
Landmark Mortgage Securities No.2 PLC

(Incorporated in England and Wales with limited liability under Registered Number 6047720)

£276,490,000 CLASS Aa MORTGAGE BACKED FLOATING RATE NOTES DUE 2039
Issue Price: 100 per cent.
£35,000,000 CLASS Ac MORTGAGE BACKED FLOATING RATE NOTES DUE 2039
Issue Price: 100 per cent.
£21,000,000 CLASS Ba MORTGAGE BACKED FLOATING RATE NOTES DUE 2039
Issue Price: 100 per cent.
£16,500,000 CLASS Bc MORTGAGE BACKED FLOATING RATE NOTES DUE 2039
Issue Price: 100 per cent.
£11,900,000 CLASS C MORTGAGE BACKED FLOATING RATE NOTES DUE 2039
Issue Price: 100 per cent.
£6,100,000 CLASS D MORTGAGE BACKED FLOATING RATE NOTES DUE 2039
Issue Price: 100 per cent.
£7,155,150 CLASS E MORTGAGE BACKED FLOATING RATE NOTES DUE 2039
Issue Price: 100 per cent.

The Mortgage Backed Floating Rate Notes of Landmark Mortgage Securities No.2 PLC (the "Issuer") will comprise £276,490,000 Class Aa Notes due 2039 (the "Aa Notes"), €35,000,000 Class Ac Notes due 2039 (the "Ac Notes" and together with the Class Aa Notes, the "A Notes"), £21,000,000 Class Ba Notes due 2039 (the "Ba Notes"), €16,500,000 Class Bc Notes due 2039 (the "Bc Notes" and together with the Ba Notes, the "B Notes"), £11,900,000 Class C Notes due 2039 (the "C Notes"), £6,100,000 Class D Notes due 2039 (the "D Notes" and, together with the A Notes, the B Notes and the C Notes, the "Rated Notes") and £7,155,150 Class E Notes due 2039 (the "E Notes" and, together with the Rated Notes, the "Notes"). The Aa Notes, the Ba Notes, the Ca Notes, the D Notes and the E Notes are together referred to as the "Sterling Notes". The Ac Notes and the Bc Notes are together referred to as the "Euro Notes". The holders of the Notes are referred to herein as the "Noteholders", and the holders of the Rated Notes are referred to as the "Rated Noteholders". In addition, the Issuer will issue 4 Mortgage Early Repayment Certificates due 2039 (the "MERCs" and the holders thereof, the "MERC Holders") and 4 Residual Certificates due 2039 (the "Residuals" and the holders thereof, the "Residual Holders"). The MERCs and Residuals are not being offered by this Prospectus.

Interest on the Notes will accrue on a day to day basis and be payable quarterly in arrear on the 17th day of March, June, September and December in each year (or the next succeeding Business Day (as defined in the "Terms and Conditions of the Notes" (the "Conditions"))) if such day is not a Business Day) (each an "Interest Payment Date"). The first Interest Payment Date shall be the Interest Payment Date falling in June 2007. The interest rate applicable from time to time to (i) the Aa Notes will be (a) the London Interbank Offered Rate ("LIBOR") (as determined under the Conditions) for three month sterling deposits (save in the case of the payment due on the first Interest Payment Date in respect of which the interest rate will be determined by reference to a linear interpolation of three month and four month LIBOR for sterling deposits) ("Note Sterling LIBOR") plus a margin of 0.20 per cent. per annum; (ii) the Ac Notes will be (a) the annual rate of the Eurozone Interbank Offered Rate ("EURIBOR") (as determined under the Conditions) for three month Euro deposits save in the case of the payment due on the first Interest Payment Date in respect of which the interest rate will be determined by reference to a linear interpolation of three month and four month EURIBOR for Euro deposits) ("Note EURIBOR") plus a margin of 0.20 per cent. per annum; (iii) the Ba Notes will be Note Sterling LIBOR plus a margin of 0.60 per cent. per annum; (iv) the Bc Notes will be Note EURIBOR plus a margin of 0.60 per cent. per annum; (v) the C Notes will be Note Sterling LIBOR plus a margin of 1.00 per cent. per annum; (vi) the D Notes will be Note Sterling LIBOR plus a margin of 4.00 per cent. per annum; and (vii) the E Notes will be Note Sterling LIBOR plus a margin of 4.50 per cent. per annum.

The A Notes are each expected, on issue, to be assigned a AAA rating by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. ("S&P") and a AAA rating by Fitch Ratings Ltd. ("Fitch" and, together with S&P, the "Rating Agencies"). The B Notes are each expected, on issue, to be assigned an A rating by S&P and an A rating by Fitch. The C Notes are each expected, on issue, to be assigned a BBB rating by S&P and a BBB rating by Fitch. The D Notes are expected, on issue, to be assigned a BB rating by S&P and a BB rating by Fitch. The issue of the E Notes, the MERCs and the Residuals is not conditional upon a rating and the Issuer has not requested any rating of the E Notes, the MERCs or the Residuals.

The rating of the Rated Notes addresses the Issuer's ability to make timely payments of interest in all instances. It does not address the size of balance used to calculate the amount due. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

This Prospectus constitutes a "prospectus" for the purposes of Directive 2003/71/EC. Application has been made to the Irish Financial Services Regulatory Authority ("IFSR") as competent authority under Directive 2003/71/EC (the "Prospectus Directive"), for the prospectus to be approved. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market.

A "Risk Factors" section is included in this Prospectus. Prospective investors should be aware of the issues in connection with an investment in the Notes that are summarised in that section.



Lead Manager and Bookrunner



The Royal Bank of Scotland

Co-Manager

The date of this Prospectus is 9 March 2007



THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER RELEVANT JURISDICTION. THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT AS PERMITTED BELOW. THE ISSUER HAS NOT REGISTERED AND WILL NOT REGISTER UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “INVESTMENT COMPANY ACT”).

THE NOTES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN UNDER “SUBSCRIPTION AND SALE”.

If any withholding or deduction for or on account of tax is applicable to payments of interest or principal on the Notes, such payments will be made subject to such withholding or deduction without the Issuer being obliged to pay any additional amounts as a consequence.

The Notes constitute direct, secured and unconditional obligations of the Issuer and will be issued simultaneously.

All the Notes will be secured by the same security. Upon enforcement, the Notes will rank as between themselves as follows: first, interest and principal on the A Notes *pari passu* and *pro rata*; secondly, interest and principal on the B Notes *pari passu* and *pro rata*; thirdly, interest and principal on the C Notes *pari passu* and *pro rata*; fourthly, interest and principal on the D Notes *pari passu* and *pro rata*; and fifthly, interest and principal on the E Notes *pari passu* and *pro rata*.

In certain circumstances, subject to satisfaction of certain conditions set out in Condition 5 (*Redemption and Post Enforcement Call Option*), there may be *pro rata* redemption of the Notes.

Prior to redemption on the Final Redemption Date, as set out in Condition 5(a) (*Final Redemption*), the Notes will be subject to mandatory or optional redemption in certain circumstances, see Condition 5 (*Redemption and Post Enforcement Call Option*).

Each Class of Notes sold outside the United States to non U.S. persons pursuant to Regulation S will initially be represented by a corresponding global note in bearer form (each a “Reg S Global Note” or a “Global Note”).

The Notes will be obligations solely of the Issuer and will not be obligations or responsibilities of, or guaranteed by, any other entity. In particular the Notes will not be obligations or responsibilities of, and will not be guaranteed by Barclays Bank PLC (“**Barclays**” or the “**Lead Manager**”), The Royal Bank of Scotland plc (“**RBS**” or the “**Co-Manager**”, and, together with the Lead Manager, the “**Managers**”), Investec Bank (UK) Limited (“**Investec**”) (in its capacity as the seller under the terms of the Mortgage Sale Agreement, the “**Seller**”, in its capacity as the special servicer under the terms of the Special Servicer Agreement, the “**Special Servicer**”), Unity Homeloans Limited (“**Unity**”), Infinity Mortgages Limited (“**Infinity**”) or Amber Homeloans Limited (“**Amber**” and together with Unity and Infinity, each an “**Originator**” and together the “**Originators**”), Homeloan Management Limited (in its capacity as the mortgage administrator under the terms of the Mortgage Administration Agreement, the “**Mortgage Administrator**”), Specialist Mortgage Services Limited (in its capacity as the standby servicer under the terms of the Standby Servicing Agreement, the “**Standby Servicer**”), Structured Finance Management Limited (in its capacity as the corporate services provider under the terms of the Corporate Services Agreement, the “**Corporate Services Provider**”), SFM Corporate Services Limited (in its capacity as the share trustee under the terms of the Share Declaration of Trust, the “**Share Trustee**”), Barclays Bank PLC acting through its branch at 5 The North Colonnade, London E14 4BB (in its capacity as the account bank, the “**Account Bank**”, in its capacity as the GIC provider under the terms of the Guaranteed Investment Contract, the “**GIC Provider**” and in its

capacity as the liquidity facility provider under the terms of the Liquidity Facility Agreement, the “**Liquidity Facility Provider**”), Barclays (in its capacity as the interest rate cap counterparty under the terms of the Interest Rate Cap Agreements, the “**Interest Rate Cap Counterparty**”, in its capacity as the interest rate swap counterparty under the terms of the Interest Rate Swap Agreements, the “**Interest Rate Swap Counterparty**” and in its capacity as currency swap counterparty under the terms of the Currency Swap Agreements, the “**Currency Swap Counterparty**”), The Law Debenture Trust Corporation p.l.c. (in its capacity as the trustee under the terms of the Trust Deed (the “**Trustee**”), The Law Debenture Asset Backed Solutions Limited (in its capacity as cash/bond administrator under the Cash/Bond Administration Agreement, the “**Cash/Bond Administrator**”), HSBC Bank plc (in its various capacities under the Paying Agency Agreement, the “**Principal Paying Agent**”, the “**Agent Bank**” and the “**Common Depositary**”), HSBC Private Bank (Jersey) Limited (in its capacity under the Paying Agency Agreement as “**Registrar**”) and HSBC Institutional Trust Services (Ireland) Limited (in its capacity as the Irish paying agent under the Paying Agency Agreement, the “**Irish Paying Agent**”) (together the “**Transaction Parties**”).

The information contained in this Prospectus with respect to any of the Transaction Parties relates to and has been obtained from each such Transaction Party. The delivery of this Prospectus shall not create any implication that there has been no change in the affairs of any of the Transaction Parties since the date hereof, nor that the information contained or referred to herein is correct as at any time subsequent to its date. None of the Noteholders will have any right to proceed directly against any of the Transaction Parties in respect of their respective obligations under any of the agreements to which they are party.

Except as outlined below, the Issuer accepts full responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each of Structured Finance Management Limited and SFM Corporate Services Limited accepts responsibility for the information relating to them contained in “*The Corporate Services Provider and the Share Trustee*” and to the best of their knowledge, the information is in accordance with the facts and does not omit anything likely to affect the import of such information. Investec accepts responsibility for the information contained in “*The Seller and the Special Servicer*” and to the best of their knowledge, the information is in accordance with the facts and does not omit anything likely to affect the import of such information. Unity, Infinity and Amber each accepts responsibility for the information relating to them contained in “*The Originators*” and to the best of their knowledge, the information is in accordance with the facts and does not omit anything likely to affect the import of such information. Barclays Bank PLC accepts responsibility for the information contained in “*The Account Bank, the GIC Provider and the Liquidity Facility Provider*” and to the best of their knowledge, the information is in accordance with the facts and does not omit anything likely to affect the import of such information, Barclays accepts responsibility for the information contained in “*The Interest Rate Cap Counterparty, the Interest Rate Swap Counterparty and the Currency Swap Counterparty*” and to the best of their knowledge, the information is in accordance with the facts and does not omit anything likely to affect the import of such information. Homeloan Management Limited accepts responsibility for the information contained in “*The Mortgage Administrator*” and to the best of their knowledge, the information is in accordance with the facts and does not omit anything likely to affect the import of such information. Specialist Mortgage Services Limited accepts responsibility for the information contained in “*The Standby Servicer*” and to the best of their knowledge, the information is in accordance with the facts and does not omit anything likely to affect the import of such information.

For a discussion of certain factors that should be considered in connection with an investment in the Notes, see the section in this Prospectus entitled “*Risk Factors*” below.

No person is or has been authorised in connection with the sale of the Notes, to give any information or to make any representation other than as contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of any of the Transaction Parties or any other person. All information contained in this document is given as of the date of this Prospectus. Neither the delivery of this document nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the information contained herein since the date hereof.

None of the Managers or the Trustee has separately verified the information contained in this Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers or the Trustee as to the accuracy, adequacy or completeness of such information or in connection with the Notes. Each person receiving this Prospectus acknowledges that such person has not relied on the Managers or the Trustee nor on any person affiliated with either of them in connection with its investigation of the accuracy of such information or its investment decision.

This Prospectus has been prepared by the Issuer solely for use in connection with the offering. This Prospectus is personal to each potential investor to whom it has been delivered by the Issuer, a Manager or any of their respective affiliates and does not constitute an offer of, or an invitation by or on behalf of, the Issuer, a Manager or the Trustee (or any of them) to subscribe for or purchase any of the Notes. Except as set forth below, distribution of this Prospectus in the United States to any persons other than the potential investors and those persons, if any, retained to advise such offeree with respect thereto is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.

Additionally, each purchaser of the Notes will be deemed to have made the representations, warranties and acknowledgments that are described in this Prospectus under “*Subscription and Sale*”.

The distribution of this Prospectus and the offering or sale of any Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions.

For a description of certain restrictions on offers and sales of the Notes and distribution of this Prospectus see “*Subscription and Sale*” below. This Prospectus 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 Prospectus in any jurisdiction where such action is required.

Each person contemplating making an investment in the Notes must make its own investigation and analysis of the Issuer and the terms of the offering including the merits and risks involved, and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. 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.

None of the Issuer, the Managers or the Trustee makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws.

The contents of this Prospectus should not be construed as providing legal, business, accounting or tax advice. Each prospective investor should consult its own legal, business, accounting and tax advisers prior to making a decision to invest in the Notes.

References in this document to “£”, “pounds”, “pounds sterling” or “sterling” are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland. References in this document to “euro” or “Euro” or “€” are to the single currency introduced at the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Communities, as amended from time to time.

In connection with the issue of any class of the Notes, Barclays Bank PLC (in its capacity as Lead Manager and in this capacity the “**Stabilising Manager**”) or any person acting for it 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 relevant class of Notes) or effect transactions with a view to supporting the market prices of the Notes (or any class of them) at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilising action. Any stabilising 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 Issue Date and 60 days after the date of allotment of the relevant class of the Notes.

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SUMMARY INFORMATION

The information set out below is a summary of the principal features of the issue of the Notes. In addition to the Notes offered by this Prospectus, the Issuer will sell to Investec the E Notes and will issue to Investec the MERCs and the Residuals. The MERCs and the Residuals will be secured over the same property as the Notes. The MERCs and the Residuals are not being offered by this Prospectus. This summary should be read in conjunction with, and is qualified in its entirety by references to, the detailed information presented elsewhere in this Prospectus.

The Issuer

The Issuer has been established (i) to acquire from the Seller on the Issue Date and on each Prefunding Acquisition Date (as defined in "*Credit Structure - Prefunded Loans*" below) a portfolio of residential mortgage loans (the "**Loans**") made to borrowers (each a "**Borrower**" and together the "**Borrowers**") in England, Wales, Northern Ireland and Scotland together with related Collateral Security (as defined in Condition 2 (*Status and Security*) below) in each case originated by either Unity, Infinity or Amber and sold to the Seller, (ii) to acquire Substitute Loans pursuant to the Mortgage Sale Agreement (as further described in "*Sale of the Mortgage Pool – Warranties and Repurchase*" below); and (iii) to acquire, from the Seller, Further Advances made by Infinity (in respect of the Amber Loans) pursuant to the Mortgage Sale Agreement ("**Further Advances**", and for the avoidance of doubt, references in this Prospectus to Loans shall, where the context so requires, include the Further Advances and the Substitute Loans) as further described in "*Administration of the Mortgage Pool – Further Advances and Additional Borrowing*".

The Issuer's issued share capital is held by Landmark Mortgage Securities No.2 Holdings Limited (the "**Parent**") and by SFM Nominees Limited on trust for the benefit of the Parent pursuant to a nominee declaration of trust dated 11 January 2007. The entire issued share capital of the Parent is held by SFM Corporate Services Limited (in this capacity, the "**Share Trustee**") under the terms of a trust established under English law for the benefit of certain charitable purposes dated 11 January 2007 (the "**Share Declaration of Trust**").

By means of a corporate services agreement (the "**Corporate Services Agreement**") to be dated the Issue Date and made between, *inter alios*, Structured Finance Management Limited (in this capacity the "**Corporate Services Provider**") and the Issuer, the Corporate Services Provider will agree to provide certain administrative services to the Issuer. The Issuer will pay a fee (the "**Corporate Services Fee**") to the Corporate Services Provider for the provision of such services. The Corporate Services Provider's appointment may be terminated by the Issuer under certain circumstances as provided in the Corporate Services Agreement. The Issuer may then appoint a replacement Corporate Services Provider. The Corporate Services Provider may not resign its duties without a replacement having been duly appointed.

The acquisition by the Issuer of the Loans will be financed by the issue of the Rated Notes.

The Seller

The Seller is a limited liability company incorporated in England and Wales on 20th December 1950 with company number 00489604 and is regulated as a bank by the Financial Services Authority. The Seller's business includes residential mortgage portfolio acquisition and sales (see further "*The Seller and the Special Servicer*" below). Prior to the Issue Date, the Seller purchased the Loans from the Originators.

The Originators

The Originators are engaged in the business of originating, purchasing and selling residential Loans made to borrowers whose borrowing needs may not be met by traditional financial institutions in the UK residential market.

Mortgage and Cash/Bond Administration and Servicing

Mortgage Administration

HML (in this capacity, the “**Mortgage Administrator**”) will be appointed under the terms of the mortgage administration agreement between, *inter alios*, the Issuer, HML and the Trustee (the “**Mortgage Administration Agreement**”) as agent for the Issuer and, following the enforcement of the Security, the Trustee, *inter alia*, to administer the Mortgage Pool (see further “*The Mortgage Administrator*” below). In regard to certain other administrative functions and discretions however the Mortgage Administrator will act on the instructions of the Special Servicer (see further “*Summary Information – Mortgage and Cash/Bond Administration - The Special Servicer*”, “*The Seller and the Special Servicer*” and “*Administration of the Mortgage Pool*” below).

Cash/Bond Administration

The Law Debenture Asset Backed Solutions Limited (in this capacity, the “**Cash/Bond Administrator**”) will be appointed under the terms of the cash/bond administration agreement between, *inter alios*, the Issuer, the Mortgage Administrator, the Trustee and the Cash/Bond Administrator (the “**Cash/Bond Administration Agreement**”), *inter alia*, to manage all cash transactions and maintain all cash management ledgers as agent for the Issuer and, following enforcement of the Security, the Trustee (see further “*Administration of the Mortgage Pool*” below).

The Mortgage Administrator and the Cash/Bond Administrator are obliged to report on a regular basis to the Issuer on the Mortgage Pool, the administration of the Loans and their related Collateral Security and other matters relating to their respective administrative functions as described herein.

Neither the Mortgage Administrator nor the Cash/Bond Administrator will be responsible for payment of principal or interest on the Notes or for any payment in respect of the MERCs and the Residuals.

Special Servicer

Investec (in this capacity, the “**Special Servicer**”) will be appointed as Special Servicer under the terms of a special servicer agreement between, *inter alios*, the Trustee, the Special Servicer and the Mortgage Administrator (the “**Special Servicer Agreement**”). The Special Servicer is responsible for providing certain instructions to the Mortgage Administrator and exercising certain discretions, including, *inter alia*, in respect of determining that the conditions precedent to the purchase of Prefunded Loans and the mechanics of such purchase have been complied with and the sale to the Issuer of Substitute Loans in relation to the Mortgage Pool. See further “*The Seller and the Special Servicer*” and “*Administration of the Mortgage Pool*” below. The Special Servicer’s appointment may be terminated by the Issuer under certain circumstances as set out in the Special Servicer Agreement. The Issuer may then appoint a replacement Special Servicer. The Special Servicer may not resign its duties without a replacement having been duly appointed.

Standby Servicer

The Standby Servicer will be appointed as Standby Servicer under the terms of a standby servicing agreement between, *inter alios*, the Standby Servicer, the Issuer and the Trustee (the “**Standby Servicing Agreement**”), such that, if the appointment of the Mortgage Administrator is terminated,

the Standby Servicer will assume such mortgage administration functions. See further “*Administration of the Mortgage Pool*” below.

The Trustee

The Trustee will be appointed pursuant to the Trust Deed to be entered into on the Issue Date between the Issuer and the Trustee, *inter alia*, to represent the interests of the Noteholders, the MERC Holders, the Residual Holders and the other secured parties. The Trustee will also hold the security granted by the Issuer under the Deed of Charge for the benefit of, *inter alios*, the Noteholders (see “*Summary Information - Security for the Notes*” and Condition 2 (*Status and Security*) below).

The Interest Rate Cap Counterparty and the Interest Rate Cap Agreements

The Interest Rate Cap Counterparty will be appointed pursuant to the terms of the Interest Rate Cap Agreements to be entered into between the Issuer and the Interest Rate Cap Counterparty (see “*Credit Structure - Interest Rate Cap Agreements*” below).

The Interest Rate Swap Agreements

The Issuer may, on or prior to the Issue Date, enter into interest rate swap agreements: (a) to hedge against potential LIBOR variation in respect of the Loans in the Mortgage Pool in respect of which interest is payable at a fixed rate of interest set by reference to a pre-determined rate or series of rates for a fixed period or periods (the “**Fixed Rate Loans**”) and the Note Sterling LIBOR payable under the Notes (the “**Fixed Rate Swap Agreement**”); and (b) to hedge against the mismatch between the interest rate payable on Loans on which interest accrues at a rate equal to the Bank of England base rate plus a fixed margin expressed as a percentage over the Bank of England base rate (the “**BBR-Linked Loans**”, all of which are Unity Loans and/or Infinity Loans) and the Note Sterling LIBOR payable under the Notes (the “**Base Rate Swap Agreement**” and together with the Fixed Rate Swap Agreement, the “**Interest Rate Swap Agreements**”), in each case with Barclays Bank PLC (in this capacity, the “**Interest Rate Swap Counterparty**”).

The Currency Swap Agreements

The Issuer will enter into currency swap agreements with Barclays Bank PLC (the “**Currency Swap Counterparty**”) to provide the Issuer with the benefit of swap transactions in relation to each class of Euro Notes. The currency swap transactions will be subject to the terms of separate agreements to be entered into between the Currency Swap Counterparty and the Issuer on or before the Issue Date in the form of an ISDA 1992 Master Agreement (Multicurrency - Cross Border) together with the schedules thereto and confirmations thereunder (respectively, the “**Ac Currency Swap Agreement**”, the “**Bc Currency Swap Agreement**” and the “**C Currency Swap Agreement**” and together the “**Currency Swap Agreements**”). Payments made by Borrowers under the Loans will be made to the Issuer in sterling. The purpose of the Currency Swap Agreements is to protect the Issuer against currency risk as a result of the amounts due under the Euro Notes being payable in Euro and to hedge against the possible variance between Note Sterling LIBOR and Note EURIBOR and against fluctuations in the exchange rate between Sterling and Euro.

In this Prospectus, the Interest Rate Swap Agreements, the Currency Swap Agreements and the Interest Rate Cap Agreements are together referred to as the “**Hedge Agreements**”, and each a “**Hedge Agreement**”, and the Interest Rate Cap Counterparty, the Currency Swap Counterparty and the Interest Rate Swap Counterparty are together referred to as the “**Hedging Providers**” and each a “**Hedging Provider**”.

See “*Credit Structure – Interest Rate Cap Agreements*”, “*Credit Structure – Interest Rate Swap Agreements*”, “*Credit Structure – Currency Swap Agreements*” and “*Credit Structure – Common terms of the Hedge Agreements*” below.

The Notes

£276,490,000 Class Aa Notes due June 2039 (the “**Aa Notes**”), €35,000,000 Class Ac Notes due June 2039 (the “**Ac Notes**” and, together with the Aa Notes, the “**A Notes**”), £21,000,000 Class Ba Notes due June 2039 (the “**Ba Notes**”), €16,500,000 Class Bc Notes due June 2039 (the “**Bc Notes**” and together with the Ba Notes, the “**B Notes**”), £16,500,000 Class C Notes due June 2039 (the “**C Notes**”), £6,100,000 Class D Notes due June 2039 (the “**D Notes**”) and £7,155,150 Class E Notes due June 2039 (the “**E Notes**”) are in each case to be constituted by the Trust Deed and to share in the Security (as defined in “*Summary Information - Security for the Notes*” and Condition 2 (*Status and Security*) below) subject to the priority described below.

Subject to the satisfaction of certain trigger ratios set out in Condition 5 (*Redemption and Post Enforcement Call Option*), there may be a *pro rata* redemption of the Notes.

Upon enforcement, the Notes will rank as between themselves as follows: first, interest and principal on the A Notes *pari passu* and *pro rata*; secondly, interest and principal on the B Notes *pari passu* and *pro rata*; thirdly, interest and principal on the C Notes *pari passu* and *pro rata*; fourthly, interest and principal on the D Notes *pari passu* and *pro rata*; and fifthly, interest and principal on the E Notes *pari passu* and *pro rata*.

The MERCs

The MERCs will pay on each Interest Payment Date an amount (the “**MER Distribution**”) equal to the total of Mortgage Early Repayment Charges (as defined in Terms and Conditions of the MERCs) (if any) received by the Issuer in the Determination Period immediately preceding the relevant Interest Payment Date divided by the number of MERCs existing on the Determination Date prior to the relevant Interest Payment Date. The MER Distribution will be calculated on the fifth Business Day before each Interest Payment Date (each such date a “**Determination Date**”). The determination period (“**Determination Period**”) is the period from and including the Issue Date in the case of the first such period, and in each other case, the last Business Day of each month which precedes an Interest Payment Date to but excluding the last Business Day of the month which precedes the immediately following Interest Payment Date (or in the case of the first such period, the first Interest Payment Date). The MERCs will be secured by the same security as the Notes.

The Residuals

The Residuals will pay on each Interest Payment Date such residual amount (the “**Residual Distribution**”) as is available for such purpose in accordance with the Pre-Enforcement Priority of Payments following payment of or provision for all higher ranking items divided by the number of Residuals existing on the Determination Date prior to the relevant Interest Payment Date.

The Residuals constitute amounts payable to the Residual Holders on a *pro rata* basis from amounts equal to the residual amount available for such purpose in accordance with the Pre-Enforcement Priority of Payments following payment of or provision for all higher ranking items. Following redemption of all the Rated Notes or an enforcement of the Rated Notes pursuant to Condition 10 and disposal of the Loans, no termination payment or other amount will be payable in respect of the Residuals and the Residuals shall no longer constitute a claim against the Issuer. See “*Risk Factors – Yield and Prepayment Considerations*” and “*Terms and Conditions of the Residuals*”.

Withholding Tax

Payments of interest and principal with respect to the Notes, payments of MER Distributions with respect to the MERCs and payments of Residual Distributions with respect to the Residuals will be subject to any applicable withholding taxes and the Issuer will not be obliged to pay additional

amounts in relation thereto. The applicability of any United Kingdom withholding taxes is discussed under “*United Kingdom Taxation*” below.

Relationship between the Noteholders

The Trust Deed contains provisions requiring the Trustee to have regard to the interests of the Noteholders as a whole as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise) but requiring the Trustee in any particular case to have regard only to the interests of:

- (i) the A Noteholders if, in the Trustee’s opinion, there is a conflict between the interests of the A Noteholders on the one hand and the interests of the B Noteholders, the C Noteholders, the D Noteholders, the E Noteholders and/or any other person entitled to the benefit of the Security on the other hand;
- (ii) (subject to paragraph (i) above or after the A Notes have been redeemed in full or if the interests of the holders of all outstanding A Notes are in the opinion of the Trustee unaffected, but if there are B Notes, C Notes, D Notes and/or E Notes outstanding) the B Noteholders if, in the Trustee’s opinion, there is a conflict between the interests of the B Noteholders on the one hand and the interests of the C Noteholders, the D Noteholders, the E Noteholders and/or any other person entitled to the benefit of the Security on the other hand;
- (iii) (subject to paragraphs (i) and (ii) above or after the A Notes and the B Notes have been redeemed in full or if the interests of the holders of all outstanding A Notes and B Notes are in the opinion of the Trustee unaffected, but if there are C Notes, D Notes and/or E Notes outstanding) the C Noteholders if, in the Trustee’s opinion, there is a conflict between the interests of the C Noteholders on the one hand and the interests of the D Noteholders, the E Noteholders and/or any other person entitled to the benefit of the Security on the other hand;
- (iv) (subject to paragraphs (i), (ii) and (iii) above or after the A Notes, the B Notes and the C Notes have been redeemed in full or if the interests of the holders of all outstanding A Notes, B Notes and C Notes are in the opinion of the Trustee unaffected, but if there are D Notes and/or E Notes outstanding) the D Noteholders if, in the Trustee’s opinion, there is a conflict between the interests of the D Noteholders on the one hand and the interests of the E Noteholders and/or any other person entitled to the benefit of the Security on the other hand; and
- (v) (subject to paragraphs (i), (ii), (iii) and (iv) above or after the A Notes, the B Notes, the C Notes and the D Notes have been redeemed in full or if the interests of the holders of all outstanding A Notes, B Notes, C Notes and D Notes are, in the opinion of the Trustee, unaffected, but if there are E Notes outstanding) the E Noteholders if, in the Trustee’s opinion, there is a conflict between the interests of the E Noteholders on the one hand and the interests any other person entitled to the benefit of the Security on the other hand.

In respect of the interests of MERC Holders and Residual Holders, the Trust Deed contains provisions requiring the Trustee to have regard to the interests of the MERC Holders and the Residual Holders as regards all powers, trusts, authorities, duties and discretions of the Trustee only if the Trustee is of the opinion that its action will not be materially prejudicial to the interests of any or all of the Noteholders or its action is sanctioned by an Extraordinary Resolution of each class of Noteholders.

The Trust Deed contains provisions limiting the powers of:

- (a) the B Noteholders, the C Noteholders, the D Noteholders and the E Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass any extraordinary resolution according to the effect thereof on the interests of the A Noteholders;

- (b) in the event that no A Notes are outstanding, the C Noteholders, the D Noteholders and the E Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass any extraordinary resolution according to the effect thereof on the interests of the B Noteholders;
- (c) in the event that no A Notes and B Notes are outstanding, the D Noteholders and the E Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass any extraordinary resolution according to the effect thereof on the interests of the C Noteholders; and
- (d) in the event that no A Notes, B Notes and C Notes are outstanding, the E Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass any extraordinary resolution according to the effect thereof on the interests of the D Noteholders.

Redemption, Purchase, Cancellation of MERCs and Residuals and Post Enforcement Call Option

Final Redemption

Unless previously redeemed, the Notes will mature on the Interest Payment Date set out in Condition 5(a) (*Final Redemption*).

Mandatory Redemption in Part

Prior to enforcement, the Rated Notes will be subject to mandatory redemption in part on each Interest Payment Date in accordance with Condition 5(b) (*Mandatory Redemption in Part of the Notes*) and the E Notes will be subject to mandatory redemption in part on each Interest Payment Date in accordance with Condition 5(c) (*Redemption of the E Notes*).

Mandatory Redemption of Notes

Upon receipt of notice from the Special Servicer that the Special Servicer intends to exercise its option under the Mortgage Administration Agreement and the Special Servicer Agreement to repurchase the remaining Loans from the Issuer on any Interest Payment Date following a date on which the aggregate Principal Amount Outstanding (as defined in Condition 5(d) (*Note Principal Payments, Principal Amount Outstanding and Pool Factor*)) of the Rated Notes is less than 10 per cent. of the initial aggregate Principal Amount Outstanding of the Notes, the Issuer will redeem all (but not some only) of the Notes at their Principal Amount Outstanding plus accrued but unpaid interest (see further Condition 5(e) (*Mandatory Redemption upon exercise of Purchase Option*) below).

Provided it has sufficient funds, the Issuer will redeem all (but not some only) of the Notes at their Principal Amount Outstanding plus accrued but unpaid interest in the event of (i) certain tax changes which affect the Notes, the Hedging Agreements or the Loans; and (ii) the Trustee (a) being of the opinion that such changes would be materially prejudicial to the interests of Noteholders, or (b) seeking and obtaining the approval of the Most Senior Class of Noteholders (see further Condition 5(f) (*Mandatory Redemption for Tax Reasons*) below).

Purchase

The Issuer will not be permitted to purchase any Notes (see further Condition 5(g) (*Purchase*) below).

Cancellation of MERCs and Residuals

Subject to the prior payment to MERC Holders and Residual Holders of all amounts then payable to them at such time, the MERCs and Residuals will no longer constitute claims against the Issuer following a redemption of all (but not some only) of the Rated Notes.

Post Enforcement Call Option in Favour of Landmark Mortgage Securities No.2 Options Limited

Pursuant to a post enforcement call option between the Trustee and Landmark Mortgage Securities No.2 Options Limited ("**Options Limited**") (the "**Post Enforcement Call Option**"), the Trustee (on behalf of the Noteholders and without warranty, responsibility or liability on the part of the Trustee) will, on the Issue Date, grant to Options Limited an option to acquire all (but not some only) of the Relevant Notes (as defined in Condition 5(i) (*Post Enforcement Call Option*)) (plus accrued but unpaid interest thereon), after the date on which the Trustee determines that the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority to the Notes and after the application of any such proceeds to the Notes to pay any further amounts due in respect of the Notes. The Noteholders are bound by the terms of the post enforcement call option granted to Options Limited pursuant to the terms and conditions of the Trust Deed and by the Conditions and the Trustee is irrevocably authorised (without warranty, responsibility or liability on the part of the Trustee) to enter into the Post Enforcement Call Option on behalf of the Noteholders.

Security for the Notes, MERCs and Residuals

Pursuant to a deed of charge and assignment to be entered into between, *inter alios*, the Issuer and the Trustee (the "**Deed of Charge**"), the Notes, MERCs and Residuals will be secured by, *inter alia*:

- (i) a first fixed charge over the Issuer's interest in the Loans secured over residential properties located in England and Wales (the "**English Loans**"), the mortgages granted as security for those Loans and certain other collateral security in relation to those Loans;
- (ii) a first fixed charge over the Issuer's interest in the Loans secured over residential properties located in Northern Ireland (the "**Northern Irish Loans**"), the mortgages or charges granted as security for those Northern Irish Loans and certain other collateral security in relation to those Northern Irish Loans;
- (iii) a first fixed security over the Issuer's interest in the Loans secured over residential properties located in Scotland (the "**Scottish Loans**" and together with the English Loans and the Northern Irish Loans, the "**Loans**"), the standard securities granted as security for those Loans and certain other collateral security in relation to those Loans;
- (iv) an equitable assignment of the Issuer's interest in certain insurance contracts (in so far as such interests are capable of assignment);
- (v) an assignment by way of first fixed security of the Issuer's benefits and rights under certain agreements to which the Issuer is a party;
- (vi) a first fixed charge over the Issuer's interest in certain bank accounts and investments; and

- (vii) a first floating charge over (a) the whole of the undertaking, property, assets and rights of the Issuer (other than those assets secured by the fixed security or otherwise assigned as security in paragraphs (i), (iii), (iv) and (v) above) and (b) the whole of the undertaking, property, assets and rights of the Issuer located in Scotland or otherwise governed by Scots Law.

(the “Security”, being further described in Condition 2 (*Status and Security*) below).

Certain of the security described above expressed to take effect as a fixed charge may, in practice, take effect as a floating charge and therefore claims secured may rank behind the claims of certain preferential creditors and any other creditors entitled to recoveries from the realisation of a floating charge (for further details see “*Risk Factors - Share of floating charge assets for unsecured creditors*” below).

Use of Ledgers

The Cash/Bond Administrator will record all amounts received by Borrowers in respect of the Loans or otherwise paid or recovered in respect of the Loans, being all amounts received from Borrowers in respect of the Loans or otherwise paid or recovered in respect of the Loans other than: (i) amounts received representing monthly repayments of principal; (ii) redemption proceeds and amounts recovered on enforcement (for the avoidance of doubt, net of any expenses related to sale) in each case representing principal ((i) and (ii) together, “**Mortgage Principal Receipts**”); and (iii) Mortgage Early Repayment Charges (as defined in “*Credit Structure - Mortgage Early Repayment Charges*” below) (such amounts shall be defined together as the “**Mortgage Revenue Receipts**”), in a ledger for that purpose (the “**Revenue Ledger**”). The Revenue Ledger will also record drawings under the Liquidity Facility and other income of the Issuer (for example amounts received in respect of Authorised Investments and interest received under the Guaranteed Investment Contract (each as defined under “*Credit Structure*” below)). The Issuer will also cause the Cash/Bond Administrator to record all Mortgage Principal Receipts in a separate ledger for that purpose (the “**Principal Ledger**”).

The amounts standing to the credit, at any time, of the Reserve Ledger, the Prefunding Ledger, the Prefunding Interest Shortfall Ledger, the Discount Reserve Ledger, the Start-up Costs Ledger, the Liquidity Ledger, the Prepayments Ledger, the Profit Ledger, the Interest Rate Cap Proceeds Reserve Ledger, the Collateral Ledgers, the Further Advances Ledger (each as defined below), the Principal Ledger and the Revenue Ledger (together, the “**Ledgers**”) will, together, represent all sums standing to the credit of the Bank Accounts (as defined under “*Credit Structure*” below) and the amount at that time invested in Authorised Investments. The Ledgers will be used to monitor the receipt and subsequent utilisation of cash available to the Issuer from time to time and will be credited and debited in the manner described in the Cash/Bond Administration Agreement. In addition, the Cash/Bond Administrator shall open and maintain in the books of the Issuer four ledgers to be known respectively as the “**B Note Interest Shortfall Ledger**”, “**C Note Interest Shortfall Ledger**”, the “**D Note Interest Shortfall Ledger**” and the “**E Note Interest Shortfall Ledger**”. There shall be credited to the B Note Interest Shortfall Ledger the amount of all interest deferred, if any, in respect of the B Notes for any Interest Payment Date, there shall be credited to the C Note Interest Shortfall Ledger the amount of all interest deferred, if any, in respect of the C Notes for any Interest Payment Date, there shall be credited to the D Note Interest Shortfall Ledger the amount of all interest deferred, if any, in respect of the D Notes for any Interest Payment Date and there shall be credited to the E Note Interest Shortfall Ledger the amount of all interest deferred, if any, in respect of the E Notes for any Interest Payment Date. There shall be debited to the B Note Interest Shortfall Ledger the amount of all interest deferred in respect of the B Notes for the previous Interest Payment Dates which is paid on any Interest Payment Date, there shall be debited to the C Note Interest Shortfall Ledger the amount of all interest deferred in respect of the C Notes for the previous Interest Payment Dates which is paid on any Interest Payment Date, there shall be debited to the D Note Interest Shortfall Ledger the amount of all interest deferred in respect of the D Notes for the previous Interest Payment

Dates which is paid on any Interest Payment Date and there shall be debited to the E Note Interest Shortfall Ledger the amount of all interest deferred in respect of the E Notes for the previous Interest Payment Dates which is paid on any Interest Payment Date.

The Loans

The section of this Prospectus headed "*Characteristics of the Provisional Mortgage Pool*" contains information relating to the Loans which the Issuer will acquire on the Issue Date. This information has been prepared in relation to a provisional portfolio of Loans and their related Collateral Security with an aggregate balance of £297,300,697.52 in addition to approximately £40,445,521.30 where offers ("**Offers**") have been made to potential borrowers, but where the funds have not yet been advanced (the "**Provisional Mortgage Pool**") as at 31 December 2006 (the "**Cut-Off Date**"). The Completion Mortgage Pool (as defined in "*The Mortgage Pool – The Mortgage Pool*" below) will comprise substantially the Loans selected by the Seller from the Provisional Mortgage Pool, and shall not include any Loans which do not, on the Issue Date, meet the representations and warranties given by the Seller in the Mortgage Sale Agreement in relation to the Mortgage Pool.

Loans within the Mortgage Pool from time to time will consist of Loans secured (in England, Wales, Scotland and Northern Ireland) by a first ranking mortgage, standard security or charge on the relevant Property (collectively, "**Loans**") being:

- (a) Loans which are intended for Borrowers (as defined below) who wish to use the Loans as a means to purchase or refinance a residential property to be used solely as the Borrower's own residence ("**Home Owner Loans**");
- (b) Loans which are intended for Borrowers who wish to use the Loans as a means to purchase residential property for the purpose of letting to third parties ("**Buy-to-Let Loans**"); and
- (c) Loans which are intended for Borrowers who wish to use the Loans as a means to purchase residential property in the public sector by exercising their rights to buy under applicable legislation ("**Right-to-Buy Loans**").

The Lending Criteria (as defined in "*The Mortgage Pool - Lending Criteria*" below) for each mortgage product may differ (as further described under "*The Mortgage Pool - Lending Criteria*" below). The Mortgage Pool will comprise Loans with the following repayment modes:

- (a) Loans in respect of which the Borrower is obliged to make Monthly Payments of interest and monthly repayments of principal so that the entire principal amount of such Loan is repaid by the stated maturity date ("**Repayment Loans**");
- (b) Loans in respect of which the Borrower is obliged to pay only interest during the term of the Loan, so that the entire principal amount of such Loan is repayable on the stated maturity date ("**Interest Only Loans**"); and
- (c) Loans in respect of which the Borrower is obliged to make Monthly Payments of interest and also Monthly Payments of principal during the term of such Loan in partial repayment of the total principal amount, with the remaining principal being repayable on the stated maturity date ("**Part & Part Loans**").

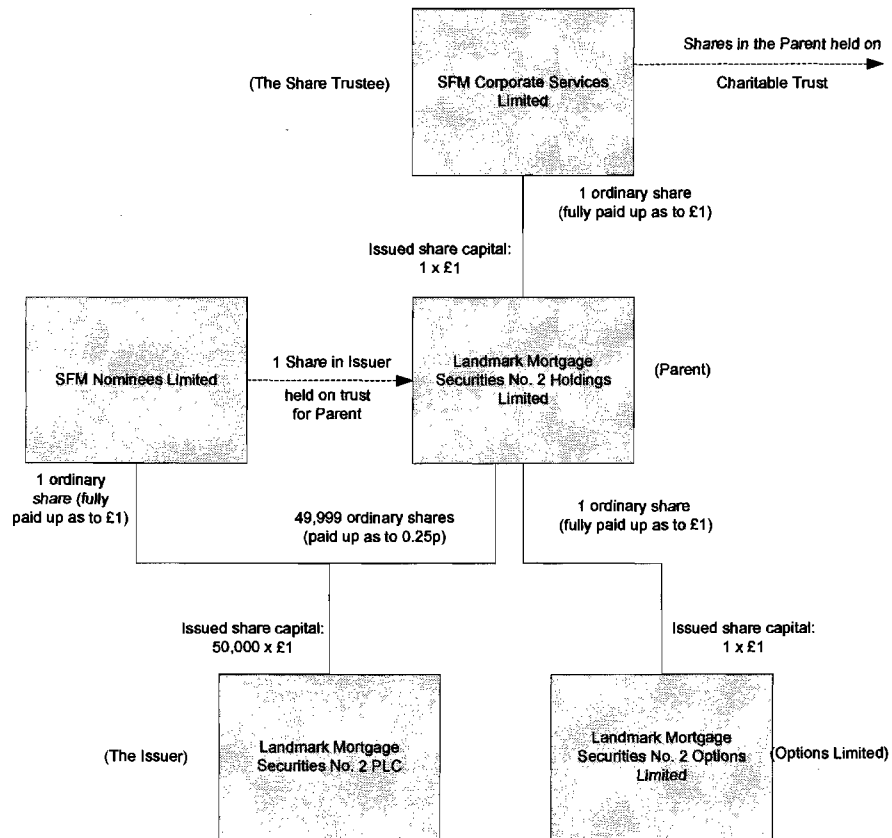
Prefunded Loans (which comply with the warranties set out in the Mortgage Sale Agreement) may be purchased by the Issuer from the Seller on any Prefunding Acquisition Date using only the funds standing to the credit of the Prefunding Ledger, which on the Issue Date will be the amount by which the net proceeds of the Rated Notes exceed the aggregate of the Initial Purchase Price of the Completion Mortgage Pool (such amount, the "**Prefunding Amount**"). To the extent not used to purchase Prefunded Loans, the Prefunding Amount will be used as part of the available funds to

redeem the Rated Notes on the first Interest Payment Date (see “*Credit Structure - Prefunded Loans*”).

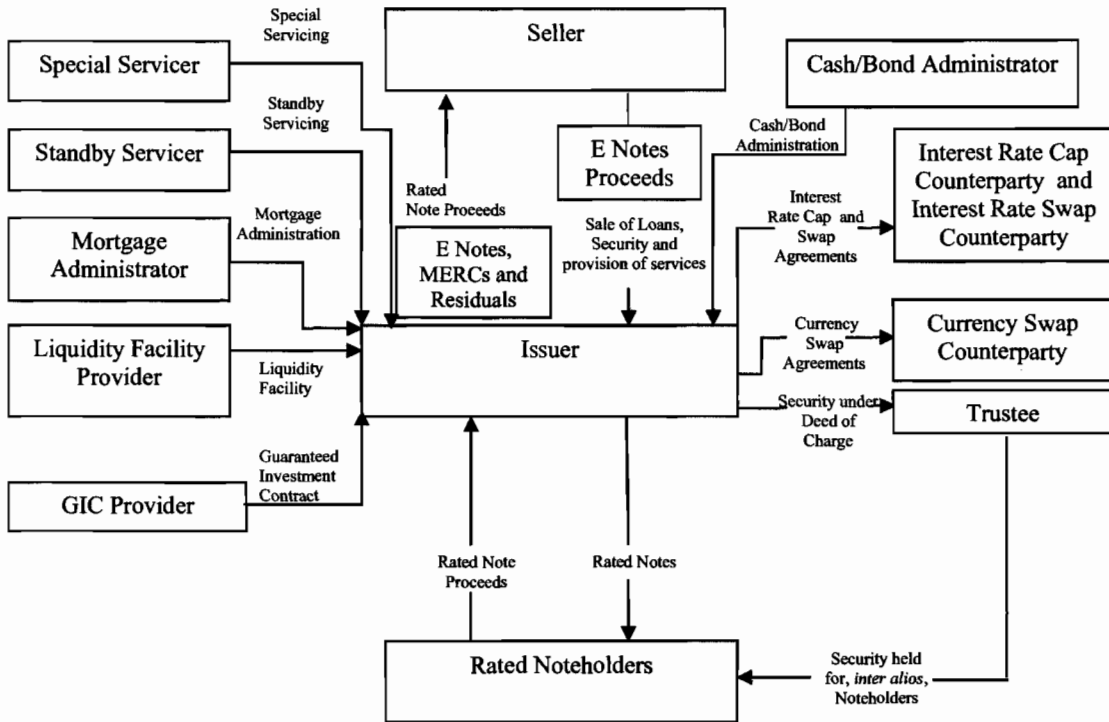
STRUCTURE DIAGRAMS

These structure diagrams are an indicative summary of the principal features of the transaction. These structure diagrams must be read in conjunction with, and are qualified in their entirety by, the detailed information presented elsewhere in this Prospectus.

Ownership Structure



Transaction Structure



RISK FACTORS

The following is a summary of certain aspects of the issue of the Notes about which prospective Noteholders should be aware. The summary is not intended to be exhaustive and prospective Noteholders should read the detailed information set out in the section entitled "*Credit Structure*" and elsewhere in this document and reach their own views prior to making any investment decision regarding the Notes.

The Borrowers

The Loans have been made to borrowers whose borrowing needs may not be met by traditional financial institutions in the UK residential market. The Mortgage Pool may include loans made to Borrowers who may previously have been subject to a County Court Judgement (or the Northern Irish or Scottish equivalent), Individual Voluntary Arrangement or Bankruptcy Order or been sequestered, Borrowers who are self-employed, and Borrowers considered by bank and building society lenders to be non-prime borrowers. Loans made to these Borrowers may experience higher rates of delinquency, enforcement and bankruptcy than have been historically experienced by loans made to "prime" borrowers. However, certain of the Lending Criteria (as defined in "*The Mortgage Pool - Lending Criteria*" below) are utilised with a view, in part, to mitigating the risks in lending to such Borrowers.

Risks of Losses relating to the Loans

Lending Criteria

The Lending Criteria (as defined in "*The Mortgage Pool - Lending Criteria*" below) in respect of the relevant Originator will have applied at the time of origination in respect of the Loans comprising the Completion Mortgage Pool (as defined in "*The Mortgage Pool*" below) and will apply in respect of all Prefunded Loans (as defined in "*The Mortgage Pool*" below) and Substitute Loans (as defined in "*Sale of the Mortgage Pool - Warranties and Repurchase*"). The criteria consider, among other things, a Borrower's credit history, employment history and status, repayment ability and debt-service-to-income ratio, as well as the value of the Property (as defined below in "*The Mortgage Pool - Lending Criteria*" below). There can be no assurance that the Lending Criteria will not be varied or that Loans originated under different criteria may not become part of the Mortgage Pool (see "*The Mortgage Pool*" below).

Warranties

The Issuer, the Trustee and the Lead Manager have not undertaken nor will they undertake any investigations, searches or other actions in respect of the Loans and their related Collateral Security (as defined in "*The Mortgage Pool - Lending Criteria*" below), and in the case of the Trustee and the Issuer, each will rely instead on, *inter alia*, the representations and warranties given by the Seller in the Mortgage Sale Agreement (the "**Warranties**"). The sole remedy (save as described below) of each of the Issuer and the Trustee in respect of a breach of any of the Warranties (see "*Sale of the Mortgage Pool - Warranties and Repurchase*") shall be the requirement that the Seller repurchases or procures the repurchase of, or substitutes or procures the substitution of, a similar loan in replacement for, any Loan which is the subject of any breach, provided that this shall not limit any other remedies available to the Issuer and/or the Trustee if the Seller fails to repurchase or procure the repurchase of a Loan when obliged to do so. There can be no assurance that the Seller will have the financial resources to honour its obligation to repurchase any Loan in respect of which such a breach of any of the Warranties arises.

Collectability of Loans

The collectability of amounts due under the Loans is subject to credit, liquidity and interest rate risks and will generally fluctuate in response to, among other things, real estate values, market interest

rates, general economic conditions, the financial standing of Borrowers and other similar factors. Other factors (which may not affect real estate values) may have an impact on the ability of Borrowers to repay the Loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies and bankruptcy filings by Borrowers and could ultimately have an adverse impact on the ability of Borrowers to repay the Loans.

In addition, in the event of enforcement against the Borrower the ability of the Issuer to dispose of a Property (as defined below in "*The Mortgage Pool - Lending Criteria*") at a price sufficient to repay the amounts outstanding under the relevant Loan will depend upon a number of factors including the availability of buyers for that Property and property values in general at that time.

Risk of Losses Associated with Declining Real Estate Values and Geographic Concentration of Mortgaged Properties

The security for the Notes consists of, among other things, the Issuer's interest in the Loans and the related Collateral Security. This security may be affected by, among other things, a decline in real estate values and changes in the financial condition of Borrowers. Certain geographic regions will from time to time experience weaker regional economic conditions and housing markets than will other regions and, consequently, may experience higher rates of loss and delinquency on Loans generally. There are concentrations of Properties within certain regional areas which may present risk considerations in addition to those generally present for similar Loan asset backed securities without such concentrations. All of the Properties securing the Loans are, or will be, located in England, Wales, Scotland or Northern Ireland. Approximately 36.7 per cent. of the Loans in the Provisional Mortgage Pool, by Current Balance as of the Cut-Off Date (as defined in "*The Mortgage Pool*" below), are secured by Properties located in the South East of England (including London). (See "*Characteristics of the Provisional Mortgage Pool - Table 24 - Distribution of Loans by Region*" and "*Characteristics of the Provisional Mortgage Pool - Table 25 - Distribution of Loan Balance by Region*"). Certain areas of the United Kingdom may from time to time experience declines in real estate values. No assurance can be given that values of the Properties have remained or will remain at their levels on the dates of origination of the related Loans. If the residential real estate market in the United Kingdom in general, or in any particular region, should experience an overall decline in property values, such a decline could in certain circumstances result in the value of the Properties which are subject to the Mortgages being significantly reduced and, ultimately, if the Collateral Security has to be enforced, may adversely affect the likelihood of the Notes being repaid in full.

Risk of Losses Associated with Interest Only Loans and Part & Part Loans

Approximately 75.80 per cent. of the Loans by Current Balance in the Provisional Mortgage Pool constitute mortgage loans in relation to which the principal amount is not repayable before maturity and which may have no collateral, such as an endowment or life policy, as security other than the relevant Property ("**Interest Only Loans**") and approximately 1.12 per cent. of the Loans by Current Balance in the Provisional Mortgage Pool constitute mortgage loans under the terms of which the loan is effectively separated (at the option of, and at a level decided by, the Borrower) into two principal amounts, one in respect of which the borrower pays interest only and the other in respect of which the borrower pays interest and principal ("**Part & Part Loans**") (see "*Characteristics of the Provisional Mortgage Pool*" below). Monthly Payments in respect of Part & Part Loans are comprised of the interest due on both portions of the Loan and the principal repayable on the portion in respect of which the borrower is required to pay both interest and principal. There is no scheduled amortisation of, in relation to the Interest Only Loans, the principal amount, and in relation to the Part & Part Loans, the portion of the principal amount on which the Borrower elects not to repay principal (in each case, the "**Interest Only Principal Amount**"). Consequently, upon the maturity of an Interest Only Loan or a Part & Part Loan, the relevant Borrower will be required to make a bullet payment that will represent the entirety of the Interest Only Principal Amount. The ability of such a Borrower to repay an Interest Only Loan or a Part & Part Loan at maturity frequently depends on such Borrower's ability to refinance the Property or obtain funds from another source, such as pension

policies, personal equity plans or endowment policies. The Originators have not required such policies to be established with respect to any Interest Only Loans or Part & Part Loans nor have any of them required the benefit of any such policies to be assigned to them. The only security will therefore be the Mortgage covering the Property. The ability of the Borrower to refinance the Property will be affected by a number of factors, including the value of the Property, the Borrower's equity in the Property, the financial condition of the Borrower, tax laws and general economic conditions at the time.

Although a low interest rate environment may facilitate the refinancing of an Interest Only Loan or a Part & Part Loan, the receipt and reinvestment by the holders of the Notes of the proceeds in such an environment may produce a lower return than that previously received in respect of the related Loan.

Conversely, a high interest rate environment may make it more difficult for the Borrower to accomplish a refinancing and may result in delinquencies or defaults. None of the Originators, the Seller, the Special Servicer, the Mortgage Administrator or the Trustee will be obligated to provide funds to refinance any Loan, including, without limitation, Interest Only Loans or Part & Part Loans.

Risk of Losses Associated with Non-Owner Occupied Properties

538 of the Properties representing approximately 21.28 per cent. of the Loans by Current Balance in the Provisional Mortgage Pool are not owner occupied. It is possible that the rate of delinquencies, enforcement and losses on Loans secured by non-owner occupied properties could be higher than for Loans secured by the primary residence of the Borrower and it could be difficult to gain possession of the Properties on enforcement of the relevant Loans (see "*Characteristics of the Provisional Mortgage Pool*" below). It is intended that these non-owner occupied properties will be let by the relevant Borrower to tenants but there can be no guarantee that each such property will be the subject of an existing tenancy when the relevant Mortgage is acquired by the Issuer or that any tenancy which is granted will subsist throughout the life of the Mortgage (or can be adequately replaced upon termination) and/or that the rental income achievable from tenancies of the relevant property will be sufficient to provide the Borrower with sufficient income to meet the Borrower's obligations in respect of the Loan.

Upon enforcement of a Loan in respect of a Property which is the subject of an existing tenancy, the Mortgage Administrator may not be able to obtain vacant possession of that Property, in which case the Mortgage Administrator will only be able to sell the Property as an investment property with one or more sitting tenants. This may affect the amount which the Mortgage Administrator could realise upon enforcement of the Mortgage and a sale of the relevant Property. However, where the Loan concerned is an English Loan or a Northern Irish Loan, the Mortgage Administrator will have the ability to appoint a receiver of rent to collect any rents payable in respect of such Property and apply them in payment of any interest and arrears accruing under that Loan. Where the Loan concerned is a Scottish Loan, by entering into possession the heritable creditor will obtain the right to collect any rents payable in respect of the Property and apply them in payment of any interest and arrears accruing under the Loan by virtue of an imported assignation of rents.

Fixed Rate Loans

The Mortgage Pool contains certain Loans in respect of which interest is payable at a fixed rate of interest set by reference to a fixed margin over LIBOR or the Bank of England base rate and set by reference to a pre-determined rate or series of rates for a fixed period or periods (the "**Fixed Rate Loans**") but the rates of interest payable in respect of the Notes are based on a floating rate of interest over LIBOR. In the event that the Bank of England base rate, the fixed rate and LIBOR diverge such that LIBOR is significantly higher than the Bank of England base rate and the fixed rate, the Issuer may not receive sufficient income from the Loans linked to the Bank of England base rate or from the fixed rate loans to meet its obligations due under the Notes. As such, the Issuer's ability to pay interest on the Notes may be affected if Note Sterling LIBOR, increases beyond a certain rate. In order to mitigate this risk, the Issuer may, on or prior to the Issue Date, enter into a Fixed Rate Swap

Agreement with the Interest Rate Swap Counterparty to hedge against potential LIBOR variation in respect of the Fixed Rate Loans (as described under “*Credit Structure – Interest Rate Swap Agreements*” below). The Fixed Rate Swap Agreement will provide that, upon the occurrence of certain events, the Fixed Rate Swap Agreement may terminate. No assurance can be given as to the ability of the Issuer to enter into replacement fixed rate swap transactions or, if such replacement fixed rate swaps are entered into, as to the credit rating of each relevant replacement fixed rate swap counterparty or that the then current ratings of the Rated Notes would not be downgraded or withdrawn as a result of entering into such replacement fixed rate swap.

Prefunded Loans

Although each Prefunded Loan will comply as at its Prefunding Acquisition Date with the representations and warranties specified in the Mortgage Sale Agreement, there can be no certainty that all the Prefunded Loans comprised within the Mortgage Pool will have a similar proportion of Repayment Loans, Interest Only Loans, Part & Part Loans, owner occupied properties and non-owner occupied properties or similar geographic concentration or credit risk characteristics as the Loans comprising the Provisional Mortgage Pool. However, the Issuer will not be obliged to purchase Prefunded Loans unless, *inter alia*, it has received prior written confirmation from each of the Rating Agencies that the inclusion of the Prefunded Loans would not adversely affect the then-current ratings of the Rated Notes and certain other conditions set out in detail below under “*Administration of the Mortgage Pool - Conditions to the Acquisition of Prefunded Loans*”.

Right to Buy Provisions of Part V of the Housing Act 1985 (as amended) and of the Housing (Northern Ireland) Order 1983 as amended by the Housing (Northern Ireland) Order 1986 and the Housing (Northern Ireland) Order 1992 and the Housing (Northern Ireland) Order 2003.

Certain of the Unity Loans and the Infinity Loans have been made in whole or in part to a Borrower for the purposes of enabling that Borrower to exercise his or her right to buy the relevant Property under the “**Right to Buy**” scheme of (in England and Wales) Part V of the Housing Act 1985 (as amended) (the “**1985 Act**”) or (in Northern Ireland) under the Northern Ireland Housing Executive House Sales Scheme as provided for by the Housing (Northern Ireland) Order 1983 as amended by the Housing (Northern Ireland) Order 1986 and the Housing (Northern Ireland) Order 1992 and the Housing (Northern Ireland) Order 2003, as the case may be, from a local authority or, in certain circumstances, registered social landlord or certain other public sector landlord (the “**Landlord**”) from which he or she was renting the Property (“**Right-to-Buy Loans**”).

Properties in England and Wales sold under the Right to Buy scheme of the 1985 Act are sold by the Landlord at a discount to market value calculated in accordance with the 1985 Act. A purchaser under this scheme must repay the whole of the discount if he or she disposes of the property within one year of acquiring it from the Landlord, four-fifths if he or she does so within two years, three-fifths if within three years, two-fifths if within four years and one fifth if within five years, unless the offeror’s offer for the disposal of the house was accepted before 18 January 2005, in which case the purchaser must repay the whole of the discount if he or she sells the property within one year, two-thirds if he does so within two years and one-third if within three years. The Landlord obtains a statutory charge over the property in respect of the contingent liability of the purchaser under the scheme to repay the discount. Under the 1985 Act such statutory charge ranks in priority to other charges including that of any mortgage lenders except in certain circumstances. Such statutory charge shall automatically rank behind any charge on the related property in relation to monies advanced by an approved lending institution to the extent they are advanced for the purpose of enabling the purchaser to exercise his right to buy. Unless the offeror’s offer for the disposal of the house was accepted before 18 January 2005, the purchaser is required, before a sale or disposal of the property within 10 years of the date of purchase, to offer the property to the Landlord or another social landlord at full market value and to allow up to 8 weeks for acceptance of the offer. A mortgage lender selling the property as a mortgagee in possession in such circumstances will also be obliged to grant such right of first refusal to the Landlord or other social landlord.

The relevant Originator, in all instances, advances amounts to enable Borrowers to purchase from a Landlord the relevant property under the Right to Buy scheme of the 1985 Act. Such Originator may also, in some instances, advance additional amounts for Borrowers to use for approved purposes under the 1985 Act (such as covering costs related to works undertaken in respect of the property).

In Northern Ireland, a similar Right to Buy scheme operates through the Northern Ireland Housing Executive (the "NIHE"), although certain differences apply regarding repayment of discount. The discount covenant charge which is created under the standard terms of the NIHE scheme takes priority immediately after any mortgage securing any amount left outstanding by the purchaser and advanced to him by a lending institution for the purpose of buying his house (and for some other purposes).

In relation to any subsequent charge granted to any lending institution other than the institution which provided the initial loan to buy the house, NIHE has discretion to postpone its charge to this subsequent charge. Such a subsequent charge would include a charge in favour of a new or subsequent lender if the purchaser were to transfer his initial mortgage to a new or subsequent lender within a period of three years after the purchase of the house (being the period during which the NIHE may recoup discount pursuant to the discount covenant charge). The discretion is rarely exercised by the NIHE. Considerations in respect of application of the money for approved purposes do not apply in Northern Ireland.

Unity and Infinity are not approved lending institutions for the purpose of the 1985 Act and have therefore obtained title insurance cover ("**Title Insurance**") from London & European Title Insurance Services Limited to mitigate this risk. The policy is a full title insurance policy which allows each of Unity and Infinity to complete Right-to-Buy Loans without obtaining a deed of postponement from the relevant local authority or the NIHE.

Reliance on Third Parties

The Issuer has engaged HML as the Mortgage Administrator to administer the Mortgage Pool pursuant to the Mortgage Administration Agreement, The Law Debenture Asset Backed Solution Limited as the Cash/Bond Administrator to provide certain cash management services under the Cash/Bond Administration Agreement and Investec as the Special Servicer to provide certain instructions to the Mortgage Administrator and to exercise certain discretions under the Special Servicer Agreement.

While the Mortgage Administrator, the Cash/Bond Administrator and the Special Servicer are under contract to perform certain services under the Mortgage Administration Agreement, the Cash/Bond Administration Agreement and the Special Servicer Agreement respectively, there can be no assurance that they will be willing or able to perform in the future. Although the Standby Servicer has been engaged to provide equivalent services under the Standby Servicing Agreement in the event that the appointment of the Mortgage Administrator is terminated under the Mortgage Administration Agreement, there can be no assurance that the transition of servicing will occur without adverse effect on Noteholders or that an equivalent level of performance on collections and administration of the Loans can be maintained by the Standby Servicer as many of the servicing and collections techniques currently employed were developed by HML. In addition, and as described below in "*Loans Regulated by the Financial Services Authority under the Financial Services and Markets Act 2000*", the Standby Servicer, the Special Servicer and the Mortgage Administrator will be required to be authorised under the Financial Services and Markets Act 2000 in order to administer loans that constitute regulated mortgage contracts. The ability of the Standby Servicer, the Special Servicer and the Mortgage Administrator to fully perform the required services would depend, *inter alia*, on the information, software and records available at the time of the relevant appointment.

The Issuer is party to contracts with a number of other third parties who have agreed to perform services in relation to the Notes. In particular, but without limitation, the Liquidity Facility Provider has agreed to provide the Issuer with the Liquidity Facility under the Liquidity Facility Agreement,

the GIC Provider has agreed to provide the Issuer with a specific rate of interest on funds on deposit in the GIC Account and the Reserve GIC Account under the Guaranteed Investment Contract, the Account Bank has agreed to operate the Bank Accounts under the Bank Agreement, the Interest Rate Swap Counterparty and the Interest Rate Cap Counterparty have agreed to provide the Issuer with certain hedges against certain interest rate and base rate fluctuations and mismatches, the Currency Swap Counterparty has agreed to provide the Issuer with certain hedges against currency variations and the Paying Agent has agreed to provide paying agent services with respect to the Notes. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party, Noteholders may be adversely affected.

Risks relating to the Credit Structure

Liabilities under the Notes

The Notes will be obligations solely of the Issuer and the Notes will not be guaranteed by, or be the responsibility of, any other entity. In particular the Notes will not be obligations of, and will not be guaranteed by any of the Transaction Parties.

No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Transaction Parties.

Limited Resources

The ability of the Issuer to meet its obligations under the Notes will be dependent on funds being received under, *inter alia*, the Loans, the interest paid to the Issuer under the GIC Account and the Reserve GIC Account, proceeds received under certain insurance contracts in respect of the Mortgages and the availability of the Liquidity Facility.

In the event that the Security is enforced and the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority to amounts due under the Notes of each class under the Deed of Charge, to pay in full all principal and interest and other amounts whatsoever due in respect of the Notes, then the assets of the Issuer may be insufficient to meet claims in respect of any such unpaid amounts. Enforcement of the Security is the only practical remedy available for the purpose of recovering amounts owed in respect of the Notes.

Limited Secondary Market for Loans

The ability of the Issuer to redeem all of the Notes in full, including following the occurrence of an Event of Default (as defined in Condition 9 (*Events of Default*)) in relation to the Notes while any of the Loans are still outstanding may depend upon whether the Loans can be realised to obtain an amount sufficient to redeem the Notes. There is not, at present, an active and liquid secondary market for loans of this type in the United Kingdom. The Issuer, and following the occurrence of an Event of Default, the Trustee, may not, therefore, be able to sell the Loans on appropriate terms should it be required to do so.

Limited Secondary Market for the Notes

There is not, at present, an active and liquid secondary market for the Notes, and there can be no assurance that a secondary market for the Notes will develop. Even if a secondary market does develop, it may not continue for the life of the Notes or it may leave Noteholders with illiquidity of investment. Illiquidity means that a Noteholder may not be able to find a buyer to buy its Notes readily or at prices that will enable the Noteholder to realise a desired yield. Illiquidity can have an adverse effect on the market value of the Notes. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market.

Risks Related to the E Notes

The E Notes are generally more speculative investments than the Rated Notes. Investors should be aware of the special risks as detailed in the following paragraph associated with an investment in such securities.

Following the Issue Date, Available Revenue Funds on each Interest Payment Date are only available to pay amounts payable in respect of the E Notes to the extent that there are still funds available, after paying or providing for items (i) to (xv) in the Pre-Enforcement Priority of Payments (see Condition 2(f)). Any interest due on the E Notes not paid on the relevant Interest Payment Date will be deferred until such time as there are sufficient Available Revenue Funds for such purposes, as described in Condition 6(h). Holders of the E Notes will not be entitled to receive any payment of interest before the Final Redemption Date (as defined in Condition 5(a)) unless and until all amounts then due to the holders of the Rated Notes and all other amounts ranking ahead of such interest payments in the Pre-Enforcement Priority of Payments have been paid in full. See "*Terms and Conditions of the Notes*".

Yield and Prepayment Considerations

The yield to maturity of the Notes of each class and the Residuals will depend on, *inter alia*, the amount and timing of payments of principal (including full and partial prepayments, sale proceeds arising on enforcement of a Mortgage or Loan, and repurchases by the Seller due to breaches of the representations and warranties under the Mortgage Sale Agreement) on the Loans, any Further Advances and the price paid by the holders of the Notes or the Residuals. Such yield may be adversely affected by a higher or lower than anticipated rate of prepayments on the Loans.

Prepayments may result from refinancings, voluntary sales of Properties by Borrowers or as a result of enforcement proceedings under the relevant Mortgage or Loan, as well as the receipt of proceeds from buildings insurance, life insurance and pension policies. Prepayments may be permitted without an early redemption charge in respect of certain mortgage products and/or where sufficient time has elapsed since origination and in certain contractual circumstances. In addition, repurchases of Loans required to be made under the Mortgage Sale Agreement will have the same effect as a prepayment of such Loans.

The rate of prepayment of Loans cannot be predicted and is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing, local and regional economic conditions and homeowner mobility. Therefore, no assurance can be given as to the level of prepayments that the Mortgage Pool will experience. See "*Weighted Average Lives of the Rated Notes*" below.

Conflict between Classes of Noteholders

The Trust Deed contains provisions requiring the Trustee to have regard to the interests of the Noteholders as a whole as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise) but requiring the Trustee in any particular case to have regard only to the interests of:

- (i) the A Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the A Noteholders on the one hand and the interests of the B Noteholders, the C Noteholders, the D Noteholders, the E Noteholders and/or any other person entitled to the benefit of the Security, on the other hand;
- (ii) (subject to paragraph (i) above or after the A Notes have been redeemed in full or if the interests of the holders of all outstanding A Notes are in the opinion of the Trustee unaffected, but if there are B Notes, C Notes, D Notes and/or E Notes outstanding) the B Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the B Noteholders on the

one hand and the interests of the C Noteholders, the D Noteholders, the E Noteholders and/or any other person entitled to the benefit of the Security on the other hand;

- (iii) (subject to paragraphs (i) and (ii) above or after the A Notes and the B Notes have been redeemed in full or if the interests of the holders of all outstanding A Notes and B Notes are in the opinion of the Trustee unaffected, but if there are C Notes, D Notes and/or E Notes outstanding) the C Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the C Noteholders on the one hand and the interests of the D Noteholders, the E Noteholders and/or any other person entitled to the benefit of the Security on the other hand;
- (iv) (subject to paragraphs (i), (ii) and (iii) above or after the A Notes, the B Notes and the C Notes have been redeemed in full or if the interests of the holders of all outstanding A Notes, B Notes and C Notes are in the opinion of the Trustee unaffected, but if there are D Notes outstanding) the D Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the D Noteholders, the E Noteholders on the one hand and the interests of any other person entitled to the benefit of the Security on the other hand; and
- (v) (subject to paragraphs (i), (ii), (iii) and (iv) above or after the A Notes, the B Notes, the C Notes and the D Notes have been redeemed in full or if the interests of the holders of all outstanding A Notes, B Notes, C Notes and D Notes are in the opinion of the Trustee unaffected, but if there are E Notes outstanding) the E Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the E Noteholders and the interests of any other person entitled to the benefit of the Security on the other hand.

Risks Related to the Interest Rate Swap Agreements

In order to address the interest rate basis risk associated with the Fixed Rate Loans, the mortgage rate for each of which is calculated by reference to a fixed rate which may be different to Note Sterling LIBOR, the Issuer may, on or before the Issue Date, enter into fixed rate swaps with the Interest Rate Swap Counterparty under the Fixed Rate Swap Agreement.

In order to address the interest rate basis risk associated with the BBR-Linked Loans, the mortgage rate for which is calculated by reference to the Bank of England base rate which is different to Note Sterling LIBOR, the Issuer may, on or before the Issue Date, enter into the Base Rate Swap Agreement with the Interest Rate Swap Counterparty.

There can be no assurance that the interest rate swap transactions under the Interest Rate Swap Agreements will adequately address the interest rate basis risk.

A failure to make timely payment of amounts due to the Interest Rate Swap Counterparty (including any applicable grace periods) would constitute a default under the Fixed Rate Swap Agreement and Base Rate Swap Agreement (as applicable). Accordingly, the Issuer will allocate certain amounts for the purpose of making payments due under the Fixed Rate Swap Agreement and the Base Rate Swap Agreement (as applicable) before allocating any amounts for the purpose of making repayments of principal and payments of interest under the B Notes, the C Notes and the D Notes. If the Interest Rate Swap Counterparty is not obliged to make payments of any amounts, or it defaults in its obligation to make payments to the Issuer in accordance with the terms of the Fixed Rate Swap Agreement and Base Rate Swap Agreement (as applicable) the Issuer will be exposed to changes in associated interest rates, and the Issuer as a result may have insufficient funds to make payments due on the Notes.

The Fixed Rate Swap Agreement and Base Rate Swap Agreement (as applicable) will provide that upon the occurrence of certain events the Fixed Rate Swap Agreement and the Base Rate Swap Agreement (as applicable) may terminate and a termination payment by either the Issuer or the Interest Rate Swap Counterparty will be payable. If the Fixed Rate Swap Agreement and the Base Rate Swap Agreement (as applicable) terminate under circumstances where the Interest Rate Swap

Counterparty is the defaulting party or, in certain circumstances, the affected party, any Swap Subordinated Amounts due by the Issuer will rank below payments of interest on the Notes. If the Fixed Rate Swap Agreement or the Base Rate Swap Agreement (as applicable) terminate under any other circumstances, any termination payment due by the Issuer will rank *pari passu* with the A Notes. If the Fixed Rate Swap Agreement or the Base Rate Swap Agreement (as applicable) terminate, no assurance can be given about the ability of the Issuer to enter into a replacement interest rate swap or the credit rating of any replacement interest rate swap counterparty.

In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party, investors may be adversely affected.

Exchange Rate Risks

Repayments of principal and payments of interest on the Euro Notes will be made in Euro by the Issuer, but payments will be received by the Issuer from the Borrowers under the Loans in Sterling.

To hedge the Issuer's currency exchange rate exposure, the Issuer will enter into the Currency Swap Agreements (as more fully described in "*Credit Structure – Currency Swap Agreements*" below) with the Currency Swap Counterparty. If the Issuer fails to make timely payments of amounts due under a Currency Swap Agreement, then it will have defaulted under that currency swap. The Currency Swap Counterparty is only obliged to make payments to the Issuer under a Currency Swap Agreement as long as the Issuer complies with its payment obligations under such Currency Swap Agreement.

The Currency Swap Agreements will provide that upon the occurrence of certain events the relevant Currency Swap Agreement may terminate and a termination payment by either the Issuer or the Currency Swap Counterparty will be payable. If the relevant Currency Swap Agreement terminates under circumstances where the Currency Swap Counterparty is the defaulting party or, in certain circumstances, the affected party, any Swap Subordinated Amounts due by the Issuer will rank below payments of interest on the Notes. If the relevant Currency Swap Agreement terminates under any other circumstances, any termination payment due by the Issuer will rank *pari passu* with the Ac Notes (in relation to the Ac Currency Swap Agreement) or the Bc Notes (in relation to the Bc Currency Swap Agreement) as applicable. If the relevant Currency Swap Agreement terminates, no assurance can be given about the ability of the Issuer to enter into a replacement currency swap or the credit rating of any replacement currency swap counterparty.

If the Currency Swap Counterparty is not obliged to make payments or if it defaults in its obligations to make payments of amounts in Euro equal to the full amount to be paid to the Issuer on the payment date under such Currency Swap Agreement (which are the same dates as the Interest Payment Dates for the Notes), the Issuer will be exposed to changes in Euro/Sterling currency exchange rates. Unless a replacement currency swap agreement is entered into the Issuer may have insufficient funds to make payments due on the Euro Notes.

Shortfall arising from Discounted Loans

Under the terms of certain Loans included in the Provisional Mortgage Pool and expected to be included in the Mortgage Pool from time to time (the "**Discounted Loans**"), the margin payable by a Borrower will be discounted during a specified initial period of the Loan. In order to mitigate the reduction in interest payable on the Discounted Loans in the Mortgage Pool during the relevant discount periods the Issuer will establish a Discount Reserve using the proceeds of issue of the E Notes (for definition of terms used see "*Credit Structure – Discount Reserve*" below).

Risks Associated With Rising Mortgage Interest Rates

The interest rate payable under certain of the Loans is calculated by reference to LIBOR or the Bank of England base rate, either of which may be subject to variations. The Issuer could be subject to a higher risk of default in payment by a Borrower under a Loan as a result of an increase in LIBOR or the Bank of England base rate (as applicable). The Issuer will enter into the Interest Rate Cap Agreements (as more fully described in “*Credit Structure - Interest Rate Cap Agreements*” below) on or about the Issue Date with the Interest Rate Cap Counterparty. In the event that LIBOR should increase above the strike rates specified in relation to the Interest Rate Cap Agreements, the Issuer will receive payments from the Interest Rate Cap Counterparty which will form part of Available Revenue Funds to be applied in accordance with the Pre-Enforcement Priority of Payments.

However, there can be no assurance that the Interest Rate Cap Agreements will adequately address all risks associated with rising interest rates. The Interest Rate Cap Agreements will provide that, upon the occurrence of certain events, the Interest Rate Cap Agreements may terminate. The Issuer will have available to it, *inter alia*, amounts paid to it by Borrowers under the Loans (together with the amount of any termination payment due to it under the Interest Rate Cap Agreements), to acquire a replacement cap. No assurance can be given as to the ability of the Issuer to enter into a replacement cap, or if one is entered into, as to the credit rating of the replacement Interest Rate Cap Counterparty, or that the then current ratings of the Rated Notes would not be downgraded or withdrawn as a result of entering into such replacement cap.

Regulatory Considerations

Loans Regulated by the Consumer Credit Act 1974

The Consumer Credit Act 1974 (“CCA”), amongst other things, sets out requirements for the format and content of loan documentation and for the procedures to be taken by the lender when originating a regulated loan agreement. The Financial Services and Markets Act 2000 (Consequential Amendments) Order 2005 came into force on 16 November 2005 which has amended sections 82 and 146 of the CCA, and is intended to remove the possibility that a mortgage agreement could be regulated in certain circumstances under both FSMA (as defined below) and the CCA. For further details of these requirements, see “*Regulation of the UK Residential Mortgage Market - Loans Regulated by the Consumer Credit Act 1974*” below.

If the origination or documentation of a loan agreement which is regulated by the CCA does not comply with the requirements of the CCA, the relevant loan agreement may be unenforceable against the borrower or may require a court order before the lender can enforce its rights against the borrower. In the latter circumstance, the court has the power, if it appears just to do so, to amend the loan agreement or impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared).

Under the terms of the Mortgage Sale Agreement, the Seller will be obliged to repurchase any Loan made under any loan agreement that is wholly or partly regulated or to be treated as such under the CCA if a court finds that such Loan was not originated in compliance with the CCA (unless such non-compliance would not be such as to prevent enforcement of that Loan) and in respect of which the court has no jurisdiction or refuses to make an enforcement order.

Loans Regulated by the Financial Services Authority under the Financial Services and Markets Act 2000

As from 31 October 2004, a number of activities relating to Regulated Loans (as defined in “*Regulation of the UK Residential Mortgage Market*” below) became “regulated activities” under Section 19 of the FSMA and the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the “**Order**”) and these activities require authorisation from the FSA (as defined in

“Regulation of the UK Residential Mortgage Market” below). These activities are: (a) entering into a Regulated Loan (as defined below) as lender; (b) administering a Regulated Loan (administering in this context includes notifying borrowers of changes in payments, interest rates or other notifiable matters and/or collecting payments due); (c) advising on Regulated Loans; (d) arranging Regulated Loans; and (e) agreeing to do any of the foregoing.

The Seller has received its authorisation for all activities listed above and such authorisation took effect on 31 October 2004. Unity has received its authorisation for all activities listed above (other than (c)), and such authorisation took effect on 27 October 2005. Infinity has received its authorisation for all activities listed above, and such authorisation took effect on 31 October 2004. Amber has received its authorisation for all activities listed above (other than (c)), and such authorisation took effect on 2 November 2004. The Mortgage Administrator has received its authorisation for all activities listed above (other than (a) or (c)), and such authorisation took effect on 31 October 2004. The Standby Servicer has received its authorisation for all activities listed above (other than (a) or (c)) on 16 September 2004, and such authorisation took effect on 31 October 2004. The Issuer is of the view that it does not require to be authorised since its activities are such that they either do not fall within the regulated activities as defined in the Order or they benefit from a specific exemption in respect of those activities.

Authorisation by the FSA subjects the Seller, the relevant Originator, the Mortgage Administrator and the Standby Servicer to the full regulatory regime imposed by the FSMA and the FSA. In particular, each of the Seller, the relevant Originator, the Mortgage Administrator and the Standby Servicer is required to have in place full systems and controls, to ensure that those carrying out controlled functions are authorised by the FSA, to maintain prescribed prudential ratios, and its activities and Regulated Loans will be subject to the Financial Ombudsman Scheme. In addition, the regulated activities relating to Regulated Loans must be performed in accordance with the Mortgages: Conduct of Business Sourcebook set out in the FSA Handbook (“**MCOB**”) (as described in further detail in *“Regulation of the UK Residential Mortgage Market - Loans Regulated by the Financial Services Authority under the Financial Services and Markets Act 2000”* below).

MCOB sets out detailed rules that will apply to the origination of Regulated Loans. These rules contain requirements: (a) which place limitations on the types of inducements and commission which can be paid to introducers; (b) regulate all advertising and other financial promotions in relation to “qualifying credit promotions”; (c) to ensure the suitability of any advice provided; (d) on disclosure prior to conclusion of a Regulated Loan; (e) in relation to the format, layout and content of offer documentation; (f) to lend “responsibly” when entering into any Regulated Loan or further advance which includes an express obligation to consider the customer’s ability to repay; (g) that all charges (including the interest rate, settlement fees and default charges) are not “excessive” by reference to market rates; and (h) in relation to dealings with borrowers in arrears or facing repossession.

Where an authorised person carries on a regulated activity otherwise than in accordance with its FSA permission or fails to comply with the provisions of the FSA’s Handbook, including, without limitation, MCOB, neither the Regulated Loans nor any related insurance policies advised upon and/or arranged by that person will be unenforceable. Regulated Loans (and any related insurance policies) will be unenforceable, except with the approval of a court, if the Originator is not authorised or if they are originated following a regulated activity which is conducted by an unauthorised person in breach of the general prohibition, or as a result of a financial promotion which is in breach of Section 21 of FSMA. Breach of MCOB could give rise to enforcement action by the FSA. Breach of the rules in MCOB are actionable by Borrowers who suffer loss as a result of the contravention. A breach could therefore give rise to a claim by a Borrower to set off sums due under a Regulated Loan. Any such set off may adversely affect the Issuer’s ability to make payments on the Notes.

The FSA has significant regulatory flexibility to alter its rules and to provide guidance on existing rules. We can give no assurance that the FSA will not change its rules or take a particular regulatory approach which may adversely affect the Seller or a particular Originator’s particular sector in the

mortgage market or specifically the Seller or a particular Originator. Any such development may have a material adverse effect on the Issuer and/or the Mortgage Administrator and their respective businesses and operations.

Unfair Terms in Consumer Contracts Regulations 1999

The Unfair Terms in Consumer Contracts Regulations 1999 (the “**Regulations**”) apply to standard form contracts entered into with individuals acting outside the scope of their trade, business or profession. The Regulations provide that (a) a consumer may challenge a term in an agreement on the basis that it is “unfair” within the Regulations and therefore not binding on the consumer and (b) the OFT, the FSA and any other “qualifying body” may seek to enjoin a business against relying on unfair terms although the rest of the agreement will remain valid, if it can survive without the relevant term.

This will not generally affect “core terms” which set out the main subject matter of the contract (for example, the Borrower’s obligation to repay the principal) provided they are written in plain and intelligible language and given sufficient prominence, but may affect terms deemed to be ancillary terms, which may include interest variation provisions, the ability to choose a substitute for LIBOR where LIBOR cannot be determined under an agreement relating to a Loan, other terms the application of which are in the lender’s discretion and the extent of the ability to impose Mortgage Early Repayment Charges. See “*Administration of the Mortgage Pool - Repayment*”.

For example, if a term imposing a charge upon redemption by reference to the Mortgage Early Repayment Charges is unfair, the Borrower will not be liable to pay the charge or, to the extent that he has paid it, will be able, as against the Mortgagee or heritable creditor (or any assignee such as the Issuer), to claim restitution of the amount or to set off the amount of such claim against the amount owing by the Borrower under the relevant Loan or any other Loan that the Borrower has taken. Any such non-recovery, claim or set-off may adversely affect the ability of the Issuer to make payments to MERC Holders.

In February 2000, the OFT issued a guidance note (the “**Guidance Note**”) on what the OFT considers to be “fair” or “unfair” within the Regulations for interest variation terms. The Guidance Note accepts the principle of a term linking an interest rate to an external rate which is outside the lender’s control. It provides that, generally, the OFT and Consumers’ Association will not regard such term as unfair if the lender explains at the outset how the interest rate is linked to the external rate and, if the link does not provide for precise and immediate tracking, the maximum margin of difference, and the time limits within which changes will be made. All of the LIBOR-Linked Loans are made on terms that provide for the mortgage rate to be at a fixed margin above LIBOR, and that explain when and how the tracking will take effect. It should be noted that the Guidance Note is not legally binding.

The Guidance Note was withdrawn from the OFT website around three years ago, although it may still reflect the OFT’s view and be a factor which the FSA may take into account. Prior to regulation by the FSA of Regulated Loans (as defined in “*Regulation of the UK Residential Mortgage Market*” below) it agreed with the OFT to take responsibility for the enforcement of the Regulations in respect of Regulated Loans. The FSA and OFT cooperate and liaise with each other in relation to unfair contract terms pursuant to a Concordat dated July 2006. In May 2005 the FSA issued a statement of good practice on the fairness of terms in consumer contracts, with specific reference to the fairness of variation clauses. The statement is addressed to firms authorised and regulated by the FSA in relation to products and services within the regulatory scope of the FSA. The statement provides, amongst other things, the FSA’s views on the factors to be considered when assessing the fairness of variation clauses, particularly where such variation clauses are applied to contracts with locked-in borrowers (i.e. where, in order to withdraw from the contract, the borrower is required to give advance notice or to pay a cost or to give up a benefit). Whilst the FSA provides that in general any information about interest rates, variations and notification of any changes should be clear, fair and not misleading, the statement in particular specifies a variety of factors that should be considered in respect of variation

clauses applied to contracts with locked-in borrowers. These factors include whether there is some connection between interest rates which apply to locked-in borrowers and those which apply to non-locked in borrowers; whether valid reasons for the change are stated in the contract; and whether the borrower must be given advance notice of the change. Additionally, the FSA states that firms may consider drafting contracts so as to permit variations to be made only when any lock-in clause has not been exercised.

On April 5, 2006 the OFT announced that the principles the OFT considers should be applied in assessing the fairness of credit card default charges should (or are likely to) apply to analogous default charges in other agreements, including those for mortgages. The OFT has stated that where credit card default charges are set at more than £12, the OFT will presume that they are unfair, and it is likely to challenge the charge unless there are limited, exceptional business factors in play. A default charge should only be used to recover certain limited administrative costs. These may include postage, stationery and staff costs, and also a proportionate share of the costs of maintaining premises and IT systems necessary to deal with defaults. It is not certain what effect the OFT's statement will have on residential mortgage lending. However, in the event that these principles are applied to the mortgage loans, it is possible that the arrears charges arising under a mortgage loan may be considered unfair to the extent that they have the effect of raising more in revenue than is reasonably expected to be necessary to recover the administrative costs incurred as a result of a borrower default.

In August 2002 the Law Commission and the Scottish Law Commission issued a joint consultation on proposals (amongst other things) to consolidate the Unfair Contract Terms Act 1977 (the "UCTA") and the Regulations into a single piece of legislation written in plain language. On 24 February 2005 the Law Commission and the Scottish Law Commission published a final report setting out their recommendations together with a draft bill to give effect thereto. The recommendations do not propose that there should be any significant increase in the extent of controls over terms in consumer contracts. However, the recommendations would, if given effect, make a number of changes to the current law as contained in the UCTA and the Regulations. In particular, the recommendations propose that (i) in all claims brought by consumers, the burden of proof should lie on the business using a particular term to show that it is fair; (ii) in relation to loan agreements, provisions regarding payments by the borrower, including interest and fees, should only be outside the scope of review as unfair terms where they are (a) payable in circumstances substantially the same as those the consumer reasonably expected; (b) calculated in substantially the same way as the consumer reasonably expected; (c) not payable under a default or subsidiary term of the contract; and (d) transparent.

No assurance can be given that changes to the Regulations, if enacted, changes to guidance on interest variation terms, if adopted, or changes adopted as a result of the OFT's review of default charges will not have an adverse effect on the Loans, the Seller, the relevant Originator, the Issuer or the Mortgage Administrator and their respective businesses and operations.

Distance Marketing of Financial Services

With effect from 31 October 2004, the Distance Marketing of Financial Services Directive (the "DMD") has been implemented in the United Kingdom by way of the Financial Services (Distance Marketing) Regulations 2004 (the "DM Regulations") and amendments to MCOB. In essence the DMD requires that in respect of distance contracts, consumers have the right to receive certain information and, for some financial services, a right to cancel the contract.

For the purposes of the DM Regulations a "distance contract" means "any contract concerning one or more financial services concluded between a supplier and a consumer under an organised distance sales or service-provision scheme run by the supplier or by an intermediary, who, for the purposes of that contract, makes exclusive use of one or more means of distance communication up to and including the time at which the contract is concluded". A similar definition is adopted in MCOB.

The DM Regulations and MCOB require suppliers of financial services by way of distance communication to provide certain information to consumers. This information generally has to be provided before the consumer is bound by a distance contract for supply of the financial services in question and includes, but is not limited to, general information in respect of the supplier and the financial service; contractual terms and conditions; and whether or not there is a right of cancellation. In general, consumers of distance contracts have a right to cancel contracts for financial services during a set period after commencement of the contract. However, cancellation rights will not apply, amongst others, in the case of contracts for financial services where (i) the price of the service depends on fluctuations in the financial market outside the supplier's control (such as interest rate changes); (ii) the supplier provides credit to a consumer and the consumer's obligation to repay is secured by a legal mortgage or standard security on land; or (iii) it is a restricted-use credit agreement (within the meaning of the CCA) to finance the purchase of land or an existing building, or an agreement for a bridging loan in connection with the purchase of land or an existing building.

The disapplication of cancellation rights will not take place (in the case of the DM Regulations) where pre-contract information and contractual terms and conditions have not been provided by the end of the sixth day after conclusion of the contract and cancellation rights will remain in effect until this information is so provided. The above provisions may be enforced by way of injunction and any breach may render the seller and possibly its officers liable to a fine.

Any term in a distance contract will be unenforceable if, and to the extent that, it is inconsistent with the application of a provision of the DM Regulations.

Potential for Regulatory Changes

In addition to the ongoing process of reform to the CCA there are a number of other developments which may affect or lead to reform of the regulatory framework, legislation or rules applicable to mortgage lending. These are set out, along with the CCA reforms, in greater detail in "*Regulation of the UK Residential Mortgage Market — Potential for Regulatory Changes*" below.

No assurance can be given that these measures will not, directly or indirectly, have a material adverse effect on the Issuer and/or the Mortgage Administrator and their respective businesses and operations thereby having an adverse effect on the Issuer's ability to make payments on the Notes.

Tax Considerations

In the event that withholding taxes are imposed in respect of payments to Noteholders of amounts due pursuant to the Notes, neither the Issuer nor any Paying Agent nor any other person is obliged to gross up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of the imposition of withholding taxes. The imposition of such withholding taxes would entitle (but not oblige) the Issuer to redeem the Notes at their Principal Amount Outstanding (plus accrued interest).

For these and other tax considerations, please see the information set out in "*United Kingdom Taxation*" below.

Certain Legal Considerations

Title of the Issuer

Legal title to the Mortgages in the Mortgage Pool over registered land in England and Wales or any land in Northern Ireland has remained, since origination and will remain, in the case of the Infinity Loans and the Unity Loans (each as defined below in "*Title to the Mortgage Pool*") with Infinity or Unity (as applicable). Subject to the completion of application to the Land Registry, Registry of Scotland or the Registers of Northern Ireland (as applicable) for registration or recording of the

transfers of legal title (or in Scotland, title) from Amber to Infinity, the legal title to the Amber Loans (as defined below in "*Title to the Mortgage Pool*"), has been transferred by Amber to Infinity. The sale by Unity and/or Infinity (as applicable) to the Seller, and the subsequent sale by the Seller to the Issuer, of Mortgages over such land will take effect in equity only (save as described below in respect of Scottish Loans), since, save in the circumstances set out below, no application will be made to the Land Registry, Registers of Scotland or the Registers of Northern Ireland to register or record the Issuer as legal owner (or, in Scotland, owner) of such Mortgages. Neither the Issuer nor the Trustee will apply to the Land Registry, the Registers of Northern Ireland or the Registers of Scotland to register or record their interest in such Mortgages (see "*Title to the Mortgage Pool*" below). The Issuer will acquire a beneficial interest in Scottish Loans under Scottish declarations of trust by Amber (pending transfer of title to Infinity) and by Infinity with the consent of the Seller (the "**Scottish Declarations of Trust**"). In each case the Issuer will be the beneficiary under the Scottish Declarations of Trust.

As a consequence of neither the Issuer nor the Trustee obtaining legal title (or, in Scotland, title) to the Mortgages by not registering or recording their respective interest in the Land Registry, a *bona fide* purchaser from Unity or Infinity (as the holder of legal title in the Loans) (or, in the case of the Amber Loans, until such registration or recording of the title of Infinity is complete, a *bona fide* purchaser from Amber) for value of any of such Loans without notice of any of the interests of the Seller, the Issuer or the Trustee might obtain a good title free of any such interest. Further, the rights of the Issuer and the Trustee may be or become subject to equities (for example, rights of set-off which arise in relation to transactions or deposits made between certain Borrowers and Unity or Infinity (as applicable) (or, in relation to the Amber Loans, until such registration or recording of the title of Infinity is complete, Amber) and the right of the relevant Borrowers to redeem their Mortgages by repaying the relevant Loan directly to either Unity or Infinity (as applicable) (or, in relation to the Amber Loans, until such registration or recording of the title of Infinity is complete, Amber) as holder of the legal title to such Mortgage). However, the risk of third party claims obtaining priority to the interests of the Seller, the Issuer or the Trustee in this way is likely to be limited to circumstances arising from a breach by the Mortgage Administrator, Unity or Infinity (or, in relation to the Amber Loans, until such registration or recording of the title of Infinity is complete, Amber) of its contractual obligations or fraud, gross negligence or mistake on the part of the Mortgage Administrator, Unity, Infinity, the Seller or the Issuer or their respective personnel or agents (see "*Title to the Mortgage Pool*" below). Furthermore, for so long as neither the Issuer nor the Trustee has obtained legal title, they must join Unity or Infinity as a party to any legal proceedings which they may wish to take against any Borrower or in relation to the enforcement of any Mortgage. In this regard, Unity or Infinity will undertake, for the benefit of the Issuer and the Trustee, that it will lend its name to, and take such other steps as may reasonably be required by the Issuer or may be required by the Trustee in relation to, any legal proceeding in respect of any Mortgage. In the event that Unity or Infinity is in administration, discretionary leave of the Court may be required to join Unity or Infinity (as applicable) as a party to such proceedings.

Northern Irish Loans

A proportion of the Loans are Northern Irish Loans. See “*Administration of the Mortgage Pool – Enforcement – Enforcement over Northern Irish Loans*” below for further details in respect of the Northern Irish Loans and their related Collateral Security.

Scottish Loans

A proportion of the Loans are Scottish Loans. See “*Administration of the Mortgage Pool – Enforcement – Enforcement over Scottish Loans*” below for further details in respect of the Scottish Loans and their related Collateral Security.

Enforcement

Even assuming that the Properties provide adequate security for the Loans, costs and delays could be encountered in connection with enforcement of the Mortgages and recovery of the Loans with corresponding delays in the receipt of related proceeds by the Issuer.

For further detail in relation to the enforcement process and related risks applicable to English Mortgages and Northern Irish Mortgages, see “*Administration of the Mortgage Pool – Enforcement – Enforcement over English Loans*”, “*Administration of the Mortgage Pool – Enforcement – Enforcement over Scottish Loans*” and “*Administration of the Mortgage Pool – Enforcement – Enforcement over Northern Irish Loans*” below.

Issuer as “Small Company” under the Insolvency Act 2000

The Insolvency Act 2000 which came into force on 1 January 2003 introduced significant changes to the UK insolvency regime which allow certain “small” companies to obtain protection from their creditors for a period of 28 days as part of the company voluntary arrangement procedure with the option for a company and its creditors to extend the protection period for a further two months.

During this period, no insolvency procedures may be commenced in relation to a company, any security created by a company over its property cannot be enforced and no other legal process can be taken in relation to such company except with the consent of the Court.

A company may continue to make payments in respect of its debts in existence before the beginning of the moratorium only if there are reasonable grounds for believing such payments will benefit such company and the payment is approved by either the moratorium committee of the creditors of the company or, if none, by a nominee of such company appointed under the provisions of the Insolvency Act 2000.

For the purposes of the Insolvency Act 2000, a “small company” is defined as one which satisfies two or more of the following criteria: (i) its turnover is not more than £5.6 million; (ii) its balance sheet total is not more than £2.8 million; and (iii) the number of its employees is not more than 50.

For as long as the turnover of the Issuer is greater than £5.6 million and its balance sheet total is greater than £2.8 million, the Issuer will not be regarded as a “small” company under the Insolvency Act 2000 as currently in force. The Secretary of State for Trade and Industry may by regulation in the future modify the eligibility requirements for the applicability of the Insolvency Act 2000 and the definition of a “small-company”.

Whether or not the Issuer is a small company within the provisions of the Insolvency Act 2000 will be an accounting matter determined on a financial year by financial year basis for the relevant company.

Pursuant to regulations made by the Secretary of State for Trade and Industry which also came into force on 1 January 2003, companies which are party to a capital market arrangement, under which a debt of at least £10 million is incurred and which involves the issue of a capital market investment, are excluded from being eligible for the moratorium. The definitions of “capital market arrangement” and “capital market investment” are broad, such that, in general terms, any company which is a party to an arrangement which involves at least £10 million of debt, the granting of security to a trustee, and the issue of a rated, listed or traded debt instrument, may be ineligible to seek the benefit of the small companies protection in any event. It is expected that on this basis, the Issuer will not be eligible for a moratorium.

If, due to a change in the eligibility criteria, the relevant “small company” moratorium provisions could apply to the Issuer, these provisions may serve to limit the Trustee’s ability to enforce the Security if, first, the Issuer falls within the eligibility criteria for a moratorium at the relevant time; secondly, if the directors of the Issuer seek a moratorium in advance of a company voluntary arrangement; and, thirdly, if the Issuer is considered not to fall within the capital market exception: in those circumstances, the enforcement of the Security by the Trustee may, for a period, be prohibited by the imposition of the moratorium.

If a moratorium could delay enforcement proceedings against the Issuer, this would be for a maximum period of three months as described above (subject to the Secretary of State for Trade and Industry increasing, by order, the period for which a moratorium may be obtained). In addition, if a protection period were granted in relation to it, it could obtain approval to continue to make payments in accordance with the Trust Deed and the Conditions.

The Enterprise Act 2002

Prohibition on appointment of administrative receiver

By an order made by the Under-Secretary of State for Small Business and Enterprise made on 8 August 2003, the provisions of the Enterprise Act 2002 (the “**Enterprise Act**”) amending certain corporate insolvency provisions of the Insolvency Act 1986 came into force on 15 September 2003. As a result of the amendments made by the Enterprise Act, unless a floating charge was created prior to 15 September 2003, or falls within one of the exceptions contained in the Enterprise Act, the holder of a qualifying floating charge over all or substantially all the assets of a company will be prohibited from appointing an administrative receiver to a company and consequently, the ability to prevent the appointment of an administrator to such company will be lost.

The floating charge to be granted by the Issuer pursuant to the terms of the Deed of Charge is a qualifying floating charge for the purposes of the Enterprise Act and will be granted after 15 September 2003 and as such, unless excepted, the Trustee will be prevented from appointing an administrative receiver in respect of the Issuer. However, this qualifying floating charge will fall within the “capital market arrangement” exception to the prohibition on appointment of an administrative receiver and accordingly the Trustee will still be able to appoint an administrative receiver pursuant to the Deed of Charge.

Share of floating charge assets for unsecured creditors

The Enterprise Act 2002 also inserted a new section 176A into the Insolvency Act, which provides that where a company has gone into liquidation or administration, or where there is a provisional liquidator or receiver, a “prescribed part” of the company’s net property is to be applied in satisfaction of debts due to unsecured creditors in priority over debts secured only by a floating charge. A company’s “net” property for this purpose is the portion of a company’s property which would otherwise be available to satisfy the claims of creditors secured only by a floating charge. As at the date of this Prospectus, the “prescribed part” has been set at 50 per cent. of the first £10,000 of a company’s net property and 20 per cent. thereafter up to a maximum of £600,000 however these

thresholds are subject to change. The liquidator, administrator or receiver may disapply this rule in certain circumstances.

While certain of the Issuer covenants are intended to ensure that the Issuer has no material creditors other than the Secured Creditors, it will be a matter of fact as to whether the Issuer has any other creditors at any time. To the extent that the Issuer's assets are subject to fixed charges pursuant to the Deed of Charge, such assets will be outside the Issuer's "net property". However, to the extent that the Issuer's assets are subject only to a floating charge, the provisions of section 176A of the Insolvency Act would result in the prescribed part of the assets which would otherwise be available to satisfy the claims of the Secured Creditors being used to satisfy the claims of unsecured creditors.

Fixed charges over accounts may take effect under English law as floating charges

The Issuer will purport to grant certain fixed charges in favour of the Trustee over the Issuer's assets as described in "Summary Information - Security for the Notes, MERCS and Residuals" above.

The law in England and Wales relating to join the re-characterisation of fixed charges is unsettled. The fixed charge purported to be granted by the Issuer (other than by way of assignment in security) may take effect under English law as floating charges only, if, for example, it is determined that the Trustee does not exert sufficient control over the relevant account or the proceeds thereof for the security to be said to "fix" over those assets. If the charges take effect as floating charges instead of fixed charges then certain matters, which are given priority over the floating charge by law, will be given priority over the claims of the floating chargeholder. (See "The Enterprise Act 2002" above).

Change of Law

The structure of the Notes and the ratings which are to be assigned to the Notes are based on English law, tax, regulatory and administrative practice, in relation to the Northern Irish Loans, Northern Irish law, and in the case of Scottish Loan, Scots law in each case in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible changes to English law, Northern Irish law or Scots law or administrative practice in the United Kingdom after the date of this Prospectus nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

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 the Euro may become the lawful currency of the United Kingdom. In that event (i) all amounts payable in respect of the Sterling Notes, may become payable in Euro; (ii) applicable provisions of law may allow the Issuer to redenominate the Sterling Notes into Euro and take additional measures in respect of such Sterling Notes; and/or (iii) the introduction of the Euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in sterling used to determine the rates of interest on the Sterling Notes or changes in the way those rates are calculated, quoted and published or displayed. If the Sterling Notes are outstanding at a time when the Euro becomes the lawful currency of the United Kingdom, the Issuer intends to make payment on the Sterling Notes in accordance with the then market practice of payment of such debts. 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.

The Issuer believes that the risks described above are the principal risks inherent in the transaction for the Noteholders, but the inability of the Borrowers to pay interest, principal, or other amounts on the Loans or the Mortgages and consequently the inability of the Issuer to pay interest, principal, or other amounts on or in connection with the Notes may occur for other reasons, and the Issuer does not represent that the above statements regarding the risk of holding the Notes are exhaustive. There can be no assurance that the structural elements described in this Prospectus designed to lessen some

of these risks will be sufficient to ensure payment to the Noteholders of interest, principal or any other amounts on or in connection with the Notes on a timely basis or at all.

CREDIT STRUCTURE

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

Credit Support for the Rated Notes Provided by “Available Revenue Funds”

The interest rates payable by Borrowers in respect of the Loans vary in respect of different Borrowers and different types of Loans (see “*Summary Information - The Loans*” above and “*The Mortgage Pool*” below). Assuming that (i) the same LIBOR is applicable to the Rated Notes and/or Interest Rate Cap Agreements (where applicable) and the Loans and (ii) that no extraordinary expenses have been incurred by the Issuer, it is anticipated that, on the Issue Date, the revenue that should be generated by applying the weighted average interest rates payable by Borrowers on the Loans to the Completion Mortgage Pool and amounts made available from the Discount Reserve will exceed the amounts payable under items (i) to (xii) of the Pre-Enforcement Priority of Payments (as defined in Condition 2(f)) by an amount, calculated as a percentage, which is expected to be approximately 0.54 per cent. of the aggregate principal balance of the Rated Notes on the Issue Date. Once the discount period in respect of those Loans with a discounted mortgage rate has ended, this figure is expected to rise to approximately 1.09 per cent. of the aggregate principal balance of the Rated Notes. The actual amount of the excess (the “**Excess Spread**”) will vary during the life of the Rated Notes. Key factors determining such variations include, without limitation, the interest received from the Borrowers in respect of the Loans, the level of delinquencies and defaults experienced on the Loans and the level of recoveries achieved through enforcement of the Collateral Security, the fluctuations in the actual interest rate of the Loans in the Mortgage Pool, the level of prepayments and the timing of the acquisition of Prefunded Loans. Available Revenue Funds (as defined in Condition 2(f)) may be applied (after making payments or provisions in each case ranking higher in the Pre-Enforcement Priority of Payments) on each Interest Payment Date towards reducing any Principal Deficiency (as defined under “*Principal Deficiency Ledger*” below).

To the extent that the amount of Available Revenue Funds standing to the credit of the Revenue Ledger on each Interest Payment Date exceeds the amount required to meet items (i) to (xii) of the Pre-Enforcement Priority of Payments, such excess funds are available to replenish the Reserve Fund which is itself available to be drawn upon on any other Interest Payment Date upon which there exists any Income Deficiency (as defined in “*Income Deficiencies*” below) or any Principal Deficiency.

Save to the extent that Available Revenue Funds are utilised to replenish the Reserve Fund (as described under “*Reserve Fund*” below) and the Interest Rate Cap Proceeds Reserve Fund (as described under “*Interest Rate Cap Proceeds Reserve Fund*” below) it is not intended that any surplus Available Revenue Funds will be accumulated in the Issuer other than amounts credited to a ledger to record profits of the Issuer (the “**Profit Ledger**”) as item (xv) of the Pre-Enforcement Priority of Payments.

Income Deficiencies

On each day which falls 5 Business Days prior to an Interest Payment Date (a “**Determination Date**”), the Issuer will calculate the following amount (the “**Initial Available Revenue**”):

- (a) the credit balance of the Revenue Ledger and the Interest Rate Cap Proceeds Reserve Ledger at close of business on the Business Day immediately preceding the Determination Date immediately preceding such Interest Payment Date; *plus*
- (b) in respect of the first Interest Payment Date any amounts standing to the credit of the Prefunding Interest Shortfall Ledger; *plus*
- (c) any amount received or to be received by the Issuer from the Interest Rate Swap Counterparty or the Currency Swap Counterparty under an Interest Rate Swap Agreement or a Currency

Swap Agreement (other than (i) in respect of Posted Collateral (except where such Posted Collateral is applied in satisfaction of termination payments due to the Issuer following the designation of an early termination date under an Interest Rate Swap Agreement or Currency Swap Agreement (as applicable)) and (ii) any Hedge Termination Amounts which are applied by the Issuer in entering into a replacement interest rate swap agreement or replacement currency swap agreement (as applicable)); *plus*

- (d) an amount equal to the interest which has accrued or will accrue under the Bank Agreement or the Guaranteed Investment Contract during the period between the immediately preceding Interest Payment Date and such Interest Payment Date and which is expected to be paid on such Interest Payment Date; *plus*
- (e) to the extent such amounts have not already been counted under items (a) to (d) above, all proceeds from Authorised Investments made with amounts representing items (a) to (d) above expected to mature or to be realised on or prior to such Interest Payment Date; *less*
- (f) any Permitted Withdrawals which will be debited to the Revenue Ledger in the period from and including such Determination Date to and including such Interest Payment Date (or, in the case of out of pocket fees and expenses payable to the Mortgage Administrator, to but excluding such Interest Payment Date) provided the Permitted Withdrawals satisfy certain conditions (as more fully described in the Cash/Bond Administration Agreement);

To the extent that the Initial Available Revenue (adjusted between the Determination Date and such Interest Payment Date to take account of (i) any changes in the amount standing to the credit of the Prefunding Interest Shortfall Ledger or the Interest Rate Cap Proceeds Reserve Ledger and (ii) any difference between the expected amount of Permitted Withdrawals and the actual amount of Permitted Withdrawals during the period between the Determination Date and the Interest Payment Date) is insufficient to pay or provide for payment of items (i) to (xii) inclusive under the Pre-Enforcement Priority of Payments (the amount of any deficit being an “**Income Deficiency**”), the Issuer shall pay or provide for such Income Deficiency (i) first, by applying amounts standing to the credit of the Reserve Fund; and (ii) secondly, (but only to the extent permitted as set out under “*Liquidity Facility*” below) by applying amounts standing to the credit of the Liquidity Ledger or by drawing under the Liquidity Facility, in each case to the Revenue Ledger to form part of Available Revenue Funds on the next succeeding Interest Payment Date.

Reserve Fund

To provide limited coverage for shortfalls in amounts under items (i) to (xii) inclusive of the Pre-Enforcement Priority of Payments, the Issuer will on the Issue Date establish a reserve fund (the “**Reserve Fund**”) in the initial amount of £2,975,000, using part of the proceeds of the E Notes to be utilised on any Interest Payment Date where such shortfalls occur. All amounts credited to the Reserve Fund will be recorded in a sub-ledger in the Transaction Account established for that purpose (the “**Reserve Ledger**”).

Discount Reserve

Under the terms of the Discounted Loans (as defined in *Risk Factors – Risks relating to the Credit Structure* above), the margin payable by a Borrower will be discounted during a specified initial period of the Loan.

In order to partially mitigate the reduction in interest payable on the Discounted Loans in the Mortgage Pool during the relevant discount periods, and to enhance the Excess Spread, the Issuer will, on the Issue Date, establish a reserve of £2,223,150 (the “**Discount Reserve**”) using part of the proceeds of issue of the E Notes. The Issuer will be also required to maintain or cause to be

maintained a discount reserve ledger which will be established to record the amount from time to time standing to the credit of the Discount Reserve (the “**Discount Reserve Ledger**”).

On each Interest Payment Date a portion of the amount standing to the credit of the Discount Reserve equal to an amount pre-fixed at the Issue Date for each Interest Payment Date in accordance with a predetermined schedule annexed to the Cash/Bond Administration Agreement, which reflects an assumed Excess Spread enhancement profile (the “**Discount Reserve Applicable Amount**”) shall be (i) debited to the Discount Reserve, (ii) credited to the Transaction Account and (iii) will be applied towards Available Revenue Funds for application in accordance with the Pre-Enforcement Priority of Payments (and any provisos thereto).

On any Interest Payment Date on which the Rated Notes are redeemed in full the remaining amounts comprised in the Discount Reserve (if any) will be applied towards Available Revenue Funds.

Liquidity Facility

The Issuer will be entitled from time to time on any Interest Payment Date (as defined in the Conditions), prior to enforcement of the Security, to make drawings up to the Liquidity Maximum Amount (as defined below) to be used in accordance with the Pre-Enforcement Priority of Payments under a 364 day facility (the “**Liquidity Facility**”), renewable at the option of the Liquidity Facility Provider, entered into between, *inter alios*, Barclays Bank PLC (the “**Liquidity Facility Provider**”), acting through its branch at 5 The North Colonnade, London E14 4BB, and the Issuer pursuant to the terms of a liquidity facility agreement (the “**Liquidity Facility Agreement**”) (any such drawings to be initially credited to the Revenue Ledger) to the extent that, after the application of amounts standing to the credit of the Reserve Ledger there are insufficient amounts to meet in full all of items (i) to (xi) (other than items (vi), (viii) and (x)) as set out in the Pre-Enforcement Priority of Payments on that Interest Payment Date, **provided that** no drawings under the Liquidity Facility or from amounts standing to the credit of the Liquidity Ledger (as defined below) may be made to meet interest payments on:

- (i) the B Notes to the extent that on the relevant Interest Payment Date, after the application of the Initial Available Revenue and any amounts standing to the credit of the Reserve Fund, the B Principal Deficiency Ledger (before any Principal Payments to be made on that Interest Payment Date have been made) would have a debit balance equal to or greater than 20 per cent. of the then aggregate Principal Amount Outstanding of the B Notes; or
- (ii) the C Notes to the extent that on the relevant Interest Payment Date, after the application of the Initial Available Revenue and any amounts standing to the credit of the Reserve Fund, the C Principal Deficiency Ledger (before any Principal Payments to be made on that Interest Payment Date have been made) would have a debit balance equal to or greater than 50 per cent. of the then aggregate Principal Amount Outstanding of the C Notes; or
- (iii) the D Notes to the extent that on the relevant Interest Payment Date, after the application of the Initial Available Revenue and any amounts standing to the credit of the Reserve Fund, the D Principal Deficiency Ledger (before any Principal Payments to be made on that Interest Payment Date have been made) would have a debit balance equal to or greater than 50 per cent. of the then aggregate Principal Amount Outstanding of the D Notes.

Drawings credited to the Revenue Ledger on any Interest Payment Date will be applied in accordance with the Pre-Enforcement Priority of Payments. Likewise, all amounts due and payable to the Liquidity Facility Provider will be paid from the Revenue Ledger to the Liquidity Facility Provider on the relevant Interest Payment Date in accordance with the Pre-Enforcement Priority of Payments (but only prior to the Liquidity Drawdown Date as defined below).

If (i) at any time, the short term credit rating of the Liquidity Facility Provider falls below the highest short term rating accorded by any of the Rating Agencies or (ii) the Liquidity Facility Provider has its short term rating withdrawn by any of the Rating Agencies or (iii) the Liquidity Facility is not renewed, and in each case, the Liquidity Facility is not replaced by an alternative Liquidity Facility such that the then current rating of the Rated Notes is not adversely affected, the Issuer shall forthwith draw down the entirety of the undrawn portion of the Liquidity Facility and credit such amount to a ledger in the Transaction Account (the “**Liquidity Ledger**”) (or such other account as the Trustee may direct). The date upon which such amount is drawn down is the “**Liquidity Drawdown Date**”.

Amounts credited to the Revenue Ledger or Liquidity Ledger up to the Liquidity Drawn Amount (as defined below) pursuant to item (iv) of the Pre-Enforcement Priority of Payments will be capable of being redrawn under the Liquidity Facility (prior to the Liquidity Drawdown Date) or from the Liquidity Ledger (on or after the Liquidity Drawdown Date) (together, as the case may be, with other undrawn amounts under the Liquidity Facility) on any Interest Payment Date to the extent set out above in this section.

“**Liquidity Drawn Amount**” means, on any Determination Date, the amount then drawn under the Liquidity Facility and not repaid together with all accrued interest up to (but excluding) the next Interest Payment Date.

“**Liquidity Maximum Amount**” means:

- (i) on the Issue Date £17,500,000 (the “**Initial Liquidity Maximum Amount**”) being the amount of the original Liquidity Facility; and
- (ii) on each Interest Payment Date falling on or after the first Interest Payment Date on which the Initial Liquidity Maximum Amount is greater than or equal to 10 per cent. of the aggregate Sterling Equivalent Principal Amount Outstanding of the Rated Notes following application of Actual Redemption Funds on such Interest Payment Date, the greater of:
 - (a) 10 per cent. of the Sterling Equivalent Principal Amount Outstanding (after any principal payments to be made on the Rated Notes on that Interest Payment Date) of the Rated Notes on the relevant Interest Payment Date; or
 - (b) £1,750,000,

save that there shall be no reduction in the Liquidity Maximum Amount if:

- (a) there is a Liquidity Drawn Amount outstanding; or
- (b) after applying Available Revenue Funds on the relevant Interest Payment Date, the Reserve Fund is less than the Reserve Fund Required Amount or the Principal Deficiency Ledger is greater than zero; or
- (c) the aggregate value of the principal losses experienced in the Mortgage Pool (whether or not such losses form part of the sub-ledgers of the Principal Deficiency Ledger at such time) at the immediately preceding Determination Date is greater than 1.25 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes on the Issue Date.

The Liquidity Maximum Amount (which may never exceed the Initial Liquidity Maximum Amount) may be reduced following partial or full repayment of any Rated Notes, subject to (a) sub-paragraph (ii) above and (b) the Issuer obtaining confirmation from the Rating Agencies that the reduction will not adversely affect the then rating of the Rated Notes outstanding.

Mortgage Early Repayment Charges

Amounts received by the Issuer as additional payments upon the prepayment of Loans (being amounts recovered as early redemption fees upon early settlement or upon enforcement, as opposed to any interest payable for the month of redemption and amounts of principal repayable under the Loan) (“**Mortgage Early Repayment Charges**”) will be credited to a ledger established for such purposes (the “**Prepayments Ledger**”).

Any amount received by the Issuer in respect of a Mortgage Early Repayment Charge will be for the benefit of the MERC Holders and will not be applied towards payment of any amounts outstanding on the Notes.

Early repayment will generally occur in two circumstances: (a) a Borrower may voluntarily prepay all or part of the Loan or (b) a Borrower may default (or another event of acceleration may occur) and Enforcement Procedures (defined below), including the sale of the Property, may take place.

If a Borrower defaults and Enforcement Procedures are initiated, the proceeds arising from such Enforcement Procedures, including the sale proceeds of the relevant Property may be insufficient to repay the entirety of the amounts owed by the Borrower under the Loan.

Under the Mortgage Administration Agreement, the Mortgage Administrator will be responsible for handling the procedures connected with the redemption of Loans and is authorised by the Trustee and the Issuer to release the relevant Loan documents to the person or persons entitled thereto upon redemption. The Mortgage Administrator may charge a fixed fee for the procedures in connection with the redemption.

Use of Proceeds of the E Notes

Proceeds of the issue of E Notes will be used to fund (a) the costs and expenses arising in respect of the Notes which are issued on the Issue Date, which amount will be initially credited to a ledger established for such purposes (the “**Start-up Costs Ledger**”) (b) Reserve Fund; (c) Discount Reserve; and (d) the Prefunding Interest Shortfall Amount, which amount will be credited to the Prefunding Interest Shortfall Ledger. The “**Prefunding Interest Shortfall Amount**” is calculated as follows:

$$\frac{(A-B) \times C \times D}{365}$$

A = weighted average Rate of Interest for the Sterling Notes (excluding the E Notes) payable to the holders of the Sterling Notes (excluding the E Notes), the USD Notes payable to the Currency Swap Counterparty and the Euro Notes payable to the Currency Swap Counterparty for the first Interest Period.

B = the rate of interest payable by the GIC Provider during the first Interest Period pursuant to the Guaranteed Investment Contract.

C = the Prefunding Amount.

D = the number of days from and including the Issue Date to but excluding the first Interest Payment Date.

Subordination

All the Notes will be secured by the same security. Upon enforcement, the Notes will rank as between themselves as follows: first, interest and principal on the A Notes *pari passu* and *pro rata*; secondly, interest and principal on the B Notes *pari passu* and *pro rata*; thirdly, interest and principal on the C

Notes *pari passu* and *pro rata*; fourthly, interest and principal on the D Notes *pari passu* and *pro rata*; and fifthly, interest and principal on the E Notes *pari passu* and *pro rata*.

Subject to the following paragraph, the E Noteholders will not be entitled to receive any payment of interest under and until all amount due to the D Noteholders, the C Noteholders, the B Noteholders and the A Noteholders have been paid in full, the D Noteholders will not be entitled to receive any payment of interest unless and until all amounts due to the C Noteholders, the B Noteholders and the A Noteholders have been paid in full, the C Noteholders will not be entitled to receive any payment of interest unless and until all amounts due to the B Noteholders and the A Noteholders have been paid in full and the B Noteholders will not be entitled to receive any payment of interest unless and until all amounts due to the A Noteholders have been paid in full in accordance with the Pre-Enforcement Priority of Payments.

In certain circumstances, subject to the satisfaction of certain conditions set out in Condition 5 (*Redemption and Post Enforcement Call Option*), there may be a *pro rata* redemption of the Notes. Interest on the Notes will be payable in arrears as described in Condition 4 (*Interest*).

In the event that, on any Determination Date, there are insufficient Available Revenue Funds to make payment in full of interest amounts due and payable on the B Notes, the C Notes, the D Notes and the E Notes, then to that extent interest shall be deferred until the next Interest Payment Date on which there are sufficient Available Revenue Funds, as more fully set out in Condition 6 (*Payments*).

Collection Accounts

Payments by Borrowers in respect of amounts due under the Loans will be made into one of three collection accounts opened with the Account Bank. Collections received from Borrowers in relation to the Amber Loans will be paid into a Collection Account in the name of Infinity held at the Account Bank (the "**Amber Collection Account**"), collections received from Borrowers in relation to the Infinity Loans will be paid into a collection account in the name of Infinity held at the Account Bank (the "**Infinity Collection Account**") and collections received from Borrowers in relation to the Unity Loans will be paid into a collection account in the name of Unity held at the Account Bank (the "**Unity Collection Account**", and, together with the Amber Collection Account and the Infinity Collection Account, the "**Collection Accounts**").

By a declaration of trust to be dated on or around 13 March 2007 (the "**Amber Collection Account Declaration of Trust**"), Infinity will declare a trust over the Amber Collection Account for the benefit of the Issuer. By a declaration of trust to be dated on or around 13 March 2007 (the "**Infinity Collection Account Declaration of Trust**"), Infinity will declare a trust over the Infinity Collection Account for the benefit of the Issuer. By a declaration of trust to be dated on or around 13 March 2007 (the "**Unity Collection Account Declaration of Trust**", and, together with the Amber Collection Account Declaration of Trust and the Infinity Collection Account Declaration of Trust, the "**Collection Accounts Declarations of Trust**"), Unity will declare a trust over the Unity Collection Account for the benefit of the Issuer.

Transaction Account and Euro Account

All amounts received from Borrowers will be transferred on a daily basis from the Collection Account to one or more accounts in the name of the Issuer held at the Account Bank (the "**Transaction Account**").

All amounts denominated in Euro and received by the Issuer directly from the Currency Swap Counterparty shall be credited to an account denominated in Euro held in the name of the Issuer at the Account Bank (the "**Euro Account**").

GIC Account and Reserve GIC Account

The Issuer will establish two accounts with Barclays Bank PLC (the “**GIC Provider**”) maintained at its branch at 5 The North Colonnade, London E14 4BB (the “**GIC Account**” and the “**Reserve GIC Account**”, and together with the Transaction Account and the Euro Account, the “**Bank Accounts**”).

Pursuant to a guaranteed investment contract to be entered into on or before the Issue Date between, *inter alios*, the Issuer and the GIC Provider (the “**Guaranteed Investment Contract**”), the GIC Provider will agree to pay interest on the sums deposited in the GIC Account and the Reserve GIC Account from time to time as follows:

- (a) any monies credited to the GIC Account on an Interest Payment Date or the Issue Date which will not be required by the Issuer for funding payments during the Interest Period starting on that date will be guaranteed to earn interest during that Interest Period at a rate of interest equal to Note Sterling LIBOR set for the related Interest Period minus 0.40 per cent.; and
- (b) any monies corresponding to Interest Rate Cap Proceeds Reserve Fund, Reserve Fund and Discount Reserve and credited to the Reserve GIC Account during an Interest Period will be guaranteed to earn a rate of interest equal to Note Sterling LIBOR set for the related Interest Period minus 0.20 per cent.

If the rating of the unsubordinated and unsecured short term debt of the GIC Provider or any replacement falls below any of the Rating Agencies’ highest short term ratings or the rating then required to maintain the then current ratings of the Rated Notes, the Cash/Bond Administrator will, within 30 days of notification of such downgrade, either (i) transfer the balance of the GIC Account and the Reserve GIC Account (together with accrued interest) to the Transaction Account or (ii) transfer the Guaranteed Investment Contract to an entity having the Rating Agencies’ highest short term ratings after obtaining the prior written consent of the Trustee and confirmation from the Rating Agencies that the then current ratings of the Rated Notes will not thereby be adversely affected (“**Rating Agency Confirmation**”).

Permitted Withdrawals

On any date (and, if on an Interest Payment Date, in respect of items (a) to (c) below, in priority to the payments, transfers and provisions referred to in the Pre-Enforcement Priority of Payments), the Cash/Bond Administrator shall be permitted to make the following payments from the Transaction Account:

- (a) the amounts required to purchase Further Advances from the Seller in relation to the Amber Loans from Infinity;
- (b) to pay when due (but subject to any right to refuse or withhold payment or offset that has arisen by reason of the Borrower’s breach of the terms of the Loan or Mortgage concerned) any amount payable by the Issuer to a Borrower under the terms of the Loan to which that Borrower is a party or by operation of law;
- (c) if any amount has been received from a Borrower for the express purpose of payment being made by the Issuer to a third party for the provision of a service (including giving insurance cover) to either that Borrower or the Issuer, to pay such amount when due to such third party or, in the case of the payment of an insurance premium, where such third party and the Seller have agreed that payment of commission to the Seller should be made by deduction from such insurance premium, to pay such amount less such commission when due to such third party and to pay such commission to the Seller;

- (d) to pay to any person (including the Seller, the Special Servicer, the Cash/Bond Administrator and the Mortgage Administrator) any amounts due arising from any overpayment by any person to the Issuer in respect of the Loans or Mortgages or arising from any reimbursement by any person of any such overpayment;
- (e) to make Authorised Investments (as defined in “*Authorised Investments*” below) in accordance with the terms of the Cash/Bond Administration Agreement and to pay all normal costs and expenses incurred in connection with the making or realisation of any Authorised Investment, whether or not such Authorised Investment is made from funds standing to the credit of the Transaction Account;
- (f) other than on an Interest Payment Date, when the Priority of Payments shall apply, to pay when due and payable any amounts due and payable by the Issuer to third parties (other than Secured Creditors), if any, and incurred without breach by the Issuer of the Trust Deed and not provided for payment elsewhere in items (a) to (e) above or (g) to (l) below and to pay any insurance premium in respect of any insurance policy relating to any Loan or Mortgage;
- (g) to meet reasonable out of pocket fees and expenses payable to the Mortgage Administrator under the Mortgage Administration Agreement on any date other than an Interest Payment Date;
- (h) to make payments into the GIC Account pursuant to the terms of the Guaranteed Investment Contract;
- (i) to make payments to the Mortgage Administrator where permitted pursuant to Clauses 9 and 10 of the Mortgage Administration Agreement; and
- (j) to pay to the Seller as the owner thereof all amounts representing Pre-Acquisition Interest (if any) where:

“**Pre-Acquisition Interest**” means (a) in respect of the Loans in the Completion Mortgage Pool on the Issue Date, all amounts of interest accrued thereon but not yet due as at the Issue Date and all Interest Arrears in respect of those Loans as at the Issue Date; and (b) in respect of the Substitute Loans and the Prefunded Loans, all amount of interest accrued thereon but not yet due as at the relevant date of purchase by the Issuer and all Interest Arrears in respect of those Loans as at the date of purchase by the Issuer; and

“**Interest Arrears**” means in respect of any Loan as at a particular date, the amount of interest which has become due and payable but which has not been paid by the relevant Borrower.

Each of the above payments shall be referred to as a “**Permitted Withdrawal**”. No Permitted Withdrawal may be made or provided for under items (a) to (g) above during the period from and including a Determination Date to and including the next following Interest Payment Date unless:

- (a) the Cash/Bond Administrator reasonably assumes that such payment would be made for the purpose of determining the Actual Redemption Funds (as defined in Condition 5(b) (*Mandatory Redemption in Part of the Notes*)) on such Determination Date; or
- (b) such payment is made out of amounts credited to the Revenue Ledger after such Determination Date; or
- (c) the making of such payment would not result in a reduction in the amounts which the Cash/Bond Administrator calculates would otherwise be available to make any payments of principal or interest in respect of the Notes on such Interest Payment Date.

Principal Deficiency Ledger

A principal deficiency ledger (the “**Principal Deficiency Ledger**”) comprising four sub-ledgers, known as the “**A Principal Deficiency Ledger**”, the “**B Principal Deficiency Ledger**”, the “**C Principal Deficiency Ledger**” and the “**D Principal Deficiency Ledger**” respectively, will be established in order to record any losses on the Mortgage Pool following the completion of enforcement proceedings in respect of any Loans (such losses respectively, the “**A Principal Deficiency**”, the “**B Principal Deficiency**”; the “**C Principal Deficiency**” and the “**D Principal Deficiency**”, and in each case a “**Principal Deficiency**”).

Such losses represent the amount by which the aggregate Mortgage Principal Receipts recovered in respect of a Loan are less than the sum of the outstanding principal balance of the Loan at such time. Any such losses shall be debited:

- (1) to the D Principal Deficiency Ledger (such debit items being re-credited at item (xii) of the Pre-Enforcement Priority of Payments to the extent that there are sufficient funds on subsequent Interest Payment Dates) so long as the debit balance on such sub-ledger is less than the Principal Amount Outstanding of the D Notes;
- (2) thereafter, to the C Principal Deficiency Ledger (such debit items being re-credited at item (x) of the Pre-Enforcement Priority of Payments to the extent that there are sufficient funds on subsequent Interest Payment Dates) so long as the debit balance on such sub-ledger is less than the Principal Amount Outstanding of the C Notes;
- (3) thereafter, to the B Principal Deficiency Ledger (such items being re-credited at item (viii) of the Pre-Enforcement Priority of Payments to the extent that there are sufficient funds on subsequent Interest Payment Dates) so long as the debit balance on such sub-ledger is less than the Principal Amount Outstanding of the B Notes; and
- (4) thereafter, to the A Principal Deficiency Ledger (such items being re credited at item (vi) of the Pre-Enforcement Priority of Payments to the extent that there are sufficient funds on subsequent Interest Payment Dates).

To the extent such Principal Deficiencies exist following the application of Available Revenue Funds (as defined in Condition 2 (*Status and Security*)), amounts (if any) standing to the credit of the Reserve Fund shall be applied (as set out in “*Reserve Fund*” above) to credit the four sub-ledgers of the Principal Deficiency Ledger in the reverse order set out above until such time as the Principal Deficiency Ledger balance is returned to zero.

Authorised Investments

Under the Cash/Bond Administration Agreement, provided it has the necessary authorisation in respect of discretionary asset management, the Cash/Bond Administrator will be entitled, but not obliged, to invest cash from time to time standing to the credit of the Transaction Account and/or the GIC Account and/or the Reserve GIC Account in certain sterling denominated, non-interest bearing, short-term, unsecured, un-guaranteed and unsubordinated debt instruments with a short term unsecured, unguaranteed and unsubordinated rating of at least A-1+ from S&P, P-1 from Moody’s and F1+ from Fitch provided that such investments mature on or prior to the Interest Payment Date on which the cash used by the Issuer to acquire such investments is required by the Issuer (“**Authorised Investments**”). The Cash/Bond Administrator will not be entitled to any additional fees or to any commissions in respect of the making of Authorised Investments but will be entitled to reimbursement of normal costs and expenses incurred by it in connection with the making or realisation of any Authorised Investment.

Interest Rate Cap Agreements

The interest rate payable under certain of the Loans (the “**LIBOR-Linked Loans**”) is calculated by reference to LIBOR, which may be subject to variations. The Issuer could be subject to a higher risk of default in payment by a Borrower under a Loan as a result of an increase in LIBOR. The Issuer will enter into Interest Rate Cap Agreements (the “**Interest Rate Cap Agreements**”) on or about the Issue Date with the Interest Rate Cap Counterparty (the “**Interest Rate Cap Counterparty**”).

The Interest Rate Cap Agreements will operate such that if Note Sterling LIBOR rises to a rate in excess of (i) 7.25 per cent. during the period commencing from the Issue Date until the Interest Payment Date falling in June 2012 (the “**Interest Rate Cap 1 Strike Rate**”) and (ii) 7.5 per cent. during the period commencing on the Issue Date until the Interest Payment Date falling in June 2012 (the “**Interest Rate Cap 2 Strike Rate**” and together with the Interest Rate Cap 1 Strike Rate, the “**Interest Rate Cap Strike Rates**” and each an “**Interest Rate Cap Strike Rate**”), amounts equal to the excess of (a) the amount produced by applying Note Sterling LIBOR for the relevant Interest Period to the notional amount of (i) £45,500,000 (the “**Interest Rate Cap 1 Notional Amount**”) or (ii) £42,000,000 (the “**Interest Rate Cap 2 Notional Amount**” and together with the Interest Rate Cap 1 Notional Amount, the “**Interest Rate Cap Notional Amounts**” and each an “**Interest Rate Cap Notional Amount**”), in each case over (b) the amount produced by applying the relevant Interest Rate Cap Strike Rate to the relevant Interest Rate Cap Notional Amount, will be paid (if such figure is positive) by the Interest Rate Cap Counterparty to the Issuer on the next following Interest Payment Date.

Where the Interest Rate Cap Counterparty provides Posted Collateral (as defined in Condition 2(f)) in accordance with the terms of any Agreement, such Posted Collateral will, upon receipt by the Issuer be credited to a separate ledger (the “**Collateral Ledger**”) in the Transaction Account created to record such amounts and transferred (if in cash form) to the GIC Account. Any collateral provided by the Interest Rate Cap Counterparty will not form part of Available Revenue Funds except in accordance with the terms of the Interest Rate Cap Agreements permitting such Posted Collateral to be applied in or towards satisfaction of the Interest Rate Cap Counterparty’s obligations under the Interest Rate Cap Agreements.

The Interest Rate Cap Counterparty may, provided that it has obtained the prior written approval of the Issuer and given written notice of the same to the Trustee and to each of the Rating Agencies, at its own expense, transfer its obligations in respect of the Interest Rate Cap Agreements to another entity provided that such entity is acceptable to the Trustee and that such transfer of obligations would not result in a downgrade or withdrawal of the then current ratings of the Rated Notes.

Interest Rate Cap Proceeds Reserve Fund

Amounts received by the Issuer from the Interest Rate Cap Counterparty under the Interest Rate Cap Agreements other than (i) any amounts received by the Issuer from any Interest Rate Cap Counterparty in respect of Posted Collateral under the Interest Rate Cap Agreements (other than collateral amounts applied in satisfaction of termination payments due to the Issuer following the designation of an early termination date under the Interest Rate Cap Agreements), and any interest earned on all Posted Collateral, and (ii) any termination payment paid by the Interest Rate Cap Counterparty to the Issuer, to the extent such termination payment is paid to a suitably rated replacement interest rate cap counterparty in consideration for such interest rate cap counterparty entering into a suitable replacement transaction with the Issuer at that time) (each such amount, an “**Interest Rate Cap Payment**”) shall be applied to establish a reserve fund (the “**Interest Rate Cap Proceeds Reserve Fund**”). The Issuer will also establish a ledger in the Reserve GIC Account (the “**Interest Rate Cap Proceeds Reserve Ledger**”) on which it will record amounts deposited in and withdrawn from the Interest Rate Cap Proceeds Reserve Fund.

On each Interest Payment Date, the Interest Rate Cap Proceeds Reserve Fund will be transferred to the Revenue Ledger in the Transaction Account so as to form part of Available Revenue Funds and be applied in accordance with the Pre-Enforcement Priority of Payments on each Interest Payment Date.

On each Interest Payment Date, to the extent that Available Revenue Funds are sufficient, an amount will be transferred, in accordance with paragraph (xiv) of the Pre-Enforcement Priority of Payments, from the Revenue Ledger to the Interest Rate Cap Proceeds Reserve Ledger up to an amount equal to the aggregate of (i) the balance of the Interest Rate Cap Proceeds Reserve Fund on the immediately preceding Interest Payment Date and (ii) the aggregate amount of the Interest Rate Cap Payments received since the immediately preceding Interest Payment Date.

LIBOR Rate Matching

Approximately 29.1 per cent. of the Loans by Current Balance (as described under "*The Mortgage Pool*" below) comprised in the Provisional Mortgage Pool are treated as LIBOR-Linked Loans which means that the interest rate payable thereunder is calculated as a specified margin in excess of LIBOR for three month sterling deposits from time to time. In respect of approximately 0.2% per cent. of these LIBOR-Linked Loans by Current Balance, the mortgage rate has been discounted to a maximum of 2.25% per cent. until at the latest January 2010. Approximately 64.1 per cent. of the Loans by Current Balance comprised in the Provisional Mortgage Pool are Fixed Rate Loans that will convert to LIBOR-Linked Loans at the expiry of the fixed-rate period on or before January 2012. LIBOR on all such LIBOR-Linked Loans in the Mortgage Pool is re-set quarterly on the 1st day of each of March, June, September and December of each year (each a "**Rate Setting Date**") and applies from each such Rate Setting Date until the day preceding the next quarterly Rate Setting Date.

The interest rate payable by the Issuer with respect to the Notes is calculated on each Interest Payment Date as a margin over LIBOR for three month sterling deposits (or, in the case of the first Interest Period at an annual rate obtained by linear interpolation of LIBOR for three month sterling deposits and LIBOR for four month sterling deposits) (as described in the Conditions).

Interest Rate Swap Agreements

Fixed Rate Swap Agreement

The Issuer may, on or prior to the Issue Date, enter into interest rate swap agreements with the Interest Rate Swap Counterparty to hedge against potential LIBOR variation in respect of the Fixed Rate Loans in the Mortgage Pool (in respect of which interest is payable at a fixed rate of interest set by reference to a pre-determined rate or series of rates for a fixed period or periods) and the interest rate payable by the Issuer with respect to the Notes ("**Note Sterling LIBOR**") in respect of which interest is calculated as a margin over the London Interbank Offered Rate ("**LIBOR**") (as described in Condition 4 (*Interest*)) (the "**Fixed Rate Swap Agreement**").

Base Rate Swap Agreement

Approximately 70.9 per cent. of the Loans by Current Balance (as described under "*The Mortgage Pool*" below) comprised in the Provisional Mortgage Pool (being Unity Loans and Infinity Loans) are BBR-Linked Loans, meaning that the rate of interest payable thereunder is calculated as a specified margin in excess of the Bank of England base rate for sterling deposits from time to time. As described in Condition 4 (*Interest*)), interest payable on the Notes is calculated by reference to Note Sterling LIBOR.

To hedge against possible variance in the Bank of England base rate and Note Sterling LIBOR, the Issuer may, on or prior to the Issue Date, enter into base rate swap agreements (the "**Base Rate Swap Agreement**") with the Interest Rate Swap Counterparty. The Base Rate Swap Agreement will have swap rates (the "**Base Rate Swap Rates**") set to hedge the BBR-Linked Loans and will be for an

aggregate notional amount having regard, *inter alia*, to the aggregate Balances of the Loans linked to the Bank of England base rate in the Mortgage Pool. If the Bank of England base rate exceeds the Swap Rate, the Issuer will be obliged to make a payment to the Interest Rate Swap Counterparty and if the Bank of England base rate falls below the Swap Rate, payment to the Issuer will be due from the Interest Rate Swap Counterparty, in each case under the terms of the Base Rate Swap Agreement. On each Prefunding Acquisition Date additional base rate swaps may be entered into by the Issuer to maintain the rating of the Notes, having regard to any further BBR-Linked loans purchased by the Issuer.

Common Terms of the Interest Rate Cap Agreements and the Interest Rate Swap Agreements

If any short term or long term debt rating of the Interest Rate Swap Counterparty or the Interest Rate Cap Counterparty (as applicable) falls below the short term or long term rating level (as the case may be) prescribed in the relevant Interest Rate Swap Agreement or Interest Rate Cap Agreement, the Interest Rate Swap Counterparty or the Interest Rate Cap Counterparty (as applicable) will be obliged to take one or more of the following actions: (i) provide collateral in support of its obligations under the relevant Interest Rate Swap Agreement or Interest Rate Cap Agreement in accordance with the swap criteria of the relevant Rating Agency; (ii) procure a guarantee of its obligations under the relevant Interest Rate Swap Agreement or Interest Rate Cap Agreement from an appropriately rated entity; (iii) procure a replacement interest rate counterparty being another appropriately rated entity who takes a transfer or enters into a replacement interest rate swap or interest rate cap; or (iv) take such other actions that as will result in the rating of the Notes following such action being rated no lower than the rating of the relevant Notes immediately prior to the downgrade. Any costs in relation to such remedial action will be borne by the Interest Rate Swap Counterparty or Interest Rate Cap Counterparty (as applicable). The timing and extent of such action required to be taken may vary based on the level to which the rating of the relevant the Interest Rate Swap Counterparty or Interest Rate Cap Counterparty (as applicable) has been downgraded.

Under each of the Interest Rate Swap Agreements and the Interest Rate Cap Agreements, the Issuer and the Interest Rate Swap Counterparty or Interest Rate Cap Counterparty (as applicable) will each represent and warrant that, under current applicable law, each of them is entitled to make all payments required to be made by them under the relevant Interest Rate Swap Agreement or Interest Rate Cap Agreement free and clear of, and without deduction for on account of, any taxes, assessments, or other governmental charges. However, neither the Issuer nor the relevant Interest Rate Swap Counterparty or Interest Rate Cap Counterparty (as applicable) will be required to indemnify the other party for any withholding taxes imposed on payments under the relevant Interest Rate Swap Agreement or Interest Rate Cap Agreement as a result of a change in applicable law.

If any withholding taxes would be imposed on any payments made or required to be made under the relevant Interest Rate Swap Agreement or Interest Rate Cap Agreement as a result of a change in applicable law and the obligation to deduct or withhold cannot be avoided by the relevant Interest Rate Swap Counterparty or Interest Rate Cap Counterparty (as applicable), the affected party may terminate the relevant Interest Rate Swap Agreement or Interest Rate Cap Agreement (as applicable), but, in the case of the Issuer, only if the Issuer has been directed to do so by the Trustee. If such a tax event occurs with respect to payments due from the Issuer to the relevant Interest Rate Swap Counterparty or Interest Rate Cap Counterparty, the relevant Interest Rate Swap Counterparty or Interest Rate Cap Counterparty (as applicable) must use all reasonable efforts (which will not require it to incur loss) to find an alternative interest rate counterparty to replace itself so that such event ceases.

Apart from for reason of the imposition of withholding tax, each of the relevant Interest Rate Swap Agreements or Interest Rate Cap Agreements may be terminated by:

- (a) the relevant Interest Rate Swap Counterparty or Interest Rate Cap Counterparty (as applicable) in circumstances including, broadly, *inter alia*, where the Issuer is in default by reason of failure by the Issuer to make payments, or upon certain insolvency related events

affecting the Issuer or acceleration or upon redemption of the Notes prior to their stated maturity or enforcement of the Security; and

- (b) the Issuer in circumstances, broadly, *inter alia*, where the Interest Rate Swap Counterparty or Interest Rate Cap Counterparty (as applicable) is in default by reason of failure by the relevant Interest Rate Swap Counterparty or Interest Rate Cap Counterparty (as applicable) to make payments, or upon certain insolvency related or corporate reorganisation events which affect the Interest Rate Swap Counterparty or Interest Rate Cap Counterparty (as applicable).

Upon any such termination under the Interest Rate Swap Agreements an amount may be due between the Issuer and the Interest Rate Swap Counterparty. In relation to the Interest Rate Swap Agreements this termination amount will be calculated in accordance with typical ISDA provisions.

Currency Swap Agreements

The Euro Notes will be denominated in Euro and the Issuer will pay interest and principal on the Euro Notes in Euro. However, payments of interest and principal by Borrowers under the Loans will be made in Sterling. In addition, the Euro Notes will bear interest at a rate based on a margin over Note EURIBOR. In order to protect itself against its exposure to the relevant Note EURIBOR interest rate and its currency exchange rate exposure in respect of the Euro Notes, the Issuer and the Currency Swap Counterparty, on or prior to the Issue Date, will enter into a currency swap agreement in respect of each of the Euro Notes (the “**Ac Currency Swap Agreement**” and the “**Bc Currency Swap Agreement**” respectively, and together the “**Currency Swap Agreements**” and each a “**Currency Swap Agreement**”).

Under the terms of the Currency Swap Agreements, the Issuer will pay to the Currency Swap Counterparty:

- (a) on the Issue Date, the net Euro proceeds received on the issue of the Euro Notes;
- (b) on each Interest Payment Date, an amount in Sterling based on three-month sterling LIBOR (or, in the case of the first Interest Payment Date, on a linear interpolation of one month and two month sterling LIBOR), which the Currency Swap Counterparty will exchange for an amount in Euro based on Note EURIBOR in order to pay the Issuer the interest amounts set forth below; and
- (c) on each Interest Payment Date, an amount in Sterling equal to the amount available to be applied in repayment of principal on the Euro Notes on that Interest Payment Date.

Under the terms of the Currency Swap Agreements, the Currency Swap Counterparty will pay to the Issuer or to its order:

- (a) on the Issue Date, an amount in Sterling equal to the net Euro proceeds of the issue of the Euro Notes, such proceeds to be converted into Sterling at the Currency Swap Rate (as defined below);
- (b) on each Interest Payment Date, an amount in Euro equal to the interest to be paid in Euro on the Euro Notes on such Interest Payment Date, reduced *pro rata* in line with the amount of Sterling received from the Issuer, converted into Euro at the relevant Currency Swap Rate; and
- (c) on each Interest Payment Date, an amount in Euro equal to the amount of principal to be applied in repayment of principal on the Euro Notes on such Interest Payment Date reduced *pro rata* in line with the amount of Sterling received from the Issuer, converted into Euro at the relevant Currency Swap Rate.

The Euro/Sterling exchange rate under the Currency Swap Agreements has been set at £1 = €1.4923 (rounded to two decimal places) in respect of the Ac Notes and £1 = €1.4923 (rounded to two decimal places) in respect of the Bc Notes (the “**Currency Swap Rates**” and each a “**Currency Swap Rate**”).

The Currency Swap Counterparty may, provided that it has obtained the prior written approval of the Issuer and given written notice of the same to the Trustee and each of the Rating Agencies, at its own expense, transfer its obligations in respect of a Currency Swap Agreement to another entity provided that such entity is acceptable to the Trustee and that such transfer of obligations would not result in a downgrade or withdrawal of the then current ratings of the Rated Notes.

As at the Issue Date the Currency Swap Counterparty will be required to have a rating assigned for its short-term unsecured, unsubordinated and unguaranteed debt obligations of at least A-1+ by S&P and F1 by Fitch and its long-term unsecured, unsubordinated and unguaranteed debt obligations of at least A+ by Fitch. If any of the ratings fall below these levels the Currency Swap Counterparty will be obliged to take such remedial action as prescribed in the relevant Currency Swap Agreement.

In the event that the relevant rating(s) of the Currency Swap Counterparty falls below the relevant rating(s) specified (in accordance with the requirements of the Rating Agencies) in the Currency Swap Agreements, the option of posting collateral will be subject to certain conditions or may no longer be available to the Currency Swap Counterparty, and in certain circumstances the remedies listed above must be implemented immediately, as provided in the Currency Swap Agreements.

If the Currency Swap Counterparty does not satisfy its obligations on downgrade of its rating, as provided in the Currency Swap Agreements, such failure will not constitute an Event of Default (as defined in Condition 9 (*Events of Default*)) but will constitute an additional termination event for which the Currency Swap Counterparty will be the sole affected party.

Upon termination of a Currency Swap Agreement, either the Issuer or the Currency Swap Counterparty will be liable to make a termination payment to the other in accordance with the terms of the relevant Currency Swap Agreement. The Currency Swap Counterparty is not bound to make any other payments. In particular, the Currency Swap Counterparty is not obliged to make or guarantee any payments in respect of the Notes.

The Currency Swap Agreements may be terminated in the event that the Notes are redeemed in full.

Verified and Non-Verified Loans

It is a requirement of the Mortgage Sale Agreement that the Loans to be sold by the Seller must be such that the Mortgage Administrator shall have verified receipt of 50 per cent. or more of the first monthly instalment due from a Borrower applicable to the relevant Loan (“**Verified Loans**”).

Prefunded Loans

Further English Loans and Northern Irish Loans (together, the “**Prefunded Loans**”) may be purchased by the Issuer from the Seller and included in the Mortgage Pool on a single date which may be any Business Day from and including the Issue Date to and including the first Interest Payment Date (each such date, a “**Prefunding Acquisition Date**”) subject to the relevant Prefunded Loans complying with the Warranties set out in the Mortgage Sale Agreement and to the Seller having requested that the Issuer acquire such Prefunded Loans and the Seller having received prior written confirmation from each of the Rating Agencies that the acquisition of the Prefunded Loans would not adversely affect the then ratings of the Notes.

The Issuer will purchase Prefunded Loans utilising solely monies from the proceeds of the issue of the Notes (the “**Prefunding Amount**”) which shall be credited to the Transaction Account on the Issue Date and shall be recorded in a separate ledger entitled the “**Prefunding Ledger**” (the “**Prefunding**”).

Ledger”). The Prefunding Amount on the Issue Date will be the amount by which the net proceeds of the Notes exceeds the aggregate of the Initial Purchase Price (as defined below). After the Issue Date, no further amounts may be credited or re-credited to the Prefunding Ledger.

All amounts standing to the credit of the Prefunding Ledger on the first Interest Payment Date which are not allocated for the purchase of Prefunded Loans on such date will be transferred to the Principal Ledger to be applied on such Interest Payment Date as Actual Redemption Funds (as defined in Condition 5(b) (*Mandatory Redemption in Part of the Notes*)) and the Prefunding Ledger shall be closed.

The holder of the E Notes will, on the Issue Date, by way of proceeds of the E Notes, make available for credit to a ledger established for such purpose (the “**Prefunding Interest Shortfall Ledger**”), an amount calculated by reference to, (A) the product of (x) the anticipated weighted average rate of interest payable on the Notes from and including the Issue Date to but excluding the first Interest Payment Date and (y) the Prefunding Amount less (B) an amount equal to the expected reinvestment income on the Prefunding Amount during the first Interest Period (the “**Prefunding Interest Shortfall Amount**”), which will be utilised, to the extent necessary, to meet the Issuer’s liabilities under the Pre-Enforcement Priority of Payments on the first Interest Payment Date.

All amounts standing to the credit of the Prefunding Ledger on the first Interest Payment Date which are not allocated for the purchase of Prefunded Loans on such date will be transferred to the Principal Ledger to be applied on such Interest Payment Date as Actual Redemption Funds (as defined in Condition 5(b) (*Mandatory Redemption in Part of the Notes*)).

On each Prefunding Acquisition Date, the Cash/Bond Administrator will calculate an amount (the “**Prefunding Release Amount**”) which the Issuer will release from the Prefunding Interest Shortfall Ledger and the Issuer will pay on the first Interest Payment Date such Prefunding Release Amount to the holder of the E Notes by way of repayment of the proceeds of the E Notes.

In respect of the Prefunding Interest Shortfall Ledger on each Prefunding Acquisition Date, the Prefunding Release Amount which will be released from the Prefunding Interest Shortfall Ledger by the Issuer where the Prefunding Release Amount is equal to:

$$\left(\frac{x}{z} X \frac{w}{y} \right) A$$

where:

- w = the aggregate Balance of the Prefunded Loans acquired on the relevant Prefunding Acquisition Date;
- x = the number of days remaining from (and including) the relevant Prefunding Acquisition Date to (but excluding) the first Interest Payment Date;
- y = the opening balance on the Issue Date of the Prefunding Ledger;
- z = the number of days from (and including) the Issue Date to (but excluding) the first Interest Payment Date; and
- A = the opening balance on the Issue Date of the Prefunding Interest Shortfall Ledger.

All amounts standing to the credit of the Prefunding Interest Shortfall Ledger on the first Interest Payment Date (following payment to the Seller of any Prefunding Release Amount payable on such Interest Payment Date) shall be debited from the Prefunding Interest Shortfall Ledger and credited to

the Revenue Ledger for distribution on such date in accordance with the Pre-Enforcement Priority of Payments and the Prefunding Interest Shortfall Ledger shall be closed.

THE ISSUER

Introduction

The Issuer was incorporated and registered in England and Wales under the Companies Acts 1985 and 1989 with limited liability as a public limited company on 10 January 2007 under registered number 6047720 and is tax resident in the United Kingdom for United Kingdom tax purposes. The authorised and issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each of which 49,999 are held by the Parent and one of which is held by the SFM Nominees Limited on trust for the Parent and one of which is fully paid up and 49,999 of which are paid up as to a quarter. The entire issued share capital of the Parent is held by the Share Trustee under the terms of the Share Declaration of Trust, as supplemented from time to time. The Issuer has no subsidiaries.

Directors

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

<i>Name</i>	<i>Address</i>	<i>Principal Activity</i>
SFM Directors Limited	35 Great St. Helen's London EC3A 6AP	Provision of directors and corporate management services to structured finance transactions
SFM Directors (No.2) Limited	35 Great St. Helen's London EC3A 6AP	Provision of directors and corporate management services to structured finance transactions

Secretary

The Secretary of the Issuer is SFM Corporate Services Limited, acting through its offices at 35 Great St. Helen's, London EC3A 6AP.

The registered office of the Issuer is at 35 Great St. Helen's, London EC3A 6AP. The telephone number of the Issuer's registered office is +44 (0) 20 7398 6300.

The directors of each of SFM Directors Limited, SFM Directors (No.2) Limited and SFM Corporate Services Limited and their principal activities are:

<i>Name</i>	<i>Position</i>	<i>Principal Activity</i>
Jonathan Keighley	Director	Company Director
Robert Berry	Director	Company Director
James Macdonald	Director	Company Director
James France	Director	Company Director
Helena Whitaker	Alternate Director	Company Director
Annika Goodwille	Alternate Director	Company Director
Claudia Wallace	Alternate Director	Transaction Manager

J-P Nowacki Alternate Director Transaction Manager

Cane Valentine Pickersgill Alternate Director Transaction Manager

Corporate Services

Pursuant to the terms of the Corporate Services Agreement, the Corporate Services Provider provides directors and certain other corporate services to the Issuer in consideration for the payment by the Issuer of an annual fee to the Corporate Services Provider.

Auditors

Audited financial statements will be published on an annual basis. The independent auditor of the Issuer is KPMG LLP.

Financial Information

At the date of this Prospectus, no financial statements of the Issuer have been prepared. The Issuer intends to publish its first financial statements in respect of the period ending on 31 March 2008. The Issuer will not prepare interim financial statements.

No Material Adverse Change

Since the date of the Issuer's incorporation, there has been no material adverse change, or any development reasonably likely to involve any material adverse change, in the condition (financial or otherwise) of the Issuer.

Activities

The Issuer has been established as a special purpose vehicle or entity for the purpose of issuing asset backed securities. The Issuer enters into the Documents (as defined in Condition 3 (*Covenants*)) and the transactions thereunder for the purpose of earning an annual profit in an amount equal to 0.01 per cent. of the Issuer's turnover. Its activities will be restricted by the Conditions and the Documents and will be limited to the issue of the Notes, MERCs and Residuals, the ownership of the Loans and their related Collateral Security and other assets referred to herein, the exercise of related rights and powers, and other activities referred to herein or reasonably incidental thereto. These activities will include the collection of payments of principal and interest from Borrowers on Loans and the operation of arrears procedures. Substantially all of the above activities will be carried out by the Mortgage Administrator on an agency basis under the Mortgage Administration Agreement. Additionally, the Cash/Bond Administrator will provide cash management and bond reporting services to the Issuer pursuant to the Cash/Bond Administration Agreement and the Special Servicer shall provide certain instructions to the Mortgage Administrator and exercise certain discretions pursuant to the Special Servicer Agreement. The Issuer shall publish annual reports and accounts, has filed a notification under the Data Protection Act 1998 and has obtained a licence for the purposes of the CCA.

Since its incorporation the Issuer has not produced any statutory accounts and has not engaged in any material activities other than those incidental to its registration as a public company, the authorisation of the issue of the Notes, the matters contemplated in this Prospectus, the authorisation of the other Documents referred to in this Prospectus, in connection with the issue of the Notes and other matters which are incidental or ancillary to those activities. The Issuer has no employees.

THE PARENT AND OPTIONS LIMITED

1. The Parent

The Parent was incorporated in England and Wales on 10 January 2007, with registered number 6047642 and as a private company with limited liability under the Companies Act 1985 (as amended). The registered office of the Parent is at 35 Great St. Helen's, London EC3A 6AP.

The Parent's authorised share capital as at the date of this Prospectus comprises 1 ordinary share of £1. The Parent's issued share capital as at the date of this Prospectus comprises 1 ordinary share of £1 (fully paid up).

All of the Parent's issued share capital is held by the Share Trustee under the terms of the Share Declaration of Trust established under English law for charitable purposes.

Principal Activities

The principal objects of the Parent are set out in its memorandum of association and are, amongst other things, to acquire and hold, by way of investments or otherwise and to deal in or exploit in such manner as may from time to time be considered expedient, all or any of the shares, stocks, debenture stocks, debentures or other interests of or in any company (including the Issuer and Options Limited).

The Parent is organised as a special purpose company. Since its incorporation, other than subscribing for or otherwise acquiring the issued share capital of the Issuer and Options Limited, the Parent has not engaged in any other activities. The Parent has no employees. The current financial period of the Parent will end on 31 March 2008.

Directors and Secretary

The directors of the Parent and their respective business addresses and principal activities are:

<i>Name</i>	<i>Business Address</i>	<i>Principal Activity</i>
SFM Directors Limited	35 Great St. Helen's London EC3A 6AP	Provision of directors and corporate management services to structured finance transactions
SFM Directors (No. 2) Limited	35 Great St. Helen's London EC3A 6AP	Provision of directors and corporate management services to structured finance transactions

The secretary of the Parent is SFM Corporate Services Limited acting through its offices at 35 Great St. Helen's, London EC3A 6AP.

Corporate Services Agreement

Pursuant to the terms of the Corporate Services Agreement, the Corporate Services Provider provides certain directors and other corporate services to the Parent in consideration for the payment by the Parent (or the Issuer on its behalf) of an annual fee to the Corporate Services Provider.

2. Options Limited

Options Limited was incorporated in England and Wales on 10 January 2007, with registered number 6047633 and as a private company with limited liability under the Companies Act 1985 (as amended). The registered office of Options is at 35 Great St. Helen's, London EC3A 6AP.

Options Limited's authorised share capital as at the date of this Prospectus comprises of 1 ordinary share of £1. Options Limited's issued share capital as at the date of this Prospectus comprises 1 ordinary share of £1 (fully paid up).

All of Options Limited's issued share capital is held by the Parent.

Principal Activities

The principal objects of Options Limited are set out in its memorandum of association and are, amongst other things, to hold bonds, notes, obligations and securities issued or guaranteed by any company and any options or rights in respect of them.

Options Limited is organised as a special purpose company to be the holder of the Post Enforcement Call Option. Since its incorporation, Options Limited has not engaged in any material activities other than those activities incidental or relating to the acquisition of the Post Enforcement Call Option and other basic corporate steps. Options Limited has no subsidiaries or employees. The current financial period of Options Limited will end on 31 March 2008.

Directors and Secretary

The directors of Options and their respective business addresses and principal activities are:

<i>Name</i>	<i>Business Address</i>	<i>Principal Activity</i>
SFM Directors Limited	35 Great St. Helen's London EC3A 6AP	Provision of directors and corporate management services to structured finance transactions
SFM Directors (No. 2) Limited	35 Great St. Helen's London EC3A 6AP	Provision of directors and corporate management services to structured finance transactions

The secretary of Options Limited is SFM Corporate Services Limited acting through its offices at 35 Great St. Helen's, London EC3A 6AP.

Corporate Services Agreement

Pursuant to the terms of the Corporate Services Agreement, the Corporate Services Provider provides certain directors and other corporate services to Options Limited in consideration for the payment by Options Limited (or the Issuer on its behalf) of an annual fee to the Corporate Services Provider.

THE CORPORATE SERVICES PROVIDER AND THE SHARE TRUSTEE

1. Corporate Services Provider

Structured Finance Management Limited

Structured Finance Management Limited (“SFM”) was incorporated on 1st October 1999 in England and Wales under the Companies Act 1985 and 1989 (registration number 3853947) and its registered office is at 35 Great St Helen’s, London EC3A 6AP.

SFM acting through its various subsidiaries is appointed to provide independent directors, corporate services and share trusteeship to the transaction pursuant to a Corporate Services Agreement and a Share Declaration of Trust.

SFM was established to provide independent directors and administrative services to special purpose vehicles (SPVs) set up in connection with securitisation, project and structured finance transactions. SFM has supplied directors and management services to approximately 400 transactions located in the Channel Islands, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Spain and the United Kingdom.

SFM’s executive management team, comprised of City professionals, all have extensive and direct experience of origination, transaction management and execution in the capital markets. The transaction management and compliance teams of SFM provide a technically qualified service to meet the demands of the regulatory, legal and accounting environments.

2. Share Trustee

SFM Corporate Services Limited

The Share Trustee was incorporated and registered in England and Wales under the Companies Acts 1985 and 1989 with limited liability as a private limited company on 7th February 2000 under registered number 3920255 and is constituted the Share Trustee by way of the Share Declaration of Trust.

The Share Trustee has not, in its capacity as such, engaged and will not engage in any transaction other than (i) the entry into of a loan agreement with Investec under which Investec has made a loan to the Share Trustee, (ii) the acquisition (by way of purchase or subscription) of shares in the Parent and (iii) the entry into of the Share Declaration of Trust and the holding of assets upon the trusts set out in the Share Declaration of Trust. The Share Trustee will not, in its capacity as such, own any Notes.

THE SELLER AND THE SPECIAL SERVICER

Investec Bank (UK) Limited

Investec is an international specialist banking group that provides a diverse range of financial products and services to a select client base in three principal markets, the United Kingdom, South Africa and Australia. Its registered office is at 2 Gresham Street, London, EC2V 7QP.

Investec is organised as a network comprising five business divisions: Private Client Activities, Treasury and Specialised Finance, Investment Banking, Asset Management and Property Activities.

The group was established in 1974 and currently has approximately 4,700 employees. Since inception, Investec has expanded through a combination of substantial organic growth and a series of strategic acquisitions. Today, Investec has an efficient integrated international business platform, offering all core activities in South Africa and the UK and select activities in Australia.

In July 2002 the Investec group implemented a dual listed companies structure with linked companies listed in London and Johannesburg. Management and staff own approximately 16% of the equity share capital of the group.

At 30 September 2006, total shareholders' equity was £1.6 billion, third party assets under management were £48.8 billion and loans and advances were £9.3 billion. The combined group's current market capitalisation is approximately £4.0 billion.

Investec Principal Finance is a specialist team within the Treasury and Specialised Finance division of Investec. Investec's Treasury and Specialised Finance division provides a diverse range of financial products, services and solutions to select corporate clients, public sector bodies and institutions. The division undertakes the bulk of Investec's proprietary trading activities, as well as all non-private client deposit taking, corporate and public sector lending, project finance, advisory and structuring activities.

The Principal Finance team offers a range of innovative financial solutions which fall into the following categories, Residential Mortgages, Real Estate, Collateralised Debt Obligations and Investments and Trading.

Within Residential Mortgages the team has extensive experience in originating, acquiring, trading and securitising residential mortgage loan portfolios. The team is currently acquiring mortgage loans originated by dedicated mortgage lenders including Unity Homeloans Limited and Infinity Mortgages Limited. These dedicated platforms originate mortgage loans to non-conforming borrowers secured by first charges over residential property situated in the UK. In addition the team acquires mortgage loan portfolios from other lenders operating in the UK mortgage markets.

THE ORIGINATORS

Unity

Unity Homeloans Limited was incorporated on 21 January 2005 in England and Wales under the Companies Act 1985 and 1989 (registration number 5338787) and its registered office is at 7-12 Tavistock Square, London W1H 9LT. It was incorporated with the name Infinity Mortgages No. 2 Limited and changed its name to Unity Homeloans Limited on 11 August 2005. It commenced trading on 1 October 2005. Unity Homeloans Limited is a wholly owned subsidiary of Unity Homeloans Group Limited. Unity Homeloans provides a range of specialist mortgage products exclusively for distribution via packaging companies that are members of the Professional Mortgage Packagers Association Limited (the "PMPA").

Unity Homeloans Group Limited represents a joint venture between Investec Bank (UK) Limited, the packaging company members of the PMPA, and the directors of Infinity Mortgage Holdings Limited. The group finances its regulatory and working capital requirements under a working capital facility with Investec Bank (UK) Limited. Unity Homeloans Limited finances its mortgage lending activity through an intercompany loan from Unity Homeloans Funding Limited (also a wholly owned subsidiary of Unity Homeloans Group Limited) which obtains its funding under a revolving credit facility also with Investec Bank (UK) Limited. Unity Homeloans sells its beneficial interest in the mortgage loans originated ultimately under a forward asset purchase facility with Investec Bank (UK) Limited on a periodic basis. Unity Homeloans Limited retains legal interest in the mortgages.

Unity Homeloans Limited outsources its mortgage administration to Homeloan Management Limited. Unity Homeloans Limited has an administration agreement in place with HML as regards mortgage collections, litigation, repossessions and shortfall recoveries. Consequently, Unity Homeloans is able to operate with only 22 members of staff. The group performs its own marketing, sales, IT, compliance and finance control functions. All underwriting is performed by Unity Homeloans staff.

Infinity

Infinity Mortgages Limited was incorporated on 31 October 2003 in England and Wales under the Companies Act 1985 and 1989 (registration number 4949030) and its registered office is at Unit 18, Mole Business Park, Randalls Road, Leatherhead, Surrey KT22 7BA. It was incorporated with the name Infinity Mortgage Group Limited and changed its name to Infinity Mortgages Limited on 16 August 2005. Infinity Mortgages Limited is a wholly owned subsidiary of Infinity Mortgage Holdings Limited. Infinity Mortgages Limited provides a range of specialist mortgage products for authorised mortgage brokers and packaging companies. Infinity Mortgages Limited originates approximately 50% of its mortgage business through brokers with the remainder through packaging companies.

Infinity Mortgages Limited commenced trading on 2 January 2004 as a branded mortgage lender with another well-known UK non-conforming mortgage lender. It commenced independent mortgage lending activity on 6 September 2005.

Infinity Mortgage Holdings Limited is wholly owned by the company's Board of Directors. The group finances its regulatory and working capital requirements under a working capital facility with Investec Bank (UK) Limited. Infinity Mortgages Limited finances its mortgage lending activity through an intercompany loan from Infinity Mortgage Funding Limited (also a wholly owned subsidiary of Infinity Mortgage Holdings Limited) which obtains its funding under a revolving credit facility also with Investec Bank (UK) Limited. Infinity Mortgages Limited sells its beneficial interest in the mortgage loans originated ultimately under a forward asset purchase facility with Investec Bank (UK) Limited on a periodic basis. Infinity Mortgages Limited retains legal interest in the mortgages.

Infinity Mortgages Limited outsources most of its mortgage administration to Homeloan Management Limited. Infinity Mortgages Limited has administration and service level agreements in place with HML as regards mortgage collections, litigation, repossessions and shortfall recoveries. Consequently, Infinity Mortgages Limited is able to operate with only 56 members of staff. The group performs its own marketing, sales, IT, compliance and finance control functions.

Amber

Amber Homeloans Limited was incorporated on 19th May 1993 in England and Wales under the Companies Act 1985 and 1989 (registration number 2819645) and its registered office is at 1 Providence Place, Skipton, BD23 2HY. It was incorporated with the name Pinkard Limited and changed its name firstly on 6th September 1993 to Stroud and Swindon Mortgage Company Limited and then on 9th February 1994 to Stroud and Swindon Company (No2) Limited and then on 4th June 2001 to Amber Homeloans Limited. Amber is a wholly owned subsidiary of Skipton Building Society. Amber provides a selection of specialist mortgage products for lending networks and packaging companies. Amber originates most of its mortgages through a selection of mortgage intermediaries and packagers with a small percentage via Skipton Building Society.

Amber also purchases and sells mortgage portfolios from, and to, other lenders such as banks, building societies and insurance companies. With total assets of over £1.16 billion at the end of 2006. Amber is comparable in size with the 20th largest building society in the UK.

Amber outsources most of its mortgage administration to Homeloan Management Limited and other parts of Skipton Building Society. Amber has agreements in place with HML as regards mortgage underwriting, completions, collections, litigation, repossessions and shortfall recoveries. Consequently, Amber is able to operate with only 42 members of staff. Amber performs its own marketing and sales and finance control functions. Additionally, Amber employs a number of staff for projects such as portfolio sales and acquisitions.

**THE INTEREST RATE CAP COUNTERPARTY, THE INTEREST RATE SWAP
COUNTERPARTY, THE CURRENCY SWAP COUNTERPARTY, THE ACCOUNT BANK,
THE GIC PROVIDER AND THE LIQUIDITY FACILITY PROVIDER**

Barclays Bank PLC

Barclays Bank PLC is a public limited company registered in England and Wales under number 1026167. The liability of the members of Barclays Bank PLC is limited. It has its registered head office at 1 Churchill Place, London, E14 5HP. Barclays Bank PLC was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Act 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays Bank was re-registered as a public limited company and its name was changed from "Barclays Bank International Limited" to "Barclays Bank PLC".

Barclays Bank PLC and its subsidiary undertakings (taken together, the "Group") is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC, which is the ultimate holding company of the Group and one of the largest financial services companies in the world by market capitalisation.

The short term unsecured obligations of Barclays Bank PLC are rated A-1+ by Standard & Poor's, P-1 by Moody's and F1+ by Fitch Ratings Limited and the long-term obligations of Barclays Bank PLC are rated AA by Standard & Poor's, Aa1 by Moody's and AA+ by Fitch Ratings Limited.

Based on the Group's unaudited financial information for the year ended 31 December 2006, the Group had total assets of £996,503 million (2005: £924,170 million), total net loans and advances¹ of £313,226 million (2005: £300,000 million), total deposits² of £336,316 million (2005: £313,811 million), and total shareholders' equity of £37,106 million (2005: £24,243 million) (including minority interests of £1,685 million (2005: £1,578 million)). The profit before tax of the Group for the year ended 31 December 2006 was £7,197 million (2005: £5,311 million) after impairment charges on loans and advances and other credit provisions of £2,154 million (2005: £1,571 million). The financial information in this paragraph is extracted from the unaudited Results Announcement of the Group for the year ended 31 December 2006.

¹ Total net loans and advances include balances relating to both bank and customer accounts.

² Total deposits include deposits from bank and customer accounts.

THE MORTGAGE ADMINISTRATOR

Homeloan Management Limited

Homeloan Management Limited (“HML”) has been appointed as the Mortgage Administrator of the Issuer pursuant to the Mortgage Administration Agreement. In the event that the appointment of the Mortgage Administrator pursuant to the Mortgage Administration Agreement is terminated, the Standby Servicer has agreed to provide equivalent services to the Issuer and the Trustee as set out in the Standby Servicing Agreement.

The registered office and principal place of business of HML is 1 Providence Place, Skipton, North Yorkshire BD23 2HL.

HML currently provides mortgage administration services to approximately 45 institutions including building societies and centralised lenders. HML has been providing these services since 1988 and annually services approximately 305,000 mortgage loans.

HML currently has approximately 1,650 full time employees who are responsible for all aspects of mortgage servicing including the collection of payments and enforcement of borrowers’ obligations.

HML is rated RPS2+ by Fitch and SQ2 by Moody’s in respect of its primary servicer responsibilities for UK residential mortgage loans.

THE STANDBY SERVICER

Scarborough Mortgage Services (“SMS”) is the trading name of Specialist Mortgage Services Limited and is a wholly owned subsidiary of the Scarborough Building Society. It was founded in 1990 to provide third party mortgage administration services. SMS is authorised and regulated by the FSA (Ref No 303216) and is based at Prospect House, PO Box 72, Scarborough, North Yorkshire, YO11 3WW and is a company incorporated in England and Wales (Reg No 02466320).

SMS services £2bn of mortgage assets and has acted as servicer/administrator for five Mortgages plc securitisations, one Basinghall Finance Limited (Clavis 06-1) securitisation and one Southern Pacific Mortgage Limited (Eurosail 2006 4NP PLC) securitisation, as well as acting as Standby Servicer on seven Kensington Mortgage Company Limited securitisations (RMS 9 to 15) and one Southern Pacific Mortgage Limited securitisation (MARS No 4 PLC). SMS has the following servicer ratings from Fitch in respect of its residential primary and special servicer ratings: “RPS2-(minus)(Prime)(UK)”, “RPS2-(minus)(sub-prime)(UK)” and “RSS3+UK”.

USE OF PROCEEDS

The net proceeds of the issue of the Rated Notes (after exchanging the net Euro proceeds of the Euro Notes for Sterling proceeds calculated by reference to the Currency Swap Rate under the Currency Swap Agreements, and after payment to the Managers of their respective management and underwriting fees and selling commission (to be paid as described in the third paragraph of the section) are expected to amount to £349,205,000 and will be applied in the purchase of the Loans in the Completion Mortgage Pool on the Issue Date and also towards the purchase of the Prefunded Loans up to (and including) the first Interest Payment Date.

To the extent that, on the Issue Date the net proceeds of the Rated Notes exceed the aggregate of the purchase price for the Completion Mortgage Pool (as set out under "*Sale of the Mortgage Pool*" below), that excess will be utilised to acquire Prefunded Loans on each Prefunding Acquisition Date in the manner described in "*Credit Structure - Prefunded Loans*" above.

The net proceeds of the issue of the E Notes are expected to amount to £7,155,150 and will be used to fund the expenses of the issue being start-up costs, the Prefunding Interest Shortfall Amount, the underwriting and selling commissions in respect of the Rated Notes and to fund the deposit into the Reserve Fund and the Discount Reserve and the Prefunding Interest Shortfall Amount.

THE MORTGAGE POOL

The Mortgage Pool

The Mortgage Pool from time to time will comprise:

- (a) the portfolio of Loans purchased by the Issuer on the Issue Date (the “**Completion Mortgage Pool**”);
- (b) any Prefunded Loans acquired by the Issuer on a Prefunding Acquisition Date in accordance with the provisions of the Mortgage Sale Agreement; and
- (c) any Further Advances (see “*Administration of the Mortgage Pool - Further Advances and Additional Borrowing*” below); and
- (d) any Substitute Loans acquired by the Issuer in replacement for Loans which are subject to breaches of warranty (see “*Administration of the Mortgage Pool – Conditions to Acquisition of Substitute Loans*” and “*Sale of the Mortgage Pool - Warranties and Repurchase*” below),

and the Collateral Security related to such Loans, other than, in each such case, Loans and related Collateral Security which have been repaid or which have been repurchased from the Issuer pursuant to the Mortgage Sale Agreement.

The Scottish Loans in the Mortgage Pool will comprise only the Loans originated by Amber in Scotland set out in the Completion Mortgage Pool.

As at the Issue Date the Loans sold to the Issuer pursuant to the Mortgage Sale Agreement (the “**Completion Mortgage Pool**”) will substantially comprise the mortgage loans selected by the Seller from a provisional mortgage pool of approximately £337,746,218.82 consisting of Loans (of which approximately £11,055,225.62 are not yet Verified Loans) and approximately £40,445,521.30 where offers (“**Offers**”) have been made to potential borrowers, but where the funds have not yet been advanced (the “**Provisional Mortgage Pool**”). There can be no assurance as to the number of offers that will be accepted by individuals to whom they have been made. However, the Seller has indicated to the Issuer that based on the Offers and further offers made since the Cut-Off Date, it anticipates that the Mortgage Pool on or immediately following the expiry of the Prefunded Loan Period will equal or exceed approximately £350,000,000.

On the Cut-Off Date, the Provisional Mortgage Pool had the summary characteristics shown below:

	Key Characteristics of the Provisional Mortgage Pool								
	Total Pool			Amber			Infinity / Unity		
	WA	Min	Max	WA	Min	Max	WA	Min	Max
Aggregate Balance	337,746,219			99,983,748			237,762,471		
Number of Mortgage Loans	2,374			796			1,578		
Current Loan Balance	142,269	23,856	964,284	125,608	23,856	562,000	150,673	25,661	964,284
Original Loan Advance	142,125	25,000	964,284	125,103	25,000	562,000	150,712	25,675	964,284
Current LTV (%)	81.09%	7.66%	98.23%	80.08%	14.48%	98.23%	81.51%	7.66%	97.09%
Stabilised Margin (over Libor)	2.72%	0.53%	5.55%	2.46%	0.53%	5.55%	2.83%	1.01%	4.01%
Current Coupon (%)	6.32%	4.95%	9.49%	5.92%	4.99%	9.49%	6.49%	4.95%	8.19%
Original Term (Years)	21.63	5.00	30.00	21.93	5.00	30.00	21.50	5.00	30.00
Remaining Term (Years)	21.38	4.90	30.00	21.57	4.90	29.89	21.29	4.94	30.00
Seasoning (Months)	3.05	0.00	12.35	4.25	0.76	11.83	2.54	0.00	12.35

Current Loans (% Balance)	94.5%	96.5%	93.6%
Buy to Let Mortgages (% Balance)	21.3%	7.2%	27.2%
Self-certified Income Borrowers (% Balance)	59.7%	68.5%	56.0%
Interest Only Mortgages (% Balance)	75.8%	60.5%	82.2%
Repayment Mortgages (% of Balance)	23.1%	37.7%	17.0%
Part and Part Repayment Mortgages (% Balance)	1.1%	1.8%	0.8%
Mortgages used for Purchase (% Balance)	46.8%	47.4%	46.5%
Mortgages used for Remortgage (% Balance)	53.2%	52.6%	53.5%
Loans with no CCJs (% Balance)	90.2%	92.4%	89.2%
Loans with no Bankruptcies or IVAs (% Balance)	97.3%	98.0%	97.0%
Completed Loans (% Balance)	88.0%	100.0%	83.0%

Prior to the Issue Date, in forming the Completion Mortgage Pool, the Seller will exclude all Loans (and their related Collateral Security) (a) which are fully redeemed or (b) which the Seller believes would be required to be repurchased (or substituted) for breach of warranty if sold to the Issuer pursuant to the Mortgage Sale Agreement. In addition, prior to the Issue Date, repayments and prepayments may have occurred in relation to Loans in the Provisional Mortgage Pool which will be included in the Completion Mortgage Pool. Hence the aggregate balance of the Loans comprised in the Provisional Mortgage Pool which form part of the Completion Mortgage Pool may be less than the aggregate balance of the Provisional Mortgage Pool.

Interest Rate Setting

33.0 per cent. by loan count and 29.1 per cent. by Current Balance of the Loans comprised in the Provisional Mortgage Pool are Loans (being Amber Loans) which either (a) carry a rate of interest linked to LIBOR, or (b) are loans under which interest is payable at a variable rate of interest which is set quarterly by Infinity (as the current lender), or at a variable rate and a further margin. The variable rate is capped at a rate equal to the Bank of England base rate plus 3 per cent. per annum (or 3.25 per cent. for Borrowers who do not pay by direct debit). Infinity will set such variable rate based on movements in LIBOR and accordingly the Loans in both (a) and (b) above are treated as LIBOR linked (“**LIBOR-Linked Loans**”). There is a stated 0.25 per cent. per annum discount for Borrowers of Amber Loans who pay by direct debit.

67.0 per cent. by loan count and 70.9 per cent. by Current Balance of the Loans comprised in the Provisional Mortgage Pool are Loans (being primarily Unity Loans or Infinity Loans) which carry a rate of interest linked to the Bank of England base rate (“**BBR-Linked Loans**”).

Approximately 24.7 per cent. by loan count and 21.8 per cent. by Current Balance of the Loans in the Provisional Mortgage Pool, are Loans where the mortgage rate has been discounted during a specified initial period of the Loan up to a maximum of 2.25 per cent. until at the latest January 2010 (the “**Discounted Loans**”).

Approximately 63.0 per cent. by loan count and 64.1 per cent. by Current Balance of the Loans in the Provisional Mortgage Pool are Fixed Rate Loans that will convert to LIBOR-Linked Loans at the expiry of the relevant fixed rate period on or before January 2012.

Repayment Terms

Repayment terms under each type of Loan differ according to the repayment type. The following repayment types are included in the Provisional Mortgage Pool:

- (a) Repayment Loans, under the terms of which monthly instalments covering both interest and principal are payable until the Loan is fully repaid by its maturity. Supporting life assurance cover may be charged by way of collateral security in some cases but this is not required;
- (b) Interest Only Loans, in relation to which the principal amount is not repayable before maturity and which may require an endowment policy to be charged by way of collateral security or may require the deposit (but not by way of security) of a pension policy or may have no collateral as security other than the relevant Property. Where an Interest Only Loan has the benefit of collateral security over an endowment policy such loan is referred to as an “**Endowment Loan**”; and
- (c) mortgage loans under the terms of which the loan is effectively separated (at the option of, and at a level decided by, the Borrower) into two principal amounts, one in respect of which the borrower pays interest only and the other in respect of which the borrower pays interest and principal (“**Part & Part Loans**”). Monthly Payments in respect of Part & Part Loans are comprised of the interest due on both portions of the Loan and the principal repayable on the portion in respect of which the borrower is required to pay both interest and principal.

Payment Holidays/Overpayment

Amber Loans allow for a Borrower to take payment holidays to the extent of overpayments. Payment holidays may only be taken if a “surplus” exists. A surplus will exist if the Borrower has previously made overpayments in relation to the Loan, although such a surplus will be reduced by the aggregate value of any payment holidays that the Borrower has already taken. Payment holidays may be taken for up to three consecutive months, subject to certain conditions, which include:

No payment holiday is allowed :

- until six months after the end of the month when the Amber Loan was completed;
- if the Amber Loan is in arrears or has been in arrears at any time within the last six months before the payment holiday request;
- if it will result in any surplus being exceeded at the end of the proposed payment holiday;
- in respect of more than six monthly payments in any period of twelve consecutive months;
- if following the payment holiday the outstanding balance of the Amber Loan exceeds 95% of the most recent valuation of the Property.

The overpayment may reduce the Borrower’s principal balance. While the Borrower’s obligation to make monthly payments is suspended during any payment holiday, such amount will be recorded as arrears (and reported by the Issuer as such) but such that no action will be taken in respect of non-payment. Accordingly, interest will accrue against the Borrower on such amount on a daily basis.

Lending Criteria

Amber Lending Criteria

The following criteria (the “**Amber Lending Criteria**”) applied at the time of origination in respect of the Amber Loans included in and comprising (along with the Unity Loans and the Infinity Loans) the Completion Mortgage Pool and will apply in respect of all Substitute Loans which comprise Amber Loans:

- **Mortgage term**

Each Amber Loan has an original term of between 5 and 35 years.

- **Age of Borrower**

Borrowers must be at least 18 years at the time of application for an Amber Loan. Furthermore, the term of Amber Loans usually must end before the primary applicant reaches the age of 75 years old (subject to approved exceptions).

- **Maximum Number of Borrowers**

No more than four Borrowers may be parties to an Amber Loan.

- **Employment Details**

The policies of Amber in regard to the verification of the details of a Borrower’s income distinguish between two different categories of Borrower, employed and self-employed.

The income of employed Borrowers can be substantiated by:

- (1) a P60 and 1 months’ supporting payslips or a formal reference from the applying Borrower’s employer; or
- (2) self-certification by the Borrower (only under certain conditions and for Mortgages up to certain maximum amounts).

For the purpose of calculating a Borrower’s gross income not only is base salary considered but also additional compensation such as a certain percentage of guaranteed overtime, bonuses and commissions, confirmed pension income, regular investment and rental income, employer subsidies and maintenance payments.

The income of self-employed Borrowers can be confirmed either by:

- (1) a minimum of two year’s accounts prepared and signed by a suitably qualified accountant; or
- (2) self-certification by the Borrower (only under certain conditions and for Amber Loans up to certain maximum amounts).

- **Property types**

Amber requires that each Amber Loan is secured by a first legal charge (an “**English Mortgage**”) over a freehold or long leasehold residential property in England or Wales (an “**English Property**”) or by a first ranking charge or mortgage (a “**Northern Irish Mortgage**”) over freehold or long leasehold property in Northern Ireland (a “**Northern Irish Property**”) or a first standard security (a “**Scottish Mortgage**” and together with the English

Mortgages and the Northern Irish Mortgages the “**Mortgages**” and each a “**Mortgage**”) over a heritable or long leasehold residential property in Scotland (a “**Scottish Property**” and, together with the English Property and the Northern Irish Property, the “**Properties**” and each a “**Property**”). The expiry of a leasehold property that serves as security for an Amber Loan must post-date the maturity of the Amber Loan by at least 50 years.

Generally, only properties intended for use exclusively or at least primarily as a principal place of residence will be acceptable. Mortgage Properties under 10 years old are generally required to have the benefit of a NHBC guarantee, a Zurich Municipal certificate or an architect’s certificate.

Certain property types will not be considered for the purposes of providing security for an Amber Loan. Examples of properties that would not be deemed acceptable as security include:

- (1) freehold flats and freehold maisonettes in England or Wales or Northern Ireland;
- (2) properties with agricultural restrictions where the LTV in respect of the Amber Loan is not more than 50 per cent.;
- (3) properties not wholly owned by the Borrower, where equity is retained by a builder/developer, housing association or other third party;
- (4) properties of 100 per cent. timber construction;
- (5) flats over commercial premises (subject to certain exceptions); and
- (6) flats in blocks consisting of not more than 48 flats and not more than seven storeys (subject to the valuer’s comments on marketability).

- **Mortgage amount**

Amber will not originate an Amber Loan that will be £25,000 or less at the time of completion. An Amber Loan, including additional borrowing, will usually not exceed £500,000.

- **Maximum LTV**

The LTV is calculated by dividing the gross principal amount (net of any fees) committed at completion of the Amber Loan by the lower of the valuation of the relevant Property as established by the valuer selected from the approved panel of surveyors (see “*Valuation*” below) or, in the case of an Amber Loan made for financing the purchase of a Property, the disclosed purchase price (except in exceptional cases, i.e. where the purchase price reflects a discount). The current policy of Amber is not to originate Amber Loans with an LTV higher than 95 per cent..

- **Income multiples**

Unless an underwriting exception is approved, an Amber Loan will not exceed either:

- (1) the income of the primary Borrower multiplied by 4 plus the income of any secondary Borrower; or
- (2) the Borrowers’ joint income multiplied by 3.25.

- **Credit history**

In addition to employer and valuer references, Amber may, depending upon the particular circumstances, require Borrowers to furnish other references, e.g. from previous lenders. In addition, Amber requires that an approved credit search covering the preceding three years be undertaken for all Borrowers.

Where a CCJ (or the Scottish or Northern Ireland equivalent) relating to a Borrower has been revealed by the credit reference search or instalment arrears have been revealed by lenders' references or a Borrower has been subject to a Bankruptcy Order or subject to sequestration proceedings or an IVA, explanations are generally obtained.

Amber generally considers the accumulated aggregate value of the CCJs lodged against a Borrower in the preceding three-year period in its consideration of that Borrower's mortgage application and/or in its setting of the rate to be charged on the Mortgage. See "*Interest Rate Setting*" above. Where satisfaction of a CCJ is a requirement of the Amber Loan, a certificate of satisfaction must have been provided.

Borrowers who were extended an Amber Loan despite being previously subject to a Bankruptcy Order or subject to sequestration proceedings are generally required to provide a certificate of discharge or confirmation of release from the sequestration proceedings.

Repossessions in the preceding six years of previously mortgaged property will also be considered as relevant to a Borrower's application for an Amber Loan. The Borrower is required to submit information relating to any outstanding debt and/or ongoing debt recovery in relation to the repossession.

- **Valuation**

For the Amber Loans, Mortgage Properties are required to be valued, by a qualified surveyor chosen from a panel of Amber-approved valuation firms. Each Property must have been valued by a qualified surveyor (ARICS or equivalent qualification) chosen from a panel of valuation firms approved by Amber. All members of Amber's valuer panel are insured for professional indemnity risks up to £500,000 minimum. Valuations must be completed as per an Amber standard template.

- **Borrower maintenance covenants**

In relation to each of the Amber Loans, the relevant Borrower has covenanted to keep the relevant Property in good repair and condition, to comply with all covenants and statutory requirements in respect of the relevant Property and to pay in a timely fashion all taxes and other amounts required to be paid in connection with the Property. Each of the Borrowers has also agreed to allow Amber to carry out an inspection of the condition of the relevant Property at any reasonable time.

- **Buildings Insurance**

It is a condition of each Amber Loan that each Property is insured for its full reinstatement value as stated in the valuation report with an acceptable insurance company and at the Borrower's cost (subject to certain exceptions in the case of leasehold properties). Amber requires each Borrower to produce evidence of current buildings insurance prior to the completion of each Amber Loan. The alternatives available to Borrowers are:

- (1) the Borrower may take out a separate insurance policy; or

- (2) with respect to leasehold properties, the Property may be insured by the relevant landlord.

In all of these cases, the interest of Amber is required to be noted on the relevant policy from the date of completion of the Amber Loan.

- **Additional Borrowing**

Additional borrowings made by Amber are made pursuant to Amber's Lending Criteria and, together with the initial loans, must not have exceeded the maximum loan amount permitted by the Amber Lending Criteria. Generally, the Borrower should have paid the current Amber Loan for a period of at least 6 months and must never have been in arrears in relation to the existing Amber Loan. This policy is, however, subject to some exceptions, taken on a case-by-case basis.

- **Solicitors**

The Borrower will instruct a firm of solicitors or licensed conveyancers to act on its behalf as well as on behalf of Amber on the origination of the Amber Loan. The nominated firm must meet certain minimum requirements. For instance, the solicitors firm acting on behalf of Amber must have a minimum of two registered partners. If the nominated firm of solicitors does not meet the minimum requirements, Amber has reserved the right to instruct other solicitors to act on its behalf at the expense of the Borrower.

Amber will also have caused its solicitors or conveyancers to carry out in relation to the relevant Property all investigations, searches and other actions and enquiries which a Reasonable and Prudent Mortgage Lender or its solicitors or conveyancers normally make when lending to an individual on the security of residential property in England or Wales, Scotland or Northern Ireland and in each case received a certificate of title relating to such Property.

Changes to and Deviations from Amber Lending Criteria

In certain cases where a prospective Borrower or Loan did not fulfil in all respects the Amber Lending Criteria at the relevant time, the relevant Amber Loan may nevertheless have been approved where an underwriter of Amber with an approved lending mandate considered that, notwithstanding those deviations, the risks, taken as a whole, would be acceptable to Amber acting as a Reasonable and Prudent Mortgage Lender (as defined below).

The Amber Lending Criteria may be varied from time to time if varied in the manner of a Reasonable and Prudent Mortgage Lender. A "**Reasonable and Prudent Mortgage Lender**" is a reasonable and prudent mortgage lender underwriting residential mortgage loans to Borrowers in the non-conforming residential mortgage market. Substitute Loans and Prefunded Loans may only be included in the Mortgage Pool from time to time if they were originated in accordance with the relevant Lending Criteria (as so varied) and the relevant conditions contained in "*Administration of the Mortgage Pool – Conditions to the Acquisition of Prefunded Loans*" and/or "*Administration of the Mortgage Pool – Conditions to the Acquisition of Substitute Loans*" have been satisfied.

Unity Lending Criteria and Infinity Lending Criteria

The following criteria (the "**Unity and Infinity Lending Criteria**", and, together with the Amber Lending Criteria, each the "**Lending Criteria**" in relation to the relevant Originator, and together the "**Lending Criteria**") applied at the time of origination in respect of the Unity Loans and the Infinity Loans (such Unity Loans and Infinity Loans referred to below in this "*Unity Lending Criteria and Infinity Lending Criteria*" section as "**Loans**" and each a "**Loan**") included in and comprising (along

with the Amber Loans) the Completion Mortgage Pool and will apply in respect of all Prefunded Loans and Substitute Loans:

- **Mortgage term**

Each Loan has an original term of between 5 and 35 years.

- **Age of Borrower**

Borrowers must be at least 18 years at the time of application for a Loan (minimum age 21 for Buy-to-Let loans). Furthermore, the term of Loans usually must end before the primary applicant reaches the age of 85 years old.

- **Maximum Number of Borrowers**

No more than four Borrowers may be parties to a Loan.

- **Employment Details**

The policies of Unity and Infinity in regard to the verification of the details of a Borrower's income distinguish between two different categories of Borrower, employed and self-employed.

The income of employed Borrowers can be substantiated by:

- (1) a P60 and 2 months' supporting payslips or a formal reference from the applying Borrower's employer; or
- (2) self-certification by the Borrower (only under certain products and for Mortgages up to certain maximum amounts). Unity and Infinity undertakes tests of reasonableness for all self-certified income, validates the existence of the employer and requests further explanation or information at the discretion of the underwriter.

For the purpose of calculating a Borrower's gross income not only is base salary considered but also additional compensation such as a certain percentage of guaranteed overtime, bonuses and commissions, confirmed pension income, regular investment and rental income, employer subsidies and maintenance payments.

The income of self-employed Borrowers can be confirmed either by:

- (1) a minimum of one year's accounts prepared and signed by a registered and practising accountant or;
- (2) self-certification by the Borrower (only under certain products and for Loans up to certain maximum amounts and income multiples). Unity and Infinity undertake tests of reasonableness for all self-certified income, validates the existence of the business and requests further explanation or information at the discretion of the underwriter.

- **Property types**

Unity and Infinity require that each Unity Loan is secured by an English Mortgage over a freehold or long leasehold residential property in England or Wales or by a Northern Irish Mortgage over a freehold or long leasehold residential property in Northern Ireland, except for any prior ranking statutory charge (as referred to in Section 156 of the Housing Act 1985 and in the Housing (Northern Ireland) Order 1983 (as amended)) in relation to a Right-to-Buy Loan for which Unity and Infinity have the benefit of Title Insurance. The expiry of a

leasehold property that serves as security for a Loan must post-date the maturity of the Loan by at least 35 years. There are no Unity Loans or Infinity Loans originated in Scotland.

Properties intended for use as a principal place of residence or properties intended for residential investment purposes will be acceptable. Unity and Infinity require the valuer or an ALRA registered letting agent to independently verify the expected rental income for properties intended for letting. Mortgage Properties under 10 years old are required to have the benefit of a NHBC guarantee, a Zurich Municipal certificate or an architect's certificate.

Certain property types will not be considered for the purposes of providing security for a Loan. Examples of properties that would not be deemed acceptable as security include:

- (1) freehold flats and freehold maisonettes in England or Wales or Northern Ireland;
- (2) properties with agricultural restrictions;
- (3) properties not wholly owned by the Borrower, where equity is retained by a builder/developer, housing association or other third party;
- (4) properties of 100 per cent. timber construction;
- (5) flats over commercial premises (subject to certain exceptions); and
- (6) flats in blocks consisting of more than five storeys (subject to the valuer's comments on marketability) or more than twelve storeys if built within the last three years.

- **Mortgage amount**

Neither Unity nor Infinity will originate a Loan that will be £25,000 or less at the time of completion or greater than £1,500,000.

- **Maximum LTV**

The LTV is calculated by dividing the gross principal amount (net of any fees) committed at completion of the Loan by the lower of the valuation of the relevant Property as established by the valuer selected from the approved panel of surveyors (see "Valuation" below) or, in the case of a Loan made for financing the purchase of a Property, the disclosed purchase price (except in exceptional cases, i.e. where the purchase price reflects a discount where Unity or Infinity will take out Deed of Gift indemnity, or for Right-to-Buy loans). The current policy of Unity and Infinity is not to originate Loans with an LTV higher than 90 per cent. inclusive of fees.

- **Income multiples**

Unless an exception applies, a Loan will not exceed either:

- (1) the income of the primary Borrower multiplied by 4.00 and added to the income of any secondary Borrower; or
- (2) the Borrowers' joint income multiplied by 3.50,

except for self certified applicants in which case a Loan will not exceed:

- (1) the income of the primary Borrower multiplied by 5.00 and added to the income of any secondary Borrower; or

(2) the Borrowers' joint income multiplied by 3.75.

For Buy-to-Let loans, Unity and Infinity require expected rental income to be at least equal to the interest only mortgage payments after the expiry of any discount or fixed rate period.

- **Credit history**

In addition to employer and valuer references, Unity may, depending upon the particular circumstances, require Borrowers to furnish other references, e.g. from previous lenders and landlords. In addition, Unity and Infinity require that an approved credit search covering the preceding three years be undertaken for all Borrowers.

Where a CCJ (or the Northern Irish equivalent) relating to a Borrower has been revealed by the credit reference search or secured loan instalment arrears have been revealed by lenders' or landlords' references explanations are generally not obtained. However explanations are required where a Borrower has been subject to a Bankruptcy Order or an IVA.

Unity and Infinity generally consider the accumulated aggregate value of the CCJs lodged against a Borrower in the preceding eighteen-month period (in relation to the Unity Loans) or the preceding two year period (in relation to the Infinity Loans) in its consideration of that Borrower's mortgage application and/or in its setting of the rate to be charged on the Mortgage. See "*Interest Rate Setting*" above. Where satisfaction of a CCJ is a requirement of the Loan, a certificate of satisfaction must have been provided. CCJs registered more than two years prior to the application, that are less than £250 (in relation to the Unity Loans) or £100 (in relation to the Infinity Loans), or that are satisfied prior to application are ignored for purposes of setting the rate to be charged.

Borrowers who were extended a Loan despite being previously subject to a Bankruptcy Order are generally required to provide a certificate of discharge. Borrowers who are subject to an IVA are generally required to provide a confirmation of at least satisfactory conduct of the IVA where appropriate.

Repossessions in the preceding two years of previously mortgaged property will also be considered as relevant to a Borrower's application for a Loan. The Borrower is required to submit information relating to any outstanding debt and/or ongoing debt recovery in relation to the repossession for the review of Unity or Infinity (as applicable).

- **Valuation**

For the Loans, Mortgage Properties are required to be valued by a qualified surveyor chosen from a panel of Unity-approved or Infinity-approved (as applicable) valuation firms. Each Property must have been valued by a qualified surveyor (ARICS or equivalent qualification). All members of Unity's or Infinity's valuer panel are insured for professional indemnity risks at least £1,000,000. Valuations must be completed as per a Unity or Infinity (as applicable) standard template.

- **Borrower maintenance covenants**

In relation to each of the Loans, the relevant Borrower has covenanted to keep the relevant Property in good repair and condition, to comply with all covenants and statutory requirements in respect of the relevant Property and to pay in a timely fashion all taxes and other amounts required to be paid in connection with the Property. Each of the Borrowers has also agreed to allow Unity or Infinity (as applicable) to carry out an inspection of the condition of the relevant Property at any reasonable time.

- **Buildings Insurance**

It is a condition of each Loan that each Property is insured for its full reinstatement value as stated in the valuation report with an acceptable insurance company and at the Borrower's cost (subject to certain exceptions in the case of leasehold properties). Unity or Infinity (as applicable) does not require each Borrower to produce evidence of current buildings insurance prior to the completion of each Loan subject to each Borrower having signed a declaration acknowledging their responsibility to meet the insurance covenants set out in the Unity or Infinity (as applicable) terms and conditions. Unity ensures its interests are covered under a contingency policy under which cover is provided, *inter alia*, where the Borrower's policy is not taken out, is insufficient, Unity's or Infinity's interests are not noted, or lapses without renewal.

- **Further Advances**

Neither Unity nor Infinity operates a further advance facility in relation to the Unity Loans or the Infinity Loans.

- **Solicitors**

The Borrower will instruct a firm of solicitors (no licensed conveyancers are permitted) to act on its behalf as well as on behalf of Unity or Infinity (as applicable) on the origination of the Loan. The nominated firm must meet certain minimum requirements. For instance, the solicitors firm acting on behalf of Unity or Infinity (as applicable) must have a minimum of two registered partners. If the nominated firm of solicitors does not meet the minimum requirements, Unity or Infinity (as applicable) has reserved the right to instruct other solicitors to act on its behalf at the expense of the Borrower.

Unity or Infinity (as applicable) will also have caused its solicitors to carry out in relation to the relevant Property all investigations, searches and other actions and enquiries which a Prudent Mortgage Lender or its solicitors or conveyancers normally make when lending to an individual on the security of residential property in England or Wales or Northern Ireland and in each case received a certificate of title or report on title relating to such Property, subject to the use of title insurance mentioned below.

Unity or Infinity (as applicable) encourages the use of owner and lender-title insurance for all loans although this is not mandatory (with the exception of Loans that are subject to a gifted deposit or an unexpired pre-emption period under a local authority Right to Buy scheme). In such circumstances, there is no in-depth investigation of title but the conveyancing process is expedited. Unity's or Infinity (as applicable) title insurance is provided by London & European Title Insurance Services Limited.

Changes to and Deviations from Unity and Infinity Lending Criteria

In certain cases where a prospective Borrower or Loan did not fulfil in all respects the Unity and Infinity Lending Criteria at the relevant time, the relevant Unity Loan or Infinity Loan may nevertheless have been approved where an underwriter of Unity or Infinity (as applicable) with an approved lending mandate considered that, notwithstanding those deviations, the risks, taken as a whole, would be acceptable to Unity or Infinity (as applicable) acting as a Prudent Mortgage Lender (as defined below).

The Unity and Infinity Lending Criteria may be varied from time to time if varied in the manner of a Prudent Mortgage Lender. A "**Prudent Mortgage Lender**" is a reasonably prudent mortgage lender lending to Borrowers in England and Wales and Northern Ireland who include the recently self employed, independent contractors, temporary employees and people who have experienced previous

credit problems being, in each case, people who do not satisfy the lending criteria of traditional sources of residential mortgage capital. Substitute Loans and Prefunded Loans may only be included in the Mortgage Pool from time to time if they were originated in accordance with the relevant Lending Criteria (as so varied) and the relevant conditions contained in “*Administration of the Mortgage Pool – Conditions to the Acquisition of Prefunded Loans*” and/or “*Administration of the Mortgage Pool – Conditions to the Acquisition of Substitute Loans*” have been satisfied.

CHARACTERISTICS OF THE PROVISIONAL MORTGAGE POOL

The Provisional Mortgage Pool on the Cut-Off Date had the aggregate characteristics indicated in the Mortgage Pool Summary and Tables 1-38 below (please note that due to rounding differences percentage columns do not necessarily add up to 100 per cent.). Valuations used are as at the date of the original initial Loan origination.

Please note that the percentage Balance figures in the Mortgage Pool Summary tables relate to the individual statistic's balance as a proportion of the total balance of the individual data pool i.e. Total Pool, Amber or Infinity/Unity as applicable.

The information in these tables is preliminary and subject to change in the final Prospectus.

Table 1 - Distribution of Loans by Current Principal Balance

Current Principal Balance (£)	Pool		Amber		Infinity / Unity		
	No. of Loans	% of Total	No. of Loans	% of Total	No. of Loans	% of Total	
> 0 <=	20,000	0	0.00%	0	0.00%	0	0.00%
> 20,000 <=	30,000	15	0.63%	9	0.38%	6	0.25%
> 30,000 <=	40,000	25	1.05%	12	0.51%	13	0.55%
> 40,000 <=	50,000	55	2.32%	29	1.22%	26	1.10%
> 50,000 <=	60,000	101	4.25%	41	1.73%	60	2.53%
> 60,000 <=	70,000	175	7.37%	73	3.07%	102	4.30%
> 70,000 <=	80,000	173	7.29%	61	2.57%	112	4.72%
> 80,000 <=	90,000	181	7.62%	74	3.12%	107	4.51%
> 90,000 <=	100,000	175	7.37%	49	2.06%	126	5.31%
> 100,000 <=	110,000	216	9.10%	52	2.19%	164	6.91%
> 110,000 <=	120,000	140	5.90%	60	2.53%	80	3.37%
> 120,000 <=	130,000	132	5.56%	34	1.43%	98	4.13%
> 130,000 <=	140,000	125	5.27%	47	1.98%	78	3.29%
> 140,000 <=	150,000	125	5.27%	35	1.47%	90	3.79%
> 150,000 <=	175,000	195	8.21%	68	2.86%	127	5.35%
> 175,000 <=	200,000	137	5.77%	60	2.53%	77	3.24%
> 200,000 <=	225,000	104	4.38%	28	1.18%	76	3.20%
> 225,000 <=	250,000	79	3.33%	21	0.88%	58	2.44%
> 250,000 <=	350,000	124	5.22%	34	1.43%	90	3.79%
> 350,000 <=	500,000	57	2.40%	7	0.29%	50	2.11%
> 500,000 <=	700,000	32	1.35%	2	0.08%	30	1.26%
> 700,000 <=	1,000,000	8	0.34%	0	0.00%	8	0.34%
TOTAL		2,374	100.00%	796	33.53%	1578	66.47%

Table 2 - Distribution of Pool by Current Principal Balance

Current Principal Balance (£)			Pool		Amber		Infinity / Unity		
			Current Balance	% of Total	Current Balance	% of Total	Current Balance	% of Total	
>	0	<=	20,000	0	0.00%	0	0.00%	0	0.00%
>	20,000	<=	30,000	396,986	0.12%	233190	0.07%	163,796	0.05%
>	30,000	<=	40,000	894,402	0.26%	436258	0.13%	458,143	0.14%
>	40,000	<=	50,000	2,500,098	0.74%	1333794	0.39%	1,166,304	0.35%
>	50,000	<=	60,000	5,583,622	1.65%	2277796	0.67%	3,305,826	0.98%
>	60,000	<=	70,000	11,444,288	3.39%	4746853	1.41%	6,697,435	1.98%
>	70,000	<=	80,000	12,936,092	3.83%	4572413	1.35%	8,363,679	2.48%
>	80,000	<=	90,000	15,352,619	4.55%	6278052	1.86%	9,074,567	2.69%
>	90,000	<=	100,000	16,609,384	4.92%	4651582	1.38%	11,957,803	3.54%
>	100,000	<=	110,000	22,658,042	6.71%	5471929	1.62%	17,186,113	5.09%
>	110,000	<=	120,000	16,089,323	4.76%	6905486	2.04%	9,183,837	2.72%
>	120,000	<=	130,000	16,387,858	4.85%	4242389	1.26%	12,145,469	3.60%
>	130,000	<=	140,000	16,927,394	5.01%	6364084	1.88%	10,563,310	3.13%
>	140,000	<=	150,000	18,082,697	5.35%	5093996	1.51%	12,988,701	3.85%
>	150,000	<=	175,000	31,553,859	9.34%	11075907	3.28%	20,477,952	6.06%
>	175,000	<=	200,000	25,554,776	7.57%	11194049	3.31%	14,360,728	4.25%
>	200,000	<=	225,000	22,038,372	6.53%	6020413	1.78%	16,017,959	4.74%
>	225,000	<=	250,000	18,638,057	5.52%	4987922	1.48%	13,650,135	4.04%
>	250,000	<=	350,000	36,192,242	10.72%	10056635	2.98%	26,135,607	7.74%
>	350,000	<=	500,000	23,197,482	6.87%	2959000	0.88%	20,238,482	5.99%
>	500,000	<=	700,000	18,417,707	5.45%	1082000	0.32%	17,335,707	5.13%
>	700,000	<=	1,000,000	6,290,916	1.9%	0	0.0%	6,290,916	1.9%
TOTAL				337,746,219	100.00%	99,983,748	29.60%	237,762,471	70.40%

Table 3 - Distribution of Loans by Loan-to-Value Ratio

LTV Range (%)			Pool		Amber		Infinity / Unity		
			No. of Loans	% of Total	No. of Loans	% of Total	No. of Loans	% of Total	
>	0	<=	25	16	0.67%	6	0.25%	10	0.42%
>	25	<=	50	103	4.34%	61	2.57%	42	1.77%
>	50	<=	55	68	2.86%	30	1.26%	38	1.60%
>	55	<=	60	79	3.33%	34	1.43%	45	1.90%
>	60	<=	65	74	3.12%	31	1.31%	43	1.81%
>	65	<=	70	112	4.72%	48	2.02%	64	2.70%
>	70	<=	75	164	6.91%	72	3.03%	92	3.88%
>	75	<=	80	189	7.96%	58	2.44%	131	5.52%
>	80	<=	85	351	14.79%	114	4.80%	237	9.98%
>	85	<=	90	815	34.33%	168	7.08%	647	27.25%
>	90	<=	95	339	14.28%	113	4.76%	226	9.52%
>	95	<=	100	64	2.70%	61	2.57%	3	0.13%
TOTAL				2,374	100.00%	796	33.53%	1,578	66.47%

Table 4 - Distribution of Total Pool Balance by Loan-to-Value Ratio

LTV Range (%)	Pool		Amber		Infinity / Unity	
	Current Balance	% of Total	Current Balance	% of Total	Current Balance	% of Total
> 0 <= 25	763,515	0.23%	239,021	0.07%	524,494	0.16%
> 25 <= 50	7,781,963	2.30%	4,572,959	1.35%	3,209,003	0.95%
> 50 <= 55	7,569,921	2.24%	2,971,865	0.88%	4,598,056	1.36%
> 55 <= 60	8,253,479	2.44%	4,161,629	1.23%	4,091,850	1.21%
> 60 <= 65	8,680,019	2.57%	3,181,924	0.94%	5,498,095	1.63%
> 65 <= 70	13,853,314	4.10%	5,357,017	1.59%	8,496,297	2.52%
> 70 <= 75	24,034,228	7.12%	10,478,650	3.10%	13,555,577	4.01%
> 75 <= 80	25,989,981	7.70%	6,720,615	1.99%	19,269,366	5.71%
> 80 <= 85	58,437,920	17.30%	15,940,680	4.72%	42,497,240	12.58%
> 85 <= 90	127,742,628	37.82%	25,858,620	7.66%	101,884,008	30.17%
> 90 <= 95	48,062,342	14.23%	14,193,400	4.20%	33,868,942	10.03%
> 95 <= 100	6,576,907	1.95%	6,307,366	1.87%	269,541	0.08%
TOTAL	337,746,219	100.00%	99,983,748	29.60%	237,762,471	70.40%

Table 5 - No. of CCJs (by No. of Loans)

CCJs per Borrower	Pool		Amber		Infinity / Unity	
	No. of Loans	% of Total	No. of Loans	% of Total	No. of Loans	% of Total
0	2,127	89.60%	728	30.67%	1,399	58.93%
1	151	6.36%	59	2.49%	92	3.88%
2	41	1.73%	8	0.34%	33	1.39%
More than 2	55	2.32%	1	0.04%	54	2.27%
TOTAL	2,374	100.00%	796	33.53%	1,578	66.47%

Table 6 - No. of CCJs (by Balance)

CCJs per Borrower	Pool		Amber		Infinity / Unity	
	Current Balance	% of Total	Current Balance	% of Total	Current Balance	% of Total
0	304,512,956	90.16%	92,343,763	27.34%	212,169,193	62.82%
1	18,494,709	5.48%	6,606,448	1.96%	11,888,261	3.52%
2	6,571,666	1.95%	921,037	0.27%	5,650,629	1.67%
More than 2	8,166,888	2.42%	112,500	0.03%	8,054,388	2.38%
TOTAL	337,746,219	100.00%	99,983,748	29.60%	237,762,471	70.40%

Table 7 - Distribution of CCJs by Loan-to-Value Ratio (by No. of Loans)

LTV Range (%)			Pool			Amber			Infinity / Unity		
			CCJs=0	CCJs=1	CCJs>1	CCJs=0	CCJs=1	CCJs>1	CCJs=0	CCJs=1	CCJs>1
>	0	<= 25	16	0	0	6	0	0	10	0	0
>	25	<= 50	89	10	4	51	8	2	38	2	2
>	50	<= 55	62	5	1	26	3	1	36	2	0
>	55	<= 60	69	8	2	30	4	0	39	4	2
>	60	<= 65	67	5	2	28	3	0	39	2	2
>	65	<= 70	99	8	5	45	2	1	54	6	4
>	70	<= 75	148	8	8	69	3	0	79	5	8
>	75	<= 80	165	13	11	49	7	2	116	6	9
>	80	<= 85	306	29	16	101	11	2	205	18	14
>	85	<= 90	744	41	30	155	12	1	589	29	29
>	90	<= 95	301	22	16	109	4	0	192	18	16
>	95	<= 100	61	2	1	59	2	0	2	0	1
TOTAL			2,127	151	96	728	59	9	1,399	92	87

Table 8 - Distribution of CCJs by Loan-to-Value Ratio (by Balance)

LTV Range (%)			Pool			Amber			Infinity / Unity		
			CCJs=0	CCJs=1	CCJs>1	CCJs=0	CCJs=1	CCJs>1	CCJs=0	CCJs=1	CCJs>1
>	0	<= 25	763,515	0	0	239,021	0	0	524,494	0	0
>	25	<= 50	6,526,092	979,245	276,626	3,589,312	862,895	120,753	2,936,780	116,350	155,874
>	50	<= 55	7,187,235	322,323	60,363	2,679,949	231,553	60,363	4,507,286	90,770	0
>	55	<= 60	7,464,015	593,155	196,309	3,826,889	334,739	0	3,637,126	258,416	196,309
>	60	<= 65	8,188,864	310,750	180,405	2,983,744	198,180	0	5,205,120	112,570	180,405
>	65	<= 70	11,986,642	724,416	1,142,256	5,057,122	159,973	139,922	6,929,521	564,443	1,002,334
>	70	<= 75	21,472,658	1,242,609	1,318,960	10,176,617	302,033	0	11,296,041	940,576	1,318,960
>	75	<= 80	22,120,608	1,294,513	2,574,860	5,848,801	659,314	212,500	16,271,807	635,199	2,362,300
>	80	<= 85	52,089,688	4,266,006	2,082,226	13,998,837	1,633,093	308,750	38,090,851	2,632,913	1,773,476
>	85	<= 90	117,795,228	5,627,382	4,320,019	24,149,505	1,517,866	191,250	93,645,723	4,109,516	4,128,769
>	90	<= 95	42,639,363	2,957,152	2,465,828	13,663,757	529,643	0	28,975,606	2,427,509	2,465,828
>	95	<= 100	6,279,047	177,158	120,703	6,130,209	177,158	0	148,838	0	120,703
TOTAL			304,512,956	18,494,709	14,738,554	92,343,763	6,606,448	1,033,537	212,169,193	11,888,261	13,705,017

Table 9 - Distribution of Loans by Stabilised Margin over Libor

Stabilised Margin (%)	Pool		Amber		Infinity / Unity	
	No. of Loans	% of Total	No. of Loans	% of Total	No. of Loans	% of Total
> 0.5 <= 1.0	44	1.85%	44	1.85%	0	0.00%
> 1.0 <= 1.5	40	1.68%	39	1.64%	1	0.04%
> 1.5 <= 2.0	415	17.48%	270	11.37%	145	6.11%
> 2.0 <= 2.5	710	29.91%	208	8.76%	502	21.15%
> 2.5 <= 3.0	442	18.62%	134	5.64%	308	12.97%
> 3.0 <= 3.5	322	13.56%	21	0.88%	301	12.68%
> 3.5 <= 4.0	320	13.48%	0	0.00%	320	13.48%
> 4.0 <= 4.5	44	1.85%	43	1.81%	1	0.04%
> 4.5 <= 5.0	16	0.67%	16	0.67%	0	0.00%
> 5.0 <= 5.5	20	0.84%	20	0.84%	0	0.00%
> 5.5 <= 6.0	1	0.04%	1	0.04%	0	0.00%
TOTAL	2,374	100.00%	796	33.53%	1,578	66.47%

Table – 10 Distribution of Loan Balances by Stabilised Margin over Libor

Stabilised Margin (%)	Pool		Amber		Infinity / Unity	
	Balance of Loans	% of Total	Balance of Loans	% of Total	Balance of Loans	% of Total
> 0.5 <= 1.0	4850897	1.44%	4850897	1.44%	0	0.00%
> 1.0 <= 1.5	4068258	1.20%	3982368	1.18%	85890	0.03%
> 1.5 <= 2.0	56766962	16.81%	38955225	11.53%	17811737	5.27%
> 2.0 <= 2.5	91522311	27.10%	21167336	6.27%	70354975	20.83%
> 2.5 <= 3.0	69715666	20.64%	18182481	5.38%	51533186	15.26%
> 3.0 <= 3.5	47800041	14.15%	1944003	0.58%	45856038	13.58%
> 3.5 <= 4.0	52035971	15.41%	0	0.00%	52035971	15.41%
> 4.0 <= 4.5	6765924	2.00%	6681250	1.98%	84674	0.03%
> 4.5 <= 5.0	1243384	0.37%	1243384	0.37%	0	0.00%
> 5.0 <= 5.5	2783305	0.82%	2783305	0.82%	0	0.00%
> 5.5 <= 6.0	193500	0.06%	193500	0.06%	0	0.00%
TOTAL	337,746,219	100.00%	99,983,748	29.60%	237,762,471	70.40%

Table 11 - Distribution of Loans by Current Interest Rate

Current Rate (%)	Pool		Amber		Infinity / Unity	
	No. of Loans	% of Total	No. of Loans	% of Total	No. of Loans	% of Total
> 0.0 <= 4.0	0	0.00%	0	0.00%	0	0.00%
> 4.0 <= 4.5	0	0.00%	0	0.00%	0	0.00%
> 4.5 <= 5.0	39	1.64%	36	1.52%	3	0.13%
> 5.0 <= 5.5	333	14.03%	306	12.89%	27	1.14%
> 5.5 <= 6.0	475	20.01%	221	9.31%	254	10.70%
> 6.0 <= 6.5	729	30.71%	112	4.72%	617	25.99%
> 6.5 <= 7.0	509	21.44%	45	1.90%	464	19.55%
> 7.0 <= 7.5	175	7.37%	38	1.60%	137	5.77%
> 7.5 <= 8.0	94	3.96%	20	0.84%	74	3.12%
> 8.0 <= 9.5	20	0.84%	18	0.76%	2	0.08%
> 9.5 <= 10.0	0	0.00%	0	0.00%	0	0.00%
TOTAL	2,374	100.00%	796	33.53%	1,578	66.47%

Table 12 - Distribution of Loan Balances by Current Interest Rate

Current Rate (%)	Pool		Amber		Infinity / Unity	
	Balance of Loans	Balance of Loans	Balance of Loans	Balance of Loans	Balance of Loans	Balance of Loans
> 0.0 <= 4.0	0	0.00%	0	0.00%	0	0.00%
> 4.0 <= 4.5	0	0.00%	0	0.00%	0	0.00%
> 4.5 <= 5.0	4,433,388	1.31%	4,206,348	1.25%	227,040	0.07%
> 5.0 <= 5.5	41,113,935	12.17%	36,795,999	10.89%	4,317,937	1.28%
> 5.5 <= 6.0	65,824,823	19.49%	30,738,810	9.10%	35,086,013	10.39%
> 6.0 <= 6.5	107,029,489	31.69%	12,985,951	3.84%	94,043,537	27.84%
> 6.5 <= 7.0	78,404,604	23.21%	5,654,656	1.67%	72,749,948	21.54%
> 7.0 <= 7.5	24,850,344	7.36%	3,739,783	1.11%	21,110,560	6.25%
> 7.5 <= 8.0	13,434,433	3.98%	3,421,282	1.01%	10,013,151	2.96%
> 8.0 <= 9.5	2,655,202	0.79%	2,440,918	0.72%	214,284	0.06%
> 9.5 <= 10.0	0	0.00%	0	0.00%	0	0.00%
TOTAL	337,746,219	100.00%	99,983,748	29.60%	237,762,471	70.40%

Table 13 - Loan Purpose (by No. of Loans)

Loan Purpose	Pool		Amber		Infinity / Unity	
	No. of Loans	% of Total	No. of Loans	% of Total	No. of Loans	% of Total
Purchase	1,091	45.96%	363	15.29%	728	30.67%
Remortgage	1,283	54.04%	433	18.24%	850	35.80%
TOTAL	2,374	100.00%	796	33.53%	1,578	66.47%

Table 14 - Loan Purpose (by Balance)

Loan Purpose	Pool		Amber		Infinity / Unity	
	Current Balance	% of Total	Current Balance	% of Total	Current Balance	% of Total
Purchase	158,034,272	46.79%	47,366,791	14.02%	110,667,481	32.77%
Remortgage	179,711,946	53.21%	52,616,956	15.58%	127,094,990	37.63%
TOTAL	337,746,219	100.00%	99,983,748	29.60%	237,762,471	70.40%

Table 15 - Principal Repayment Method by Number of Loans

Repayment Type	Pool		Amber		Infinity / Unity	
	No. of Loans	% of Total	No. of Loans	% of Total	No. of Loans	% of Total
Repayment	778	32.77%	380	16.01%	398	16.76%
Part & Part	32	1.35%	18	0.76%	14	0.59%
Interest Only	1,564	65.88%	398	16.76%	1,166	49.12%
TOTAL	2,374	100.00%	796	33.53%	1,578	66.47%

Table 16 - Principal Repayment Method by Balance

Repayment Type	Pool		Amber		Infinity / Unity	
	Current Balance	% of Total	Current Balance	% of Total	Current Balance	% of Total
Repayment	77,972,783	23.09%	37,650,297	11.15%	40,322,487	11.94%
Part & Part	3,769,542	1.12%	1,808,487	0.54%	1,961,055	0.58%
Interest Only	256,003,894	75.80%	60,524,964	17.92%	195,478,930	57.88%
TOTAL	337,746,219	100.00%	99,983,748	29.60%	237,762,471	70.40%

Table 17 - Distribution of Loans by Tenure

Tenure	Pool		Amber		Infinity / Unity	
	No. of Loans	% of Total	No. of Loans	% of Total	No. of Loans	% of Total
Heritable/ Freehold	1,849	77.89%	680	28.64%	1,169	49.24%
Leasehold	525	22.11%	116	4.89%	409	17.23%
TOTAL	2,374	100.00%	796	33.53%	1,578	66.47%

Table 18 - Distribution of Loan Balance by Tenure

Tenure	Pool		Amber		Infinity / Unity	
	Current Balance	% of Total	Current Balance	% of Total	Current Balance	% of Total
Heritable/Freehold	264,897,098	78.43%	85,756,515	25.39%	179,140,584	53.04%
Leasehold	72,849,121	21.57%	14,227,233	4.21%	58,621,887	17.36%
TOTAL	337,746,219	100.00%	99,983,748	29.60%	237,762,471	70.40%

Table 19 - Distribution of Loans by Property Type

Property Type	Pool		Amber		Infinity / Unity	
	No. of Loans	% of Total	No. of Loans	% of Total	No. of Loans	% of Total
Flat	472	19.88%	125	5.27%	347	14.62%
Terraced	768	32.35%	269	11.33%	499	21.02%
Semi-Detached	652	27.46%	237	9.98%	415	17.48%
Detached	463	19.50%	162	6.82%	301	12.68%
Other	19	0.80%	3	0.13%	16	0.67%
TOTAL	2,374	100.00%	796	33.53%	1,578	66.47%

Table 20 - Distribution of Loan Balance by Property Type

Property Type	Pool		Amber		Infinity / Unity	
	Current Balance	% of Total	Current Balance	% of Total	Current Balance	% of Total
Flat	64,058,552	18.97%	12,774,422	3.78%	51,284,130	15.18%
Terraced	87,135,806	25.80%	28,547,867	8.45%	58,587,939	17.35%
Semi-Detached	82,435,539	24.41%	29,035,798	8.60%	53,399,742	15.81%
Detached	101,835,290	30.15%	29,183,661	8.64%	72,651,629	21.51%
Other	2,281,032	0.68%	442,000	0.13%	1,839,032	0.54%
TOTAL	337,746,219	100.00%	99,983,748	29.60%	237,762,471	70.40%

Table 21 - Occupancy Status

Occupancy Status	Pool		Amber		Infinity / Unity	
	No. of Loans	% of Total	No. of Loans	% of Total	No. of Loans	% of Total
Owner Occupied	1,836	77.34%	727	30.62%	1,109	46.71%
Buy to Let	538	22.66%	69	2.91%	469	19.76%
TOTAL	2,374	100.00%	796	33.53%	1,578	66.47%

Table 22 - Occupancy Status

Occupancy Status	Pool		Amber		Infinity / Unity	
	Current Balance	% of Total	Current Balance	% of Total	Current Balance	% of Total
Owner Occupied	265,859,233	78.72%	92,740,585	27.46%	173,118,648	51.26%
Buy to Let	71,886,986	21.28%	7,243,163	2.14%	64,643,823	19.14%
TOTAL	337,746,219	100.00%	99,983,748	29.60%	237,762,471	70.40%

Table 23 - Distribution of Loans with Self-Certified Incomes (by No. of Loans)

Income Verification	Pool		Amber		Infinity / Unity	
	No. of Loans	% of Total	No. of Loans	% of Total	No. of Loans	% of Total
Self Certified	1,269	53.45%	465	19.59%	804	33.87%
Verified	1,105	46.55%	331	13.94%	774	32.60%
TOTAL	2,374	100.00%	796	33.53%	1,578	66.47%

Table 24 - Distribution of Loans with Self-Certified Incomes (by Balance)

Income Verification	Pool		Amber		Infinity / Unity	
	Current Balance	% of Total	Current Balance	% of Total	Current Balance	% of Total
Self Certified	201,574,488	59.68%	68,528,294	20.29%	133,046,194	39.39%
Verified	136,171,731	40.32%	31,455,454	9.31%	104,716,277	31.00%
TOTAL	337,746,219	100.00%	99,983,748	29.60%	237,762,471	70.40%

Table 25 - Distribution of Loans by Region

Region	Pool		Amber		Infinity / Unity	
	No. of Loans	% of Total	No. of Loans	% of Total	No. of Loans	% of Total
East Anglia	67	2.82%	20	0.84%	47	1.98%
East Midlands	178	7.50%	47	1.98%	131	5.52%
North	145	6.11%	28	1.18%	117	4.93%
North West	273	11.50%	65	2.74%	208	8.76%
Northern Ireland	146	6.15%	104	4.38%	42	1.77%
Scotland	196	8.26%	196	8.26%	0	0.00%
South East inc						
London	609	25.65%	164	6.91%	445	18.74%
South West	132	5.56%	41	1.73%	91	3.83%
Wales	85	3.58%	22	0.93%	63	2.65%
West Midlands	179	7.54%	46	1.94%	133	5.60%
Yorks and Humber	364	15.33%	63	2.65%	301	12.68%
TOTAL	2,374	100.00%	796	33.53%	1,578	66.47%

Table 26 - Distribution of Loan Balance by Region

Region	Pool		Amber		Infinity / Unity	
	Current Balance	% of Total	Current Balance	% of Total	Current Balance	% of Total
East Anglia	9,768,810	2.89%	2,478,815	0.73%	7,289,995	2.16%
East Midlands	21,539,412	6.38%	5,433,088	1.61%	16,106,324	4.77%
North	15,142,247	4.48%	2,839,326	0.84%	12,302,921	3.64%
North West	32,435,974	9.60%	7,499,981	2.22%	24,935,993	7.38%
Northern Ireland	16,114,651	4.77%	12,334,248	3.65%	3,780,403	1.12%
Scotland	20,005,142	5.92%	20,005,142	5.92%	0	0.00%
South East inc						
London	123,969,306	36.70%	27,553,551	8.16%	96,415,755	28.55%
South West	23,002,134	6.81%	6,519,682	1.93%	16,482,452	4.88%
Wales	11,501,400	3.41%	3,140,102	0.93%	8,361,299	2.48%
West Midlands	22,355,344	6.62%	5,203,553	1.54%	17,151,791	5.08%
Yorks and Humber	41,911,799	12.41%	6,976,261	2.07%	34,935,538	10.34%
TOTAL	337,746,219	100.00%	99,983,748	29.60%	237,762,471	70.40%

Table 27 - Distribution of Loans by Months to Maturity

Months to Maturity	Pool		Amber		Infinity / Unity	
	No. of Loans	% of Total	No. of Loans	% of Total	No. of Loans	% of Total
> 0 <= 60	4	0.17%	2	0.08%	2	0.08%
> 60 <= 120	115	4.84%	37	1.56%	78	3.29%
> 120 <= 180	223	9.39%	74	3.12%	149	6.28%
> 180 <= 240	522	21.99%	164	6.91%	358	15.08%
> 240 <= 300	1,377	58.00%	479	20.18%	898	37.83%
> 300 <= 360	133	5.60%	40	1.68%	93	3.92%
TOTAL	2,374	100.00%	796	33.53%	1,578	66.47%

Table 28 - Distribution of Loan Balance by Months to Maturity

Months to Maturity	Pool		Amber		Infinity / Unity	
	Current Balance	% of Total	Current Balance	% of Total	Current Balance	% of Total
> 0 <= 60	1,148,108	0.34%	343,000	0.10%	805,108	0.24%
> 60 <= 120	15,961,046	4.73%	4,004,719	1.19%	11,956,327	3.54%
> 120 <= 180	35,411,172	10.48%	8,557,503	2.53%	26,853,669	7.95%
> 180 <= 240	81,891,519	24.25%	21,830,654	6.46%	60,060,865	17.78%
> 240 <= 300	187,927,600	55.64%	60,801,301	18.00%	127,126,299	37.64%
> 300 <= 360	15,406,774	4.56%	4,446,570	1.32%	10,960,204	3.25%
TOTAL	337,746,219	100.00%	99,983,748	29.60%	237,762,471	70.40%

Table 29 - Distribution of Loans by Seasoning

Months Seasoned	Pool		Amber		Infinity / Unity	
	No. of Loans	% of Total	No. of Loans	% of Total	No. of Loans	% of Total
> 0 <= 1	412	17.35%	17	0.72%	395	16.64%
> 1 <= 2	420	17.69%	168	7.08%	252	10.61%
> 2 <= 3	425	17.90%	150	6.32%	275	11.58%
> 3 <= 4	323	13.61%	81	3.41%	242	10.19%
> 4 <= 5	302	12.72%	103	4.34%	199	8.38%
> 5 <= 6	267	11.25%	87	3.66%	180	7.58%
> 6 <= 7	77	3.24%	52	2.19%	25	1.05%
> 7 <= 8	47	1.98%	40	1.68%	7	0.29%
> 8 <= 9	22	0.93%	21	0.88%	1	0.04%
> 9 <= 10	30	1.26%	29	1.22%	1	0.04%
> 10 <= 11	31	1.31%	31	1.31%	0	0.00%
> 11 <= 12	17	0.72%	17	0.72%	0	0.00%
> 12 <= 13	1	0.04%	0	0.00%	1	0.04%
TOTAL	2,374	100.00%	796	33.53%	1,578	66.47%

Table 30 - Distribution of Loan Balance by Seasoning

Months Seasoned	Pool		Amber		Infinity / Unity	
	Current Balance	% of Total	Current Balance	% of Total	Current Balance	% of Total
> 0 <= 1	65,254,400	19.32%	2,239,908	0.66%	63,014,492	18.66%
> 1 <= 2	57,210,705	16.94%	21,326,653	6.31%	35,884,052	10.62%
> 2 <= 3	62,002,261	18.36%	19,362,124	5.73%	42,640,137	12.62%
> 3 <= 4	45,225,910	13.39%	9,785,722	2.90%	35,440,188	10.49%
> 4 <= 5	43,545,436	12.89%	13,942,660	4.13%	29,602,776	8.76%
> 5 <= 6	36,569,856	10.83%	10,250,328	3.03%	26,319,529	7.79%
> 6 <= 7	10,122,986	3.00%	6,478,840	1.92%	3,644,146	1.08%
> 7 <= 8	5,545,702	1.64%	4,721,724	1.40%	823,978	0.24%
> 8 <= 9	3,415,566	1.01%	3,266,816	0.97%	148,750	0.04%
> 9 <= 10	3,765,319	1.11%	3,633,520	1.08%	131,799	0.04%
> 10 <= 11	3,323,402	0.98%	3,323,402	0.98%	0	0.00%
> 11 <= 12	1,652,050	0.49%	1,652,050	0.49%	0	0.00%
> 12 <= 13	112,625	0.03%	0	0.00%	112,625	0.03%
TOTAL	337,746,219	100.00%	99,983,748	29.60%	237,762,471	70.40%

Table 31 - Distribution of Loans by Arrears

Arrears (Months)	Pool		Amber		Infinity / Unity	
	No. of Loans	% of Total	No. of Loans	% of Total	No. of Loans	% of Total
> 0 <= 1	2,246	94.61%	767	32.31%	1,479	62.30%
> 1 <= 2	89	3.75%	28	1.18%	61	2.57%
> 2 <= 6	39	1.64%	1	0.04%	38	1.60%
TOTAL	2,374	100.00%	796	33.53%	1,578	66.47%

Table 32 - Distribution of Loan Balances by Arrears

Arrears (Months)	Pool		Amber		Infinity / Unity	
	Balance of Loans	% of Total	Balance of Loans	% of Total	Balance of Loans	% of Total
> 0 <= 1	319,009,924	94.45%	96,442,264	28.55%	222,567,660	65.90%
> 1 <= 2	13,106,124	3.88%	3,370,849	1.00%	9,735,276	2.88%
> 2 <= 6	5,630,170	1.67%	170,635	0.05%	5,459,535	1.62%
TOTAL	337,746,219	100.00%	99,983,748	29.60%	237,762,471	70.40%

Table 33 - Distribution of Loans with Bankruptcies / IVAs (by No. Loans)

Bankruptcies / IVAs	Pool		Amber		Infinity / Unity	
	No. of Loans	% of Total	No. of Loans	% of Total	No. of Loans	% of Total
With Bos / IVAs	66	2.78%	20	0.84%	46	1.94%
No Bos / IVAs	2,308	97.22%	776	32.69%	1,532	64.53%
TOTAL	2,374	100.00%	796	33.53%	1,578	66.47%

Table 34 - Completed Offered Loan Split by Loan

Loan Status	Pool		Amber		Infinity / Unity	
	No. of Loans	% of Total	No. of Loans	% of Total	No. of Loans	% of Total
Completed	2,146	90.40%	796	33.53%	1,350	56.87%
Offered	228	9.60%	0	0.00%	228	9.60%
TOTAL	2,374	100.00%	796	33.53%	1,578	66.47%

Table 35 - Completed Offered Loan Split by Loan Balance

Loan Status	Pool		Amber		Infinity / Unity	
	Current Balance	% of Total	Current Balance	% of Total	Current Balance	% of Total
Completed	297,300,698	88.02%	99,983,748	29.60%	197,316,950	58.42%
Offered	40,445,521	11.98%	0	0.00%	40,445,521	11.98%
TOTAL	337,746,219	100.00%	99,983,748	29.60%	237,762,471	70.40%

Table 36 - Redemption Charges by Year by Loan

Year				Pool		Amber		Infinity / Unity	
1	2	3	4	No. of Loans	% of Total	No. of Loans	% of Total	No. of Loans	% of Total
7%	6%	-	-	1506	63.44%	0	0.00%	1506	63.44%
6%	6%	6%	-	71	2.99%	0	0.00%	71	2.99%
5%	5%	5%	5%	26	1.10%	26	1.10%	0	0.00%
5%	5%	5%	-	641	27.00%	641	27.00%	0	0.00%
5%	4%	3%	-	5	0.21%	5	0.21%	0	0.00%
4%	4%	4%	-	67	2.82%	67	2.82%	0	0.00%
3%	3%	3%	-	6	0.25%	6	0.25%	0	0.00%
-	-	-	-	52	2.19%	51	2.15%	1	0.04%
TOTAL				2,374	100.00%	796	33.53%	1578	66.47%

Table 37 - Redemption Charges by Year by Loan Balance

Year				Pool		Amber		Infinity / Unity	
1	2	3	4	Balance of Loans	% of Total	Balance of Loans	% of Total	Balance of Loans	% of Total
7%	6%	-	-	228,942,490	67.79%	0	0.00%	228,942,490	67.79%
6%	6%	6%	-	8,734,091	2.59%	0	0.00%	8,734,091	2.59%
5%	5%	5%	5%	3,161,794	0.94%	3,161,794	0.94%	0	0.00%
5%	5%	5%	-	81,972,355	24.27%	81,972,355	24.27%	0	0.00%
5%	4%	3%	-	483,829	0.14%	483,829	0.14%	0	0.00%
4%	4%	4%	-	7,564,082	2.24%	7,564,082	2.24%	0	0.00%
3%	3%	3%	-	1,239,718	0.37%	1,239,718	0.37%	0	0.00%
-	-	-	-	5,647,860	1.67%	5,561,970	1.65%	85,890	0.03%
TOTAL				337,746,219	100.00%	99,983,748	29.60%	237,762,471	70.40%

Table 38 - Distribution of Loan Balances by Product Banding

Product Name	Pool		Amber		Infinity	
	Balance of Loans	% of Total	Balance of Loans	% of Total	Balance of Loans	% of Total
Discounted until January 2007	302,137	0.09%	302,137	0.09%	0	0.00%
Discounted until February 2007	692,307	0.20%	692,307	0.20%	0	0.00%
Discounted until April 2007	148,750	0.04%	0	0.00%	148,750	0.04%
Discounted until May 2007	3,135,113	0.93%	2,997,368	0.89%	137,745	0.04%
Discounted until June 2007	1,868,842	0.55%	1,558,879	0.46%	309,963	0.09%
Discounted until July 2007	2,116,421	0.63%	613,582	0.18%	1,502,839	0.44%
Discounted until August 2007	578,546	0.17%	343,179	0.10%	235,367	0.07%
Discounted until September 2007	250,706	0.07%	94,944	0.03%	155,762	0.05%
Discounted until October 2007	647,940	0.19%	186,299	0.06%	461,641	0.14%
Discounted until November 2007	756,656	0.22%	291,758	0.09%	464,898	0.14%
Discounted until December 2007	264,827	0.08%	0	0.00%	264,827	0.08%
Discounted until January 2008	287,875	0.09%	287,875	0.09%	0	0.00%
Discounted until February 2008	938,128	0.28%	938,128	0.28%	0	0.00%
Discounted until March 2008	134,808	0.04%	134,808	0.04%	0	0.00%
Discounted until April 2008	186,899	0.06%	186,899	0.06%	0	0.00%
Discounted until May 2008	2,511,869	0.74%	2,511,869	0.74%	0	0.00%
Discounted until June 2008	3,057,183	0.91%	2,235,254	0.66%	821,929	0.24%
Discounted until July 2008	7,180,026	2.13%	548,838	0.16%	6,631,188	1.96%
Discounted until August 2008	7,812,893	2.31%	1,887,078	0.56%	5,925,815	1.75%
Discounted until September 2008	6,857,054	2.03%	156,467	0.05%	6,700,587	1.98%
Discounted until October 2008	10,412,129	3.08%	827,374	0.24%	9,584,755	2.84%
Discounted until November 2008	8,070,405	2.39%	0	0.00%	8,070,405	2.39%
Discounted until December 2008	4,390,223	1.30%	0	0.00%	4,390,223	1.30%
Discounted until January 2009	356,207	0.11%	356,207	0.11%	0	0.00%
Discounted until February 2009	269,006	0.08%	269,006	0.08%	0	0.00%
Discounted until March 2009	131,799	0.04%	0	0.00%	131,799	0.04%
Discounted until April 2009	241,637	0.07%	241,637	0.07%	0	0.00%
Discounted until May 2009	1,807,691	0.54%	1,807,691	0.54%	0	0.00%
Discounted until June 2009	2,211,143	0.65%	2,211,143	0.65%	0	0.00%
Discounted until July 2009	837,381	0.25%	0	0.00%	837,381	0.25%
Discounted until August 2009	1,613,677	0.48%	738,990	0.22%	874,687	0.26%
Discounted until September 2009	181,540	0.05%	0	0.00%	181,540	0.05%
Discounted until October 2009	2,680,489	0.79%	1,270,374	0.38%	1,410,115	0.42%
Discounted until November 2009	305,088	0.09%	0	0.00%	305,088	0.09%
Discounted until December 2009	309,957	0.09%	0	0.00%	309,957	0.09%
Discounted until January 2010	137,346	0.04%	137,346	0.04%	0	0.00%
Fixed until December 2007	112,625	0.03%	0	0.00%	112,625	0.03%
Fixed until May 2008	686,233	0.20%	0	0.00%	686,233	0.20%
Fixed until June 2008	5,413,642	1.60%	2,901,388	0.86%	2,512,253	0.74%
Fixed until July 2008	18,728,518	5.55%	47,478	0.01%	18,681,041	5.53%
Fixed until August 2008	25,026,174	7.41%	3,247,735	0.96%	21,778,439	6.45%
Fixed until September 2008	31,649,965	9.37%	3,942,544	1.17%	27,707,421	8.20%
Fixed until October 2008	39,734,910	11.76%	7,845,251	2.32%	31,889,659	9.44%
Fixed until November 2008	28,442,522	8.42%	0	0.00%	28,442,522	8.42%
Fixed until December 2008	15,828,565	4.69%	329,495	0.10%	15,499,070	4.59%
Fixed until January 2009	4,327,929	1.28%	4,327,929	1.28%	0	0.00%
Fixed until February 2009	354,865	0.11%	354,865	0.11%	0	0.00%
Fixed until May 2009	7,870,478	2.33%	7,870,478	2.33%	0	0.00%
Fixed until June 2009	17,820,278	5.28%	17,820,278	5.28%	0	0.00%
Fixed until July 2009	150,426	0.04%	0	0.00%	150,426	0.04%
Fixed until August 2009	4,083,059	1.21%	4,083,059	1.21%	0	0.00%
Fixed until October 2009	12,808,860	3.79%	12,808,860	3.79%	0	0.00%
Fixed until January 2010	1,248,478	0.37%	1,248,478	0.37%	0	0.00%
Fixed until December 2010	370,000	0.11%	370,000	0.11%	0	0.00%
Fixed until May 2011	566,268	0.17%	566,268	0.17%	0	0.00%
Fixed until June 2011	327,010	0.10%	327,010	0.10%	0	0.00%
Fixed until August 2011	296,543	0.09%	296,543	0.09%	0	0.00%
Fixed until October 2011	132,275	0.04%	132,275	0.04%	0	0.00%
Fixed until January 2012	524,099	0.16%	524,099	0.16%	0	0.00%
Floating	7,112,278	2.11%	7,112,278	2.11%	0	0.00%
Offer	40,445,521	11.98%	0	0.00%	40,445,521	11.98%
TOTAL	337,746,219	100.00%	99,983,748	29.60%	237,762,471	70.40%

TITLE TO THE MORTGAGE POOL

The Loans and the Collateral Security (as defined in Condition 2 (*Status and Security*)) will be sold by the Seller to the Issuer pursuant to a mortgage sale agreement entered into on the Issue Date between *inter alios*, the Issuer, Unity, Infinity and the Seller (the “**Mortgage Sale Agreement**”). The sale of the English Loans, the English Mortgages and the Collateral Security in relation to the English Loans and the sale of the Northern Irish Loans, the Northern Irish Mortgages and the Collateral Security in relation to the Northern Irish Loans will take effect in equity only. The Issuer will acquire a beneficial interest in the Scottish Loans, the Scottish Mortgages and the Collateral Security in relation to the Scottish Loans pursuant to the sale under trust declarations. The Issuer will grant a first fixed charge or security in favour of the Trustee over its interest in the English Loans and the English Collateral Security and the Northern Irish Loans and the Northern Irish Collateral Security and the Scottish Loans and Scottish Collateral Security.

33.5 per cent. of the Loans were originated by Amber Homeloans Limited in accordance with the Amber Lending Criteria (the “**Amber Loans**”) and were purchased pursuant to a mortgage sale agreement dated 9 February 2007. Amber has represented and warranted to Infinity that it was the legal and beneficial owner (and in Scotland, owner) of the Amber Loans at the time of such sale. Further, Amber represented and warranted to Infinity that, subject to completion of any necessary registration or recording at the Land Registry or the Registers of Scotland or the Registers of Northern Ireland, Amber had full legal and equitable title (or in Scotland, title) to each of the Mortgages relating to the Amber Loans (the “**Amber Mortgages**”). Application has been made or is in the course of being made to the Land Registry or the Registers of Scotland or the Registers of Northern Ireland to transfer such Amber Mortgages to Infinity and upon such transfers being completed, Infinity will be the legal owner (or in Scotland, owner) of such Amber Mortgages. It typically takes up to between 2 and 4 months for the registration for the transfer of a mortgage to be completed in England and Wales and Scotland but can take substantially longer at the Land Registry of Northern Ireland. Until such time as registration or recording of the transfers of the Amber Mortgages to Infinity is complete, Amber will be the legal owner of such Amber Mortgages. Amber has covenanted to Infinity to assist in a smooth and effective transfer of the Amber Mortgages to Infinity, supported by a power of attorney (which permits sub-delegation to the Issuer).

43.7 cent. of the Loans were originated by Infinity Mortgages Limited in accordance with the Infinity Lending Criteria (the “**Infinity Loans**”) and were purchased by the Seller pursuant to a mortgage company sale agreement dated 6 September 2005.

22.8 per cent. of the Loans were originated by Unity Homeloans Limited in accordance with the Unity Lending Criteria (the “**Unity Loans**”) and were purchased by the Seller pursuant to a mortgage purchase agreement dated 6 September 2005.

Legal title to the Mortgages securing the Unity Loans has, since origination, remained, and will remain with Unity, and legal title to the Mortgages securing the Infinity Loans has, since origination, remained, and will remain, with Infinity.

Accordingly, the Seller is not the legal owner (or, in Scotland, the registered heritable creditor) of the Mortgages and is not intending to acquire legal title (or in Scotland, title) (although the Issuer and the Trustee will be entitled to call for legal title from the Seller should for any reason the Seller become the legal owner (or, in Scotland, the registered heritable creditor) of any Mortgages). Rather, the Issuer and the Trustee will be entitled to call for legal title (or in Scotland, title) directly from Infinity and Unity and Infinity and Unity will provide further assurance covenants to the Issuer and the Trustee directly, each as described further below.

Neither the Issuer or the Trustee will require legal title (or in Scotland, title) to be transferred, conveyed or assigned to the Issuer or apply to the Land Registry, the Registers of Northern Ireland or the Registers of Scotland to register or record their interest in such Mortgages except in the limited

circumstances set out below. Prior to the Issuer obtaining legal title to the Mortgages, a *bona fide* purchaser from Unity or Infinity (as the holder of legal title in the Loans) (or, in the case of the Amber Loans, until such registration or recording of the title of Infinity is complete, a *bona fide* purchaser from Amber) for value of any of such Loans without notice of any of the interests of the Seller, the Issuer or the Trustee might obtain a good title free of any such interest. However, the risk of third party claims obtaining priority to the interests of the Seller, the Issuer or the Trustee in this way is likely to be limited to circumstances arising from a breach by the Mortgage Administrator, Unity or Infinity (or, in relation to the Amber Loans, until such registration or recording of the title of Infinity is complete, Amber) of its contractual obligations or fraud, gross negligence or mistake on the part of the Mortgage Administrator, Unity, Infinity, the Seller or the Issuer or their respective personnel or agents. Further, the rights of the Seller, the Issuer and the Trustee may be or become subject to the direct rights of the Borrowers against Unity or Infinity (as applicable). Such rights may include the rights of set-off which arise in relation to transactions or deposits made between certain Borrowers and Unity or Infinity (as applicable) (or, in relation to the Amber Loans, until such registration or recording of the title of Infinity is complete, Amber) and the right of the relevant Borrowers to redeem their Mortgages by repaying the relevant Loan directly to either Unity or Infinity (as applicable) (or, in relation to the Amber Loans, until such registration or recording of the title of Infinity is complete, Amber) as holder of the legal title to such Mortgage. These rights may result in the Issuer receiving less monies than anticipated from the Loans.

For so long as neither the Seller, the Issuer nor the Trustee have obtained legal title (or in Scotland, title), Unity or Infinity (as applicable) will undertake for the benefit of the Seller, the Issuer and the Trustee that it will lend its name to, and take such other steps as may reasonably be required by the Seller, the Issuer or the Trustee in relation to, any legal proceedings in respect of the Loans and their related Mortgages (which includes any Amber Loan and their related Mortgages). The Seller will also provide further assurance provisions for the benefit of the Issuer and the Trustee. Such obligations of Unity, Infinity and the Seller shall be supported by respective powers of attorney.

The Mortgage Administrator is required under the terms of the Mortgage Administration Agreement to ensure the safe custody of title deeds and to provide access to them to the Issuer and the Trustee at all reasonable times during business hours upon written request of the Trustee or the Issuer. The Mortgage Administrator will have custody of title deeds in respect of the Loans and their related Collateral Security as agent of the Issuer.

Save as mentioned below, neither the Issuer nor the Trustee will effect any registration at H.M. Land Registry of England and Wales (the "**Land Registry**") or any registration or recording in the Land Registry of Northern Ireland and/or the Registry of Deeds in Belfast (the "**Registers of Northern Ireland**") or any registration or recording in the General Register of Sasines or the Land Register of Scotland (the "**Registers of Scotland**") as appropriate, to protect the sale of the Loans and the Collateral Security by the Seller to the Issuer or the charge of them by the Issuer in favour of the Trustee nor, save as mentioned below, will they be entitled to obtain possession of the title deeds to Properties and the Loans and their related Mortgages.

Save as mentioned below, notice of the assignment or assignation (as appropriate) to the Issuer and the equitable and other charges in favour of the Trustee will not be given to the Borrowers.

Under the Mortgage Sale Agreement and the Deed of Charge, the Issuer (with the consent of the Trustee) or the Trustee will each be entitled to effect such registrations, recordings and give such notices as it considers necessary to protect and perfect the interests respectively of the Issuer (as purchaser) and the Trustee (as chargee) in the Loans and the Collateral Security, *inter alia*, where (i) the Seller, the Issuer, the Trustee, Unity or Infinity (as applicable) is obliged to do so by law, by court order or by a mandatory requirement of any regulatory authority, (ii) a notice of an acceleration pursuant to Condition 9 (*Event of Default*) (an "**Acceleration Notice**") has been given, (iii) the Trustee considers that the Charged Property or any part thereof is in jeopardy (including the possible insolvency of Unity, Infinity (as applicable) or the Seller) or (iv) any action is taken for the winding-

up, dissolution, administration or reorganisation of Unity or Infinity (as applicable). These rights are supported by irrevocable powers of attorney given, *inter alios*, by the Issuer, Unity and Infinity.

The effect of not giving notice to the relevant Borrowers of the sale of the English Loans and their English Collateral Security or the Northern Irish Loans and their Northern Irish Collateral Security or the Scottish Loans and their Scottish Collateral Security from Unity or Infinity (as applicable) to the Seller and from the Seller to the Issuer and the charging of the Issuer's interest in the English Loans, or the Northern Irish Loans or the Scottish Loans and their Collateral Security to the Trustee is that the charge of the Issuer's rights thereto in favour of the Trustee pursuant to the Deed of Charge will take effect in equity (or extend over the Issuer's beneficial interest) only, and the rights of the Issuer and the Trustee may be, or may become, subject to equities or other third party rights (for example, rights of set-off as between the relevant Borrowers or insurance companies and either Unity or Infinity (as applicable)) as well as to the interests of third parties who perfect a legal interest prior to the Issuer or the Trustee acquiring and perfecting a legal interest (such as, in the case of English Mortgages or Northern Irish Mortgages over unregistered land, a third party acquiring a legal interest in the relevant English Mortgage or Northern Irish Mortgage without notice of the Issuer's or the Trustee's interests or, in the case of Mortgages over registered land, a third party acquiring a legal interest by registration prior to the registration of the Issuer's or the Trustee's interests or in the case of Scottish Mortgages, a third party acquiring a real right in the relevant Scottish Mortgage without notice of the Issuer's or the Trustee's interests).

The risk of such equities and other interests leading to a third party claim obtaining priority to the interests of the Issuer or the Trustee in the English Loans and the English Collateral Security or the Northern Irish Loans and the Northern Irish Collateral Security or the Scottish Loans and the Scottish Collateral Security is likely to be limited to circumstances arising from a breach by Unity or Infinity (as applicable), the Seller, the Mortgage Administrator or the Issuer of its or their contractual or other obligations or fraud, negligence or mistake on the part of the Unity or Infinity (as applicable) the Issuer or their respective officers, employees or agents (if any).

SALE OF THE MORTGAGE POOL

Sale and Consideration

On the Issue Date, the Issuer will purchase the Completion Mortgage Pool. Each Loan in the Completion Mortgage Pool will be a Loan in respect of which the Mortgage Administrator shall have verified receipt of 50 per cent. or more of the first monthly instalment due from a Borrower (a “**Monthly Payment**”) applicable to the relevant Loan. Following the sale of the Completion Mortgage Pool to the Issuer on the Issue Date, further Loans may from time to time be included in the Mortgage Pool. These further Loans, which will be Prefunded Loans or Substitute Loans (or Further Advances in relation to Amber Loans already in the Mortgage Pool) will be sold by the Seller to the Issuer. The representations and warranties given by the Seller in respect of the Loans which comprise the Completion Mortgage Pool will be substantially the same as the ones given by the Seller in respect of each Loan sold or transferred to the Issuer after the Issue Date.

The Seller will, on the Issue Date, sell its interest in the Completion Mortgage Pool to the Issuer for consideration equal to: (i) the aggregate Current Balances (as defined below) of the Loans comprised in the Completion Mortgage Pool as at the Issue Date which is expected to be approximately £310,439,065 (the “**Initial Purchase Price**”); (ii) the Residuals; and (iii) the MERCs. Interest accruing and all other sums received by the Seller on the Loans up to but not including the Issue Date will be for the account of the Seller, and interest accruing and all other sums received by the Seller on or after the Issue Date will be for the account of the Issuer.

The “**Current Balance**” of a Loan means the amount of principal outstanding in respect of advances to a Borrower including any insurance premiums, fees, costs and expenses which may have been added to such principal amount but excluding for the avoidance of doubt any accrued interest or arrears of interest in respect of such Loan.

Warranties and Repurchase

The Mortgage Sale Agreement contains representations and warranties given by the Seller in relation to the Mortgage Pool. No searches, enquiries or independent investigation of title of the type which a prudent purchaser or mortgagee or heritable creditor would normally be expected to carry out have been or will be made by the Issuer or the Trustee, each of whom is relying upon the warranties in the Mortgage Sale Agreement and the results of an audit of the Provisional Mortgage Pool.

If there is an unremedied or unremediable breach which is material in relation to the relevant Loan or the Collateral Security or generally to the interests of the Noteholders of any of these representations and warranties, then the Seller is required to repurchase or procure the purchase of the relevant Loan and its related Mortgage for a consideration either in cash equal to the Current Balance (as defined above) of the relevant Loan plus accrued interest and all other amounts due under such Loan or by way of substitution of an equivalent loan which is not a Scottish Loan and, at the time of its substitution, complies with such warranties (each, a “**Substitute Loan**”) or, as the case may require, a combination of such a Substitute Loan or Substitute Loans and such cash consideration (provided that the Seller shall only substitute Loans which comply with the conditions set out below under “*Administration of the Mortgage Pool – Conditions to the Acquisition of Substitute Loans*” below). Performance of the obligation to repurchase or substitute will be in satisfaction of all of the Seller’s liabilities in respect thereof.

The representations and warranties referred to above will, include negotiated (certain of the warranties may for example be qualified by reference to access and materiality) statements, *inter alia*, to the following effect:

- (a) each Loan and its Collateral Security constitutes a valid and binding obligation of the Borrower enforceable according to its terms (other than with respect to any prepayment charges);
- (b) the Collateral Security for each Loan secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower to the mortgagee by way of first priority (other than, in the case of Infinity Loans or Unity Loans where covered by a Title Insurance Policy);
- (c) subject to completion of any registration or recording which may be pending at the relevant registry, each Mortgage constitutes a first ranking charge by way of legal mortgage or standard security over the relevant Property;
- (d) each Property is a residential property located in England and Wales, Northern Ireland or (in the case of Amber Loans) Scotland;
- (e) prior to making a Loan, the relevant Property was valued by a qualified valuer approved by the relevant Originator;
- (f) prior to making each Loan, the relevant Originator's Lending Criteria were satisfied in all material respects (subject to variations that would be acceptable to a Reasonable and Prudent Mortgage Lender);
- (g) necessary licenses, authorisations and consents for advancing and administering the Loan were held by the relevant originator and administrator or at the relevant times;
- (h) no lien or right of set-off or counterclaim has been created or arisen between the mortgagee and any Borrower which would entitle such Borrower to reduce the amount of any payment otherwise due under the relevant Loan;
- (i) no Loan (i) is or includes a regulated consumer credit agreement (as defined in Section 8 of the CCA 1974) or constitutes any other agreement regulated or partly regulated by the CCA 1974 (other than Sections 137 to 140 of such Act) or any modification or re-enactment thereof or (ii) to the extent that it is so regulated or partly regulated, all the requirements of the CCA have been met in full or to the extent of any non-compliance, such non-compliance would not be such as to prevent enforcement of that Loan or any of its material terms by a lender or mortgagee under such Loan;
- (j) no Loan has a final maturity after the date falling two years prior to the maturity date in respect of the Class E Notes; and
- (k) each Loan was made on the terms of the relevant Originator's mortgage standard documentation (subject to variations that would have been acceptable to a Reasonable and Prudent Mortgage Lender).

ADMINISTRATION OF THE MORTGAGE POOL

The Mortgage Administration Agreement and the Special Servicer Agreement

The Mortgage Administrator is required to administer the Mortgage Pool on behalf of the Issuer and the Trustee under the Mortgage Administration Agreement. The duties of the Mortgage Administrator include, *inter alia*:

- (a) collecting payments on the Loans and discharging Mortgages and other Collateral Security upon redemption;
- (b) monitoring and, where appropriate, pursuing arrears and enforcing the Collateral Security;
- (c) taking all reasonable steps to ensure safe custody of all title deeds and documents in respect of the Loans and their related Collateral Security and their related security which are in its possession; and
- (d) making claims under the insurance contracts (see "*Administration of the Mortgage Pool - Insurance Contracts*" below).

HML shall exercise such discretion as is vested in it under the Mortgage Administration Agreement for the purpose of administering the Mortgage Pool as would be exercised by a Prudent Mortgage Lender. HML will be obliged under the Mortgage Administration Agreement to act upon the instructions of the Special Servicer in relation to certain aspects of the administration of the Loans and the Mortgages. The Special Servicer shall exercise such discretion as is vested in it for the purpose of administering the Mortgage Pool as would be exercised by a Prudent Mortgage Lender.

The Mortgage Administrator is entitled to charge a fee for its services under the Mortgage Administration Agreement, payable on each Interest Payment Date (subject to the proviso below and to the Pre-Enforcement Priority of Payments) of an amount (together with VAT, if any), such fee (together with any VAT thereon and any arrears of VAT payable in connection with the services) not to exceed a maximum of the product of 0.25 per cent. per annum and the aggregate Balances of the Loans as of the last day of the calendar month immediately preceding the said Interest Payment Date falls, divided by four, provided, however, the Mortgage Administrator shall be entitled to be paid monthly in arrear on an interim basis.

The appointment of HML as Mortgage Administrator will be terminated by the Issuer (if so requested by the Trustee) or may be terminated by the Trustee on the happening of certain events of default or if insolvency or similar events occur in relation to HML or following the giving of an Acceleration Notice. Following any such termination, the Issuer (with the consent of the Trustee) or the Trustee will appoint the Standby Servicer. The Mortgage Administrator may also not resign its duties without a replacement having been duly appointed, such due appointment requiring certain criteria to be satisfied or, provided that certain criteria are satisfied, another person as substitute mortgage administrator. The "**certain criteria**" alluded to in the previous sentence include that the then current rating of the Rated Notes are not adversely affected (unless otherwise agreed pursuant to an extraordinary resolution of the Noteholders).

The Special Servicer is entitled to charge a fee for its services under the Special Servicer Agreement payable on each Interest Payment Date (subject to the Priority of Payments) of an amount, inclusive of value added tax, equal to the product of 0.03 per cent. per annum of the aggregate Balances of the Loans on the first day of each Interest Period immediately preceding the said Interest Payment Date divided by four in respect of each full Interest Period (or, as applicable, *pro rata* in respect of any different period).

The appointment of Investec as Special Servicer may be terminated by the Issuer (with the consent of the Trustee) or by the Trustee upon the happening of certain events of default or if insolvency or similar events occur in relation to Investec or if, following the giving of an Acceleration Notice in relation to the Notes, the Trustee is entitled to dispose of the assets comprising the Security in accordance with the Trust Deed. The Special Servicer may not resign its duties without a replacement having been duly appointed.

Cash/Bond Administration Agreement

For the purpose of the administration of the Mortgage Pool, the Cash/Bond Administrator (for so long as it continues to be the Issuer's and, following enforcement of the Security, the Trustee's agent) will be authorised to operate the Bank Accounts for the purpose of the Cash/Bond Administration Agreement. The duties of the Cash/Bond Administrator include, *inter alia*:

- (a) managing the Collection Accounts, the Transaction Account, the GIC Account and the Reserve GIC Account;
- (b) making the required ledger entries and calculations;
- (c) maintaining the Reserve Fund; and
- (d) operating the Pre-Enforcement Priority of Payments and making arrangements for payment by the Issuer of interest and principal in respect of the Notes to the extent that funds are available.

The Cash/Bond Administrator is, under the Cash/Bond Administration Agreement, responsible for keeping and maintaining records, on a loan by loan basis, to be delivered to the Issuer, the Trustee and to the Rating Agencies, not later than the tenth Business Day after each Interest Payment Date and preparing a balance sheet and profit and loss accounts for the Issuer, to be delivered to the Trustee and each of the Rating Agencies within 20 Business Days of the end of each quarterly period to which it relates.

The Cash/Bond Administrator is entitled to charge a fee for its services under the Cash/Bond Administration Agreement, payable on each Interest Payment Date (subject to the Pre-Enforcement Priority of Payments).

The appointment of The Law Debenture Asset Backed Solutions Limited as Cash/Bond Administrator will be terminated by the Issuer (if so requested by the Trustee) or may be terminated by the Issuer or the Trustee upon the happening of certain events of default or if insolvency or similar events occur in relation to The Law Debenture Asset Backed Solutions Limited or following the giving of an Acceleration Notice by the Trustee. The Issuer may also terminate the appointment of the Cash/Bond Administrator and the Cash/Bond Administrator may also resign its appointment, in each case on three months notice and subject to a replacement having been duly appointed.

Enforcement

Enforcement Procedures

Investec and HML have established procedures for managing loans that are in arrears ("**Enforcement Procedures**"), including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing. These same procedures may be varied from time to time in accordance with the practice of a Prudent Mortgage Lender as dictated by the Special Servicer in respect of dealing with arrears arising on the Loans and will continue to be applied in respect of arrears arising on the Mortgages.

Once enforcement becomes necessary, Investec selects solicitors from a pre-selected panel. During enforcement, Investec and HML maintain constant contact with the Borrower to arrange for payments to be made. Such contact is maintained through HML collection staff.

Where, in England and Wales or Northern Ireland or Scotland, the Court makes an order for repossession, Investec appoints managing agents with a view to achieving a sale at the best price in the shortest possible time. A loan is considered to be in repossession when (in England and Wales or Northern Ireland or Scotland) a Court order for repossession of the underlying property has been received and the Originator is in possession of such property (a "**Repossession Loan**"). Investec's experience to date in England and Wales suggests that it takes approximately twelve months from the date of the first missed Monthly Payment to sell a property, and eighteen months in Northern Ireland. It is understood that in Scotland it can take approximately 12 months from the date of the first missed monthly Payment to sell a Property.

A court order under Section 126 of the CCA is necessary to enforce a land mortgage or heritable security securing a credit agreement to the extent that the credit agreement is regulated by the CCA or treated as such or is a regulated mortgage contract under the FSMA that would otherwise have been regulated by the CCA or treated as such.

In this context, the non-discretionary elements of the Enforcement Procedures will be operated by the Mortgage Administrator whereas the majority of the discretionary elements will remain with the Special Servicer who may appoint the Mortgage Administrator to undertake certain of these elements.

Enforcement in relation to English Loans

In order to realise its security in respect of an English Property, the relevant mortgagee, (be it the legal owner, the beneficial owner (which will be the Issuer), the Trustee or its appointee (if the Trustee has taken enforcement action against the Issuer)) will need to obtain possession. There are two means of obtaining possession for this purpose; first, by taking physical possession, and secondly and more commonly, by obtaining a court order.

If a mortgagee takes physical possession it will, as mortgagee in possession, have an obligation to account to the Borrower for the income obtained from the Property, be liable for any damage to the Property, have a limited liability to repair the Property and, in certain circumstances, may be obliged to make improvements.

Actions for possession are regulated by statute and the courts have certain powers to adjourn possession proceedings, to stay any possession order or postpone the date for delivery of possession. The court will exercise such powers in favour of a Borrower, broadly, where it appears to the court that such Borrower is likely to be able, within a reasonable period, to pay any sums due under the Loan or to remedy any default consisting of a breach of any other obligation arising under or by virtue of the Loan and/or Mortgage.

The court has a very wide discretion and may adopt a sympathetic attitude towards a Borrower faced with eviction. If a possession order in favour of the relevant mortgagee is granted, it may be suspended to allow the Borrower more time to pay. Once possession of the Property has been obtained, the relevant mortgagee has a duty to the Borrower to take reasonable care to obtain a proper price for the Property. Any failure to do so will put the relevant mortgagee at risk of an action for breach of such duty by the Borrower, although it is for the Borrower to prove breach of such duty. There is also a risk that a Borrower may also take court action to force the relevant mortgagee to sell the Property within a reasonable time.

In the case of English Mortgages, proceedings for a sale of the relevant property are generally initiated approximately 12 months after the first default of a scheduled Monthly Payment.

Enforcement in relation to Northern Irish Loans

Approximately 4.8 per cent. of the Loans in the Provisional Mortgage Pool, by Current Balance as of the Cut-Off Date, are Northern Irish Loans. The title to the relevant Properties is registered either in the Land Registry of Northern Ireland or the Registry of Deeds in Belfast, depending on the nature of the title. These Loans are secured over the relevant Properties by way of a first legal mortgage or charge. The Northern Irish Loans will be transferred by way of an equitable assignment.

In cases of default by a Borrower requiring the issue of legal proceedings, those proceedings are virtually identical to English proceedings. After a possession order is obtained the judgement is enforced through the Enforcement of Judgements Office (rather than by bailiffs) and it has its own procedures for enforcement. Time periods for enforcement of Northern Irish Mortgages tend to be longer than for those for English Mortgages.

By virtue of Article 51 of The Judgements Enforcement (Northern Ireland) Order 1981 an order charging land, i.e. a judgement mortgage, if founded on a judgement in respect of rates payable in respect of that land, shall have priority over all other charges and encumbrances whatever affecting that land except other debts owing to the Crown.

Enforcement in relation to Scottish Loans

In Scotland, enforcement of a security and in particular the relevant heritable creditors ability to take possession of the property secured by the standard security and to sell the property is governed by statute and certain standard conditions imported in every standard security.

Enforcement follows a 'calling up notice', 'notice of default' or application to court.

Statutory time periods apply to exercise of powers of enforcement following a calling up notice or breach of a notice of default. Possessory powers or powers which require possession of the relevant property can only be exercised on default following application to the Sheriff court for a warrant to do so. Non possessory powers do not require preliminary court procedure.

While certain provisions of the standard conditions which apply to every standard security may be varied, provisions relating to the power of sale or foreclosure are not capable of amendment.

Further Advances and Additional Borrowing

Subject to completion of the transfer of the legal title in the Amber Loans to Infinity (as further described above in "*Title to the Mortgage Pool*"), Infinity may make Further Advances to Borrowers in relation to the Amber Loans which are either English Loans or Northern Irish Loans, and the Issuer may purchase such Further Advances from the Seller, subject to the following:

- (a) (1) for the period from the Issue Date to (but excluding) the Interest Payment Date falling in March 2010, the amount of the Further Advance (together with all other Further Advances made with respect to other Loans by the Issuer on that day) when added to the amount of any Further Advances previously made does not exceed 10 per cent. of the aggregate Balances of the Loans on the Issue Date (save the figure of 10 per cent. referred to above may be increased from time to time upon the Rating Agencies confirming that such increase will not adversely affect the current ratings by the Rating Agencies of the Rated Notes and subject to the consent of the Trustee); and (2) for the period from the Interest Payment Date falling in June 2009 (inclusive) to the date on which the last Note is redeemed in full, the amount of the Further Advance (together with all other Further Advances made with respect to other Loans by the Issuer on that day) when added to the amount of any Further Advances previously made does not exceed 10 per cent. of the aggregate Current Balances of the Loans on such date (save the figure of 10 per cent. referred to above may be increased from time to time

upon the Rating Agencies confirming that such increase will not adversely affect the current ratings by the Rating Agencies of the Rated Notes and subject to the consent of the Trustee);

- (b) the weighted average Loan-to-Value of the Mortgage Pool following the purchase by the Issuer of the relevant Further Advance shall not be more than 1 per cent. greater than the weighted average LTV of the Completion Mortgage Pool as at the Issue Date;
- (c) the relevant Borrower is not in material breach of the obligations on its part contained in the relevant mortgage and lending conditions and during the three month period prior to the making of any Further Advance, the relevant Borrower is not in arrears of any payment;
- (d) there is no deficiency recorded in the Principal Deficiency Ledger;
- (e) the aggregate Balances of all Loans in the Mortgage Pool that are 90 days or more in arrears (including Repossession Loans) as a percentage of the aggregate Balances of all Loans in the Mortgage Pool does not exceed 20 per cent.;
- (f) following the acquisition of the Further Advance on any date the weighted average Stabilised Margin (as defined below) ("WASM") for the Mortgage Pool after such acquisition (and after all other acquisitions of Further Advances to be made on such date) calculated on such date in the same way as for the Completion Mortgage Pool (or as otherwise varied from time to time and with Rating Agency Confirmation) would not have decreased by more than 15 basis points from the WASM of the Completion Mortgage Pool calculated on the Issue Date;
- (g) in making the Further Advance, the Lending Criteria and all eligibility criteria are met and such Further Advance is made on the terms of appropriate mortgage standard documentation;
- (h) prior to making the Further Advance no second mortgage, charge or standard security has been created over the relevant Property unless such second mortgage, charge or standard security has been expressly postponed by deed to the Mortgage securing such Further Advance or unless the loan secured by such second charge is to be, and is, redeemed out of the proceeds of the Further Advance simultaneously with the making of the Further Advance;
- (i) no Acceleration Notice has been given by the Trustee which remains in effect;
- (j) the Seller is not in breach of any obligation on its part to repurchase any Loan in accordance with the Mortgage Sale Agreement;
- (k) the amount of the Further Advance to be purchased by the Issuer (together with all other Further Advances purchased by the Issuer on that day) does not exceed an amount equal to the aggregate of the Available Capital Funds at such time and the amount standing to the credit of the Further Advances Ledger at such time;
- (l) the effect of the Further Advance would not be to extend the final maturity date of the related Loan to beyond the date falling two years prior to the Final Redemption Date of the last maturing Note;
- (m) the Issuer has no reason to believe that the purchase of the relevant Further Advance will adversely affect the current ratings of the Rated Notes;
- (n) the relevant Further Advance is in relation to a Regulated Loan;
- (o) all conditions set out in the Mortgage Administration Agreement, the Special Servicer Agreement and the Mortgage Sale Agreement relating to Further Advances have been satisfied; and

- (p) the relevant Further Advance is subject to the Hedge Agreements to which the relevant Amber Loan is subject;

“Stabilised Margin” means, in respect of any Loan, the margin rate on such Loan post any applicable fixed or discount rate.

As specified in paragraph (n) above, the Seller may only require Infinity to make a Further Advance to a Borrower where the relevant Loan is a Regulated Loan. In such a circumstance, the Seller may transfer its interest in the Further Advance to the Issuer in consideration for the payment by the Issuer of an amount equal to the Further Advance to the Seller.

Neither Unity nor Infinity operate a further advance facility and no Further Advances will be made in relation to Unity Loans or Infinity Loans.

Conditions to the Acquisition of Prefunded Loans

The acquisition by the Issuer of Prefunded Loans is subject to Rating Agency Confirmation and the following conditions as specified below:

- (a) no Acceleration Notice has been given by the Trustee which remains in effect;
- (b) the Warranties are true in respect of the Prefunded Loan;
- (c) the relevant Lending Criteria as at such time have been applied to the Prefunded Loan and to the circumstances of the Borrower at the time the Prefunded Loan was made;
- (d) the final maturity date of the Prefunded Loan does not extend beyond the date that is two years prior to the last occurring maturity date of the Notes;
- (e) the LTV of the Prefunded Loan is no more than 90 per cent.;
- (f) following the acquisition of the Prefunded Loan on any date the weighted average LTV for the Mortgage Pool after such acquisition and after all other acquisitions of Prefunded Loans to be made on such date calculated on such date in the same way as for the Completion Mortgage Pool (or as otherwise varied from time to time with Rating Agency Confirmation) would not exceed 1 per cent.;
- (g) following the acquisition of the Prefunded Loan on any date the WASM for the Mortgage Pool after such acquisition (and after all other acquisitions of Prefunded Loans to be made on such date) calculated on such date in the same way as for the Completion Mortgage Pool (or as otherwise varied from time to time and with Rating Agency Confirmation) would not be more than 15 basis points lower than the WASM of the Completion Mortgage Pool calculated on the Issue Date;
- (h) following the acquisition of the Prefunded Loan, on any date the product of the weighted average foreclosure frequency (“WAFF”) and the weighted average loss severity (“WALS”) for the Mortgage Pool after such acquisition (and after all other purchases of Prefunded Loans required to be made on such date) calculated on such date in the same way as for the Completion Mortgage Pool (or as otherwise varied from time to time and with Rating Agency Confirmation), would not be more than 25 basis points higher than the product of the WAFF and WALS as calculated by the Rating Agencies on the Issue Date;
- (i) following the acquisition of the Prefunded Loan, the interest rate risk of such Prefunded Loan will be hedged under the terms of the relevant Hedge Agreement (or any substantially similar

agreement) on the same (or substantially similar) terms to those applying to the Completion Mortgage Pool; and

- (j) without prejudice to the particularity of paragraphs (f) to (i) (inclusive) above, following the acquisition of the Prefunded Loan on any date the characteristics of the Mortgage Pool after such acquisition and after all other acquisitions of Prefunded Loans to be made on such date would not be substantially different from the characteristics of the Completion Mortgage Pool.

Conditions to the Acquisition of Substitute Loans

The acquisition by the Issuer of Substitute Loans is subject to Rating Agency Confirmation and the following conditions as specified below:

- (a) no Acceleration Notice has been given by the Trustee which remains in effect;
- (b) the relevant Warranties are true in respect of the Substitute Loan;
- (c) the relevant Lending Criteria as at such time has been applied to the Substitute Loan and to the circumstances of the Borrower at the time Substitute Loan was made;
- (d) there is no deficiency recorded in the Principal Deficiency Ledger and no drawing under the Liquidity Facility Agreement (other than in respect of amounts standing to the credit of the Liquidity Ledger) remains unpaid;
- (e) the Seller is not in breach of any obligation on its part to repurchase or procure the purchase of any Loan in accordance with the Mortgage Sale Agreement;
- (f) the Substitute Loan was made on the terms of the relevant standard documentation utilised at the time of such Substitute Loan to document the terms of Loans and which has not been amended in any material respect since the Issue Date;
- (g) the relevant Borrower is not in material breach of the obligations on its part contained in the relevant mortgage and lending conditions;
- (h) the acquisition of the proposed Substitute Loan would not cause the weighted average of the loan-to-value ratios of all Loans in the Mortgage Pool, where the loan-to-value ratio in respect of each Loan is determined as the ratio of the Balance of each Loan in the Mortgage Pool as at the immediately preceding Determination Date plus the amount of the proposed Substitute Loan (and the aggregate of the amount of any Substitute Loan proposed at such date) to the amount of the most recent valuation of the mortgaged Property relating to such Loan, to increase by more than 1 per cent. (or such other larger percentage as may be decided by the Issuer from time to time with Rating Agency Confirmation) from, in the case of the first Interest Period, the weighted average of the loan-to-value ratios of all Loans in the Mortgage Pool on the Issue Date (where the loan-to-value ratio in respect of each Loan is determined as the ratio of the Balance of each Loan in the Mortgage Pool as at the Issue Date to the amount of the most recent valuation of the mortgaged Property relating to such Loan) and, after the first Interest Period, the weighted average of the loan-to-value ratios of all Loans in the Mortgage Pool on the most recent Determination Date (where the loan-to-value ratio in respect of each Loan is determined as the ratio of the Balance of each Loan in the Mortgage Pool on the most recent Determination Date to the amount of the most recent valuation of the mortgaged Property relating to such Loan);
- (i) the interest rate applicable to the proposed Substitute Loan will be either the same as or higher than the interest rate applicable to the Loan being substituted;

- (j) if a fixed rate of interest applies for a specified period of time to the Loan being substituted, then the relevant Substitute Loan will not have a fixed rate of interest for a period which is longer than the one applicable to the Loan being substituted; and
- (k) the final maturity date of the proposed Substitute Loan does not extend beyond the date that is two years prior to the maturity date of the Notes.

Conversions

Borrowers may from time to time request conversions of their Loans, for example where the Borrower wishes to change to a different kind of mortgage product or where the Borrower wishes to move to a new property (a “**Converted Loan**”). The Special Servicer or Mortgage Administrator shall not accept an application form, or issue to any Borrower any offer of a Converted Loan, without first having received confirmation from the Seller that the Seller will repurchase the Loan to which such offer relates. For the avoidance of doubt, no application for a Converted Loan may be accepted and no offer for a Converted Loan may be made on behalf of the Issuer. The repayment price payable in respect of the affected Loan would be equal to the Current Balance of the relevant Loan plus accrued interest and all other amounts due under such Loan as at the date of completion of such repurchase plus the reasonable costs of the Issuer incurred in relation to such repurchase.

Insurance Contracts

Buildings Insurance

As described under “*The Mortgage Pool – Lending Criteria*” above, the Borrower is responsible for insuring the respective Property for its full reinstatement value. None of Amber, Infinity and Unity offer cover to Borrowers by means of a block buildings policy. Infinity and Unity however currently maintain contingency policies under which cover is provided, in respect of the Infinity Loans and the Unity Loans respectively, to them and the Seller, *inter alia*, where the Borrower’s policy is not taken out or is insufficient, Unity’s or Infinity’s interests are not noted, or the policy lapses without renewal. Infinity and Unity will assign the benefit of those policies (to the extent possible) to the Issuer.

Title Insurance

Title insurance may be obtained on the mortgaging of a Property in the circumstances described in “*The Mortgage Pool – Lending Criteria - Unity Lending Criteria and Infinity Lending Criteria – Solicitors*” above. The benefit of the title insurance policy is assigned to the Issuer by the Seller pursuant to the Mortgage Sale Agreement.

REGULATION OF THE UK RESIDENTIAL MORTGAGE MARKET

Introduction

Prior to 31 October 2004, the primary mandatory regulatory requirements applicable to Loans were imposed by the Consumer Credit Act 1974 (the "CCA"). The CCA imposes requirements on Loans which are regulated consumer credit agreements ("**Regulated Credit Agreements**"). Regulated Credit Agreements are those where the "amount of credit" (as defined in the CCA) does not exceed the applicable financial limit, which is £25,000 for Loans made on or after 1 May 1998 or £15,000 for Loans made before that date and the loan is not otherwise exempt. The CCA is enforced by the Office of Fair Trading ("**OFT**"). Loans in the Mortgage Pool originated before 31 October 2004 may therefore need to comply with the requirements of the CCA. The CCA may still apply to Loans advanced on or after 31 October 2004 which are not Regulated Loans as described below.

As of 31 October 2004, most Loans are regulated under the Financial Services and Markets Act 2000 (the "**FSMA**") and not the CCA. The FSMA applies to regulated mortgages, as defined in Article 61(3) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the "**Order**"), originated on or after 31 October 2004 ("**Regulated Loans**"). It will not therefore include variations to agreements entered into prior to 31 October 2004 except where such variations would result in a new contract being entered into with the borrower and that contract constitutes a Regulated Loan. A Regulated Loan is a contract under which the lender provides credit to an individual or trustees and the contract provides for the obligations of the borrower to be secured by a first legal mortgage on land located (other than timeshare accommodation) in the United Kingdom where at least 40 per cent. of the land is (or is intended) for residential use by the borrower or by an individual who is the beneficiary of the trust or by his or her immediate family. Regulated Loans are not subject to CCA requirements, but are subject to requirements imposed by the Financial Services Authority (the "**FSA**").

Regulated Loans that would (except for the new regulatory regime for mortgage lending) be regulated under the CCA will, however, be enforceable only under court order obtained pursuant to Section 126 of the CCA, notwithstanding their regulation under the FSMA.

Thus, Regulated Loans are subject to the FSMA and must comply with the Mortgages: Conduct of Business Sourcebook set out in the FSA Handbook ("**MCOB**") enforced by the FSA. Loans which do not fall within the definition of a Regulated Loan (for example, second charge mortgages) and which are Regulated Credit Agreements (for example, loans not exceeding £25,000) will be subject to the CCA (enforced by the OFT), and Loans which are neither Regulated Loans nor Regulated Credit Agreements will not be subject to either of these regulatory requirements. The Financial Services and Markets Act 2000 (Consequential Amendments) Order 2005 came into force on 16 November 2005. This Order, which amends sections 82 and 146 of the CCA, is intended to remove the possibility that a mortgage agreement could be regulated in certain circumstances under both FSMA and the CCA. See "*Recent Reforms to the Consumer Credit Act 1974 and related subordinate legislation*" below for details of possible changes to the criteria for Regulated Credit Agreements which may result in the extension of the CCA regulatory regime to include any loans for non-business purposes which are not Regulated Loans.

Loans Regulated by the Consumer Credit Act 1974

A licence is required from the OFT to originate Regulated Credit Agreements and in order to carry out certain other activities relating to Regulated Credit Agreements. The OFT can take formal proceedings to revoke the licences of those it considers to be unfit to hold a licence. In the event that the licence is revoked, the former holder of the licence is no longer able to carry on a consumer credit business. Loan agreements made by unlicensed lenders or introduced by unlicensed credit brokers are unenforceable without an order from the OFT.

The OFT may issue guidance for licence holders which may set out practices which in the opinion of the OFT calls into question a licence holders' fitness to continue to hold a consumer credit licence. Such guidance does not have the force of law, but breach of it may be taken into account by the OFT in assessing a person's fitness to hold a consumer credit licence. The OFT has issued guidance entitled "*Non-Status Lending Guidelines for Lenders and Brokers*" (the "**Guidelines**") which is directed at mortgage lenders who lend to borrowers who may have difficulty obtaining credit on the basis of the general lending criteria of typical UK banks and building societies (often known as non-status, credit impaired or sub-prime borrowers). Further consideration of the Guidelines is set out below.

Although the Seller will warrant that no Loan in the Completion Mortgage Pool and no Prefunded Loan will be a Regulated Credit Agreement, the Mortgage Pool may subsequently contain loans which are Regulated Credit Agreements, for example in relation to Substitute Loans or Buy-to-Let Loans which may have been subject to a variation. This may arise for Loans made prior to 31 October 2004, or made on or after 31 October 2004 and which are not Regulated Loans, and which (a) are partly regulated by the CCA in that they also finance the supply of insurance under arrangements with the supplier or (b) might be wholly or partly regulated by the CCA because of technical rules on determining whether the financial limit is exceeded or (c) might be treated as wholly or partly regulated by the CCA because of technical rules on agreements varied mutually or (d) are or are treated as wholly or partly regulated by the CCA as they were intended to be loans regulated by the CCA or entered into on documentation stated to be regulated by the CCA.

A Regulated Credit Agreement has to comply with requirements under the CCA as to content, layout and execution of the loan documentation. A Regulated Credit Agreement will be unenforceable: (a) if the agreement to be signed by the Borrower is not signed by the Borrower or omits or misstates a "prescribed term"; or (b) without a court order, where a Regulated Credit Agreement fails to comply in other ways. Where the court has a discretion to enforce the agreement, in exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the Borrower and any culpability of the lender. The terms of an agreement relating to a Loan may also be reopened if a Court finds an agreement to be an extortionate credit bargain within the meaning of the CCA.

Although no assurance can be given, in respect of those Loans where the relevant loan agreement was one which, under the Originator's criteria, the Originator expected to be regulated by the CCA and assuming that (i) the Loan forms have been properly completed before execution and signed by the Borrower; (ii) there is no financing for charges that are outside the "total charge for credit" as defined in the CCA; (iii) technical rules on the inclusion within the calculation of the total charge for credit and the APR, the correct fees, charges and other amounts have been properly applied; (iv) technical rules on determining whether the financial limit is exceeded have been properly applied; and (v) no agreement relating to a Loan has been varied mutually; then it is unlikely that the agreements relating to the Loans would be unenforceable on the basis of non-compliance with requirements under the CCA as to content and layout and otherwise save in exceptional circumstances.

If a court order is necessary, and capable of being granted, to enforce a Mortgage securing a Loan, in dealing with such application, the court has the power, if it appears just to do so, to amend a Loan which is a Regulated Credit Agreement or to impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared).

Other liabilities may also arise under the CCA. In certain circumstances, lenders can be made responsible for misrepresentations and breaches of contract in respect of goods or services financed by a Regulated Credit Agreement. This may arise, for example, in relation to any insurance policies financed by the Loan and may result in a claim by a Borrower to set off amounts due under a Regulated Credit Agreement.

Non-Status Lending Guidelines for Lenders and Brokers issued by the OFT

As set out above, the OFT may issue Guidelines to consumer credit licence holders which do not have force of law, but breach of which may be taken into account by the OFT in considering a person's fitness to hold a consumer credit licence.

The Guidelines issued by the OFT in November 1997 apply to all secured loans made to "non-status borrowers", defined for the purposes of the Guidelines as borrowers with a low or impaired credit rating and who would find it difficult generally to obtain finance from traditional sources on normal terms and conditions. Most of the Loans are concluded with Borrowers who fall within this category. The Guidelines are not legislation. They set out certain "principles" to be applied in the context of the non-status residential mortgage market that are considered by the OFT to be good business practice for lenders and brokers to adopt in order that their fitness to hold a consumer credit licence is not brought into question. Although it is not obliged to do so, the Originator has liaised with the OFT and taken steps to ensure that it adopts practices and procedures in compliance with the Guidelines.

The Guidelines regulate activities relating to advertising and marketing, loan documentation and contract terms, the relationship between lenders and brokers, selling methods, underwriting, dual interest rates, flat interest rates and early redemption payments. The Guidelines are designed to promote transparency in all dealings with borrowers, requiring clear contract terms and conditions to be provided promptly with full explanation of all fees and charges payable by the borrower in connection with the mortgage.

Some of the principal requirements of the Guidelines are: (a) advertising and other promotional material must be clear and not misleading and unfair sales tactics are prohibited; (b) brokers are obliged to disclose at the outset of the transaction their status with regard to the borrower and the lender, together with details of any fee or commission payable to them as broker; (c) lenders must take all reasonable steps to ensure that brokers and other intermediaries which market their products do not engage in unfair business practices or act unlawfully, that they serve the best interests of borrowers and explain clearly the documentation and consequences of any breach or early repayment to borrowers; (d) lenders must carry on responsible lending, with all underwriting decisions being subject to a proper assessment of the borrower's ability to repay and verification of the accuracy of information provided by borrowers on or in support of the loan application; (e) all underwriting staff must be properly trained and supervised; (f) prompt notification to borrowers of any changes in the terms and conditions of the loan including prior notification of at least 2 months of any changes to the borrower's Monthly Payment date and any variations to the applicable interest; (g) partial repayment and early repayment charges must do no more than cover the costs reasonably incurred by the lender to date and not already recovered and reasonable administrative costs arising from the prepayment; (h) the use of the "Rule of 78" to calculate the early settlement figure should be discontinued; (i) borrowers should not be charged a higher interest rate on default and administrative charges incurred on default must be reasonable, covering the lender's administrative costs only, and must be set out in the documentation; and (j) arrears must be dealt with sympathetically and positively and monitored closely, with repossession proceedings being initiated only as a last resort and court proceedings should not be instituted unless all other avenues have failed.

Recent Reforms to the Consumer Credit Act 1974 and related subordinate legislation

In July 2001, the department of the U.K. government responsible for consumer credit legislation - the Department of Trade and Industry (the "DTI") announced a review of the CCA with the intention to introduce reforms. As a consequence, a number of changes have been introduced, some of which are not yet in force. On 31 May 2005 new statutory instruments under the CCA came into force amending the rules on (a) advertising of consumer credit; (b) the prescribed contractual information to be provided to borrowers prior to concluding consumer credit agreements with them; (c) the requirements as to form and content of consumer credit agreements; and (d) the calculation of early

settlement charges under consumer credit agreements. The amendments have some retrospective effect.

The amendments to the rules on calculation of early settlement charges have removed the use of the Rule of 78 calculation and replaced it with a different (actuarial) calculation. This is likely to reduce the amount of the early repayment charge where the Rule of 78 is currently used. These amendments will apply to all Loans regulated by the CCA, originated after 31 May 2005. They will also apply to Loans regulated by the CCA which are made before 31 May 2005 (i) from 31 May 2007 for agreements with a term not exceeding 10 years and (ii) from 31 May 2010 for Loans with a term exceeding 10 years.

The Consumer Credit Act 2006 was enacted on 30 March 2006 and it contains significant amendments to the CCA, including:

- (i) the removal of the current £25,000 financial limit from the CCA in respect of credit for non-business lending;
- (ii) the exemption from the CCA regime of high net worth debtors and credit agreements in respect of amounts greater than £25,000 where such credit agreement is entered into by the debtor wholly or predominantly for the purposes of a business carried on, or intended to be carried on, by him;
- (iii) the introduction of an independent ombudsman service, allowing consumers to challenge agreements without court proceedings and the introduction of a Consumer Credit Appeals Tribunal;
- (iv) further criteria (applicable with some retroactive effect) to determine whether the relationship between debtors and creditors is unfair, which will include unfair practices and terms, not just extortionate rates;
- (v) strengthening of the powers of the OFT and the introduction of a Consumer Credit Appeals Tribunal to hear appeals on CCA licensing matters;
- (vi) the extension of the courts' discretion to allow enforcement of consumer credit agreements notwithstanding a breach of the requirements of the CCA to certain requirements whose breach now results in the relevant consumer credit agreement being mandatorily unenforceable, in order to allow courts to make a judgment that is proportionate to the detriment caused to the consumer;
- (vii) the requirement of lenders to provide annual statements and an arrears notice with an OFT information sheet on what to do about arrears; and
- (viii) new provisions relating to the licensing of consumer credit businesses.

These amendments, when implemented: (a) will make all Loans subject to some form of regulation (unless an exemption applies); (b) may increase the possibility of a challenge to agreements on the basis of "unfairness" (with some retrospective application to existing agreements); (c) will make court judgments as to unenforceability of consumer credit agreements subject to a proportionality test so that courts will have discretion in relation to all questions of enforceability; and (d) may result in more restrictions being placed upon the activities of consumer credit licence holders.

The DTI has recently published a timetable for implementation of the new provisions, which will be brought into force over the next two years on such days as the Secretary of State for Trade and Industry may appoint. In particular, the provisions relating to unfair relationships for new agreements (existing agreements will be subject to transitional arrangements) and those which give courts

discretion on all questions of enforceability, will take effect from 6 April 2007. It is proposed that the current £25,000 financial limit in the CCA is to be removed with effect from 6 April 2008.

Loans Regulated by the Financial Services Authority under the Financial Services and Markets Act 2000

As from 31 October 2004, a number of activities relating to Regulated Loans became “regulated activities” under Section 19 of the FSMA and the Order and these activities require authorisation from the FSA. These activities are: (a) entering into a Regulated Loan as lender; (b) administering a Regulated Loan (administering in this context includes notifying borrowers of changes in payments, interest rates or other notifiable matters and/or collecting payments due); (c) advising on Regulated Loans; (d) arranging Regulated Loans; and (e) agreeing to do any of the foregoing.

The Seller has received its authorisation for all activities listed above and such authorisation took effect on 31 October 2004. Unity has received its authorisation for all activities listed above (other than (c)), and such authorisation took effect on 27 October 2005. Infinity has received its authorisation for all activities listed above, and such authorisation took effect on 31 October 2004. Amber has received its authorisation for all activities listed above (other than (c)), and such authorisation took effect on 2 November 2004. The Mortgage Administrator has received its authorisation for all activities listed above (other than (a) or (c)), and such authorisation took effect on 31 October 2004. The Standby Servicer received its authorisation for all activities listed above (other than (c) and to “make arrangements with a view to regulated mortgage contracts”) on 16 September 2004, and such authorisation took effect on 31 October 2004. The Issuer is of the view that it does not require to be authorised since its activities are such that they either do not fall within the regulated activities as defined in the Order or they benefit from a specific exemption in respect of those activities.

Authorisation by the FSA subjects the Seller, the relevant Originator, the Mortgage Administrator and the Standby Servicer to the full regulatory regime imposed by the FSMA and the FSA. In particular, each of the Seller, the relevant Originator, the Mortgage Administrator and the Standby Servicer is required to have in place full systems and controls, to ensure that those carrying out controlled functions are authorised by the FSA, to maintain prescribed prudential ratios, and its activities and Regulated Loans will be subject to the Financial Ombudsman Scheme. In addition, the regulated activities relating to Regulated Loans will be subject to mortgage conduct of business rules set out in MCOB.

MCOB sets out detailed rules that will apply to the origination of Regulated Loans. These rules contain requirements: (a) which place limitations on the types of inducements and commission which can be paid to introducers; (b) regulate all advertising and other financial promotions in relation to “qualifying credit promotions”; (c) to ensure the suitability of any advice provided; (d) on disclosure prior to and post conclusion of a Regulated Loan; (e) in relation to the format, layout and content of offer documentation; (f) to lend “responsibly” when entering into any Regulated Loan or further advance which includes an express obligation to consider the customer’s ability to repay; (g) that all charges (including the interest rate, settlement fees and default charges) are not “excessive” by reference to market rates; and (h) in relation to dealings with borrowers in arrears or facing repossession.

Where an authorised person who carries on a regulated activity otherwise than in accordance with its FSA permission or fails to comply with the provisions of the FSA’s Handbook, including without limitation, MCOB, neither the Regulated Loans (nor any related insurance policies) advised upon and/or arranged by that person will be unenforceable. Regulated Loans (and any related insurance policies) will be unenforceable, except with the approval of a court if the originator is not authorised or if they are originated following a regulated activity which is conducted by an unauthorised person in breach of the general prohibition, or as a result of a financial promotion which is in breach of Section 21 of FSMA. Breach of MCOB could give rise to enforcement action by the FSA. Breach of

the rules in MCOB are actionable by Borrowers who suffer loss as a result of the contravention. A breach could therefore give rise to a claim by a Borrower to set off sums due under a Loan. Any such set off may adversely affect the Issuer's ability to make payment on the Notes.

The FSA has significant regulatory flexibility to alter its rules and to provide guidance on existing rules. We can give no assurance that the FSA will not change its rules or take a particular regulatory approach which may adversely affect the Seller or the relevant Originator's particular sector in the mortgage market or specifically the Seller or the relevant Originator. Any such development may have a material adverse effect on the Issuer and/or the Mortgage Administrator and their respective businesses and operations.

Unfair Terms in Consumer Contracts Regulations 1999

The Unfair Terms in Consumer Contracts Regulations 1999 (the "**Regulations**") apply to standard form contracts entered into with individuals acting outside the scope of their trade, business or profession. The Regulations provide that (a) a consumer may challenge a term in an agreement on the basis that it is "unfair" within the Regulations and therefore not binding on the consumer and (b) the OFT, the FSA and any other "qualifying body" may seek to enjoin a business against relying on unfair terms although the rest of the agreement will remain valid, if it can survive without the relevant term.

This will not generally affect "core terms" which set out the main subject matter of the contract (for example, the Borrower's obligation to repay the principal) provided they are in plain and intelligible language and given sufficient prominence but may affect terms deemed to be ancillary terms, which may include interest variation provisions, the ability to choose a substitute for LIBOR where LIBOR cannot be determined under an agreement relating to a Loan, other terms the application of which are in the lender's discretion and the extent of the ability to impose Mortgage Early Repayment Charges. See "*Administration of the Mortgage Pool - Repayment*".

For example, if a term imposing a charge upon redemption by reference to the Mortgage Early Repayment Charges is unfair, the Borrower will not be liable to pay the charge or, to the extent that he has paid it, will be able, as against the Mortgagee (or any assignee such as the Issuer), to claim restitution of the amount or to set off the amount of such claim against the amount owing by the Borrower under the relevant Loan or any other Loan that the Borrower has taken. Any such non-recovery, claim or set-off may adversely affect the ability of the Issuer to make payments to MERC Holders.

In February 2000, the OFT issued a guidance note (the "**Guidance Note**") on what the OFT considers to be "fair" or "unfair" within the Regulations for interest variation terms. The Guidance Note accepts the principle of a term linking an interest rate to an external rate which is outside the lender's control. It provides that, generally, the OFT and Consumers' Association will not regard such term as unfair if the lender explains at the outset how the interest rate is linked to the external rate and, if the link does not provide for precise and immediate tracking, the maximum margin of difference, and the time limits within which changes will be made. All of the LIBOR-Linked Loans are made on terms that provide for the mortgage rate to be at a fixed margin above LIBOR, and that explain when and how the tracking will take effect. It should be noted that the OFT Guidance Note is not legally binding.

The Guidance Note was withdrawn from the OFT website around three years ago, although it may still reflect the OFT's view and be a factor which the FSA may take into account. Prior to regulation by the FSA of Regulated Mortgages, it agreed with the OFT to take responsibility for the enforcement of the Regulations in respect of Regulated Loans. The FSA and OFT cooperate and liaise with each other in relation to unfair contract terms pursuant to a Concordat dated July 2006. In May 2005 the FSA issued a statement of good practice on the fairness of terms in consumer contracts, with specific reference to the fairness of variation clauses. The statement is addressed to firms authorised and regulated by the FSA in relation to products and services within the regulatory scope of the FSA. The

statement provides, amongst other things, the FSA's views on the factors to be considered when assessing the fairness of variation clauses, particularly where such variation clauses are applied to contracts with locked-in borrowers (i.e. where, in order to withdraw from the contract, the borrower is required to give advance notice or to pay a cost or to give up a benefit). Whilst the FSA provides that in general any information about interest rates, variations and notification of any changes should be clear, fair and not misleading, the statement in particular specifies a variety of factors that should be considered in respect of variation clauses applied to contracts with locked-in borrowers. These factors include whether there is some connection between interest rates which apply to locked-in borrowers and those which apply to non-locked in borrowers; whether valid reasons for the change are stated in the contract; and whether the borrower must be given advance notice of the change. Additionally, the FSA states that firms may consider drafting contracts so as to permit variations to be made only when any lock-in clause has not been exercised.

On April 5, 2006 the OFT announced that the principles the OFT considers should be applied in assessing the fairness of credit card default charges should (or are likely to) apply to analogous default charges in other agreements, including those for mortgages. The OFT has stated that where credit card default charges are set at more than £12, the OFT will presume that they are unfair, and it is likely to challenge the charge unless there are limited, exceptional business factors in play. A default charge should only be used to recover certain limited administrative costs. These may include postage, stationery and staff costs, and also a proportionate share of the costs of maintaining premises and IT systems necessary to deal with defaults. It is not certain what effect the OFT's statement will have on residential mortgage lending. However, in the event that these principles are applied to the mortgage loans, it is possible that the arrears charges arising under a mortgage loan may be considered unfair to the extent that they have the effect of raising more in revenue than is reasonably expected to be necessary to recover the administrative costs incurred as a result of a borrower default.

In August 2002 the Law Commission and the Scottish Law Commission issued a joint consultation on proposals (amongst other things) to consolidate the Unfair Contract Terms Act 1977 (the "UCTA") and the Regulations into a single piece of legislation written in plain language. On 24 February 2005 the Law Commission and the Scottish Law Commission published a final report setting out their recommendations together with a draft bill to give effect thereto. The recommendations do not propose that there should be any significant increase in the extent of controls over terms in consumer contracts. However, the recommendations would, if given effect, make a number of changes to the current law as contained in the UCTA and the Regulations. In particular, the recommendations propose that (i) in all claims brought by consumers, the burden of proof should lie on the business using a particular term to show that it is fair; (ii) in relation to loan agreements, provisions regarding payments by the borrower, including interest and fees, should only be outside the scope of review as unfair terms where they are (a) payable in circumstances substantially the same as those the consumer reasonably expected; (b) calculated in substantially the same way as the consumer reasonably expected; (c) not payable under a default or subsidiary term of the contract; and (d) transparent.

No assurance can be given that changes to the Regulations, if enacted, or changes to guidance on interest variation terms, if adopted, or changes adopted as a result of the OFT review of default charges will not have an adverse effect on the Loans, the Seller, the relevant Originator, the Issuer, the Special Servicer or the Mortgage Administrator and their respective businesses and operations.

Non-Statutory Guidelines

Most mortgage lenders in the UK are members or associate members of the Council of Mortgage Lenders (the "CML"). Infinity, Unity and Amber are full members of the CML. Prior to 1 November 2004 members of the CML agreed to abide by a voluntary code of good practice, the Mortgage Code, which set out a minimum standard of good mortgage business practices from marketing to lending procedures and dealing with borrowers experiencing financial difficulties. Compliance with the Mortgage Code was policed by the Independent Mortgage Code Compliance Board. Many of the requirements imposed by the FSA and MCOB as of 31 October 2004 were already obligations

imposed under the Mortgage Code. The Mortgage Code ceased to apply from 31 October 2004 and the Independent Mortgage Code Compliance Board has ceased its regulatory operations. However, the Financial Services and Markets Act 2000 (Transitional Provisions) (Complaints Relating to General Insurance and Mortgages) Order 2004 (as amended) includes transitional arrangements which apply in respect of firms which are now FSA authorised for mortgage activities regarding complaints about mortgages sold under the Mortgage Code, which arise after 31 October 2004.

Distance Marketing of Financial Services

With effect from 31 October 2004, the Distance Marketing of Financial Services Directive has been implemented in the United Kingdom by way of the Financial Services (Distance Marketing) Regulations 2004 (the “**DM Regulations**”) and, in respect of regulated activities with regard to regulated mortgage contracts, amendments to the FSMA regime (including MCOB). The DM Regulations and similar provisions in MCOB apply to, *inter alia*, credit agreements entered into on or after 31 October 2004 by means of distance communication, (i.e. without any substantive simultaneous physical presence of the lender and the borrower). A regulated mortgage contract under the FSMA will not be cancellable under these provisions unless the requisite information is not provided to the Borrower prior to and/or after the conclusion of the contract by the end of the sixth day after the conclusion of the contract. Any other credit agreement will be cancellable under the DM Regulations. The borrower may send notice of cancellation under these regulations at any time before the end of the fourteenth day after the day on which the cancellable agreement is made or, if later, the borrower receives the last of prescribed information.

If the borrower cancels the credit agreement under the DM Regulations, then:

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

Potential for Regulatory Changes

In addition to the ongoing process of reform to the CCA set out above, the following developments may affect or lead to reform of the regulatory framework, legislation or rules applicable to mortgage lending.

Professor Miles’ Report on the UK Mortgage Market

It was announced in the Budget statement made by the Chancellor of the Exchequer in April 2003, that Professor David Miles of Imperial College, London would review the UK mortgage market in order to (i) analyse the supply and demand side factors limiting the development of the longer term fixed mortgage market in the United Kingdom to establish why the share of longer term Fixed Rate Loans is so low compared to the United States and other EU countries; (ii) consult with key stake holders to establish views and inform analysis; (iii) examine whether there has been any market failure that has held back the market for longer term fixed rate loans and consider associated opportunities, risks and potential costs. On 9 December 2003, the Interim Report of Professor Miles’ review was published and on 12 March 2004, the Final Report and Recommendations was published.

The Final Report analyses why long-term fixed-rate mortgages currently only account for a small proportion of the UK mortgage market. It confirms the findings of the Interim Report and concludes

that the low take-up of these products is due principally to the fact that: (i) borrowers attach greater weight to the level of initial monthly repayments than to the overall cost of borrowing; (ii) many borrowers have a poor understanding of risks involved with different mortgages; and (iii) many mortgage lenders offer short-term fixed-rate or discounted deals to new customers, which are subsidised by existing customers, and which make longer-term fixed-rate mortgages look more expensive as a result.

Professor Miles made the following recommendations:

- (a) the FSA should require mortgage advice to better take account of consumer attitudes to risk and the risk characteristics of different mortgage products;
- (b) the FSA should require additional pre-sale disclosure to be made in relation to the variability of rates;
- (c) increased emphasis should be placed on improving the financial capability of consumers, particularly in relation to the risks associated with mortgage borrowing and resources should be raised from levies placed on the financial services industry;
- (d) the FSA should remove barriers to switching by requiring all products to be available to all borrowers such that incentivised rates offered only to new customers should be prevented and should improve consumer awareness of the process involved in remortgaging; and
- (e) awareness of FSA comparative tables on mortgages should be improved by mandatory disclosure in customer documentation and that leaflets disclosing rates on all products offered by a lender should be distributed with annual statements to borrowers.

Professor Miles additionally made a number of recommendations in relation to the funding for lenders of long-term lending products.

It is possible that these recommendations may be accepted and may result in changes to regulatory requirements. No assurance can be given that any recommendations, if adopted, will not have an adverse effect on the Loans, the relevant Originator, the Seller, the Issuer, the Special Servicer, the Mortgage Administrator or the Cash/Bond Administrator and their respective businesses and operations.

Second Revised Proposal for a new Consumer Credit Directive

In September 2002, the European Commission published a proposal for a directive of the European Parliament and of the Council on the harmonisation of the laws, regulations and administrative provisions of the Member States concerning credit for consumers and surety agreements entered into by consumers. In its original form, the proposal prescribes requirements for, *inter alia*, further drawings and further advances made in relation to existing agreements and new agreements, and provides that Loans which do not comply with these requirements may be unenforceable.

There was significant opposition from the European Parliament to the original form of the proposed directive, and there are differences of opinion as to the extent to which it should apply to Loans. In October 2004, the European Commission published an amended form of the proposed directive. In this amended form, the proposed directive would have applied to any loan secured by a mortgage on land that includes an equity release element and is not over euro 100,000, but it was unclear whether it would apply to further drawings and further advances made in relation to agreements existing before national implementing legislation comes into force.

In October 2005, the European Commission published a second revised proposal for the directive. Under this second revised proposal the regulated agreement regime would be restricted to consumer

credit of up to €50,000 and a stand-alone category for credit contracts of up to €300 each and excludes all mortgage credit agreements from its scope. The European Commission's current intention is to address mortgage lending separately, as detailed in the European Commission's green paper published on 19 July 2005 on mortgage credit in the EU. The European Commission is expected to publish a white paper in 2007 and this will set out its consultation findings and any proposed initiatives.

It is unclear when the proposed directive will come into force and Member States will then have a further two years in which to bring national implementing legislation into force. Until the final text of the directive is decided and the details of United Kingdom implementing legislation are published, it is not certain what effect the adoption and implementation of the directive would have on the Loans, the relevant Originator, the Seller, the Issuer, the Special Servicer, the Mortgage Administrator or the Cash/Bond Administrator and their respective businesses and operations. No assurance can be given that the finalised directive and the United Kingdom implementing legislation will not adversely affect the ability of the Issuer to make payments to Noteholders.

Unfair Commercial Practices Directive

On 11 May 2005, the European Parliament and Council adopted a directive on unfair business-to-consumer commercial practices (the "Unfair Practices Directive"). The Unfair Practices Directive will affect all contracts entered into with persons who are natural persons and acting for purposes outside their trade, business, craft or profession. Although, the Unfair Practices Directive is not concerned solely with financial services, it may have some impact in relation to the residential mortgage market.

Under the Unfair Practices Directive, a commercial practice is to be regarded as unfair if it is: (a) contrary to the requirements of professional diligence; and (b) materially distorts or is likely to distort the economic behaviour of the average consumer who the practice reaches or to whom it is addressed (or where a practice is directed at or is of a type which may affect a particular group of consumers, the average consumer of that group). In addition to the general prohibition on unfair commercial practices, the Unfair Practices Directive contains provisions aimed at aggressive and misleading practices and a list of practices which will in all cases be considered unfair.

The Unfair Practices Directive is a maximum harmonisation measure which means that Member States will be prevented from retaining consumer protection measures which go beyond it within its scope. However, in relation to financial services, member states are permitted to retain protections which go beyond the requirements of the Unfair Practices Directive. Therefore, in the context of financial services, the Unfair Practices Directive will potentially place additional obligations on mortgage lenders where there currently are no specific rules applying.

The Unfair Practices Directive is due to be implemented by Member States by 12 June 2007 and the implementing provisions are to come into force by 12 December 2007, subject to a transitional period until 12 June 2013. Until the final details of the United Kingdom implementing legislation are published, it is not certain what effect the adoption and implementation of the Unfair Practices Directive would have on the Loans, the relevant Originator, the Seller, the Issuer, the Special Servicer, the Mortgage Administrator or the Cash/Bond Administrator and their respective businesses and operations. No assurance can be given that the United Kingdom's implementation of the Unfair Practices Directive will not adversely affect the ability of the Issuer to make payments to Noteholders.

WEIGHTED AVERAGE LIVES OF THE RATED NOTES

Weighted average life refers to the average amount of time that will elapse from the date of issuance of a security to the date of distribution to the investor of amounts distributed in net reduction of principal of such security (assuming no losses). The weighted average lives of the Rated Notes will be influenced by, among other things, the actual rate of repayment of the Loans.

The model used in this Prospectus for the Loans represents an assumed constant per annum rate of prepayment (“CPR”) each month relative to the then outstanding principal balance of a pool of Loans. CPR does not purport to be either an historical description of the prepayment experience of any pool of Loans or a prediction of the expected rate of prepayment of any Loans, including the Loans to be included in the Mortgage Pool.

The following tables were prepared based on the characteristics of the Loans to be included in the Mortgage Pool and the following additional assumptions (the “Modelling Assumptions”):

- (a) there are no arrears (other than those specified herein) or enforcements;
- (b) no Loan is sold by the Issuer;
- (c) no Principal Deficiency arises;
- (d) no Loan is repurchased by the Seller;
- (e) no Substitute Loans are purchased by the Issuer;
- (f) no Further Advance or additional borrowing is made;
- (g) the interest rate applied on each LIBOR-Linked Loan is LIBOR plus the actual margin;
- (h) the interest rate applied on each BBR-Linked Loan is the Bank of England base rate plus the actual margin;
- (i) all Loans are modelled at their Stabilised Margin after any related fixed rate period or discount periods have ended;
- (j) LIBOR is equal to 5.24 per cent. and the Bank of England base rate is equal to 5.00 per cent.;
- (k) the Notes are issued on 6 March 2007 and all payments on the Notes are received quarterly on the 17th day of March, June, September and December commencing June 2007;
- (l) the amortisation of any Repayment Loan is calculated as an annuity loan;
- (m) all Loans which are not Repayment Loans are assumed to be Interest-Only Loans;
- (n) there are 104 days between the Issue Date and the first Interest Payment Date; and
- (o) the Performance Conditions are satisfied.

The actual characteristics and performance of the Loans are likely to differ from the assumptions used in constructing the tables set forth below. The following tables are hypothetical in nature and are provided only to give a general sense of how the principal cash flows might behave under varying prepayment scenarios. For example, it is not expected that the Loans will prepay at a constant rate until maturity, that all of the Loans will prepay at the same rate or that there will be no defaults or delinquencies on the Loans. Moreover, the diverse remaining terms to maturity of the Loans could produce slower or faster principal distributions than indicated in the tables at the various percentages

of CPR specified, even if the weighed average remaining term to maturity of the Loans is assumed. Any difference between such assumptions and the actual characteristics and performance of the Loans, or if the Prefunding Amount is not fully used, will affect the percentage of the initial amount outstanding of the Rated Notes which are outstanding over time and cause the weighted average lives of the Rated Notes to differ (which difference could be material) from the corresponding information in the tables for each indicated percentage of CPR.

Subject to the foregoing discussion and assumptions, the following tables indicate the weighted average lives of the A Notes, the B Notes, the C Notes and the D Notes. The average lives have been calculated on a 30/360 basis.

Weighted Average Life in Years

Table 1

Class of Notes	CPR							
	0%	10%	15%	20%	25%	30%	35%	15%/35% ⁽¹⁾
Class A	18.67	7.07	4.95	3.74	2.97	2.43	2.05	2.61
Class B	23.64	11.89	8.38	6.25	5.00	4.20	3.57	4.07
Class C	23.64	11.89	8.38	6.25	5.00	4.20	3.57	4.07
Class D	23.64	11.89	8.38	6.25	5.00	4.20	3.57	4.07

⁽¹⁾ This relates to a CPR of 15 per cent. for the first 12 months followed by a CPR of 35 per cent. following the first 12 months

The above table assumes that the Rated Notes are redeemed at their Sterling Equivalent Principal Amount Outstanding on the Interest Payment Date on which the aggregate Sterling Equivalent Principal Amount Outstanding of the Rated Notes is less than 10 per cent. of the initial aggregate Sterling Equivalent Principal Amount Outstanding of the Rated Notes.

Weighted Average Life in Years

Table 2

Class of Notes	CPR							
	0%	10%	15%	20%	25%	30%	35%	15%/35% ⁽¹⁾
Class A	18.76	7.35	5.29	4.05	3.22	2.63	2.21	2.79
Class B	23.82	12.47	9.09	6.88	5.52	4.65	3.94	4.44
Class C	23.82	12.47	9.09	6.88	5.52	4.65	3.94	4.44
Class D	23.82	12.47	9.09	6.88	5.52	4.65	3.94	4.44

⁽¹⁾ This relates to a CPR of 15 per cent. for the first 12 months followed by a CPR of 35 per cent. following the first 12 months

The above table assumes that there is no optional redemption of the Rated Notes by the Issuer.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

General

The A Notes, the B Notes, the C Notes, the D Notes and the E Notes will each be initially represented by a temporary global Note (each a “**Temporary Global Note**”).

Each Temporary Global Note will be deposited on behalf of the subscribers of the Notes with a common depository (the “**Common Depository**”) for Euroclear Bank S.A./N.V., as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) on the Issue Date. Upon deposit of each Temporary Global Note, Euroclear or Clearstream, Luxembourg will credit each subscriber of Notes with the principal amount of Notes for which it has subscribed and paid.

Interests in each Temporary Global Note will be exchangeable 40 days after the later of the date the Notes are first offered to persons other than distributors in reliance on Regulation S and the Issue Date (the “**Exchange Date**”), provided certification of non-U.S. beneficial ownership (“**Certification**”) by the relevant Noteholders has been received, for interests in a permanent global Note (each a “**Permanent Global Note**”). The expression “**Global Note**” shall be read and construed to mean a Temporary Global Note or a Permanent Global Note. On the exchange of each Temporary Global Note for the relevant Permanent Global Note, such Permanent Global Note will remain deposited with the Common Depository.

References herein to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

For so long as the Notes are represented by a Global Note, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Notes (an “**Accountholder**”) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes shall be conclusive and binding for all purposes), will be entitled to be treated by the Issuer and the Trustee as the holder of such principal amount of Notes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders), other than for the purposes of payment of principal and interest on such Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to the terms of the Trust Deed, and the expression “**Noteholders**” shall be construed accordingly. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note and will be entitled to receive any payment so made in respect of that Note in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg, as appropriate.

Information Regarding Euroclear and Clearstream, Luxembourg

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

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. 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 depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

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

Payments

On and after the Exchange Date, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and/or interest in respect of Notes represented by a Global Note will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of such Global Note to the order of the Principal Paying Agent. A record of each payment made, distinguishing (in the case of the Global Notes) between payments of principal and payments of interest and, in the case of partial payments, of the amount of each partial payment will be endorsed on the appropriate schedule to the relevant Global Note by or on behalf of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Global Notes. Payments of interest on the Temporary Global Notes will be made upon Certification unless such Certification has already been made (subject as provided above).

Notices

For so long as all of the Notes are represented by Global Notes and such Global Notes are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 14 provided that, so long as the Notes are listed on the Official List, the FSA so agrees. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Redemption

In the event that any Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to the Common Depositary and, upon final payment and surrender of such Global Note to the Principal Paying Agent, the Principal Paying Agent shall cancel such Global Note. The redemption price payable in connection with the redemption of Noteholder interests in a Global Note will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Global Note (or portion thereof) relating thereto. For any redemptions of a Global Note in part, selection of the relevant Noteholder interests relating thereto to be redeemed will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such other basis as Euroclear or Clearstream, Luxembourg deems fair and appropriate) provided that only Noteholder interests of, in the case of the Sterling Notes, £50,000 and integral multiples of £1,000 in excess thereof, and, in the case of the Euro Notes, €100,000 and integral multiples of €1,000 in excess thereof, shall be redeemed. Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

Cancellation

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

Transfers

Title to the Global Notes will pass by delivery. 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, as appropriate.

Issue of Definitive Notes

The Permanent Global Notes will be exchangeable in whole but not in part (free of charge to the holder) for Definitive Notes only if:

- (i) either Euroclear and Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available; or
- (ii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or any other jurisdiction or any political sub-division thereof or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Issue Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form,

in which case the Issuer will deliver Definitive Notes in registered form, serially numbered, in the case of the Sterling Notes, in denominations of £50,000 and integral multiples of £1,000 in excess thereof, and, in the case of the Euro Notes, in denominations of €100,000 and integral multiples of €1,000 in excess thereof, and each with interest coupons (“Coupons”) attached on issue.

The Definitive Notes will bear the following legend:

“This Note has not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), any state securities laws in the United States or the securities laws of any other jurisdiction and this Note and any interest herein may be transferred only in accordance with the Securities Act and all applicable laws of any other jurisdiction. Any United States Person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code. Each purchaser of this Note or any interest herein agrees that it will deliver to each purchaser of this Note or any interest herein a notice substantially to the effect of this legend.”

The Internal Revenue Code sections referred to in the legend provide that a United States Person will not, with certain exceptions, be permitted to deduct any loss and will not be eligible for favourable capital gains treatment with respect to any gain realised on a sale, exchange or redemption of any Note or Coupon.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes, substantially as they will appear in the Trust Deed (but subject to minor amendment) and as they will apply to each Global Note and Definitive Note.

The issue of the £276,490,000 Class Aa Notes due June 2039 (the "**Aa Notes**"), €35,000,000 Class Ac Notes due June 2039 (the "**Ac Notes**" and, together with the Aa Notes, the "**A Notes**"), £21,000,000 Class Ba Notes due June 2039 (the "**Ba Notes**"), €16,500,000 Class Bc Notes due June 2039 (the "**Bc Notes**" and together with the Ba Notes, the "**B Notes**"), £11,900,000 Class C Notes due June 2039 (the "**C Notes**"), £6,100,000 Class D Notes due June 2039 (the "**D Notes**" and, together with the A Notes, the B Notes and the C Notes, the "**Rated Notes**") and £7,155,150 Class E Notes due June 2039 (the "**E Notes**" and, together with the Rated Notes, the "**Notes**") by Landmark Mortgage Securities No.2 PLC (the "**Issuer**") was authorised by resolution of the Board of Directors of the Issuer passed on 7 March 2007. The Aa Notes, the Ba Notes, the C Notes, the D Notes and the E Notes are together referred to as the "**Sterling Notes**", the Ac Notes and the Bc Notes are together referred to as the "**Euro Notes**". Any reference to a "**Class of Notes**" or a "**Class**" shall be a reference to the Aa Notes, the Ac Notes, the A2c Notes, the A Notes, the Ba Notes, the Bc Notes, the B Notes, the C Notes, the D Notes or the E Notes or to the holders thereof (the "**Noteholders**"). The holders of the E Notes shall be referred to as the "**E Noteholders**".

The Notes are constituted by a trust deed (the "**Trust Deed**", which expression includes any modification or supplement thereto from time to time made in accordance with the provisions of the Trust Deed, as from time to time so modified or supplemented) to be dated on or around 13 March 2007 (the "**Issue Date**") between the Issuer and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression includes its successors as trustee or any further or other trustee(s) under the Trust Deed as trustee(s) for the Noteholders).

The security for the Notes is created pursuant to, and on terms set out in, a deed of charge to be dated on or about the Issue Date (the "**Deed of Charge**", which expression includes such deed of charge as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) and made between, among others, the Issuer and the Trustee. By a paying agency agreement to be dated on or about the Issue Date (the "**Paying Agency Agreement**", which expression includes such paying agency agreement as from time to time modified in accordance with the provisions therein contained and any agreement, deed or other document expressed to be supplemental thereto as from time to time so modified) and made between, among others, the Issuer, the Trustee, HSBC Bank plc, in its separate capacities under the Paying Agency Agreement as principal paying agent (in such capacity, the "**Principal Paying Agent**", which expression shall include any other principal paying agent appointed in respect of the Notes) and agent bank (in such capacity, the "**Agent Bank**", which expression shall include any other agent bank appointed in respect of the Notes), HSBC Institutional Trust Services (Ireland) Limited in its capacity under the Paying Agency Agreement as Irish paying agent (in such capacity, the "**Irish Paying Agent**", which expression shall include any other Irish paying agent appointed in respect of the Notes) and HSBC Private Bank (Jersey) Limited, 1 Grenville Street, St Helier, Jersey, JE4 9PF in its capacity under the Paying Agency Agreement as registrar (the "**Registrar**", which expression shall include any other registrar appointed in respect of the Notes) (the Principal Paying Agent and the Irish Paying Agent being, together with any further or other paying agents for the time being appointed in respect of the Notes, the "**Paying Agents**" and, together with the Agent Bank and the Registrar, the "**Agents**"), provision is made for, among other things, the payment of principal and interest in respect of the Notes.

The statements in these Terms and Conditions (the "**Conditions**" and any reference to a "**Condition**" shall be construed accordingly) include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Paying Agency Agreement, the Deed of Charge and the Master Definitions Schedule (each as defined herein).

The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of and definitions contained in the Trust Deed, the Paying Agency Agreement, the Deed of Charge and a master definitions schedule to be dated on or about the Issue Date and signed for the purposes of identification by Sidley Austin (UK) LLP and Weil, Gotshal & Manges (the “**Master Definitions Schedule**”). Capitalised terms used but not defined herein shall have the same meanings given to them in the Master Definitions Schedule.

Copies of the Trust Deed, the Paying Agency Agreement, the Deed of Charge, the Master Definitions Schedule and the other Documents (each as defined herein) are available for inspection by the Noteholders during normal business hours at the principal office for the time being of the Issuer being as of the Issue Date at 35 Great St. Helen’s, London EC3A 6AP and at the specified offices for the time being of each of the Paying Agents.

The proceeds of the issue of the Rated Notes will be applied in or towards payment to the Seller of the purchase price for the Loans and related Collateral Security in the Completion Mortgage Pool and Prefunded Loans under a mortgage sale agreement dated the Issue Date between, *inter alios*, the Seller, the Issuer and the Trustee (the “**Mortgage Sale Agreement**”).

(1) Global Notes and Definitive Notes

(a) Global Notes

The Notes initially offered and sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act (“**Reg S**”) will initially be represented by a global note in bearer form for each Class of Notes (collectively, the “**Global Notes**”).

(b) Form and Title

Each Global Note will be issued in bearer form without coupons or talons.

The common depositary or its nominee shall, for so long as it is holder of the Global Notes and, except as otherwise required by law, be treated as its absolute owner for all purposes (including the making of any payments), regardless of any notice of ownership, theft or loss thereof, or of any trust or other interest therein or of any writing thereon.

Ownership of interests in the Global Notes will be limited to persons who have accounts with Euroclear and/or Clearstream, Luxembourg or persons that hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream, Luxembourg and their participants.

(c) Issue of Definitive Notes

A Global Note will be exchanged for Definitive Notes of the relevant class in registered form (“**Definitive Notes**”) in an aggregate principal amount equal to the Principal Amount Outstanding (as defined in Condition 5(d) (*Note Principal Payments, Principal Amount Outstanding and Pool Factor*)) of the relevant Global Note only if, 40 days or more after the later of the commencement of the offering and the Issue Date, any of the following circumstances apply:

If:

- (i) in the case of a Global Note, either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or

does in fact do so and no alternative clearing system satisfactory to the Trustee is available; or

- (ii) as a result of any amendment to, or change in the laws or regulations of the United Kingdom or any other jurisdiction or any political sub-division thereof or of any authority therein or thereof having the power to tax or in the interpretation or administration of such laws or regulations, which becomes effective on or after the Issue Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required if the Notes were in definitive registered form.

If Definitive Notes are issued, the Global Note of each class will be exchanged by the Issuer for Definitive Notes (“**Reg S Definitive Notes**”) of that class. The aggregate principal amount of the Reg S Definitive Notes of each class will be equal to the Principal Amount Outstanding of the Global Note of the corresponding class, subject to and in accordance with the detailed provisions of these Conditions, the Paying Agency Agreement, the Trust Deed and the relevant Global Note.

(d) *Title to and Transfer of Definitive Notes*

Title to a Definitive Note will pass upon registration in the register which the Issuer will procure to be kept by the Registrar. Each Definitive Note will be serially numbered and will be issued, in the case of the Euro Notes, in denominations of €100,000 and integral multiples of €1,000 in excess thereof and in the case of the Sterling Notes, in denominations of £50,000 and integral multiples of £1,000 in excess thereof. Definitive Notes may be transferred in whole or in part upon surrender of the relevant Definitive Note, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. In the case of a transfer of part only of a Definitive Note, a new Definitive Note in respect of the balance not transferred will be issued to the transferor. All transfers of Definitive Notes are subject to any restrictions on transfer set forth in such Definitive Notes and the detailed regulations concerning transfers in the Paying Agency Agreement.

Each new Definitive Note to be issued upon transfer of a Definitive Note will, within five Business Days (as defined in Condition 4(i) (*Interpretation*)) of receipt at the specified office of the Registrar of such Definitive Note (duly endorsed) for transfer, be available for delivery at the specified office of the Registrar or be posted at the risk of the holder entitled to such new Definitive Note to such address as may be specified in the form of transfer.

Registration of a Definitive Note 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 government charges which may be imposed in relation to it.

No transfer of a Definitive Note will be registered in the period beginning 15 Business Days before, and ending on the fifth Business Day after, each Interest Payment Date (as defined in Condition 4(b) (*Interest Payment Dates and Interest Periods*)).

“**Noteholders**” means (i) in respect of each Global Note, the bearer thereof, and (ii) in respect of a Definitive Note issued under Condition 1(d) (*Issue of Definitive Notes*) above, the person in whose name such Definitive Note is registered, subject as provided in Condition 6(b) (*Definitive Notes*); and related expressions are to be construed accordingly.

References to “**Notes**” include the Global Notes and the Definitive Notes and, while the Notes are in the form of Global Notes, units in the applicable denomination and currency which, in the case of the Euro Notes, is €100,000 and any integral multiple of €1,000 in excess thereof,

and in the case of the Sterling Notes is £50,000 and any integral multiple of £1,000 in excess thereof.

(2) Status and Security

Status and relationship between classes of Notes

- (a) The Notes of each class constitute direct, secured and unconditional obligations of the Issuer and are secured by an assignment and a fixed and floating security (the “**Security**” as described in Condition 2(e) below) over all of the assets of the Issuer (as more particularly described in the Deed of Charge). Prior to the enforcement of the Security, payment of interest on the Notes will be made in accordance with the order of priority set out in Condition 2(f) and mandatory payments of principal pursuant to Condition 5(b) (*Mandatory Redemption in Part of the Notes*) will be made in accordance with the order of priority set out in such Condition 5(b) (*Mandatory Redemption in Part of the Notes*).
- (b) The Notes are constituted by the Trust Deed and are secured by the same Security.
- (c) In the event of the Security being enforced, payment of principal and interest on the Notes will be made in accordance with the order of priority set out in Condition 2(g).
- (d) The Trust Deed contains provisions requiring the Trustee to have regard to the interests of the Noteholders equally and not to the interests of any other Secured Creditors as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise) but requiring the Trustee in any particular case to have regard only to the interests of:
- (i) the A Noteholders if, in the Trustee’s opinion, there is a conflict between the interests of the A Noteholders on the one hand and the interests of the B Noteholders, the C Noteholders, the D Noteholders, the E Noteholders and/or any other person entitled to the benefit of the Security on the other hand;
 - (ii) (subject to paragraph (i) above or after the A Notes have been redeemed in full or if the interests of the holders of all outstanding A Notes are in the opinion of the Trustee unaffected, but if there are B Notes, C Notes, D Notes and/or E Notes outstanding) the B Noteholders if, in the Trustee’s opinion, there is a conflict between the interests of the B Noteholders on the one hand and the interests of the C Noteholders, the D Noteholders, the E Noteholders and/or any other person entitled to the benefit of the Security on the other hand;
 - (iii) (subject to paragraphs (i) and (ii) above or after the A Notes and the B Notes have been redeemed in full or if the interests of the holders of all outstanding A Notes and B Notes are in the opinion of the Trustee unaffected, but if there are C Notes, D Notes and/or E Notes outstanding) the C Noteholders if, in the Trustee’s opinion, there is a conflict between the interests of the C Noteholders on the one hand, the interests of the D Noteholders and the interests of the E Noteholders and/or any other person entitled to the benefit of the Security on the other hand;
 - (iv) (subject to paragraphs (i), (ii) and (iii) above or after the A Notes, the B Notes and the C Notes have been redeemed in full or if the interests of the holders of all outstanding A Notes, B Notes and C Notes are in the opinion of the Trustee unaffected, but if there are D Notes and/or E Notes outstanding) the D Noteholders if, in the Trustee’s opinion, there is a conflict between the interests of the D Noteholders on the one hand and the interests of the E Noteholders and/or any other person entitled to the benefit of the Security on the other hand; and

- (v) (subject to paragraphs (i), (ii), (iii) and (iv) above or after the A Notes, the B Notes, the C Notes and the D Notes have been redeemed in full or if the interests of the holders of all outstanding A Notes, B Notes, C Notes and D Notes are in the opinion of the Trustee unaffected, but if there are E Notes outstanding) the E Noteholders if, in the Trustee's opinion there is a conflict between the interests of the E Noteholders on the one hand and the interests of any other person entitled to the benefit of the Security on the other hand.

The Trustee, when exercising any power, trust, authority, duty or discretion under or in relation to the Conditions or any of the Documents, shall be entitled (but not bound) to take into consideration, when considering as to whether such exercise would be materially prejudicial to the interests of the Noteholders, whether any of the Rating Agencies have confirmed that the then current rating of any Rated Notes would not be adversely affected by such exercise and the Trustee shall not be liable for so doing.

Security

- (e) As security for the payment of all moneys payable in respect of the Notes, MERCs and Residuals and otherwise under the Trust Deed (including the remuneration, expenses and any other claims of the Trustee and any receiver appointed under the Deed of Charge) and in respect of certain amounts payable to the Mortgage Administrator under the Mortgage Administration Agreement, the Cash/Bond Administrator under the Cash/Bond Administration Agreement, the Special Servicer under the Special Servicer Agreement, the Corporate Services Provider under the Corporate Services Agreement, the Liquidity Facility Provider under the Liquidity Facility Agreement, the Interest Rate Cap Counterparty under the Interest Rate Cap Agreement, the Interest Rate Swap Counterparty under the Interest Rate Swap Agreements, the Currency Swap Counterparty under the Currency Swap Agreements, the GIC Provider under the Guaranteed Investment Contract, the Standby Servicer under the Standby Servicing Agreement, the Account Bank under the Bank Agreement, the Agents under the Paying Agency Agreement and the Seller in respect of its entitlement to deferred consideration under the Mortgage Sale Agreement (the aforementioned persons, together with the Trustee (in its capacity as a creditor secured by the Deed of Charge) and any receiver appointed under the Deed of Charge or pursuant to statutory powers (in its capacity as a creditor secured by the Deed of Charge), the "**Secured Creditors**"), the Issuer will enter into the Deed of Charge, creating the following security in favour of the Trustee for itself and on trust for the other Secured Creditors:
 - (i) a first fixed charge in favour of the Trustee over the Issuer's interests in the English Loans, the English Mortgages and all rights and collateral security relating to the English Loans (such rights and collateral security, together with the English Mortgages, the "**English Collateral Security**");
 - (ii) a first fixed security in favour of the Trustee over the Issuer's interests in the Scottish Loans, the Scottish Mortgages and all rights and collateral security relating to the Scottish Loans (such rights and collateral security, together with the Scottish Mortgages the "**Scottish Collateral Security**")
 - (iii) a first fixed charge in favour of the Trustee over the Issuer's interests in the Northern Irish Loans, the Northern Irish Mortgages and all rights and collateral security relating to the Northern Irish Loans (such rights and collateral security, together with the Northern Irish Mortgages, the "**Northern Irish Collateral Security**" and, together with the English Collateral Security and the Scottish Collateral Security, the "**Collateral Security**" which, for the avoidance of doubt and without limitation, includes: (1) the benefit of all affidavits, consents, renunciations, waivers and deeds of postponement from occupiers and other persons having an interest in or rights in

connection with the relevant Property, (2) the benefit of (including notations of interest on) the insurance contracts (including, for the avoidance of doubt, all returns of premium and proceeds in respect of such insurance contracts), the benefit of assignments of rights to purchase further shares of equity or freehold interests in the relevant Property, the benefit of amounts and/or accounts and/or security in respect of such amounts and accounts, in each case deposited, assigned, charged, obtained, or held in connection with the relevant Loan, Mortgage and/or Property, and (3) the benefit of all reports (including reports on and certificates of title), valuations, opinions, certificates, consents or other statements of fact or opinion given in connection with the relevant Loan, Mortgage, other Collateral Security or Property (including all courses and rights of action (whether assigned to the Issuer or otherwise) against valuers, licensed or qualified conveyancers, solicitors, the Land Registry, the Registers of Northern Ireland or any other person in connection with the same);

- (iv) an assignment by way of first fixed security in favour of the Trustee of the benefit of the Issuer in each of the Special Servicer Agreement, the Mortgage Administration Agreement, the Scottish Declarations of Trust, the Cash/Bond Administration Agreement, the Mortgage Sale Agreement, the Interest Rate Swap Agreements, the Currency Swap Agreements, the Interest Rate Cap Agreements, the Subscription Agreement, the Liquidity Facility Agreement, the Bank Agreement, the Collection Accounts Declarations of Trust, the Standby Servicing Agreement, the Corporate Services Agreement, the Guaranteed Investment Contract and the Paying Agency Agreement (the “**Charged Obligation Documents**”);
- (v) a first fixed charge in favour of the Trustee over the Issuer’s interest in the Bank Accounts and any Authorised Investments; and
- (vi) a first floating charge in favour of the Trustee over (a) the whole of the undertaking, property, assets and rights of the Issuer other than assets effectively secured by the fixed security or otherwise secured in paragraphs (i), (iii) and (iv) above and (b) the whole of the undertaking, property, assets and rights of the Issuer located in Scotland or otherwise governed by Scots law, all as more particularly set out in the Deed of Charge.

The Issuer’s undertaking, property, assets and rights the subject of the Security is referred to herein as the “**Charged Property**”.

Priority of Payments Prior to Enforcement

- (f) Prior to enforcement of the Security, and **provided always** that any Hedge Termination Amounts (as defined below) shall first be applied towards payments due to any replacement swap counterparty or interest rate cap counterparty (as applicable) and shall only be applied in accordance with the following priority after a replacement swap agreement or interest rate cap agreement (as applicable) has been entered into or to the extent that such Hedge Termination Amounts are not required to be paid to a replacement swap counterparty or interest rate cap counterparty (as applicable), the Issuer is required to apply Available Revenue Funds (as defined below) on each Interest Payment Date in or towards the satisfaction of the following amounts in the following order of priority (the “**Pre-Enforcement Priority of Payments**”) in each case only if and to the extent that payments or provisions of a higher priority have been made in full:
 - (i) *first*, to pay when due the remuneration payable to the Trustee (plus value added tax, if any) and any costs, charges, liabilities and expenses incurred by it under the provisions of or in connection with the Trust Deed or the Deed of Charge or either or

both of them together with interest as provided in the Trust Deed or the Deed of Charge or either or both of them;

- (ii) *second*, to pay when due (1) amounts, including audit fees and company secretarial expenses (plus value added tax, if any), which are payable by the Issuer to third parties and incurred without breach by the Issuer of the Trust Deed or the Deed of Charge and not provided for elsewhere and to provide for any such amounts expected to become due and payable by the Issuer after that Interest Payment Date and to pay or provide for the Issuer's liability or possible liability for corporation tax and (2) an amount equal to any premium in respect of insurance contracts;
- (iii) *third*, to pay *pari passu* and *pro rata*:
 - (A) (except to the extent already paid to the Mortgage Administrator since the preceding Interest Payment Date or, in the case of the first Interest Payment Date, since the Issue Date) the mortgage administration fee (together with VAT, if any), payable under Clause 9 of the Mortgage Administration Agreement to the Mortgage Administrator, such fee (together with any VAT thereon and any further VAT or arrears of VAT payable in connection with any services provided by the Mortgage Administrator) will in no circumstances exceed an amount equal to the maximum of the product of 0.25 per cent. per annum and the aggregate Balances of the Loans as of the last day of the calendar month immediately preceding the said Interest Payment Date falls, divided by four together with any costs and expenses incurred by the Mortgage Administrator in accordance with the Mortgage Administration Agreement;
 - (B) the cash/bond administration fee payable under the Cash Bond Administration Agreement to the Cash/Bond Administrator;
 - (C) the special servicer fee (inclusive of value added tax, if any), payable under the Special Servicer Agreement to the Special Servicer, such fee being up to a maximum of 0.03 per cent. per annum and the aggregate Balances of the Loans as of the first day of the first calendar month (or, in the first Interest Period, on the Issue Date) in which the said Interest Payment Date falls, divided by four (or, as applicable, *pro rata* in respect of any different period) together with any costs and expenses incurred by the Special Servicer in accordance with the Special Servicer Agreement
 - (D) the standby servicer fee (if any) in an amount not exceeding £9,000 per annum (plus value added tax, if any but only to the extent that the rate of value added tax in respect of that fee is 17.5 per cent. or below) payable pursuant to the Standby Servicing Agreement to the Standby Servicer, divided by four together with costs and expenses incurred by the Standby Servicer in accordance with the Standby Servicing Agreement;
 - (E) amounts due to the Agents under the Paying Agency Agreement;
 - (F) amounts due to the Account Bank under the Bank Agreement and to the GIC Provider under the Guaranteed Investment Contract; and
 - (G) the Corporate Services Fee (inclusive of any value added tax if any) payable pursuant to the Corporate Services Agreement, divided by two together with costs and expenses incurred by the Corporate Services Provider in accordance with the Corporate Services Agreement;

- (iv) *fourth*, (by crediting the Liquidity Ledger), to pay *pro rata* according to the respective amounts thereof, all amounts due but unpaid to the Liquidity Facility Provider under the terms of the Liquidity Facility Agreement, other than in respect of any amount drawn from the Liquidity Ledger on that Interest Payment Date (and therefore forming part of the Available Revenue Funds for that Interest Payment Date);
- (v) *fifth*, to pay *pari passu* and *pro rata*:
 - (A) amounts of interest due and payable on the Aa Notes and amounts payable to the Swap Counterparty under the terms of the Ac Currency Swap Agreement (excluding any Actual Redemption Funds payable to the Currency Swap Counterparty to redeem the Ac Notes), and by applying interest received from the Currency Swap Counterparty under the Ac Currency Swap Agreement, any interest due and payable on the Ac Notes, in each case other than Swap Subordinated Amounts; and
 - (B) amounts payable (if any) to the Interest Rate Swap Counterparty pursuant to any of the Interest Rate Swap Agreements (other than Swap Subordinated Amounts);
- (vi) *sixth*, amounts to be credited to the A Principal Deficiency Ledger until the balance of the A Principal Deficiency Ledger has reached zero (such amounts, together with the amounts (if any) under (viii), (x) and (xii) below, (the “**Note Pro-Rata Redemption Amount**”) to be applied in redemption of the Notes in accordance with Condition 5(b) (*Mandatory Redemption in Part of the Notes*));
- (vii) *seventh*, to pay *pari passu* and *pro rata*, all amounts of interest due and payable on the Ba Notes and amounts payable to the Swap Counterparty under the terms of the Bc Currency Swap Agreement (excluding any Actual Redemption Funds payable to the Currency Swap Counterparty to redeem the Bc Notes), and, by applying interest received from the Currency Swap Counterparty under the Bc Currency Swap Agreement, any interest due and payable on the Bc Notes, in each case other than Swap Subordinated Amounts;
- (viii) *eighth*, to apply amounts to reduce the B Principal Deficiency Ledger to zero, such amounts to be applied in redemption of the Notes in accordance with Condition 5(b) (*Mandatory Redemption in Part of the Notes*);
- (ix) *ninth*, to pay *pari passu* and *pro rata*, all amounts of interest due and payable on the C Notes; and
- (x) *tenth*, to apply amounts to reduce the C Principal Deficiency Ledger to zero, such amounts to be applied in redemption of the Notes in accordance with Condition 5(b) (*Mandatory Redemption in Part of the Notes*);
- (xi) *eleventh*, to pay *pari passu* and *pro rata*, all amounts of interest due and payable on the D Notes;
- (xii) *twelfth*, to apply amounts to reduce the D Principal Deficiency Ledger to zero, such amounts to be applied in redemption of the Notes in accordance with Condition 5(b) (*Mandatory Redemption in Part of the Notes*);
- (xiii) *thirteenth*, to credit amounts to the Reserve Ledger until the balance of the Reserve Fund reaches the Reserve Fund Required Amount;

- (xiv) *fourteenth*, (by crediting the Interest Rate Cap Proceeds Reserve Ledger) to increase the balance of the Interest Rate Cap Proceeds Reserve Fund up to an amount equal to the aggregate of (1) the balance of the Interest Rate Cap Proceeds Reserve Fund on the immediately preceding Interest Payment Date and (2) the aggregate amount of the Interest Rate Cap Payments received since the immediately preceding Interest Payment Date;
- (xv) *fifteenth*, to credit the Profit Ledger with an amount equal to 0.01 per cent. of the product of the time weighted average mortgage rate of the Loans during the preceding Interest Period and the aggregate principal balance outstanding of the Loans at the beginning of the preceding Interest Period so that in each year 0.01 per cent. of the Issuer's turnover for that year comprises the Issuer's profit;
- (xvi) *sixteenth*, to pay amounts payable in respect of the E Notes other than in respect of principal on the E Notes;
- (xvii) *seventeenth*, to pay an amount not greater than the E Note Principal Amount Outstanding to repay principal in respect of the E Notes;
- (xviii) *eighteenth*, to pay amounts due and payable *pro rata* to the Interest Rate Swap Counterparty or the Currency Swap Counterparty in respect of any Swap Subordinated Amounts;
- (xix) *nineteenth*, to pay the Standby Servicer an amount, if any, equal to that portion of VAT, owing in respect of the Standby Servicer's fee, to the extent that the rate of value added tax in respect of such fee exceeds 17.5 per cent.; and
- (xx) *twentieth*, to pay amounts payable in respect of the Residuals.

For the purposes of these Conditions:

"**Available Revenue Funds**" means, in relation to an Interest Payment Date, an amount equal to:

- (i) the credit balance of the Revenue Ledger at close of business on the Business Day immediately preceding the Determination Date immediately preceding such Interest Payment Date; *plus*
- (ii) amounts transferred to the Revenue Ledger from the Reserve Ledger on such Interest Payment Date; *plus*
- (iii) amounts transferred to the Revenue Ledger from the Liquidity Ledger on such Interest Payment Date; *plus*
- (iv) the whole of the Interest Rate Cap Proceeds Reserve Fund transferred to the Revenue Ledger on that Interest Payment Date (following the crediting to the Interest Rate Cap Proceeds Reserve Ledger of the Interest Rate Cap Payments received by the Issuer on such Interest Payment Date (as described in "*Credit Structure – Interest Rate Cap Proceeds Reserve Fund*")); *plus*
- (v) amounts transferred to the Revenue Ledger from the Discount Reserve on such Interest Payment Date; *plus*
- (vi) in respect of the first Interest Payment Date any amounts standing to the credit of the Prefunding Interest Shortfall Ledger; *plus*

- (vii) any amount received by the Issuer from the Interest Rate Swap Counterparty or the Currency Swap Counterparty under an Interest Rate Swap Agreement or Currency Swap Agreement (other than (i) in respect of Posted Collateral (except where such Posted Collateral is applied in satisfaction of termination payments due to the Issuer following the designation of an early termination date under an Interest Rate Swap Agreement or Currency Swap Agreement (as applicable)) and (ii) any Hedge Termination Amounts which are applied by the Issuer in entering into a replacement interest rate swap agreement or replacement currency swap agreement (as applicable)); *plus*
- (viii) an amount equal to the interest which has accrued or will accrue under the Bank Agreement or the Guaranteed Investment Contract (other than amounts representing interest on Posted Collateral) during the period between the immediately preceding Interest Payment Date and such Interest Payment Date and which is expected to be paid on such Interest Payment Date; *plus*
- (ix) to the extent such amounts have not already been counted under items (i) to (vii) (inclusive) above, all proceeds from Authorised Investments made with amounts representing items (i) to (vii) above expected to mature or be realised on or prior to such Interest Payment Date; *less*
- (x) any Permitted Withdrawals which will be debited to the Revenue Ledger in the period from and including such Determination Date to and including such Interest Payment Date (or, in the case of out of pocket fees and expenses payable to the Mortgage Administrator, to but excluding such Interest Payment Date) provided the Permitted Withdrawals satisfy certain conditions (as more fully described in the Cash/Bond Administration Agreement).

For the avoidance of doubt, Available Revenue Funds do not include (i) amounts which are credited to the Principal Ledger or the Prepayments Ledger; or (ii) any cash transferred by a Hedging Provider as posted collateral (“**Posted Collateral**”) (and any interest thereon) in accordance with the terms of the relevant Hedge Agreement; or (iii) any Hedge Termination Amounts (as described below), in each case except as specified in the above definition of Available Revenue Funds, nor do Available Revenue Funds include Mortgage Early Repayment Charges.

“**Swap Subordinated Amounts**” means any amounts payable by the Issuer due on termination of a Currency Swap Agreement or an Interest Rate Swap Agreement due to the occurrence of (i) an event of default under such swap in respect of which the Interest Rate Swap Counterparty or the Currency Swap Counterparty (as applicable) is the defaulting party or (ii) any amount due or payable by the Issuer as a result of the occurrence of an ‘Additional Termination Event’ relating to the credit rating of the Interest Rate Swap Counterparty or the Currency Swap Counterparty (as applicable) (as such terms are defined in the relevant Interest Rate Swap Agreement or Currency Swap Agreement) to the extent of the difference (if positive) between (A) the amount due and payable by the Issuer to the Interest Rate Swap Counterparty or the Currency Swap Counterparty (as applicable) under the relevant Interest Rate Swap Agreement or Currency Swap Agreement and (B) any premium paid by any replacement interest rate swap provider in respect of such relevant Interest Rate Swap Agreement or replacement currency swap provider in respect of such relevant Currency Swap Agreement (as applicable), provided further that if no such replacement interest rate swap provider or currency swap provider (as applicable) is appointed, all amounts due and payable by the Issuer to the Interest Rate Swap Counterparty and/or the Currency Swap Counterparty (as applicable) shall be Swap Subordinated Amounts;

In the event that any or all of the Hedge Agreements terminate, a termination payment may be paid by the relevant Hedging Provider (“**Hedge Termination Amounts**”), as applicable, to the Issuer. Upon the receipt by the Issuer of written instruction from the Trustee, provided that prior to the Trustee giving such instruction the Rating Agencies have confirmed that the instruction will not adversely affect the then current ratings of the Rated Notes, the Issuer will apply the Hedge Termination Amounts towards payment to a suitably rated replacement interest rate swap counterparty, currency swap counterparty or replacement interest rate cap counterparty (as applicable) in consideration for such replacement interest rate swap counterparty, currency swap counterparty or interest rate cap counterparty (as applicable) entering into a suitable replacement interest rate swap agreement, currency swap agreement or interest rate cap agreement (as applicable) with the Issuer.

For the purposes of these Conditions, “**Balance**” means in relation to any Loan and on any date the interest bearing balance of that Loan including, without limitation, the original principal amount advanced to the Borrower plus any other disbursement, legal expense, fee, charge or premium capitalised and added to the amounts secured by the relevant Mortgage in accordance with the mortgage and lending conditions on or prior to such date, less any repayments of such amounts.

All amounts received on each Interest Payment Date (other than in respect of amounts exchanged in respect of any Actual Redemption Funds, and amounts representing Posted Collateral or Hedge Termination Amounts) from the Currency Swap Counterparty by the Issuer under the terms of: (i) the Ac Currency Swap Agreement shall be paid to the Ac Noteholders and (ii) the Bc Currency Swap Agreement shall be paid to the Bc Noteholders in each case in satisfaction (where such payments are made in full) of the Issuer’s interest payment obligations under the Ac Notes and the Bc Notes respectively on such Interest Payment Date.

In the event that any payment is to be made from Available Revenue Funds by the Issuer under these Conditions and Available Revenue Funds are not denominated in the relevant currency in which such payment is to be made, the Issuer shall convert the relevant amounts comprised in Available Revenue Funds to make such payment into such currency at the then prevailing spot rate of exchange as may be required in order to be applied in or towards such payment.

Priority of Payments Post Enforcement

- (g) After the Security has become enforceable, the Trustee shall, to the extent that such funds are available, use all funds realised upon enforcement of the Security (apart from (A) amounts credited to the Prepayments Ledger resulting from Mortgage Early Repayment Charges allocated to the MERC Holders, (B) any excess Posted Collateral (or the applicable part of any such Posted Collateral) provided by a Hedging Provider to the Issuer in respect of such Hedging Provider’s obligations to transfer collateral to the Issuer under the relevant Hedge Agreement as a result of a ratings downgrade, which is in excess of that Hedging Provider’s liability under the relevant Hedge Agreement) as at the date of termination of the relevant Hedge Agreement or which it is otherwise entitled to have returned to it under the terms of the relevant Hedge Agreement and (C) any funds which have been drawn by way of standby drawing (and not currently drawn as a standby liquidity drawing) under the Liquidity Facility Agreement which, for the avoidance of doubt, shall be returned to the Liquidity Facility Provider) to make payments in the following order of priority (the “**Post Enforcement Priority of Payments**” and, together with the Pre-Enforcement Priority of Payments, the “**Priority of Payments**”) pursuant to, in accordance with and as set out more fully in the Deed of Charge (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (i) *first*, to pay, *pari passu* and *pro rata*, any remuneration then due to the Trustee or any receiver or administrator appointed by the Trustee and all amounts due in respect of legal fees and other costs, charges, liabilities, losses, damages, proceedings, claims and demands then incurred by the Trustee or such receiver or administrator together with interest thereon (plus value added tax, if any);
- (ii) *second*, to pay, *pari passu* and *pro rata*, the fees, costs, expenses and liabilities due to the Special Servicer, the Mortgage Administrator (the sum paid to the Mortgage Administrator (including any VAT and any further VAT or arrears of VAT payable in connection with any services provided by the Mortgage Administrator) to be limited as specified in the Mortgage Administration Agreement, the Cash/Bond Administrator and the Standby Servicer (the fees of such Standby Servicer to be paid together with value added tax up to a rate of 17.5 per cent. only), the Agents, the Account Bank, the Corporate Services Provider and the GIC Provider;
- (iii) *third*, to pay any amount due to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement;
- (iv) *fourth*, to pay, *pari passu* and *pro rata*:
 - (A) (1) all amounts of interest then due and payable on the A Notes; and (2) all interest amounts due to the Currency Swap Counterparty under the terms of the Ac Currency Swap Agreement (except for any Actual Redemption Funds and Swap Subordinated Amounts);
 - (B) all amounts of principal due on the A Notes until redemption in full thereof (which, prior to termination of the Ac Currency Swap Agreement, in respect of the Ac Notes, shall be by payment of principal amounts to the Currency Swap Counterparty under the terms of the Ac Currency Swap Agreement to enable payment to be made pursuant to the Ac Notes by the Issuer (provided that after termination of the Ac Currency Swap Agreement all amounts due to the Currency Swap Counterparty other than Swap Subordinated Amounts shall be paid to the Currency Swap Counterparty), in each case other than any Swap Subordinated Amounts); and
 - (C) amounts (if any) payable to the Interest Rate Swap Counterparty pursuant to any of the Interest Rate Swap Agreements (other than Swap Subordinated Amounts);
- (v) *fifth*, to pay, *pari passu* and *pro rata*:
 - (A) (1) all amounts of interest then due and payable of the B Notes; and (2) all interest amounts due to the Currency Swap Counterparty under the terms of the Bc Currency Swap Agreement (except for any Actual Redemption Funds and Swap Subordinated Amounts); and
 - (B) all amounts of principal due on the B Notes until redemption in full thereof (which prior to termination of the Bc Currency Swap Agreement shall be by payment of principal amounts to the Currency Swap Counterparty under the terms of the Bc Currency Swap Agreement to enable payment to be made pursuant to the Bc Notes by the Issuer (provided that after termination of the Bc Currency Swap Agreement all amounts due to the Currency Swap Counterparty other than Swap Subordinated Amounts shall be paid to the Currency Swap Counterparty), in each case other than any Swap Subordinated Amounts);

- (vi) *sixth*, to pay, *pari passu* and *pro rata*:
 - (A) all amounts of interest then due and payable on the C Notes; and
 - (B) all amounts of principal due on the C Notes until redemption in full thereof;
- (vii) *seventh*, to pay, *pari passu* and *pro rata*:
 - (A) all amounts of interest then due and payable on the D Notes; and
 - (B) all amounts of principal due on the D Notes until redemption in full thereof;
- (viii) *eighth*, to pay, *pro rata*, and *pari passu*:
 - (A) all amounts of interest due and payable in respect of the E Notes; and
 - (B) all amounts of principal due on the E Notes until redemption in full of the E Notes;
- (ix) *ninth*, to pay to the Standby Servicer an amount, if any, equal to that portion of value added tax owing in respect of the Standby Servicer's fee to the extent that the rate of value added tax in respect of that fee exceeds 17.5 per cent.;
- (x) *tenth*, to pay any amounts due and payable *pro rata* to the Interest Rate Swap Counterparty or the Currency Swap Counterparty in respect of any Swap Subordinated Amounts;
- (xi) *eleventh*, to pay amounts payable in respect of the Residuals; and
- (xii) *twelfth*, the surplus to the Issuer, which, to the extent that such surplus amounts to distributable reserves may be utilised to pay dividends to shareholders of the Issuer.

In such distribution, the manner of making payments to the Noteholders shall remain as specified prior to the Notes being declared due and payable. The Noteholders have full recourse to the Issuer in respect of the payments prescribed above and accordingly are entitled to bring a claim under English law for the full amount of such payments in accordance with Condition 10 (*Enforcement of Notes*) and Condition 15 (*Governing Law*). No payment shall be made in respect of an item referred to in Conditions 2(f) and 2(g) unless and until all prior ranking items have been discharged in full.

Until such time as the Trustee, pursuant to Condition 9(a) (*Event of Default*) gives notice to the Issuer declaring the Notes to be due and repayable at any time, Available Revenue Funds shall continue to be applied in accordance with Condition 2(f).

The Security (other than any assignation in security which, for the avoidance of doubt, shall be enforceable by the Trustee at its discretion) will become enforceable upon the service of a notice that the Notes are due and repayable pursuant to Condition 9 (*Event of Default*)(an "**Acceleration Notice**") or upon any failure by the Issuer to pay the full amount due on any redemption of all, but not some only, of the Notes pursuant to Condition 5 (*Redemption and Post Enforcement Call Option*), provided that, if the Security has become enforceable otherwise than by reason of the service of an Acceleration Notice following a default in payment of any amount due on the Notes, the Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless the Trustee is of the opinion, which shall be binding on the Noteholders and the other Secured Creditors, reached after considering at any time and from time to time the advice of a merchant bank or other financial adviser selected by the Trustee or any other advice as the Trustee may deem appropriate, that either a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders

or the Trustee is of the opinion, which shall be binding on the Noteholders and the other Secured Creditors, reached after considering at any time and from time to time the advice of a merchant bank or other financial adviser selected by the Trustee or any such advice as the Trustee may deem appropriate, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any other Secured Creditors ranking *pari passu* with or in priority thereto. The Trustee shall not be liable for any loss or liability occasioned to any Secured Creditor by virtue of any delay in making such determination and shall not be obliged to enforce the Security unless it has been indemnified and/or secured to its satisfaction.

(3) Covenants

Save with the prior written consent of the Trustee (but subject to Condition 11(f)) or as provided in or envisaged by any of the Trust Deed, the Deed of Charge, the Paying Agency Agreement, the Interest Rate Swap Agreements, the Currency Swap Agreements, the Interest Rate Cap Agreements, the Mortgage Administration Agreement, the Special Servicer Agreement, the Cash/Bond Administration Agreement, the Standby Servicing Agreement, the Mortgage Sale Agreement, the Subscription Agreement, the Collection Accounts Declarations of Trust, the Liquidity Facility Agreement, the Guaranteed Investment Contract, the Post Enforcement Call Option, the Corporate Services Agreement, the Scottish Declarations of Trust and the Bank Agreement (each a “**Document**” and together the “**Documents**”), the Issuer shall not, so long as any Note remains outstanding (as defined in the Trust Deed) *inter alia*:

(a) *Negative Pledge*

create or permit to subsist any mortgage, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking;

(b) *Restrictions on Activities*

- (i) engage in any activity which is not reasonably incidental to any of the activities which the Documents provide or envisage that the Issuer will engage in;
- (ii) open any account whatsoever with any bank or other financial institution, save where such account is immediately charged in favour of the Trustee so as to form part of the Security described in Condition 2 (*Status and Security*);
- (iii) have any subsidiaries or employees or premises;
- (iv) act as a director of any company; or
- (v) engage, or permit any of its affiliates to engage, in any activities in the United States (directly or through agents), derive, or permit any of its affiliates to derive, any income from sources within the United States as determined under U.S. federal income tax principles, and hold, or permit any of its affiliates to hold, any mortgaged property that would cause it or any of its affiliates to be engaged or deemed to be engaged in a trade or business within the United States of America as determined under U.S. federal income tax principles;

(c) *Dividends or Distributions*

pay any dividend or make any other distribution to its shareholders or issue any further shares;

(d) *Borrowings*

incur any indebtedness in respect of borrowed money whatsoever or give any guarantee in respect of any obligation of any person;

(e) *Merger*

consolidate or merge with any other person or convey or transfer its properties or assets substantially or as an entirety to any other person;

(f) *Disposal of Assets*

transfer, sell, lend, part with or otherwise dispose of or deal with, or grant any option over any present or future right to acquire, any of its assets or undertaking or any interest, estate, right, title or benefit therein;

(g) *Tax*

(i) become a member of a group of companies for the purposes of Section 43 of the Value Added Tax Act 1994 with any other company or group of companies, or any such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal the Value Added Tax Act 1994; or

(ii) surrender or consent to the surrender of any amounts by way of group relief within the meaning of Chapter IV of Part X of the Income and Corporation Taxes Act 1988;

(h) *Independent Director*

ratify the appointment of its Board of Directors unless at all such time at least one Director is an Independent Director;

“Independent Director” means a duly appointed member of the board of directors of the Issuer who should not have been, at the time of such appointment, or at any time in the preceding five years, (i) a direct or indirect legal or beneficial owner in the Seller, Unity, Infinity or any of their Affiliates (excluding *de minimis* ownership interests), (ii) a creditor, supplier, employee, officer, director, family member, manager, or contractor of the Seller, Unity, Infinity or any of their Affiliates, or (iii) a person who controls (whether directly, indirectly, or otherwise) the Seller, Unity, Infinity or any of their Affiliates or any creditor, supplier, employee, officer, director, manager, or contractor of the Seller, Unity, Infinity or any of their Affiliates;

(i) *Other*

permit any of the Documents, the insurance contracts relating to the Mortgages owned by the Issuer or the priority of the security interests created thereby to be amended, invalidated, rendered ineffective, terminated or discharged, or consent to any variation thereof, or exercise any powers of consent or waiver in relation thereto pursuant to the terms of the Trust Deed and these Conditions, or permit any party to any of the Documents or insurance contracts or any other person whose Loan or obligations form part of the Security to be released from such obligations, or dispose of any Loan save as envisaged in the Documents.

In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Documents or may impose such

other conditions or requirements as the Trustee may deem expedient in the interests of the Noteholders.

(4) **Interest**

(a) *Period of Accrual*

Each Note of each class bears interest from (and including) the Issue Date. Each Note shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal is improperly withheld or refused or unless default is otherwise made in respect of payment.

If any payment of principal on any Note is improperly withheld or refused upon due presentation thereof (other than in circumstances contemplated by the following paragraph), interest will continue to accrue thereon in accordance with this Condition 4 (*Interest*) (as well after as before any judgment) up to (but excluding) the date on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder, or (if earlier) the seventh day after notice is duly given by the Principal Paying Agent to such Noteholder (in accordance with Condition 14 (*Notice to Noteholders*)) that the Principal Paying Agent has received all sums due in respect of such Note (except to the extent that there is any subsequent default in payment).

In the case of any payment of principal made to the Trustee or the Principal Paying Agent after the due date of a Note or on or after accelerated maturity following an Event of Default in respect of a Note, interest will continue to accrue thereon in accordance with this Condition 4 (*Interest*) (as well after as before any judgment) up to and including the date (being not later than 30 days after the date on which such principal, together with an amount equal to the interest which has accrued and is to accrue up to and including that date, has been received by the Trustee or the Principal Paying Agent) which the Trustee determines to be the date on and after which payment is to be made to the holder thereof as stated in a notice given by the Trustee to the relevant Class(es) of Noteholders in accordance with Condition 14 (*Notice to Noteholders*).

Whenever it is necessary to compute an amount of interest in respect of any Note for any period (including an Interest Period (as defined in Condition 4(b) (*Interest Payment Dates and Interest Periods*)) below), such interest shall be calculated on the basis of actual days elapsed in a 365 day year or a 366 day year if the last day of such period falls in a leap year (in the case of the Sterling Notes) or in a 360 day year (in the case of the Euro Notes).

(b) *Interest Payment Dates and Interest Periods*

Subject to Condition 6 (*Payments*), interest on the Notes is payable in arrear on 17th June 2007 and thereafter quarterly in arrear on the 17th day of September, December, March and June in each year (or if such day is not a Business Day, the next succeeding Business Day) (each such date an “**Interest Payment Date**”).

(c) *Rate of Interest*

Subject to Condition 7, the rate of interest payable from time to time (the “**Rate of Interest**”) and the Interest Amount (as defined in Condition 4(d) (*Determination of Rates of Interest and Calculation of Interest Amounts*)) below) in respect of the Notes will be determined on the basis of the provisions set out below:

- (i) in the case of the Sterling Notes on the first day of the Interest Period to which the Rate of Interest shall apply and in the case of the Euro Notes on a day which is two

TARGET Business Days before the first day of the Interest Period to which the Rate of Interest shall apply, as the case may be (each an “Interest Determination Date”), the Agent Bank will determine the offered quotation to leading banks in the London Interbank market for three month sterling deposits (in the case of the Sterling Notes) or the rate for deposits in euro in the Eurozone market for three month euro deposits (in the case of the Euro Notes) (or, in the case of the first Interest Period, such rate shall be obtained by linear interpolation of the rate for three month and four month sterling or euro deposits respectively) by reference to the rate quoted on the Reuters LIBOR01 (in the case of the Sterling Notes) and Reuters EURIBOR01 (in the case of the Euro Notes) or:

- (A) such other page as may replace Reuters LIBOR01 or Reuters EURIBOR01, as the case may be, on that service for the purpose of displaying such information; or
 - (B) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace Telerate) as at or about 11.00 a.m. London time (in the case of the Sterling Notes) or Brussels time (in the case of the Euro Notes) on that date (the “Screen Rates” and each a “Screen Rate”). If a Screen Rate is unavailable, the Agent Bank will request the principal London office (in the case of the Sterling Notes) or, as applicable, the principal office in the Euro Zone Interbank market (in the case of the Euro Notes) of each of the Reference Banks (as defined in Condition 4(h) (*Reference Banks and Agent Bank*) below) to provide the Agent Bank with its offered quotation as at or about 11.00 a.m. London time (in the case of the Sterling Notes) or Brussels time (in the case of the Euro Notes) on that date to leading banks for three month sterling deposits (in the case of the Sterling Notes) or three month euro deposits (in the case of the Euro Notes) (or, in the case of the first Interest Period, such rate shall be obtained by linear interpolation of the rate for three month and four month sterling or euro deposits respectively). The Rate of Interest for such Interest Period shall, subject as provided below, be the Relevant Margin (as defined below) above the relevant Screen Rate or, as the case may be, above the arithmetic mean (rounded if necessary to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards) of the quotations of the Reference Banks;
- (ii) if, on the relevant Interest Determination Date, a Screen Rate is unavailable and only two of the Reference Banks provide such quotations, the Rate of Interest for the relevant Interest Period shall be determined (in accordance with (i) above) on the basis of the quotations of the two quoting Reference Banks; and
 - (iii) if, on the relevant Interest Determination Date, a Screen Rate is unavailable and only one or none of the Reference Banks provides such a quotation, then the Rate of Interest for the relevant Interest Period shall be the Reserve Interest Rate. The “Reserve Interest Rate” shall be:
 - (1) in the case of the Sterling Notes, the rate per annum which the Agent Bank determines to be either (aa) the Relevant Margin above the arithmetic mean (rounded if necessary to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards) of the sterling lending rates which leading banks in London (selected by the Agent Bank in its absolute discretion) are quoting, as at or about 11.00 a.m. London time on the relevant Interest Determination Date, for the relevant Interest Period to the Reference Banks or those of them (being at least two in number) to which such quotations are in the sole

opinion of the Agent Bank being so made or (bb) if the Agent Bank certifies that it cannot determine such arithmetic mean, the Relevant Margin above the average of the sterling lending rates which leading banks in London (selected by the Agent Bank in its absolute discretion) are quoting on the relevant Interest Determination Date to leading banks which have their head offices in London for the relevant Interest Period provided that if the Agent Bank certifies as aforesaid and further certifies that none of the banks selected as provided in (bb) above is quoting to leading banks as aforesaid, then the Reserve Interest Rate shall be the Rate of Interest in effect for the Interest Period ending on the relevant Interest Determination Date;

- (2) in the case of the Euro Notes, the rate per annum which the Agent Bank determines to be either (aa) the Relevant Margin above the arithmetic mean (rounded if necessary to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards) of the euro-lending rates which major banks in the Euro-zone (selected by the Agent Bank in its absolute discretion) are quoting, as at or about 11.00 a.m. Brussels time on the relevant Interest Determination Date for loans in euro to leading European banks for the relevant Interest Period, for the relevant Interest Period to the Reference Banks or those of them (being at least two in number) to which such quotations are in the sole opinion of the Agent Bank being so made or (bb) if the Agent Bank certifies that it cannot determine such arithmetic mean, the Relevant Margin above the average of the euro lending rates which leading banks in the Euro-zone (selected by the Agent Bank in its absolute discretion) are quoting on the relevant Interest Determination Date to leading banks which have their head offices in the Euro-zone for the relevant Interest Period provided that if the Agent Bank certifies as aforesaid and further certifies that none of the banks selected as provided in (bb) above is quoting to leading banks as aforesaid, then the Reserve Interest Rate shall be the Rate of Interest in effect for the Interest Period ending on the relevant Interest Determination Date.

For the purposes of these Conditions the “**Relevant Margin**” shall be:

- (1) for the Aa Notes 0.20 per cent. per annum for each Interest Period;
- (2) for the Ac Notes 0.20 per cent. per annum for each Interest Period;
- (3) for the Ba Notes 0.60 per cent. per annum for each Interest Period;
- (4) for the Bc Notes 0.60 per cent. per annum for each Interest Period;
- (5) for the C Notes 1.00 per cent. per annum for each Interest Period;
- (6) for the D Notes 4.00 per cent. per annum for each Interest Period;
- (7) for the E Notes 4.50 per cent. per annum for each Interest Period.

(d) *Determination of Rates of Interest and Calculation of Interest Amounts*

The Agent Bank shall, on each Interest Determination Date, determine and notify the Issuer, the Mortgage Administrator, the Cash/Bond Administrator, the Special Servicer, the Trustee, the Registrar, the Irish Stock Exchange and the other Agents of (i) the Rate of Interest applicable to the Interest Period beginning on and including the Interest Payment Date relating to such Interest Determination Date and (ii) the amount equal to the Rate of Interest in respect of each Note multiplied by the Principal Amount Outstanding of such Note and

then multiplied and divided by 365 (or 366, where the last day of such period falls in a leap year) (in the case of the Sterling Notes), or 360 (in the case of the Euro Notes) (the “**Interest Amount**”) payable in respect of such Interest Period in respect of each Note.

(e) *Publication of Rate of Interest, Interest Amount and other Notices*

As soon as practicable after receiving notification thereof, the Issuer will cause the Rate of Interest and the Interest Amount for each Interest Period applicable to each Class of Notes and the immediately succeeding Interest Payment Date to be notified to each stock exchange (if any) on which the Notes are then listed and will cause notice thereof to be given in accordance with Condition 14 (*Notice to Noteholders*). The Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Interest Period.

(f) *Determination or Calculation by Trustee*

If the Agent Bank does not at any time for any reason determine the Rate of Interest and/or calculate the Interest Amount in accordance with the foregoing paragraphs, the Trustee or an agent on its behalf shall (i) determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and/or (as the case may be) (ii) calculate the Interest Amount in the manner specified in paragraph (d) above, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

(g) *Notifications to be Final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition, whether by the Reference Banks (or any of them) or the Agent Bank or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Mortgage Administrator, the Cash/Bond Administrator, the Special Servicer, the Interest Rate Swap Counterparty, the Currency Swap Counterparty, the Interest Rate Cap Counterparty, the Reference Banks, the Agent Bank, the Trustee and all Noteholders and (in such absence as aforesaid) no liability to the Trustee, the Noteholders shall attach to the Issuer, to the Reference Banks, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

(h) *Reference Banks and Agent Bank*

The Issuer shall ensure that, so long as any of the Sterling Notes remains outstanding, there shall at all times be three Reference Banks and an Agent Bank. The initial Reference Banks in respect of the Sterling Notes shall be the principal London office of each of Barclays Bank PLC (registered office at registered address 1 Churchill Place, London E14 5HP), The Royal Bank of Scotland plc (place of business 135 Bishopsgate, London EC2M 3UR) and HSBC Bank plc (registered address 8 Canada Square, London E14 5HQ) (together the “**Reference Banks**”). The initial Agent Bank shall be HSBC Bank plc, 8 Canada Square, London, E14 5HQ. In the event of the principal London office of any such bank being unable or unwilling to continue to act as a Reference Bank in respect of the Sterling Notes or in the event of HSBC Bank plc being unwilling to act as the Agent Bank, the Issuer shall appoint such other bank as may be approved by the Trustee to act as such in its place. The Agent Bank may not resign until a successor approved by the Trustee has been appointed. The Issuer shall ensure that, so long as any of the Euro Notes remains outstanding, there shall at all times be three Reference Banks. The initial Reference Banks in respect of the Euro Notes shall be the principal Euro-zone office of each of Barclays Bank PLC, The Royal Bank of Scotland plc

and HSBC Bank plc. In the event of the principal Euro-zone office of any such bank being unable or unwilling to continue to act as a Reference Bank, the Issuer shall appoint such other bank as may be approved by the Trustee to act as such in its place.

(i) *Interpretation*

In these Conditions:

“**Business Day**” means (i) a day (other than Saturday or Sunday) which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and (ii) a day on which the TARGET System is operating.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer system; and

“**TARGET Business Day**” means a day on which the TARGET system settles payment in euro.

The period from (and including) an Interest Payment Date (or the Issue Date) to (but excluding) the next (or first) Interest Payment Date is called an “**Interest Period**” in these Conditions.

(5) **Redemption and Post Enforcement Call Option**

(a) *Final Redemption*

Unless previously redeemed as provided in this Condition, the Issuer shall redeem:

- (i) the Aa Notes at their Principal Amount Outstanding including all accrued but unpaid interest on the Interest Payment Date falling in June 2039;
- (ii) the Ac Notes at their Principal Amount Outstanding including all accrued but unpaid interest on the Interest Payment Date falling in June 2039;
- (iii) the Ba Notes at their Principal Amount Outstanding including all accrued but unpaid interest on the Interest Payment Date falling in June 2039;
- (iv) the Bc Notes at their Principal Amount Outstanding including all accrued but unpaid interest on the Interest Payment Date falling in June 2039;
- (v) the C Notes at their Principal Amount Outstanding including all accrued but unpaid interest on the Interest Payment Date falling in June 2039;
- (vi) the D Notes at their Principal Amount Outstanding including all accrued but unpaid interest on the Interest Payment Date falling in June 2039;
- (vii) the E Notes at their Principal Amount Outstanding including all accrued but unpaid interest on the Interest Payment Date falling in June 2039;

(any such Interest Payment Date, the “**Final Redemption Date**” in respect of the relevant Class).

(b) *Mandatory Redemption in Part of the Notes*

On each Interest Payment Date prior to the enforcement of the Security, other than the Interest Payment Date on which the Notes are to be redeemed under paragraph (a) (*Final Redemption*) above or (e) (*Mandatory Redemption upon exercise of Purchase Option*) or (f) (*Mandatory Redemption for Tax Reasons*) below, the Issuer shall apply an amount equal to the Actual Redemption Funds (as defined below) as at the date which falls five Business Days prior to such Interest Payment Date (each such date a “**Determination Date**”) in making payment in the following priority (the “**Redemption Priority**”) (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (i) in redeeming, *pari passu* and *pro rata* (in accordance with the Sterling Equivalent Principal Amount Outstanding of each) the A Notes until the Interest Payment Date on which the A Notes have been redeemed in full (which, in respect of the Ac Notes, shall be effected by payment of the amount of Actual Redemption Funds available to be applied in redeeming the Ac Notes to the Currency Swap Counterparty under the terms of the Ac Currency Swap Agreement in exchange for its Euro equivalent calculated by reference to the Currency Swap Rate and such Euro amount shall be applied by the Issuer to redeem the Ac Notes);
- (ii) after the A Notes have been redeemed in full, in redeeming, *pari passu* and *pro rata*, (in accordance with the Sterling Equivalent Principal Amount Outstanding of each) the B Notes until the Interest Payment Date on which the B Notes have been redeemed in full (which shall be effected by payment of the amount of Actual Redemption Funds available to be applied in redeeming the Bc Notes to the Currency Swap Counterparty under the terms of the Bc Currency Swap Agreement in exchange for its Euro equivalent calculated by reference to the Currency Swap Rate and such Euro amount shall be applied by the Issuer to redeem the Bc Notes);
- (iii) after the A Notes and the B Notes have been redeemed in full, in redeeming, *pari passu* and *pro rata*, the C Notes until the Interest Payment Date on which the C Notes have been redeemed in full; and
- (iv) after the A Notes, the B Notes and the C Notes have been redeemed in full, in redeeming, *pari passu* and *pro rata*, the D Notes until the Interest Payment Date on which the D Notes have been redeemed in full,

provided always that the Actual Redemption Funds shall not be applied in accordance with the Redemption Priority but shall instead be applied on any such Interest Payment Date immediately succeeding a Determination Date on which the Performance Conditions are satisfied, *pari passu* and *pro rata* (in accordance with the Sterling Equivalent Principal Amount Outstanding of each) between the B Notes, C Notes and D Notes outstanding provided that, if at any time the aggregate Sterling Equivalent Principal Amount Outstanding of the Rated Notes is less than 10% of the initial aggregate Sterling Equivalent Principal Amount Outstanding of the Rated Notes, the Redemption Priority shall apply;

“**Relevant Exchange Rate**” means in relation to a Note or Class of Notes the exchange rate specified in the relevant Currency Swap Agreement relating to such Note or Class of Notes or, if that Currency Swap Agreement has terminated, the applicable spot rate; and

“**Sterling Equivalent Principal Amount Outstanding**” means (a) in relation to a Note or Class of Notes which is denominated in a currency other than sterling, the sterling equivalent of the Principal Amount Outstanding of such Note or Class of Notes ascertained using the Relevant Exchange Rate relating to such Notes, and (b) in relation to any other Note or Class of Notes, the Principal Amount Outstanding of such Note or Class of Notes.

The Cash/Bond Administrator is responsible, pursuant to the Cash/Bond Administration Agreement, for determining the amount of the Actual Redemption Funds and the Available Capital Funds as at any Determination Date and each determination so made shall (in the absence of negligence, wilful default, bad faith or manifest error) be final and binding on the Issuer, the Interest Rate Swap Counterparty, the Interest Rate Cap Counterparty, the Special Servicer, the Mortgage Administrator, the Trustee, all Noteholders and no liability to the Noteholders shall attach to the Issuer, the Trustee or (in such absence as aforesaid) to the Cash/Bond Administrator in connection therewith.

On each Determination Date, the aggregate of (a) the amount of Further Advances which it has been agreed will be advanced to Borrowers by Infinity which will be purchased by the Issuer from the Seller (but which have not yet been advanced) as at the relevant Determination Date and (b) the amount which the Seller anticipates it will require to acquire future (but uncommitted) Further Advances made by Infinity which will be purchased by the Issuer from the Seller, such amount (in respect of this item (b) only) not to be greater than £250,000 (such aggregate amount, the “**Committed Further Advances**”) will be transferred from the Principal Ledger to a ledger for that purpose (the “**Further Advances Ledger**”). Available Capital Funds (as defined below) may be applied or set aside by the Issuer on any day for the making of Further Advances after any amounts then standing to the credit of the Further Advances Ledger have been exhausted.

For the purposes of the foregoing:

The amount of “**Actual Redemption Funds**” as at any Determination Date is an amount calculated as the aggregate of:

- (i) the amount standing to the credit of the Principal Ledger and the amount (if any) standing to the credit of the Further Advances Ledger (before the transfer of the Committed Further Advances calculated on that Determination Date from the Principal Ledger) in each case as at the last Business Day of the month immediately preceding such Determination Date;
- (ii) the amount (if any) calculated on that Determination Date pursuant to the Pre-Enforcement Priority of Payments to be the amount by which the debit balance on any sub-ledger of the Principal Deficiency Ledger is expected to be reduced by the application of Available Revenue Funds (such amount being the “**Note Pro-Rata Redemption Amount**” as defined in Condition 2(f)) on the immediately succeeding Interest Payment Date;
- (iii) the amount in respect of principal (if any) to be received by the Issuer from the Currency Swap Counterparty under the Currency Swap Agreements on the immediately succeeding Interest Payment Date;
- (iv) (as at the first Determination Date only) the amount (if any) standing to the credit of the Prefunding Ledger on the first Interest Payment Date which is not allocated for the purchase of Prefunded Loans on the first Interest Payment Date,

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- (v) the Committed Further Advances calculated on such Determination Date.

“**Available Capital Funds**” means, on any day during an Interest Period (including on a Determination Date), an amount represented by:

- (i) the amount standing to the credit of the Principal Ledger at the close of business on the preceding day, *less*

in the period between the last Business Day of the month immediately preceding a Determination Date and the application of such Actual Redemption Funds:

- (ii) the amount of such Actual Redemption Funds calculated on the relevant Determination Date.

The amount of Actual Redemption Funds will be applied to redeem the Notes in the order provided in this Condition 5(b) (*Mandatory Redemption in Part of the Notes*) above.

The “**Performance Conditions**” will be satisfied as of a Determination Date if:

- (i) the Trigger Ratio is satisfied (see below);
- (ii) on such Determination Date the aggregate Balances of all Loans in the Mortgage Pool that are 90 days or more in arrears (including Repossession Loans) as a percentage of the aggregate Current Balances of all Loans in the Mortgage Pool does not exceed 20 per cent. (or such greater percentage as decided by the Issuer from time to time and with Rating Agency Confirmation upon the basis that such increase will not adversely affect the then current ratings of the Rated Notes);
- (iii) there is no Principal Deficiency;
- (iv) the balance of the Reserve Fund is at the Reserve Fund Required Amount; and
- (v) the Liquidity Drawn Amount is zero.

The “**Trigger Ratio**” shall be satisfied if X/Y (expressed as a percentage) is less than $P/2Q$ (expressed as a percentage), where:

X = the aggregate Sterling Equivalent Principal Amount Outstanding of the A Notes on the Determination Date on which the Trigger Ratio is to be calculated

Y = the aggregate Sterling Equivalent Principal Amount Outstanding of the B Notes, C Notes and the D Notes on the Determination Date on which the Trigger Ratio is to be calculated

P = the aggregate Sterling Equivalent Principal Amount Outstanding of the A Notes on the Issue Date

Q = the aggregate Sterling Equivalent Principal Amount Outstanding of the B Notes, C Notes and the D Notes on the Issue Date.

(c) *Redemption of the E Notes*

On each Interest Payment Date, other than the Interest Payment Date on which the E Notes are to be redeemed under paragraphs (a) above or (e) or (f) below, the Issuer shall apply an amount equal to the amounts available under item (xvii) in the Pre-Enforcement Priority of Payments to redeem the E Notes in accordance with the terms of the Cash/Bond Administration Agreement. On the first Interest Payment Date an amount equal to the Prefunding Release Amount will be applied to redeem the Class E Notes in accordance with the provisions of the Cash/Bond Administration Agreement.

(d) *Note Principal Payments, Principal Amount Outstanding and Pool Factor*

The principal amount so redeemable in respect of each Rated Note of each Class (the “**Note Principal Payment**”) on any Interest Payment Date under paragraph (b) (*Mandatory Redemption in Part of the Notes*) above shall be the amount calculated on the Determination Date immediately preceding that Interest Payment Date to be applied in redemption of Rated Notes of that Class (in the case of the Euro Notes, converted into Euro pursuant to the relevant Currency Swap Agreement) allocated *pro rata* between the Rated Notes of that Class outstanding on the relevant Interest Payment Date (rounded down to the nearest pound Sterling or Euro, as the case may be) provided always that no such Note Principal Payment may exceed the Rated Notes Principal Amount Outstanding of the relevant Rated Note (in the case of the Euro Notes, converted into Euro pursuant to the Currency Swap Agreements).

The principal amount redeemable in respect of each E Note (the “**E Note Principal Payment**”) on any Interest Payment Date under paragraph (b) above shall be the amount of the funds available on the Determination Date immediately preceding that Interest Payment Date to be applied in redemption of the E Notes divided by the number of E Notes outstanding on the relevant Payment Date (rounded down to the nearest pound); provided always that no such E Note Principal Payment may exceed the E Note Principal Amount Outstanding of the relevant E Note.

With respect to each of the Rated Notes on (or as soon as practicable after) each Determination Date, the Issuer shall determine (or cause the Cash/Bond Administrator to determine):

- (i) the amount of any Note Principal Payment due on the Interest Payment Date next following such Determination Date;
- (ii) the Principal Amount Outstanding (as defined below) of each Note of such Class on the Interest Payment Date next following such Determination Date (after deducting any Note Principal Payment due to be made on that Interest Payment Date (the “**Rated Notes Principal Amount Outstanding**”)); and
- (iii) the fraction expressed as a decimal to the sixth point (the “**Pool Factor**”), of which the numerator is the Principal Amount Outstanding of a Note of that Class (as referred to in (ii) above) and the denominator is the denomination of the Note. Each determination by or on behalf of the Issuer of any Note Principal Payment, the Rated Notes Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

With respect to each E Note on (as soon as practicable after) each Determination Date, the Issuer shall determine (or cause the Cash/Bond Administrator to determine) (i) the amount of any E Note Principal Payment due on the Interest Payment Date next following such Determination Date, (ii) the principal amount outstanding of each E Note on the Interest Payment Date next following such Determination Date (after deducting any E Note Principal Payment due to be made on that Interest Payment Date) (the “**E Note Principal Amount Outstanding**” and, together with the Rated Notes Principal Amount Outstanding, the “**Principal Amount Outstanding**”) and (iii) the fraction expressed as a decimal to the sixth point (the “**E Note Pool Factor**”), of which the numerator is the E Note Principal Amount Outstanding (as referred to in (ii) above) and the denominator is the denomination of the E Note. Each determination by or on behalf of the Issuer of any E Note Principal Payment, the E Note Principal Amount Outstanding and the E Note Pool Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

With respect to each Class of Notes, the Issuer will cause each determination of a Note Principal Payment, Rated Notes Principal Amount Outstanding and Pool Factor or E Note Principal Payment, E Note Principal Amount Outstanding and E Note Pool Factor (as the case may be) to be notified forthwith to the Trustee, the Agents and (for so long as the Notes are listed on one or more stock exchanges) the relevant stock exchanges, and will immediately cause notice of each such determination to be given in accordance with Condition 14 (*Notice to Noteholders*) by not later than one Business Day prior to the relevant Interest Payment Date. If no Note Principal Payment or E Note Principal Payment is due to be made on the Notes of any class on any Interest Payment Date, a notice to this effect will be given to the Noteholders.

If the Issuer does not at any time for any reason determine (or cause the Cash/Bond Administrator to determine) with respect to each Class of Notes, a Note Principal Payment, the Notes Principal Amount Outstanding or the Pool Factor, or the E Note Principal Amount Outstanding or the E Note Pool Factor (as the case may be) in accordance with the preceding provisions of this paragraph, such determination may be determined by the Trustee in accordance with this paragraph and each such determination or calculation shall be deemed to have been made by the Issuer.

(e) *Mandatory Redemption upon exercise of Purchase Option*

On any Interest Payment Date following receipt by the Issuer of a notice from the Mortgage Administrator (on the instructions of the Special Servicer) that the Special Servicer intends to exercise its option under the Special Servicer Agreement to purchase the remaining Loans from the Issuer on any Interest Payment Date following a date on which the aggregate Sterling Equivalent Principal Amount Outstanding of the Rated Notes is less than 10 per cent. of the initial aggregate Sterling Equivalent Principal Amount Outstanding of the Rated Notes the Issuer will upon giving no more than 60 nor less than 30 days' notice to the Trustee, the Paying Agents and the Noteholders in accordance with Condition 14 (*Notice to Noteholders*), redeem all (but not some only) of the Rated Notes at their Rated Notes Principal Amount Outstanding and all (but not some only) of the E Notes at their E Note Principal Amount Outstanding including all accrued but unpaid interest provided that prior to giving any such notice, the Issuer shall have provided to the Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the Notes as aforesaid.

(f) *Mandatory Redemption for Tax Reasons*

If:

(i) the Issuer at any time satisfies the Trustee immediately prior to the giving of the notice referred to below that either:

(A) on the next Interest Payment Date the Issuer would be required by reason of a change in law or published practice relating thereto, or the interpretation or administration thereof to deduct or withhold from any payment of principal or interest on the Notes (other than in respect of default interest), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein; or

(B) on the next Interest Payment Date the Issuer, the Interest Rate Swap Counterparty, the Currency Swap Counterparty or the Interest Rate Cap Counterparty would be required by reason of a change of law, or the

interpretation or administration thereof, to deduct or withhold from any payment under any Interest Rate Swap Agreement, Currency Swap Agreement or Interest Rate Cap Agreement any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein; or

(C) the total amount payable in respect of interest in relation to any of the Loans during an Interest Period ceases to be receivable (whether by reason of any Borrower being obliged to deduct or withhold any amount in respect of tax therefrom or otherwise, and whether or not actually received) by the Issuer during such Interest Period; and

- (ii) (a) the Trustee is of the opinion that such changes would be materially prejudicial to the interest of the Noteholders, or (b) the Trustee seeks and obtains the approval of the Most Senior Class of Noteholders (as defined below) to redeem the Notes, such approval to be given by way of an Extraordinary Resolution of the Most Senior Class of Noteholders passed in accordance with the provisions of the Trust Deed (for the avoidance of doubt, if the Trustee chooses to seek the approval of the Most Senior Class of Noteholders, the decision of the Most Senior Class of Noteholders shall prevail irrespective of whether the Trustee is nevertheless of the opinion that such changes would be or would not be materially prejudicial to the interests of the Noteholders and in no event should the Trustee be liable for any loss incurred by any person by reason of any delay in seeking such approval),

then provided that it has sufficient funds, the Issuer may, having given not more than 60 nor less than 30 days' written notice to the Trustee and the Noteholders in accordance with Condition 14 (*Notice to Noteholders*), redeem all (but not some only) of the Rated Notes on any Interest Payment Date at their Rated Notes Principal Amount Outstanding and all (but not some only) of the E Notes at their E Note Principal Amount Outstanding including all accrued but unpaid interest provided that, prior to giving any such notice, the Issuer shall have provided to the Trustee:

- (1) a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to the interest of any other person, required to redeem the Notes as aforesaid; and
- (2) if appropriate, a legal opinion (in form and substance satisfactory to the Trustee) from a firm of lawyers in England (approved in writing by the Trustee) opining on the relevant changes in tax law (or interpretation or administration or practice thereof).

Any certificate or legal opinion given by or on behalf of the Issuer may be relied on by the Trustee and shall be conclusive and binding on the Noteholders and the Trustee shall have no liability for acting on such reliance.

"Most Senior Class of Noteholders" means the A Noteholders, whilst the A Notes remain outstanding, and after the redemption in full of the A Notes, the B Noteholders whilst the B Notes remain outstanding, and after the redemption in full of the B Notes, the C Noteholders whilst the C Notes remain outstanding, and after the redemption in full of the C Notes, the D Noteholders whilst the D Notes remain outstanding, and after the redemption in full of the D Notes, the E Noteholder whilst the E Notes remain outstanding.

(g) *Purchase*

The Issuer shall not purchase any Notes.

(h) *Cancellation*

All Notes redeemed pursuant to paragraph (e) (*Mandatory Redemption upon exercise of Purchase Option*) or (f) (*Mandatory Redemption for Tax Reasons*) above will be cancelled upon redemption and may not be resold or re-issued.

(i) *Post Enforcement Call Option*

All the Noteholders will, at the request of Landmark Mortgage Securities No.2 Options Limited (“**Options Limited**”), sell all (but not some only) of their holdings of Relevant Notes (as defined below) to Options Limited for a consideration of one penny per Sterling Note and one Euro cent per Euro Note outstanding in the event that the Security for the Notes is enforced and that after payment of all other claims ranking in priority to the Notes and after the application of any such proceeds to the Notes under the Deed of Charge the Trustee determines that the proceeds of such enforcement are insufficient, to pay any further principal and/or interest and any other amounts whatsoever due in respect of the Notes (“**Relevant Notes**” being, for the purposes of this paragraph (i) (*Post Enforcement Call Option*), all Notes outstanding after such payment).

Furthermore, by purchasing any Note, each Noteholder grants to the Trustee, and acknowledges that the Trustee has, the authority and the power (without warranty, responsibility or liability on the part of the Trustee) to bind such Noteholder in accordance with the provisions set out in the Post Enforcement Call Option and such Noteholder irrevocably agrees to be so bound.

Notice of such determination will be given by the Trustee to the Noteholders in accordance with Condition 14 (*Notice to Noteholders*). The consideration will be paid against presentation of Notes in the same manner as payment of principal under these Conditions.

(6) **Payments**

(a) *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. A record of each payment so made distinguishing, between payments of principal and payments of interest and, in the case of partial payments, of the amount of each partial payment, will be endorsed on the schedule to the relevant Global Note by or on behalf of the relevant Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made.

Payments in respect of the Global Notes will be paid, in the case of the Global Notes representing the Sterling Notes, in Sterling, or, in the case of the Reg S Global Notes representing the Euro Notes, in Euro, to holders of interests in such Reg S Global Notes.

(b) *Definitive Notes*

Payments of principal and interest (except where, after such payment, the unpaid principal amount of the relevant Definitive 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 or interest, as the case may be, will be made against surrender of such Note)) :

- (i) in respect of Definitive Sterling Notes will be made by sterling cheque drawn on a bank in London; or
- (ii) in respect of Definitive Euro Notes will be made by euro cheque drawn on a bank in the Euro Zone Interbank market,

posted to the holder (or to the first-named of joint holders) of such Definitive Note at the address shown in the Register. If any payment due in respect of any Definitive Note is not paid in full, the Registrar will annotate the Register with a record of the amount, if any, paid. For the purposes of this Condition 6 (*Payment*), the holder of a Definitive Note will be deemed to be the person shown as the holder (or the first-named of joint holders) on the Register on the fifteenth day before the due date for such payment (the “**Record Date**”).

Upon application by the holder of a Definitive Note to the specified office of the Registrar not later than the Record Date for payment in respect of such Definitive Note, such payment will be made by transfer either to (i) in the case of a Definitive Sterling Note, a sterling account maintained by the payee with a branch of a bank in London; or (ii) in the case of a Definitive Euro Note, a euro account maintained by the payee with a branch of a bank in the Euro Zone Interbank market. Any such application for transfer to such 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.

(c) *Payments*

Payments of principal and interest in respect of the Notes and, for the avoidance of doubt, the Coupons are subject in all cases to any fiscal or other laws and regulations applicable thereto. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Surrender*

Upon the date on which any Note becomes due and payable in full, all unmatured Coupons appertaining thereto (whether or not attached to such Note) shall become void and no payment or, as the case may be, exchange shall be made in respect thereof. If the due date for redemption of any Note is not an Interest Payment Date, accrued interest will be paid only against presentation (and, in the case of final redemption, surrender) of such Note.

(e) *Accrual of interest*

If payment of principal is improperly withheld or refused or default is otherwise made in respect of such payment, the interest which continues to accrue in respect of the relevant Note in accordance with Condition 4(a) (*Period of Accrual*) will be paid against presentation of such Note at the specified office of any Paying Agent (located outside the United States and its possessions).

(f) *Agents*

The initial Principal Paying Agent, the initial Irish Paying Agent, the initial Registrar and their initial specified offices are set out at the end of these Conditions. 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 Registrar or of any Paying Agent and appoint an additional or other Registrar or Paying Agent. The Issuer will at all times maintain, (i) a Principal Paying Agent with a specified office in London, (ii) so long as the Notes are admitted to the Official List

and trading on the Irish Stock Exchange, a Paying Agent with a specified office in Ireland, and (iii) an Agent Bank. The Issuer will cause at least 14 days' notice of any change in or addition to the Registrar or any Paying Agent or their specified offices to be given in accordance with Condition 14 (*Notice to Noteholders*). The Issuer undertakes that to the extent that it is possible to do so, it will ensure that it maintains a paying agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

(g) *Business Day for payment*

If any Note is presented for payment on a day which is not a day on which banks are open for business (other than Saturday or Sunday) in the location of the Paying Agent to whom such presentation is made, payment will not be made until the next succeeding Business Day in that location and no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Note.

(h) *Deferral of interest*

In the event that the aggregate funds, if any (computed in accordance with the provisions of the Cash/Bond Administration Agreement), available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, but for this Condition:

- (i) for so long as the A Notes are outstanding, due on the B Notes, the C Notes, the D Notes and the E Notes on such Interest Payment Date, are not sufficient to satisfy in full the aggregate amount of interest which is, but for this Condition, otherwise due on the B Notes, the C Notes, the D Notes and the E Notes as the case may be on such Interest Payment Date or payment of interest on the B Notes, the C Notes, the D Notes and the E Notes is not made as contemplated in Condition 2(f)(vii), then notwithstanding any other provision of these Conditions, to the extent possible there shall be payable on such Interest Payment Date by way of interest on each B Note, C Note, D Note or E Notes a *pro rata* share of such aggregate funds calculated by reference to the ratio borne by the then Sterling Equivalent Principal Amount Outstanding of such B Note, C Note, D Note or E Note to the then aggregate Sterling Equivalent Principal Amount Outstanding of all B Notes, C Notes, D Notes and E Notes and otherwise, no payment of interest shall be made in accordance with Condition 2(f)(vii);
- (ii) for so long as the B Notes are outstanding, due on the C Notes, the D Notes and the E Notes on such Interest Payment Date, are not sufficient to satisfy in full the aggregate amount of interest which is, but for this Condition, otherwise due on the C Notes, the D Notes and the E Notes as the case may be on such Interest Payment Date or payment of interest on the C Notes, the D Notes and the E Notes is not made as contemplated in Condition 2(f)(ix), then notwithstanding any other provision of these Conditions, to the extent possible there shall be payable on such Interest Payment Date by way of interest on each C Note, D Note or E Note a *pro rata* share of such aggregate funds calculated by reference to the ratio borne by the then Principal Amount Outstanding of such C Note, D Note or E Note to the then aggregate Principal Amount Outstanding of all C Notes, D Notes and E Notes and otherwise, no payment of interest shall be made in accordance with Condition 2(f)(ix);
- (iii) for so long as the C Notes are outstanding, due on the D Notes and the E Notes on such Interest Payment Date, are not sufficient to satisfy in full the aggregate amount of interest which is, but for this Condition, otherwise due on the D Notes and the E

Notes as the case may be on such Interest Payment Date or payment of interest on the D Notes and the E Notes is not made as contemplated in Condition 2(f)(xi), then notwithstanding any other provision of these Conditions, to the extent possible there shall be payable on such Interest Payment Date by way of interest on each D Note or E Note a *pro rata* share of such aggregate funds calculated by reference to the ratio borne by the then Principal Amount Outstanding of such D Note or E Note to the then aggregate Principal Amount Outstanding of all D Notes and E Notes and otherwise, no payment of interest shall be made in accordance with Condition 2(f)(xi);

- (iv) for so long as the D Notes are outstanding, due on the E Notes on such Interest Payment Date, are not sufficient to satisfy in full the aggregate amount of interest which is, but for this Condition, otherwise due on the E Notes as the case may be on such Interest Payment Date or payment of interest on the E Notes is not made as contemplated in Condition 2(f)(ix), then notwithstanding any other provision of these Conditions, to the extent possible there shall be payable on such Interest Payment Date by way of interest on each E Note a *pro rata* share of such aggregate funds calculated by reference to the ratio borne by the then Principal Amount Outstanding of such E Note to the then aggregate Principal Amount Outstanding of all E Notes and otherwise, no payment of interest shall be made in accordance with Condition 2(f)(ix);

(i) *Interest Shortfall*

The amount by which the aggregate amount of interest paid on the B Notes, the C Notes, the D Notes and the E Notes on any Interest Payment Date in accordance with these Conditions falls short of the aggregate amount of interest which would be otherwise payable on such Notes on that date (the “**Interest Shortfall**”) shall accrue interest during each Interest Period during which it remains outstanding at the Rate of Interest for such Interest Period. A *pro rata* share of the Interest Shortfall (together with interest thereon) calculated by reference to the ratio borne by the then Sterling Equivalent Principal Amount Outstanding of such B Note, C Note, D Note and/or E Note (as the case may be) to the Sterling Equivalent Principal Amount Outstanding of all the B Notes, C Notes, D Notes and/or E Notes (as the case may be) shall be aggregated within the amount of, and treated for the purpose of this Condition as if it were, interest due on each B Note or, as the case may be, C Note, D Note or E Note on the next succeeding Interest Payment Date. This provision and the paragraph above shall cease to apply in respect of a Class on the Final Redemption Date of that Class or upon any redemption under Condition 5(e) (*Mandatory Redemption upon exercise of Purchase Option*) or 5(f) (*Mandatory Redemption for Tax Reasons*) when in each case all accrued but unpaid interest will be due and payable.

(j) *Coupons void*

On the redemption of any Note, all unmatured Coupons relating thereto shall become void.

(7) **Prescription**

Claims for principal in respect of Global Notes shall become void unless the relevant Global Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Global Notes shall become void unless the relevant Global Notes are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest in respect of Definitive Notes shall become void unless made within ten years, in the case of principal, and five years, in the case of interest, of the appropriate Relevant Date.

In this Condition 7 (*Prescription*), the “**Relevant Date**” means the date on which a payment first becomes due but, if the full amount of the money payable has not been received by the Paying Agent or the Trustee on or prior to such date, it means the date on which the full amount of such money shall have been so received and notice to that effect shall have been duly published in accordance with Condition 14 (*Notice to Noteholders*).

(8) Taxation

All payments in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless such withholding or deduction is required by applicable law. In that event the Issuer or the relevant Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Paying Agents nor the Issuer will be obliged to make any additional payments to holders of Notes in respect of such withholding or deduction.

(9) Events of Default

(a) Event of Default

The Trustee in its absolute discretion may, and if so requested in writing by:

- (1) the holders of not less than 25 per cent. in aggregate Sterling Equivalent Principal Amount Outstanding of the A Notes then outstanding; or
- (2) if no A Notes are outstanding, the holders of not less than 25 per cent. in aggregate Sterling Equivalent Principal Amount Outstanding of the B Notes then outstanding; or
- (3) if no A Notes or B Notes are outstanding, the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the C Notes then outstanding; or
- (4) if no A Notes, B Notes or C Notes are outstanding, the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the D Notes then outstanding; or
- (5) if no A Notes, B Notes, C Notes or D Notes are outstanding, the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the E Notes then outstanding,

or if so directed by or pursuant to an Extraordinary Resolution (as defined in the Trust Deed, which for the avoidance includes a resolution in writing signed by or on behalf of all of the Noteholders of the relevant Class or Classes, as the case may be) of the holders of the A Notes or, if no A Notes are outstanding, the then Most Senior Class of Noteholders, (subject to the Trustee being indemnified and/or secured to its satisfaction) shall give notice to the Issuer declaring the Notes to be due and repayable at any time after the occurrence of any of the following events (each an “**Event of Default**”):

- (i) default by the Issuer being made for a period of ten Business Days in the payment of the principal of or any interest on any Note in each case when and as the same ought to be paid in accordance with these Conditions; or
- (ii) the Issuer failing duly to perform or observe any other obligation binding upon it under the Notes or the Trust Deed, or the Issuer, the Mortgage Administrator, the Special Servicer or the Cash/Bond Administrator failing duly to perform or observe

any obligation binding on it under the Mortgage Administration Agreement, the Special Servicer Agreement, the Cash/Bond Administration Agreement, or the Deed of Charge and, in any such case (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy in which case no notice will be required) such failure is continuing for a period of 30 days following the service by the Trustee on the Issuer, the Mortgage Administrator, the Special Servicer or the Cash/Bond Administrator (as the case may require) of notice requiring the same to be remedied; or

- (iii) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in sub-paragraph (iv) below, ceasing or, through an official action of the Board of Directors of the Issuer, threatening to cease to carry on business or being unable to pay its debts as and when they fall due; or
- (iv) an order being made or an effective resolution being passed for the winding-up of the Issuer except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Trustee or by an Extraordinary Resolution of the holders of the A Notes or if no A Notes are outstanding, the then Most Senior Class of Noteholders; or
- (v) proceedings being otherwise initiated against the Issuer under any applicable liquidation, administration, voluntary arrangement or other similar insolvency procedure (including, but not limited to, presentation of a petition for the appointment of an administrator or liquidator) and such proceedings not, in the opinion of the Trustee, being disputed in good faith with a reasonable prospect of success, or an administrator being appointed, or a receiver, liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer, or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the Issuer, or a distress or diligence or execution or other process being levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) not being discharged or not otherwise ceasing to apply within 30 days, or the Issuer initiating or consenting to judicial proceedings relating to itself under applicable liquidation, administration, voluntary arrangement or other similar insolvency procedure or making a conveyance or assignment for the benefit of its creditors generally;

provided that, in the case of each of the events described in sub-paragraph (ii), (iii) or (v) of this paragraph (a) (*Event of Default*), the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders.

(b) *Acceleration*

Upon any declaration being made by the Trustee in accordance with paragraph (a) (*Event of Default*) above that the Notes are due and repayable, the Rated Notes shall immediately become due and repayable at their Rated Notes Principal Amount Outstanding and the E Notes shall immediately become due and repayable at their E Note Principal Amount Outstanding, together with accrued interest as provided in the Trust Deed and the Security shall become enforceable as provided in the Trust Deed and the Deed of Charge.

(10) **Enforcement of Notes**

At any time after the Notes have become due and repayable and without prejudice to its rights of enforcement in relation to the Security, the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce payment

of the Notes together with accrued interest, but it shall not be bound to take any such proceedings unless:

- (a) it shall have been so directed by an Extraordinary Resolution of the holders of the A Notes, the B Notes, the C Notes, the D Notes or the E Notes, or by a notice in writing signed by the holders of at least 25 per cent. in aggregate of the Sterling Equivalent Principal Amount Outstanding of either the A Notes, the B Notes, the C Notes, the D Notes, or the E Notes as applicable, then outstanding; and
- (b) it shall have been indemnified and/or secured to its satisfaction against all actions, proceedings, claims, demands, liabilities, losses, costs, charges, damages and expenses to which it may thereby render itself liable and all liabilities, losses, costs, charges, damages and expenses which it may incur by so doing,

provided that:

- (i) so long as any of the A Notes remains outstanding, the Trustee shall not be bound to act at the direction of the B Noteholders or the Noteholders of any Class ranking below the B Noteholders unless to do so would not in the opinion of the Trustee be materially prejudicial to the interests of the A Noteholders or the Trustee has been directed to take such action by, or such action has been sanctioned by, an Extraordinary Resolution of the A Noteholders or by a notice in writing signed by the holders of at least 25 per cent. in aggregate of the Sterling Equivalent Principal Amount Outstanding of the A Notes then outstanding;
- (ii) so long as any of the B Notes remains outstanding, the Trustee shall not be bound to act at the direction of the C Noteholders or the Noteholders of any Class ranking below the C Noteholders unless to do so would not in the opinion of the Trustee be materially prejudicial to the respective interests of the A Noteholders and the B Noteholders or the Trustee has been directed to take such action by, or such action has been sanctioned by, Extraordinary Resolutions of each of the A Noteholders and the B Noteholders or by a notice in writing signed by the holders of at least 25 per cent. in aggregate of the Sterling Equivalent Principal Amount Outstanding of each of the A Notes and the B Notes then outstanding;
- (iii) so long as any of the C Notes remains outstanding, the Trustee shall not be bound to act at the direction of the D Noteholders or the Noteholders of any Class ranking below the D Noteholders unless to do so would not in the opinion of the Trustee be materially prejudicial to the respective interests of the A Noteholders, the B Noteholders and the C Noteholders or the Trustee has been directed to take such action by, or such action has been sanctioned by, Extraordinary Resolutions of each of the A Noteholders, the B Noteholders and the C Noteholders or by a notice in writing signed by the holders of at least 25 per cent. in aggregate of the Sterling Equivalent Principal Amount Outstanding of each of the A Notes, the B Notes and the C Notes then outstanding;
- (iv) so long as any of the D Notes remains outstanding, the Trustee shall not be bound to act at the direction of the E Noteholders unless to do so would not in the opinion of the Trustee be materially prejudicial to the respective interests of the A Noteholders, the B Noteholders, the C Noteholders and the D Noteholders or the Trustee has been directed to take such action by, or such action has been sanctioned by, Extraordinary Resolutions of each of the A Noteholders, the B Noteholders, the C Noteholders and the D Noteholders or by a notice in writing signed by the holders of at least 25 per cent. in aggregate of the Sterling Equivalent Principal Amount Outstanding of each of the A Notes, the B Notes, the C Notes and the D Notes then outstanding.

No Noteholder or other Secured Creditor of the Issuer shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to do, fails to do so and such failure shall be continuing for a period of 60 days and, for the avoidance of doubt, only if and to the extent that such Noteholder or Secured Creditor is able to do so under applicable law.

(11) Meetings of Noteholders; Modifications; Consents; Waiver

- (a) The Trust Deed contains provisions for convening meetings of Noteholders of any Class to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of such Noteholders of the relevant Class of any modification of the Notes of the relevant Class (including these Conditions as they relate to the Notes of such relevant Class (as the case may be)) or the provisions of any of the Documents, provided that no modification of certain terms by the Noteholders of any Class of Notes including, *inter alia*, the date of maturity of the Notes of the relevant Class or a modification which would have the effect of changing any day for payment of interest in respect of such Notes, changes to the amount of principal payable in respect of such Notes, the alteration of the Rate of Interest applicable in respect of such Notes or the alteration of the majority required to pass an Extraordinary Resolution, the alteration of the currency of payment of such Notes or any alteration of the priority of redemption of such Notes (any such modification in respect of any such Class of Notes being referred to below as a “**Basic Terms Modification**”) shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other Classes of Notes outstanding (if any).
- (b) The quorum at any meeting of the Noteholders of any Class of Notes for passing an Extraordinary Resolution shall be two or more persons holding or representing over 50 per cent. of the aggregate Principal Amount Outstanding of the Notes of the relevant Class then outstanding, or, at any adjourned meeting, two or more persons being or representing the Noteholders of the relevant Class whatever the aggregate Principal Amount Outstanding of the Notes of the relevant class then outstanding except that, at any meeting the business of which includes the sanctioning of a Basic Terms Modification, the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., of the aggregate Principal Amount Outstanding of the Notes of the relevant Class then outstanding.
- (c) No Extraordinary Resolution of any Class of Notes to approve any matter other than a Basic Terms Modification shall be effective unless either it is sanctioned by an Extraordinary Resolution of the holders of each of the other Classes of Notes then outstanding ranking senior to such Class (to the extent that there are Notes outstanding ranking senior to such Class) or, if not so sanctioned by any such senior ranking Class, the Trustee considers that the holders of such senior ranking Class would not be materially prejudiced by such resolution. An Extraordinary Resolution of any Class of Notes to approve any matter other than a Basic Terms Modification shall be binding on all other Classes of Notes then outstanding ranking junior to such Class. For the purpose of this Condition 11(c), the A Notes rank senior to the B Notes which rank senior to the C Notes which rank senior to the D Notes which rank senior to the E Notes.
- (d) Subject to paragraph (g) below, an Extraordinary Resolution passed at any meeting of the Noteholders of any Class of Notes shall be binding on all Noteholders of the relevant Class, whether or not they are present at the meeting.
- (e) The Trust Deed provides that, in respect of the A Notes, the B Notes and the C Notes (any such Class, a “**Multiple Class**”):

- (i) an Extraordinary Resolution which in the opinion of the Trustee affects the interests of the holders of only one Class of a Multiple Class shall be deemed to have been duly passed at a separate meeting of the holders of that Class;
 - (ii) an Extraordinary Resolution which in the opinion of the Trustee affects the interests of the holders of more than one Class of a Multiple Class but does not give rise to a conflict of interest between the holders of any such Class shall be deemed to have been duly passed if passed at a single meeting of the holders of all such Classes; and
 - (iii) an Extraordinary Resolution which in the opinion of the Trustee affects the interests of the holders of more than one Class of a Multiple Class and gives or may give rise to a conflict of interest between the holders of any of such Classes shall be duly passed only if passed at separate meetings of the holders of each of such Classes.
- (f) (A) The Trustee may agree, without the consent of the Noteholders of any Class:
- (i) to any modification of, or to the waiver or authorisation of any breach or proposed breach of, the Notes (including these Conditions) or any of the Documents, provided that the Trustee is of the sole opinion that such modification, waiver or authorisation will not be materially prejudicial to the interests of the Noteholders of any Class and would not constitute a change in any Permitted Activities that the Issuer may undertake; or
 - (ii) to any modification of the Notes (including these Conditions) or any of the Documents, which in the Trustee's sole opinion is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven.
- (B) For the purposes of, *inter alia*, any resolution to alter the definition of Permitted Activities, any Notes held by or on behalf of the Seller or any of its Affiliates have no voting rights and are deemed not to be outstanding for the purposes of any vote on such resolution.

“**Affiliate**” means, in relation to any person, any other person who, directly or indirectly is in control of, or controlled by, or is under common control with, such person (and for the purposes of this definition, “control” of a person means the power, direct or indirect (i) to vote more than 50 per cent. of the securities having ordinary voting power for the election of directors of such person or (ii) to direct or cause the direction of the management and policies of such person, whether by contract or otherwise).

“**Permitted Activities**” means the activities contemplated in the Documents as being undertaken by the Issuer, including (i) the acquisition of the Loans, the Collateral Security and any related rights, (ii) the appointment of entities to undertake the administration and servicing of the Loans, the Collateral Security and any related rights and the collection and administration of monies relating thereto in accordance with the terms of the Documents; (iii) the issue of the Notes, MERCs and Residuals, the granting and maintaining of security therefor, the listing of the Notes and rating of the Rated Notes and the making of any Basic Terms Modifications thereto; (iv) the entering into of borrowings, including under the Liquidity Facility Agreement; (v) the investment of collections from the Loans together with any proceeds retained by the Issuer from the issue of the Notes, MERCs and Residuals, and any borrowings and (vi) the payment of liabilities, maintenance of hedging and administrative functions required to be undertaken in respect of the Notes, MERCs and Residuals.

- (g) The Trustee may also without the consent of the Noteholders of any Class or any other Secured Creditor determine, acting in its absolute discretion, but only if and in so far in its

sole opinion the interests of the Noteholders of each Class shall not be materially prejudiced thereby, that any Event of Default or any condition, event or act which, with the giving of notice and/or lapse of time and/or the issue of a certificate and/or the making of any determination, would constitute an Event of Default shall not, or shall not subject to specified conditions, be treated as such (but the Trustee may not make any such determination of any Event of Default or any such waiver or authorisation of any such breach or proposed breach of the Notes (including the Conditions) or any of the Documents in contravention of an express direction of the Noteholders given by Extraordinary Resolution or a request under Condition 9 (*Events of Default*)). Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and Couponholders of each Class and any other Secured Creditor and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders in accordance with Condition 14 (*Notice to Noteholders*) as soon as practicable thereafter. In addition, so long as the Notes of any Class are rated by any of the Rating Agencies, any such modification shall be notified in writing by the Issuer to such Rating Agencies, as soon as reasonably practical thereafter.

(12) Indemnification and Exoneration of the Trustee

The Trust Deed contains provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing the Security unless indemnified and/or secured to its satisfaction. The Trustee and its related companies are entitled to enter into business transactions with, *inter alios*, the Issuer, the Mortgage Administrator, the Cash/Bond Administrator, the Special Servicer and/or related companies of any of them without accounting for any profit resulting therefrom. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of, *inter alia*, any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Mortgage Administrator, the Cash/Bond Administrator, the Special Servicer or any agent or related company of the Mortgage Administrator, the Cash/Bond Administrator, the Special Servicer or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee.

The Trust Deed provides that the Trustee shall be under no obligation to monitor or supervise compliance by the Issuer, the Mortgage Administrator, the Special Servicer or the Cash/Bond Administrator with their respective obligations or to make any searches, enquiries, or independent investigations of title in relation to any of the properties secured by the Mortgages.

(13) Replacement of Global Notes or Definitive Notes

If any Global Note or instrument representing entitlement to the Definitive Notes is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Paying Agent (located outside the United States and its possessions) upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Global Notes or instruments representing entitlement to the Definitive Notes must be surrendered before replacements will be issued.

(14) Notice to Noteholders

All notices, other than notices given in accordance with the next following paragraphs, to Noteholders shall be deemed to have been duly given if published in the Irish Times or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper or newspapers as the Trustee shall approve

having a general circulation in Europe. 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 is made in the manner required in the newspaper or in one of the newspapers referred to above.

Any notice specifying a Payment Date, a Rate of Interest, an Interest Payment or a Principal Amount Outstanding shall be deemed to have been duly given if the information contained in such notice appears on the relevant page of the Reuters Screen or such other medium for the electronic display of data as may be approved in writing by the Trustee and notified to Noteholders. Any such notice shall be deemed to have been given on the first date on which such information appeared on the relevant screen. If it is impossible or impracticable to give notice in accordance with this paragraph then notice of the matters referred to in this paragraph shall be given in accordance with the preceding paragraph.

For so long as the Notes of any class are represented by Global Notes, notices to Noteholders will be validly given if published as described above or, for so long as the Notes are admitted to the Official List of the Irish Stock Exchange and the rules of the Irish Stock Exchange so allow, at the option of the Issuer, if delivered to the common depositary for communication by it to Euroclear and/or Clearstream, Luxembourg for communication by them to their participants and for communication by such participants to entitled accountholders rather than by publication as required by this Condition 14 (*Notice to Noteholders*) provided that the Irish Stock Exchange is notified of the giving of such notice. Any notice delivered to Euroclear and/or Clearstream, Luxembourg as aforesaid shall be deemed to have been given on the day on which it is delivered by the common depositary to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in accordance with this Condition 14 (*Notice to Noteholders*).

(15) Governing Law

The Documents and the Notes will be governed by, and shall be construed in accordance with, English law (other than those aspects of the Documents particular to the laws of Northern Ireland, which will be governed by and shall be construed in accordance with, Northern Irish law and those Documents relating to Scottish assets only which will be governed by and shall be construed in accordance with Scots law) and the parties thereto irrevocably submit to the exclusive jurisdiction of the courts of England.

(16) Redenomination

Pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union and the Treaty of Amsterdam (as amended, the "Treaty"), the third stage of European economic and monetary union commenced on 1st January 1999 and the value of the Euro as against the currencies of the member states participating in the third stage of European economic and monetary union was irrevocably fixed and the Euro became a currency in its own right. The United Kingdom may at some future date participate in the third stage of European economic and monetary union or otherwise participate in European economic and monetary union in a manner with similar effect to such third stage. On an Interest Payment Date falling on or after such date, the Issuer may, on giving notice to the holders of the Sterling Notes, and with the prior written consent of the Trustee, redenominate

all of the Sterling Notes into Euro and take such other measures as may be necessary in respect of the Notes.

(17) Sterling Determinations

In these Conditions (except as otherwise provided), where the Issuer, the Trustee and/or the Cash/Bond Administrator is required to determine:

- (a) the Principal Amount Outstanding;
- (b) an amount of principal or interest; and/or
- (c) a single Sterling monetary figure,

in respect of any of the Notes, the Issuer, the Trustee and/or the Cash/Bond Administrator shall (where the context permits and requires) convert the Euro amounts referable to the Euro Notes into sterling at the Currency Swap Rate.

(18) Third Party Rights

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

TERMS AND CONDITIONS OF THE MERCs

The following is the text of the terms and conditions of the MERCs (the "**MERC Conditions**") which (subject to amendment and completion) will be endorsed on or attached to each Global MERC and each Definitive MERC (if applicable) and (subject to the provisions thereof) will apply to each such MERC.

The Mortgage Early Repayment Certificates (**MERCs**) of Landmark Mortgage Securities No.2 PLC (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") expected to be dated on or about 13 March 2007 (the "**Issue Date**") between the Issuer and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression includes the trustee or trustees for the time being under the Trust Deed) as trustee for holders of the MERCs ("**MERC Holders**") and in relation to the Definitive MERCs (as defined below), Definitive MERC Holders, and in relation to Global MERCs (as defined below), Global MERC Holders. The MERCs will have the benefit of (to the extent applicable) a paying agency agreement (the "**Paying Agency Agreement**") dated on or about the Issue Date, as amended or supplemented from time to time between the Issuer, the Trustee, HSBC Bank plc as principal paying agent (the "**Principal Paying Agent**" and as agent bank (the "**Agent Bank**") and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**").

In these MERC Conditions, all references to "**Registrar**", "**Agent Bank**" and "**Paying Agent**" shall mean any agent bank or paying agents appointed from time to time in accordance with the Paying Agency Agreement and shall include any successors thereto or to the Principal Paying Agent appointed from time to time in accordance with the Paying Agency Agreement and any reference to an "**Agent**" or "**Agents**" shall mean any or all (as applicable) of the above persons.

In these MERC Conditions, capitalised words and expressions shall, unless otherwise defined below, have the same meanings as those given in the master definitions schedule (the "**Master Definitions Schedule**") dated the Issue Date between, *inter alios*, the Issuer, the Trustee and the Principal Paying Agent.

These MERC Conditions include summaries of, and are subject to, the detailed provisions of the following agreements, dated on or about the Issue Date and as amended or supplemented from time to time: the Trust Deed (which includes the form of the Notes), the Paying Agency Agreement and a deed of charge between, *inter alios*, the Issuer and the Trustee (the "**Deed of Charge**"). Copies of the Trust Deed, the Paying Agency Agreement, the Deed of Charge and the Master Definitions Schedule are available for inspection during usual business hours at the principal office of the Trustee (presently at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified office of the Principal Paying Agent. The MERC Noteholders are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, the provisions of the Trust Deed, the Paying Agency Agreement and the Deed of Charge.

If MERCs in definitive form were to be issued, the terms and conditions (subject to amendment and completion) set out on each MERC would be as set out below. While the MERCs remain in global form, the same terms and conditions govern such MERCs, except to the extent that they are appropriate only to MERCs in definitive form.

(1) Form and Title

MERCs will be initially offered and sold outside the United States to non-US Persons pursuant to Regulation S under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and will be represented by a global certificate in registered form (a “**Global MERC**”).

If MERCs in definitive form are issued pursuant to MERC Condition 11 (*Indemnification and Exoneration of the Trustee*), a definitive certificate in respect of each MERC represented by the Global MERC (the “**Definitive MERCs**”) will be issued in registered form and serially numbered.

Title to the Global MERCs and Definitive MERCs will pass upon registration in the register (the “**Register**”) which the Issuer shall procure to be kept by HSBC Private Bank (Jersey) Limited acting as registrar (the “**Registrar**”). Registered holders of the Global MERCs or Definitive MERCs 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 Global MERC or Definitive MERC, as the case may be, regardless of any notice of ownership, theft or loss thereof, or of any trust or other interest therein or of any writing thereon.

(2) Status and Security

The MERCs are constituted by the Trust Deed.

The MERCs constitute direct, secured (as more particularly described in the Deed of Charge) and unconditional obligations of the Issuer and rank *pari passu* without preference or priority amongst each other.

The Deed of Charge contains provisions to the effect that, so long as any of the Notes are outstanding, the Trustee shall not be required, when exercising its powers, authorities and discretions, to have regard to the interests of any other persons (other than Noteholders in accordance with the Trust Deed) having the benefit of the security constituted by or pursuant to the Deed of Charge and, in relation to the exercise of such powers, authorities and discretions, the Trustee shall have no liability to such persons as a consequence of so acting.

As security for the payment of all monies payable in respect of the MERCs, the Issuer will enter into the Deed of Charge, creating the following security in favour of the Trustee for itself and on trust for the other persons expressed to be secured parties thereunder:

- (b) a first fixed charge in favour of the Trustee over the Issuer’s interests in the English Loans, the English Mortgages and all rights and collateral security relating to the English Loans (such rights and collateral security, together with the English Mortgages, the “**English Collateral Security**”);
- (c) a first fixed security in favour of the Trustee over the Issuer’s interests in the Scottish Loans, the Scottish Mortgages and all rights and collateral security relating to the Scottish Loans (such rights and collateral security, together with the Scottish Mortgages, the “**Scottish Collateral Security**”)
- (d) a first fixed charge in favour of the Trustee over the Issuer’s interests in the Northern Irish Loans, the Northern Irish Mortgages and all rights and collateral security relating to the Northern Irish Loans (such rights and collateral security, together with the Northern Irish Mortgages, the “**Northern Irish Collateral Security**” and, together with the English Collateral Security and the Scottish Collateral Security, the “**Collateral Security**” which, for the avoidance of doubt and without limitation, includes: (1) the benefit of all affidavits, consents, renunciations, waivers and deeds of postponement from occupiers and other persons having an interest in or rights in connection with the relevant Property, (2) the benefit of

(including notations of interest on) the insurance contracts (including, for the avoidance of doubt, all returns of premium and proceeds in respect of such insurance contracts), the benefit of assignments of rights to purchase further shares of equity or freehold interests in the relevant Property, the benefit of amounts and/or accounts and/or security in respect of such amounts and accounts, in each case deposited, assigned, charged, obtained, or held in connection with the relevant Loan, Mortgage and/or Property, and (3) the benefit of all reports (including reports on and certificates of title), valuations, opinions, certificates, consents or other statements of fact or opinion given in connection with the relevant Loan, Mortgage, other Collateral Security or Property (including all courses and rights of action (whether assigned to the Issuer or otherwise) against valuers, licensed or qualified conveyancers, solicitors, the Land Registry, the Registers of Northern Ireland or any other person in connection with the same);

- (e) an assignment by way of first fixed security in favour of the Trustee of the benefit of the Issuer in each of the Special Servicer Agreement, the Mortgage Administration Agreement, the Cash/Bond Administration Agreement, the Mortgage Sale Agreement, the Interest Rate Swap Agreements, the Currency Swap Agreements, the Interest Rate Cap Agreements, the Subscription Agreement, the Liquidity Facility Agreement, the Bank Agreement, the Collection Accounts Declarations of Trust, the Scottish Declarations of Trust, the Standby Servicing Agreement, the Corporate Services Agreement, the Guaranteed Investment Contract and the Paying Agency Agreement (the “**Charged Obligation Documents**”);
- (f) a first fixed charge in favour of the Trustee over the Issuer’s interest in the Bank Accounts and any Authorised Investments; and
- (g) a first floating charge in favour of the Trustee over (i) the whole of the undertaking, property, assets and rights of the Issuer other than assets effectively secured by the fixed security or otherwise secured in paragraphs (a), (c) and (d) above, all as more particularly set out in the Deed of Charge and (ii) the whole of the undertaking, property, assets and rights of the Issuer located in Scotland and otherwise governed by Scots law.

The Issuer’s undertaking, property, assets and rights the subject of the Security is referred to herein as the “**Charged Property**”.

(3) **Covenants**

Save with the prior written consent of the Trustee or as provided in or envisaged by any of the Trust Deed, the Deed of Charge, the Paying Agency Agreement, the Mortgage Administration Agreement, the Mortgage Sale Agreement, the Currency Swap Agreements, the Interest Rate Swap Agreements, the Corporate Services Agreement, the Guaranteed Investment Contract, the Liquidity Facility Agreement, the Standby Servicing Agreement, the Collection Accounts Declarations of Trust, the Scottish Declarations of Trust, the Post Enforcement Call Option, the Bank Agreement and the Interest Rate Cap Agreements (collectively, the “**Documents**”), the Issuer shall not, so long as any MERC remains outstanding (as defined in the Trust Deed) *inter alia*:

(a) *Negative Pledge*

create or permit to subsist any mortgage, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking;

(b) *Restrictions on Activities*

- (i) engage in any activity which is not reasonably incidental to any of the activities which the Documents provide or envisage that the Issuer will engage in;

- (ii) open any account whatsoever with any bank or other financial institution, save where such account is immediately charged in favour of the Trustee so as to form part of the Security described in MERC Condition 2 (*Status and Security*);
 - (iii) have any subsidiaries or employees or premises;
 - (iv) act as a director of any company, or
 - (v) engage, or permit any of its affiliates to engage, in any activities in the United States (directly or through agents), derive, or permit any of its affiliates to derive, any income from sources within the United States as determined under U.S. federal income tax principles, and hold, or permit any of its affiliates to hold, any mortgaged property that would cause it or any of its affiliates to be engaged or deemed to be engaged in a trade or business within the United States of America as determined under U.S. federal income tax principles;
- (c) *Dividends or Distributions*
- pay any dividend or make any other distribution to its shareholders or issue any further shares;
- (d) *Borrowings*
- incur any indebtedness in respect of borrowed money whatsoever or give any guarantee in respect of any obligation of any person;
- (e) *Merger*
- consolidate or merge with any other person or convey or transfer its properties or assets substantially or as an entirety to any other person;
- (f) *Disposal of Assets*
- transfer, sell, lend, part with or otherwise dispose of or deal with, or grant any option over any present or future right to acquire, any of its assets or undertaking or any interest, estate, right, title or benefit therein;
- (g) *Tax*
- (i) become a member of a group of companies for the purposes of Section 43 of the Value Added Tax Act 1994 with any other company or group of companies, or any such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal the Value Added Tax Act 1994; or
 - (ii) surrender or consent to the surrender of any amounts by way of group relief within the meaning of Chapter IV of Part X of the Income and Corporation Taxes Act 1988;
- (h) *Independent Director*
- ratify the appointment of its Board of Directors unless at all such times at least one Director is an Independent Director;

“**Independent Director**” means a duly appointed member of the board of directors of the Issuer who should not have been, at the time of such appointment, or at any time in the preceding five years, (i) a direct or indirect legal or beneficial owner in the Seller, Unity,

Infinity or any of their Affiliates (excluding *de minimis* ownership interests), (ii) a creditor, supplier, employee, officer, director, family member, manager, or contractor of the Seller, Unity, Infinity or any of their Affiliates, or (iii) a person who controls (whether directly, indirectly, or otherwise) the Seller, Unity, Infinity or any of their Affiliates or any creditor, supplier, employee, officer, director, manager, or contractor of the Seller, Unity, Infinity or any of their Affiliates;

(i) *Other*

permit any of the Documents, the insurance contracts relating to the Mortgages owned by the Issuer or the priority of the security interests created thereby to be amended, invalidated, rendered ineffective, terminated or discharged, or consent to any variation thereof, or exercise any powers of consent or waiver in relation thereto pursuant to the terms of the Trust Deed and these MERC Conditions, or permit any party to any of the Documents or insurance contracts or any other person whose Loan or obligations form part of the Security to be released from such obligations, or dispose of any Loan save as envisaged in the Documents.

In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Documents or may impose such other conditions or requirements as the Trustee may deem expedient in the interests of the MERC Holders.

(4) **MER Distributions**

(a) *Entitlement*

Amounts received by the Issuer in respect of the obligation of Borrowers, in certain circumstances, to pay an early repayment charge (the "**Mortgage Early Repayment Charges**") in the event they repay all or any part of the relevant Loan, voluntarily or to the extent recovered following an enforcement event, at any time before the end of the mortgage term will be paid to the MERC Holders (the "**MER Distributions**"). The MER Distributions shall be equal to the aggregate of Mortgage Early Repayment Charges (if any) received by the Issuer in the Determination Period (defined below) divided by the number of MERCs existing on the fifth Business Day before each Interest Payment Date (each such date a "**Determination Date**") immediately preceding the relevant Interest Payment Date on which such MER Distributions are to be paid. MER Distributions will be calculated from (and including) the last Business Day of each month which precedes an Interest Payment Date (or the Issue Date) to (but excluding) the last Business Day of the month which precedes the immediately following (or the first, as the case may be) Interest Payment Date, such period being a "**Determination Period**". Each MERC shall cease to bear an entitlement to MER Distributions from the date of the cancellation of the MERCs (in accordance with MERC Condition 5).

(b) *Payment*

Subject to MERC Condition 5 (*Purchase and Cancellation*), MER Distributions are payable in sterling on 17th, June 2007 and thereafter on the 17th day in September, December, March and June in each year or on the following Business Day if such day is not a Business Day (each such date an "**Interest Payment Date**"). "**Business Day**" (other than for the purposes of MERC Condition 5 (*Purchase and Cancellation*)) means (i) a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and (ii) a day on which the TARGET System is operating.

(c) *Determination and Calculation by Trustee*

If the Cash/Bond Administrator does not at any time for any reason determine and/or calculate the MER Distribution in accordance with the foregoing paragraphs, the Trustee shall determine and calculate the MER Distribution amount in the manner specified in paragraphs (a) and (b) above, and any such determination and/or calculation shall be deemed to have been made by the Cash/Bond Administrator.

(d) *Notifications to be Final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this MERC Condition 4, whether by the Cash/Bond Administrator or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Mortgage Administrator, the Trustee, the Special Servicer and all MERC Holders and (in such absence as aforesaid) no liability to the Trustee or the MERC Holders shall attach to the Issuer, the Mortgage Administrator, the Trustee or the Special Servicer in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

(5) **Purchase and Cancellation**

(a) *Purchase*

The Issuer shall not purchase any MERCs.

(b) *Cancellation*

The entitlement of MERC Holders to receive MER Distributions is contingent on the Rated Notes remaining outstanding. Subject to the payment to MERC Holders of MER Distribution amounts then payable, the MERCs shall be cancelled and will no longer constitute a claim against the Issuer following the redemption of all (but not some only) of the Rated Notes.

(6) **Payments**

(a) *Global MERCs*

Payments of MER Distributions in respect of the Global MERCs will be made to the persons in whose names the Global MERCs are registered on the Register at the close of business on the fifth Business Day before the relevant due date (the "**Record Date**") and, in the case of final redemption of a Global MERC, upon surrender of such Global MERC at the specified office of any Paying Agent. Payments will be made by sterling cheque drawn on a bank in London or by transfer to a sterling account maintained by the payee with a bank in London.

(b) *Definitive MERCs*

Payments of MER Distributions in respect of Definitive MERCs will be made on each Interest Payment Date to the persons in whose names the Definitive MERCs are registered on the Register at the Record Date and, in the case of final redemption of a Definitive MERC, upon surrender of such Definitive MERC at the specified office of any Paying Agent. Payments will be made by sterling cheque drawn on a bank in London or by transfer to a sterling account maintained by the payee with a bank in London.

(c) *Payments*

Distributions in respect of the MERCs are subject in all cases to any fiscal or other laws and regulations applicable thereto.

(d) *Accrual of MER Distributions*

If payment of MER Distributions is improperly withheld or refused on or in respect of any MERC or part thereof, the MER Distributions which continue to accrue in respect of such MERC in accordance with Condition 4 (*MER Distributions*) and will be paid to the extent received against (in respect of the Global MERC) presentation of such MERC at the specified office of any of the Paying Agents (located outside the United States and its possessions).

(e) *Agents*

The initial Paying Agents, the initial Registrar and their initial specified offices are listed at the end of the Global MERC or Definitive MERC to which these MERC Conditions are attached or enclosed. 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 Registrar or any Paying Agent and to appoint additional or other Registrar or Paying Agents. The Issuer will at all times maintain (i) a Paying Agent with a specified office in London (ii) a Paying Agent with a specified office in continental Europe (if the MERCs are issued in a definitive form or the Issuer is obliged to issue MERCs in definitive form) and (iii) an Agent Bank. The Issuer will cause at least 30 days' notice of any change in or addition to any of the agents or their specified offices to be given in accordance with MERC Condition 14 (*Notice to MERC Holders*).

(7) Prescription

The Global MERC shall become void unless presented for payment within a period of five years from the date on which the final MER Distribution first became due. Claims for MER Distributions in respect of Definitive MERCs shall become void unless made within a period of five years from the date on which the final MER Distribution first became due. After the date on which a MERC becomes void in its entirety, no claim may be made in respect thereof.

(8) Taxation

All payments in respect of the MERCs will be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer or any Paying Agent (as applicable) is required by applicable law to make any payment in respect of the MERCs subject to any withholding or deduction for, or on account of, any present or future taxes, duties assessment or charges of whatsoever nature. In that event, the Issuer or any Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. None of the Issuer, the Principal Paying Agent, any other Agent nor any other person will be obliged to make any additional payments to MERC holders in respect of such withholding or deduction.

(9) Events of Default

Upon any declaration being made by the Trustee in accordance with Condition 9 of the Notes that the Notes are due and payable, MER Distributions in respect of all Mortgage Early Repayment Charges received by the Issuer as at the date of such declaration shall immediately become due and payable. Any Mortgage Early Repayment Charges received following the Notes becoming due and payable in accordance with Condition 9 of the Notes, but prior to the earliest of (a) the discharge in full of all amounts owing in respect of the Notes or (b) the Loans being sold, will be for the benefit of the MERC Holders. The Trustee may, in its absolute discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce payment of and/or security created for the MERCs, but it shall not be bound to take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution of the MERC Holders and (b) the Trustee shall have been

indemnified to its satisfaction. No MERC Holder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing.

(10) Meetings of MERC Holders, Modifications, Consents, Waiver

The Trust Deed contains provisions for convening meetings of MERC Holders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of MERC Holders of any modification of the MERCs (including these MERC Conditions) or the provisions of any of the Documents as they relate to the MERCs, provided that no modification of certain terms by the MERC Holders including, *inter alia*, the day of expiry of the MERCs or a modification which would have the effect of changing any day for payment of MER Distributions in respect of such MERCs, the reduction or cancellation of the amount of MER Distributions payable in respect of such MERCs, the alteration of the majority required to pass an Extraordinary Resolution, the alteration of the currency of payment of such MER Distribution (any such modification in respect of the MERCs referred to below as a “**Basic Terms Modification**”) shall be effective unless such Extraordinary Resolution complies with the relevant terms of the Trust Deed.

The quorum at any meeting of the MERC Holders for passing an Extraordinary Resolution shall be two or more persons holding or representing over 50 per cent. of the MERCs or, at any adjourned meeting, two or more persons being or representing any MERC Holders whatever MERCs are held except that, at any meeting the business of which includes the sanctioning of a Basic Terms Modification, the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., of the MERCs.

An Extraordinary Resolution of the MERC Holders shall be effective when, *inter alia*, the Trustee is of the opinion that it will not be materially prejudicial to the interests of any or all of the A Noteholders, the B Noteholders, the C Noteholders, the D Noteholders, the E Noteholders or the Residual Holders, or it is sanctioned by Extraordinary Resolutions of the A Noteholders, the B Noteholders, the C Noteholders, the D Noteholders, the E Noteholders and the Residual Holders.

An Extraordinary Resolution passed at any meeting of the MERC Holders shall be binding on all MERC Holders, whether or not they are present at the meeting. The majority required for an Extraordinary Resolution, including the sanctioning of a Basic Terms Modification, shall be not less than 75 per cent. of the votes cast on that Extraordinary Resolution.

Subject to the succeeding paragraph, the Trustee may agree, without the consent of the MERC Holders, (a) to any modification (except a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, the MERCs (including these MERC Conditions) or any of the Documents, provided that the Trustee is of the sole opinion that such modification, waiver or authorisation will not be materially prejudicial to the interests of the MERC Holders and would not constitute a change in any Permitted Activities that the Issuer may undertake, or (b) to any modification of the MERCs (including these MERC Conditions) or any of the Documents which in the Trustee's opinion is to correct a manifest error or is of a formal, minor or technical nature. For the purposes of, *inter alia*, any resolution to alter the definition of Permitted Activities, any MERCs held by or on behalf of the Seller or any of its Affiliates have no voting rights and are deemed not to be outstanding for the purposes of any vote on such resolution.

“**Affiliate**” means, in relation to any person, any other person who, directly or indirectly is in control of, or controlled by, or is under common control with, such person (and for the purposes of this definition, “control” of a person means the power, direct or indirect (i) to vote more than 50 per cent. of the securities having ordinary voting power for the election of directors of such person or (ii) to direct or cause the direction of the management and policies of such person, whether by contract or otherwise).

“**Permitted Activities**” means the activities contemplated in the Documents as being undertaken by the Issuer, including (i) the acquisition of the Loans, the Collateral Security and any related rights, (ii) the appointment of entities to undertake the administration and servicing of the Loans, the Collateral Security and any related rights and the collection and administration of monies relating thereto in accordance with the terms of the Documents; (iii) the issue of the Notes, MERCs and Residuals, the granting and maintaining of security therefor, the listing of the Notes and rating of the Rated Notes and the making of any Basic Terms Modifications thereto; (iv) the entering into of borrowings, including under the Liquidity Facility Agreement; (v) the investment of collections from the Loans together with any proceeds retained by the Issuer from the issue of the Notes, MERCs and Residuals and any borrowings and (vi) the payment of liabilities, maintenance of hedging and administrative functions required to be undertaken in respect of the Notes, MERCs and Residuals.

(11) Indemnification and Exoneration of the Trustee

The Trust Deed contains provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing the Security unless indemnified and/or secured to its satisfaction. The Trustee and its related companies are entitled to enter into business transactions with, *inter alios*, the Issuer, the Mortgage Administrator, the Cash/Bond Administrator, the Special Servicer and/or related companies of any of them without accounting for any profit resulting therefrom. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of, *inter alia*, any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Mortgage Administrator, the Cash/Bond Administrator, the Special Servicer or any agent or related company of the Mortgage Administrator, the Cash/Bond Administrator, the Special Servicer or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee.

The Trust Deed provides that the Trustee shall be under no obligation to monitor or supervise compliance by the Issuer, the Mortgage Administrator, the Cash/Bond Administrator and/or the Special Servicer with their respective obligations or to make any searches, enquiries, or independent investigations of title in relation to any of the properties secured by the Mortgages.

(12) Definitive MERCs

Definitive MERCs will only be issued in the following limited circumstances:

- (a) either Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business or have in fact done so, and no alternative clearing system acceptable to the Trustee is available; or
- (b) if, as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Issue Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the MERCs which would not be required were the relevant MERCs in definitive form.

If Definitive MERCs are issued, the beneficial interests represented by the Global MERC shall be exchanged by the Issuer for Definitive MERCs in an amount proportionate to the beneficial interests represented by the Global MERC subject to and in accordance with the detailed provisions of the Paying Agency Agreement, the Trust Deed and the Global MERC.

(13) Replacement of Definitive MERCs

If any MERC is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent (located outside the United States and its possessions). Replacement of any mutilated, defaced, lost, stolen or destroyed MERC will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced MERCs must be surrendered before replacements will be issued.

(14) Notice to MERC Holders

All notices, other than notices given in accordance with the next following paragraphs, to MERC Holders shall be deemed to have been duly given if published in the Irish Times or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper or newspapers as the Trustee shall approve having a general circulation in Europe, or until such time as any Definitive MERCs are issued and so long as the Global MERCs are held on behalf of Euroclear and/or Clearstream, Luxembourg, upon delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to MERC Holders, provided that if, at any time, the Issuer procures that the information concerned in such notice shall appear on the relevant page of the Reuters Screen, or any other medium for electronic display of data as may be previously approved in writing by the Trustee, publication in the above rated 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 is made in the manner required in the newspaper or in one of the newspapers (or on the relevant screen) referred to above or, in the case of notice delivered to Euroclear and/or Clearstream, Luxembourg as disclosed above, on the same day delivery is made to Euroclear and/or Clearstream, Luxembourg.

The Trustee shall be at liberty to sanction some other method of giving notice to the MERC Holders or to a class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the MERCs are then listed and provided that notice of such other method is given to the MERC Holders in accordance with this Condition 14 (*Notice to MERC Holders*).

(15) Governing Law

The Documents and the MERCs will be governed by, and shall be construed in accordance with, English law (other than those aspects of the Documents particular to the laws of Northern Ireland, which will be governed by and shall be construed in accordance with, Northern Irish law and those Documents relating to Scottish assets only which will be governed by and shall be construed in accordance with Scots law) and the parties thereto irrevocably submit to the exclusive jurisdiction of the courts of England.

(16) Redenomination

Pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union and the Treaty of Amsterdam (as amended, the "**Treaty**"), the third stage of European economic and monetary union commenced on 1st January 1999 and the value of the Euro as against the currencies of the member states participating in the third stage of European economic and monetary union was irrevocably fixed and the Euro became a currency in its own right. The United Kingdom may at some future date participate in the third stage of European economic and monetary union or otherwise participate in European economic and monetary union in a manner with similar effect to such third stage. On an Interest Payment Date falling on or after such date, the Issuer may, on giving notice to the holders of the MERCs, and with the prior written consent of the Trustee, redenominate all of the MERCs into Euro and take such other measures as may be necessary in respect of the MERCs.

(17) Third Party Rights

No person shall have any right to enforce any term or condition of the MERCs under the Contracts (Rights of Third Parties) Act 1999.

TERMS AND CONDITIONS OF THE RESIDUALS

The following is the text of the terms and conditions of the Residuals (the “**Residual Conditions**”) which (subject to amendment and completion) will be endorsed on or attached to each Global Residual and each Definitive Residual (if applicable) and (subject to the provisions thereof) will apply to each such Residual.

The Residual Certificates (“**Residuals**”) of Landmark Mortgage Securities No.2 PLC (the “**Issuer**”) are constituted by a trust deed (the “**Trust Deed**”) expected to be dated on or about 13 March 2007 (the “**Issue Date**”) between the Issuer and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression includes the trustee or trustees for the time being under the Trust Deed) as trustee for holders of the Residuals (“**Residual Holders**”) and in relation to the Definitive Residuals (as defined below), Definitive Residual Holders, and in relation to Global Residuals (as defined below), Global Residual Holders. The Residuals will have the benefit of (to the extent applicable) a paying agency agreement (the “**Paying Agency Agreement**”) dated on or about the Issue Date, as amended or supplemented from time to time between the Issuer, the Trustee, HSBC Bank plc as principal paying agent (the “**Principal Paying Agent**” and as agent bank (the “**Agent Bank**”) and the other paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”).

In these Residual Conditions, all references to “**Registrar**”, “**Agent Bank**” and “**Paying Agent**” shall mean any agent bank or paying agents appointed from time to time in accordance with the Paying Agency Agreement and shall include any successors thereto or to the Principal Paying Agent appointed from time to time in accordance with the Paying Agency Agreement and any reference to an “**Agent**” or “**Agents**” shall mean any or all (as applicable) of the above persons.

In these Residual Conditions, capitalised words and expressions shall, unless otherwise defined below, have the same meanings as those given in the master definitions schedule (the “**Master Definitions Schedule**”) dated the Issue Date between, *inter alios*, the Issuer, the Trustee and the Principal Paying Agent.

These Residual Conditions include summaries of, and are subject to, the detailed provisions of the following agreements, dated on or about the Issue Date and as amended or supplemented from time to time: the Trust Deed (which includes the form of the Notes), the Paying Agency Agreement and a deed of charge between, *inter alios*, the Issuer and the Trustee (the “**Deed of Charge**”). Copies of the Trust Deed, the Paying Agency Agreement, the Deed of Charge and the Master Definitions Schedule are available for inspection during usual business hours at the principal office of the Trustee (presently at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified office of the Principal Paying Agent. The Noteholders are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, the provisions of the Trust Deed, the Paying Agency Agreement and the Deed of Charge.

If Residuals in definitive form were to be issued, the terms and conditions (subject to amendment and completion) set out on each Residual would be as set out below. While the Residuals remain in global form, the same terms and conditions govern such Residuals, except to the extent that they are appropriate only to Residuals in definitive form.

(1) Form and Title

Residuals will be initially offered and sold outside the United States to non-US Persons pursuant to Regulation S under the United States Securities Act of 1933 as amended (the “**Securities Act**”) and will be represented by a global certificate in registered form (a “**Global Residual**”).

If Residuals in definitive form are issued pursuant to Residual Condition 11 (*Indemnification and exoneration of the Trustee*), a definitive certificate in respect of each Residual represented by the Global Residual (the “**Definitive Residuals**”) will be issued in registered form and serially numbered.

Title to the Global Residuals and Definitive Residuals will pass upon registration in the register (the “**Register**”) which the Issuer shall procure to be kept by HSBC Private Bank (Jersey) Limited acting as registrar (the “**Registrar**”). Registered holders of the Global Residuals or Definitive Residuals 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 Global Residual or Definitive Residual, as the case may be, regardless of any notice of ownership, theft or loss thereof, or of any trust or other interest therein or of any writing thereon.

(2) Status and Security

The Residuals are constituted by the Trust Deed.

The Residuals constitute direct, secured (as more particularly described in the Deed of Charge) and unconditional obligations of the Issuer and rank *pari passu* without preference or priority amongst each other.

The Deed of Charge contains provisions to the effect that, so long as any of the Notes are outstanding, the Trustee shall not be required, when exercising its powers, authorities and discretions, to have regard to the interests of any other persons (other than Noteholders in accordance with the Trust Deed) having the benefit of the security constituted by or pursuant to the Deed of Charge and, in relation to the exercise of such powers, authorities and discretions, the Trustee shall have no liability to such persons as a consequence of so acting.

As security for the payment of all monies payable in respect of the Residuals, the Issuer will enter into the Deed of Charge, creating the following security in favour of the Trustee for itself and on trust for the other persons expressed to be secured parties thereunder:

- (a) a first fixed charge in favour of the Trustee over the Issuer’s interests in the English Loans, the English Mortgages and all rights and collateral security relating to the English Loans (such rights and collateral security, together with the English Mortgages, the “**English Collateral Security**”);
- (b) a first fixed security in favour of the Trustee over the Issuer’s interests in the Scottish Loans, the Scottish Mortgages and all rights and collateral security relating to the Scottish Loans (such rights and collateral security, together the Scottish Mortgages (the “**Scottish Collateral Security**”)
- (c) a first fixed charge in favour of the Trustee over the Issuer’s interests in the Northern Irish Loans, the Northern Irish Mortgages and all rights and collateral security relating to the Northern Irish Loans (such rights and collateral security, together with the Northern Irish Mortgages, the “**Northern Irish Collateral Security**” and, together with the English Collateral Security and the Scottish Collateral Security, the “**Collateral Security**” which, for the avoidance of doubt and without limitation, includes: (1) the benefit of all affidavits, consents, renunciations, waivers and deeds of postponement from occupiers and other persons having an interest in or rights in connection with the relevant Property, (2) the benefit of (including notations of interest on) the insurance contracts (including, for the avoidance of doubt, all returns of premium and proceeds in respect of such insurance contracts), the benefit of assignments of rights to purchase further shares of equity or freehold interests in the relevant Property, the benefit of amounts and/or accounts and/or security in respect of such amounts and accounts, in each case deposited, assigned, charged, obtained, or held in connection with the relevant Loan, Mortgage and/or Property, and (3) the benefit of all

reports (including reports on and certificates of title), valuations, opinions, certificates, consents or other statements of fact or opinion given in connection with the relevant Loan, Mortgage, other Collateral Security or Property (including all courses and rights of action (whether assigned to the Issuer or otherwise) against valuers, licensed or qualified conveyancers, solicitors, the Land Registry, the Registers of Northern Ireland or any other person in connection with the same);

- (d) an assignment by way of first fixed security in favour of the Trustee of the benefit of the Issuer in each of the Special Servicer Agreement, the Mortgage Administration Agreement, the Cash/Bond Administration Agreement, the Mortgage Sale Agreement, the Interest Rate Swap Agreements, the Currency Swap Agreements, the Interest Rate Cap Agreements, the Subscription Agreement, the Liquidity Facility Agreement, the Bank Agreement, the Collection Accounts Declarations of Trust, the Scottish Declarations of Trust, the Standby Servicing Agreement, the Corporate Services Agreement, the Guaranteed Investment Contract and the Paying Agency Agreement (the “**Charged Obligation Documents**”);
- (e) a first fixed charge in favour of the Trustee over the Issuer’s interest in the Bank Accounts and any Authorised Investments; and
- (f) a first floating charge in favour of the Trustee over (i) the whole of the undertaking, property, assets and rights of the Issuer other than assets effectively secured by the fixed security or otherwise secured in paragraphs (a), (c) and (d) above and (ii) the whole of the undertaking, property, assets and rights of the Issuer located in Scotland and otherwise governed by Scots law, all as more particularly set out in the Deed of Charge.

The Issuer’s undertaking, property, assets and rights the subject of the Security is referred to herein as the “**Charged Property**”.

(3) Covenants

Save with the prior written consent of the Trustee or as provided in or envisaged by any of the Trust Deed, the Deed of Charge, the Paying Agency Agreement, the Mortgage Administration Agreement, the Mortgage Sale Agreement, the Currency Swap Agreements, the Interest Rate Swap Agreement, the Corporate Services Agreement, the Guaranteed Investment Contract, the Liquidity Facility Agreement, the Collection Accounts Declarations of Trust, the Scottish Declarations of Trust, the Post Enforcement Call Option, the Bank Agreement and the Interest Rate Cap Agreements (collectively, the “**Documents**”), the Issuer shall not, so long as any Residual remains outstanding (as defined in the Trust Deed) *inter alia*:

(a) *Negative Pledge*

create or permit to subsist any mortgage, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking;

(b) *Restrictions on Activities*

- (i) engage in any activity which is not reasonably incidental to any of the activities which the Documents provide or envisage that the Issuer will engage in;
- (ii) open any account whatsoever with any bank or other financial institution, save where such account is immediately charged in favour of the Trustee so as to form part of the Security described in Residual Condition 2 (*Status and Security*);
- (iii) have any subsidiaries or employees or premises;

(iv) act as a director of any company, or

(v) engage, or permit any of its affiliates to engage, in any activities in the United States (directly or through agents), derive, or permit any of its affiliates to derive, any income from sources within the United States as determined under U.S. federal income tax principles, and hold, or permit any of its affiliates to hold, any mortgaged property that would cause it or any of its affiliates to be engaged or deemed to be engaged in a trade or business within the United States of America as determined under U.S. federal income tax principles;

(c) *Dividends or Distributions*

pay any dividend or make any other distribution to its shareholders or issue any further shares;

(d) *Borrowings*

incur any indebtedness in respect of borrowed money whatsoever or give any guarantee in respect of any obligation of any person;

(e) *Merger*

consolidate or merge with any other person or convey or transfer its properties or assets substantially or as an entirety to any other person;

(f) *Disposal of Assets*

transfer, sell, lend, part with or otherwise dispose of or deal with, or grant any option over any present or future right to acquire, any of its assets or undertaking or any interest, estate, right, title or benefit therein;

(g) *Tax*

(i) become a member of a group of companies for the purposes of Section 43 of the Value Added Tax Act 1994 with any other company or group of companies, or any such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal the Value Added Tax Act 1994; or

(ii) surrender or consent to the surrender of any amounts by way of group relief within the meaning of Chapter IV of Part X of the Income and Corporation Taxes Act 1988;

(h) *Independent Director*

ratify the appointment of its Board of Directors unless at all such times at least one Director is an Independent Director;

“Independent Director” means a duly appointed member of the board of directors of the Issuer who should not have been, at the time of such appointment, or at any time in the preceding five years, (i) a direct or indirect legal or beneficial owner in the Seller, Unity, Infinity or any of their Affiliates (excluding de minimis ownership interests), (ii) a creditor, supplier, employee, officer, director, family member, manager, or contractor of the Seller, Unity, Infinity or any of their Affiliates, or (iii) a person who controls (whether directly, indirectly, or otherwise) the Seller, Unity, Infinity or any of their Affiliates or any creditor, supplier, employee, officer, director, manager, or contractor of the Seller, Unity, Infinity or any of their Affiliates;

(i) *Other*

permit any of the Documents, the insurance contracts relating to the Mortgages owned by the Issuer or the priority of the security interests created thereby to be amended, invalidated, rendered ineffective, terminated or discharged, or consent to any variation thereof, or exercise any powers of consent or waiver in relation thereto pursuant to the terms of the Trust Deed and these Residual Conditions, or permit any party to any of the Documents or insurance contracts or any other person whose Loan or obligations form part of the Security to be released from such obligations, or dispose of any Loan save as envisaged in the Documents.

In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Documents or may impose such other conditions or requirements as the Trustee may deem expedient in the interests of the Residual Holders.

(4) Residual Distributions

(a) *Entitlement*

Each Residual bears a pro rata entitlement to receive a distribution ("**Residual Distribution**") of amounts equal to the residual amount available for such purpose in accordance with the Pre-Enforcement Priority of Payments following payment of, or provision for all, higher ranking items. The Residual Distribution shall be equal to the residual amount available for such purpose in accordance with the Pre-Enforcement Priority of Payments following payment of, or provision for, all higher ranking items divided by the number of Residuals existing on the fifth Business Day prior to an Interest Payment Date. Following payment of or provision for all higher ranking items in the Pre-Enforcement Priority of Payments, if there are no available amounts to be applied as Residual Distributions the Residual Holders will have no further claim against the Issuer.

(b) *Payment*

Subject to Residual Condition 5 (*Purchase and Cancellation*), Residual Distributions, to the extent there are amounts available for such purpose, are payable in sterling on 17th June 2007 and thereafter on the 17th day in September, December, March and June in each year or on the following Business Day if such day is not a Business Day (each such date an "**Interest Payment Date**"). "**Business Day**" (other than for the purposes of Residual Condition 5 (*Purchase and Cancellation*)) means (i) a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and (ii) a day on which the TARGET System is operating.

(c) *Determination and Calculation by Trustee*

If the Cash/Bond Administrator does not at any time for any reason determine and/or calculate the Residual Distribution in accordance with the foregoing paragraphs, the Trustee shall determine and calculate the Residual Distribution amount in the manner specified in paragraphs (a) and (b) above, and any such determination and/or calculation shall be deemed to have been made by the Cash/Bond Administrator.

(d) *Notifications to be Final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Residual Condition 4, whether by the Cash/Bond Administrator or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Mortgage Administrator, the Trustee, the Special Servicer and all Residual Holders and (in such absence as aforesaid) no liability to the Trustee or the Residual Holders shall attach to the Issuer, the Mortgage Administrator, the Trustee or the Special Servicer in connection

with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

(5) Purchase and Cancellation

(a) Purchase

The Issuer shall not purchase any Residuals.

(b) Cancellation

The entitlement of Residual Holders to receive Residual Distributions is contingent on the Rated Notes remaining outstanding. Subject to the payment to Residual Holders of Residual Distribution amounts then payable, the Residuals shall be cancelled and will no longer constitute a claim against the Issuer following redemption of all (but not some only) of the Rated Notes.

(6) Payments

(a) Global Residuals

Payments of Residual Distributions in respect of the Global Residuals will be made to the persons in whose names the Global Residuals are registered on the Register at the close of business on the fifth Business Day before the relevant due date (the "**Record Date**") and, in the case of final redemption of a Global Residual, upon surrender of such Global Residual at the specified office of any Paying Agent. Payments will be made by sterling cheque drawn on a bank in London or by transfer to a sterling account maintained by the payee with a bank in London.

(b) Definitive Residuals

Payments of Residual Distributions in respect of Definitive Residuals will be made on each Interest Payment Date to the persons in whose names the Definitive Residuals are registered on the Register at the Record Date and, in the case of final redemption of a Definitive Residual, upon surrender of such Definitive Residual at the specified office of any Paying Agent. Payments will be made by sterling cheque drawn on a bank in London or by transfer to a sterling account maintained by the payee with a bank in London.

(c) Payments

Distributions in respect of the Residuals are subject in all cases to any fiscal or other laws and regulations applicable thereto.

(d) Accrual of Residual Distributions

If payment of Residual Distributions is improperly withheld or refused on or in respect of any Residual or part thereof, the Residual Distributions which continue to accrue in respect of such Residual in accordance with Condition 4 (*Residual Distributions*) will be paid, to the extent received against (in respect of the Global Residual) presentation of such Residual at the specified office of any of the Paying Agents (located outside the United States and its possessions).

(e) Agents

The initial Paying Agents, the initial Registrar and their initial specified offices are listed at the end of the Global Residual or Definitive Residual to which these Residual Conditions are attached or enclosed. 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 Registrar or any Principal Paying Agent and to appoint

additional or other Paying Agents. The Issuer will at all times maintain (i) a Paying Agent with a specified office in London (ii) a Paying Agent with a specified office in continental Europe (if the Residuals are issued in a definitive form or the Issuer is obliged to issue Residuals in definitive form) and (iii) an Agent Bank. The Issuer will cause at least 30 days' notice of any change in or addition to any of the agents or their specified offices to be given in accordance with Residual Condition 14 (*Notice to Residual Holders*).

(7) Prescription

The Global Residual shall become void unless presented for payment within a period of five years from the date on which the final Residual Distribution first became due. Claims for Residual Distributions in respect of Definitive Residuals shall become void unless made within a period of five years from the date on which the final Residual Distribution first became due. After the date on which a Residual becomes void in its entirety, no claim may be made in respect thereof.

(8) Taxation

All payments in respect of the Residuals will be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer or any Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Residuals subject to any withholding or deduction for, or on account of, any present or future taxes, duties assessment or charges of whatsoever nature. In that event, the Issuer or any Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. None of the Issuer, the Principal Paying Agent, any other Agent nor any other person will be obliged to make any additional payments to Residual Holders in respect of such withholding or deduction.

(9) Events of Default

Upon any declaration being made by the Trustee in accordance with Condition 9 of the Notes that the Notes are due and repayable, all entitlements of Residual Holders to any Residual Distributions shall be suspended until such time as the Notes have been repaid in full.

(10) Meetings of Residual Holders, Modifications, Consents, Waiver

The Trust Deed contains provisions for convening meetings of Residual Holders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of Residual Holders of any modification of the Residuals (including these Residual Conditions) or the provisions of any of the Documents as they relate to the Residuals, provided that no modification of certain terms by the Residual Holders including, *inter alia*, the day of expiry of the Residuals or a modification which would have the effect of changing any day for payment of Residual Distributions in respect of such Residuals, the reduction or cancellation of the amount of Residual Distributions payable in respect of such Residuals, the alteration of the majority required to pass an Extraordinary Resolution, the alteration of the currency of payment of such Residual Distribution (any such modification in respect of the MERCs being referred to below as a “**Basic Terms Modification**”) shall be effective unless such Extraordinary Resolution complies with the relevant terms of the Trust Deed.

The quorum at any meeting of the Residual Holders for passing an Extraordinary Resolution shall be two or more persons holding or representing over 50 per cent. of the Residuals or, at any adjourned meeting, two or more persons being or representing any Residual Holders whatever Residuals are held except that, at any meeting the business of which includes the sanctioning of a Basic Terms Modification, the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., of the Residuals.

An Extraordinary Resolution of the Residual Holders shall be effective when, *inter alia*, the Trustee is of the opinion that it will not be materially prejudicial to the interests of the A Noteholders, the B Noteholders, the C Noteholders, the D Noteholders, the E Noteholders or the MERC Holders, or it is sanctioned by Extraordinary Resolutions of the A Noteholders, the B Noteholders, the C Noteholders, the D Noteholders, the E Noteholders or the MERC Holders.

An Extraordinary Resolution passed at any meeting of the Residual Holders shall be binding on all Residual Holders, whether or not they are present at the meeting. The majority required for an Extraordinary Resolution, including the sanctioning of a Basic Terms Modification, shall be not less than 75 per cent. of the votes cast on that Extraordinary Resolution.

Subject to the succeeding paragraph, the Trustee may agree, without the consent of the Residual Holders, (a) to any modification (except a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, the Residuals (including these Residual Conditions) or any of the Documents, provided that the Trustee is of the sole opinion that such modification, waiver or authorisation will not be materially prejudicial to the interests of the Residual Holders and would not constitute a change in any Permitted Activities that the Issuer may undertake, or (b) to any modification of the Residuals (including these Residual Conditions) or any of the Documents which in the Trustee's opinion is to correct a manifest error or is of a formal, minor or technical nature. For the purposes of, *inter alia*, any resolution to alter the definition of Permitted Activities, any Residuals held by or on behalf of the Seller or any of its Affiliates have no voting rights and are deemed not to be outstanding for the purposes of any vote on such resolution.

“**Affiliate**” means, in relation to any person, any other person who, directly or indirectly is in control of, or controlled by, or is under common control with, such person (and for the purposes of this definition, “control” of a person means the power, direct or indirect (i) to vote more than 50 per cent. of the securities having ordinary voting power for the election of directors of such person or (ii) to direct or cause the direction of the management and policies of such person, whether by contract or otherwise).

“**Permitted Activities**” means the activities contemplated in the Documents as being undertaken by the Issuer, including (i) the acquisition of the Loans, the Collateral Security and any related rights, (ii) the appointment of entities to undertake the administration and servicing of the Loans, the Collateral Security and any related rights and the collection and administration of monies relating thereto in accordance with the terms of the Documents; (iii) the issue of the Notes, MERCs and Residuals, the granting and maintaining of security therefor, the listing of the Notes and rating of the Rated Notes and the making of any Basic Terms Modifications thereto; (iv) the entering into of borrowings, including under the Liquidity Facility Agreement; (v) the investment of collections from the Loans together with any proceeds retained by the Issuer from the issue of the Notes, MERCs and Residuals and any borrowings and (vi) the payment of liabilities, maintenance of hedging and administrative functions required to be undertaken in respect of the Notes, MERCs and Residuals.

(11) Indemnification and Exoneration of the Trustee

The Trust Deed contains provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing the Security unless indemnified and/or secured to its satisfaction. The Trustee and its related companies are entitled to enter into business transactions with, *inter alios*, the Issuer, the Mortgage Administrator, the Cash/Bond Administrator, the Special Servicer and/or related companies of any of them without accounting for any profit resulting therefrom. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of, *inter alia*, any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Mortgage

Administrator, the Cash/Bond Administrator, the Special Servicer or any agent or related company of the Mortgage Administrator, the Cash/Bond Administrator, the Special Servicer or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee.

The Trust Deed provides that the Trustee shall be under no obligation to monitor or supervise compliance by the Issuer, the Mortgage Administrator, the Cash/Bond Administrator and/or the Special Servicer with their respective obligations or to make any searches, enquiries, or independent investigations of title in relation to any of the properties secured by the Mortgages.

(12) Definitive Residuals

Definitive Residuals will only be issued in the following limited circumstances:

- (a) either Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business or have in fact done so, and no alternative clearing system acceptable to the Trustee is available; or
- (b) if, as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Issue Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Residuals which would not be required were the relevant Residuals in definitive form.

If Definitive Residuals are issued, the beneficial interests represented by the Global Residual shall be exchanged by the Issuer for Definitive Residuals in an amount proportionate to the beneficial interests represented by the Global Residual subject to and in accordance with the detailed provisions of the Paying Agency Agreement, the Trust Deed and the Global Residual.

(13) Replacement of Definitive Residuals

If any Residual is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent (located outside the United States and its possession). Replacement of any mutilated, defaced, lost, stolen or destroyed Residual will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Residuals must be surrendered before replacements will be issued.

(14) Notice to Residual Holders

All notices, other than notices given in accordance with the next following paragraphs, to Residual Holders shall be deemed to have been duly given if published in the Irish Times or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper or newspapers as the Trustee shall approve having a general circulation in Europe, or until such time as any Definitive Residuals are issued and so long as the Global Residuals are held on behalf of Euroclear and/or Clearstream, Luxembourg, upon delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to Residual Holders, provided that if, at any time, the Issuer procures that the information concerned in such notice shall appear on the relevant page of the Reuters Screen, or any other medium for electronic display of data as may be previously approved in writing by the Trustee, publication in the above rated 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 is made in the manner required in the newspaper or in one of the

newspapers (or on the relevant screen) referred to above or, in the case of notice delivered to Euroclear and/or Clearstream, Luxembourg as disclosed above, on the same day delivery is made to Euroclear and/or Clearstream, Luxembourg

The Trustee shall be at liberty to sanction some other method of giving notice to the Residual Holders or to a class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Residuals are then listed and provided that notice of such other method is given to the Residual Holders in accordance with this Condition 14 (*Notice to Residual Holders*).

(15) Governing Law

The Documents and the Residuals will be governed by, and shall be construed in accordance with, English law (other than those aspects of the Documents particular to the laws of Northern Ireland, which will be governed by and shall be construed in accordance with, Northern Irish law and other than those Documents relating to Scottish assets only which will be governed by and shall be construed in accordance with Scots law) and the parties thereto irrevocably submit to the exclusive jurisdiction of the courts of England.

(16) Redenomination

Pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union and the Treaty of Amsterdam (as amended, the "Treaty"), the third stage of European economic and monetary union commenced on 1st January 1999 and the value of the Euro as against the currencies of the member states participating in the third stage of European economic and monetary union was irrevocably fixed and the Euro became a currency in its own right. The United Kingdom may at some future date participate in the third stage of European economic and monetary union or otherwise participate in European economic and monetary union in a manner with similar effect to such third stage. On an Interest Payment Date falling on or after such date, the Issuer may, on giving notice to the holders of the Residuals, and with the prior written consent of the Trustee, redenominate all of the Residuals into Euro and take such other measures as may be necessary in respect of the Residuals.

(17) Third Party Rights

No person shall have any right to enforce any term or condition of the Residuals under the Contracts (Rights of Third Parties) Act 1999.

UNITED KINGDOM TAXATION

The following is a summary of the United Kingdom withholding tax treatment at the date hereof of payments of principal and interest in respect of the Notes. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes (other than in relation to the Notes paragraphs 3, 4, 5 and 6 below). The comments relate only to the position of persons who are absolute beneficial owners of the Notes and may not apply to certain classes of persons, such as dealers.

The following is a general guide and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their professional advisers. 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 jurisdiction), 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.

1. UK Withholding Tax

The Notes issued by the Issuer will constitute “quoted Eurobonds” provided they are and continue to be listed on a recognised stock exchange (for the purposes of section 841 of the Income and Corporation Taxes Act 1988). The Irish Stock Exchange is 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 or deduction for or on account of United Kingdom income tax.

Interest on the Notes may also be paid without withholding or deduction for or on account of United Kingdom income tax where the Issuer reasonably believes that the person beneficially entitled to the interest is (i) a company resident in the United Kingdom, (ii) a company not resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which is required to bring the interest into account in computing its profits chargeable to United Kingdom corporation tax or (iii) a partnership each member of which is a company described in (i) or (ii). This is subject to the proviso that the United Kingdom Revenue and Customs does not give a direction that it has reasonable grounds for believing that it is likely that none of (i), (ii) or (iii) above will be satisfied at the time the payment is made.

In cases falling outside the exemptions described above, interest on the Notes will, subject to some exceptions, be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty.

2. Provision of Information

Noteholders 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 (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 the United Kingdom Revenue and Customs details of the payment and certain details relating to the Noteholder (including the Noteholder’s name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and 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 the United Kingdom Revenue and Customs may, in certain cases, be passed by the United Kingdom Revenue and Customs to the tax authorities of the jurisdiction in which the Noteholder is resident for taxation purposes.

3. Accrued Income Scheme – Individual Noteholders

A transfer of a Note by a Noteholder who is not within the charge to United Kingdom corporation tax but is resident or ordinarily resident in the United Kingdom or a Noteholder who carries on a trade in the United Kingdom through a branch or agency to which the Note is attributable, may give rise to a charge to income tax under the “accrued income scheme”.

4. Taxation of Chargeable Gains – Individual Noteholders

As a result of the provision for redenomination of the Sterling Notes into euro, it is not expected that the Sterling Notes will be treated by the United Kingdom Revenue and Customs as “qualifying corporate bonds” within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992.

As the Euro Notes are denominated in Euro, they will not be regarded by the United Kingdom Revenue and Customs as constituting “qualifying corporate bonds” within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992.

Accordingly, a disposal (including a redemption) of Notes by an individual Noteholder who is resident or ordinarily resident in the United Kingdom or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of chargeable gains, depending on the individual circumstances of the Noteholder.

5. United Kingdom Corporation Tax Payers

In general, Noteholders that are within the charge to United Kingdom corporation tax in respect of the Notes will be charged to tax and obtain relief as income on all returns on and fluctuations in value of the Notes broadly in accordance with their statutory accounting treatment.

6. Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the Notes.

7. European Union 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 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.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, 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.

SUBSCRIPTION AND SALE

Each of the Managers have, pursuant to a subscription agreement dated on or around 9 March between, *inter alios*, the Managers and the Issuer (the “**Subscription Agreement**”), jointly and severally agreed with the Issuer that the Managers will in accordance with the terms of the Subscription Agreement, subscribe for and purchase the Aa Notes at the issue price of 100 per cent. of their principal amount, the Ac Notes at the issue price of 100 per cent. of their principal amount, the Ba Notes at the issue price of 100 per cent. of their principal amount, the Bc Notes at the issue price of 100 per cent. of their principal amount, the C Notes at the issue price of 100 per cent. of their principal amount, the D Notes at the issue price of 100 per cent. of their principal amount. The Issuer will pay to the Managers a combined management, underwriting and selling fee of 0.23 per cent. of the principal amount of the Rated Notes on issue. The Issuer will sell the E Notes directly to Investec and will issue the MERCs and Residuals directly to Investec.

The Subscription Agreement is subject to a number of conditions and may be terminated by the Managers in certain circumstances prior to payment for the Notes to the Issuer. Under the terms of the Subscription Agreement, the Issuer has agreed to indemnify the Managers against certain liabilities in connection with the issue of the Notes.

Set out below is a summary of the principal restrictions on the offer and sale of the Notes and the distribution of documents relating to the Notes.

United Kingdom

Each of the Managers has represented to and agreed 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 FSMA) received by it in connection with the issue or sale of any 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.

United States of America

The Notes have not been and will not be registered under the Securities Act or any United States State securities laws, and may not be offered or sold within the United States or to, or for the account of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Each of the Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the date the Notes were first offered to persons other than distributors in reliance on Regulation S and the Issue Date, within the United States or to, or for the account or benefit of, a U.S. person, and it will have sent to each dealer to which it sells the A Notes, B Notes, C Notes or D Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the A Notes, B Notes, C Notes or D Notes within the United States or to, or for the account or benefit of, U.S. persons. In addition, until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions

permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

No action has been taken by the Issuer or the Managers outside the United Kingdom which would or is intended to permit a public offer of the Notes in any country or jurisdiction where action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any A Notes, B Notes, C Notes or D Notes in any country or jurisdiction where action for that purpose is required and neither this Prospectus nor any other offering circular, 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 applicable laws and regulations.

Germany

Each of the Managers has represented, warranted to, and agreed with the Issuer that it has not offered or sold and will not offer or sell any Notes in Germany other than in accordance with those provisions of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) which permit the sale and offering of securities without the publication of a prospectus and any other legal and regulatory requirements applicable in Germany governing the issue, offering and the sale of securities.

France

Each of the Managers has represented and agreed that:

- (i) it has only made and will only make an offer of Notes to the public (*appel public à l'épargne*) in France in the period beginning (i) when a prospectus in relation to those Notes has been approved by the *Autorité des marchés financiers* ("AMF"), on the date of such publication or, (ii) when a prospectus has been approved in another Member State of the European Economic Area which has implemented the EU Prospectus Directive 2003/71/EC, on the date of notification of such approval to the AMF, and ending at the latest on the date which is 12 months after the date of approval of such Prospectus, all in accordance with articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF; or
- (ii) it has only made and will only make an offer of Notes to the public in France (*appel public à l'épargne*) and/or it has only required and will only require the admission to trading on Euronext Paris S.A. in circumstances which do not require the publication by the offeror of a prospectus pursuant to articles L.411-2 and L.412-1 of the French *Code Monétaire et Financier*; and
- (iii) otherwise, it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus or any other offering material relating to the Notes, and that 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*) other than individuals, all 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*.

Ireland

Each of the Managers has represented and agreed that it will not underwrite, offer, place or do anything in or involving Ireland with respect to the Notes:

- (a) otherwise than in conformity with the provisions of the Investment Intermediaries Act 1995 of Ireland, as amended, including, without limitation, Sections 9 and 23 (including advertising restrictions made thereunder) thereof and the codes of conduct made under Section 37 thereof or, in the case of a credit institution exercising its rights under the Banking Consolidation Directive (2000/12/EC of 20th March, 2000) in conformity with the codes of conduct or practice made under Section 117(1) of the Central Bank Act 1989 of Ireland, as amended;
- (b) otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland and any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland by the IFSRA, a constituent part of the Central Bank and Financial Services Authority of Ireland; and
- (c) otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland by the IFSRA, a constituent part of the Central Bank and Financial Services Authority of Ireland.

General

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. Under the Subscription Agreement, each of the Managers have acknowledged that, save for making such application and the delivery of a copy of the Prospectus for registration to the Irish Financial Services Regulatory Authority, no action has been or will be taken in any jurisdiction by it that would permit a public offering of the Notes, or possession or distribution of the Prospectus (in proof or final form) or any amendment or supplement thereto or any other offering material relating to the Notes in any country or jurisdiction where action for that purpose is required. Under the Subscription Agreement, each has agreed to comply with all applicable laws and regulations in each jurisdiction in or from which it may offer or sell the Notes or have in its possession or distribute the Prospectus (in proof or in final form) or any amendment or supplement thereto or any other offering material.

The Seller has covenanted in the Mortgage Sale Agreement that it shall not transfer the MERCs or the Residuals or any interest in the MERCs or the Residuals except on arm's length terms and that it will procure that any transferee of the MERCs or the Residuals (i) represents in writing to the Issuer that the transfer of the MERCs or the Residuals or interest in the MERCs or the Residuals is on arm's length terms; and (ii) covenants in writing to the Issuer that it shall only make a further transfer of the MERCs or the Residuals or any interest in the MERCs or the Residuals (a) on arm's length terms; and (b) if the person to whom it transfers the MERCs or the Residuals or interest in the MERCs or the Residuals represents and covenants in writing to the Issuer on the same terms as (i) and (ii).

GENERAL INFORMATION

1. The issue of the Notes has been authorised by resolution of the Board of Directors of the Issuer passed on 8 March 2007.
2. It is expected that listing of the Notes on the Official List of the Irish Stock Exchange will be granted on or around 13 March 2007, subject only to the issue of the Global Notes. It is estimated that the total fees and expenses related to the admission to trading will be approximately €5,782.40. The listing will be cancelled if the Global Notes are not issued.
3. NCB Stockbrokers Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Irish Stock Exchange for the purposes of the Prospectus Directive.
4. The Notes, MERCs and Residuals have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The table below lists the Common Codes and International Securities Identification Numbers (“ISIN”) for the Notes.

	<i>Common Code</i>	<i>ISIN</i>
Aa Global Note	28718900	XS0287189004
Ac Global Note	28719272	XS0287192727
Ba Global Note	28719213	XS0287192131
Bc Global Note	28719345	XS0287193451
C Global Note	28719221	XS0287192214
D Global Note	28719264	XS0287192644
E Global Note	28790562	XS0287905623

5. The Issuer is not nor has it been involved in any legal, arbitration or governmental proceedings which may have or have had since its date of incorporation a significant effect on its financial position nor is the Issuer aware that any such proceedings are pending or threatened.
6. In relation to this transaction the Issuer, on or around 9 March 2007, has entered into the Subscription Agreement referred to under “*Subscription and Sale*” above.
7. The financial year end of the Issuer is 31 March. Since the date of incorporation, the Issuer has not commenced operation and no financial statements have been made up as at the date of this Prospectus. The first statutory financial statements of the Issuer will be prepared for the period ended 31 March 2008.
8. Since 10 January 2007 (being the date of incorporation of the Issuer), there has been no material adverse change in the financial position or prospects of the Issuer and no significant change in the trading or financial position of the Issuer.
9. The Issuer intends to provide quarterly investor reports regarding the securities to be admitted to trading and the performance of the underlying collateral. The quarterly report will be obtainable from www.lawdeb.com (which website, for the avoidance of doubt, does not form part of this Prospectus) in electronic form.
10. The auditors of the Issuer are, as at the date of this Prospectus, KPMG LLP, who are regulated by a number of authorities, but primarily by The Institute of Chartered Accountants in England & Wales, of which they are members, in respect of audit. In addition, KPMG LLP

is authorised and regulated by the Financial Services Authority in respect of activities regulated by the FSMA.

11. Copies of the following documents may be physically inspected during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the principal office for the time being of the Issuer being as of the Issue Date at 35 Great St. Helen's London EC3A 6AP and at the specified offices for the time being of each of the Paying Agents for the life of the Prospectus:
- (a) the Memorandum and Articles of Association of the Issuer;
 - (b) the Subscription Agreement;
 - (c) draft versions of the following agreements (subject to non-material modifications):
 - (i) the Bank Agreement;
 - (ii) the Cash/Bond Administration Agreement;
 - (iii) the Deed of Charge;
 - (iv) the Guaranteed Investment Contract;
 - (v) the Interest Rate Cap Agreements;
 - (vi) the Interest Rate Swap Agreements;
 - (vii) the Currency Swap Agreements;
 - (viii) the Liquidity Facility Agreement;
 - (ix) the Corporate Services Agreement;
 - (x) the Master Definitions Schedule;
 - (xi) the Mortgage Administration Agreement;
 - (xii) the Mortgage Sale Agreement;
 - (xiii) the Scottish Declarations of Trust;
 - (xiv) the Paying Agency Agreement;
 - (xv) the Post Enforcement Call Option;
 - (xvi) the Standby Servicing Agreement;
 - (xvii) the Special Servicer Agreement; and
 - (xviii) the Trust Deed.

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