loans to fund identified deferred maintenance items, debt service, tax and environmental remediation items. Certain of the Underlying Loans also may require that reserves be funded on a quarterly basis from cash flows of the applicable Underlying Properties which may be used by the applicable Underlying Obligor to fund ongoing capital improvements, tenant improvements, debt service and leasing commissions. There can be no assurance that the reserve amounts established at the closing of an Underlying Loan, deposited quarterly or available through additional financing will be sufficient to offset the actual costs of the items for which the reserves or additional financing were established or that cash flow from the Underlying Properties will be sufficient in the future to fully fund the ongoing quarterly reserve requirements or that such ongoing quarterly reserves or additional financing will be sufficient to offset the future capital expenditure and leasing costs of the properties.
- (iii) *Balloon Payments.* The Underlying Loans may provide for balloon payments to be due at their respective stated maturity dates unless prepaid prior thereto. Underlying Loans with balloon payments involve a greater likelihood of default than self amortising loans because the ability of an Underlying Obligor to make a balloon payment typically will depend upon its ability either to refinance such Underlying Loan or to sell the related Underlying Property. The ability of an Underlying Obligor to accomplish either of these goals will be affected by a number of factors, including the value of the related Underlying Property, the level of available mortgage rates at the time of sale or refinancing, the equity of the Underlying Obligor in the related Underlying Property, the financial condition and operating history of the Underlying Obligor and the related Underlying Property, tax laws, rent control laws (with respect to certain residential properties), prevailing general economic conditions and the availability of credit for loans secured by multifamily or commercial, as the case may be, properties generally. Neither the Collateral Manager nor any of its Affiliates will be required to refinance any Underlying Loan. In order to maximise recoveries on defaulted Underlying Loans, the applicable servicer or special servicer or other entity, as applicable, may extend and modify such Underlying Loans, such as situations where the Underlying Loans that are in material default or as to which a payment default (including the failure to make a balloon payment) is reasonably foreseeable. There can be no assurance, however, that any such extension or modification will increase the present value of recoveries in a given case.
- (iv) *Risks of Additional Secured or Mezzanine Financing.* The Underlying Loans related to the Portfolio Assets may prohibit the related Underlying Obligor from encumbering the Underlying Property with additional secured debt or require the consent of the holder of the Senior CMBS Security prior to so encumbering such Underlying Property. However, a violation of such prohibition may not become evident until the related Underlying Loan otherwise defaults. The existence of any additional indebtedness may increase the difficulty of refinancing the related Underlying Loan at maturity for the purpose of making any balloon payments and the possibility that reduced cash flow could result in deferred maintenance. If the holder of any subordinated debt secured by an Underlying Property has taken enforcement action, or is initiating insolvency proceedings in respect of such Underlying Property or the related Underlying Obligor in the event of a default under the related Underlying Loan, then the process of enforcing security granted in respect of the Underlying Loans could be delayed. The Underlying Loans may also have, or

permit, mezzanine loans. Because mezzanine loans are secured by either the obligor's equity interest in the related Underlying Obligor or a second mortgage over the related Underlying Property, such financing effectively reduces the related Underlying Obligor's economic stake in the related Underlying Property. The existence of mezzanine loans may reduce cash flow on the Underlying Obligor's Underlying Property after the payment of debt service and may increase the likelihood that the owner of an Underlying Obligor will permit the value or income producing potential of an Underlying Property to fall and may create a greater risk that an Underlying Obligor will default on the Underlying Loan.

- (v) *Insolvency of Underlying Obligors under Portfolio Assets.* The rights of the Issuer with respect to the Portfolio Assets and the rights of the Underlying Obligors with respect to any Underlying Loan may be subject to various insolvency laws in the jurisdictions of incorporation of the Underlying Obligors of the Portfolio Assets or the Underlying Loans, as applicable, and, if different, the jurisdictions from which the Underlying Obligors conduct their business and in which they hold their assets, which may adversely affect such Underlying Obligors' abilities to make payment on a full or timely basis. These insolvency considerations will differ depending on the country in which each such Underlying Obligor or its assets is located and may differ depending on the legal status of the Underlying Obligor. In particular, it should be noted that a number of continental European jurisdictions operate "debtor-friendly" insolvency regimes which could result in additional delays in the receipt of amounts that become due under Portfolio Assets where Underlying Obligors thereunder are subject to such regimes, in the event of their insolvency. The insolvency regimes of different jurisdictions are likely to vary with respect to, among other things, any statutory moratorium periods during which enforcement of security interests is prevented and the continuing effectiveness of security interests granted prior to the onset of insolvency. There can be no assurance that any insolvency laws of any jurisdiction will not in itself cause additional costs or delays in the enforcement in connection with any Portfolio Asset.
- (vi) *Non-Resident Underlying Obligors.* In respect of the Portfolio as at the Closing Date, certain of the Underlying Obligors are companies incorporated in jurisdictions other than jurisdictions in which the relevant Underlying Properties are located; and certain of the Underlying Obligors have granted security in jurisdictions that are different from their jurisdictions of incorporation or constitution. With respect to these Underlying Obligors, there is the risk that such multiple jurisdictions might cause additional delays upon enforcement of any such security. If the "centre of main interests" of each of the Underlying Obligors, for the purposes of Council Regulation (EC) No. 1346/2000 of 29 May 2000 (the "**EC Insolvency Regulation**") is outside of the European Union, the rules set out in the EC Insolvency Regulation will not apply to such foreign obligors (as the EC Insolvency Regulation only applies where the centre of main interests of the company is in the European Union). The location of the centre of main interests will be a question of fact in each case, but depends on where the company administers its interests on a permanent basis in a manner ascertainable by third parties rather than merely on the location of assets. If the EC Insolvency Regulation does not apply, the English court would apply its common law rules (outside the scope of such European legislation) for dealing with such cross-border issues. The presence of assets in England is usually considered sufficient for the English court to exercise its discretion in relation to accepting jurisdiction to commence insolvency proceedings but this would depend on the facts at the time (including whether insolvency proceedings in the jurisdiction of incorporation had been commenced). If the English court were to commence insolvency proceedings, the English court is likely to consider its own proceedings as ancillary to any proceedings that have been commenced in the jurisdiction of incorporation.
- (vii) *Litigation May Have Adverse Effect on Underlying Obligors.* From time to time, there may be legal proceedings pending or threatened against the Underlying Obligors and their Affiliates relating to, or arising out of the ordinary course of, their respective businesses. It is possible that such litigation may have a material adverse effect on such Underlying Obligor's ability to meet its obligations under the related Underlying Loan.
- (viii) *Compulsory Purchase.* From time to time, there may be compulsory purchases in the public interest pending or threatened against one or more of the Underlying Properties securing the Underlying Loans. The proceeds payable in connection with a total compulsory purchase may not be sufficient to restore the related Underlying Property or to satisfy the remaining indebtedness of the related Underlying Loan. The occurrence of a partial compulsory purchase may have a

material adverse effect on the continued use of, or income generation from, the affected Underlying Property.

D6. Counterparty Risk

Hedge transactions involve the Issuer entering into contracts in respect of variables such as interest rates or currency exchange rates with counterparties. Pursuant to such contracts, the counterparties have agreed to make payments to the Issuer under certain circumstances as described therein based on movements in such variables. The Issuer will be exposed to the credit risk of the counterparties in respect of any such payments.

D7. Concentration Risk

The Collateral Manager (acting on behalf of the Issuer) will invest in a Portfolio consisting of CMBS Securities. The concentration of the Portfolio in any one Underlying Obligor would subject the Notes to a greater degree of risk with respect to defaults by such Underlying Obligor, and the concentration of the Portfolio in any one industry or country would subject the Notes to a greater degree of risk with respect to economic downturns relating to that industry or country. This risk is mitigated by the Portfolio Profile Tests. See “*The Portfolio—Portfolio Profile Tests*”.

D8. Prepayments

Generally, prepayments on the Portfolio Assets will be influenced by the prepayment provisions of the related Underlying Loans and also may be affected by a variety of economic, geographic and other factors, including the difference between the interest rates on the Portfolio Assets (giving consideration to the cost of refinancing) and prevailing interest rates and the availability of refinancing. In general, if prevailing spreads to common indices fall significantly below the spreads on the Portfolio Assets, the rate of prepayment on the Portfolio Assets would be expected to increase. A declining trend in fixed interest rates offered for new loans also could lead Underlying Obligors to refinance their floating rate Portfolio Assets to “lock in” relatively low fixed rates. The related originator may provide refinancing to an Underlying Obligor at any time that prepayment is permitted. Rising rates on floating rate loans could lead to high levels of prepayments and defaults. Generally, CMBS Securities and their related Underlying Loans will permit voluntary principal prepayments, subject to various limitations and conditions, typically including, in certain instances, prepayment fees.

Certain of the Portfolio Assets may have lockout periods during which prepayment is prohibited or require prepayment penalties or premiums to be paid upon a prepayment. However, substantially all of such Underlying Loans relating to the Portfolio Assets comprising the Initial Portfolio Collateral do not have lockout periods and may be prepaid at any time without penalty.

In addition, the holder of a mezzanine loan, subordinate loan or a subordinate participation interest secured by the same collateral that secures an Underlying Loan relating to a Portfolio Asset may have the right to purchase such Underlying Loan under certain circumstances. Such purchase will have the same effect as a prepayment in full or in part (depending on whether the related CMBS Securities are secured by other Underlying Loans) of the related Portfolio Asset.

D9. Underlying CMBS Security Asset Level Hedge Transactions

It is likely that certain of the Underlying Obligors under the CMBS Securities will have entered into an interest rate hedge agreement or a currency hedge agreement (the “**Underlying Obligor Hedge Arrangements**”) to protect themselves against significant movements in the interest rate or currency exchange rates on the applicable Underlying Loan as compared to the obligations on the related CMBS Securities.

In addition, certain of the Underlying Obligors under the Underlying Loans may have entered into interest rate hedge agreements or interest rate cap agreements (the “**Underlying CMBS Borrower Hedge Arrangements**”) and, collectively with the Underlying Obligor Hedge Arrangements, the “**Underlying Hedge Arrangements**”) to protect against significant movements in the interest rate on the applicable Underlying Loan.

Pursuant to the Underlying Hedge Arrangements that are interest rate swap transactions or asset swap transactions, the related Underlying Obligor will receive a floating rate of interest or a specified currency exchange rate accrued against a notional amount scheduled to match the balance of the related Underlying Loan in exchange for a fixed interest rate or against a base rate or currency exchange rate based on amounts to be received on such Underlying Loan.

Pursuant to Underlying Hedge Arrangements that are interest rate cap agreements, the related Underlying Obligor will be entitled to receive an amount equal to the excess of a specified base rate over a fixed percentage, accrued on the notional amount which will be based upon the principal amount outstanding of the related Underlying Loan (or a portion thereof).

The obligations of the Underlying Obligors under the CMBS Securities to the related hedge counterparty under each Underlying Obligor Hedge Arrangement (including any obligations to pay termination payments) will likely rank in priority to the obligations of such Underlying Obligor under the CMBS Securities (save for certain amounts that may be specifically subordinated). Also, the obligations of the Underlying Obligors under the Underlying Loans to pay amounts to the related hedge counterparty under the Underlying CMBS Borrower Hedge Arrangements (including any obligations to pay termination payments) will likely rank senior or *pari passu* to the obligations of the related Underlying Obligor to make debt service payments under the related Underlying Loan (save for certain amounts that may be specifically subordinated). As described below, if a termination payment is due to the hedge counterparty that is not paid by the related Underlying Obligor, amounts available to repay the related CMBS Security may be reduced or, with respect to an Underlying Loan, amounts available to pay debt service on such Underlying Loan may be reduced, which could impact the related CMBS Security.

Depending upon whether the related Underlying Hedge Arrangement amortises in a manner consistent with the amortisation of the related Underlying Loan, it is possible that the notional amount of the relevant Underlying Hedge Arrangement will be greater than the principal amount of the related Underlying Loan. In such instance, the related Underlying Obligor (a) will be required to pay interest accrued on such excess notional amount at the rate set out in the related Underlying Hedge Arrangement (without corresponding interest collections on the Underlying Loan) or (b) may incur costs in terminating that portion of the swap. In addition, with respect to the Underlying Obligor Hedge Arrangements, in the event the notional amount of such Underlying Obligor Hedge Arrangement is less than the principal amount of the related Underlying Loan and further hedging arrangements are not entered into with respect to such excess amount, the related Underlying Obligor will be exposed to interest rate risk. As a result, amounts available for distribution on the related Portfolio Asset may be reduced.

There are certain circumstances in which the Underlying Hedge Arrangements may be terminated, such as non-payment by the related Underlying Obligor or a downgrade in the rating of the related swap counterparty. Certain of the Underlying Loans will require the related Underlying Obligor to indemnify for any related swap breakage if such swap breakage is the result of a prepayment or an acceleration upon an event of default. However, there can be no assurance that such indemnification will exist for all of the Underlying Hedge Arrangements. Also, there can be no assurance that any Underlying Obligor that has agreed to indemnify for such swap termination payments will have the resources to make such payments along with all other amounts due on the related Underlying Loan.

In addition, Portfolio Assets may experience a loss if an Underlying Hedge Arrangement terminates and the related Underlying Obligor, as a result of such termination, does not receive sufficient funds to make all payments then due on the related Portfolio Asset or the Underlying Obligor in the case of an Underlying Loan does not have sufficient cash flow from the related Property to pay interest on such Underlying Loan. Further, if an Underlying Hedge Agreement terminates there can be no assurance that the relevant Underlying Obligor will be able to enter into an alternative hedge arrangement.

D10. Non-Recourse Underlying Loans

Whilst certain of the Underlying Loans may have full recourse provisions or guarantees, such recourse, in the event of a default, will be limited to the value of the related Underlying Property. Consequently, payment on each such Underlying Loan prior to maturity is dependent primarily on the sufficiency of the cash flow of the related Underlying Property, and at maturity (whether at scheduled maturity or, in the event of a default, upon the acceleration of such maturity) upon the then market value of the related Underlying Property or the ability of the related Underlying Obligors to refinance the Underlying Property.

E. RELATING TO THE OWNERSHIP, FINANCING AND LEASING OF PROPERTY

E1. General

Underlying Loans are secured directly or indirectly by (or otherwise rely on) Underlying Property. Underlying Loans are generally limited recourse loans and in the event of a default there will be recourse only to the Underlying Properties and other assets over which security for such Underlying Loans has been granted. Also, even if an Underlying Loan provides for recourse to an Underlying Obligor or its Affiliates, the Issuer is unlikely to ultimately recover any amounts not covered by the related Underlying Properties. Therefore, the ability of an Underlying Obligor to repay an Underlying Loan secured by an income-producing Underlying Property typically is dependent primarily upon the successful operation of such Underlying Property rather than upon the existence of independent income or assets of the Underlying Obligor. If the net operating income of an Underlying Property is reduced (for example, if rental or occupancy rates decline or property tax rates or other underlying operating expenses increase), the Underlying Obligor's ability to repay the Underlying Loan may be impaired. The value of an income-producing Underlying Property is directly related to the net operating income derived from such Underlying Property. Net operating income of an income-producing Underlying Property can be affected by, among other things, tenant mix, success of tenant businesses, property management decisions (including responding to changing market conditions, planning and implementing rental or pricing structures and causing maintenance and capital improvements to be carried out in a timely fashion), property location and condition, competition from comparable types of properties, changes in laws that increase operating expense or limit rents that may be charged, any need to address environmental contamination at the Underlying Property and the occurrence of any uninsured casualty at the Underlying Property. Furthermore, the value of any Underlying Property and the net operating income may be adversely affected by risks generally incident to interests in property, including various events which the related Underlying Obligor and/or manager of the related Underlying Property, the related servicer or special servicer, the Issuer, the Collateral Manager, the Collateral Administrator, the Agents or the Trustee may be unable to predict or control, such as changes in general or local economic conditions and/or specific industry segments, declines in property values, declines in rental or occupancy rates, increases in interest rates, property tax rates and other operating expenses, changes in governmental rules, regulations and fiscal policies, including environmental legislation, acts of God, environmental hazards and social unrest and civil disturbances.

Additional risks may be presented by the type and use of a particular commercial property. See "*Relating to Particular Types of Commercial and Multifamily Property*" below. Furthermore, an Underlying Property may not be converted readily to an alternative use in the event that the operation of such Underlying Property for its original purpose becomes unprofitable for any reason. In such cases, the conversion of an Underlying Property to an alternative use generally would require substantial capital expenditures or, as a result of restrictions, may not be converted at all. Thus, if the related Underlying Obligor becomes unable to meet its obligations under the related Underlying Loan, the liquidation value of any such Underlying Property may be substantially less, relative to the amount outstanding on the related Underlying Loan, than would be the case if such Underlying Property were readily adaptable to other uses.

E2. Environmental Considerations

Under the laws of certain countries, contamination of real property may give rise to a charge on the property to cover the costs of cleanup. In addition, under the laws of some countries, if the lender has taken over the operation of the property through enforcement it may become liable, as an "owner" or "operator", for costs of addressing releases or threatened releases of hazardous substances at a property, if agents or employees of the lender have become sufficiently involved in the operations of the property. In addition, the related borrower may be liable, as an "owner" or "operator", for costs of addressing releases or threatened releases of hazardous substances at a mortgaged property or elsewhere, which may affect the borrower's ability to make scheduled payments under the Underlying Loans.

Although no investigation of the same has been made by the Issuer or the Collateral Manager it is likely that certain Underlying Properties related to the Portfolio Assets were subject to an environmental site assessment. Given the number of Underlying Properties involved, contamination could have been identified or suspected on some of the Underlying Properties. Environmental assessments vary in quality, and it is possible that an assessment may fail to detect significant environmental liabilities. Similarly, estimates of potential future liability may be in error and may significantly understate the actual costs to investigate, remediate or otherwise address environmental concerns. Also, environmental site assessments were not conducted on all Underlying Properties. Thus, there can be no assurance that operations and maintenance plans, escrows,

reserves, indemnities, insurance or other protections will be adequate to meet liabilities associated with identified or unidentified problems at the Underlying Properties.

Under the servicing agreements or other similar agreements relating to securitisation transactions, the applicable special servicer generally is required to obtain an environmental site assessment of an Underlying Property securing a defaulted commercial mortgage loan prior to acquiring title thereto or assuming its operation. Such requirement effectively precludes enforcement of the mortgage over the related Property until a satisfactory environmental site assessment is obtained (or until any required remedial action is thereafter taken), but will decrease the likelihood that the lender will become liable for a material adverse environmental condition at the mortgaged property. However, there can be no assurance that this requirement will effectively insulate the lender from potential liability for a materially adverse environmental condition at any Underlying Property.

E3. Underlying Obligors' Recent Acquisitions of the Underlying Properties

Certain of the Underlying Loans may have been originated contemporaneously with the acquisition of the related Underlying Properties. Consequently, certain of the Underlying Obligors may have limited experience operating the particular Underlying Properties and, therefore, there is a risk that the net operating income and cash flow of such Underlying Properties may vary significantly from their net operating income and cash flow generated by the Underlying Properties under prior ownership and management. In certain cases, the Underlying Properties may have been acquired by the related Underlying Obligors because such Underlying Obligors hope to be able to increase the future net operating income over the historical net operating income of such Underlying Properties. Such increases are expected by the Underlying Obligors to result from a combination of factors including capital expenditures, re-tenanting the Underlying Properties at higher existing market rents, decreasing vacancy rates and repositioning the property in the relevant market. However, there can be no assurance that the related Underlying Obligors will be able to increase the future net operating income or even sustain historical net operating income at any of the Underlying Properties. The failure to sustain and, in certain cases increase, such net operating income could adversely affect the ability of the Underlying Obligors to make payments on the related Underlying Loans.

E4. Availability of Insurance

Although the Underlying Properties generally are required to be insured against certain risks (typically the risk of damage or destruction, loss of rent and third party liabilities), there is a possibility of casualty loss with respect to each Underlying Property for which insurance proceeds may not be adequate (such as floods) or which may result from risks not covered by insurance (such as terrorism risks). In addition, certain of the Underlying Properties may be located in countries that have been historically at greater risk to acts of nature (such as floods and earthquakes) than properties located in other countries. There can be no assurance borrowers have complied or will in the future be able to comply with requirements to maintain adequate insurance with respect to the Underlying Properties or that insurance coverage is required with respect to all such risks. As with all real estate, if reconstruction (for example, following fire or other casualty) or any major repair or improvement is required to the property, applicable planning laws and governmental regulations may materially affect the cost to, or ability of, the borrower to effect such reconstruction, major repair or improvement. As a result of the occurrence of any of these events, the amount realised with respect to the Underlying Loans could be reduced.

To the extent that uninsured or underinsured casualty losses occur with respect to the Underlying Properties, losses on the Underlying Loans may adversely affect the value of the Portfolio Assets. In addition, the failure to maintain such insurance may constitute a default under an Underlying Loan, which could result in the acceleration and enforcement of such Underlying Loan. It is also possible that the lack of available insurance coverage for such risks in the future may adversely affect the ability to obtain conventional financing for commercial properties, which in turn may adversely affect the liquidation proceeds that may be realised following a default on any of the Underlying Loans.

E5. Head Leases

Certain of the Underlying Loans are secured in whole or in part by a leasehold interest (or their equivalents under other legal systems e.g. heritable building rights under German law) or another type of interest which represents less than a freehold in the real property (any of which, for the purposes of this discussion, is defined as a "Leasehold/HBR Interest").

Because a Leasehold/HBR Interest may be the primary security for an Underlying Loan, the ability of an Underlying Obligor to refinance the related Underlying Loan or its interest in the related Underlying Property often depends on the length of the related Leasehold/HBR Interest. The ability of the Underlying Obligor to refinance the existing debt on the Underlying Property may be adversely impacted by a Leasehold/HBR Interest with a term that is not significantly longer than the term of the Underlying Loan.

In certain instances, the owner of the freehold interest may have rights that are senior to the rights of the mortgagee, including the right to control in certain situations the proceeds of insurance. This right could materially adversely affect the ability of an Underlying Obligor to meet its obligations under the related Underlying Loan depending on the use of the insurance proceeds by the related ground lessor. In addition, after an enforcement of security with respect to the lessee's interest under the Leasehold/HBR Interest, the mortgagee may be required to obtain the consent of the ground lessor under the applicable Leasehold/HBR Interest prior to any further assignment of the applicable Leasehold/HBR Interest. This could adversely affect the mortgagee's ability to realise on the proceeds of the sale of the Underlying Property.

In addition, certain of the Leasehold/HBR Interests may not prohibit the owner of the freehold interest and the ground lessee from modifying the terms of the Leasehold/HBR Interest. If a Leasehold/HBR Interest does not contain such a prohibition, generally the related Underlying Instruments will prohibit the related Underlying Obligor, as lessee, from amending the terms of the Leasehold/HBR Interest without the mortgagee's consent, and violation of that covenant could result in recourse liability to the related Underlying Obligor. However, there can be no assurance that the terms of the ground lease will not be modified in a manner that would materially and adversely affect the rights of the mortgagee or the value of the related collateral.

E6. Compulsory Purchase

Any Property may at any time be compulsorily acquired by, among others, a local or public authority or a government department generally in connection with proposed redevelopment or infrastructure projects.

If a compulsory purchase order were to be made in respect of an Underlying Property (or part thereof), compensation would be payable in accordance with the applicable legal provisions. The risk to Noteholders is that the amount received from the proceeds of purchase of the freehold or leasehold estate allocable to the affected Underlying Loan may be less than the corresponding Principal Amount Outstanding on the Notes together with accrued interest.

There is often a delay between the compulsory purchase of a property and the payment of compensation, the length of which will largely depend upon the ability of the property owner and the entity acquiring the property to agree on the open market value. Should such a delay occur in the case of an Underlying Property, then, unless the relevant Underlying Obligor has other funds available to it, an event of default under the relevant Underlying Loan may occur. Following the payment of compensation, the relevant Underlying Obligor will be required to prepay all or such part of the amounts owing by it under the relevant Underlying Instruments equal to the compensation payment received, part of such prepayment being used by the Issuer to redeem the Notes (or part thereof).

E7. Management

The successful operation of a property project is dependent on the performance and viability of the property manager of such project. The property manager is responsible for responding to changes in the local market, planning and implementing the rental structure, including establishing levels of rent payments, and ensuring that maintenance and capital improvements can be carried out in a timely fashion. Sound property management controls costs, provides appropriate service to tenants and ensures that improvements are maintained. Sound property management can also maintain cash flow, reduce vacancy, leasing and repair costs and preserve building value. Property management errors can impair the long term viability of a property.

Managers of Underlying Properties and the Underlying Obligors may experience conflicts of interest in the management or ownership of Underlying Properties. These conflicts of interest could result in realised losses on the Underlying Loans that may be allocated to the Portfolio Assets. These conflicts of interest may exist because:

- (a) the Underlying Properties may be managed by property managers affiliated with the Underlying Obligors;

- (b) the Underlying Properties may be managed by property managers who also manage other properties that compete with the Underlying Properties; and
- (c) Affiliates of the managers or the Underlying Obligor, or the managers or the Underlying Obligor or both, may also develop or own other properties, including competing properties.

Also, not all property managers are equally experienced or possess the same levels of expertise, and such differences in experience and expertise may impact the success or otherwise of an Underlying Property and its ability to continue to generate income.

E8. Limitations of Valuations

In general, valuations represent the analysis and opinion of qualified valuers and are not guarantees of present or future value. One valuer may reach a different conclusion than the conclusion that would be reached if a different valuer were appraising such property. Moreover, valuations seek to establish the amount a typically motivated buyer would pay a typically motivated seller and, in certain cases, may have taken into consideration the purchase price paid by the related Underlying Obligor. However, there can be no assurance that the market value of the Underlying Properties will continue to equal or exceed such valuation. As the market value of the Underlying Properties fluctuates, there can be no assurance that the market value of the Underlying Properties will be equal to or greater than the unpaid principal and accrued interest and any other amounts due under the Underlying Instruments. If any Underlying Property is sold following an event of default under an Underlying Loan, there can be no assurance that the net proceeds of such sale will be sufficient to pay in full all amounts due under the relevant Underlying Instruments. In particular, it should be noted that certain of the Properties are specialised property assets for which no ready market may exist. Certain of the Underlying Loans are not or will not be newly originated when the related Portfolio Asset is acquired by the Issuer and the valuations of the Underlying Properties may not be current or reflect the then current value of the Underlying Property. The values of the Underlying Properties may have changed significantly since the valuation was performed. None of the Issuer, the Collateral Manager and the Trustee is under any obligation to obtain or update any valuations.

E9. Planning Law and Compliance

While it is expected that the originator of each Underlying Loan will have taken certain steps to establish at origination that the use and operation of the related Underlying Properties were in compliance in all material respects with all applicable planning, land use, building, fire and health by-laws, rules, regulations and orders applicable to such Underlying Properties, no assurance can be given that such steps revealed all possible violations. Evidence of such compliance may have been in the form of legal opinions, certifications from government officials and/or representations by the related Underlying Obligor contained in the related Underlying Instruments. In many cases, the use, operation and/or structure of an Underlying Property constitutes a permitted nonconforming use and/or structure, which may not be rebuilt to its current state in the event of a material casualty event; however, it is expected that insurance proceeds would be available for application to the related Underlying Loan if such were to occur. Such insurance proceeds, however, may not be sufficient to cover all principal of and interest on the related Underlying Loan.

E10. Risks Associated with Tenants Generally

The Underlying Obligor under Underlying Loans generally rely on periodic lease or rental payments or guest fees from tenants to pay for maintenance and other operating expenses of the building, to fund capital improvements and to service the related obligation and any other debt or obligations it may have outstanding. There can be no guarantee that tenants will renew leases upon expiration or that they will continue operations throughout the term of their leases. The income of Underlying Obligor would be adversely affected if tenants were unable to pay rent or if space was unable to be rented on favourable terms or at all. For example, if any Underlying Obligor were to re-let or renew the existing leases for a significant amount of space at rental rates significantly lower than expected rates, then such Underlying Obligor's funds from operations may be adversely affected, as would its ability to meet its debt service requirements. Changes in payment patterns by tenants may result from a variety of social, legal and economic factors, including, without limitation, the rate of inflation and unemployment levels and may be reflected in the rental rates offered for comparable space. In addition, upon re-letting or renewing existing leases, an Underlying Obligor will likely be required to pay leasing commissions and tenant improvement costs, which may adversely affect cash flow from the Underlying Property. There are existing leases at certain of the Underlying Properties that will expire during the terms of the related Underlying

Loans and there can be no assurance that such leases will be renewed or that, if renewed, the terms would be similar to or more favourable than the terms of the prior lease.

To the extent significant tenant leases expire near or on the maturity date (or extended maturity date), if applicable, in respect of any Underlying Loan it would be more difficult for the related Underlying Obligor to refinance or sell the related Underlying Property in order to make the required balloon payment. There can be no assurances whether, or to what extent, economic, legal or social factors will affect future repayment patterns.

With respect to certain of the Underlying Properties, a substantial percentage of the related tenant leases may expire prior to the maturity date of the related Underlying Loan or shortly thereafter. In addition, with respect to certain Underlying Properties, a major tenant may have leases that terminate or grant the tenant early termination rights prior to the maturity date of the related Underlying Loan. If the related Underlying Obligor is not able to re-let the expiring space under as favourable conditions due to a decrease in the market rate for similar space, then the Underlying Obligor's ability to meet its obligations under the Underlying Loan may be adversely affected. Similarly, the Underlying Obligor's inability to fully or favourably re-let the premises may adversely impact its ability to refinance the Underlying Loan at maturity.

E11. Related Underlying Obligors

Certain Underlying Obligors or sponsors under the Underlying Loans may be affiliated or under common control with one another. Any adverse circumstances relating to an Underlying Obligor or sponsor or an Affiliate thereof and affecting one of the related Underlying Loans or Underlying Properties could also affect Underlying Loans or Underlying Properties of the related Underlying Obligor. In particular, the bankruptcy or insolvency of any such Underlying Obligor, sponsor or Affiliate could have an adverse effect on the operation of all of the Underlying Properties of that Underlying Obligor and its Affiliates and on the ability of such related Underlying Properties to produce sufficient cash flow to make required payments on the related Underlying Loans.

E12. The Failure of a Tenant Will Have a Negative Impact in Particular on Single Tenant and Concentration Tenant Properties

The bankruptcy or insolvency of a major tenant, or a number of smaller tenants, in retail, industrial, office or other tenanted properties may adversely affect the income produced by an Underlying Property. For example, if a person that owns or controls several Underlying Properties experiences financial difficulty at one Underlying Property due to the financial difficulties of the tenants therein, it could defer maintenance at one or more other Underlying Properties, in order to satisfy current expenses with respect to the Underlying Property experiencing financial difficulty.

E13. Tenant Concentration Entails Risks Because the Financial Condition of a Single Tenant or a Few Tenants May Adversely Affect Net Cash Flow

In those cases where an Underlying Property is leased to a single tenant, or is primarily leased to one or a small number of major tenants, a deterioration in the financial condition or a change in the plan of operations of those tenants can have a particularly significant effect on the net cash flow generated by the Underlying Property. If any major tenant defaults under, terminates or fails to renew its lease, the resulting adverse financial effect on the operation of the Underlying Property will be substantially greater than would otherwise be the case with respect to a property occupied by a large number of less significant tenants.

As of the Reference Date, the Underlying Properties underlying certain of the Portfolio Assets contained in the Initial Portfolio Collateral are single tenant properties (for purposes of determining tenant concentrations, the Underlying Properties securing any Portfolio Asset that is secured by multiple Underlying Properties were aggregated and treated as a single Underlying Property). The effect of the losses from the Underlying Properties will be more severe if the pool is comprised of a small number of Underlying Loans, each with a relatively large principal balance or if the losses relate to Underlying Loans that account for a disproportionately large percentage of the pool's aggregate principal balance.

In addition, the repayment, in whole or in part, of any Underlying Loan will affect the relative concentrations of the remaining Underlying Loans.

Furthermore, retail, office, industrial or other tenanted properties may also be adversely affected if there is a concentration of tenants in a particular business or industry at any related property and that particular business or industry declines. For example, certain of the Underlying Properties have a large concentration of tenants in the retail sector (including significant concentrations in pubs, restaurants, children's retailing and the grocery sectors) and in office buildings.

These adverse financial effects could result in insufficient cash flow received by an Underlying Obligor with respect to an Underlying Property which could, in turn, result in the inability of the Underlying Obligor to make required payments on its Underlying Loan, pay for maintenance and other operating expenses, fund capital improvements and pay other debtor obligations it may have.

E14. Geographic Concentration

Substantially all of the Underlying Properties in respect of the Portfolio Assets contained in the Initial Portfolio Collateral are located in the United Kingdom, Germany, Italy, France, The Netherlands and Ireland. Repayments under the Underlying Loans and the market value of the Underlying Properties could be adversely affected by conditions in the property markets where the Underlying Properties are located, acts of nature (which may result in uninsured losses), and other factors which are beyond the control of the Underlying Obligors. In addition, the performance of the Underlying Properties will be dependent upon the strength of the economies of the specific areas in which the Underlying Properties are located.

E15. Frustration of Tenancies

In many jurisdictions a tenancy could, in exceptional circumstances, be frustrated, whereupon the parties need not perform any obligation arising under the relevant agreement after the frustration has taken place. Under English law, for example, frustration may occur where superseding events radically alter the continuance of the arrangement under the agreement for a party thereto, so that it would be inequitable for such an agreement or agreements to continue. If a tenancy granted in respect of a property is frustrated this could operate to have an adverse effect on the income derived from, or able to be generated by, a particular property, which could cause the owner of such property to default on its loan. There can be no assurance that any lease will not terminate earlier than its term as a result of frustration.

This could result in a decrease of rental income to the Underlying Obligor unless the Underlying Obligor can enter into a new lease with a tenant at substantially the same rent. If the Underlying Obligor is unable to secure a new tenant at substantially the same rent, a decrease in rental income may have an adverse effect on an Underlying Obligor's ability to meet its debt service on the related Underlying Loan and subsequently the Noteholders may not receive the timely payment of interest and principal on the Notes.

E16. Rights of Tenants

Each Underlying Obligor is under an obligation, among other things, to allow each tenant quiet enjoyment of the premises which are leased to it and to perform certain specified obligations, typically in connection with the maintenance of the relevant Property. Where an Underlying Obligor, as a landlord, is in default of its obligations under a tenancy under the general law a right of set-off could be exercised against that Underlying Obligor by a tenant of the relevant Underlying Property in respect of its rental obligations to pay rent.

The exercise of any such rights by a tenant may affect the ability of the related Underlying Obligor to meet its obligations under the respective Underlying Loan which in turn may adversely affect the timely receipt of interest and principal by the Noteholders.

F. RELATING TO PARTICULAR TYPES OF COMMERCIAL AND MULTIFAMILY PROPERTY

As of the Reference Date, the Underlying Properties contained in the Initial Portfolio Collateral comprise a mixture of property types and the nature of such property types may change from time to time over the lives of the Notes. During the Reinvestment Period, additional Portfolio Assets related to any of the Underlying Properties may be acquired. Certain of the following risks are applicable to each such Underlying Property. Where that is the case such risk is discussed in greater detail in connection with the first Underlying Property it is applicable to.

In addition, each of the Underlying Properties, regardless of type, will be subject to certain risks including the following:

- (a) economic decline in the businesses operated by the tenants of Underlying Properties may increase the likelihood that the tenants may be unable to pay their rent, which could result in realised losses on the Underlying Loans;
- (b) adverse developments in the local, regional and national economies affect the cost of operating a property or which may limit the amount of rent that can be charged for rental units or result in a reduction in timely rent payments each of which can have a significant affect on the success of a property;
- (c) economic and demographic factors may adversely affect the value of Underlying Properties, including:
 - (i) the quality of the tenants in the building;
 - (ii) the physical attributes of the building in relation to competing buildings;
 - (iii) proximity to major population centres or attractions;
 - (iv) access to transportation;
 - (v) the availability of tax benefits;
 - (vi) the strength and stability of businesses operated by the tenant or tenants;
 - (vii) the desirability of the location for business; and
 - (viii) the cost of refitting space for a new tenant, which is often significantly higher than the cost of refitting other types of properties for new tenants;
- (d) a significant tenant ceasing to do business at an Underlying Property could result in realised losses on related Underlying Loans. The loss of a significant tenant may be the result of the tenant's voluntary decision not to renew a lease or to terminate it in accordance with its terms, the bankruptcy or insolvency of the tenant, the tenant's general cessation of business activities or other reasons (including co-tenancy provisions permitting a tenant to terminate a lease prior to its term). There is no guarantee that any tenant will continue to occupy space in any Underlying Property for the term of the related Underlying Loan;
- (e) Underlying Property owners may elect to undertake the expense of expanding or upgrading their facilities in connection with tenant turnover or in order to enhance competitive advantage (and thus decrease their available cash flow); and
- (f) the demand for particular Underlying Properties may also be affected adversely by changes in travel patterns caused by changes in energy prices, strikes, relocation of motorways, concern over terrorist activity, the construction of additional motorways, seasonality and other factors.

These risks may be increased if rental revenue depends on a single tenant, on a few tenants, if the property is owner-occupied or if there is a significant concentration of tenants in a particular business or industry.

Competition from other Underlying Properties in the same market could decrease occupancy or rental rates at Underlying Properties. Decreased occupancy or rental revenues could result in realised losses on the Underlying Loans. A property's age, condition, design (such as floor sizes and layout), location, access to transportation and ability to offer amenities to its tenants, including sophisticated building systems (such as fibre optic cables, satellite communications or other base building technological features) may affect the property's ability to compete with properties in the same market.

F1. Risks Particular to Underlying Office Properties

As of the Reference Date, certain Underlying Properties contained in the Initial Portfolio Collateral are properties which are predominantly used or let for office, conference and similar purposes determined by the Collateral Manager (each such Underlying Property an "Underlying Office Property").

Technological developments can affect the viability of Underlying Office Properties by rendering facilities obsolete or by reducing the size of the workforce necessary to perform office tasks, thus reducing demand for office space. In addition, the performance of certain types of Underlying Office Properties, such as a medical Underlying Office Property or office property dedicated to technology industry, may depend on (i) the proximity of such property to a nearby independent business operation (such as a hospital or other health care establishment or a defence contractor) and (ii) in the case of medical office facilities, reimbursements for patient fees from private or government sponsored insurers. Issues related to reimbursement (ranging from non-payment to delays in payment) from such insurers could adversely impact cash flow at such Underlying Property.

F2. Risks Particular to Underlying Retail Properties

F2.1 A Significant Tenant Ceasing to Operate at an Underlying Retail Property Could Adversely Affect its Value and Cash Flow

As of the Reference Date, certain Underlying Properties contained in the Initial Portfolio Collateral are properties which are predominantly used or let as retail shops, book shops, clothing shops, restaurants or for similar purposes as determined by the Collateral Manager (each such Underlying Property, an “**Underlying Retail Property**”).

Some component of the total rent paid by retail tenants may be tied to a percentage of gross sales. As a result, the correlation between the success of a given tenant’s business and property value is more direct for retail properties than other types of commercial properties. Significant tenants or anchor tenants at an Underlying Retail Property play an important part in generating customer traffic and making an Underlying Retail Property a desirable location for other tenants at that property. A retail “anchor tenant” is typically understood to be a tenant that is larger in size and is important in attracting customers to an Underlying Retail Property, whether or not it is located on the Underlying Property. Some tenants at Underlying Retail Properties may be entitled to terminate their leases or pay reduced rent if sales are below certain target levels, or if an anchor tenant or one or more major tenants cease operations at that property or fail to open. If anchor stores in an Underlying Property were to close, the Underlying Obligor may be unable to replace those anchor tenants in a timely manner on similar terms, and customer traffic may be reduced, possibly affecting sales at the remaining retail tenants. The lack of replacement anchors and a reduction in rental income from remaining tenants may adversely affect the Underlying Obligor’s ability to pay current debt service or successfully refinance the Underlying Loan at maturity. These risks with respect to an anchored Underlying Retail Property may be increased when the Underlying Property is a single tenant property.

The insolvency or bankruptcy of, or financial difficulties affecting, a major or an anchor tenant may adversely affect an Underlying Obligor’s ability to make its Underlying Loan payments, particularly if, notwithstanding such insolvency or bankruptcy, it is not possible to remove that tenant from occupation of the premises.

As of the Reference Date, none of the Underlying Properties underlying the Portfolio Assets contained in the Initial Portfolio Collateral are anchored Underlying Retail Properties.

F2.2 Underlying Retail Properties are Vulnerable to Changes in Consumer Preference

Changes in consumer preferences and market demographics may adversely affect the value and cash flow from Underlying Retail Properties, particularly properties with a specialty retail focus. The Underlying Loans may experience losses due to these changes. Underlying Retail Properties are particularly vulnerable to changes in consumer preferences and market demographics that may relate to:

- (a) changes in consumer spending patterns;
- (b) local competitive conditions, such as an increased supply of retail space or the construction of other shopping centres;
- (c) the attractiveness of the properties and the surrounding neighbourhood to tenants and their customers;
- (d) with respect to value-oriented Underlying Retail Properties, such properties may contain tenants that sell discounted, “last season” or close out merchandise, or may have higher than average seasonality in tenant sales, cash flows and occupancy levels;

- (e) the public perception of the safety of the neighbourhood;
- (f) the need to make major repairs or improvements to satisfy major tenants; and
- (g) the quality and philosophy of management.

The Portfolio Assets may include Underlying Loans that have cinemas as tenants. Because of the unique construction requirements of cinemas, any vacant cinema space would not easily be converted to other uses.

F2.3 Competition from Alternative Retail Distribution Channels May Adversely Affect the Value and Cash Flow from Underlying Retail Properties

Underlying Retail Properties face competition from sources outside their local property market. Catalogue retailers, home shopping networks, the Internet, telemarketing and outlet centres all compete with more traditional retail properties for consumer spending. These alternative retail outlets are often characterised by lower operating costs. Continued growth of these alternative retail outlets could adversely affect the rents collectible at the Underlying Retail Properties which secure Underlying Loans and result in realised losses on the Underlying Loans.

F3. Risks Particular to Underlying Multifamily Properties

F3.1 Reduction in Occupancy and Rent Levels on Underlying Multifamily Properties Could Adversely Affect their Value and Cash Flow

As of the Reference Date, certain of the Underlying Properties contained in the Initial Portfolio Collateral are properties which are predominantly used or let as apartment buildings, cooperative owned buildings or for similar purposes as determined by the Collateral Manager (each such Underlying Property an “**Underlying Multifamily Property**”) that are let to residential tenants. A decrease in occupancy or rent levels at these Underlying Properties could result in realised losses on the Underlying Loans. Occupancy and rent levels at an Underlying Multifamily Property may be adversely affected by:

- (a) construction of additional housing units in the same market;
- (b) local or industrial/business closings;
- (c) the tenant mix (such as tenants being predominantly students, corporate tenants or employees of a particular business);
- (d) developments at local colleges and universities;
- (e) national, regional and local politics, including current or future rent stabilisation and rent control laws and agreements;
- (f) trends in the market for housing for elderly and retired people;
- (g) the level of mortgage interest rates, which may encourage tenants in Underlying Multifamily Properties to purchase housing, rather than continuing to rent; and
- (h) a lack of amenities, unattractive physical attributes or bad reputation of the Underlying Property or of the area in which the Underlying Property is located.

F3.2 Restrictions Imposed on Underlying Multifamily Properties by Government Initiatives Could Adversely Affect their Value and Cash Flow

Tax credit and government housing subsidies, rent stabilisation, sheltered homes or any other similar initiatives may apply to Underlying Multifamily Properties. The limitations and restrictions imposed by these initiatives could result in realised losses on the Underlying Loans. These initiatives may include:

- (a) rent limitations that could adversely affect the ability of Underlying Obligors to increase rents to maintain the condition of their Underlying Properties and satisfy operating expenses; and

- (b) tenancy and tenant income restrictions that may reduce the number of eligible tenants in those Underlying Properties and result in a reduction in occupancy rates.

The differences in rents between subsidised or supported properties and other multifamily properties in the same area may not be a sufficient economic incentive for some eligible tenants to reside at a subsidised or supported property that may have fewer amenities or be less attractive as a residence.

F4. Risks Particular to Underlying Hotel Properties

As of the Reference Date, certain of the Underlying Properties contained in the Initial Portfolio Collateral are properties which are predominantly used or let as hotels, motels, youth hostels, bed and breakfasts or for similar purposes as determined by the Collateral Manager (each such Underlying Property an “**Underlying Hotel Property**”). A decrease in room rates or occupancy at an Underlying Hotel Property could result in realised losses on the relevant Underlying Loans. Room rates and occupancy levels may depend upon the following factors:

- (a) adverse local, regional or national economic conditions or the existence or construction of competing hotel properties; because Underlying Hotel Property rooms typically are rented for short periods of time, the performance of Underlying Hotel Properties tends to be affected by adverse economic conditions and competition more quickly than other Underlying Properties;
- (b) an Underlying Hotel Property’s ability to attract customers and a portion of its revenues may depend on it being licensed to sell alcohol, which may not be transferable if an enforcement of security against the Underlying Property occurs;
- (c) in many parts of Europe the hotel and lodging industry is seasonal in nature; seasonality will cause periodic fluctuations in room and other revenues, occupancy levels, room rates and operating expenses; and
- (d) limited service Underlying Hotel Properties have lower barriers to entry than other types of hotel properties, and over building could occur.

The viability of Underlying Hotel Properties that are franchisees of international or regional hotel chains or managed by hotel management companies depends in large part on the continued existence and financial strength of the franchisor or management company, as applicable. The public perception of the franchise or chain service mark, and the duration of the franchise license agreement or hotel management agreement are also important. If an Underlying Obligor defaults on its debt, the successor operator upon an enforcement may be unable to use the franchise license without the consent of the franchisor or hotel management company due to restrictions on transfers imposed by the franchise license agreement or hotel management agreement, as applicable. In addition, certain franchise license agreements may terminate prior to or near the maturity date of the related Portfolio Asset and may not provide for automatic renewal. The failure of an Underlying Obligor to renew a franchise license agreement may have a material adverse effect on the revenue of an Underlying Hotel Property and the related Underlying Obligor’s ability to meet its obligations to the holder of the related Underlying Loan and may affect the Underlying Obligor’s ability to refinance the related Underlying Loan or to sell the related Underlying Property.

In addition, Underlying Hotel Properties often are operated pursuant to franchise, management or operating agreements which may be terminable by the franchisor or operator; and the transferability of a hotel’s operating, liquor and other licenses upon a transfer of the hotel, whether through purchase or enforcement of security, is subject to local law requirements.

F5. Risks Particular to Underlying Industrial Properties

As of the Reference Date, certain of the Underlying Properties contained in the Initial Portfolio Collateral are properties which are predominantly used or let as factories, refinery plants, breweries, logistic centres, distribution plants, distribution centres, industrial storage, industrial repair or servicing or for similar purposes as determined by the Collateral Manager (each such Underlying Property an “**Underlying Industrial Property**”). Economic decline in the businesses operated by the tenants of Underlying Industrial Properties could result in realised losses on the Underlying Loans.

These risks are similar to those of tenants of Underlying Office Properties. For a description of risk factors relating to properties with tenant concentrations, see “—*Relating to the Ownership, Financing and Leasing of Property—Risks Associated with Tenants Generally*” and “—*Tenant Concentration Entails Risks Because the Financial Condition of a Single Tenant or a Few Tenants May Adversely Affect Net Cash Flow*”.

Site characteristics at Underlying Industrial Properties may impose restrictions that may limit the properties’ suitability for tenants, affect the value of such Underlying Properties and contribute to losses on the related Underlying Loans. Site characteristics which affect the value of an Underlying Industrial Property include:

- (a) clear heights;
- (b) column spacing;
- (c) number of bays and bay depths;
- (d) divisibility;
- (e) planning restrictions; and
- (f) overall functionality and accessibility.

An Underlying Industrial Property also requires availability of labour sources, proximity to supply sources and customers, and accessibility to rail lines, major roadways and other distribution channels.

Underlying Properties used for industrial purposes may be more prone to environmental concerns than other property types. Increased environmental risks could adversely affect the value and cash flow from Underlying Industrial Properties. For a description of risk factors relating to environmental risks, see “—*Relating to the Ownership, Financing and Leasing of Property—Environmental Considerations*”.

In addition, Underlying Industrial Properties may be adversely affected by reduced demand for industrial space occasioned by a decline in a particular industry segment, and a particular Underlying Industrial Property that suited the needs of its original tenant may be difficult to relet to another tenant or become functionally obsolete relative to newer properties. In addition, lease terms with respect to Underlying Industrial Properties are generally for shorter periods of time than with respect to other properties and may result in a substantial percentage of leases expiring in the same year at any particular industrial property.

F6. Risks Particular to Underlying Pub Properties

As of the Reference Date, certain of the Underlying Properties contained in the Initial Portfolio Collateral are properties which are predominantly used or let as pubs (each such Underlying Property, an “**Underlying Pub Property**”). As in respect of Underlying Industrial Properties, economic decline in the pub businesses operated by the tenants of Underlying Pub Properties could result in realised losses on the Underlying Loans. Such Underlying Loans, the Underlying Pub Properties and their relevant businesses and operations may further be negatively affected by the following factors:

- (a) changes in consumer tastes, national, regional and local conditions and demographic trends; consumption of alcoholic beverages in the Qualifying Countries where the Underlying Pub Properties are located has or may become the subject of considerable social and political attention in recent or future years due to increasing public concern over alcohol-related problems including drinking and adverse health consequences associated with the misuse of alcohol; if beer consumption were to decrease significantly as a result, the business and operations of the Underlying Pub Properties could be materially adversely affected;
- (b) as car drivers and passengers account for a considerable amount of pub customers, any future legislation in the Qualifying Countries to reduce the legal blood alcohol limit for drivers could negatively affect trading and income generated in the rural and suburban Underlying Pub Properties;
- (c) with respect to Underlying Pub Properties located in England, pursuant to the Health Act 2006, effective 1st July 2007 all pubs premises in England will be smoke-free. This may discourage certain customers from patronising pubs and have an adverse effect on the businesses operated by the tenants

of the Underlying Pub Properties. Similar legislation may already be in place or may be enacted in other Qualifying Countries where the Underlying Pub Properties are located with similar effect; and

- (d) continued consolidation in the pub industry could lead to the emergence of several large competitors, each of which may have greater financial or operational resources than the current tenants of the Underlying Pub Properties. Such tenants may not be able to successfully compete for prospective employees, favourable pricing from suppliers and quality retailers and their businesses and the rental income generated by them may therefore be negatively affected.

F7. Compliance with Applicable Laws and Regulations May Result in Losses

An Underlying Obligor may be required to incur costs to comply with various existing and future laws and regulations applicable to the related Underlying Property securing an Underlying Loan. The expenditure of such costs or the imposition of injunctive relief, penalties or fines in connection with the related Underlying Obligor's non-compliance could negatively impact the Underlying Obligor's cash flow and, consequently, its ability to pay its Underlying Loan.

G. OTHER CONSIDERATIONS RELATED TO THE TRANSACTION GENERALLY

G1. Method of Acquisition of Portfolio Collateral; Eligibility Criteria

The Issuer acquired substantially all of the Initial Portfolio Assets to be acquired on the Closing Date from Eurohypo AG and Commerzbank Aktiengesellschaft, in each case, pursuant to the terms of the relevant Initial Collateral Acquisition Agreement. Each Portfolio Asset purchased from Eurohypo AG or Commerzbank Aktiengesellschaft, as the case may be, was purchased by the Issuer at the market price of such Portfolio Assets on the Closing Date.

Although Portfolio Assets are expected to satisfy the Eligibility Criteria at the time the Issuer enters into a binding commitment to purchase such Portfolio Assets, it is possible that such Portfolio Assets may cease to satisfy the Eligibility Criteria after the Issuer has entered into such binding commitment. The requirement that the Eligibility Criteria be satisfied applies only at the time that a commitment to purchase a Portfolio Asset is entered into, and if a Portfolio Asset fails to satisfy the Eligibility Criteria at a later stage, this will not result in any requirement to sell such Portfolio Asset or take any other action.

G2. Default and Recovery Rates on Portfolio Collateral

There do not exist reliable sources of statistical information with respect to the default and recovery rates for the type of securities represented by the Portfolio Collateral. The historical performance of a market is not necessarily indicative of its future performance. Should increases in default rates or decreases in recovery rates occur with respect to the type of assets underlying the Portfolio Collateral, the actual default or recovery rates of the Portfolio Collateral may either significantly exceed or be significantly less than, the hypothetical default rates and recovery rates.

PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSIDER AND DETERMINE FOR THEMSELVES THE LIKELY LEVEL OF DEFAULTS AND THE LEVEL OF RECOVERIES ON THE PORTFOLIO COLLATERAL DURING THE TERM OF THE TRANSACTION.

G3. Illiquidity of Portfolio Assets; Sale of Portfolio Assets by Collateral Manager

Some Portfolio Assets purchased by the Issuer will have no, or only a limited, trading market. The Issuer's investment in illiquid Portfolio Assets may restrict its ability to dispose of investments in a timely fashion and for a fair price as well as its ability to take advantage of market opportunities, although the Collateral Manager on behalf of the Issuer is permitted by the Collateral Management Agreement to sell Portfolio Assets only under certain circumstances. Illiquid Portfolio Assets may trade at a discount from comparable, more liquid investments. In addition, the Issuer may invest in privately placed Portfolio Assets that may or may not be freely transferable under the laws of the applicable jurisdiction or due to contractual restrictions on resale.

The Collateral Manager on behalf of the Issuer generally may only dispose of a Portfolio Asset pursuant to the terms of the Collateral Management Agreement. Sales and purchases by the Collateral Manager of Portfolio Assets could result in losses by the Issuer, which losses may result in the reduction or withdrawal of the rating of any or all of the Notes by any of the Rating Agencies. Circumstances may exist under which the Collateral

Manager may believe that it is in the best interests of the Issuer to dispose of Portfolio Assets, but the Issuer will not be permitted to do so under the restrictions and conditions in the Collateral Management Agreement.

G4. Sale of Portfolio Collateral Upon Default of the Notes

The market value of the Portfolio Collateral will generally fluctuate with, among other things, general economic conditions, world political events, developments or trends in a particular industry related to the underlying obligations, the conditions of the financial markets and the financial condition of the issuers, credit enhancers or underlying obligors with respect to the Portfolio Collateral. Therefore, if an Event of Default occurs with respect to the Notes, there can be no assurance that the proceeds of any sale of the Portfolio Collateral and other collateral securing the Notes will be sufficient to pay in full the principal and interest on the Notes and amounts payable to the Trustee and other parties.

G5. Insolvency Considerations with Respect to Issuers of Portfolio Collateral

The Portfolio Collateral may be subject to various laws enacted for the protection of creditors in the jurisdictions of incorporation of issuers of the Portfolio Collateral and, if different, the jurisdictions from which the issuers conduct their business and in which they hold their assets. These insolvency considerations will differ depending on the country in which each issuer is or its assets are located.

G6. Certain Conflicts of Interest

The activities of the Collateral Manager, the Joint Lead Managers and their respective Affiliates may result in certain conflicts of interest. The following briefly summarises some of these conflicts, but is not intended to be an exhaustive list of all such potential conflicts.

G6.1 Conflicts of Interest Involving the Collateral Manager

Various potential and actual conflicts of interest may arise from the overall, advisory, investment management and/or activities of the Collateral Manager and its Affiliates. The following briefly summarises some of these conflicts but is not intended to be an exhaustive list of all such potential conflicts.

The Collateral Manager and its Affiliates may, subject to and in accordance with their respective permitted business activities, invest for their own account, or for the account of others, in debt obligations, assets constituting Portfolio Assets, commercial paper, equities and equity related transactions and equity, credit and other derivative transactions and/or make recommendations or provide advice to other persons in relation to any such debt obligations, Portfolio Assets, commercial paper, equities and equity related transactions and equity, credit and other derivative transactions, including, but not limited to, investing in assets that would or may be appropriate as security for the Notes or that relate to such assets, and will have no duty in making such investments to act in a way that is favourable to the Issuer or to the holders of the Notes of any Class. Such investments may be the same as, similar to or different from those made on behalf of the Issuer. The Collateral Manager and its Affiliates have no obligation to recommend and/or advise the Issuer to make such investments or to inform the Issuer of any investments made by any of them either for their own account or with or by other funds or accounts that the Collateral Manager and its Affiliates manage or advise.

Conflicts may arise regarding the allocation of investment opportunities amongst the accounts of the Collateral Manager and/or its Affiliates. Situations may occur where the Issuer could be disadvantaged because of the other investment activities conducted by the Collateral Manager and/or its Affiliates. The Collateral Manager and its Affiliates and their respective clients may have economic interests in or other relationships with issuers in whose obligations or securities the Issuer may invest. In particular, such persons may make and/or hold an investment in an issuer's securities that may be, *pari passu*, senior or junior in ranking to an investment in such issuer's securities made and/or held by the Issuer or in which partners, securityholders, officers, directors, agents or employees of such persons serve on boards of directors or otherwise have ongoing relationships. Each of such ownership and other relationships may result in securities laws restrictions on transactions in such securities by the Issuer and otherwise create conflicts of interest for the Issuer. In such instances, the Collateral Manager and its Affiliates may in their discretion make investment recommendations and decisions that may be the same as or different from those made with respect to the Issuer's investments and that may be adverse to the interests of the Issuer and/or the holders of the Notes.

Although the principals and employees of the Collateral Manager will devote as much time to the Issuer as the Collateral Manager deems appropriate, the principals and employees may have conflicts in allocating their time and services among the Issuer and the Collateral Manager's and its Affiliates' other accounts. In addition, the Collateral Manager and its Affiliates, in connection with their other business activities, may acquire material non-public confidential information that may restrict the Collateral Manager or its Affiliates from purchasing securities or selling securities for itself or its clients (including the Issuer) or otherwise using such information for the benefit of their clients (including the Issuer) or themselves.

The Collateral Management Agreement places significant restrictions on the Collateral Manager. Accordingly, during certain periods or in certain specified circumstances, the Collateral Manager may be unable to take actions which it might otherwise consider to be in the best interests of the Issuer, as a result of the restrictions set out in the Collateral Management Agreement.

The Collateral Manager and its Affiliates may serve as a manager or advisor of corporations, limited partnerships and other companies organised to issue collateralised debt obligations secured by any combination of assets constituting Portfolio Assets or other obligations or securities, including derivatives transactions relating to assets constituting Portfolio Assets. The Collateral Manager or any of its Affiliates may from time to time simultaneously seek to purchase investments for the Issuer and one or more similar entities for which it serves as manager, or for its clients or Affiliates. In addition, the Collateral Manager may purchase securities for the Issuer that are issued by or held by persons for which the Collateral Manager or its Affiliates act as investment manager or advisor provided such securities are not issued by CDO entities managed or advised by the Collateral Manager or its Affiliates. The Collateral Manager may also sell securities for the Issuer and purchase such securities for other entities for which it serves as manager or advisor, or for its clients or Affiliates.

G6.2 Conflicts of Interest Involving the Joint Lead Managers

Certain Portfolio Assets acquired by the Issuer on or after the Closing Date may consist of obligations of issuers or obligors, or obligations sponsored or serviced by companies, for which a Joint Lead Manager or an Affiliate of either of the Joint Lead Managers has acted as underwriter, agent, placement agent or dealer or for which the Joint Lead Manager or an Affiliate of the Joint Lead Manager has acted as lender or provided other commercial or investment banking services. In addition, an Affiliate of a Joint Lead Manager may act as a hedge counterparty under any hedging arrangements for this transaction.

G6.3 Purchase of Portfolio Assets from the Collateral Manager

A portion of the Portfolio Assets purchased by the Issuer on the Closing Date from the Collateral Manager may have been originally acquired by the Collateral Manager in connection with the underwriting or placement thereof. After the Closing Date, the Joint Lead Managers or the Collateral Manager may sell Portfolio Assets to the Issuer, in each case, only to the extent the Collateral Manager determines that such purchases are consistent with the investment guidelines and objectives of the Issuer and the restrictions contained in the Transaction Documents. In any event, all purchases of Portfolio Collateral from such entities will be on an arm's length basis.

G7. Suitability

Prospective purchasers of the Notes of any Class should ensure that they understand the nature of such Notes and the extent of their exposure to risk, that they have sufficient knowledge, experience and access to professional advisors to make their own legal, tax, accounting and financial evaluation of the merits and risks of investment in such Notes and that they consider the suitability of such Notes as an investment in the light of their own circumstances and financial condition.

G8. Future Ratings of the Notes Not Assured and Limited in Scope

It is a condition to the issuance of the Notes that the Class X Notes be rated "AAA" by Fitch and "AAA" by S&P, that the Class A-1 Notes be rated "AAA" by Fitch and "AAA" by S&P, that the Class A-2 Notes be rated "AAA" by Fitch and "AAA" by S&P, that the Class B Notes be rated at least "AA" by Fitch and at least "AA" by S&P, that the Class C Notes be rated at least "A" by Fitch and at least "A" by S&P, that the Class D Notes be rated at least "BBB" by Fitch and at least "BBB" by S&P, that the Class E Notes be rated at least "BB" by Fitch and at least "BB" by S&P and that the Class F Notes be rated at least "BB-" by Fitch and at least "BB-" by S&P. Such ratings were obtained on the Closing Date. A rating has not been and will not be sought for the Class G

Subordinated Notes. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the applicable Rating Agency.

G9. Market Disruption

Each Floating Rate of Interest shall be the aggregate of GBPLIBOR or EURIBOR, as applicable, and the relevant Margin determined in accordance with Condition 6 (*Interest and Commitment Fees*). Condition 6 (*Interest and Commitment Fees*) contains provisions for the calculation of GBPLIBOR and EURIBOR based on rates given by various market information sources and alternative methods should such market information sources be unavailable. The market information sources might become unavailable for various reasons including suspensions or limitations on trading, events which affect or impair the ability of market participants in general, or early closure of market institutions.

G10. Credit Risk

Investment in the Notes of any Class involves a degree of risk arising from fluctuations in the amount and timing of receipt of the principal and interest payments on the Portfolio Collateral by or on behalf of the Issuer and the amounts of the claims of creditors of the Issuer ranking in priority to the holders of each Class of the Notes. In particular, prospective purchasers of such Notes should be aware that the amount and timing of payment of the principal and interest on the Portfolio Collateral will depend upon the detailed terms of the documentation relating to each Portfolio Asset and on whether or not any obligor thereunder defaults in its obligations.

G11. Projections, Forecasts and Estimates

Estimates, projections and forecasts provided to prospective purchasers of the Notes, are forward-looking statements. Projections are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the projections will not materialise or will vary significantly from actual results. Accordingly, the projections are only an estimate. Actual results may vary from the projections, and the variations may be material.

Some important factors that could cause actual results to differ materially from those in any forward-looking statements include changes in interest rates, market, financial or legal uncertainties, the timing of acquisitions of the Portfolio Collateral, differences in the actual allocation of the Portfolio Collateral among asset categories from those assumed and mismatches between the timing of accrual and receipt of Interest Proceeds from the Portfolio Collateral, among others.

None of the Issuer, the Joint Lead Managers, the Collateral Manager, the Collateral Administrator, the Trustee, any Hedge Counterparty, the Account Bank or any other person or any of their respective Affiliates has any obligation to update or otherwise revise any projections, including any revisions to reflect changes in economic conditions or other circumstances arising after the date hereof or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.

G12. Interest Rate Risk

The Floating Rate Notes will bear interest at a floating rate based on GBPLIBOR or EURIBOR, as applicable, described in this document. Some Portfolio Assets may bear interest at fixed rates or on a different floating rate basis. As a result, the total amount of interest received on the Portfolio Collateral may not correspond exactly to the amounts of interest payable on the Floating Rate Notes Outstanding.

The Issuer will enter into one or more interest rate hedge transactions under one or more Hedge Agreements, to address the impact of its exposure to such interest rate mismatches. However, despite the Issuer having the protection of such interest rate hedge transactions, there can be no assurance that the Portfolio Collateral and the Hedge Agreements will in all circumstances generate sufficient funds to make timely payments on the Class X Notes, the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes or to ensure any particular return on the Class G Subordinated Notes.

G13. European Monetary Union

It is possible that prior to the maturity of the Notes the United Kingdom may become a participating member state in the European Economic and Monetary Union and that the Euro may become lawful currency of the United Kingdom. Adoption of the Euro by the United Kingdom may have the following consequences: (i) all Notes (other than the Class A-1 Notes) and all Sterling denominated Fundings payable in respect of the Class A-1 Notes may become payable in Euro; (ii) applicable provisions of law may allow the Issuer to redenominate the Notes and all Sterling denominated Fundings outstanding under the Class A-1 Notes into Euro and take additional measures in respect of the Notes; and (iii) all published or displayed rates for deposits in Sterling used to determine the rates of interest on the Notes and all Sterling denominated Fundings outstanding under the Class A-1 Notes or changes in the way those rates are calculated, quoted and published or displayed may disappear. If the Notes or any Sterling denominated Fundings are outstanding under the Class A-1 Notes at a time when the Euro becomes the lawful currency of the United Kingdom, the Issuer intends to make payment on such Notes in accordance with the provisions of Condition 19 (*European Economic and Monetary Union*). It cannot be said with certainty what effect, if any, adoption of the Euro by the United Kingdom will have on investors in the Notes.

G14. Currency Risk

It is anticipated that up to 35 per cent. of the CDO Principal Balance may consist of Portfolio Assets denominated in Euro. The Euro proceeds from the Fundings available to the Issuer under the Class A-1 Notes will provide the Issuer with funds denominated in Euro equal to approximately 27.8 per cent. of the CDO Principal Balance of the Portfolio to use in the acquisition of these Portfolio Assets, however, the allocation of such Euro funds to acquire such Euro denominated Portfolio Assets will not result in such assets being perfectly hedged. In respect of the remaining 7.2 per cent. and, in all cases, in respect of the acquisition of a Portfolio Asset denominated in Euro, the Issuer will be required to take certain actions more particularly described in "*The Portfolio—Collateral Quality Tests—The Currency Ratio Tests*" which may include entering into a Currency Hedge Transaction with a Currency Hedge Counterparty at the time it makes such purchase which will effect an asset hedge of such Portfolio Assets into Sterling or, as the case may be, Euro, and, thereafter, until such time as the related Currency Hedge Transaction is terminated, such swapped Portfolio Assets will constitute and be treated for all purposes as Sterling-denominated or, as the case may be, Euro-denominated Currency Hedge Obligations under the Conditions. The Issuer may also determine to enter into Currency Hedge Transactions in other circumstances in order to mitigate currency risk as more particularly described in the hedging policies specified in the Collateral Management Agreement.

In order to mitigate against currency risk in regard to the repayment of the Notes following the Reinvestment Period, the Issuer will enter into FX Forwards or FX Options at any time it receives an amount of principal proceeds denominated in a currency which is disproportionate to the amount of its liabilities denominated in such currency at such time. All such hedging policies are more particularly described in the Collateral Management Agreement (see "*Hedging Arrangements*" below). However, there is no assurance that the Portfolio Assets and Eligible Investments, together with any such Currency Hedge Agreements, will in all circumstances generate the relevant sufficient Interest Proceeds in the required Available Currencies to make timely or ultimate payments on the Notes.

In addition, fluctuations in exchange rates may result in a decrease in value of the Portfolio for the purposes of sale thereof upon enforcement of the security over it. The Collateral Manager may also be limited at the time of reinvestment in its choice of Portfolio Assets because of the cost of entry into such Currency Hedge Transactions and/or Currency Hedge Agreements and due to restrictions in the Collateral Management Agreement and/or the Trust Deed with respect thereto.

The Issuer's ongoing payment obligations under such Currency Hedge Transactions (including termination payments) may be significant. The payments associated with such hedging arrangements generally rank senior to payments on the Notes.

The Issuer will depend upon any Currency Hedge Counterparty to perform its obligations under the relevant Currency Hedge Transactions. If a Currency Hedge Counterparty defaults or becomes unable to perform due to insolvency or otherwise, the Issuer may not receive payments it would otherwise be entitled to from such Currency Hedge Counterparty to cover its foreign exchange exposure.

G15. Irish Insolvency Issues

G15.1 Preferred Creditors under Irish Law and Floating Charges

Under Irish law, upon an insolvency of an Irish company such as the Issuer, when applying the proceeds of assets subject to fixed security which may have been realised in the course of a liquidation or receivership, the claims of a limited category of preferential creditors will take priority over the claims of creditors holding the relevant fixed security. These preferred claims include the remuneration, costs and expenses properly incurred by any examiner of the company (which may include any borrowings made by an examiner to fund the company's requirements for the duration of his appointment) which have been approved by the Irish courts. (See "*Examinership*" below.)

The holder of a fixed security over the book debts of an Irish tax resident company (which would include the Issuer) may be required by the Irish Revenue Commissioners, by notice in writing from the Irish Revenue Commissioners, to pay to them sums equivalent to those which the holder received in payment of debts due to it by the company.

Where the holder of the security has given notice to the Irish Revenue Commissioners of the creation of the security within 21 calendar days of its creation, the holder's liability is limited to the amount of certain outstanding Irish tax liabilities of the company (including liabilities in respect of value added tax) arising after the issuance of the Irish Revenue Commissioners' notice to the holder of fixed security.

The Irish Revenue Commissioners may also attach any debt due to an Irish tax resident company by another person in order to discharge any liabilities of the company in respect of outstanding tax whether the liabilities are due on its own account or as an agent or trustee. The scope of this right of the Irish Revenue Commissioners has not yet been considered by the Irish courts and it may override the rights of holders of security (whether fixed or floating) over the debt in question.

In relation to the disposal of assets of any Irish tax resident company which are subject to security, a person entitled to the benefit of the security may be liable for tax in relation to any capital gains made by the company on a disposal of those assets on exercise of the security.

The essence of a fixed charge is that the person creating the charge does not have liberty to deal with the assets which are the subject matter of the security in the sense of disposing of such assets or expending or appropriating the moneys or claims constituting such assets and accordingly, if and to the extent that such liberty is given to the Issuer, any charge constituted by the Trust Deed may operate as a floating, rather than a fixed charge.

In particular, the Irish courts have held that in order to create a fixed charge on receivables it is necessary to oblige the chargor to pay the proceeds of collection of the receivables into a designated bank account and to prohibit the chargor from withdrawing or otherwise dealing with the moneys standing to the credit of such account without the consent of the chargee.

Depending upon the level of control actually exercised by the chargor, there is therefore a possibility that the fixed security over the Portfolio Collateral would be regarded by the Irish courts as a floating charge.

Floating charges have certain weaknesses, including the following:

- (a) they have weak priority against purchasers (who are not on notice of any negative pledge contained in the floating charge) and the chargees of the assets concerned and against lien holders, execution creditors and creditors with rights of set-off;
- (b) as discussed above, they rank after certain preferential creditors, such as claims of employees and certain taxes on winding-up;
- (c) they rank after certain insolvency remuneration expenses and liabilities;
- (d) the examiner of a company has certain rights to deal with the property covered by the floating charge; and
- (e) they rank after fixed charges.

G15.2 Examinership

Examinership is a court procedure available under the Irish Companies (Amendment) Act 1990, as amended (the “1990 Act”) to facilitate the survival of Irish companies in financial difficulties.

The Issuer, the directors of the Issuer, a contingent, prospective or actual creditor of the Issuer, or shareholders of the Issuer holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of the Issuer are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to set aside contracts and arrangements entered into by the company after his appointment and, in certain circumstances, can avoid a negative pledge given by the company prior to his appointment. Furthermore, he may sell assets the subject of a fixed charge. However, if such power is exercised he must account to the holders of the fixed charge for the amount realised and discharge the amount due to the holders of the fixed charge out of the proceeds of sale.

During the period of protection, the examiner will formulate proposals for a compromise or scheme of arrangement to assist the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the Irish High Court when at least one class of creditors has voted in favour of the proposals and the Irish High Court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement.

In considering proposals by the examiner, it is likely that secured and unsecured creditors would form separate classes of creditors. In the case of the Issuer, if the Trustee represented the majority in number and value of claims within the secured creditor class (which would be likely given the restrictions agreed to by the Issuer in the Conditions), the Trustee would be in a position to reject any proposal not in favour of the Noteholders. The Trustee would also be entitled to argue at the Irish High Court hearing at which the proposed scheme of arrangement is considered that the proposals are unfair and inequitable in relation to the Noteholders, especially if such proposals included a writing down of the value of amounts due by the Issuer to the Noteholders. The primary risks to the holders of Notes if an examiner were to be appointed to the Issuer are as follows:

- (a) the potential for a compromise or scheme of arrangement being approved involving the writing down or rescheduling of the debt due by the Issuer to the Noteholders as secured by the Trust Deed;
- (b) the potential for the examiner to seek to set aside any negative pledge in the Notes prohibiting the creation of security or the incurring of borrowings by the Issuer to enable the examiner to borrow to fund the Issuer during the protection period; and
- (c) in the event that a scheme of arrangement is not approved and the Issuer subsequently goes into liquidation, the examiner’s remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Issuer and approved by the Irish High Court) will take priority over the moneys and liabilities which from time to time are or may become due, owing or payable by the Issuer to the Noteholders.

G16. Regulation of the Issuer by any regulatory authority

Any investment in the Notes does not have the status of a bank deposit in Ireland and is not within the scope of the deposit protection scheme operated by IFSRA. The Issuer will not be regulated by IFSRA by virtue of the issue of the Notes. The Issuer will not be required to be licensed, registered or authorised under any current securities, commodities or banking laws of Ireland and will operate without supervision by any authority in any jurisdiction. There is no assurance, however, that regulatory authorities in one or more jurisdictions would not take a contrary view regarding the applicability of any such laws. The taking of a contrary view by any such regulatory authority could have an adverse impact on the Issuer or the holders of the Notes.

G17. Maturity Date, Average Life and Prepayment Considerations; Redemption; Yield

The maturity date of each Class of Notes (other than the Class X Notes) is the Payment Date falling in May 2047 and, in the case of the Class X Notes, the Payment Date falling in May 2015 subject to prior redemption under the circumstances described herein. The average life of each Class of Notes is expected to be shorter than the number of years until the Maturity Date, and the average lives may vary due to various factors affecting the

early retirement of the Portfolio Collateral and the ability of the Collateral Manager to invest collections in Additional Portfolio Collateral or reinvest Sale Proceeds in Substitute Portfolio Collateral. Retirement of the Portfolio Collateral prior to their respective final maturities will depend, among other things, on the financial condition of the issuers and of the obligors with respect to the underlying assets and the characteristics of the Portfolio Collateral and the underlying assets, including the existence and frequency of exercise of any optional or mandatory redemption or prepayment features, the prevailing level of interest rates, the redemption price, the actual default rate and the actual amount collected on any Defaulted Portfolio Asset. The ability of the Issuer to reinvest disposition proceeds in securities with comparable interest rates, with final maturity dates and otherwise satisfying the criteria specified herein may affect the timing and amount of payments received by the Noteholders and the yield to maturity of the Notes.

G18. Changes in Tax Law; No Gross Up in Respect of Notes

Although no withholding tax is currently imposed on the payments on the Notes, there can be no assurance that, as a result of any change in any applicable law, treaty, rule, regulation, or interpretation thereof, the payments on the Notes would not in the future become subject to withholding taxes. In the event that any withholding tax is imposed on payments of interest or other payments on any Notes, no “gross-up” payments or additional amounts will be paid to the Holders of the Notes.

G19. Changes in Tax Law; No Gross Up in Respect of Portfolio Collateral

At the time when they are acquired by the Issuer, payments of interest on the Portfolio Assets may be subject to withholding tax. The Issuer or the Collateral Manager on behalf of the Issuer is not restricted from acquiring Portfolio Assets which may be subject to withholding tax. In addition, there can be no assurance that, as a result of any change in any applicable law, treaty, rule, regulation or interpretation thereof, the payments on the Portfolio Assets would not in the future become subject to withholding taxes or increased withholding tax rates. In that event, if the Underlying Obligors of such Portfolio Assets were not then required to make “gross-up” payments that cover the full amount of any such withholding taxes, the amounts available to make payments on the Notes would accordingly be reduced. There can be no assurance that remaining payments on the Portfolio Assets would be sufficient to make timely payments of interest, principal on the Maturity Date, and other amounts payable in respect of the Notes of each Class.

As a result of a recent judgment of the UK Court of Appeal, it could be argued that payments of interest on Portfolio Assets with UK Underlying Obligors, or where such Portfolio Assets are secured by an asset in the UK, cannot benefit from the interest article in the UK/Ireland double taxation treaty. This would mean that UK income tax would need to be withheld (currently at a rate of 20 per cent.) from such interest payments. HM Revenue & Customs in the UK (“HMRC”) published draft guidance on 9 October 2006 setting out their approach to claims for treaty relief in circumstances where they consider that the judgment might be considered to apply. HMRC state that benefits under a double taxation treaty will not be denied where interest is paid to a special purpose vehicle which issues a quoted eurobond (within the definition set out in section 349(4) of the Income and Corporation Taxes Act 1988). The Notes issued by the Issuer should be quoted eurobonds so long as they are and remain listed on the Irish Stock Exchange. It is therefore unlikely that HMRC will seek to deny benefits under the UK/Ireland double taxation treaty to UK Underlying Obligors or Underlying Obligors with Portfolio Assets secured by an asset in the UK as regards the payment of interest to the Issuer. However, the HMRC guidance is in draft form and may therefore be subject to amendment before being finalised. It is not possible to identify whether any such amendment may adversely affect any UK Underlying Obligor’s position as regards a claim under the UK/Ireland double taxation treaty to pay interest without withholding or deduction for or on account of UK income tax.

In the event of the occurrence of a Collateral Tax Event, the Notes may be redeemed subject to and in accordance with the provisions of Condition 7(e) (*Redemption Upon the Occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event*).

G20. Security

G20.1 Clearing Systems

The Portfolio Collateral which consists of securities will be held through an account with the Custodian. The Custodian will hold certain of the securities (i) through its accounts with a clearing system, and (ii) through its sub-custodians who will in turn hold such Portfolio Collateral both directly and through any appropriate clearing system. Those securities held in clearing systems will not be held in special purpose accounts and will

be fungible with other securities from the same issuer held in the same accounts on behalf of the other customers of the Custodian or its sub-custodian, as the case may be. A first fixed charge over such Portfolio Collateral was created under English law in favour of the Trustee pursuant to the Trust Deed on the Closing Date and takes effect as a security interest over the right of the Issuer to require delivery of such securities from the Custodian in accordance with the terms of the Agency Agreement. However, the security interest created pursuant to the Trust Deed may be insufficient or ineffective to secure the Portfolio Collateral for the benefit of the Noteholders, in particular, in the event of any insolvency or liquidation of the Custodian or any sub-custodian, third party creditors of such Custodian or sub-custodian may have priority over the right of the Issuer to require delivery of such assets from the Custodian in accordance with the terms of the Agency Agreement.

Custody and clearance risks may be associated with Portfolio Collateral that does not clear through a clearing system. There is a risk, for example, that such securities could be counterfeit, or subject to a defect in title or claims to ownership by other parties.

G20.2 Fixed Security

Although the security constituted by the Trust Deed over certain of the Portfolio Collateral, Eligible Investments and other assets held from time to time, including the security over the Accounts, is expressed to take effect as fixed security, it may (as a result of the substitutions of Portfolio Collateral and Eligible Investments contemplated by the Collateral Management Agreement and the payments to be made from the Accounts in accordance with the Conditions and the Trust Deed) take effect as a floating charge which, in particular, would rank after a subsequently created fixed security interest. However, the Issuer will covenant not to create any such subsequent security interests over any of its assets or undertakings without the prior written consent of the Trustee.

G20.3 Governing law of Portfolio Collateral

The Trust Deed is governed by English law and the security interests over the assets of the Issuer will take effect under English law only. Some Portfolio Assets may be obligations governed by laws of jurisdictions other than England and which may have different and/or additional procedures and/or documentation to create or perfect any security interest and such different and/or additional procedures are not required to be effected by the Trustee.

G21. Collateral Manager

The Collateral Manager is given authority in the Collateral Management Agreement to manage the Portfolio and act in specific circumstances in relation to the Portfolio as agent of the Issuer pursuant to and in accordance with the parameters and criteria set out in the Collateral Management Agreement. See “*The Portfolio*” and “*The Collateral Management Agreement*”. The duties of the Collateral Manager in managing the Portfolio include the sale of certain of the securities in the Portfolio during the Reinvestment Period (subject to certain limits) and, at any time, upon the occurrence of certain events in accordance with the provisions of the Collateral Management Agreement. See “*The Portfolio*”.

G22. Optional Redemption of Underlying Portfolio Collateral

An optional redemption of Portfolio Assets could require the Issuer to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realised value of the securities sold.

G23. Mandatory Redemption upon breach of Coverage Tests

In the event that any of the Coverage Tests is not satisfied on any Measurement Date, Interest Proceeds and in certain circumstances, Principal Proceeds, will be applied, subject to the relevant Priorities of Payment, on the next Payment Date to redeem the Notes, to the extent necessary to cause each such Coverage Test to be met if recalculated following such redemption. See further Condition 7(d) (*Mandatory Redemption upon Breach of Coverage Tests*).

Accordingly, the above arrangements may result in an elimination, deferral or reduction in the interest payments or principal repayments made to the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders, the Class F Noteholders and the Class G Noteholders.

G24. Effective Date Ratings; Early Redemption

In the event that the Issuer fails to obtain from each of the Rating Agencies confirmation in writing of the ratings of the Rated Notes assigned on the Closing Date within 20 Business Days after publication of the most recent Note Valuation Report immediately following the Effective Date, all amounts standing to the credit of the Unused Proceeds Account, all Interest Proceeds and, to the extent required, all other Principal Proceeds will be applied to redeem the Notes, subject to and in accordance with the Priorities of Payment, until such confirmation is obtained. See further Condition 7(f) (*Mandatory Redemption upon failure to obtain a Rating Agency Confirmation*).

Accordingly, the above arrangements may result in an elimination, deferral or reduction in the interest payments or principal repayments made to the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders, the Class F Noteholders and the Class G Noteholders.

G25. Emerging Requirements of the European Community

As part of the harmonisation of securities markets in Europe, the European Commission has issued the Prospectus Directive. The Prospectus Directive regulates offers of securities to the public and admissions to trading to E.U. regulated markets. The European Commission has also issued a directive known as the Transparency Directive (Directive 2004/109/EC) (which must be implemented by Member States by the end of January 2007) that, among other things, imposes continuing financial reporting obligations on issuers that have certain types of securities admitted to trading on an E.U. regulated market. In addition, the Market Abuse Directive (Directive 2003/6/EC) harmonises the rules on insider trading and market manipulation in respect of securities admitted to trading on an E.U. regulated market and requires issuers of such securities to disclose any non-public, price-sensitive information as soon as possible, subject to certain limited exemptions. The requirements of these directives applicable to the Issuer are not yet fully clarified.

G26. Certain Tax Considerations

G26.1 General

Investors in the Notes should review carefully the tax considerations set forth in “*Tax Considerations*”.

G26.2 German Taxation of Noteholders

There is currently legal uncertainty in the Federal Republic of Germany as to whether the German Investment Tax Act (*Investmentsteuergesetz*) (the “**Investment Tax Act**”) would apply to certain classes of collateralised debt obligation notes and similar instruments. In particular, although the German Federal Ministry of Finance issued a decree relating to the Investment Tax Act on 2nd June 2005, which should largely exclude collateralised debt obligation notes and similar instruments from the scope of the German Investment Tax Act provided that the tests set out in the decree are met (the “**Decree**”), there is a risk as to the interpretation of such tests. Such tax risk particularly applies with respect to the Class E Notes, to the Class F Notes and to the Class G Subordinated Notes. With respect to the Notes which are rated by the Rating Agencies at an investment grade, however, there should only exist a remote risk that the German tax authorities take a different view regarding the application of the Investment Tax Act.

If the Investment Tax Act would apply to any classes of Notes, this could have an adverse impact on the tax position of any Noteholders subject to the Investment Tax Act unless the Issuer complies with statutory reporting and publication requirements of the German Investment Tax Act (the “**Investment Tax Act Reporting Requirements**”). However, the Issuer has made no arrangements to comply with these Investment Tax Act Reporting Requirements and has no intention of making such arrangements. Consequently, if the German tax authorities apply the Investment Tax Act in respect of any one or more Classes of Notes, any Noteholders subject to the Investment Tax Act will be subject to the Investment Tax Act’s adverse lump-sum taxation.

Prospective Noteholders who are German tax residents are, therefore, urged to consult their tax advisers on this matter as to (i) whether the relevant Notes are within the scope of the Investment Tax Act, and, in particular, whether the relevant Notes are exempt under the Decree, and (ii) the legal and tax consequences that may arise from the possible application of the Investment Tax Act to the relevant Notes.

There are other German tax considerations relevant to Noteholders. For further details relating to the risks outlined above and further German tax considerations, this section should be carefully read in conjunction with the section entitled "*Tax Considerations—Germany*".

CONDITIONS OF THE NOTES

The following are the conditions of each of the Class X Notes, the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes, substantially in the form in which they will be endorsed on such Notes if issued in definitive form and will be incorporated by reference into the Global Notes of each Class (other than the Class A-1 Notes) representing such Notes subject to the provisions of such Global Notes, some of which will modify the effect of these Conditions.

The issue of £4,000,000 Class X Floating Rate Instalment Notes due 2015 (the “**Class X Notes**”), £205,000,000 Class A-1 Revolving Dual Currency Floating Rate Notes due 2047 (the “**Class A-1 Notes**”), £33,000,000 Class A-2 Floating Rate Notes due 2047 (the “**Class A-2 Notes**” and, together with the Class A-1 Notes, the “**Class A Notes**”), £32,000,000 Class B Floating Rate Deferrable Notes due 2047 (the “**Class B Notes**”), £31,000,000 Class C Floating Rate Deferrable Notes due 2047 (the “**Class C Notes**”), £16,000,000 Class D Floating Rate Deferrable Notes due 2047 (the “**Class D Notes**”), £10,000,000 Class E Floating Rate Deferrable Notes due 2047 (the “**Class E Notes**”), £4,000,000 Class F Floating Rate Deferrable Notes due 2047 (the “**Class F Notes**”) and £19,000,000 Class G Subordinated Notes due 2047 (the “**Class G Subordinated Notes**” and, together with the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes, the “**Notes**”) will be authorised by a resolution of the board of directors of the Issuer on or around 26 April 2007.

The Notes will be constituted by a trust deed (the “**Trust Deed**”) expected to be dated on or about 30 April 2007 (the “**Closing Date**”) between, *inter alios*, the Issuer and Deutsche Trustee Company Limited in its capacity as trustee (the “**Trustee**”, which term shall include all persons for the time being the trustee or trustees under the Trust Deed) for, *inter alios*, the Noteholders.

These Conditions include summaries of, and are subject to, the detailed provisions of, the Trust Deed (which includes the forms of the Notes). The following agreements, *inter alia*, will be entered into in relation to the Notes:

- (a) an agency agreement dated on or about the Closing Date (the “**Agency Agreement**”) between, *inter alios*, the Issuer, Deutsche Bank AG, London Branch as principal paying agent (in such capacity, the “**Principal Paying Agent**”, which term shall include any successor principal paying agent appointed pursuant to the terms of the Agency Agreement), Deutsche Bank AG, London Branch as custodian (in such capacity, the “**Custodian**”, which term shall include any successor custodian appointed pursuant to the terms of the Agency Agreement), Deutsche Bank AG, London Branch as account bank (in such capacity, the “**Account Bank**”, which term shall include any successor account bank appointed pursuant to the terms of the Agency Agreement), Deutsche Bank AG, London Branch as agent bank (in such capacity, the “**Agent Bank**”, which term shall include any successor agent bank appointed pursuant to the terms of the Agency Agreement), Deutsche International Corporate Services (Ireland) Limited as Irish paying agent (in such capacity, the “**Irish Paying Agent**”, which term shall include any successor Irish paying agent appointed pursuant to the terms of the Agency Agreement and, together with the Principal Paying Agent, the “**Paying Agents**”), Deutsche Bank Luxembourg S.A. as registrar (in such capacity, the “**Registrar**”, which term shall include any successor registrar appointed pursuant to the terms of the Agency Agreement), Deutsche Bank Luxembourg S.A. as transfer agent (in such capacity, the “**Transfer Agent**”, which term shall include any successor transfer agent appointed pursuant to the terms of the Agency Agreement and, together with any additional transfer agent or transfer agents appointed pursuant to the terms of the Agency Agreement, the “**Transfer Agents**”) and the Trustee;
- (b) a collateral management agreement dated on or about the Closing Date (the “**Collateral Management Agreement**”) between, *inter alios*, Eurohypo Asset Management Limited as collateral manager in respect of the Portfolio (in such capacity, the “**Collateral Manager**”, which term shall include any successor collateral manager appointed pursuant to the terms of the Collateral Management Agreement), the Issuer and the Trustee;
- (c) a collateral administration agreement dated on or about the Closing Date (the “**Collateral Administration Agreement**”) between, *inter alios*, the Issuer, the Trustee, the Collateral Manager and Deutsche Bank AG, London Branch as collateral administrator in respect of the Portfolio (in such capacity, the “**Collateral Administrator**”, which term shall include any successor collateral administrator appointed pursuant to the terms of the Collateral Administration Agreement);

- (d) a 1992 ISDA Master Agreement (Multicurrency-Cross Border) (as published by the International Swaps and Derivatives Association, Inc.) (including the schedule thereto and any credit support deed or annex relating thereto) dated on or about the Closing Date (the “**Initial Interest Rate Hedge Agreement**”) between the Issuer and Dresdner Bank AG, London Branch as the hedge counterparty (the “**Initial Interest Rate Hedge Counterparty**”) and, together with any other counterparty under any further or replacement hedge agreement, the “**Interest Rate Hedge Counterparties**” and each an “**Interest Rate Hedge Counterparty**”) (the Initial Interest Rate Hedge Agreement and each Replacement Interest Rate Hedge Agreement being an “**Interest Rate Hedge Agreement**”) pursuant to which the parties thereto may from time to time enter into certain interest rate swaps (each an “**Interest Rate Hedge Transaction**”) which will supplement and form part of the relevant Interest Rate Hedge Agreement;
- (e) a 1992 ISDA Master Agreement (Multicurrency-Cross Border) (as published by the International Swaps and Derivatives Association, Inc.) (including the schedule thereto and any credit support deed or annex relating thereto) dated on or about the Closing Date (the “**Initial Basis Hedge Agreement**”) between the Issuer and Dresdner Bank AG, London Branch as the hedge counterparty (the “**Initial Basis Hedge Counterparty**”) and, together with any other counterparty under any further or replacement hedge agreement, the “**Basis Hedge Counterparties**” and each a “**Basis Hedge Counterparty**”) (the Initial Basis Hedge Agreement and each Replacement Basis Hedge Agreement being a “**Basis Hedge Agreement**”) pursuant to which the parties thereto may from time to time enter into certain basis swaps (each a “**Basis Hedge Transaction**”) which will supplement and form part of the relevant Basis Hedge Agreement;
- (f) a 1992 ISDA Master Agreement (Multicurrency-Cross Border) (as published by the International Swaps and Derivatives Association, Inc.) (including the schedule thereto and any credit support deed or annex relating thereto) dated on or about the Closing Date (the “**Initial Liquidity Swap Agreement**”) between the Issuer and Dresdner Bank AG, London Branch as the hedge counterparty (the “**Initial Liquidity Swap Counterparty**”) and, together with any other counterparty under any further or replacement hedge agreement, the “**Liquidity Swap Counterparties**” and each a “**Liquidity Swap Counterparty**”) (the Initial Liquidity Swap Agreement and each Replacement Liquidity Swap Agreement being a “**Liquidity Swap Agreement**”) pursuant to which the parties thereto may from time to time enter into certain liquidity swaps (each a “**Liquidity Swap Transaction**”) which will supplement and form part of the relevant Liquidity Swap Agreement;
- (g) a 1992 ISDA Master Agreement (Multicurrency-Cross Border) (as published by the International Swaps and Derivatives Association, Inc.) (including the schedule thereto and any credit support deed or annex relating thereto) dated on or about the Closing Date (the “**Initial Currency Hedge Agreement**”) between the Issuer and The Bank of New York as the hedge counterparty (the “**Initial Currency Hedge Counterparty**”) and, together with any other counterparty under any further or replacement hedge agreement, the “**Currency Hedge Counterparties**” and each a “**Currency Hedge Counterparty**” and together with each Interest Rate Hedge Counterparty, each Basis Hedge Counterparty and each Liquidity Swap Counterparty, the “**Hedge Counterparties**”) (the Initial Currency Hedge Agreement and each Replacement Currency Hedge Agreement being a “**Currency Hedge Agreement**” and together with each Interest Rate Hedge Agreement, each Basis Hedge Agreement and each Liquidity Swap Agreement, the “**Hedge Agreements**”) pursuant to which the parties thereto may from time to time enter into certain asset currency swaps (each a “**Currency Hedge Transaction**”), certain short term foreign exchange forward contracts (each an “**FX Forward**”) and certain contracts pursuant to which the Issuer has the right, but not the obligation, to buy or sell an Available Currency at a specified exchange rate during a specified period of time (each an “**FX Option**”) and, together with each Currency Hedge Transaction, each FX Forward, each Interest Rate Hedge Transaction, each Basis Hedge Transaction and each Liquidity Swap Transaction, the “**Hedge Transactions**”) which will supplement and form part of the relevant Currency Hedge Agreement;
- (h) a collateral acquisition agreement dated on or about the Closing Date between the Issuer and Eurohypo AG (the “**Eurohypo Initial Collateral Acquisition Agreement**”) and a collateral acquisition agreement dated on or about the Closing Date between the Issuer and Commerzbank Aktiengesellschaft (the “**Commerzbank Initial Collateral Acquisition Agreement**”, and, together with the Eurohypo Initial Collateral Acquisition Agreement, the “**Initial Collateral Acquisition Agreements**”) and each an “**Initial Collateral Acquisition Agreement**”), each relating to the acquisition by the Issuer of the Initial Portfolio Collateral;

- (i) a subscription and placement agreement dated on or about the Closing Date (the “**Subscription and Placement Agreement**”) between the Joint Lead Managers and the Issuer;
- (j) a note purchase agreement dated on or about the Closing Date (the “**Class A-1 Note Purchase Agreement**”) between the Issuer, the Trustee, the Registrar, the Collateral Administrator, the Collateral Manager, Commerzbank Aktiengesellschaft as committed liquidity facility provider to the Initial Class A-1 Noteholder (in such capacity, together with its successors in such capacity, the “**Initial Class A-1 Noteholder Committed Liquidity Facility Provider**”) and the initial holder of the Class A-1 Notes (the “**Initial Class A-1 Noteholder**”) under which the Initial Class A-1 Noteholder will agree to subscribe for the Class A-1 Notes;
- (k) a pledge agreement dated on or about the Closing Date (the “**Euroclear Pledge Agreement**”) between, *inter alios*, the Issuer and the Trustee; and
- (l) a corporate services agreement dated on or about the Closing Date (the “**Corporate Services Agreement**”) between the Issuer and Structured Finance Management (Ireland) Limited as corporate services provider (the “**Corporate Services Provider**”).

References to any agreement, document or instrument shall be construed as referring to such agreement, document or instrument as amended, modified, replaced or novated from time to time.

Copies of the Trust Deed, the Agency Agreement, the Collateral Management Agreement, the Collateral Administration Agreement, the Hedge Agreements, the Collateral Acquisition Agreements, the Subscription and Placement Agreement, the Class A-1 Note Purchase Agreement, the Euroclear Pledge Agreement and the Corporate Services Agreement will be available for inspection during usual business hours at the registered office of the Issuer and the specified office of the Irish Paying Agent (being, as at the Closing Date, 5 Harbourmaster Place, IFSC, Dublin 1). The holders of each Class of Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, and are deemed to have notice of all the provisions of the Agency Agreement, the Collateral Management Agreement, the Collateral Administration Agreement, the Hedge Agreements, the Collateral Acquisition Agreements, the Euroclear Pledge Agreement and the Corporate Services Agreement applicable to them.

1. Definitions

The following definitions apply throughout these Conditions unless the context requires otherwise.

“**Accounts**” means the Interest Collection Accounts, the Payment Accounts, the Principal Collection Accounts, the Expense Reimbursement Account, the Hedge Termination Accounts, any Counterparty Downgrade Collateral Account and the Unused Proceeds Account and any other accounts that the Collateral Manager may deem necessary and “**Account**” means any one of them.

“**Additional Portfolio Asset**” means any Portfolio Asset purchased by the Issuer (or on its behalf) after the Effective Date and during the Reinvestment Period with amounts representing Principal Proceeds (other than Sale Proceeds) or Interest Proceeds available for such purpose in accordance with Condition 3(c)(i)(AA) (*Application of Interest Proceeds*), in each case, in accordance with the terms of the Collateral Management Agreement.

“**Additional Portfolio Collateral**” means all Additional Portfolio Assets purchased by the Issuer (or on its behalf) from time to time.

“**Administrative Expenses**” means amounts due and payable to:

- (a) the accountants, agents and legal counsel of the Issuer, including amounts payable to the Corporate Services Provider pursuant to the Corporate Services Agreement;
- (b) the Rating Agencies which may from time to time be requested to assign a rating to any of the Notes or a confidential credit estimate to any Portfolio Asset, for fees and expenses in connection with any such rating or confidential credit estimate, including any surveillance fees;
- (c) the Collateral Manager pursuant to the Collateral Management Agreement excluding any Collateral Management Fee or any amount comprising, resulting from, or referable to, any tax liability;

- (d) the Irish Stock Exchange and the Listing Agent;
- (e) any other person in respect of any governmental fee or charge (but excluding any taxes payable to any tax authority or any amount comprising, resulting from, or referable to, any tax liability); and
- (f) any other person in respect of any fees or expenses payable in connection with the Notes or the sale thereof or, following repayment of the Notes, the liquidation of the Issuer, in each case, as permitted by the Transaction Documents and excluding any amount comprising, resulting from, or referable to, any tax liability;

provided, however, that “**Administrative Expenses**” shall not include any Fees and Expenses or amounts due or accrued with respect to the actions taken on or in connection with the Closing Date which are payable out of the proceeds of the issue of the Notes.

“**Administrative Expenses Event**” has the meaning given thereto in Condition 7(e) (*Redemption upon the occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event*).

“**Affiliate**” or “**Affiliated**” means in relation to a person, (a) any other person who, directly or indirectly, is in control of, or controlled by, or is under common control with, such person or (b) any other person who is a director, member, officer, employee or general partner (i) of such person, (ii) of any subsidiary or parent company of such person or (iii) of any person described in (a) above. For the purposes of this definition, control of a person shall mean the power, direct or indirect, (x) to vote more than 50 per cent. of the securities having ordinary voting power for the election of directors of such person or (y) to direct or cause the direction of the management and policies of such person whether by contract or otherwise; provided that no special purpose company to which the Collateral Manager provides investment advisory services will be an Affiliate of the Collateral Manager and no other special purpose company to which the Corporate Services Provider provides directors and/or acts as a share trustee or administrator shall be an Affiliate of the Issuer.

“**Agent**” means each of the Paying Agents, the Agent Bank, the Account Bank, the Registrar, the Transfer Agents and the Custodian and each of their permitted successors or assigns.

“**Aggregate Principal Balance**” means, in relation to any date of determination, the aggregate Principal Balance of all Portfolio Assets on such date of determination.

“**Authorised Integral Denomination**” means, in respect of any Class of Notes (other than the Class A-1 Notes), £1,000 and, in respect of the Class A-1 Notes, £100,000.

“**Authorised Officer**” means, with respect to the Issuer, any director or any duly authorised attorney of the Issuer or agent who is authorised to act for the Issuer in matters relating to, and binding upon, the Issuer, as notified in writing to the Trustee and, with respect to any other person, any person authorised to act for such person in matters relating to, and binding upon, such person. For the avoidance of doubt, neither the Collateral Manager nor any of its officers or employees are or will be Authorised Officers of the Issuer.

“**Available Currencies**” means, collectively, Euro and Sterling, and each an “**Available Currency**”.

“**Balance**” means, on any date, in relation to each Account and any cash or Eligible Investment therein, the aggregate of:

- (a) the current balance of cash, demand deposits, time deposits, certificates of deposit, federal funds and commercial bank money market accounts;
- (b) the outstanding principal amount of interest-bearing corporate and government securities, money market accounts and repurchase obligations;
- (c) the current purchase price (but not greater than the face amount) of non-interest-bearing government and corporate securities, commercial paper and certificates of deposit; and
- (d) the purchase price of assets subject to repurchase obligations.

“**Business Day**” means (save to the extent otherwise defined):

- (a) a day on which commercial banks and foreign exchange markets are open to settle payments in London (other than a Saturday or a Sunday or a public holiday); and
- (b) a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System (TARGET) (or any successor thereto) is operating credit or transfer instructions in respect of payments in Euros;

provided that, for the purposes of clause (a) above, to the extent action is required of the Paying Agent in Ireland, Dublin will be considered in determining “**Business Day**”; provided, further, that for purposes of clause (a) above, with respect to any Funding under the Class A-1 Notes, New York and Frankfurt will be considered in determining “**Business Day**”.

“**CDO Principal Balance**” means, as at any Measurement Date, the amount equal to the aggregate of the following amounts, as at such Measurement Date:

- (a) the Aggregate Principal Balance of all Portfolio Assets (other than Defaulted Portfolio Assets and Non-Currency Hedged Portfolio Assets);
- (b) the sum for each Defaulted Portfolio Asset of the lower of its Fitch Collateral Value and its S&P Collateral Value;
- (c) the sum for each Non-Currency Hedged Portfolio Asset other than a Non-Complying Non-Currency Hedged Portfolio Asset, of the product of (i) the Principal Balance of such Non-Currency Hedged Portfolio Asset; and (ii) 50 per cent; and
- (d) the aggregate Balances standing to the credit of the Principal Collection Accounts.

“**Class A Event of Default Ratio**” means, as at any Measurement Date, the ratio (expressed as a percentage) obtained by dividing:

- (a) the CDO Principal Balance on such Measurement Date; by
- (b) the aggregate Principal Amount Outstanding of the Class A Notes on such Measurement Date.

“**Class A Interest Coverage Ratio**” means, as at any Measurement Date, the ratio (expressed as a percentage) obtained by dividing:

- (a) the Interest Coverage Amount on such Measurement Date; *minus*
- (b) the amounts payable pursuant to paragraphs (A) to (F) (inclusive) of Condition 3(c)(i) (*Application of Interest Proceeds*) on the Payment Date related to the Payment Period in which such Measurement Date occurs;

by the sum of:

- (c) the interest paid or payable on the Class A-1 Notes and the Class A-2 Notes during such Payment Period (taking into account any unpaid interest and default interest); and
- (d) the Class A-1 Commitment Fee paid or payable during such Payment Period.

In determining the Class A Interest Coverage Ratio, amounts due in respect of the Class A-1 Notes and denominated in Euro shall be converted into Sterling at the then current Spot Rate.

“**Class A Interest Coverage Test**” will be satisfied, as at any Measurement Date, for so long as any of the Class A Notes remain Outstanding, if the Class A Interest Coverage Ratio is at least equal to 140 per cent.

“**Class A Noteholders**” means, collectively, the Class A-1 Noteholders and the Class A-2 Noteholders.

“Class A Principal Coverage Ratio” means, as at any Measurement Date, the ratio (expressed as a percentage) obtained by dividing:

- (a) the Net Outstanding Par Collateral Balance on such Measurement Date; by
- (b) the aggregate Principal Amount Outstanding of the Class A Notes on such Measurement Date.

“Class A Principal Coverage Test” will be satisfied, as at any Measurement Date, for so long as any of the Class A Notes remain Outstanding, if the Class A Principal Coverage Ratio is at least equal to 127.18 per cent.

“Class A-1 Commitment” means the obligation of the Class A-1 Noteholders at any time to make Fundings in an aggregate amount up to but not exceeding £205,000,000 provided that the Sterling Equivalent of the EUR Funding at any time (converted to Sterling at the Closing Exchange Rate) shall not exceed the Class A-1 EUR Limit.

“Class A-1 Commitment Fee” has the meaning given thereto in Condition 6(a)(v) (*Commitment Fees Payable on Class A-1 Notes*).

“Class A-1 Commitment Termination Date” means the Payment Date falling in May 2010.

“Class A-1 Commitment Test” will be satisfied at any time if (a) the Funded Amount at that time does not exceed the Class A-1 Commitment and (b) the Sterling Equivalent of the EUR Funding at that time does not exceed the Class A-1 EUR Limit.

“Class A-1 EUR Floating Rate of Interest” has the meaning given thereto in Condition 6 (*Interest and Commitment Fees*).

“Class A-1 EUR Limit” means £122,500,000.

“Class A-1 GBP Floating Rate of Interest” has the meaning given thereto in Condition 6 (*Interest and Commitment Fees*).

“Class A-1 Margin” has the meaning given thereto in Condition 6 (*Interest and Commitment Fees*).

“Class A-1 Noteholders” means the holders of the Class A-1 Notes from time to time.

“Class A-1 Pro Rata Share” means, with respect to a Class A-1 Noteholder on any date of determination, the ratio (expressed as a percentage) of (a) the total commitment of such Class A-1 Noteholder under the Class A-1 Note Purchase Agreement to make Fundings available to the Issuer on such date to (b) the Class A-1 Commitment on such date.

“Class A-1 Undrawn Commitment Amount” means, at any time, the amount denominated in Sterling (not less than zero) equal to (i) the Class A-1 Commitment minus (ii) the Funded Amount at such time.

“Class A-2 Floating Rate of Interest” has the meaning given thereto in Condition 6 (*Interest and Commitment Fees*).

“Class A-2 Global Note” means the Class A-2 Notes represented by a global note in registered form.

“Class A-2 Margin” has the meaning given thereto in Condition 6 (*Interest and Commitment Fees*).

“Class A-2 Noteholders” means the holders of the Class A-2 Notes from time to time.

“Class B Deferred Interest” has the meaning given thereto in Condition 6(c) (*Deferral of Interest*).

“Class B Floating Rate of Interest” has the meaning given thereto in Condition 6 (*Interest and Commitment Fees*).

“**Class B Global Note**” means the Class B Notes represented by a global note in registered form.

“**Class B Interest Coverage Ratio**” means, as at any Measurement Date, the ratio (expressed as a percentage) obtained by dividing:

- (a) the Interest Coverage Amount on such Measurement Date; *minus*
- (b) the amounts payable pursuant to paragraphs (A) to (I) (inclusive) of Condition 3(c)(i) (*Application of Interest Proceeds*) on the Payment Date related to the Payment Period in which such Measurement Date occurs;

by the sum of:

- (c) the interest paid or payable on the Class A-1 Notes and the Class A-2 Notes during such Payment Period (taking into account any unpaid interest and default interest);
- (d) the Class A-1 Commitment Fee paid or payable during such Payment Period; and
- (e) the interest on the Class B Notes paid or payable during such Payment Period (taking into account any unpaid interest and default interest but excluding any Class B Deferred Interest).

In determining the Class B Interest Coverage Ratio, amounts due in respect of the Class A-1 Notes and denominated in Euro shall be converted into Sterling at the then current Spot Rate.

“**Class B Interest Coverage Test**” will be satisfied, as at any Measurement Date, for so long as any of the Class B Notes remain Outstanding, if the Class B Interest Coverage Ratio is at least equal to 120 per cent.

“**Class B Margin**” has the meaning given thereto in Condition 6 (*Interest and Commitment Fees*).

“**Class B Noteholders**” means the holders of the Class B Notes from time to time.

“**Class B Principal Coverage Ratio**” means, as at any Measurement Date, the ratio (expressed as a percentage) obtained by dividing:

- (a) the Net Outstanding Par Collateral Balance on such Measurement Date; by
- (b) the sum of:
 - (i) the aggregate Principal Amount Outstanding of the Class A Notes on such Measurement Date; and
 - (ii) the aggregate Principal Amount Outstanding of the Class B Notes on such Measurement Date (including, for the avoidance of doubt, any Class B Deferred Interest).

“**Class B Principal Coverage Test**” will be satisfied, as at any Measurement Date, for so long as any of the Class B Notes remain Outstanding, if the Class B Principal Coverage Ratio is at least equal to 115.63 per cent.

“**Class C Deferred Interest**” has the meaning given thereto in Condition 6(c) (*Deferral of Interest*).

“**Class C Floating Rate of Interest**” has the meaning given thereto in Condition 6 (*Interest and Commitment Fees*).

“**Class C Global Note**” means the Class C Notes represented by a global note in registered form.

“**Class C Margin**” has the meaning given thereto in Condition 6 (*Interest and Commitment Fees*).

“**Class C Noteholders**” means the holders of the Class C Notes from time to time.

“Class C Principal Coverage Ratio” means, as at any Measurement Date, the ratio (expressed as a percentage) obtained by dividing:

- (a) the Net Outstanding Par Collateral Balance on such Measurement Date; by
- (b) the sum of:
 - (i) the aggregate Principal Amount Outstanding of the Class A Notes on such Measurement Date;
 - (ii) the aggregate Principal Amount Outstanding of the Class B Notes on such Measurement Date (including, for the avoidance of doubt, any Class B Deferred Interest); and
 - (iii) the aggregate Principal Amount Outstanding of the Class C Notes on such Measurement Date (including, for the avoidance of doubt, any Class C Deferred Interest).

“Class C Principal Coverage Test” will be satisfied, as at any Measurement Date, for so long as any of the Class C Notes remain Outstanding, if the Class C Principal Coverage Ratio is at least equal to 106.28 per cent.

“Class D Deferred Interest” has the meaning given thereto in Condition 6(c) (*Deferral of Interest*).

“Class D Floating Rate of Interest” has the meaning given thereto in Condition 6 (*Interest and Commitment Fees*).

“Class D Global Note” means the Class D Notes represented by a global note in registered form.

“Class D Margin” has the meaning given thereto in Condition 6 (*Interest and Commitment Fees*).

“Class D Noteholders” means the holders of the Class D Notes from time to time.

“Class D Principal Coverage Ratio” means, as at any Measurement Date, the ratio (expressed as a percentage) obtained by dividing:

- (a) the Net Outstanding Par Collateral Balance on such Measurement Date; by
- (b) the sum of:
 - (i) the aggregate Principal Amount Outstanding of the Class A Notes on such Measurement Date;
 - (ii) the aggregate Principal Amount Outstanding of the Class B Notes on such Measurement Date (including, for the avoidance of doubt, any Class B Deferred Interest);
 - (iii) the aggregate Principal Amount Outstanding of the Class C Notes on such Measurement Date (including, for the avoidance of doubt, any Class C Deferred Interest); and
 - (iv) the aggregate Principal Amount Outstanding of the Class D Notes on such Measurement Date (including, for the avoidance of doubt, any Class D Deferred Interest).

“Class D Principal Coverage Test” will be satisfied, as at any Measurement Date, for so long as any of the Class D Notes remain Outstanding, if the Class D Principal Coverage Ratio is at least equal to 105.41 per cent.

“Class E Deferred Interest” has the meaning given thereto in Condition 6(c) (*Deferral of Interest*).

“Class E Floating Rate of Interest” has the meaning given thereto in Condition 6 (*Interest and Commitment Fees*).

“Class E Global Note” means the Class E Notes represented by a global note in registered form.

“**Class E Margin**” has the meaning given thereto in Condition 6 (*Interest and Commitment Fees*).

“**Class E Noteholders**” means the holders of the Class E Notes from time to time.

“**Class F Deferred Interest**” has the meaning given thereto in Condition 6(c) (*Deferral of Interest*).

“**Class F Floating Rate of Interest**” has the meaning given thereto in Condition 6 (*Interest and Commitment Fees*).

“**Class F Global Note**” means the Class F Notes represented by a global note in registered form.

“**Class F Margin**” has the meaning given thereto in Condition 6 (*Interest and Commitment Fees*).

“**Class F Noteholders**” means the holders of the Class F Notes from time to time.

“**Class G Global Note**” means the Class G Subordinated Notes represented by a global note in registered form.

“**Class G Noteholders**” means the holders of the Class G Subordinated Notes from time to time.

“**Class of Notes**” means each of the classes of Notes being (a) the Class X Notes, (b) the Class A-1 Notes, (c) the Class A-2 Notes, (d) the Class B Notes, (e) the Class C Notes, (f) the Class D Notes, (g) the Class E Notes, (h) the Class F Notes and (i) the Class G Subordinated Notes and “**Class of Noteholders**” shall be construed accordingly.

“**Class X Floating Rate of Interest**” has the meaning given thereto in Condition 6 (*Interest and Commitment Fees*).

“**Class X Global Note**” means the Class X Notes represented by a global note in registered form.

“**Class X Margin**” has the meaning given thereto in Condition 6 (*Interest and Commitment Fees*).

“**Class X Noteholders**” means the holders of the Class X Notes from time to time.

“**Clearing Systems**” means Euroclear and Clearstream, Luxembourg.

“**Clearstream, Luxembourg**” means Clearstream Banking, *société anonyme*.

“**Closing Exchange Rate**” means the following exchange rate of GBP for EUR, and EUR for GBP: GBP 1.0 = EUR 0.68130.

“**CMBS Security**” means any commercial mortgage bond, note or security primarily backed by, secured over or referencing one or more Underlying Loans in respect of one or more Underlying Properties, which bond, note or security entitles the holders thereof to receive payments that depend (except for rights to other assets designed to assure the servicing or timely distribution of proceeds to holders of such bonds, notes or securities) on the cashflow from such Underlying Loans.

“**Collateral**” means the property, assets, interests and benefits which are charged, pledged and/or assigned to the Trustee from time to time for the benefit of the Secured Parties pursuant to the Trust Deed and the Euroclear Pledge Agreement.

“**Collateral Acquisition Agreement**” means each Initial Collateral Acquisition Agreement, together with each other agreement entered into after the Closing Date by the Issuer and the Seller of any Portfolio Asset relating to the acquisition by the Issuer from such Seller of such Portfolio Asset.

“**Collateral Management Fee**” means, in relation to any Payment Date, the fee payable to the Collateral Manager in an amount equal to the Collateral Management Fee Percentage of the average of (a) the sum of (i) the aggregate Principal Balances of the Portfolio Collateral (excluding Defaulted Collateral) and (ii) the Balances standing to the credit of the Principal Collection Accounts, in each case, at the beginning of the

Payment Period with respect to such Payment Date and (b) the sum of (i) the aggregate Principal Balances of the Portfolio Collateral (excluding Defaulted Collateral) and (ii) the Balances standing to the credit of the Principal Collection Accounts, in each case, on the last day of such Payment Period, calculated on an actual/365 day basis. For the avoidance of doubt, the amount of such fee shall be deemed not to include any applicable value added tax thereon.

“Collateral Management Fee Percentage” means, in relation to any Payment Date:

- (a) if the Weighted Average Spread of the Portfolio Collateral is equal to or greater than 0.77 per cent. on the Determination Date prior to such Payment Date, 0.10 per cent. per annum;
- (b) if the Weighted Average Spread of the Portfolio Collateral is equal to or greater than 0.76 per cent, but less than 0.77 per cent. on the Determination Date prior to such Payment Date, 0.09 per cent. per annum; and
- (c) if the Weighted Average Spread of the Portfolio Collateral is less than 0.76 per cent. on the Determination Date prior to such Payment Date, 0.08 per cent. per annum.

“Collateral Quality Tests” has the meaning given thereto in the Collateral Administration Agreement.

“Collateral Tax Event” has the meaning given thereto in Condition 7(e) (*Redemption upon the occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event*).

“Committed Liquidity Facility Provider” means, in relation to a Class A-1 Noteholder, any financial institution being the provider of a liquidity facility or other arrangement through which credit or liquidity support is provided to such Class A-1 Noteholder in an aggregate principal amount at least equal to such Class A-1 Noteholder’s Class A-1 Pro-Rata Share of the Class A-1 Commitment.

“Common Depository” has the meaning given thereto in Condition 2(a) (*Form*).

“Conditions” means these terms and conditions, being the terms and conditions of the Class X Notes, the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes.

“Controlling Class” means the Class X Noteholders and the Class A-1 Noteholders together as though the Class X Notes and the Class A-1 Notes constituted a single class of Notes or, following redemption and payment in full of all of the Class X Notes and the Class A-1 Notes, the Class A-2 Noteholders or, following redemption and payment in full of all of the Class A-2 Notes, the Class B Noteholders or, following redemption and payment in full of all of the Class B Notes, the Class C Noteholders or, following redemption and payment in full of all of the Class C Notes, the Class D Noteholders or, following redemption and payment in full of all of the Class D Notes, the Class E Noteholders or, following redemption and payment in full of all of the Class E Notes, the Class F Noteholders or following redemption and payment in full of all of the Class F Notes, the Class G Noteholders.

“Counterparty Downgrade Collateral” means any cash and/or securities delivered to the Issuer as collateral for the obligations of any Hedge Counterparty under a Hedge Agreement.

“Counterparty Downgrade Collateral Account” means, in respect of a Hedge Counterparty, the account so entitled in the name of the Issuer held with the Account Bank or the Custodian and opened in respect of such Hedge Counterparty.

“Coverage Tests” means, collectively, the Class A Principal Coverage Test, the Class B Principal Coverage Test, the Class C Principal Coverage Test, the Class D Principal Coverage Test, the Class A Interest Coverage Test and the Class B Interest Coverage Test.

“Credit Risk Collateral” means all Credit Risk Portfolio Assets held by the Issuer from time to time.

“Credit Risk Portfolio Assets” means any Portfolio Asset (excluding any Defaulted Portfolio Asset) which, in the Collateral Manager’s reasonable commercial judgement, has a significant risk of declining in credit quality or price unrelated to general market conditions prevailing at the time and, with a lapse of

time, becoming a Defaulted Portfolio Asset; *provided, however*, that if (i) the ratings of any of the Senior Notes have been reduced by at least one sub-category from those in existence at the Closing Date or if the ratings of any of the Senior Notes are withdrawn by any Rating Agency; or (ii) the ratings of any of the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes have been reduced by at least two rating sub-categories from those in existence at the Closing Date or are withdrawn by any Rating Agency, such Portfolio Asset shall only be considered a “Credit Risk Portfolio Asset” if: (w) the public credit rating, or confidential credit estimate, of which has been downgraded at least one rating sub-category; (x) it has been put on a watchlist for possible downgrade by any internationally recognised investment rating agency; (y) it is deferring interest payments or it is paying interest payments in kind; or (z) Rating Agency Confirmation has been obtained to treat such Portfolio Asset as a Credit Risk Portfolio Asset.

“**Currency Hedge Counterparty Principal Exchange Amount**” means each interim and final principal exchange amount scheduled to be paid to the Issuer by a Currency Hedge Counterparty pursuant to the terms of a Currency Hedge Transaction, excluding any Scheduled Currency Hedge Receipt Amounts.

“**Currency Hedge Obligation**” means a Portfolio Asset which is subject to a Currency Hedge Transaction.

“**Currency Hedge Transaction Exchange Rate**” means the rate of exchange set out in the relevant Currency Hedge Transaction provided that if there is no applicable Currency Hedge Transaction then the rate of exchange will be the relevant prevailing Spot Rate and if there is no relevant prevailing Spot Rate available, the rate of exchange will be as reasonably determined by the Collateral Manager.

“**Currency Ratio Tests**” means, collectively, the Sterling Currency Ratio Test and the Euro Currency Ratio Test.

“**Custody Account**” means the custody account or accounts established on the books of the Custodian in accordance with the provisions of the Agency Agreement which term shall include each cash account relating to each such custody account (if any).

“**Defaulted Collateral**” means all Defaulted Portfolio Assets held by the Issuer from time to time.

“**Defaulted Portfolio Assets**” means a Portfolio Asset as to which the Collateral Manager has actual knowledge that:

- (a) (A) any bankruptcy, insolvency or receivership proceeding has been initiated in connection with the relevant Underlying Obligor or (B) there has been proposed or effected any distressed exchange or other debt restructuring where the relevant Underlying Obligor has offered the debt holders a new security or package of securities that either (x) amounts to a diminished financial obligation or (y) has the purpose of helping the Underlying Obligor to avoid default;
- (b) in the case of a PIK Security, cash payment of interest thereon has been deferred in accordance with the terms thereof for a continuous period of more than two payment periods with respect to such PIK Security, which deferral is continuing;
- (c) there has occurred and is continuing a principal payment default (without giving effect to any applicable grace period or waiver);
- (d) there has been a failure to pay interest in whole or in part and such failure to pay would result in an event of default under the Underlying Instruments of such Portfolio Asset;
- (e) there is a default (other than any payment default) which default entitles the holders thereof to accelerate the maturity of all or a portion of the principal amount of such obligation;
- (f) the Underlying Obligor is in default (without giving effect to any applicable grace period or waiver) as to payment of principal and/or interest on another obligation (and such default has not been cured or waived) which is senior or *pari passu* in right of payment to such Portfolio Asset; or
- (g) the rating assigned to such Portfolio Asset (i) by Fitch is “CC” or lower, or has a distressed recovery (DR) rating appended thereto, or (ii) by S&P is “D” or “SD”,

provided that notwithstanding the foregoing, (i) the Collateral Manager may declare any Portfolio Asset to be a Defaulted Portfolio Asset if, in the Collateral Manager's reasonable business judgment, the credit quality of the Underlying Obligor of such Portfolio Asset has significantly deteriorated such that the Collateral Manager has a reasonable expectation of payment default as of the next scheduled payment date with respect to such Portfolio Asset and (ii) if any default referred to above is cured or waived then such Portfolio Asset shall no longer be a Defaulted Portfolio Asset.

"Deferred Interest" means, as applicable, the Class B Deferred Interest, the Class C Deferred Interest, the Class D Deferred Interest, the Class E Deferred Interest and the Class F Deferred Interest.

"Definitive Notes" means the Notes in definitive form issued pursuant to Regulation S.

"Determination Date" means, in relation to a Payment Period, the Business Day immediately following the last day of such Payment Period or, in the event of any acceleration of the Notes pursuant to Condition 10 (*Events of Default*), the day on which the Notes become due and payable.

"Discount Pledged Asset" means any Portfolio Asset acquired by, or on behalf of the Issuer, for a purchase price (excluding accrued interest thereon) of less than 90 per cent. of the principal amount of such Portfolio Asset, provided that such Portfolio Asset shall cease to be a Discount Pledged Asset where the Market Value thereof for any period of 45 consecutive Business Days exceeds 95 per cent. of the principal amount of such Portfolio Asset (as certified by the Collateral Manager to the Issuer and notified to the Collateral Administrator).

"Downgraded Portfolio Asset" means a Portfolio Asset (other than a Defaulted Portfolio Asset) which has an S&P Rating of "BB+" or below.

"Effective Date" means the earlier of (a) the second Payment Date after the Closing Date and (b) in the event that the Collateral Manager, acting on behalf of the Issuer, is able to purchase Portfolio Collateral with an Aggregate Principal Balance equal to the Required Portfolio Collateral Amount (taking into account any prepayment of Portfolio Collateral), the date the Collateral Manager declares that the Effective Date has occurred, subject to certain conditions as set out in the Collateral Management Agreement.

"Effective Date Unused Proceeds" means an amount equal to: (a) the Balance of the Unused Proceeds Account on the Business Day immediately following the Effective Date; less (b) any amount required to be paid by the Issuer with respect to the purchase of any Original Portfolio Asset pursuant to an obligation entered into on or prior to the Effective Date but where payment for such Original Portfolio Asset is scheduled to take place on or after the Effective Date.

"Eligibility Criteria" means the eligibility criteria specified in the Collateral Administration Agreement.

"Eligible Investments" means any investment denominated in Sterling or Euro that, if it is an obligation of a company incorporated in, or a sovereign issuer of, an Eligible Investment Jurisdiction, is in registered form at the time it is acquired, and is one or more of the following obligations or securities, including, without limitation, any investments for which the Custodian, the Collateral Administrator, the Trustee or the Collateral Manager or an Affiliate of any of them provides services:

- (a) direct obligations of, and obligations the timely payment of principal of and interest under which is fully and expressly guaranteed by, an Eligible Investments Jurisdiction or any agency or instrumentality of an Eligible Investments Jurisdiction, the obligations of which are fully and expressly guaranteed by an Eligible Investments Jurisdiction;
- (b) demand and time deposits in, certificates of deposit of and bankers' acceptances issued by any depository institution or trust company (including the Account Bank) incorporated under the laws of an Eligible Investments Jurisdiction with, in each case, a maturity of no more than 180 days and subject to supervision and examination by governmental banking authorities so long as the commercial paper and/or the debt obligations of such depository institution or trust company (or, in the case of the principal depository institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have:

- (i) (A) long-term senior unsecured debt credit rating of at least “AA” from S&P; and
 - (B) a long-term senior unsecured debt credit rating of at least “AAA” from Fitch, in each case, for so long as there are Rated Notes which are Outstanding which are rated by such Rating Agency (together, the “**Eligible Investments Minimum Long-Term Rating**”); and
- (ii) a short-term debt or issuer (as applicable) credit rating of at least:
 - (A) “A-1+” from S&P; and
 - (B) “F1+” from Fitch, in each case, for so long as there are Rated Notes which are Outstanding which are rated by such Rating Agency (together, the “**Eligible Investments Minimum Short-Term Rating**”);
- (c) unleveraged repurchase obligations with respect to:
 - (i) any obligation described in paragraph (a) above; or
 - (ii) any other security issued or guaranteed by an agency or instrumentality of an Eligible Investments Jurisdiction, in either case entered into with a depository institution or trust company (acting as principal) described in paragraph (b) above or entered into with a corporation (acting as principal) whose long-term debt obligations are rated not less than the Eligible Investments Minimum Long-Term Rating or whose short-term debt obligations are rated not less than the Eligible Investments Minimum Short-Term Rating at the time of such investment provided that, if such security has a maturity of longer than 91 days, the issuer thereof must also have, at the time of such investment, a long-term credit rating of not less than the Eligible Investments Minimum Long-Term Rating;
- (d) securities bearing interest or sold at a discount to the face amount thereof issued by any corporation incorporated under the laws of an Eligible Investments Jurisdiction, having a maturity of no more than 180 days and that have a credit rating of not less than the Eligible Investments Minimum Long-Term Rating at the time of such investment or contractual commitment providing for such investment;
- (e) off-shore funds investing in the money markets rated, at all times, “AAAm” or “AAAm-G” by S&P and “AAA” or “V1+” by Fitch; and
- (f) any other investment similar to those described in paragraphs (a) to (e) (inclusive) above which has, in the case of an investment with a maturity of longer than 91 days, a long-term credit rating not less than the Eligible Investments Minimum Long-Term Rating or, in the case of an investment with a maturity of 91 days or less, a short-term credit rating of not less than the Eligible Investments Minimum Short-Term Rating,

and, in each of the above paragraphs, such instrument or investment provides for payment of a predetermined fixed amount of principal on maturity that is not subject to change and (i) has a Stated Maturity (giving effect to any applicable grace period) or can be liquidated without penalty no later than the second Business Day immediately preceding the next following Payment Date and (ii) is publicly or shadow rated; provided, however, that Eligible Investments shall not include any mortgage-backed security, interest-only security, security subject to withholding or similar taxes, security rated with an “r” or “t” subscript by S&P, security purchased at a price in excess of 100 per cent. of par or security whose repayment is subject to substantial non credit-related risk, as determined by the Collateral Manager in its discretion. For the avoidance of doubt, any monies on deposit in any of the Accounts shall be deemed to be Eligible Investments.

“**Eligible Investments Jurisdiction**” means any of the following: the United Kingdom, Ireland, France, Spain, The Netherlands, Luxembourg, Belgium, Germany, Austria, Liechtenstein, Norway, Sweden, Denmark, Finland, Switzerland, United States of America and any other country in respect of which Rating Agency Confirmation is received.

“**EURIBOR**” has the meaning given thereto in Condition 6(e) (*Floating Rates of Interest*).

“**Euro**”, “**euro**”, “**€**” or “**EUR**” means the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam.

“**Euroclear**” means Euroclear Bank S.A./N.V. as operator of the Euroclear System.

“**EUR Funding**” means, in respect of the Class A-1 Notes at any time, the amount of the Principal Amount Outstanding of the Class A-1 Notes which is funded in Euro at such time.

“**Euro Currency Ratio**” has the meaning given thereto in the Collateral Administration Agreement.

“**Euro Currency Ratio Test**” has the meaning given thereto in the Collateral Administration Agreement.

“**Euro Interest Collection Account**” means the account so entitled in the name of the Issuer which is denominated in Euro and held with the Account Bank.

“**Euro Payment Account**” means the account so entitled in the name of the Issuer which is denominated in Euro and held with the Account Bank.

“**Euro Principal Collection Account**” means the account so entitled in the name of the Issuer which is denominated in Euro and held with the Account Bank.

“**Event of Default**” means each of the events defined as such in Condition 10(a) (*Events of Default*).

“**Expense Reimbursement Account**” means the account so entitled in the name of the Issuer held with the Account Bank.

“**Extraordinary Resolution**” means, in relation to any Class of Noteholders, a resolution passed, (at a meeting of such Class of Noteholders duly convened and held in accordance with the Trust Deed) by a majority of at least 75 per cent. of the votes cast.

“**Fees and Expenses**” means the fees, expenses and indemnity amounts payable to the Trustee, the Agents, the Collateral Administrator and the Common Depositary pursuant to the Transaction Documents from time to time.

“**Fitch**” means Fitch, Inc., Fitch Ratings, Ltd. and their subsidiaries including Derivative Fitch, Inc. and Derivative Fitch Ltd. and any successor or successors thereto.

“**Fitch CCC Market Value**” means, in the case of any Fitch CCC Obligation on any date, the lower of:

- (a) its Market Value on such date; and
- (b) (i) the sum of 100 per cent. and the relevant Fitch Recovery Rate, (ii) divided by two and (iii) multiplied by the Principal Balance of such Fitch CCC Obligation,

provided that the Fitch CCC Market Value will be calculated in accordance with paragraph (b) above if no bids can be obtained by the Collateral Manager in respect of such Portfolio Asset as contemplated by the definition of “**Market Value**”.

“**Fitch CCC Market Value Ratio**” means for any Fitch CCC Obligation, the ratio obtained by dividing the Fitch CCC Market Value by the Principal Balance of such Fitch CCC Obligation.

“**Fitch CCC Obligation**” means a Portfolio Asset (other than a Defaulted Portfolio Asset) which has a Fitch Rating of “CCC+” or below.

“**Fitch Collateral Value**” means, in the case of any Portfolio Asset on any date, the lower of:

- (a) its Market Value on such date; and

(b) the relevant Fitch Recovery Rate multiplied by the Principal Balance of such Portfolio Asset,

provided that the Fitch Collateral Value will be calculated in accordance with paragraph (b) above if no bids can be obtained by the Collateral Manager in respect of such Portfolio Asset as contemplated by the definition of “**Market Value**”.

“**Fitch Rating**” has the meaning given thereto in the Collateral Administration Agreement.

“**Fitch Recovery Rate**” has the meaning given thereto in the Collateral Management Agreement.

“**Floating Rate of Interest**” has the meaning given thereto in Condition 6 (*Interest and Commitment Fees*).

“**Floating Rate Notes**” means the Class X Notes, the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes.

“**Following Business Day Convention**” means the convention for adjusting any relevant date if it would otherwise fall on a day that is not a Business Day, which provides that the relevant date shall be the following day that is a Business Day.

“**Funded Amount**” means the aggregate of the GBP Funding and the Sterling Equivalent of the EUR Funding, in each case, which have been made available to the Issuer and which remain outstanding.

“**Funding**” means, in relation to the Class A-1 Notes, each separate amount made available to the Issuer at any time by a Class A-1 Noteholder in respect of the Class A-1 Notes held by it, subject to and in accordance with the terms of the Class A-1 Note Purchase Agreement and the other Transaction Documents.

“**Funding Date**” means a Business Day upon which a Funding is made available to the Issuer in accordance with the Class A-1 Note Purchase Agreement.

“**Funding Request**” means, in relation to the Class A-1 Notes, a request made by the Collateral Manager on behalf of the Issuer on a *pro rata* basis to each of the Class A-1 Noteholders no later than five Business Days prior to each proposed Funding Date in the form set out in the Class A-1 Note Purchase Agreement, to make a Funding available to the Issuer in respect of the Class A-1 Notes, subject to and in accordance with the terms of the Class A-1 Note Purchase Agreement.

“**GBP**”, “**Sterling**” or “**£**” mean the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

“**GBP Funding**” means, in respect of the Class A-1 Notes at any time, the amount of the Principal Amount Outstanding of the Class A-1 Notes which is funded in Sterling at such time.

“**GBP Interest Collection Account**” means the account so entitled in the name of the Issuer which is denominated in Sterling and held with the Account Bank.

“**GBPLIBOR**” has the meaning given thereto in Condition 6(e)(i)(A) (*Rate of Interest*).

“**GBP Payment Account**” means the account so entitled in the name of the Issuer which is denominated in Sterling and held with the Account Bank.

“**GBP Principal Collection Account**” means the account so entitled in the name of the Issuer which is denominated in Sterling and held with the Account Bank.

“**Global Notes**” means the Class X Global Note, the Class A-2 Global Note, the Class B Global Note, the Class C Global Note, the Class D Global Note, the Class E Global Note, the Class F Global Note and the Class G Global Note.

“**Hedge Termination Account**” means each account so entitled in the name of the Issuer and held with the Account Bank.

“Hedge Termination Receipt” means any amount payable by a Hedge Counterparty to the Issuer upon termination or sale of a Hedge Agreement.

“Initial Portfolio Collateral” means the portfolio of CMBS Securities satisfying the Eligibility Criteria purchased by the Issuer on the Closing Date pursuant to the Initial Collateral Acquisition Agreements.

“Interest Accrual Period” has the meaning given thereto in Condition 6 (*Interest and Commitment Fees*).

“Interest Amount” means, in relation to any Payment Date and a Class of Notes the amount of interest payable in respect of the principal amount of such Class of Notes for the Interest Accrual Period relating to such Payment Date, as applicable, being:

- (a) in the case of the Floating Rate Notes, the amount calculated by the Agent Bank as soon as practicable after 11:00 am (London time) on the relevant Interest Determination Date in accordance with Condition 6(e)(iii) (*Determination of Floating Rates of Interest and Calculation of Interest Amounts*); and
- (b) in the case of the Class G Subordinated Notes, the amount calculated as provided in Condition 6(f) (*Interest on the Class G Subordinated Notes*).

“Interest Collection Accounts” means each of the GBP Interest Collection Account and the Euro Interest Collection Account.

“Interest Coverage Amount” means, as at any Measurement Date, the sum of:

- (a) the scheduled interest payments expected to be received (but not yet received) in the Payment Period in which such Measurement Date occurs on the Portfolio Collateral excluding: (i) accrued and unpaid interest on Defaulted Collateral; (ii) any amounts expected to be withheld at source or otherwise deducted in respect of taxes; (iii) any scheduled interest payments as to which the Issuer or the Collateral Manager has actual knowledge that such payment will not be made, (iv) accrued and unpaid interest on PIK Securities; and (v) 15 per cent. of scheduled interest payments due but not yet received on Non-Currency Hedged Portfolio Assets;
- (b) the aggregate of the Balances standing to the credit of the Interest Collection Accounts and the Expense Reimbursement Account on such Measurement Date; and
- (c) (i) the scheduled interest on the Balances standing to the credit of the Principal Collection Accounts, the Interest Collection Accounts, the Unused Proceeds Account, the Payment Accounts and the Expense Reimbursement Account (including any portion of principal payments on any Eligible Investments purchased at a discount which represents interest) to be received in the Payment Period in which such Measurement Date occurs; and (ii) any net scheduled payments expected to be received by the Issuer under each Hedge Agreement on or before the Payment Date related to such Measurement Date.

In determining the Interest Coverage Amount, amounts referred to above which are denominated in Euro shall be converted into Sterling at the then current Spot Rate.

“Interest Proceeds” means all amounts denominated in an Available Currency paid or payable into the relevant Interest Collection Account from time to time and, with respect to any Payment Date, means the Interest Proceeds denominated in an Available Currency received by or on behalf of the Issuer during the related Payment Period, together with (without double counting) any Scheduled Interest Rate Hedge Counterparty Payments payable to the Issuer, any Scheduled Basis Hedge Counterparty Payments payable to the Issuer, any Scheduled Currency Hedge Receipt Amounts payable to the Issuer and any amounts payable to the Issuer pursuant to a Liquidity Swap Transaction, in each case, on or before the Business Day prior to such Payment Date and any other amounts to be disbursed as Interest Proceeds on such Payment Date pursuant to Condition 3(i) (*Accounts*).

“Investment Company Act” means the United States Investment Company Act of 1940, as amended.

“Joint Lead Managers” means each of Dresdner Bank AG London Branch and Commerzbank Aktiengesellschaft.

“**Listing Agent**” means NCB Stockbrokers Limited, acting through its office at 3 George’s Dock, Dublin 1.

“**Market Value**” means, with respect to any Portfolio Asset, an amount equal to the average of the *bona fide* bids for such Portfolio Asset obtained by the Collateral Manager from any three nationally recognised dealers, which dealers are independent from one another and from the Collateral Manager and the Collateral Manager’s affiliates. If, however, the Collateral Manager is in good faith unable to obtain bids from three such dealers, the Market Value shall be the average of the *bona fide* bids for the Portfolio Asset solicited from three such dealers 10 days after the initial bids were sought. If the Collateral Manager remains unable to obtain three such bids, but is able to obtain two such bids, then the Market Value shall be the lower of such two bids. If two such bids are not available, the Collateral Manager shall be required to again solicit two such bids 20 days after the initial bids were sought. If the Collateral Manager remains unable to obtain two such bids, but is able to obtain one such bid, then the Market Value shall be an amount equal to such bid, and if the Collateral Manager is unable to obtain any such bid, then the Market Value shall be determined by the Collateral Manager in a manner consistent with reasonable and customary market practice. In the case of any Currency Hedge Obligation, the “**Market Value**” thereof shall be determined by converting an amount determined as set out above into the relevant Available Currency at the relevant Currency Hedge Transaction Exchange Rate or, to the extent that none is applicable to any portion of the principal amount thereof, at the prevailing Spot Rate, as determined by the Collateral Administrator at the direction of the Collateral Manager. Any amounts determined in accordance with the previous provisions of this definition of “**Market Value**” which are denominated in Euro shall be converted into Sterling at the then current Spot Rate.

“**Maturity Date**” means, in the case of the Notes of each Class (other than the Class X Notes), the Payment Date falling in May 2047 and, in the case of the Class X Notes, the Payment Date falling in May 2015.

“**Measurement Date**” means:

- (a) the Effective Date;
- (b) each Determination Date falling after the Effective Date;
- (c) after the Effective Date, any day on which the purchase of an Additional Portfolio Asset or a Substitute Portfolio Asset occurs;
- (d) any day on which the sale, default or prepayment of a Portfolio Asset occurs (other than a day on which sales of any Credit Risk Portfolio Asset or Defaulted Portfolio Asset occurs);
- (e) the date as of which any Note Valuation Report is produced;
- (f) each date on which a Funding Request is given; and
- (g) upon written request (by at least five Business Days’ notice), each date specified by the Rating Agencies, at the direction of the holders of at least 75 per cent. in aggregate Principal Amount Outstanding of the Notes of the Controlling Class or by the Collateral Manager at its discretion,

provided that if any such date would otherwise fall on a day that is not a Business Day, the relevant Measurement Date will be the first following day that is a Business Day.

“**Minimum Denomination**” means, in respect of any Class of Notes (other than the Class A-1 Notes), £100,000 and, in respect of the Class A-1 Notes, £500,000.

“**Net Outstanding Par Collateral Balance**” means, as at any Measurement Date:

- (a) the CDO Principal Balance; *minus*
- (b) the Par Value Test Excess Adjustment Amount.

“Non-Call Period” means the period from (and including) the Closing Date to (but excluding) the Payment Date falling in May 2010. Accordingly, the first Payment Date on which the Notes may be redeemed pursuant to Condition 7(c)(i) (*Redemption at the Option of the Collateral Manager*) is the Payment Date falling in August 2010.

“Non-Complying Non-Currency Hedged Portfolio Asset” means (a) a Non-Currency Hedged Portfolio Asset which has caused a Currency Ratio Test not to be satisfied for a period of 180 days or longer, (b) a Non-Currency Hedged Portfolio Asset which has caused the Euro Currency Ratio to be lower than 95 per cent., (c) a Non-Currency Hedged Portfolio Asset not acquired in the Primary Market, and (d) each Non-Currency Hedged Portfolio Asset where the Net Outstanding Par Collateral Balance is less than the Required Portfolio Collateral Amount.

“Non-Currency Hedged Portfolio Asset” has the meaning given thereto in the Collateral Management Agreement.

“Note Payment Sequence” means the application of Interest Proceeds or Principal Proceeds in accordance with the Priorities of Payment in the following order:

- (a) to the redemption (on a *pro rata* and *pari passu* basis) at the applicable Redemption Price of the Class A-1 Notes in whole or in part until the Class A-1 Notes have been redeemed in full;
- (b) to the redemption (on a *pro rata* and *pari passu* basis) at the applicable Redemption Price of the Class A-2 Notes in whole or in part until the Class A-2 Notes have been redeemed in full;
- (c) to the redemption (on a *pro rata* and *pari passu* basis) at the applicable Redemption Price of the Class B Notes in whole or in part until the Class B Notes have been redeemed in full;
- (d) to the redemption (on a *pro rata* and *pari passu* basis) at the applicable Redemption Price of the Class C Notes in whole or in part until the Class C Notes have been redeemed in full;
- (e) to the redemption (on a *pro rata* and *pari passu* basis) at the applicable Redemption Price of the Class D Notes in whole or in part until the Class D Notes have been redeemed in full;
- (f) to the redemption (on a *pro rata* and *pari passu* basis) at the applicable Redemption Price of the Class E Notes in whole or in part until the Class E Notes have been redeemed in full;
- (g) to the redemption (on a *pro rata* and *pari passu* basis) at the applicable Redemption Price of the Class F Notes in whole or in part until the Class F Notes have been redeemed in full; and
- (h) to the redemption (on a *pro rata* and *pari passu* basis) at the applicable Redemption Price of the Class G Subordinated Notes in whole or in part until the Class G Subordinated Notes have been redeemed in full.

“Note Tax Event” has the meaning thereto in Condition 7(e) (*Redemption upon the Occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event*).

“Note Valuation Report” means the report defined as such in the Collateral Administration Agreement which is prepared by the Collateral Administrator on behalf of the Issuer.

“Noteholders” means the Class X Noteholders, the Class A-1 Noteholders, the Class A-2 Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders, the Class F Noteholders and the Class G Noteholders.

“Onshore Tax Event” has the meaning given thereto in Condition 7(e) (*Redemption upon the occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event*).

“Original Portfolio Asset” means any Portfolio Asset purchased by the Issuer on or before the Effective Date, including the Initial Portfolio Collateral.

“Original Portfolio Collateral” means all Original Portfolio Assets held by the Issuer on or before the Effective Date.

“Outstanding” means, in relation to the Notes, all the Notes issued other than:

- (a) those Notes of each Class which have been redeemed pursuant to the Trust Deed with the exception of the Class G Subordinated Notes in relation to which amounts of Interest Proceeds and Principal Proceeds have, or may, become payable notwithstanding redemption of the principal amount of such Class G Subordinated Notes in full;
- (b) those Notes of each Class in respect of which the date for redemption in accordance with the relevant Conditions has occurred and the redemption moneys (including premium (if any) and all interest payable in respect thereof and any interest payable under the relevant Conditions after such date) have been duly paid to the Trustee or to any of the Paying Agents in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the relevant Noteholders in accordance with Condition 16 (*Notices*)) and remain available for payment against presentation of the relevant Notes;
- (c) those Notes which have become void pursuant to the Conditions;
- (d) any Global Note to the extent that it shall have been exchanged for Definitive Notes and, in the case of any such Global Note, to the extent of the extinguishment of the amount thereof by payment in respect thereof; and
- (e) those mutilated or defaced Notes for which replacement Notes have been issued pursuant to these Conditions,

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of the Noteholders of a Class;
- (ii) the determination of how many and which of the relevant Notes are for the time being Outstanding for the purposes of Clause 7.2 (*Enforcement*) of the Trust Deed and Conditions 10 (*Events of Default*) and 11 (*Enforcement*);
- (iii) any discretion, power or authority (whether contained in the Trust Deed or vested by operation of law) which the Trustee is required, expressly or implicitly, to exercise in or by reference to the interests of the Noteholders or any of them; and
- (iv) the determination (where relevant) by the Trustee as to whether any event, circumstance, matter or thing, in its opinion, is materially prejudicial to the interests of the Noteholders of any Class,

those Notes (if any) which are, for the time being held by, for the benefit of, or on behalf of, the Issuer and not cancelled, shall (unless and until ceasing to be so held) be deemed not to remain Outstanding. The Trustee shall be entitled to assume that there are no such holdings except to the extent notified in writing of such holdings.

“Par Loss Event” means that the aggregate Principal Amount Outstanding of all Notes exceeds the Aggregate Principal Balance by an amount in excess of 75 per cent. of the aggregate Principal Amount Outstanding of the Class G Subordinated Notes.

“Par Value Test Excess Adjustment Amount” means, on any date of determination, the sum of:

- (a) the greater of:
 - (i) the amount equal to the product of:
 - (A) the Aggregate Principal Balance of all Fitch CCC Obligations as of such date; and

- (B) one minus the weighted average of the Fitch CCC Market Value Ratios of all Fitch CCC Obligations; and
- (ii) the amount equal to the product of:
 - (A) the excess, if any, of (x) the Aggregate Principal Balance of all S&P CCC Obligations as of such date over (y) an amount equal to 5 per cent. of the CDO Principal Balance; and
 - (B) one minus the weighted average of the S&P CCC Market Value Ratios of S&P CCC Obligations having an Aggregate Principal Balance equal to the excess amount determined under paragraph (A) above of this paragraph (ii) (such Aggregate Principal Balance to be comprised of the S&P CCC Obligations having the lowest S&P CCC Market Value Ratios as of such date);
- (b) the amount equal to the product of:
 - (i) the Aggregate Principal Balance of all Discount Pledged Assets as of such date; and
 - (ii) one minus the weighted average of the purchase prices (as a percentage of the principal amount of the relevant Discount Pledged Assets, expressed as a decimal amount, as determined by the Collateral Administrator) paid by, or on behalf of, the Issuer (excluding accrued interest thereon) of all Discount Pledged Assets; and
- (c) an amount equal to the product of:
 - (i) the excess, if any, of (x) the Aggregate Principal Balance of all Downgraded Portfolio Assets as of such date over (y) an amount equal to 5 per cent. of the CDO Principal Balance; and
 - (ii) one minus the weighted average of the S&P Downgraded Portfolio Asset Ratios of Downgraded Portfolio Assets having an Aggregate Principal Balance equal to the excess amount determined under paragraph (i) above,

provided that in the event that any Portfolio Asset is more than one of a Discount Pledged Asset, an S&P CCC Obligation, a Fitch CCC Obligation and a Downgraded Portfolio Asset, such Portfolio Asset shall be included in whichever of paragraphs (a), (b) and (c) above would result in the higher Par Value Test Excess Adjustment Amount (and, for the avoidance of doubt, in only one of paragraph (a), (b) and (c)).

“Payment Accounts” means each of the GBP Payment Account and the Euro Payment Account.

“Payment Date” means the 9th day of August, November, February and May in each year, commencing in August 2007, and each Redemption Date, in each case, to the extent not a Business Day, adjusted in accordance with the Following Business Day Convention.

“Payment Period” means, in relation to any Payment Date, the period commencing on (but excluding) the third Business Day prior to the preceding Payment Date (or, on (but excluding) the Closing Date in the case of the Payment Period relating to the first Payment Date) and ending on (and including) the third Business Day prior to such Payment Date (or, in the case of the Payment Period applicable to the Payment Date which is a Redemption Date, ending on (and including) the day preceding such Payment Date).

“person” means an individual, corporation (including a business trust), partnership (including any limited partnership or any limited liability partnership), joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated association or government or any agency or political subdivision thereof.

“PIK Security” means any obligation the terms of which allow the deferral or capitalisation of interest due by providing payment of interest through the issuance of additional obligations identical to such obligation or additions to the principal amount thereof for an unspecified period in the future.

“Portfolio” means the Portfolio Collateral and the Eligible Investments held by or on behalf of the Issuer from time to time.

“Portfolio Asset” means any debt obligation or debt security which satisfies the Eligibility Criteria at the time a binding commitment is made to acquire such obligation or security and which is purchased by or on behalf of the Issuer from time to time pursuant to the Collateral Management Agreement. The failure of any obligation to satisfy the Eligibility Criteria at any time after the time a binding commitment is made to acquire such obligation shall not cause such obligation to cease to constitute a Portfolio Asset. For the purposes of the Portfolio Profile Tests and the Collateral Quality Tests a debt obligation or debt security satisfying the Eligibility Criteria at the time a binding commitment to purchase such obligation or security is entered into shall be counted as a Portfolio Asset from the time such binding commitment is entered into and a Portfolio Asset in respect of which the Issuer has entered into a binding commitment to sell shall be excluded.

“Portfolio Collateral” means the portfolio of Portfolio Assets purchased by the Issuer (or on its behalf) on the Closing Date and from time to time thereafter.

“Portfolio Profile Tests” has the meaning given thereto in the Collateral Administration Agreement.

“Post-Enforcement Priorities of Payment” means the priorities of payment set out in Condition 11(c) (*Post-Enforcement Priorities of Payment*).

“Potential Event of Default” means any event which may become (with the passage of time, the giving of notice, the making of any determination or any combination thereof) an Event of Default.

“Pre-Enforcement Priorities of Payment” means, in the case of Interest Proceeds, the priorities of payment set out in Condition 3(c)(i) (*Application of Interest Proceeds*) and, in the case of Principal Proceeds, the priorities of payment set out in Condition 3(c)(ii) (*Application of Principal Proceeds*).

“Primary Market” means, in respect of the acquisition of a Portfolio Asset, such Portfolio Asset having been acquired within 3 months of the date of issue thereof.

“Principal Amount Outstanding” means:

- (a) in respect of a Note of any Class (other than the Class A-1 Notes):
 - (i) the initial principal amount thereof on such date, plus
 - (ii) any Deferred Interest in respect thereof, less
 - (iii) the aggregate of all principal payments or redemption payments made in respect thereof pursuant to Condition 7 (*Redemption, Purchase and Cancellation*);
- (b) in respect of any Class A-1 Note prior to the Class A-1 Commitment Termination Date, the Funded Amount in respect thereof; and
- (c) in respect of any Class A-1 Note after the Class A-1 Commitment Termination Date:
 - (i) the principal amount thereof on the Class A-1 Commitment Termination Date, less
 - (ii) the aggregate of all principal payments or redemption payments made in respect thereof pursuant to Condition 7 (*Redemption, Purchase and Cancellation*),

provided that:

- (A) subject to paragraph (B) below, any amount referred to above in respect of a Class A-1 Note and which is denominated in Euro shall be converted into Sterling at the current Spot Rate; and

- (B) for the purposes of any entitlement to vote (I) any amount referred to above in respect of a Class A-1 Note and which is denominated in Euro shall be converted into Sterling at the Closing Exchange Rate and (II) the Principal Amount Outstanding of any Class A-1 Note prior to the Class A-1 Commitment Termination Date shall also include such Class A-1 Note's Class A-1 Pro Rata Share of the Class A-1 Undrawn Commitment Amount determined at the Closing Exchange Rate.

"Principal Balance" means, as of any date of determination:

- (a) in relation to any Portfolio Asset other than a Currency Hedge Obligation, the outstanding principal amount thereof (as reduced from time to time in accordance with its terms) on such date of determination;
- (b) in relation to any Currency Hedge Obligation, an amount equal to all Currency Hedge Counterparty Principal Exchange Amounts payable to the Issuer upon any scheduled termination of the relevant Currency Hedge Transaction; and
- (c) in relation to each Eligible Investment, the Balance thereof on such date of determination.

In determining the Principal Balance, amounts referred to above and denominated in Euro shall be converted into Sterling at the then current Spot Rate.

"Principal Collection Accounts" means each of the GBP Principal Collection Account and the Euro Principal Collection Account.

"Principal Proceeds" means all amounts denominated in an Available Currency paid or payable into the relevant Principal Collection Account from time to time and, with respect to any Payment Date, means the Principal Proceeds denominated in an Available Currency received by or on behalf of the Issuer during the related Payment Period, together with (without double counting) any Currency Hedge Counterparty Principal Exchange Amounts payable to the Issuer on or before the Business Day prior to such Payment Date and any other amounts to be disbursed as Principal Proceeds on such Payment Date pursuant to Condition 3(i) (*Accounts*).

"Priorities of Payment" means:

- (a) save for any redemption of the Notes pursuant to Condition 7(c) (*Optional Redemption*) or Condition 7(e) (*Redemption upon the occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event*) or enforcement of the security over the Collateral in accordance with Condition 11 (*Enforcement*), the Pre-Enforcement Priorities of Payment; and
- (b) in the event of any redemption of the Notes pursuant to Condition 7(c) (*Optional Redemption*) or Condition 7(e) (*Redemption upon the occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event*) and following enforcement of the security over the Collateral in accordance with Condition 11 (*Enforcement*), the Post-Enforcement Priorities of Payment.

"Proceedings" has the meaning given thereto in Condition 18(b) (*Jurisdiction*).

"Property" means any commercial and/or multifamily property or properties.

"Purchased Accrued Interest" means, in relation to any Payment Period, all payments of interest received during such Payment Period on the Portfolio Collateral and Eligible Investments to the extent (including in connection with any sale thereof) such payments constitute proceeds from accrued interest purchased with Principal Proceeds.

"Ramp-up Period" means the period beginning on the Closing Date and ending on, and including, the Effective Date.

"Rated Notes" means the Class X Notes, the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes.

“**Rating**” means a Fitch Rating or an S&P Rating, as applicable, and “**Rated**” has a corresponding meaning.

“**Rating Agencies**” means Fitch and S&P or, if at any time either Fitch or S&P ceases to provide rating services, any other internationally recognised investment rating agency selected by the Issuer. In the event that at any time the Rating Agencies do not include either or both of Fitch or S&P, references to rating categories of such rating agency in these Conditions, the Trust Deed and the Transaction Documents shall be deemed instead to be references to the equivalent categories of such other rating agency as of the most recent date on which such other rating agency published ratings for the type of security in respect of which such alternative rating agency is used. “**Rating Agency**” means each and any of the Rating Agencies.

“**Rating Agency Confirmation**” means, in relation to any specified action or determination, receipt of written confirmation from the Rating Agencies, for so long as the Rated Notes are Outstanding and rated by either Fitch and/or S&P, that such specified action or determination will not result in the reduction or withdrawal of their then-current ratings of such Rated Notes.

“**Receiver**” has the meaning given thereto in Condition 10(a) (*Events of Default*).

“**Record Date**” has the meaning give thereto in Condition 8(b) (*Payments on Definitive Notes*).

“**Redemption Date**” means each date specified for a redemption of the Notes of a Class pursuant to Condition 7 (*Redemption, Purchase and Cancellation*) or the date on which the Notes of such Class become due and payable pursuant to Condition 10 (*Events of Default*) or, in each case, if such day is not a Business Day, the next following Business Day.

“**Redemption Determination Date**” has the meaning given thereto in Condition 7(c)(iv) (*Mechanics of Redemption*).

“**Redemption Notice**” means a redemption notice in the form available from any of the Paying Agents which has been duly completed by a Noteholder and which specifies, *inter alia*, the applicable Redemption Date.

“**Redemption Price**” means, in relation to:

- (a) any Note (other than a Class G Subordinated Note), 100 per cent. of the Principal Amount Outstanding of the Note to be redeemed, together with interest and, in the case of the Class A-1 Notes, any Class A-1 Commitment Fees, in each case, accrued thereon to the date of redemption;
- (b) any Class G Subordinated Note, such Class G Subordinated Note’s *pro rata* share (based on the proportion which the Principal Amount Outstanding of such Class G Subordinated Note bears to the aggregate Principal Amount Outstanding of all Class G Subordinated Notes immediately prior to such redemption) of the aggregate proceeds of liquidation of the Collateral or realisation of the security thereover in such circumstances remaining following application thereof in accordance with the Post-Enforcement Priorities of Payment.

“**Redemption Threshold Amount**” has the meaning given thereto in Condition 7(c)(iv) (*Mechanics of Redemption*).

“**Register**” means the register which the Issuer shall procure to be kept by the Registrar.

“**Regulation S**” means Regulation S under the Securities Act.

“**Reinvestment Criteria**” means the Reinvestment Criteria specified in the Collateral Administration Agreement.

“**Reinvestment Period**” means, subject to adjustment in accordance with the terms of the Collateral Management Agreement, the period from (and including) the Closing Date to (and including) the earlier of (a) the Payment Date falling in May 2010 and (b) the date on which the Collateral Manager requests, or is directed by the requisite percentage of Noteholders of the requisite Class to request, that the Notes of each Class be redeemed in accordance with Condition 7(c) (*Optional Redemption*).

“Relevant Date” means whichever is the later of: (a) the date on which any payment first becomes due and (b) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which the full amount having been so received, notice to that effect shall have been given to the Noteholders in accordance with Condition 16 (*Notices*).

“Relevant Screen” has the meaning given thereto in Condition 16 (*Notices*).

“Replacement Basis Hedge Agreement” means any basis hedge agreement entered into by the Issuer upon termination of an existing Basis Hedge Agreement on substantially the same terms as such existing Basis Hedge Agreement, that preserves for the Issuer the economic effect of the terminated Basis Hedge Agreement and all Basis Hedge Transactions thereunder, subject to such amendments as may be agreed by the Collateral Manager on behalf of the Issuer and in respect of which Rating Agency Confirmation has been received.

“Replacement Currency Hedge Agreement” means any currency hedge agreement entered into by the Issuer upon termination of an existing Currency Hedge Agreement on substantially the same terms as such existing Currency Hedge Agreement, that preserves for the Issuer the economic effect of the terminated Currency Hedge Agreement and all Currency Hedge Transactions thereunder, subject to such amendments as may be agreed by the Collateral Manager on behalf of the Issuer and in respect of which Rating Agency Confirmation has been received.

“Replacement Hedge Agreement” means a Replacement Basis Hedge Agreement, a Replacement Currency Hedge Agreement, a Replacement Interest Rate Hedge Agreement or a Replacement Liquidity Swap Agreement.

“Replacement Interest Rate Hedge Agreement” means any interest rate hedge agreement entered into by the Issuer upon termination of an existing Interest Rate Hedge Agreement on substantially the same terms as such existing Interest Rate Hedge Agreement, that preserves for the Issuer the economic effect of the terminated Interest Rate Hedge Agreement and all Interest Rate Hedge Transactions thereunder, subject to such amendments as may be agreed by the Collateral Manager on behalf of the Issuer and in respect of which Rating Agency Confirmation has been received.

“Replacement Liquidity Swap Agreement” means any liquidity swap agreement entered into by the Issuer upon termination of an existing Liquidity Swap Agreement on substantially the same terms as such existing Liquidity Swap Agreement, that preserves for the Issuer the economic effect of the terminated Liquidity Swap Agreement and all Liquidity Swap Transactions thereunder, subject to such amendments as may be agreed by the Collateral Manager on behalf of the Issuer and in respect of which Rating Agency Confirmation has been received.

“Required Portfolio Collateral Amount” means an amount equal to £350,000,000.

“Required Ratings” means:

- (a) in the case of the Account Bank, senior short term unsecured debt ratings of “F1+” by Fitch and “A-1+” by S&P or such lower rating by S&P as agreed between the Issuer and the Collateral Manager subject to Rating Agency Confirmation from S&P in respect thereof;
- (b) in the case of the Custodian and any sub-custodians (other than sub-custodians that are a branch or affiliate of, or entity controlled directly or indirectly by, the Custodian and in respect of which Rating Agency Confirmation has been received), senior unsecured long term debt ratings of at least “AA-” by S&P and short term unsecured debt ratings of at least “F1+” by Fitch and “A-1” by S&P;
- (c) in the case of the Principal Paying Agent, senior unsecured debt ratings of at least “AA” by S&P and short term unsecured debt ratings of “F1+” by Fitch and “A-1+” by S&P;
- (d) in the case of the Class A-1 Noteholder or its Committed Liquidity Facility Provider, a short term, unsecured, unguaranteed and unsubordinated debt rating of at least “A-1” by S&P and at least “F1” by Fitch; and

(e) upon entering into, becoming a transferee of, or guaranteeing a Currency Hedge Agreement in the case of a Currency Hedge Counterparty or any credit support provider thereof:

(i) a long term, unsecured, unguaranteed and unsubordinated debt rating of at least “A+” by Fitch and “AA-” by S&P; and

(ii) a short term, unsecured, unguaranteed and unsubordinated debt rating of at least “F1” by Fitch and “A-1+” by S&P;

unless enhanced by the posting of collateral of sufficient quality and quantity to satisfy the Rating Agencies, which may be subject to change from time to time;

(f) upon entering into, becoming a transferee of, or guaranteeing an Interest Rate Hedge Agreement in the case of an Interest Rate Hedge Counterparty or any credit support provider thereof:

(i) a long term, unsecured, unguaranteed and unsubordinated debt rating of at least “A” by Fitch and “A” by S&P; and

(ii) a short term, unsecured, unguaranteed and unsubordinated debt rating of at least “F1” by Fitch and “A-1” by S&P,

unless enhanced by the posting of collateral of sufficient quality and quantity to satisfy the Rating Agencies, which may be subject to change from time to time; and

(g) upon entering into, becoming a transferee of, or guaranteeing a Basis Hedge Agreement in the case of a Basis Hedge Counterparty or any credit support provider thereof:

(i) a long term, unsecured, unguaranteed and unsubordinated debt rating of at least “A” by Fitch and “A” by S&P; and

(ii) a short term, unsecured, unguaranteed and unsubordinated debt rating of at least “F1” by Fitch and “A-1+” by S&P,

unless enhanced by the posting of collateral of sufficient quality and quantity to satisfy the Rating Agencies, which may be subject to change from time to time; and

in each case, for so long as the relevant Rating Agency has assigned any rating to the Rated Notes Outstanding.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. and includes any successors to its rating business.

“S&P CCC Market Value” means, in the case of any S&P CCC Obligation on any date, the lower of:

(a) its Market Value on such date; and

(b) (i) the sum of 100 per cent. and the relevant S&P Recovery Rate, (ii) divided by two and (iii) multiplied by the Principal Balance of such S&P CCC Obligation,

provided that, the S&P CCC Market Value will be calculated in accordance with paragraph (b) above if no bids can be obtained by the Collateral Manager in respect of such Portfolio Asset as contemplated by the definition of “Market Value”.

“S&P CCC Market Value Ratio” means for any S&P CCC Obligation, the ratio obtained by dividing the S&P CCC Market Value by the Principal Balance of such S&P CCC Obligation.

“S&P CCC Obligation” means a Portfolio Asset (other than a Defaulted Portfolio Asset) which has an S&P Rating of “CCC+” or below.

“S&P Collateral Value” means, in the case of any applicable Portfolio Asset on any date, the lower of:

- (a) its Market Value on such date; and
- (b) the relevant S&P Recovery Rate multiplied by the Principal Balance of such Portfolio Asset,

provided that the S&P Collateral Value will be calculated in accordance with paragraph (b) above if no bids can be obtained by the Collateral Manager in respect of such Portfolio Asset as contemplated by the definition of “Market Value”.

“S&P Downgraded Portfolio Asset Ratio” means:

- (a) in relation to a Downgraded Portfolio Asset which has an S&P Rating of “BB+”, “BB” or “BB-”, 10 per cent.;
- (b) in relation to a Downgraded Portfolio Asset which has an S&P Rating of “B+”, “B” or “B-”, 20 per cent.; and
- (c) in relation to a Downgraded Portfolio Asset which has an S&P Rating of “CCC+”, “CCC” or “CCC-”, 30 per cent.

“S&P Rating” has the meaning given thereto in the Collateral Administration Agreement.

“S&P Recovery Rate” has the meaning given thereto in the Collateral Management Agreement.

“Sale Proceeds” means:

- (a) in relation to any Portfolio Asset other than a Currency Hedge Obligation, all proceeds (including any fees received in connection with such sale) received upon the sale of any Portfolio Asset pursuant to the Collateral Management Agreement; and
- (b) in relation to any Currency Hedge Obligation, all amounts in the applicable Available Currency paid to the Issuer by the applicable Currency Hedge Counterparty in exchange for payment by the Issuer of the sale proceeds of the related Portfolio Asset or any recoveries received in respect of any Defaulted Portfolio Asset, as described in paragraph (a) above, under the related Currency Hedge Transaction, together with any amounts referred to in paragraph (a) above which are not paid to such Currency Counterparty pursuant to the terms of such Currency Hedge Transaction,

in each case, net of any amounts expended by or payable by the Collateral Manager or the Collateral Administrator (on behalf of the Issuer) in connection with such sale or other disposition.

“Scheduled Basis Hedge Counterparty Payments” means with respect to any Basis Hedge Transaction, the amounts scheduled to be paid to the Issuer by the applicable Basis Hedge Counterparty pursuant to the terms of such Basis Hedge Transaction, excluding any termination payments payable upon termination in whole or in part of such Basis Hedge Transaction.

“Scheduled Currency Hedge Receipt Amount” means, with respect to any Currency Hedge Transaction, the periodic amounts in the nature of coupon (and not principal) scheduled to be paid to the Issuer by a Currency Hedge Counterparty pursuant to the terms of such Currency Hedge Transaction.

“Scheduled Interest Rate Hedge Counterparty Payments” means with respect to any Interest Rate Hedge Transaction, the amounts scheduled to be paid to the Issuer by the applicable Interest Rate Hedge Counterparty pursuant to the terms of such Interest Rate Hedge Transaction, excluding any termination payments payable upon termination in whole or in part of such Interest Rate Hedge Transaction.

“Scheduled Instalments” has the meaning given thereto in Condition 7(a) (*Scheduled Redemption of Class X Notes*).

“Scheduled Principal Proceeds” means:

- (a) in relation to any Portfolio Asset (other than a Currency Hedge Obligation), amounts in respect of any maturity, scheduled amortisation, scheduled principal repayment, mandatory prepayment or mandatory sinking fund payment received by the Issuer; and
- (b) in relation to any Currency Hedge Obligation, scheduled final and interim payments in the nature of principal exchanges paid to the Issuer by the applicable Currency Hedge Counterparty under the related Currency Hedge Transaction.

“Secured Party” means each of the Noteholders, the Collateral Manager, the Collateral Administrator, the Trustee, the Agents, the Corporate Services Provider, each of the Hedge Counterparties, each of the Joint Lead Managers and **“Secured Parties”** means all of them.

“Securities Act” means the United States Securities Act of 1933, as amended.

“Seller” means, in relation to the Eurohypo Initial Collateral Acquisition Agreement, Eurohypo AG; in relation to the Commerzbank Initial Collateral Acquisition Agreement, Commerzbank Aktiengesellschaft; and, in relation to any other Collateral Acquisition Agreement, any other third party from whom the Issuer purchases any Portfolio Asset.

“Senior Notes” means, collectively, the Class X Notes, the Class A-1 Notes, the Class A-2 Notes and the Class B Notes.

“Specified Principal Proceeds” means all Sale Proceeds, Scheduled Principal Proceeds or Unscheduled Principal Proceeds deposited in the applicable Principal Collection Account pending investment in Portfolio Assets which are not invested by the ninetieth day following such deposit.

“Spot Rate” means (a) other than in respect of the redenomination of a Funding (or a portion thereof), in relation to any date of determination, the exchange rate first displayed at or after 11:00 a.m. London time on the relevant date of determination (or such other time or times as may be required or convenient for giving effect to the transactions contemplated by the Trust Deed or the other Transaction Documents) on Bloomberg page EURGBP CRNCY QR or, if such page ceases to exist or the Issuer and the Collateral Manager otherwise agree, the exchange rate quoted at or around such time by such international financial institution selected by the Collateral Manager, in each case, for the exchange of one Available Currency for the other and, (b) in respect of the redenomination of a Funding (or a portion thereof), the rate provided by the Initial Class A-1 Noteholder to the Issuer in respect of such redenomination subject to agreement by the Collateral Manager in respect thereof; provided that if the Initial Class A-1 Noteholder is no longer a Class A-1 Noteholder, the rate referred to in this paragraph (b) shall be such rate as agreed between the Issuer, the Class A-1 Noteholders and the Collateral Manager from time to time.

“Stated Maturity” means, in relation to any Portfolio Asset or Eligible Investment, the date specified in such obligation as the fixed date on which the final payment or repayment of principal of such obligation is due and payable or, if such date is not a Business Day, the next following Business Day.

“Sterling Equivalent” means, on any date of determination: (a) subject to the application of sub-paragraph (b) below and without double-counting, an amount expressed in Sterling, which is equal to a specified amount denominated in Euro, as determined by the Collateral Administrator, following consultation with the Collateral Manager, by reference to the relevant prevailing Spot Rate on such date of determination; or (b) in the case of amounts denominated in Euro standing to the credit of an Account which are scheduled to be paid by the Issuer under a Currency Hedge Transaction on the next following Payment Date, an amount expressed in Sterling calculated using any applicable Currency Hedge Transaction Exchange Rate on the relevant date of determination.

“Substitute Portfolio Asset” means any Portfolio Asset purchased by the Issuer (or on its behalf) during the Reinvestment Period with amounts representing Sale Proceeds.

“Substitute Portfolio Collateral” means all Substitute Portfolio Assets purchased by the Issuer.

“Transaction Documents” means the Trust Deed, the Notes, the Collateral Management Agreement, the Collateral Administration Agreement, the Agency Agreement, the Class A-1 Note Purchase Agreement, each Collateral Acquisition Agreement, the Subscription and Placement Agreement, the Euroclear Pledge Agreement, the Corporate Services Agreement and each Hedge Agreement.

“Underlying Instruments” means a trust deed, loan or credit agreement, intercreditor agreement, debenture, deed of charge and/or assignment, share charge, interest rate hedging agreement, currency hedging agreement, credit default swap, total return swap, credit linked note, indemnity, guarantee, deed poll or other agreement or instrument pursuant to which a Portfolio Asset or Underlying Loan has been issued, granted or created and each other agreement that governs the terms of, or secures the obligations represented by, such Portfolio Asset or Underlying Loan or under which the holders or creditors under such Portfolio Asset or Underlying Loan are the beneficiaries.

“Underlying Loan” means, with respect to any CMBS Security, any loan obligation (howsoever described) made to finance or refinance Underlying Property and which shall be construed as the whole of each loan which secures such CMBS Security or by reference to which payments on such CMBS Security are made.

“Underlying Obligor” means, in respect of any Portfolio Asset or Eligible Investment, the issuer and/or guarantor(s) of such Portfolio Asset or Eligible Investment and, in respect of any Underlying Loan, the borrower(s), guarantor(s) and/or provider(s) of security in respect of such Underlying Loan.

“Underlying Property” means, in relation to any CMBS Security, any Property which secures (directly or indirectly) the Underlying Loan(s) which secure such CMBS Security or by reference to which payments on such CMBS Security are made.

“Unscheduled Principal Proceeds” means:

- (a) in relation to any Portfolio Asset (other than a Currency Hedge Obligation), all unscheduled principal repayments received by the Issuer prior to the maturity of such Portfolio Asset; and
- (b) in relation to any Currency Hedge Obligation, any Currency Hedge Counterparty Principal Exchange Amount paid to the Issuer upon receipt by the Issuer of any amounts referred to in paragraph (a) above pursuant to the related Currency Hedge Transaction, together with any amounts referred to in paragraph (a) above that are not paid to such Currency Hedge Counterparty pursuant to the terms of such Currency Hedge Transaction.

“Unused Proceeds Account” means the account so entitled in the name of the Issuer and held with the Account Bank.

“Weighted Average Spread” has the meaning given thereto in the Collateral Administration Agreement.

2. Form, Title, Transfer and Exchange

(a) Form

The Notes of each Class (other than the Class A-1 Notes) will be represented on issue by a Global Note in registered form, without interest coupons or talons attached, in the applicable Minimum Denomination and integral multiples of any Authorised Integral Denomination in excess thereof and will be deposited with and registered in the name of BT Globenet Nominees Ltd, as nominee for Deutsche Bank AG, London Branch, as common depositary for Euroclear and Clearstream, Luxembourg (Deutsche Bank AG, London Branch, in such capacity, the **“Common Depositary”**). Each Global Note will be serially numbered with an identifying number which will be recorded in the Register which the Issuer shall procure will be kept by the Registrar at its specified office. Beneficial interests in the Global Notes may be held only through Euroclear or Clearstream, Luxembourg at any time. Definitive certificates representing the Notes (other than the Class A-1 Notes) will only be issued to each Noteholder in limited circumstances. The Class A-1 Notes will be issued in definitive registered form only and shall be serially numbered.

(b) Title and Transfers

Title to the Notes of each Class will pass by and upon registration in the Register. The registered holder of any Note shall (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments) as the absolute owner of such Note regardless of any notice of ownership, theft or loss, or any trust or other interest therein or of any writing thereon other than a duly executed transfer of such Note in the form endorsed thereon.

All transfers of Notes and entries on the Register will be made subject to any restrictions on transfers set forth on such Notes and the detailed regulations concerning transfers scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Registrar to any holder of a Note who so requests. A Note may be transferred in whole or in part in amounts of the applicable Minimum Denomination and any Authorised Integral Denominations in excess thereof upon the surrender of the relevant Note, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. In the case of a transfer of part only of a holding of Notes, a new Note will be issued to the transferee in respect of the part transferred and a further new Note in respect of the balance of the holding not transferred will be issued to the transferor. Each new Note to be issued upon transfer of Notes will, within five Business Days (in the place of the specified office of the Registrar) of receipt of such request for transfer, be available for delivery at the specified office of the Registrar stipulated in the request for transfer, or be mailed at the risk of the holder entitled to the Note to such address as may be specified in such request.

Registration of Notes on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.

No holder of a Note may require the transfer of such Note to be registered during the period of 15 calendar days ending on a Payment Date.

Interests in Notes represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg.

Any transfer of a Class A-1 Note in whole or in part will require that (i) the transferee enter into a Class A-1 Note Purchase Agreement with, *inter alios*, the Issuer and the Collateral Manager, and (ii) in respect of any such transfer on or prior to the Class A-1 Commitment Termination Date, the transferee satisfies the applicable Required Ratings.

(c) Issue of Notes in Definitive Form

If, while any Notes are represented by a Global Note:

- (i) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 calendar days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business and does so cease to do business and no alternative clearing system satisfactory to the Issuer and the Trustee is available; or
- (ii) the Common Depositary notifies the Issuer that it is at any time unwilling or unable to continue as Common Depositary and a successor is not able to be appointed by the Issuer within 60 calendar days of such notification; or
- (iii) the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) (or in the interpretation, application or administration of the same) of any applicable jurisdiction (including payments being made net of tax) which would not be suffered were the relevant Notes in definitive form and a certificate to such effect signed by two directors of the Issuer is delivered to the Trustee,

the beneficial interests represented by the Global Notes shall be exchanged by the Issuer for Definitive Notes, subject to and in accordance with the detailed provisions of the Agency Agreement, the Trust Deed and the Global Notes.

3. Status, Relationship Among the Classes and Priorities of Payment

(a) Status

The Notes of each Class constitute direct, secured, unconditional obligations of the Issuer, recourse in respect of which is limited in the manner described in Condition 4(c) (*Limited Recourse and Non-Petition*). The Notes of each Class are secured in the manner described in Condition 4(a) (*Security*) and within each Class, shall at all times rank *pari passu* and without any preference amongst themselves.

(b) Relationship Among the Classes

Payments of interest and Scheduled Instalments in respect of the Class X Notes will rank senior in right of payment to payments of interest in respect of each other Class of Notes. Payments of interest and Class A-1 Commitment Fees in respect of the Class A-1 Notes will rank senior in right of payment to payments of interest in respect of the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes but subordinated in right of payment to payments of interest and Scheduled Instalments in respect of the Class X Notes. Payments of interest in respect of the Class A-2 Notes will rank senior in right of payment to payments of interest in respect of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes but subordinated in right of payment to payments of interest and Class A-1 Commitment Fees in respect of the Class A-1 Notes and payments of interest and Scheduled Instalments in respect of the Class X Notes. Payments of interest in respect of the Class B Notes will rank senior in right of payment to payments of interest in respect of the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes, but subordinated in right of payment to payments of interest and Class A-1 Commitment Fees in respect of the Class A-1 Notes, payments of interest on the Class A-2 Notes and payments of interest and Scheduled Instalments in respect of the Class X Notes. Payments of interest in respect of the Class C Notes will rank senior in right of payment to payments of interest in respect of the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes, but subordinated in right of payment to payments of interest and Class A-1 Commitment Fees in respect of the Class A-1 Notes, payments of interest in respect of the Class A-2 Notes and the Class B Notes and payments of interest and Scheduled Instalments in respect of the Class X Notes. Payments of interest in respect of the Class D Notes will rank senior in right of payment to payments of interest in respect of the Class E Notes, the Class F Notes and the Class G Subordinated Notes but subordinated in right of payment to payments of interest and Class A-1 Commitment Fees in respect of the Class A-1 Notes, payments of interest in respect of the Class A-2 Notes, the Class B Notes and the Class C Notes and payments of interest and Scheduled Instalments in respect of the Class X Notes. Payments of interest in respect of the Class E Notes will rank senior in right of payment to payments of interest in respect of the Class F Notes and the Class G Subordinated Notes but subordinated in right of payment to payments of interest and Class A-1 Commitment Fees in respect of the Class A-1 Notes, payments of interest in respect of the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes and payments of interest and Scheduled Instalments in respect of the Class X Notes. Payments of interest in respect of the Class F Notes will rank senior in right of payment to payments of interest in respect of the Class G Subordinated Notes but subordinated in right of payment to payments of interest and Class A-1 Commitment Fees in respect of the Class A-1 Notes, payments of interest in respect of the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes and payments of interest and Scheduled Instalments in respect of the Class X Notes. Lastly, payments of interest in respect of the Class G Subordinated Notes will be subordinated in right of payment to payments of interest and Class A-1 Commitment Fees in respect of the Class A-1 Notes, payments of interest in respect of all other Classes of Notes and payments of Scheduled Instalments in respect of the Class X Notes.

Repayment of principal in respect of the Class A-1 Notes will rank senior in right of payment to the repayment of principal in respect of each other Class of Notes (subject as provided below in relation to the Class X Notes). Repayment of principal in respect of the Class A-2 Notes will rank senior in right of payment to the repayment of principal in respect of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes but subordinated in right of payment to the repayment of principal in respect of the Class A-1 Notes. Repayment of principal in respect of the Class B Notes will rank senior in right of payment to the repayment of principal in respect of the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and

the Class G Subordinated Notes but subordinated in right of payment to the repayment of principal in respect of the Class A-1 Notes and the Class A-2 Notes. Repayment of principal in respect of the Class C Notes will rank senior in right of payment to the repayment of principal in respect of the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes but subordinated in right of payment to the repayment of principal in respect of the Class A-1 Notes, the Class A-2 Notes and the Class B Notes. Repayment of principal in respect of the Class D Notes will rank senior in right of payment to the repayment of principal in respect of the Class E Notes, the Class F Notes and the Class G Subordinated Notes but subordinated in right of payment to the repayment of principal in respect of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes and the Class C Notes. Repayment of principal in respect of the Class E Notes will rank senior in right of payment to the repayment of principal in respect of the Class F Notes and the Class G Subordinated Notes but subordinated in right of payment to the repayment of principal in respect of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes. Repayment of principal in respect of the Class F Notes will rank senior in right of payment to the repayment of principal in respect of the Class G Subordinated Notes but subordinated in right of payment to the repayment of principal in respect of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes. Lastly, repayment of principal in respect of the Class G Subordinated Notes will be subordinated in right of payment to the repayment of principal in respect of all other Classes of Notes.

Other than in the case of any redemption of the Notes pursuant to Condition 7(c) (*Optional Redemption*) or Condition 7(e) (*Redemption Upon the Occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event*) or following enforcement of the security over the Collateral in accordance with Condition 11 (*Enforcement*), repayment of principal in respect of the Class X Notes will be made only by the payment of Scheduled Instalments out of Interest Proceeds available for such purpose or, in the event there are insufficient Interest Proceeds, Principal Proceeds available for such purpose and such payment of Scheduled Instalments will rank senior in right of payment to the repayment of principal in respect of each other Class of Notes. In the case of any redemption of the Notes pursuant to Condition 7(c) (*Optional Redemption*) or Condition 7(e) (*Redemption Upon the Occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event*) and following enforcement of the security over the Collateral in accordance with Condition 11 (*Enforcement*), the Class X Notes shall be redeemed from Interest Proceeds and Principal Proceeds subject to and in accordance with the Post-Enforcement Priorities of Payment and will rank senior in right of payment to the repayment of principal in respect of each other Class of Notes.

On each Payment Date up to (but excluding) the Class A-1 Commitment Termination Date, Fundings in respect of the Class A-1 Notes may be repaid subject to and in accordance with the Class A-1 Note Purchase Agreement (including where there are Class X Notes outstanding) which may affect the priority of the Notes as referred to above.

(c) Priorities of Payment

Interest Proceeds

Subject to Condition 11(c) (*Post-Enforcement Priorities of Payment*), the Collateral Administrator shall, on behalf of the Issuer, instruct the Account Bank to disburse on each Payment Date Interest Proceeds transferred to the relevant Payment Account on such Payment Date by reference to the amount of each item denominated in the applicable Available Currency in accordance with, and in the order set out in, the Priorities of Payment in Condition 3(c)(i) (*Application of Interest Proceeds*). To the extent there is available a sufficient amount of Interest Proceeds denominated in the Available Currency in which such item is payable, the Collateral Administrator shall instruct the Account Bank to disburse an amount of such Interest Proceeds equal to the amount of such item to make payment of such item, in each case subject to the provisions of this Condition and provided that no payment is made toward any item until all higher ranking items have been paid in full.

If on a Determination Date the Collateral Administrator determines that there would be an insufficient amount of Interest Proceeds available in any Available Currency to pay the amounts owing in respect of items denominated in such currency on the related Payment Date, then the Issuer shall pay or provide for that shortfall by exchanging an amount of Interest Proceeds available in the other Available Currency equal to such shortfall by reference to the relevant Spot Rate determined on the relevant

Determination Date which amounts shall be applied on the next following Payment Date in accordance with the Priorities of Payment.

Principal Proceeds

Subject to Condition 11(c) (*Post-Enforcement Priorities of Payment*), the Collateral Administrator shall, on behalf of the Issuer, instruct the Account Bank to disburse on each Payment Date Principal Proceeds transferred to the relevant Payment Account on such Payment Date by reference to the amount of each item denominated in the applicable Available Currency in accordance with, and in the order set out in, the Priorities of Payment in Condition 3(c)(ii) (*Application of Principal Proceeds*). To the extent there is available a sufficient amount of Principal Proceeds denominated in the Available Currency in which such item is payable, the Collateral Administrator shall instruct the Account Bank to disburse an amount of such Principal Proceeds equal to the amount of such item to make payment of such item, in each case subject to the provisions of this Condition and provided that no payment is made toward any item until all higher ranking items have been paid in full.

If on a Determination Date the Collateral Administrator determines that there would be an insufficient amount of Principal Proceeds available in any Available Currency to pay the amounts owing in respect of items denominated in such currency on the related Payment Date, then the Issuer shall pay or provide for that shortfall by exchanging an amount of Principal Proceeds available in the other Available Currency equal to such shortfall by reference to the relevant Spot Rate determined on the relevant Determination Date which amounts shall be applied on the next following Payment Date in accordance with the Priorities of Payment.

(i) *Application of Interest Proceeds*: Subject to Condition 11(c) (*Post-Enforcement Priorities of Payment*), Interest Proceeds shall be applied as follows:

(A) to the payment of taxes (if any) owing by the Issuer accrued in respect of the related Payment Period, as certified to the Trustee by an Authorised Officer of the Issuer;

(B) to the payment of:

(1) firstly, accrued and unpaid Fees and Expenses (plus any value added tax thereon if applicable) due and payable to the Trustee; and

(2) secondly, accrued and unpaid Fees and Expenses (plus any value added tax thereon if applicable) due and payable to any other person,

up to an aggregate amount equal to 0.0075 per cent. of the Aggregate Principal Balance of the Portfolio Collateral on the Determination Date relating to such Payment Date;

(C) to the payment of the Collateral Management Fee due and payable on such Payment Date (together with any Collateral Management Fee not paid on any prior Payment Date and any interest thereon as provided for in the Collateral Management Agreement) plus any value added tax thereon if applicable;

(D) to the payment *pari passu* and on a *pro rata* basis (i) of accrued and unpaid Administrative Expenses (plus any value added tax thereon if applicable) up to an amount equal to £37,500, and (ii) into the Expense Reimbursement Account of such amount which will bring the Expense Reimbursement Account to a credit balance of £37,500;

(E) to the payment *pari passu* and on a *pro rata* basis of any scheduled payments or termination payments payable to any Hedge Counterparty under a Hedge Agreement arising other than as a result of (i) an event of default under any such Hedge Agreement for which the applicable Hedge Counterparty is the defaulting party or (ii) a termination event under a Hedge Agreement for which the applicable Hedge Counterparty is the sole Affected Party (as defined in the applicable Hedge Agreement), to the extent not paid from funds available in the applicable Hedge Termination Account;

(F) to the payment *pari passu* and on a *pro rata* basis of (i) interest due and payable in respect of the Class X Notes in relation to the Interest Accrual Period relating to such Payment Date, (ii) the Scheduled Instalments that have become due and payable in respect of the Class X

Notes on such Payment Date, and (iii) the Scheduled Instalments that became due and payable in respect of the Class X Notes on any prior Payment Date to the extent not paid in full on any such prior Payment Date;

- (G) to the payment *pari passu* and on a *pro rata* basis of interest and Class A-1 Commitment Fees due and payable in respect of the Class A-1 Notes in respect of the Interest Accrual Period relating to such Payment Date;
- (H) to the payment *pari passu* and on a *pro rata* basis of interest due and payable in respect of the Class A-2 Notes in relation to the Interest Accrual Period relating to such Payment Date;
- (I) in the event of a breach of the Class A Principal Coverage Test, to redeem the Class A-1 Notes and the Class A-2 Notes, in each case, in accordance with the Note Payment Sequence and to the extent necessary to cause the Class A Principal Coverage Test to be met if recalculated following such redemption and in the event of a breach of the Class A Interest Coverage Test, to redeem the Class A-1 Notes and the Class A-2 Notes, in each case, in accordance with the Note Payment Sequence and to the extent necessary to cause the Class A Interest Coverage Test to be met if recalculated following such redemption;
- (J) to the payment *pari passu* and on a *pro rata* basis of interest due and payable in respect of the Class B Notes in relation to the Interest Accrual Period relating to such Payment Date (including any interest on Class B Deferred Interest);
- (K) in the event of a breach of the Class B Principal Coverage Test, to redeem the Class A-1 Notes, the Class A-2 Notes and the Class B Notes, in each case, in accordance with the Note Payment Sequence and to the extent necessary to cause the Class B Principal Coverage Test to be met if recalculated following such redemption and in the event of a breach of the Class B Interest Coverage Test, to redeem the Class A-1 Notes, the Class A-2 Notes and the Class B Notes, in each case, in accordance with the Note Payment Sequence and to the extent necessary to cause the Class B Interest Coverage Test to be met if recalculated following such redemption;
- (L) to the payment *pari passu* and on a *pro rata* basis of that element of the principal of the Class B Notes that represents Class B Deferred Interest which has been capitalised in accordance with Condition 6(c) (*Deferral of Interest*);
- (M) to the payment *pari passu* and on a *pro rata* basis of interest due and payable in respect of the Class C Notes in relation to the Interest Accrual Period relating to such Payment Date (including any interest on Class C Deferred Interest);
- (N) on each Payment Date following the Effective Date, if the Issuer fails to obtain from each of the Rating Agencies confirmation in writing of the ratings of the Rated Notes assigned on the Closing Date within 20 Business Days after publication of the most recent Note Valuation Report immediately following the Effective Date, to redeem the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes, in each case, in accordance with the Note Payment Sequence and until such confirmation is obtained;
- (O) in the event of a breach of the Class C Principal Coverage Test, to redeem the Class A-1 Notes, the Class A-2 Notes, the Class B Notes and the Class C Notes, in each case, in accordance with the Note Payment Sequence and to the extent necessary to cause the Class C Principal Coverage Test to be met if recalculated following such redemption;
- (P) to the payment *pari passu* and on a *pro rata* basis of that element of the principal amount of the Class C Notes that represents Class C Deferred Interest which has been capitalised in accordance with Condition 6(c) (*Deferral of Interest*);
- (Q) to the payment *pari passu* and on a *pro rata* basis of interest due and payable in respect of the Class D Notes in relation to the Interest Accrual Period relating to such Payment Date (including any interest on Class D Deferred Interest);

- (R) in the event of a breach of the Class D Principal Coverage Test, to redeem the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes, in each case, in accordance with the Note Payment Sequence and to the extent necessary to cause the Class D Principal Coverage Test to be met if recalculated following such redemption;
 - (S) to the payment *pari passu* and on a *pro rata* basis of that element of the principal amount of the Class D Notes that represents Class D Deferred Interest which has been capitalised in accordance with Condition 6(c) (*Deferral of Interest*);
 - (T) to the payment *pari passu* and on a *pro rata* basis of interest due and payable in respect of the Class E Notes in relation to the Interest Accrual Period relating to such Payment Date (including any interest on Class E Deferred Interest);
 - (U) to the payment *pari passu* and on a *pro rata* basis of that element of the principal amount of the Class E Notes that represents Class E Deferred Interest which has been capitalised in accordance with Condition 6(c) (*Deferral of Interest*);
 - (V) to the payment *pari passu* and on a *pro rata* basis of interest due and payable in respect of the Class F Notes in relation to the Interest Accrual Period relating to such Payment Date (including any interest on Class F Deferred Interest);
 - (W) to the payment *pari passu* and on a *pro rata* basis of that element of the principal amount of the Class F Notes that represents Class F Deferred Interest which has been capitalised in accordance with Condition 6(c) (*Deferral of Interest*);
 - (X) to the payment of any Fees and Expenses (plus any value added tax thereon if applicable) to the extent not paid pursuant to paragraph (B) above;
 - (Y) to the payment of any Administrative Expenses (plus any value added tax thereon if applicable) to the extent not paid pursuant to paragraph (D) above;
 - (Z) to the payment *pari passu* and on a *pro rata* basis of the cost of (i) entry into any Replacement Hedge Agreement to the extent not paid out of a Hedge Termination Account and (ii) any termination payments payable to a Hedge Counterparty under a Hedge Agreement arising as a result of (a) an event of default under such Hedge Agreement for which the Hedge Counterparty is the defaulting party or (b) a termination event under a Hedge Agreement for which the Hedge Counterparty is the sole Affected Party (as defined in the applicable Hedge Agreement);
 - (AA) during the Reinvestment Period, at the option of the Collateral Manager (on behalf of the Issuer), all or a portion of the remaining Interest Proceeds to the acquisition of Additional Portfolio Assets or to payment into the relevant Principal Collection Account in anticipation of such acquisition; and
 - (BB) to the payment of interest on the Class G Subordinated Notes on a *pari passu* and *pro rata* basis by reference to the proportion that the original Principal Amount Outstanding of the relevant Class G Subordinated Note on the date of issuance thereof bears to the original aggregate Principal Amount Outstanding of the Class G Subordinated Notes on the date of issuance thereof.
- (ii) *Application of Principal Proceeds*: Subject to Condition 11(c) (*Post-Enforcement Priorities of Payment*), Principal Proceeds shall be applied as follows:
- (A) to the payment of the amounts referred to above in paragraphs (i)(A) to (i)(L) (inclusive) and (i)(N) above to the extent not paid in full thereunder;
 - (B) on each Payment Date up to (but excluding) the Class A-1 Commitment Termination Date, to the payment on a *pari passu* and *pro rata* basis to the Class A-1 Noteholders of any Funding being repaid thereunder in accordance with the Class A-1 Note Purchase Agreement;

- (C) during the Reinvestment Period, all remaining Principal Proceeds (excluding Specified Principal Proceeds) shall be applied either in the acquisition of Additional Portfolio Assets or in payment into the relevant Principal Collection Account in anticipation of such acquisition;
- (D) on the Payment Date falling on the last day of the Reinvestment Period and each Payment Date falling thereafter and, in respect of Specified Principal Proceeds only, on each Payment Date prior to the end of the Reinvestment Period, to redeem the Class A-1 Notes, the Class A-2 Notes and the Class B Notes in accordance with the Note Payment Sequence;
- (E) if the Class A-1 Notes, the Class A-2 Notes and the Class B Notes have been redeemed in full, to the payment of the amounts referred to in paragraph (i)(M) above only to the extent not paid in full thereunder;
- (F) if the Class A-1 Notes, the Class A-2 Notes and the Class B Notes have been redeemed in full, to the payment of the amounts referred to in paragraph (i)(P) above only to the extent not paid in full thereunder;
- (G) on the Payment Date falling on the last day of the Reinvestment Period and each Payment Date falling thereafter and, in respect of any remaining Specified Principal Proceeds only, on each Payment Date prior to the end of the Reinvestment Period, to redeem the Class C Notes (on a *pro rata* basis between themselves, to the extent that the Class C Notes are not redeemed in full by such payment);
- (H) if the Class A-1 Notes, the Class A-2 Notes, the Class B Notes and the Class C Notes have been redeemed in full, to the payment of the amounts referred to in paragraph (i)(Q) above only to the extent not paid in full thereunder;
- (I) if the Class A-1 Notes, the Class A-2 Notes, the Class B Notes and the Class C Notes have been redeemed in full, to the payment of the amounts referred to in paragraph (i)(S) above only to the extent not paid in full thereunder;
- (J) on the Payment Date falling on the last day of the Reinvestment Period and each Payment Date falling thereafter and, in respect of any remaining Specified Principal Proceeds only, on each Payment Date prior to the end of the Reinvestment Period, to redeem the Class D Notes (on a *pro rata* basis between themselves, to the extent that the Class D Notes are not redeemed in full by such payment);
- (K) if the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes have been redeemed in full, to the payment of the amounts referred to in paragraph (i)(T) above only to the extent not paid in full thereunder;
- (L) if the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes have been redeemed in full, to the payment of the amounts referred to in paragraph (i)(U) above only to the extent not paid in full thereunder;
- (M) on the Payment Date falling on the last day of the Reinvestment Period and each Payment Date falling thereafter and, in respect of any remaining Specified Principal Proceeds only, on each Payment Date prior to the end of the Reinvestment Period, to redeem the Class E Notes (on a *pro rata* basis between themselves, to the extent that the Class E Notes are not redeemed in full by such payment);
- (N) if the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes have been redeemed in full, to the payment of the amounts referred to in paragraph (i)(V) above only to the extent not paid in full thereunder;
- (O) if the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes have been redeemed in full, to the payment of the amounts referred to in paragraph (i)(W) above only to the extent not paid in full thereunder;

- (P) on the Payment Date falling on the last day of the Reinvestment Period and each Payment Date falling thereafter and, in respect of any remaining Specified Principal Proceeds only, on each Payment Date prior to the end of the Reinvestment Period, to redeem the Class F Notes (on a *pro rata* basis between themselves, to the extent that the Class F Notes are not redeemed in full by such payment);
- (Q) to the payment of any Fees and Expenses (plus any value added tax thereon if applicable) to the extent not paid pursuant to paragraphs (i)(B), (i)(X) and (ii)(A) above;
- (R) to the payment of any Administrative Expenses (plus any value added tax thereon if applicable) to the extent not paid pursuant to paragraphs (i)(D) and (i)(Y) and (ii)(A) above; and
- (S) on the Payment Date falling on the last day of the Reinvestment Period and each Payment Date falling thereafter, to the payment of principal on the Class G Subordinated Notes on a *pari passu* and *pro rata* basis by reference to the proportion that the original Principal Amount Outstanding of the relevant Class G Subordinated Note on the date of issuance thereof bears to the original aggregate Principal Amount Outstanding of the Class G Subordinated Notes on the date of issuance thereof.

In the event of any redemption of the Notes pursuant to Condition 7(c) (*Optional Redemption*) or Condition 7(e) (*Redemption upon the occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event*) prior to the enforcement of the security over the Collateral and following enforcement of the security over the Collateral, Interest Proceeds and Principal Proceeds shall be applied in accordance with the priorities of payment specified in Condition 11(c) (*Post-Enforcement Priorities of Payment*).

(d) Non-Payment of Amounts

Save (i) in the case of the payment of interest on the Class X Notes pursuant to Condition 3(c)(i)(F) (*Application of Interest Proceeds*), the payment of interest and Class A-1 Commitment Fees on the Class A-1 Notes pursuant to Condition 3(c)(i)(G) (*Application of Interest Proceeds*) and the payment of interest on the Class A-2 Notes pursuant to Condition 3(c)(i)(H) (*Application of Interest Proceeds*); or (ii) (following redemption and payment in full of the Class X Notes, the Class A-1 Notes and the Class A-2 Notes), payment of interest on the Class B Notes pursuant to Condition 3(c)(i)(J) (*Application of Interest Proceeds*) or (iii) (following redemption and payment in full of the Class B Notes), payment of interest on the Class C Notes pursuant to Condition 3(c)(i)(M) (*Application of Interest Proceeds*); or (iv) (following redemption and payment in full of the Class C Notes), payment of interest on the Class D Notes pursuant to Condition 3(c)(i)(Q) (*Application of Interest Proceeds*); or (v) (following redemption and payment in full of the Class D Notes), payment of interest on the Class E Notes pursuant to Condition 3(c)(i)(T) (*Application of Interest Proceeds*); or (vi) (following redemption and payment in full of the Class E Notes), payment of interest on the Class F Notes pursuant to Condition 3(c)(i)(V) (*Application of Interest Proceeds*); and save further in the case of the payment in full of the principal amount of any Class of Notes on any Redemption Date, failure on the part of the Issuer to pay any of the amounts referred to in Conditions 3(c)(i) (*Application of Interest Proceeds*) and 3(c)(ii) (*Application of Principal Proceeds*) to the Noteholders or otherwise, by reason solely of the fact that there are insufficient funds standing to the credit of the Payment Accounts, shall not constitute an Event of Default pursuant to Condition 10 (*Events of Default*).

Subject always, in the case of Interest Amounts payable in respect of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes, to Condition 6(c) (*Deferral of Interest*), in the event of non-payment of any amounts referred to in Conditions 3(c)(i) (*Application of Interest Proceeds*) and 3(c)(ii) (*Application of Principal Proceeds*) on any Payment Date, such amounts (including any Deferred Interest payable in respect of such amounts) shall remain due and shall be payable on each subsequent Payment Date in the order of priority provided for in Condition 3(c) (*Priorities of Payment*) on an available funds basis only. References to amounts in Conditions 3(c)(i) (*Application of Interest Proceeds*) and 3(c)(ii) (*Application of Principal Proceeds*) shall include any amounts thereof not paid when due in accordance with Condition 3(c) (*Priorities of Payments*) on any preceding Payment Date.

(e) Determination and Payment of Amounts

The Collateral Administrator will, on each Determination Date (other than in the case of a Determination Date following acceleration of the Notes pursuant to Condition 10 (*Events of Default*)) calculate the amounts payable on the applicable Payment Date, as applicable, pursuant to Conditions 3(c)(i) (*Application of Interest Proceeds*) and 3(c)(ii) (*Application of Principal Proceeds*) and will notify the Paying Agents and the Account Bank of such amounts. The Collateral Administrator shall on behalf of the Issuer instruct the Account Bank to cause not later than 10.00 am (London time) on each Payment Date, amounts standing to the credit of the Principal Collection Accounts, the Interest Collection Accounts and the Expense Reimbursement Account to the extent available and required to pay the amounts referred to in paragraphs (i) and (ii) of Condition 3(c) (*Priorities of Payment*) which are payable on such Payment Date to be transferred to the relevant Payment Account in accordance with Condition 3(i) (*Accounts*).

(f) De Minimis Amounts

The Collateral Administrator may, in its absolute discretion, adjust the amounts required to be applied in payment of principal on the Notes from time to time pursuant to the Priorities of Payment so that the amount to be so applied in respect of each Class of Notes is a whole amount, not involving any fraction of a cent or penny.

(g) Publication of Amounts

The Collateral Administrator will cause details as to the amounts of interest, Class A-1 Commitment Fees and principal to be paid and any amounts of interest, Class A-1 Commitment Fees and principal payable but not paid on each Payment Date in respect of the Notes to be notified to the Trustee, the Paying Agents and the Irish Stock Exchange by no later than 4.00 pm (London time) one Business Day prior to the applicable Payment Date and the Paying Agents shall procure that details of such amounts are notified to the Noteholders of each Class in accordance with Condition 16 (*Notices*) as soon as possible after notification thereof to the Paying Agents in accordance with the provisions described above, but in no event later than the Payment Date.

(h) Notifications to be Final

All notifications, opinions, determinations, certificates, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Collateral Manager, the Trustee, the Paying Agents, all Noteholders and the other Secured Parties and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer or the Noteholders shall attach to the Collateral Administrator in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition.

(i) Accounts

The Issuer shall, prior to the Closing Date, establish the following accounts with the Account Bank:

- (i) the Principal Collection Accounts;
- (ii) the Interest Collection Accounts;
- (iii) the Expense Reimbursement Account;
- (iv) the Hedge Termination Accounts;
- (v) the Unused Proceeds Account;
- (vi) the Payment Accounts; and
- (vii) any Counterparty Downgrade Collateral Account.

The Issuer shall, prior to the Closing Date, establish the Custody Account with the Custodian.

The Account Bank shall at all times be a financial institution whose ratings satisfy the Required Ratings. In the event that any of the ratings of the Account Bank are downgraded below the Required Ratings, the Issuer shall, upon becoming aware of such downgrading, use reasonable endeavours to procure that a replacement Account Bank is appointed within 30 calendar days, which is acceptable to the Trustee and which satisfies the Required Ratings. The Account Bank shall pay the reasonable administrative expenses relating to the appointment of such replacement Account Bank.

Amounts (other than amounts representing collateral posted to a Counterparty Downgrade Collateral Account by any Hedge Counterparty to the extent that such amounts have not been released to the Issuer pursuant to the terms of the relevant Hedge Agreement) standing to the credit of the Accounts may from time to time be invested by the Collateral Administrator (acting on the written instructions of the Collateral Manager) on behalf of the Issuer in Eligible Investments with, in each case, Stated Maturities occurring no later than the second Business Day prior to the next Payment Date.

Amounts in an Available Currency that are required to be paid into any Account shall be paid into the Account denominated in the relevant Available Currency and, if any such amount is required to be converted into another currency, the Collateral Manager, acting on behalf of the Issuer, shall do so at the then prevailing Spot Rate.

(A) Principal Collection Accounts

The Issuer shall procure that the following amounts are paid into the relevant Principal Collection Account promptly upon receipt thereof:

- (i) amounts received in respect of any maturity, scheduled amortisation, scheduled principal repayment, mandatory prepayment or mandatory sinking fund payment on each Portfolio Asset (other than a Currency Hedge Obligation);
- (ii) any Unscheduled Principal Proceeds;
- (iii) scheduled final and interim payments in the nature of principal exchanges paid by a Currency Hedge Counterparty under a Currency Hedge Transaction;
- (iv) all Sale Proceeds other than (I) Sale Proceeds received in respect of any Portfolio Asset representing accrued interest and (II) Sale Proceeds of any Defaulted Portfolio Asset exceeding 100 per cent. of the Principal Balance of such Portfolio Asset, in each case, that have been designated by the Collateral Manager as Interest Proceeds pursuant to the Collateral Management Agreement;
- (v) all amendment and waiver fees, late payment fees and all other fees and commissions received in connection with any Defaulted Portfolio Asset and any other Portfolio Asset other than any such fees and commissions in respect of such other Portfolio Assets which are designated as Interest Proceeds by the Collateral Manager pursuant to the Collateral Management Agreement;
- (vi) at the discretion of the Collateral Manager, payments received by the Issuer from a Currency Hedge Counterparty in respect of an FX Forward or FX Option other than any periodic payments or other payments in the nature of interest thereunder;
- (vii) recoveries (up to 100 per cent. of the principal amount recovered) on Defaulted Portfolio Assets to the extent not included in Sale Proceeds;
- (viii) Purchased Accrued Interest;
- (ix) an amount equal to the amount standing to the credit of the Unused Proceeds Account in the circumstances specified in and as contemplated by Condition 3(i)(E)(ii) (*Unused Proceeds Account*);
- (x) an amount equal to the Balance standing to the credit of a Hedge Termination Account in the circumstances specified in and as contemplated by Condition 3(i)(D)(ii) (*Hedge Termination Accounts*);

- (xi) an amount equal to the Effective Date Unused Proceeds from the Unused Proceeds Account pursuant to Condition 3(i)(E)(iii) (*Unused Proceeds Account*);
- (xii) all amounts recovered by the Issuer upon the redemption of Eligible Investments originally acquired using funds standing to the credit of the relevant Principal Collection Account;
- (xiii) the proceeds of each Funding made available by a Class A-1 Noteholder to the Issuer;
- (xiv) Interest Proceeds designated for reinvestment in Additional Portfolio Assets in accordance with Condition 3(c)(i)(AA) (*Application of Interest Proceeds*); and
- (xv) all other amounts which are to be paid to the Issuer and which are not required to be paid into any of the other Accounts.

The Issuer shall procure the payment of the following amounts (and shall ensure that payment of no other amount is made) out of the relevant Principal Collection Account:

- (xvi) on each Payment Date, all Principal Proceeds standing to the credit of the relevant Principal Collection Account to the Payment Account denominated in the same Available Currency to the extent required for disbursement pursuant to Condition 3(c)(ii) (*Application of Principal Proceeds*) save for amounts deposited after the end of the related Payment Period (but including any Currency Hedge Counterparty Principal Exchange Amounts received on or before the Business Day prior to the relevant Payment Date) and provided that no such transfer shall be made to the extent that such amounts are not required to be distributed pursuant to Condition 3(c)(ii) (*Application of Principal Proceeds*) on such Payment Date;
- (xvii) at any time during the Reinvestment Period, in accordance with the terms of, and to the extent permitted under, the Collateral Management Agreement, in the acquisition of Additional Portfolio Assets or Substitute Portfolio Assets;
- (xviii) at any time, in accordance with the terms of, and to the extent permitted under, the Collateral Management Agreement, in the acquisition of Eligible Investments;
- (xix) at any time, in accordance with the terms of, and to the extent permitted under, the Collateral Management Agreement, in meeting the costs of entering into FX Forwards or FX Options; and
- (xx) all interest accrued and received, if any, on the investment of funds in the relevant Principal Collection Account to the Interest Collection Account denominated in the same Available Currency.

(B) Interest Collection Accounts

The Issuer shall procure that the following amounts are paid into the relevant Interest Collection Account promptly upon receipt thereof:

- (i) all cash payments of interest (excluding Purchased Accrued Interest) in respect of the Portfolio Collateral and all cash payments of interest or discount in respect of Eligible Investments;
- (ii) all Sale Proceeds received in respect of any Portfolio Asset representing accrued interest and all Sale Proceeds of any Defaulted Portfolio Asset exceeding 100 per cent. of the Principal Balance of such Portfolio Asset, in each case, that have been designated by the Collateral Manager as Interest Proceeds pursuant to the Collateral Management Agreement;
- (iii) all amendment and waiver fees, late payment fees and all other fees and commissions received in connection with any Portfolio Asset (other than Defaulted Portfolio Assets) including any fees received by the Issuer in connection with the purchase of any Portfolio Asset, in each case, which the Collateral Manager designates as Interest Proceeds pursuant to the Collateral Management Agreement;
- (iv) amounts recovered in excess of 100 per cent. of the principal amount on Defaulted Portfolio Assets to the extent not included in Sale Proceeds;

- (v) any payments made by or on behalf of a Hedge Counterparty in respect of a Hedge Agreement (save for (A) any amounts representing collateral posted by the Hedge Counterparty pursuant to a Hedge Agreement to the extent that such amounts have not been released to the Issuer pursuant to the terms of the relevant Hedge Agreement, (B) any amounts referred to in Condition 3(i)(A)(vi) (*Principal Collection Accounts*) that the Collateral Manager has determined in its discretion shall be paid into the relevant Principal Collection Account, and (C) any other payments made by or on behalf of a Hedge Counterparty in respect of a Hedge Agreement which are required to be paid into a Principal Collection Account or a Hedge Termination Account);
- (vi) all earnings accrued and received, if any, on the investment of funds in other Accounts; and
- (vii) all amounts recovered by the Issuer upon the redemption of Eligible Investments originally acquired using funds standing to the credit of the relevant Interest Collection Account.

The Issuer shall procure the payment of the following amounts (and shall ensure that payment of no other amount is made) out of the relevant Interest Collection Account:

- (viii) on each Payment Date, all Interest Proceeds standing to the credit of the relevant Interest Collection Account to the Payment Account denominated in the same Available Currency to the extent required for disbursement pursuant to Condition 3(c)(i) (*Application of Interest Proceeds*) including amounts deposited after the end of the related Payment Period;
- (ix) at any time, all amounts payable by the Issuer to a Hedge Counterparty pursuant to a Hedge Agreement (other than termination payments due from the Issuer to such Hedge Counterparty and any scheduled final and interim payments in the nature of principal exchanges payable by the Issuer to a Currency Hedge Counterparty pursuant to a Currency Hedge Agreement which, in each case, shall be paid on a Payment Date in accordance with the Priorities of Payment);
- (x) at any time, in accordance with the terms of, and to the extent permitted under, the Collateral Management Agreement, in meeting the costs of entering into FX Forwards or FX Options; and
- (xi) at any time, in accordance with the terms of, and to the extent permitted under, the Collateral Management Agreement, in the acquisition of Eligible Investments.

(C) Expense Reimbursement Account

The Issuer shall procure that the following amounts are paid into the Expense Reimbursement Account promptly upon receipt thereof:

- (i) on the Closing Date, approximately £4,000,000; and
- (ii) on each Payment Date in accordance with Condition 3(c)(i)(D) (*Application of Interest Proceeds*), Interest Proceeds in an amount which will bring the Expense Reimbursement Account to a credit balance of £37,500.

The Issuer shall procure the payment of the following amounts (and shall ensure that payment of no other amount is made) out of the Expense Reimbursement Account:

- (iii) at any time prior to the first Payment Date, upon the request of the Issuer in payment on behalf of the Issuer of any fees and expenses incurred by the Issuer in connection with the issue of the Notes which were not paid on the Closing Date;
- (iv) on each Payment Date, all amounts standing to the credit of the Expense Reimbursement Account other than an amount equal to the anticipated accrued but uninvoiced fees and expenses incurred by the Issuer in connection with the issue of the Notes, to the relevant Payment Account for disbursement as Interest Proceeds in accordance with Condition 3(c)(i) (*Application of Interest Proceeds*);
- (v) at any time, in payment on behalf of the Issuer of any Fees and Expenses and Administrative Expenses which have accrued and become due and payable prior to any Payment Date, upon receipt of invoices therefor from the relevant creditor;

- (vi) at any time, in accordance with the terms of, and to the extent permitted under, the Collateral Management Agreement, in the acquisition of Eligible Investments; and
- (vii) all interest accrued and received, if any, on the investment of funds in the Expense Reimbursement Account to the Interest Collection Account denominated in the same Available Currency.

(D) Hedge Termination Accounts

The Issuer will procure that all amounts received upon termination or sale of any Hedge Agreement are paid into a Hedge Termination Account in respect of each individual such Hedge Agreement, promptly upon receipt thereof.

The Issuer will procure payment of the following amounts (and shall ensure that payment of no other amount is made) out of the relevant Hedge Termination Account:

- (i) at any time, any amount payable by the Issuer upon entry into a Replacement Hedge Agreement in accordance with the Collateral Management Agreement, up to an amount equal to the Hedge Termination Receipts received by the Issuer upon termination of the Hedge Agreement which is being replaced;
- (ii) (A) in the event that the Collateral Manager determines not to replace a Hedge Agreement that has terminated and Rating Agency Confirmation is received in respect of such determination; or
- (B) to the extent that any Hedge Termination Receipts are not required for application towards costs of entry into a Replacement Hedge Agreement,

the Balance standing to the credit of the Hedge Termination Account relating to the related Hedge Agreement shall be transferred to the relevant Principal Collection Account.

(E) Unused Proceeds Account

The Issuer shall procure that on the Closing Date an amount equal to the net proceeds of issue of the Notes remaining after the payment of (i) certain fees, expenses and other amounts payable by the Issuer on the Closing Date, (ii) approximately £4,000,000 into the Expense Reimbursement Account and (iii) all amounts payable in connection with the acquisition of the Initial Portfolio Collateral, shall be paid into the Unused Proceeds Account promptly upon receipt thereof.

The Issuer shall procure the payment of the following amounts (and shall ensure that payment of no other amount is made) out of the Unused Proceeds Account:

- (i) at any time up to and including the last day of the Ramp-Up Period in accordance with the terms of, and to the extent permitted under, the Collateral Management Agreement, in the acquisition of the Original Portfolio Assets and in payment of the costs of entering into of any Hedge Agreement;
- (ii) in the event that the Issuer fails to obtain from each of the Rating Agencies confirmation in writing of the ratings of the Rated Notes assigned on the Closing Date within 20 Business Days after publication of the most recent Note Valuation Report immediately following the Effective Date, all amounts standing to the credit of the Unused Proceeds Account shall on the Business Day following the expiry of such 20 Business Days, be transferred to the relevant Principal Collection Account;
- (iii) an amount equal to the Effective Date Unused Proceeds standing to the credit of the Unused Proceeds Account shall, on the Business Day following the Effective Date, be transferred to the relevant Principal Collection Account;
- (iv) at any time, in accordance with the terms of, and to the extent permitted under, the Collateral Management Agreement, in the acquisition of Eligible Investments; and
- (v) all interest accrued and received, if any, on the investment of funds in the Unused Proceeds Account to the Interest Collection Account denominated in the same Available Currency.

(F) Payment Accounts

The Issuer shall procure that the following amounts are paid into the relevant Payment Account promptly upon receipt thereof:

- (i) from the Principal Collection Accounts, the amount referred to in Condition 3(i)(A)(xvi) (*Principal Collection Accounts*);
- (ii) from the Interest Collection Accounts, the amount referred to in Condition 3(i)(B)(viii) (*Interest Collection Accounts*); and
- (iii) from the Expense Reimbursement Account, the amount referred to in Condition 3(i)(C)(iv) (*Expense Reimbursement Account*).

The Issuer shall procure that all amounts standing to the credit of the relevant Payment Account are disbursed on each Payment Date in accordance with the Priorities of Payment. No amounts shall be transferred to or withdrawn from any Payment Account at any other time or in any other circumstances, save that all interest accrued and received, if any, on the investment of funds in the Payment Accounts shall be credited to the Interest Collection Account denominated in the same Available Currency.

(G) Counterparty Downgrade Collateral Accounts

The Issuer will procure that all Counterparty Downgrade Collateral pledged pursuant to a Hedge Agreement shall be deposited in the applicable Counterparty Downgrade Collateral Account. All Counterparty Downgrade Collateral deposited from time to time in any Counterparty Downgrade Collateral Account shall be held and released pursuant to the terms of the applicable Hedge Agreement.

4. Security, Enforcement, Limited Recourse and Non-petition

(a) Security

Pursuant to the Trust Deed, the obligations of the Issuer under, *inter alia*, the Notes of each Class, the Trust Deed, the Agency Agreement, the Collateral Administration Agreement and the Collateral Management Agreement (together with the obligations owed by the Issuer to the other Secured Parties) will be secured in favour of the Trustee for itself and for the benefit of the other Secured Parties by:

- (i) an assignment by way of security of all of the Issuer's rights, title, interest and benefit, present and future, in, to and under the Portfolio Collateral and any related security or guarantee from time to time (where such obligations are contractual rights) and a first fixed charge over all of the Issuer's rights, title, interest and benefit, present and future, in, to and under the Portfolio Collateral and any related security or guarantee from time to time (where such obligations are securities) including, without limitation, in each case, all moneys received in respect thereof, all dividends and distributions paid or payable thereon, all property paid, distributed, accruing or offered at any time on, to or in respect of, or in substitution therefor and the proceeds of sale, repayment and redemption thereof;
- (ii) a first fixed charge over all of the Issuer's rights, title, interest and benefit, present and future, in, to and under each of the Accounts and all moneys from time to time standing to the credit of such Accounts and any other bank account in which the Issuer may at any time acquire any rights, title, interest or benefit and the debts represented thereby and including, without limitation, all interest accrued and other moneys received in respect thereof (subject, in the case of a Counterparty Downgrade Collateral Account, to the rights of any Hedge Counterparty pursuant to the terms of the related Hedge Agreement);
- (iii) an assignment by way of security of all of the Issuer's rights, title, interest and benefit, present and future, in, to and under the Eligible Investments and any related security or guarantee from time to time (where such obligations are contractual rights) and a first fixed charge over all of the Issuer's rights, title, interest and benefit, present and future, in, to and under the Eligible Investments and any related security or guarantee from time to time (where such obligations are securities) including, without limitation, in each case, all moneys received in respect thereof, all dividends and distributions paid or payable thereon, all property paid, distributed, accruing or offered at any

time on, to or in respect of, or in substitution therefor and the proceeds of sale, repayment and redemption thereof;

- (iv) an assignment by way of security of all of the Issuer's rights, title, interest and benefit, present and future, in, to and under the Agency Agreement (including the Issuer's right to require delivery of the Portfolio Collateral from the Custodian to the Issuer) and a first fixed charge over any Custody Account (including, without limitation, each cash account relating to any Custody Account, any cash held therein and the claim represented by the positive balance from time to time of any Custody Account);
- (v) an assignment by way of security of all of the Issuer's rights, title, interest and benefit, present and future, in, to and under any and all Hedge Agreements and any replacement agreements thereof (including the Issuer's rights under any credit support deed or annex entered into pursuant to any and all Hedge Agreements or relevant replacement agreements); provided that such assignment shall not in any way restrict the release of collateral granted thereunder in whole or in part at any time pursuant to the terms of any and all Hedge Agreements or any replacement agreements thereof; and a first fixed charge over all of the Issuer's rights, title, interest and benefit, present and future, in, to and under any collateral provided to the Issuer under any and all Hedge Agreements or any relevant replacement agreements thereof;
- (vi) an assignment by way of security of all of the Issuer's rights, title, interest and benefit, present and future, in, to and under the Collateral Management Agreement, the Collateral Administration Agreement and each other Transaction Document and any other agreement or document to which the Issuer is party, or to which it is, or may at any time be, expressed to have the benefit of or to have any rights under or to have any other rights to or interests in other than, in each case, the Trust Deed;
- (vii) a first fixed charge over all of the Issuer's rights, title, interest and benefit, present and future, in, to and under all money from time to time held by the Paying Agents on behalf of the Issuer for the payment of principal or interest on the Notes;
- (viii) a first fixed charge over all of the Issuer's rights, title, interest and benefit, present and future, in, to and under any other deposit made or security or investment purchased from time to time from amounts standing to the credit of the Accounts or the Custody Account that are not subject to the security interests referred to in paragraphs (i) to (vii) (inclusive) above (being "**non-eligible investments**"), in which the Issuer may at any time acquire or otherwise obtain an interest or benefit, including, without limitation, in each case, all moneys received in respect thereof, all dividends and distributions paid or payable thereon, all property paid, distributed, accruing or offered at any time on, to or in respect of, or in substitution therefor and the proceeds of sale, repayment and redemption thereof; and
- (ix) a floating charge over the whole of the Issuer's undertaking and all of its property and assets whatsoever and wheresoever situate, present and future, to the extent that such undertaking, property and assets are not subject to any other security created by the Issuer as referred to above.

All deeds, documents, assignments, instruments, bonds, notes, negotiable instruments, papers and any other instruments comprising, evidencing, representing and/or transferring the Portfolio will be deposited with or held by or on behalf of the Custodian until the security over such obligations is irrevocably discharged in accordance with the provisions of the Trust Deed. The Custodian shall at all times be an institution whose ratings satisfy the Required Ratings. In the event that the ratings of the Custodian fall below the Required Ratings at any time the Issuer shall use reasonable endeavours to procure that a replacement custodian, whose ratings satisfy the Required Ratings, is appointed within 30 calendar days in accordance with the provisions of the Agency Agreement. The Custodian shall pay the reasonable administrative expenses relating to the appointment of such replacement custodian.

Pursuant to the Euroclear Pledge Agreement, the Issuer will also create a Belgian law pledge over the Issuer's entitlement to the Portfolio from time to time held in Euroclear on behalf of the Issuer.

(b) Application of Proceeds upon Enforcement

The Trust Deed provides that the net proceeds of realisation of, or enforcement with respect to, the security over the Collateral constituted by the Trust Deed and the Euroclear Pledge Agreement shall be applied in accordance with the Priorities of Payment as set out in Condition 11(c) (*Post-Enforcement Priorities of Payment*).

(c) Limited Recourse and Non-Petition

If the net proceeds of realisation of the security constituted by the Trust Deed and the Euroclear Pledge Agreement upon enforcement thereof in accordance with Condition 11 (*Enforcement*) and the provisions of the Trust Deed and the Euroclear Pledge Agreement, are less than the aggregate amount payable in such circumstances by the Issuer in respect of the Notes and to the other Secured Parties (such negative amount being referred to herein as a “**shortfall**”), all of the obligations of the Issuer in respect of the Notes of each Class and its obligations to the other Secured Parties in such circumstances will be limited to such net proceeds which shall be applied in accordance with the Post-Enforcement Priorities of Payment. In such circumstances the Issuer will not be obliged to pay, and the other assets (if any) of the Issuer will not be available for payment of, such shortfall which shall be suffered by the Secured Parties in accordance with the Post-Enforcement Priorities of Payment (applied in reverse order), the rights of the Secured Parties to receive any further amounts in respect of such obligations shall be extinguished and shall not thereafter revive and none of the Noteholders of each Class or the other Secured Parties may take any further action to recover such amounts.

None of the Noteholders of any Class, or the other Secured Parties (nor any other person acting on behalf of any of them) shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any insolvency, reorganisation, arrangement, examinership, winding-up or liquidation proceedings or other proceedings under any applicable insolvency or similar law in connection with any obligations of the Issuer relating to the Notes of any Class, the Trust Deed or otherwise owed to the Secured Parties, save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer.

Pursuant to the terms of the Trust Deed, on each Payment Date prior to enforcement of the security constituted under the terms of the Trust Deed and the Euroclear Pledge Agreement or redemption of the Notes in accordance with Condition 7(c) (*Optional Redemption*) or 7(e) (*Redemption upon the occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event*), the Issuer and the Secured Parties shall be bound by the Pre-Enforcement Priorities of Payment in respect of the application of Interest Proceeds and Principal Proceeds as set out in Conditions 3(c)(i) (*Application of Interest Proceeds*) and 3(c)(ii) (*Application of Principal Proceeds*).

No personal liability shall attach to or be incurred by any shareholder, officer, agent, employee or director of the Issuer in its capacity as such under or by reason of any of the obligations, covenants or agreements of the Issuer contained in the Notes or the other Transaction Documents or implied from the Notes or the other Transaction Documents.

None of the Trustee, the Joint Lead Managers, the Collateral Manager, the Collateral Administrator or the Agents has any obligation to any Noteholder of any Class for payment of any amount by the Issuer in respect of the Notes of such Class.

(d) Information Regarding the Portfolio

The Issuer shall procure that the Note Valuation Reports are sent by the Collateral Administrator by electronic mail or posted on a website on behalf of the Issuer upon publication thereof to the Trustee, all Hedge Counterparties, the Collateral Manager, the Rating Agencies and to each Noteholder of each Class upon request in writing therefor.

5. Covenants of and Restrictions on the Issuer

(a) Covenants of the Issuer

As more fully described in the Trust Deed, for so long as any of the Notes remains Outstanding, the Issuer will covenant with the Trustee (for itself and as trustee for the holders of such Outstanding Notes), that it will do the following:

- (i) take such steps as are reasonable to enforce all of its rights under the Transaction Documents;
- (ii) take such steps as are reasonable to enforce its rights in respect of the Collateral;
- (iii) comply with its obligations under the Notes and the Transaction Documents;
- (iv) keep proper books of account in accordance with its obligations under the law of the jurisdiction of its incorporation;
- (v) at all times maintain its tax residence outside the United Kingdom and will not establish a branch, agency or place of business or register as a company in the United Kingdom or maintain a register of the Notes in the United Kingdom;
- (vi) pay its debts generally as they fall due;
- (vii) do all such things as are necessary to maintain its corporate existence;
- (viii) use its best endeavours to obtain and maintain a listing of the Notes on the Irish Stock Exchange. If however, it is unable to do so, having used such endeavours, or if the maintenance of such listing is agreed by the Trustee to be unduly onerous and the Trustee is satisfied that the interests of the holders of the Notes would not thereby be materially prejudiced, it will instead use all reasonable endeavours promptly to obtain and thereafter to maintain a listing for such Notes on such other internationally recognised stock exchange(s) (being a recognised stock exchange for the purposes of Irish withholding tax rules) as the Issuer may (with the approval of the Trustee) decide;
- (ix) supply such information to the Rating Agencies as they may reasonably request;
- (x) prepare, or procure the preparation of, the Note Valuation Reports in the manner contemplated in the Collateral Administration Agreement;
- (xi) take, or cause to be taken, such actions as are required in order for it to qualify for and maintain its qualifications for, the exemption from registration as an “**investment company**” provided by Section 3(c)(7) of the Investment Company Act;
- (xii) take all steps which it reasonably believes to be necessary to ensure that (A) its “**centre of main interest**” (within the meaning of Council Regulation (EC) No. 1346/2000 on Insolvency Proceedings which came into force on 31 May 2002 (the “**EU Insolvency Regulation**”)) is and remains in Ireland and (B) it does not have any “**establishment**” (within the meaning of the EU Insolvency Regulation) outside Ireland; and
- (xiii) maintain at least two directors who at the time of appointment are not, and who at any time during the period commencing five years prior to the time of such appointment have not been: (A) a direct or indirect legal or beneficial owner of the Collateral Manager, any Joint Lead Manager or any of their respective Affiliates; (B) a creditor, supplier, employee, officer, director, family member, manager, or contractor of the Collateral Manager, any Joint Lead Manager or any of their respective Affiliates; or (C) a person who controls (whether directly, indirectly, or otherwise) the Collateral Manager, any Joint Lead Manager or any of their respective Affiliates or any creditor, supplier, employee, officer, director, manager or contractor of any such entity.

(b) Restrictions on the Issuer

As more fully described in the Trust Deed, for so long as any of the Notes remains Outstanding, the Issuer will covenant with the Trustee (for itself and as trustee for the holders of the Notes) that, save as contemplated in the Transaction Documents, it will not, without the prior written consent of the Trustee:

- (i) sell, factor, discount, transfer, assign, lend or otherwise dispose of any of its right, title or interest in or to the Collateral nor will it create or permit to be outstanding any mortgage, pledge, lien, charge, encumbrance or other security interest over the Collateral;
- (ii) sell, factor, discount, transfer, assign, lend or otherwise dispose of, nor create or permit to be outstanding any mortgage, pledge, lien, charge, encumbrance or other security interest over, any of its other property or assets or any part thereof or interest therein;
- (iii) engage in any business other than:
 - (A) acquiring, holding and disposing of the Collateral;
 - (B) issuing and performing its obligations under the Notes;
 - (C) entering into, exercising its rights and performing its obligations under, or enforcing its rights under, the Transaction Documents; or
 - (D) performing any act incidental to the above;
- (iv) amend any term or condition of the Notes of any Class;
- (v) agree to any amendment to any provision of, or grant any waiver or consent under, any of the Transaction Documents;
- (vi) incur any indebtedness for borrowed money;
- (vii) amend its constitutional documents;
- (viii) have any subsidiaries;
- (ix) have any employees;
- (x) enter into any reconstruction, amalgamation, merger or consolidation;
- (xi) convey or transfer all or a substantial part of its properties or assets (in one or a series of transactions) to any person;
- (xii) issue any shares (other than such shares as are in issue as at the Closing Date) nor redeem or purchase any of its issued share capital;
- (xiii) release from or terminate the appointment of the Collateral Manager under the Collateral Management Agreement or the Collateral Administrator under the Collateral Administration Agreement (including in each case any transactions entered into thereunder) or release any of them from any executory obligation thereunder;
- (xiv) enter into any lease in respect of, or own, premises; or
- (xv) agree to the dissolution of the Issuer.

6. Interest and Commitment Fees

(a) Payment Dates

- (i) Class X Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes

The Class X Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes each bear interest on their Principal Amount Outstanding from (and including) the Closing Date at their applicable Floating Rate of Interest and such interest will be payable quarterly in arrear on each Payment Date.

- (ii) Class A-1 Notes

Prior to the Class A-1 Commitment Termination Date, each Funding provided under a Class A-1 Note will bear interest from (and including) the Funding Date on which such Funding was made at its applicable Floating Rate of Interest and such interest will be payable quarterly in arrear on each Payment Date. From the Class A-1 Commitment Termination Date, the principal amounts outstanding in each Available Currency under the Class A-1 Notes will bear interest from (and including) the Class A-1 Commitment Termination Date at their applicable Floating Rate of Interest and such interest will be payable quarterly in arrear on each Payment Date.

- (iii) Interest Accrual Periods

In respect of:

- (1) the Class X Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes, the period from (and including) the Closing Date to (but excluding) the first Payment Date and each successive period from (and including) a Payment Date to (but excluding) the immediately succeeding Payment Date;
- (2) each Funding in respect of the Class A-1 Notes and prior to the Class A-1 Commitment Termination Date, (1) the period from (and including) the related Funding Date to (but excluding) the immediately succeeding Payment Date; and (2) each period from (and including) a Payment Date to (but excluding) the immediately succeeding Payment Date; and
- (3) the Class A-1 Notes from (and including) the Class A-1 Commitment Termination Date, the period from (and including) the Class A-1 Commitment Termination Date to (but excluding) the immediately succeeding Payment Date and each successive period from (and including) a Payment Date to (but excluding) the immediately succeeding Payment Date,

shall each be called an “**Interest Accrual Period**” in these Conditions.

- (iv) Class G Subordinated Notes

Interest shall be payable in respect of the Class G Subordinated Notes on an available funds basis in accordance with Conditions 3(c)(i) (*Application of Interest Proceeds*) on each Payment Date.

- (v) Commitment Fees Payable on Class A-1 Notes

The Class A-1 Noteholders will be entitled to receive on each Payment Date falling on or prior to the Class A-1 Commitment Termination Date a fee payable in Sterling (the “**Class A-1 Commitment Fee**”) in respect of the Interest Accrual Period ending on such Payment Date, being the aggregate of the amount, calculated on a daily basis, determined by applying 0.15 per cent. per annum to the daily Class A-1 Undrawn Commitment Amount during such Interest Accrual Period divided by 365 and rounding the resultant figure to the nearest 0.01 (0.005 being rounded upwards); provided that (i) no such amount shall be payable to any Class A-1 Noteholder in respect of any period whilst such Class A-1 Noteholder (and, if such Class A-1 Noteholder has a Committed Liquidity Facility Provider, such Committed Liquidity Facility Provider) shall have

been in default in respect of any Funding Request and (ii) if the Class A-1 Commitment Fee is a negative number, no Class A-1 Commitment Fee shall be payable on such Payment Date.

(b) Interest Accrual

- (i) Class X Notes, Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes

Each Class X Note, Class A-1 Note, Class A-2 Note, Class B Note, Class C Note, Class D Note, Class E Note and Class F Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event, each such Note shall continue to bear interest in accordance with this Condition 6 (*Interest and Commitment Fees*) (both before and after judgment) until whichever is the earlier of: (i) the day on which all sums due in respect of each such Note are received by or on behalf of the relevant Noteholder and (ii) the day which is seven calendar days after the Trustee or the Principal Paying Agent has notified the Noteholders of each such Class of Notes in accordance with Condition 16 (*Notices*) of receipt of all sums due in respect of all the Notes of such Class (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

- (ii) Class G Subordinated Notes

Interest will cease to be payable in respect of each Class G Subordinated Note upon the date that all of the Collateral has been realised and no Interest Proceeds or Principal Proceeds remain available for distribution in accordance with the Priorities of Payment.

- (iii) Calculation Basis of Accrual

Interest on the Class X Notes, the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes shall accrue from day to day and shall be calculated on the basis of a 365 day year (or, in the case of the EUR Funding, a 360 day year) and the actual number of days elapsed.

(c) Deferral of Interest

For so long as any of the Class X Notes, the Class A-1 Notes or the Class A-2 Notes remains Outstanding, the Issuer shall only be obliged to pay any Interest Amount payable in respect of the Class B Notes in full on any Payment Date to the extent that there are Interest Proceeds or Principal Proceeds available for payment thereof in accordance with the Priorities of Payment. An amount of interest equal to any shortfall in payment of the Interest Amount that would otherwise be due and payable in respect of any such Class B Note on any Payment Date (each such amount being referred to as "**Class B Deferred Interest**") shall be deferred and shall, with effect from and including such Payment Date, be added to the Principal Amount Outstanding of the Class B Notes and the principal amount of each such Note shall be increased by the amount of its *pro rata* share of such Class B Deferred Interest, which shall itself bear interest in accordance with these Conditions from such date.

For so long as any of the Class X Notes, the Class A-1 Notes, the Class A-2 Notes or the Class B Notes remains Outstanding, the Issuer shall only be obliged to pay any Interest Amount payable in respect of the Class C Notes in full on any Payment Date to the extent that there are Interest Proceeds or Principal Proceeds available for payment thereof in accordance with the Priorities of Payment. An amount of interest equal to any shortfall in payment of the Interest Amount that would otherwise be due and payable in respect of any such Class C Note on any Payment Date (each such amount being referred to as "**Class C Deferred Interest**") shall be deferred and shall, with effect from and including such Payment Date, be added to the Principal Amount Outstanding of the Class C Notes and the principal amount of each such Note shall be increased by the amount of its *pro rata* share of such Class C Deferred Interest, which shall itself bear interest in accordance with these Conditions from such date.

For so long as any of the Class X Notes, the Class A-1 Notes, the Class A-2 Notes, the Class B Notes or the Class C Notes remains Outstanding, the Issuer shall only be obliged to pay any Interest Amount payable in respect of the Class D Notes in full on any Payment Date to the extent that there are Interest Proceeds or Principal Proceeds available for payment thereof in accordance with the Priorities of Payment. An amount of interest equal to any shortfall in payment of the Interest Amount that would otherwise be due and payable in respect of any such Class D Note on any Payment Date (each such

amount being referred to as “**Class D Deferred Interest**”) shall be deferred and shall, with effect from and including such Payment Date, be added to the Principal Amount Outstanding of the Class D Notes and the principal amount of each such Note shall be increased by the amount of its *pro rata* share of such Class D Deferred Interest, which shall itself bear interest in accordance with these Conditions from such date.

For so long as any of the Class X Notes, the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes or the Class D Notes remains Outstanding, the Issuer shall only be obliged to pay any Interest Amount payable in respect of the Class E Notes in full on any Payment Date to the extent that there are Interest Proceeds or Principal Proceeds available for payment thereof in accordance with the Priorities of Payment. An amount of interest equal to any shortfall in payment of the Interest Amount that would otherwise be due and payable in respect of any such Class E Note on any Payment Date (each such amount being referred to as “**Class E Deferred Interest**”) shall be deferred and shall, with effect from and including such Payment Date, be added to the Principal Amount Outstanding of the Class E Notes and the principal amount of each such Note shall be increased by the amount of its *pro rata* share of such Class E Deferred Interest, which shall itself bear interest in accordance with these Conditions from such date.

For so long as any of the Class X Notes, the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes remains Outstanding, the Issuer shall only be obliged to pay any Interest Amount payable in respect of the Class F Notes in full on any Payment Date to the extent that there are Interest Proceeds or Principal Proceeds available for payment thereof in accordance with the Priorities of Payment. An amount of interest equal to any shortfall in payment of the Interest Amount that would otherwise be due and payable in respect of any such Class F Note on any Payment Date (each such amount being referred to as “**Class F Deferred Interest**”) shall be deferred and shall, with effect from and including such Payment Date, be added to the Principal Amount Outstanding of the Class F Notes and the principal amount of each such Note shall be increased by the amount of its *pro rata* share of such Class F Deferred Interest, which shall itself bear interest in accordance with these Conditions from such date.

(d) Payment of Deferred Interest

Deferred Interest shall only become payable by the Issuer in accordance with Condition 3(c) (*Priorities of Payment*) to the extent that Interest Proceeds or Principal Proceeds are available to make such payment in accordance with the Priorities of Payment.

(e) Floating Rates of Interest

(i) GBP Rates of Interest

The rate of interest from time to time in respect of the Class X Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes and the current GBP Funding in respect of the Class A-1 Notes (respectively, the “**Class X Floating Rate of Interest**”, the “**Class A-2 Floating Rate of Interest**”, the “**Class B Floating Rate of Interest**”, the “**Class C Floating Rate of Interest**”, the “**Class D Floating Rate of Interest**”, the “**Class E Floating Rate of Interest**”, the “**Class F Floating Rate of Interest**” and the “**Class A-1 GBP Floating Rate of Interest**” and each a “**GBP Floating Rate of Interest**”) will be determined by the Agent Bank on the following basis:

- (A) Subject as provided below in paragraph (D) in respect of the Class A-1 Notes, on the second Business Day before the beginning of each Interest Accrual Period or, in respect of the first Payment Date relating to the Notes, on the second Business Day before the Closing Date (each, an “**Interest Determination Date**”), the Agent Bank will determine the London Interbank Offered Rate for Sterling deposits for 3 months or, in the case of the first Interest Accrual Period, a linear interpolation of the London Interbank Offered Rates for Sterling deposits for 3 months and 4 months (“**GBPLIBOR**”) as at 11.00 am (London time) on the Interest Determination Date in question. Such offered rates will be those which appear on the display designated as page 3750 on the Telerate Monitor (or (aa) such other page or service as may replace it for the purpose of displaying GBPLIBOR rates or (bb) if that service ceases to display such information, such page as displays such information on such

service (or, if more than one, one selected in consultation with the Collateral Manager and the Issuer)). For each Interest Accrual Period:

- (1) the Class X Floating Rate of Interest shall be the sum of the rate which is so determined and the Class X Margin;
- (2) the Class A-1 GBP Floating Rate of Interest shall be the sum of the rate which is so determined and the Class A-1 Margin;
- (3) the Class A-2 Floating Rate of Interest shall be the sum of the rate which is so determined and the Class A-2 Margin;
- (4) the Class B Floating Rate of Interest shall be the sum of the rate which is so determined and the Class B Margin;
- (5) the Class C Floating Rate of Interest shall be the sum of the rate which is so determined and the Class C Margin;
- (6) the Class D Floating Rate of Interest shall be the sum of the rate which is so determined and the Class D Margin;
- (7) the Class E Floating Rate of Interest shall be the sum of the rate which is so determined and the Class E Margin; and
- (8) the Class F Floating Rate of Interest shall be the sum of the rate which is so determined and the Class F Margin,

all as determined by the Agent Bank.

- (B) If the offered rate so determined is replaced by the corresponding rates of more than one bank then paragraph (A) shall be applied, with any necessary consequential changes, to the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards)) of the rates (being at least two) which so appear, as determined by the Agent Bank. If for any other reason such offered rate does not so appear, or if the relevant page is unavailable, the Agent Bank will request each of four major banks in the London interbank market with respect to determining GBPLIBOR selected by the Agent Bank after consultation with the Collateral Manager and the Issuer (the “**Reference Banks**”) to provide the Agent Bank with its offered quotation to leading banks for Sterling deposits in the London interbank market for 3 months as at 11.00 am (London time) on the Interest Determination Date in question. The GBP Floating Rate of Interest in respect of each of the Floating Rate Notes for such Interest Accrual Period shall be the aggregate of the Relevant Margin for each such Floating Rate Note and the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards)) of such quotations for Sterling deposits for 3 months (or of such of them, being at least two, as are so provided), all as determined by the Agent Bank.
- (C) If on any Interest Determination Date one only or none of the Reference Banks provides such quotation, the GBP Floating Rate of Interest in respect of each of the Floating Rate Notes for the next Interest Accrual Period shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards)) with respect to determining GBPLIBOR, of the Sterling lending rates which major banks in the London interbank market selected by the Agent Bank after consultation with the Collateral Manager and the Issuer are quoting, on the relevant Interest Determination Date, for loans in Sterling for 3 months to leading European banks plus the Relevant Margin for each respective Floating Rate Note.
- (D) If, in respect of any GBP Funding under the Class A-1 Notes, the relevant Funding Date is a day other than a Payment Date, and, as a result, the number of days from (and including) the relevant Funding Date to (but excluding) the next Payment Date is less than 3 months, then in respect of the first Interest Accrual Period only in relation to such GBP Funding under the

Class A-1 Notes, the rate applicable shall be the straight line interpolation of two rates (as determined in paragraphs (A), (B) or (C) above), being the offered rate for Sterling deposits for a duration of the next shorter monthly period and the offered rate for Sterling deposits for a duration of the next longer monthly period, in each case, from the Funding Date and the resulting interpolated rate shall be the rate applicable to the initial Interest Accrual Period for such GBP Funding.

(E) Where:

“**Class X Margin**” means 0.15 per cent. per annum;

“**Class A-1 Margin**” means 0.24 per cent. per annum;

“**Class A-2 Margin**” means 0.24 per cent. per annum;

“**Class B Margin**” means 0.42 per cent. per annum;

“**Class C Margin**” means 0.63 per cent. per annum;

“**Class D Margin**” means 1.15 per cent. per annum;

“**Class E Margin**” means 2.50 per cent. per annum;

“**Class F Margin**” means 3.50 per cent. per annum; and

“**Relevant Margin**” means all or any of the following: the Class X Margin, the Class A-1 Margin, the Class A-2 Margin, the Class B Margin, the Class C Margin, the Class D Margin, the Class E Margin and the Class F Margin.

(ii) EUR Floating Rate of Interest

The rate of interest from time to time in respect of the current EUR Funding in respect of the Class A-1 Notes (the “**Class A-1 EUR Floating Rate of Interest**” and, together with the GBP Floating Rates of Interest, the “**Floating Rates of Interest**”), will be determined by the Agent Bank on the following basis:

- (A) Subject as provided below in paragraph (D), on the second Business Day before the beginning of each Interest Accrual Period, or, in respect of the first Payment Date relating to the Class A-1 Notes, on the second Business Day before the Closing Date, (each, an “**Interest Determination Date**”), the Agent Bank will determine the Euro-zone Interbank Offered Rate for Euro deposits for 3 months or, in the case of the first Interest Accrual Period, a linear interpolation of the Euro-zone Interbank Offered Rates for Euro deposits for 3 months and 4 months (“**EURIBOR**”) as at 11.00 am (London time) on the Interest Determination Date in question. Such offered rates will be those which appear on the display designated as page 248 on the Telerate Monitor (or (aa) such other page or service as may replace it for the purpose of displaying EURIBOR rates or (bb) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, one selected in consultation with the Collateral Manager and the Issuer) (the “**Screen Rate**”). The Class A-1 EUR Floating Rate of Interest in respect of each Interest Accrual Period shall be the sum of the rate which is so determined and the Class A-1 Margin as determined by the Agent Bank.
- (B) If the offered rate so determined is replaced by the corresponding rates of more than one bank then paragraph (A) shall be applied, with any necessary consequential changes, to the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards)) of the rates (being at least two) which so appear, as determined by the Agent Bank. If for any other reason such offered rate does not so appear, or if the relevant page is unavailable, the Agent Bank will request each of four major banks in the Euro-zone interbank market with respect to determining EURIBOR selected by the Agent Bank after consultation with the Collateral Manager and the Issuer (the “**Reference Banks**”) to provide the Agent Bank with its offered quotation to leading banks for Euro deposits in the Euro-zone interbank market for 3 months as at 11.00

am (London time) on the Interest Determination Date in question. The Class A-1 EUR Floating Rate of Interest for such Interest Accrual Period shall be the aggregate of the Class A-1 Margin and the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards)) of such quotations for Euro deposits for 3 months (or of such of them, being at least two, as are so provided), all as determined by the Agent Bank.

- (C) If on any Interest Determination Date one only or none of the Reference Banks provides such quotation, the Class A-1 EUR Floating Rate of Interest for the next Interest Accrual Period shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards)) with respect to determining EURIBOR, of the Euro lending rates which major banks in the Euro-zone interbank market selected by the Agent Bank after consultation with the Collateral Manager and the Issuer are quoting, on the relevant Interest Determination Date, for loans in Euro for 3 months to leading European banks plus the Class A-1 Margin.
- (D) If, in respect of any EUR Funding under the Class A-1 Notes, the relevant Funding Date is a day other than a Payment Date, and, as a result, the number of days from (and including) the relevant Funding Date to (but excluding) the next Payment Date is less than 3 months, then in respect of the first Interest Accrual Period only in relation to such EUR Funding under the Class A-1 Notes, the rate applicable shall be the straight line interpolation of two rates (as determined under paragraphs (A), (B) and (C) above), being the offered rate for Euro deposits for a duration of the next shorter monthly period and the offered rate for Euro deposits for a duration of the next longer monthly period, in each case, from the Funding Date and the resulting interpolated rate shall be the rate applicable to the initial Interest Accrual Period for such EUR Funding.

(iii) Determination of Floating Rates of Interest and Calculation of Interest Amounts

The Agent Bank will, as soon as practicable after 11.00 am (London time) on each Interest Determination Date, but in no event later than the second Business Day after such date, determine the Floating Rate of Interest and calculate the Interest Amount payable in respect of the Floating Rate Notes for the relevant Interest Accrual Period. The Interest Amount in respect of a Floating Rate Note (other than a Class A-1 Note) shall be calculated by applying the relevant Floating Rate of Interest to an amount equal to its Principal Amount Outstanding, multiplying the product by the actual number of days in the relevant Interest Accrual Period, divided by 365 and rounding the resultant figure to the nearest penny (half a penny being rounded upwards). The Interest Amount in respect of a Class A-1 Note shall be the aggregate of (a) the amount calculated by applying the Class A-1 GBP Floating Rate of Interest to an amount equal to the GBP Funding in respect of such Class A-1 Note, multiplying the product by the actual number of days in the relevant Interest Accrual Period, divided by 365 and rounding the resultant figure to the nearest penny (half a penny being rounded upwards) and (b) the amount calculated by applying the Class A-1 EUR Floating Rate of Interest to an amount equal to the EUR Funding in respect of such Class A-1 Note, multiplying the product by the actual number of days in the relevant Interest Accrual Period, divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

(iv) Reference Banks and Agent Bank

The Issuer will procure that, so long as any Floating Rate Notes remain Outstanding:

- (A) an Agent Bank shall be appointed and maintained for the purposes of determining the interest rate and interest amount payable in respect of each of the Floating Rate Notes; and
- (B) in the event that the Floating Rates of Interest are to be calculated by Reference Banks pursuant to Condition 6(e)(i)(B) (*GBP Rates of Interest*) or Condition 6(e)(ii)(B) (*EUR Floating Rate of Interest*), that the number of Reference Banks required pursuant to such Conditions are appointed.

If the Agent Bank is unable or unwilling to continue to act as the Agent Bank for the purpose of calculating interest hereunder or fails duly to establish the relevant Floating Rate of Interest for any Interest Accrual Period or to calculate the Interest Amount on any of the Notes, the Issuer shall appoint some other leading bank to act as such in its place. The Issuer shall procure that the Irish Stock Exchange is notified of such appointment. The Agent Bank may not resign its duties without a successor having been so appointed.

(f) Interest on the Class G Subordinated Notes

Interest on the Class G Subordinated Notes will be payable on each Payment Date on an available funds basis out of Interest Proceeds (on a *pro rata* basis by reference to the proportion that the original principal amount of the relevant Class G Subordinated Note on the date of issuance thereof bears to the original aggregate principal amount of the Class G Subordinated Notes on the date of issuance thereof), subject to and in accordance with the Priorities of Payment as calculated by the Collateral Administrator on the Determination Date immediately prior to such Payment Date. The Collateral Administrator shall, pursuant to and in accordance with the terms of the Collateral Administration Agreement, notify the Agent Bank of amounts (if any) payable in respect of the Class G Subordinated Notes on such Payment Date.

(g) Publication of Floating Rates of Interest and Interest Amounts

The Agent Bank will cause the Floating Rate of Interest and the Interest Amount payable in respect of each Class of Notes for each Interest Accrual Period and Payment Date to be notified to the Issuer, the Paying Agents, the Collateral Administrator, the Trustee and the Irish Stock Exchange as soon as possible after their determination but in no event later than the fourth Business Day thereafter, and the Principal Paying Agent shall cause each such rate, amount and date to be notified to the Noteholders of each Class in accordance with Condition 16 (*Notices*) as soon as possible following notification to the Principal Paying Agent but in no event later than the third Business Day after such notification. The Interest Amounts in respect of each of the relevant Notes so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Accrual Period. If any of the Notes become due and payable under Condition 10 (*Events of Default*), interest shall nevertheless continue to be calculated by the Agent Bank in accordance with this Condition and publication of the applicable Interest Amount shall be made unless the Trustee determines otherwise.

(h) Determination or Calculation by Trustee

If the Agent Bank does not at any time for any reason so determine a Floating Rate of Interest or calculate the Interest Amounts payable in respect of any of the Notes for an Interest Accrual Period, as applicable, in accordance with Condition 6(e)(iii) (*Determination of Floating Rates of Interest and Calculation of Interest Amounts*) or if the Collateral Administrator does not determine the interest payable on the Class G Subordinated Notes in accordance with Condition 6(f) (*Interest on the Class G Subordinated Notes*), the Trustee (or a person appointed by it for the purpose) may do so and such determination or calculation shall be deemed to have been made by the Agent Bank or, as the case may be, the Collateral Administrator and shall be binding on the Noteholders. In doing so, the Trustee, or such person appointed by it, shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances and rely on such persons as it has appointed for such purpose. The Trustee shall have no liability to any person in connection with any determination or calculation it is required to make pursuant to this Condition 6(h) (*Determination or Calculation by Trustee*).

(i) Notifications, etc to be Final

All notifications, opinions, determinations, certificates, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition, whether by the Reference Banks (or any of them), the Agent Bank, the Paying Agents or the Trustee, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Reference Banks, the Agent Bank, the Trustee, the Paying Agents, all Noteholders and all other Secured Parties and (in the absence as referred to above) no liability to the Issuer or the Noteholders of any Class shall attach to the Reference

Banks, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions under this Condition.

7. Redemption, Purchase and Cancellation

(a) Scheduled Redemption of Class X Notes

Save to the extent previously redeemed and cancelled, the Issuer will redeem the Class X Notes on each Payment Date by the payment, from Interest Proceeds or, in the event there are insufficient Interest Proceeds to make such payment, Principal Proceeds, of an amount equal to the Scheduled Instalment for such Payment Date subject to and in accordance with the Priorities of Payment.

The “**Scheduled Instalment**” in respect of each £1,000 original principal amount of the Class X Notes then Outstanding on the relevant Payment Date is set out below:

Payment Date falling in	Scheduled Instalment per £1,000 of Class X Notes	Principal Amount Outstanding per £1,000 of Class X Notes
August 2007	£31.25	£968.75
November 2007	£31.25	£937.50
February 2008	£31.25	£906.25
May 2008	£31.25	£875.00
August 2008	£31.25	£843.75
November 2008	£31.25	£812.50
February 2009	£31.25	£781.25
May 2009	£31.25	£750.00
August 2009	£31.25	£718.75
November 2009	£31.25	£687.50
February 2010	£31.25	£656.25
May 2010	£31.25	£625.00
August 2010	£31.25	£593.75
November 2010	£31.25	£562.50
February 2011	£31.25	£531.25
May 2011	£31.25	£500.00
August 2011	£31.25	£468.75
November 2011	£31.25	£437.50
February 2012	£31.25	£406.25
May 2012	£31.25	£375.00
August 2012	£31.25	£343.75
November 2012	£31.25	£312.50
February 2013	£31.25	£281.25
May 2013	£31.25	£250.00
August 2013	£31.25	£218.75
November 2013	£31.25	£187.50
February 2014	£31.25	£156.25
May 2014	£31.25	£125.00
August 2014	£31.25	£93.75
November 2014	£31.25	£62.50
February 2015	£31.25	£31.25
May 2015	£31.25	-

The amount of principal redeemed in respect of the Class X Notes on a Payment Date pursuant to any other provision of this Condition 7 (*Redemption, Purchase and Cancellation*) shall reduce the amount of each Scheduled Instalment on each subsequent Payment Date on a *pro rata* basis.

(b) Final Redemption

Save to the extent previously redeemed and cancelled, the Notes of each Class will be redeemed on the Maturity Date.

(c) Optional Redemption

(i) Redemption at the Option of the Collateral Manager

Subject to the provisions of Condition 7(c)(iii) (*Conditions to Certain Redemptions*), the Class X Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes shall be redeemed by the Issuer on any Payment Date after the expiry of the Non-Call Period, in whole but not in part, from the proceeds of liquidation or realisation of the Collateral at the request in writing of the Collateral Manager subject to the consent of, or at the direction of, prior to the occurrence of a Par Loss Event, the holders of at least 50.01 per cent. of the aggregate Principal Amount Outstanding of the Class G Subordinated Notes and, at any time thereafter, the holders of at least 50.01 per cent. of the aggregate Principal Amount Outstanding of the Controlling Class (in each case, as evidenced by duly completed Redemption Notices) delivered to a Paying Agent on behalf of the Issuer not less than 60 calendar days prior to the proposed Redemption Date. The Paying Agent shall copy each Redemption Notice received by it to each of the Issuer, the Collateral Administrator and the Collateral Manager. The Issuer shall procure that notice of such redemption, including the applicable Redemption Date, shall be given to the Noteholders in accordance with Condition 16 (*Notices*).

(ii) Clean-up Call Redemption

Subject to the provisions of Condition 7(c)(iii) (*Conditions to Certain Redemptions*), the Class X Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes shall be redeemed by the Issuer, in whole but not in part, upon not more than 60 and not less than 30 days' notice, on any Payment Date if the aggregate Principal Amount Outstanding of all Notes is less than or equal to 30 per cent. of the aggregate Principal Amount Outstanding of all Notes on the Closing Date from the proceeds of liquidation or realisation of the Collateral at the request in writing of the Collateral Manager subject to the consent of the holders of at least 50.01 per cent. of the aggregate Principal Amount Outstanding of the Controlling Class. The Issuer shall procure that notice of such redemption, including the applicable Redemption Date, shall be given to the Noteholders in accordance with Condition 16 (*Notices*).

(iii) Conditions to Certain Redemptions

The Notes shall not be redeemed pursuant to Condition 7(c)(i) (*Redemption at the Option of the Collateral Manager*), Condition 7(c)(ii) (*Clean-up Call Redemption*) or, in the case of redemption upon the occurrence of an Administrative Expenses Event, Condition 7(e) (*Redemption Upon the Occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event*) unless one of the conditions set out in the following paragraphs (A) or (B) is satisfied:

- (A) at least five Business Days before the proposed Redemption Date the Collateral Manager shall have certified to the Trustee, who shall be entitled to rely on such certificate without further enquiry, in form satisfactory to the Trustee, that the Collateral Manager on behalf of the Issuer has entered into a binding agreement or binding agreements with (A) a financial institution or institutions whose (or whose guarantor's under such obligations) short term senior unsecured debt obligations (other than such obligations whose rating is based on the credit of a person other than such institution) have a credit rating of at least "F1+" by Fitch and "A-1+" or, where the settlement period under such agreement or agreements is no longer than 30 days, "A-1", in each case, by S&P, or (B) a financial institution or institutions which have provided cash collateral in respect of its or their obligations under such agreement or agreements in such amounts and on such terms such that the Issuer is able to obtain Rating Agency Confirmation in respect thereof, to sell, not later than the Business Day immediately preceding the proposed Redemption Date, upon payment in immediately available funds, all or part of the Portfolio Collateral such that, on the Business Day immediately preceding the proposed Redemption Date, the net sale proceeds, together with the amounts realisable from Eligible Investments maturing on or prior to the proposed Redemption Date, are at least equal to the amount notified by the Collateral Administrator as being the Redemption Threshold Amount; or

(B) at least ten Business Days before the proposed Redemption Date (or, if there is more than one such Redemption Date, the first such Redemption Date) the Collateral Manager shall have certified to the Trustee (based upon, in relation to paragraphs (II) and (III) below, calculations carried out by the Collateral Administrator (at the request of the Collateral Manager)), who shall be entitled to rely on such certificate without further enquiry, in form satisfactory to the Trustee, that (I) the Collateral Manager on behalf of the Issuer has entered into a binding agreement or binding agreements to sell upon payment in immediately available funds two Business Days prior to the proposed Redemption Date or Redemption Dates all or part of the Portfolio Collateral such that the net aggregate sale proceeds, together with the amounts realisable from Eligible Investments maturing on or prior to the proposed Redemption Date or Redemption Dates, are at least equal to the amount notified by the Collateral Administrator as being the Redemption Threshold Amount, (II) the net aggregate sale proceeds of such Portfolio Collateral to be sold are greater than or equal to the aggregate Principal Balance of such Portfolio Collateral, and (III) the Class A Principal Coverage Test, the Class B Principal Coverage Test, the Class C Principal Coverage Test and the Class D Principal Coverage Test are satisfied both before and after such proposed sale.

(iv) Mechanics of Redemption

Following receipt by the Issuer of a request in writing from the Collateral Manager or a confirmation from a Paying Agent of receipt of a direction or consent from the requisite percentage of the Noteholders of the relevant Class, as the case may be, to exercise any right of optional redemption pursuant to this Condition 7(c) (*Optional Redemption*) or, in the case of a redemption upon the occurrence of an Administrative Expenses Event, Condition 7(e) (*Redemption Upon the Occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event*), the Collateral Administrator shall, as soon as practicable, prior to the proposed Redemption Date (or, if there is more than one such Redemption Date, the first such Redemption Date) (the “**Redemption Determination Date**”) calculate the “**Redemption Threshold Amount**” which amount shall be equal to the aggregate of the amounts which would be due and payable on redemption of the Notes on the proposed Redemption Date (or, if there is more than one such Redemption Date, the first such Redemption Date), to the extent such amounts are ascertainable and have been notified to the Collateral Administrator by the Issuer or the Collateral Manager, as at the date of determination pursuant to Condition 11 (*Enforcement*) which rank in priority to payments in respect of the Class G Subordinated Notes in accordance with the Post-Enforcement Priorities of Payment after deducting amounts standing to the credit of all of the Accounts.

Following calculation by the Collateral Administrator of the applicable Redemption Threshold Amount, the Collateral Administrator shall make such other calculations as it is required to make pursuant to the Collateral Administration Agreement and shall notify the Issuer, the Trustee, the Collateral Manager and the Principal Paying Agent of such amounts. The Principal Paying Agent shall forthwith notify the Noteholders (in accordance with Condition 16 (*Notices*)) of such amounts.

The Collateral Manager shall notify the Issuer, the Trustee, the Collateral Administrator, each Hedge Counterparty and the Noteholders (in accordance with Condition 16 (*Notices*)) upon satisfaction of any of the conditions set out in paragraph (iii) above and shall arrange for liquidation and/or realisation of the Portfolio on behalf of the Issuer in accordance with the Collateral Management Agreement. The Issuer shall deposit, or cause to be deposited, the funds required for an optional redemption of the Notes (together with all other amounts required to be paid in such circumstances in accordance with the Priorities of Payment) in accordance with this Condition 7(c) (*Optional Redemption*) in the relevant Payment Account on or before the Business Day prior to the proposed Redemption Date or Redemption Dates. Principal Proceeds and Interest Proceeds received in connection with such redemption shall be payable in accordance with the Post-Enforcement Priorities of Payment.

(d) Mandatory Redemption upon Breach of Coverage Tests

(i) Class A Principal Coverage Test, Class B Principal Coverage Test, Class C Principal Coverage Test and the Class D Principal Coverage Test

In the event that the Class A Principal Coverage Test is not satisfied on any Measurement Date, for so long as any of the Class A Notes remain Outstanding, Interest Proceeds and to the extent required, Principal Proceeds, will be applied, subject to the relevant Priorities of Payment, on the next Payment Date to redeem the Class A-1 Notes and the Class A-2 Notes in accordance with the Note Payment Sequence, to the extent necessary to cause the Class A Principal Coverage Test to be met if recalculated following such redemption.

In the event that the Class B Principal Coverage Test is not satisfied on any Measurement Date, for so long as any of the Class B Notes remain Outstanding, Interest Proceeds and to the extent required, Principal Proceeds, will be applied, subject to the relevant Priorities of Payment, on the next Payment Date to redeem the Class A-1 Notes, the Class A-2 Notes and the Class B Notes in accordance with the Note Payment Sequence, to the extent necessary to cause the Class B Principal Coverage Test to be met if recalculated following such redemption.

In the event that the Class C Principal Coverage Test is not satisfied on any Measurement Date, for so long as any of the Class C Notes remain Outstanding, Interest Proceeds will be applied, subject to the relevant Priorities of Payment, on the next Payment Date to redeem the Class A-1 Notes, Class A-2 Notes, the Class B Notes and the Class C Notes in accordance with the Note Payment Sequence, to the extent necessary to cause the Class C Principal Coverage Test to be met if recalculated following such redemption.

In the event that the Class D Principal Coverage Test is not satisfied on any Measurement Date, for so long as any of the Class D Notes remain Outstanding, Interest Proceeds will be applied, subject to the relevant Priorities of Payment, on the next Payment Date to redeem the Class A-1 Notes, the Class A-2 Notes, the Class B Notes and the Class C Notes in accordance with the Note Payment Sequence, to the extent necessary to cause the Class D Principal Coverage Test to be met if recalculated following such redemption.

(ii) Class A Interest Coverage Test and Class B Interest Coverage Test

In the event that the Class A Interest Coverage Test is not met on any Measurement Date, for so long as any of the Class A Notes remain Outstanding, Interest Proceeds and to the extent required, Principal Proceeds will be applied, subject to the relevant Priorities of Payment, on the next Payment Date to redeem the Class A-1 Notes and the Class A-2 Notes in accordance with the Note Payment Sequence, to the extent necessary to cause the Class A Interest Coverage Test to be met if recalculated following such redemption.

In the event that the Class B Interest Coverage Test is not met on any Measurement Date, for so long as any of the Class B Notes remain Outstanding, Interest Proceeds and to the extent required, Principal Proceeds, will be applied, subject to the relevant Priorities of Payment, on the next Payment Date to redeem the Class A-1 Notes, the Class A-2 Notes and the Class B Notes in accordance with the Note Payment Sequence, to the extent necessary to cause the Class B Interest Coverage Test to be met if recalculated following such redemption.

(e) Redemption upon the occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event

Subject to the provisions of the Condition 7(c)(iii) (*Condition to Certain Redemptions*) in the case of a redemption upon the occurrence of an Administrative Expenses Event, at the direction of the holders of at least 50.01 per cent. in aggregate Principal Amount Outstanding of any Class of Notes that, as a result of the occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event, has not received 100 per cent. of the aggregate amount of principal and interest otherwise payable to such Class on any Payment Date, the Class X Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes shall be redeemed by the Issuer, in accordance with the Priorities of Payment, in whole but not in part, from the proceeds of liquidation or realisation of the Collateral. The

Issuer shall procure that notice of the occurrence of any such event shall be given to the Noteholders in accordance with Condition 16 (*Notices*).

An “**Administrative Expenses Event**” is an event which occurs if:

- (i) the aggregate amount payable by the Issuer as Administrative Expenses exceeds £2,000,000 over any four or fewer consecutive Payment Periods;
- (ii) the Collateral Administrator notifies the Issuer, the Collateral Manager and the Trustee in writing that the Administrative Expenses for such Payment Period exceed the amount specified in (i) above;
- (iii) the Collateral Manager notifies the Issuer, the Collateral Administrator and the Trustee in writing that it wishes such event to be treated as an Administrative Expenses Event; and
- (iv) any of the Rating Agencies confirms to the Collateral Manager in writing that its then current rating of the Rated Notes has been or will be reduced or withdrawn as a result of Administrative Expenses exceeding the amount specified in (i) above.

A “**Collateral Tax Event**” is the introduction of a new, or any change in, home jurisdiction or foreign tax statute, treaty, regulations, rule, ruling, practice, procedure or judicial decision or interpretation which results in (i) any portion of any payment due from any obligor under any Underlying Instrument becoming properly subject to the imposition of home jurisdiction or foreign withholding tax which withholding tax is not compensated for by a “gross-up” provision under the terms of the Underlying Instrument and where the payment under such Underlying Instrument is equal to or greater than 10 per cent. of the aggregate of the interest payments to be received on all of the Underlying Instruments during the relevant Payment Period or (ii) any portion of any payment due from any Hedge Counterparty under any Hedge Agreement becoming properly subject to the imposition of home jurisdiction or foreign withholding tax.

An “**Onshore Tax Event**” means:

- (i) a final determination by a taxing authority or court of competent jurisdiction that the Issuer is engaged in a trade or business in the United States; or
- (ii) any jurisdiction imposing net income, profits or similar tax upon the Issuer.

A “**Note Tax Event**” is the introduction of a new, or any change in, home jurisdiction or foreign tax statute, treaty, regulation, rule, ruling, practice, procedure or judicial decision or interpretation which results in (or would on the next Payment Date result in) any payment of principal or interest on the Class X Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and/or the Class F Notes (other than a payment in respect of Deferred Interest) becoming properly subject to any withholding tax (other than any withholding tax which arises in the circumstances described in Condition 9 (*Taxation*)) and, in respect of which, the Issuer is satisfied that it cannot arrange for the substitution of a company incorporated in another jurisdiction in accordance with Condition 9 (*Taxation*).

(f) **Mandatory Redemption upon failure to obtain a Rating Agency Confirmation**

Within 60 Business Days after the Effective Date, the Collateral Manager (acting on behalf of the Issuer) shall request that each of the Rating Agencies confirms in writing the ratings of the Rated Notes assigned on the Closing Date.

In connection with obtaining such confirmation, the Collateral Manager, acting on behalf of the Issuer, may prepare and present a plan to the Rating Agencies setting forth various matters including (A) the proposed timing and the manner of acquisition of Portfolio Assets that will satisfy the Collateral Quality Tests and the Coverage Tests; (B) the proposed sale of a portion of the Portfolio Collateral; (C) the proposed extension of the Effective Date; and (D) the proposed payment of principal of and accrued interest on the Notes (any such repayment of principal of the Notes in the Note Payment Sequence).

In the event that the Issuer fails to obtain such confirmation within 20 Business Days after publication of the most recent Note Valuation Report immediately following the Effective Date (an “**Effective Date Rating Event**”), all amounts standing to the credit of the Unused Proceeds Account shall, on the Business Day following the expiry of such 20 Business Days, be transferred to the relevant Principal Collection Account and thereafter on the Business Day prior to the following Payment Date an amount equal to the Principal Proceeds shall be transferred to the relevant Payment Account whereupon Interest Proceeds and, to the extent required, Principal Proceeds will be applied to redeem the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes, in each case, in accordance with the Note Payment Sequence, until such confirmation is obtained.

- (g) Redemption upon Failure to Identify Additional Portfolio Collateral and Substitute Portfolio Collateral during the Reinvestment Period

On the Payment Date immediately following the ninetieth day after any Sale Proceeds, Scheduled Principal Proceeds or Unscheduled Principal Proceeds (the “**Specified Principal Proceeds**”) were deposited in the relevant Principal Collection Account pending investment in Portfolio Assets and such proceeds were not so invested by such ninetieth day, such Specified Principal Proceeds shall be applied, subject to and in accordance with the Priorities of Payments, to redeem the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes in accordance with the Note Payment Sequence to the extent of such Specified Principal Proceeds.

- (h) Redemption Following Expiry of the Reinvestment Period

On the Payment Date falling on the last day of the Reinvestment Period and each Payment Date falling thereafter, Principal Proceeds shall be applied, subject to and in accordance with the relevant Priorities of Payments, to redeem the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes in accordance with the Note Payment Sequence.

- (i) Redemption of the Class A-1 Notes

- (i) The Issuer may, on any Payment Date on or prior to the Class A-1 Commitment Termination Date, repay a Funding in whole or in part, provided that it has given the Registrar and the Class A-1 Noteholders (with a copy to the Collateral Administrator) not less than five calendar days’ notice identifying and stating the amount and Available Currency of the Funding to be repaid and the date of such repayment.
- (ii) In the event that a Currency Ratio Test is not satisfied on the Determination Date preceding any Payment Date up to (but excluding) the Class A-1 Commitment Termination Date, the Issuer, at the direction of the Collateral Manager acting in accordance with the terms of the Collateral Management Agreement, shall, on the relevant Payment Date, apply Principal Proceeds in repayment of one or more Fundings in respect of the Class A-1 Notes in an amount equal to the amount necessary to cause each of the Currency Ratio Tests to be met if recalculated following such repayment (but only if and to the extent that sufficient Principal Proceeds are then available in the relevant Available Currency to make such payments in the same Available Currency in which such Fundings are then outstanding).
- (iii) In the event that the Class A-1 Commitment Test is not satisfied on the Determination Date preceding any Payment Date up to (but excluding) the Class A-1 Commitment Termination Date, the Issuer shall on the relevant Payment Date, apply Principal Proceeds in repayment of one or more Fundings in respect of the Class A-1 Notes in an amount equal to the amount necessary to cause the Class A-1 Commitment Test to be met if recalculated following such repayment (but only if and to the extent that sufficient Principal Proceeds are then available in the relevant Available Currency to make such payments in the same Available Currency in which such Fundings are then outstanding).

(j) Redemption Prices

All Notes to be redeemed in accordance with Conditions 7(b) (*Final Redemption*), 7(c) (*Optional Redemption*) or 7(e) (*Redemption upon the occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event*) will be redeemed at their applicable Redemption Price.

(k) Purchase of Notes by the Issuer

The Issuer may not purchase any of the Notes at any time.

(l) Cancellation

All Notes redeemed in full in accordance with this Condition 7 (*Redemption, Purchase and Cancellation*) will be cancelled and may not be reissued or resold.

(m) Notice of Partial Redemption

The Issuer shall procure that the Irish Stock Exchange is notified of any partial redemption of the Notes, including details of the principal amount of each Class of Notes outstanding following any such partial redemption.

(n) No other Redemption

Notes may not be redeemed other than in accordance with this Condition 7 (*Redemption, Purchase and Cancellation*).

8. Payments

(a) Payments on Global Notes

Payments of principal and interest in respect of any Global Note will be made only against presentation (and in the case of final redemption of a Global Note or in circumstances where the unpaid principal amount of the relevant Global Note would be reduced to zero (including as a result of any other payment of principal due in respect of such Global Note), surrender) of such Global Note at the specified office of any Paying Agent. On each occasion on which a payment of interest or principal is made in respect of the relevant Global Note, the Registrar shall note the same in the Register and, in the case of a payment of principal, cause the aggregate principal amount of the Global Notes to be decreased accordingly.

Payments in respect of the Global Notes will be paid in sterling to holders of interests in such Notes (such holders being the “**Euroclear/Clearstream Holders**”).

A Euroclear/Clearstream Holder shall receive payments in respect of its interest in any Global Notes in accordance with Euroclear’s or, as the case may be, Clearstream, Luxembourg’s rules and procedures. None of the persons from time to time shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note of the relevant Class shall have any claim directly against the Issuer or the Trustee in respect of payments due on such Note whilst such Note is represented by a Global Note and the Issuer or the Trustee, as the case may be, shall be discharged by payment of the relevant amount to the registered holder of the relevant Global Note.

(b) Payments on Definitive Notes

Payments of principal and interest (except where, after such payment, the unpaid principal amount of the relevant Note would be reduced to zero (including as a result of any other payment of principal due in respect of such Note) in which case, the relevant payment of principal will be made against surrender of such Note) in respect of Definitive Notes will be made by transfer to an account denominated in the applicable Available Currency maintained by the payee with a clearing bank as specified by the payee. Any such specification for transfer to such an account shall be deemed to relate to all future payments in respect of such Definitive Note until such time as the Registrar is notified in writing to the contrary by the holder thereof. If any payment due in respect of any Definitive Note is not made in full, the Registrar will annotate the Register with a record of the amount (if any) so paid. For the purposes of

this Condition 8 (*Payments*), the holder of a Definitive Note will be deemed to be the person shown as the holder (or the first named of the joint holders) on the Register on the 15th day before the due date for such payment (the “**Record Date**”).

(c) Payments subject to laws

Payments of principal and interest in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto.

(d) Interest to accrue

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 6 (*Interest and Commitment Fees*) will be paid against presentation of such Note at the specified office of any Paying Agent (in respect of any Global Note) and in accordance with this Condition 8 (*Payments*) (in respect of any Definitive Note).

(e) Principal Paying Agent

The Principal Paying Agent is Deutsche Bank AG, London Branch, acting through its branch in London at Winchester House, 1 Great Winchester Street, London EC2N 2DB. The Irish Paying Agent is Deutsche International Corporate Services (Ireland) Limited, acting through its office at 5 Harbourmaster Place, IFSC, Dublin 1. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar and/or the Agent Bank and to appoint additional or other Agents. The Issuer will at all times maintain an Irish Paying Agent with a specified office in Dublin, for so long as the Notes are listed on the Irish Stock Exchange. The Issuer will cause at least 30 days’ notice of any change in or addition to the Paying Agents or the Registrar or their specified offices to be given to the Noteholders. The Issuer will maintain a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN council meeting on 26th-27th November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

(f) Indemnity

If, upon due presentation upon a relevant Payment Date, payment of the relevant amount of principal or interest is improperly withheld or refused on or in respect of any Note or part thereof by the Paying Agents, the Issuer will indemnify the Trustee on behalf of the relevant affected Noteholders by paying to the Trustee on behalf of such Noteholders a sum calculated as the amount so withheld or refused plus an amount equal to the amount of interest which would have accrued in accordance with Condition 6 (*Interest and Commitment Fees*) if payment of such amount had been paid by the Issuer to the Noteholders on the relevant Payment Date, as applicable, (as well after as before any judgment) up to (but excluding) the date on which all sums due in respect of such Note are received by the relevant Noteholder.

(g) Presentation on Non-Business Days

If any Note is presented for payment on a day which is not a business day in the place where it is so presented, payment shall be made on the next succeeding day that is such a business day and no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Note.

9. Taxation

All payments made by the Issuer under the Notes will be made without any deduction or withholding for or on account of any tax unless such deduction or withholding is required by applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If the Issuer is so required to deduct or withhold, then the Issuer will not be obliged to pay any additional amounts in respect of such withholding or deduction. Any such withholding or deduction shall not constitute an Event of Default under Condition 10(a) (*Events of Default*).

Subject as provided below, if the Issuer satisfies the Trustee that it has or will on the occasion of the next payment due in respect of the Notes of any Class become obliged by the laws of Ireland to withhold or account for tax so that it would be unable to make payment of the full amount then due, the Issuer (with the consent of the Trustee as provided in the Trust Deed), shall use all reasonable endeavours, subject to being able to do so in a tax-efficient manner, to arrange for the substitution of a company incorporated in another jurisdiction notified to the Trustee and the Irish Stock Exchange (if any of the Notes are listed on the Irish Stock Exchange at such time) as the principal obligor under the Notes of such Class, or to change its tax residence to another jurisdiction approved by the Trustee, subject to receipt of Rating Agency Confirmation in respect of such substitution or change.

Notwithstanding the above, if any taxes referred to in this Condition 9 (*Taxation*) arise:

- (a) due to the connection of any Noteholder with Ireland otherwise than by reason only of the holding of any Note or receiving principal or interest in respect thereof; or
- (b) by reason of the failure by the relevant Noteholder to comply with any applicable procedures required to establish non-residence or other similar claim for exemption from such tax; or
- (c) in respect of a payment to an individual which is required to be made pursuant to any European Union Directive on the taxation of savings income in the form of interest payments implementing the conclusions of the directive of 3 June 2003 (Council Directive 2003/48/EC) or any other Directive implementing the conclusions of the ECOFIN council meeting of 26th-27th November 2000 or any law implementing or complying with, or introduced in order to conform to, such directive; or
- (d) as a result of presentation for payment by, or on behalf of, a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union,

the requirement to substitute the Issuer as a principal obligor and/or to change its residence for taxation purposes shall not apply.

10. Events of Default

(a) Events of Default

Subject as provided in Condition 3(d) (*Non-payment of Amounts*), the occurrence of any of the following events shall constitute an “**Event of Default**”:

- (i) *Non-Payment of Interest, Class A-1 Commitment Fees or Principal*: the Issuer fails to pay any interest or principal on any Class X Note, any interest, Class A-1 Commitment Fees or principal on any Class A-1 Note or any interest or principal on any Class A-2 Note when the same becomes due and payable; or following redemption and payment in full of the Class X Notes, the Class A-1 Notes and the Class A-2 Notes, the Issuer fails to pay any interest or principal on any Class B Note when the same becomes due and payable; or following redemption and payment in full of the Class B Notes, the Issuer fails to pay any interest or principal on any Class C Note when the same becomes due and payable; or following redemption and payment in full of the Class C Notes, the Issuer fails to pay any interest or principal on the Class D Notes when the same becomes due and payable; or following redemption and payment in full of the Class D Notes, the Issuer fails to pay any interest or principal on the Class E Notes when the same becomes due and payable; or following redemption and payment in full of the Class E Notes, the Issuer fails to pay any interest or principal on the Class F Notes when the same becomes due and payable (save in each case as the result of any deduction therefrom or the imposition of any withholding tax thereon in the circumstances described in Condition 9 (*Taxation*)); provided that any such failure to pay such interest, Class A-1 Commitment Fees or principal continues for a period of two Business Days.

A failure to make any payments which would otherwise constitute an Event of Default under (i) above shall not constitute an Event of Default if the Trustee has received a certification from an Authorised Officer of the Collateral Manager stating that such failure to pay is the result, directly or indirectly, of any bank system or administrative failure and such failure is remedied within five Business Days of the due date for payment of such amount. For the avoidance of doubt, such a failure to make payments which is the result, directly or indirectly, of any bank system or

administrative failure shall constitute an Event of Default if such failure is not remedied within five Business Days of the due date for payment of such amount;

- (ii) *Default under Priorities of Payment*: the Issuer fails on any Payment Date to procure disbursement out of available cash of amounts due and payable from, and available in, the Payment Accounts in accordance with the Priorities of Payment, which failure (other than a failure referred to in paragraph (i) above) continues for a period of two Business Days;
- (iii) *Class A Event of Default Ratio*: the Class A Event of Default Ratio is less than 100 per cent. on any Measurement Date;
- (iv) *Breach of Other Obligations*: the Issuer does not perform or comply with any other of its covenants, warranties or other agreements under the Notes, the Trust Deed, the Euroclear Pledge Agreement, the Agency Agreement, any Hedge Agreement, the Collateral Management Agreement, the Collateral Administration Agreement or any of the other Transaction Documents to which it is a party (other than a covenant, warranty or agreement which is dealt with elsewhere in this Condition 10(a) (*Events of Default*) and other than the failure to meet any Coverage Test), or any representation, warranty or statement of the Issuer made in the Trust Deed or in any certificate or other writing delivered pursuant thereto or in connection therewith was not correct in all material respects when the same was made, and the continuation of such default, breach or failure for a period of 30 Business Days after the Trustee has given written notice of it to the Issuer, certifying that the default is, in its sole opinion, materially prejudicial to the interests of the Controlling Class at such time;
- (v) *Insolvency Proceedings*: proceedings are initiated against the Issuer under any applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws (together, "**Insolvency Law**"), or a receiver, trustee, administrator, administrative receiver, examiner, custodian, conservator or other similar official (a "**Receiver**") is appointed in relation to the Issuer or in relation to the whole or a substantial part of the undertaking or assets of the Issuer; or a winding-up petition is presented in respect of, or a winding-up order is applied for, or a distress or execution or other process is levied or enforced upon or sued out against the whole or a substantial part of the undertaking or assets of the Issuer and in any of the foregoing cases except in relation to the appointment of a Receiver, is not discharged within twenty Business Days; or the Issuer becomes, or is deemed by law to be, insolvent or bankrupt or unable to pay its debts when due, or initiates or consents to proceedings relating to itself under any applicable Insolvency Law, or seeks the appointment of a Receiver, or makes a conveyance or assignment for the benefit of its creditors generally or otherwise becomes subject to any reorganisation or amalgamation (other than on terms previously approved in writing by the Trustee) or Issuer becomes subject to a moratorium or other similar procedure; or
- (vi) *Illegality*: it is or will become unlawful for the Issuer to perform or comply with any one or more of its material obligations under the Notes.

(b) Acceleration

- (i) If an Event of Default occurs the Trustee may at its discretion and shall at the request in writing of the holders of at least 50.01 per cent. in aggregate Principal Amount Outstanding of the Notes of the Controlling Class at such time or if so directed by an Extraordinary Resolution of the holders of the Controlling Class at such time (subject in either case to being indemnified and/or secured to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith), give notice to the Issuer that all the Notes are immediately due and payable.
- (ii) Upon any such notice being given to the Issuer in accordance with paragraph (i) of this Condition 10(b) (*Acceleration*), all of the Notes shall immediately become due and payable at their applicable Redemption Prices together with accrued interest up to the date of redemption; provided that no such notice shall be required in the case of the Event of Default referred to in Condition 10(a)(v) (*Insolvency Proceedings*), the occurrence of which shall result in automatic acceleration of maturity of the Notes in accordance with this Condition 10(b) (*Acceleration*).

(c) Curing of Default

At any time after a notice of acceleration of maturity of the Notes has been served following the occurrence of an Event of Default and prior to enforcement of the security pursuant to Condition 11 (*Enforcement*), the Trustee, with the consent in writing of the holders of at least 50.01 per cent. of the aggregate Principal Amount Outstanding of the Notes of the Controlling Class at such time, shall, (in each case, subject to being indemnified and/or secured to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith) withdraw such notice of acceleration under paragraph (b)(i) above or automatic acceleration under (b)(ii) above and its consequences if:

- (i) the Issuer has paid or deposited with the Trustee a sum sufficient to pay:
 - (A) all overdue payments of interest and principal (including, but not limited to, all Deferred Interest payable) on the Notes other than the Class G Subordinated Notes;
 - (B) all due but unpaid taxes owing by Issuer as certified by an Authorised Officer of the Issuer to the Trustee;
 - (C) all unpaid Administrative Expenses and Fees and Expenses;
 - (D) all unpaid Collateral Management Fee; and
 - (E) all amounts due and payable under any and all Hedge Agreements; and
- (ii) the Trustee has determined that all Events of Default, other than the non-payment of the interest or Class A-1 Commitment Fees in respect of, or principal of, the Notes that have become due solely as a result of the acceleration thereof under paragraph (b) above due to such Events of Default, have been cured or waived.

Any previous rescission and annulment of a notice of acceleration or automatic acceleration pursuant to this paragraph (c) shall not prevent the subsequent acceleration of the Notes if the Trustee, in its discretion or as subsequently requested by the holders of the required amount of the Notes Outstanding of the Controlling Class, decides to accelerate the Notes in accordance with paragraph (b)(i) above or upon subsequent automatic acceleration in accordance with paragraph (b)(ii) above.

(d) Restriction on Acceleration of Notes

No acceleration of the Notes shall be permitted pursuant to this Condition by the holders of any Class of Notes other than the Controlling Class as provided in Condition 10(b) (*Acceleration*) or unless and until the acceleration of any other Class of Notes is simultaneous with, or occurs subsequent to, acceleration by the holders of such Controlling Class.

(e) Notification and Confirmation of No Event of Default or Potential Event of Default

The Issuer shall notify the Trustee, the Collateral Manager and the Rating Agencies promptly upon becoming aware of the occurrence of an Event of Default or any event which may become (with the passage of time, the giving of notice, the making of any determination or any combination thereof) an Event of Default. The Trust Deed contains provisions for the Issuer to provide written confirmation to the Trustee and the Rating Agencies on an annual basis, or on request, that no Event of Default or Potential Event of Default has occurred and the Issuer has complied with its own obligations contained in the Trust Deed or (if such is not the case) specifying the respects in which it has not complied and that no other matter which must (pursuant thereto) be brought to the Trustee's attention has occurred.

11. Enforcement

(a) Security Becoming Enforceable

The security constituted under the Trust Deed and the Euroclear Pledge Agreement over the Collateral shall become enforceable upon an acceleration of the maturity of any of the Notes pursuant to Condition 10 (*Events of Default*).

(b) Enforcement

At any time after the Notes become due and payable and the security under the Trust Deed and the Euroclear Pledge Agreement becomes enforceable, the Trustee may, at its discretion and without further notice:

- (i) institute such proceedings against or in relation to the Issuer as it may think fit to enforce the terms of the Trust Deed, the Euroclear Pledge Agreement and the Notes and pursuant to and subject to the terms of the Trust Deed and the Euroclear Pledge Agreement realise and/or otherwise liquidate the Collateral in accordance with and subject to the terms of the Trust Deed and/or the Euroclear Pledge Agreement (as applicable); and/or
- (ii) take such action as may be permitted under applicable laws against any obligor in respect of the Collateral and/or take any other action to enforce the security over the Collateral,

in each case without any liability as to the consequence of any action and without having regard (save to the extent provided in Condition 14(d) (*Entitlement of the Trustee and Conflicts of Interest*)) to the effect of such action on individual Noteholders of any Class or any other Secured Party.

The Trustee shall not be bound to institute any such proceedings or take any such other action unless it is: (i) requested in writing by the holders holding at least 50.01 per cent. in aggregate Principal Amount Outstanding of the Notes of the Controlling Class at such time or (ii) directed by an Extraordinary Resolution of the holders of the Controlling Class at such time; and, in each case, the Trustee is indemnified and/or secured to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

(c) Post-Enforcement Priorities of Payment

The net proceeds of enforcement of the security over the Collateral or upon realisation of the Collateral following any redemption of the Notes pursuant to Condition 7(c) (*Optional Redemption*) or Condition 7(e) (*Redemption upon the occurrence of an Administrative Expenses Event, a Collateral Tax Event, an Onshore Tax Event or a Note Tax Event*) shall be credited to the relevant Payment Account or such other account as the Class of Noteholders entitled to direct the Trustee with respect to enforcement (in accordance with the previous paragraph) shall notify to the Trustee and shall be distributed in accordance with the following priorities of payment:

- (i) to the payment of taxes (if any) owing by the Issuer as certified by an Authorised Officer of the Issuer to the Trustee;
- (ii) to the payment of the fees, costs, charges, expenses and liabilities incurred by the Trustee or any Receiver and in payment of any indemnity claims owing to the Trustee or any Receiver in connection with the enforcement of the security constituted by the Trust Deed or the early redemption of the Notes or otherwise in connection with the Conditions or the Trust Deed;
- (iii) to the payment *pari passu* and on a *pro rata* basis of accrued and unpaid Fees and Expenses (plus any value added tax thereon if applicable);
- (iv) to the payment of any Collateral Management Fee due and payable (plus any interest thereon as provided for in the Collateral Management Agreement and any value added tax thereon if applicable);
- (v) to the payment *pari passu* and on a *pro rata* basis of accrued and unpaid Administrative Expenses (plus any value added tax if applicable) up to an amount equal to 0.03 per cent. of the Aggregate Principal Balance of the Portfolio Collateral on the Business Day immediately preceding the date of payment;
- (vi) to the payment *pari passu* and on a *pro rata* basis of any scheduled payments or termination payments payable to any Hedge Counterparty under the applicable Hedge Agreement arising other than as a result of (A) an event of default under any such Hedge Agreement for which the applicable Hedge Counterparty is the defaulting party or (B) a termination event under any Hedge

Agreement for which the applicable Hedge Counterparty is the sole Affected Party (as defined in the applicable Hedge Agreement);

- (vii) to the payment *pari passu* and on a *pro rata* basis of interest due and payable on the Class X Notes and in redemption of the Class X Notes in full;
- (viii) to the payment *pari passu* and on a *pro rata* basis of interest and Class A-1 Commitment Fees due and payable on the Class A-1 Notes;
- (ix) to the payment *pari passu* and on a *pro rata* basis of interest due and payable on the Class A-2 Notes;
- (x) in redemption on a *pari passu* and *pro rata* basis of the Class A-1 Notes in full;
- (xi) in redemption on a *pari passu* and *pro rata* basis of the Class A-2 Notes in full;
- (xii) to the payment on a *pari passu* and *pro rata* basis of interest due and payable on the Class B Notes (including any Class B Deferred Interest);
- (xiii) in redemption on a *pari passu* and *pro rata* basis of the Class B Notes in full;
- (xiv) to the payment on a *pari passu* and *pro rata* basis of interest due and payable on the Class C Notes (including any Class C Deferred Interest);
- (xv) in redemption on a *pari passu* and *pro rata* basis of the Class C Notes in full;
- (xvi) to the payment on a *pari passu* and *pro rata* basis of interest due and payable on the Class D Notes (including any Class D Deferred Interest);
- (xvii) in redemption on a *pari passu* and *pro rata* basis of the Class D Notes in full;
- (xviii) to the payment on a *pari passu* and *pro rata* basis of interest due and payable on the Class E Notes (including any Class E Deferred Interest);
- (xix) in redemption on a *pari passu* and *pro rata* basis of the Class E Notes in full;
- (xx) to the payment on a *pari passu* and *pro rata* basis of interest due and payable on the Class F Notes (including any Class F Deferred Interest);
- (xxi) in redemption on a *pari passu* and *pro rata* basis of the Class F Notes in full;
- (xxii) to the payment *pari passu* and on a *pro rata* basis of accrued and unpaid Administrative Expenses (plus any value added tax if applicable) to the extent not paid under paragraph (v) above;
- (xxiii) to the payment of any amount payable to the Collateral Manager comprising, resulting from or referable to, any tax liability;
- (xxiv) to the payment, *pari passu* and on a *pro rata* basis, of any termination payments payable to a Hedge Counterparty under a Hedge Agreement as a result of (A) an event of default under such Hedge Agreement for which the Hedge Counterparty is the defaulting party or (B) a termination event under a Hedge Agreement for which the Hedge Counterparty is the sole Affected Party (as defined in the applicable Hedge Agreement); and
- (xxv) the balance, if any, to the Class G Noteholders.

(d) Only Trustee to Act

Only the Trustee may pursue the remedies available under the Trust Deed to enforce the rights of the Noteholders under the Trust Deed and the Notes and no Noteholder or other Secured Party may proceed directly against the Issuer, or any of the Collateral.

(e) Purchase of Collateral by Noteholders

Upon any sale of any part of the Collateral following the occurrence of an Event of Default, whether made under the power of sale under the Trust Deed or by virtue of judicial proceedings, any Noteholder may bid for and purchase the Collateral or any part thereof and, upon compliance with the terms of sale, may hold, retain, possess or dispose of such property in its or their own absolute right without accountability. In addition, any purchaser in any such sale which is a Noteholder may deliver Notes held by it in place of payment of the purchase price for such Collateral where the amount then payable to such Noteholder in respect of such Notes pursuant to the Priorities of Payment out of the net proceeds of such sale is equal to or exceeds the purchase moneys so payable.

12. Prescription

Claims in respect of principal and interest payable on redemption in full of the relevant Notes will become void unless presentation for payment is made as required by Condition 8 (*Payments*) within a period of 5 years, in the case of interest, and 10 years, in the case of principal, from the appropriate Relevant Date subject to applicable escheatment laws, if any.

13. Replacement of Notes

If any Note is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of any Paying Agent or the Registrar subject in each case to all applicable laws and Irish Stock Exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and such Paying Agent or Registrar may require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

14. Meetings of Noteholders, Modification, Waiver and Substitution

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders of each Class to consider matters affecting the interests of such Noteholders, including the sanctioning by Extraordinary Resolution of the Noteholders of a Class of a modification of certain of these Conditions or certain provisions of the Trust Deed and the Euroclear Pledge Agreement. Meetings of the Noteholders of a Class may be convened by the Issuer or the Trustee if it receives a written request by two or more Noteholders of such Class holding not less than 10 per cent. in aggregate Principal Amount Outstanding of the Notes of that Class. The quorum for any meeting convened to consider an Extraordinary Resolution of the Noteholders of such Class will be two or more persons holding or representing more than 50 per cent. in aggregate Principal Amount Outstanding of the Notes of such Class, or at any adjourned meeting two or more persons holding or representing Notes of such Class whatever the Principal Amount Outstanding of the Notes of such Class held or represented subject to the paragraph below.

No proposal to sanction:

- (i) the exchange or substitution for the Notes of the relevant Class, or the conversion of the Notes of the relevant Class into shares, bonds or other obligations or securities of the Issuer, or any other entity;
- (ii) the modification of any provision relating to the timing and/or circumstances of redemption of the Notes of the relevant Class at maturity or otherwise (including the circumstances in which maturity on such Notes may be accelerated);
- (iii) the modification of the timing and/or determination of the amount of interest, principal or other amounts payable in respect of the Notes of the relevant Class from time to time (including the currency thereof);
- (iv) a change in the currency of payment of the Notes of the relevant Class or any other amounts payable under the Priorities of Payment;

- (v) any change, which in the opinion of the Trustee is prejudicial to the interests of the Noteholders, in the Priorities of Payment or in the calculation or determination of any amounts payable thereunder including, without limitation, the Collateral Management Fee;
- (vi) the modification of the provisions concerning the quorum required at any meeting of Noteholders of the relevant Class or the majority required to pass an Extraordinary Resolution or any other provision of these Conditions which requires the written consent of the holders of a requisite principal amount of the Notes Outstanding of any Class;
- (vii) the modification of any provision relating to the security over the Collateral constituted by the Trust Deed and the Euroclear Pledge Agreement except as contemplated by these Conditions, the Trust Deed and the Euroclear Pledge Agreement; and
- (viii) any change to the Reinvestment Criteria,

(each of items (i) to (viii) being a “**Basic Terms Modification**”),

shall be effective unless approved by an Extraordinary Resolution passed at a meeting of Noteholders of the relevant Class at which two or more persons holding or representing not less than 75 per cent. or, at any adjourned meeting, one quarter in aggregate Principal Amount Outstanding of such Class of Notes form a quorum.

Any Extraordinary Resolution of the Noteholders of a Class duly passed shall be binding on all Noteholders of such Class (whether or not they were present at the meeting at which such resolution was passed). The Trust Deed provides that a resolution in writing signed by, or on behalf of, the holders of not less than 75 per cent. in aggregate Principal Amount Outstanding of Notes of a Class who for the time being are entitled to receive notice of a meeting shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of such Noteholders duly convened and held.

(b) Modification and Waiver

The Trust Deed provides that the Trustee may agree, subject to satisfaction of certain conditions, without the consent of the Noteholders or any other Secured Party (provided that such modification or waiver does not relate to the subject matter of a Basic Terms Modification) to:

- (i) any modification of any of the provisions of any of the Transaction Documents which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error; and
- (ii) any other modification (except as mentioned in the Trust Deed) of any of the provisions of any of the Transaction Documents, and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, in each case, which, in the opinion of the Trustee, are not materially prejudicial to the interests of the Noteholders of any Class.

Any such modification, authorisation or waiver shall be binding on all Noteholders and shall be notified to the Rating Agencies by the Issuer and, unless the Trustee otherwise determines, to the Noteholders as soon as practicable in accordance with Condition 16 (*Notices*).

(c) Substitution

The Trust Deed contains provisions permitting the Trustee, without the consent of the Noteholders of any Class, to permit the substitution of any other company in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes of each Class, as contemplated by Condition 9 (*Taxation*). Any such substitution will be subject to, *inter alia*, Rating Agency Confirmation and the Trustee being of the view that such substitution is not materially prejudicial to the interests of the Noteholders of any Class. Any substitution agreed to by the Trustee pursuant to this Condition 14(c) (*Substitution*) shall be binding on the Noteholders and shall be notified as soon as practicable to the Irish Stock Exchange (if the Notes are listed on the Irish Stock Exchange at such time) and to Noteholders in accordance with Condition 16 (*Notices*).

The Trustee may, subject to the satisfaction of certain conditions as more particularly set out in the Trust Deed, including receipt by the Trustee of Rating Agency Confirmation and an opinion of counsel in form and substance satisfactory to the Trustee, agree to a change in the jurisdiction of residence of the Issuer, for taxation purposes without the consent of the Noteholders of any Class, provided the Issuer does all such things as the Trustee may reasonably require in order that such change in the jurisdiction of residence of the Issuer for taxation purposes is fully effective and complies with such other requirements which are in the interests of the Noteholders as it may reasonably direct.

(d) Entitlement of the Trustee and Conflicts of Interest

In connection with the exercise of its trusts, powers, duties and discretions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of each Class of Noteholders as a Class and shall not have regard to the consequences of such exercise for individual Noteholders of such Class and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Trustee or any other person, any indemnification or payment in respect of any consequence of any such exercise upon individual Noteholders resulting from their being for any purpose domiciled or resident in a particular jurisdiction. For the purposes of determining whether or not any such exercise is materially prejudicial to the interests of the Noteholders of any Class of Notes which is rated by the Rating Agencies, the Trustee shall be entitled to rely on (but is not bound by) any Rating Agency Confirmation in respect thereof. The Trustee is not required to have regard to the interests of any other Secured Parties (other than the Noteholders).

The Trust Deed provides that in the event of any conflict of interest between the Class X Noteholders, the Class A-1 Noteholders, the Class A-2 Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders, the Class F Noteholders and the Class G Noteholders, the interests of the Controlling Class will prevail. If the Trustee is of the opinion, in its sole discretion, that the Controlling Class does not have an interest in the outcome of the conflict, the Trustee shall give priority to the interests of the Class A-2 Noteholders over the interests of the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders, the Class F Noteholders and the Class G Noteholders and to the interests of the Class B Noteholders over the interests of the Class C Noteholders, the Class D Noteholders, the Class E Noteholders, the Class F Noteholders and the Class G Noteholders and to the interests of the Class C Noteholders over the interests of the Class D Noteholders, the Class E Noteholders, the Class F Noteholders and the Class G Noteholders and to the interests of the Class D Noteholders over the interest of the Class E Noteholders, the Class F Noteholders and the Class G Noteholders and to the interests of the Class E Noteholders over the interests of the Class F Noteholders and the Class G Noteholders and to the interests of the Class F Noteholders over the interests of the Class G Noteholders. In the event that the Trustee shall receive conflicting or inconsistent requests from two or more groups of holders of the Controlling Class (or another Class given priority), the Trustee shall, subject as provided below, give priority to the group which holds the greater amount of Notes Outstanding of such Class. The Trust Deed provides further that the Trustee will act upon the directions of the holders of the Controlling Class (or any other Class given priority) in such circumstances, and shall not be obliged to consider the interests of the holders of any other Class of Notes. Where, in the opinion of the Trustee, a Basic Terms Modification gives rise or may give rise to a conflict between the interests of the Class X Noteholders and the Class A-1 Noteholders, the Trustee shall require an Extraordinary Resolution to be passed by each of them before agreeing to effect the amendments contemplated by such Basic Terms Modification.

15. Indemnification of the Trustee; Retirement and Removal of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances, including provisions relieving it from instituting proceedings to enforce repayment or to enforce the security constituted by or pursuant to the Trust Deed, unless indemnified and/or secured to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit. The Trustee has no obligation to insure, or to monitor the provisions of any insurance arrangements in respect of, the Collateral. The Trustee is exempted from any liability in respect of any loss, depreciation or theft of the Collateral, from any obligation to insure, or to monitor the provisions of any insurance arrangements in respect of, the Collateral and from any claim arising in the event that any part of the Collateral is held by the Collateral Manager. The Trustee

shall not be responsible for the performance by the Collateral Manager of any of its duties under the Collateral Management Agreement; for the performance by the Collateral Administrator of its duties under the Collateral Administration Agreement; or for the performance by any other person appointed by the Issuer in relation to the Notes. The Trustee shall not have any responsibility for the administration, management or operation of the Collateral including the request by the Collateral Manager to release any of the Collateral from time to time. For the avoidance of doubt, any indemnity to be provided by the Issuer to the Trustee will be subject to the Priorities of Payment.

The Trustee may retire by giving the Issuer not less than 60 calendar days prior written notice and the Trustee may be removed by an Extraordinary Resolution of the Controlling Class. Any retirement or removal of the Trustee shall not be effective until a successor trustee has been appointed by the Issuer. If a successor trustee is not duly appointed within 60 calendar days from the date of notice of retirement, the Trustee itself shall have the right to nominate or petition a court of competent jurisdiction to appoint a replacement trustee with relevant experience in the European structured finance securities market, subject to Rating Agency Confirmation.

16. Notices

Any notice to Noteholders in respect of Notes represented by Global Notes shall be deemed to have been duly given if sent to Euroclear and/or Clearstream, Luxembourg (as applicable) and shall be deemed to have been given on the date on which such notice was so sent; and in respect of the Class A-1 Notes notices to the Class A-1 Noteholders will be valid if sent to the address of such Noteholder appearing in the Register and shall be deemed to have been given as provided in the Class A-1 Note Purchase Agreement provided that, in each case, (for so long as the Notes are listed on the Irish Stock Exchange), such notice is also published in accordance with this Condition 16 (*Notices*).

In addition, so long as any of the Notes are listed on the Irish Stock Exchange and the Irish Stock Exchange rules so require, any notice to the Noteholders shall also be published in the Irish Times or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such newspaper or newspapers having a general circulation in Ireland as selected by the Irish Paying Agent and approved by the Trustee (after consultation with the Irish Paying Agent); provided that if the Issuer procures that the information concerned in such notice appears on a page of the Reuters screen or Bloomberg or any other medium for electronic display of data as may be previously approved in writing by the Trustee (in each case a “**Relevant Screen**”) publication in a newspaper shall not be required with respect to such information. Any such notice shall be deemed to have been given on the date of such publication or if published more than once or on different dates, on the first date on which publication shall have been made in the manner required.

For so long as any Notes are listed on the Irish Stock Exchange and the rules of that stock exchange so require, notices shall be forwarded to the Irish Paying Agent for delivery to the Companies Announcement Office of the Irish Stock Exchange no later than the date of despatch of such notice to holders of Notes.

17. Third Party Rights

No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

18. Governing Law and Jurisdiction

(a) Governing Law

The Trust Deed and each Class of Notes will be governed by, and shall be construed in accordance with, English law.

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, and accordingly any legal action or proceedings arising out of or in connection with the Notes (“**Proceedings**”) may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts and waives any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Noteholders

and the Trustee and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) Agent for Service of Process

The Issuer appoints Structured Finance Management Limited of 35 Great St Helen's, London EC3A 6AP as its agent in England to receive service of process in any Proceedings in England based on any of the Notes. If for any reason the Issuer does not have such agent in England, it will promptly appoint a substitute process agent and notify the Trustee and the Noteholders of such appointment. Nothing herein shall affect the right to service of process in any other manner permitted by law.

19. European Economic and Monetary Union

(a) Notice of Redenomination

The Issuer may, without the consent of the Noteholders, on giving at least 30 days' prior notice to the Noteholders, the Trustee, the Paying Agents, Euroclear and Clearstream, Luxembourg designate a date as a redenomination date (the "**Redenomination Date**"), being a Payment Date under the Notes falling on or after the date on which the United Kingdom of Great Britain and Northern Ireland becomes a Participating Member State.

(b) Redenomination

Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

- (i) the Notes (other than any EUR Funding under the Class A-1 Notes) (the "**Redenominated Notes**") shall be deemed to be redenominated into Euro in the denomination of Euro 0.01 with a principal amount for each Redenominated Note equal to the principal amount of that Redenominated Note in Sterling, converted into Euro at the rate for conversion of such currency into Euro established by the Council of the European Union pursuant to the Treaty to which the United Kingdom of Great Britain and Northern Ireland becomes a Participating Member State (including compliance with rules relating to rounding in accordance with European Community regulations), provided, however, that, if the Issuer determines, with the agreement of the Trustee, that then market practice in respect of the redenomination into Euro of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each stock exchange (if any) on which the Notes are then listed and the Paying Agents of such deemed amendments;
- (ii) if Redenominated Notes have been issued in definitive form:
 - (A) all payment obligations on all Notes denominated in Sterling will become void with effect from the date (the "**Euro Exchange Date**") on which the Issuer gives notice (the "**Euro Exchange Notice**") to the Noteholders and the Trustee that replacement Notes denominated in Euro are available for exchange (provided that such Notes are available) and no payments will be made in respect thereof;
 - (B) the payment obligations contained in all Redenominated Notes denominated in Sterling will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 19 (*European Economic and Monetary Union*)) shall remain in full force and effect; and
 - (C) new Redenomination Notes denominated in Euro will be issued in exchange for Redenominated Notes denominated in Sterling in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice. No Euro Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

- (iii) all payments in respect of the Redenominated Notes (other than, unless the Redenomination Date is on or after such date as Sterling ceases to be a sub-division of the Euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in Euro by cheque drawn on, or by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities; and
- (iv) a Redenominated Note may only be presented for payment on a day which is a Business Day in the place of presentation.

USE OF PROCEEDS

The net proceeds from the issuance of the Notes on the Closing Date are expected to be approximately £338,402,068. Such proceeds will be applied by the Issuer on the Closing Date:

- (a) to fund the acquisition of the Initial Portfolio Collateral pursuant to the Initial Collateral Acquisition Agreements;
- (b) to fund the deposit in the Expense Reimbursement Account of approximately £4,000,000, which amounts standing to the credit of the Expense Reimbursement Account will be applied as specified in Condition 3(i)(C) (*Expense Reimbursement Account*);
- (c) to pay organisational, structuring, legal and offering fees and expenses related to the transaction, including the legal fees of the Collateral Manager, the Trustee, the Collateral Administrator and the Issuer; and
- (d) to pay the remainder into the Unused Proceeds Account pending acquisition of Portfolio Assets on or before the Effective Date.

THE PORTFOLIO

1. Introduction

Pursuant to the Collateral Management Agreement, the Collateral Manager is required to act as the Issuer's manager in respect of the Portfolio and to carry out the duties and functions described below on behalf of the Issuer. In addition, the Collateral Administrator is required to perform certain calculations in relation to the Portfolio on behalf of the Issuer subject to and in accordance with the requirements of the Collateral Administration Agreement.

In entering into arrangements on behalf of the Issuer, to buy and sell Portfolio Assets and Eligible Investments, the Collateral Manager shall take into consideration, *inter alia*, the payment obligations of the Issuer under the Notes and any and all Hedge Agreements on each Payment Date to ensure that, as far as practicable, expected distributions on the Portfolio Collateral will permit timely performance of the Issuer's payment obligations under the Notes and any and all Hedge Agreements.

2. Assets Comprising the Portfolio

(a) CMBS Securities

CMBS Securities are securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool of Underlying Loans, either fixed or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such CMBS Securities.

CMBS Securities generally have the following characteristics: (i) the Underlying Loans have varying contractual maturities; (ii) the Underlying Loans are secured by Underlying Properties; (iii) the Underlying Loans are obligations of a relatively limited number of Underlying Obligors and accordingly represent a relatively undiversified pool of Underlying Obligor credit risk; (iv) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual Underlying Loans depending on numerous factors specific to the particular Underlying Obligors and upon whether there are any restrictions on such prepayment; (v) the valuation of individual Underlying Properties securing the Underlying Loans is a primary factor in any decision to invest in such CMBS Securities; (vi) the CMBS Securities were issued pursuant to a transaction where at least one class of securities was initially rated by an international statistical ratings organisation; and (vii) with respect to any CMBS Security that is synthetic, such CMBS Security is partially dependent upon the credit and, therefore, the risk of default of the counterparty for the underlying synthetic transaction.

Because issuers of CMBS Securities have no significant assets other than the Underlying Loans (or, if applicable, the related synthetic instrument) and because of the significant credit risks inherent in the underlying collateral, credit risk is a correspondingly important consideration with respect to the related CMBS Security. Accordingly, CMBS Securities may include one or more credit enhancements, which are designed to raise the overall credit quality of the security above that of the underlying collateral.

A CMBS Security is created by the sale of assets or collateral to, or the entering into of a synthetic transaction with respect to such assets by, a newly incorporated corporate special purpose entity, which becomes the legal issuer of such CMBS Securities. The sponsor or originator of the collateral usually establishes the issuer. Debt interests which carry the right to certain cash flows arising from the Underlying Loans, are then sold in the form of securities to investors through an investment bank or other securities underwriter. Each CMBS Security has a servicer that is responsible for collecting the cash flows generated by the securitised assets - principal, interest and fees net of losses and any servicing costs as well as other expenses - and for passing them along to the investors in accordance with the terms of the securities. The servicer processes the payments and administers the borrower accounts in the pool.

The structure of a CMBS Security and the terms of the investors' interest in the collateral can vary widely depending on the type of collateral, the desires of investors and the use of credit enhancements. Often CMBS Securities are structured to reallocate the risks entailed in the underlying collateral (particularly credit risk) into security tranches that match the desires of investors. For example, senior/subordinated security structures give holders of senior debt greater credit risk protection (albeit at lower yields) than holders of subordinated debt. Under such a structure, at least two classes of CMBS Securities are issued, with the senior class having a priority claim on the cash flows from the underlying pool of assets. The

subordinated class must absorb credit losses on the collateral before losses can be charged to the senior portion. Because the senior class has this priority claim, cash flows from the underlying pool of assets must first satisfy the requirements of the senior class. Only after these requirements have been met will the cash flows be directed to service the subordinated class.

Realised losses and issuer expenses generally will be allocated to the most subordinated class of securities of the transaction. Accordingly, to the extent a CMBS Security is or becomes the most subordinated class of securities of the related series, any delinquency or default on any Underlying Loan may result in shortfalls, realised loss allocations or extensions of its weighted average life and will have a more immediate and disproportionate effect on the related subordinated CMBS Security than on the related senior CMBS Security. Further, even if a class is not the most subordinate class of securities, there can be no assurance that the subordination offered to such class will be sufficient on any date to offset all losses or expenses incurred by the related issuer.

Consequently, the right to receive payments of interest on any date on the classes of CMBS Securities owned by the Issuer will be subordinate to other more senior classes of CMBS Securities and payments will be made only to the extent funds held by the Underlying Obligor of such CMBS Securities are sufficient to make such payments on such date. Ordinary principal collections are typically paid sequentially; however prior to the occurrence of a Sequential Trigger Event it is typical that distributions of a certain proportion of principal prepayments will be made on a *pro rata* basis to the holders of each class of CMBS Securities in a transaction regardless of priority. It is not unusual to see a subordinate CMBS Security contain a limitation on interest payable on such CMBS Security (an “**Available Funds Cap**”), which has the effect of reducing interest due on such CMBS Security to the extent of any shortfall that is the result of any prepayments on the Underlying Loans.

The “**Sequential Trigger Events**” are those items that, based upon the specific terms of the related CMBS Security, will result in principal collections to be distributed entirely sequential; such items generally vary in each transaction and will likely include elements that demonstrate a threshold for when credit support for the more senior bonds has been compromised due to certain changes in the portfolio of Underlying Loans.

The holders of classes of securities that are subordinate to the classes of CMBS Securities owned by the Issuer (sometimes called the “controlling class”) generally will control the exercise of remedies in connection with such CMBS Securities. Such exercise of rights and remedies by a holder of subordinate classes may be in conflict with the interests of the more senior classes of CMBS Securities and may result in less favourable results for the securities owned by the Issuer.

Although the basic elements of all CMBS Securities are similar, individual transactions can differ markedly in both structure and execution. Important determinants of the risk associated with issuing or holding the securities include the process by which principal and interest payments are allocated and down streamed to investors, how credit losses affect the issuer and the return to investors, whether collateral represents a fixed set of specific assets or accounts and the extent to which the originator (the actual source of the collateral assets) is obliged to provide support to the issuer or to the investors. A bank or other issuer may play more than one role in the securitisation process. An entity can simultaneously serve as originator of Underlying Loans, servicer, administrator of the issuer, underwriter, provider of liquidity and credit enhancement. Such parties typically receive a fee for each element of the transaction they undertake. Investors in the Notes should recognise that the multiplicity of roles that may be played by a single firm - within a single securitisation or across a number of them - means that credit and operational risk can accumulate into significant concentrations with respect to one or a small number of firms.

CMBS Securities carry coupons that are fixed or floating. The spread will vary depending on the credit quality of the Underlying Loan, the degree and nature of credit enhancement, the degree of variability in the cash flows emanating from the Underlying Loans and general market conditions.

See “*Risk Factors—Relating to the Nature of the Collateral—Risks Related to CMBS Securities*”.

(b) *Acquisition of Portfolio Assets*

The Issuer will generally acquire Portfolio Assets by (i) delivery or (ii) involvement in the origination of the same.

- (i) *Delivery*: CMBS Securities are issued either in registered or bearer form and as such by their terms are transferred either by physical delivery or the recording of the transfer by the registrar of such securities in its books and records. However, almost all CMBS Securities are held in book entry form through a clearing system. For so long as CMBS Securities are held in a clearing system such CMBS Securities are transferred subject to and in accordance with the rules and procedures of such clearing system. The Issuer is not a direct participant in any clearing system but instead has entered into arrangements through which the Custodian (which is such a participant) holds CMBS Securities on its behalf. The majority of CMBS Securities acquired or to be acquired by the Issuer will be held by the Custodian and will be acquired by it on behalf of the Issuer under the rules of the relevant clearing systems.
- (ii) *Origination*: In limited circumstances, the Issuer (or the Collateral Manager on its behalf) may be a party to the origination of a Portfolio Asset and will participate in the structuring of the same and negotiations with Underlying Obligor and other transaction parties.

The Issuer (or the Collateral Manager on its behalf) may also enter into a separate agreement with the seller of any Portfolio Asset in which, among other things, the seller of the same may give certain representations and warranties to the Issuer in connection with the origination and management of such Portfolio Asset.

3. Acquisition of Initial Portfolio Collateral at Closing

On the Closing Date the Issuer will enter into the Initial Collateral Acquisition Agreements and apply part of the net proceeds of the issue of the Notes to pay the purchase price for the Initial Portfolio Collateral to be acquired thereunder on the Closing Date.

The Aggregate Principal Balance of the Initial Portfolio Collateral is expected to be approximately £334,213,852.78. A list of the Initial Portfolio Collateral is set out in Schedule 1 (*The Initial Portfolio Collateral*) to this Prospectus. This information was provided by, or derived from information provided by, the issuers, underwriters and/or servicers for each Portfolio Asset comprising the Initial Portfolio Collateral. In addition, the prospectuses, the prospectus supplements, private placement memoranda, offering circulars or similar disclosure documents with respect to the Initial Portfolio Collateral for which such documents are available (such documents and reports, the “**Disclosure Documents**”), are included in the CD-ROM attached at Exhibit A (*CD-Rom of Offering Circulars for Certain Initial Portfolio Collateral*) hereto.

The information included in Schedule 1 (*The Initial Portfolio Collateral*) and Exhibit A (*CD-Rom of Offering Circulars for Certain Initial Portfolio Collateral*) to this Prospectus and elsewhere herein does not purport to be complete and is subject to and qualified in its entirety by reference to, the provisions of the various agreements pursuant to which each of the Initial Portfolio Collateral was issued and the other documents referred to herein pursuant to which certain classes of the Initial Portfolio Collateral were originally offered. Prospective investors are strongly urged to read the Disclosure Documents in their entirety to obtain material information concerning the Initial Portfolio Collateral. Investors should note, however, that, although they are substantially consistent in their overall presentation of information, this Prospectus and such Disclosure Documents may vary in their use of defined terms, and any particular defined term should be read in the context of the document in which it is contained.

None of the Issuer, the Collateral Manager, the Collateral Administrator, any Joint Lead Manager, any Joint Arranger, any Hedge Counterparty (or any guarantor thereof), the Trustee, any of the Agents, any of their affiliates or any party on their behalf has made any independent review or verification as to the accuracy and completeness of the information contained in the Disclosure Documents or is making any representation or warranty regarding, or assuming any responsibility for, the accuracy, completeness, or applicability of such information. Accordingly, prospective investors must make their own evaluation regarding the extent to which they will rely on such information in making an investment decision. None of the Underlying Obligor of the Initial Portfolio Collateral makes any representation or warranty as to the appropriateness of any Disclosure Document for use in connection with the offering of the Notes or takes any responsibility

for such use. None of the Underlying Obligors of the Initial Portfolio Collateral has passed on the accuracy or completeness of this Prospectus or is in any way associated with the offering of the Notes.

All numerical information provided herein with respect to the Initial Portfolio Collateral is provided on an approximate basis as of, unless otherwise specified, the Closing Date. All weighted average information provided herein with respect to the Initial Portfolio Collateral reflects weighting by the related balance as at the Closing Date.

4. Acquisition of Original Portfolio Collateral During the Ramp-up Period

During the Ramp-Up Period, the Collateral Manager, acting on behalf of the Issuer, shall use all commercially reasonable efforts to apply available cash standing to the credit of the Unused Proceeds Account in the acquisition of Original Portfolio Collateral, subject to the restrictions described below. The Ramp-Up Period will comprise the period from the Closing Date to (and including) the Effective Date. The “**Effective Date**” shall be the earlier of (a) the second Payment Date after the Closing Date and (b) in the event that the Collateral Manager, acting on behalf of the Issuer, is able to purchase Portfolio Collateral with an Aggregate Principal Balance equal to the Required Portfolio Collateral Amount (taking into account any prepayment of Portfolio Collateral), the date the Collateral Manager declares that the Effective Date has occurred subject to certain requirements specified in the Collateral Management Agreement being satisfied including receipt by the Collateral Manager of (i) notification from the Collateral Administrator (following receipt of a request from the Collateral Manager) that the Collateral Quality Tests, the Portfolio Profile Tests and the Coverage Tests as calculated by the Collateral Administrator are satisfied, and (ii) Rating Agency Confirmation in respect of such declaration.

5. Reinvestment Period

As described in more detail below under “*Management of Portfolio*” during the Reinvestment Period, Unscheduled Principal Proceeds and Scheduled Principal Proceeds will be reinvested in Portfolio Assets that meet the Eligibility Criteria if, after giving effect to such reinvestment, the Reinvestment Criteria described below are satisfied as of the date of the commitment to purchase such Substitute Portfolio Assets. Unscheduled Principal Proceeds and Scheduled Principal Proceeds will not be reinvested following the Reinvestment Period.

The Portfolio Profile Tests, the Coverage Tests and the Collateral Quality Tests must be satisfied after giving effect to the purchase of any Substitute Portfolio Asset after the Effective Date and during the Reinvestment Period or, if not satisfied prior to such purchase, the relevant thresholds and amounts calculated pursuant thereto must be maintained or improved after giving effect to such purchase. See “—*Management of the Portfolio—Reinvestment Criteria*” below.

6. Eligibility Criteria

Each Portfolio Asset shall, at the time of entering into a binding commitment to acquire such obligation, be required to satisfy each of the eligibility criteria set out below (collectively, the “**Eligibility Criteria**”):

- (i) it is a CMBS Security;
- (ii) the relevant Underlying Obligor is incorporated or organised under the laws of a Qualifying Country or a Special Purpose Vehicle Jurisdiction;
- (iii) substantially all the Underlying Loans backing such Portfolio Asset are secured by Underlying Properties substantially all of which are located in Qualifying Countries as determined by the Collateral Manager;
- (iv) it provides for periodic payments of interest on a quarterly basis or if it pays interest less or more frequently than quarterly, the Issuer has entered into a Basis Hedge Transaction in respect of such security to convert the interest payments on such security to quarterly payments;
- (v) it bears interest indexed to GBPLIBOR or EURIBOR or is the subject of an Interest Rate Hedge Transaction;
- (vi) it has an S&P Rating (and, unless otherwise agreed by S&P, such S&P Rating does not include the subscript “+” or “-”) or a Fitch Rating;

- (vii) it is not the subject of (a) any offer by the relevant Underlying Obligor or by any other person made to all of the holders of such security to purchase or otherwise acquire such security (other than pursuant to any redemption in accordance with the terms of the related Underlying Instruments) or to convert or exchange such security into or for cash, securities or any other type of consideration or (b) any solicitation by an Underlying Obligor in respect of such security or any other person to amend, modify or waive any provision of such security or any related Underlying Instruments, and has not been called for redemption;
- (viii) it is not a debt security the final repayment of which is subject to substantial non-credit related risk or to the non-occurrence of certain catastrophes or which is a catastrophe bond or a market value collateralised debt obligation, as determined by the Collateral Manager in its reasonable business judgment;
- (ix) it is not a debt security that by the terms of its Underlying Instruments provides for conversion or exchange (whether mandatory or at the option of the Underlying Obligor or the holder thereof) into equity capital at any time prior to its maturity;
- (x) it is not a financing by an Underlying Obligor which is subject to any insolvency proceeding;
- (xi) it does not have any outstanding deferred or capitalised interest;
- (xii) it is not a Credit Risk Portfolio Asset or a Defaulted Portfolio Asset (as determined by the Collateral Manager after reasonable inquiry);
- (xiii) it is not a loan or a sub-participation interest in a loan;
- (xiv) it is denominated in an Available Currency and is not convertible into or payable in any other currency;
- (xv) if it is denominated in Euro, or may by its terms be payable in Euro, if required by the Collateral Management Agreement, the Issuer has entered into a Currency Hedge Transaction in respect thereof;
- (xvi) if it is rated by S&P, it has a minimum Rating of "BB-" and if it is rated by Fitch, it has a minimum Rating of "BB-";
- (xvii) its principal balance has not been reduced by a realised loss, expected loss, appraisal event, appraisal reduction, non-accrued interest or similar item since initial issuance;
- (xviii) it is capable of being sold, novated, assigned or participated to the Issuer without any breach of applicable selling or transfer restrictions or of any legal or contractual provisions and all rights in relation thereto and the security (or the commercial benefit thereof) in relation therewith can be transferred to the Issuer;
- (xix) its acquisition by the Issuer will not (a) result in the imposition of stamp duty or stamp duty reserve tax payable by the Issuer and (b) will not result in the imposition of withholding for tax reasons in respect of amounts payable to the Issuer other than, in each case, as was taken into account by the Collateral Manager when a decision was made to purchase such Portfolio Asset or (c) subject to (b) above, result in the Issuer becoming subject to any liability to pay tax in any jurisdiction other than the jurisdiction of its incorporation;
- (xx) upon acquisition, both (a) the Portfolio Asset is capable of being, and will be, the subject of a first fixed charge or first priority security interest in favour of the Trustee for the benefit of the Secured Parties pursuant to the Trust Deed or the Euroclear Pledge Agreement (or any deed or document supplemental thereto) and (b) (subject to sub-paragraph (a) above) following notification by the Issuer (or the Collateral Manager on behalf of the Issuer) to the Trustee that any Portfolio Asset is a bond, note or security that is not held through Euroclear, the Issuer shall have taken such action as the Trustee may require to create and perfect such security interest;

- (xxi) it will not result in the imposition of any present or future, actual or contingent, monetary liabilities or monetary obligations of the Issuer other than those (a) which may arise at its option; or (b) which are fully collateralised; or (c) which limit recourse to the principal balance of the relevant obligation;
- (xxii) it is not a Zero-Coupon Security or an Interest Only Security;
- (xxiii) it is not an asset that requires the Issuer to become authorised under any applicable Irish insurance legislation;
- (xxiv) it is not a synthetic security other than a fully funded credit linked note; and
- (xxv) it is a “qualifying asset” for the purposes of Section 110 of the Taxes Consolidation Act 1997 of Ireland.

The subsequent failure of any Portfolio Asset to satisfy any of the Eligibility Criteria shall not prevent any obligation which would otherwise be a Portfolio Asset from being a Portfolio Asset so long as such obligation satisfied the Eligibility Criteria when the Issuer or the Collateral Manager on behalf of the Issuer entered into a binding agreement to purchase such obligation.

7. Portfolio Profile Tests

The Portfolio Assets in aggregate shall be required to satisfy each of the Portfolio Profile Tests on the Effective Date and thereafter to the extent required to do so under the Reinvestment Criteria. The Portfolio Profile Tests are as follows:

- (i) not less than 95 per cent. of the CDO Principal Balance consists of Portfolio Assets Rated at least “BBB-” or higher by Fitch or “BBB-” or higher by S&P;
- (ii) not more than 5 per cent. of the CDO Principal Balance consists of Portfolio Assets Rated “BB+” or lower by Fitch or “BB+” or lower by S&P;
- (iii) not more than 10 per cent. of the CDO Principal Balance consists of Portfolio Assets not Rated by Fitch and S&P;
- (iv) not more than 6 per cent. of the CDO Principal Balance consists of Portfolio Assets of any single Underlying Obligor; provided that:
 - (A) the Aggregate Principal Balance of Portfolio Assets of up to three (3) Underlying Obligors Rated at least “BBB-” by Fitch and “BBB-” by S&P may each, respectively, be more than 6 per cent. of the CDO Principal Balance but not more than 10 per cent. of the CDO Principal Balance; and
 - (B) the Aggregate Principal Balance of Portfolio Assets of up to five (5) Underlying Obligors Rated at least “BBB-” by Fitch and “BBB-” by S&P may each, respectively, be more than 6 per cent. of the CDO Principal Balance but not more than 8 per cent. of the CDO Principal Balance;
- (v) not more than 30 per cent. of the CDO Principal Balance consists of Portfolio Assets, the Predominant Geographic Concentration for which comprises Properties located in Germany;
- (vi) not more than 20 per cent. of the CDO Principal Balance consists of Portfolio Assets, the Predominant Geographic Concentration for which comprises Properties located in France;
- (vii) not more than 10 per cent. of the CDO Principal Balance consists of Portfolio Assets, the Predominant Geographic Concentration for which comprises Properties located in Sweden, Denmark, Finland or Norway;
- (viii) not more than 20 per cent. of the CDO Principal Balance consists of Portfolio Assets, the Predominant Geographic Concentration for which comprises Properties located in Spain;

- (ix) not more than 10 per cent. of the CDO Principal Balance consists of Portfolio Assets, the Predominant Geographic Concentration for which comprises Properties located in Qualifying Countries other than those Qualifying Countries listed at paragraphs (v) to (viii) above;
- (x) not more than 35 per cent. of the CDO Principal Balance consists of Portfolio Assets that are denominated in Euro;
- (xi) not more than 15 per cent. of the CDO Principal Balance consists of Portfolio Assets that are Available Funds Cap Portfolio Assets; and
- (xii) not more than 6 per cent. of the CDO Principal Balance consists of Portfolio Assets with a Stated Maturity later than the Maturity Date.

Unless otherwise specified, the percentage requirements applicable to different types of Portfolio Assets specified in the Portfolio Profile Tests shall be determined by reference to the Aggregate Principal Balance of such type of Portfolio Assets, excluding Defaulted Portfolio Assets. Obligations which are to constitute Portfolio Assets in respect of which the Issuer has entered into a binding commitment to purchase but which have not yet settled shall be included as Portfolio Assets in the calculation of the Portfolio Profile Tests at any time as if such purchase had been completed, and Portfolio Assets in respect of which the Issuer has entered into a binding commitment to sell, but which have not yet been sold, shall be excluded as Portfolio Assets in the calculation of the Portfolio Profile Tests. When calculating the Portfolio Profile Tests the applicable percentages shall be rounded up to the second decimal place.

8. Management of the Portfolio

(a) Overview

The Collateral Manager (acting on behalf of the Issuer) is permitted in certain circumstances and subject to certain requirements to sell Portfolio Assets and in certain circumstances to reinvest the Sale Proceeds thereof in Substitute Portfolio Assets.

(b) Sale of Credit Risk Portfolio Assets

The Collateral Manager (acting on behalf of the Issuer) may sell Credit Risk Portfolio Assets at any time, subject to:

- (i) no Event of Default having occurred which is continuing; and
- (ii) during the Reinvestment Period, the Collateral Manager using all commercially reasonable efforts to invest the Sale Proceeds thereof (excluding any Sale Proceeds representing accrued interest which the Collateral Manager determines shall be paid into the relevant Interest Collection Account, which Sale Proceeds shall be so paid into such account) in Substitute Portfolio Assets which comply with the Reinvestment Criteria and which have an aggregate Principal Balance equal to or greater than such Sale Proceeds. In the event that the Collateral Manager is unable to so reinvest such Sale Proceeds having used all commercially reasonable efforts, the Collateral Manager shall deposit such Sale Proceeds into the relevant Principal Collection Account pending such investment in Substitute Portfolio Assets; provided that the use of “commercially reasonable efforts” shall not require the Collateral Manager to purchase any Substitute Portfolio Asset the purchase of which is not, in its reasonable judgement, in the best interests of the Noteholders.

Any Sale Proceeds deposited in a Principal Collection Account pending investment during the Reinvestment Period as set out in paragraph (ii) above and not reinvested by the second Payment Date immediately following the end of the Payment Period in which such deposit was made will be disbursed in accordance with the Priorities of Payment on the second Payment Date following the Payment Period in which such deposit was made.

After the Reinvestment Period, the Sale Proceeds of any Credit Risk Portfolio Asset shall not be reinvested but will be deposited in the relevant Principal Collection Account and disbursed in accordance with the Priorities of Payment on the first Payment Date following such sale.

(c) *Sale of Defaulted Portfolio Assets*

The Collateral Manager (acting on behalf of the Issuer) may sell Defaulted Portfolio Assets at any time, subject to:

- (i) no Event of Default having occurred which is continuing; and
- (ii) during the Reinvestment Period, the Collateral Manager using all commercially reasonable efforts to invest the Sale Proceeds thereof (excluding any Sale Proceeds exceeding 100 per cent. of the Principal Balance of the Portfolio Asset which the Collateral Manager determines shall be paid into the relevant Interest Collection Account and any Sale Proceeds representing accrued interest which the Collateral Manager determines shall be paid into the relevant Interest Collection Account, which Sale Proceeds shall, in each case, be so paid into such account) in any Substitute Portfolio Assets which comply with the Reinvestment Criteria and which have an aggregate Principal Balance equal to or greater than such Sale Proceeds. In the event that the Collateral Manager is unable to so reinvest such Sale Proceeds having used all commercially reasonable efforts, the Collateral Manager shall deposit such Sale Proceeds into the relevant Principal Collection Account pending such investment in Substitute Portfolio Assets; provided that the use of "commercially reasonable efforts" shall not require the Collateral Manager to purchase any Substitute Portfolio Assets the purchase of which is not, in its reasonable judgement, in the best interest of the Noteholders.

Any Sale Proceeds deposited in a Principal Collection Account pending investment during the Reinvestment Period as set out in paragraph (ii) above and not reinvested by the second Payment Date immediately following the end of the Payment Period in which such deposit was made will be disbursed in accordance with the Priorities of Payment on the second Payment Date following the Payment Period in which such deposit was made.

After the Reinvestment Period, the Sale Proceeds of any Defaulted Portfolio Asset shall not be reinvested but will be deposited in the relevant Principal Collection Account and disbursed in accordance with the Priorities of Payment on the first Payment Date following such sale.

(d) *Sale of Credit Improved Portfolio Assets*

The Collateral Manager (acting on behalf of the Issuer) may sell Credit Improved Portfolio Assets at any time, subject to:

- (i) no Event of Default having occurred which is continuing;
- (ii) during the Reinvestment Period, the Collateral Manager certifying to the Trustee that it believes that the Sale Proceeds therefrom can be reinvested in Substitute Portfolio Assets which comply with the Reinvestment Criteria within 30 Business Days of the sale thereof;
- (iii) the Sale Proceeds therefrom being not less than the lesser of (A) 100 per cent. of the Principal Balance of, and accrued interest on, the Credit Improved Portfolio Assets being sold and (B) the purchase price paid by the Issuer for such Credit Improved Portfolio Assets (excluding any portion of such purchase price that represented accrued interest at the time of purchase);
- (iv) the Collateral Manager being able, at the time of such sale, to apply the net Sale Proceeds therefrom in Substitute Portfolio Assets having an aggregate Principal Balance equal to or greater than the aggregate Principal Balance of such sold Portfolio Asset.

During the Reinvestment Period, any such Sale Proceeds not reinvested by the second Payment Date immediately following the end of the Payment Period in which such Sale Proceeds were received will be disbursed in accordance with the Priorities of Payment on the second Payment Date following the Payment Period in which such Sale Proceeds were received.

Following the expiry of the Reinvestment Period, the Sale Proceeds of any Credit Improved Portfolio Asset will not be reinvested but will be deposited in the relevant Principal Collection Account to be disbursed in accordance with the Priorities of Payment on the first Payment Date following such sale.

(e) *Discretionary Trading of Portfolio Collateral*

During the period from the Effective Date to the end of the Reinvestment Period, the Collateral Manager (acting on behalf of the Issuer) may sell any Portfolio Asset which is not a Credit Risk Portfolio Asset, a Defaulted Portfolio Asset or a Credit Improved Portfolio Asset and reinvest the Sale Proceeds thereof in a Substitute Portfolio Asset, subject to:

- (i) no Event of Default having occurred which is continuing;
- (ii) an Authorised Officer of the Collateral Manager certifying to the Trustee (with a copy to the Collateral Administrator) that it believes that the Sale Proceeds therefrom can be reinvested in Substitute Portfolio Assets which comply with the Reinvestment Criteria and which have an aggregate Principal Balance equal to or greater than the aggregate Principal Balance of the Portfolio Asset sold within 30 Business Days of the sale thereof; and
- (iii) the aggregate Principal Balance of any such Portfolio Assets sold (including the Principal Balance of the proposed Portfolio Assets to be sold) during any given year (for which purpose a year shall be the period from (and including) one anniversary of the Effective Date (or, in the case of the first such year, the Effective Date) to (but excluding) the next anniversary of the Effective Date) does not exceed 15 per cent. of the aggregate Principal Balance of the Portfolio Collateral outstanding at the beginning of such year (excluding Defaulted Collateral) on the proposed date of the sale.

Notwithstanding any term hereof to the contrary, provided that no Event of Default has occurred and is continuing, any Portfolio Asset may be sold upon delivery to the Trustee of a certificate of an Authorised Officer of the Collateral Manager to the effect that it has reasonably determined, which may be based upon an opinion of counsel (obtained at the expense of the Issuer where it is reasonable in the circumstances to obtain such advice) (a copy of any such opinion shall be included with such certificate), that such Portfolio Asset is, or is likely to become, subject to a withholding or other similar tax.

Any such Sale Proceeds not reinvested by the second Payment Date immediately following the end of the Payment Period in which such Sale Proceeds were received will be disbursed in accordance with the Priorities of Payment on the second Payment Date following the Payment Period in which such Sale Proceeds were received.

(f) *Principal Proceeds*

During the Reinvestment Period, the Collateral Manager (acting on behalf of the Issuer) shall use all commercially reasonable efforts to apply Unscheduled Principal Proceeds and Scheduled Principal Proceeds in the acquisition of Additional Portfolio Assets and/or Substitute Portfolio Assets satisfying the Reinvestment Criteria, subject to no Event of Default having occurred which is continuing.

Any such Unscheduled Principal Proceeds and Scheduled Principal Proceeds not reinvested by the second Payment Date immediately following the end of the Payment Period in which such Principal Proceeds were received will be disbursed in accordance with the Priorities of Payment on the second Payment Date following the Payment Period in which such Principal Proceeds were received.

(g) *Reinvestment Criteria*

During the Reinvestment Period, Unscheduled Principal Proceeds and Scheduled Principal Proceeds (including Sale Proceeds) may be reinvested by the Collateral Manager (acting on behalf of the Issuer) in Additional Portfolio Assets and/or Substitute Portfolio Assets satisfying the Eligibility Criteria, provided that immediately after each such purchase the criteria set out below (the “**Reinvestment Criteria**”) must be satisfied. The Reinvestment Criteria are as follows:

- (i) to the Collateral Manager’s knowledge, no Event of Default has occurred that is continuing at the time of such purchase;

- (ii) after the Effective Date, the Collateral Quality Tests are satisfied or, if any test was not satisfied, it is no further away from being satisfied than immediately prior to sale or prepayment of the relevant Portfolio Asset the Principal Proceeds of which are being so applied, save that this paragraph (ii) shall not apply in respect of the S&P CDO Monitor Test in the case of the application of Sale Proceeds from Credit Impaired Portfolio Assets;
- (iii) after the Effective Date, the Portfolio Profile Tests are satisfied or, if any such limitation is not satisfied, in the case of each limitation (A) in respect of which an upper limit is applicable, the relevant concentration is no greater, and (B) in respect of which a lower limit is applicable, the relevant concentration is no lesser after giving effect to such application of Principal Proceeds than it was immediately prior to sale or prepayment of the relevant Portfolio Asset the Principal Proceeds of which are being so applied; and
- (iv) after the Effective Date, the Coverage Tests are satisfied or if (other than with respect to the application of any proceeds received upon the sale of, or as a recovery on, any Defaulted Portfolio Asset) as calculated immediately prior to sale or prepayment of the relevant Portfolio Asset the Principal Proceeds of which are being so applied, any Coverage Test was not satisfied, the coverage ratio relating to such test will be at least as close to being satisfied after giving effect to such application than it was immediately prior to such sale or prepayment.

In determining whether the Reinvestment Criteria will be satisfied by the purchase of any Additional Portfolio Asset or Substitute Portfolio Asset, the Collateral Manager will apply the Portfolio Profile Tests and the Collateral Quality Tests to (i) the Portfolio prior to such purchase, as if any such Portfolio Asset which has been sold or prepaid but not replaced were deemed to remain in the Portfolio and (ii) the Portfolio as if such purchase had been made with the proposed Additional Portfolio Asset or Substitute Portfolio Asset being treated as replacing the same principal amount of any Portfolio Asset that has been sold or prepaid as the Collateral Manager may in its discretion select, with any other Portfolio Asset that has been sold or prepaid but not replaced being deemed to remain in the Portfolio. The above will not apply following the sale of a Credit Risk Portfolio Asset or a Defaulted Portfolio Asset.

9. Collateral Quality Tests

The Collateral Quality Tests will consist of each of the following:

- (a) so long as any Notes rated by Fitch are Outstanding, the Fitch Default VECTOR Model Test;
- (b) so long as any Notes rated by S&P are Outstanding:
 - (i) the S&P CDO Monitor Test; and
 - (ii) the S&P Minimum Weighted Average Recovery Rate Test;
- (c) so long as any Notes rated by either S&P or Fitch are Outstanding:
 - (i) the Minimum Weighted Average Spread Test;
 - (ii) the Weighted Average Life Test; and
 - (iii) the Sterling Currency Ratio Test and the Euro Currency Ratio Test,

each as defined in the Collateral Management Agreement.

- (a) *Fitch Default VECTOR Model Test*

The “**Fitch Default VECTOR Model Test**” will be satisfied on any Measurement Date if the Class A-1 Fitch VECTOR Model Test, the Class A-2 Fitch VECTOR Model Test, the Class B Fitch VECTOR Model Test, the Class C Fitch VECTOR Model Test, the Class D Fitch VECTOR Model Test, the Class E Fitch VECTOR Model Test and the Class F Fitch VECTOR Model Test are satisfied. For the avoidance of doubt, satisfaction of the Fitch Default VECTOR Model Test on any date does not imply any affirmation, upgrade or downgrade of the then current ratings assigned by Fitch to the Notes.

The “**Class A-1 Fitch VECTOR Model Test**” will be satisfied if the sum of:

- (A) the Fitch VECTOR Test Collateral Balance; *plus*
- (B) the Fitch Class A-1 Rating Loss Adjustment; *minus*
- (C) the product of the Fitch Class A-1 Rating Loss Rate and the Fitch Proposed Portfolio Amount,

is greater than or equal to the Fitch Class A-1 Test Liabilities.

The “**Class A-2 Fitch VECTOR Model Test**” will be satisfied if the sum of:

- (A) the Fitch VECTOR Test Collateral Balance; *plus*
- (B) the Fitch Class A-2 Rating Loss Adjustment; *minus*
- (C) the product of the Fitch Class A-2 Rating Loss Rate and the Fitch Proposed Portfolio Amount,

is greater than or equal to the Fitch Class A-2 Test Liabilities.

The “**Class B Fitch VECTOR Model Test**” will be satisfied if the sum of:

- (A) the Fitch VECTOR Test Collateral Balance; *plus*
- (B) the Fitch Class B Rating Loss Adjustment; *minus*
- (C) the product of the Fitch Class B Rating Loss Rate and the Fitch Proposed Portfolio Amount,

is greater than or equal to the Fitch Class B Test Liabilities.

The “**Class C Fitch VECTOR Model Test**” will be satisfied if the sum of:

- (A) the Fitch VECTOR Test Collateral Balance; *plus*
- (B) the Fitch Class C Rating Loss Adjustment; *minus*
- (C) the product of the Fitch Class C Rating Loss Rate and the Fitch Proposed Portfolio Amount,

is greater than or equal to the Fitch Class C Test Liabilities.

The “**Class D Fitch VECTOR Model Test**” will be satisfied if the sum of:

- (A) the Fitch VECTOR Test Collateral Balance; *plus*
- (B) the Fitch Class D Rating Loss Adjustment; *minus*
- (C) the product of the Fitch Class D Rating Loss Rate and the Fitch Proposed Portfolio Amount,

is greater than or equal to the Fitch Class D Test Liabilities.

The “**Class E Fitch VECTOR Model Test**” will be satisfied if the sum of:

- (A) the Fitch VECTOR Test Collateral Balance; *plus*
- (B) the Fitch Class E Rating Loss Adjustment; *minus*
- (C) the product of the Fitch Class E Rating Loss Rate and the Fitch Proposed Portfolio Amount,

is greater than or equal to the Fitch Class E Test Liabilities.

The “Class F Fitch VECTOR Model Test” will be satisfied if the sum of:

- (A) the Fitch VECTOR Test Collateral Balance; *plus*
- (B) the Fitch Class F Rating Loss Adjustment; *minus*
- (C) the product of the Fitch Class F Rating Loss Rate and the Fitch Proposed Portfolio Amount,

is greater than or equal to the Fitch Class F Test Liabilities.

The “Fitch CAM Adjustment Matrix” is set out below.

**Maximum Rating Default Rate or Rating Loss Rate Adjustments
Based on CDO Asset Manager Ratings (per cent.)**

	‘CAM1’ and ‘CAM1-’	‘CAM2+’, ‘CAM2’ and ‘CAM2-’	‘CAM3+’	‘CAM3’ and ‘CAM3-’	‘CAM4’	‘CAM5’*
‘AAA’	5.0	2.5	0.0	0.0	(5.0)	N.A.
‘AA’	8.0	4.0	0.0	0.0	(8.0)	N.A.
‘A’	10.0	5.0	0.0	0.0	(10.0)	N.A.
‘BBB’	12.5	8.0	4.0	0.0	(12.5)	N.A.
‘BB’	17.0	12.0	7.5	0.0	(17.0)	N.A.
‘B’	20.0	15.0	10.0	2.5	(20.0)	N.A.
‘CCC’	25.0	20.0	12.5	5.0	(25.0)	N.A.

* Fitch does not rate new issue collateralised debt obligation (CDO) liabilities involving asset managers with an initial rating of ‘CAM5’.
N.A. = Not applicable.

“Fitch CAM Factor” means in relation to the RLR applicable to each Class of Notes:

- (A) in the cases when a Fitch CAM Rating is assigned to the Collateral Manager by Fitch, the percentage factor specified to apply to that Class of Notes in respect of a collateral manager with the Fitch CAM Rating in the Fitch CAM Adjustment Matrix; or
- (B) if no Fitch CAM Rating is assigned, 100 per cent.

“Fitch CAM Rating” means at any time and for any collateral manager the European Commercial Real Estate CAM Rating that is assigned by Fitch to such collateral manager at such time.

“Fitch Class A-1 Rating Loss Adjustment” means (i) the number from the relevant Fitch Test Matrix for the relevant percentage of Portfolio Assets denominated in Euro and for the case chosen by the Collateral Manager multiplied by the Fitch Proposed Portfolio Amount, minus (ii) the product of (a) the corresponding number in the Fitch Test Adjustment for the Weighted Average Life Matrix, (b) the difference between the Weighted Average Life Test covenant as at the Payment Date falling in August 2007 less the Fitch Weighted Average Life as at the date of determination and (c) the Fitch Proposed Portfolio Amount, rounded to two decimal places and assumed by Fitch at the Closing Date to be available as residual excess spread and to be used to cure principal deficiencies, as derived from the Eligibility Criteria and Portfolio guidelines and the cash flow scenario stresses for the Class A-1 Notes rating scenario as set out in Fitch’s CDO rating methodology applicable as at the Closing Date.

“Fitch Class A-1 Rating Loss Rate” means at any time, the number equal to the level of Rating Loss Rate (“RLR”), expressed as a percentage and derived from the Fitch Default VECTOR Model based on the proposed Portfolio and consistent with the initial Fitch rating of the Class A-1 Notes as adjusted by multiplying such RLR by the Fitch CAM Factor.

“Fitch Class A-1 Test Liabilities” means the Principal Amount Outstanding of the Class A-1 Notes.

“Fitch Class A-2 Rating Loss Adjustment” means (i) the number from the relevant Fitch Test Matrix for the relevant percentage of Portfolio Assets denominated in Euro and for the case chosen by the Collateral Manager multiplied by the Fitch Proposed Portfolio Amount, minus (ii) the product of (a) the corresponding number in the Fitch Test Adjustment for the Weighted Average Life Matrix, (b) the difference between the Weighted Average Life Test covenant as at the Payment Date falling in August

2007 less the Fitch Weighted Average Life as at the date of determination and (c) the Fitch Proposed Portfolio Amount, rounded to two decimal places and assumed by Fitch at the Closing Date to be available as residual excess spread and to be used to cure principal deficiencies, as derived from the Eligibility Criteria and Portfolio guidelines and the cash flow scenario stresses for the Class A-2 Notes rating scenario as set out in Fitch's CDO rating methodology applicable as at the Closing Date.

"Fitch Class A-2 Rating Loss Rate" means at any time, the number equal to the level of RLR, expressed as a percentage and derived from the Fitch Default VECTOR Model based on the proposed Portfolio and consistent with the initial Fitch rating of the Class A-2 Notes as adjusted by multiplying such RLR by the Fitch CAM Factor.

"Fitch Class A-2 Test Liabilities" means the Principal Amount Outstanding of the Class A-1 Notes and the Class A-2 Notes.

"Fitch Class B Rating Loss Adjustment" means (i) the number from the relevant Fitch Test Matrix for the relevant percentage of Portfolio Assets denominated in Euro and for the case chosen by the Collateral Manager multiplied by the Fitch Proposed Portfolio Amount, minus (ii) the product of (a) the corresponding number in the Fitch Test Adjustment for the Weighted Average Life Matrix, (b) the difference between the Weighted Average Life Test covenant as at the Payment Date falling in August 2007 less the Fitch Weighted Average Life as at the date of determination and (c) the Fitch Proposed Portfolio Amount, rounded to two decimal places and assumed by Fitch at the Closing Date to be available as residual excess spread and to be used to cure principal deficiencies, as derived from the Eligibility Criteria and Portfolio guidelines and the cash flow scenario stresses for the Class B Notes rating scenario as set out in Fitch's CDO rating methodology applicable as at the Closing Date.

"Fitch Class B Rating Loss Rate" means at any time, the number equal to the RLR, expressed as a percentage and derived from the Fitch Default VECTOR Model based on the proposed Portfolio and consistent with the initial Fitch rating of the Class B Notes as adjusted by multiplying such RLR by the Fitch CAM Factor.

"Fitch Class B Test Liabilities" means the Principal Amount Outstanding of the Class A-1 Notes, the Class A-2 Notes and the Class B Notes, including any interest capitalised thereon.

"Fitch Class C Rating Loss Adjustment" means (i) the number from the relevant Fitch Test Matrix for the relevant percentage of Portfolio Assets denominated in Euro and for the case chosen by the Collateral Manager multiplied by the Fitch Proposed Portfolio Amount, minus (ii) the product of (a) the corresponding number in the Fitch Test Adjustment for the Weighted Average Life Matrix, (b) the difference between the Weighted Average Life Test covenant as at the Payment Date falling in August 2007 less the Fitch Weighted Average Life as at the date of determination and (c) the Fitch Proposed Portfolio Amount, rounded to two decimal places and assumed by Fitch at the Closing Date to be available as residual excess spread and to be used to cure principal deficiencies, as derived from the Eligibility Criteria and Portfolio guidelines and the cash flow scenario stresses for the Class C Notes rating scenario as set out in Fitch's CDO rating methodology applicable as at the Closing Date.

"Fitch Class C Rating Loss Rate" means at any time, the number equal to the RLR, expressed as a percentage and derived from the Fitch Default VECTOR Model based on the proposed Portfolio and consistent with the initial Fitch rating of the Class C Notes as adjusted by multiplying such RLR by the Fitch CAM Factor.

"Fitch Class C Test Liabilities" means the Principal Amount Outstanding of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes and the Class C Notes, including any interest capitalised thereon.

"Fitch Class D Rating Loss Adjustment" means (i) the number from the relevant Fitch Test Matrix for the relevant percentage of Portfolio Assets denominated in Euro and for the case chosen by the Collateral Manager multiplied by the Fitch Proposed Portfolio Amount, minus (ii) the product of (a) the corresponding number in the Fitch Test Adjustment for the Weighted Average Life Matrix, (b) the difference between the Weighted Average Life Test covenant as at the Payment Date falling in August 2007 less the Fitch Weighted Average Life as at the date of determination and (c) the Fitch Proposed Portfolio Amount, rounded to two decimal places and assumed by Fitch at the Closing Date to be available as residual excess spread and to be used to cure principal deficiencies, as derived from the

Eligibility Criteria and Portfolio guidelines and the cash flow scenario stresses for the Class D Notes rating scenario as set out in Fitch's CDO rating methodology applicable as at the Closing Date.

"Fitch Class D Rating Loss Rate" means at any time, the number equal to the RLR, expressed as a percentage and derived from the Fitch Default VECTOR Model based on the proposed Portfolio and consistent with the initial Fitch rating of the Class D Notes as adjusted by multiplying such RLR by the Fitch CAM Factor.

"Fitch Class D Test Liabilities" means the Principal Amount Outstanding of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes, including any interest capitalised thereon.

"Fitch Class E Rating Loss Adjustment" means (i) the number from the relevant Fitch Test Matrix for the relevant percentage of Portfolio Assets denominated in Euro and for the case chosen by the Collateral Manager multiplied by the Fitch Proposed Portfolio Amount, minus (ii) the product of (a) the corresponding number in the Fitch Test Adjustment for the Weighted Average Life Matrix, (b) the difference between the Weighted Average Life Test covenant as at the Payment Date falling in August 2007 less the Fitch Weighted Average Life as at the date of determination and (c) the Fitch Proposed Portfolio Amount, rounded to two decimal places and assumed by Fitch at the Closing Date to be available as residual excess spread and to be used to cure principal deficiencies, as derived from the Eligibility Criteria and Portfolio guidelines and the cash flow scenario stresses for the Class E Notes rating scenario as set out in Fitch's CDO rating methodology applicable as at the Closing Date.

"Fitch Class E Rating Loss Rate" means at any time, the number equal to the RLR, expressed as a percentage and derived from the Fitch Default VECTOR Model based on the proposed Portfolio and consistent with the initial Fitch rating of the Class E Notes as adjusted by multiplying such RLR by the Fitch CAM Factor.

"Fitch Class E Test Liabilities" means the Principal Amount Outstanding of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, including any interest capitalised thereon.

"Fitch Class F Rating Loss Adjustment" means (i) the number from the relevant Fitch Test Matrix for the relevant percentage of Portfolio Assets denominated in Euro and for the case chosen by the Collateral Manager multiplied by the Fitch Proposed Portfolio Amount, minus (ii) the product of (a) the corresponding number in the Fitch Test Adjustment for the Weighted Average Life Matrix, (b) the difference between the Weighted Average Life Test covenant as at the Payment Date falling in August 2007 less the Fitch Weighted Average Life as at the date of determination and (c) the Fitch Proposed Portfolio Amount, rounded to two decimal places and assumed by Fitch at the Closing Date to be available as residual excess spread and to be used to cure principal deficiencies, as derived from the Eligibility Criteria and Portfolio guidelines and the cash flow scenario stresses for the Class F Notes rating scenario as set out in Fitch's CDO rating methodology applicable as at the Closing Date.

"Fitch Class F Rating Loss Rate" means at any time, the number equal to the RLR, expressed as a percentage and derived from the Fitch Default VECTOR Model based on the proposed Portfolio and consistent with the initial Fitch rating of the Class F Notes as adjusted by multiplying such RLR by the Fitch CAM Factor.

"Fitch Class F Test Liabilities" means the Principal Amount Outstanding of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes, including any interest capitalised thereon.

"Fitch Default VECTOR Global Correlation" is the number in the Global Correlation Premium column of the Fitch Global Correlation Table corresponding to the number in the Loan Diversity Index ("LDI") column of the Fitch Global Correlation Table, which is immediately higher than the Proposed Portfolio Loan Diversity Index. Fitch Default VECTOR Global Correlation for Fitch Proposed Portfolios with a Proposed Portfolio Loan Diversity Index above 920 will be as advised by Fitch.

“**Fitch Default VECTOR Model**” means the version of the Fitch Ratings proprietary computer programme used to calculate portfolio default and loss levels made available to the Collateral Manager on or prior to the Closing Date (unless and until otherwise advised by Fitch). For the purpose of running the Fitch Default VECTOR Model, the following inputs have to be calculated (and recalculated for every subsequent run with the most recent information available): Fitch Default VECTOR Global Correlation, Fitch VECTOR Model User Defined Sector and Fitch VECTOR Model User Defined Region. Furthermore, the correlation settings should be set to “User Defined Correlation” and the minimum “Number of Trials” should be set at 150,000.

“**Fitch Expected Maturity Date**” means, with respect to any CMBS Security, the date calculated by adding the average life of such security as at any Measurement Date to that Measurement Date.

The “**Fitch Global Correlation Table**” is set out below.

Loan Diversity Index (“LDI”)	Global Correlation Premium
200	12.00 per cent.
210	12.06 per cent.
220	12.10 per cent.
230	12.16 per cent.
240	12.21 per cent.
250	12.27 per cent.
260	12.33 per cent.
270	12.39 per cent.
280	12.45 per cent.
290	12.51 per cent.
300	12.57 per cent.
310	12.68 per cent.
320	12.80 per cent.
330	12.92 per cent.
340	13.05 per cent.
350	13.18 per cent.
360	13.30 per cent.
370	13.43 per cent.
380	13.56 per cent.
390	13.68 per cent.
400	13.81 per cent.
410	13.99 per cent.
420	14.19 per cent.
430	14.40 per cent.
440	14.60 per cent.
450	14.81 per cent.
460	15.02 per cent.
470	15.23 per cent.
480	15.43 per cent.
490	15.64 per cent.
500	15.85 per cent.
510	16.14 per cent.
520	16.45 per cent.
530	16.76 per cent.
540	17.08 per cent.
550	17.40 per cent.
560	17.71 per cent.
570	18.03 per cent.
580	18.35 per cent.
590	18.67 per cent.
600	18.99 per cent.
610	19.42 per cent.
620	19.88 per cent.
630	20.36 per cent.
640	20.84 per cent.
650	21.31 per cent.
660	21.79 per cent.
670	22.27 per cent.
680	22.75 per cent.
690	23.23 per cent.
700	23.70 per cent.

Loan Diversity Index (“LDI”)	Global Correlation Premium
710	24.35 per cent.
720	25.04 per cent.
730	25.76 per cent.
740	26.47 per cent.
750	27.18 per cent.
760	27.90 per cent.
770	28.62 per cent.
780	29.34 per cent.
790	30.05 per cent.
800	30.77 per cent.
810	31.75 per cent.
820	32.81 per cent.
830	33.88 per cent.
840	34.97 per cent.
850	36.05 per cent.
860	37.14 per cent.
870	38.23 per cent.
880	39.32 per cent.
890	40.40 per cent.
900	41.49 per cent.
910	43.00 per cent.
920	44.62 per cent.

“**Fitch Original Rating**” means for any Portfolio Asset with a public rating assigned by Fitch, S&P or Moody’s on the issuance date, the Fitch rating as of such issuance date, and for any other Portfolio Assets, the private rating initially assigned by Fitch upon request of the Collateral Manager.

“**Fitch Proposed Portfolio**” means the proposed portfolio taking into account the proposed sale and/or purchase of any Portfolio Asset (excluding Defaulted Collateral).

“**Fitch Proposed Portfolio Amount**” means the sum of the Principal Balances of each Portfolio Asset in the Fitch Proposed Portfolio.

“**Fitch Recovery On Default Amount**” means with respect to a Defaulted Portfolio Asset an amount (no lower than zero) equal to (A) the product of the Principal Balance of such Defaulted Portfolio Asset and the lesser of (i) the Fitch Recovery Rate for such Defaulted Portfolio Asset and (ii) the market price (expressed as a percentage of par) of such Defaulted Portfolio Asset, less (B) any recovery amount actually received as cash by the Issuer.

“**Fitch Recovery Rate**” of any Portfolio Asset is the recovery rate in respect thereof provided by the Fitch Default VECTOR Model.

“**Fitch VECTOR Model User Defined Region**” is one of: (i) United Kingdom/Ireland, (ii) Germany/Switzerland/Austria, (iii) France/Benelux, (iv) Scandinavia/Baltics, (v) Iberia/Italy, (vi) or Other. The Fitch VECTOR Model User Defined Region of a Portfolio Asset is United Kingdom/Ireland if the largest portion of the Underlying Loan(s) securing such Portfolio Asset finances Underlying Properties is located in United Kingdom or Ireland. The Fitch VECTOR Model User Defined Region of a Portfolio Asset is Germany/Switzerland/Austria if the largest portion of the Underlying Loan(s) securing such Portfolio Asset finances Underlying Properties is located in Germany, Switzerland or Austria. The Fitch VECTOR Model User Defined Region of a Portfolio Asset is France/Benelux if the largest portion of the Underlying Loan(s) securing such Portfolio Asset finances Underlying Properties is located in France or Benelux. The Fitch VECTOR Model User Defined Region of a Portfolio Asset is Scandinavia/Baltics if the largest portion of the Underlying Loan(s) securing such Portfolio Asset finances Underlying Properties is located in Denmark, Finland, The Netherlands, Norway, Sweden, Lithuania, Latvia or Estonia. The Fitch VECTOR Model User Defined Region of a Portfolio Asset is Iberia/Italy if the largest portion of the Underlying Loan(s) securing such Portfolio Asset finances Underlying Properties is located in Italy, Spain or Portugal. The Fitch VECTOR Model User Defined Region of a Portfolio Asset is Other if it cannot be categorised as any of the above.

The “**Fitch VECTOR Model User Defined Region Correlation Table**” is set out below.

User Defined Region	Correlation
R1 United Kingdom/Ireland	10 per cent.
R2 Germany/Switzerland/Austria	10 per cent.
R3 France/Benelux	10 per cent.
R4 Scandinavia/Baltics	10 per cent.
R5 Iberia/Italy	10 per cent.
R6 Other	10 per cent.

“**Fitch VECTOR Model User Defined Sector**” is one of (i) Office, (ii) Retail, (iii) Residential, (iv) Hotel, (v) Industrial or (vi) Other. The Fitch VECTOR Model User Defined Sector of a Portfolio Asset is Office if the largest portion of the Underlying Loan(s) securing such Portfolio Asset finances or refinances Underlying Office Properties. The Fitch VECTOR Model User Defined Sector of a Portfolio Asset is Retail if the largest portion of the Underlying Loan(s) securing such Portfolio Asset finances or refinances Underlying Retail Properties. The Fitch VECTOR Model User Defined Sector of a Portfolio Asset is Residential if the largest portion of the Underlying Loan(s) securing such Portfolio Asset finances or refinances Underlying Multifamily Properties. The Fitch VECTOR Model User Defined Sector of a Portfolio Asset is Hotel if the largest portion of the Underlying Loan(s) securing such Portfolio Asset finances or refinances Underlying Hotel Properties. The Fitch VECTOR Model User Defined Sector of a Portfolio Asset is Industrial if the largest portion of the Underlying Loan securing such Portfolio Asset finances or refinances Underlying Industrial Properties. The Fitch VECTOR Model User Defined Sector of a Portfolio Asset is Other if it cannot be categorised as any of the above.

The “**Fitch VECTOR Model User Defined Sector Correlation Table**” is set out below.

User Defined Sector	Correlation
S1 Office	25 per cent.
S2 Retail	25 per cent.
S3 Hotel	25 per cent.
S4 Residential	25 per cent.
S5 Industrial	25 per cent.
S6 Other	15 per cent.

The “**Fitch VECTOR Test Collateral Balance**” means the sum of (i) the Principal Balance of each item of Portfolio Collateral (excluding any Defaulted Portfolio Assets), (ii) the Balance of the Principal Collection Accounts and (iii) the aggregate Fitch Recovery On Default Amount for Defaulted Collateral.

“**Fitch Weighted Average Life**” means the number derived from the Fitch Default VECTOR Model based on the Fitch Expected Maturity Date of each Portfolio Asset in the Portfolio.

“**Proposed Portfolio Loan Diversity Index**” is calculated as follows:

- (a) For each Portfolio Asset in the Fitch Proposed Portfolio calculate the ratio expressed as a percentage (“**Portfolio Weight Ratio**”) equal to (i) the Principal Balance of such Portfolio Asset divided by (ii) the sum of the Aggregate Principal Balance of the Proposed Portfolio and the balance of cash and Eligible Investments in the Principal Collection Accounts and the Unused Proceeds Account. For the purpose of the Portfolio Weight Ratio calculation, all Portfolio Assets that are issued by the same Underlying Obligor shall be treated as one Portfolio Asset with a Principal Balance equal to the sum of the Principal Balances of all such Portfolio Assets.
- (b) For each Portfolio Asset in the Fitch Proposed Portfolio, calculate the square of the Portfolio Weight Ratio.
- (c) Proposed Portfolio Loan Diversity Index equals the product of (i) 10,000 and (ii) the sum of the amounts calculated in (b) above.

“**Tranche Thickness**” of each Portfolio Asset is the ratio expressed as a percentage and calculated at the time such Portfolio Asset is added to the Fitch Proposed Portfolio as follows: (i) the principal balance of that class of notes (added to any class ranking *pari passu*) divided by (ii) the sum of the principal balances of all classes of notes issued as part of the same securitisation.

Note 1: Fitch reserves the right at any time after the Closing Date to (i) override the existing recovery rate assumptions for all Portfolio Assets in the Fitch Proposed Portfolio with tiered asset-specific recovery rates and (ii) refresh any asset-specific recovery rates.

Note 2: For the purpose of running the Fitch Default VECTOR Model, all Portfolio Assets that represent a continuous cross-section of the obligor’s debt capital structure shall be entered into the Fitch Default Vector Model as one Portfolio Asset with a Principal Balance equal to the sum of the Principal Balances of all such Portfolio Assets, with a Fitch rating equal to the lowest of all such Portfolio Assets’ Fitch ratings and with a Tranche Thickness equal to the sum of the Tranche Thicknesses of all such Portfolio Assets (noting that one single denominator will be used to calculate each subsidiary Tranche Thickness, being the sum of the balance of the most junior of the applicable Portfolio Assets and any debt ranking *pari passu* or senior to it in the relevant obligor’s entire debt capital structure).

Note 3: For the purpose of running the Fitch Default VECTOR Model, a Portfolio Asset which is a synthetic security shall be entered into the Fitch Default Vector Model as a Portfolio Asset with a Principal Balance equal to the Principal Balance of such Portfolio Assets, with a maturity equal to the maturity of such synthetic security and with all the other characteristics of the related reference obligation.

(b) *The Fitch Test Matrix*

Subject to the provisions provided below the Collateral Manager (on behalf of the Issuer), will have the option to elect which of the cases set forth in the relevant matrix as set out in the Collateral Administration Agreement (the “**Fitch Test Matrix**”) shall be applicable for purposes of the Fitch Default VECTOR Model Test. For any given case, the applicable row for performing the applicable Rating Loss Adjustment shall be the row in the Weighted Average Spread (“**WAS**”) column corresponding to the Fitch Weighted Average Spread. On the Closing Date, the Collateral Manager (on behalf of the Issuer) will be required to elect which case shall apply initially. Thereafter, on five (5) Business Days’ written notice to the Issuer, the Trustee and the Collateral Administrator, the Collateral Manager (on behalf of the Issuer) may elect to have a different case apply, provided that the Fitch Default VECTOR Model Test applicable to the case to which the Collateral Manager (on behalf of the Issuer) desires to change is satisfied. In no event will the Issuer or the Collateral Manager (on behalf of the Issuer) be obliged to elect to have a different case apply.

“**Fitch Weighted Average Spread**” is determined in the same way as the Weighted Average Spread, provided that for all Available Funds Cap Portfolio Assets the margin over GBPLIBOR or EURIBOR or the excess over the swap rate shall be, as the case may be, the lower of (i) the actual margin over GBPLIBOR or EURIBOR or the actual excess over the swap rate, received or expected to be received, as the case may be, and (ii) 80 per cent. of the spread over GBPLIBOR or EURIBOR or excess over the swap rate payable if no interest shortfall for such Portfolio Assets exists.

(c) *The S&P CDO Monitor Test*

The “**S&P CDO Monitor Test**” in respect of any Class of Notes will be satisfied if, as of any Measurement Date and, if applicable, after giving effect to the purchase or sale of a Portfolio Asset and, if applicable, the purchase of a Substitute Portfolio Asset, the Loss Differential of the Proposed Portfolio is positive. The S&P CDO Monitor Test for any Class of Notes will be considered to be “improved” if the Loss Differential of the Proposed Portfolio for such Class is greater than the Loss Differential of the Current Portfolio for such Class. The S&P CDO Monitor Test shall not apply until the receipt by the Collateral Manager and the Collateral Administrator of the S&P CDO Monitor.

The “**Loss Differential**” in respect of any Class of Notes at any time is the rate calculated by subtracting the Scenario Loss Rate in respect of such Class from the Break-even Loss Rate for such Class at such time.

The “**Scenario Loss Rate**” in respect of any Class of Notes at any time is an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with a rating in respect of the relevant Class which is equal to the Initial Rating applicable thereto as determined by application of the S&P CDO Monitor at such time.

The “**Break-even Loss Rate**” in respect of any Class of Notes at any time is the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain, as determined by S&P through application of the S&P CDO Monitor, which, after giving effect to S&P’s assumptions on recoveries and timing and to the Priorities of Payment, will result in sufficient funds remaining for the payment in full of the Notes of the relevant Class.

The “**Current Portfolio**” means the portfolio of Portfolio Assets existing prior to the sale, maturity or other disposition of a Portfolio Asset or a proposed reinvestment of Principal Proceeds in a Substitute Portfolio Asset, as the case may be.

The “**Proposed Portfolio**” means the portfolio of Portfolio Assets resulting from the sale, maturity or other disposition of a Portfolio Asset or a proposed reinvestment of Principal Proceeds in a Substitute Portfolio Asset, as the case may be.

The “**S&P CDO Monitor**” is the dynamic, analytical computer model developed by S&P and used to estimate default risk of Portfolio Assets which is provided to the Collateral Manager and the Collateral Administrator, together with all assumptions and instructions necessary to run such model, on or before the Closing Date, as it may be modified by S&P from time to time. The S&P CDO Monitor calculates the cumulative default rate of a pool of Portfolio Assets consistent with a specified benchmark rating level based upon S&P’s proprietary corporate debt default studies. In calculating the Scenario Loss Rate applicable to any Class of Notes, the S&P CDO Monitor considers each obligor’s most senior unsecured debt rating, the number of obligors in the Portfolio, the obligor and industry concentrations in the Portfolio and the remaining weighted average maturity of the Portfolio Assets and calculates a cumulative default rate based on the statistical probability of distributions or defaults on the Portfolio Assets.

(d) *The S&P Minimum Weighted Average Recovery Rate Test*

The “**S&P Minimum Weighted Average Recovery Rate Test**” will be satisfied if as at any Measurement Date the S&P Weighted Average Recovery Rate is equal to, or greater than, the applicable recovery rate set forth with respect to each Class of Rated Notes in the following table:

<u>Class</u>	<u>Recovery Rate</u>
X	29 per cent.
A-1	29 per cent.
A-2	29 per cent.
B	34 per cent.
C	39 per cent.
D	44 per cent.
E	49 per cent.
F	49 per cent.

The “**S&P Weighted Average Recovery Rate**” means, at any Measurement Date, the number (expressed as a percentage) obtained by dividing (i) the sum of the products obtained by multiplying (a) S&P’s Recovery Rate for each Portfolio Asset (excluding any Defaulted Portfolio Assets) (as a percentage), by (b) the Principal Balance for each Portfolio Asset (excluding any Defaulted Portfolio Assets) by (ii) the sum of the Principal Balances for each Portfolio Asset (excluding any Defaulted Portfolio Assets) as at such Measurement Date.

“**S&P Recovery Rate**” means, for any Portfolio Asset, the recovery rate assigned thereto in the S&P Recovery Rate Table.

The “S&P Recovery Rate Table” is set out below.

Recovery Rates for Structured Finance Assets in Repacks of ABS and CBOs *

This is not to be used for ABS assets in conventional CBOs

Asset Class	Liability rating = > (per cent.)**						
Senior	AAA	AA	A	BBB	BB	B	CCC
AAA	80.00	85.00	90.00	90.00	90.00	90.00	90.00
AA	70.00	75.00	85.00	90.00	90.00	90.00	90.00
A	60.00	65.00	75.00	85.00	90.00	90.00	90.00
BBB	50.00	55.00	65.00	75.00	85.00	85.00	85.00
Junior	AAA	AA	A	BBB	BB	B	CCC
AAA	65.00	70.00	80.00	85.00	85.00	85.00	85.00
AA	55.00	65.00	75.00	80.00	80.00	80.00	80.00
A	40.00	45.00	55.00	65.00	80.00	80.00	80.00
BBB	30.00	35.00	40.00	45.00	50.00	60.00	70.00
BB	10.00	10.00	10.00	25.00	35.00	40.00	50.00
B	2.50	5.00	5.00	10.00	10.00	20.00	25.00
CCC	0.00	0.00	0.00	0.00	2.50	5.00	5.00

* Excluded from above are: project finance, future flows, synthetics, CDO repacks of ABS or CDOs, guaranteed ABS, distressed debt CDOs, Synthetic CDOs, Emerging Markets CDOs and market value CDOs. For these securities, Standard & Poor's must review the structure before assigning recoveries.

** In the case of Asset Backed Securities wrapped by monoline financial insurance companies, S&P will apply a recovery rate of 50 per cent..

For the purposes of any Currency Hedge Obligation, the S&P Recovery Rates applicable (set out above) will be reduced by a percentage, which will be 10 per cent. if the form of the relevant Currency Hedge Transaction has been approved by S&P, or by a percentage to be confirmed by S&P if the form of the relevant Currency Hedge Transaction has not been approved by S&P.

(e) *The Minimum Weighted Average Spread Test*

The “**Minimum Weighted Average Spread Test**” will be satisfied on any Measurement Date if the Weighted Average Spread of the Portfolio Collateral is equal to or greater than 0.75 per cent.

“**Weighted Average Spread**” means, as at any Measurement Date, an amount (expressed as a percentage) obtained by:

- (i) (A) multiplying the Principal Balance of each floating rate Portfolio Asset indexed to GBPLIBOR or EURIBOR in the Portfolio Collateral as at such date (excluding (x) Portfolio Assets in respect of which an Interest Rate Hedge Transaction has been entered into by the Issuer and (y) any Defaulted Portfolio Asset) by the current per annum rate at which it pays interest in excess of GBPLIBOR or EURIBOR, as applicable;
- (B) multiplying the Principal Balance of each Portfolio Asset in the Portfolio Collateral in respect of which an Interest Rate Hedge Transaction has been entered into by the Issuer as of such date (excluding any Defaulted Portfolio Asset) by the rate set out in the relevant Interest Rate Hedge Transaction which the related Hedge Counterparty pays to the Issuer in excess of GBPLIBOR or EURIBOR, as applicable;
- (ii) summing the amounts determined pursuant to clause (i) for all Portfolio Assets in the Portfolio Collateral (excluding any Defaulted Portfolio Assets) as of such date; and
- (iii) dividing such sum by the Aggregate Principal Balance of all Portfolio Assets in the Portfolio Collateral (excluding any Defaulted Portfolio Assets) as of such date;

provided that:

- (A) in respect of a Non-Currency Hedged Portfolio Asset (other than a Non-Complying Non-Currency Hedged Portfolio Asset), the rate applicable for the purposes of paragraph (i)(A) above shall be 85 per cent. of the spread in excess of GBPLIBOR or EURIBOR, as applicable, and the rate applicable for the purposes of paragraph (i)(B) above shall be 85 per cent. of the rate set out in the relevant Interest Rate Hedge Transaction which the related Hedge Counterparty pays to the Issuer in excess of GBPLIBOR or EURIBOR, as applicable,

and in respect of a Non-Complying Non-Currency Hedged Portfolio Asset, the amounts at paragraphs (i)(A) and (i)(B) above shall be zero;

- (B) in respect of a Currency Hedge Obligation, the amount at paragraph (i)(A) above shall be calculated by reference to the notional amount of the related Currency Hedge Transaction in respect thereof and the spread payable thereon shall be the spread over GBPLIBOR or EURIBOR, as applicable and the amount at paragraph (i)(B) above shall be calculated by reference to the notional amount of the related Currency Hedge Transaction in respect thereof and the spread over the applicable swap rate payable to the Issuer under the related Currency Hedge Transaction.

In respect of each Available Funds Cap Portfolio Asset, the relevant rate at which it or the related Hedge Counterparty pays interest in excess of GBPLIBOR or EURIBOR as applicable shall be the most conservative case possible considering all prepayment scenarios in respect of such Available Funds Cap Portfolio Asset as determined by the Collateral Manager.

(f) *The Weighted Average Life Test*

The “**Weighted Average Life Test**” will be satisfied on any Measurement Date if the Weighted Average Life for all Portfolio Assets as of such Measurement Date is less than the following:

<u>Year from Closing Date</u>	<u>Weighted Average Life</u>
0	8
1	7
2	6
3	5

The “**Weighted Average Life**” as of any Measurement Date is the average (in years) obtained by dividing (i) the sum of the products obtained by multiplying (a) the time to redemption in years of the expected principal redemptions of each Portfolio Asset by (b) the amount redeemed, for each Portfolio Asset, by (ii) the sum of the Principal Balances for each Portfolio Asset, in each case, as at the Measurement Date.

(g) *The Currency Ratio Tests*

The “**Currency Ratio Tests**” will comprise the Sterling Currency Ratio Test and the Euro Currency Ratio Test.

The “**Sterling Currency Ratio Test**” will be satisfied if the Sterling Currency Ratio is greater than or equal to 100 per cent.

The “**Euro Currency Ratio Test**” will be satisfied if the Euro Currency Ratio is greater than or equal to 100 per cent.

The “**Sterling Currency Ratio**” as of any Measurement Date (expressed as a percentage, rounded up to the nearest integer) is obtained by dividing (i) the sum of (a) the aggregate Principal Balance of all Sterling denominated Portfolio Assets and Eligible Investments (excluding any Currency Hedge Obligations) and (b) the Sterling notional principal of all Currency Hedge Transactions; by (ii) the Sterling denominated Principal Amount Outstanding of all Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes (including the amount of any GBP Funding in respect of the Class A-1 Notes).

The “**Euro Currency Ratio**” as of any Measurement Date (expressed as a percentage, rounded up to the nearest integer) is obtained by dividing (i) the sum of (a) the aggregate Principal Balance of all Euro denominated Portfolio Assets and Eligible Investments (excluding Currency Hedge Obligations), and (b) the Euro notional principal of all Currency Hedge Transactions; by (ii) the amount of any EUR Funding in respect of the Class A-1 Notes.

10. Coverage Tests

The “**Coverage Tests**” comprise the Class A Principal Coverage Test, the Class B Principal Coverage Test, the Class C Principal Coverage Test, the Class D Principal Coverage Test, the Class A Interest Coverage Test and the Class B Interest Coverage Test.

The “**Class A Principal Coverage Test**” will be satisfied, as at any Measurement Date, for so long as any of the Class A Notes remain Outstanding, if the Class A Principal Coverage Ratio is at least equal to 127.18 per cent.

The “**Class B Principal Coverage Test**” will be satisfied, as at any Measurement Date, for so long as any of the Class B Notes remain Outstanding, if the Class B Principal Coverage Ratio is at least equal to 115.63 per cent.

The “**Class C Principal Coverage Test**” will be satisfied, as at any Measurement Date, for so long as any of the Class C Notes remain Outstanding, if the Class C Principal Coverage Ratio is at least equal to 106.28 per cent.

The “**Class D Principal Coverage Test**” will be satisfied, as at any Measurement Date, for so long as any of the Class D Notes remain Outstanding, if the Class D Principal Coverage Ratio is at least equal to 105.41 per cent.

The “**Class A Interest Coverage Test**” will be satisfied, as at any Measurement Date, for so long as any of the Class A Notes remain Outstanding, if the Class A Interest Coverage Ratio is at least equal to 140 per cent.

The “**Class B Interest Coverage Test**” will be satisfied, as at any Measurement Date, for so long as any of the Class B Notes remain Outstanding, if the Class B Interest Coverage Ratio is at least equal to 120 per cent.

11. Currency Hedge Obligations

For the purposes of the Coverage Tests, the Portfolio Profile Tests, the Minimum Weighted Average Spread Test and the S&P CDO Monitor Test, a Currency Hedge Obligation shall be included as a Portfolio Asset having the relevant characteristics of the related Currency Hedge Transaction and not of the related Portfolio Asset, except (i) in relation to the currency of denomination of the Portfolio Asset, the identity of the Underlying Obligor, the rating of the Portfolio Asset, the industry classification in respect of the principal business of the Underlying Obligor, the geographical location in respect of the principal business of the Underlying Obligor and the relevant seniority of the Portfolio Asset, in which circumstances, the Currency Hedge Obligation shall be included as a Portfolio Asset having the relevant characteristics of the related Portfolio Asset and not of the Currency Hedge Transaction and (ii) where the Collateral Manager (acting on behalf of the Issuer) determines otherwise and receives Rating Agency Confirmation in respect of such determination.

For the purposes of the Collateral Quality Tests other than the Minimum Weighted Average Spread Test and the S&P CDO Monitor Test, a Currency Hedge Obligation shall be included as a Portfolio Asset having the relevant characteristics of the related Portfolio Asset and not of the related Currency Hedge Transaction, unless the Issuer, following consultation with the Collateral Manager, determines otherwise and receives Rating Agency Confirmation in respect of such determination.

12. Eligible Investments

Amounts (other than amounts representing collateral posted to a Counterparty Downgrade Collateral Account by any Hedge Counterparty to the extent that such amounts have not been released to the Issuer pursuant to the terms of the relevant Hedge Agreement) standing to the credit of the Accounts may from time to time be invested by the Collateral Administrator (acting on the written instructions of the Collateral Manager) on behalf of the Issuer in Eligible Investments.

13. Definitions

“**Available Funds Cap Portfolio Asset**” means a Portfolio Asset in respect of which if on any relevant interest payment date there are insufficient funds to pay interest in respect of such Portfolio Asset, then in accordance with the terms of the relevant Underlying Instrument, such shortfall shall be extinguished and the Issuer shall have no further claim against the Underlying Obligor of such Portfolio Asset in respect of such shortfall.

“**Credit Improved Portfolio Asset**” means any Portfolio Asset which in the Collateral Manager’s judgement has significantly improved in credit quality since the date on which such Portfolio Asset was purchased; and

- (a) the public credit rating, or confidential credit estimate, of which has been upgraded or put on a watch list for possible upgrade by any internationally recognised investment rating agency;
- (b) which has increased in price to 100.5 per cent. or more, in each case, of the original purchase price thereof; or
- (c) which is so designated by the Collateral Manager,

in each case since the date on which such Portfolio Asset was purchased, *provided, however*, that, unless the holders of the majority of the Principal Amount Outstanding of the Controlling Class have voted to suspend this proviso, if:

- (i) the ratings of any of the Senior Notes have been reduced by at least one sub-category from those in existence at the Closing Date or if the ratings of any of the Senior Notes are withdrawn by any Rating Agency; or
- (ii) the ratings of any of the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes have been reduced by at least two rating sub-categories from those in existence at the Closing Date or are withdrawn by any Rating Agency,

then (c) above shall not apply.

“**Fitch Rating**” means, for any Portfolio Asset:

- (a) if such Portfolio Asset is rated by Fitch, as published in any publicly available news source, such rating;
- (b) if the rating cannot be assigned pursuant to (a) (above) and there is a publicly available rating for such Portfolio Asset by Moody’s or S&P (but not both), the rating that corresponds to Moody’s or S&P rating, as the case may be;
- (c) if the rating cannot be assigned pursuant to (a) or (b) (above) and there is a publicly available rating for such Portfolio Asset by Moody’s and S&P, the rating that corresponds to the lower of the Moody’s or S&P rating; or
- (d) if the rating cannot be assigned pursuant to (a), (b) or (c) (above), the Issuer or the Collateral Manager, on behalf of the Issuer, shall apply to Fitch for a private rating which shall then be the Fitch Rating,

provided that (x) if such Portfolio Asset has been put on rating watch negative or negative credit watch for possible downgrade by any Rating Agency, then the rating used to determine the Fitch Rating above shall be one rating subcategory below such rating by that Rating Agency, and (y) if such Portfolio Asset has been put on rating watch positive or positive credit watch for possible upgrade by any Rating Agency, then the rating used to determine the Fitch Rating above shall be one rating subcategory above such rating by that Rating Agency, and (z) notwithstanding the rating definition described above, Fitch reserves the right to issue a rating estimate for any Portfolio Asset at any time.

“**Initial Rating**” means, in respect of a Class of Rated Notes, the ratings assigned to such Class of Rated Notes by the Rating Agencies on the Closing Date.

“**Interest Only Security**” means any security that does not provide for the payment of principal.

“Predominant Geographic Concentration” means, in relation to a Portfolio Asset, the predominant geographical location of the underlying Properties, as determined by the Collateral Manager in its discretion in accordance with the Collateral Management Agreement, which secure such Portfolio Asset.

“Qualifying Country” means any of Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Liechtenstein, Luxembourg, The Netherlands, Norway, Spain, Sweden, Switzerland and the United Kingdom, in each case, for so long as such country has a foreign currency issuer credit rating of at least “AA-” by S&P and a foreign currency long term debt rating of at least “AA” by Fitch (and such country or countries as may be agreed to from time to time by the Issuer and the Collateral Manager, and in respect of which Rating Agency Confirmation has been obtained).

“S&P Rating” means, with respect to a Portfolio Asset, the rating assigned thereto by S&P (including any non-published rating), provided, however, that:

- (a) if a Portfolio Asset is publicly rated by S&P, the S&P Rating shall be such rating unless the Portfolio Asset has been placed on credit watch for downgrade by S&P, in which case the S&P Rating shall be one notch below the current rating or unless the Portfolio Asset has been placed on credit watch for upgrade by S&P, in which case the S&P Rating shall be one notch above the current rating;
- (b) if a Portfolio Asset is not publicly rated by S&P, but the Collateral Manager has requested that S&P assign a rating to such Portfolio Asset, the S&P Rating shall be the assigned rating;
- (c) if a Portfolio Asset is not rated by S&P, then the S&P Rating of such Portfolio Asset will be as follows:
 - (i) with respect to a Portfolio Asset that is in the reasonable opinion of the Collateral Manager primarily backed by European assets the following notching provisions apply (provided that if the Portfolio Asset is rated by only one rating agency, such Portfolio Asset shall be notched down in accordance with the following table and then further notched down one more S&P rating sub-category):

With respect to any Portfolio Assets which are in the following asset classes and are publicly rated by either Moody’s or Fitch:

Asset Class	Lower of Rating by Moody’s or Fitch “Aaa”/“AAA” to “Baa3”/“BBB-” respectively	Lower of Rating by Moody’s or Fitch below “Baa3”/“BBB-” respectively
CMBS	2	3

provided that:

- (A) with respect to any Portfolio Asset in respect of which the relevant obligor is organised in The Netherlands, the relevant rating of Moody’s and/or Fitch for the purposes of the foregoing shall be the lower of the ratings assigned by such rating agency to such obligor and any insurance company that guarantees payments in respect of such Portfolio Asset;
 - (B) Portfolio Assets may only be notched in accordance with the above provisions to the extent that the underlying assets of the Portfolio Assets that are notched belong to jurisdictions such as Austria, Belgium, Denmark, Finland, France, Germany, Iceland, Ireland, Italy, The Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom; and
 - (C) the total principal amount of Portfolio Assets not rated by S&P, but notched utilising the aforementioned notching provisions will comprise no more than 15 per cent. of the CDO Principal Balance and further; provided that no more than 10 per cent. of the CDO Principal Balance may be rated based on a rating by only one of either Moody’s or Fitch;
- (ii) with respect to any Portfolio Asset where at least 51 per cent. of the outstanding principal amount of the underlying security is domiciled in the US and which is rated by both Moody’s and Fitch the following notching provisions (taken from the lower of the public ratings assigned by Moody’s and Fitch) shall apply:

Asset classes eligible for notching if they are not first loss tranches or combination securities. If the security is rated by two agencies, notch down as shown below based on the lowest rating. If rated only by one agency, then notch down what is shown below plus one more notch.

	Issued prior to 8/1/01 Current rating is:		Issued after 8/1/01 Current rating is:	
	Inv Grade	Non Inv. Grade	Inv. Grade	Non Inv. Grade
Non-RE-REMIC CMBS	-1	-2	-2	-3
CMBS - Conduit.....				
CMBS - Credit Tenant Lease				
CMBS - Large Loan.....				
CMBS - Single Borrower				
CMBS - Single Property				

“**Special Purpose Vehicle Jurisdiction**” means (a) the Cayman Islands, the Bahamas, Bermuda, the Netherlands Antilles or the Channel Islands and (b) any other jurisdiction that (i) is commonly used as the place of organisation of special or limited purpose vehicles that issue Portfolio Assets and (ii) that generally imposes no or nominal tax on the income of special purpose vehicles.

“**Zero-Coupon Security**” means a security that, at the time of determination, does not make periodic payments of interest, provided, however, that a Zero-Coupon Security shall not include a security that is a PIK Security.

THE ISSUER

General

The Issuer was incorporated in Ireland as a public limited company under the name “Sipontum Finance PLC” on 3 November 2004, with registration number 393186 under the Companies Acts 1963-2003. The Issuer resolved to change its name to “White Rock Leveraged Loan Funding PLC” pursuant to a resolution dated 18 December 2005 and further resolved to change its name to “Glastonbury Finance 2007-1 PLC” pursuant to a resolution dated 31 January 2007.

The registered office of the Issuer is at 25-26 Windsor Place, Lower Pembroke Street, Dublin 2. The telephone number of the Issuer is +353 (1) 647 1550. The authorised share capital of the Issuer is EUR 40,000 divided into 40,000 Ordinary Shares of EUR 1 each (“Shares”). The Issuer has issued 40,000 Shares all of which are fully paid. The issued Shares will be held directly or indirectly by Badb Charitable Trust Limited, Eurydice Charitable Trust Limited and Medb Charitable Trust Limited (each a “Share Trustee”, and together, the “Share Trustees”), under the terms of Declarations of Trust on trust for charitable purposes. Each Share Trustee will, *inter alia*, undertake not to exercise its voting rights to wind-up the Issuer unless and until it has received written confirmation from the Directors of the Issuer that the Issuer does not intend to carry on further business.

The Issuer has been established as a special purpose vehicle. The principal activities of the Issuer are the issuance of financial instruments, the acquisition of financial assets and the entering into of other legally binding arrangements.

Directors and Company Secretary

The Directors of the Issuer are as follows:

<u>Name</u>	<u>Other Principal Activities</u>	<u>Business Address</u>
Frank Heffernan	Corporate Administrator	25-26 Windsor Place, Lower Pembroke Street, Dublin 2
Karen McCrave	Corporate Administrator	25-26 Windsor Place, Lower Pembroke Street, Dublin 2

The Company Secretary is Structured Finance Management (Ireland) Limited.

Structured Finance Management (Ireland) Limited of 25-26 Windsor Place, Lower Pembroke Street, Dublin 2 (the “Corporate Services Provider”) is the administrator of the Issuer. Its duties include the provision of certain administrative and related services. The Corporate Services Provider may be removed at any time by 90 days’ notice by the Issuer. The Corporate Services Provider may resign at any time by 90 days’ notice to the Issuer. No removal or resignation of the Corporate Services Provider shall be effective until a replacement Corporate Services Provider has been appointed.

Financial Statements

The Issuer has published its first financial statements in respect of the period ending on 31 December 2005 (extracts from which are set out below). The Issuer will not prepare interim financial statements.

The auditors of the Issuer are KPMG of One Canada Square, London E14 5AG who are chartered accountants and are members of the Institute of Chartered Accountants in Ireland (ICAI) and are qualified to practise as auditors in Ireland.

**Profit and loss account
for the period ended 31st December 2005**

Continuing operations	
2005	
	Notes €
Profit on ordinary activities before taxation	-
Tax on profit on ordinary activities	<u>-</u>
Profit on ordinary activities after taxation	<u>-</u>
Retained profit for the period	<u><u>-</u></u>

There are no recognised gains or losses other than the profit or loss for the above financial period.

The company has not traded for the financial period 3rd November 2004 to 31st December 2005. The company did not earn income nor incur expenditure during this period. Consequently the company made neither a profit or a loss during the financial period to 31st December 2005.

On behalf of the board on 11 May 2006

Brian Brady
Director

Michael Kirby
Director

**Balance sheet
as at 31st December 2005**

2005		
	Notes €	€
Current assets		
Debtors	3	<u>40,000</u>
		<u>40,000</u>
Net current assets		<u>40,000</u>
Net assets		<u>40,000</u>
Capital and reserves		
Called up share capital	4	<u>40,000</u>
Equity shareholders' funds	5	<u><u>40,000</u></u>

On behalf of the board on 11 May 2006

Brian Brady
Director

Michael Kirby
Director

**Cash flow statement
for the period ended 31st December 2005**

	Notes	2005 €
Reconciliation of operating profit to net cash outflow from operating activities		
(Increase) in debtors		<u>(40,000)</u>
Cash flow statement		
Issue of 40,000 €1 ordinary shares		<u>40,000</u>
Increase in cash in the period		<u>-</u>
Reconciliation of net cash flow to movement in net funds		
Increase in cash in the period		<u>-</u>
Net funds at 31st December 2005		<u>-</u>

**Notes to the financial statements
for the period ended 31st December 2005**

1. Accounting Policies

1.1 Accounting convention

The financial statements are prepared in accordance with generally accepted accounting principles under the historical cost convention and comply with the financial reporting standards of the Accounting Standards Board, as promulgated by the Institute of Certified Public Accountants in Ireland.

Profit and loss account

The company has not derived income from any activity during the period of these accounts and any expenses attributable to the company have been met by third parties. No profit or loss has been made and there are therefore no recognised gains or losses.

2. Directors' emoluments

The company has not traded since incorporation. None of the Directors received any fees or other emoluments for the accounting period.

3. Debtors

	2005 €
Called up share capital not paid	<u>40,000</u>

4. Share capital

	2005 €
40,000 Ordinary Shares of €1.00 each	<u>40,000</u>
Allotted and called up	
40,000 Ordinary Shares of €1.00 each	<u>40,000</u>

5. Reconciliation of movements in shareholders' funds

	2005 €
Net proceeds of equity share issue	<u>40,000</u>
Net addition to shareholders' funds	<u>40,000</u>

6. Major Shareholders

The following were the major shareholders in the company:

Name	Shares	per cent.
Medb Charitable Trust Limited	13,332	33.3 per cent.
Eurydice Charitable Trust Limited	13,332	33.3 per cent.
Badb Charitable Trust Limited	13,332	33.3 per cent.

7. Directors and their interests in Shares of the Company

The directors do not hold a beneficial interest in the shares of the company.

8. Approval of financial statements

The financial statements were approved by the Board on 11 May 2006 and signed on its behalf by

Brian Brady	Michael Kirby
Director	Director

THE COLLATERAL MANAGER

The information appearing in this section has been prepared by the Collateral Manager and has not been independently verified by the Issuer or the Joint Lead Managers. Neither the Issuer nor the Joint Lead Managers assume any responsibility for the accuracy, completeness or applicability of such information.

General

The Collateral Manager, Eurohypo Asset Management Limited (“EAM”), was incorporated as a subsidiary of Eurohypo AG (“Eurohypo”) on 18 May 2005 to manage real estate credit linked portfolios via CDOs, funds or other vehicles. EAM is headquartered in London.

EAM has entered into a Service Level Agreement with Eurohypo whereby Eurohypo provides personnel, premises and certain other services to EAM.

EAM is regulated by the Financial Services Authority for the conduct of UK fund management business.

The Directors of EAM are:

- Bernd Knobloch (Chairman, Management Board of Eurohypo and Management Board Member of Commerzbank)
- Neil Lawson-May (Joint CEO of Eurohypo’s Real Estate Investment Banking division (“REIB”))
- Paul Rivlin (Joint CEO of REIB)

Neil Lawson-May and Paul Rivlin have been granted FS27 authorisation by the Financial Services Authority to run an Investment Management Business.

Paul Rivlin, Managing Director, EAM

Mr Rivlin is Joint CEO of REIB, which he has run since 1997. REIB has been responsible for underwriting over €3 billion of subordinated real estate debt in that time. In 2002 REIB was acquired from Deutsche Bank by Eurohypo. In 2004 REIB established a real estate CMBS conduit platform “Opera”. Opera to date has securitised €7.9 billion of loans. Prior to joining Deutsche Bank, he was a Director responsible for advisory at County NatWest until 1988, and from 1988 to 1995 was a Director at Rosehaugh and then the Finance Director of Broadgate Properties, developer of Broadgate. He is qualified as a barrister and an accountant and is CF21 and CF27 qualified.

Neil Lawson-May, Managing Director, EAM

Mr Lawson-May is Joint CEO of REIB, which he has run since 1997. Mr Lawson-May spent 16 years with Morgan Grenfell and Deutsche Bank where he was involved in a variety of businesses including LBO’s, real estate, tax products, advisory and workout advice. He has a degree in Business Studies from the University of Aston and is CF21 and CF27 qualified.

Eurohypo AG

Eurohypo is the largest Commercial Real Estate Bank in Europe with 30 European Real Estate Centres and over 2,400 employees

Eurohypo services cover:

- Senior debt
- Mezzanine, B-Notes and structured finance
- Securitisation and loan syndication
- Advice in relation to M&A, public markets, equity raising and strategic consultancy
- Derivatives

- Asset Management

Eurohypo is represented in 25 countries in major cities including London, New York, Tokyo, Hong Kong, Paris, Frankfurt, Madrid, Amsterdam and Istanbul.

Eurohypo's European Investment Banking function is headquartered in London.

In April 2006, Eurohypo became a member of the Commerzbank group. The combined group is Germany's second largest private sector bank.

Commerzbank Aktiengesellschaft

Commerzbank is a major German private-sector bank. Its products and services for retail and corporate customers extend to all aspects of banking. The bank is also active in specialised fields – partly covered by its subsidiaries – such as mortgage banking and real-estate business, leasing and asset management. Its services are concentrated on managing customers' accounts and handling payments transactions, loans, savings and investments plans, and also on securities transactions. Additional financial services are offered within the framework of the bank's bancassurance strategy of cooperating with leading companies in finance-related sectors, including home loan savings schemes and insurance products. The Commerzbank group's operating activities are bundled into three divisions: Retail Banking and Asset Management, Corporate and Investment Banking and Real Estate, Public Finance and Treasury.

As of December 31, 2006 the Commerzbank group had 35,975 employees worldwide, including part-time employees, apprentices and trainees.

In Germany, Commerzbank maintains a nationwide network of some 800 branches and is represented with outlets of its own in more than 40 countries.

THE COLLATERAL ADMINISTRATOR

Deutsche Bank AG, London Branch shall be appointed as collateral administrator pursuant to the Collateral Administration Agreement and 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 1948 to establish a place of business within Great Britain. On 14 January 1993, Deutsche Bank registered under Schedule 21A to the Companies Act 1985 as having established a branch (Registration No. BR000005) in England and Wales. Deutsche Bank AG, London Branch is an authorised 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.

Deutsche Bank's long-term senior debt has been assigned a rating of AA- (outlook positive) by Standard & Poor's, Aa3 (outlook stable) by Moody's Investors Services and AA- (outlook stable) by Fitch Ratings.

THE COLLATERAL MANAGEMENT AGREEMENT

The collateral management functions described herein will be performed by the Collateral Manager pursuant to authority granted to the Collateral Manager by the Issuer under the Collateral Management Agreement. The Collateral Management Agreement contains procedures whereby the Collateral Manager will act on behalf of the Issuer in relation to the composition and management of the Portfolio. Pursuant to the Collateral Management Agreement the Issuer has delegated authority to the Collateral Manager to carry out certain of its functions in relation to the Portfolio without the requirement for specific approval by the Issuer.

Collateral Management Fee

The Collateral Manager shall, subject to and in accordance with the Priorities of Payment, be paid the Collateral Management Fee in arrear on each Payment Date.

If on any Payment Date there are insufficient funds to pay the Collateral Management Fee in full in accordance with the Priorities of Payment, the amount not so paid shall be deferred and shall be payable on the first succeeding Payment Date on which funds are available therefor. Interest shall accrue on any Collateral Management Fee not paid in full on any Payment Date at a rate per annum equal to the three-month GBPLIBOR most recently determined by the Agent Bank in respect of the Notes. Any interest accrued with respect to unpaid Collateral Management Fee shall be payable on the Payment Date when such unpaid Collateral Management Fee is paid and such payments shall be made in accordance with the Priorities of Payment.

Termination

Termination Without Cause: The Collateral Manager may be removed, subject to the appointment of a successor collateral manager as described below, without cause, upon not less than 90 calendar days' prior written notice (with a copy to the Rating Agencies) by the Issuer or by the Trustee, in either case, with the consent of or acting on the direction of (i)(a) for so long as the Class X Notes and the Class A-1 Notes together constitute the Controlling Class, the holders of at least 75 per cent. in aggregate Principal Amount Outstanding of the Controlling Class and (b) thereafter, the holders of 100 per cent. in aggregate Principal Amount Outstanding of each Class of Notes (other than the Class G Subordinated Notes) and (ii) at least 50.01 per cent. in aggregate Principal Amount Outstanding of the Class G Subordinated Notes; provided that if at such time a Par Loss Event has occurred and is continuing, any Class G Subordinated Notes will be deemed not to be Outstanding for such purposes.

Termination For Cause: The Collateral Manager may be removed, subject to the appointment of a successor collateral manager as described below, for "cause", upon not less than 90 calendar days' prior written notice (with a copy to the Rating Agencies) by (a) the Issuer or (b) the Trustee with the consent of or acting on the direction of (i) for so long as the Class X Notes and the Class A-1 Notes together constitute the Controlling Class, the holders of at least 75 per cent. in aggregate Principal Amount Outstanding of the Controlling Class and (ii) thereafter, the holders of 100 per cent. in aggregate Principal Amount Outstanding of each Class of Notes (voting as separate classes); provided that if at such time a Par Loss Event has occurred and is continuing, any Class G Subordinated Notes will be deemed not to be Outstanding for such purposes.

For the purposes of the Collateral Management Agreement, "cause" means:

- (a) breach by the Collateral Manager of any material provision of the Collateral Management Agreement and failure to cure such breach within 30 calendar days of the Collateral Manager becoming aware of, or receiving notice from the Issuer or the Trustee of, such breach; provided that, if such breach cannot be cured within 30 calendar days, no cause will exist if such breach will not in the reasonable opinion of the Issuer or the Trustee have a material adverse effect on the Noteholders and the Collateral Manager is using all reasonable efforts to effect a cure and a cure can be effected without regard to a time period;
- (b) certain events of bankruptcy or insolvency occur in respect of the Collateral Manager;
- (c) any licences, approvals, authorisations and consents which are necessary for the performance of the Collateral Manager's obligations under the Collateral Management Agreement are not in place and the Collateral Manager has not obtained such licences, approvals, authorisations and consents within 30 calendar days of the same not being in place;

- (d) the occurrence of an Event of Default (other than an event described in Condition 10(a)(vi) (*Illegality*)), save for an Event of Default where the Collateral Manager has within 10 Business Days of the occurrence of such Event of Default satisfied the Trustee (in its sole discretion) that such Event of Default was not caused by any negligence, recklessness or fraud of the Collateral Manager;
- (e) the Collateral Manager has committed an act constituting fraud or criminal activity in the performance of its obligations under the Collateral Management Agreement or any of the other Transaction Documents to which it is a party (and such act has been notified to a public or regulatory authority) or the Collateral Manager or any senior executive of the Collateral Manager has been convicted of a criminal offence materially related to its business of providing investment advisory services;
- (f) the Collateral Manager is negligent in the performance of its obligations under the Collateral Management Agreement and such negligence has a material adverse effect on the Noteholders which is not capable of remedy or, if capable of remedy, is not remedied within 30 calendar days of the Collateral Manager becoming aware of, or receiving notice from the Issuer or the Trustee of, such negligence;
- (g) wilful breach by the Collateral Manager of any provision of the Collateral Management Agreement; and
- (h) the Collateral Manager has failed to change the location from which it provides its services or has failed to arrange for another Eurohypo Group Company (where “**Eurohypo Group Company**” means (a) any company which is a 90 per cent. subsidiary (within the meaning of section 838 of the Income and Corporation Taxes Act 1988) of Eurohypo Asset Management Limited or (b) any company of which Eurohypo Group Company is itself a 90 per cent. subsidiary (within the meaning of section 838 of the Income and Corporation Taxes Act 1988)) which is not resident in the United Kingdom for United Kingdom tax purposes and which is not otherwise within the charge to United Kingdom corporation tax to replace it as Collateral Manager within 90 days of the date that the Collateral Manager first becomes aware of a Collateral Manager UK Tax Event (where “**Collateral Manager UK Tax Event**” means that the Issuer has become subject to a UK corporation tax liability in an amount such that the Class B Interest Coverage Test would not be satisfied if calculated assuming payment by the Issuer of such UK corporation tax liability, and such UK corporation tax liability could be avoided by the Collateral Manager changing the location from which it provides its services or by arranging for another Eurohypo Group Company which is not resident in the United Kingdom for United Kingdom tax purposes and which is not otherwise within the charge to United Kingdom corporation tax to have replaced it as Collateral Manager) provided that such 90 day period shall be extended by a further 90 days if the Collateral Manager has notified the Issuer before the end of the first 90 day period that it expects (i) to have changed the place from which it provides its services under the terms of the Collateral Management Agreement or (ii) to have arranged for another Eurohypo Group Company which is not resident in the United Kingdom for United Kingdom tax purposes and which is not otherwise within the charge to United Kingdom corporation tax to have replaced it as Collateral Manager within 90 days of the end of the first 90 days period.

If any such event described in the foregoing clauses (a) through (h) occurs, the Collateral Manager will give written notice thereof to the Issuer, the Trustee, the Rating Agencies and the Noteholders (with a copy to the Collateral Administrator) promptly, but in any event within 5 Business Days, upon the Collateral Manager’s becoming aware of the occurrence of such event.

Resignation: The Collateral Manager may resign, subject to the appointment of a successor collateral manager as described below, upon 90 calendar days’ prior written notice to the Issuer, the Trustee and the Rating Agencies (and with a copy to the Collateral Administrator).

Upon notice of removal or resignation of the Collateral Manager: In the event that the Collateral Manager has received notice that it will be removed or has given notice of its resignation, until a successor Collateral Manager has been appointed and has accepted such appointment in accordance with the terms specified in the Collateral Management Agreement, purchases and sales of Portfolio Assets shall only be made in relation to the sale of Credit Risk Collateral and Defaulted Collateral.

Notice of Resignation or Removal: The Issuer shall notify the Collateral Administrator, the Trustee, the Custodian, the Account Bank, the Noteholders and the Rating Agencies in the event of any resignation or removal of the Collateral Manager and the appointment of any successor.

Replacement Collateral Manager: Upon the receipt or giving by it of notice of the resignation or removal of the Collateral Manager and while any of the Notes are Outstanding, the Issuer shall use its best efforts to appoint a successor collateral manager within 90 calendar days after the date of receipt or giving by it of the notice of resignation or removal of the Collateral Manager; provided that such successor collateral manager shall be a person who (i) has demonstrated an ability to perform professionally and competently duties similar to those imposed upon the Collateral Manager under the Collateral Management Agreement and has a substantially similar (or higher) level of expertise; (ii) is legally qualified and has the capacity to act as collateral manager under the Collateral Management Agreement, as successor to the Collateral Manager thereunder in the assumption of all the duties, responsibilities and obligations of the Collateral Manager thereunder and under the other Transaction Documents to which the Collateral Manager is a party; and (iii) will perform its duties as collateral manager under the Collateral Management Agreement without causing the Issuer or any holder of the Notes to become subject to tax in any jurisdiction where such successor collateral manager is established or doing business. No resignation or removal of the Collateral Manager shall be effective unless (x) a successor collateral manager has entered into a collateral management agreement on substantially the same terms as the Collateral Management Agreement or on such other terms as the Trustee (in its absolute discretion) may agree or as may be approved by the Noteholders acting by Extraordinary Resolution, (y) the Controlling Class shall have not objected (by the passing of a resolution by the holders of at least 66.66 per cent. in aggregate Principal Amount Outstanding of the Controlling Class) to the proposed appointment of such successor Collateral Manager within 20 Business Days of notice thereto of such proposal and (z) Rating Agency Confirmation has been received by the Trustee who in reliance thereon (and with no further enquiry or investigation) shall approve in writing such successor Collateral Manager; provided that if no successor Collateral Manager has been appointed upon the expiry of 90 calendar days of the date of receipt or giving of such notice of resignation or removal, the Collateral Manager may itself appoint a successor subject to the terms and conditions specified in clauses (x), (y) and (z) above.

Assignment by Collateral Manager

The Collateral Manager may not assign its rights or responsibilities under the Collateral Management Agreement unless it has obtained (i) the prior written consent of the Issuer and the Trustee (such consent not to be unreasonably withheld or delayed), (ii) Rating Agency Confirmation, and (iii) except in the case of an assignment to an Affiliate of the Collateral Manager, the consent in writing by the holders of at least 66.66 per cent. in aggregate Principal Amount Outstanding of the Controlling Class.

Amendment of the Collateral Management Agreement

Any proposal to make any amendments to the Collateral Management Agreement shall be subject to receipt of Rating Agency Confirmation in respect thereto.

Voting of Notes Held by Collateral Manager

In the event that the Collateral Manager, any of its Affiliates or any accounts over which the Collateral Manager or any of its Affiliates has discretionary authority holds any of the Notes, the Collateral Manager or such Affiliate(s) or account(s) shall not be entitled to exercise voting rights in respect of such Notes in relation to the removal of the Collateral Manager, the termination of the Collateral Management Agreement, the appointment of any successor collateral manager, the amendment or the assignment of the Collateral Management Agreement or the determination of the compensation of any successor collateral manager.

THE COLLATERAL ADMINISTRATION AGREEMENT

The collateral administration functions described herein will be performed by the Collateral Administrator pursuant to authority granted to the Collateral Administrator by the Issuer under the Collateral Administration Agreement. Under the terms of the Collateral Administration Agreement, the Collateral Administrator will on behalf of the Issuer, *inter alia*:

1. instruct the Account Bank or the Custodian (as the case may be) to operate the Accounts within the parameters set out in the Collateral Administration Agreement;
2. instruct the Account Bank to apply moneys in accordance with the Pre-Enforcement Priorities of Payment;
3. calculate and determine the results of the Coverage Tests, the Portfolio Profile Tests, the Collateral Quality Tests, the Currency Ratio Tests and/or the Class A-1 Commitment Test and notify the Collateral Manager as to the results of such calculations and determinations so that the Collateral Manager can assess the compliance of the Portfolio therewith; and
4. prepare the Note Valuation Reports.

Fees

The Collateral Administrator shall, subject to and in accordance with the Priorities of Payment, be paid a fee in arrear on each Payment Date in accordance with the Priorities of Payment as part of the Fees and Expenses. Any fee not paid on the Payment Date on which it is due will be deferred and will be payable on such later Payment Date on which any funds are available therefor in accordance with the Priorities of Payment.

Operation of Accounts

The Collateral Administrator is given authority on behalf of the Issuer to instruct the Account Bank to operate the Accounts on the terms and in the manner set out in the Agency Agreement and the Collateral Administration Agreement. The Collateral Administrator will, subject to the detailed provisions of the Collateral Administration Agreement, instruct the Account Bank to ensure that all payments received by the Issuer under the Portfolio Collateral or any other assets are duly credited to the correct Account and all amounts payable by the Issuer on each Payment Date to the extent funds are available, are so paid in accordance with the Priorities of Payment from the amounts standing to the credit of the Payment Accounts.

Calculation of Coverage Tests, Portfolio Profile Tests, Collateral Quality Tests, Currency Ratio Tests and Class A-1 Commitment Test; Preparation of Reports

On each Measurement Date and the Business Day following each day on which the Collateral Administrator receives a duly completed request from the Collateral Manager, the Collateral Administrator will measure and calculate the Coverage Tests, the Portfolio Profile Tests, the Collateral Quality Tests, the Currency Ratio Tests and/or the Class A-1 Commitment Test and notify the Collateral Manager as to the results of such calculations so that the Collateral Manager may assess the compliance of the Portfolio therewith. The Collateral Administrator, on behalf of the Issuer, shall also prepare the Note Valuation Reports which are required to be sent to, among others, the various Secured Parties and the Rating Agencies as set out in the Collateral Administration Agreement.

Termination and Resignation

Termination Without Cause: The Collateral Administrator may be removed, subject to the appointment of a successor collateral administrator as described below, without cause, upon 60 calendar days' prior written notice by the Issuer (with the prior written approval of the Trustee), either subject to the consent of or acting upon the direction of the holders of at least 66.66 per cent. in aggregate Principal Amount Outstanding of each Class of Notes (in each case excluding any Notes held by the Collateral Administrator or any of its Affiliates).

Termination For Cause: The Collateral Administrator may be removed, subject to the appointment of a successor collateral administrator as described below, for cause, upon 10 calendar days' prior written notice by the Issuer.

For the purposes of the Collateral Administration Agreement, “**cause**” means:

- (a) wilful breach by the Collateral Administrator of any provision of the Collateral Administration Agreement;
- (b) breach by the Collateral Administrator of any material provision of the Collateral Administration Agreement and failure to cure such breach within 30 calendar days of becoming aware of, or receiving notice from the Issuer or the Trustee of, such breach;
- (c) certain events of bankruptcy or insolvency in respect of the Collateral Administrator;
- (d) any licences, approvals, authorisations and consents which are necessary for the performance of the Collateral Administrator’s obligations under the Collateral Administration Agreement are not in place and the Collateral Administrator has not obtained such licences, approvals, authorisations and consents within 30 calendar days of the same not being in place;
- (e) the Collateral Administrator is negligent in the performance of its obligations under the Collateral Administration Agreement; or
- (f) the Collateral Administrator has committed an act constituting fraud in the performance of its obligations under the Collateral Administration Agreement, or the Collateral Administrator being indicted for a criminal offence materially related to its primary business.

Resignation: The Collateral Administrator may, subject to the appointment of a successor collateral administrator as described below, resign upon 60 calendar days’ prior written notice to the Issuer, the Trustee and the Collateral Manager.

Notice of Resignation or Removal: The Issuer shall notify the Trustee, the Noteholders, the Account Bank, the Custodian, the Collateral Manager and each Rating Agency in the event of any resignation or removal of the Collateral Administrator and the appointment of any successor.

Replacement Collateral Administrator: No resignation or removal of the Collateral Administrator shall be effective until (a) a successor Collateral Administrator shall have been appointed by the Issuer and (b) such successor Collateral Administrator shall have agreed in writing to be bound by an agreement in substantially the same form as the Collateral Administration Agreement in the same manner as the Collateral Administrator is bound thereunder. Upon any resignation or removal of the Collateral Administrator while any of the Notes are Outstanding, the Issuer shall, subject to approval of the Trustee and receipt of Rating Agency Confirmation, appoint an institution as replacement collateral administrator (provided that, the holders of each Class of Notes acting by Extraordinary Resolution, voting independently, do not duly vote against the appointment of such institution within 30 days of notice of such appointment) which (a) has demonstrated an ability professionally and competently to perform duties similar to those imposed upon the Collateral Administrator and (b) is legally qualified and has the capacity to act as Collateral Administrator. If a successor Collateral Administrator does not take office within 60 days after notice is given of the resignation or termination of the appointment of the Collateral Administrator, the retiring Collateral Administrator, the Issuer, the Collateral Manager or the holders of a majority of the Principal Amount Outstanding of the Controlling Class of Notes may petition a court of competent jurisdiction for the appointment of a successor Collateral Administrator. Except in the case of a court appointment, the appointment of any successor Collateral Administrator shall be effective only after receipt by the Issuer of Rating Agency Confirmation with respect to the proposed appointment.

Assignment and Delegation by Collateral Administrator

The Collateral Administrator may not assign or transfer its rights under the Collateral Administration Agreement unless such assignment is previously consented to in writing by the Issuer, the Collateral Manager and the Trustee and Rating Agency Confirmation has been received in respect of such proposed assignment or transfer.

The Collateral Administrator may exercise any of its rights or powers under the Collateral Administration Agreement or perform any of its duties under the Collateral Administration Agreement either directly or by or through agents or attorneys, provided that the Collateral Administrator shall remain responsible for the performance of all of its duties under the Collateral Administration Agreement and no delegation by it to any agent or attorney shall relieve it from any liability thereunder and provided, further, that every agent or attorney appointed by the Collateral Administrator shall be under the same standard of care in the performance of such delegated duties as the Collateral Administrator is under pursuant to the Collateral Administration Agreement.

THE HEDGING ARRANGEMENTS

The following is a summary of the principal terms of the hedging arrangements that may be entered into by the Issuer and is qualified by reference to the detailed provisions of such agreements.

Interest Rate Hedge Transactions

The Collateral Manager may, on behalf of the Issuer, acquire Portfolio Assets that bear interest at a floating rate that is not indexed to GBPLIBOR or EURIBOR (each such rate, a “**Non-GBPLIBOR/EURIBOR Rate**”); provided that on or before the date of acquisition of each such Portfolio Asset the Collateral Manager on behalf of the Issuer enters into an Interest Rate Hedge Transaction pursuant to which:

- (a) the Issuer pays periodically to an Interest Rate Hedge Counterparty a coupon based on the Non-GBPLIBOR/EURIBOR Rate on the notional amount of such Interest Rate Hedge Transaction and the Interest Rate Hedge Counterparty pays periodically to the Issuer a coupon based on GBPLIBOR or EURIBOR on the notional amount of such Interest Rate Hedge Transaction;
- (b) the initial notional amount of each Interest Rate Hedge Transaction shall be equal to the initial principal amount of the Portfolio Asset to which it relates;
- (c) the notional amount of each Interest Rate Hedge Transaction shall amortise according to the same expected schedule as, and terminate on the expected maturity date of, the Portfolio Asset to which it relates;
- (d) such Interest Rate Hedge Transaction must terminate if the Portfolio Asset to which it relates is sold by or on behalf of the Issuer, is prepaid in full or becomes a Defaulted Portfolio Asset;
- (e) such Interest Rate Hedge Transaction provides that no termination costs will be payable by the Issuer upon the termination of such Interest Rate Hedge Transaction as a result of the sale or prepayment in full of the Portfolio Asset to which it relates;
- (f) amounts payable by the Issuer to an Interest Rate Hedge Counterparty in respect of any Interest Rate Hedge Transaction shall be paid out of the amounts standing to the credit of the relevant Payment Account, subject to and in accordance with the relevant Priorities of Payments, or, other than termination payments due from the Issuer to an Interest Rate Hedge Counterparty, out of amounts standing to the credit of the relevant Interest Collection Account; and
- (g) all amounts received by the Issuer from the Interest Rate Hedge Counterparty in respect of any Interest Rate Hedge Transaction shall be paid into the relevant Interest Collection Account,

provided that an Interest Rate Hedge Transaction may contain terms that differ from those set out above subject to Rating Agency Confirmation. In addition, prior to the Issuer entering into the first Interest Rate Hedge Transaction, the Issuer or the Collateral Manager on its behalf shall obtain Rating Agency Confirmation in respect of the form of confirmation to be used in respect thereof.

FX Options, FX Forwards, Currency Hedge Transactions and Currency Ratios

As of the Closing Date, the Issuer will purchase a portfolio of Portfolio Assets and Eligible Investments denominated in the Available Currencies. On the Closing Date, it is anticipated that the Principal Amount Outstanding of the Notes issued in each Available Currency will be approximately the same as the aggregate Principal Balances of Portfolio Assets and Eligible Investments denominated in such Available Currency.

The Issuer (or the Collateral Manager on its behalf) may acquire Euro-denominated Portfolio Assets with the proceeds of Euro-denominated Fundings subject to the Issuer entering into an FX Option in respect of each such Portfolio Asset. Each FX Option shall have the following terms:

- (a) it shall be a Euro call / GBP put option;
- (b) it shall have a strike price equal to the reference spot rate multiplied by 115 per cent.;
- (c) it shall have a notional amount equal to 25 per cent. of the outstanding Principal Balance of the relevant Portfolio Asset at the time of acquisition thereof;

(d) it shall be American-style and may be exercised at any time during the period from the default of the relevant Portfolio Asset to the date upon which all recoveries or sale proceeds in respect of such Portfolio Asset have been received by the Issuer; and

(e) it shall be capable of being sold upon the sale of the relevant Portfolio Asset,

provided that an FX Option may contain terms that differ from those set out above subject to Rating Agency Confirmation.

Following the Reinvestment Period, the Issuer may enter into FX Forwards subject to Rating Agency Confirmation.

The Issuer may, subject to Rating Agency Confirmation, enter into one or more Currency Hedge Transactions with one or more Currency Hedge Counterparties if a Currency Ratio Test is not satisfied.

The Collateral Manager will use all commercially reasonable efforts to mitigate any currency mismatch by maintaining the balance of assets and liabilities of the Issuer in accordance with the Sterling Currency Ratio Test and the Euro Currency Ratio Test (together, the “**Currency Ratio Tests**”).

In respect of each Measurement Date, the Collateral Administrator shall on behalf of the Issuer determine compliance with the Currency Ratio Tests.

Where the Euro Currency Ratio Test is not satisfied the Issuer or the Collateral Manager on its behalf shall:

- (i) enter into one or more Currency Hedge Transactions;
- (ii) reduce the notional principal amount of one or more existing Currency Hedge Transactions;
- (iii) prior to the Class A-1 Commitment Termination Date, repay a portion of the relevant Class A-1 Funding on the next Payment Date following such Measurement Date (but only if and to the extent that sufficient Principal Proceeds are then available in the relevant Available Currency to make such payments in the same Available Currency in which such Fundings are then outstanding); or
- (iv) redenominate a portion of the relevant Class A-1 Funding on the next Payment Date following such Measurement Date,

such that the Euro Currency Ratio Test is satisfied; provided that neither the Issuer nor the Collateral Manager need take any such action and the Euro Currency Ratio Test does not need to be satisfied for a period of no longer than 180 days if (a) the Currency Ratio Test Conditions are satisfied and (b) the Euro Currency Ratio is greater than or equal to 95 per cent.

Where the Sterling Currency Ratio Test is not satisfied and the Euro Currency Ratio is greater than 101 per cent., the Issuer or the Collateral Manager on its behalf shall:

- (i) enter into one or more Currency Hedge Transactions;
- (ii) reduce the notional principal amount of one or more existing Currency Hedge Transactions;
- (iii) prior to the Class A-1 Commitment Termination Date, repay a portion of the relevant Class A-1 Funding on the next Payment Date following such Measurement Date (but only if and to the extent that sufficient Principal Proceeds are then available in the relevant Available Currency to make such payments in the same Available Currency in which such Fundings are then outstanding); or
- (iv) redenominate a portion of the relevant Class A-1 Funding on the next Payment Date following such Measurement Date,

to the extent that the Euro Currency Ratio will not be less than 100 per cent.; provided that neither the Issuer nor the Collateral Manager need take any such action and the Sterling Currency Ratio Test does not need to be satisfied for a period of no longer than 180 days if the Currency Ratio Test Conditions are satisfied.

The “**Currency Ratio Test Conditions**” will be satisfied if (a) each Portfolio Asset (a “**Non-Currency Hedged Portfolio Asset**”) causing the Euro Currency Ratio or the Sterling Currency Ratio, as the case may be, to be lower than 100 per cent. was acquired in the Primary Market and (b) the Net Outstanding Par Collateral Balance is equal to or more than the Required Portfolio Collateral Amount.

Basis Hedging

The Issuer or the Collateral Manager on its behalf may from time to time enter into one or more Basis Hedge Agreements with Basis Hedge Counterparties and Basis Hedge Transactions pursuant thereto in order to protect itself against interest rate risk arising in respect of the differing basis of accrual of interest on the Notes and the Portfolio Assets. Interest will accrue on the Notes on the basis of periods from (and including) a Payment Date to (but excluding) the following Payment Date whereas interest is likely to accrue on the Portfolio Assets on the basis of different periods.

Under the terms of the Basis Hedge Transactions, the Issuer will pay to the Basis Hedge Counterparties on each Payment Date an amount equal to the excess (if any) of an amount determined by reference to the three-month sterling LIBOR amount payable by the Issuer during the relevant Interest Period (“X”) over an amount determined by reference to the floating rate interest amount (excluding any margin and mandatory costs) payable by the relevant Underlying Obligor during the interest period (“Y”) applicable to the relevant Portfolio Asset and the relevant Basis Hedge Counterparty will pay to the Issuer an amount equal to the excess (if any) of Y over X.

Liquidity Swaps

Sterling Liquidity Swap

On the Closing Date, the Issuer will enter into the Sterling Liquidity Swap with the Initial Liquidity Swap Counterparty pursuant to the terms of the Initial Liquidity Swap Agreement. Pursuant to the terms of the Sterling Liquidity Swap:

- (a) the Initial Liquidity Swap Counterparty shall, on each of the first twelve Interest Determination Dates following the Closing Date, pay to the Issuer an amount, not exceeding £2,000,000, equal to the amount payable in Sterling by the Issuer on the Payment Date following such Interest Determination Date pursuant to paragraphs (A) to (W) inclusive of Condition 3(c)(i) (*Application of Interest Proceeds*) (but excluding any amounts which are payable as a consequence of any breach of the Coverage Tests or an Effective Date Rating Event) to the extent that funds are not available therefor in the relevant Interest Collection Account; and
- (b) the Issuer shall, on the earlier of (i) the first day, following the Payment Date after a payment as described in paragraph (a) above is made, on which there are sufficient funds denominated in Sterling and standing to the credit of the relevant Interest Collection Account to make the payment referred to in this paragraph (b) in full, (ii) the next Interest Determination Date, pay to the Initial Liquidity Swap Counterparty an amount equal to the sum of (i) the amount paid by the Initial Liquidity Swap Counterparty to the Issuer as described in paragraph (a) above and (ii) the aggregate of, for each day during the period from (and including) the Interest Determination Date on which a payment described in paragraph (a) above is made to (but excluding) the date of payment in full by the Issuer of the amount referred to in this paragraph (b), the Sterling Liquidity Notional Amount on such day multiplied by the GBPLIBOR rate in effect on such day, plus 0.10 per cent. per annum; divided by 365; provided that, the Issuer shall not be obliged to make any such payment in respect of any amount paid by the Initial Liquidity Swap Counterparty to the Issuer on the thirteenth Interest Determination Date following the Closing Date as described in paragraph (a) above until the Issuer has sufficient funds standing to the credit of the relevant Interest Collection Account to make the payment referred to in this paragraph (b) together with the amounts payable by the Issuer on the next Payment Date as provided for in paragraphs (A) to (W) (inclusive) of Condition 3(c)(i) (*Application of Interest Proceeds*), in full.

If the Issuer fails to make the payment as described in paragraph (b) above by an Interest Determination Date, the Initial Liquidity Swap Counterparty will not be obliged to make any payment as described in paragraph (a) above on such Interest Determination Date.

“**Sterling Liquidity Notional Amount**” means, on each day of determination during the period from (and including) the Interest Determination Date on which a payment as described in paragraph (a) above is made to (but excluding) the date on which the corresponding payment as described in paragraph (b) above is made, the amount of the payment referred to in paragraph (a) above made by the Initial Liquidity Swap Counterparty to the Issuer as increased for each day in such period prior to (and including) such day of determination by the amount referred to in paragraph (b)(ii) above for each such day.

EUR Liquidity Swap

On the Closing Date, the Issuer will enter into the EUR Liquidity Swap with the Initial Liquidity Swap Counterparty pursuant to the terms of the Initial Liquidity Swap Agreement. Pursuant to the terms of the EUR Liquidity Swap:

- (a) the Initial Liquidity Swap Counterparty shall, on each of the first twelve Interest Determination Dates following the Closing Date, pay to the Issuer an amount, not exceeding EUR 2,000,000, equal to the amount payable in EUR by the Issuer on the Payment Date following such Interest Determination Date pursuant to paragraphs (A) to (W) inclusive of Condition 3(c)(i) (*Application of Interest Proceeds*) (but excluding any amounts which are payable as a consequence of any breach of the Coverage Tests or an Effective Date Rating Event) to the extent that funds are not available therefor in the relevant Interest Collection Account; and
- (b) the Issuer shall, on the earlier of (i) the first day, following the Payment Date after a payment as described in paragraph (a) above is made, on which there are sufficient funds denominated in EUR and standing to the credit of the relevant Interest Collection Account to make the payment referred to in this paragraph (b) in full, (ii) the next Interest Determination Date, pay to the Initial Liquidity Swap Counterparty an amount equal to the sum of (i) the amount paid by the Initial Liquidity Swap Counterparty to the Issuer as described in paragraph (a) above and (ii) the aggregate of, for each day during the period from (and including) the Interest Determination Date on which a payment described in paragraph (a) above is made to (but excluding) the date of payment in full by the Issuer of the amount referred to in this paragraph (b), the EUR Liquidity Notional Amount on such day multiplied by the EURIBOR rate in effect on such day, plus 0.10 per cent. per annum; divided by 360; provided that, the Issuer shall not be obliged to make any such payment in respect of any amount paid by the Initial Liquidity Swap Counterparty to the Issuer on the thirteenth Interest Determination Date following the Closing Date as described in the paragraph (a) above until the Issuer has sufficient funds standing to the credit of the relevant Interest Collection Account to make the payment referred to in this paragraph (b) together with the amounts payable by the Issuer on the next Payment Date as provided for in paragraphs (A) to (W) (inclusive) of Condition 3(c)(i) (*Application of Interest Proceeds*), in full.

If the Issuer fails to make the payment as described in paragraph (b) above by an Interest Determination Date, the Initial Liquidity Swap Counterparty will not be obliged to make any payment as described in paragraph (a) above on such Interest Determination Date.

“**EUR Liquidity Notional Amount**” means, on each day of determination during the period from (and including) the Interest Determination Date on which a payment as described in paragraph (a) above is made to (but excluding) the date on which the corresponding payment as described in paragraph (b) above is made, the amount of the payment referred to in paragraph (a) above made by the Initial Liquidity Swap Counterparty to the Issuer as increased for each day in such period prior to (and including) such day of determination by the amount referred to in paragraph (b)(ii) above for each such day.

Standard Terms of the Initial Hedge Agreements

Each Initial Hedge Agreement entered into by or on behalf of the Issuer contains the following standard provisions.

Gross Up

Under each Initial Hedge Agreement (except for the Initial Currency Hedge Agreement) neither the Issuer nor the applicable Hedge Counterparty will be obliged to gross up any payments thereunder in the event of any withholding or deduction for or on account of tax required to be paid on such payments. Any such event may however result in a “**Tax Event**” which is a “**Termination Event**” for the purposes of the relevant Initial Hedge Agreement. In the event of the occurrence of a Tax Event, each Initial Hedge Agreement includes provision for

the relevant Affected Party (as defined therein) to use all reasonable commercial efforts to transfer its obligations under such Initial Hedge Agreement to an Affiliate (as defined in such Initial Hedge Agreement) (in the case of the Hedge Counterparty) or, in respect of the Initial Liquidity Swap Agreement only, to an entity incorporated in an alternative jurisdiction (in the case of the Issuer), in each case subject to satisfaction of the conditions specified therein.

Pursuant to the Initial Currency Hedge Agreement, the Initial Currency Hedge Counterparty, but not the Issuer, will gross up payments thereunder in the event of any withholding or deduction for or on account of tax required to be paid on its payments thereunder.

Limited Recourse

The obligations of the Issuer under each Initial Hedge Agreement will be limited to the proceeds of enforcement of the Collateral as applied in accordance with the relevant Priorities of Payment. The Issuer will have the benefit of non-petition language similar to the language set out in Condition 4(c) (*Limited Recourse and Non Petition*).

Termination Provisions

Each Initial Hedge Agreement may terminate by its terms, whether or not the Notes have been paid in full prior to such termination, if, *inter alia*, any of the following events occur:

- (a) certain events of bankruptcy, insolvency, receivership or reorganisation of the Issuer or the related Hedge Counterparty;
- (b) failure on the part of the Issuer or the related Hedge Counterparty to make any payment under the applicable Initial Hedge Agreement after taking into account the applicable grace period;
- (c) a change in law making it illegal for either the Issuer or the related Hedge Counterparty to be a party to, or perform its obligations under, the applicable Initial Hedge Agreement.

In addition, each Initial Hedge Agreement shall contain, *inter alia*, the following Additional Termination Events.

- (a) The delivery by the Trustee to the Issuer of a notice declaring all of the Notes immediately due and payable following the occurrence of an event of default under Condition 10 (*Events of Default*).

If Additional Termination Event (a) shall occur, the Issuer shall be the sole Affected Party.

- (b) The redemption in full of the Notes pursuant to the Conditions.

If Additional Termination Event (b) shall occur, the Issuer shall be the sole Affected Party.

- (c) Failure by a Hedge Counterparty to take any action including (i) transferring all its rights and obligations under the relevant Initial Hedge Agreement to another entity which satisfies the applicable Required Rating, (ii) causing any such entity to guarantee or provide indemnity for the obligations of such Hedge Counterparty, (iii) posting adequate collateral or (iv) employing any other strategy acceptable to the Rating Agencies, in accordance with certain "rating downgrade" provisions required by the Rating Agencies.

If Additional Termination Event (c) shall occur the applicable Hedge Counterparty shall be the sole Affected Party.

In the event that any collateral is required to be posted by a Hedge Counterparty pursuant to the arrangements referred to above, the Issuer shall procure that any legal opinions required by the Rating Agencies in respect thereof are obtained and copies delivered to the Rating Agencies.

Rating Agency Confirmation

The Issuer may enter into other Hedge Agreements on terms that differ from the terms set out above subject to agreement with the applicable Hedge Counterparty and the Collateral Manager and subject to receipt of Rating Agency Confirmation in respect thereof.

The Collateral Manager shall on behalf of the Issuer obtain Rating Agency Confirmation in relation to each Replacement Hedge Agreement entered into by the Issuer with a Hedge Counterparty.

The Collateral Manager on behalf of the Issuer may also agree a standard *pro forma* of any Hedge Agreement with the Rating Agencies prior to entering into any hedging arrangements. In those circumstances, hedging arrangements entered into pursuant to such agreed *pro forma* Hedge Agreement will not require further Rating Agency Confirmation unless the terms thereof deviate from the *pro forma*, in which case such deviations will require Rating Agency Confirmation prior to the Issuer entering into such Hedge Agreements.

Governing Law

Each Hedge Agreement will be governed by, and construed in accordance with, the laws of England.

THE CLASS A-1 NOTE PURCHASE AGREEMENT

The Class A-1 Noteholders have agreed to enter into the Class A-1 Note Purchase Agreement for the purpose of funding the purchase of Additional Portfolio Assets or Substitute Portfolio Assets denominated in any of the Available Currencies in accordance with the Transaction Documents.

Closing Date

The obligations of each Class A-1 Noteholder to make any Fundings will not become effective until the date on which the Trust Deed, the Class A-1 Note Purchase Agreement and the Agency Agreement are executed and delivered and the Class A-1 Notes are duly authorised, issued, authenticated and delivered thereunder.

Dual Currency Obligations of the Class A-1 Notes

The Class A-1 Notes are dual-currency obligations of the Issuer pursuant to which the Class A-1 Noteholders will receive interest and principal in the Available Currencies. The amount of interest and principal payable to a Class A-1 Noteholder in either Available Currency will depend on the amount of Funding made available under the Class A-1 Notes in such Available Currency, which amounts may be repaid or redenominated, in whole or in part, as provided in the Class A-1 Note Purchase Agreement.

The funded amounts in each Available Currency are intended broadly to reflect the mix of underlying assets in the Portfolio denominated in such Available Currency (taking into account the Issuer's other liabilities in that Available Currency). Each holder of a Class A-1 Note shall be entitled to a *pro rata* share of the interest and principal payable with respect to the Class A-1 Notes in each Available Currency on each Payment Date.

The amount of Funding of the Class A-1 Notes in each Available Currency on the Closing Date will be allocated on 26 April 2007 (the "**Pricing Date**") as follows: €136,360,000 will be funded in Euro and £96,500,000 will be funded in Sterling.

Funding Requests for Class A-1 Notes

Each Class A-1 Noteholder has agreed that, subject to and in accordance with the terms of the Class A-1 Note Purchase Agreement, prior to the Class A-1 Commitment Termination Date, the Collateral Manager, acting on behalf of the Issuer, may request Fundings (a "**Funding Request**"), repay such Fundings and then reborrow such amounts in each of the Available Currencies from the Class A-1 Noteholders, in each case, on a *pro rata* basis. Each Class A-1 Noteholder will make such Fundings available to the Issuer in an amount not in excess of such Noteholder's Class A-1 Pro Rata Share of the Class A-1 Undrawn Commitment Amount on the terms and subject to the conditions set out in the Class A-1 Note Purchase Agreement. Each Funding Request shall be provided to the Registrar and the Class A-1 Noteholders no later than five Business Days prior to the proposed Funding Date and shall be substantially in the form set out in a Schedule to the Class A-1 Note Purchase Agreement, duly completed, specifying the amount of the Funding required and the other matters referred to therein and signed by the Collateral Manager acting on behalf of the Issuer. All Funding Requests shall be copied to the Collateral Administrator. On the fifth Business Day after receipt of a Funding Request duly completed and delivered in accordance with the provisions of the Class A-1 Note Purchase Agreement, each Class A-1 Noteholder shall pay (or cause to be paid) the amount specified in such Funding Request by wire transfer to the relevant Principal Collection Account in immediately available funds.

Redenomination of Fundings

On any Payment Date, the Issuer may, subject to certain conditions, require that any Fundings (or a portion thereof) outstanding in one Available Currency be redenominated in the other Available Currency at the Spot Rate on such Payment Date. For all purposes, such redenomination will be treated as a repayment of the Funding (or the relevant portion thereof) which is being redenominated and the contemporaneous provision of a new Funding in an equal amount denominated in such other Available Currency.

Conditions Precedent to Funding

The provision of any Funding by a Class A-1 Noteholder or the redenomination of any Funding (or any portion thereof) on any Funding Date or Payment Date, as the case may be, is subject to the receipt by the Class A-1 Noteholders of a duly completed Funding Request or redenomination request (as the case may be) and to the following further conditions being satisfied:

- (a) no Event of Default or Potential Event of Default has occurred which is continuing or would occur as a result of making the Funding or redenomination;
- (b) in the case of a Funding, the Class A-1 Commitment Test would be satisfied following the provision of such Funding;
- (c) in the case of a redenomination, the Class A-1 Commitment Test would be satisfied following such redenomination, or, if not satisfied prior to such redenomination, such test shall be no further from being satisfied following such redenomination;
- (d) in the case of a Funding, the proposed Funding Date is prior to the Class A-1 Commitment Termination Date;
- (e) the Class D Principal Coverage Test is satisfied; and
- (f) the Collateral Manager has confirmed to the Class A-1 Noteholders that, to the best of its knowledge, each Transaction Document is in full force and effect.

In addition, prior to each such Funding, the Collateral Manager is required to provide the Class A-1 Noteholders with confirmation that the relevant Additional Portfolio Assets or Substitute Portfolio Assets proposed to be acquired satisfy the Eligibility Criteria and the Reinvestment Criteria, as the case may be.

Fundings in respect of the Class A-1 Notes may only be requested for an amount equal to the applicable Minimum Denomination and integral multiples of any Authorised Integral Denomination in excess thereof.

Interest Payments and Class A-1 Commitment Fee

The interest falling due on the Class A-1 Notes will be payable on each Payment Date subject to and in accordance with the Conditions (see Condition 6 (*Interest and Commitment Fees*)).

In addition to interest on Funded Amounts, Class A-1 Noteholders will be entitled to receive the Class A-1 Commitment Fee calculated by reference to the Class A-1 Undrawn Commitment Amount (see Condition 6(a)(v) (*Commitment Fees Payable on Class A-1 Notes*)).

Repayment of Fundings

The Issuer may, on any Payment Date on or prior to the Class A-1 Commitment Termination Date, repay a Funding in whole or in part, provided that it has given the Registrar and the Class A-1 Noteholders (with a copy to the Collateral Administrator) not less than five calendar days' notice identifying and stating the amount and Available Currency of the Funding to be repaid and the date of such repayment.

In the event that a Currency Ratio Test is not satisfied on the Determination Date preceding any Payment Date up to (but excluding) the Class A-1 Commitment Termination Date, the Issuer, at the direction of the Collateral Manager acting in accordance with the terms of the Collateral Management Agreement, shall, on the relevant Payment Date, apply Principal Proceeds in repayment of one or more Fundings in respect of the Class A-1 Notes in an amount equal to the amount necessary to cause each of the Currency Ratio Tests to be met if recalculated following such repayment (but only if and to the extent that sufficient Principal Proceeds are then available in the relevant Available Currency to make such payments in the same Available Currency in which such Fundings are then outstanding).

In the event that the Class A-1 Commitment Test is not satisfied on the Determination Date preceding any Payment Date up to (but excluding) the Class A-1 Commitment Termination Date, the Issuer shall on the relevant Payment Date, apply Principal Proceeds in repayment of one or more Fundings in respect of the Class A-1 Notes in an amount equal to the amount necessary to cause the Class A-1 Commitment Test to be met if recalculated following such repayment (but only if and to the extent that sufficient Principal Proceeds are then available in the relevant Available Currency to make such payments in the same Available Currency in which such Fundings are then outstanding).

Any Fundings outstanding on the Class A-1 Commitment Termination Date shall be repaid, in whole or in part, on the earlier of the Maturity Date and a Redemption Date subject to and in accordance with the Conditions.

Required Ratings

If any Class A-1 Noteholder (and, if such Class A-1 Noteholder has a Committed Liquidity Facility Provider, such Committed Liquidity Facility Provider) fails to satisfy the Required Ratings at any time prior to the Class A-1 Commitment Termination Date, then within 30 calendar days after the date on which such Class A-1 Noteholder (or, if such Class A-1 Noteholder has a Committed Liquidity Facility Provider, such Committed Liquidity Facility Provider) first fails to satisfy the Required Ratings, such Class A-1 Noteholder shall: (a) procure that a third party which is an eligible institution which satisfies the Required Ratings provides credit support on such terms such that Rating Agency Confirmation is received in respect thereof; or (b) transfer its Class A-1 Notes and Class A-1 Commitment to a transferee which satisfies the Required Ratings; or (c) enter into such other arrangements subject to Rating Agency Confirmation.

Transfers of Class A-1 Note

Any transfer of a Class A-1 Note in whole or in part will require that (i) the transferee enter into a Class A-1 Note Purchase Agreement, *inter alios*, with the Issuer and the Collateral Manager, and (ii) in respect of any such transfer on or prior to the Class A-1 Commitment Termination Date, the transferee satisfies the applicable Required Ratings.

Governing Law

The Class A-1 Note Purchase Agreement is governed by the laws of England.

THE REPORTS

The Collateral Administrator, on behalf of the Issuer and in consultation with and based on information provided, in part, by the Collateral Manager, shall render a report (the “**Note Valuation Report**”), prepared and determined as of each Determination Date, and delivered to the Collateral Manager, the Issuer, the Trustee, the Principal Paying Agent, the Agent Bank, any Hedge Counterparty, the Joint Lead Managers, any holder of a beneficial interest in any Note (upon written request therefor) and the Rating Agencies not later than the Business Day preceding the related Payment Date. Upon the rendering of each Note Valuation Report, the Collateral Administrator, in the name and at the expense of the Issuer, shall notify the Irish Stock Exchange of the aggregate Principal Amount Outstanding of the Notes of each Class after giving effect to the principal payments, if any, on the next Payment Date. The Note Valuation Report shall contain the following information:

Portfolio

- (a) the Aggregate Principal Balance of the Portfolio Collateral, and with respect to each Portfolio Asset, respectively, the Principal Balance, the annual interest rate, stated maturity, expected average life, issuer and rating (if applicable);
- (b) each payment made or received by or on behalf of the Issuer in relation to each Portfolio Asset;
- (c) the identity of any Portfolio Asset that was sold or disposed of or that was acquired since the date of determination of the last Note Valuation Report;
- (d) the purchase or sale price of each Portfolio Asset acquired and/or sold since the date of determination of the last Note Valuation Report and the identity of the purchasers or sellers thereof, if any, that are Affiliated with the Issuer or the Collateral Manager;
- (e) the identity of each Portfolio Asset which became a Defaulted Portfolio Asset or a Credit Risk Portfolio Asset since the date of determination of the last Note Valuation Report; and
- (f) the purchased accrued interest, premium/discount, sold accrued interest, fees and expenses, principal amounts and interest received by investment type made or received since the date of determination of the last Note Valuation Report;

Accounts

- (a) the nature, source and amount of funds standing to the credit of the Accounts;
- (b) the amount of interest accrued on the Accounts;
- (c) the amount standing to the credit of the Interest Collection Accounts and the Principal Collection Accounts immediately after all payments and deposits to be made on the next Payment Date have been made; and
- (d) the amount standing to the credit of the Expense Reimbursement Account, the Hedge Termination Accounts, the Unused Proceeds Account, the Payment Accounts and any Counterparty Downgrade Collateral Account at the end of the related Payment Period;

Hedge Transactions

- (a) the outstanding notional amount of each Hedge Transaction and any other material information pertaining to such Hedge Transactions, including their maturity dates and strike prices, and the then current Fitch rating and, if applicable, S&P rating in respect of each Hedge Counterparty and whether it satisfies the Required Ratings; and
- (b) the amount scheduled to be received and paid by the Issuer pursuant to each Hedge Transaction on or before the next Payment Date;

Coverage Tests

- (a) the Class A Principal Coverage Ratio, the Class B Principal Coverage Ratio, the Class C Principal Coverage Ratio and the Class D Principal Coverage Ratio and a statement as to whether each of the Class A Principal Coverage Test, the Class B Principal Coverage Test, the Class C Principal Coverage Test and the Class D Principal Coverage Test is satisfied; the Class A Interest Coverage Ratio and the Class B Interest Coverage Ratio and a statement as to whether the Class A Interest Coverage Test and the Class B Interest Coverage Test is satisfied;

Portfolio Profile Tests

- (a) the Aggregate Principal Balance of Portfolio Assets (as a percentage of the CDO Principal Balance) Rated at least “BBB-” or higher by Fitch or “BBB-” or higher by S&P;
- (b) the Aggregate Principal Balance of Portfolio Assets (as a percentage of the CDO Principal Balance) Rated “BB+” or lower by Fitch or “BB+” or lower by S&P;
- (c) the Aggregate Principal Balance of Portfolio Assets (as a percentage of the CDO Principal Balance) not Rated by Fitch and S&P;
- (d) the Aggregate Principal Balance of Portfolio Assets (as a percentage of the CDO Principal Balance) of any single Underlying Obligor and the Fitch Rating and S&P Rating thereof;
- (e) the Aggregate Principal Balance of Portfolio Assets (as a percentage of the CDO Principal Balance) the Predominant Geographic Concentration for which comprises Properties located in Germany;
- (f) the Aggregate Principal Balance of Portfolio Assets (as a percentage of the CDO Principal Balance) the Predominant Geographic Concentration for which comprises Properties located in France;
- (g) the Aggregate Principal Balance of Portfolio Assets (as a percentage of the CDO Principal Balance) the Predominant Geographic Concentration for which comprises Properties located in Sweden, Denmark, Finland or Norway;
- (h) the Aggregate Principal Balance of Portfolio Assets (as a percentage of the CDO Principal Balance) the Predominant Geographic Concentration for which comprises Properties located in Spain;
- (i) the Aggregate Principal Balance of Portfolio Assets (as a percentage of the CDO Principal Balance) the Predominant Geographic Concentration for which comprises Properties located in Qualifying Countries other than those Qualifying Countries listed at paragraphs (e) to (h) above;
- (j) the Aggregate Principal Balance of Portfolio Assets (as a percentage of the CDO Principal Balance) denominated in Euro;
- (k) the Aggregate Principal Balance of Portfolio Assets (as a percentage of the CDO Principal Balance) that are Available Funds Cap Portfolio Assets; and
- (l) the Aggregate Principal Balance of Portfolio Assets (as a percentage of the CDO Principal Balance) with a Stated Maturity later than the Maturity Date;

Collateral Quality Tests

- (a) a statement as to whether the Fitch Default VECTOR Model Test is satisfied;
- (b) a statement as to whether the S&P CDO Monitor Test is satisfied;
- (c) the S&P Weighted Average Recovery Rate and a statement as to whether the S&P Minimum Weighted Average Recovery Rate Test is satisfied;
- (d) the Weighted Average Spread and a statement as to whether the Minimum Weighted Average Spread Test is satisfied;

- (e) the Weighted Average Life and a statement as to whether the Weighted Average Life Test is satisfied; and
- (f) the Sterling Currency Ratio, the EUR Currency Ratio and a statement as to whether the Sterling Currency Ratio Test and the EUR Currency Ratio Test are satisfied;

Notes

- (a) the aggregate Principal Amount Outstanding of the Notes of each Class and such aggregate Principal Amount Outstanding as a percentage of the original aggregate Principal Amount Outstanding of the Notes of such Class at the beginning of the Payment Period, the amount of principal payments to be made on the Notes of each Class on the next Payment Date, and the aggregate Principal Amount Outstanding of the Notes of each Class and such aggregate Principal Amount Outstanding as a percentage of the original aggregate Principal Amount Outstanding of the Notes of such Class after giving effect to the principal payments, if any, on the next Payment Date;
- (b) the interest payable in respect of each Class of Notes on the related Payment Date (in the aggregate and by Class);
- (c) GBPLIBOR or EURIBOR for the related Interest Accrual Period and the Class A-1 GBP Floating Rate of Interest, the Class A-1 EUR Floating Rate of Interest, the Class A-2 Floating Rate of Interest, the Class B Floating Rate of Interest, the Class C Floating Rate of Interest, the Class D Floating Rate of Interest, the Class E Floating Rate of Interest and the Class F Floating Rate of Interest for such Interest Accrual Period;
- (d) a statement as to whether or not any Funded Amounts have been repaid to the Class A-1 Noteholders in order to satisfy the Class A-1 Commitment Test or a Currency Ratio Test and the amount of such payments; and
- (e) the amount payable in respect of the Class G Subordinated Notes on the next Payment Date;

Payments on a Payment Date

- (a) the amounts payable pursuant to Condition 3(c)(i) (*Application of Interest Proceeds*) and Condition 3(c)(ii) (*Application of Principal Proceeds*) on the related Payment Date; and
- (b) the Fees and Expenses and Administrative Expenses payable on the related Payment Date on an itemised basis.

Content of the Reports

Each of the Note Valuation Reports shall state that it is for informational purposes only, that certain information included in the Note Valuation Report is estimated, approximated or projected and that the Note Valuation Report is provided without any representations or warranties as to accuracy or completeness of any estimate, approximation or projection and that none of the Collateral Manager, the Issuer, the Trustee or the Collateral Administrator will have any liability for such estimates, approximations or projections.

Distribution of Reports

The Collateral Administrator shall deliver each Note Valuation Report (and, at its option, any additional reports containing the same information in an alternative format) by email or make each Note Valuation Report available by such other means as the Collateral Administrator may have in place from time to time. The Collateral Administrator shall have the right to change the way Note Valuation Reports are distributed in order to make such distribution more convenient and/or more accessible to the above parties and the Collateral Administrator shall provide timely and adequate notification to all above parties regarding any such changes. In no event will the Collateral Administrator be liable for any loss arising as a result of the dissemination of reports required hereunder.

RATINGS OF THE NOTES

It is a condition to the issuance of the Notes that the Class X Notes be rated “AAA” by Fitch and “AAA” by S&P, that the Class A-1 Notes be rated “AAA” by Fitch and “AAA” by S&P, that the Class A-2 Notes be rated “AAA” by Fitch and “AAA” by S&P, that the Class B Notes be rated at least “AA” by Fitch and at least “AA” by S&P, that the Class C Notes be rated at least “A” by Fitch and at least “A” by S&P, that the Class D Notes be rated at least “BBB” by Fitch and at least “BBB” by S&P, that the Class E Notes be rated at least “BB” by Fitch and at least “BB” by S&P and that the Class F Notes be rated at least “BB-” by Fitch and at least “BB-” by S&P. Such ratings will be obtained on or prior to the Closing Date. A rating has not been and will not be sought for the Class G Subordinated Notes. **A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the applicable Rating Agency.**

The ratings of the Class X Notes, the Class A-1 Notes and the Class A-2 Notes address the timely payment of interest and the ultimate repayment of principal by the Maturity Date. The ratings of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes address the ultimate (rather than timely) payment of interest and ultimate repayment of principal by the Maturity Date.

The ratings assigned to the Rated Notes by the Rating Agencies are based upon their assessment of the probability that the Portfolio Collateral will provide sufficient funds to pay each Class of Rated Notes, based largely upon such Rating Agency’s statistical analysis of historical default rates on debt obligations with various ratings, assumptions on recovery rates, the asset and interest coverage required for the relevant Class of Rated Notes and the diversification requirements that the Portfolio Collateral is required to satisfy.

Fitch Ratings

The ratings assigned to the Notes rated by Fitch are based upon its assessments of the probability that the Portfolio Assets will provide sufficient funds to pay each such Class of Notes based largely upon Fitch statistical analysis of historical default rates on debt obligations with various ratings and the asset and interest coverage required for the relevant Class of Notes.

Fitch analyses the likelihood that each Portfolio Asset will default, based on historical default rates for similar debt obligations, the historical volatility of such default rates (which increases as securities with lower ratings are added to the portfolio) and an additional default assumption to account for future fluctuations in defaults. Fitch then determines the level of credit protection necessary based on a specific percentile of the portfolio default distribution determined by the Fitch VECTOR model which takes into account the correlation between assets in the portfolio based on the level of diversification by region, issuer and industry. The results of a statistical analysis are incorporated into a cash flow model built to mimic the structure of the transaction. In this regard, the results of several default scenarios, in conjunction with various qualitative tests (e.g., analysis of the strength of the portfolio manager), are used to determine the credit enhancement required to support a particular rating.

There can be no assurance that the actual loss on the Portfolio Assets will not exceed those assumed in the application of Fitch models or Fitch recovery rates and the timing of recovery with respect thereto will not differ from those assumed by Fitch in its model. Neither the Issuer nor the Collateral Manager makes any representations as to the expected rate of defaults on the Portfolio or as to the expected timing of any defaults that may occur. The rating of the Notes by Fitch will be established under various assumptions and scenario analysis.

There can be no assurance that actual defaults on the Portfolio Assets will not exceed those assumed by Fitch in its analysis, or that recovery rates with respect thereto (and consequently loss rates) will not differ from those assumed by Fitch.

In addition to these quantitative tests, Fitch ratings take into account qualitative features of a transaction, including the experience of the Collateral Manager, the legal structure and the risks associated with such structure and other factors that Fitch deems relevant.

In addition, a portion of the Portfolio Assets will not be rated by Fitch but will be assigned a rating pursuant to the methodology described herein. See “*The Portfolio*”.

S&P Ratings

S&P will rate the Rated Notes in a manner similar to the manner in which it rates other structured issues. This requires an analysis of the following:

- (a) credit quality of the Portfolio Collateral and Eligible Investments securing the Notes;
- (b) cashflow used to pay liabilities and the priorities of these payments; and
- (c) legal considerations.

S&P's credit rating analysis also includes the application of its dynamic, analytical computer model, as it may be modified by S&P from time to time (the "**S&P CDO Monitor**"), which is used to estimate the default rate that the Portfolio is likely to experience. The S&P CDO Monitor has been provided by S&P to the Collateral Manager. The S&P CDO Monitor calculates the cumulative default rate of a pool of Portfolio Assets and Eligible Investments consistent with a specified benchmark rating level based upon S&P's proprietary corporate debt default studies.

The S&P CDO Monitor recognises and analyses the effects of substituting Portfolio Assets, investments of principal proceeds in Eligible Investments, rating changes on Portfolio Assets and amortisation and payment of Portfolio Assets.

Based on these analyses, S&P determines the necessary level of credit enhancement needed to achieve a desired rating.

S&P's rating of the Rated Notes will be established under the various assumptions and scenario analyses. There can be no assurance that actual defaults on the Portfolio Collateral will not exceed those assumed by S&P in its analysis, or that recovery rates with respect thereto (and, consequently, loss rates) will not differ from those assumed by S&P.

The Issuer will inform the Irish Stock Exchange, so long as the Rated Notes are listed thereon, if any of the ratings assigned to such Rated Notes as of the Closing Date are reduced or withdrawn.

BOOK-ENTRY CLEARANCE PROCEDURES

The information set out below has been obtained from sources that the Issuer believes to be reliable, but prospective investors are advised to make their own enquiries as to such procedures. In particular, such information is subject to any change in or interpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg (together, the “**Clearing Systems**”) currently in effect and investors wishing to use the facilities of any of the Clearing Systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Trustee, the Joint Lead Managers or any Agent (or any Affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act), will have any responsibility for the performance by the Clearing Systems or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described below.

Euroclear and Clearstream, Luxembourg

Custodial and depositary links have been established between Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes (other than the Class A-1 Notes) and cross-market transfers of the Notes (other than the Class A-1 Notes) associated with secondary market trading. (See “*Settlement and Transfer of the Notes*” below).

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in Global Notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders (“**Direct Participants**”) or indirectly (“**Indirect Participants**” and together with Direct Participants, “**Participants**”) through organisations which are accountholders therein.

Book-Entry Ownership

Each Global Note will have an ISIN and a Common Code and will be registered in the name of BT Globenet Nominees Ltd, as nominee for Deutsche Bank AG, London Branch, as common depositary on behalf of Euroclear and Clearstream, Luxembourg.

Payments on Global Notes

Payments of any amounts owing in respect of the Global Notes will be made by the Issuer in Sterling to the Principal Paying Agent. The Principal Paying Agent will, in turn, make such payments to the common depositary for Euroclear or Clearstream, Luxembourg (or its nominee) which will distribute such payments to Participants in accordance with their procedures.

Under the terms of the Trust Deed, the Issuer and the Trustee will treat the registered holder of the Global Notes (that is, the common depositary for Euroclear or Clearstream, Luxembourg (or its nominee)) as the owner thereof for the purposes of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee or any agent of the Issuer or the Trustee has or will have any responsibility or liability for:

- (a) any aspect of the records of Euroclear or Clearstream, Luxembourg or any Direct Participant or Indirect Participant relating to or payments made on account of an ownership interest in a Global Note (a “**Book Entry Interest**”) or for maintaining, supervising or reviewing any of the records of Euroclear or Clearstream, Luxembourg or any Direct Participant or Indirect Participant relating to or payments made on account of a Book Entry Interest; or
- (b) Euroclear or Clearstream, Luxembourg or any Direct Participant or Indirect Participant.

Payments by Participants to owners of Book Entry Interests in the Global Notes held through these Participants are the responsibility of such Participants, as is now the case with securities held for the accounts of customers registered in “street name”.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note represented by a Global Note must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes represented by a Global Note, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants’ or accountholders’ accounts in the relevant Clearing System with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown in the records of the relevant Clearing System or its nominee. The Issuer also expects that payments by Direct Participants in any Clearing System to owners of beneficial interests in any Global Note held through such Direct Participants in any Clearing System will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable Clearing System, purchases of Notes held within a Clearing System must be made by or through Direct Participants, which will receive a credit for such Notes on the Clearing System’s records. The ownership interest of each actual purchaser of each such Note (the “**Beneficial Owner**”) will in turn be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from any Clearing System of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in Notes held within the Clearing System will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until, interests in any Global Note held within a Clearing System is exchanged for Definitive Certificates.

No Clearing System has knowledge of the actual Beneficial Owners of the Notes held within such Clearing Systems and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the Clearing Systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear or Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Although Clearstream, Luxembourg and Euroclear have agreed the foregoing procedures in order to facilitate transfers of beneficial interests in Global Notes among participants and accountholders of Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have any responsibility for the performance by Clearstream, Luxembourg or Euroclear or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

TAX CONSIDERATIONS

General

Purchasers of Notes may be required to pay stamp taxes and other charges, in accordance with the laws and practices of the country of purchase, in addition to the issue price of each Note. Potential purchasers should consult their own tax advisers as to the tax consequences of the purchase, ownership, transfer or exercise of any rights in respect of any Note. In particular, no representation is made as to the manner in which payments under the Notes would be characterised by any relevant taxing authority.

United Kingdom

The following, which applies only to persons who are the beneficial owners of the Notes, is a summary of the Issuer's understanding of current United Kingdom tax law and HM Revenue & Customs practice as at the date of this Prospectus relating to certain aspects of the United Kingdom taxation of the Notes. It is not a comprehensive analysis of the tax consequences arising in respect of Notes and so should be treated with appropriate caution. Some aspects do not apply to certain classes of taxpayer (such as dealers). Prospective Noteholders who are in any doubt about their tax position or who may be subject to a tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and, if so, under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

Taxation of Interest Paid

If interest payable under the Notes is not treated as having a United Kingdom source for United Kingdom tax purposes, the interest may be paid without withholding or deduction for or on account of United Kingdom tax.

If interest payable under the Notes is treated as having a United Kingdom source, the position set out in the following paragraphs below will apply.

The Notes issued by the Issuer will constitute “**quoted Eurobonds**” provided they are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007. The Irish Stock Exchange is currently a recognised stock exchange for these purposes. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding a deduction for or on account of United Kingdom income tax even where the interest is treated as having a United Kingdom source.

In all cases falling outside the exemption described above, interest on the Notes may, where the interest is treated as having a United Kingdom source, be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent.) subject to such relief as may be available, for example under the provisions of any applicable double taxation treaty.

The references to “**interest**” and “**principal**” in this summary of the United Kingdom withholding tax position mean “interest” and “principal” as understood in United Kingdom revenue law. The statements in this summary do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

Provision of Information

Noteholders who are individuals should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a “**paying agent**”), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a “**collecting agent**”), then the

Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HMRC details of the payment and certain details relating to the Noteholder (including the Noteholder's name and address). These provisions will apply (a) whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax, (b) whether or not the interest is treated as having a United Kingdom source and (c) whether or not the Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Noteholder is not so resident, the details provided to HMRC may, in certain cases, be passed by HMRC to the tax authorities of the jurisdiction in which the Noteholder is resident for taxation purposes. The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of the Notes where the amount payable on redemption is greater than the issue price of the Notes.

Ireland

The following is a summary of certain Irish tax consequences of the purchase, ownership and disposition of the Notes. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes. The summary relates only to the position of persons who are the absolute beneficial owners of the Notes and may not apply to certain other classes of persons such as dealers in securities.

The summary is based upon Irish tax laws and the practice of the Irish Revenue Commissioners as in effect on the date of this Prospectus, which are subject to prospective or retroactive change. Prospective investors in the Notes should consult their own advisors as to the Irish or other tax consequences of the purchase, beneficial ownership and disposition of the Notes including, in particular, the effect of any state or local tax laws.

Income Tax

In general, persons who are resident in Ireland are liable to Irish taxation on their world-wide income whereas persons who are not resident in Ireland are only liable to Irish taxation on their Irish source income. All persons are under a statutory obligation to account for Irish tax on a self-assessment basis and there is no requirement for the Irish Revenue Commissioners to issue or raise an assessment.

A Note issued by the Issuer may be regarded as property situate in Ireland (and hence Irish source income) on the grounds that a debt is deemed to be situate where the debtor resides. However, the interest earned on such Notes is exempt from income tax if paid to a person who for the purposes of Section 198 of the Taxes Consolidation Act 1997 ("TCA 1997") is regarded as being a resident of a relevant territory. A relevant territory for this purpose is a Member State of the European Communities (other than Ireland) or not being such a Member State a territory with which Ireland has entered into a double tax treaty. A list of the countries with which Ireland has entered into a double tax treaty is available on www.revenue.ie.

If the above exemption does not apply it is understood that there is a long standing unpublished practice whereby no action will be taken to pursue any liability to such Irish tax in respect of persons who are regarded as not being resident in Ireland except where such persons:

- (a) are chargeable in the name of a person (including a trustee) or in the name of an agent or branch in Ireland having the management or control of the interest; or
- (b) seek to claim relief and/or repayment of tax deducted at source in respect of taxed income from Irish sources; or
- (c) are chargeable to Irish corporation tax on the income of an Irish branch or agency or to income tax on the profits of a trade carried on in Ireland to which the interest is attributable.

There can be no assurance that this practice will continue to apply.

Withholding Taxes

In general, withholding tax at the rate of 20 per cent. must be deducted from interest payments made by an Irish company. However, Section 246 TCA 1997 ("**Section 246**") provides that this general obligation to withhold tax does not apply in respect of, *inter alia*, interest payments made by the Issuer to a person, who by virtue of the law of the relevant territory, is resident for the purposes of tax in a relevant territory (see above for

details). This exemption does not apply if the interest is paid to a company in connection with a trade or business which is carried on in Ireland by the company through a branch or agency.

Apart from Section 246, Section 64 TCA 1997 (“**Section 64**”) provides for the payment of interest on a “Quoted Eurobond” without deduction of tax in certain circumstances. A Quoted Eurobond is defined in Section 64 as a security which:

- (a) is issued by a company;
- (b) is quoted on a recognised stock exchange (this term is not defined but is understood to mean an exchange which is recognised in the country in which it is established); and
- (c) carries a right to interest.

There is no obligation to withhold tax on Quoted Eurobonds where:

- (a) the person by or through whom the payment is made is not in Ireland, or
- (b) the payment is made by or through a person in Ireland, and
 - (i) the Quoted Eurobond is held in a recognised clearing system (Euroclear, Clearstream, Frankfurt and Clearstream, Luxembourg have been designated as recognised clearing systems); or
 - (ii) the person who is the beneficial owner of the Quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made an appropriate written declaration to this effect.

In certain circumstances, Irish encashment tax may be required to be withheld at the standard rate (currently 20 per cent) from interest on any Quoted Eurobond, where such interest is collected by a person in Ireland on behalf of any holder of Notes.

Capital Gains Tax

A Noteholder will not be subject to Irish taxes on capital gains provided that such Noteholder is neither resident nor ordinarily resident in Ireland and such Noteholder does not have an enterprise, or an interest in an enterprise, which carries on business in Ireland through a branch or agency or a permanent representative to which or to whom the Notes are attributable.

Capital Acquisitions Tax

If the Notes are comprised in a gift or inheritance taken from an Irish domiciled, resident or ordinarily resident disponent or if the donee/successor is resident or ordinarily resident in Ireland, or if any of the Notes are regarded as property situate in Ireland, the donee/successor may be liable to Irish capital acquisitions tax. As a result, a donee/successor may be liable to Irish capital acquisitions tax, even though neither the disponent nor the donee/successor may be domiciled, resident or ordinarily resident in Ireland at the relevant time.

Stamp duty

For as long as the Issuer is a qualifying company within the meaning of Section 110 TCA 1997, no Irish stamp duty will be payable on either the issue or transfer of the Notes, provided that the money raised by the issue of the Notes is used in the course of the Issuer’s business.

Germany

The following information relating to German taxation is a general description of certain German tax considerations relating to the Notes and is not intended as tax advice and does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser of the Notes. It is based upon German tax laws (including tax treaties) in effect and applied as of the date hereof, which are subject to change, potentially with retroactive effect. It should be read in conjunction with the section entitled “Risk Factors—German Taxation of Noteholders”.

Prospective purchasers of the Notes are advised to consult their own tax advisers as to the tax consequences, under German tax laws and the tax laws of the country of which they are residents, of purchasing, holding and disposing of the Notes and receiving payments under the Notes.

German Investment Tax Act - General

There is currently legal uncertainty in the Federal Republic of Germany as to whether the Investment Tax Act would apply to certain classes of collateralised debt obligation notes and similar instruments. In particular, although the German Federal Ministry of Finance issued the Decree, which should largely exclude collateralised debt obligation notes and similar instruments from the scope of the German Investment Tax Act provided that the tests set out in the Decree are met, there is a risk as to the interpretation of such tests. Such tax risk particularly applies with respect to the Class E Notes, the Class F Notes and the Class G Subordinated Notes. With respect to the Notes which are rated by the Rating Agencies at an investment grade, however, there should only exist a remote risk that the German tax authorities take a different view regarding the application of the Investment Tax Act.

Noteholders Subject to the Investment Tax Act

If the Investment Tax Act would apply to any Class of Notes, this could have an adverse impact on the tax position of the relevant Noteholders if:

- (a) such Noteholder is resident in Germany for German tax purposes; or
- (b) such Noteholder is not resident in Germany for German tax purposes but holds such Notes through a permanent establishment (or a permanent representative) in Germany; or
- (c) such a Noteholder, either resident or non-resident in Germany for German tax purposes (other than a foreign credit institution or a foreign financial services institution) physically presents such Notes at the office of a “**German Disbursing Agent**”, being a German credit institution or a German financial services institution each as defined in the German Banking Act (*Kreditwesengesetz*), including a German branch of a non-German credit institution or a non-German financial services institution, but excluding a non-German branch of a German credit institution or a German financial services institution (an “over-the-counter-transaction” (*Tafelgeschäft*)),

(all such Noteholders falling within categories (a), (b) and (c) above and holding Notes to which the Investment Tax Act is applicable, together, the “**Noteholders Subject to the Investment Tax Act**”).

Such adverse impact on the tax position of such investors would, however, be mitigated if the Issuer complies with the Investment Tax Act Reporting Requirements. **The Issuer has made no arrangements to comply with the Investment Tax Act Reporting Requirements.** Consequently, any Noteholders Subject to the Investment Tax Act holding such Notes will be subject to adverse lump-sum taxation provisions of section 6 of the Investment Tax Act. In this case, the higher of (i) distributions on such Notes, the interim profit (*Zwischengewinn*) and 70 per cent. of the annual increase in the market price of such Notes and (ii) 6 per cent. of the market price at the end of every calendar year (“**Assumed Profits**”) would be taxed.

Any gains realised upon a sale or partial or final redemption of Notes (including accrued interest) over their current book value or otherwise realised (“**Capital Gains**”) on the sale or partial or final redemption of the Notes are subject to income tax or corporate income tax and, as the case may be, trade tax in Germany, in case of a Noteholder Subject to the Investment Tax Act holding the Notes as a private investment provided the Notes have been held for a period of one year or less.

If the Investment Tax Act applies, Noteholders will also be subject to tax in Germany on the interim profit (*Zwischengewinn*) upon sale or redemption of the Notes. The interim profit represents, for example, interest accrued or received by an investment fund (within the meaning of the Investment Tax Act) but not yet distributed or attributed to the investors in the fund. **The Issuer will not calculate and publish the interim profits.** As a consequence, investors holding the Notes subject to the Investment Tax Act will upon redemption or sale of the Notes be subject to a special lump sum taxation, i.e. 6 per cent. p.a. of the consideration for the redemption or disposal of the Notes will be treated as taxable deemed interim profits.

Where Notes to which the Investment Tax Act would apply are kept in a custodial account maintained with a German Disbursing Agent, such German Disbursing Agent would be required to withhold tax at a rate of 30 per cent. (plus solidarity charge thereon at a rate of 5.5 per cent.) not only of the gross amount of interest paid, but also on the aggregate amount of income deemed to have accrued to the holder of the Notes which are subject to the Investment Tax Act, i.e. on the Assumed Profits and not yet otherwise subject to taxation. In case of over-the-counter transactions (*Tafelgeschäft*), the withholding tax will be levied on the Assumed Profits at a rate of 35 per cent. (plus 5.5 per cent. solidarity surcharge thereon). This is also applicable with respect to interim profits.

German Investors in Notes not Falling within the Scope of the German Investment Tax Act

Payments of interest on Notes not falling within the scope of the Investment Tax Act are subject to tax in Germany if paid to a Noteholder who:

- (a) is resident in Germany for German tax purposes; or
 - (b) is not resident in Germany for German tax purposes but holds the Notes through a permanent establishment (or a permanent representative) in Germany,
- (each such investor, a “**German Investor**”).

Such interest paid to a German Investor is subject to income tax or corporate income tax (in each case plus solidarity surcharge thereon at a rate of 5.5 per cent.) and, if the Notes are held as a business asset, trade tax.

Such interest paid to a German Investor is subject to withholding tax if:

- (a) the German Investor keeps the Notes in a custodial account with a German Disbursing Agent; or
- (b) if the Notes are physically presented at the office of a German Disbursing Agent (an “over-the-counter-transaction” (*Tafelgeschäft*)).

If such withholding tax is due, such withholding tax will be deducted at a rate of 30 per cent. or, in the case of an over-the-counter-transaction, at a rate of 35 per cent. (in each case plus solidarity surcharge thereon at a rate of 5.5 per cent.). Such withholding tax is credited against the income tax and corporate income tax liability, respectively, of the German Investors or, as the case may be, refunded. Withholding tax on interest is also imposed on interest which has accrued upon the sale, transfer or redemption of the Notes (*Stückzinsen*).

Capital Gains by a German Investor who holds the Notes as business assets are subject to income tax or corporate income tax (plus a solidarity surcharge thereon at a rate of 5.5 per cent.) and, if the Notes form part of the business assets of a permanent establishment maintained in Germany by the German Investor, to trade tax. Tax treaties concluded by Germany generally permit German tax authorities to impose a tax on such Capital Gains in this situation.

In case of German individual Investors who hold Notes as a part of their private assets and to the extent the Notes qualify as financial innovations in the meaning of the German Income Tax Act (*Einkommensteuergesetz*), any Capital Gains realised upon a sale or a partial or final redemption of Notes (including accrued interest) over their acquisition costs or otherwise realised are subject to income tax (plus a solidarity surcharge thereon at a rate of 5.5 per cent.).

To the extent Notes held by German individual Investors as part of their private assets do not qualify as financial innovations, any Capital Gains realised upon a sale or partial or final redemption of the Notes (including accrued interest) or otherwise realised are not subject to German taxes provided the individual investor has held the Notes for a period of more than one year.

Where Capital Gains are taxable in Germany and the German Investor keeps the Notes in a custodial account maintained with a German Disbursing Agent, withholding tax is deducted at a rate of 30 per cent. (plus a solidarity surcharge thereon at a rate of 5.5 per cent.) of the amount by which the proceeds from the sale or redemption of the Notes exceed the purchase price paid by such German Investor. This is the case provided that since acquisition such Notes have been held by the German Disbursing Agent in a custodial account; where the Notes have not been so held, withholding tax is deducted at a rate of 30 per cent. (plus a solidarity surcharge thereon at a rate of 5.5 per cent.) based on 30 per cent. of the proceeds derived from the sale or redemption of the Notes. In the case of over-the-counter transactions, withholding tax will be levied at a rate of 35 per cent.

(plus a solidarity surcharge thereon at a rate of 5.5 per cent.). Withholding tax is credited against the final liability of the German Investor to income tax or corporate income tax.

The Issuer is not required to gross up any payments made to a German Investor or to otherwise compensate or indemnify such German Investor for withholding taxes levied in connection with capital gains or interest payments (including accrued interest).

Foreign investors in Notes not falling within the scope of the German Investment Tax Act

Interest on the Notes not falling within the scope of the Investment Tax Act paid to an investor other than a German Investor is subject to tax in Germany and in certain cases also to German withholding tax if such investor physically presents the coupons at the office of a German Disbursing Agent (an “over-the-counter-transaction” (*Tafelgeschäft*)), unless (i) such investor qualifies as a foreign credit institution or foreign financial services institution, or (ii) the Notes are kept in a custodial account with the German Disbursing Agent) (each such investor, a “**Foreign Taxable Investor**”). Interest paid to a Foreign Taxable Investor is subject to withholding tax at a rate of 35 per cent. (plus solidarity charge thereon at a rate of 5.5 per cent.). Such withholding tax is not credited or refunded.

Investors Subject to the German CFC rules

In accordance with the German CFC rules, as set out in the German Foreign Tax Act (*Außensteuergesetz* (the “FTA”)), a non-German entity is classified as a so-called CFC (*Zwischengesellschaft*) (i) if it is organised in a legal form comparable to an entity which, if domiciled in Germany, would be subject to German corporate tax, (ii) if it does not conduct an “active business” within the meaning of Section 8 FTA, and (iii) which is taxed at an effective rate of less than 25 per cent.

The income of such a CFC is taxed at the level of German tax residents if German tax residents in total hold more than, in principle, 50 per cent. of the shares or voting rights in such CFC. However, the German CFC rules even apply if one German tax resident holds less than 1 per cent. of the shares or voting rights in such foreign entity and if such foreign entity exclusively earns income from “capital investments”, i.e. income from investments in receivables, stocks and bonds, shares or similar assets. Since the Notes do not provide for shareholder rights (e.g. voting rights) and are structured as a mere contractual relationship with contingent interest coupons, the Issuer believes that the Notes should not be considered as a shareholding within the meaning of the German CFC rules.

However, it has to be noted that, according to the rules of the FTA, in the absence of a share capital or voting rights, the “profit participation in the assets” of the CFC shall be a decisive criteria for constituting a “controlling interest” of a German tax resident. There exists furthermore a risk that such rule could also be applied by the German tax authorities on the basis of a “substance over form” analysis, if the Issuer’s shares and its effective profit participation is only “marginal” in comparison to the total funding of the Issuer through the Notes or if the voting rights of the Issuer’s shares are of no commercial relevance. Therefore, particularly the Class E Notes, the Class F Notes and the Class G Subordinated Notes could be re-qualified into a “controlling interest” within the meaning of the German CFC rules according to which all income of the Issuer would be taxable at the level of the German Noteholders of Class E Notes, Class F Notes and Class G Subordinated Notes in accordance with its *pro rata* share in the assets of the Issuer. This would lead to the tax consequence that any profit of the Issuer which is not distributed to holders of Class E Notes, Class F Notes and Class G Subordinated Notes, would be taxable as of the end of the fiscal year of the Issuer for such Noteholders; in this context it has to be noted that “profits” within the meaning of the German CFC rules are to be determined by applying German taxation principles and therefore could be different from a mere cash-flow analysis.

German Gift Tax

The gratuitous transfer of Notes by an investor as a gift is subject to German gift tax if the investor or the recipient is resident or deemed to be resident in Germany under German law at the time of the transfer. If neither the investor nor the recipient is resident, or deemed to be resident, in Germany at the time of the transfer no German gift tax is levied unless the Notes form part of the business property of a permanent establishment maintained in Germany by the investor. Tax treaties concluded by Germany generally permit Germany to levy tax on gratuitous transfers.

EU Directive on the Taxation of Savings Income

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from 1 July 2005, a member of non-EU countries, and certain dependent or associated territories of certain Member States including Jersey, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN OF THE TAX IMPLICATIONS OF AN INVESTMENT IN NOTES. PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS PRIOR TO INVESTING TO DETERMINE THE TAX IMPLICATIONS OF SUCH INVESTMENT IN LIGHT OF EACH SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

PURCHASE AND SALE

Each Joint Lead Manager will, pursuant to the Subscription and Placement Agreement, agree with the Issuer, subject to the satisfaction of certain conditions, to (i) subscribe and pay for, or procure subscription and payment for, the Notes (other than the Class X Notes, the Class A-1 Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes) at the issue prices (less underwriting and arrangement fees to be agreed between the Issuer and Joint Lead Managers); (ii) solicit offers on behalf of the Issuer of the Class X Notes, the Class A-1 Notes, the Class E Notes, the Class F Notes and the Class G Subordinated Notes in individually negotiated transactions.

The Issuer will agree to indemnify the Joint Lead Managers against certain liabilities in connection with the issue of the Notes.

United Kingdom

Each of the Joint Lead Managers will represent and agree with the Issuer that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (“FSMA”)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Ireland

Each of the Joint Lead Managers will represent and agree that:

- (a) it has not made and will not make an offer of Notes to the public in Ireland prior to the publication of the Prospectus in relation to the Notes, which has been approved by the Irish Financial Services Regulatory Authority pursuant to the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland, except in circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive;
- (b) it has not and will not offer or sell the Notes other than in compliance with the EU Directive 2003/6/EC on insider dealing and market manipulation, S.I. No. 342 of 2005 Market Abuse (Directive 2003/6/EC) Regulations 2005 and any other applicable Irish implementing legislation and rules; and
- (c) it will not do anything in Ireland in connection with the Notes which would constitute a breach of the provisions of Section 9(1), 23(1), 23(6) or 23(7) of the Irish Investment Intermediaries Act 1995 (as amended).

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States. Each of the Joint Lead Managers will represent and agree that it has not offered or sold, and will not offer or sell the Notes except in accordance with Rule 903 of Regulation S under the Securities Act to “U.S. Persons” (as such term is defined in Regulation S) or to U.S. Residents (for purposes of the Investment Company Act) and, accordingly, that neither it nor any of its affiliates (including any person acting on behalf of it or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Notes.

Austria

The Notes may only be offered in the Republic of Austria in compliance with the provisions of the Austrian Capital Market Act (*Kapitalmarktgesetz*) of 1992, as amended (the “**Austrian Capital Market Act**”) and other laws applicable in the Republic of Austria governing the offer and sale of the Notes in the Republic of Austria. The Notes are not registered or otherwise authorised for public offer either under the Austrian Capital Market Act or the Austrian Investment Funds Act (*Investmentfondsgesetz*) of 1993, as amended (the “**Austrian**”).

Investment Funds Act”). The recipients of this Prospectus and other selling material with respect to the Notes have been individually selected and identified before the offer being made and are targeted exclusively on the basis of a private placement. Accordingly, the Notes may not be, and are not being, offered or advertised publicly or offered similarly under either the Austrian Capital Market Act or the Austrian Investment Funds Act. No offer will be made to any persons other than the recipients to whom this Prospectus is personally addressed.

Belgium

Each of the Joint Lead Managers will represent and agree that this offering is exclusively conducted under applicable private placement exemptions and therefore it has not been and will not be notified to, and any other offering material relating to this offering has not been, and will not be, approved by, the Belgian Banking, Finance and Insurance Commission pursuant to the Belgian laws and regulations applicable to the public offering of securities. Accordingly, this offering as well as any other materials relating to this offering may not be advertised, offered or distributed in any other way, directly or indirectly, to any other person located and/or resident in Belgium other than in circumstances which do not constitute an offer to the public in Belgium pursuant to the Belgian law of June 16, 2006 on the public offering of investment instruments and the admission of investment instruments to trading on a regulated market .

France

Each of the Joint Lead Managers and the Issuer will represent and agree that:

- (a) it has not offered or sold and will not offer or sell, directly or indirectly, the Notes by way of a public offering in France (*appel public à l'épargne*, as defined in Articles L. 411-1, L. 411-2, D. 411-1 and D. 411-2 of the *Code Monétaire et Financier*);
- (b) it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Prospectus or any other offering material relating to the Notes, which is strictly confidential and is solely destined for persons or institutions to which it was initially supplied. This Prospectus does not constitute an offer or invitation to subscribe for or to purchase any securities and neither this Prospectus nor anything herein shall form the basis of any contract or commitment whatsoever; and
- (c) such offers, sales and distributions have been and shall only be made in France to (i) providers of investment services relating to portfolio management for the account of third parties, and/or (ii) qualified investors (*investisseurs qualifiés*) all acting for their own account, as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*, or non-French residents.

This Prospectus has not been submitted to the “Autorité des Marchés Financiers” for approval and does not constitute an offer for sale or subscription of securities. Any contact with potential investors in France does not and will not constitute financial and banking solicitation (*démarchage bancaire et financier*) as defined in articles L. 341-1 et seq. of the *Code Monétaire et Financier*.

Republic of Germany

The Notes may be requalified as an investment fund subject to the German Investment Act (*Investmentgesetz*) of 15 December 2003, as amended. No authorisation from the German Federal Financial Supervisory Authority (“FFSA”) has been obtained in connection with the offering and distribution of the Notes in the Federal Republic of Germany. Accordingly, each of the Joint Lead Managers will agree that the Notes may not be publicly offered or distributed in or from the Federal Republic of Germany, and each of the Joint Lead Managers will agree that neither this Prospectus nor any other offering materials relating to any of the Notes may be publicly distributed in connection with any such offering or distribution. Each of the Joint Lead Managers will represent and agree that (a) it has not caused any selling prospectus (*Verkaufsprospekt*) within the meaning of the German Securities Prospectus Act (*Gesetz über die Erstellung, Billigung und Veröffentlichung des Prospekts, der beim öffentlichen Angebot von Wertpapieren oder bei der Zulassung von Wertpapieren zum Handel an einem organisierten Markt zu veröffentlichen ist-Wertpapierprospektgesetz*) of 22 June 2005, effective as of 1 July 2005, as amended, to be approved by the FFSA and (b) it has not offered or sold or will not offer or sell or publicly promote or advertise in the Federal Republic of Germany other than in compliance with the private placement rules under the German Investment Act, if applicable, and the German Securities Prospectus Act, or any other laws and regulations applicable in the Federal Republic of Germany governing the

issue, offering and sale of securities. This Prospectus is for the respective recipient only and may not in any way be forwarded to any other person or to the public in Germany. Any on-sale of the Notes is only permissible in accordance with the private placement rules under the German Investment Act, if applicable, and the German Securities Prospectus Act. Any use in this Prospectus of the terms “fund” or “investment”, or terms with similar meanings, should not be interpreted to imply that the FFSA has reviewed or given their approval to any information contained therein.

General

Other than applying for the approval by IFSRA of this Prospectus as a prospectus issued in accordance with the Prospectus Directive and implementing measures in Ireland and applying for the admission of the Notes on the Official List of the Irish Stock Exchange and to trading on the regulated market of the Irish Stock Exchange, no action is being taken in any jurisdiction that would or is intended to permit a public offering of the Notes, or the possession, circulation or distribution of this Prospectus or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. Accordingly, each of the Joint Lead Managers has undertaken that it will not, directly or indirectly, offer or sell any Notes, in any country or jurisdiction where action for that purpose is required and neither this Prospectus nor any other circular, prospectus, form of application, advertisement or other material may be distributed in or from or published in any country or jurisdiction, except under circumstances which will result in compliance with the applicable laws and regulations.

GENERAL INFORMATION

Clearing Systems

The Notes of each Class (other than the Class A-1 Notes) will be accepted for clearance through Euroclear and Clearstream, Luxembourg with the following International Securities Identification Numbers (“ISIN”) and Common Codes:

	ISIN	Common Code
Class X Notes	XS0292542734	029254273
Class A-2 Notes	XS0292543039	029254303
Class B Notes	XS0292543112	029254311
Class C Notes	XS0292543468	029254346
Class D Notes	XS0292543542	029254354
Class E Notes	XS0292543898	029254389
Class F Notes	XS0292543971	029254397
Class G Subordinated Notes	XS0292544276	029254427

Listing

Application will be made to the Irish Financial Services Regulatory Authority (“**IFsRA**”), as competent authority under Directive 2003/71/EC (the “**Prospectus Directive**”), for this Prospectus to be approved. Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market.

The estimated expenses relating to the admission to trading of the Notes on the regulated market of the Irish Stock Exchange is approximately EUR 6,532.40.

Consents and Authorisations

The Issuer will obtain all necessary consents, approvals and authorisations in Ireland (if any) in connection with the issue and performance of the Notes. The issue of the Notes was authorised by a resolution of the Board of Directors of the Issuer passed on or around 26 April 2007.

No Significant or Material Change

There has been no significant change in the financial or trading position or prospects of the Issuer since its incorporation on 3 November 2004 and there has been no material adverse change in the financial position or prospects of the Issuer since its incorporation on 3 November 2004.

No Litigation

The Issuer is not involved, and has not been involved, in any legal, governmental or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had since the date of its incorporation a significant effect on the Issuer’s financial position.

Accounts

The first set of audited financial statements of the Issuer have been published in respect of the period from the date of incorporation of the Issuer to 31 December 2005 and thereafter a set of audited financial statements will be published in respect of each period from 1 January to 31 December. These financial statements, in physical form, are and will be available for the life of this Prospectus at the registered office of the Issuer and at the specified office of the Irish Paying Agent. It is not intended that any interim financial statements of the Issuer, audited or otherwise, will be prepared.

Documents Available for Inspection

Copies, in physical form, of the following documents may be inspected (and, in the case of item (a) below, will be available free of charge) at the registered office of the Issuer and the specified office of the Irish Paying Agent during the life of this Prospectus during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted):

- (a) the Certificate of Incorporation and Memorandum and Articles of Association of the Issuer;
- (b) the Subscription and Placement Agreement;
- (c) the Trust Deed (which includes the form of each Note of each Class);
- (d) the Agency Agreement;
- (e) the Collateral Management Agreement;
- (f) the Collateral Administration Agreement;
- (g) each Initial Collateral Acquisition Agreement;
- (h) each Hedge Agreement;
- (i) the Class A-1 Note Purchase Agreement;
- (j) the Euroclear Pledge Agreement;
- (k) the Corporate Services Agreement; and
- (l) the Note Valuation Report (the first Note Valuation Report will be published on the Payment Date falling in August 2007).

Websites

Any website mentioned herein does not form part of this Prospectus.

Foreign Language

Any foreign language text included in this Prospectus is for convenience only and does not form part of this Prospectus.

CD-ROM

The CD-ROM attached as Exhibit A (*CD-ROM of Offering Circulars for Certain of the Initial Portfolio Collateral*) does not form part of this Prospectus.

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SCHEDULE 1
THE INITIAL PORTFOLIO COLLATERAL

Security Name	ISIN	Class	Currency	Principal Outstanding
Opera Finance (Scottish Retail) PLC	XS0217098325	D	GBP	7,000,000
Epic (Ayton) plc	XS0237889695	E	GBP	3,670,094
Epic (Ayton) plc	XS0237889935	F	GBP	9,175,233
Trafford Centre Finance Limited	XS0222489873	D1	GBP	18,465,530
Vanwall Finance Plc	XS0242558913	C	GBP	9,892,509
Vanwall Finance Plc	XS0242559994	D	GBP	7,394,401
BL Superstores Finance PLC	XS0244893375	C1	GBP	35,000,000
Epic (More London) plc	XS0251157912	E	GBP	23,000,000
Epic (More London) plc	XS0251159371	F	GBP	3,700,000
Greene King Finance plc	XS0252915730	B2	GBP	33,050,000
REC Plantation Place Limited	XS0262651184	D	GBP	19,958,495
Mitchells & Butlers Finance Plc	XS0267233889	D	GBP	17,000,000
Eclipse (Gemini) 2006-3 Plc	XS0273576958	E	GBP	21,000,000
White Tower 2006-3	XS0275774072	E	GBP	20,000,000
Canary Wharf Finance II plc	XS0295172745	D2	GBP	13,000,000
Opera Finance (Uni-Invest) B.V.	XS0218492279	D	EURO	15,954,906
Opera Finance (CMH) PLC	XS0241935195	C	EURO	7,500,000
IMSER Securitisation s.r.l.	IT0004082761	B2	EURO	20,000,000
GRAND PLC	XS0260143101	D	EURO	18,913,200
Quokka Finance plc	XS0264076489	E	EURO	9,000,000
Semper Finance 2006-1 GmbH	XS0274875052	D	EURO	30,000,000
Opera Finance Germany (No 2)	XS0278493340	D	EURO	30,600,000
Opera Finance Germany (No 2)	XS0278493423	E	EURO	4,400,000

EXHIBIT A

CD-ROM OF OFFERING CIRCULARS FOR CERTAIN OF THE INITIAL PORTFOLIO COLLATERAL

The attached CD-ROM contains an electronic version of the prospectus supplement, accompanying prospectus, private placement memorandum and/or termsheet relating to each underlying CMBS Security, (the “**Disclosure Documents**”). The information included in such Disclosure Documents however, may not reflect the current economic, competitive, market and other conditions with respect to any Initial Portfolio Collateral.

The information contained in this CD-ROM does not appear elsewhere in paper form in this Prospectus and must be considered together with the information contained elsewhere in this Prospectus. Defined terms used in this CD-ROM but not otherwise defined therein shall have the respective meanings assigned to them in the particular document in which they appear. All of the information contained in this CD-ROM is subject to the same limitations and qualifications as are contained in this Prospectus. Prospective investors are strongly urged to read the paper portion of this Prospectus in its entirety prior to accessing this CD-ROM. In addition, all investors should be aware that none of the Issuer, the Collateral Manager or the Trustee has independently verified any of the information herein or is making any representation or warranty regarding, or assumes any responsibility for the accuracy, completeness or applicability of, the information contained herein. If this CD-ROM was not received in a sealed package, there can be no assurances that it remains in its original format and should not be relied upon for any purpose.

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